

# OECD Forum on Due Diligence in the Garment and Footwear Sector

16 -17 February 2023

## HIGHLIGHTS REPORT

The Forum was organised in hybrid format with close to 400 participants in Paris and 1000 joining online. Representatives from governments, business, trade unions, international organisations, sustainability initiatives, academia and civil society shared their expertise and perspectives in [eight panel discussions](#) on a range of due diligence issues from increasing worker engagement in due diligence, to producer perspectives on due diligence legislation, to identifying risks in circular textile value chains.

In the [opening session](#), Nazma Akter, a former child garment worker and now union leader and founder of a labour rights NGO in Bangladesh, urged participants to redress the power imbalances - between women and men, between workers and employers, and between suppliers and buyers - that are still a root cause of the social and labour rights challenges in the sector. She marked the tenth anniversary of the tragic collapse of the Rana Plaza factory building and underlined the importance of the OECD Garment and Footwear

*“We do not want charity or aid, we want respect, we want our profit, and we want our dignity.”*

Nazma Akter, Awaj Foundation

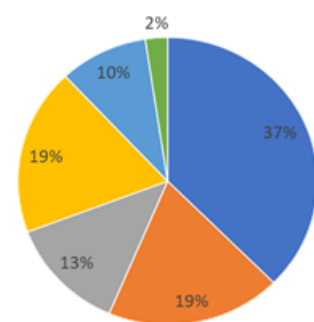
Forum as a neutral space for critical reflection and the joint search for effective approaches and solutions.

The Forum was increasingly diverse and inclusive of producer countries. More than half of the 40 speakers were female (55%), and voices were represented from across the value chain and geographies through speakers from Europe, the US, Japan, China, India, Bangladesh, Myanmar, Viet Nam, and South Africa. The largest group of stakeholders present was business (37%), followed by governments and IOs (19%) and civil society (18%). Partners in Morocco and Viet Nam contributed to discussions through a local pre-Forum event in Casablanca, and the integration of a live panel from Hanoi in a [Forum session](#).

New and upcoming OECD tools to support company due diligence were featured at the Forum, including [handbooks for businesses](#), policy notes on [risk-based due diligence](#) and [sustainability initiatives](#), and practical assessment tools for initiatives and enterprises such as the new [OECD Due Diligence Checker](#) tool launched jointly with the German government.

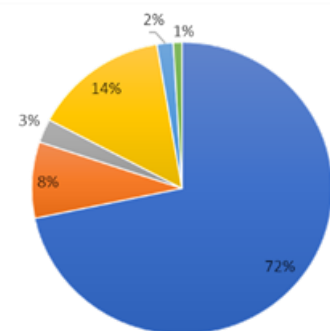
Over [50 virtual side sessions](#) organised by stakeholders took place preceding the forum, accessible via the Forum side session agenda, bringing additional views and topics to the attention of the Forum community.

Online and onsite participants (by sector)



- Business
- Civil society / NGO
- Others (incl. media)
- Governments and IOs
- Academia / ind. experts
- Workers' orgs / TUs

Online and onsite participants (by region)



- Europe
- North America
- LAC
- Asia and Pacific
- MENA
- Sub-Saharan Africa



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## SESSION HIGHLIGHTS AND TAKEAWAYS

### Closing living wage gaps in garment supply chains: From commitment to action

The session took stock of current industry and government efforts towards living wages, highlighted existing methodologies, examples of collaboration and best practice and examined remaining key structural obstacles impeding sustainable change. Key messages included:

- Social dialogue and collective bargaining must have a key role in wage setting. Benchmarks are a key tool for engagement, moving beyond thinking of the living wage as a target number, to considering the range of factors that apply in calculating an accurate living wage and updating it according to the evolving economic context. Correlation of productivity increases or skills development with living wage estimations may not be adequate given that productivity gains do not always manifest in higher wages.
- Good practices by brands for implementing living wage commitments include: agreeing on a roadmap with specific steps to be taken each year, framing living wage differentials as a bonus to avoid supply chain disruption, collaborating with other brands to increase leverage on common suppliers, and accounting for wages in costing processes and purchase orders.
- Governments have a role to play in supporting progress towards living wages by ensuring that collective bargaining, freedom of association and social dialogue are not hindered, by addressing structural challenges like investment and social safety gaps, or by incentivising responsible purchasing practices.
- Practical tools such as the forthcoming [OECD handbook for companies to enable living incomes and wages in global supply chains](#) can be useful to guide companies to concrete action and facilitate sector-wide collaboration and alignment of methodologies and practices.

