The UNECE vision for digital standards for sustainable supply chains

Maria Teresa Pisani
OiC Trade Facilitation Section, Economic Cooperation and Trade Division, UNECE
Behaviours towards Sustainability

Consumers' behaviours towards sustainability

- 54% consumers wanted to make more sustainable choices
- 40-60% consumers would pay more for products with better environmental performance
- 61% consumers do not understand environmental claims
- 44% consumers do not trust environmental claims

Investors' behaviours towards sustainability

Source: European Commission 2020

Source: Statista 2021 (Sustainably invested assets among investors worldwide in 2020 with a forecast for 2025 by region)
# Drivers for Traceability and Transparency

## Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Industry

## 1. Drivers

<table>
<thead>
<tr>
<th>Social forces</th>
<th>Market forces</th>
<th>Regulatory forces</th>
<th>Technological forces</th>
</tr>
</thead>
</table>

## 2. Actors/ Enablers

<table>
<thead>
<tr>
<th>Civil Society</th>
<th>Consumers</th>
<th>Industry</th>
<th>Investors</th>
<th>Law makers</th>
<th>Technology</th>
</tr>
</thead>
</table>
| • Plays an increasing role in demanding greater scrutiny of private sector actors and in driving demand for more sustainable products | • Ready to pay a premium for products with greater transparency  
• Will boycott / punish products and investors with opaque credentials | • Aware of reputational risk  
• Strive to be ahead of regulation to reduce compliance risk  
• Sees opportunity in demand growth for sustainable products | • Increasingly shifting their portfolios towards ESG investments  
• Wary of exposure to planetary boundaries and stranded assets | • Responding to civil society demand for greater transparency and traceability | • New digital and physical technological innovation reduce barriers and costs |
EU Twin Transition Pathway - Sustainability

Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Industry

**EU DG GROW Survey (Mar-Jun 22)** Among the most relevant challenges the survey respondents highlighted:

- Need for **common sustainability criteria**, **false green claims** undermining stakeholders’ trust
- Need for **common traceability and transparency standard**
- Lack of clear and **scientifically anchored KPIs and measuring tools** to assess the industry performance
- Need for **stakeholders’ dialogue**

“Common measuring tools which consider at the same level all value chains is a problem because differences are not recognized”

**ACTIONS**

- Identify **minimum data** for **sustainability performance** and their **traceability and transparency** *(standardization)*
- Develop **science based KPIs** for performance assessment *(harmonization)*
- Incentivize **collaborative business models** for trusted information exchange
- Support **scalability** and **interoperability** of **tech-solutions** *(targeted SMEs support)*

“Policy/regulation/standards key to establish right incentives and a level-playing field (pre-competitive space) – Need for risk-based approach for value chain/geographical specificities”
The UNECE Framework Initiative
Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Industry

The Toolbox

01. Policy Recommendation & Call to Action

02. Traceability & Transparency Standard & Imp Guidelines

03. Blockchain Pilots & Capacity Building

Blockchain pilots +70 partners (brands-manufacturers, IGOs, standard setters, academia/start-ups)

+250 project experts

+33 consultation meetings +2000 participants

+900 experts in the wide network

+190,000 companies represented

+30 countries

Project webpage https://unece.org/trade/traceability-sustainable-garment-and-footwear
Results: Proof of Concept

Blockchain pilot landing page and interface

Highlights

• +70 partners in the value chains
• 21 countries from developed to emerging economies
• Blockchain potential:
  • Increase trust for sustainability claims
  • Enhance B2B and B2C communication
  • Improve access to reliable information
  • Develop transparency and traceability

Key Findings and Recommendations

Policy makers

• Regulations and Standards
• Inclusive global Ecosystem
• Capacity-building/tech-transfer

Industry actors

• Commitment on sustainability
• Supply chain collaboration
• Investments in technology
• Trade and digitalization
• Business opportunities

CSOs & Standard Bodies

• Ecosystem integration
• Verification and monitoring
• Digital validation mechanisms
• Visibility of supply chain actors

Technology service providers

• Scalability to large scale in the industry
• Interoperability of IT systems and evolving technologies (blockchain/ AI/ IoT/ etc.)
Blockchain Pilots

Pilots geographical coverage

Overview of products’ use cases and value chain coverage

Partners’ selection

Haelixa
Ø ZDHC
OEKO-TEX®
ICIC
ICF
UNECE

Blockchain Cotton and Leather Pilot

Partners’ selection

Partners’ selection

Partners’ selection
The leathers used in the manufacturing of this shoe were originated in farms carrying strict organic practices – in line with the USDA National Organic Program – that foster the responsible use of resources, conserves biodiversity and promotes the humane handling of animals. The hides were carefully processed on LWG Gold Rated tanneries working with efficient and cleaner processes, in safe work environments. All leathers were finished in facilities using responsible and safer chemicals compliant with ZDHC’s Guidelines.

**Claim**

- Air Pollution
- Water Pollution
- Hazardous chemicals
- Solid waste
- Animal Welfare
- Energy consumption
- Health and safety/ PPE
- Water Use
- Labour Rights
- Human Rights

**Companies**

- Adnec Foods
- adidas

**Value chain**

1. Farming/Hunting of Livestock
2. Slaughter
3. Hide/Skin preservation
4. Tanning (Raw to Tanned)
5. Splitting, Shaving, Sorting
6. Retanning, Fatliquoring & Crusting
7. Dyeing, Setting Out, Sammying
8. Drying, Conditioning, Softening & Finishing
9. Product Assembly, Dispatch
10. Fulfillment and Retail
11. Post-consumption

**Sustainability risks covered**

- Delivery note
- Delivery note, bill of lading
- Shipping note, delivery note
- Shipping note

**Transparency evidences**

- NA

**Traceability evidences**

- NA
Recycled denim use case

The fabric of this pair of jeans is made of 65% recycled cotton yarn coming from the pre-consumer waste of our Italian fabric supplier and 35% of virgin cotton sourced from Turkey. From the yarn up to the finishing of the denim material the processing steps avoid the use of chemicals harmful for health and the environment.

Value chain involved companies

1. Planting Turkey
2. Harvesting Turkey
3. Waste collector and trader Turkey/Italy
4. Spinning Italy
5. Dyeing Italy
6. Weaving Italy
7. Fabric finishing Italy
8. Product production Italy
9. Product ennoblement & packaging Italy
10. Product placement for sale Italy/UK
11. Consumption UK
12. Post-consumption

Information not disclosed
Information identified and disclosed
Out of scope

Traceable asset

Claim

Sustainability risks covered

- Human Rights
- Labour Rights
- Solid Waste

- Hazardous Chemicals
- Pesticides/Insecticides
- Water Consumption
- Water Pollution
- GHG Emissions
- Air Pollution
- Energy Consumption

Transparency evidences

- n/a
- Email confirmation
- Shipping note
- Shipping note
- Shipping note
- Shipping note
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
  - Upcoming: The Sustainability Pledge Community of Practice & Advisory Board
What’s next

**Strengthen**

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

**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 (S M E T) WG
- **WBCSD**, **Sustainable Markets Initiative**