ICC Principles for Sustainable Trade – Wave 3

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Table of Contents

1. About the International Chamber of Commerce (ICC) and Boston Consulting Group

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

About the Boston Consulting Group (BCG)

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fuelled by the goal of helping our clients thrive and enabling them to make the world a better place.

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2. Acknowledgements

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

The Task Force

Andrew Wilson, Deputy Secretary General - Policy, ICC
Raelene Martin, Head of Sustainability, ICC
Tomasch Kubiak, Policy Manager, ICC
Sophie Talarico, Policy Manager – Climate, ICC
Sukand Ramachandran, Managing Director & Senior Partner, BCG
Ravi Hanspal, Partner, BCG
Edward Capps, Associate, BCG
Aurelia Aslangul, Associate, BCG

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

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

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

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

With global trade representing up to 30% of global greenhouse emissions[1], we recognize its critical role in addressing the climate crisis. Trade must transform itself into an engine for the implementation of the Paris Agreement and sustainable development. Since the launch of our positioning paper in 2021, ICC has continued to advance its work on developing a 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. Over the past three years, we have refined the principles in response to feedback from world leading corporates, trade banks, and industry bodies, ensuring our approach meets the evolving demands of sustainability.

As the urgency to limit global warming to 1.5°C intensifies, sustainable trade is more critical than ever. ICC remains committed to guiding the global business community toward a sustainable and inclusive future. Our updated **Principles for Sustainable Trade (PST)** - in their third wave - are designed to enable the industry to accurately assess and incentivise sustainable trade, building more resilient supply chains, and ensuring that trade plays a key role in meeting the Paris Agreement goals.

As a result, ICC has taken a pivotal step by introducing the **Principles for Sustainable Trade Finance (PSTF)**. The PSTF address critical challenges in assessing sustainability within trade finance including Green Trade Finance, guidance on sustainability-linked trade and supply chain finance, and setting out ICC's ambition for Social Trade Finance. These principles represent an industry-wide effort to direct financing toward sustainable trade finance activities, whilst managing the risks of greenwashing and fostering transparency across financial institutions, corporates, and governments.

The **PSTF** will also serve as a key component of the wider **Principles for Sustainable Trade** (PST), which is an integrated and holistic approach to sustainability. ICC is proud to have taken substantial input in the drafting of the PSTF from leading global trade banks, including **HSBC, Standard Chartered, Santander, Deutsche Bank, and Commerzbank.**

By positioning PSTF within the broader PST, ICC aims to incentivise comprehensive assessments of trade transactions, ensuring that environmental and socioeconomic impacts are considered together. This approach encourages businesses to view sustainability through a multifaceted lens, capturing the full value of their trade activities.

Whilst significant progress has been made, this is just the beginning of the journey toward truly sustainable trade. The introduction of the PSTF and the enhancements to the PST further strengthen ICC's leading role to guide the global business community in meeting both **environmental** and **socioeconomic** goals, in line with the **United Nations Sustainable Development Goals**.

I invite all stakeholders—whether in finance, industry, or policymaking—to continue collaborating with us as we strive to make global trade a force for good. The work we do together today will shape the future of sustainable trade for generations to come.

1 World Trade Organisation – Trade and Climate Change

4. Executive Summary

Global trade plays an essential role in fostering sustainable economic development by providing countries with access to goods, services, and enhanced living standards. Trade is also increasingly pivotal in driving sustainability and climate action. However, significant untapped potential remains for trade and trade finance to further contribute to achieving the Paris Agreement targets, decarbonising the global economy, and advancing the United Nations Sustainable Development Goals (SDGs).

To address the need for a clear and comprehensive definition of sustainable trade, ICC launched a programme in **September 2021** to establish global standards. This programme brought together a range of stakeholders, including trade banks, corporates, technology partners, and sustainability experts. At **COP27 in 2022**, ICC introduced the initial principles—**Wave 1**—which focused on the textiles and apparel industry.

Building on this foundation, ICC introduced **Wave 2** in **2023**, expanding its scope from one to four sectors and assessing trade through both **environmental** and **socioeconomic** dimensions. In Wave 3, ICC has worked with leading banks and pilot participants to gather invaluable feedback, evolving the framework into an **implementable programme** that caters to the needs of all sectors. In Wave 3, the **Principles for Sustainable Trade Finance** (**PSTF**) have been introduced as a **component** of the broader **Principles for Sustainable Trade** (**PST**). ICC's PSTF provide detailed guidance on how trade finance transactions can be assessed for sustainability based on their use of proceeds, specifically addressing the complexities of finance products where the end-use is often unknown.

The key objectives of the **Principles for Sustainable Trade** (**PST**) are to:

- Establish a clear and actionable definition of sustainable trade and trade finance
- Develop a methodology to assess the sustainability of trade transactions and portfolios
- Ensure recommendations are practical and scalable for global adoption, allowing comprehensive assessments of sustainability across entire value chains

Key improvements in **Wave 3** include:

- Expanding the principles to include all sectors, providing nuanced assessments based on sector-specific evidence
- Simplifying assessments into two levels: **Principles** and **guidance on methodology**.
  - The principles are pillars that enable robust sustainability assessments, yet remain flexible enough to allow users to build the principles into their existing policies and processes
  - ICC provides Guidance on Methodology to enable users to effectively operationalise the principles into a methodology, and clearly communicate assessment outcomes

- Developing the **Principles for Sustainable Trade Finance** (**PSTF**) as the **Use of Proceeds** component in the PST which set thresholds and assessments comparable to other green and social finance frameworks

- Subsequently enhancing simplifying **Use of Proceeds** assessments to ensure alignment with established frameworks like the **Loan Market Association's (LMA) Green Loan Principles (GLPs)**[1] and **ICMA Green Bond Principles (GBPs)**[2], enabling more flexibility in adoption

