



Meeting report

Third Multi-Stakeholder Policy Dialogue: Accelerating action for Sustainable and Circular Value Chains in Garment & Footwear
23&24 November 2020 – videoconference¹

DAY 1 – MONDAY 23 November 2020 13:00-17:00 CET

- **OPENING – WELCOMING REMARKS**

Ms. Elisabeth Tuerk, Director, Economic Cooperation and Trade Division, UNECE emphasized that sustainable choices need to be made easier for consumers and businesses to advance responsible consumption and production. The pandemic offers an opportunity to develop recovery plans to reverse unsustainable trends and build a sustainable future. While sustainability increasingly sparks interest, an issue of trust stems from the implications around “sustainability”. Visibility of the value chain and companies’ accountability for their claims (origin, human rights and environmental compliance) will be an enabler for risk-informed decisions for consumers and businesses. UNECE-UN/CEFACT project will help building stronger policy coherence and industry-wide engagement, exploring also how technology can turn challenges into opportunities for sustainability.

Ms. Estelle Igwe, Deputy Director, NEPC, Nigeria, and Vice Chair of UN/CEFACT introduced the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) mandated to develop norms, standards and tools for harmonization of trade procedures to make cross-border trade easier and faster. UN/CEFACT has developed more than 40 trade facilitation recommendations and 400 e-business standards which, free of charge, help administrations and the trade community from developed, developing and transition economies to exchange products and services.

Ms. Ivonne Higuero, Secretary-General, CITES Secretariat (Convention on International Trade in Endangered Species of Wild Fauna and Flora) highlighted that UNECE dialogue was an opportunity to bring closer private sector representatives and stakeholders, which have a powerful role to play to commit to the fight for conservation and sustainable use of biodiversity-based resources. The Aichi biodiversity targets² were not achieved due to the lack of engaging with a critical mass of private sector actors. CITES rules apply to numerous species that are especially relevant to members of the garment and footwear industry, further highlighting the project’s relevancy to ensure the legality and traceability of materials.

- **Session #1: Traceability and transparency of value chains: key enablers for sustainability and circularity (13:15–14:00)**

Ms. Elisabeth Tuerk, Director, Economic Cooperation and Trade Division, UNECE moderated the session whereby a joint presentation of the project Enhancing Transparency and Traceability for Sustainable Value Chains in the Garment and Footwear industry was introduced by **Cyril Sayag, Policy Officer, DG DEVCO, European Commission**, who lined up the major challenges stemming from global garment value chains such as complexity, opacity and environment, health and social risks. Considering consumers’ increasing demand for ethically sourced products, traceability of

¹ The meeting was held virtually due to the COVID-pandemic situation as it was not possible to have it in a combined physical-virtual mode as planned originally.

² Convention on Biological Diversity <https://www.cbd.int/sp/targets/>

origin, human rights and environmental compliance, and governments, civil society, investors growing attention for responsible business conduct and due diligence across the whole value chain, the global and practical solutions being developed by the ITC and UNECE are complementary to make a massive difference and a practical implementation of EU legislation in this area. The project fits in the national and regional evolving policy environment toward mandatory due diligence on human rights and the environment, including at the EU level³. In terms of global public goods, **Joseph Wozniak, Head of Trade for Sustainable Development Programme, ITC** highlighted that the project develops social/labour data assessment and data sharing solutions on neutral platforms which enable tremendous cost saving⁴ and increased transparency in supply chains. The ITC is developing technology-based solutions addressing the audit fatigue, filling in a market gap needed to provide convergence and streamline facility audits. Building upon the ITC database of standards, it will support companies translating audits with their suppliers, allowing also companies to benchmark their standards. With [the Social Labour Convergence Programme](#) ITC provides technical and financial resources for Small and Medium-Size Enterprises (SMEs) and upstream entities to be integrated. For the normative process, **Maria Teresa Pisani, Project Manager, Economic Cooperation and Trade Division, UNECE** presented the multi-stakeholder policy platform progress, that is supporting the design of policy approaches and standards for industry actors to embed responsible business conduct through value chain traceability. UNECE is piloting the application of traceability approaches in a blockchain environment and the use of physical markers on products (e.g. DNA marker). The project brings its contribution to enable policy makers to advance the sustainability and circularity regulatory frameworks, through transparency and traceability. It also supports brands and manufacturers, SMEs and factories in their efforts to embrace sustainability and circularity grounded upon internationally agreed standards and initiatives. **Paolo Naldini, Director, Cittadellarte Fondazione Pistoletto** presented the running collaboration between [Cittadellarte Fashion B.E.S.T. PLATFORM](#), Vivienne Westwood through the application of the traceability methodology developed under the UNECE initiative. **Giorgio Ravasio, Group Legal Affairs Manager, Vivienne Westwood** further presented the traceability work to trace back 2020 seasons from raw materials to manufacturers with the example of the denim supply chain. The challenges encountered were the time requested to build trust with partners to collect and share data through the right tools, difficulty to recollect ex-post information and to trace back to the origin and blending of a cotton batch. An agreement to access traceability data could have a facilitating role. **Paul Roeland, Transparency Lead, Clean Clothes Campaign** welcomed UNECE draft policy recommendation, most notably the scope of traceability from raw material production to consumption and post consumption. The standards should be pragmatic and open, human rights and due diligence-driven. Alternatively, worker-driven approaches, wages transparency, the issue of audits, mandatory transparency could be enhanced.

