THIRD WORKING MEETING - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

Tuesday 9 May 2023, Room XVII, Palais des Nations, Geneva Switzerland
09:30-17:30 CEST
09:30 - 10:00 OPENING AND WELCOME REMARKS

• UNECE, Elisabeth Tuerk, Director, Economic Cooperation and Trade, UNECE
• ToS Secretary, Maria Teresa Pisani, Secretary of the Team of Specialists on ESG and Project Lead, The Sustainability Pledge
09.30-10.00 OPENING AND WELCOME REMARKS
APPOINTMENT OF THE NEW CHAIR OF THE TEAM OF SPECIALISTS

10.00-11.00 ITEM 1: WHERE ARE WE NOW ON ESG TRACEABILITY?

Break from 11.00-11.30

11.30-12.30 ITEM 2: TEAM OF SPECIALISTS WORKSHOP - PART I: DATA FOR ESG MONITORING AND REPORTING PROTOCOL

Lunchbreak 12.30-14.00

14.00-16.00 ITEM 3: TEAM OF SPECIALISTS WORKSHOP- PART II: CROSS-SECTORIAL AND SECTOR-SPECIFIC CHALLENGES

Break 16.00-16.30

16.30-17.30 ITEM 4: TEAM OF SPECIALISTS WORKSHOP - PART III: FUTURE AREAS OF WORK AND FUNDRAISING:

17:30 CLOSING
Working Meeting - Team of Specialists on ESG
Traceability of Sustainable Value Chains in the
Circular Economy

APPOINTMENT OF THE NEW CHAIR OF THE TEAM OF SPECIALISTS

Candidate:

- GIZ (German Agency for International Cooperation), Christian Hudson, Lead, Global Textiles Transparency Project
10.00-11.00

ITEM 1: WHERE ARE WE NOW ON ESG TRACEABILITY?

Moderator: Vice-Chair of the ToS, Harm Jan van Burg, Senior Policy Advisor on International Standards, OASIS

Presenters:

• GoSource Pty, Steven Capell, Managing Director and UN/CEFACT Project Lead
• UNECE, Maria Teresa Pisani, Secretary of the Team of Specialists on ESG and Project Lead, The Sustainability Pledge
• Triangularity, Virginia Cram-Martos, CEO and UN/CEFACT Project Lead
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UN/CEFACT 40th Forum
Team of specialists sustainable supply chains

Where are we on ESG Traceability?

Steve Capell
steve.capell@gmail.com
A key risk - greenwashing

As regulatory and consumer pressures drive up demand (and justify premium prices) for sustainable goods, so the commercial incentive to make fake sustainability claims will increase.

EC investigation: 59% of environmental claims had no evidence and 42% were deemed false or deceptive.

Fast Company: 68% of executives admit their company is guilty of greenwashing.

Survey: 78% of consumers believe that companies should be environmentally responsible and are willing to pay premiums for confidence in those claims.

Secretary General Guterres at COP27 2022: “Zero Tolerance for Greenwashing”

https://www.fastcompany.com/90740501/68-of-u-s-exec-admits-their-companies-are-guilty-of-greenwashing
https://blog.gitnux.com/greenwashing-statistics/
What could be the consequences of greenwashing?

There is already a significant difference between consumer expectation and market behaviour. There are two plausible pathways out of this:

**Either : A race to the top**
*Greenwashing is rare and has nowhere to hide*

- It’s hard to fake claims
- Business is motivated to make provable claims
- Consumer confidence improves
- Higher prices are justified

**Or : A race to the bottom**
*Greenwashing is ubiquitous and undetectable*

- It’s easy to fake claims
- Even well intentioned businesses must fake claims to survive.
- Consumer confidence drops
- Low confidence means no price differential

So we should be motivated to make it hard to fake claims! That is the focus of this presentation.
So how can we trust sustainability claims?

There are three ways that sustainability claims might be verified. They can and should work together.

I say it’s true: prove me wrong!

They say it’s true: do you trust them?

It’s self-evidently true: I can see the proof myself.

Make claims public and rely on activism to call out fakes.

Trusted authorities accredit certifiers who audit the claims.

Digitally verifiable traceability & transparency supports the claims.

Important starting point but easiest to fake.

Good, but you’ve got to trust the audit process and the auditor.

We’ll focus on this one because it’s the hardest to fake.
But how to connect up complex global supply chains?

Textile & leather simple example
And there are many different industry sectors.

And each industry sector has many platforms to choose from.

So the key question is how to connect up the blue dots.
And the more decentralised the solution, the greater the need for standards.

UN/CEFACT’s mission is to provide those standards.
Here’s what we have so far

https://unece.org/trade/traceability-sustainable-garment-and-footwear
Provides the business requirements and detailed traceability and transparency data models that supported the world-leading work of this team.

