

Minutes
Virtual conference meeting #8 – Capacity-Building & Pilots sub-group 4
27/10/2020, WebEx, 15:30 CET

Participants (62) Cornelia Bamert (Nettle Circle), Rahul Bhajekar (GOTS), Cedric Brunner (OEKO-TEX), Virginia Cram-Martos (Triangularity, UN/CEFACT project expert), Piero de Sabbata (Euratex – ENEA), Claudia Di Bernardino (UN/CEFACT project expert - lawyer), Simonetta di Tommaso (Italian Ministry of Economic Development), Angelika Duckenfield (AQC), Sven Edgren (DNVGL), Rui Fontoura (independent expert), Emily Franklin (Fashion for Good) Neliana Fuenmayor (A Transparent Company), Margarita Guerra (Hecho por Nosotros), Gerhard Heemskerk (EDI consulting, UN/CEFACT project expert), Edwina Huang (Phoenix), Tesja Kersten (Hecho por Nosotros), Dean Kingston (BEXT360), Cathelijne Klomp (LVMH), Adriana Marina (Hecho por Nosotros/Animanà), Jan Merckx (GS1), Judith Meyer (weba), Gediminas Mikutis (Haelixa), Greta Moser (Avery Dennison), Liz Muller (liz muller & partners), Prem Nair, Ruth Nistal (INDITEX), Hania Othman (Chain Ops), Olga Pirazzi (Cittadellarte), Alix Pollet (Safilin), Stéphane Popescu (COSE361), Giacomo Poretti (SUPSI), Marco Ricchetti (Blumine, UN/CEFACT project expert), Francesca Romana Rinaldi (Bocconi University, UN/CEFACT project expert), Melissa Rusinek (independent expert), Candia Savastano (Italian Ministry of Economic Development), Andreas Schneider (GCS consulting), Debbie Shakespeare (Avery Dennison), Nina Shariati (H&M), Stefano Silvi (pOSti), Evonne Tan (Textile Exchange), Deborah Taylor (UN/CEFACT project expert), Georgina Tayler (Hecho por Nosotros), Lenin.Thangamani (UN), Isabella Tonelli (Vivienne Westwood), Fabian Vogelsteller (Lukso), Frans van Diepen (RVO, the Netherlands, UN/CEFACT domain coordinator), Angela v. Beckh Bacchetta (Minespider), Madison Wilcox (ITC), Erik Zvaigzne (Convergence Tech), Customer Care (Berbrand), Parth (Infini Chains), (Africa – Hecho por Nosotros)

UNECE Secretariat: Maria Teresa Pisani, Olivia Chassot, Olga Kharitonova **Co-leading experts:** Andrea Redaelli, Heinz Zeller

Agenda item	Discussion	Comments / Status	Action/Decision
Introduction Update on project's deliverables <i>Maria Teresa Pisani</i>	In compliance with the Open Development Process, the bureau of UN/CEFACT agreed to submit three documents for public review which are 1. Enhancing Transparency and Traceability for Sustainable Value Chains in the Garment and Footwear Industry – Policy Recommendation, Part I, Guidelines, Part II 2. The Business Requirement Specification Textile and Leather High Level Process and Data Model 3. The Business Requirement Specification Textile and Leather Traceability and Transparency Process and CCBDA Data model.	<ul style="list-style-type: none"> The experts are invited to review and comment on the Draft Policy Recommendation and Guidelines which is undergoing public review from 20/10 until 20/12/2020. The Call to Action has been submitted for endorsement over the 26th Session of UN/CEFACT Plenary (item 11 ECE/TRADE/C/CEFACT/2020/6) on the 26/11/2020. Experts are also invited to review and comment the Business Requirement Specification documents, accessible from UN/CEFACT public review webpage, using the comments' log available on the webpage. The public review's timeframe is 03/11/2020 until 03/01/2021. 	
1. Overview of progress: on	The blockchain platform is being developed through an agile approach relying on the hand-over of the data business requirements and knowledge from the pilot team to SUPSI		<ul style="list-style-type: none"> The bilateral meetings between the pilot team and the piloting partners will take