- **Roundtable #1: Global solutions are needed in a fast-changing policy and regulatory landscape**

The roundtable was moderated by **Baptiste Carrière-Pradal, Chair, Policy Hub** who initiated the discussion with the need to build back better textiles policy after COVID pandemic in the short and medium-long term across levels with impact-measurement analysis and fact-based data to keep on target the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda. As per UNECE initiative, standardized process to exchange and share reliable data and information about the origin, raw materials, chemicals, businesses, worker conditions, is needed to ensure interoperability. **Dorothy Lovell, Policy Analyst, Responsible Business Conduct Unit, OECD** emphasized that traceability and transparency systems underpins due diligence. The industry's major challenges to implement such systems are the sector high-level of informality, costs of such systems and capacity-building investments required considering value sharing and inclusiveness of

³ EU mandatory Human Rights and Environmental Due diligence: 2020 Sustainable Corporate Governance Initiative <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12548-Sustainable-corporate-governance>

⁴ Over 500,000 EUR saved for garment facilities in the 2019 initial pilot; projected nearly 50,000,000 EUR savings by 2022

SMEs, smaller actors and vulnerable groups. **Yvonne Chileshe, Expert in Commodities & Value Chains Development, Secretariat African Caribbean and Pacific (ACP) Group of States** pointed out that enhanced transparency and traceability can help restructuring operations' control, quality management with higher efficiency and competitiveness by adding value to the SMEs involved upstream. **Mauro Scalia, Director Sustainable Businesses, EURATEX** welcomed tools to support voluntary traceability, seeking efficiency, cost-benefit analysis and impact assessment of the measures put forward upon SMEs, looking at EU regulatory and market requirements. **Jef Wintermans, Coordinator of the Dutch Agreement on Sustainable Garments and Textile, Social and Economic Council of the Netherlands** underscored the facilitating role of national initiatives as interfaces to promote tools towards the manufacturers and brands. While transparency and traceability used to be threats, the last decade has seen it becoming a requirement for sustainable trade and operations over the long term.

• **Session #2: UNECE Policy Recommendation, Guidelines and Call to Action**

Maria Teresa Pisani, Project Lead, Economic Cooperation and Trade Division, UNECE provided an update on progress achieved regarding the draft policy recommendation since January 2020. Following the development of the project's [stakeholder ecosystem mapping report](#) and [annex](#), the questionnaire for the measures to be covered and the review of more than 100 policy/regulatory instruments across industries (timber, mining, agri-food, garment and footwear) to identify best practices and lessons learned. The [draft Part I of the Recommendation, Part II with the implementation Guidelines](#) has been posted for public review on 20/11/2020 until 20/12/2020, following rounds of informal consultations with the project's subgroups. Based upon the comments received, the revised draft will be submitted to the UN/CEFACT Bureau for approval, to the UN/CEFACT Plenary and the UNECE Commission Session of April 2021 for final endorsement by member States. Part I of the Policy recommendation is about why and how transparency and traceability contribute to policy, regulatory, corporate objectives for sustainability, due diligence and responsible business conduct, the benefits and underlying challenges, the specific measures policy makers should implement to support the industry. The section F lays out the key measures for enhancing transparency and traceability in five cluster areas (1. Norms and standards 2. Incentives to support a traceability system 3. R&D and scaling-up innovation 4. Awareness and consumers education 5. Multi-stakeholder collaborative initiatives). For policymakers, regulation, the adoption and promotion of international standards for data collection and exchange is a key measure, along with consumers' education and non-financial incentives such as sustainable procurement and fast customs clearance. For businesses and industry associations, investments in advanced technologies, product passports and targeted action plans is a key measure. As regard the civil society, public communication and information campaigns play a critical role, as well as collaboration initiatives aiming at achieving industry-wide change.

Virginia Cram-Martos, CEO, Triangularity, and UN/CEFACT project expert provided an update on progress regarding the [draft Part II of the policy recommendation, the Guidelines](#) highlighting its role, as a practical guidance for decision makers at company level on the development of traceability systems to support claims and regulatory compliance for sustainable and circular value chains. It draws upon the 8 components of a traceability system (claims, traceable assets, logistics units, unique identifiers, entry and exit points, traceability models, verification criteria and verification processes). It also develops upon the cost allocation and incentive systems in regard to system development, data collection, certification, inspections and audits, the cost structure's criteria. The supporting role of advanced technologies is another core part of the Guidelines, assessing available technologies, selection and impact-driven criteria. The core aspect of creating inclusiveness in traceability system, as a major challenge and a requirement in such a globalised value chain, is also addressed in the Guidelines. In annex, the action plan proposes a step-by-step approach to frame and implement a traceability system. Traceability information collection for sustainability should take place from raw material production to consumption and post

consumption. The approach developed in the Guidelines to track and trace events for products, processes and facilities look at the who, what, why, when, where. Overall, the Guidelines provide a framework with a basis for increased collaboration across value chains to support the industry's journey towards greater sustainability.