A white paper that describes how verifiable credentials provides the most scalable, highest integrity, and lowest cost mechanism to achieve traceability (ie join the dots).

https://vocabulary.uncefact.org
Provides the JSON-LD semantic vocabulary for the claims to put into your VCs. Use this vocabulary so that others can understand the meaning of your claims.

https://test.uncefact.org/vckit
Is an open source VC issuer & verifier that is free for you to use. Alternatively you can use any other software so long as it is interoperable.
And a new project just about to start

**CRM sustainability & resilience.**

https://uncefact.unece.org/display/uncefactpublic/Critical+Minerals+Traceability+and+Sustainability

Building on experience from the Textile & Leather traceability work and guided by the principles in the VC white paper, this project will deliver the digital standards to support both sustainability & resilience in the Critical Raw Materials sector. It will also cover areas such as trust graphs, physical-digital links and semantic mapping and so will also establish useful patterns for other sectors.
Thanks for listening.

Questions?

steve.capell@gmail.com
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Traceability and Transparency for Sustainable and Circular Value Chains in Garment & Footwear
**Blockchain Pilots’ Projects**
- **Stella McCartney** fully traced regenerative Turkish cotton T-Shirt
- First certified **Better Cotton** yarn from Uzbekistan
- New pilot for new fibers: **wool and synthetics**

**UNECE-UNECLAC-Fashion Revolution study**
- Trade, import and disposal second-hand clothing in Chile
  - Upcoming press release
  - Upcoming study peer-review of (UNEP, EMF, EEA)

**New Pledges for T&T**
- **2021-2023:**
  - 92 pledges for T&T
  - 27 countries
  - +450 actors and partners involved

**UNECE Policy paper (draft)**
- Enhancing Traceability of Products along International Value Chains for the Circular Economy and Sustainable Use of Resources
What’s next & priorities

**Strengthen**
- **KPIs** to measure the level of traceability and transparency in garment and footwear
- **Textile waste** traceability

**Scale up**
- Capacity-building activities through engagement plans in key focus countries (i.e. Uzbekistan, ...)

**Align**
- With the **Digital Product Passport** of the EU Eco-design Regulation
  → **Product Circularity Data project**

**Replicate**
- Traceability & Sustainability for priority sectors for the circular transition
  - **Critical Raw Materials**
  - **Agri-food**

**Collaborate**
- **GEF** project (reducing chemicals of concern in textiles) (South-East Asia)
- **WEF** Securing Minerals for the Energy Transition (SMET) WG
  - **WBCSD**, **Sustainable Markets Initiative**

Source: Chatham House
Product Circularity Data Project

9 May 2023

Virginia Cram-Martos, UN/CEFACT Project Lead
Gerhard Heemskerk, UN/CEFACT Editor
Why this project?

• **Scope:**
  • Improve sustainability through product circularity
  • By supporting the exchange of product circularity data:
    • For pre-consumption waste as well as post consumption goods and waste
    • for resale, rental, collections, sorting, recycling
    • for circular lifecycle management (especially post-consumption)

• **Objectives:**
  • Global scope
  • Cross-Industry – with an initial focus on textiles and leather
  • Reuse existing standards
  • Align with EU Digital Product Passport (DPP)
  • Use the UN Core Component Library subset
What will it create?

An additional use case & data exchange structure in the Textile & Leather Business Requirement Specification (BRS)

1. Use case: Traceability Data
   *(Who, What, Why, Where, When data)*

2. Use case: Product Transparency Data
   *(Certificates, Inspections data)*

3. Use case: Product Circularity Data Exchange

Supporting reuse and recycle product life cycle stages through digital representations.
Main Output - Revised Traceability and Transparency
Business Requirements (BRS) Specification
which includes data for product circularity (blue=existing, red=new)
Textile & Leather Circular Economy
Business Domain View - Draft

Value Chain
Collecting & Sorting
Controlled Final Disposal

Consumption
Selling & Renting
Reusing
Recycling

It started like this..

It became...
Also now involved in pre-consumption “Aggregating production waste”:

- **Waste Collector**: A person or a company that is responsible for collecting and transporting waste materials from residential, commercial, and industrial areas to designated facilities for further processing or disposal.

- **Waste Aggregator**: A company or organization that collects waste materials from multiple sources and aggregates them in a centralized location before transporting them to a processing or disposal facility. Waste aggregators typically operate at a larger scale than waste collectors, working across multiple municipalities or even regions to collect waste from a variety of sources.
## Examples of Definitions

### Circularity actor definitions

<table>
<thead>
<tr>
<th><strong>Waste Exporter</strong></th>
<th>A company who makes, or on whose behalf the export declaration is made, and who is the owner of the waste.</th>
</tr>
</thead>
</table>

### Circularity process definitions

<table>
<thead>
<tr>
<th><strong>Landfilling</strong></th>
<th>Landfilling is a method of waste disposal where solid waste is buried in a designated area of land. It involves depositing waste into a landfill site and compacting it to reduce the volume of the waste. The compacted waste is then covered with soil to prevent odors, litter, and the spread of disease, and to control pests.</th>
</tr>
</thead>
</table>
Project milestones

To ensure the quality of our outputs we need as much industry input as possible to our process diagrams as well as the definitions of processes & actors.