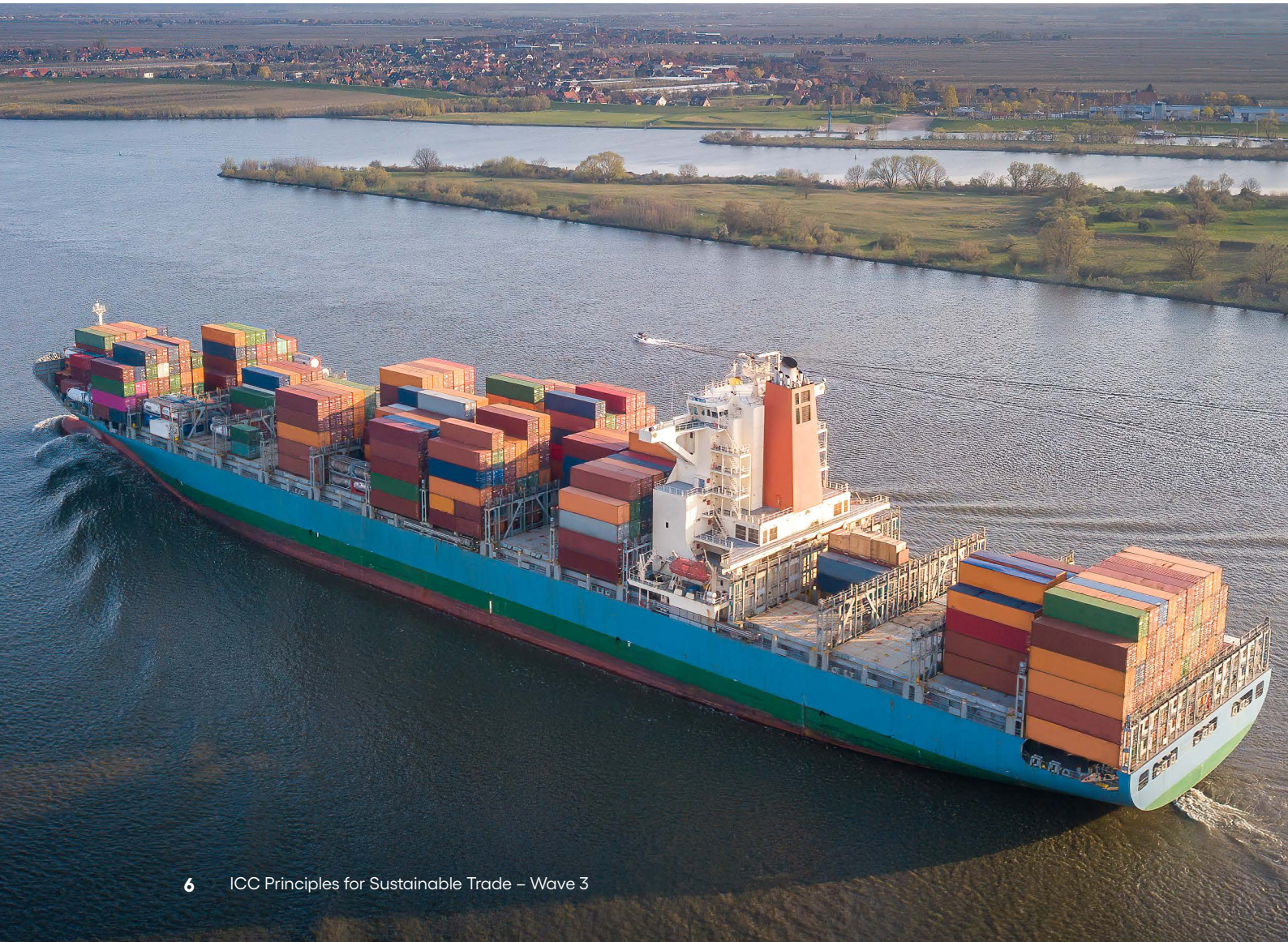
- Strengthening the **Distribution Assessment** to cover grid networks, pipelines, and different transportation methods

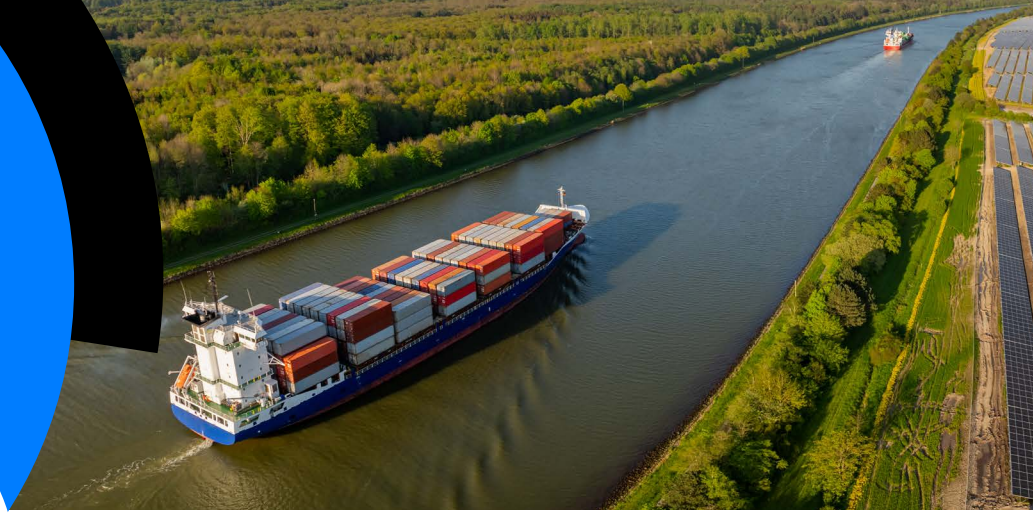
- Updating the **Sustainable Credential Library** to consolidate recognised standards, conventions, and ESG scorers

Through these updates, the **PST** remain committed to its founding principles: maintaining high standards for sustainability, ensuring practical application, and using robust resources that are readily available to stakeholders. **Wave 3** brings a pragmatic and scalable approach to sustainability assessment, aligning with global goals whilst accommodating specific businesses' needs.