Francesca Romana Rinaldi, Coordinator of SDA Bocconi Sustainability Lab Community for Circular Fashion, and UN/CEFACT project expert provided an overview on the [Call to action](#) which was submitted for [endorsement at 26th UN/CEFACT Plenary](#). It is an open call to all relevant stakeholders and actors in global value chains committed to a responsible and sustainable industry. The commitments to action can build upon new or existing private, public, public-private, civil society-led, foundation/association initiatives (e.g. SDA Bocconi Sustainability Lab Community for Circular Fashion). The call to action is a mechanism to monitor impact of the policy recommendation and facilitate the sharing of experiences and good practices. Building upon other recent calls to action (e.g. [ILO COVID-19 Action in the global garment industry](#), [Civil Society Shadow Strategy](#), the [Transparency pledge](#), [The Fashion Pact](#)), the importance of monitoring initiatives and measuring the outcomes has been identified as a critical element. The secretariat will keep track and report to the member States and general public about the uptake of UNECE recommendations and standard every two years. The call to action has a section dedicated to action's key performance indicators (KPIs) and is considering to adding a reference scheme for sustainability impact-driven evaluation. The monitoring of the action's outcomes must consider the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda, giving visibility to impactful practices, strategic and public awareness initiatives. UNECE may also establish a platform for sharing experiences and lessons learned.

Claudia Di Bernardino, Lawyer, and UN/CEFACT project expert presented the revised mapping of supporting policies, regulations and guidelines. This tool aims at monitoring the evolving policy and regulatory framework and at supporting businesses complying with regulations and policies. It identifies existing national, European and international frameworks to enhance transparency and traceability. The mapping draws upon more than 100 policies, regulations and guidelines mapped across continents and industries (e.g. garment and footwear, agri-food, minerals, cosmetics, timber). The topics covered under the mapping range from due diligence, circularity, human rights, environment, animal welfare, consumers' rights and protection, sustainability claims, labelling and non-financial reporting. The mapping can spark stakeholders' interest according to their relevant activity (research and development purposes, regulatory purposes, consumers and workers' rights and protection, monitoring, assessment, compliance and risks purposes). The mapping establishes a digital knowledge platform about existing regulations, policies and guidelines, thereby supporting an integrated and collaborative approach to reach sustainability goals.

NEXT STEPS

- The [policy recommendation, part I and Guidelines, part II](#) is undergoing a public review from 20 October to 20 December 2020 as per UN/CEFACT Open Development Process. The experts are invited to provide their comments to the secretariat by using the comment's template (word format) made available on the [public's review webpage](#).
- Following UN/CEFACT 26th Plenary, the [Call to action](#) will be submitted for approval during UN/CEFACT 27th Plenary on 19-20 April 2021, as a contribution of UN/CEFACT to the 69th UNECE Commission session on "Promoting the circular economy and sustainable use of natural resources". Interested parties are invited to send to the secretariat their commitments to action from 2021, filling in the template annexed to the Call to action. All the documents are also accessible from the [CUE space](#)⁵ and the [meeting page](#).

⁵ The CUE space is the online space for the experts officially accredited by their UN/CEFACT Head of Delegation. It is a platform regularly updated by the secretariat, where experts can find all meeting agendas, presentations and background documents. The calendar displays the dates of project meetings and monthly subgroups conference calls.

- Considering the [Stakeholders' ecosystem mapping report](#) and [Annex 1](#), an engagement strategy will be developed for the project's stakeholders.
- The policy recommendation desk and field research report is under development.

Reference documents:

1. [Policy Recommendation and Guidelines](#) (as submitted for public review on 20 October 2020)
2. [Call to Action](#) (as submitted for the 26th UN/CEFACT Plenary, [EN – FR - RU](#))
3. [Mapping of supporting policies, regulations and legislations for the Policy Recommendation](#) (draft April 2020)
4. [Stakeholders Ecosystem Report](#) and [Annex 1. Stakeholders in the Garment and Footwear Sector](#) (draft April 2020)

- **Roundtable #2: Accelerating action for circular value chains in garment & footwear**

