Forum on due diligence in the garment and footwear sector

ROUNDTABLE FOR POLICY MAKERS

22 FEBRUARY 2022
VIRTUAL EVENT

OECD

About the Roundtable for Policy Makers

Held in lead-up to the OECD Forum on Due Diligence in the Garment and Footwear Sector, this fourth annual Roundtable will convene policy makers from across key economies engaged in the garment and footwear sector and its supply chain – in virtual format – to discuss policy options for enabling and promoting vibrant and responsible supply chains in the garment and footwear sector.

In recent years key market economies for the garment sector have introduced mandatory due diligence requirements for retailers and brands, with more in the pipeline, including the EU's Sustainable Corporate Governance Directive, which will include mandatory due diligence requirements. This year's roundtable will focus on understanding different perspectives on the accompanying support that will be necessary to ensure due diligence laws lead to greater engagement and capacity building in garment production countries. A tour de table will allow governments to share key policy updates that affect responsible supply chains in the sector.

Read more about the annual Policy Maker Roundtable.

Participant information

The Roundtable for Policy Makers is only for government officials from OECD member and Adhering governments and governments from key economies in the garment and footwear sector along with representatives from intergovernmental organisations.

The Roundtable is by invitation only.

Date, time and access information

Tuesday, 22 February 2022 11:00-15:30, Paris time (CET), held in virtual format. **Please register here for the 2022 event.**

Chatham House Rule

The Roundtable is held under the Chatham House Rule: Participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

Languages

English-French interpretation is available during this Roundtable.

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Supported by the European Commission

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AGENDA

Tuesday 22 February 2022

The Roundtable will be chaired by **Christine KAUFMANN**, Chair of the OECD Working Party on Responsible Business Conduct.

11:00 – 11:30 **1. Opening of the Roundtable**

Mathilde MESNARD, Acting Director, Directorate for Enterprise and Financial Affairs, OECD

Madelaine TUININGA, Head of Unit, DG Trade, European Commission

11:30 – 13:00 **2. Tour de table, RBC policy updates relevant to the garment and footwear sector**

This session will give the opportunity to participants to share relevant government policy updates from the last 12 months to promote responsible supply chains in the garment and footwear sector.

These may include for example, information about: new and emerging supply chain legislation; significant government-backed multi-stakeholder initiatives; or investment and trade regimes.

13:00 – 13:30 Break

13:30 – 15:15 **3. Deep dive session: Accompanying support for mandatory due diligence measures**

To maximise the effectiveness of mandatory due diligence, governments introducing due diligence law have recognised the need to support implementation with a series of "accompanying measures" so that appropriate training, tools, technology, financial and other support is made available to companies and their suppliers to enable companies to meet the law's expectations. For more information please see the background note.

In this session, governments from across the value chain will share perspectives on which types of accompanying measures should be prioritised, and how governments can work together to harmonise such support and actions.

Scene-setting

Barbara BIJELIC, Financial Sector and Regulatory Engagement Lead, Centre for Responsible Business Conduct, OECD

Speakers

Matthias ALTMANN, Senior Expert Corporate Sustainability, DG INTPA, European Commission

Thuy NGUYEN, Vietnam Industry Agency (VIA), Ministry of Industry and Trade, Viet Nam

Magdalena JENTZSCH, Senior Policy Officer, Sustainable Textile Supply Chains / Sustainable Consumption, Federal Ministry for Economic Cooperation and Development, Germany

Dilara BEGUM, Commercial Counsellor, Embassy of Bangladesh to France

Lauren WESSEL, Policy Officer RBC, Ministry of Foreign Affairs, Netherlands

Sebastián GOMEZ FIEDLER, Head of RBC Division, OECD National Contact Point, General Directorate of Multilateral Economic Relations, Undersecretariat of International Economic Relations, Chile

Maylis SOUQUE, Secretary General, OECD National Contact Point Secretariat, Head of CSR at Treasury Directorate, Ministry of Economy, France

Dan REES, Director, ILO Better Work Programme

Discussion with Roundtable participants

Summary and reflections

Tyler GILLARD, Head of Due Diligence, Centre for Responsible Business Conduct, OECD

Christine KAUFMANN, Chair of the OECD Working Party on Responsible Business Conduct

15:15 – 15:30	**4. Looking forward and closing, led by Chair**

Background reading

Accompanying measures to support the key objectives of mandatory due diligence

In recent years key market economies for the garment sector have introduced mandatory due diligence requirements for retailers and brands, with more in the pipeline including the EU's Sustainable Corporate Governance Directive.

To maximise the effectiveness of mandatory due diligence, supporting measures are necessary to address potential barriers to implementation such as capacity and resource constraints, in particular for SMEs and in developing countries, as well as potential unintended consequences such as de-risking or de facto embargos.

Accompanying measures could include the following (a non-exhaustive list):

1) Guidance, training and practical support

Enterprises will need to understand the practical implications of the due diligence framework. In this respect governments can support with the development of issue or sector specific guidance, aligned with the OECD Guidance, and ensure access to tools to support companies in the identification, prevention/mitigation, remediation and reporting of risks and harms. Governments can also be involved in developing or sponsoring the development of tailored guidance for example for SMEs, different segments of the supply chain, and so on.

Training and capacity building programmes can raise awareness of due diligence expectations as well as technical capabilities to respond to those expectations. In some cases, the capacity-building and technical support offered at the national level may also be shared with counterparts in other countries.

Developing templates to support due diligence can facilitate aligned expectations across practitioners. These may include: model supply chain policies, clauses for supplier contracts, suggested information checklists that industry schemes should request from suppliers standard reporting templates or frameworks.