<table>
<thead>
<tr>
<th>ODP Stage (open Development Process)</th>
<th>Working Period</th>
<th>Maximum Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements gathering</td>
<td>01.2023 to 05.2023</td>
<td>4 months</td>
</tr>
<tr>
<td>Draft development</td>
<td>05.2023 to 09.2023</td>
<td>4 months</td>
</tr>
<tr>
<td>Public Draft Review</td>
<td>09.2023 to 11.2023</td>
<td>2 months</td>
</tr>
<tr>
<td>Publication</td>
<td>11.2023 to 02.2024</td>
<td>3 months</td>
</tr>
<tr>
<td>Project exit</td>
<td>02.2024 to 05.2024</td>
<td>3 months</td>
</tr>
</tbody>
</table>
Product Circularity Data Project

Looking forward to your contributions and to your participation at our next meeting on Friday, 26 May 2023 at 14:00 CET!

To join the project, please contact either the secretariat at jwei@un.org or Virginia Cram-Martos at crammartos@triangularity.net
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Panellists:

• British Columbia Ministry of Energy, Mines and Low Carbon Innovation, Nancy Norris, Senior Director - ESG & Digital Trust
• Initiative for Compliance and Sustainability, Carole Hommey, General Manager
• International Trade Centre, Grzegorz Tajchman, IT Solutions Manager
• TÜV Rheinland Group, Rakesh Vazirani, Head of Sustainability Services

20 minutes of Q&A
Energy & Mines Digital Trust

Third meeting of the Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

May 9, 2023
Digital Trust Ecosystem: Mining

Legend:
- Digital Credentials
  - TSM: Towards Sustainable Mining
  - Business Registration
  - Mines Act Permit
  - GLEIF vLEI

- Digital Wallet Technology
  - Traction
  - Northern Block
  - Sphery
  - To Be Determined

Companies:
- PwC
- EnviroChem
- British Columbia Energy, Mines and Low Carbon Innovation
- British Columbia BC Registry Services
- LME: An HKEX Company
- The Mining Association of Canada
- Copper Mountain Mine

vLEI Issuer
Use Case Examples: Toward Sustainable Mining

KEY TAKEAWAYS

- Enthusiasm among pilot participants.
- Increasing desire for verified ESG data at the mine site level.
- Reduced administrative burden.
- EMDT’s governance work with pilot participants will apply internationally, with a notable potential for wide scale adoption.
TSM Production Timeline

May - June
Finalize governance documentation and refine user interface

June – July
Determine end-to-end process and explore technical integrations

July - August
Prepare guidance documentation, user training, and technical setup

September - October
TSM pilot in production
Critical Mineral Traceability in Production
Nancy Norris
Senior Director of ESG & Digital Trust
Nancy.Norris@gov.bc.ca

Explore the EMDT Case Study
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

10.00-11.00
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20 minutes of Q&A
ICS Transparency & Traceability

09/05/2023
Grouping 70 brands and retailers

4,621 Audits

Audits performed in 2022

1,719,569 employees

Audits performed in 2022

2,684,158 employees

Including lost audits performed in 2021-2022

70 countries

Audits performed in 2022
• French’s AGEC law

https://www.ecologie.gouv.fr/loi-anti-gaspillage-economie-circulaire#scroll-nav__4

• AGEC law’s article 13 implements requirements for environmental display and traceability.

• Recyclability, durability, microplastics content, hazardous substances, critical materials content and traceability for specific operations are requested.

• All of this information is to be held available at customer’s need during a minimum of 2 years.

• INSIDE_The anti-waste law in the daily lives of the French people (ecologie.gouv.fr)
• UNECE T&T Matrix

United for greater traceability, transparency and circularity in the garment

At the United Nations, we have worked with hundreds of experts, policymakers, businesses, academics and NGOs to create a more traceable and transparent supply chain. Find out more information on the Sustainability Pledge website.

Supply chain and traceable asset
RA3150

Claim

Value Chain

<table>
<thead>
<tr>
<th>Involved companies</th>
<th>Planting</th>
<th>Harvesting</th>
<th>Production raw material</th>
<th>Spinning</th>
<th>Dyeing</th>
<th>Weaving</th>
<th>Fabric finishing</th>
<th>Product production</th>
<th>Product placement for sale</th>
<th>Consumption</th>
<th>Post-consumption</th>
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<tbody>
<tr>
<td>MYOSUNG</td>
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<td>ALPIN CORAP</td>
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<td>GRUSIM TRADES / BARACA NAKO</td>
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The pilot project was implemented in the context of the ECE-United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) initiative, “Enhancing traceability and transparency of sustainable value chains in the garment and footwear sector,” jointly implemented with the International Trade Centre (ITC) with funding from the European Union since 2019. This initiative is also known as “The Sustainability Pledge.”
• ICS-ITC Traceability Project Updates

- Tier 2 - Material production factories involved in the project: 3,630
- Tier 3 - Raw material processing factories involved in the project: 2,238
- Tier 4 - Raw material extraction factories involved in the project: 538
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20 minutes of Q&A
Working with Partners’ data when visualizing UNECE sustainability matrix

UNECE Team of Specialists on ESG
Traceability of Sustainable Value Chains in the Circular Economy
Grzegorz Tajchman, Chris Khou (ITC)
9th May 2023
Some context (ITC/ICS/UNECE collaboration)...

