Principles for Sustainable Trade

Wave 2 overview

Printed in December 2023

In this report

1. About the International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is the institutional representative for more than 45 million companies in over 170 countries. Its 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.

ICC is also the official Business and Industry Focal Point to the UN Framework Convention on Climate Change, bringing the voice of the real economy to international discussion on the implementation of the Paris Agreement, in particular on climate finance.

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

2. About the Boston Consulting Group (BCG)

BCG is a global management consulting firm and one of the world's leading advisors on business strategy. BCG partners with clients from the private, public, and not-for-profit sectors in all regions to identify the most productive 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 their 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 support our clients around the world. BCG is proud to send a delegation to COP28, the UN Climate Change Conference, where we will work alongside public, private, and social sector leaders on priority issues to accelerate climate action and advance adaptation and resilience.

BCG was founded in 1963. It is a private company with more than 100 offices in over 50 countries.

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

3. Acknowledgements

ICC is grateful to all supporters of the project for their generous contributions in preparing this paper.

3.1 The task force

Andrew Wilson, Global Policy Director, International Chamber of Commerce
Raelene Martin, Head of Sustainability, International Chamber of Commerce
Sandra Hanni, Global Policy Lead Climate, International Chamber of Commerce
Tomasch Kubiak, Policy Manager, International Chamber of Commerce
Sophie Talarico, Policy Advisor Sustainability, International Chamber of Commerce
Sukand Ramachandran, Managing Director & Senior Partner, Boston Consulting Group
Ravi Hanspal, Partner, Boston Consulting Group
Arati Venkatram, Project Leader, Boston Consulting Group
Charlotte Grace, Senior Associate, Boston Consulting Group

3.2 The core working group

Johan Ericsson, Senior Trade Finance Adviser, Ericsson Credit AB
Claudia Gomez Arseneault, Global Head of ESG for Global Transaction Banking, Santander
Pamela Mar, Managing Director, ICC Digital Standards Initiative, International Chamber of Commerce
Sanjay Sadarangani, Head of Sustainability Propositions, Global Trade and Receivables Finance, HSBC
Sven Schmidt, Head of International Trade Finance Operations, Commerzbank

3.2 The pilot group

We would also like to thank our pilot group for all their ongoing input and support with this project:

ANZ, Bank of America, BNP Paribas, Commerzbank, Crédit Agricole CIB, Credore, Deutsche Bank, DNB, Elevate, Epic Group, Ericsson, H&M, Halotrade, HSBC, Intesa Sanpaolo, LBBW, Lloyds Banking Group, MCB, Natixis, OCP, PUMA, Rabobank, Raiffeisen Bank International, Santander, Semsoft, Standard Bank, Standard Chartered, Société Générale, Surecomp, SupplierPlus, TradeSun, Turnkey, UniCredit, Yes Bank.

ICC would also like to thank the sector experts who have contributed valuable industry-specific insights about standards, scoring and other aspects throughout this project.

Finally, ICC would like to thank Joseph Wozniak and team from the **International Trade Centre (ITC)** for their continued contribution in providing information on the Standards Map project and positive engagement to support the development of the principles.

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

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

Global trade represents as much as 30% of all carbon emissions[1]; this serves as both a warning and an opportunity. Trade must transform itself into an engine for the implementation of the Paris Agreement and for sustainable development. It must also become a facilitator of sustainable practices across international, sectoral and enterprise levels. The growing interest in environmental, social and corporate governance (ESG) provides a beacon of hope for change; yet this interest brings with it a greater demand for precision and clarity on what constitutes sustainable international trade and sustainable trade finance.

Each trade transaction connects numerous parties across the globe, transporting any good to any country, via any means. The distinct nature of each transaction often means there is no standardised framework that accurately assesses sustainability across the entire transaction. This is further complicated by the facts that there are multiple definitions of sustainability, as well as numerous means of evidencing it. The lack of standardisation hinders the growth of sustainable trade finance and can even confuse or distract efforts to promote increased climate action and sustainability. Clarification is needed to avoid green washing, to align international trade and trade finance with the goals of the Paris Agreement, and to bridge the finance gap to reach these goals.

In September 2021, the International Chamber of Commerce (ICC) published a paper, the aim of which was to define standards for sustainable international trade and trade finance. This set of principles aims to evaluate the sustainability of trade in an accessible, standardised and automated process. The freely available principles utilise existing resources and information to provide grades across an entire trade transaction in terms of multiple dimensions of sustainability. The principles intend for international transactions to be transparently and consistently compared.

The process of constructing these principles has brought together stakeholders from trade banks, corporates, and technology players to reach an agreed common definition of sustainable trade and sustainable trade finance and establish a set of principles that provide a frame to measure and assess sustainability in this respect.

'Wave 1' of the principles was launched in November 2022 with a pilot scheme in the textiles industry. The feedback from pilot participants was invaluable in the development of 'Wave 2' of the principles, which is presented in this report. For Wave 2, the pilot scheme was launched in October 2023, and is ongoing at the time of publication of this report. As in the Wave 1 pilot scheme, the participants are applying the principles to real transactions to understand what works and what can be improved in future versions of the principles.

We welcome your engagement with this second wave of the principles. Collaboration by all relevant stakeholders is important if progress towards common international reporting and assessment of sustainable supply is to happen. We appreciate any feedback or thoughts you have on these proposals. All such responses can help to accelerate the journey to a more sustainable business world.

1 World Trade Organisation – Trade and Climate Change

5. Executive Summary

This paper represents the second version ('Wave 2') of ICC's Principles for Sustainable Trade, a project which was launched in September 2021 with the goal of setting global standards for sustainable trade.

We have co-operated with stakeholders from trade banks, corporates, technology players, and Boston Consulting Group (BCG) for the project. Our objectives were to reach an agreed common definition of sustainable trade and sustainable trade finance, establish a set of principles to measure and assess the sustainability of trade according to these definitions, and support the industry in adopting these principles.

More broadly, the programme aims to:

- Increase the role of global trade in helping businesses meet the Paris Agreement of limiting the global temperature increase to 1.5°C above pre-industrial levels
- Help banks recognise and set standards for sustainable trade and sustainable trade finance through widely accepted definitions
- Encourage the production of sustainable goods through increased access to financing
- Enable greater investor access to sustainable trade

Since the launch of the minimum viable 'Wave 1' principles at COP27 in November 2022, we piloted the principles with leading trade banks and corporates in the textiles and apparel industry to test its effectiveness and identify areas for improvement.

Feedback from the pilot was crucial for informing the design of Wave 2. For example, we have consolidated the components of 'purpose' and 'good' into a single 'use of proceeds' in response to feedback that an objective assessment of 'purpose' alone was challenging. We also incorporated additional sources of evidence beyond standards for sustainability, including ESG scores, as discussed in the 'Progress Update and Outcomes from Wave 1 Pilot', published in June 2023.

These Wave 2 principles were launched during the high-level trade finance discussion at COP28 on 4th December 2023, which coincides with the official Trade/Finance Day. Alongside the principles' release, we initiated a pilot programme for Wave 2 in October 2023, which is ongoing at the time of publication of this report. ICC will set out its findings from the pilot, as well as how it will use these results to improve the principles. We will then continue to develop the principles and provide the necessary practical support for their implementation. Companies that may be interested in participating in the pilot process are invited to contact the ICC team for further details.

5.1 Principles for Sustainable Trade: Wave 2

As in Wave 1, Wave 2 uses a holistic definition of sustainability by considering two 'dimensions of sustainability': firstly, the environmental sustainability of a transaction, and, secondly, how it supports sustainable socio-economic development. These dimensions are designed to advance two further objectives: to support businesses in meeting both the Paris Agreement objective of limiting global warming to 1.5°C above pre-industrial levels, and the UN Sustainable Development Goals (SDGs). The principles provide the frame to assess a trade finance transaction across four 'components of trade' – the 'use of proceeds', 'seller', 'buyer', and 'distribution'.

The principles utilise a 4x2 matrix for assessing a transaction, showing the sustainability of each of the four components of a transaction across the two dimensions of sustainability.

The Wave 2 principles have been designed with usability in mind, while simultaneously improving reach, applicability, and rigour. Relative to Wave 1, Wave 2 has focused on:

- Expanding the scope of the principles to three new sectors
- Adding rigour, through a more granular grading system
- Allowing easier automation, by incorporating machine-readable sources of evidence
- Making progress towards the target state with the inclusion of a 'distribution' component and measuring sustainability of the primary mode of transport in any transaction

The assessment process has been simplified relative to Wave 1 by adding multiple objective sources of evidence beyond standards to include ESG scores, taxonomies, and international conventions.

In line with Wave 1, ICC is not setting criteria for what is sustainable. We instead continue to leverage existing expertise and industry standards for assessment purposes. To ensure that the standards and scoring data are sufficiently robust, they must meet five tests to be included in the methodology of the principles, including: widely accepted, fact-based, independent, measurable, and comprehensive. The standards and scores that passed these tests were then validated by sector experts for objectivity and wide acceptance by industry.

We provide a grading calculator to support users in their assessments, and we also lay out the path to the target state of a fully automated grading system.

Despite this progress, Wave 2 still represents a 'transition state', and there remain gaps which we will address in future iterations. We hope to address variations in measures of sustainability at a regional or jurisdictional level in the target state. We will also continue to collaborate with relevant stakeholders, monitor developments in sustainability standards and data and update the principles accordingly.

6. Objectives of ICC Principles for Sustainable Trade

6.1 Context and background

Global trade is a vital engine of sustainable economic development, allowing countries to better integrate into the global economy, gain access to differentiated goods and services and achieve higher standards of living. It also has an ever-increasing role in advancing sustainability and climate action. However, there still remains significant potential for trade and linked finance to play an even greater role in achieving the Paris Agreement accelerating the decarbonisation of the global economy, and become a key driver to help reach the UN Sustainable Development Goals (SDGs).

While several related standards for sustainable goods and services and financial products certainly exist, none have yet been adapted which define sustainable trade in a clear and robust manner.

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

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

At COP27 in 2022, ICC launched a minimum viable (fully workable and implementable) version of the principles ('Wave 1') for the textiles and apparel industry (referred to as 'textiles' in this report). Since then, we have enhanced the principles on multiple fronts in a second iteration of the principles ('Wave 2') that applies to the energy, agriculture, automotives, and textiles and apparel industries.

This Wave 2 incorporates the valuable feedback collected in the pilot programme of Wave 1 as well as additional feedback from industry experts. In the longer term, we will continue our collaboration with industry to make the principles more easily employable and more effective as we move towards an eventual target state.

6.2 Purpose and project objectives

Our purpose

Through ICC's Principles for Sustainable Trade we seek to accelerate global trade's role in helping companies (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 SDGs beyond not only climate and green objectives, and (iii) achieve greater understanding of sustainability in global supply chains.

Our principles hope to capture the multi-dimensionality of trade transactions by considering not only the good or economic activity being financed, but also the buyer and seller of the good and the distribution method of the trade transaction according to both environmental and socio-economic sustainability. The principles also aim to capture the complexity of trade transactions, by assessing multiple dimensions of sustainability, using multiple sources of evidence, with a granular grading process. As the principles evolve, these considerations will continue to be central to future design.