The journey toward fully sustainable trade continues, with **Wave 3** positioning ICC to lead this transformation through actionable, robust, and globally relevant standards.

1 https://www.lma.eu.com/sustainable-lending/resources
2 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/





5. Introduction and Objectives

5.1 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 plays an ever-increasing role in advancing sustainability and climate action, representing as much as 30% of all carbon emissions[2]. However, there still remains significant potential for trade and linked finance to play an even greater role in achieving the Paris Agreement target, accelerating the decarbonisation of the global economy, and becoming a key driver to help reach the UN Sustainable Development Goals (SDGs).

Although several standards exist for sustainable goods, services, and financial products, there has yet to be a clear and comprehensive set of principles that robustly defines sustainable trade.

To address this gap, ICC launched a programme in September 2021 to develop global standards for sustainable trade, ensuring a practical and thorough approach to assessing the sustainability of trade transactions. The programme brought together stakeholders, including trade banks, corporates, technology players, sustainability experts, and BCG, to deliver the intended outcomes.

At COP27 in 2022, ICC introduced a minimum viable version of the principles (Wave 1) focused on the textiles and apparel industry. Then, in 2023, Wave 2 broadened the principles to cover three additional sectors (Agriculture, Energy and Automotive), assessing trade across both environmental and socioeconomic dimensions across an enhanced methodology leveraging feedback received during the Wave 1 pilot.

In October of this year, ICC launched the bespoke **Principles for Sustainable Trade Finance** (PSTF) at Sibos in response to a call from the industry to provide specific guidance on Use of Proceeds and Sustainability linked assessments for Trade and Supply Chain Finance. The PSTF were built with a key objective of interoperability with the wider PST as seen in this document, and sits as the Use of Proceeds component within the PST.

Wave 3 of the PST, launching at COP29, builds upon this foundation, incorporating valuable feedback from banks, corporates, and industry experts, evolving the project into an implementable and scalable program.

5.2 Purpose and Objectives

ICC's purpose

Through its Principles for Sustainable Trade programme, ICC seeks 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 UN SDGs including goals not related to climate and green objectives, and (iii) achieve greater understanding of sustainability in global supply chains.

3 World Trade Organisation – Trade and Climate Change

ICC's principles hope to capture the multi-dimensionality of trade transactions by considering not only the goods or economic activity being financed, but also the Buyer and Seller of the goods and the distribution method of the trade transaction according to both environmental and socioeconomic sustainability. The principles also aim to capture the complexity of trade transactions by assessing multiple dimensions of sustainability through multiple sources of evidence and a granular grading process. As the principles evolve, these considerations will continue to be central to its design.

Programme Objectives

Given this purpose, ICC has four key objectives for the project as a whole:

- Agree a **definition** of sustainable trade and green trade finance
- Agree what constitutes a sustainable trade transaction by **setting the standards** for sustainable trade and sustainable trade finance
- Propose a 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, which will allow a more comprehensive view of sustainability across the value chain in all sectors

Priorities for the Wave 3

ICC piloted the Wave 2 framework between the end of 2023 and the beginning of 2024 with over 30 leading trade banks, representatives from trade and supply chain finance technology, and a small number of corporates. ICC shaped Wave 3s design objectives using feedback from the pilot. These design objectives of Wave 3 are:

- Expand the scope of the principles to include **all sectors**, using evidence to provide sector-specific context and nuances.
- Distil the document into high-level, less prescriptive and simplified Principles that banks can align their own policies and processes to.
- Include an optional, but more implementable and practical Guidance on Methodology section.
- Enhance assessments of **Use of Proceeds and develop a bespoke Principles for Sustainable Trade Finance**, and ensure greater accessibility and alignment with existing frameworks, such as the **LMA** and **ICMA** Green Loan Principles (**GLPs**) and Green Bond Principles (**GBPs**). This includes incorporating a wider range of methods to evidence sustainability and enabling the screening of transactions based on either their purpose or the goods involved.
- **Expand** the scope of **distribution** assessments to cover grid networks, pipelines, and various means of rail and road transport.
- Update and consolidate the lists of ICC-recognised standards, conventions, and ESG scorers into a comprehensive **Sustainable Credential Library**.
- Shift toward **ESG Impact** (or dual materiality) assessments in the evaluation of Buyers, Sellers, and distributors, whilst improving the principle's automation capabilities.

In wave 3, ICC remains committed to the design principles laid out in previous waves:

- Anything described as sustainable in the principles must be sustainable. The rigour of ICC's definition of sustainability must not be compromised on, and whilst Do No Significant Harm (DNSH) is important, it is insufficient by itself.
- The principles must be simple and workable so that it can be applied by banks and corporates at a reasonable cost.
- The principles must make use of sustainability resources readily available to banks and corporates. It should not be purely theoretical and cannot be designed to use technology or data that does not yet exist; however we will look at automation of the framework that may require bespoke tooling.

Details about how ICC has addressed feedback from the pilot are in **Appendix A**.

