

ICC Standards for
Sustainable Trade
and Sustainable
Trade Finance

**Overview of Wave 1
Framework**



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International Chamber of Commerce

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1. About the International Chamber of Commerce

International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 100 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions, and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations, and local chambers of commerce.

For more information, please visit: www.iccwbo.org



2. About Boston Consulting Group (BCG)

BCG is a global management consulting firm and the world's leading advisor on business strategy. BCG partners with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises.

To help tackle climate change, advance racial equity, transition to a circular economy, boost economic development, create food systems and security, embrace large-scale renewables and clean technology, accelerate sustainable finance and investing, and build sustainable supply chains, BCG's sustainability consultants help clients transform their business models to optimise for social and business value. This transformation can take many forms, ranging from expanding value chains to building cross-sector models.

As part of our commitment to protecting our planet and helping our clients achieve sustainable competitive advantage, BCG is deepening and broadening our focus. The BCG Center for Climate & Sustainability brings together more than 550 experts covering the full range of sustainability topics, including biodiversity, circular economy, decarbonisation, sustainable agriculture, transition financing, water management, and other ESG topics—across all sectors—to support our clients around the world. As the exclusive COP27 consultancy partner, BCG will work alongside companies and governments to identify ways to mitigate global climate change.

BCG was founded in 1963. It is a private company with more than 90 offices in 50 countries.

For more information, please visit: www.bcg.com.

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4. Foreword from Secretary-General of the International Chamber of Commerce



John W.H. Denton AO
Secretary-General of the International Chamber of Commerce

In last year's positioning paper, the International Chamber of Commerce set out its ambition for this project – defining a framework of standards for international trade and trade finance – to play a vital step in accelerating the journey to a more sustainable business world.

Over the past year, we have worked together with partners across financial services, textiles, shipping and technology to define a practical framework. Starting with the pilot – launched alongside this paper – we hope to see growing adoption of a commonly agreed framework that allows banks and corporates to speak the same language in their assessment of sustainable trade. It is our hope that the transparency and consistency generated by this framework will help to advance the critical objective of greater sustainability in global supply chains.

Global trade is a vital engine of economic development, supporting the work and livelihoods of billions of people throughout the world. Trade is also, however, crucial to achieving the Sustainable Development Goals, advancing broad-based and inclusive development, and helping to mitigate climate change.

To ensure that global trade supports sustainability in this way, there are many challenges to overcome. One major challenge is that while various standards for sustainable goods, suppliers and goods do exist, there is no commonly accepted way of measuring the sustainability of a global supply chain. It is this gap in definitions that has led us to work with the global trade community to define this first iteration of such a framework.

We now invite you to join us in the piloting and launch of this framework. This paper represents the first stage of a journey. Collaboration across all relevant stakeholders is necessary if we are to continue progress towards common international reporting and assessment of sustainable supply chains. Please do share with us any feedback or thoughts you have on these proposals. All such responses can help to accelerate the journey to a more sustainable business world.



5. Executive Summary

ICC is publishing this paper as the second stage of a programme that was launched in September 2021, with the goal of setting standards for sustainable trade.

We have brought together stakeholders from trade banks, corporates, technology players and Boston Consulting Group. Our objectives are to reach an agreed common definition of sustainable trade and sustainable trade finance, establish a framework to measure and assess the sustainability of trade according to this framework, and support the industry in adopting and iterating the framework.

Last year, ICC published an initial positioning paper that established these objectives and set out what such a framework might look like in the target state.

Since then, we have engaged with several working groups to progress to a minimum viable Wave 1 framework, to be implemented using currently available data and designed for immediate piloting and then scaling.

The framework incorporates our holistic definition of sustainability, taking into account two separate dimensions. The framework assesses both the environmental sustainability of a transaction, and how it supports socio-economically sustainable development (“the two dimensions”). These dimensions are designed to advance two objectives: to support business in meeting both the Paris agreement objective of limiting global warming to 1.5°C above pre-industrial levels, and also the UN Sustainable Development Goals.

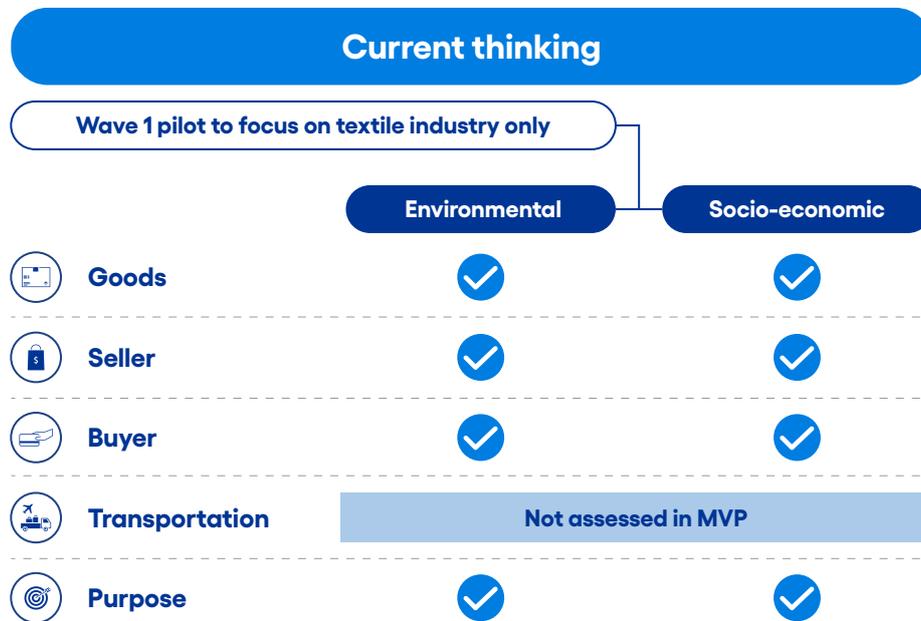
The framework assesses trade across five components – the buyer, supplier, good /

service being exchanged, transportation and purpose. The framework sees sustainability as a spectrum, where one or more of the buyer, supplier, good / service and primary transport in a trade transaction support environmental sustainability and / or are socio-economically responsible. Furthermore, we believe that it is important to assess whether the underlying purpose and / or end use of the transaction supports environmentally and socio-economically sustainable objectives.

The output of the framework is therefore a 5 x 2 matrix, showing the sustainability of each of the five components of a transaction on the two dimensions. In a target state, each position in the matrix will contain a grade from ‘A’ (active contribution to sustainability) to ‘N’ (does not meet minimum standards). These grades can then be aggregated, generating an overall score for a transaction on each of the two dimensions.

For Wave 1, given the challenges in obtaining the high-quality data necessary for this type of grading, a simplified minimum viable framework has been designed. Binary ticks for each matrix position show whether a component meets an ICC-approved standard of sustainability on the given dimension. Given the lack of detail inherent in a binary measure, we have temporarily removed the aggregate score from the framework to prevent an arbitrary and insufficiently rigorous measurement of a transaction (or groups of transactions) as a whole. A further limitation of the Wave 1 framework is that the immaturity of existing standards within transport has led us to postpone the inclusion of transportation. We will work with the transportation industry to ensure that such assessment is included in the near future.

Figure 1
The Wave 1 framework



The next step is to run pilot programmes, starting from now. ICC has been bringing partners on board for the past month and will now launch two pilots: one for banks and corporates, and one for technology partners. The objectives will be to test the framework by using real data in a real-world setting, understand how implementation of the framework should best work in practice, and identify potential improvements.

ICC will publish its findings from the pilot groups and set out how it will use these results to improve the framework. We will then continue to iterate the framework and provide the necessary practical support to promote its implementation.



6. Objectives of ICC Sustainable Trade Project

Context and background

Global trade is a vital engine of economic development, allowing countries to integrate into the global economy, gain access to differentiated goods and services, and achieve higher standards of living. However, we are only just beginning to understand the implications for trade of the global community's shift towards a sustainable, inclusive economy, and what sustainable trade transactions look like in practice. What is beyond question is that global trade now must transform itself into an engine for sustainable development and a facilitator of sustainability at the international, sectoral, and enterprise level.

While a number of related standards for sustainable goods and services and financial products certainly exist, none have yet been adapted to define sustainable trade in a clear and robust way.

To address this gap, ICC established a programme in September 2021 to set the standards for sustainable trade in a manner that is practical, comprehensive, and sheds sufficient light on the sustainability of a transaction.

The programme brings together stakeholders including trade banks, corporates, technology players, sustainability experts and Boston Consulting Group, to achieve the outcomes presented below.

Last year, ICC published an initial positioning paper to establish first principles on these objectives and strengthen industry engagement.

Since then, we have defined a minimum viable (fully workable and implementable) version of the framework, that can be applied to the textiles industry as a first use case. This allows us to organise a pilot and test and learn from the very start. In the longer term, we anticipate working with industry to make the framework both more easily implementable and more effective as we move towards an eventual target state.

Purpose and project objectives

Our purpose:

In launching this sustainable trade definition project, we are seeking to accelerate global trade's role in helping companies to (i) support achieving the Paris agreement objectives to limit the increase in global temperature to 1.5°C above pre-industrial levels, (ii) reach the Sustainable Development Goals, beyond climate and green objectives, and (iii) achieve greater understanding of sustainability considerations in global supply chains.

While many standards and definitions already exist for sustainable finance, including the ICMA and LMA principles, these do not fully meet the needs of trade and supply chain finance as a 'flow' product. For example, the ICMA's Green Bond and Social Bond principles focus on (i) Use of Proceeds, (ii) Project Evaluation & Selection, (iii) Management of Proceeds, and (iv) Reporting. These dimensions largely relate to the end 'purpose' of a transaction, but do not explicitly consider the sustainability of the buyer, supplier, underlying goods or services, or mode

of transportation - which all play a substantial role in the sustainability of trade and supply chains. For example, while electric vehicle supply chains support 'clean transportation', one cannot ignore the sustainability of key components including lithium batteries. In addition, these elements are challenging to assess at scale without independent verification. Given the large number of stakeholders and components in a trade transaction, any true assessment of sustainability needs to be multi-dimensional, and provide transparency and visibility rather than being a binary "green" or "non-green" score. These considerations have been central to the design of this ICC framework.

Our objectives:

Given this purpose, we have four key objectives for the project as a whole.

- Agree a definition of sustainable trade and sustainable trade finance
- Agree what constitutes a sustainable trade transaction by setting the standards for sustainable trade and sustainable trade finance
- Propose a framework methodology to measure and assess the sustainability of a given trade transaction or trade finance portfolio
- Ensure that recommendations are actionable and lead to wider global adoption by providing a practical, easily implementable framework which will allow for a more comprehensive view on the sustainability of the value chain across sectors

Objectives of this paper and this year's iteration of the framework

The later chapters in the paper set out the framework's target state, designed to fulfil the objectives above comprehensively. The ultimate aim is to create a graded framework for all transaction components across all industries, which can then be used to construct aggregate assessments across whole transactions.