Supply Chain Mapping

• **Who** (VC partner, business role, from/to)
• **Where** (location)
• **Why** (business step)
• Origin
• Social Performance
• Environmental / production impacts

<table>
<thead>
<tr>
<th>How (traceability events and evidence, sustainability standards coverage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibers/materials used</td>
</tr>
<tr>
<td>Use of chemicals</td>
</tr>
<tr>
<td>...</td>
</tr>
</tbody>
</table>

Product Traceability Standard
Landing page and case studies overview

https://resources.sustainabilitymap.org/unece-homepage/
Case study example (UN ECE pilot)
United for greater traceability, transparency and circularity in the garment and footwear sector

At the United Nations, we have worked with hundreds of experts, policymakers, businesses, academics and NGOs to come up with a workable and verifiable way of ensuring sustainability in the garment and footwear sector. Find out more information on the Sustainability Platform website.

Supply chain and traceable asset
Women's Stretch Cotton Piqué Polo Dress
(See product details)

Claim
97% Cotton 3% Polyester.

Value Chain Map

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Stay connected!

- www.intracen.org
- @ITCnews
- @ITC_sustainable
- @InternationalTradeCentre
Working with Partners’ data when visualizing UNECE sustainability matrix

Q&A / Backup slides
Working with Partner’s data #1
Working with Partner’s data #2
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

10.00-11.00
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20 minutes of Q&A
Spine of a Sustainable Supply Chain > Traceability

- Geographical Risks
- Material Details
- Social Conformance
- Clean Production
- Lifecycle
Do you know...

how many EU legislations on sustainability will impact the textile and clothing companies?

16

- Ecodesign and Digital Product Passport
- Green Public Procurement (GPP)
- Green Claims and textile labelling
- Waste Legislation
- Corporate Sustainability Due Diligence
- Corporate Sustainability Reporting Directive
- Sustainable Finance (Taxonomy)
- Industrial Emissions
- Microplastic
- PFAS Restriction
- Skin Sensitisers
- Bisphenol
- REACH Revision
- PFHxA Restriction
Our Global Value Chain

Created by Matt Thurston, REI, with further modifications from OIA

Materials "Converter"

Could be any combination of organizations upstream in the supply chain to produce finished materials

Brands

Retailers

Large retailer w/ private brand(s)

Brands with Strong Retail

x100s

Agents & Trading Companies

Finished Goods Assemblers (+ Trims)

Dyers, Printers, Finishers, & Laminators

Weavers, Knitters & Nonwovens

Spinners & Fiber Processers

Finished Goods Assemblers

Assemblers (+ Trims)

Weavers, Knitters & Nonwovens

Dyers, Printers, Finishers, & Laminators

Spinners & Fiber Processers

Raw Material Suppliers

Tier 1

Tier 2

Tier 3

Tier 4

Weavers, Knitters & Nonwovens

Dyers, Printers, Finishers, & Laminators

Spinners & Fiber Processers

Raw Material Suppliers

Tier 1

Tier 2

Tier 3

Tier 4

Polymers, Fertilizers, Surfactants, Pesticides, etc.

Masterbatches, Lubricants, Dyes, Surfactants, Auxiliaries, etc.

Sizing agents, Preparation agents, Carriers, etc.

Dyes, Dyestuff auxiliaries, Coatings, Inks, Repellents, etc.

Detergents, Conditioning agents, Printing Inks, Treatments, etc.

Chemical "Converter" and/or "Trader"

Chemical Supplier

Tiering

CH1

Chemical formulator/blender/mixer

CH2

Chemical synthesizer

CH3

Raw chemical supplier

CH4

Raw Material Suppliers

Tier 1

Tier 2

Tier 3

Tier 4

created by Matt Thurston, REI, with further modifications from OIA

FRAGMENTED, DIVERSE, COMPLEX !!
Sustainable Trade & Sustainable Trade Finance

Wave 1 pilot to focus on textile industry only

Environmental
- Goods
- Seller
- Buyer
- Transportation
- Purpose

Socio-economic
- Not assessed

Grüner Knopf
Forest Stewardship Council
Higg Index
The Green Bond Principles
The Social Bond Principles

TÜV Rheinland
Precisely Right.
Accelerate the adoption of trusted based supply chain traceability in the apparel and food industries (field to consumer)
The activity provides traceability information on SVHC, by complying with at least one of the two disclosure frameworks listed below:

- Product information on substances is available publicly, in SCIP database or in a specific public tool provided by company.
- Product information on substances is available publicly, following IEC62474 (for EEE) and future IEC82474 for all other sectors (dual logo project)

Section A.2 above. Third-party verification of the recycled content and its traceability is provided for the relevant feedstocks and production lines according to ISO 14021. For 

4.1.1 Enhancing supply chain visibility and traceability to raw materials suppliers through due diligence practices, research into traceability or use of traceability systems, technology, supplier screening, supplier audits or certifications, and/or a list of countries from which the entity sources each priority raw material;
ITEM 1: WHERE ARE WE NOW ON ESG TRACEABILITY?