[Watch the session here on replay.](#)

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### Assessing RBC due diligence implementation: Reflecting a risk-based approach

The panel explored options for assessing companies' due diligence efforts and considered which sources of information and meaningful indicators of progress could be considered in assessments. Key messages included:

- Assessing companies' due diligence efforts is essential to understand if reporting requirements, voluntary commitments but also legal obligations on due diligence are effectively implemented.
- Many adverse impacts (e.g. on freedom of association), are repeatedly not detected in audits. Moving towards a dynamic, risk-based due diligence approach instead can help.
- The risk-based approach focuses companies' attention and resources. It requires companies to prioritise their most severe risks and impacts and not to track every product or supplier. It requires companies to tailor their due diligence to the nature of risks and impacts instead of following an 'one size fits all' approach.
- Current reporting requirements mostly measure inputs (e.g. number of trade unions; existence of a grievance mechanism), however, indicators need to measure outcomes for

*"We all know and understand now that the compliance-based approach is not working and we cannot audit ourselves out of the problems in this industry."*

Hester Janssens, Fair Wear Foundation

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workers (e.g. effective social dialogue, remedy). Dialogue with rightsholders is a core source of information across all 6 steps of the due diligence approach, and can be achieved through direct engagement, local awareness raising, working with trade unions and trusted partners, and creating safe spaces.

Links to cited resources:

- Human Rights Watch (2022): [Obsessed with Audit Tools, Missing the Goal](#)
- OECD (2022): [Translating a risk-based due diligence approach into law.](#)

[Watch the session here on replay.](#)

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## Due Diligence of circular value chains: Addressing the risks associated with circular processes

The panel looked at regulatory developments, rising consumer expectations, and disruption of material input supplies as drivers of the transition to circularity in the garment and footwear sector. The panellists then examined the processes within circular garment and footwear supply chains (collection, sorting, recycling etc) and the new supply chain relationships involved. They considered how due diligence practices need to be focused to accommodate new risks and structures associated with circular processes. Key messages included:

- The sector is confronted with an unprecedented number of regulatory proposals, with 16 pieces of binding legislation affecting the textile sector in preparation at the EU level alone. While regulation is welcomed and already anticipated by the industry, many in the industry call for it to be carefully designed to avoid tick-box legislation, and to create a level playing field based on harmonised standards and accompanied by enforcement capacity.
- Availability of recycled materials in the garment sector is currently a key constraint for the progress of companies transitioning to circular processes. However, the increasing demand for recycled fibres is creating new economic opportunities and potentially the development of a vibrant new sub-sector.
- With the transition to circular approaches, we see new ways of collaborating in the sector, for instance fashion brands working directly with spinners of recycled fibres to increase availability of circular materials in their markets.

[Watch the session here on replay.](#)

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## Worker engagement and the role of trade unions in due diligence

Panellists identified obstacles to meaningful worker engagement, shared best practice examples, and discussed approaches how to improve worker engagement in the sector. Key messages included:

- Freedom of Association (FoA) and the Right to Collective Bargaining (CB) are not only fundamental rights but enable well-functioning industrial relations and are expectations of the ILO MNE Declaration, UNGPs and OECD MNE Guidelines. However, in 2022, workers were denied the right to FoA in 113 countries according to the [2022 ITUC Global Rights Index](#).



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- Companies need to actively engage workers and trade unions in every step of the due diligence process but need to reflect on barriers such as workers' technical understanding (including of due diligence itself), language, accessibility of information, and cultural differences.
- Brands can engage with global unions through industry initiatives (e.g. The International Accord, ACT); national union federations (e.g. on country specific risks); and factory level unions (e.g. mitigation/prevention measures design, risk assessment).
- Brands can promote and ensure FoA and CB, e.g. through their supplier management processes; incentives for suppliers; facilitating discussions at factory level; raising awareness among workers and management; engaging with employer associations; setting up complaints mechanisms; and collaborating with other brands.

*"To organise 30-40% of workers in a factory it takes 2-3 years, we go door to door. But we still try to do it."*

Nazma Akter, Awaj Foundation

*"We need to understand what is the problem from the workers' perspective."*

Andrei Vasiliev, Bestseller

[Watch the session here on replay.](#)

## Greenwashing your clothes?

### Addressing unsubstantiated sustainability claims in the garment and footwear sector

The panel reflected on recent investigations by consumer market authorities that found that product sustainability claims used by companies and retailers are often not sufficiently backed up by product-specific data and are too generic or selective. Key messages included:

- Consumer authorities are not only investigating whether garment and footwear companies' claims are clear enough but increasingly, whether claims are sufficiently documented.
- Such investigations and consumer scrutiny has led to reluctance among some brands to make claims ("green hushing"). It was debated whether this could be a necessary step while the sector reflects on the use of claims.
- Claims need to be truthful (substantiated, clear, relevant, understandable, comprehensive), transparent (sufficient information / data at the time of marketing) and backed-up by a robust system that is checking the claims. To make claims more credible, panellists outlined several approaches such as:
  - Striving for harmonised regulation and developing additional technical guidance that defines credible claims and the necessary evidence;
  - Creating a common framework on the measurement of sustainability attributes of products and processes and use of third party certification;
  - Reflecting on the current emphasis on material choice and possible integration of labour issues in claims;
  - Increasing the transparency of data behind claims and reflecting on the costs and benefits of traceability
  - Increasing resources among authorities to investigate claims.