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<p>going work with partners <i>Andrea Redaelli, Olivia Chassot,</i></p>	<p>through a series of workshops. The set of information to collect from the partners has been defined in the user stories, in the draft “fil rouge”: the story running behind the pilot, the business process analysis for textile, the business requirement specifications and data model, and the policy recommendation.</p> <p>Concept approach: linking up the sustainability claims to the user stories?</p> <p>The purpose is to create a standardized approach through a check list excel form for traceability identifying the claims against the user stories defined already. It is critical to understand how the claims will be use and the legal considerations. A first kick-off workshop was held to align the partners on the development phase, to allow SUPSI understanding better the business requirements and start showcasing the tech platform to the users. The finalization of the user stories and sustainability claims requires more work and time bilaterally due to the impossibility of running physical workshops. The starting point of the bilateral discussions is the set of sustainability claims selected (origin, fibre content, chemicals use, product quality, social and environmental aspects under OECD due diligence requirements) for partners to link them to their activities in the value chain, looking at the user stories and selecting the appropriate value chain stage and events for their core business. Each business models and activities performed by the partners is described in a use case using the check list excel form. The checklist form excel for traceability is underpinned by 5Ws (who, what, how, where, why and when) for all business processes. The goal is to generate use cases for several value chains to cover as much as possible the scope of the pilot from cotton field to distribution with the support and operational knowledge of the partners.</p>	<p><i>Reference documents (CUE space)</i></p> <ul style="list-style-type: none"> - <i>Minutes of Virtual conference #6 meeting 23.09.2020</i> - <i>Project document for a pilot on blockchain for traceability and due diligence in the cotton value chain and progress report (draft November 2020)</i> - <i>Compilation of User Stories (11.09.2020)</i> <p><i>“Fil Rouge”: the story running behind the solution (11.09.2020)</i></p>	<p>place from November onwards in order to complete the check list excel form for traceability.</p> <ul style="list-style-type: none"> • Based on the inputs and data collected from the partners and through an agile approach, the pilot team will have regular meetings with the technology-solution provider SUPSI to notify about progress, milestones and transfer the requirements for the advancement of the blockchain platform. These meetings will be supported by a legal expert to advise on claims’ formulation and legal considerations regarding data privacy and confidentiality.
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<p><i>Claudia di Bernardino</i></p>	<p>How to develop your claims? Claudia di Bernardino presented some guidelines to develop sustainability claims and the implications of such exercise from a legal standpoint, in terms of contents and requirements. It is critical that the data is carrying the evidence of meeting the criteria of a claim. She underscored the difference between sustainability claims and claims, the latter bearing a broader scope than the former (social, environment, economic). A claim comprises an objective (purpose of tracing, requirements to meet), a description of the traceable asset (e.g. t-shirt), description of the proposed claim with physical characteristics and the verification criteria which provide the insurance that the standard is met. It is also critical to pay attention on whether the scope of the claim is covering a final product or one of its components (e.g. yarn, fabric), a process or an organization, the entire life cycle or one stage, the target audience (e.g. B2B or B2C). The minimum criteria to be met with the claims must be clear, understandable, prominent and accurate, supported by scientific evidence, avoid undue transfer of environmental impacts, visible and accessible, allowing to trace how the claim was generated. The claim must cover an objective that goes beyond regulatory compliance and must be updated.</p>	<ul style="list-style-type: none"> • Consider that it is a very relevant point to assign a rating with the claims although it is not the pilot’s scope. It is a key discussion to have with the policy and the pilot subgroups at a later stage. The project team is internally discussing the idea of having indicators, KPIs for transparency and traceability which could be used at the company level. • About communicating on several claims covering different steps of the value chain of a final product: consider that the guidelines support addressing the single or multi-claim issue, and the case of combined claims having different certifications applicable. It all depends upon the verification criteria, meaning the documents (e.g. shipping document proofing the origin) and certificates (e.g. organic content) evidencing the multi-claim. The check list excel form has a single claim structure to keep the level of complexity simple, but it is flexible to adapt to a multi-claim declaration. • About linking the claims relating to the material, the component, the process, facility into a claim about the final product made of these materials, components and processes, it is an important point touching on the granularity level to be set by the piloting partners and reflected in the tech platform. 	<ul style="list-style-type: none"> • The guidelines to build sustainability claims are available on the <u>CUE space</u> for UN/CEFACT experts.
<p>Pilot partner’s testimonial <i>Neliana Fuenmayor, ZDHC Foundation & A Transparent Company</i></p>	<p><u>A Transparent Company</u> has started to work on blockchain back in 2017 in order to create transparency and grow trust in traceability data points in fashion. Building on a multi-stakeholder collaboration with the Sustainable Apparel Coalition, ZDHC issued a report in 2019 to look into blockchain’s capacity to support transparency and build trust. The discovery report highlighted an alignment for a solution whereby UNECE project had synergies. Joining forces, ZDHC aligned with UNECE project with a common vision for a</p>	<ul style="list-style-type: none"> • Experts, industry and stakeholders involved in this project are collaborating on establishing a standard for a harmonized approach of data points and a common language through a standardized data model to share information among the value chain partners and to allow transparency and traceability for sustainable and circular performance throughout the entire value chain. 	