Project objectives

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

- Agree on a **definition** of sustainable trade and sustainable trade finance
- Agree on what constitutes a sustainable trade transaction by **setting the standards** for sustainable trade and sustainable trade finance
- Propose a set of **principles** and methodology to measure and assess the sustainability of a given trade transaction or trade finance portfolio
- Ensure that recommendations are **actionable** and **practical**, encouraging global adoption. This will allow a more comprehensive view of sustainability across the value chain in all sectors

Priorities for Wave 2

The Wave 1 principles were piloted between the end of 2022 and the beginning of 2023 with over 30 leading trade banks, representatives from trade and supply chain finance technology, and a small number of corporates. The feedback from the pilot informed our design objectives for Wave 2. These include:

- Expanding the scope of the principles from **textiles** to include three additional sectors, which are **energy**, **automotive**, and **agriculture**
- Broadening the definition of environmental sustainability beyond CO2 emissions to also capture the impact on **nature**
- Reviewing the components of trade, consolidating the components of 'good" and 'purpose' into a single **'use of proceeds'** component, so the matrix is now 4 x 2
- Introducing a **granular grading system** which assesses the degree of sustainability rather than a simple binary measure
- Introducing a grading methodology for the **distribution** component of trade, based on the primary mode of transport and the International Maritime Organization's Carbon Intensity Index (CII) ratings
- Incorporating additional sources of evidence beyond the list of ICC-recognised **standards** for sustainability, including **ESG scores**, **regional taxonomies**, and **international conventions**
- Providing an **overall grade** that aggregates the component-specific elements for each dimension of sustainability
- improving the **automation capabilities** of the assessment methodology

For the second iteration of the principles, we remain committed to the beliefs laid out in Wave 1:

- Anything described as sustainable through the application of the principles must be sustainable - the rigour of our definition of sustainability must not be compromised on, and while 'Do No Significant Harm' (DNSH) is important, it is not sufficient in itself
- The principles must be simple and workable so that they can be applied by banks and corporates at a reasonable cost
- The methodology makes use of resources readily available to banks and corporates. It is not purely theoretical and cannot be designed to use technology or data that does not yet exist

Details about how we have addressed feedback from the pilot are in Appendix A.

Aim for the target state

Wave 2 of ICC's Principles for Sustainable Trade substantially improves on the initial principles, but it constitutes one step on the path towards the target state. We firmly believe that the approach that prioritises the adoption of simple principles on a wide scale represents the best route to the target state. ICC will continue to develop the principles as sustainability standards and data continue to mature. Our current aims for the next iteration of the principles, and for the target state, are detailed in Section 9.

7. Proposed Wave 2 principles

The Wave 2 principles cover four sectors: energy, automotive, agriculture, and textiles. The sectors in scope for Wave 2 were selected for the following three reasons:

- **Scale and impact:** The sectors include a large number of transactions and collectively have a significant impact on global emissions. The Wave 2 principles can therefore be applied to many, potentially impactful, transactions.
- **Maturity**: The agriculture and textiles sectors are relatively mature, whereas the automotive and energy sectors are in transition. The available evidence for sustainability differs across these two types of sectors, ensuring the Wave 2 principles are flexible and robust.
- **Diversity:** The sectors in scope are sufficiently broad and cover a range of structures and nuances as to guide future expansion to other sectors

The chosen industries, when considered alongside distribution, account for over 52% of all trade GHG emissions.[2]

Under this rationale, agriculture and textiles from Wave 1 represent sectors with mature standards. The range of available standards that evaluate sustainability across multiple metrics gives the principles vast applicability. For the sectors 'in transition', automotive and energy have been selected. These sectors are facing rapid change as a shift to de-carbonisation occurs, and as such provide opportunities for nuanced grading around the use of proceeds.

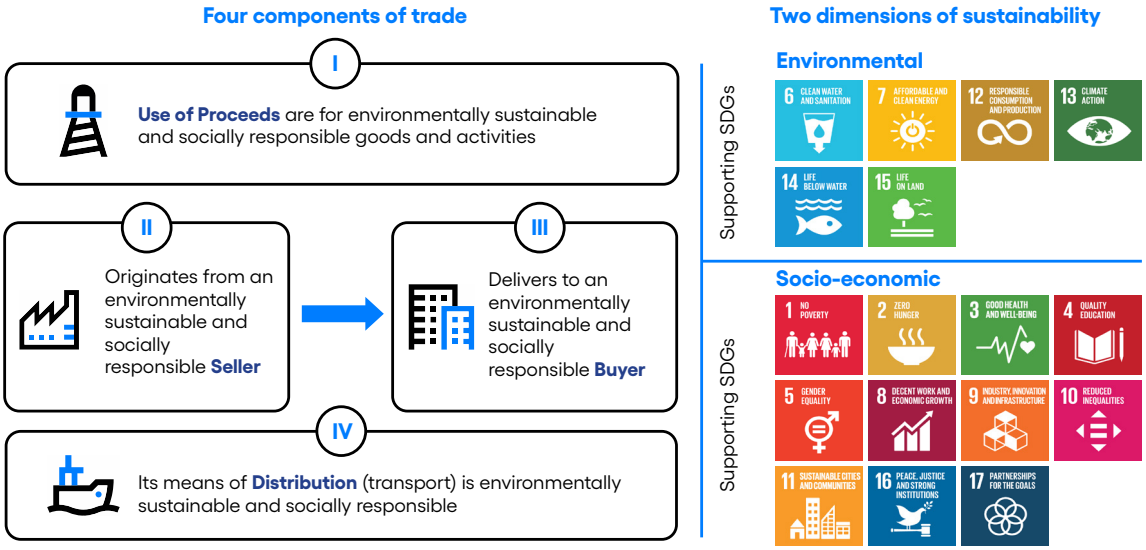
7.1 Overview of the principles

The Wave 2 principles utilise a 4 x 2 matrix for assessment, with four components of trade and two dimensions of sustainability. The dimensions use themes based on the UN SDGs. There are **eight** individual component grades per transaction: **four** for environmental and socioeconomic respectively, across each component of trade. The evidencing for each is summarised in **Figure 2**. An **overall transaction grade** for both environmental and socioeconomic is constructed based on the component grades.

2 AG, TX, EN, AU and Distribution combined CO2eq Emissions, 2018 - OECD.stat https://stats.oecd.org/Index.aspx?DataSetCode=IO_GHG_2021#

Figure 1

The components of trade and dimensions of sustainability



Grades are assigned to each matrix element, corresponding to a component of trade and a dimension of sustainability. Subsequently, an overall grade is computed for each dimension of sustainability. There are four possible grades

- Grade A: considered **sustainable** with a high degree of confidence
- Grade B: considered **sustainable in part**
- Grade N: considered **not sustainable**
- Grade U: **ungraded** due to insufficient information

7.2 Logic of the principles

7.2.1 Grading per component of trade

The following sections set out the grading methodology for each component of trade across the two dimensions of sustainability. We also discuss an overall grading methodology for each dimension of sustainability.

Figure 2

Overview of individual component assessments

	Environmental sustainability	Socio-economic sustainability
Use of Proceeds	• **Energy and automotive (sectors in transition):** Sector-specific 'macro-rules' and adherence to the EU taxonomy • **Agriculture and textiles and apparel (sectors with mature standards):** Standards mapping	**For all industries** • ESG score for primary producer / manufacturer or • Standards mapping or • Adherence to select international conventions
Seller	• ESG scores or • Standards mapping	• ESG scores or • Standards mapping
Buyer	• ESG scores or • Standards mapping	• ESG scores or • Standards mapping
Distribution	• Primary mode of transport (including consideration of IMO CII[3], distance, and perishability)	• ESG score of the primary transport provider • Standards mapping of the primary transport provider

3 IMO's Carbon Intensity Index

7.2.1.1 Grading of 'use of proceeds'

Environmental grading for 'use of proceeds'

'Use of proceeds' refers to the financed good being traded as well as its economic purpose. Wave 1 adopted a binary approach to grading the sustainability of the 'good' according to its adherence to standards in the ITC standards map and subsequent alignment with the UN SDGs.

The components 'good' and 'purpose' have been merged into a single 'use of proceeds' following feedback from the Wave 1 pilot that an objective assessment of 'purpose' alone presented difficulties. This change corresponds to our use of the EU Taxonomy in Wave 2 which classifies economic 'activities' closely linked to both the 'good' and the 'purpose' and has similar aims to the Green Bond Principles previously used to assess 'purpose'.

To grade the use of proceeds of a transaction in terms of its environmental sustainability in Wave 2, we take a differentiated approach towards sectors in transition where notions of sustainability are currently evolving versus sectors in which sustainability standards are more mature.

For sectors in transition such as automotives and energy, environmental standards for the use of proceeds are evolving but are not sufficiently comprehensive for the current version of the principles. We therefore use a two-step process divided into (1) category screening and (2) individual grading.

The use of proceeds is first 'screened' based on industry-wide categories. The end use of the product is relevant, for example, an auto part demonstrably used in a zero emissions vehicle would receive Grade A, according to the vehicle's classification. In the Wave 2 principles, the industry categories are based on Harmonized System (HS) codes for the automotive industry and based on energy sources as defined by the Directive of the European Parliament for the energy industry.

In the second step, the use of proceeds is graded based on its inclusion in ICC-recognised regional taxonomies. The grading criteria are set out in Figures 3 and 4. Further details can be found in **Appendix A**.

For practical purposes, only the EU Taxonomy is included as an ICC-recognised regional taxonomy in Wave 2, and activities are evaluated based on their **eligibility** under the EU Taxonomy[4]. This screening for eligible activities is applied to all relevant transactions, regardless of whether they originate in the EU. In the future, ICC intends to expand the list of recognised taxonomies to account for jurisdictional variance in what is considered sustainable, as well as to consider the possibility to make regional adjustments (see **Section 7.3.2**). This current application of the taxonomies will evolve as reporting increases. The target state will encourage application of regional taxonomies based on the jurisdiction where the trade transaction originated.

4 https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

Figure 3

Environmental grading criteria for use of proceeds in the automotives sector

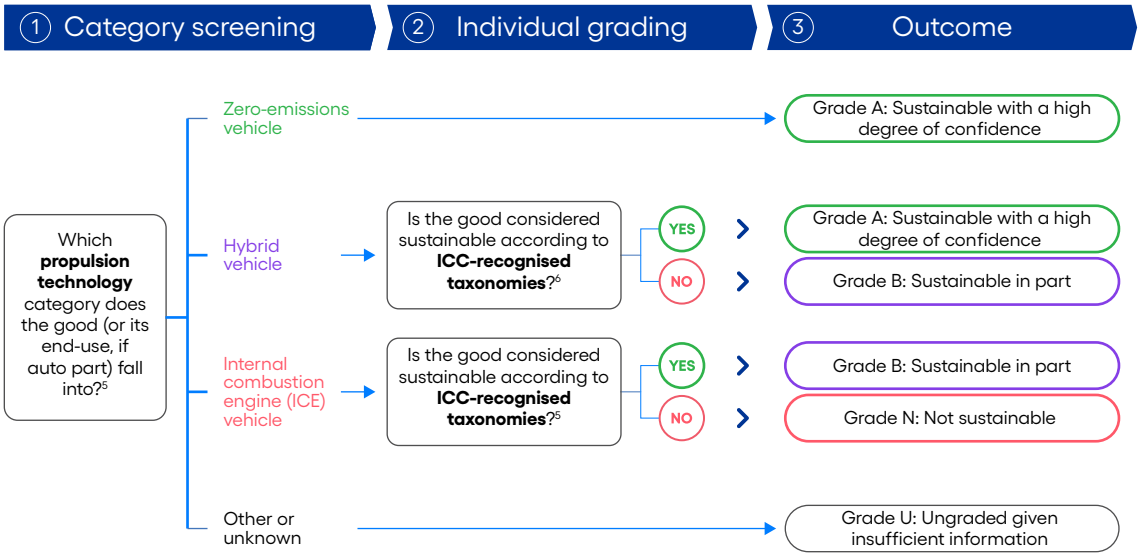
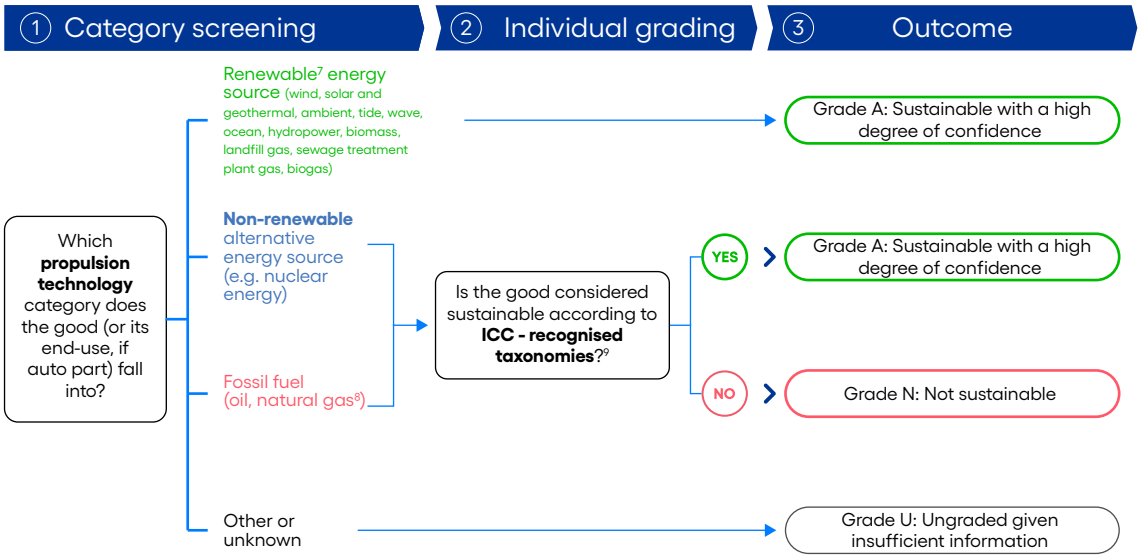


