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# Executive Summary for Policy Makers – Enhancing Transparency and Traceability of Sustainable Value Chains in the Garment and Footwear Sector

## A mapping of policies, regulations and guidelines

*Summary*

Traceability and transparency in value chains are key drivers of sustainable production and consumption. They promote human rights, decent work and environmental sustainability and can help ensure health and wellbeing for all. In fact, the implementation of traceability and transparency systems can efficiently address information asymmetry between producers and consumers, thus enhancing accountability and trust.

In order to determine supporting measures and approaches, an analysis of national, European and international instruments was carried out, providing an overview of the existing frameworks in place to advance traceability, transparency, sustainability and circularity in value chains, with a specific focus on the garment and footwear industry. This document provides a summary of key findings from the detailed mapping of policies, regulations and guidelines for transparency and traceability in value chains presented in document ECE/TRADE/C/CEFACT/2021/INF.3.

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# I. Introduction

1. Traceability and transparency in value chains are key drivers of sustainable production and consumption. They promote human rights, decent work and environmental sustainability and can help ensure health and wellbeing for all. In fact, the implementation of traceability and transparency systems can efficiently address information asymmetry between producers and consumers, thus enhancing accountability and trust.

2. To determine possible supporting measures and approaches, an analysis of national, European and international policies, regulations, guidelines and initiatives was carried out. The mapping provides an overview of the existing frameworks in place to advance traceability, transparency, sustainability and circularity in value chains, with a specific focus on the garment and footwear industry.

3. The goal was to identify relevant measures, adopted for various industries, to understand the impact such measures might have in devising an integrated and coherent approach to advancing transparency and traceability in the industry. The analysis also revealed specific gaps in the garment and footwear sector where a collaborative effort from all stakeholders is needed.

4. The mapping, showing what governments and international organizations have already done in different industries, offers a useful background for considering possible further actions. The mapping can assist identifying the best possible mix of actions for the development and scaling up of an infrastructure to enable and advance traceability and transparency in the garment and footwear sector, with a view to promoting responsible management in global value chains.

5. The mapping has been conducted in connection with of the United Nations Economic Commission for Europe (UNECE) - United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) project “Enhancing traceability and transparency of sustainable value chains in the garment and footwear sector” and is presented in document ECE/TRADE/C/CEFACT/2021/INF.3. It aims to support efforts to contribute to Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development, particularly those related to inclusive and sustainable economic growth and decent work (SDG 8); resilient and sustainable infrastructures, industrialization and innovation (SDG 9) and sustainable consumption and production patterns (SDG 12).

# II. Methodology and research process

6. The approach for assessing the measures to be considered by policymakers and industry players drew upon an in-depth analysis of a wide array of existing instruments from countries and organizations worldwide. These measures have been reflected in UNECE Recommendation N°46 “Enhancing traceability and transparency of sustainable value chains in the garment and footwear sector” (ECE/TRADE/C/CEFACT/2021/10).

7. In particular, the assessment reviewed instruments from several geographical areas, both binding and non-binding, garment and footwear specific, and with a broad scope. It looked at instruments including legislation, resolutions, working documents, guidelines and multi-stakeholder initiatives.

8. The instruments analysed and included in this mapping are grouped according to the following criteria:

- Industrial sector (agri-food, fishery, garment and footwear, mining, timber, cross-industry);
- Geographic scope (national, subregional/regional, global); and
- Chronological order.

9. For each instrument, the mapping provides a short description, an overview of the specific provisions related to traceability and transparency, the source, and other relevant

information such as the type of instrument, when it was enacted, when it came into effect, and the enforcement conditions (ECE/TRADE/C/CEFACT/2021/INF.3).

# III. Key findings

10. The policy and regulatory framework is changing fast, particularly at the European level, since governments and institutions are increasingly recognizing the fundamental role of traceability and transparency, across diverse sectors, to accelerate the transition towards circularity and to empower consumers and businesses with more responsible consumption and production choices. The analysis emphasizes the following key aspects:

11. **Traceability and transparency:** On one hand, there is comprehensive and mandatory legislation covering traceability for food products and animal welfare in several countries (e.g., the Chinese Food Safety Law, 2015; the United States (US) Food Safety Modernization Act, 2011; the Japanese Beef Traceability Law, 2003; and the European Union (EU) Regulation 178/2002). On the other hand, there is a lack of specific requirements concerning products, processes and organizations' traceability in garment and footwear value chains. However European institutions are starting to develop measures to strengthen supply chain traceability aimed at creating sustainable value chains, avoiding misleading practices and improving transparency of garment and footwear products, processes and organizations globally (e.g. the Chemicals Strategy for Sustainability, 2020; the EU Circular Economy Action Plan, 2020; the European Parliament (EP) Resolution on the EU Flagship Initiative on the Garment Sector, 2017; and the Commission Staff Working Document on Sustainable Garment Value Chains through EU Development Action, 2017).