The second roundtable was moderated by **Francesca Romana Rinaldi, Coordinator of SDA Bocconi Sustainability Lab Community for Circular Fashion, and UN/CEFACT project** who emphasized the meaningfulness of circularity in the resources-intensive garment and footwear industry, and the need to shift from linear economic models to circular economic models retaining products' value (i.e. zero-waste design, product-life extension, resource efficiency). Traceability is an enabler to assess product's characteristics and substantiate the claims laid out by industry actors. Building upon national initiatives, **Daniel Mensch, Sustainable Production & Consumption - Textiles, Swedish Environmental Protection Agency** underscored governments' driving seat to accelerate the transition by supporting financially, facilitating knowledge sharing and bringing relevant parties to collaborate. The EU digital product's passport will be another key measure to enable circularity through the establishment of a nomenclature for textile and across industries. Transparency, traceability and chain of custody are key enablers to close the loop from consumption to post consumption. **Bettina Heller, Program Officer, United Nations Environment Programme** drawing upon the newly published UNEP report⁶, insisted on the importance of implementing circularity at the upstream stage (i.e. chemicals use, reduce by design) and of fostering repairing, recycling and remanufacturing services. Three elements can support embedding circularity into business models: 1. Stronger governments and policies for a level playing field with incentives; 2. Collaboration and financing (e.g. skills' enhancement, access to technology-based solutions); 3. Shifting consumption habits towards sustainable lifestyles (e.g. raising awareness about the end-of-life of clothes). **Natalia Papu Carrone, Research Analyst, Circle Textiles Programme, Circle Economy** underscored Circle Economy's study⁷ which questioned the accuracy of labels and underscored the need for traceability systems to support reusing and recovering materials. Research institutes have a supporting role to enhance circularity by testing actions and exploring technical and financial feasibility. One important challenge is finding ways to scale the learnings and break the silos. **Alberto Candiani, Owner, Candiani Denim** emphasized the need to empower the citizens behind the consumers to shift their mindset and consumption habits toward responsible and informed choices. Candiani Denim's put in place regenerative models (i.e. rubber processing, plastic-free, hazardous chemicals-free) in conjunction with agricultural inputs and outputs supporting products. Investing in innovations and technologies will support the industry to face issues such as overproduction. **Iria Mouzo Lestón, Head of Circularity, INDITEX** posited traceability as a trigger to assess circular product's attributes, substantiate sustainability claims and provide transparency to consumers. Traceability enables to monitor Inditex's global business network to meet social, environment and human rights standards. Three opportunities can leverage circularity goals: 1. End of waste criteria for textiles; 2. Textile sorting and recycling capacity (i.e. 2025 EU requirement for textile waste separate collection); 3. Data-driven circularity through traceability (e.g. textiles separation, second-hand products consumption, reporting obligations for separate collection and treatment).

⁶ [Sustainability and Circularity in the Textile Value Chain - Global Stocktaking](#) (UNEP, 2020)

⁷ [Clothing labels: accurate or not?](#) (Circle Economy, 2020) and webinar: [Do labels actually tell us what is in our clothes?](#)

DAY 2 – TUESDAY 24 NOVEMBER 2020

13:00-17:00 CET

• OPENING – WELCOMING REMARKS

Benno Slot, Food and Consumer Product Safety Authority, the Netherlands, Vice Chair of UN/CEFACT mentioned about previous UN/CEFACT work in the area of information exchange for policy and regulatory compliance, including WTO Trade Facilitation Agreements, the identification of business requirements and the development of data model to track and trace data in the agri-food and fishery sectors⁸. Certification practices have also been developed such as Sanitary and Phytosanitary (SPS), e-quality certificate, origin certificate and e-CITES⁹ certificate.

Dana Thomas, Journalist and Fashionopolis¹⁰ author shared insights about the role of clothes to communicate and empower consumers. Major wake-up call events drove the industry to act towards sustainability, such as 2013 Rana Plaza in Dhaka and Indian garment factories' fires. More traceability is required so that brands know their value chains and are accountable for the risks underpinning their products. Transparency is prominent to support awareness, for instance detailed labelling could better inform consumers about how their clothes are made, like for food products.

Alexis Morgan, Global Water Stewardship Lead, World Wildlife Fund presented WFF longstanding commitment to engage with major brands to work towards common goals. For instance, recently WFF launched an [Open Letter consortium](#)¹¹ on the back of challenges the sector is facing due to COVID pandemic. One of the principles is transparency and traceability within value chains which emphasizes the project's relevancy. Environmental, social and governance concerns, investors' interest are rising (e.g. [Taskforce for Climate-related Financial Disclosures](#)) notably on transparency (i.e. [Open Apparel Registry](#)) with suppliers pushed to go beyond tier 2. Blockchain will support creating trusted impact verification, strengthening transparency with a cost-competitive asset to explore. The issue of certification and its cost is a major challenge which needs to be addressed.

- Session #3: Leveraging the potential of blockchain to foster due diligence: focus on the cotton value chain**
- Progress regarding Pilot #1 a blockchain technology for traceability and due diligence in the cotton value chain**

The session moderated by **Maria Teresa Pisani, Economic Affairs Officer, UNECE** delved into the pilot to improve traceability and due diligence in cotton value chains using blockchain technology running since January 2020. UNECE is piloting the project's developing traceability approach in a blockchain environment. Blockchain will enable the unravelling of products' journey from field to shelf in an immutable and decentralized manner. The purpose is also to enable traceability and due diligence, through the identification of the key data entities to be exchanged for sustainability and the collection of certificates backing up claims regarding the origin, fibre composition, chemicals use, product quality and social/environment aspects covered under the OECD Due Diligence requirements¹². As reported in 2017 by the Cotton Egypt Association, an estimated 90 per cent of fabric claimed as Egyptian cotton is not and is produced elsewhere, which further demonstrates the relevancy of this pilot. **Andrea Redaelli, Principal Project and Portfolio Management, and**

⁸ [UN/FLUX](#) is a globally used standard supporting sustainable fisheries management

⁹ Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

¹⁰ [Dana Thomas](#), Fashionopolis: The Price of Fast Fashion and the Future of Clothes (Penguin Press, 2019)

¹¹ [Open Letter: The COVID-19 recovery: time to speed up sustainability of the fashion, apparel and textile sector](#) (WFF, 2020)

¹² OECD (2018), [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector](#), OECD Publishing, Paris.

