12/19/2023

Report of the Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the Circular Economy on its third session

I. Attendance

1. The Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the Circular Economy (ToS-ESG-SVC-CE) held its third session on 23 November 2023.

2. 90 participants attended the session, representing governments, international organisations, national development agencies, the private sector (industry associations, brands and retailers, testing, auditing and certification companies, standard-setting bodies, technology solution providers), academic institutions and non-governmental organisations, from more than 20 countries.

3. The meeting was held in a hybrid format, with participants joining either in person at the Palais des Nations in Geneva or remotely.

4. Representatives of the following ECE member States attended: Canada, Germany, Russian Federation, and United Kingdom of Great Britain and Northern Ireland.

5. Representatives of the following international organizations attended: European Commission, International Labour Organization (ILO), International Trade Centre (ITC), United Nations Environment Programme (UNEP), World Trade Organization (WTO) and the German Agency for International Cooperation, GIZ.

6. Representatives of the following non-governmental organisations attended: the Clean Clothes Campaign (CCC), International Institute for Sustainable Development (IISD), World Business Council for Sustainable Development (WBCSD), World Economic Forum (WEF).

II. Opening & keynotes: drivers and challenges for scaling up of traceability and adoption of the agenda (agenda item 1)

7. The Chair (Mr. Christian Hudson of the German Agency for International Cooperation, GIZ) opened the third session of the ToS-ESG-SVC-CE and welcomed the experts.

8. The Director of ECE's Economic Cooperation and Trade Division, Ms. Elisabeth Türk's opening remarks highlighted the increasing need of traceability systems supporting verified and trusted ESG credentials of products placed on markets in critical sectors, such as textiles, agrifood and minerals. The fast-changing regulatory landscape for sustainability emphasizes the need of harmonization at global level and the importance to provide capacity building to developing countries and countries with economies in transition. This effort can build on successful solutions already implemented with advanced technologies, under the

ECE Sustainability Pledge initiative[1]. The ECE Sustainability Pledge traceability toolbox (recommendations, guidelines, information exchanges standards and blockchain system) is a building block that can be replicated to other critical sectors, like agrifood and minerals. Improving ESG traceability and transparency of value chains is a priority to support responsible consumption and production (Sustainable Development Goal 12).

9.   From an international trade and environment's perspective, the WTO underscored the collective engagement required to trace value chains. Traceability and transparency are critical to support re-globalisation[2] towards efficient, inclusive, resilient value chains. The Committee on Trade and Environment and its TESSD[3] of the WTO are taking steps to explore sector-specific challenges, like in plastics. They require investment and capacity, that need to be addressed to overcome the development challenge, particularly for upstream actors.

10. The European Commission (Directorate-General for International Partnerships) noted the risk of trade impediment due to new sustainability legislation impacting global value chains. Collaboration with relevant international organisations to support compliance is key, which in turn can become a competitive advantage. The ECE-ITC[4] programme in garment and footwear is a successful example of cooperation to advance sustainable trade globally, through traceability and transparency.

11. The Federal Ministry for Economic Affairs and Climate Action of Germany emphasized support for effective due diligence implementation, based on international standards (United Nations Guiding Principles on Business and Human Rights; OECD due diligence principles) in the context of the Act on Due Diligence in Supply Chains[5]. The combination of traceability tools and due diligence principles can help companies to find the right balance to comply. The project Cartena-X is a notable example in the automotive industry.

12. The United Nations Centre for Trade Facilitation and eBusiness (UN/CEFACT) is the parent body of the ToS-ESG-SVC-CE, which adopts the mandates, the programme of work, upon which the Team reports on its activities on a yearly basis. The 29th UN/CEFACT Plenary[6] expressed satisfaction for the work of the Team of Specialists, recognized the importance for due diligence and verified ESG credentials in value chains of critical sectors for the digital and green transition, and endorsed the annual report of the Team's activities for 2022-2023[7].