Poll question: What aspects need greater focus concerning Traceability?

1. Harmonized Product and Activity identification scheme by industry sector
2. Funding for establishing digital infrastructure to capture traceability information
3. Incentive for companies for greater traceability metrics (from investors, governments)
4. Ensure groups/associations within industry sectors are inclusive and open for participation; with access to sustainability related data.
5. Stop obsessing with Traceability!

Take the poll at: [http://etc.ch/fmFd](http://etc.ch/fmFd)

Q&A: 20 minutes
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

11.00-11.30

BREAK ☕️
ITEM 2: TEAM OF SPECIALISTS WORKSHOP - PART I

Data for ESG monitoring and reporting protocol - **Guiding questions**:

- What data do we need to collect to ensure effective ESG monitoring and reporting of value chains?
- What types of sustainability and geopolitical risks?
- How do we determine which data points are relevant for each aspect of ESG (environmental, social, and governance) to address these risks?
- How can we ensure the accuracy and reliability of the data we collect?

**TIMETABLE:** 30’ small group discussion 30’ audience-wide discussion
Working Meeting - Team of Specialists on ESG
Traceability of Sustainable Value Chains in the
Circular Economy

13.00-14.30

LUNCHBREAK ✕ аппетитно
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

14.00-16.00
ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

Guiding question: What are the cross-sectorial, and the sector-specific challenges, regarding data monitoring and reporting in the following sectors:

I. Keynote presentations
• GS1, Francesca Poggiali, Chief Public Policy Officer Europe
• Institute of Quality Certification for the Leather Sector (ICEC), Sabrina Frontini, Director

II. Sector-focused discussion
Critical raw materials value chains
Lead discussant: World Economic Forum, Luciana Gutmann, Project Fellow, Securing Critical Minerals for the Energy Transition

Textile and leather value chains
• Lead discussant: Better Cotton, Kendra Pasztor, Senior Manager - Monitoring, Evaluation, and Learning

Agri-food value chains
• Lead discussant: Charles Arden-Clarke, former Head One Planet Network secretariat of UNEP
I. Keynote presentations

• GS1, Francesca Poggiali, Chief Public Policy Officer Europe
• Institute of Quality Certification for the Leather Sector (ICEC), Sabrina Frontini, Director
UNECE
ESG Traceability of Sustainable Value Chains in the Circular Economy

ITEM 3: TEAM OF SPECIALISTS WORKSHOP

Francesca Poggiali
Chief Public Policy Officer Europe – GS1 Global Office
9th May 2023
Interoperable product data

Source: Open data watch
From linear to circular data

Circular economy implies the following features:

1. Allows economic growth from the consumption of scarce resources
2. Enhances natural capital by separating biological materials from plastics, and creating opportunities for the regeneration of the ecosystem
3. Optimizes the use of resources by reasonable design and maintenance of materials in circulation
4. Developing innovation and stimulating the development of new technologies
5. Increases system performance by identifying and removing negative externalities (e.g., emissions)
GS1 global, open data standards

Identify: GS1 Standards for Identification

Capture: GS1 Standards for Barcodes & EPC/RFID

Share: GS1 Standards for Data Exchange

Interoperability
Components of the DPP system

- A unique persistent ID for the product (including batch and/or serialization as necessary) (1)
- A persistent data carrier (RFID, QR Code, digital watermark, Bluetooth tag, etc.) (2)
- A Digital connector between physical product and the digital place of information on the product (e.g., URI address) (3)
- An IT architecture for facilitating the data exchange (6) composed of:
  - Standardized vocabulary
  - Standardized data exchange protocols and formats
  - Standardized stakeholder-dependent access mechanisms (read/edit rights)
  - Distributed management of stored information (in connection with EU dataspaces)
  - A stakeholder-dependent interaction layer
DPP pilots

The DPP: how it could look like (& work) based on GS1 standards
New standarisation table opened

Scope
To set the foundation for the GS1 system to support industry's identification and data sharing needs related to Circularity. Early-stage work of the group will focus on adapting the GS1 system so that industry can more effectively use it to address the known regulatory drivers of the EU Digital Product Passport.

Join the GS1 Circularity – DPP group

https://www.gs1.org/standards/development-work-groups
Thanks to all!
ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

I. Keynote presentations

- GS1, Francesca Poggiali, Chief Public Policy Officer Europe
- Institute of Quality Certification for the Leather Sector (ICEC), Sabrina Frontini, Director
ESG Traceability of Sustainable Value Chains in the Circular Economy

UNECE – GENEVE
2023.05.09

ICEC
Relevant updates in the space of ESG traceability of leather

ICEC - Quality Certification Institute for the Leather Sector
www.icec.it  icec@icec.it
LEATHER MARKET NEEDS

CONSCIOUSNESS
OF SUPPLIERS, OF THEIR SUPPLY CHAIN, OF PURCHASED MATERIALS

CERTIFICATION ON SUSTAINABILITY ISSUES:
ENVIRONMENTAL, ETHICAL-SOCIAL, HEALTH AND SAFETY, CHEMICALS, PRODUCT, ...