We appreciate, however, that we have a long way to go before reaching the target state framework. Along the way, sectoral standards will evolve, and

new ones will become available for dimensions such as Transport. Moreover, more information on the sustainability of goods and services will gradually be digitised and therefore more easily accessible for assessments under the framework. Helping to accelerate progress towards digitised assessments under the framework is a key reason why ICC has decided to launch a technology pilot alongside the bank and corporate pilot.

In view of the long-term nature of the journey, we will develop the framework in a series of waves, iterating from an initial minimum viable Wave 1 framework right through to the target state.

This document represents Wave 1. Alongside this publication, we are launching pilots with bank, corporate and technology partners in order to test and iterate the framework. Given the rapidly increasing demand for supply chain sustainability within the commercial and financial world, we have opted to design this minimum viable framework rather than wait until we are in a position to achieve the eventual target state.

We have defined several priorities for the Wave 1 framework:

- Anything described as sustainable in the framework must be sustainable – doing no significant harm is critical but is not sufficient in itself. We are defining our thresholds for sustainability without compromising on rigour.
- The Wave 1 framework should be simple and workable so that it can be applied by banks and corporates at a reasonable cost.
- The framework will make use of standards and information readily available to banks and corporates. It is not purely theoretical or conceptual and cannot be designed to use technology or data that does not yet exist.
- Given the range of standards that apply in various industries, the Wave 1 framework focuses on the textile industry. This allows us to produce a list of standards that comprehensively covers the sector, before expanding more widely.

We firmly believe that this iterative approach that prioritises adoption of simple principles on a wide scale is the best way to reach the target state. We plan to build on this first iteration through industry

engagement, and have included an online survey at the end of this paper for industry feedback.

Our target outcomes for this year are to:

- Educate industry about the framework and our plan to set standards for international trade
- Run a successful pilot with partners from banks and corporates to understand how the framework can be applied in practice, and iterate for future 'waves'
- Run a pilot with technology firms to accelerate the digitisation and automation of assessments under the framework, thus limiting effort for banks, corporates and SMEs
- Progress to a widely used and accepted framework for the reporting and measurement of sustainability in international trade and trade finance



7. Proposed Wave 1 framework

Outline of framework

The Wave 1 framework takes the form of a 5 x 2 matrix of binary ticks, where each tick signifies a *high degree of confidence* that the particular component of a transaction is sustainable on the relevant dimension, in accordance with ICC-recognised standards.

Given the significant potential differences in sustainability within both the dimensions and the components, the above measures are designed to be considered in isolation to ascertain the level of sustainability across a given transaction. This is in preference to an aggregate measure that misses such granular detail.

For example, the level of sustainability for a given component, such as the supplier, could easily be very different to the level for another component, such as the primary shipper for the transaction. In these circumstances, an aggregate tick would probably serve to obscure rather than enrich the overall picture. Similarly, a good could be environmentally but not socio-economically sustainable or vice versa, and hence these two dimensions have not been combined into an aggregate view.

What we mean by sustainable

As we discussed above, our framework seeks to assess sustainability in a holistic way, looking not only at the narrower scope of environmental sustainability but also at multi-dimensional sustainable development. We therefore use two high-level dimensions of sustainability:

- **Environmental:** supporting the transition to net zero, as well as the sustainability of local environments and terrestrial and marine ecosystems.
- **Socio-economic:** supporting human and social rights, sustainable economic development and the alleviation of complex poverty, as well as promoting peaceful and inclusive societies.

In deploying these two dimensions, we use themes based on the UN Sustainable Development Goals (SDGs). Making use of these themes is a more appropriate approach as a taxonomy than using the SDGs in their standard form. This is for two key reasons:

- Firstly, the large number of SDGs (17) hinders the development of a pragmatic, practical framework.
- Secondly, the SDGs are based on goals set for countries and not for individual trade transactions.

What this means in practice is that to earn a tick for a sustainability dimension, the relevant transaction component must accord with the themes deriving from some of the SDGs within that dimension (Figure 2):

Figure 2
The dimensions of sustainability and relevant SDGs

Defining the two dimensions of sustainability



Because of our decision to use existing widely accepted industry standards rather than define ICC’s own criteria for what is ‘sustainable’, a transaction component with a tick on the framework has met an ICC-approved third-party sustainability standard that supports a set of SDGs.

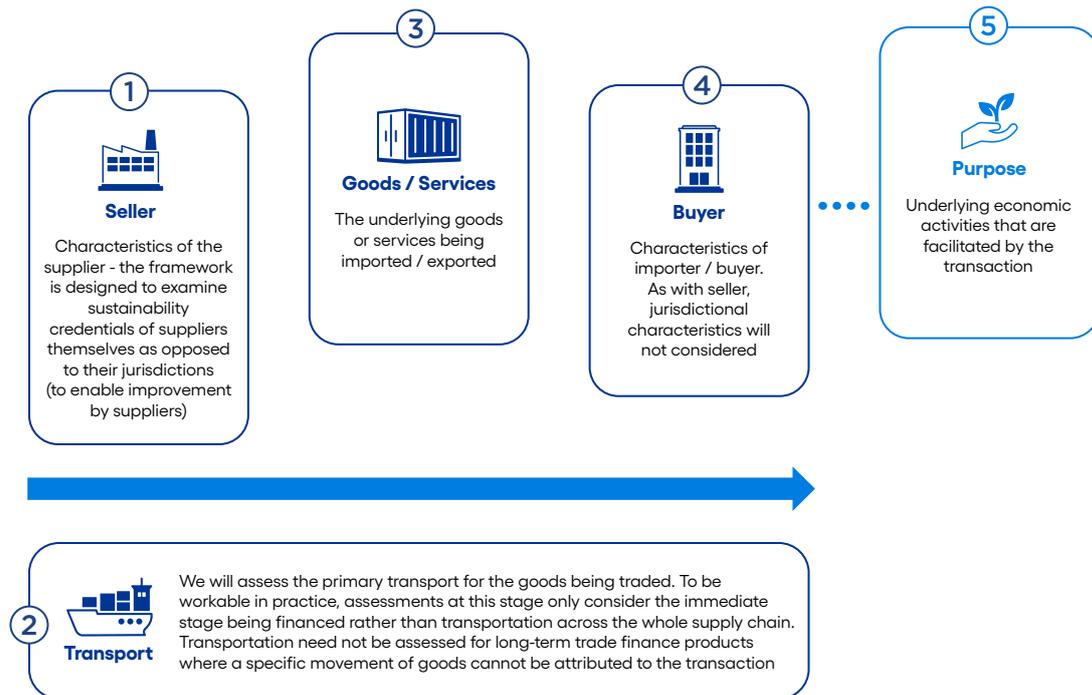
To illustrate what this means in practice, it is important to understand that ICC is **not directly testing** whether, for example, a textile supplier

supports SDGs 4 (quality education) and 5 (gender equality) – or therefore whether the supplier, for example, promotes vocational upskilling amongst their local workforce. Instead, we will test whether that textile supplier meets a given standard, for example “Cotton made in Africa”, that we have determined measures support for SDGs 4 and 5 (or other SDGs as appropriate).

What we mean by transaction components

The five transaction components we are using are designed to cover the entire span of an international trade transaction. They are defined in Figure 3:

Figure 3
The five components of trade



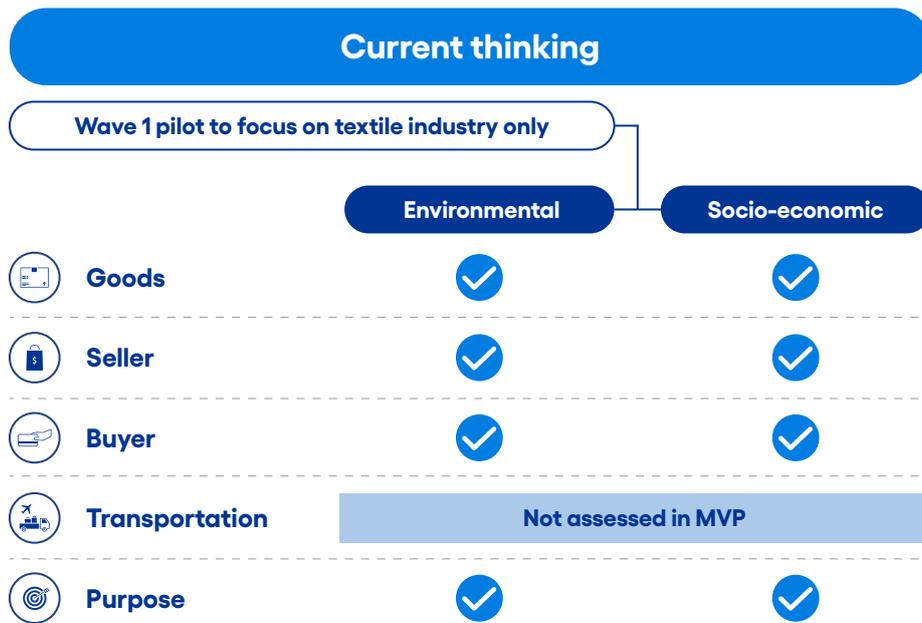
Definition of sustainable trade

ICC defines a sustainable trade transaction as a transaction which:

- Originates from an environmentally sustainable and socio-economically responsible supplier
- Is destined to an environmentally sustainable and socio-economically responsible buyer
- Consists of goods / services that have been produced in an environmentally sustainable and socio-economically responsible way
- Is transported by environmentally sustainable and socio-economically responsible means
- Has an environmentally sustainable and / or socio-economically responsible purpose

Using the definitions of our sustainability dimensions and the various transaction components, the framework is depicted in Figure 4.

Figure 4
The Wave 1 framework matrix



Framework logic – how components score ticks on the framework

The output of the Wave 1 framework is a matrix of eight ticks (to become ten when Transportation is included) corresponding to the components of trade and two sustainability dimensions. This is in contrast to last year’s proposed scorecard and aggregate score.

The following sections set out the requirements for each component to gain a ‘tick’ on the framework – that is, to be considered sustainable on the relevant dimension with a high degree of confidence.

