33th UN/CEFACT Forum - WORKSHOP REPORT

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

Thursday April 4th 2019 - Palais des Nations – Geneva

Thursday 4 April 2019

1. OPENING OF THE MEETING AND UPDATE ON THE UNECE UN-CEFACT PROJECT PROGRESS

Mr. Frans van Diepen - UNECE UN/CEFACT Domain Coordinator, The Netherlands, provided an overview of the topics for discussion, and recalled the scope of the project that UNECE will jointly implement with ITC, and in collaboration with the European Commission and the ILO. The purpose is to develop a transparency and traceability framework to promote decent jobs and sustainable patterns of production and consumption, throughout the entire value chain, from raw material production, to end and post consumption, in line with a circular economy approach.

Ms. Maria Teresa Pisani, from the **UNECE** Secretariat mentioned that this was the 1st operational meeting for this project after a series of multi-stakeholders' workshops and conference calls held during 2018 to build the knowledge base, define the specific objectives and activities for the project, and engage with key players in the sector.

In this connection, UNECE (ppt 1A_MTPisani_Study) has conducted a *Study* during 2018, in collaboration with the Bocconi University and the Milano Fashion Institute and with support of various industry players (e.g. Confidustria Moda, ICEC, COTANCE, SAC, Cittadellarte Fashion B.E.S.T), to gain the business sector perspective on challenges, opportunities and key requirements for a robust transparency and traceability system for the fashion industry . It was *presented* at the OECD Due Diligence Forum, on 14th February, in Paris.

Businesses engaged in the study mention that transparency and traceability are a priority for the industry:

- Complex and fragmented value chains make it extremely difficult for brands and manufacturers to get the full story behind their goods, to identify where exactly risks lie, and to respond to growing consumers' and civil society's demand for attaining sustainability in the sector.
- Only 34% of the surveyed companies have reported to have traceability systems in place, and most of them can identify and track their immediate suppliers only. But information is often lost about the suppliers of their suppliers – not to mention the third and fourth levels of suppliers.
- The analysis also shows a positive correlation between traceability and transparency and sustainability, meaning that tracking and tracing the value chain makes sustainability claims more credible.
- In fact, for more than 65% of companies, traceability helps 1. build trust with consumers; 2. develop more solid networks with clients and suppliers; 3. identify opportunities for more efficient and sustainable management of resources. And while key challenges lie in the fragmentation of the value chain and data privacy and security, technological advances (e.g. blockchain, bar codes, chips) can play an important role.
- Regarding possible approaches to advance traceability and transparency in the sector, companies mentioned the importance of 1. Policy/regulatory approaches to establish a level playing field, 2. support to R&D and skills development, and 3. fiscal incentives for sustainable business models/production patterns.

Building on the findings of the brainstorming sessions held in 2018 and of this study, the UNECE-UN/CEFACT component of the project will deliver:

- A Multi-stakeholder policy dialogue platform and policy recommendations towards enhanced transparency and traceability for sustainable value chains in the sector
- A traceability standards and implementation guidelines;
- Capacity building, including piloting of the policy recommendations, standards and transparency and traceability tool.

Mr. Madison Wilcox and Grzegorz Tajchman – Trade4SD, ITC (partner of the UNECE and ILO in this project) presented the key functionalities of the *Sustainability Network*, an online platform that will provide an e-market place to connect sustainable businesses along the value chain, mostly SMEs and in developing countries, will offer IT solutions for this global framework, and will complement the UNECE project components. In this connection, ITC is also closely working with SLCP, and supports the adoption of its sustainable road map in countries involved in the project. **Ms. Roopa Nair - Better Work, ILO** briefly mentioned about the decent work component of the project and the importance of connecting the promotion of fundamental labour standards under the *ILO Better Work* initiative to the development of this transparency and traceability framework. **Mr. Mauro Scalia from Euratex** referred that the industry employs more than 1,7 million workers in the EU only, and that its value chain is extremely complex, which makes this project effort an ambitious one. At the same time, he emphasised that this is a priority for the industry as it helps control the goods, fight counterfeiting, and comply with relevant national and international laws and regulations, including on sustainability requirements, as reflected in the *Euratex Position Paper on Traceability* **Mr. Gustavo Gonzales Cotance/Euroleather** recalled that 200' 000 companies produce leather in the EU, and made the point that it's important to differentiate between the leather and the textile sectors, which needs different approaches to advance transparency and traceability of the value chain.