ONE OF THE MAIN TOPICS IS ALWAYS
TRACEABILITY OF RAW MATERIALS (LEATHERS)
ALTHOUGH **LEATHER IS A BY PRODUCT** OF THE **FOOD INDUSTRY** (bovine animals, sheep and goats, pigs: > 99%), THE SUPPLY CHAIN ANSWERS TO THE REQUESTS of TRACEABILITY.

TANNERIES GIVES GUARANTEES THROUGH **TRACEABILITY CERTIFICATIONS** (E.g. ICEC TS410/412)

INFORMATION ON THE **COUNTRIES AND PLACES** OF **SLAUGHTERING AND BREEDING** OF THE ANIMALS FROM WHICH THE HIDES/SKINS USED BY THE TANNERIES ORIGinate, ARE MAPPED AND VERIFIED BY DIFFERENT BODIES OF CERTIFICATION.
TRACEABILITY DEVELOPMENTS

STARTING FROM THE DATA COLLECTED WITH TRACEABILITY CERTIFICATIONS, IT SHALL APPLY THE FOLLOWING:

➢ THE ETHICAL CLAIM «WE RECOVER OUR HIDES/SKINS FROM THE FOOD INDUSTRY» (e.g. ICEC TS733)

➢ THE RISK ANALYSIS ON DEFORESTATION FOR LEATHERS OF SOUTH AMERICAN ORIGINS **DCFL TOOL** (e.g. ICEC-NWF-WWF)

➢ THE RISK ANALYSIS ON **ANIMAL WELFARE** (e.g. AW TOOL by ICEC)
The EU is a major consumer of commodities associated with deforestation and forest degradation.

**Objectives of the EU Regulation:**

- Minimise the EU’s contribution to deforestation and forest degradation worldwide

**Mandatory due diligence** rules for all operators that place the relevant products on the EU market or export them from the EU (2021)

- Only products that are both deforestation-free and legal would be allowed to be imported into or exported from the EU market (including LEATHERS)

**December 2024 (tentative):** Entry into the application of obligations for operators (June 2025 for small enterprises)
COTANCE & CEN TC289 initiative on Alignment of Leather Traceability Schemes
COTANCE – CEN TC 289

- offers certification scheme owners a platform to meet and negotiate on a pre-competitive basis for defining the minimum essential elements of traceability and evidence of verification to be present in a traceability scheme
- chairs the European standardisation body CEN TC 289 where an agreement of traceability certification scheme owners can be officially consecrated in a GUIDELINE standard, allowing it to be referenced in legislation
- in 2019 started a dialogue between Leather-Meat that agreed on traceability objectives
- 2022: gathered all the relevant certification scheme owners in the “Leather Traceability Cluster”, which agreed in January 2023 to terms of reference (MONTHLY MEETINGS)
Finding agreed solutions to

- Mapping the full Chain of Custody for a product
- Aligning on vocabulary & terms
- Identifying geographical provenance of a product
- Qualifying Countries according to Risk
- Ensuring documental and/or physical identity along the supply chain, etc…

GROUP NOW INVOLVING OTHER CLUSTERS:
ICEC AND COTANCE ARE COLLABORATING WITH ITC FOR THE LEATHER STANDARD ASSESSMENT:

• LISTING & FILLING

THE MAP OF CERTIFICATION SCHEMES (NATIONAL, INTERNATIONAL, PRIVATE STANDARDS) WHICH ARE MAINLY RECOGNIZED AND APPLIED BY THE LEATHER SECTOR ACCORDING TO SUSTAINABILITY ISSUES.

THIS SHALL WORK AS AN OFFICIAL REFERENCE TO SUPPORT SUSTAINABLE CLAIMS WITHOUT PRODUCING GREENWASHING

(REF. Traceability and Transparency for Sustainable and Circular Garment and Footwear Value Chains).

Thank you. For any information: SABRINA FRONTINI s.frontini@icec.it
ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

TIMETABLE: SECTOR-FOCUSED DISCUSSION (35 minutes each)

35 minutes: 5’ ice-breaking -> 25’ group discussion -> 5’ wrap-up and closing

1. Critical raw materials value chains
   • Lead discussant: World Economic Forum, **Luciana Gutmann**, Project Fellow, Securing Critical Minerals for the Energy Transition

2. Textile and leather value chains
   • Lead discussant: Better Cotton, **Kendra Pasztor**, Senior Manager - Monitoring, Evaluation, and Learning

3. Agri-food value chains
   • Lead discussant: **Charles Arden-Clarke**, former Head One Planet Network secretariat UNEP
Securing Minerals for the Energy Transition

Luciana Gutmann
Project Fellow,
Securing Minerals for the Energy Transition

UNECE – UN/CEFACT 40th Forum
Geneva, 09 May 2023
The Forum
Our role

The World Economic Forum is the International Organization for Public-Private Cooperation.