Goods / Services, Sellers and Buyers

The ways in which transaction components can achieve a tick on each dimension of sustainability are as follows:

	Environmental	Socio-economic
Good / Service	<p>Achieving an ICC-approved standard or standards which support at least one of SDGs 7 and 13 (these are the goals relating most closely to climate change prevention and mitigation).</p> <p>Climate-related action has been prioritised for this dimension – supporting these SDGs is therefore deemed both necessary and sufficient to be considered environmentally sustainable at Wave 1.</p> <p>This is because:</p> <ul style="list-style-type: none"> • Feedback from working groups was that climate change is currently the most urgent environmental priority across majority of banks and corporates. • It is also likely to be the first part of environmental sustainability to be the object of regulatory scrutiny for both corporates and financial institutions, and assessment thereof will therefore be important for framework users. • As discussed in the positioning paper last year, supporting business’s role in the implementation of the Paris agreement is an important objective in addition to supporting the SDGs 	<p>Achieving an ICC-approved standard or standards which support at least two of the SDGs linked to socio-economic purposes (see Figure 2).</p> <p>We have selected two as the required number because:</p> <ul style="list-style-type: none"> • Supporting only one socio-economic SDG would be too narrow, making it difficult to claim that the good / service / buyer / supplier supports sustainability in a holistic way • Requiring support for three or more SDGs may impose too high a burden (although this will be tested in the pilot). We do not believe a good / service / buyer / supplier needs to meet every element of socio-economic sustainability to be considered sustainable <p>As part of this framework, we assume industry-specific standards will naturally focus on priority issues relevant to that industry. Analysing the data on the initial list of ICC-approved standards for the textile industry, it emerges that SDG 8 (Decent Work and Economic Growth) and 1 (No Poverty) are relevant to the greatest number of textiles-focused standards (53 and 50 respectively). In contrast, SDG 10 (Reduced Inequality) is covered less, applying to only 34 standards.</p> <p>SDG 17 (Partnership for the Goals) is relevant to only 14 standards – this is a good example of an SDG that we expect to be less applicable across industries such as textiles. This is a consequence of using the SDGs thematically, rather than specifically aiming at SDG targets. In this way, the framework provides flexibility to vary the focus depending on industry priorities although the underlying logic remains the same.</p>
or		
Supplier		
or		
Buyer		

Note that, for Good / Service, Supplier and Buyer components of trade, a component may achieve a 'tick' by having at least one ICC-approved credential for each dimension of sustainability. In some cases, a single standard may be sufficient to receive a 'tick' for both socio-economic and environmental dimensions. Refer to the section 'Methodology for qualification and assessment of standards by ICC' to understand how standards become approved.

Transportation *While transportation has temporarily been excluded from the framework, we have considered the future potential options for its inclusion and acknowledge its critical importance. Please see 'Considerations for future framework development' for more detail*

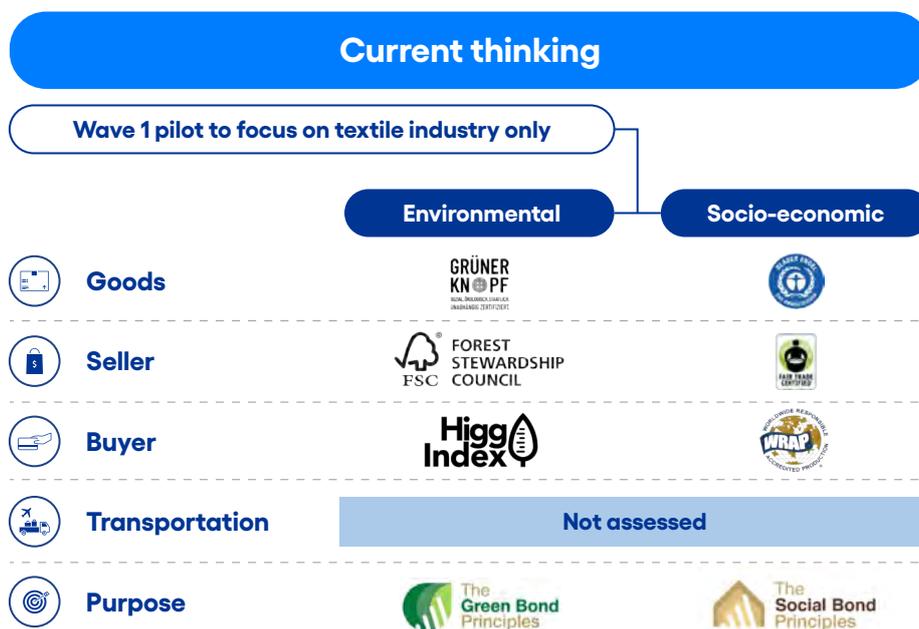
Purpose	<p>Demonstrating use of proceeds contribute to one or more of the following objectives:</p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Pollution prevention and control projects • Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity conservation projects • Clean transportation • Sustainable water and waste water management • Climate change adaptation projects • Eco-efficiency and / or circular economy adapted products, production technologies and processes • Green buildings <p>Note: these objectives are based on the ICMA green bond principles (GBP).</p>	<p>Demonstrating use of proceeds contribute to one or more of the following objectives:</p> <ul style="list-style-type: none"> • Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy) • Access to essential services (e.g. health, education, healthcare, financial services) • Affordable housing • Employment generation, and programmes designed to prevent and / or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing and microfinance • Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers) • Socio-economic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality) <p>Note: these objectives are based on the ICMA social bond principles (SBP).</p>
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The rationale for utilising the ICMA definitions is that they are considered a standard for sustainability-linked bonds globally, are well understood and widely used by banks and non-bank financial institutions (NBFIs).

Figure 5 demonstrates what the above criteria look like in the context of the framework by laying out example ICC-approved standards that a good or service could achieve.

Figure 5

Example standards achieved by transaction components earning a tick on the framework (illustrative example)



Methodology for qualification and assessment of standards by ICC

A crucial element of our approach is that ICC is not itself looking to set criteria for what is sustainable. We are looking to leverage existing authority and expertise by means of accepted industry standards, scores, and certifications. The below sets out the specific methodology by which we have qualified the standards that are approved by ICC for buyer / supplier / good / service components of transactions.

If a good, service, buyer or supplier earns a tick through an industry standard, the framework must ensure that this standard is of a sufficiently high quality. The assignment of a sustainable rating to that transaction component must actually represent sustainable practices.

We have therefore set out five tests of robustness for a standard, which should be:

- Widely accepted – known and extensively adopted in the relevant sector(s)
- Fact-based – assessment based on objective and transparent parameters / inputs
- Independently verified – confirmed by an independent entity (i.e. not a party to the transaction in a given use case) which ideally regularly carries out audits to check compliance
- Measurable – uses a workable and replicable methodology for assessments and audits
- Comprehensive – covers the relevant elements of our sustainability dimensions in sufficient depth (more detail below)

In order to be recognised by the framework, a standard, score or certification must show that a given transaction component supports either SDG 7 or 13 on the environmental dimension, or any two socio-economic SDGs on the socio-

economic dimension. In order to test this and develop a comprehensive list of ICC-recognised sustainability scores, standards and certifications, we used two inputs:

A. International Trade Centre's 'Standards Map' project:

About the International Trade Centre's 'Standards Map' project



International
Trade
Centre

The Trade for Sustainable Development (T4SD) programme of the International Trade Centre (ITC), a joint agency of the United Nations and the World Trade Organization (WTO), is the creator and neutral trustee of the world's most comprehensive, credible and dynamically evolving platform on sustainability standards in trade: Standards Map (www.standardsmap.org). T4SD was launched in 2009 by the ITC, following a wave of creation of new standards during the past decade. The wealth of information comprised in the Standards Map has also been a catalyst for innovative programmes and collaborations.

Standards Map provides users with essential – and trusted – information on over 300 standards for environmental protection, worker and labour rights, economic development, quality and food safety, as well as business ethics.

The project covers standards applicable to sectors including agriculture, textile and garments, consumer products, forestry, mining and services active in 192 countries. The Standards Map database contains over 1,650 criteria that allow the neutral comparison of standards on the basis of their:

- Environmental performance (protection of forest, soil, water, biodiversity, climate...)
- Social performance (protection of human rights, labour rights, local communities)
- Management and ethical performance (supply chain responsibilities, sustainability management)
- Quality performance (manufactured products, food systems...)
- Operational performance (assurance, standard setting, traceability, claims...)

The process of data collection, analysis and publication in Standards Map is managed through a robust process, with external control and systematic participation of standards organisations. For more information, please contact the T4SD team: <https://resources.standardsmap.org/contact/>.

ICC has used the ITC 'Standards Map' project as an authoritative source for standards that are likely to be widely used and accepted in industry, each tested for their comprehensiveness using over 1,650 different ITC-defined criteria.

The key reason we are able to leverage their work given our definition of sustainability is that

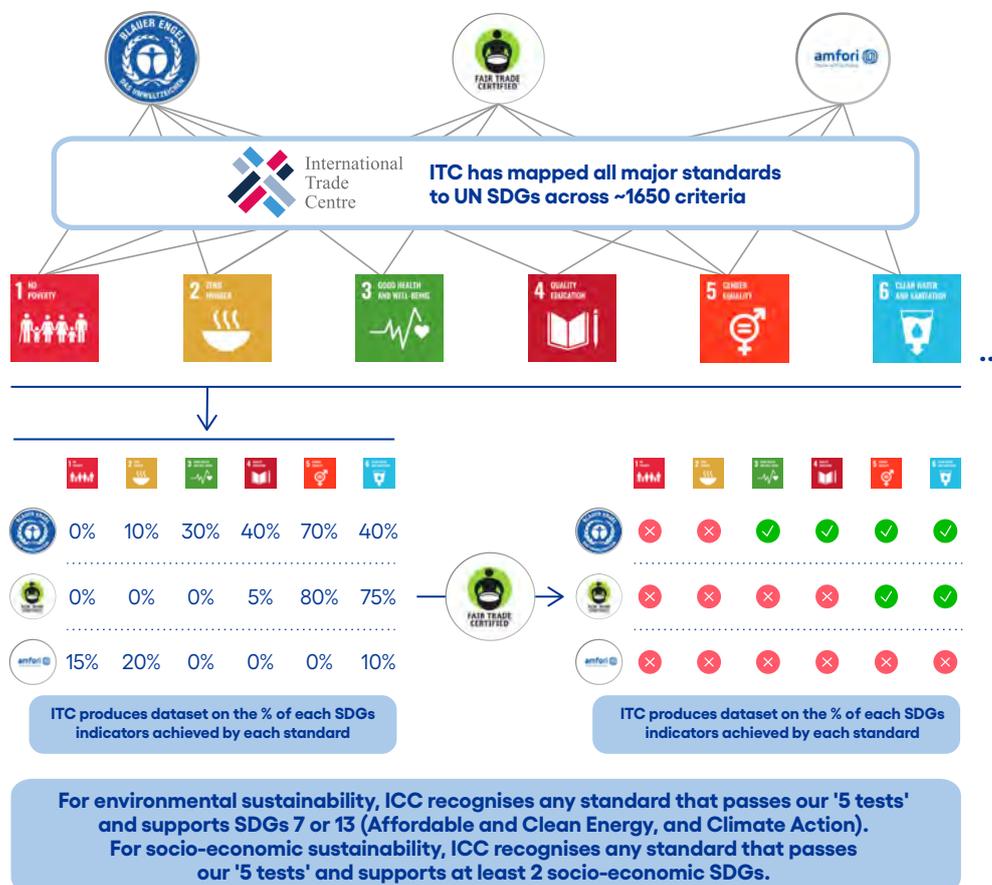
many of these tests relate to the UN Sustainable Development Goals. The ITC has therefore produced a database detailing the extent to which each standard supports each SDG. This database gives a percentage by SDG for each standard, reflecting the proportion of criteria relevant to each SDG that each standard measures.

