



OECD Forum on Due Diligence in the Garment and Footwear Sector

2022

Keynote remarks by DSG Takeuchi

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(1170 words~11 min)

Introduction

Dear Senator, excellencies, business and trade union leaders, distinguished colleagues, ladies and gentlemen,

- I am pleased to welcome you today to the 8th annual OECD Forum on Due Diligence in the Garment and Footwear Sector.
- I am delighted that over 2000 representatives from governments, business, trade unions and civil society have registered to join us.
- I would like to thank the European Union for its generous support for this event.
- Over the next two days we look forward to a series of lively discussions and I invite all of you to engage actively by exchanging ideas, perspectives, and good practices.

Context

- Garment and footwear businesses make significant contributions to economic growth, employment and skills

development in many developing and developed economies across the globe.

- But for many in this sector, the past two years have been particularly challenging.
- Millions of workers in key production countries were furloughed or laid off, some without payments owed or severance pay.
- In a sector where women form the majority of the workforce, they have disproportionately borne the brunt of these impacts.
- Today, we see that the global economy is recovering, along with trade, employment and incomes.
- The OECD's latest Economic Outlook, which was released before the Omicron wave got underway in earnest, projects global GDP to increase by 4.5% this year before moderating to 3.2% in 2023.¹
- But the recovery is unbalanced. Different countries, businesses and people face different economic realities.
- Imbalances remain with:
 - acute labour shortages in some sectors;
 - a persistent gulf between supply and demand;
 - and high food and energy costs.
- An economic recovery on its own is not enough.
- The COVID pandemic has underscored the need to rethink how we do business.
- This includes the impact business operations have on our people, on our planet, and also the business models that made the sector, its workers, communities and the environment, so vulnerable to global shocks.

Key current trends

¹ OECD (2021), OECD Economic Outlook, Volume 2021 Issue 2, No. 110, OECD Publishing, Paris

- Since our last Forum, important progress has been made to apply the lessons learned from the COVID-19 crisis.
- The progress has also been made to consider ways to strengthen business models for a more responsible sector, based on the key principles of the OECD Due Diligence Guidance.
- Let me highlight three major trends that demonstrate this progress:

First trend: introduction of mandatory due diligence legislation

- First: We are seeing governments introduce mandatory due diligence legislation, driving new models for promotion of due diligence standards.
- From the new German Supply Chain Act to the draft EU Directive on Due Diligence the alignment of such laws with OECD global standards will bring immense value to the sector.
- This value comes, on the one hand, from the creation of a level playing field for business, by encouraging wide uptake of OECD-aligned due diligence and avoiding conflicting standards.
- On the other hand, the implementation of a risk-based approach – which runs as a common thread throughout the OECD's due diligence standards – creates value and impact.
- It encourages companies to direct resources appropriately to prioritise the most severe harms.
- The challenge now is implementation. Legislative approaches to promoting RBC need to be accompanied by supporting measures to ensure successful outcomes.
- Yesterday, policymakers from across key economies in the garment and footwear sector met at this Forum to discuss

which supporting measures will particularly facilitate the successful roll out of due diligence law in this sector.

- These include training, financial incentives and RBC promotion.
- I hope we can count on your support to continue this conversation and these efforts.
- As part of our work in this area, the OECD last year launched free e-Learning modules on due diligence. In the coming days we will add new modules for the garment and footwear sector.
- This is just one of the ways we continue to raise awareness and build capacity among businesses and stakeholders on risk-based due diligence.

Second trend: increased demand for application of sustainable finance practices

- The second trend we are observing is the increased demand by investors and stakeholders for the take up and application of sustainable finance practices.
- Financing is one of the greatest barriers that manufacturers in the garment and footwear sector face to free up capital for investing in their business and workforce.
- This is why sustainable finance is becoming increasingly important for this sector and many others.
- But for sustainable finance to fully deliver on its promise to align financial flows with the transition to low-carbon economies, we need more reliable, credible and robust ESG practices.
- At the OECD, we are committed to strengthening sustainable finance practices, through better alignment of ESG data, ratings and net-zero pathways with internationally recognised standards of responsible business conduct.

- This will help to make sure that all market participants – including in the garment and footwear sector – are making investment decisions based on complete information.
- At the corporate level, we see ESG performance considered in the context of company credit ratings.
- We are also seeing increased offerings of sustainability-linked financing models requiring businesses to report on their responsible business practices as a condition of a loan.
- This suggests that banks increasingly value responsible business practice and transparency as a sign of a good investment.
- Innovative programmes such the International Finance Corporation's Global Trade Supply Chain Programme provides short-term financing to suppliers.
- It can also link the pricing of their instruments to the suppliers' social and environmental performance.
- With this growing body of transparency and data on responsible business conduct, we call on all financial and development institutions to adopt similar models to shake up the incentives for businesses to act responsibly.

Third trend: new forms of collaboration

- A third key trend is that newer forms of collaboration on due diligence are strengthening capacity at the foundation of the supply chain – driven by workers and manufacturers.
- This represents a sea-change since we know that traditional compliance approaches driven by brands through their supply chains, have had limited effects.
- We see innovative and inspiring models of collaboration that empower workers. Binding agreements between companies and unions on health and safety or freedom of association, monitored by unions, hold great promise.

- A key example is the International Accord for Health and Safety in the Textile and Garment Industry, a new expanded worker safety pact with 165 company signatories.
- Collaboration among manufacturers on responsible purchasing practices is bringing an important new source of leverage to the buyer–supplier relationship.
- This collaboration can help to prevent destructive races to the bottom on standards and ensure workers' needs are put front and centre.

- The OECD is proud to support these efforts through its peer-led manufacturers network, comprising more than 20 garment and footwear manufacturers associations across the globe.

Conclusion

- With these three trends in mind, the challenge is to support and continually improve these cross-stakeholder, cross-supply chain collaborations, which can help to solve the sector's many challenges together.
- You can count on the OECD's support in this endeavour as we take up these key opportunities to transform the sector's business models.
- This would contribute to an inclusive, resilient and vibrant sector, which leaves no worker or community behind.
- Thank you and I wish you an excellent Forum.