

Recommendation of the Council on the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

OECD Legal Instruments



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# **Background Information**

The Recommendation on the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereafter, the "Recommendation") was adopted by the OECD Council on 17 May 2017 on the proposal of the Investment Committee (hereafter, the "IC"). The purpose of the Recommendation is to support observance of the Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereafter the "Guidance"). The Recommendation calls on Members and non-Members having adhered to it (hereafter, the "Adherents") and, where relevant, their National Contact Points (hereafter, the "NCPs") to actively promote the use of the Guidance by enterprises operating in or from their territories; and ensure the widest possible dissemination of the Guidance and its active use by enterprises and stakeholders. Adherents are also called upon specifically to take measures to support the adoption of the due diligence framework for responsible supply chains set out in the Guidance.

#### The need for a standard on garment and footwear supply chains

The IC has been working on responsible business conduct from different angles since 1976 when the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct [OECD/LEGAL/0144] were adopted (last updated in 2023) (hereafter the "MNE Guidelines"). The MNE Guidelines provide a comprehensive framework of responsible business conduct, covering all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition, and taxation.

Following the 2011 update of the MNE Guidelines, which established an expectation that companies conduct due diligence to identify and address risks of adverse impacts in their supply chains, the IC, through the Working Party on Responsible Business Conduct (hereafter, the "WPRBC"), developed specific Due Diligence Guidance covering different sectors of the economy (e.g. in mineral and agriculture supply chains).

Enterprises operating in the garment and footwear sector have the potential to generate growth, employment and skill development through their own operations and sourcing. However, human rights violations, labour abuses and harm to the environment by enterprises are prevalent throughout the supply chain in this sector. The tragic collapse of the Rana Plaza factory building in Dhaka, Bangladesh, in April 2013, illustrated the severity of risks in the sector. With the growing recognition that responsible business practices through the entire supply chain are necessary to achieve sustainable and inclusive growth, the OECD observed increased demand amongst Members and non-Members and within the G7 and G20 for greater clarity on how enterprises can operate responsibly in global garment and footwear supply chains. Specifically, the <u>Ministerial Communiqué on Responsible Business Conduct</u> (RBC) adopted in 2014 and the <u>G7 Leaders' Declaration</u> adopted in 2015 welcomed international efforts to promulgate industry-wide due diligence standards in the sector. Likewise, National Contact Points (NCPs) issued a <u>statement</u> in 2013 and a <u>statement</u> in 2014 on the applicability of OECD standards on responsible business conduct to the Rana Plaza Tragedy.

#### Process for developing the Recommendation

In March 2015, in response to this demand, the OECD initiated a two-year multi-stakeholder consultation process to develop a due diligence guidance specific to the garment and footwear supply chain. This included the establishment of a multi-stakeholder Advisory Group, chaired by Germany, which included 54 representatives from Member and non-Member governments, business, trade unions, civil society, and relevant international organisations to support the development of this specific guidance.

The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereafter, the "Guidance") was approved by the WPRBC and the IC in October 2016 and January 2017 respectively. It was publicly launched on 8 February 2017 at the <u>OECD Roundtable on Due Diligence in the Garment and Footwear Sector</u>. Following the finalisation of the Guidance, the Recommendation was adopted by the Council on 17 May 2017.

#### Scope of the Recommendation and Guidance

The Recommendation focuses on the efforts that Adherents should make to actively promote the observance of the Guidance by companies operating in or from their territories, as well as to ensure the widest possible dissemination of the Guidance.

By adhering to the Recommendation, Members and non-Members express their commitment and political will to promote the use and observance of the Guidance and support a common, transnational understanding that can help to create certainty and a level playing field for business regarding their responsibilities to conduct due diligence for responsible supply chains in the garment and footwear sector. While enterprises themselves are the audience of the Guidance, governments have a duty to protect the public interest and a role in creating an enabling environment for responsible business conduct.

For its part, the Guidance provides recommendations for all enterprises operating in the garment and footwear supply chain on how to implement due diligence in line with the MNE Guidelines in their own operations and in their supply chains through a 6-step framework:

- Section I: Includes a set of recommendations on how enterprises in the garment and footwear sector should conduct due diligence in order to avoid and address potential negative impacts of their activities and supply chains. The recommendations are applicable to all risks that an enterprise may face in its own operations and supply chain in the sector.
- Section II: Provides enterprises with recommendations on how to tailor their due diligence approach when addressing specific risks such as child labour; sexual harassment and sexual and gender-based violence in the workplace; forced labour; working time; occupational health and safety; trade unions and collective bargaining; wages; hazardous chemicals; water; greenhouse gas emissions; bribery and corruption; and sourcing from homeworkers.