Our purpose is to bring together stakeholders from all sectors of society to shape a better future and generate great impact through purpose-driven communities and platforms.

Five decades as a trusted platform for high-level, multistakeholder cooperation.

Our mission is to improve the state of the world.
Our approach

No single entity can improve the state of the world on its own.

At the Forum, we believe in convening multiple stakeholders and playing our role to amplify and scale up the world’s best strategies for impact through a platform approach.
Securing Minerals for the Energy Transition
Securing Minerals for the Energy Transition - SMET

We have two objectives

Identify and characterize the risks derived from the increasing supply-demand gap in minerals for the energy transition and propose strategies for their collective management.

Design and assemble a global multistakeholder platform for monitoring, informing, managing risks and coordinating action.
We’ve secured support for this year

**Definition**
- **Oct 22-Nov 22**
  - Consolidate information on the supply-demand gap of critical minerals
  - Refine assumptions

**Risk mapping**
- **Dec 22 – Jan 23**
  - Map risks derived from the gap

**Convergence**
- **Feb-Apr 23**
  - Identify possible actions for shared risk management

**Coalition building**
- **Apr 23- Jun 23**
  - Support the creation of collaborative structures

**Definition**
- **Nov 22-Apr 23**
  - Validate opportunity
  - Identify potential partnerships
  - Early model formulation of a global collaboration platform

**Mobilization**
- **Apr 23-Jan 24**
  - Develop a viable structure for a global collaboration platform
Supply-demand imbalance risk matrix

Ecosystem risk assessment

Impact

Extremely high
- Conflict over resources
- Job losses in case of materials shortage
- Backlash in adopting new technologies
- Reduced responsible mining
- Supply chain fragmentation
- Lack of access to capital to address the imbalance

High
- Reduced access to energy and transport services
- Saturation in socioeconomic development in producing countries forced to leading traditional for higher cost technologies
- Regulatory race to the bottom as investment flows to countries with lower ESG standards
- Steep decline of critical minerals
- Geopolitical risks disrupting materials value chains
- Pressures in substitute material supply chains
- Increased workforce pressure for productivity over wellbeing

Medium
- Catastrophic climate events
- Lack of political will for the energy transition
- Delay of the energy transition
- ESG targets becoming unsustainable
- Increasing resource nationalism
- Market volatility and uncertainty
- Resources used for climate change adaptation instead of mitigation
- Increasing trade fragmentation
- Increasing trade fragmentation
- Growing demand for resources from increased mining
- Cascading renewable technology shortages
- Rising new technology prices
- High environmental pressure on ecosystems and waste generation

Low
- Low incentives for new mining projects
- Lower acceptance of mining projects
- Uncordinated land use

1: Impact on the ecosystem: "Low" represents minor impact and "Extremely high" represents catastrophic impact on human lives, societies, and the planet
2: Likelihood to happen: "Low" represents a risk that is not likely to happen, and "Extremely high" a risk that is very likely to occur


The risks identified in the workshop are renamed and placed in the matrix based on the assessment.
What’s next?
A Global Collaboration Approach

There are many ‘go to places’, what if we try to have just one?

- **Call to action**: engaging the Public and Private sectors and Civil Society

- Joint efforts: different actors provide different capabilities and expertise

- A sustained **Global Collaboration Platform** to secure the critical minerals for the Energy Transition
Thank you

The World Economic Forum is the International Organization for Public-Private Cooperation.

Our mission is to improve the state of the world. Our purpose is to bring together stakeholders from all sectors of society. We provide a platform for the world’s 1,000 leading companies to shape the future.

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ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

SECTOR-FOCUSED DISCUSSION #1 (35 minutes)

Critical raw materials value chains

Lead discussant: World Economic Forum, Luciana Gutmann, Project Fellow, Securing Critical Minerals for the Energy Transition

1. When it comes to supply data monitoring and sharing, do you believe that the private sector should be willing to share production and trade data, apart from the traditional data that is disclosed in sustainability reports? If not, why?

2. In what ways can public and private sectors collaborate to build a stronger and reliable data monitoring system? Do you see a gap for collaboration in this space? What might be immediate benefits, and perhaps on the flip side what might pose as a drawback?

3. Considering the most recent regulations which have surfaced in the supply of critical minerals that is intended to enable the energy transition, how should we plan to address the issue of geographical production and processing?

4. Going further, how should we incorporate and maybe even prioritise these regions in the dialogue while ensuring leverage in global supply chains?
Volume of Better Cotton Grown

2020-21 Cotton Season

- The CmiA countries in the 2020-21 cotton season included: Benin, Burkina Faso, Cameroon, Chad, Côte d’Ivoire, Ghana, Mozambique (farmers in Mozambique who are both CmiA and Better Cotton licensed are only counted once), Nigeria, Tanzania, Uganda, Zambia.

- Madagascar’s only Producer Unit (group of farmers) did not earn a Better Cotton license in the 2020-21 season and therefore the figure for Better Cotton production is zero.

