

Adaptation of National Guidelines on Responsible Business Conduct for Ready- Made Garment Sector

Stakeholder-Consultation Background Note

Programme
Tuesday, 30th April 2024

Venue: Institute of Chartered Accountants of India (ICAI) Tower, G Block, Opp. MCA Academy, Besides Standard Chartered Bank, Bandra Kurla Complex, Bandra (East), Plot no C-40, Avenue 3, Mumbai, Maharashtra 400051

Organised by:

School of Business Environment | SBE



Indian Institute of
Corporate Affairs

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(Ministry of Corporate Affairs, Govt of India)

Facilitated by:

Toxics Link

Rationale for Sectoral Adaptation of National Guidelines on Responsible Business Conduct (NGRBC):

In 2019, the Ministry of Corporate Affairs, with technical inputs from the Indian Institute of Corporate Affairs released the National Guidelines on Responsible Business Conduct (NGRBC), which was also endorsed by the Hon'ble Prime Minister Shri Narendra Modi. While releasing the guidelines, it was envisaged that a sector-specific toolkit would be ideal to aid businesses in better adoption of the NGRBC in a given industry/sector with specific needs and situations. Taking this vision forward, IICA, took the initiative to adapt the NGRBC to the Ready-Made Garments sector in India, especially focusing on **Tier 1 and Tier II**, i.e., RMG Brands and Manufacturers. An Advisory Committee was constituted in 2022 to guide the process of development of the RMG Sector-Specific NGRBC Adaptation Toolkit.

About Ready-Made Garments (RMG) Sector:

India's domestic garment market was estimated to be US\$ 68 billion in 2019 which has grown at an annual growth rate of 9% in the last 5 years. About 45 million people are employed by India's RMG sector, which makes it the largest employment provider for all sectors. The garment manufacturing supply chain is one of the most diverse supply chains in India. Of it, 60-70% of units are unorganized which is characterized by MSME in specific clusters across the country.¹ This aspect throws light on various social issues in the sector ranging from child labour, and gender-based pay inequality to other pertinent labour rights issues.

Apart from this, the garment manufacturing value chain is a resource and GHG emissions-intensive and contributes immensely to toxic waste accumulation, making it one of the most polluting manufacturing value chains in India as chemicals are integral part of readymade garment production and are used throughout the supply chain.² Unfortunately, many of these chemicals pose serious risks to human health and the environment, for instance, synthetic chemicals used in textiles, such as nonylphenol, PFAS, phthalates etc., have been identified as hazardous, with potential far-reaching impacts on human health. Consequentially, workers in the textile industry, who are often exposed to these chemicals, and bear the brunt of the associated toxicity and health risks. It becomes a crucial issue as a growing textile industry will lead to a consequential increase in the chemicals used in textile processing, the market value of which is projected to reach USD 33.1 billion by 2026.

Similarly, in the garment production stage, the harmful health impacts of handling toxic dyes during the dyeing process without protective equipment compounded with long working hours, poor working conditions and low minimum wages are other labour-related impacts of this industry.³ Moreover, the discharge of these chemicals into the ecosystem has severe consequences, contaminating rivers and groundwater and adversely affecting local communities. Compounding the issue, many of these chemicals persist in the final textile products, posing risks to end-users as they come into contact with human skin.

About the Project and Progress Till Date:

Considering these and many other critical issues in the RMG sector in India, four (4) in-person Advisory Committee meetings were held which entailed detailed principle-wise deliberations on the NGRBC.

The Draft Document adopts the structure of the NGRBC, however, based on the nature of the business operations of RMG Brands and Manufacturers, distinctions in the action points are made at appropriate places. Following table depicts the key highlights of the RMG-Sector Specific Toolkit:

¹ Nikam, J. (2022). Gaps, challenges and drivers for environmentally sustainable textile and garment manufacturing in India. Stockholm Environment Institute.

² Hasanuzzaman. (2016). Indian Textile Industry and Its Impact on the Environment and Health: A Review. International Journal of Information Systems in the Service Sector. 8. 46. 10.4018/IJISSS.2016100103.

