WCO - Visualizing a greener HS to support environmentally sustainable trade

UNECE Sustainability Pledge and Toolbox—Advancing sustainability and circularity in the textile and leather industry through traceability and transparency of value chains

Maria Teresa Pisani, OiC, Economic Cooperation and Trade Division, United Nations Economic Commission for Europe
Definitions
Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Industry

**Traceability**
the ability to trace the history, application or location of an object 
“...the conditions in which they were produced through the supply chain” (OECD, 2018)

**Transparency**
“...relevant information being made available for all elements of the value chain in a harmonized way.... which allows for common understanding, accessibility, clarity and comparison” (EU, 217)

**Sustainability**
“all activities, throughout a product’s life cycle, take into account their environmental, health, human rights and socioeconomic impacts, and their continuous improvement” (UNSDG; UNECE, 2020)

**Circularity**
“the ability of this process to retain the value of products, materials and resources in the economy for as long as possible” (EU, 2015)

UNECE Recommendation No. 46: Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Sector:
https://unece.org/sites/default/files/2021-04/ECE_TRADE_C_CEFACT_2021_10E_Rec46-Textile_0.pdf
## Drivers for Traceability and Transparency

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

### 1. Drivers

<table>
<thead>
<tr>
<th>Social forces</th>
<th>Market forces</th>
<th>Regulatory forces</th>
<th>Technological forces</th>
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</thead>
</table>

### 1. Actors/Enablers

<table>
<thead>
<tr>
<th>Civil Society</th>
<th>Consumers</th>
<th>Industry</th>
<th>Investors</th>
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<tbody>
<tr>
<td>• Plays an increasing role in demanding greater scrutiny of private sector actors and in driving demand for more sustainable products</td>
<td>• Ready to pay a premium for products with greater transparency • Will boycott/punish products and investors with opaque credentials</td>
<td>• Aware of reputational risk • Strive to be ahead of regulation to reduce compliance risk • Sees opportunity in demand growth for sustainable products</td>
<td>• Increasingly shifting their portfolios towards ESG investments • Wary of exposure to planetary boundaries and stranded assets</td>
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<th>Law makers</th>
<th>Technology</th>
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<tbody>
<tr>
<td>• Responding to civil society demand for greater transparency and traceability</td>
<td>• New digital and physical technological innovation reduce barriers and costs</td>
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</table>
The UNECE Framework Initiative
Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Industry

01. Policy Recommendation & Call to Action
02. Traceability & Transparency Standard & Imp Guidelines
03. Blockchain Pilots & Capacity Building
04. Draft Proof of Concept Report

+250 project experts
+33 consultation meetings +2000 participants
+900 experts in the wide network
+190,000 companies represented

Blockchain pilots +70 partners (brands-manufacturers, IGOs, standard setters, academia/start-ups)

+30 countries

April 2021
April 2021 – October 2022
October 2022

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+30 countries

UNECE
The Sustainability Pledge
Think it, Item it, Wear it!
What is Business Process Analysis (BPA)?

Why necessary?
Bottleneck areas
To visualize, uniformize and identify existing processes, identify bottleneck areas and opportunities for improvement

Who involve?
Business & IT
Business Analysts, IT and system development, audit, potentially investors, management

How use it?
Use BPA tools
Use helpful Use Case, Activity diagrams and Business Process Descriptions in initial phases of a transparency & traceability project

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United for greater traceability, transparency and circularity in the garment and footwear sector
Sustainability Risks

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Blockchain Pilots

Pilots geographical coverage

Partners’ selection

Overview of products’ use cases and value chain coverage

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Blockchain Proof-of-Concept Report

Blockchain pilot landing page and interface

Highlights
- +70 partners in the value chains
- 21 countries from developed to emerging economies
- Blockchain potential:
  - Increase trust for sustainability claims
  - Enhance B2B and B2C communication
  - Improve access to reliable information
  - Develop transparency and traceability

Key Findings and Recommendations

<table>
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<th>Industry actors</th>
<th>CSOs &amp; Standard Bodies</th>
<th>Technology service providers</th>
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<td>Regulations and Standards</td>
<td>Commitment on sustainability</td>
<td>Ecosystem integration</td>
<td>Scalability to large application in the industry</td>
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<td>Inclusive global Ecosystem</td>
<td>Supply chain collaboration</td>
<td>Verification and monitoring</td>
<td>Interoperability of IT systems and evolving technologies (blockchain/ AI/ IoT/ etc.)</td>
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<td>Capacity-building/tech-transfer</td>
<td>Investment in technology</td>
<td>Digital validation mechanisms</td>
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<td>Digitalization of trade transactions</td>
<td>Visibility of supply chain actors</td>
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Policy makers
- Regulations and Standards
- Inclusive global Ecosystem
- Capacity-building/tech-transfer

Industry actors
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- Supply chain collaboration
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- Digitalization of trade transactions

CSOs & Standard Bodies
- Ecosystem integration
- Verification and monitoring
- Digital validation mechanisms
- Visibility of supply chain actors