Figure 4

Environmental grading criteria for use of proceeds in the energy sector



Source: European Union (2018)

5 Categories are based on Harmonised System (HS) codes

6 Includes the EU taxonomy for Wave 2, with plans to extend to other region-specific taxonomies in the long term - see further details in Appendix

7 The European Union has a list of energy sources it considers to be renewable

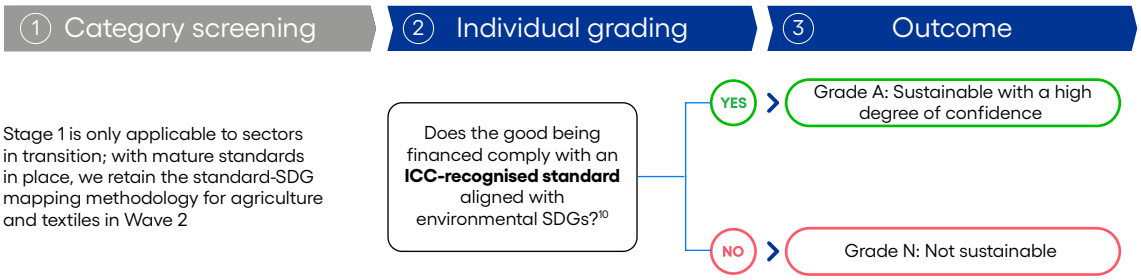
8 The EU taxonomy considers the use of natural gas as sustainable under certain conditions

9 Includes the EU taxonomy for Wave 2, with plans to extend to other region-specific taxonomies in the long term - see further details in Appendix

For sectors in which standards are mature (i.e., agriculture and textiles), the methodology of the principles continues to use ICC-recognised standards for grading, as shown in Figure 5 (see **Section 7.3.1**).

Figure 5

Environmental grading criteria for use of proceeds in the agriculture and textiles and apparel sectors



Socio-economic grading for 'use of proceeds'

To improve the coverage of the principles, especially with regard to sectors in transition in which standards are less mature, we provide users with three options to show the socio-economic sustainability of use of proceeds.

Options 1 and 3 correspond to the sustainability of the primary producer or manufacturer of the traded good, rather than specifically to the transaction's use of proceeds. However, we judged this as an acceptable drawback of widening the applicability of the principles, given the relatively small number of standards available.

These options are shown in Figure 6 (refer to **Appendix B** for lists of ICC-recognised ESG scores, standards, and conventions).

Figure 6

Socio-economic grading criteria for use of proceeds

Option 1

ESG score of the primary producer or manufacturer

Most **ESG scorers provide a socio-economic score** and ESG scores are **machine-readable** for future automation

Grade **A** if any relevant ESG score is within the scoring range for Grade **A** on socio-economic sustainability, else **N**

Option 2

ICC-recognised standards mapped against Socio-Economic SDGs

This option would be most suited to **sectors with mature standards** (e.g., agriculture and textiles)

Grade **A** if the good complies with an ICC-recognised standard aligned with socio-economic SDGs, else **N**

Option 3

Corporate evidence of adherence to select international conventions

Adherence to an **ICC-recognised inter-governmental convention,** including
- ISO 26000 standards[11]
- ...

Grade **B** if there is evidence of adherence to international conventions, else **N**

Organisations may use their discretion in selecting the most appropriate option for the transaction

10 ICC-recognised standards aligned with environmental SOGs have passed ICCs five tests of robustness and are >25% aligned with at least 2 UN SOGs related to the environment

11 ISO 26000 -- guidance on social responsibility

Companies must provide sufficient evidence of adherence to any of the three options: ESG scores, standards, or conventions. In particular, in order to use option 3, companies should provide evidence that they are affiliated to the socio-economic convention as a member or signatory. Because this option provides weaker evidence of sustainability, it only receives a Grade B. In contrast, the other options of using ESG scores or standards imply Grade A.

Organisations may use their discretion in selecting the most appropriate option for the transaction. Using just one option is sufficient for the assessment.

7.2.1.2 Grading the transaction's 'seller' and 'buyer'

The methodology provides two options for grading the seller and buyer of a trade transaction for each dimension of sustainability.

For each of the seller and buyer, Grade A is awarded for **environmental** sustainability if the entity either:

1. Has an ICC-recognised environmental score from an ESG scorer that is within the relevant scoring range for sustainability (see **Appendix B** for scores and thresholds); or

2. Complies with an ICC-recognised standard that supports at least two of the environmental SDGs.

Likewise, Grade A is awarded for **socio-economic** sustainability if the entity has either an ICC-recognised socio-economic score from an ESG scorer within the relevant range or complies with an ICC-recognised standard that supports at least two socio-economic SDGs.

If the 'seller' or 'buyer' **does not meet** any of the ICC-recognised standards or ESG score thresholds, for either environmental or socio-economic, then Grade N is given respectively.

Appendix B includes lists of relevant scores and standards.

In cases where no information is available, Grade U is given.

7.2.1.3 Grading the 'distribution' of the transaction

Environmental grading for 'distribution'

Last year, we took the decision to postpone the 'transportation' element of the principles to the second wave as it was difficult for ICC to set third-party criteria for a segment, which at the time lacked mature standards and industry-wide certifications. Since then, we have worked with experts in banking and transportation to define feasible methods to assess environmental and socio-economic sustainability for the 'distribution' component of trade.

Grading the environmental sustainability of distribution is principally based on the average energy efficiency (in terms of CO2 emissions) of the primary mode of transport (based on distance travelled) as per the European Environment Agency (EEA) 2021 study.

ICC recognises that this is a starting point and likely does not provide a fully accurate assessment of environmental sustainability. Where data is deemed sufficiently comprehensive, we have introduced additional criteria as follows:

- **Shipping:** some ships are more energy efficient than others. To account for this, we incorporate data from the International Maritime Organization's Carbon Intensity Index (IMO CII), which will be available from January 2024.[12]

12 The IMO CII is a ship-level indicator calculated based on whether or not a ship's GHG emissions carbon intensity is on track to meet the IMO's emissions 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: an approximately fixed % of ships will score C or above (targeted at 65%). In this context, carbon intensity is calculated as CO2eq emissions (from fuel) / (deadweight tonnage x distance sailed).

- **Rail:** all rail is deemed sustainable
- **Road:** road travel is considered sustainable if the good is domestically sourced or transported across a relatively short distance (<500km) and otherwise sustainable in part.
- **Air:** air is considered not sustainable except in the case of perishable goods, in which travel by any means other than air is unfeasible and impractical and so is ungraded.[13]

Therefore our methodology uses the following grading scheme:

- **Shipping:** Until IMO CII data is available in January 2024, shipping receives Grade U.

IMO CII Classification	ICC STFD Grade
A (Mayor Superior)	A
B (Minor Superior)	
C (Moderate)	
D (Minor Inferior)	B
E (Inferior)	N

- **Rail:** Grade A
- **Road:** Grade A if the good is domestically sourced or transported less than 500km; otherwise, Grade B
- **Air:** Grade N for non-perishable items; Grade U for perishable goods

Socio-economic grading for 'distribution'

Grading the socio-economic sustainability of distribution follows the same approach to the grading of the seller and buyer of a trade transaction. Grade A is awarded for socio-economic sustainability if the primary transport provider either:

1. Has an ICC-recognised socio-economic score from an ESG scorer that is within the relevant scoring range for sustainability (see **Appendix B** for scores and scoring ranges); or
2. Complies with an ICC-recognised standard that supports at least two of the socio-economic SDGs respectively (see **Appendix B** for list of standards).

In cases where no information is available, grade U is given.

7.2.2 Overall grading of the trade transaction

There was strong demand from pilot users for an overall grade that summarises performance across components of trade along a particular dimension of sustainability.

13 Perishable goods include products such as fish and crustaceans, molluscs and other aquatic invertebrates (HS Section 3) or edible vegetables and certain roots and tubers (HS Section 7) etc. We define a 'perishable good' as a good with a HS code corresponding to a high or medium degree of perishability according to the OECD (2021).

Several principles underlie the design of the algorithm to calculate overall grades:

Principle 1 (Clearly not sustainable): If multiple components are graded not sustainable (i.e., N) then the dimension in entirety is deemed not sustainable.

Principle 2 (Insufficient information): If multiple component grades are ungraded (i.e., U) due to insufficient information, then an overall grade cannot be assigned.

Principle 3 (Prioritisation of use of proceeds): The use of proceeds of a transaction is particularly important and receives higher weight than the other components of trade.

From these broad principles, we have developed an overall grading algorithm, which includes two stages, as represented in Figure 7.

Figure 7

Overall grading criteria for each dimension of sustainability

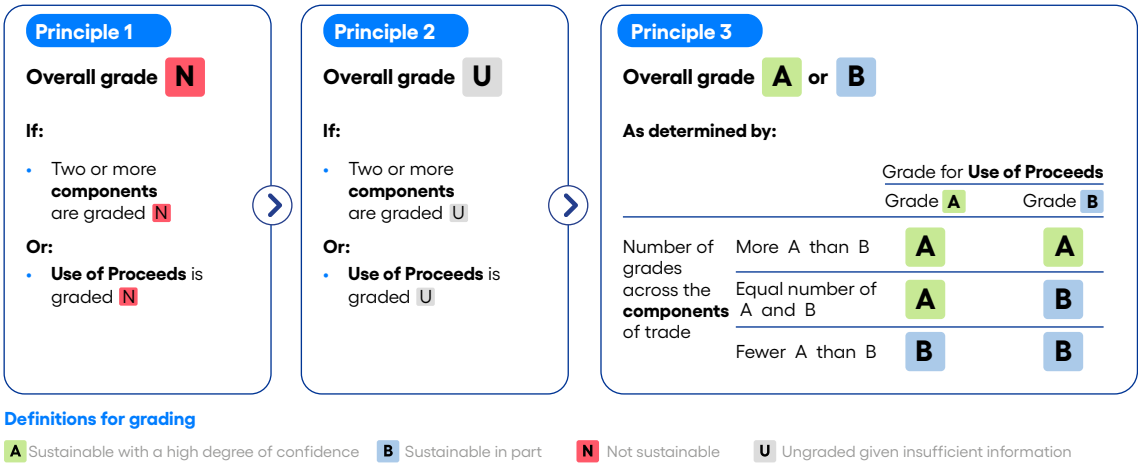


Figure 8 provides some examples of the overall grading algorithm. These illustrate the principles for the overall grades:

Principle 1: Trade of environmentally unsustainable cotton, even with an environmentally sustainable buyer and seller and primarily transported by road, would receive an overall Grade N because the use of proceeds is given greater weight.