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[1] This collaboration is part of the ITC and the United Nations Economic Commission for Europe (UNECE) joint programme on Transparency and Traceability in the Garment and Footwear sector, funded by the European Commission, Directorate-General for International Partnerships. Project's webpage is accessible at: https://unece.org/trade/traceability-sustainable-garment-and-footwear.

[2] WTO World Trade Report 2023 - Re-globalization for a secure, inclusive and sustainable future. Accessible at: https://www.wto.org/english/res_e/publications_e/wtr23_e.htm.

[3] WTO's Trade and Environmental Sustainability Structured Discussions (TESSD). Accessible at: https://www.wto.org/english/news_e/archive_e/tessd_arc_e.htm

[4] https://unece.org/trade/traceability-sustainable-garment-and-footwear.

[5] The Act on Corporate Due Diligence Obligations in Supply Chains, Germany (2021). More information at: https://www.csr-in-deutschland.de/EN/Business-Human-Rights/Supply-Chain-Act/supply-chain-act.html.

[6] 29th Session - UN/CEFACT Plenary (09-10 November 2023). More information at: https://unece.org/info/events/event/377991.

[7] Report of the Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the

13. Over the period 2022-2023 and in line with the decisions of the second session[8] of the ToS-ESG-SVC-CE, the ECE Policy Paper Enhancing Traceability of Products along International Value Chains for the Circular Economy and Sustainable Use of Resources[9] was finalized. The Team identified the possible elements of a protocol/guidelines to promote ESG monitoring and reporting in value chains across different key sectors, linking up to the draft ECE Recommendation No. 49 "Transparency at scale"[10]. The implementation of ESG traceability was supported through the Sustainability Pledge call to action, which received more than 100 pledges[11] from more than 750 actors globally, and through the blockchain pilots for textiles and leather[12]. The Team explored fundraising opportunities through continued collaboration with the EU to expand the traceability work to the agrifood and minerals sector. Additional documents of reference[13] under the area of interest of the ToS-ESG-SVC-CE are available for consultation.

14. The Chair emphasized some of the key issues to be addressed: the collection of sustainability data beyond the point of sale; ESG data volumes and quality needed for scaling up transparency and traceability. The Chair acknowledged the need of global collaboration across the ecosystem of actors in value chains to enable interoperability of data access in an affordable way.

15. The third session aimed to define the formats and participation needed for a global collaboration to scale traceability and transparency, which eventually will deliver sustainable and inclusive growth benefitting all.

16. The Team thanked the Vice-Chairs of the Bureau for their guidance, namely:

   - Mr. Harm Jan van Burg, the Netherlands

   - Ms. Nathalie Bernasconi, Switzerland

17. The Chair presented the annotated provisional agenda for the third session of the ToS-ESG-SVC-CE. The Team adopted its agenda as contained in the document agenda - TSVCCE-2023[14].

   Decision 2023-01. The Team noted the need for interoperability in information exchange in order to scale-up access to social and environmental data for sustainable, resilient and efficient value chains and meet future regulatory and

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Circular Economy on its Activities in 2022-2023 (2023). Accessible at: https://unece.org/trade/documents/2023/08/session-documents/report-team-specialists-environmental-social-and.

[8] Report of the second session TSVCCE-2022. Accessible at : https://unece.org/trade/documents/reports/report-second-session-tsvcce-2022.

[9] ECE Policy Paper on Accelerating the Transition Towards a Circular Economy in the ECE Region: Improving the Traceability of Products along International Value Chains (2023). Accessible at: https://unece.org/trade/documents/2023/11/session-documents/ece-policy-paper-accelerating-transition-towards-circular.

[10] UNECE Recommendation No. 49 Transparency at Scale ToR-v0.8 (2023). Accessible at : https://unece.org/trade/documents/2023/10/working-documents/unece-recommendation-no-49-transparency-scale-tor-v08

[11] https://thesustainabilitypledge.org/joinus.html

[12] Updated Report on the Blockchain Pilots Project for the Garment and Footwear Sector: Proof of Concept Report: Harnessing the potential of blockchain technology for due diligence and sustainability in textile and leather value chains (2023) https://unece.org/trade/documents/2023/11/session-documents/updated-report-blockchain-pilots-project-garment-and.