*"We need a way to differentiate who is doing better and who does not do anything"*

Jeremy Lardeau, SAC

*"Greenwashing misleads consumers, is unfair business and marketing practice and masks the true scale of the problems that we face"*

George Harding-Rolls, Changing Markets Foundation

[Watch the session here on replay.](#)



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## Implementing impactful due diligence: a practical perspective from Vietnam

This session facilitated a conversation between stakeholders across the value chain speaking from Hanoi and Paris on the effective implementation of human rights and environmental due diligence policies and accompanying support measures. They discussed how mandatory human rights and environmental due diligence (mHREDD) can present an opportunity for a predominantly producing country like Vietnam through targeted accompanying support measures and sound national policies that address domestic risks. Key messages included:

- Increasing due diligence expectations from international buyers create both challenges, when the cost and burden of due diligence is placed on suppliers, and opportunities for producer countries to establish themselves as a sustainable sourcing destination.
- Private sustainability standard schemes can play an important role as part of a smart mix of support measures but need to evolve with forthcoming mHREDD and prove their usefulness in helping companies meet their due diligence obligations.

[Watch the session here on replay.](#)

*"We need strategies that allow suppliers to negotiate with buyers - not in a one-way but rather a two-way, partnership approach. This is at the heart of the German legislation."*

Anosha Wahidi, BMZ Germany

*"The essence of due diligence is not about risk transfer, rather it is about risk sharing."*

Matthijs Crietee, IAF

*We are thinking how can we have a mutual recognition mechanism so that brands can acknowledge the audit results of the others"*

Luu Tien Chung, VITAS (quote from live English interpretation)

*"By reducing human rights risks, you also reduce other business risks, they are inherently linked to each other."*

Joy Roeterdink, Suit Supply

## Due diligence in conflict-affected and high-risk contexts: Enhanced due diligence or responsible disengagement?

A diverse panel discussed approaches to conducting due diligence in conflict-affected and high-risk contexts encompassing enhanced due diligence practices and questions around responsible disengagement. Key findings included:

- Even in situations of conflict, issues affecting worker welfare are often the same as everywhere, first and foremost the need for wages to keep up with the rising cost of living. But there are also important additional considerations specific to conflict situations like allowing time off for participation in demonstrations, or (mis-)use of cameras in factories.
- A focus on risk-based due diligence is even more important in conflict contexts where conflict-specific risks need to be prioritised. Here additional guidance on "enhanced due diligence", tailored to this sector, is needed.
- Shrinking space for worker engagement makes meeting due diligence obligations difficult. Use of brand leverage on suppliers is ever more important.
- To guide companies on responsible sourcing from conflict areas, it is important to create a safe space for the sector to discuss common action, exchange experience and share data.

*"It is not a question of whether a company should stay or go, but if you can carry out due diligence in Myanmar. If a company's code of conduct requires respects for freedom of association, the circumstances in the country must be deemed unacceptable."*

Christina Hajagos-Clausen, IndustriALL Global Union

*"By engaging as a company in discussions with local labour rights groups on wages and labour conditions you can have leverage. By leaving the country, it is difficult to see how you can have an influence on local conditions."*

Karina Ufert, EuroCham Myanmar

[Watch the session here on replay.](#)



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## Due diligence costs and responsibilities: Collaborative approaches to buyer supplier relationships

A multi stakeholder panel examined different ways to ensure equal distribution of RBC due diligence costs and responsibilities across the supply chain and discussed different methods to balance the burden of cost across due diligence activities, for example: compliance, inspections, audits, remediation etc, and their limitations. Key findings included:

- Intentions in the industry to establish a stable and fair distribution of the costs of due diligence across the supply chain seem to be limited by a number of factors: the lack of commitment and engagement by brands; contract clauses that shift cost and responsibility towards suppliers; a trend towards cut-and-run; due diligence not being reflected when doing costing calculations; and unfair purchasing practices, among others.
- Current industry examples of sharing costs included: sectoral agreements (e.g. the [International Accord](#) which facilitates brand funding for activities to maintain safe workplaces and comply with upgrades and support for remediation where appropriate); bilateral partnerships (e.g. Shahi – International Organization for Migration (IOM) collaboration on a [Migrant Workers Centre](#)); a joint statement with other manufacturers to demand brands endorse and adopt minimum purchasing practices (e.g. [STTI](#)); a complaint mechanism on purchasing commitments (e.g. [ACT on Living Wages](#)); and practical contractual tools to avoid shifting due diligence responsibility (e.g. [MCC Contract Clauses](#))
- The evolving regulatory landscape has the ability to support progress towards equal distribution of costs (e.g. to regulate purchasing practices, and create penalties for order cancellations) but also presents risks of disengagement if not adequately designed or accompanied by support measures.

[Watch the session here on replay.](#)

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Thank you for being part of this year's OECD Forum.

We look forward seeing you at the 10th OECD Forum on Due Diligence in the Garment and Footwear Sector in the week of 19 February 2024.



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