Principle 2: Insufficient information for seller, buyer and distribution implies a U grading overall.

Principle 3: A transaction with two components that are sustainable and two that are sustainable in part receives a B overall, because the grade for the use of proceeds is a tie breaker.

Figure 8

Examples of overall grading criteria

Textiles: Cotton

'Use of proceeds' grade is prioritised and implies an N on Environmental

	Environmental	Socio-economic
Use of Proceeds	N	A
Seller	A	N
Buyer	A	N
Distribution	B	U
Overall	**N**	**N**

Agriculture: Tomatoes

Insufficient information on the seller, buyer and distribution method implies a U on Environmental

	Environmental	Socio-economic
Use of Proceeds	A	A
Seller	U	A
Buyer	U	N
Distribution	U	U
Overall	**U**	**A**

Automotives: Tyre

Sustainable practices in part imply a B on Environmental

	Environmental	Socio-economic
Use of Proceeds	B	A
Seller	A	N
Buyer	A	N
Distribution	B	U
Overall	**B**	**N**

Energy: Wind turbine

The use of proceeds is sustainable which implies an A on Environmental

	Environmental	Socio-economic
Use of Proceeds	A	U
Seller	A	A
Buyer	A	A
Distribution	B	U
Overall	**A**	**U**

Definitions for grading

A Sustainable with a high degree of confidence | B Sustainable in part | N Not sustainable | U Ungraded given insufficient information

Overall grades are useful for summarising the sustainability of the trade transaction. Nonetheless, the strength of the principles comes from its detailed multi-dimensional assessment of the components of trade and the dimensions of sustainability.

7.3 Methodology for qualification and assessment of evidence

In line with Wave 1, ICC is not setting criteria for what is sustainable. We instead continue to leverage existing expertise and industry standards for assessment purposes.

In Wave 2, we broaden the range of evidence beyond sustainability standards to include ESG scores, regional taxonomies, and international conventions. In response to pilot feedback, we also clarify the requirements for evidencing compliance.

7.3.1 Standards and scoring

7.3.1.1 Criteria

The principles use industry standards and company score data from ESG scorers.

To ensure that the standards and scoring data are sufficiently robust, they must meet five tests to be included in the principles. The tests ensure that a Grade A or Grade B in the ICC principles represents demonstrably sustainable practices. The five tests are:

1. **Widely accepted** – known and extensively adopted in the relevant sector(s)
2. **Fact-based** – based on objective and transparent parameters and inputs
3. **Independent** – assessed by an independent entity which ideally regularly carries out audits and third-party checks of compliance (e.g. not a party to the transaction in the given use case)
4. **Measurable** – uses a transparent, workable, and replicable methodology for assessments and audits
5. **Comprehensive** – covers the relevant elements of our sustainability dimensions in sufficient depth

7.3.1.2 Mapping of standards

Standards continue to be an integral part of the principles and can be used for evidencing sustainability for all four components of trade. We continued our collaboration with the International Trade Centre (ITC) to develop and assess sustainability standards and certifications using the ITC Standards Map.

International Trade Centre's 'Standards Map' project

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

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.

The 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/.

Building on Wave 1, we have updated the list of standards for the textiles sector and introduced standards for the agriculture, energy, and automotives sectors. In response to feedback, we have also expanded the list of environmental standards to include 'nature'-related standards (which is even more relevant than carbon for some goods or in some sectors).

We also clarify the evidence required for organisations to prove their compliance with a standard: specifically, the use of an ICC-recognised standard requires a certificate from the standard setting authority or a third-party independent audit report that proves compliance with the standard.

Details on how we map standards to the grading methodology are in **Appendix A**.

7.3.1.3 ESG scoring

Feedback from pilot participants pointed to the need to introduce ESG scores into the methodology of the principles, since they are machine-readable and therefore support our aim to increase the automation of the assessment.

ESG scores are used by banks and other businesses to assess the sustainability performance of clients, counterparties, and others. As many ESG scorers report separate scores for performance on environmental, socio-economic, and governance

issues, the principles also use environmental and socio-economic scores for assessing the corresponding dimensions of sustainability.

In the Wave 2 principles, we provide the option of using ICC-recognised ESG scores for grading the environmental or socio-economic sustainability of a producer / manufacturer, buyer, seller, and primary transport provider in line with the methodology of the principles outlined in **Section 7.2**. In cases where the relevant entity is a subsidiary and ESG scores are available for both the subsidiary and its parent company, the appropriate choice of score is at the discretion of the user. We will evaluate this in future iterations of the principles.

To ensure rigour, ICC only recognises ESG scores that (i) pass the five tests of robustness laid out in **Section 7.3.1.1** and (ii) are validated by sector experts for objectivity and wide acceptance in the industry.

Based on feedback from ESG scorers and sector experts, ICC has defined a scoring range corresponding to Grade A for each recognised environmental or socio-economic score. Given ESG scores vary in their definitions of sustainability, the scoring ranges for Grade A were based on a customised approach to each ESG score. The list of scores and the scoring ranges for Grade A should be interpreted as a best judgement which will be refined in future iterations of the principles.

A component of trade receives Grade A on the relevant dimension of sustainability if it receives Grade A on any relevant ICC-recognised ESG score. This 'best of' approach is adopted in favour of simplicity. In future iterations of the principles, we will consider the option of prioritising the most recent score available.

For practical purposes, ESG scores are not used to award Grade B in the Wave 2 principles, so that we can test the approach and the scoring ranges. We intend to introduce this granularity in future iterations of the principles.

The full list of ICC-recognised ESG scores and their scoring ranges can be found in **Appendix B.**

7.3.2 Use of regional taxonomies

The recent global effort to align sustainability standards has encouraged the development of regional and national taxonomies, which are guidelines for financial institutions and corporates and classify whether an economic activity is sustainable.

In the ICC principles, we use taxonomies developed by international organisations and governments to assess the environmental sustainability of use of proceeds. This reflects the desire to not define our own standards of sustainability but use existing frameworks.

In Wave 2, we only consider the EU Taxonomy for sustainable activities, as detailed in **Section 7.2.1.1.** Our choice to focus on one taxonomy at this stage is for practical purposes, so that we can test the approach and understand the areas for improvement by use of a specific taxonomy. We intend to broaden the scope to include region-specific taxonomies, such as the Sustainable Taxonomy of Mexico or the ASEAN Taxonomy for Sustainable Finance, in future iterations of the principles.

Looking forward, we propose an initial set of five criteria to determine whether a sustainability taxonomy is recognised for inclusion in the ICC Principles assessment framework. These include:

1. **Robust criteria for sustainability** – a rigorous set of rules to determine the sustainability of an activity (e.g. making a sustainable contribution to a pillar of sustainability, 'Do No Significant Harm' (DNSH) requirements, safeguards for labour and social standards, as in the EU Taxonomy)

2. **Granular grading methodology** – a level of detail aligned with international standards and conventions, and a long-term view of grading sustainable activities on a granular basis such as a three-tiered grading system

3. **Widely recognised** – regionally recognised and used by corporates and financial institutions, with relevant regulations for reporting either in place or under development

4. **Comprehensive** – covers a range of sectors and economic activities, and ideally addresses both environmental and socio-economic dimensions of sustainability

5. **Updated** – updated frequently to stay relevant

The current implementation of the EU Taxonomy as evidence for sustainability is based on assessing for eligible activities. As the principles progress to their target state, there is scope to move to assessment by **alignment** as opposed to **eligibility**.

8. Considerations for implementation

8.1 Example use cases of the principles

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

Corporates / SMEs (buyer / seller / primary transport provider)

- Reporting on the sustainability of supply chains and progress made towards targets
- Serving as an input into a company's procurement policies
- Communicating a company's sustainable trade practices and measure tracking progress, both internally and externally
- Aligning on common definitions of best practice among peers

Financial institutions

- Reporting on sustainability of trade finance portfolios in a homogenous and comparable manner
- Supporting clients to transact more sustainably by highlighting levers to improve sustainability performance that require investment
- Setting portfolio targets: easily established targets for their portfolios and other subsets of trade transactions, as a result of having such detailed information
- Gauging the sustainability of a trade finance portfolio to distribute assets accordingly and avoid different interpretations
- Providing guidance on suitable means of evidence of sustainability in trade and trade finance transactions

We believe that there also are several secondary audiences who will take an interest in the principles:

- Governments, regulators, and auditors: to develop policies on sustainable trade and supply chains.
- International organisations (e.g. UN, EU, ASEAN): to inform the development of sustainable taxonomies and further differentiate international classification systems for wider adoption of sustainability standards
- Data and infrastructure providers: to support industry's application of these standards by designing products for a digitised application of the principles
- NGOs and standard-setting regulatory bodies: to convert the principles into a coherent set of reporting mechanisms, or to provide more industry-specific guidance on applying the principles
- ESG scorers and standard setters: to support companies in collecting and using ESG scores and standards for the principles and to provide more industry-specific guidance on applying the principles

- Logistics providers: to ensure the right information is provided throughout the value chain to support systemic adoption of the principles

8.2 How implementation should work in the pilot and key use cases

In October 2023, we launched a pilot programme for the Wave 2 principles, where pilot participants received the following materials:

- A summary of the assessment methodology, including lists of ICC-recognised ESG scores, standards, and international conventions
- An introduction to the principles for clients
- Four grading calculators, one per industry
- An online form for feedback

In 2023, ICC has developed a grading calculator that can be used by banks and corporates. The grading calculator will be made available in due course to be used freely and confidentially, if preferred.

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

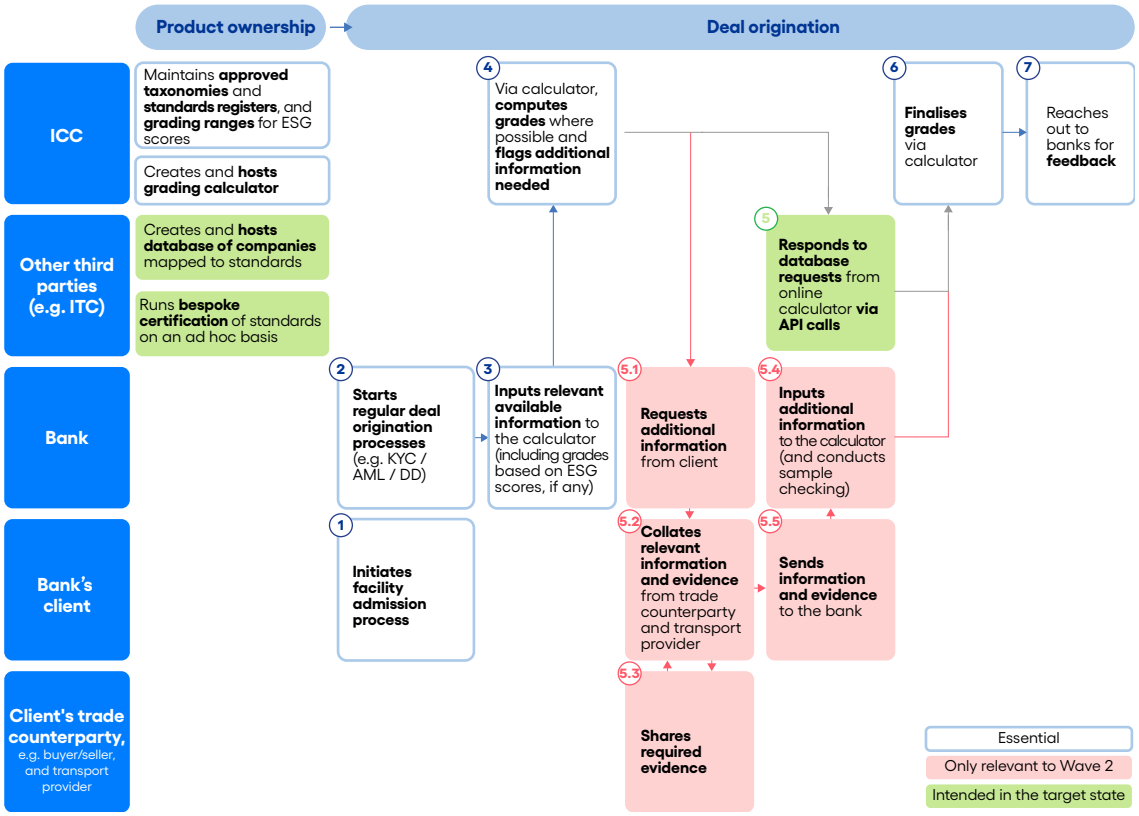
Incorporating feedback from the pilot, the overall workflow has been greatly simplified and can serve as proof-of-concept for a fully automable assessment framework. Future iterations of the principles will aim to increase the degree of automation.