[13] The Executive Summary of the ECE-ECLAC Study on Improving the Sustainability of Used Clothing: Global, European and Chilean Perspectives (2023). Accessible at: https://unece.org/trade/documents/2023/11/session-documents/economic-commission-europe-and-economic-commission-latin.

[14] Draft Agenda-TSVCCE- Third Session 2023. Accessible at: https://unece.org/trade/documents/2023/10/agendas/draft-agenda-tsvcce-2023.

market demands. In this connection the Team agreed to work on defining collective needs, identifying synergies, and aligning on transformative solutions.

Decision 2023-02. The Team took note of the Report of the Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the Circular Economy on its Activities in 2022-2023 (ECE/TRADE/C/CEFACT/2023/24) endorsed at the 29th plenary of the Working Party UN/CEFACT.

III.   Needs for the future of ESG traceability (agenda item 2)

18. This session gathered inputs from stakeholders and technology solution providers for ESG traceability, looking into the future and assessing challenges based on current experience. The dialogue was structured around three panels:

   - Panel (a) considered the performance features from systems and standards needed to enable transparency and traceability at scale in global markets to meet policy needs with brands and retailers and technology solution providers.

   - Panel (b) collected information on existing initiatives in connection with ESG traceability which are currently in place or being developed to understand the level of alignment and build synergies between initiatives to support needs that are common to the stakeholders.

   - Panel (c) assessed the role of multilateral co-operation and standard setting to foster ESG traceability.

a)   Enabling transparency and traceability at scale in global markets

19. From textile retailers' perspective, a successful ESG traceability strategy requires collaboration and a joint action at multiple levels (policymakers, business, civil society) to drive large scale solutions. Some of the key challenges in scaling are the implementation of segregation procedures for materials and fibres traceability downstream, the lack of interoperability, the lack of common frameworks for identification of locations and impacts of garment manufacturing.

20. Technology plays an instrumental role in scaling traceability. Enabling interoperability across multiple systems would allow to create a traceability ecosystem along the whole value chain, towards full transparency. The translation of regulatory requirements in daily garment manufacturing operations is another challenge.

21. The CIRPASS Consortium prepares the ground for the piloting and deployment of a Digital Product Passport (DPP) in line with the EU proposal for Ecodesign for Sustainable Product Regulation[15] (ESPR) with an initial focus on electronics, batteries and textile sectors. CIRPASS is taking steps to have all industries agreeing on an extensible and flexible DPP system, connecting upstream and downstream, generated at the market placement stage. The information contained in the DPP will enable to disclose the traceability information in digital formats.

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[15] European Commission's proposal for Ecodesign for Sustainable Products Regulation (2022). Accessible at: https://environment.ec.europa.eu/publications/proposal-ecodesign-sustainable-products-regulation_en.

22. The DPP can help scaling up traceability by providing a framework supporting the development of standardized data formats, as well as semantic interoperability, including verified credentials, using existing information models, vocabularies, like UN/CEFACT standards[16] and flexible IT systems to connect data systems.

23. From a technology solution provider's perspective, the deployment of traceability at scale would require incentivizing market operators (regulation is one way) and establish incentives (e.g. market access measures) for actors of all sizes along the value chain, bridging the gap between compliance and incentives.

24. Existing use cases in the cocoa sector showcase the possibility to achieve value chain traceability, from cooperative to a French chocolate factory, using blockchain technology, through incentives such as reduced payment delay and price-premium, and to address child labour issues in the mica sector used in cosmetics, electronics, painting.

25. Both sectors are, or about to be, regulated with the EU Deforestation-free Products Regulation[17], EU Corporate Sustainability Due Diligence Directive proposal (CSDDD)[18] and the EU Regulation proposal prohibiting products made with forced labour[19]. The differentiation aspect is critical for market operators to get a comparative advantage based the visibility brought onto responsible practices.

26. The Team emphasized the importance of semantic interoperability to connect the DPP requirements and the data in the DPP through the value chain. One of the concerns, raised by market operators, is the variation of scales between the EU market and value chains that are global regarding the implementation of legislations.

