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

<u>**Minutes**</u>
Virtual conference meeting #1 – Capacity-Building & Pilots
18/12/2019, WebEx, 15:30 CET

Participants (25):

Cedric Brunner (OEKO-TEX), Giorgia Carissimi (Albini), Chami Akmeemana (Convergence Tech), Gessica Ciaccio (ENEA), Virginia Cram-Martos (Triangularity), Piero de Sabbata (ENEA/Euratex), Adam Herbenson (Stardustus), Ilona *Surname (organisation)*, Martha Marin (Hecho por Nostros, WFTO LA), Adriana Marina (Hecho for Nosotros and animaná), Jan Merckx (GS1 Begium & Luxembourg), Gediminas Mikutis (Haelixa), Greta Moser (Avery Dennison), Liz Muller (liz muller & partners), Bellen Pappolla (Hecho for Nosotros), Mariana Reina (Hecho for Nosotros and animaná), Melissa Rusinek (Diverse Recycling Solutions), Piera Francesca Solinas (Filmar, UNIDO), Eleonora Tieri (YNAP), Frans van Diepen (RVO, the Netherlands), Fabian Vogelsteller (Lukso), Jim Whitestone (Convergence Tech), Nathan Williams (Minespider), Heinz Zeller (Hugo Boss), Erik Zvaigzne (Convergence Tech).

UNECE Secretariat: Maria Teresa Pisani, Olivia Chassot   **Co-leading Expert/s**: Heinz Zeller, Andrea Redaelli, Virginia Cram-Martos

Agenda item	Discussion	Comments / Status	Action/Decision
Introductory remarks *Maria Teresa Pisani*	Opening of the meeting, brief recap on the key project outputs and the core activities to be carried out in 4 subgroups, and the timeframe to conduct the pilots in 2020 (cotton) and 2021 (linen, wool, synthetic, leather). *Reference documents: PPT Project Governance and Progress; Group of Experts Composition (CUE Space)*		
1. Overview of group of experts' composition and stakeholders' ecosystem for the project for capacity-building	Presentation of the draft stakeholder ecosystem mapping aiming at capturing comprehensively all the actors involved in global garment and footwear value chains in 3 phases: 1. Map the macro ecosystem 2: Map countries of most-importance 3. Drill down by combining	• Consider emerging countries increasingly engaged in the apparel market (e.g. Ethiopia, Mongolia) or countries which have put forward traceability aims (c.f. national action plans). A risk-based approach could also be meaningful to identify priority countries that pose greatest sustainability risks.	Secretariat to collect inputs from the experts for the stakeholders' ecosystem mapping until **Thursday 9 January 2020** and circulate updated approach ahead of the next conference call.

activities and pilots *Maria Teresa Pisani*	the first two categories. The colours are not meaningful at this stage. *Reference document: Draft Stakeholder Ecosystem Mapping V0 (CUE Space)*		
2. Work plan for the blockchain pilot for traceability and sustainability in cotton value chains *Heinz Zeller, Andrea Redaelli*	Brief presentation of the work plan for the blockchain cotton pilot. Together with the technical standard subgroup, business and technical requirements to put in place for this pilot are being identified. As showcased by the pilot timeframe, the development of the solution will be followed by its internal testing. A pilot for linen can be foreseen at a later stage based on the outcomes of the cotton pilot to ensure the scalability of the solution. The subgroup will also look into other fibers (animal-based, synthetic) and leather for other pilots. The development of a training/capacity-building plan will be core to the development of the solution. The cotton blockchain pilot intends to build upon existing traceability systems such as established by GOTS, Textile Exchange, CMiA, OEKO-TEX, BCI and assess particularly the relevancy of using blockchain technology. The scope of the cotton pilot will cover all processing methods of the mass market (conventional grown - biggest market share - organic, mass balance and	• Consider that the benefits of blockchain does not consist in replacing traceability schemes already in place but rather to coordinate data between systems, foster trust, communication and ensure that data is interchangeable from countries and companies. • Consider using a hypothesis testing model as done in the metals industry: a series of hypotheses is generated to be tested and organise the pilot in phases for tests. It helps keeping a reasonable scope and determining success criteria. Extracting data automatically from ERP systems could be a good mean for drawing hypotheses. ○ E.g. of hypotheses: A. Traders benefit from transparency. B. QR codes are secure enough. C. QR codes are not sufficient enough as a tagging system. D. Document "X" provides a sufficient level of confidence that the cotton is authentic. • Consider the work carried by the Responsible Sourcing Network (RSN) with Yarn Ethically and Sustainably Sourced (YESS) initiative to mitigate and prevent forced labour sourced-cotton (e.g. Turkmenistan, Uzbekistan) from reaching the shop racks. RSN is part of the Cotton Campaign that is a multi-stakeholder coalition advocating to drive slavery out of cotton production by implementing a due diligence verification program with cotton yarn spinners. YESS provide the spinners with training and documents to validate the origin of cotton at gins and country levels. Spinners bear a critical role at post certification level being the milestone to identify where did the ginning took place and cotton came from at Tier 4. Large scale farmed cotton represents a	• Secretariat and the project team to work on a questionnaire to collect the inputs for the lessons learnt from other pilots to be circulated by **mid January 2020**. • Secretariat to collect comments and circulate the updated the stakeholder ecosystem mapping and the updated pilot project document ahead of the next conference call (**29/01/2020**). • *Liz Muller* will share the RSN's documents which aim at validating the origin of cotton at spinners level. • *Adriana Marina* will share their outcomes of their pilot run in the Andean region with ITC on camelid fibers. • *Erik Zvaigzne* will share the report on a sustainable cashmere value chain pilot conducted in Mongolia with