UN/CEFACT project expert highlighted that the pilot is aligning with [UNIDO Egyptian cotton project](#) and other value chains (e.g. denim). Currently, SUPSI¹³ is developing the infrastructure of the blockchain platform and is planning to test it with users early 2021. Some major achievements led to the scoping of the pilot (e.g. business and technical requirements, user stories, “fil rouge”, sustainability risk mapping) in conjunction with the project’s policy recommendation, the business process analysis, the business requirement specification and data model. The Proof-of-Concept for this pilot is planned to be published in Spring 2021. This pilot will provide the industry with a framework to track and trace, exchange business and sustainability data in a standardized way (i.e. EPCIS data model), while addressing the issues of data accessibility on sustainability performance and strengthening their claims. **Olivia Chassot, UNECE Secretariat** presented the organization and the different roles contributing to the pilot to ensure a robust mapping of the players involved in the events occurring in the cotton value chain at the operational level. The services level (i.e. certification bodies, product tracker, solution provider, legal advice, trainers) consolidate the pilot activities while the project’s experts provide technical advice and guidance. The pilot has now aligned a few partners (manufacturers, brands, certification bodies) with the goal of assessing blockchain capacity to enable more transparency in their value chain and to claim sustainable sourcing. **Claudia Di Bernardino, Lawyer, and UN/CEFACT project expert** developed key considerations regarding the formulation of claims and the data protection issues stemming from the pilot. UNECE developed guidelines to formulate claims as reflected in the policy recommendation with key components. An example of product claim could be “*this cotton of this T-shirt (traceable asset) contains at least 95% organic cotton (claims) certified by GOTS¹⁴ (verification criteria) for responsible sourcing (objective)*”. In regard to data protection issues, a major challenge is finding a trade-off between information transparency and confidentiality for personal and company data. The data protection design process will undertake a risk assessment (data collection, impact assessment, mitigation measures, governance framework, policies awareness and verification). The privacy by design emerges as a possible solution amongst others (off-chain data storage, pruning, zero-knowledge proofs, pseudonymization and anonymization). **Giacomo Poretti, Information Systems and Networking Institute, SUPSI** introduced the blockchain platform under development. Blockchain technology enables recording transactions, digital interactions in a secure, transparent, outage-resistant, auditable and efficient environment. Ethereum will enable actors to register and verify claims related to their products in an immutable blockchain through the management of certificates and documents. The system will incorporate data manually and will be event-driven, so that stakeholders register events¹⁵. For the pilot’s participants, the blockchain will be open-source, permission less and on-chain “public” data, while for external users it will be on-chain data only. Privacy and confidentiality by design will be supported by cryptographic encryption technologies and decoding key exchanges.

Reference documents:

- [Project document for a pilot on blockchain for traceability and due diligence in the cotton value chain and progress report \(draft November 2020\)](#)

On [CUE space](#) for UN/CEFACT experts

- *User stories compilation document – cotton blockchain pilot (draft September 2020)*
- *The pilot’s red thread: the story running behind the cotton blockchain pilot (draft September 2020)*

Q&A

- Consider the [True Cost movie](#) on the history of the unsustainability of the fashion industry.
- Consider that testing green claims may appear easier in comparison to claims related to labour standards.
- Consider the phases covered under this pilot extend from the cotton field to the distribution phase (brand/retailer).

¹³ University of Applied Sciences and Arts of Italian Switzerland

¹⁴ Global Organic Textile Standard

¹⁵ As per the EPCIS data model, there are three types of events: object event (B2B transactions), transformation event (internal processes) and observation events (certifications).

- Consider whether it is a Proof of Work (PoW) or a Proof of Stake (PoS) since the latter is significantly more energy efficient. Ethereum currently still uses PoW whereby the energy use is not sustainable, although they are transitioning to PoS.
- Consider the briefing published by the Enterprise Ethereum Alliance about the high energy requirements of the blockchain technology.

Partners' testimonials

Piera Solinas, Corporate Social Responsibility Manager, Filmar highlighted that the pilot provides manufacturers with an opportunity to accelerate transparency, traceability and sustainability by taking advantage of the digitization. In the context of COVID crisis, the pilot offers a chance for more collaboration on an equal foot between partners involved throughout the value chain. Building upon Filmar's [Cotton for Life](#) and [UNIDO Egyptian cotton project](#), Filmar cotton field's network is coming together to support the pilot's activities towards sustainable sourcing and also to support local communities.

Cedric Brunner, Head of Stakeholder and Innovation Management, OEKO-TEX elaborated on the importance of communicating green claims¹⁶ and differentiating intermediary products (e.g. as yarn, fabric) and final products claims. Blockchain provides partners with trust and reliability on the information integrated into the digital twin of the product. Blockchain can automatically verify the certificates via an application programming interface (API) while simplifying the flow of B2B information. The role of third-party certification is critical for transparency to protect consumers from misleading and fraudulent claims, through the provision of independent testing and auditing.