Aim for the target state

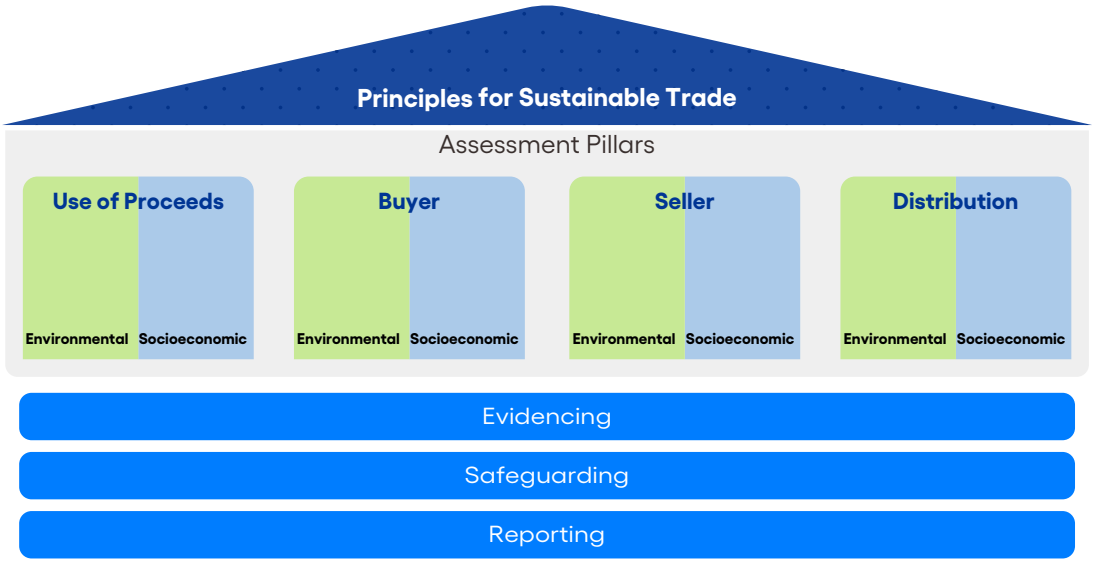
The Wave 3 principles represent a significant evolution over previous iterations, but it remains just one step on the longer path toward the target state. The current approach, which prioritises the adoption of clear and scalable principles, is designed to ensure that sustainable trade and trade finance can be applied consistently across sectors. As sustainability standards, data, and industry practices continue to evolve, ICC will evolve the principles to reflect these advancements and increase the accessibility of the principles to cater better for both SMEs that may struggle to evidence sustainability without a centralised registry of compliant businesses, and emerging markets where sustainability credentials may be insufficiently mature.

A key focus of Wave 3 is to cater for the needs of Sustainable Trade Finance through a redevelopment of the Use of Proceeds assessments that fits within the wider PST. In conjunction with this aim, ICC has targeted three key goals for this year: operationalising the principles through the ICC Sustainable Credential Library, expanding its scope to include all sectors, and simplifying its usability through sector-agnostic principles and enhanced automation capabilities. ICC's objectives for the *next iteration* and its vision for the target state are further detailed in Section 13.

5.3 Overview of the Principles for Sustainable Trade (PST) - Wave 3

The Principles for Sustainable Trade (PST) serve as a set of **comprehensive** sustainability principles enabling the evaluation of trade across four key components: **Use of Proceeds**, **Buyer**, **Seller**, and **Distribution**. Assessments cover two critical dimensions for each component: **environmental** and **socioeconomic** sustainability. These assessment pillars are supported by three further pillars to enable and enforce rigour in assessments.

Figure 1
Structure of the PST



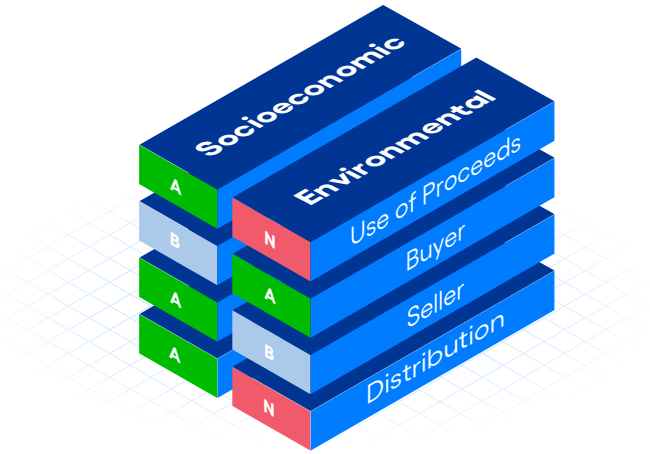
5.4 Definition of Sustainable Trade

Sustainable Trade refers to trade where the Use of Proceeds, the involvement of the Buyer and Seller, and the method of distribution are aligned with environmental and socioeconomic sustainability objectives, as defined in the UN Sustainable Development Goals (SDGs).

In the PST, there are four distinct components of trade that may be assessed across two distinct dimensions. ICC recommend visualising this in a 4x2 matrix.