As an example of how these criteria are applied, the Standards Map highlights that projects details that the 'Cotton made in Africa (CmiA)' standard contains criteria relating to the prevention of discrimination based on gender. This contributes to the standard supporting SDG 5, Gender Equality. Overall, according to the Standards Map project, Cotton Made in Africa supports 42% of possible criteria related to this SDG, a relatively high value. The Standards Map database contains a percentage for this standard relating to each SDG. The ICC framework uses this dataset to determine whether a given standard supports a given SDG. We have selected a threshold of 25% of tests to show a sufficient level of support. Given the diverse nature of the SDGs, ICC believes that too high a threshold would be very demanding for a standard to reach. However, significantly lower than 25% would enable a standard to be either too narrow in nature, or too broad across SDGs without guaranteeing specific support in a given

area. This will be tested further in the upcoming pilot. Using the above example with this threshold, Cotton made in Africa is therefore deemed by ICC to support SDG 5 (because 42% is above our threshold), but not SDGs 2 and 3, where it scores only 8% and 14% respectively. Where a standard supports the appropriate set of SDGs (any 2 for socio-economic, or one of SDGs 7 and 13 for environmental as discussed above), it will secure a tick on the relevant sustainability dimension for a transaction component. For each standard we have assessed, the ICC approved standards list includes which transaction components it is relevant to. Keeping with the same example, in the case of Cotton made in Africa, the standard can only be applied at a product level and hence can earn a tick for the 'goods' transaction component, but not for buyers or suppliers.

Figure 6 below outlines the above process in more detail:

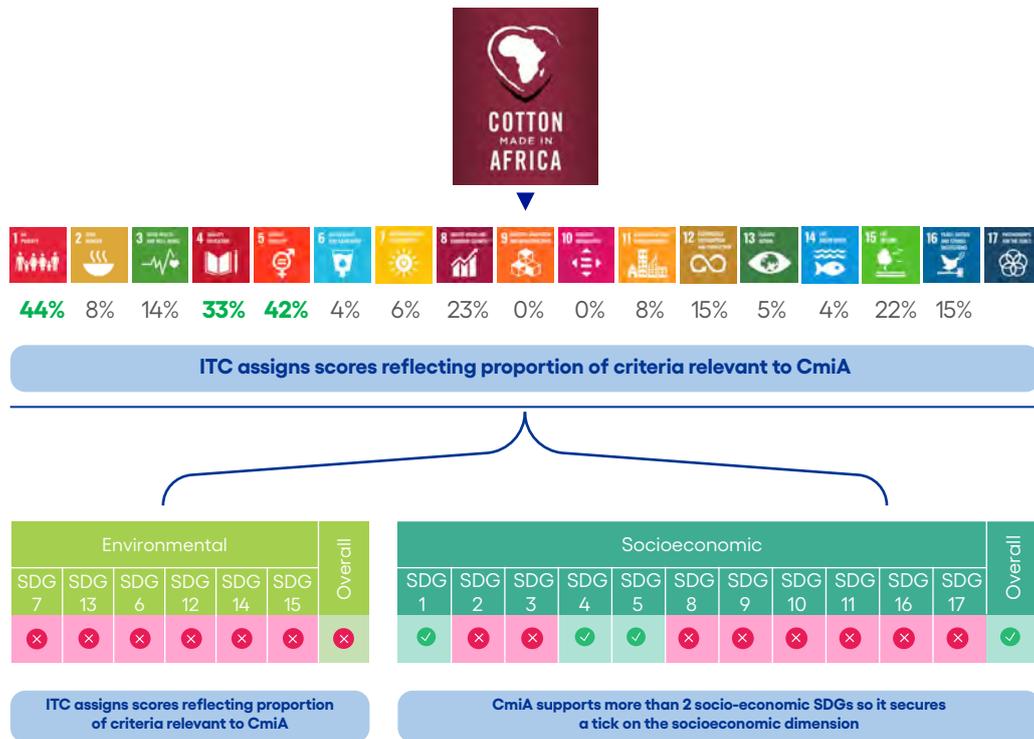
Figure 6
Scoring of ITC Approved Standards



Currently 62 standards approved following this process

Figure 7 outlines the Cotton Made in Africa example, showing how it has been approved for use for the socio-economic dimension of sustainability only.

Figure 7
Example: Cotton Made in Africa



B. Ongoing mapping of sustainability scores

The ICC framework has been designed to recognise sustainability or ESG scores in addition to standards or certification. As such, we have compiled a list of widely-used ESG scores in the textiles industry to assess their ESG rating across different dimensions.

ESG scores are commonly used by banks and other businesses to understand the sustainability performance of clients, counterparties and others. Feedback from working groups suggested that inclusion of ESG scores in the framework is important to ensure it addresses the reality of how sustainability is measured for companies today.

Since our framework is currently binary while scores provide a continuous spectrum, we need to define a threshold, above which a company

earns a 'tick' on the framework. To determine this threshold, we are working directly with providers to understand at what score actual sustainability is achieved. The rationale for this approach is that:

- Score designers are likely to know their own score and accreditation best, and understand what 'actually sustainable' is likely to mean in practice
- This is a parallel process to using third-party standards, for which the standard setter determines the threshold for certification
- As with the other standards, ICC is not setting out to determine themselves which criteria or threshold make something sustainable, but rather to use accepted standards, provided that they are of sufficient rigour and pass ICC's tests

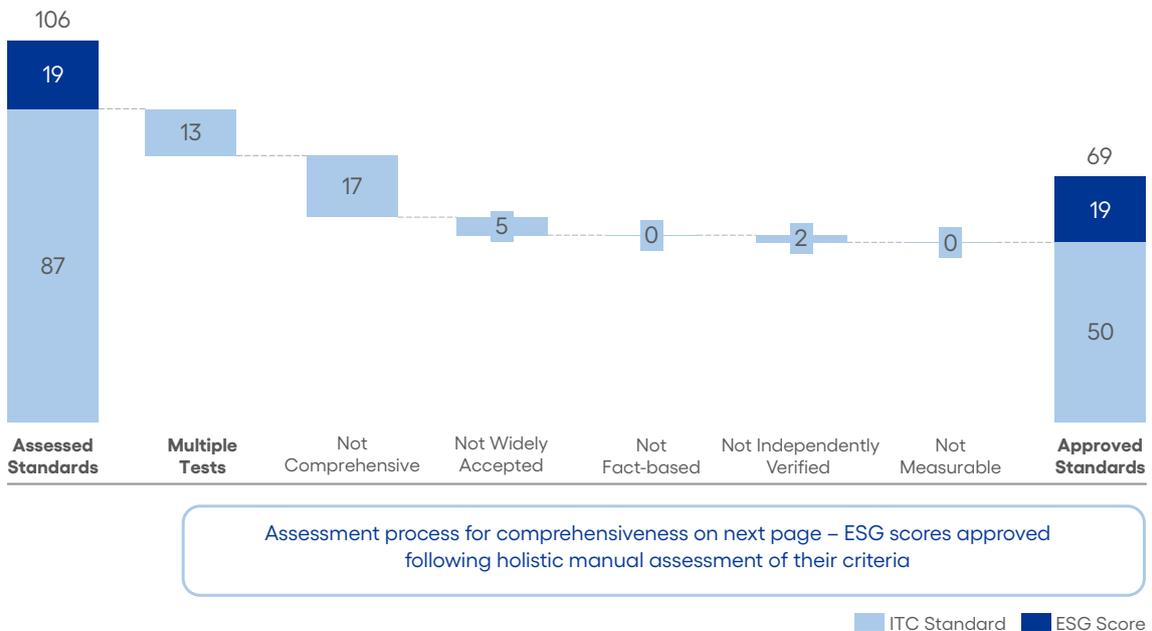
As engagement with ESG scorers is ongoing, the publishing of thresholds will be completed on an as-received basis. ICC will ensure that scorers are comparatively rigorous in setting thresholds to avoid unnecessary bias.

Where a standard from the Standards Map project does not qualify for use in ICC's framework, that does not mean ICC is judging it to be of a low quality. It simply does not meet the specific requirements we have set out for sustainability at this stage. For example, as a result of prioritising goals related to climate change on

the environmental dimension, some standards focusing only on animal welfare or biodiversity may not currently qualify.

Figure 8 below demonstrates the implications of using these two types of inputs for the Wave 1 framework. There are 87 standards on the ITC Standards map project that are relevant to textiles (and hence Wave 1), and 19 appropriate ESG scores that have been identified. Of these, all ESG scores and 50 ITC standards have passed the full set of appropriate tests and are hence approved for use in the framework at Wave 1.

Figure 8
Breakdown of assessed standards



The ultimate output of this assessment process is therefore a list of standards with a table of SDGs that they do or do not support, alongside summary ticks that indicate whether they can

demonstrate support for the overall environmental or socio-economic sustainability dimensions. An excerpt from this is shown in Figure 9 below.



8. Considerations for implementation

While the theory of the framework has been our key task over the past several months, its practice at scale is our primary objective – and hence how this should be implemented has been at the forefront of our thinking, along with those of our stakeholders and working groups. This section sets out the framework use cases, the role ICC will play in supporting implementation, proposed methods of implementation for primary use cases and considerations for digitisation of the framework.

Considerations for how implementation should work as we progress towards the target state are in the later chapter on future framework development.