Stefano Albini, President, Cotonificio Albini Spa mentioned about the growing interest for manufacturers to control their value chains through partnerships and the increasing demand for transparency on the origin, quality, environment and social issues. The main challenge for manufacturers is to have a system meeting the requirements of all the customers notably in terms of data collection and sharing. The pilot will test blockchain cost-effectiveness. It is critical for the pilot's scalability to keep the level of complexity low, user-friendly and efficiency-driven.

Rahul Bhajekar, Managing Director, GOTS shared insights about the role of third-party certification and validations parties to back up claims, certifications and audits which is critical for a pilot driven by transparency and traceability goals. Verification parties also provide brands/retailers with the independent certification to manage the risks, piloting the approach using a blockchain system. Distributed Ledger Technology (DLT) enables decentralized access which fits into the nature of fragmented and scattered garment and footwear value chains.

- **Roundtable #3: Innovation and digital tools to support sustainability and due diligence**

Evonne Tan, Data Management & China Strategy Director, Textile Exchange moderated the session emphasizing the benefits stemming from the digital transformation to support sustainability and the opportunity of UNECE initiative and its multi-stakeholder platform. **Heinz Zeller, Head of Sustainability and Logistics, Hugo Boss Ticino** highlighted that the lack of transparency relies on the lack of information regarding the actors involved in the value chains from field to shelf, which is also critical for higher inclusiveness. Innovation and digital tools can support sustainability through the exchange of information in data models mapping complex value chains. **Mario Micelli, National Contact Point to the OECD, Austrian Federal Ministry for Digital and Economic Affairs** pointed out at the opportunity of digitization to advance due diligence, corporate responsibility and the implementation of the [OECD Guidelines for Multi National Enterprises](#)

¹⁶ More on green claims at https://ec.europa.eu/environment/eussd/smgp/initiative_on_green_claims.htm

(MNEs) although one should be wary of adverse impacts and the implications from transparency and traceability. Another major issue is technology's accessibility which requires multi-stakeholder approach and consultation for inclusive digital solutions underpinned by education, capacity-building, and knowledge transfer. **Leanne Kemp, Founder & CEO, Everledger** delved upon the need to build an interoperable data language considering existing legislations. This language must build upon consensual modelling and value sharing, particularly for fragmented industries with equal access for participation across the chain. Cost model considerations are critical, as much as training and education for the users, taking the example of gemology course for users of digital tools leveraging responsible mining value chains. **Francesca Poggiali, Public Policy Director Europe, GS1** elaborated upon standardization as key for global simultaneous data exchange in complex value chains. Data identification (e.g. products' digital passports), data sharing and portability and common identifiers are major requirements to establish a global standard for tracking and tracing the origin, sustainability and circularity characteristics of products, referring to an article from the World Economic Forum "[The secret weapon in the fight for sustainability? The humble barcode](#)"¹⁷.

- **Session #4: The value chain and data model for transparency and traceability of sustainable value chains**

Frans van Diepen, Senior Adviser, State Enterprise Agency, the Netherlands, and UN/CEFACT Domain Coordinator moderated the session referring to the hazardous journey of mapping today's value chains, as a matter of fact most companies do not go beyond their immediate suppliers. The business process analysis from raw material production to consumption and post consumption stages is a prerequisite to build a comprehensive data model. **Virginia Cram-Martos, CEO, Triangularity, and UN/CEFACT project expert** explained the Business Process Analysis (BPA) as a top-down analysis of a value chain (identification of the value chain, definition of the processes, mapping of the activities and events inside each process, documentation of information exchanges, identification of individual data). Within a process, there can be several types of events¹⁸ around which traceability with the "5Ws" is created: Who (e.g. company tax ID / employee ID), Why (e.g. purchase order), What (e.g. batch IDs for inputs/outputs), When (e.g. manufacturing date and time), Where (e.g. facility's location ID/GPS). The association between the unique identifiers (IDs) and the events enables traceability, associating data about certifications, processes, sustainability, facilities and inspections. Analysing information exchanges contributes to an objective twofold: first, identifying existing data sources which can be linked to events, secondly facilitating data reporting through common definitions for the data coming from multiple value chain partners. **Deborah Taylor, Managing Director, Sustainable Leather Foundation, and UN/CEFACT project expert** provided an overview of the BPA framework for the leather value chain which identified the processes and the actors involved (i.e. business process descriptions, use cases and activity diagrams), the sustainability risks associated with these processes and internationally recognised organisations, private certifications schemes to mitigate and prevent social, environment and governance related risks. Eventually the BPA's purpose is to recommend the type of data and methods/formats required for information exchange to enable value chains transparency through notably innovation and technology-based solutions or manual interoperability. **Marco Ricchetti, Co-founder, Blumine Srl, and UN/CEFACT project expert** focused on the BPA for the textile value chain walking the participants through a user story application of the BPA framework, starting with the definition of claims¹⁹. For instance, for the claim "hazardous chemicals free" the information necessary to substantiate the claim differs depending upon whether the claim covers the final