27. The Team took note of a recent UN/CEFACT note[20] that describes why ECE-UN/CEFACT standards and tools are ideally suited to support DPP development; (ii) explains which current and forthcoming ECE-UN/CEFACT standards and tools can assist in the development of DPPs, notably the traceability and transparency standards; and (iii) provides specific recommendations on how ECE-UN/CEFACT standards and tools could be further developed to support the adoption of DPPs.

28. The Team pointed out the challenge to access upstream data (all stages prior to market placement) from outside of the EU, to inform the content of the DPP, especially regarding the origin, and the role of market surveillance authorities.

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[16] 18 UN/CEFACT standards have already been mapped out of 149 standards in the Report of the EU Technical Working Group on DDP: Landscape of DPP Standards as reference standards for the EU DPP (2023). Accessible at: https://standict.eu/digital-product-passport-standards-report.

[17] REGULATION (EU) 2023/1115 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (2023) on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. Accessible at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1115&qid=1687867231461.

[18] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937. Accessible at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071.

[19] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on prohibiting products made with forced labour on the Union market (2022). Accessible at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0453.

[20] The United Nations Centre for Trade Facilitation and Electronic Business Solutions in Support of Digital Product Passports (2023). Accessible at: https://unece.org/trade/documents/2023/10/session-documents/united-nations-centre-trade-facilitation-and-electronic.

Verifiable credentials could be attached to data elements to improve audit data quality. For instance, the US Customs and Border Protection[21] is testing verified credentials as technology to enable the 'auditing' of the data. In the EU, a verifiable battery passport[22] has also been developed based on verifiable credentials attached to batteries.

29. The Team emphasized the importance to not overlook social data (e.g. wages, working hours, type of contract) in DPP, which can bring more transparency regarding the compliance with labour and human rights standards. Data access to the civil society organizations, beyond consumers, is another important transparency driver.

b) Landscaping the initiatives in connection with ESG traceability

30. The Partnership for Carbon Transparency (PACT)[23] of the World Business Council for Sustainable Development (WBCSD) is a leading initiative aiming to increase carbon transparency in supply chains. Credible emissions data and a carbon accounting system are key for businesses to take targeted decarbonization action across their value chains. However, the current accounting system for supply chain emissions is flawed due to two main issues (i) the lack of technology-enabled access to suppliers' data (e.g. "survey-fatigue"), (ii) the lack of quality data.

31. The PACT develops a global standard that calculates and exchanges scope 3 emissions data across supply chains, through (i) standardization of data exchange, (ii) collaboration across an ecosystem of actors, (iii) harmonization of emissions accounting for products via a common reporting methodology.

32. In 2023, PACT focused on providing 900 companies with the tools to calculate product carbon footprint, with an average variance of 37% when comparing emissions received directly from suppliers with emissions calculated via secondary databases. PACT demonstrated promising results to accelerate the path to net zero emissions and transparency, through technology, data quality and collaboration.

33. In the last decade, the development of digital traceability, particularly in the agri-food sector enabled the transfer of data through processing locations (harvesting, processing, packaging, shipping) with sustainability credentials (e.g. carbon footprint, water footprint, packaging information) captured in a barcode. For instance, the case of a salmonella outbreak in the U.S in the early 2000s, initially attributed to tomatoes (later attributed to paper) entailed a USD 250 million loss, which accelerated digital traceability systems. Digital traceability also allows to capture data about energy and water use and other ESG credentials, on top of product's characteristics.

34. The circular economy has the potential to reduce by 20%[24] carbon emissions whereby ESG traceability is a core enabler. In a context where companies have to

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[21] https://www.dhs.gov/science-and-technology/news/2023/10/18/dhs-supply-chain-traceability-startups-successfully-complete-data-exchange-testing.

[22] https://medium.com/p/a0f42c1bcb5e.

[23] https://www.carbon-transparency.com/.