Effective due diligence requires accurate, credible and up-to-date information on supply chains, as well as RBC risks, across sectors and geographies. To support companies, governments may consider consolidating existing trade and custom data on origin of raw materials, intermediate products and services, and making such information accessible to the market. This could help to significantly reduce the costs for each company to collect and obtain such information independently.

Providing thematic or country-specific risk-based information to companies can be an important tool to advance RBC due diligence. For example, the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor[1] supports companies to pinpoint areas where the risk of child labour or forced labour is high.

2) Promoting global standards and international coordination

Governments can support companies in undertaking due diligence across global supply chains by promoting the broader uptake of high environmental and social standards, and ensuring an international level playing field for companies. This includes, for instance, the promotion of global standards on responsible business conduct set by the OECD, the UN Working Group on Business and Human Rights and the ILO and supporting global actions to address most salient human and labour rights violations. Promoting uptake of international RBC standards globally and particularly in producing countries can help to avoid regulatory fragmentation and conflicting standards. Roundtables such as this one may

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[1]List compiled by the U.S. Bureau of International Labor Affairs, available here: List of Goods Produced by Child Labor or Forced Labor | U.S. Department of Labor (dol.gov), accessed on 4 February 2022.

also play a role in creating a dialogue to encourage governments to promote the relevant global standards.

Integrating RBC standards and requirements for due diligence into investment policies and agreements can help ensure accountability of companies and governments abroad. Some countries have included such criteria in their investment laws.

Governments also can support effective due diligence through enabling cross-border collective action and stakeholder engagement. Examples of this include the government-backed garment sector agreements initiated in the Netherlands and Germany, respectively[2].

Likewise collaboration and support between trade partner governments can help reduce the burden on companies and promote efficiencies. Such cooperation may include providing technical support to boost government monitoring frameworks, for example building up labour inspections capacity, and in turn increasing trust in existing mechanisms and reducing duplicative audits.

3) Streamlining processes and recognition of credible due diligence schemes

Governments also have an important role to play in streamlining RBC expectations. This can help in alleviating the burden for companies of complying with RBC expectations. This may involve developing mutual recognition agreements and schemes. It can also involve promoting convergence of certification and standards, for example development of national certification schemes aligned which international RBC standards. Governments could also consider the option of nationally accredited conformity assessment bodies or other accredited bodies to assist with the monitoring and assessment of due diligence processes.

Governments can also consider the role of existing industry and multi-stakeholder initiatives in enabling due diligence. However it is important that governments recognise that existing initiatives may not fully align with due diligence expectations and furthermore that company participation in an initiative or scheme is not a guarantee of compliance with the initiative's underlying standards. OECD Alignment Assessments can serve as a tool to governments in this respect.

OECD Alignment Assessments of Industry and Multi-Stakeholder Programmes

Industry-led and multi-stakeholder initiatives that incorporate due diligence expectations can represent a strong inducement for companies to carry out due diligence and provide valuable opportunities for shared learning. However, a proliferation of expectations at a domestic level or across initiatives can create challenges for businesses operating globally who may be subject to various expectations. The OECD Garment Guidance is the negotiated and government-backed benchmark for due diligence by industry, multi-stakeholder and government-backed initiatives. To help support a common understanding of due diligence while also enabling cross-recognition between programmes, in 2018 the OECD launched a pilot process to assess the alignment of multi-stakeholder and industry initiatives with the OECD Garment Guidance. This process, called the OECD Alignment Assessment process, is voluntary and has been piloted with the Sustainable Apparel Coalition (2019), the Partnership for Sustainable Textiles (2020), the Dutch Agreement for Sustainable Garment and Textiles (2020) and Fair Wear Foundation (forthcoming). In 2022-23 the OECD will conduct further pilot assessments, including of certification standards[3].

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[2] German Partnership for Sustainable Textiles, see more information here: Startseite - Bündnis für nachhaltige Textilien (textilbuendnis.com); Dutch Agreement on Sustainable Textiles and Garments, see more information here: Agreement garments and textile sector | IRBC Agreements (imvoconvenanten.nl), both accessed 4 February 2022.

[3] The OECD Alignment Assessment process also exists for the Minerals sector, and tools are being developed for other sectors. More information can be accessed on the OECD's Alignment Assessment webpage.

4) Financial support or incentives

Access to financial support will be important for ensuring companies can respond to due diligence expectations in their supply chains. This may include, for example, special financing instruments for business to have preferable rates for loans related to supply chain improvements or other forms of financial support such as tax credits or subsidies.

Favourable loans could be offered through public financial institutions. Governments can also work with private banks and insurance companies to encourage them to provide incentives for good RBC performance. SMEs in particular may need assistance with access to finance and other resources. For example in France, the OSEO public investment bank offers loans at favourable rates and without collateral for SMEs who adopt environmentally friendly technologies or develop new ones.

Tax exemptions and incentives have been introduced in many OECD countries to lessen the short-term costs of investing in environmental technologies and green practices. For example, in Japan the government provides reductions in corporate tax based on the use/adoption of cleaner and climate-friendly technologies. In the Netherlands, the Environmental Investment Allowance (MIA) enables companies to deduct environmental investments from taxes up to 36% of the investment cost.

Access to financial support in producing countries will likewise be critical to ensuring companies can respond to due diligence expectations when operating or sourcing from countries without country due diligence legislation. Official development assistance and other SDGs-related partnerships can be harnessed to support the implementation of due diligence processes by domestic and foreign businesses. Financing initiatives that provide discounted financing to suppliers based on their environmental and social performance, such as the IFC's Global Trade Supplier Finance programme[4], can also be valuable. More broadly, financial support to address root causes of harm in global value chains, such as informality, poverty, corruption and overall lack of enforcement of environmental, labour or criminal law, is also particularly important.

[4] https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/global+trade/gtsf2, accessed 04 February 2022.