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	<p>solution to track and trace social, environmental, governance and investments-related impacts. It is critical to collaborate on a standard whereby the industry can share data points from different supply chains in a trusted, transparent way. The report was launched during the event <u>Proof of Trust in Fashion 9th Future Fabrics Expo Seminar Series</u> in London, January 2020. ZDHC contributed to the user stories and the identification of data points relevant to the pilot.</p>	
<p>2. Overview of the technology blockchain-based platform development <i>Giacomo Poretti</i></p>	<p>SUPSI presented the blockchain platform under development. Blockchain technology enables recording transactions, digital interactions in a secure, transparent, outage-resistant, auditable and efficient environment. Ethereum will enable actors to register and verify claims related to their products in an immutable blockchain through the management of certificates and documents. The system will incorporate data manually and will be event-driven, so that stakeholders register events¹. For the pilot’s participants, the blockchain will be open-source, permission less and on-chain “public” data, while for external users it will be on-chain data only. Privacy and confidentiality by design will be supported by cryptographic encryption technologies and decoding key exchanges.</p>	<ul style="list-style-type: none"> ▪ Consider that SUPSI will use the blockchain platform to store and secure the signature of each event and the linkage between them with the certificates. ▪ Consider that for tracing the composition of different lots of component/raw materials into lots of new product, it will be traced with the shipping document, using a subset of the mass of volumes. In the inputs and outputs’ definitions of a single event, it will possible to add a percentage of quantity/volume. ▪ Consider that the tech platform will use Ethereum which enables to explore smart contracts’ features that are automatized in the blockchain, associating the cost for every transaction. The issue is open to move from Ethereum to another blockchain based on the same technical infrastructure but with a different cost. ▪ Consider that to reduce costs, certificates can be stored off-chain and what is kept on-chain is the equivalent of "notarized seal" (e.g. a hash) which can be used to prove that the document has not been modified. ▪ Consider VeChain. ▪ Standard losses can be considered in the processing of cotton, for instance through raw cotton to ginned cotton with the definition of waste material processing

¹ As per the EPCIS data model, there are three types of events: object event (B2B transactions), transformation event (internal processes) and observation events (certifications).

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4. Next steps and experts' inputs

- Virtual Third Multi-Stakeholder Policy Dialogue **23 & 24 November 2020** 13:00-17:00 CET
- Conference Call #9 Sub-groups **January 2021** (*date tbc*) at 15:30 CET (WebEx teleconference)