[24] Data based on presentation and research by TÜV Rheinland.

increasingly disclose sustainability-related data [25], in the context of the EU Corporate Sustainability Reporting Directive[26], the role of investors could be a game-changer should ESG data be linked up to green and sustainable finance goals.

35. Building on the Standards map[27], one of the largest databases for sustainability standards, the ITC will extend its work on Voluntary Sustainability Standards, with the launch of a Certified Business Registry[28]. The Certified Business Registry aims to register 100 businesses, mainly small and medium size enterprises (SMEs), with valid business credentials, with a focus on scope certificate data. This toolkit offers a global public good solution, which could be integrated by businesses in their own systems. Pilots are underway with standard-setting bodies to assess the possibility to consume and validate the data.

c) The role of multilateral co-operation and standard setting

36. Interoperability between traceability platforms is the key to scale traceability and transparency in value chains, which would address two main challenges: (i) the lack of business incentives (e.g. price premium, improved customer relationships, market access) for actors, especially upstream, to provide the required traceability data and change their processes; (ii) the technical challenge, given that all suppliers are using their own platforms, it may entail a duplication of information requests in multiple platforms used by their customers.

37. The upcoming DPP, along with the ambition to move to decentralized traceability (rather than traceability platforms) would require verified data to be reliable, and DPPs issued by accredited providers.

38. The draft UNECE Recommendation 49 'Transparency at scale'[29] aims to provide counter-greenwashing advice to member States on practical measures to implement supply chain traceability and transparency at the scale needed to achieve meaningful impacts on global sustainability goals, for critical sectors like textiles, agrifood and minerals.

39. While the world faces sustainability challenges, regulators are responding by introducing measures and incentives to increase sustainable behaviours. However, incentives may also encourage more greenwashing. Therefore, to maintain their value and fight greenwashing, transparency along the value chain is key, leveraging on technology and digital tools.

40. The future recommendation aims to support interoperability between platforms to allow traceability data to move across actors in the value chain. Multiple traceability platforms, disparate standards, privacy and confidentiality, cost and the lack of business incentives are some of the key challenges to scale transparency, from pilots to global adoption, which the Recommendation aims to tackle.

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[25] European Financial Reporting Advisory Group (EFRAG) 1178 European Sustainability Reporting Standards data points under the EU Corporate Sustainability Reporting Directive. Data based on presentation and research by TÜV Rheinland.
[26] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. Accessible at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.
[27] https://standardsmap.org/.
[28] ITC, Centralizing profiles of sustainable small businesses in the textile industry: COP28 (2023). More information at: https://intracen.org/news-and-events/news/centralizing-profiles-of-sustainable-small-businesses-in-the-textile-industry.
[29] See earlier reference.

41. One way to scale transparency is to use a decentralized architecture between data, forging a common transparency protocol (building on W3C, GS1 EPCIS standards) that can convey sufficient ESG data along the supply chain, that each supplier provides to the next stage in the chain, using a B2B product passport at the shipment level, product conformity credential and traceability events.

42. For instance, Australia implemented traceability cases at product level, with a minimum set of data attached to a shipment via an identifier, anchoring trust on a claim with verified credentials.

43. The early draft of Recommendation No. 49 will be published for public review early 2024 and interested experts can reach out to the project lead, Mr. Steven Capell to contribute.

44. The transfer of data has become an issue due to the high variety of computer systems and data formats. A product centric approach is important to understand the data needs (e.g. provenance, CO2 emissions, materials, recycling, water consumption, child labour). Data is coming from different streams, which entails technical and social challenges on how to identify and measure it. Collaborative actions could look at (i) ontologies, vocabularies, semantics, (ii) minimum data points in verifiable credentials.

45. The UNECE Aarhus Convention[30] is a legally binding standard for public bodies to advance transparency, with more than 40 parties spanning across Europe. Collaboration with the ToS-ESG-SVC-CE could lead to fruitful outcomes considering the priority to access product information, similar challenges to tackle (e.g. greenwashing) and instruments (e.g. ecolabelling, eco-auditing, green procurement) ensuring that information is available at B2G, B2B, B2C levels.