Figure 2
PST Matrix

ICC Principles for Sustainable Trade



5.5 Principles for Sustainable Trade Finance (PSTF)

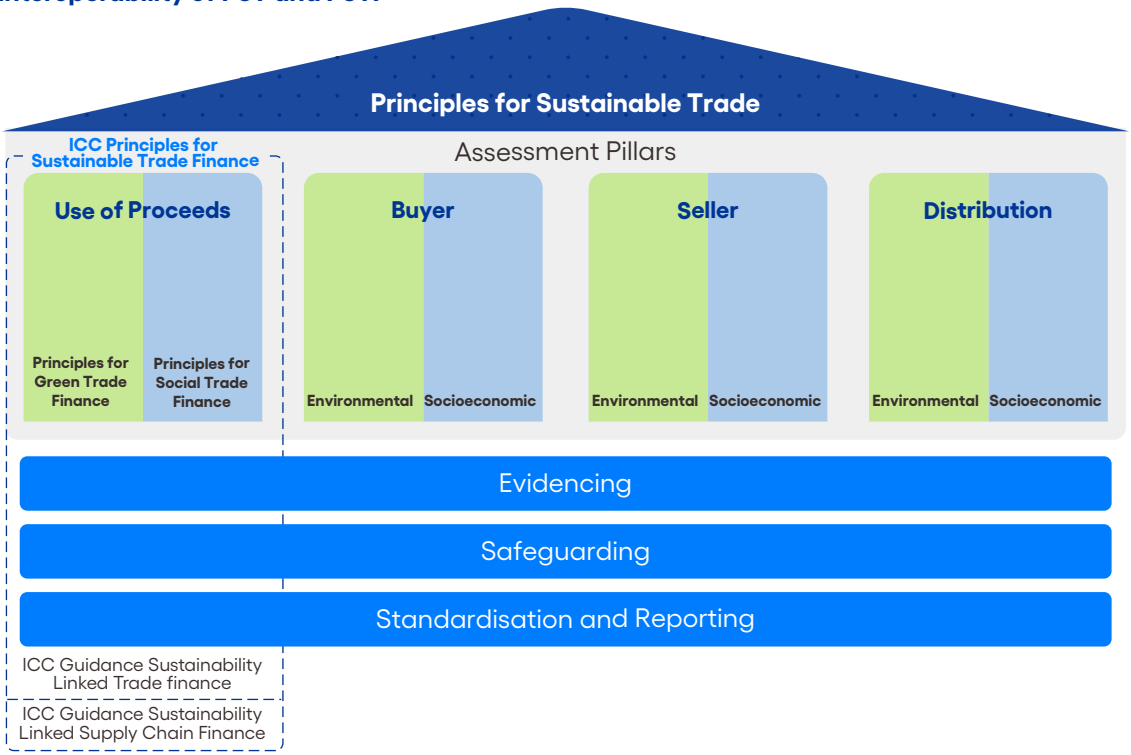
In Wave 3, ICC has introduced the **Principles for Sustainable Trade Finance** (PSTF)— with principles tailored specifically for trade finance. The PSTF include:

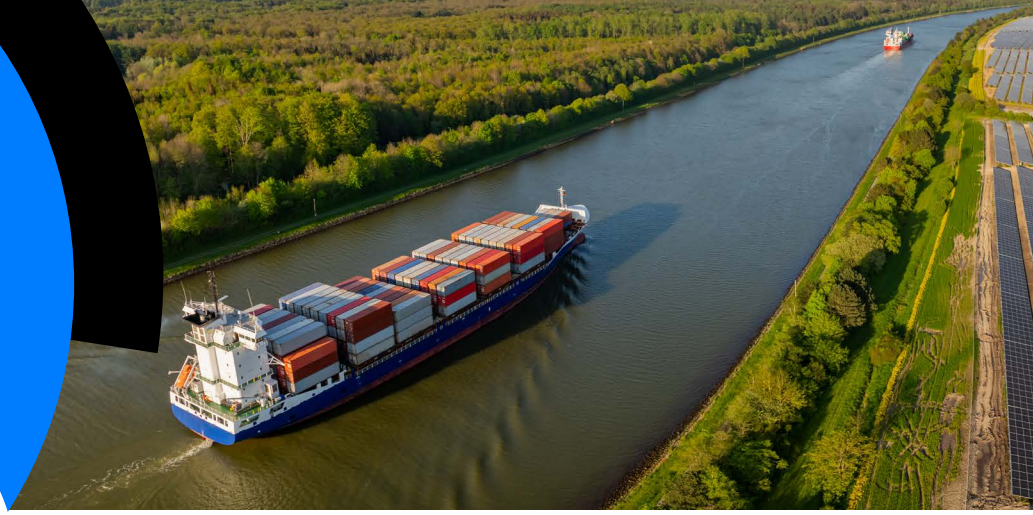
- **Principles for Green Trade Finance** (PGTF), which focus on the environmental dimension and outline how use of proceeds should be assessed for alignment to environmentally sustainable activities.
- ICC Guidance on **Sustainability linked Trade Finance**
- ICC Guidance on **Sustainability linked Supply Chain Finance**
- ICC's ambition for the **Principles for Social Trade Finance**

The PSTF are integrated into the PST as the **Use of Proceeds** assessments for both the environmental (green) and socioeconomic (social) dimensions. This overlap encourages users to conduct the more comprehensive PST, whilst aligning the PSTF with the broader principles. While the **Principles for Social Trade Finance** are still in development and currently outlined as an ambition above, the principles and methodologies presented in this document reflect ICC's current thinking on the future principles. This provides stakeholders with insight into the direction ICC aims to take in shaping social trade finance standards.

For more information on the PSTF, please see here.

Figure 3
Interoperability of PST and PSTF



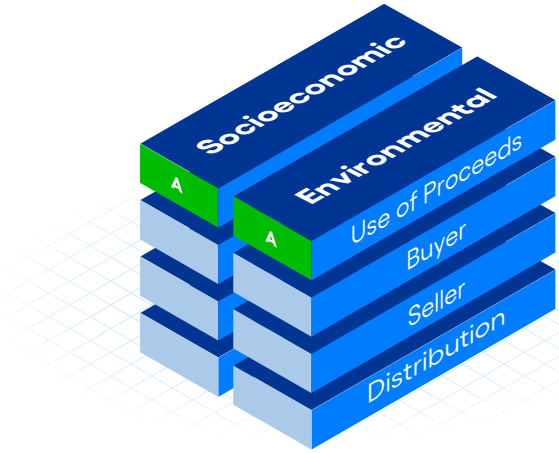


6. Principles

The Principles set out below have been designed such that they both ensure rigour of sustainability assessments yet provide sufficient flexibility so that they can be effectively integrated into users' internal policies and procedures. They are purposefully high level and holistic in order to ensure said flexibility. For more detailed guidance on how to effectively implement the principles as a working methodology, please see **section 7: Guidance on Methodology**.