The Guidance is available in the following languages: Arabic, Chinese, German, Japanese, Polish, Portuguese, Spanish, Ukrainian, and Vietnamese, at <u>this address</u>.

For further information please consult: <u>https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm</u>. Contact information: rbc@oecd.org.

## Implementation

#### **OECD** Implementation Programme

As part of the OECD's Responsible Supply Chains in the Garment and Footwear Sector Implementation Programme (hereafter the "Implementation Programme"), the OECD Secretariat conducts a wide range of activities for the garment and footwear sector, including outreach and training to Adherents and non-Adherents, research and analysis, peer learning and knowledge sharing and market-oriented research and technical advice (see for further information <u>Guidelines for MNEs - Organisation for Economic Co-operation and Development (oecd.org)</u>). Through the support of Adherents and in consultation with the Garment Advisory Group, counting over 30 experts from governments, business, trade unions and civil society, the Implementation Programme focuses on:

• Outreach, e.g. raising awareness of the Guidance and convening and building consensus

amongst stakeholders on pressing issues within the sector and within select geographies;

- Technical support, e.g. driving policy coherence on due diligence within the sector and assessing alignment of due diligence initiatives;
- Capacity building and training, e.g. for stakeholders on conducting due diligence;
- Research, e.g. on supporting the measurement of the uptake and impact of due diligence.

The Implementation Programme plays a critical role in dissemination activities. One key event to engage non-Adherents is the Policy Maker Roundtable (PMRT) held during the annual OECD Garment Forum. The Implementation Programme also has included specific engagement with Bangladesh, the People's Republic of China ("China"), India, Myanmar, and Viet Nam since 2017.

Key activities receiving attention and support from Adherents since 2017 include:

- OECD Alignment Assessments of sustainability initiatives;
- Issuing practical tools for enterprises on due diligence and living wages (forthcoming 2023), climate (forthcoming 2023) as well as a pilot on public procurement with public buyers of textiles (2021);
- Bringing stakeholders together through the annual OECD Garment Forum, the Policy Maker Roundtable, and the Manufacturers Network;
- Capacity building such as an e-learning course on the Guidance, training sessions as well as workshops with NCPs especially in Latin America and Caribbean and Asia;
- Research on measuring uptake and incentives of due diligence, emerging issues, gaps in implementation and trends in the sector;
- · Tools and support mechanisms for SMEs conducting due diligence;
- Engagement with key production countries.

#### 2023 Report to Council

In the Recommendation, the Council instructs the IC to monitor the implementation of the Recommendation and to report to Council no later than five years following its adoption and as appropriate thereafter. A report on the dissemination, implementation, and continued relevance was presented to Council in 2023.

The <u>2023 Report</u> to Council found that the picture regarding implementation of the Recommendation – i.e. implementation of Adherent governments' commitments to disseminate and promote the observance of the Guidance – is mixed. Some Adherents have demonstrated strong implementation, while others have remained inactive. Overall, findings suggests very low uptake of the Recommendation and Guidance since 2017. Fifteen Adherents of the 49 Adherents covered in the reporting period are known for more substantive implementation activities. Of particular concern is that some Adherents with a large share of enterprises operating in the garment and footwear sector have not undertaken any significant implementation of the Recommendation. Adherents that are actively involved in the Implementation Programme are making the most significant efforts.

Promotion, engagement, and monitoring of the uptake of the Guidance by enterprises has been limited among many Adherents as, for example, only twelve Adherents of the 49 Adherents covered are known to have implemented and/or have reported substantial and repeated efforts to promote the Guidance. Measures to support, enable and incentivise implementation of due diligence by enterprises have also been limited with, for example, 17 Adherents reporting sector specific activities to support, enable, or incentivise the use of the Guidance by enterprises or collaborative initiatives. Implementation of the Recommendation is positive in some respects, but on balance there is still much that can be done.

The 2023 Report concluded that the Recommendation continues to be relevant since uptake and awareness among many enterprises is still limited in many areas, thus illustrating the importance of Adherents carrying out more promotion activities and developing more support tools and incentives for promoting observance of the Guidance by enterprises. In view of the Recommendation and the Guidance's continued relevance, Adherents should maintain - and in most cases increase - their efforts to reach out to enterprises producing, trading, or processing garments and footwear products to both better disseminate the Guidance as well as promote its observance. The many Adherents who are not thus far engaged could consider actively participating in the Implementation Programme and make efforts to better understand the due diligence needs and challenges of enterprises operating in or from their territories.