³ Muthu, Subramanian Senthilkannan. (2014). Assessing the Environmental Impact of Textiles and the Clothing Supply Chain. Assessing the Environmental Impact of Textiles and the Clothing Supply Chain. 1-194.

Principles of NGRBC	Key Highlights of the RMG Sector-Specific Toolkit
Principle II	<ul style="list-style-type: none"> Adds specific environmental and social risks and impacts of the RMG sector such as water and energy use, impact on human rights, etc., in order to aid RMG Businesses to communicate such material information to their stakeholders across the value chain.
Principle VI	<ul style="list-style-type: none"> Adds guidance for RMG Brands to ensure that RMG Manufacturers, their suppliers (including home-based suppliers), Retailers, Transporters and Warehousing Partners also formulate appropriate policies, procedures and measures taken to mitigate their adverse impacts on environment at all locations and all stages of their lifecycle. Adds guidance related to appropriate reporting frameworks where RMG Manufacturers can disclose the abovementioned policies, procedures and measures. Guidance is added for RMG Manufacturers regarding the efficient and sustainable use of their specific inputs like water, fabric, energy etc and for RMG Brands to persuade RMG Manufacturers and other Suppliers to develop and deploy appropriate strategies and technologies to achieve the above-mentioned purpose. Guidance is added for emissions reduction plan of RMG Businesses to align with the principles of just transition and promote the adoption of nature based solutions, while RMG Manufacturers are specifically guided to build resilience of their factories, suppliers and employees. An indicative list of low carbon intensive and resource intensive technologies such as energy-efficient stitching machine, rooftop solar panels etc. is also added.
Principle IX	<ul style="list-style-type: none"> Elements such as the addition of reuse and recycling information to the information required to be communicated to the consumers for the safe use and disposal of garments are introduced.

Consecutively the draft version of the RMG Sector-Specific NGRBC Adaptation Toolkit was prepared by IICA based on the recommendations received from the Advisory Committee. Further, the Advisory Committee had advised that specific consultations with the RMG Industry representatives are to be held as the guidelines are to be implemented and adopted by the industry. A Stakeholder Consultation was held in New Delhi on 17th January 2024 with representations from RMG Brands, Manufacturers and other stakeholders. Recently, a stakeholder consultation was conducted in Tiruppur, Tamil Nadu, on 20th February 2024.

About the Consultation:

IICA has taken a proactive stance in collaboration with Toxics Link in addressing sustainability concerns within the Ready-Made Garments (RMG) sector. IICA, facilitated by Toxics Link, is organizing a stakeholder consultation to facilitate an active exchange of ideas and insights on key environmental issues and challenges prevalent in the RMG industry, in **Mumbai on 30th April, 2024**, in the form of two technical sessions.

As these guidelines seek to provide a framework for sustainable decision-making, covering areas such as environmental protection, worker welfare, resource efficiency, and community engagement, the ultimate objective of this dialogue is to formulate clear and actionable Readymade Garment specific guidelines that can serve as a guidance document for RMG Manufacturers and Brands to incorporate and demonstrate responsible business practices.

The stakeholder consultation will be conducted in a hybrid format, allowing both in-person and virtual participation to accommodate diverse stakeholders from across the country. The agenda will include keynote presentations, group deliberations, group presentations, panel discussions, and networking sessions to encourage active participation and knowledge exchange.

About the Technical Session I (Chemicals in Readymade Garments Sector and its Value Chain):

As existing research studies have expressed serious concerns about the presence of hazardous chemicals in textiles and garments and there is a lack of data on the upstream and downstream management of textile chemicals and associated wastes. Therefore, after holding two stakeholder consultations focusing on key issues prevailing in the RMG sector and its value chain, there was a felt need to undertake a third consultation on environmental issues in this sector, with special emphasis on chemicals. In this context, we are organizing a technical session on chemicals in this sector, which will serve as a crucial platform for fostering dialogue, collaboration, and action towards a more sustainable readymade garment industry, including its value chain, in India. We intend to initiate a discussion on reducing the net chemical consumption in the textile sector and also reducing the net discharge to the environment.