Example use cases for the framework

We believe that a variety of target audiences will find valuable use cases for the framework. To ensure its relevance, we have designed the framework with use cases for two target audiences in mind:

Corporates / SMEs:

- Reporting: businesses can report on the sustainability of their supply chains according to commonly recognised standards
- Minimum standards: our framework can supply minimum standards for corporate supply chains, allowing business to be transacted more responsibly globally

- Recognition: businesses can showcase sustainable trade practices and measure improvements in the sustainability of their supply chain

Financial institutions (including NBFIs):

- Reporting: Financial institutions (FIs) can attain greater transparency on the sustainability of trade finance portfolios, revealing the percentage of trade finance that meets these standards
- Supporting client decarbonisation: FIs can help customers to transact more sustainably by enabling tracking, reporting and optimisation of their portfolios
- Setting portfolio targets: with more information to hand, FIs can more easily set targets for their portfolios, thus aiding their sustainability strategy
- Distributing trade assets: FIs can consistently gauge the sustainability of a trade finance portfolio, helping them to distribute trade finance assets accordingly. It is critical to align standards among banks, to eliminate different interpretations and avoid misaligned incentives where those with the lowest standards are most attractive for dealmaking (i.e. 'a race to the bottom')

We believe that there also are a number of secondary audiences who will take an interest in the framework:

- Governments, regulators, and auditors can use the new set of standards to develop policies on sustainable trade and supply chains. These policies can encourage and incentivise more sustainable supply chains and trade finance portfolios.
- Data and infrastructure providers (including credit reference agencies, data reporting companies, big data houses, and others) can support the industry's application of these standards by designing products and solutions for a digitised application of the framework, using common data component structures and definitions.
- NGOs and standard-setting regulatory bodies (including accounting) can convert the standards into a coherent set of reporting mechanisms, develop them further, and provide more industry-specific guidance on applying these standards in practice to maximise take-up from companies.
- Logistics providers can ensure that the right information is provided throughout the value chain to support systemic adoption of the standards.

How implementation should work in the pilot for key use cases

In both the short and the medium term, there are challenges in the implementation of the framework and different user types will use the framework in different ways. How the framework will work in practice will only become fully apparent once assessments begin.

ICC outlines here how we expect implementation to work at the pilot, in the full expectation that this will change as we move to the next stage. As the framework becomes more widespread and scales, we would envisage sustainability assessments to be formalised as part of a bank's or corporate's standard process flows.

We anticipate that assessments of the sustainability of supply chains will be conducted by corporates for their own supply chains. At the

pilot, we expect banks to also assign ratings to transactions based on information provided by their clients.

ICC has produced various artefacts to support the assessment of supply chains by any relevant body, which will be made available online. Detail on what we have provided and how we will support the pilot can be found in the 'ongoing role of ICC' section below.

For the use case of a bank assessing the sustainability of transactions associated with a trade finance instrument:

We envisage that when a client seeks to request a trade finance facility and / or risk cover, the bank will request that the client download the form from the ICC website, complete it, and submit it to the bank. The client will be expected to submit details for:

- a) Suppliers involved in the existing or potential line of credit (if not themselves)
- b) Buyers involved in the existing or potential line of credit (if not themselves)
- c) Goods involved in the existing or potential line of credit
- d) The purpose of the transactions relevant to the existing or potential line of credit

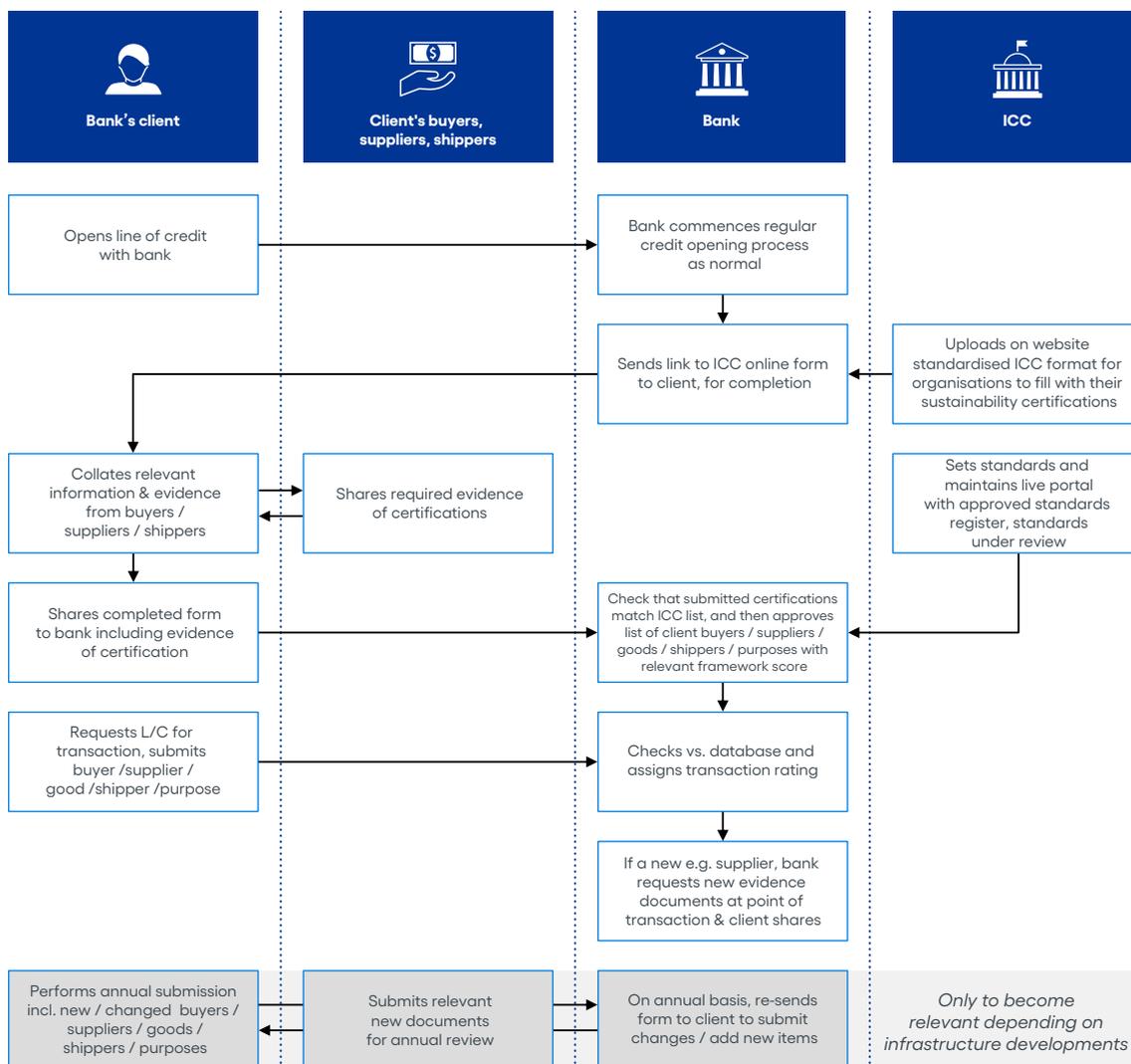
The details that clients will be expected to submit include the specific standards that elements of their supply chain meet, alongside relevant documentation – that is, certificates and proof of holding standards – where available and in digital format.

Upon submission to the bank, the bank will confirm the given standards are recognised as per the ICC's set of approved standards. At this point, the trade facility can be set up for transactions to receive assessed ratings.

Each time the client originates a trade transaction, the bank can use this information to complete the assessment by looking up the various transaction components (i.e. buyer, supplier, product code, description of purpose).

Figure 10

Workflow: Bank assessing the sustainability of transactions associated with trade finance instrument



For the use case of a corporate pilot partner assessing their own supply chain:

In this use case, implementation is simpler. A corporate (or SME) needs only to:

1. Download the framework survey from the ICC website.
2. Obtain relevant certifications from their supply chain partners (suppliers, buyers and producers of goods if relevant).
3. Carry out a self-assessment by using the form, and produce a score per transaction component.

4. Combine these scores as appropriate to generate framework outcomes per transaction in their supply chain. These can then be reported.
5. As best practice, publish on their Website / Sustainability Report for maximum transparency.

The above process ensures that assessment is available to both large and small companies, across the globe.

Ongoing role of ICC

Maintaining the list of ICC-approved standards

To keep the framework relevant over time, an active process will need to approve new standards, review existing standards, and maintain a live database expanding to cover all common sectors. ICC has therefore published a preliminary list of approved standards under the framework, and to dedicate resources to constant updates.

This list will function alongside the continued work of the ITC's Standards Map. As standards are added to the Standards Map site, we will use the ITC's assessment of each one to decide whether to recognise them as sustainable within the ICC's framework.

In the longer-term, ICC proposes to maintain an online live database of the standards approved for use in the framework. In time, the ICC may build on this further to construct a microsite that would explain the framework, as well as the standards included within it. This would help build awareness of the framework, support industry understanding, and boost its credibility throughout various iterations.

Providing required artefacts to support implementation

As discussed above, ICC is providing various artefacts in addition to the pilot list to support implementation and development of the framework going forward. Alongside the pilot, we are publishing:

- A form allowing corporates to construct a list of transaction components in their supply chains, and assign individual component 'scores' to them
- A form allowing banks or corporates to assign a matrix rating to a transaction, given the identities and ratings of the components that make up that transaction

- Feedback surveys to allow public responses to our framework, and to support its development going forward

Iterating the framework alongside industry partners

As well as maintaining a live list of standards, ICC will continue to keep an open mind regarding the structure and logic of the framework itself.

Beyond the immediate pilot that emanates from this paper, ICC will maintain engagement with banks and businesses to keep the framework relevant to their sustainability priorities. We therefore recommend that the working groups formed for this first iteration of the framework should continue after the pilot. In this way, these groups can provide an ongoing level of oversight and advice based on feedback received.

As the framework expands to include other sectors beyond textiles and progresses to more complex assessments, engaging with stakeholders from different industries will be critical. We would therefore look to set up additional working groups to discuss the specific relevance of standards for each industry.

Role of technology in implementing the framework

A key priority has been to design the framework in a way that facilitates future digitisation and automation.

Considering the general difficulties with the digitisation of trade and the prevalence of disconnected digital islands, we believe it is a priority to find some solution to the issue, rather than contribute to it further.

It is inevitable that manual work will still be evident at the Wave 1 stage, and that digital assessments and solutions are likely only to materialise over time. This is a key reason why we have designed a technology pilot, to help accelerate the work of technology players who would look to design digital solutions for assessments under the framework - which should ultimately be fully automated.

ICC's work so far with our technology working group has consisted in defining the principles for the usage of technology in the framework, and discussion around the 'art of the possible' for digitisation. These include:

- Assessment of sustainable trade should be as automated as far as possible to minimise any manual work performed by banks or corporates.
- We will use objective, quantitative sources wherever possible, and avoid standards or data that are not verified by some third party.
- We will not limit ourselves to any specific vendors, platforms, or data sources, but instead maintain interoperability and allow multiple alternative sources for similar information, preventing the emergence of digital islands.
- The framework is not designed with the expectation that ICC will own any data or host infrastructure for carrying out assessments; the onus will be on banks or corporates to perform the essential operational activities.
- We acknowledge that a fully data-driven approach will not work for some elements of the framework (for example, in determining purpose). We would therefore accept a hybrid approach, at least temporarily.