The envisioned workflow for a trade transaction is illustrated in Figure 9.

The workflow is designed so that elements of recurring transactions do not have to be repeatedly assessed. For instance, if the buyer is the same for multiple trade transactions, the grade for the 'buyer' component of the transaction will be the same. As such, while an assessment of the first transaction may require more manual effort in collecting the required evidence, the principles scale well for repeat transactions.

Figure 9

Envisioned workflow for the Wave 2 Principles to assess the sustainability of a trade transaction



Whether the finalised grades are made publicly available is at the discretion of the user. Publishing the results publicly, alongside the appropriate evidence, would be best practice to ensure transparency.

ICC is in the process of collecting feedback on this workflow from participants of the Wave 2 pilot and will make further improvements based on this feedback.

For the use case of a company assessing their own supply chain

Implementation is simpler for this use case:

- Step 1: The company obtains and inputs relevant information into the grading calculator
- Step 2: The grading calculator computes grades and flags any additional information required
- Step 3: The company provides additional information **(optional)**
- Step 4: The grading calculator finalises grades

As in the use case of a bank, it is at the discretion of the company as to whether it publishes its grades publicly.

The assessment process is intended to be simple and flexible, so that it is applicable to both large and small companies globally.

8.3 Ongoing role of ICC

8.3.1 Maintaining the list of ICC-recognised standards, ESG scores, regional taxonomies, and international conventions

The reliability of the principles is dependent on consistently updated and reliable standards and scores. To keep the principles relevant over time, ICC will regularly review the recognised standards, scores, regional taxonomies, and international conventions.

In particular, the list of standards will evolve alongside the continued work of the ITC Standards Map. As standards are added to the Standards Map website, we will use the ITC's assessment of each one to decide whether to recognise them as evidence of sustainability within the ICC principles.

In the longer term, ICC intends to develop a live database of the ICC-recognised standards, which would be published alongside the principles to support users in grading transactions.

8.3.2 Iterating the principles alongside industry partners

ICC will continue to solicit feedback from a wide range of industry partners and international organisations regarding the structure, logic, and process flow of the principles. We will continue to engage with banks, corporates, and stakeholders from different industries for advice and feedback on the principles.

Continued engagement with the pilot and working groups, sector experts, and ITC will also be critical for achieving the aims of enhancing assessment while simplifying use of the principles.

8.3.3 Developing and maintaining a grading calculator for grading transactions

ICC will maintain the grading calculator (and corresponding databases) to support users in grading transactions.

In the target state, ICC aims to move this grading calculator online, and to develop appropriate technologies for automating the calculations. To achieve this, ICC may consider partnerships with technology firms to build API connectivity.

In the future, and as automation of the methodology develops further, ICC will also consider how it can support its users through services such as handling user queries most effectively.

9. Considerations for future development of the principles

The Wave 2 principles take significant steps towards automation and addresses some of the key challenges of using the Wave 1 principles. Future iterations will continue to aim for simplicity and usability without compromising the rigour and robustness of the assessment process.

This section discusses our current thinking on future iterations of the principles. It analyses the key limitations of the principles and presents our ambitions for the target state.

9.1 Key limitations of the principles and areas that need further development

We outline the key limitations of the Wave 2 principles below and our thoughts for how to improve on these limitations in the future.

Insufficient standards on nature to allow separate assessment, instead a single environmental grade that combines climate and nature

In the target state, whilst in the ultimate target we aim to assess the environmental sustainability of a transaction separately for climate and nature, the current methodology provides a single environmental grade that combines climate and nature.

However, this is because sustainability standards for nature are currently underdeveloped across components of trade, making the assessment process more difficult.

- Use of proceeds: regional taxonomies (including the EU Taxonomy) combine assessment of climate and natural sustainability, and there are too few ICC-recognised standards aligned with SDGs that refer to nature
- Buyer and seller: many ESG scorers provide combined environmental scores which do not split out performance on climate and nature
- Distribution: unlike the rich data on climate sustainability, there is insufficient data on the effect of a particular mode of transport on natural sustainability

As a result, in the Wave 2 principles, the environmental dimension of sustainability combines both climate sustainability (related to SDG 7 and 13) and natural sustainability (related to SDG 6, 12, 14, and 15).

As governments translate the Post-2020 Global Biodiversity Framework into national policies and regulations, and as standards on nature develop, we hope that organisations will recognise the importance of nature as an independent dimension of sustainability from climate. If this recognition leads to more work on nature impact standards relevant to trade, it will then be feasible to assess these two important components of environmental sustainability separately, increasing the accuracy of the assessment process.

Incomplete categorisation of sustainable activities and lack of sustainability standards for sectors in transition

For sectors in transition, there are very few sector-specific sustainability standards that can be used for the principles due to the lack of consensus on what constitutes a sustainable use of proceeds.

Wave 2 addresses this by using a two-step process for sectors in transition (energy and automotives), where the first step is 'category screening' and the second step is based on regional taxonomies. Nonetheless, this solution also faces challenges because categories are not always obvious:

- While HS and ISIC codes can help to easily label automotive goods or economic activities, there is no similar linkage of energy goods to HS codes or any widely accepted classification system for automated screening of whether a particular underlying good is sustainable

- Furthermore, goods and products with unclear end-uses, such as an automotive part, cannot be easily categorised under the category screening step, limiting the possibility of grading for many transactions. Industry classification systems such as HS/ISIC codes could potentially aid with automatic labelling in the future but currently lack specificity and nuance

- Finally, it is challenging to capture the sustainability of the raw materials or production and manufacturing processes of a specific good within a category

As industry classification systems are updated to incorporate the latest goods and products, especially for sectors in transition, we aim to improve the 'category screening' step to incorporate these codes. We envisage that this will greatly enhance the usability of the principles.

ICC hopes that sustainable taxonomies and sector-specific standards can be fully deployed in the methodology of the principles across many sectors as standards become increasingly mature. Continued work by standard-setting organisations and international agencies on defining standards will also help to widen the comprehensibility of the principles.

Manual document submission required

From Wave 1, we have improved the automatability of the assessment by incorporating ESG scores for grading and simplifying the grading for the use of proceeds. While potentially losing nuance, the simplified process flow enables a fully automable assessment framework.

However, when companies use ICC-recognised standards and accreditations, they need to manually compile information to obtain a positive grade. Two remaining disadvantages of the principles are that the requisite information is costly to compile and that there is no single or public source of accreditations.

We hope to engage with industry stakeholders to learn more about the possibility of automating the usage of standards and accreditations. A promising solution to enhance automatability is to create a centralised, updated database of ICC-recognised standards that lists the organisations and products adhering to a particular standard.

Another possibility is to reduce the reliance on individual standards and to move towards use of regional sustainability taxonomies, which have both wider acceptance and comprehensiveness. The use of the EU Taxonomy eligibility in Wave 2 for assessing use of proceeds highlights how sustainability taxonomies can be used to robustly and conveniently assess the sustainability of a given underlying good. Expanding the range of taxonomies covered by the principles can help alleviate the principles' dependence on individual standards.

Narrow evidence for socio-economic sustainability

The Wave 2 principles use three methods of evidencing socio-economic sustainability, including socio-economic scores from an ESG scorer for the producer / manufacturer of the underlying good, socio-economically sustainable standards, and proof of adherence to international conventions.

These options are appropriate measures of socio-economic sustainability but rely on manual compilation and checking of data. We hope to simplify assessment of socio-economic sustainability for use of proceeds in the future. As social taxonomies and certifications become more developed worldwide, future iterations of the

principles can incorporate these taxonomies as an additional source of evidence of sustainability, in a similar way to the environmental sustainability assessment.

Grading for distribution limited to primary mode of transport

The Wave 2 principles employ a methodology for assessing the sustainability of distribution in a trade transaction by considering the primary mode of transport (shipping, rail, road, and air) and the primary transport provider.

While this approach captures most of the environmental impact of a particular distribution method and socio-economic impact of a particular transport provider, it does not consider distribution along the entire supply chain and misses considerations such as last-mile delivery, secondary modes of transport, and methods of storage. This approach also does not consider certain transportation methods that are relevant to particular industries, such as pipelines and electricity grids in the energy sector. In the Wave 2 principles, some, but not all, relevant nuances within transport modes are considered. Future iterations of the principles will aim to increase the granularity of assessment.

Unfortunately, currently there is no consistent method for assessing the sustainability of the method of storage or other modes of transport as these are unique to each trade transaction.

In some modes of transport, we also hope to further nuance the assessment process as more sustainability data becomes available. For instance, we may want to reward the use of electric locomotives in rail transport or electric trucks in road transport to encourage adoption of more sustainable modes and methods of transportation. Additionally, the integration of complex distribution networks such as pipelines and electrical grids is a priority for the energy sector.

We hope to incorporate further considerations of this in Wave 3.

Limited 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 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 focus on the use of proceeds, immediate seller and buyer, and the method of transport rather than the sustainability along the entire supply chain.

As availability of data and maturity of standards are enhanced, we hope that assessments of the sustainability of trades will incorporate a multi-level view and lead to a more holistic assessment process that uses technology for robust assessment. This more complete assessment would also benefit from banks and corporates working with their supply chains to compile information that can be used to assess the sustainability of trade.

No adjustment for regional or jurisdictional maturity

Our current grading methodology can be applied globally for any trade transaction but does not include sufficient granularity to adjust for differences in maturity in sustainability standards between jurisdictions. What is considered sustainable in one jurisdiction may not be considered sustainable in another.

In future iterations of the principles, we hope to account for regional nuances within the assessment in two ways:

1. We intend to fully incorporate regional taxonomies into category screening and individual grading of use of proceeds.

2. We hope to build in a regional level ‘adjustment’ after a trade transaction has run through the principles assessment framework to account for any differences in sustainability.

Overall, we hope that adjustments for differences in the maturity of sustainability standards across different jurisdictions will ensure a fairer and inclusive grading process across the world.

ESG scores vary in their definitions and interpretations

ESG scores vary in terms of their definitions of environmental and socio-economic sustainability, their scoring ranges, and the interpretation of a particular score for the sustainability of the entity in question. Including ESG scores in the methodology of the principles therefore requires a customised approach to map each ESG score to the grading criteria.

For practical purposes, the Wave 2 principles therefore only use ESG scores to assign Grade A. In the longer term, ICC intends to also define scoring ranges corresponding to Grade B.