2. OVERVIEW OF THE PROJECT GOVERNANCE AND SCOPE

Ms. Maria Teresa Pisani - UNECE Secretariat (ppt 1B_MTPisani_ProjectGovernance) gave an overview of the scope and governance structure of the *Project*, supported by the European Commission DG DEVCO, as part of its Action Programme for Decent Work and Traceability and Transparency of Value Chains If the (SDG8).

The project will include a Steering Committee composed of UNECE, ITC and the EU DEVCO, to review progress of the implementation of the standard. It will also have an Advisory Board, handled by the UNECE, to provide strategic guidance to the project, composed of experts from key players for due diligence in the industry, appointed by their organizations, that will meet once or twice a year. A call for expression of interest has been issued In January: about 80 experts have joined the project groups, from IOs, NGOs, brands, manufacturers, governments, academia and think tanks. They will provide expertise on their individual capacity, to develop and finalise the project outputs, which will then be submitted for adoption following the *Open Development Process* for the preparation and adoption of UN/CEFACT deliverables.

Regarding the project groups:

- A **Policy Group** will work on: Definition of vision and objectives of the T&T system, implementation phases, a distribution model of costs and benefits among stakeholders, rules for collaboration, a framework for data exchange, including sustainability risks, rules on confidentiality, and measurement of performance.
  Expertise: High level expertise on industry business and policies, and sustainability
- A **Technical standard group** (with sub-groups focusing for instance on luxury) will work on A**. Business Requirement Specification (BRS**) mapping and describing the industry value chain, traceability of processes, products parts and components, during extraction, processing, assembling, transport, within a country or across borders, as well as location and responsible parties, including on sustainability requirements; B**. Core Component Business Document**

Assembly (CCBDA) with the basic structure of supporting Business Documents the information exchanged in a business Interaction in the value chain, in a syntax and technology neutral way, based on UN/CEFACT Core Components; C. **XML and/or EDIFACT message schemas** for the harmonized electronic exchange of data B2G and B2B that supports the business processes for sustainable value chains in the Textile sector; D**. Implementation guidelines**
Expertise: Technical expertise on A. Business requirements, B. information entities, C. Mapping of the value chain, D. Mapping of sustainability hot spots

- A Capacity Building&Pilots Group will conduct pilots, training and awareness raising on for traceability and transparency of sustainable value chains
  Expertise: A. Knowledge development and sharing; B. networking with and reaching out to practioners on implementation of supply chain standards, and interested companies for the pilots.

Regarding project implementation, the following timeframe was discussed:

Project Inception	01/09/2018
Requirements gathering	31/12/2018
Group of Experts Composition	30/04/2019
Draft development (Policy Recommendation and Standard)	01/06/2019
Public Draft Review	01/09/2019
Project Exit	01/11/2019
Publication (Policy Recommendation and Standard)	31/12/2019
Capacity Building (Pilots, Training and Dissemination)	31/12/2021

Mr. Laurent Zibell - IndustriAll referred to the importance of having trade unions in the advisory board, and trusted experts working in the project groups, and stressed the need to assess feedbacks from pilots following thee stages: designing, piloting, testing, while **Mr. Mauro Scalia Euratex and Mr. Gustavo Gonzales Cotance/Euroleather** emphasised the importance of defining a detailed workplan for the work of the experts (including a schedule of meetings), and of considering a realistic timeframe, to keep proper consideration of key stakeholders' feed-back in the work of the project groups. In this regard **Ms. Virginia Cram Martos** UN/CEFACT suggested that Technical Specifications for the standard could be finished in March 2020, while the Policy Recommendation could be reasonably finalised by December 2021, and be adopted at the UN/CEFACT Plenary in April 2021. **Mr. Piero De Sabata Euratex** mentioned about the need to ensure interoperability with systems already in place, involving a proper mapping of all existing relevant standards and approaches for traceability of the value chain in the sector. And Finally **Mr. Kerem Saral Better Cotton Initiative** suggested to develop a template to scope the key aspects to be considered in the traceability for sustainability scheme, and a map of expertise required for the different value chains that the project aims to cover.

NEXT STEPS are the signature of the project agreement with the EU DG DEVCO, sharing the list of experts' members of the project groups, the procedure to follow to be UN/CEFACT experts, and detailed plan of activities for the project groups, with a revised timeline based on the discussion, along with the schedule of possible meetings/conference-calls for 2019.