6.1 Use of Proceeds

The Use of Proceeds assessments for environmental and socioeconomic dimensions should be based on the purpose of the trade transaction. Where the **purpose** is not known, the **goods** involved may be used to assess sustainability, though this is considered **less robust** assessments and should be reflected as a lower level of confidence in associated reporting or grading of assessments, in the Guidance on Methodology section, ICC outline their suggested approach here. **Users should endeavour to determine the purpose of the transaction in all cases**.



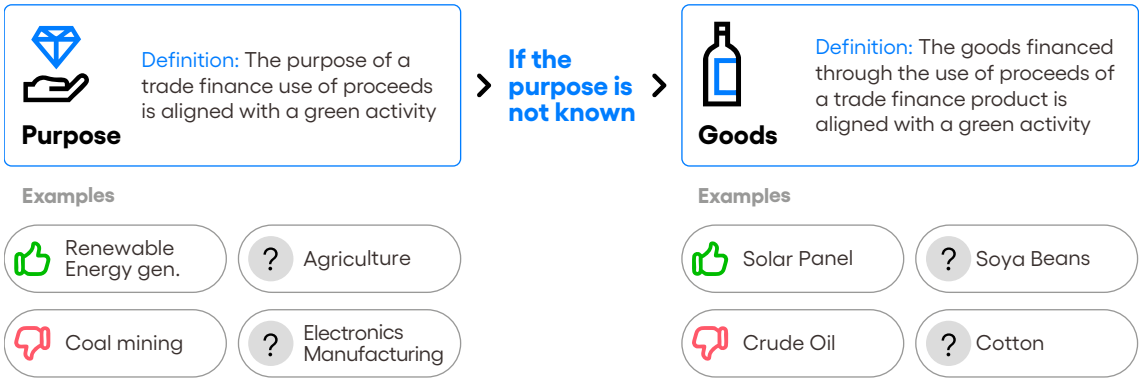
The assessments set out below closely align to the Principles for Sustainable Trade Finance (PSTF), however are presented through the lens of Trade rather than specifically Trade Finance. For more information on the PSTF, see here.

ICC recommends categorising purposes and/or goods into three key categories for both environmental and socioeconomic assessments respectively:

1. Inherently aligned to a sustainable activity with a high degree of confidence (solar farm, social housing) – additional evidence is **encouraged**.
2. Potentially aligned to a sustainable activity, however, **requires** additional verification (Soy, Cotton, Farming)
3. Clearly unaligned to a sustainable activity (Crude oil, Coal, unfair wage practices)

Figure 4

Purpose and goods based assessments in PST



6.1.1 Environmental Assessments

The Use of Proceeds (whether based on purpose or goods) must align with or support at least one **green** activity, as defined by recognized frameworks such as the LMA's Green Loan Principles (GLPs) and regional taxonomies (such as the EU taxonomy). Examples include renewable energy projects, energy efficiency improvements, and waste reduction initiatives (see Appendix A for a full list).

6.1.2 Socioeconomic Assessments

The Use of Proceeds (whether based on purpose or goods) must align with or support at least one **social** activity, as outlined in frameworks like the Social Loan Principles (SLPs). Examples include affordable housing, access to education, healthcare services, and projects aimed at fostering equitable economic development (see Appendix B for a full list).

6.1.3 Assessing both environmental and socioeconomic sustainability for Use of Proceeds

Activities may contribute to both environmental and socioeconomic objectives by aligning with **both** a green and a social activity. In such cases, the purpose or goods can be classified as sustainable in **both** dimensions if it meets the criteria for each—for example, a sustainable agriculture project that uses eco-friendly practices (green) and supports fair trade and local community development (social).

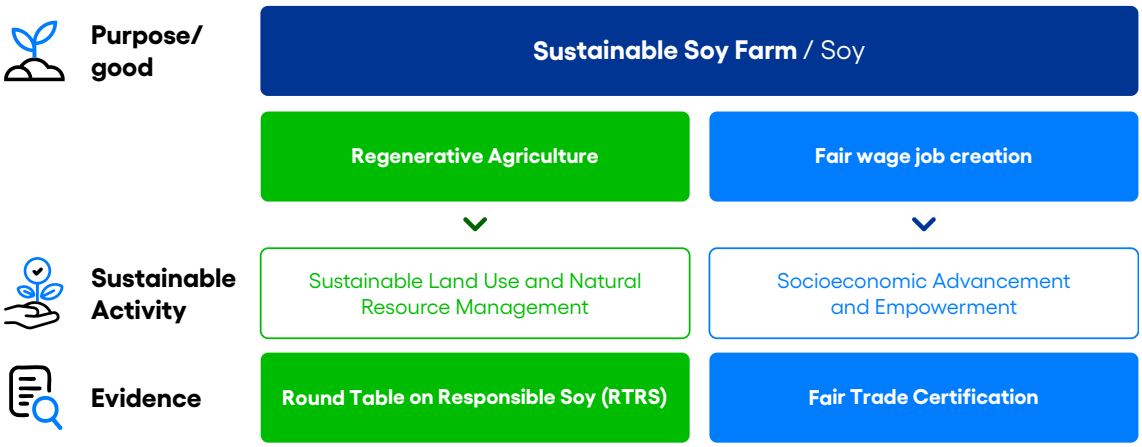
6.1.4 Green and social activities

Users may classify additional activities as sustainable beyond those described in this document in line with their internal sustainability policies, provided they:

- **Do No Significant Harm (DNSH)** to other sustainability objectives
- Support one or more of the UN SDGs