The Report also concluded that the IC, through the WPRBC, may wish to consider whether any practical steps are needed to ensure the coherence and consistency of the Guidance and related work with other OECD legal instruments, including the other Recommendations of the Council on the Due Diligence Guidance and the updated MNE Guidelines.

### THE COUNCIL,

**HAVING REGARD** to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

**HAVING REGARD** to the Declaration on International Investment and Multinational Enterprises [C(76)99/FINAL], the Decision of the Council on the OECD Guidelines for Multinational Enterprises [C(2000)96/FINAL as amended by C/MIN(2011)11/FINAL] (hereafter the "Decision on the Guidelines"), the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Recommendation of the Council on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas [C/MIN(2011)12/FINAL, as amended by C(2012)93], the Recommendation of the Council on the Policy Framework for Investment [C(2015)56/REV1], the Recommendation of the Council on the OECD-FAO Guidance for Responsible Agricultural Supply Chains [C(2016)83] and the Recommendation of the Council on the Extractive Sector [C(2016)100];

**RECALLING** that the common aim of governments recommending the observance of the Guidelines for Multinational Enterprises (hereafter the "Guidelines") is to promote responsible business conduct;

**RECALLING FURTHER** that the Decision on the Guidelines provides that the Investment Committee shall, in co-operation with National Contact Points, pursue a proactive agenda in collaboration with stakeholders to promote the effective observance by enterprises of the Guidelines with respect to particular products, regions, sectors or industries;

**CONSIDERING** the efforts of the international community, in particular the International Labour Organization, to promote responsible supply chains in the garment and footwear sector;

**RECOGNISING** that building responsible supply chains in the garment and footwear sector is critical to sustainable development, promoting inclusive growth particularly for women who make up the overwhelming majority in this sector, respecting labour and human rights, and meeting international standards on the environment;

**RECOGNISING** that governments, international organisations, enterprises and civil society organisations can draw on their respective competences and roles to build responsible garment and footwear supply chains that benefit society at large;

**NOTING** that due diligence is an on-going, proactive and reactive process through which enterprises can prevent and mitigate adverse impacts related to human rights, labour rights, environmental protection, and bribery and corruption in their own operations and in their supply chains;

**HAVING REGARD** to the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector [C(2017)63/ADD1] (hereafter "the Guidance"), that may be modified as appropriate by the Investment Committee;

**NOTING** that this Guidance proposes a framework for due diligence describing the processes that enterprises should follow to identify, assess, mitigate and account for how they address the actual and potential adverse impacts associated with their activities or business relationships and includes detailed measures for preventing such impacts in relation to child labour, sexual harassment and sexual and gender-based violence in the workplace, forced labour, working time, occupational health and safety, trade unions and collective bargaining, wages, hazardous chemicals, water, greenhouse gas emissions, bribery and corruption, and responsible sourcing from homeworkers.

#### On the proposal of the Investment Committee:

I. **RECOMMENDS** that Members and non-Members adhering to this Recommendation (hereafter the "Adherents") and, where relevant, their National Contact Points to the Guidelines (hereafter the "NCPs"), actively promote the use of the Guidance by enterprises operating in or from their territories with the aim of ensuring that they observe internationally agreed standards of

responsible business conduct in garment and footwear supply chains in order to prevent the adverse impacts of their activities and contribute to sustainable development;

**II. RECOMMENDS**, in particular, that Adherents take measures to actively support the adoption of the due diligence framework for responsible supply chains in the garment and footwear sector set out in the Guidance by enterprises operating in or from their territories;

**III. RECOMMENDS** that Adherents and where relevant their NCPs, with the support of the OECD Secretariat, ensure the widest possible dissemination of the Guidance and its active use by enterprises (including raw material and fibre producers, material manufacturers and processors, components manufacturers, footwear and garment manufacturers, brands, retailers and their intermediaries), as well as promote the use of the Guidance as a resource for stakeholders such as industry associations, trade unions, civil society organisations, multi-stakeholder initiatives, and sector-initiatives, and regularly report to the Investment Committee on any dissemination and implementation activities;

**IV. INVITES** Adherents and the Secretary-General to disseminate this Recommendation;

V. **INVITES** non-Adherents to take due account of and adhere to the present Recommendation;

**VI. INSTRUCTS** the Investment Committee to monitor the implementation of the Recommendation and to report to Council no later than five years following its adoption and as appropriate thereafter.

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- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.
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