9. Considerations for future framework development

Given the way in which the Wave 1 framework has been designed to be a minimum viable framework only, this chapter outlines our current thinking on how the framework is likely to develop beyond Wave 1. It discusses the future inclusion of transportation, current limitations in the framework and our plan to address them, and our ambition for the target state.

Current thinking on transportation assessment

Compared to the other dimensions of sustainability, sustainability standards for transportation (particularly shipping) are relatively immature. Shipping companies do not subscribe to well known industry-standard certifications or standards, making it difficult for ICC to set third-party criteria for the framework. We have therefore taken the decision to postpone the transportation element of the framework to the second wave. This section lays out our current thinking regarding the future assessment of transportation when it is included in a future iteration:

1. Socio-economic – standards relating to socio-economic sustainability are particularly immature in the transport industry. One option explored was to apply ESG scores currently used by shipping companies. However, the limited range of their applicability was a challenge to their inclusion at this stage. We propose to consult a shipping working group

to find the most appropriate independently verified and established sustainability standards for shipping.

We plan to prioritise work with this shipping working group to determine a list of standards as soon as practicable following Wave 1. While current standards may be immature, an assessment of sustainability in transportation is crucial to our framework due to the significant socio-economic risks in shipping, particularly in emerging markets.

2. Environmental – we have devised an initial list of criteria per mode of transportation for assessing the environmental sustainability of a transaction. However, our proposed measure for the sustainability of a ship / shipper would require some shipping company data and calculation by banks and is therefore considered difficult to implement. From next year, new IMO CII reporting requirements will make this information easier to obtain. We therefore propose delaying implementation of the environmental assessment until this information is available for all ships in January 2024. We do not believe defining a complex alternative in the interim, when this indicator is imminent, would be worthwhile – or practically likely to be rolled out by industry in this short time period.

Our proposed approach for the relevant modes of transportation is:

- Air: do not allow as sustainable any non-perishable goods which are primarily shipped by air, due to the relatively high carbon intensity of air transport.
- Rail: qualify as sustainable all goods which are primarily shipped by rail, due to the low carbon intensity of rail transport.
- Road: qualify as sustainable all goods primarily transported by road haulage using low-carbon fuels or electric vehicles (EVs).
 - In practice, this approach disqualifies most road haulage as the use of low-carbon fuels & EVs in this space is low. We are prepared to accept this outcome because typical road haulage has a substantially higher carbon intensity than rail and shipping.
- Shipping: qualify as sustainable all goods primarily shipped on vessels with a carbon intensity that are at, or above, the lower boundary of the IMO's carbon reduction pathway (that is, a rating of A or B on the IMO CII).¹

Key limitations in framework and areas that need further development

Limitations in the framework are inherent to our approach to constructing a minimum viable framework first. Both the urgency of building a simple and implementable framework and the immaturity of standards, technology and data sources to enable implementation have contributed to these limitations. We hope to address these limitations in future and build a more comprehensive and effective framework.

1. Binary measure of sustainability

- Due to the decision to use standards that exist today and design a simple and implementable framework, the Wave 1 framework includes only a binary yes / no tick

for each component and dimension of sustainability.

- As set out in the initial end-state ambition for the framework, the ability to define multiple levels of sustainability for each transaction component and dimension of sustainability would add greater depth.
- Such granular detail would also help to arrive at a sustainability score for the transaction as a whole.
- The reason for this binary framework is that many of the currently used standards are themselves only binary. It is therefore difficult to build a graduated score.

2. Lack of aggregate single measure that is non-arbitrary

- The initial positioning paper, produced by ICC last year, proposed a matrix for determining an overall or aggregate score per transaction, combining individual component scores.
- Because the Wave 1 framework uses only ticks and not graded scores, it was felt that an aggregate score would obscure the relative sustainability of different elements of the transaction, and hence would not be a useful metric.
- However, we hope that as the framework progresses to use scores rather than binary ticks, we can reasonably develop an overall transaction score that combines the various elements. Being able to attach a single percentage sustainability score to a trade finance portfolio, for example, would be an important use case for the framework.

3. Manual document submission required

- Currently, companies must show that transaction components conform to relevant standards in order to obtain ticks on the framework. As a result, they have to compile a set of documents manually to earn framework ratings.

¹ The IMO CII is a ship-level indicator calculated based on whether or not a ship's carbon intensity is on track to meet the IMO's carbon reduction pathways. Where a ship's CO₂eq emissions are lower compared to the agreed pathway vs. other ships of the same class, the rating is higher. The thresholds are defined relatively, so that an approximately fixed % of ships will score B or above (targeted at 35%). In this context, carbon intensity is calculated as CO₂eq emissions (from fuel) / (deadweight tonnage x distance sailed).

- The manual effort and resulting cost are viewed as a major disadvantage of the framework.
- We would hope to rectify this situation in the future. A key potential mechanism in such a resolution would be to connect banks or other framework users to data sources (such as ESG scorers) via APIs or otherwise. This could spare corporates from themselves having to submit documentary evidence of scores or certifications. The ‘art of the possible’ section in a previous chapter discusses this in more detail.
- The work of the technology pilot will be critical in identifying a mechanism to alleviate current costs. We look forward to engaging with industry so that we can move towards a more easily implementable framework.

4. Limitation to only single transactions, and not covering the entire supply chain

- Due to the complexity of the supply chains involved in international trade, it is very difficult to obtain and compile relevant data to form a perspective on the overall sustainability of the entire supply chain.
- In the short term, we have therefore focused on the immediate buyer and supplier, and the good on the ship, rather than the sustainability of an entire supply chain.
- As data availability and standard maturity are enhanced, we hope that assessments of the sustainability of trades will incorporate a multi-level view and lead to a more holistic assessment. This will almost certainly have a substantial technology lens.

Ambition for future iterations of the framework

In the longer term, we are seeking to establish a more comprehensive framework that generates an infographic illustrating the degree of sustainability (on a multi-level scale) for each component of a trade, across each sustainability dimension. We anticipate, however, that this will continue to exclude the purpose component, where the use of the ICMA’s green bond and social bond principles would suggest that a binary measure will be continued.

Such a framework will permit an aggregate score across each sustainability dimension. These scores can then be put together to arrive at a reasonable summary of the transaction’s overall level of sustainability, paving the way for some of our key use cases.

Within the infographic, the following sustainability levels would be depicted:

- A) Actively contribute to sustainability dimension for given component
- B) Meets ICC-recognised sustainability standards for sustainability dimension, for given component
- C) Does no significant harm to sustainability dimension for given component
- N) Does not meet minimum requirements for sustainability dimension for given component

Once these multi-level scores have been introduced, they can be summarised at a sustainability dimension level across the entire transaction:

- A) Actively contributes to sustainability dimension across one or more components of a transaction and meets ICC-recognised standards on all others
- B) Meets ICC-recognised sustainability standards on given sustainability dimension across three or more components of transaction and does no significant harm to others
- C) Does no significant harm on sustainability dimension, across all components of a transaction
- N) Does not meet minimum sustainability standards for any component of transaction

Figure 11 below outlines the current plan for the target state.

Figure 11
Visual representation of target state infographic



In terms of the roadmap towards achieving our target state, we plan to:

- Make use of feedback following the release of this paper, and throughout the upcoming pilot process, to understand how the framework in general can be improved, and which future use cases should be prioritised.
- Enhance the value of the scoring system. We anticipate that ESG scores incorporated into the framework can be refined. We hope to work with providers to define multiple thresholds. This will include an upper threshold defining what makes an active sustainability contribution, an intermediate threshold defining a minimum level to be reasonably called sustainable, and a lower 'does no significant harm' threshold relating to these scores.
- Work with the ITC's Standards Map project towards defining widely accepted industry standards and certifications that support different levels of sustainability. By taking

advantage of their extensive data, we hope to be able to discriminate between standards that ensure a minimum level of sustainability, those that ensure active contribution to sustainability, and those that ensure a minimum 'does no significant harm' threshold (which are not currently approved in the framework).

- We would hope to achieve this by leveraging their data on the extent to which each standard 'supports' an SDG. By leveraging their dataset in more detail, transaction components holding certifications that support more SDGs could get a higher score. Additionally, transaction components holding certifications that support SDGs to a greater extent (e.g. higher than the current 25% threshold) could get a higher score. For example, the 'African Eco-Labeling' standard, which currently supports every environmental SDG, could produce a higher score on the framework than 'Fair for Life', which supports only SDG 7.

Implementation in the target state

Some key principles emerged from our engagement with industry on how implementation should work in the target state:

- It is critical that we can rely on the veracity of published claims relating to the sustainability score of transaction components on the framework.
- Public, self-disclosure of scores will be vital for corroborating these claims, because other forms of manual verification are not workable.
- Banks or other third parties cannot publish scores on behalf of their clients or supply chains due to liability and commercial concerns.
- In the medium to long term, when the framework is stable, we believe therefore that either a system relying on publicly available data, or public disclosure by companies themselves, would be valuable. We do not believe 'second opinion' providers should be necessary, but are strongly recommended when there is no public self-disclosure.

We envision that in the target state, digitisation will lead to an automated and smooth process, enabling comprehensive assessment of supply chain sustainability without much manual overhead. Because this will take some time after the pilot is completed, there are at least a couple of potential alternatives for what this might look like:

No common public database; self-publication, and score aggregation by external technology providers

- This potential target state would represent the simplest method of implementation for corporates, who would be encouraged to publish results themselves according to an ICC-defined recommended format.
- It is envisaged that external technology solution providers could then provide aggregation services on disparate data sources for banks, who need to compile this data for trade finance portfolio assessment.

Common public database hosted by third party or consortium institution

- This potential outcome involves an initiative requiring investment, most likely from participating banks.
- In this scenario, a technology platform would host an online, publicly accessible database of companies, goods, and associated scores.
- This information would be submitted by organisations themselves – our view is that publication on such a database renders sufficient accountability to rely on the accuracy of these scores.
- Another option would be to enable banks to assess their portfolio sustainability. Clients would be permitted to upload certifications on behalf of supply chain organisations, but that these would only be validated and published when confirmed by relevant suppliers / shippers / goods originators.
- In an eventual target state, investing in sufficient API connections from the database could allow banks to connect automatically and extract company ratings and certifications.



