

The background of the slide is a photograph of a wind farm. A long, straight road or path leads from the foreground into the distance, flanked by rows of wind turbines. The sky is a clear, pale blue. The image is overlaid with a large, semi-transparent blue triangle on the left side and a solid orange triangle in the bottom right corner.

STANDARDS FOR SUSTAINABLE TRADE & SUSTAINABLE TRADE FINANCE

A Roadmap and Vision for Industry, Policymakers, and Traders Worldwide

3 February 2022

AGENDA FOR TODAY

- INTRODUCTION
- OVERVIEW OF PROPOSED DEFINITION, STANDARDS, FRAMEWORK
- WHY THIS IS ALSO A TECHNOLOGY AND DATA PROBLEM
- NEXT STEPS, DISCUSSION AND QUESTIONS

OBJECTIVE OF THIS EXERCISE WAS TO BEGIN THE JOURNEY TO DEFINE AND SET THE STANDARDS FOR SUSTAINABLE TRADE AND TRADE FINANCE



WHAT?

- ✓ Accelerate global trade's role in helping businesses meet the Paris agreement towards a reduction of global greenhouse gas emissions to limit global temperature increase to 1.5°C above pre-industrial levels
- ✓ Enable global trade in contributing to and reaching the UN's Sustainable Development Goals, **taking sustainability well beyond climate**
- ✓ Bridge the gap in current standard frameworks – which are typically not fit for purpose to be applied to the world of trade and trade finance



HOW?

- ✓ Provide a clear definition of sustainable trade and sustainable trade finance to support businesses, banks/investors, governments and policymakers, NGOs and industry bodies, and end-consumers implement better practices globally to meet shared goals
- ✓ Set workable, pragmatic and universally applicable standards so that industry practitioners can effectively implement sustainable trade and trade finance behaviours in practice
- ✓ Provide practical recommendations on how definitions and standards can be applied in order to meet climate and wider sustainability goals
- ✓ Build and iterate framework over time to incorporate input from the wider community, while increasing relevance, depth, and breadth

WE DEFINED A COMPREHENSIVE SCOPE FOR THESE DEFINITIONS, STANDARDS, AND FRAMEWORK, CENTERED AROUND 5 AXES



1 Types of Trade



The framework will cover **both goods and services** trade; within goods, it can be applied to both tangible and intangible goods



2 Types of Trade Finance



The framework will be relevant to **all types of trade and supply chain finance**; including trade loans, bills, letters of credit, guarantees and receivables finance



3 Types of Sustainability



The framework will focus on **sustainability holistically**, largely in line with and inspired by the **UN SDGs**, which are collapsed into 3 dimensions of sustainability



4 Geographic extent of Trade



The framework will be primarily designed around the needs of **international trade** but can equally be **applied to domestic trade**



5 Stages of the Value Chain



The framework will consider **all upstream stages** of the value chain, as well as **the direct downstream** (immediate next) stage

THE FRAMEWORK WILL FOCUS ON SUSTAINABILITY HOLISTICALLY, CONSIDERING THREE DIMENSIONS INTO ITS SCOPE

ECONOMIC

Supporting SDGs :

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS



HUMAN / SOCIAL

Supporting SDGs :

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



ENVIRONMENTAL

Supporting SDGs :