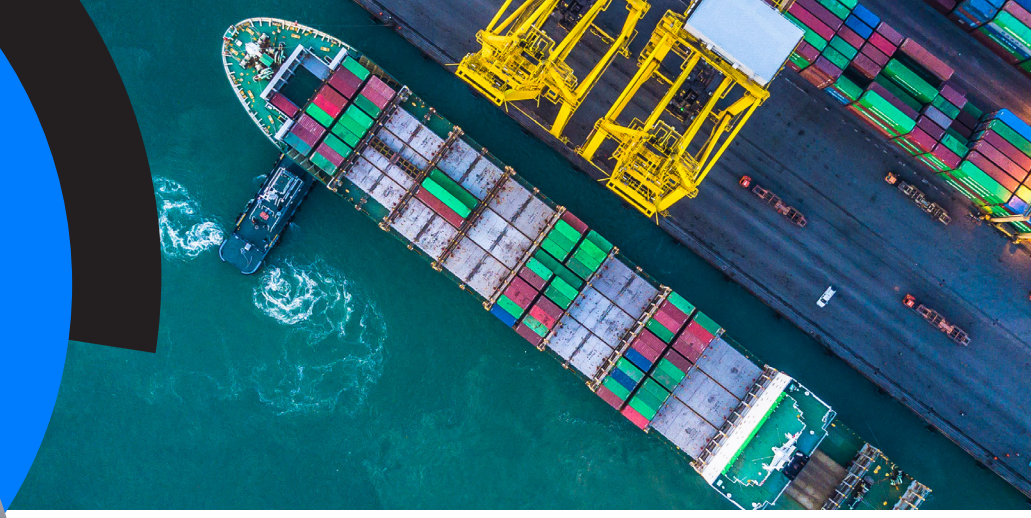
ICC has worked closely with sector experts and ESG scorers to define a scoring range corresponding to Grade A for each ICC-recognised ESG score. Nonetheless, we recognise that the assessment framework is a novel use case for ESG scores, which will require some refinement in future iterations of the ICC Principles.

We anticipate that the list of ICC-recognised ESG scores, as well as the scoring ranges, will be modified in future iterations of the principles, based on feedback on the Wave 2 principles and on data availability. We especially welcome feedback from ESG scorers and other parties on this element of the principles.

9.2 Ambition for future iterations of the principles

In the longer term we hope to continue improving the precision, ease-of-use, and comprehensiveness of the principles. Our main ambitions for future iterations of the principles are as follows:

- We intend to develop a 4 x 3 matrix with greater grading granularity, with climate, nature, and socio-economic dimensions in the target state and overall grades for environmental and socio-economic sustainability.
- We aim to continue refining the types of evidence used across the components of trade, and increase the granularity of assessment where relevant, such as in distribution.
- We aim to ensure that the methodology of the principles are applicable across all sectors, and not just our current focus sectors.
- We aim to achieve full automatability for the principles with minimal manual overhead, possibly by using an online workflow to grade transactions and developing API connectivity for users to automate assessment.
- We aim to fully incorporate existing widely recognised taxonomies of sustainability and industry codes (e.g., HS/NACE/ISIC codes) into the principles to further increase useability.

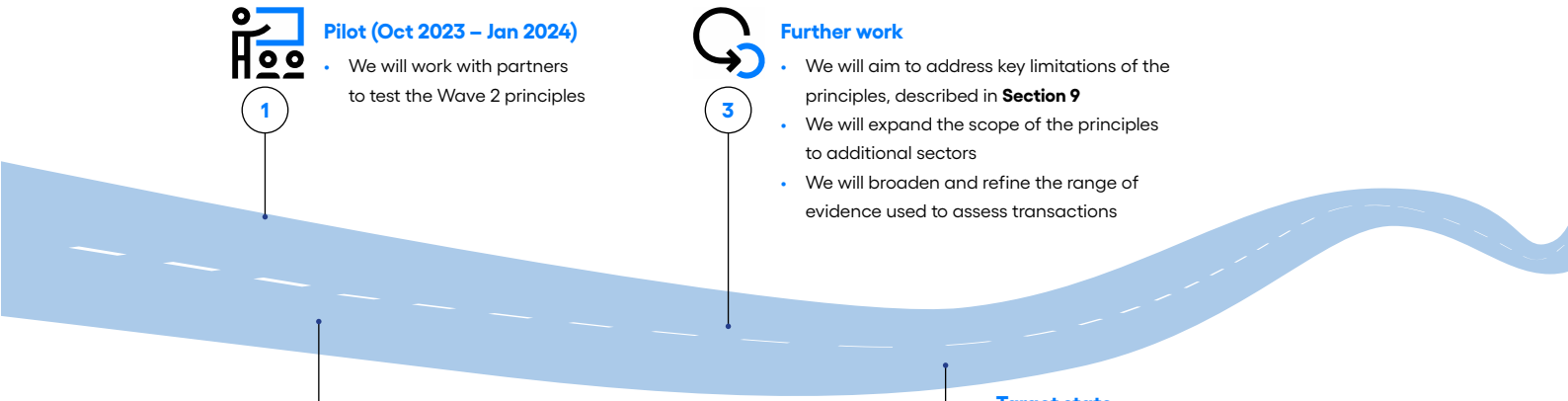


10. Next steps

Beyond this publication, the next steps for the principles are as follows:

- Continue running the pilot programme and gathering feedback from banks and corporates
- In partnership with working groups, financial institutions, and corporates, produce thought leadership pieces to enhance understanding of the principles and methodology and gain additional buy-in
- Work with third-party technology providers to explore possibility of API connectivity and further technological enhancement
- Using feedback from the Wave 2 pilot, refine the principles and grading calculator in 'Wave 3'

Figure 10
Next Steps for the principles



1 Pilot (Oct 2023 – Jan 2024)
- We will work with partners to test the Wave 2 principles

2 Publishing pilot findings
- We will publish findings from the pilots, and make changes to the next wave on the principles to reflect this feedback

3 Further work
- We will aim to address key limitations of the principles, described in **Section 9**
- We will expand the scope of the principles to additional sectors
- We will broaden and refine the range of evidence used to assess transactions

4 Target state
- Further growth in the maturity of standards globally will allow continual improvement of the principles
- We will work with technology partners over time as appropriate to build to a complex fully digital target state

11. Appendix A: Definitions used, scope, and principles

11.1 Recap of feedback from Wave 1 pilot and changes made to Wave 2 principles

ICC launched a pilot based on the Wave 1 principles in 2022 where it gained extensive feedback from pilot partners. ICC published the key learnings from the pilot in June 2023. These were incorporated into Wave 2 as follows:

Key learnings from the Wave 1 pilot	How this shaped the Wave 2 Principles
Product scope: the principles should extend to all Trade Finance products, rather than just 'flow' products	In the target state, the principles intend to cover all the Trade Finance products, with a nuanced approach for each sector (e.g., the treatment of energy storage will be a factor considered in future iterations)
Goods vs. manufacturer: It was observed that standards often applied to the manufacturer rather than the goods themselves	We have identified standards that apply specifically to the good; Additionally, We have introduced ESG scores as a mode to assess buyers/sellers
Defining purpose: The 'Purpose' component of the principles is too subjective to be applied using standards	'Purpose' and 'Good' have been merged to a single component-'Use of proceeds' which relates to the good being financed as well as economic purpose
Standards applicability: The methodology of the principles were too 'strict' on the 'Environmental' dimension, needing to align only with climate-or carbon-related SDGs	We have broadened the scope of 'Environmental' sustainability to include both 'Climate' as well as 'Nature' related SDGs
ESG scores: ESG scores will be valuable for assessment, in particular because these are more easily evidenced	ESG scores have been introduced to assess the sustainability of manufacturers, buyers, and sellers
Evidence: Ask from participants for ICC to be much clearer on the degree of evidence needed to assess a transaction	Either a certificate from the standard setter or an independent audit report is required to evidence compliance with a standard
Corporate Incentives: Corporates have a clear expectation of commercial upside for meeting sustainability criteria	A broad list of benefits to corporates has been identified (both monetary and non-monetary) and will be evidence compliance with a participants
Logistics and Methodology: Overarching 'ask' from banks to automate this process for scalability	With an increased use of sector specific macro rules, a standards database, ESG scores, and an online calculator, our path to automation is clear

11.2 What we mean by sustainable

The principles take a holistic view of sustainability that recognises multiple features beyond simply decarbonisation, such as gender equality, human rights, and just work practices. We maintain the two high-level dimensions of sustainability that we introduced in Wave 1:

- Environmental: supporting climate change mitigation, 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.

As in Wave 1, these dimensions are informed by the themes of the 17 UN SDGs, shown in Figure 11. We also build on these definitions by integrating the concept of sustainability applied in the EU Taxonomy. While SDG 17 (Partnership for the Goals) is an integral part of sustainable development, it is less relevant for international trade and does not correspond to the socio-economic dimension as specified by the methodology of the principles. Thus, it has not been considered as a relevant SDG to the principles.

11.3 What we mean by components of trade

We divide the entire life of an international trade transaction into four components, shown in Figure 12.

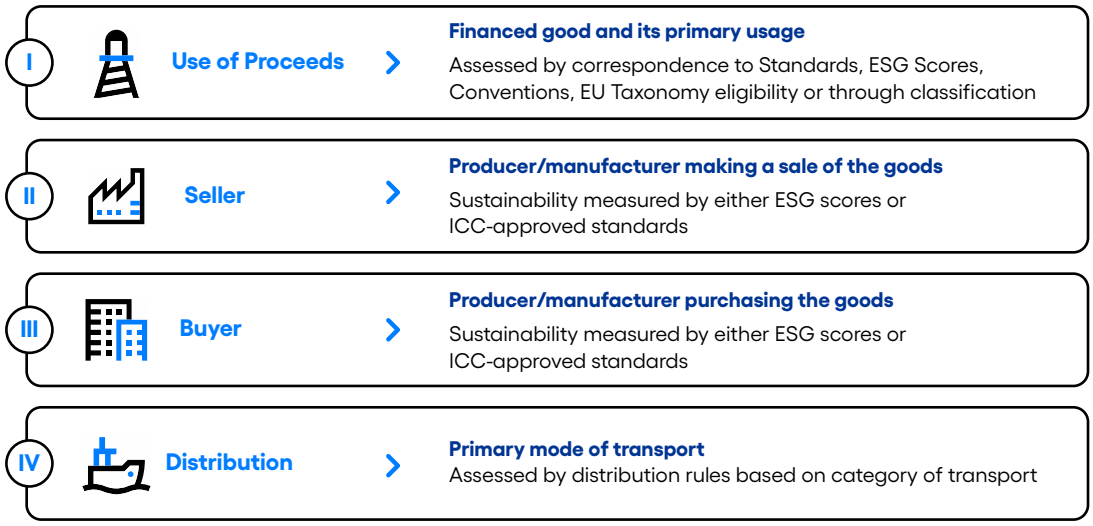
In response to the feedback from the Wave 1 pilot, this combines the 'good' or 'purpose' of a transaction into its 'use of proceeds'. This aims to bring clarity by aligning with regional taxonomies (such as the EU Taxonomy) that focus on the primary economic activity that is financed. It also improves measurability, thereby addressing feedback that the purpose of a transaction is difficult to measure and often subjective.

Figure 11
The dimensions of sustainability and relevant SDGs

- Mitigate and/or reverse the impact of climate change
- Source and support use of clean energy, transport and industrial processes
- Protect, restore and promote sustainable use of terrestrial and marine ecosystems

- Combat poverty and hunger by promoting fair wages, food security and sustainable agriculture
- Promote health, wellbeing and quality education for all
- Support human and social rights
- Promote peaceful and inclusive societies
- Make human settlements and infrastructure resilient, sustainable and inclusive
- Empower individuals, SMEs and emerging sectors in their access to commerce and trade

Figure 12
The four components of trade



We assess the 'overall' sustainability of a trade transaction across these four components.

11.4 Overview of standards mapping

The ITC Standards Map is an authoritative source for standards that is widely used by industry. Each standard has been tested comprehensively using over 1,650 different criteria defined by the ITC, many of which relate to the SDGs.

The ITC has produced a database detailing the extent to which each standard supports each SDG. This database gives a percentage score for each standard according to SDGs, reflecting the proportion of criteria relevant to each SDG that each standard supports. The methodology of the principles use this dataset to determine whether a particular standard supports a given SDG.