3. DEVELOPMENT OF POLICY RECOMMENDATION ON TRACEABILITY AND TRANSPARENCY FOR SUSTAINABLE VALUE CHAINS

Ms. Maria Teresa Pisani – UNECE (ppt 2_MTPisani_PolicyRec.) Secretariat gave an overview of the key elements for a Policy recommendation, which should include definitions of traceability, transparency and sustainability in the context of the project, vision and objectives of the transparency and traceability system, implementation phases, business process analysis of the industry value chain, distribution of costs and benefits among stakeholders, rules for collaboration, rules for data exchange and confidentiality, including on sustainability risks, data exchange standards, measurement of performance, among other elements.

Experts, in three groups were asked to discuss and give feed-back on such outline:

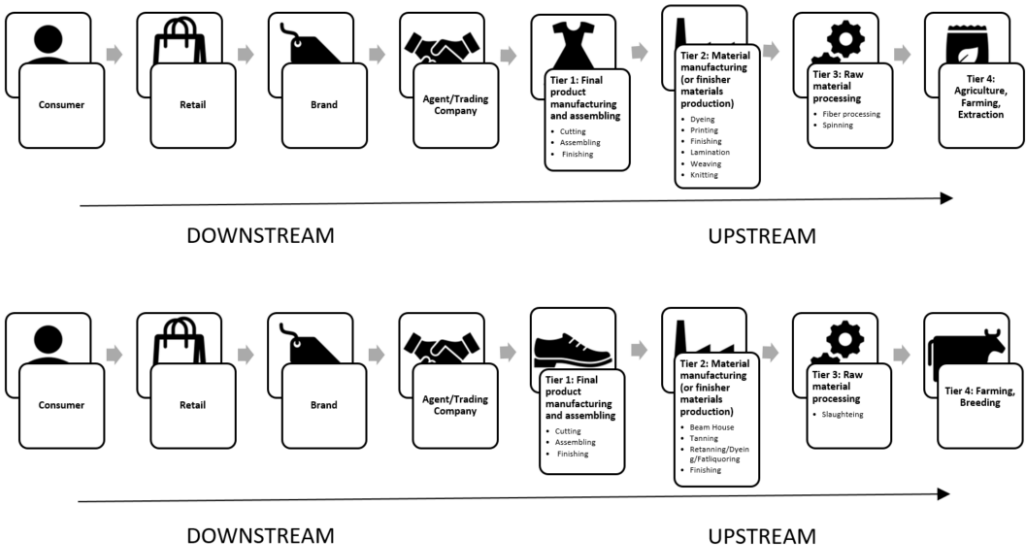
- In addition to the definition of traceability (OECD), it was suggested to consider also the definition of the ISO (the ability to trace the history and the application of an item), while for the discussed definitions on transparency (EC) and sustainability (UNECE), it was suggested to further simplify and refine them. For the one on sustainability, the definition proposed by the UN Guiding Principles on B&HR should be considered.
- Traceability is the result of a process: there is a need to track and trace over the entire supply chain, from raw material to end of the product life cycle, including the reuse and recycling. Traceability, like sustainability, should be measurable.
- The concept of traceability is a precondition for transparency. Transparency is a dynamic process to inform consumers, the general public and other key actors in the industry.
- Selection of data to be collected, exchanged and disclosed is important: avoid overflowing actors with information, and focus on concrete and special and trustworthy data and information.
- There is a need to strike a balance between transparency and business confidentiality.
- Transparency is only meaningful when the beneficiaries are ready for it. There is a need to make the public aware that transparency is an important tool to advance the sustainability in the industry.
- Extra costs of traceability and transparency should be recognised, and proposed solutions should look as much as possible to minimise them.
- Transparency is about the conditions under which a product is made and distributed. It can cover many aspects (e.g. processing, environmental, social risks) in relation to the use of the product.

NEXT STEPS Secretariat to sharing the updated outline of the policy recommendation for input from the policy group.

3. MAPPING OF BUSINESS PROCESSES AND CORE DATA FOR DUE DILIGENCE IN GARMENT AND FOOTWEAR VALUE CHAINS

Mr. Frans van Diepen - UNECE UN/CEFACT Domain Coordinator, The Netherlands (ppt 3_FVDiepen_MappingProcessesData), discussed the requirements for mapping business processes in the garment and footwear value chains, and defining the set of minimum core data to be exchanged along the value chain, to be included for instance, in a blockchain smart contract, including data related to the purchase order and information to enable due diligence.