- Please note that the production figure for Pakistan is an estimate – this is due to Covid-19-related verification challenges and some data quality issues. The figure has been estimated based on previous season production volumes and volumes sourced.

1 Better Cotton recognised equivalent standards.
2 The CmiA countries in the 2020-21 cotton season included: Benin, Burkina Faso, Cameroon, Chad, Côte d’Ivoire, Ghana, Mozambique (farmers in Mozambique who are both CmiA and Better Cotton licensed are only counted once), Nigeria, Tanzania, Uganda, Zambia.

Please note that the production figure for Pakistan is an estimate – this is due to Covid-19-related verification challenges and some data quality issues. The figure has been estimated based on previous season production volumes and volumes sourced.
Changing stakeholder needs

The growing demand for supply chain visibility

**Regulatory pressure**
- US and EU trade and customs legislation requires raw materials origin information.
- EU due diligence legislation places responsibility for sustainable sourcing across the entire supply chain on importers.
- EU Green Claims requires companies to substantiate environmental claims.

**Investor and consumer demand**
- Consumers want to know where their products have come from and that they were ethically sourced.
- Investors want to de-risk their supply chains.
- Companies are being measured on performance against impact targets.

**The need for inclusive supply chains**
- Need to ensure producers and SMEs can continue to access markets.
- Digital and regulatory shift could exclude small holders and SMEs if not managed properly.

At present, the market is not set-up to fulfil these requirements
What do we mean by Traceability?

**Increased demand for supply chain visibility:** growing expectation for companies to identify, prevent, mitigate, and account for impacts across the value chain.

Pressure is coming from regulators, investors and consumers. To ensure Better Cotton farmers can continue to access markets, we will need to provide a level of traceability.

For cotton, this means knowing:

- **Origin information**
- **Route to market***
- **Impact****

*Country of origin
**Long-term goal, not until 2030
Traceability Development Timeline

**Phase 1: Planning & Design**
- Supplier feasibility assessment
- Preliminary requirements
- Programme planning
- Fundraising

**Phase 2: Requirements & Vendor Shortlisting**
- Chain of Custody revision
- Data standardisation
- Detailed requirements gathering
- Solution procurement

**Phase 3: System Build & Adoption**
- System build
- Training and capacity building
- Launch MVP
- Select scaled vendor

**Phase 4: Improvements & roll out**
- Continued roll out
- Launch scaled solution
- System enhancements

**Resource needed**

**We are here**

**LAUNCH = Q4 2023**
14.30-16.00 - ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

SECTOR-FOCUSED DISCUSSION #2 (35 minutes)
Textile and leather value chains
Lead discussant: Better Cotton, Kendra Pasztor, Senior Manager - Monitoring, Evaluation, and Learning

1. In your experience, what are the most promising (or proven) examples of functional ESG traceability in the textile and leather sector? Particularly any that are inclusive of small-scale raw material producers and SMEs downstream in the value chain? How can they be scaled up?

2. The regulatory landscape in Europe and elsewhere is evolving quickly with regards to circularity, regulation of green claims, and corporate due diligence for this sector. Do you believe there is coherence across policy tools? If not, how can this be improved? What are the risks if policies are not mutually reinforcing?

3. Incentives - both financial and non-financial - are a critical requirement to make ESG traceability business as usual. What kind of incentives do you recommend we try in the textiles and leather sector? What has worked or not worked?
ITEM 3: TEAM OF SPECIALISTS WORKSHOP - PART II

SECTOR-FOCUSED DISCUSSION #3 (35 minutes)

Agri-food value chains

Lead discussant: Charles Arden-Clarke, former Head One Planet Network secretariat of UNEP

1. What are the key environmental and social objectives to be attained (and/or negative impacts to be reduced) in this sector along the full life cycle from primary production to consumption?

2. In your view/experience how has traceability along the value chain served to reinforce efforts to attain the key environmental, social and governance objectives in this sector, and what are key traceability tools which have enabled this reinforcement?

3. What role is there for government research, investment and policy making and implementation to reinforce voluntary standards, labelling and certification so as to increase the market share of food which reinforces ESG in this sector?
Working Meeting - Team of Specialists on ESG
Traceability of Sustainable Value Chains in the Circular Economy

16.30-16.45

BREAK
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

16.45-17.30
ITEM 4: TEAM OF SPECIALISTS WORKSHOP - PART III

Moderator: Vice Chair of the ToS, Nathalie Bernasconi, Executive Director, IISD Europe; Senior Director, Economic Law & Policy

Guiding questions - Future areas of work and fundraising:

• What are our strategic priorities for this next phase of work, particularly in relation to the development of the ESG monitoring and reporting protocol/guidelines?

In this connection:
• Considering the elements shared and discussed today, what are the building blocks of such document?
• Do you have the necessary support and resources, including type of expertise or stakeholders that we need to have involved in this work?
Working Meeting - Team of Specialists on ESG Traceability of Sustainable Value Chains in the Circular Economy

17.30

CLOSING

Next Session of the ToS: 11 October 2023, Geneva, Switzerland