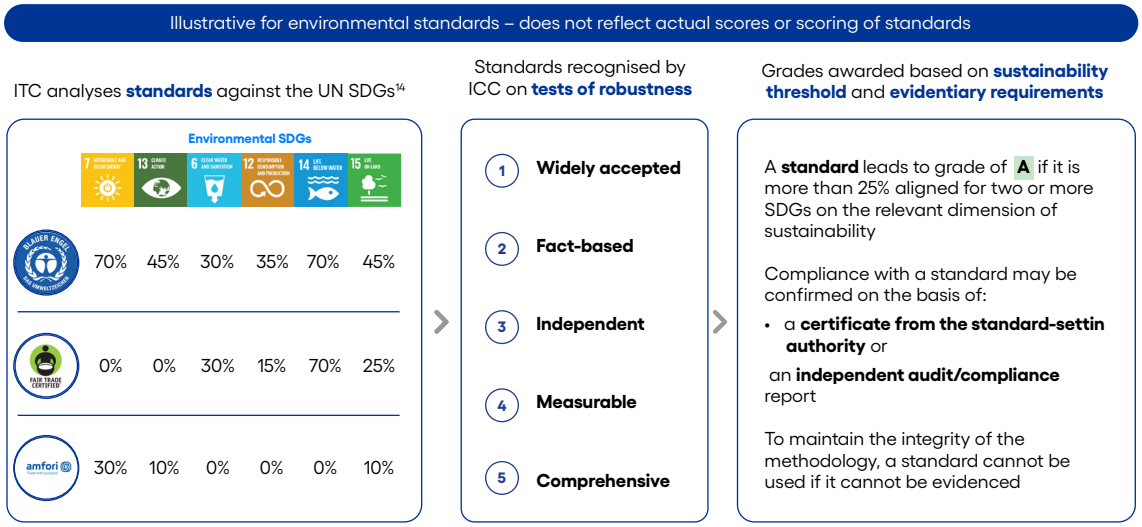
For a standard to provide evidence of sustainability in the assessment framework, it must sufficiently support any two environmental SDGs for environmental sustainability or any two socio-economic SDGs for socio-economic sustainability. The standard must also pass ICC's five tests of robustness (widely accepted, fact-based, independent, measurable, and comprehensive) to demonstrate rigour.

As an example, consider MarinTrust, a standard featured on the Standards Map. An ICC assessment shows the standard passes the five tests of robustness. According to the Standards Map database, which includes the percentage score for this standard for each SDG, MarinTrust supports 49% of possible criteria related to SDG 2 (Zero hunger) and 28% of possible criteria related to SDG 16 (Peace, justice and strong institutions).

For each dimension of sustainability, a standard with at least 25% alignment for two relevant SDGs leads to Grade A. This is in line with receiving a 'tick' in the Wave 1 principles. ICC sees this threshold as suitably demanding criteria.

Figure 13

ITC standards mapping



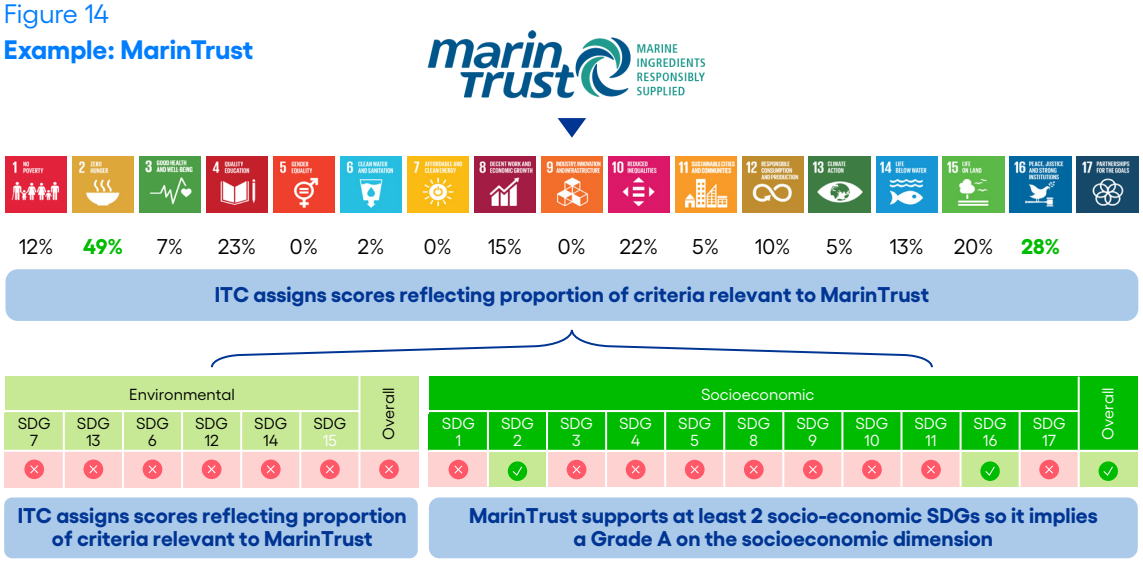
Using the above example, MarinTrust is therefore deemed by ICC to support SDGs 2 and 16 because 49% and 28% respectively are above the 25% threshold, but not, for example SDGs 1 or 3, where it scores only 12% and 7% respectively. Consequently, a company with evidence of compliance with the MarinTrust standard can use this to receive Grade A on the socio-economic dimension, but not on the environmental dimension for the relevant component of trade.

Relevant counterparties can submit evidence of compliance with the standard to users of the principles (e.g., banks) that they hold a standard. Compliance with an ICC-recognised standard can only be confirmed by a certificate from the standard-setting authority or an independent audit report verifying compliance with the standard.

.

Figure 14

Example: MarinTrust



14 ITC has mapped all major standards to UN SDGs across ~1,650 criteria

Where a standard from the Standards Map project does not qualify for use in the methodology of the principles, that does not mean ICC judges it to be of low quality. It simply does not meet the specific requirements we have set out for sustainability at this stage.

The full list of ICC-recognised standards can be found in **Appendix B.**

11.5 Definitions of categories for category screening

Below we present detailed definitions for the categories used in the category screening process for the environmental grading of use of proceeds for the energy and automotive sectors.

Categories in the energy sector

- Use of proceeds most closely corresponds to renewable energy sources: 'renewable energy' defined as 'energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas' (European Union, 2018)

- Use of proceeds most closely corresponds to non-renewable but non-fossil fuel alternative energy sources (e.g. nuclear energy): all goods related to energy that are not deemed 'renewable' and are non-fossil fuel

- Use of proceeds most closely corresponds to fossil fuels: fossil fuels defined as 'coal, natural gas, and petroleum products (such as oil)' (European Union, 2018)

- Other category or category unknown: all other goods not falling under one of the categories above

Categories in the automotive sector[15]

- Production of zero-emissions vehicles: production of vehicles corresponding to HS codes 8701.24, 8702.40, 8703.80, 8704.60, 8711.60

- Production of hybrid vehicles: production of vehicles corresponding to HS codes 8701.22, 8701.23, 8702.20, 8702.30, 8703.40, 8703.50, 8703.60, 8703.70, 8704.41, 8704.42, 8704.43, 8704.51, 8704.52

- Production of ICE vehicles: production of vehicles corresponding to HS codes 8701.21, 8702.10, 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8704.21, 8704.22, 8704.23, 8704.31, 8704.32, 8711.10, 8711.20, 8711.30, 8711.40, 8711.50

- Other category or category unknown: all other goods not falling under one of the categories above

15 As per the World Customs Organization (2022 edition)

11.6 List of acronyms and abbreviations used

AG	Agriculture industry	**EN**	Energy industry
AML	Anti-Money Laundering	**ESG**	Environmental, Social and Governance factors
API	Application programming interface	**EU**	European Union
ASEAN	Association of Southeast Asian Nations	**EV**	Electric vehicle
AU	Automotive industry	**GHG**	Greenhouse Gas
BCG	Boston Consulting Group	**HS**	Harmonised System
CII	Carbon Intensity Indicator	**ICC**	International Chamber of Commerce
CO2	Carbon Dioxide	**ICE**	Internal combustion engine
CO2eq	CO2-equivalent emissions	**ILO**	International Labour Organization
COP28	2023 United Nations Climate Change Conference	**IMO**	International Maritime Organization
DD	Due Diligence	**ISIC**	International Standard Industrial Classification of All Economic Activities
DNSH	Do No Significant Harm	**ISO**	International Organisation for Standardisation
EEA	European Environmental Agency	**ITC**	International Trade Centre
KYC	Know Your Customer	**SME(s)**	Small and medium-sized enterprise(s)
NACE	Nomenclature of Economic Activities	**T4SD**	Trade for Sustainable Development
NGO	Non-governmental organisation	**TX**	Textiles and Apparel industry
OECD	Organisation for Economic Co-operation and Development	**UN**	United Nations
SDG	Sustainable Development Goal	**WTO**	World Trade Organisation
SE	Socio-economic		

12. Appendix B: ICC-recognised evidence and grading criteria

This appendix lists the ICC-recognised standards, ESG scorers and scoring ranges for sustainability, and international accreditations included in the Wave 2 principles **as of October 2023**.

On the ITC Standards Map, there are 97 standards that are relevant to textiles, 213 standards that are relevant to agriculture, 41 standards that are relevant to energy, and 35 standards that are relevant to automotives. Of these, 39 standards in textiles, 109 standards in agriculture, 162 standards in energy, and 10 standards in automotives pass the five tests of robustness. There are also 16 ICC-recognised socio-economic conventions.

There are 27 ICC-recognised environmental scores, and 24 ICC-recognised socio-economic scores, from ESG scorers.

The list will be regularly refreshed by ICC. Updated lists will be provided on a periodic basis.

12.1 List of ICC-recognised standards

Figure 15
ICC-recognised standards on environmental and socio-economic dimensions

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
HABVTEX PROGRAM	TX		A
ADM Responsible Soybean Standard	AG	A	A
Agricultura Orgánica - Unión Europea	AG	A	A
Agricultura Sustentable Certificada + Module on Non-conversion	AG	A	A
Amaggi ORIGINS FIELD	AG	A	A
Aquaculture Stewardship Council - ASC Pangasius	AG	A	A
Aquaculture Stewardship Council - ASC Salmon	AG	A	A
Aquaculture Stewardship Council - ASC Shrimps	AG	A	A
Aquaculture Stewardship Council - ASC Tilapia	AG	A	A
ARSO - Agriculture — Sustainability and eco-labelling	AG, TX	A	A
ARSO Sustainable Cocoa	AG	A	A
ASC - Camarones/Langostino	AG	A	A
ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry	AG		A
Better Biomass (new name for the NTA 8080 Approved certificate)	AG, EN	A	A
Better Cotton	AG	A	A
bioRe	AG	A	A
bluesign® system	TX	A	A
Bonsucro	AG	A	A
BRCGS Ethical Trade and Responsible Sourcing	AG, AU, EN, TX		A
BRCGS Food Safety	AG		A

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
BRCGS Inocuidad Alimentaria	AG		A
Bunge Pro-S Assuring Sustainable Sourcing	AG	A	A
Cargill Triple S Soya Products	AG	A	A
Cefetra Certified Responsible Soya Standard	AG	A	A
Code of Practice for Sustainable Flower Production - EHPEA	AG	A	A
Codex Alimentarius Food Hygiene	AG	A	A
Coffee Sustainability Reference Code	AG	A	A
Comercio Justo Internacional - Organizaciones de Pequenos Productores	AG	A	A
Coporate Sustainability Compact for Textile and Apparel Industry	TX		A
Cotton made in Africa	AG		A
Cradle to Cradle Certified Product Standard, Version 4.0 (Silver Level)	TX	A	A
CSQA Sustainable Cereal and Oilseed Standard (DTP 112)	AG	A	A
Donau Soja	AG	A	A
EO100TM Standard for Responsible Energy Development	EN	A	A
EQUITABLE FOOD INITIATIVE - EFI	AG, TX		A
EU Organic Farming	AG	A	A
Europe Soya	AG	A	A
Fair for Life	AG, TX	A	A
Fair Labor Association	AG, AU, EN, TX		A
Fair Trade USA - Factory Standard for Apparel and Home Goods	TX		A
Fair Trade USA APS for Large Farms and Facilities	AG	A	A
Fair Trade USA APS for Small Farms and Facilities	AG	A	A
Fair Wear Foundation	TX		A