An overview of typical nodes in the industry value chain is as follow:



Source: UNECE 2018, GS1 1018

And when it comes to core data to be considered in the traceability scheme, examples include:

Responsible party	Name and role of identified company/organization
Country of origin	Location of company (address, country); Location of production facility (address, country)
Raw material/product	Raw material type: textile (e.g. synthetic fibre, cotton, manmade cellulosic fibre, wool, linen, etc.), leather; Material attributes description; Harvest/Production Date; Product type (apparel, footwear, home textile, accessories); Purpose; Quantity; Quality; Identification
Production	Processing step; Production attributes; Packaging attributes
Transport	Period; Consignment; Shipment; Transport means; Locations; Products involved; Indicator (e.g. animal tag) number(s); Responsible parties
Trade	Customs clearance data
Sustainability requirements	Social/Ethical for Internal Operation/Suppliers/Sub-contractors Employees: Health & Safety on the workplace; Child Labour: Forced and Compulsory Labour; Working Hours; Right of association & collective bargaining; Discrimination; Disciplinary Practices; Remuneration Clients: Consumer protection (including Health&Safety); Quality of the product/Durability Animal welfare Bribery and corruption Environmental for Internal Operation/Suppliers/Sub-contractors: Raw Material: Biodiversity, Pesticides, Habitat loss/Deforestation, Land Use, Resource/Fossil Fuel depletion, Renewable; Not renewable Production process: Chemicals consumption, Water consumption, Energy consumptions, CO2 emissions, Other Air emissions, Waste water treatment, Production wastes treatment/recycling, Soil and ecosystem Circular approach: Circular Design, Reuse/Recycling, Green R&D

Source: UNECE 2018, GS1 2018, UN/CEFACT 2016

The technical standard group will work both on this preliminary overview of nodes in the industry value chain, in consideration of a circularity approach, so to include also the use, reuse, recycling phases, and the mapping of core data for the traceability scheme.

Mr. Piero De Sabata Euratex presented the E-biz system, which aims at creating a common language for companies in the fashion industry to exchange data with the new clients or suppliers, and improve quality of collaboration, which helps reducing costs and saving time. He stressed the importance of the eBIZ language to support digital communication across the fashion supply chain, and referred that some 400 companies currently benefit from eBIZ formats. Companies' usual IT suppliers or other IT specialists consult the eBIZ Reference Architecture – a technical guiding document – and related online resources to create new or update existing connections with customers and suppliers, and to exchange information related to orders, invoices, dispatch, quality and technical sheets. This includes information about articles, article classes, lot or batch level. He also highlighted some key challenges for traceability in the value chain, i.e. that It is very difficult to get info from all nodes in the supply chain; there is no single (information) model, nor priorities; there is a need for systematic certification processes and certificates, and for common shared contractual terms. Also, he referred that partners in the supply chain have different knowledge and understanding of traceability. The partners maintain different strategic approaches towards traceability in the supply chain.

Experts were then asked to work in three groups to discuss problematic issues in the exchange of information in relation to transparency and sustainability: for each section in the supply chain; for a product type; for a dedicated market:

- Important to define the scope and the purpose of the requested traceability.
- The supply chain is fragmented, and the information flow is both structured and unstructured.
- Difficult to verify the information in relation to quality and naming of information entities. Thus, mapping of the information, and verification of the reliability of information are key issues to be addressed. Also the information system of the supply chain must be reliable and trustworthy. The system must be accessible for all partners.
- Identity is an important issue. There is a need to have a public register to maintain the quality of the information collected.
- Being a supply chain provider complying with the in accordance with the framework can help more sustainable practices and trust for stakeholders.

- Sharing of information is non-commercially profitable. Therefore, there is a need to create other incentives for the sharing of information.
- Information that is available around supply chain is hard to get because the supply chain is complex. One way to address this challenge is working towards interoperability and explore the use of blockchain.
- There is a demand for a legal framework, for regulations related to traceability, transparency and sustainability. This framework can be specified within the scope of a product and product information, and in the scope of competition aspects.

NEXT STEPS is to organise the work on a number of aspects for the development of the traceability standard, i.e.: 1. The key information entities for identification (used or desired): party, production unit, location, storage and transport; 2. How do producers – suppliers maintain their information system related to product information and transparency (key information entities, registers used, product, process and party information, means of information exchange with partners, XML schemas, code lists, identifiers, certification,