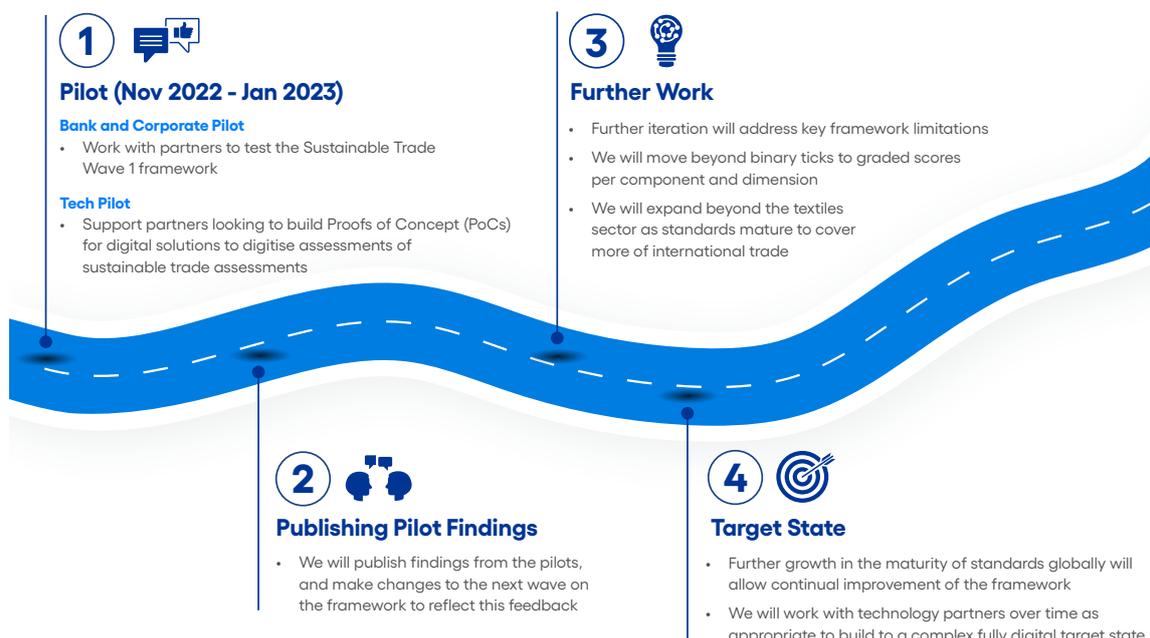
10. Next steps

Beyond this publication, there are various **next steps** for the framework:

1. Run both pilots described below (A) Bank and corporate and (B) Technology, and feed their learnings back into the framework
2. Publish findings from pilot, and revise 'Wave 1' framework as needed
3. Prepare to iterate the framework towards Wave 2, where we will expand beyond textiles and add a further layer of detail to the scoring
4. Establish or re-establish relevant working groups to advance the iteration towards Wave 2
5. Carry out further work with technology providers to generate more advanced digital solutions for the framework

Figure 12

Next steps for the framework



Plan for the framework pilot

As mentioned above, we are launching two 3-month pilots from November in order to test the framework in a real-world setting, and with real-world data. Our objectives for the pilots include understanding:

- How the framework can operate in practice, in a real-world setting with real world data; this includes understanding the specific processes banks and corporates find most practical to complete any assessment (e.g. who does what, at what point in a transaction, how long does it take, etc.)
- Distribution of outcomes for the assessment / framework (i.e. what proportion of transactions are seen as sustainable, and whether this is sufficiently rigorous)
- Whether ICC documentation and collateral (e.g. standards lists, forms, etc.) are sufficiently comprehensive and clear for users
- Opportunity to digitise elements of assessment
- Any broader bank, corporate, or technology player feedback

Please see more detail of the pilots below on the subsequent pages.

Bank and corporate pilot:

What are the aims?

The ICC will pilot the 'Wave 1' framework for three months (Nov-early 2023) in a real-world setting.

Our aims for this pilot will be to:

- Test the 'Wave 1' framework in a real-world setting
- Understand how implementation should work for key use cases. We need a feasible process that banks and corporates can complete, while ensuring sufficient rigour
- Test-run ICC-produced artefacts, getting feedback on what else is required of the ICC going forward
- Develop a view of the proportion of transactions that meet sustainable criteria
- Identify opportunities to enhance the framework for future iterations and wider launch

If banks and corporates want to go beyond the minimum pilot partner expectations and conduct more comprehensive, wide-ranging or deeper assessments then this is welcomed.

What are the expectations of participants and the ICC?

Bank and corporate pilot participants will be asked to:

- Run assessments on at least 20 transactions or 5 counter-parties
 - Assessments can be retroactive at the pilot, allowing application of the framework in a way that is most practical
 - Obtaining some 'live testing' by assessing in progress or new lines of credit would be useful where possible
 - The framework is intended to be assessed for the counterparty annually (rather than per transaction)
- Record assessment outcomes in an ICC template
- Provide feedback at the end of the pilot
- Join regular working group calls to help navigate the pilot and provide updates on process

The ICC will, to facilitate and support the pilot:

- Publish collateral artefacts:
 - Survey for corporates to fill out when completing the assessment
 - User guide
 - List of ICC-approved standards
 - Output templates to report assessments
 - Feedback surveys
- Run fortnightly calls to assist in navigating the pilot
- Run an end-of-pilot review to gather feedback and publish findings

Why should my organisation join the pilot?

All partners will be showcased by the ICC as official pilot partners.

We welcome pilot partners to register any time until mid-November.

Partners will also be provided with early visibility of the framework and be offered the opportunity to shape and iterate the framework.

Technology pilot:

What are the aims?	What are the expectations of participants and the ICC?	Why should my organisation join the pilot?
<p>The ICC will run a three-month pilot to work with technology partners who are looking to build digital solutions for conducting sustainability assessments.</p> <p>Our aims for the pilot will be:</p> <ul style="list-style-type: none">• Support partners looking to build Proofs of Concept (PoCs) for digitised sustainable trade assessments• Understand challenges to digitising assessments under the framework• Understand whether digital solutions will provide mostly assessment tools, or can assist in linking to sustainable trade data sources• Understand the key challenges in digitising assessments under the framework and implications for framework iteration <p>A key target outcome of the Technology Pilot is to demonstrate using PoCs that sustainable trade assessments under the framework can be fully digitised, to avoid unnecessary manual overhead.</p>	<p>Technology pilot participants will be asked to:</p> <ul style="list-style-type: none">• Share progress in developing digital solutions for sustainable trade assessments using the framework• Ensure assessments are conducted as per the ICC's updated framework• Join regular working group calls to help navigate the pilot <p>The ICC will, to facilitate and support the pilot:</p> <ul style="list-style-type: none">• Facilitate discussions between providers to ensure overall co-ordination• Work with other parties as required to obtain input required by pilot participants• Run fortnightly calls to assist in navigating the pilot• Run an end-of-pilot review to gather feedback and publish findings	<p>All partners will be showcased by the ICC as official pilot partners.</p> <p>We welcome pilot partners to register any time until mid-November.</p> <p>Partners will also be provided with early visibility of the framework and be offered the opportunity to shape and iterate the framework.</p>

Invitation for feedback

As per last year, we would very much welcome any feedback so that we can iterate the framework over time.

In order to share any comments, please use the following survey: [click here](#).



11. Appendix A: Definitions used, scope and principles

Recap of scope and framing principles

In the first phase of this project, five principles were defined to guide framework development:

- The standards are defined to promote and encourage sustainable trade, and are not positioned to penalise non-compliance.
- The standards are intended to build on and use existing certifications and standards, rather than replace agreed definitions
- The standards are designed to be adjusted by sector, as different industries exhibit varying levels of maturity on exposure to sustainability issues, data availability, and transparency.
- The assessment of standards will be inspired by the Sustainable Development Goals (SDGs) as a comprehensive taxonomy of reference (see Exhibit 3). However, SDGs will not be assessed on an individual basis, as the underlying targets are not always applicable to goods, transactions, and organisations. Rather, they will be collapsed into more relatable sustainability dimensions.
- The definitions and standards will balance comprehensiveness with rigour, while remaining a practical framework for the parties involved.

In addition, a few key points of scope for the ICC framework were defined:

Types of trade: The framework will cover trade in both goods (tangible and intangible) and services.

Types of trade finance: The framework should be relevant to all types of trade and supply chain finance (including trade loans / facilities, bills of exchange / promissory notes, letters of credit, guarantees and receivables finance, contractual guarantees and medium-to-long-term trade finance).

Further iteration on the framework may be required to pave the way for use cases relating to the above.

Types of sustainability: The framework will focus on sustainability in a holistic way, inspired by the SDGs, rather than only focusing on climate change. This is because many issues relating to socio-economically sustainable development – including slavery, child labour, poor wages, and unsafe working conditions – can be substantial concerns in global trade and supply chains.

Domestic versus international trade: The framework has been primarily designed to meet the needs of international trade (given this is where the greatest complexity and current lack of transparency lie), but can be applied just as effectively to domestic trade.

Stages of value chain: Trade encompasses the linkages at all stages of the value chain. To achieve a complete understanding of the sustainability of any given transaction – between two particular stages in the chain – it is necessary to take into account the sustainability of all upstream and downstream stages of the value chain. This will prevent something being classified as sustainable when prior stages of the value chain have involved markedly unsustainable practices.

- In an ideal world, therefore, sustainability assessment of a given trade, or transaction, should consider all activities in advance of the transaction, and in the immediate aftermath.
- However, given the challenges of gathering suitable data to assess all upstream elements of a transaction, the first iteration of the framework (Wave 1) will be more pragmatic and consider only the immediate upstream and downstream stages of a transaction.

As the specific standards used by ICC often take account of upstream activity, we do not anticipate that this will have a major impact on the framework’s accuracy. Over time, we need to gather substantial evidence of the complete journey from raw materials to disposal.

Methodology and key learnings since last year’s positioning paper

As part of last year’s positioning paper, we constructed an initial view on what the Wave 1 framework would look like. This was drafted in advance of the full consultation and working process we have undergone this year, and hence the latest Wave 1 framework has changed in a number of ways, in particularly moving from assessing whether a transaction ‘does no significant harm’ across sustainability dimensions, to assessing whether a transaction is actually ‘sustainable’.

Figure 13
Last year’s plan for the Wave 1 framework



In order to build on what was shared last year, we have engaged in-depth with industry to build Wave 1 presented in this paper. After publication of the positioning paper, we invited stakeholders to participate in three industry working groups to move from principles to an implementable framework. We have worked with participants from banks, corporates and technology companies, and experts on sustainability and sustainability standards. Their input was critical to arriving at a useful framework.

1. The role of the **core group** was to take a high-level view of all aspects of the project, such as

the framework logic, the standards, potential future digitisation, and implementation.

2. The **standards group** has examined the logic behind the framework, as well as the specific proposed standards.
3. The **technology group** has discussed technology’s role in the framework – both in the immediate term and in future. It considers how the framework can facilitate greater digitisation of global trade, rather than hinder it. A digital framework is viewed as essential, and this group will be key to realising this aim.