¹⁷ N. Murphy *The secret weapon in the fight for sustainability? The humble barcode* (2018, World Economic Forum) accessible from <https://www.weforum.org/agenda/2018/09/the-secret-weapon-in-the-fight-for-sustainability-the-humble-barcode/>

¹⁸ Transformation event e.g. spinning, Transaction event e.g. trading, sales, Object event e.g. shipment; aggregation or disaggregation event e.g. packing of batches

¹⁹ «A claim is a high-level statement about a characteristic of a product, or about a process or an organization associated with that product» UNECE Draft Policy Recommendation, Part I & Guidelines, Part II (public review 20-10-2020 to 20-12-2020)

product or the processes. In the t-shirt supply chain, a large share of environmental and social impacts is generated along the value chain and may differ from one stage to another (e.g. the use of pesticides and fertilizers in cultivation versus chemical-free process in manufacturing). In order to identify, mitigate and prevent these hotspots in the t-shirt value chain, chemicals certification schemes and compliance inspection results relevant to each stage must be identified. Traceability enables the mapping of all the processes and participants in the value chain to store and make available that information. **Gerhard Heemskerck, Data Modeller, EDI Consultant, and UN/CEFACT project expert** presented the data model developed to support a standardized exchange of information and sustainability data. The Business Process Analysis is informing the work on the development of the United Nations Core Component Library (UNCCL) data model to support traceability and transparency, as part of the Business Requirement Specification (BRS). The purpose is to update the UNCCL with the data subsets for traceability and transparency of sustainability information in garment and footwear. The BRS reference data model was developed based upon existing UN/CEFACT agriculture domains²⁰, UNECE draft policy recommendation and the Business Process Analysis. Out of this project, UN/CEFACT international supply chain reference data model family will integrate a new Reference Data Model for the industry which is Sustainable Development & Circular Economy. UN/CEFACT is exploring the supporting role of advanced technologies and innovative systems (e.g. blockchain, API, IoT, RFID, DNA marker, EPCIS and traditional EDI).

NEXT STEPS

- The Business Process Analysis Report for Textile and Leather is under development.
- The standard for traceability is undergoing public review from 03 November 2020 until 03 January 2021 for two documents:
 - [The Business Requirement Specification Textile and Leather High Level Process and Data Model](#)
 - [The Business Requirement Specification Textile and Leather Traceability and Transparency Process and CCBD Data model](#)

Q&A

- [Hecho por Nosotros](#), an NGO with consultative status in the United Nations, create tools for artisans, Micro Small & Medium Enterprises (MSMEs) across continents, and designers to access global markets and work locally on value chain sustainability issues stemming from natural and camelid fibres. Collaborative programmes are critical for an industry-wide systemic change, notably engaging actively with local NGOs and local firms. It is essential to improve local communities and to create capacity building through technology. The big gap is between international institutions and local programs.
- Consider sharing easy tools, incentivizing good practices, local communities and environmental solutions. Sustainable practices can be learned from indigenous communities and artisans (ancestral and local techniques regenerating the ecosystem).
- Consider setting benchmarks for interoperability to reduce the burden due to the launch by several actors in the supply chains of their own platform to meet customers' needs.
- Synthetic fibres are in the scope of the project's business process analysis underway.
- **Roundtable #4: Framing a new Pilot for traceability and due diligence: focus on the leather value chain**

Andrea Redaelli, Principal Project and Portfolio Management moderated the session underscoring the piloting of UNECE tools and traceability approach in a blockchain environment for sustainable value chains in cotton, and early 2021 the conceptualization of a leather pilot. **Kevin Latner, Vice President, Leather and Hide Council of America (LHCA)** introduced the sustainability goals of the LHCA relying on renewable, recyclable and biodegradable leather. LHCA put in place a program to identify the risks stemming from due diligence principles in the leather value chain. LHCA traceability program provides independent certified traceability for US Hides/Skins back to a point