Decision 2023-03. The Team agreed to provide a neutral, open platform for convening value-added collaborative initiatives, with the support of participating organizations. Such platform aims to tackle the challenges of normative fragmentation, lack of interoperability and incentives for data sharing and implementation experiences, through engaging relevant stakeholders and encouraging wider participation in its work.

Decision 2023-04. The Team took note of the progress on the draft UNECE Recommendation No. 49 'Transparency at Scale' and its annexes on implementation that aims to provide guidance for governments and industry actors on scaling-up traceability, transparency and trusted information exchange in value chains, especially in relation to the need to address business incentives and implementation model challenges.

IV.   Defining the challenges of ESG traceability (agenda item 3)

46. The Team divided in three groups to discuss the needs and the challenges from the perspective of producers, manufacturers, retailers and brands in the garment and footwear sector, agri-food and minerals from several standpoints. The groups shared the outcome of their discussion, as follows:

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[30] Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus, Denmark, 1998). Accessible at: https://unece.org/DAM/env/pp/documents/cep43e.pdf

- Discussion group (a) deep dived into the needs and the challenges from the business' standpoint, noting data collection harmonization, rational price for granular data, business incentives to support SMEs, cost reduction and platforms interoperability. The needs could be translated into a roadmap for transparency supported by risk-management analysis. Recommended actions focused on collaborations across the value chain involving the financial sector, identifying incentives and pricing analysis.

- Discussion group (b) explored the needs and the challenges from the compliance and supply chain services' standpoint, taking stock of the numerous legislations supporting ESG compliance, the associated technology and financial capacity challenges. The complexity of ESG standards, data reliability and verification call for more standardization. An engagement mapping would allow to engage with all the necessary stakeholder's groups to scale transparency.

- Discussion group (c) delved into the needs and the challenges from the technology providers' standpoint, highlighting that scaling transparency and traceability requires more decentralization. Defining the features on how to exchange the data is key with a minimum number of data points, to support SMEs, which could be extended. Establishing interoperability requires common data structures. The future Recommendation No. 49 could develop pilots based on similar data structures to assess feasibility.

Decision 2023-05. The Team agreed on the importance of international collaboration to provide interoperability for multi-stakeholder (B2B, B2G and B2C) product related lifecycle information exchange solutions, such as digital passports, globally, building on the guidance in the note developed by UNECE.

V.   Discussion of the Programme of Work (agenda item 4)

47. The Chair reminded that the programme of work for the mandate and terms of reference[31] of the ToS-ESG-SVC-CE for the period 2021-2023 was adopted by the UNECE 117th session of EXCOM on 8 July 2021. The mandate of the Team of ESG Traceability was extended for the period June 2023– June 2025.

48. The Team used the insights of the discussions to discuss the priorities and the next steps for 2024, including collaboration around the draft Recommendation No. 49.

49. The Team took note of the proposals, to update the relevant UNECE standards; to identify collaboration opportunities with the Task Force on Access to Information on Product Information under the auspices of the UNECE Aarhus Convention to help integrating efforts; to work towards a transparency protocol with DPP, given that the standardization request of CEN-CENELEC is until 2025, to ensure systems' alignment; to create a visual mind map of initiatives supporting value chains sustainability and circularity, and to reach out to multilateral banks to integrate efforts on sustainable development; to engage more SMEs in the next meetings considering the impact of legislations on upstream operations and actors; to create a matrix of data points to be collected for each regulation with an impact

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[31] Revised Mandate and Terms of Reference of the Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the Circular Economy. Accessible at: https://unece.org/trade/documents/session-documents/revised-mandate-and-terms-reference-team-specialists

on sustainability and ESG compliance; to consider the issue of data licensing, for instance, in artificial intelligence, and optimal license model.

50. The Team acknowledged the idea to develop cross-sectoral generic guidelines for ESG traceability, which could then be adapted to specific industries. These guidelines could overcome the risk to be absorbed by sector-specific challenges.