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
Fairtrade International - Small Producers Organizations	AG	A	A
Fairtrade International - Small Producers Organizations - Cocoa	AG	A	A
Fairtrade International Textile Standard	TX	A	A
FairWild	AG		A
FEMAS Responsible Sourcing Module 2021	AG	A	A
FlorEcuador	AG	A	A
Florverde® Sustainable Flowers	AG	A	A
Flowers and Ornamentals Sustainability Standard - KFC Gold and Silver Level	AG	A	A
Food Safety System Certification 22000	AG		A
Food Security Standard	AG		A
For Life	AG, TX	A	A
Forest Stewardship Council® - FSC® - Forest Management	AG	A	A
Global Organic Textile Standard - GOTS	AG, TX	A	A
Global Red Meat Standard	AG		A
Global Seafood Alliance - Best Aquaculture Practices	AG	A	A
GLOBALG.A.P. Aquaculture	AG	A	A
GLOBALG.A.P. Crops	AG	A	A
GLOBALG.A.P. Floriculture	AG	A	A
GlobalG.A.P. Livestock	AG	A	A
GLOBALG.A.P. Risk Assessment on Social Practice (GRASP)	AG		A
GoodWeave International	TX		A
Green-e	EN	A	
IFOAM Standard	AG, TX	A	A

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
IFS Food	AG		A
Initiative for Compliance and Sustainability (ICS) Environmental Criteria	AG, TX	A	A
Initiative for Compliance and Sustainability (ICS) Social Criteria	AG, TX		A
International Code of Conduct for the Production of Cut Flowers	AG	A	A
ISCC EU	AG, EN	A	A
ISCC Plus	AG, EN	A	A
ISCC PLUS - Voluntary Add-ons	AG, EN	A	A
ISO 34101 Series 'Sustainable and traceable cocoa': Entry level	AG		A
ISO 34101 Series 'Sustainable and traceable cocoa': High level	AG	A	A
ISO 34101 Series 'Sustainable and traceable cocoa': Medium level	AG	A	A
LEAF Marque	AG	A	A
Louis Dreyfus Company (LDC) Program for Sustainable Agriculture	AG	A	A
MarinTrust Standard	AG		A
Migros Bio Cotton	TX	A	A
MPS-GAP	AG	A	
MPS-Socially Qualified (SQ)	AG, TX		A
Naturland Fair	AG	A	A
Naturland Organic Aquaculture	AG		A
Naturland Standards on Production	AG	A	A
Naturland Sustainable Capture Fishery	AG		A
Naturtextil IVN certified BEST	TX	A	A
OEKO-TEX® MADE IN GREEN	TX	A	A
OFDC Organic Certification Standard	AG, TX	A	A

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
Origin Green Sustainable Dairy Assurance Standard	AG	A	A
PEFC International	AG	A	A
PEFC International - Chain of Custody of Forest Based Products	AG	A	A
PROFARM Production Standard	AG	A	A
ProTerra Europe	AG, AU	A	A
ProTerra Foundation	AG, AU	A	A
Rainforest Alliance - 2020	AG	A	A
Rainforest Alliance – RA 2017 (expires December 2021)	AG	A	A
Red Tractor Fresh Produce Standards	AG		A
REDcert[2]	AG, EN	A	A
REDcert-EU	AG, EN	A	A
Responsible Business Alliance (RBA)	AU	A	A
Round Table on Responsible Soy Association - RTRS	AG, EN	A	A
Roundtable on Sustainable Palm Oil - Principles and Criteria	AG	A	A
Seychelles Sustainable Tourism Label	AU	A	A
Small Producers Symbol	AG, TX		A
SMETA Audit	AG, AU, EN, TX	A	A
Social Accountability International - SA8000	AG, AU, EN, TX		A
SODRU Sustainable Soy	AG	A	A
Soil Association organic standards- farming and growing	AG, TX	A	
STeP by OEKO-TEX®	TX	A	A
Sustainability Initiative of South Africa - SIZA	AG	A	A
Sustainable Farming Assurance Programme - Non Conversion (SFAP)	AG	A	A

Standard	Relevant Industries	Grade for Environmental Sustainability	Grade for Socio-economic Sustainability
Sustainable Rice Platform	AG	A	
Sustainably Grown	AG	A	A
TerraChoice -EcoLogo Program (UL Ecologo Certification)	EN	A	
Textile Exchange Global Recycled Standard	TX		A
Textile Exchange Responsible Alpaca Standard	TX		A
Textile Exchange Responsible Wool Standard	TX		A
The Blue Angel - Leather	TX		A
The Common Code for the Coffee Community - 4C	AG	A	A
The EU Ecolabel	AG, TX	A	A
The International Council of Toy Industries Ethical Toy Program	TX		A
Together for Sustainability AISBL (TfS)	AG	A	A
TÜV Rheinland Green Product Mark Textile	TX		A
U.S. Cotton Trust Protocol	AG	A	A
U.S. Soy Sustainability Assurance Protocol	AG	A	A
Union for Ethical BioTrade - UEBT	AG	A	A
Vegaplan Standard for Primary Crop Prod. - Veg. for processing.	AG		A
Vegaplan Standard for Primary Crop Production - Potatoes.	AG		A
Veriflora	AG	A	A
WFTO Guarantee System	AG, AU, EN, TX		A
Workplace Condition Assessment (WCA)	TX		A
Worldwide Responsible Accredited Production - WRAP	TX		A
ZNU Standard - driving sustainable change	AG, AU, EN, TX	A	A

12.2 List of ICC-recognised ESG scorers and grading thresholds

Figure 16

ICC-recognised environmental scores from ESG scorers and scoring ranges for sustainability

ESG scorer	Relevant Industries	Scoring range for Grade A on Environmental Sustainability
Bloomberg Environmental Pillar	AG, AU, EN, TX	5 or higher
Clarity AI - Environmental Category	AG, AU, EN, TX	50 or higher
Coriolis	AG, AU, EN, TX	500 or higher
CSRHub - Environmental Category	AG, AU, EN, TX	50 or higher
Dun & Bradstreet - Environmental Category	AG, AU, EN, TX	2 or lower
EcoVadis - Environmental Category	AG, AU, EN, TX	50 or higher
ESG Book Score - Environmental Category	AG, AU, EN, TX	50 or higher
Higg Facility Environmental Module	TX	50 or higher
ISS Corporate Rating - Environmental Rating	AG, AU, EN, TX	A+, A, A-, B+, B, B
ISS E&S Quality Score - Environment Category	AG, AU, EN, TX	1–4
Moody's ESG Credit Impact Score - Environmental Risk Score	AG, AU, EN, TX	1–2
MSCI - Environmental Pillar	AG, AU, EN, TX	5 or higher
Refinitiv Environmental Category	AG, AU, EN, TX	45 or higher
S&P Global Sustainable1 ESG Scores - Environmental Category *Consumer Discretionary*	TX	46 or higher
S&P Global Sustainable1 ESG Scores - Environmental Category *Energy*	EN	43 or higher
S&P Global Sustainable1 ESG Scores - Environmental Category *Industrials*	AU	42 or higher
S&P Global Sustainable1 ESG Scores - Environmental Category *Consumer Staples*	AG	52 or higher
S&P Global Sustainable1 EU Taxonomy Data *Elec., Gas, Steam*	EN	15.5% or higher
S&P Global Sustainable1 EU Taxonomy Data *Agriculture*	AG	0.3% or higher
S&P Global Sustainable1 EU Taxonomy Data *Transportation and storage*	AU	8.3% or higher
Scope Group ESG Impact Rating - Environment Category	AG, AU, EN, TX	4 or higher
Sustainalytics - Carbon - Own operations Risk Rating	AG, AU, EN, TX	4 or lower
WBA Food and Agriculture Benchmark	AG	15 or higher
WBA Oil and Gas Benchmark	EN	17 or higher
FTSE4GOOD Emerging Markets Environmental Pillar	AG, AU, EN, TX	2.7 or higher
FTSE4GOOD ALL-World Environmental Pillar	AG, AU, EN, TX	3.3–5
Global Child Forum Community and Environment Pillar	AG, EN	5.5 or higher

Figure 17

ICC-recognised socio-economic scores from ESG scorers and scoring ranges for sustainability

ESG scorer	Relevant Industries	Scoring range for Grade A on Socio-economic Sustainability
Bloomberg - Social Pillar	AG, AU, EN, TX	5 or higher
Clarity AI - Social Category	AG, AU, EN, TX	50 or higher
Coriolis	AG, AU, EN, TX	500 or higher
CSRHub - Community Category	AG, AU, EN, TX	50 or higher
Dun & Bradstreet - Social Category	AG, AU, EN, TX	2 or lower
EcoVadis - Social Category	AG, AU, EN, TX	50 or higher
ESG Book Score - Social Category	AG, AU, EN, TX	50 or higher
Higg Facility Social & Labor Module	TX	50 or higher
ISS Corporate Rating - Social Rating	AG, AU, EN, TX	A+, A, A-, B+, B, B-
ISS E&S Quality Score - Social Category	AG, AU, EN, TX	1–4
Moody's ESG Credit Impact Score - Social Risk Score	AG, AU, EN, TX	1–2
MSCI - Social Pillar	AG, AU, EN, TX	5 or higher
Refinitiv - Social Category	AG, AU, EN, TX	45 or higher
S&P Global Sustainable1 ESG Scores Socio-Economic *Category Consumer Discretionary*	TX	34 or higher
S&P Global Sustainable1 ESG Scores Socio-Economic *Category Energy*	EN	40 or higher
S&P Global Sustainable1 ESG Scores Socio-Economic *Category Industrials*	AU	35 or higher
S&P Global Sustainable1 ESG Scores Socio-Economic *Category Consumer Staples*	AG	34 or higher
Scope Group ESG Impact Rating - Social Category	AG, AU, EN, TX	4 or higher
Sustainalytics - Human Rights - Supply Chain risk score	AG, AU, EN, TX	4 or lower
WBA Food and Agriculture Benchmark	AG	15 or higher
WBA Just Transition Indicator	AU, EN	3 or higher
FTSE4GOOD Emerging Markets - Social Pillar	AG, AU, EN, TX	2.7 or higher
FTSE4GOOD ALL-World - Social Pillar	AG, AU, EN, TX	3.3 or higher
Global Child Forum Community and Environment Pillar	AG, EN	5.5 or higher

12.3 List of ICC-recognised socio-economic international conventions

Figure 18
ICC-recognised socio-economic international conventions

International Convention	Relevant Industries	Grade for Socio-economic Sustainability
amfori BSCI	AG, AU, EN, TX	B
International Labour Organization Labour Standards	AG, AU, EN, TX	B
ISO 26000	AG, AU, EN, TX	B
OECD Guidelines for Multinational Enterprises - Edition 2011	AG, AU, EN, TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.4 - Step 1	TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.4 - Step 2	TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.4 - Step 3	TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.5 - Step 1	TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.5 - Step 2	TX	B
The Social & Labour Convergence Program (SLCP) CAF Version 1.5 - Step 3	TX	B
UN Global Compact	AG, AU, EN, TX	B
UN Guiding Principles on Business and Human Rights	AG, AU, EN, TX	B
UNCTAD BioTrade Principles & Criteria - Marine Food Sectors	AG, TX	B
UNCTAD BioTrade Principles & Criteria - Terrestrial Food Sectors	AG, TX	B
UNCTAD BioTrade Principles & Criteria - Terrestrial Non-food Sectors	AG, TX	B
UNCTAD BioTrade Principles & Criteria - Tourism in Terrestrial Ecosystems	AU	B