Figure 5

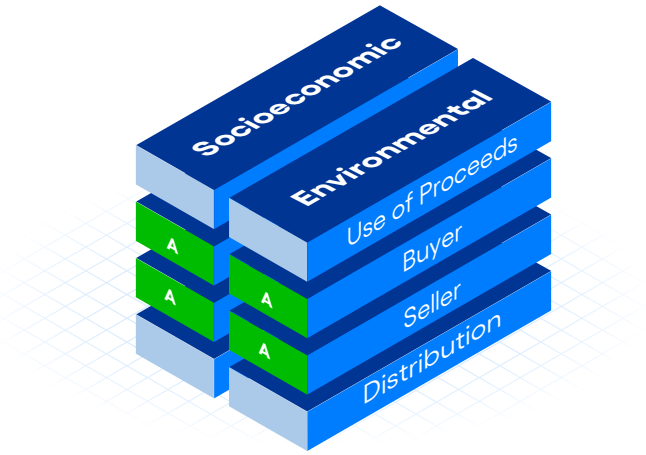
Assessing both the environmental and socioeconomic sustainability for Use of Proceeds

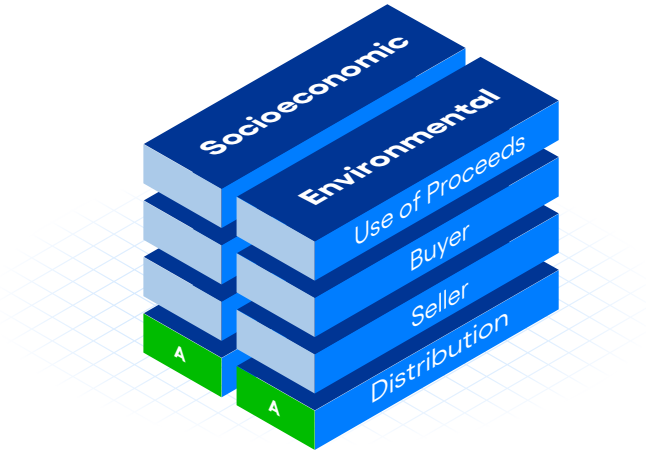


6.2 Buyer and Seller

Assessments of the **Buyer** and **Seller** should encompass separate environmental and socioeconomic dimensions. Such assessments may occur at the client level and should consider the specific entity involved in the transaction, including subsidiaries or special purpose vehicles (SPVs).

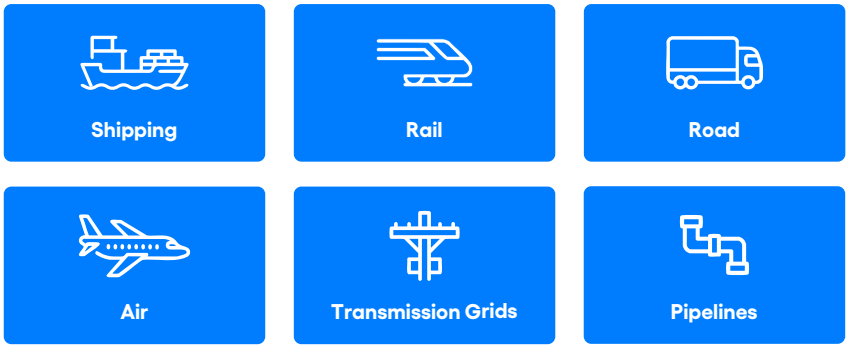
Sustainability should be assessed through client-level evidence, such as standards and ESG scores. When utilising an ESG scorer, the user of the principles should ensure that the client's score remains above an acceptable threshold relevant to their industry. ICC provides a list of ESG scorers and recommended thresholds, as seen in the Evidencing pillar.





6.3 Distribution

The method of distribution utilised in a trade transaction should be assessed for both their environmental and socioeconomic sustainability, where environmental assessments should be conducted based on the specific mode of distribution for that transaction, and socioeconomic assessments should be based on either the provider or an entity-level assessment.



6.3.1 Environmental Assessments

Users can evaluate the environmental sustainability of distribution methods using a category screening process, where the mode of transportation dictates its sustainability. These assessments should focus primarily on CO2 equivalent (CO2eq) emissions, comparing different transportation modes. Although this does not capture aspects beyond climate such as biodiversity or nature, due to the limitations of evidencing within the distribution industry, in Wave 3 of the ICC PST, ICC recommends assessments based on CO2eq emissions until there become more viable and accessible means for assessing other dimensions of environmental sustainability.

ICC provides detailed guidance in **Section 8: Guidance on Methodology**, outlining recommended sustainability outcomes for each method of distribution.

6.3.2 Socioeconomic Assessments

Users can assess socioeconomic sustainability through the sourcing of sustainability evidence such as standards and ESG scores applicable to the company providing the method of distribution, as seen in the Evidencing Pillar. Conducting these assessments should be similar to the approach for assessing a Buyer or Seller.

6.4 Evidencing

Robust sustainability **credentials** can evidence the alignment of a purpose or goods to a sustainable activity where the purpose or goods are not clear with a high degree of confidence. **Acceptable forms of evidences can be seen in section 8: Data & Evidences**.

Credentials should align with ICC's sustainability criteria, which require industry relevance and alignment with one or more of the UN SDGs. Users should be satisfied that the evidences exhibit the following five key attributes:

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—not a party to the transaction in the given case—that ideally carries out audits and third-party checks of compliance on a regular basis
4. **Measurable:** uses a transparent, workable, and replicable methodology for assessments and audits
5. **Comprehensive:** covers the relevant elements of ICC sustainability dimensions in sufficient depth

ICC also provides a **Sustainable Credential Library** for users of the PST to leverage in the near future, the details of which can be seen under **section 8: Data and Evidences**

6.5 Safeguarding

While the purpose of a trade transaction may not always be clear, all parties involved should seek to assess **Do No Significant Harm** (**DNSH**) principles in high-risk transactions.