By engaging with the above working groups, we have been able to take a number of learnings that have shaped the Wave 1 framework. These include:

‘Actually sustainable’ standards are now required, not only minimum safeguards

- Using only minimum safeguards, rather than standards that measure a real standard of sustainability, was felt to create a risk of greenwashing.

Transaction aggregate score removed to retain granular detail and minimise risk of greenwashing

- Similarly, using an overall meta-score was thought to generate a greenwashing risk by aggregating elements of sustainability and components of a transaction. These all measure different things and should therefore be considered separately.
 - The risk would be created by allowing a transaction to be classed as ‘sustainable’ if, for example, only 4 of 5 components passed the test. If a transaction was sustainable in all dimensions except transport, but the goods were shipped unnecessarily by air, then this would not reflect the full complexity of the trade.
 - Another possibility is to only allow an aggregate tick if all 5 components pass the sustainability test. However, this was felt to impose too high a burden – unfairly penalising transactions that might be very sustainable, but lacking a particular certification on one element.
- Moreover, ICC and our expert groups determined that removing the granular analysis of the separate trade components and sustainability dimensions weakened the framework as it would not correspond to the needs and complexities of trade.

Economic and human / social dimensions of sustainability combined into one socio-economic dimension

- Last year, we proposed three high-level dimensions for grouping the SDGs. In conversations with industry, we discovered

that the economic dimension created unnecessary difficulties, for two key reasons:

- Many of the tests applied in the economic dimension are particularly suited to national or governmental goals and are harder to relate to individual transactions.
- Many of the specific transaction-level tests earmarked for the economic SDGs were similar to those applied to our human / social criteria.

- We have therefore grouped ‘economic’ and ‘human / social’ into one socio-economic dimension.

Only industry-specific standards generate sufficient level of rigour

- A further key learning has been that an industry-agnostic assessment, or standards that do not specifically apply to an industry, are unlikely to be sufficiently detailed. The framework itself is constructed in an industry-agnostic way, and the adoption of different industry standards will enable it to expand beyond textiles.

Assessment of transactions recommended at onboarding or annual basis

- Industry feedback tells us that this framework will only be widely used if it does not generate very significant costs. It needs to be designed in a way that allows full potential for digitisation, with manual work kept to a minimum.
- Conducting assessments at a transaction level would indeed lead to high costs and is therefore not recommended. A less demanding programme, where individual transactions are assessed only through a database lookup, is considered more workable. Such a programme would be likely to include assessment at the point of onboarding or on an annual basis, rather than at a transaction level.

ITC's Standards Map is being utilised as a key input to the framework

- A major addition to the specific standards used in the framework has been the Standards Map of the International Trade Centre (ITC). As ICC has only limited capacity to conduct an assessment to the depth or quality that this project requires, we decided to use the ITC's standards database as an input to the framework. These standards, approximately 300 in total, will help to shape those ultimately used by companies to obtain ticks on our framework.

Shipping temporarily excluded from framework due to immaturity of standards

- On the shipping component of trade transactions, the maturity level of existing standards (for both the environmental and socio-economic dimensions of sustainability) is low, making it difficult to settle on a holistic assessment method.
- On the environmental dimension, a new International Maritime Organization (IMO) reporting standard for carbon intensity (the CII) is coming into force next year for all ships. We have therefore decided to postpone the inclusion of transportation in the framework until the next iteration in 2023/4.

List of acronyms and abbreviations used

API	Application programming interface	ICMA	International Capital Market Association
BCG	Boston Consulting Group	IMO	International Maritime Organisation
CII	Carbon intensity indicator	ITC	International Trade Centre
CO2eq	CO2-equivalent emissions	NBFI	Non-bank Financial institution
COP27	Conference of Parties 27 conference (6 Nov – 18 Nov 2022)	NGO	Non-governmental Organisation
ESG	Environmental, Social and Governance factors	SBP	Social Bond Principles
EV	Electric vehicle	SDG	Sustainable Development Goals
FI	Financial Institution	SME(s)	Small and medium-sized enterprise(s)
GBP	Green Bond Principles	T4SD	Trade for Sustainable Development
ICC	International Chamber of Commerce	WTO	World Trade Organisation

12. Appendix B: list of ICC-approved standards

Maintenance of the list of ICC-approved standards under the Wave 1 Framework is an ongoing process **as such, please treat this list as an ongoing working draft for iteration.** At this stage, official ICC-approved thresholds for ESG scores have not yet to be confirmed; ICC is currently engaging with scorers for further guidance on interpreting ESG scores and setting appropriate thresholds. An updated list will be provided once ICC finishes collecting and calibrating inputs.

	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
ABVTEX Program	ITC Standard	Buyer, Supplier		Yes	Certified
amfori Business Environmental Performance Initiative (BEPI) - Level 1 (Basic)	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
amfori Business Environmental Performance Initiative (BEPI) - Level 2 (Good)	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
amfori Business Environmental Performance Initiative (BEPI) - Level 3 (Advanced)	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Better Cotton Initiative	ITC Standard	Good		Yes	Certified
Bio Suisse Standards for Imports	ITC Standard	Buyer, Supplier		Yes	Certified
bioRe	ITC Standard	Buyer, Supplier		Yes	Certified
Blauer Engel - Leder (DE-UZ 154 Textiles) (DE-UZ 148 Leather)	ITC Standard	Good		Yes	Certified

Standard	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
Bluesign® System	ITC Standard	Good, Buyer, Supplier		Yes	Certified
Chinese National Organic Products Certification Program	ITC Standard	Good, Buyer, Supplier		Yes	Certified
Cotton made in Africa	ITC Standard	Good		Yes	Certified
EcoVadis	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Ethical Trading Initiative - ETI	ITC Standard	Not yet assessed		Yes	Certified
Fair for Life	ITC Standard	Buyer, Supplier		Yes	Certified
Fair Labor Association	ITC Standard	Buyer, Supplier		Yes	Certified
Fair Trade USA - Factory Standard for Apparel and Home Goods	ITC Standard	Buyer, Supplier		Yes	Certified
Fair Trade USA APS for Large Farms and Facilities	ITC Standard	Supplier		Yes	Certified
Fair Trade USA APS for Small Farms and Facilities	ITC Standard	Supplier		Yes	Certified
Fair Wear Foundation	ITC Standard	Buyer, Supplier		Yes	Certified
Fairtrade International Textile Standard	ITC Standard	Buyer, Supplier		Yes	Certified
Fairtrade International - Small Producers Organizations	ITC Standard	Good	Yes	Yes	Certified

Standard	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
Forest Stewardship Council® - FSC® - Forest Management	ITC Standard	Supplier	Yes	Yes	Certified
Forest Stewardship Council® - FSC® - Chain of Custody	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Global Organic Textile standard (GOTS)	ITC Standard	Good, Buyer, Supplier		Yes	Certified
GoodWeave International	ITC Standard	Buyer, Supplier		Yes	Certified
Initiative for Compliance and Sustainability (ICS) Environmental Criteria	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Initiative for Compliance and Sustainability (ICS) Social Criteria	ITC Standard	Buyer, Supplier		Yes	Certified
ISCC EU	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
ISCC Plus	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
MADE IN GREEN by OEKO-TEX®	ITC Standard	Good	Yes	Yes	Certified
Naturland Fair	ITC Standard	Good, Buyer, Supplier	Yes	Yes	Certified
Naturland Standards on Production	ITC Standard	Good, Buyer, Supplier	Yes	Yes	Certified
Naturtextil IVN certified BEST	ITC Standard	Good, Buyer, Supplier		Yes	Certified

Standard	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
Programme for the Endorsement of Forest certification (PEFC International)	ITC Standard	Supplier	Yes	Yes	Certified
Programme for the Endorsement of Forest certification (PEFC International) - Chain of Custody of Forest Based Products	ITC Standard	Good, Buyer, Supplier	Yes	Yes	Certified
Science Based Targets initiative (SBTi)	ITC Standard	Buyer, Supplier	Yes		Certified
Sedex Members Ethical Trade Audit (SMETA) - Best Practice Guidance	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Small Producers Symbol	ITC Standard	Good, Buyer, Supplier		Yes	Certified
Social Accountability International (SA8000)	ITC Standard	Buyer, Supplier		Yes	Certified
Soil Association organic standards-farming and growing	ITC Standard	Supplier	Yes		Certified
Sustainability Initiative of South Africa - SIZA	ITC Standard	Supplier	Yes	Yes	Certified

Standard	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
Textile Exchange Global Recycled Standard	ITC Standard	Good		Yes	Certified
Textile Exchange Responsible Alpaca Standard	ITC Standard	Good, Buyer, Supplier		Yes	Certified
Textile Exchange Responsible Wool Standard	ITC Standard	Good, Buyer, Supplier		Yes	Certified
The EU Ecolabel	ITC Standard	Good	Yes	Yes	Certified
Workplace Condition Assessment (WCA)	ITC Standard	Buyer, Supplier		Yes	Certified
World Fair Trade Organization (WFTO) Guarantee System	ITC Standard	Buyer, Supplier		Yes	Certified
Worldwide Responsible Accredited Production - WRAP	ITC Standard	Buyer, Supplier		Yes	Certified
ZNU Standard - driving sustainable change	ITC Standard	Buyer, Supplier	Yes	Yes	Certified
Bloomberg Environmental and Social (ES) Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Canopy Hot Button	ESG Score	Buyer, Supplier	Yes		TBC
CDP Score	ESG Score	Buyer, Supplier	Yes		TBC
Clarity Carbon Impact Score	ESG Score	Buyer, Supplier	Yes		TBC
Clarity ESG Impact Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC

Standard	Standard Type	Component of Transaction	Environmental	Socio-economic	Threshold
Coriolis ESG Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Dun & Bradstreet ESG Rankings	ESG Score	Supplier	Yes	Yes	TBC
ESG Book Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Higg Brand & Retail Module	ESG Score	Buyer	Yes	Yes	TBC
Higg Facility Environmental Module	ESG Score	Buyer, Supplier	Yes		TBC
Higg Facility Social & Labor Module	ESG Score	Buyer, Supplier		Yes	TBC
Higg Materials Sustainability Index	ESG Score	Good	Yes	Yes	TBC
Higg Product Module	ESG Score	Good	Yes	Yes	TBC
ISS ESG Corporate Rating	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Moody's ESG Impact Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC
MSCI ESG Rating	ESG Score	Buyer, Supplier	Yes	Yes	TBC
S&P Global ESG Score	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Scope Group ESG Impact Rating	ESG Score	Buyer, Supplier	Yes	Yes	TBC
Sustainalytics ESG Risk Rating	ESG Score	Buyer, Supplier	Yes	Yes	TBC