12. **Due diligence**: There exist several international guidelines (such as the Organisation for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, 2018), national legislation and legislative proposals that mandate due diligence to encourage enterprises to be responsible for respecting human rights and the environment throughout their supply chains and in their international operations (e.g. the Canadian Modern Slavery Act, 2020; the Dutch Child Labour Due Diligence Act, 2019; the Australian Modern Slavery Act, 2018; the French Corporate Duty of Vigilance Law, 2017; the US Trade Facilitation and Trade Enforcement Act, 2016; the United Kingdom Modern Slavery Act, 2015; the EU Non-Financial Reporting Directive, 2014; and the California Transparency in Supply Chain Act, 2010). Harmonized policies at the international and regional level can help to create a level playing field on both enterprises across jurisdictions and on access to remedies for victims of corporate human rights and environmental violations (e.g. the EU Due Diligence Legislation, by 2021; the EU Conclusions on Global Value Chains, 2016; and the EU Council Conclusions on Business and Human Rights, 2016).

13. **Sustainability claims**: European institutions are taking steps to substantiate sustainability claims to provide consumers with clear, trustworthy, easy to understand and verifiable information, empowering consumers and encouraging enterprises to make responsible consumption and production choices (e.g. the European Commission's New Consumer Agenda, 2021; the EU Initiative on Substantiating Green Claims, 2020; the EU Circular Economy Action Plan, 2020; and the EP Resolution on the EU Flagship Initiative on the Garment Sector, 2017). The analysis revealed key actions that could be used to achieve this objective: the adoption of a standard methodology to assess the impacts of companies on the environment, the development of clear guidelines and standards on sustainability claims, and the introduction of a stronger monitoring and enforcement system to tackle misleading claims (e.g. the EP Resolution Towards a more Sustainable Single Market for Business and Consumers, 2020; and the European Green Deal, 2019).

14. **Circularity:** At the European level, there is a commitment to put legislative and non-legislative traceability and transparency measures in place in support of a the transition to a circular economy (e.g. the Chemicals Strategy for Sustainability, 2020; and the EU Circular Economy Action Plan, 2020). To contribute to the circularity of products in the EU market, the European Union is putting in place an EU strategy on textiles with specific measures on traceability and transparency to tackle the presence of hazardous chemicals and to empower

consumers and public buyers by disclosing trustworthy and relevant information about products at the point of sale.

15. **Digitalization:** Digitalization can play a key role in tracking the journey of products and processes and to make the resulting data securely accessible and reliable (e.g. the EU Circular Economy Action Plan, 2020; Digital Strategy, 2020). Advanced technologies and digital solutions such as blockchain technology, product passports, and DNA markers can support traceability systems in the exchange of data between stakeholders, allowing information to travel with products and materials across a value chain, thus contributing to radical transparency for consumers.

16. **Incentives:** Most laws do not provide for incentives to develop costly traceability systems. However, research points to the importance of providing financial and non-financial support for companies, especially for micro, small and medium-sized enterprises (MSMEs). Several options exist: *Public procurement,* with the inclusion of green and social criteria in public purchasing policies, can help promote responsible production and consumption. This is provided by legislation in several countries and regions such as the Asia, Australia, Canada, Europe, South Africa and United States (e.g. the EU Directives 2004/18/EC and 2004/17/EC). *Extended producers responsibility (EPR) schemes*, where producers are given responsibility for the treatment or disposal of their post-consumer products, can represent an incentive for behavioural change. Examples can be found in legislation in EU countries (e.g. in 2020 four Italian legislative degrees for a circular economy and French anti-waste law no. 2020-105 were adopted). *Preferential tariffs*, applicable to for fair and sustainable garment and footwear products can offer complementary tools (e.g. EP Resolution on the EU Flagship Initiative on the Garment Sector, 2017).

17. **Informal actors, women, and other vulnerable groups**: Thus far, traceability and due diligence processes give limited consideration to the risks and impacts arising for informal actors, women, homeworkers and other vulnerable groups. Research points to the importance of establishing social and economic protection policies and legislation to support these actors and to ensure an inclusive approach to traceability systems. This includes the participation of their representatives in policy making, including on aspects such as the sharing of data through digital technologies, greater transparency and accountability (OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, 2018; EP Joint Staff Working Document on Gender Equality and Women's Empowerment, 2018; Commission Staff Working Document on Sustainable Garment Value Chains through EU Development Action, 2017).

18. The mapping can assist identifying the best possible mix of actions to enable and advance traceability and transparency in the garment and footwear sector, with a view to promoting responsible management in global value chains.