4. Blockchain for traceability of sustainable value chains – project pilot

Mr. Heinz Weller - Hugo Boss (ppt 4_HZeller_Snenario) discussed challenges in textile value chains and blockchain's solutions providing an interface between system and stakeholders, and key components of such solutions, including ledgers, smart contracts, tokens. He also gave an overview of the TRACY project jointly developed by Hugo-Boss with ASTRATUM, and its pilot in the framework of the Sustainable Egyptian Cotton initiative, in collaboration with UNIDO, the Italian Agency for Development Cooperation, Cotton for Life, and BCI, which will engage with 6,600 smallholder farmers. **Christopher Doug – GoSource Australia** shared about the results of a pilot that the Government of Australia conducted in the agri-food sector, and also highlighted challenges related to the cost of implementation of blockchain solutions especially for small farmers, quality of data exchanged through the system, and effective incentives for users to share the data, while **Mrs. Oriana Perrone - Italian Ministry of Economic Development** mentioned about the pilot that the Italian government is launching jointly with the Italian Association of Manufacturers for traceability of textile and leather value chains, and referred to the importance of linking this pilot to the work that will be undertaken under the UNECE project. Finally, **Natasha Frank - Connect Fashion EON** (ppt 5_NFrank_EON), said that today products are not intelligent and that data-silos limits profitability, efficiency, innovation and sustainable performance. She then talked about the Global Connect Fashion Initiative introducing a standard for Digital identity and explained how Internet of Things (IoT) can power end-to-end connectivity across fashion, apparel and retail. She also referred how digital identity makes it possible for items to be complete with a digital birth certificate and a digital passport, and support the exchange of necessary information for the reuse and the recycling of products and their components at the end of life - so that waste stage can be closed.

5.Contributions to the upcoming meetings and events

Copenhagen Global Fashion Summit (14-15 May 2019 Copenhagen)
EU Development Days 2019 (18-19 June 2019 Brussels)
WTO Aid4Trade Review (4-5 July 2019 Geneva)
ITC Sustainable Trade Forum (Sept 2019 Geneva – date tbc)
UN/CEFACT Forum (October 2019 – date and venue tbc)
1st Project Policy Dialogue meeting (November 2019 Milan)
OECD Due Diligence Forum (February 2020 Paris-date tbc)

6.Closing of the Meeting

Mr. Frans van Diepen – UNECE UN/CEFACT Domain Coordinator, closed the meeting and summarised the next steps under the various agenda items (see above).

Annex: List of participants preparatory conference call 22 March and workshop 4 April

Last Name	First Name	Organization
Arzaga	Danielle	Candiani SPA
Cali	Remo	Candiani SPA
Canevelli	Luca	Kering
Covini	Carlo	LENZING AG
Den Engelse	Johan	Frug I Com
Dieckmann	Nicoline	Rijksdienst voor Ondernemend Netherland
Franck	Natasha	Eon Group
Gonzalez Quijano	Gustavo	EURO Leather
Iitaka	Takeshi	Asahi Kasei
Karaosman	Hakan	Politecnico di Milano
Kedoin	Kanenori	Japan Association for Simplification of International Trade Procedures (JASTPRO)
Kersten	Claudia	Global Organic Textile Standard
Kobayashi	Kiichiro	Asahi Kasei
Kollere	Abubakar Shehu	RMRDC Nigeria
Kral	Ivan	UNIDO
Liebetegger	Daniela	FUR EUROPE
Markus	Pikart	Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
McClenaghan	Sharon	The Circle
Mccluskey	Shelley	PRIMARK
Mollica	Roberto	KStrategy - Zegna Group
Nair	Roopa	Better Work - ILO
Ndiaye	Fatou	The Great Village
Pirazzi	Olga	Città dell'Arte Pistoletto Foundation
Pisani	Maria Teresa	UNECE
Savastano	Candia	Ministry of Economic Development - Italy
Stockall	Paul	IFF
Tajchman	Grzegorz	ITC
Tomio	Furuuchi	JASTPRO
Van Diepen	Frans	Ministry of Economic Affairs – The Netherlands
Vanpeperstraete	Ben	Clean Clothes Campaign
Wilcox	Madison	Trade4SD, ITC

Last Name	First Name	Organization
Windham Stewart	Olivia	C&A Foundation
Zeller	Heinz	Hugo Boss
Zibell	Laurent	Industri All Europe
de Sabbata	Piero	ENEA
Barr	Juliette	Sourcemap
Merkx	Jan	GS1
Gough	Christopher	Textile Exchange
Noriega Bravo	Ana Belen	PEFC
Gillespie	Anne	Textile Exchange
Saral	Kerem	Better Cotton
Frei	Charles	UNECE
Ceccarelli	Maria Rosaria	UNECE
Gough	Christopher	GoSource Pty Ltd Australia
Cram-Martos	Virginia	GoSource Pty Ltd Australia