Technology service providers
- Scalability to large application in the industry
- Interoperability of IT systems and evolving technologies (blockchain/ AI/ IoT/ etc.)
The leathers used in the manufacturing of this shoe were originated in farms carrying strict organic practices – in line with the USDA National Organic Program – that foster the responsible use of resources, conserves biodiversity and promotes the humane handling of animals. The hides were carefully processed on LWG Gold Rated tanneries working with efficient and cleaner processes, in safe work environments. All leathers were finished in facilities using responsible and safer chemicals compliant with ZDHC’s Guidelines.
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Traceable asset

Claim

Value chain involved companies

Value chain

Information identified and disclosed

Out of scope

Sustainability risks covered

Transparency evidences

Traceability evidences

This denim is made of organic cotton sourced in India. It is manufactured in Italy in compliance with the GOTS and ISO standard 14001 for reducing environmental impacts and the ZDHC program for safer chemical management by restricting the use of harmful chemicals, at a facility that is annually assessed for its environmental and social performance through the HIGG FEM.

BAFNA GINNING AND PRESSING PVT. LTD
GOMTESH GINNING & PRESSING PVT. LTD
Candiani
Candiani
Candiani
Candiani
Candiani
Candiani

1. Planting
India

2. Harvesting
India

3. Ginning
India

4. Spinning
Italy

5. Dyeing
Italy

6. Weaving
Italy

7. Fabric finishing
Italy

8. Product production
Italy

9. Product ennoblement & packaging

10. Product placement for sale

11. Consumption

12. Post-consumption

1. Hazardous Chemicals

2. Pesticides/Insecticides

3. Soil/Land Degradation

4. Biodiversity

5. Labour Rights

6. Human Rights

7. Water Consumption

8. Water Pollution

9. GHG Emissions

10. Air Pollution

11. Energy Consumption

12. Solid Waste

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PVT. LTD
GOMTESH GINNING 
& PRESSING PVT. LTD
This pair of socks is made of a blended yarn -EcoLoop- with 50% virgin cotton and 50% upcycled cotton from internal production waste. It uses dying processes that restrict the use of harmful substances and meet the requirements of the STANDARD 100 by OEKO-TEX and the ZDHC program for safer chemical management.
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**Becoming greener**

**HS Code**
- Sustainability
- Criteria
- Compliance
- Certificate

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**HS Code**
- Mitigating risks
- Harmonized
- Regulations and/or standards
- Evidences

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6309 Worn clothing
5202 Cotton waste
5xxx Recycled Cotton

United Nations Economic Commission for Europe (UNECE)
HS codes for trade facilitation, traceability and circularity (I)

Why is it important

- Trade in textiles is global: tax tariffs assigned to greener HS codes can help protect the environment and facilitate the collection of statistical data, by preventing imports that are harmful for the environment.
- Existing examples: waste, recycled, post-consumption
  - 5202 HS Code used for Cotton waste (including yarn waste and garnetted stock)
  - 550320 HS Code used for Recycled Polyester Staple Fiber
  - 630900 HS Code used for Worn clothing and other worn articles

What are the benefits

- A more granular, greener HS classification - which is able to distinguish sustainability criteria - can act as an enabler for governments.
- Greener HS codes can imply lower tariffs for goods imported that respect certain criteria, or control that exported goods are in line with regulation of a destination country.
- By standardizing and enhancing transparency, greener HS codes can enable governments to increase visibility, and coordination of their industrial policy, e.g. enabling near real time view of imports of recycled material and policy coordination to enable circularity.
- Global trade in textiles includes waste management and exports of waste. Proper usage of HS codes and verifiable credentials/claims (e.g. verify waste not being exported as worn clothes) can help to prevent misuse.
HS codes for trade facilitation, traceability and circularity (II)

What are the recommendations

- Extending the present Harmonized System with sustainability criteria (characteristics) may end up with a duplication or more HS codes. Combining HS codes with sustainability evidences (verifiable credentials) may be easier.

- A harmonized system supported by greener HS codes or HS codes - substantiated by sustainability evidences - may help to extend the HS classification system becoming greener.

- The ITC Standards Map, which contains recognized third party standards, including harmonized sustainability criteria, could help to build a greener HS system.

- The HS code could be used in certificates, licences to facilitate the link between customs and sustainability. At least, the material/product category code of Textile Exchange, which is mapped to the HS code, could be a starting point.

- Adopting greener HS code into the European Union Digital Product Passport will help to identify sustainable products.

- Verifiable credentials/claims could help relying on the greener HS codes or other codes used by traders and obtained from trusted trader frameworks.

- Animal-based textiles and/or leather goods could be made part of the HS classification system, with reference to the CITES nomenclature and existing certifications/declarations.

- Creating a working group for greener HS codes will help ensuring that the HS codes are aligned and understood by importers, exporters, manufacturers and other stakeholders.

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Thank you

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Thank you

Links to project website:
- https://thesustainabilitypledge.org/