The Technical Session-I will discuss the following issues:

- An overview of the current practices, challenges, and opportunities within the Indian textile industry concerning sustainability;
- Major chemicals of concern used in the textile industry and their health and environmental impacts;
- Challenges in shifting to safer chemicals;
- Supply chain issues in textile sector.

About Technical Session II (Sustainability Issues in Readymade Garment Sector and its Value Chain)

Building on the Technical Session I, through the Technical Session II, we aim to further narrow down the discussion to address, identify and analyze, the key environmental issues/challenges, impacts and mitigation strategies, specific to the Readymade Garment sector and its value chain. By bringing together a diverse group of stakeholders, including manufacturers, suppliers, retailers, and advocacy groups, we endeavour to facilitate a comprehensive discussion that encompasses the entire value chain by holding group deliberations and group presentations on the Draft document.

IICA recognizes that responsible business practices not only contribute to the long-term viability of the RMG sector but also align with broader global SDG goals 2030. By actively involving stakeholders in the dialogue process, IICA seeks to ensure that the guidelines developed are practical, feasible, and consider the diverse perspectives and challenges faced by different entities within the industry.

Expectations from the Delegates:

- To invite insights, comments, suggestions, and feedback from the government, business entities, expert groups and other relevant stakeholders on the draft document prepared for adapting NGRBC for RMG Sector.
- To incorporate insights of the business entities, expert groups and other relevant stakeholders on material environmental and social risks and impacts in the RMG Sector.

As an important stakeholder, we are looking forward to your kind presence in the meeting, which will add immense value to the discussion and outcome of the meeting.

Indian Institute of Corporate Affairs (IICA)

The Indian Institute of Corporate Affairs, an autonomous institute, works under the aegis of the Ministry of Corporate Affairs and provides induction and training to the central civil servants of the Indian Corporate Law Service Cadre. A unique world-class institution functioning as a think tank, action research, policy advocacy, service delivery and capacity-building support to the Ministry, corporate sector, professionals and related stakeholders. It is a holistic think tank and service delivery institute to help corporate growth, reforms and regulation through synergized knowledge management, global partnerships and real-time solutions.

School of Business Environment (SBE)

The School of Business Environment (SBE) at the Indian Institute of Corporate Affairs (IICA), has a mandate to work in the areas of ESG (Environmental, Social and Governance), CSR (Corporate Social Responsibility) and BHR (Business and Human Rights). SBE intends to create knowledge through applied and conceptual research, relevant to the policy makers, business ecosystem and society along with its underlying disciplines, and to disseminate such knowledge through publications and capacity-building programmes. SBE provides technical support to the Government, Corporates and other stakeholders in policy and implementation-related issues. SBE has contributed to the development of various key policies and guidelines like National Guidelines for Responsible Business Conduct (NGRBC), Zeroth Draft of the National Action Plan on Business and Human Rights, Technical Inputs to High-Level Committee on Corporate Social Responsibility, etc. SBE has taken the initiative to adapt the National Guidelines for Responsible Business Conduct (NGRBC) for the Readymade Garment Sector. It set up the Advisory Committee with representatives from key governmental and non-governmental bodies.

Toxics Link:

Toxics Link is an Indian environmental research and advocacy organization set up in 1998, engaged in disseminating information to help strengthen the campaign against toxics pollution, provide cleaner alternatives and bring together groups and people affected by this problem. Toxics Link's Mission Statement - "Working together for environmental justice and freedom from toxics. We have taken upon ourselves to collect and share both information about the sources and the dangers of poisons in our environment and bodies, and information about clean and sustainable alternatives for India and the rest of the world." Toxics Link has a unique expertise in areas of hazardous, plastic, medical and municipal wastes, international waste trade, and the emerging issues of pesticides, Persistent Organic Pollutants (POPs), hazardous heavy metal contamination etc. from the environment and public health point of view. We have successfully implemented various best practices and have brought in policy changes in the aforementioned areas apart from creating awareness among several stakeholder groups. Toxics Link has been working extensively on the issue of plastics for the last couple of decades, focussing both on upstream as well as downstream aspects.