51. The UN/CEFACT product circularity data standard[32] could be used as an output for the work of the ToS-ESG-SVC-CE. It developed a model supporting data exchange for circular business models (i.e. resale, rental, collecting, sorting, recycling), with an initial focus on textile and leather. It is designed in a generic manner to ensure applicability to other sectors, and to be global. The standard is aligned with the requirements laid out in the EU ESPR proposal and DPP. Experts with an expertise on circular economy were invited to contribute to the public review (see draft Business Requirement Specifications[33]).

Decision 2023-06. The Team agreed on the need for stakeholders to engage in the next stages of development of the issues in draft UNECE Recommendation No. 49. This text could be the first basis for an agreed protocol to improve ESG monitoring and reporting in value chains for key sectors, including textiles, agri-food and critical raw materials.

Decision 2023-07. The Team noted the ECE Policy Paper on Accelerating the Transition Towards a Circular Economy in the ECE Region (ECE/TRADE/C/CEFACT/2023/17); the ECE and ECLAC Study: Improving the Sustainability of Used Clothing: Global, European and Chilean Perspectives: Executive Summary (ECE/TRADE/C/CEFACT/2023/18); the Updated Report on the Blockchain Pilots Project for the Garment and Footwear Sector: Harnessing the potential of blockchain technology for due diligence and sustainability in textile and leather value chains (ECE/TRADE/C/CEFACT/2023/19); the UN/CEFACT Solutions in Support of Digital Product Passports (ECE/TRADE/C/CEFACT/2023/20) submitted for information at the 29th UN/CEFACT, as deliverables in support of the outcomes of the seventieth Commission session of the ECE, and as relevant documents in the area of interest of the Team.

VI. Adoption of decisions of the third session (agenda item 5)

52. Delegates and participants agreed on decisions 1-7 and will receive the report of the third session, which will be submitted to the next session of the Team of Specialist and the 30th UN/CEFACT Plenary.

53. The Chair closed the session, emphasizing as main takeaway that scaling ESG transparency and traceability in global trade will support moving towards a more sustainable economy, tackling social and environmental risks, human rights violations in value chains.

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[32] The UN/CEFACT product circularity data standard project webpage: https://uncefact.unece.org/display/uncefactpublic/EXTENSION+TEXTILE+AND+LEATHER+BRS +PART+2%3A+Use+case+and+CCBDA+data+structure+supporting+product+circularity.
[33] The Product Circularity Data Use Case Public Draft - Business Requirement Specification extension (2023). Accessible at: https://unece.org/trade/documents/2023/11/working-documents/product-circularity-data-use-case-public-draft-brs.

ANNEX

Programme of the third session

THURSDAY 23 NOVEMBER

Moderated by *Mr. Christian Hudson, Chair of UNECE Team of Specialists on ESG Traceability for Sustainable Value Chains in the Circular Economy*

10:00 – 10.30	***Opening***
	Ms. Elisabeth Türk, Director, Economic Cooperation and Trade, UNECE
	Keynotes: drivers and challenges for scaling up of traceability
	Mr. Aik Hoe Lim, Director, Trade and Environment Division, WTO
	Mr. Carsten Sorensen, Deputy Head of Unit, Trade, Investment Climate, Entrepreneurship & Value Chains, Directorate-General for International Partnerships, European Commission
	Ms. Milena-Kristin Strathmann, Federal Ministry for Economic Affairs and Climate Action (BMWK), Germany
	Questions for discussion:
	• What are the challenges in scaling-up ESG traceability and transparency through global value chains from a trade and development perspective? What will be the role of additional collaboration within the Team of Specialist and how can it contribute to the WTO's Committee on Trade and Environment priorities?
	• What are the global trade implications at global level of new EU legislative acts? What is the European Union desire to work co-operatively multilaterally for sustainable transition?
	• What are the traceability needs in the context of supply chain due diligence and other policy goals? What is the role of the Team to support these discussions, policy coherence and regulatory compliance?
10:30 – 12:00	***Needs for the future of ESG traceability***
	(a) Enabling transparency and traceability at scale in global markets Ms. Ana Díaz Ibarra, Head of Traceability, Ms. Ruth Nistal Peraza, Traceability Innovation & Tech Lead, INDITEX
	Ms. Carolyn Bernier, CIRPASS Consortium Coordinator, Alternative Energies and Atomic Energy Commission (CEA)
	Mr. Matthieu Hug, CEO, TILKAL
	<u>Questions for discussion</u>
	• What are the challenges in scaling-up traceability and meeting policy goals? What would a possible vision for the future ESG traceability and transparency? What role for collaboration in achieving it?
	• What are the possibilities offered by systems for Digital Product Passports

