UNECE

Blockchain / distributed ledgers for traceability and due diligence in garment and footwear value chains in a circular economy

11 September 2019 | 14:30 – 17:00
OECD, Room D (Chateau Building), Paris

■ About the meeting

This meeting is being held under the UNECE work on transparency and traceability for responsible value chains in the garment and footwear sector on the side-lines of the OECD Policy Forum on Blockchain 2019 (access the Forum website).

■ Agenda and Speakers

- **Frans Van Diepen** (**UN/CEFACT**, **Government of The Netherlands**) opens the meeting, introduces its scope and objectives, and moderates the session, which will be discussion-based.

- **Heinz Weller** (**Hugo Boss**) and **Piera Solinas** (**UNIDO**) give a presentation on the blockchain ecosystem as an enabler for transparent and efficient operations, with a focus on cotton value chains

- **Melissa Rusinek** (**Diverse Recycling Solutions**) and **Jan Merxkxs** (**GS1**) give a presentation on the fundamental pillars of a blockchain ecosystem, with a focus on the **information model**

- **Virginia Cram Martos** (**UN/CEFACT)** and **Evonne Tann (Textile Exchange)** give a presentation on **relevant standards** (e.g. for interoperability, and due diligence) of a Blockchain project

- **Fabian Vogelsteller from FIUNDURA** give a presentation on the **technology model** of a Blockchain project in the fashion industry.

- **Daniele Del Genio (Calceviva)** e **Stefano De Vescovi (IBM), Thomas Mason** (**Organic Cotton Accelerator)**, **Miriam Geelhoed (Modint),** will share experiences and lessons learned from ongoing pilots

- **Maria Teresa Pisani** (**UNECE)** gives an overview of the steps for the conceptualisation of a **UNECE project pilot**, the identification of project partners and experts and their engagement, and its launch and implementation.

■ Objective of the meeting

Improving transparency and traceability has become a priority for the garment and footwear industry in order to increase its ability to manage its value chains more effectively, identify, mitigate and address its **labour and human rights and sustainability impacts**, sustainably combat **counterfeits** and address **reputational risks**.

Currently, the majority of companies in the industry collect and store data on their value-chain partners using proprietary Enterprise Resource Planning (ERP) systems and industry or multi-stakeholder platforms. While companies and initiatives may be gathering similar information, there are variations in the definitions of the data and how itis coded which reduces the ability of systems to 'talk to each other' (i.e. to be interoperable).

Consequently, many companies have a limited view of the network of business partners within their value chain. Most can identify and track their immediate suppliers, but information is often lost about the suppliers of their suppliers – not to mention third-, fourth- and fifth-layer suppliers. As a result, manufacturers are often unable to "tell the story" behind their goods and how the needed raw materials are produced and move through the value chain into retail outlets.

In order to enhance traceability and transparency within value chains, companies need to first be able to see a full mapping of the numerous business transactions and actors within their value chain on one system. To do this, the different company information systems in the different sections of a value chain must be able to exchange information. In this way, a (virtual) value-chain information system could be created.

However, **two other condition**s must first be met. First, the data that is shared must be based on **harmonised data definitions** so that it can be correctly interpreted. Secondly, all of the systems that are linked together must have **adequate data security** (for sensitive information, data quality, reliability of transaction records, etc.). When systems are interlinked, the security of all the participating systems is determined by the weakest link. Having met these conditions: connectivity, harmonized data definitions and adequate security; applications could be developed that enable companies to carry out due diligence and flag potential risks by analysing the information gathered about their value chains.

In this value-chain framework, **blockchain technology** may be able to support many business requirements in the apparel business. First, because blockchain technology can support the sharing of information across disparate systems, second because it can offer a high-level of data security and, thirdly, because it supports very efficient reconciliation between the digital representation of an object and all of the registered transactions concerning that object (i.e. it provides highly reliable traceability).

The element that is missing, i.e. which blockchain technology cannot resolve, and which must be created by all of the participating parties to a blockchain traceability application is **data harmonization**.

In this context, and that of the UNECE project for advancing transparency and traceability of sustainable value chains in the garment and footwear sector – jointly implemented with the ITC with support of the European Commission, the **purpose** of this meeting is to conceptualise a **blockchain pilot project** for due diligence in the industry value chain, with a focus on cotton value chains.

This will involve the meeting participants in:
- Defining the relevant **business objectives** and **processes** related to traceability and due diligence to be covered by the project
- Ascertaining the specific contribution that **blockchain technology** and related **functionalities** (such as **smart contracts**) can make to the business objectives

- Identifying **project participants** and **opportunities for cooperation**
- Outlining project steps and timelines.

■ Practical Information

Date
11 September 2019 (back to back with the OECD Policy Forum on Blockchain on 12-13 September)

Time
14:30 – 17:00

Address
OECD, 2 Rue Andre Pascal, 75016, Paris, France

Room
Room D (Chateau Building)

Background documents
See attached documents

Registration
This is a closed meeting, held under Chatham House Rules, and by invitation only. Please contact Maria Teresa Pisani at maria-teresa.pisani@un.org; amelia.dellefoglie@un.org to confirm your attendance.

The meeting is conducted back to back with the 2nd OECD Blockchain Policy Forum. Registration to the Forum is available here: http://www.oecd.org/finance/oecd-blockchain-policy-forum.htm

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