	segregation uses) and look at blockchain as an enabler for traceability. UNIDO Egyptian cotton project which was started a couple of years ago can be connected to UNECE project having traceability and transparency as a core objective from seed to fabric with an extension to circularity. For the cotton blockchain pilot, the looming step is the definition of the detailed data model on or/and off-chain for a lean blockchain solution
	Reference documents: Blockchain Pilot Project Document; 18_12_19 UNECE virtual meeting presentation (CUE Space)
		critical challenge keeping the end goal as sustainability (e.g. for one gin, thousands of farmers were involved). Consider Turkey as an interesting and manageable second phase for the pilot being often a forced labour cotton-sourced (i.e. Central Asia) recipient country.
		• Consider the Responsible Mineral Initiative Blockchain guidelines.
		• The subgroup will need to work on having an intelligent systems design to automatize data exchange. C.f. GS1 great work underway on standardised interfaces.
		• Hecho por Nosotros / animaná conducted a pilot with ITC on transparency and the use of blockchain in the Andean region to promote camelid fibers' producers' empowerment and develop this market.
		• Consider the recent pilot conducted by the Italian Ministry of Economic Development in collaboration with IBM *Blockchain for Made in Italy Traceability: Origin, Quality, Sustainability* and the scoping of the value chain and data models.
		• Convergence Tech conducted a pilot in partnership with UNDP and the Sustainable Fiber Alliance (SFA) for a sustainable cashmere value chain in the Eastern region of Mongolia. Cashmere is under rife pressure due to an ever-increasing demand and pasture land degradation due to climate change. The pilot aimed at fostering traceability and sustainable sourcing by setting rewards for herders who had followed sustainable practices. Training was involved on sustainable practices, animal welfare and opportunities for herders to register sustainable produced cashmere. RFID tags were used and the certification assessment was provided by the SFA. As key lessons learnt:
		    o The importance to contextualise ground realities and human factors.
		    o The tech solution's viability for a peculiar intervention region and ground reality.
			UNDP and the Sustainable Fiber Alliance, possibily the data model used.
			• Secretariat to invite the *Italian Ministry of Economic Development / IBM* representatives to share the key outcomes and lessons learnt from their Blockchain for Made in Italy traceability pilot.

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

		- o The pilot's scoping is critical. In this case, it covered production to initial processing stages of Tier 3. - o Data processing: which data needs to be extracted for which objective. - Consider OEKO-TEX STeP certificate licenced when facilities meet a sustainable textile production that could be integrated into the blockchain to address the issue concerning social responsibility, health and safety. - Integrating small scale farmers into the new economy is a key challenge and would require training and formalization to have officialised ways of selling. Licensing enables turning artisanal communities into larger traders over the long term.	
Next conference call (capacity-building and pilots' subgroup)	**Wednesday 29th January 2020 at 15:30** CET (Geneva)		- Secretariat to circulate agenda, invite and background documents by **Friday 24 January 2020.** - Secretariat to inform **early January 2020** on date and time for a potential project progress meeting over OECD due diligence forum.