²⁰ Traceability of animal and exchanging lab results inspections, crops, e-BIZ

of origin (i.e. meatpacking plant, US processing plant) with a flexible and technology-neutral system, independently audited and certified by the U.S Department of Agriculture. The provision of the traceability certificate is conditional upon the approval of a protocol designed by LHCA. **Mauricio S. Bauer, Senior Corporate Engagement Specialist, National Wildlife Federation** emphasized the role of transparency and traceability to mitigate deforestation and ensuring land conservation for sourcing policies in line with the United Nations 2030 Agenda. These tools can also prevent major business risks (e.g. operational, regulatory and reputational) which are even more visible due to the COVID pandemic. UNECE will provide the industry with the tools to robustly map value chains, its governance and monitoring systems. There are four considerations for the industry’s engagement: Operational processes at stake; available and user-friendly tools tailored for industry decision-makers; solutions building upon existing regulatory systems; affordability, accessibility and inclusiveness. **Juan Carlos Vasquez Murillo, Chief Legal and Compliance Unit, CITES Secretariat** emphasized that advanced inclusive and affordable traceability²¹ will foster sustainable trade of endangered species subjected to poaching, counterfeiting and illegal trade. Already electronic CITES permits and certificates regulate international trade of leather products made of endangered species (e.g. [CITES standard for python traceability](#)). Consider for the industry’s participation to avoid establishing a traceability system conflicting with process operations and complicating the current regulatory system. In order to contribute to the SDGs within global trade, the consideration of local communities, ecosystem management, sustainable use and preservation of natural resources are key considerations. **Angelika Duckenfield, President, Association for Quality Assurance of Leather Bracelets Manufacturers (AQC)** emphasized that sustainability was not a competitive issue, but rather an opportunity for collaboration in the supply chains. For the pilot, it will be critical to bring onboard industry decision makers and design tools fitting their needs with a low level of complexity and technical expertise and language. This consideration will be critical to transfer the knowledge and motivate companies on the why and how they should participate. **Chiara Morelli, Sustainability Manager, Kering Group** mentioned about their longstanding commitment to implement tools in different supply chains to make sure suppliers adopt sustainable practices throughout the supply chain, including upstream at the farm level²². Transparency and traceability can benefit the supply chains to verify practices, check products coming from sustainable processes and foster risk-informed decisions. The leather pilot, whereby animal welfare should be a major concern, is an opportunity to work in a multi-stakeholder environment, although adding complexity with the meat and dairy industries.

Q&A

- Consider identifying if an overseas tanner markets leather from US hides while it is not. Manufacturers and brands have various systems for ensuring their supply chains. US hides have particular product characteristics.
- Consider “[Together for Decent Leather](#)” new programme for worker rights in the leather industry in Pakistan, Bangladesh and India led by NGOs from Europe and Asia.

CLOSING – NEXT PROJECT MILESTONES

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| ▪ Policy Recommendation, I & Guidelines, II | <i>Public Review 20 Oct – 20 Dec 2020</i> |
| ▪ Call to Action (EN – FR – RU) | <i>UN/CEFACT Plenary 26 Nov 2020 agreed to add it for approval at next plenary</i> |
| ▪ Business Requirement Specification Textile and Leather High Level Process and Data Model | <i>Public Review 03 Nov 2020 – 03 Jan 2021</i> |
| ▪ Business Requirement Specification Textile and Leather Traceability and | |

²¹ More on CITES work on traceability is available at https://cites.org/eng/prog/Cross-cutting_issues/traceability

²² Kering Group Environmental Profit and Loss (EPL) methodology to measure impact and social cost with product life cycle indicators

	<p>Transparency Process and CCBDA Data model</p> <ul style="list-style-type: none"> ▪ PILOT #1 Cotton blockchain pilot Blockchain development phase ▪ PILOT #2 Leather pilot Conceptualization
	<p>NEXT PROJECT EVENTS AND MEETINGS</p> <p>JANUARY Project monthly conference calls</p> <ul style="list-style-type: none"> • Conference call #8 Subgroup 1: Policy Recommendation – Frid. 29 January at 15:30 • Conference call #8 Subgroups 2&3: Technical traceability standards – Tu. 26 January at 15:30 • Conference call #9 Subgroup 4: Pilots & Capacity-Building – Wed. 20 January at 15:30 <p>FEBRUARY</p> <ul style="list-style-type: none"> • 2-5 February 2021 Project’s side event - OECD Due Diligence Forum for responsible supply chains in the garment and footwear sector <p>APRIL</p> <ul style="list-style-type: none"> • 19-20 April 2021 27th UN/CEFACT Plenary April 2021 • UNECE Commission Session April 2021 <p>MAY:</p> <ul style="list-style-type: none"> • UN/CEFACT Forum – 4th Multi-stakeholder Policy Dialogue May 2021 <p>JUNE:</p> <ul style="list-style-type: none"> • 15-16 June 2021 – Project’s session - European Development Days 2021 (tbc)
	<p>ANNEXES</p> <ul style="list-style-type: none"> • List of Participants - 23&24 Nov. 2020 3rd Multi-stakeholder policy dialogue CUE space • UNECE news piece, December 2020 - With improved tracking, tracing and labelling the garment sector has an opportunity to build back more sustainably • UNECE Project page • UNECE third policy dialogue meeting page • UN/CEFACT Public Reviews webpage • For UN/CEFACT experts - Collaborative UN/CEFACT Environment (CUE) <p>List of reports</p> <ul style="list-style-type: none"> • Sustainability and Circularity in the Textile Value Chain - Global Stocktaking (UNEP, 2020) • Clothing labels: accurate or not? (Circle Economy, 2020) and webinar: Do labels actually tell us what is in our clothes? <p>List of sectorial initiatives</p> <ul style="list-style-type: none"> • ILO COVID-19 Action in the global garment industry • Civil Society Shadow Strategy • Transparency pledge • The Fashion Pact • Tex.IT (Research Institutes of Sweden) • TextileSmart (Swedish Environment Protection Agency, Swedish Chemicals Agency and Swedish Consumer Agency) • WWF Open Letter: The COVID-19 recovery: time to speed up sustainability of the fashion, apparel and textile sector • UNIDO Egyptian cotton project • Filmar Cotton for Life • Inditex Join Life