



ICC Standards for sustainable trade and trade finance

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ICC Sweden

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**

Developed five key framing principles to govern the definition of standards for sustainable trade & trade finance

1

The standards are defined to **promote and encourage** sustainable trade, not penalize 'unsustainable' trade

2

The standards are **not intended to replace** existing certifications and standards used



3

The standards are to be **adjusted by sector** to reflect relative exposure to sustainability issues

4

The standards will be **inspired by the UN SDGs** as a taxonomy of reference

5

The standards will **balance comprehensiveness, rigor & practicality**

Last year In the first programme phase, we set out to answer a number of key questions to help define and set standards for sustainable trade

What is the scope?



- **For what purpose** should these definitions and standards be applied?
- Are we interested in **net zero, climate, or ESG** more broadly, and at the same level of scrutiny?
- Will we nuance definitions and standards by **market, sector, entity size**, etc.?

What are our framing principles?



- What **parts of the supply chain** will be measured?
- What will need to be considered **beyond the immediate transaction**?
- Do we differentiate between the **buyer vs. supplier** side?

What are our definitions?



- How do we **define sustainable trade**? And sustainable trade finance?
- At a macro-level, what will be our **'threshold'** for sustainable trade?
- How do we define **sustainable trade finance**?
- How will this align with **existing definitions and legislation**, e.g. EU carbon border taxes?






How can this be applied?



- What **measurements and KPIs** and will we use to assess specific transactions?
- What specific **criteria and assessments** will be applied? (e.g. index of activities, etc.)






WE PROPOSE REDUCING COMPLEXITY OF THE FRAMEWORK BY DEFINING TWO DIMENSIONS OF SUSTAINABILITY

Previous thinking

Wave 1 pilot to focus on textile industry only		Economic	Human, Social	Environmental
	Good/Service	✓ Meets standard		
	Seller/Origin	✓ Meets standard		
	Buyer/ Destination	✓ Meets standard		
	Transition/ transportation	✓ Meets standard		
	Purpose	✓ Meets standard		



Current thinking

Wave 1 pilot to focus on textile industry only		Environmental	Socioeconomic
	Good/Service	✓ Meets standard	✓ Meets standard
	Seller/Origin	✓ Meets standard	✓ Meets standard
	Buyer/ Destination	✓ Meets standard	✓ Meets standard
	Transportation	✓ Meets standard	
	Purpose	✓ Meets standard	✓ Meets standard

The framework will focus on sustainability holistically, split into two dimensions

ENVIRONMENTAL

Supporting SDGs :



SOCIOECONOMIC

Supporting SDGs :



KEY TESTS DEFINED TO ESTABLISH THAT STANDARDS ARE WIDELY ACCEPTED, COMPREHENSIVE, FACT-BASED, INDEPENDENTLY VERIFIED & MEASURABLE



Widely Accepted

Known and extensively adopted by the sector considered



Comprehensive

Covers the relevant SDGs in sufficient depth across any sustainability dimension



Fact-based

Assessed based on objective and transparent parameters/inputs



Independently verified

Confirmed by an independent third-party entity which periodically carries out audits to check compliance



Measurable

Uses a workable and replicable methodology for assessments and audits.

Key tests per dimension:

Are many businesses in the relevant industry aware of the standard and it is widely accessible?

Does it measure all or most key aspects of the relevant sustainability dimension? (environmental & socioeconomic)

Are the inputs to the measurement objectively measured facts?

Is the standard certified by a 3rd party body that is composed of independent staff, and not owned by a single industry stakeholder?

Is the methodology clear and could it be replicated (given equivalent inputs)?¹

1. Does not require publicly published methodology