

# 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

# O 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



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

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





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

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





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?



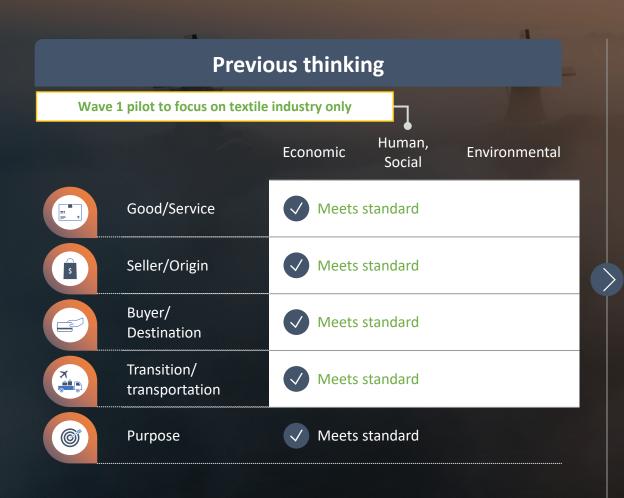
- How do we define sustainable trade? And sustainable trade finance?
- At a macro-level, what will be our 'threshold' for sustainable trade?
- How do we define sustainable trade finance?
- How will this align with existing definitions and legislation, e.g. EU carbon border taxes?

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





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

# **ENVIRONMENTAL** Supporting SDGs: 11 SUSTAINABLE CITIES AND COMMUNITIES 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND

#### **SOCIOECONOMIC**





# 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

### Key tests per dimension:

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



### Comprehensive

Covers the relevant SDGs in sufficient depth across any sustainability dimension

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



### Fact-based

Assessed based on objective and transparent parameters/inputs

Are the inputs to the measurement objectively measured facts?





# Independently verified

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

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





### Measurable

Uses a workable and replicable methodology for assessments and audits.

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