6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



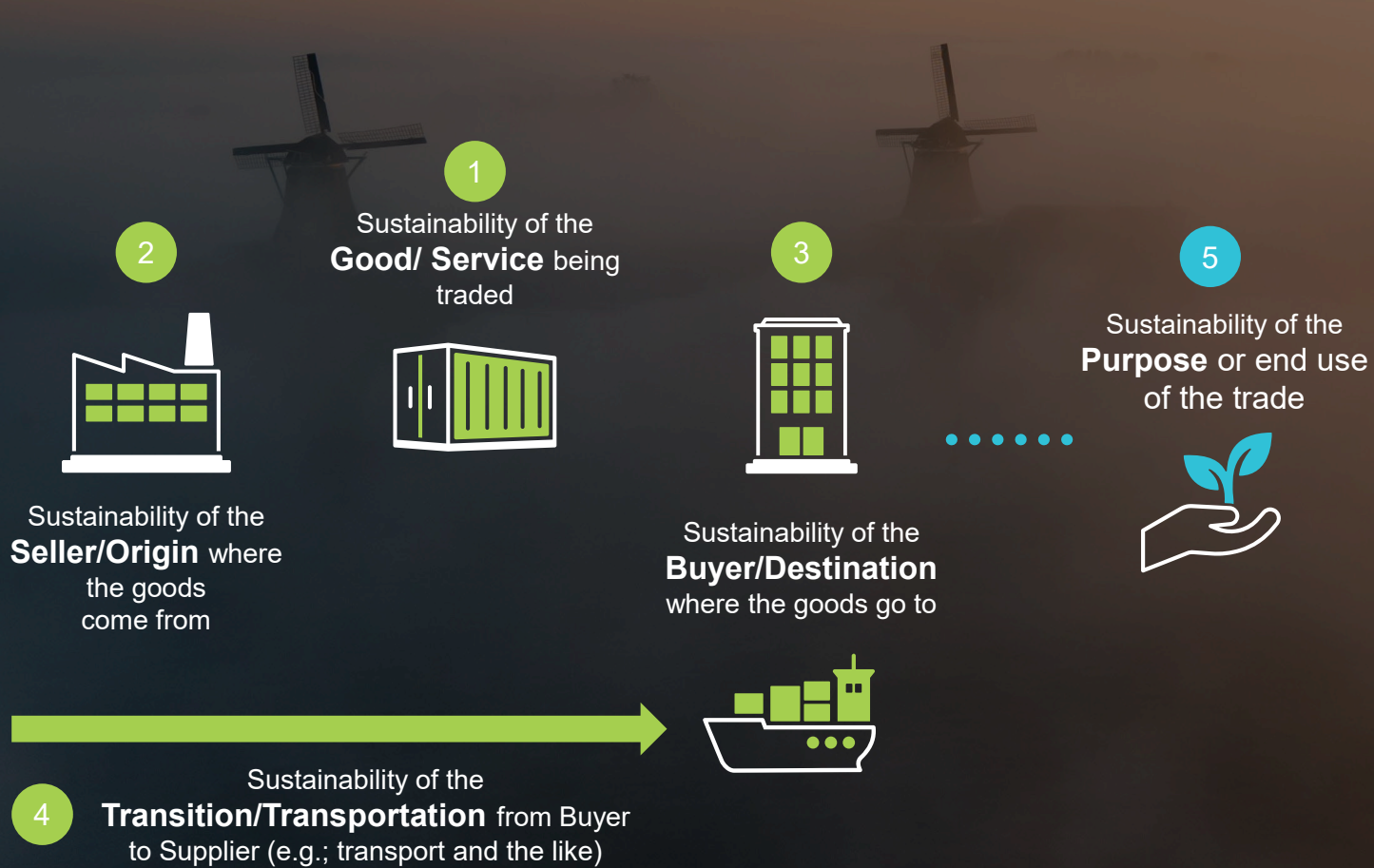
14 LIFE BELOW WATER



15 LIFE ON LAND



SIMILARLY, THE FRAMEWORK WILL CONSIDER TRADE HOLISTICALLY, TAKING INTO ACCOUNT 5 COMPONENTS OF TRADE INTO ITS SCOPE



- 1 Sustainability of the **Goods** being traded
 - 2 Sustainability of the **Origin / Supplier** where the goods come from
 - 3 Sustainability of the **Destination / Buyer** where the goods go to
 - 4 Sustainability of the **Transition** from Buyer to Supplier (e.g. transport and storage)
 - 5 Sustainability of the **Purpose** of the trade : transition finance or actively contributes to mitigation of climate change
- Only for environmental**

THE ICC PROPOSES A STANDARDIZED INFOGRAPHIC TO PROVIDE A CONSISTENT MEANS OF CONVEYING THE SUSTAINABILITY CREDENTIALS OF A GIVEN TRADE

	Economic	Human, Social	Environmental
Good/Service	A	B	A
Seller/Origin	B	A	B
Buyer/Destination	B	A	A
Transition/Transportation		A	A
Purpose			★
OVERALL	A	A	A*

	Economic	Human, Social	Environmental
Good/Service	A	C	C
Seller/Origin	C	C	B
Buyer/Destination	B	C	N
Transition/Transportation		B	A
Purpose			★
OVERALL	B	B	N

Across each component

- A** Actively contributes to given component
- B** Meets sustainability standards for given component
- C** Does no significant harm to given component
- N** Does not meet min. req. for given component
- X** Insufficient data for assessment
- ★ Purpose is actively mitigating impact of climate change

Across each dimension

- A** Actively contributes 1 or more component(s)
- B** Meets sustainability standards for 3 or more component(s)
- C** Does no significant harm across all components
- N** Does not meet min. req. for 1 or more component(s)
- X** Insufficient data for assessment across 1 or more component(s)
- Y★** Purpose is actively mitigating impact of climate change







IN ADDITION TO THE INFOGRAPHIC, A DESCRIPTOR SCORE WILL PROVIDE A HIGH-LEVEL SUMMARY OF THE TRANSACTION'S DEGREE OF SUSTAINABILITY

Best scoring sustainability dimension

Lowest scoring sustainability dimension

	A	B	C	N	X
A	A+				
B	A	B			
C	B	B	C		
N	N	N	N	N	
X	X	X	X	X	X

Descriptor

-  Actively contributes to all sustainability dimensions
-  Actively contributes to 1 or more sustainability dimension(s)
-  Meets sustainability standards for 1 or more sustainability dimension(s)
-  Does no significant harm across all sustainability dimensions
-  Does significant harm across 1 or more sustainability dimension(s)
-  Insufficient data for assessment across 1 or more dimension(s)



Added where Purpose is actively sustainable

TO MINIMISE OVERHEADS, PROPOSED METHODOLOGY WILL USE SETS OF EXISTING STANDARDS TO ASSESS THE SUSTAINABILITY OF A GIVEN TRADE TRANSACTION

Pool of existing standards & definitions...

...exhibiting 5 required characteristics...

... come together into 3 types of standards for the framework



United Nations
Global Compact



- ✓ Measurable
- ✓ Objective
- ✓ In use
- ✓ Representative
- ✓ Comprehensive



- > Minimum standards to **do no significant harm**
- > ICC-recognised **sustainability standards**
- > Standards defining **active contributions**

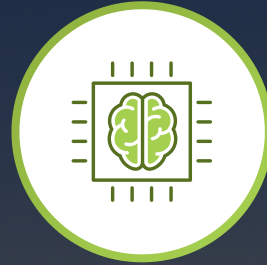
Illustrative

NUMBER OF KEY CONSIDERATIONS AS WE MOVE TOWARDS IMPLEMENTATION



How will this work in practice?

- What specific standards will be applied for each component / dimension?
- Who will actually run the assessment on a txn-by-txn basis?
- How will we minimise the operational overhead, to genuinely make this workable?



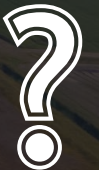
What will be the role of technology?

- What data elements are needed to run the assessment?
- What level of automation is possible?
- Is there a role for a central repository of data?
- How will we ensure the reliability of data?



How will the framework be applied

- What are the implications of a good or weak Sustainability score as per this framework?





Q&A



**THANK
YOU !**