to improve ESG traceability? What are the key steps to reach scale?

- What insights from existing traceability case studies on incentive structures and data sharing can inspire the work of the Team of Specialists? What is needed for access to reliable data at scale?

Q & A Wrap-up by moderator

(b) Landscaping the initiatives in connection with ESG traceability

Ms. Cecilia Valeri, Senior Manager, Climate Transparency, WBCSD

Mr. Rakesh Vazirani, Head of Sustainability Services, TÜV Rheinland Group

Mr. Gregory Sampson, Solutions Architect, International Trade Centre

Questions for discussion

- How does the Partnership for Carbon Transparency (PACT) aim to deliver improved traceability and transparency on carbon in value chains? What are the next areas of collaboration needed for scaled-up, successful implementation?

- What are some examples of government-led initiatives on traceability? What are the synergies of product traceability with sustainable finance data needs that may help companies' transition? What is the role of certifiers/auditors such as TUV to shape data flows?

- What does the certified business registry aim to achieve to support ESG transparency, and what are the implementation needs? What is the role of UN governance in creating trust for data sharing?

Q & A Wrap-up by moderator

(c) The role of multilateral co-operation and standard setting

Mr. Philipp Mayer, Co-Founder & CPO, Retraced, GmbH

Mr. Steven Capell, Managing Director, GoSource Pty, and UN/CEFACT Vice Chair

Mr. Rigo Wenning, Legal counsel, W3C

Questions for discussion

- Why verifiable credentials are an essential part of the solution to challenges and needs? What further collaborations would be beneficial to make further progress to scale transparency in value chains?

- What role for collaboration to allow product identifiers to scale digital traceability and transparency information? Is there a need for international standards to help achieving traceability complex international supply chains that include manufacturing processes like turning yarn unto garments?

Q & A Wrap-up by moderator

14:00

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15:00

Defining the challenges of ESG traceability

- What vision for future ESG traceability and transparency do you want to be aiming for?

- What are the challenges [for this group of stakeholders] in scaling-up traceability through global value chains?

- What role do you see for additional collaboration in achieving traceability and transparency at scale (i.e. overcoming challenges)? On which issues do you want to find collaborative solutions?

- Which stakeholders would usefully be discussing with whom, under which convener?

- What are the required steps for the collaboration we want to happen?

- What should be the first step in practice, what could be the role of the UNECE Team of Specialists, what do you want to do?

(a) Needs and challenges: the business' standpoint

Lead discussant: Ms. Katarzyna Sulisz, Sustainability Policy Officer, Federation of the European Sporting Goods Industry

Facilitator: Mr. Christian Hudson, Chair of the Team of Specialists

(b) Needs and challenges: the compliance and supply chain services' standpoint

Lead discussant: Mr. Jeffrey Thimm, Organic Production Specialist, GOTS

Facilitator: Ms. Nathalie Bernasconi, Vice-Chair of the Team of Specialists and Executive Director, IISD Europe

(c) Needs and challenges: the technology providers' standpoint

Lead discussant: Andrea Redaelli, UNECE Business Project Expert and Chief Operations Officer, Globamind

Facilitator: Mr. Harm Jan van Burg, Vice-Chair of the Team of Specialists and Senior Policy Advisor on International Standards, OASIS

15:00 – 15:45	*Discussion of the Programme of Work*
	Lead discussant: Ms. Virginia Cram-Martos, CEO, Triangularity and UN/CEFACT Project Lead
	Q & A Wrap-up by moderator