High-risk transactions can be associated with specific industries, geographies, and counterparty profiles, such as:

- Fossil fuels
- Textiles manufacturing
- Mining
- Regions with weak environmental or social regulations

Participants should use discretion based on their internal sustainability and risk policies to identify and manage these high-risk transactions.

Parties should conduct DNSH checks using industry-recognized frameworks. ICC recommends the following methodologies:

- Equator Principles[4]
- EU Taxonomy DNSH Criteria[5]
- IFC Performance Standards[6]
- Local Market Regulations

4 Equator Principles ; 5 EU Taxonomy DNSH Criteria ; 6 IFC Performance Standards

All parties involved in the trade transaction share the responsibility to:

- Ensure that their activities do not cause significant harm to environmental or social objectives
- Collaborate to maintain the integrity of the supply chain concerning sustainability
- Report any deviations or risks identified during the transaction process

6.6 Standardisation and Reporting

Standardised reporting and disclosure practices are crucial for ensuring transparency and comparability of sustainability assessments in trade transactions. All parties involved share the responsibility for reporting, including exporters, importers, intermediaries, and other stakeholders contributing to the transaction. Each participant should ensure that reporting guidelines are met, and that the information provided adequately demonstrates compliance with sustainability requirements.

Participants should align their reporting practices with recognized international standards relevant to sustainability in trade. Frameworks with valuable guidance include:

- Global Reporting Initiative (GRI) Standards[7]
- UN Global Compact Communication on Progress[8]
- EU Corporate Sustainability Reporting Directive (CSRD)[9]
- Sustainability Accounting Standards Board (SASB) Standards[10]
- International Organization for Standardization (ISO) Standards (such as ISO 14001 for Environmental Management or ISO 26000 for Social Responsibility)[11]

In transactions where the sustainability alignment is not clearly tied to the purpose or the end use of goods are unclear, participants must ensure tracking and reporting to confirm that the trade aligns with environmental and socioeconomic criteria. These include:

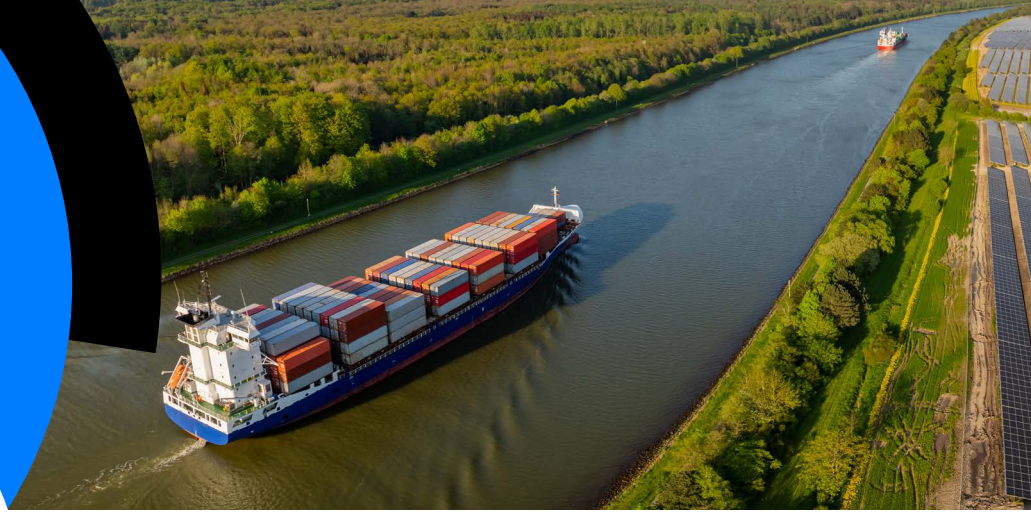
- **Verification of goods and services:** Confirming that the goods or services traded meet sustainability criteria through certifications, standards, or other credible evidence
- **Supply chain transparency:** Ensuring visibility into the supply chain to monitor compliance with sustainability standards at all stages
- **Documentation and record-keeping:** Maintaining thorough documentation to support sustainability claims and enable auditing or verification if required
- **Counterparty due diligence:** Assessing the sustainability practices of Buyers, Sellers, and intermediaries involved in the transaction

Whilst the LMA's GLPs and the ICMA's GBPs are designed primarily for specific financial instruments, their principles regarding transparency and reporting can inform reporting practices in trade transactions, especially when financing components are involved.

The frequency and content of reporting should correspond to the nature and duration of the trade transaction. For one-time or short-term transactions, a single report may suffice, whereas ongoing trade relationships or long-term contracts may require periodic reporting, such as annually or semi-annually. Reports should include a description of the environmental and socioeconomic objectives targeted by the trade transaction along with evidence supporting the sustainability claims, such as certifications, audit reports, and compliance statements. Where feasible, quantitative and qualitative metrics demonstrating the sustainability impact should be provided, including indicators like greenhouse gas emissions reduced or the number of jobs created. Any significant changes in the sustainability status or practices related to the transaction should also be reported.

Transparency is paramount in conveying the expected and achieved impacts of trade transactions. Participants should aim for openness in their reporting, making information accessible to relevant stakeholders whilst respecting confidentiality agreements and commercial sensitivities. Where possible, external verification or assurance of sustainability reports should be sought to enhance credibility and build trust among stakeholders.

7 GRI Standards ; **8** UN Global Compact; **9** EU CSRD; **10** SASB Standards; **11** ISO



7. Guidance on Methodology

The following section provides guidance on how to apply the **Principles for Sustainable Trade (PST)** methodology in practice. This guidance is intended to assist users in effectively implementing the PST; it is a set of recommendations rather than a series of prescriptive requirements. Users have the flexibility to adapt this methodology to their specific contexts while maintaining the integrity and objectives of the sustainability assessments.

In order to provide clarity and transparency in sustainability evaluations, ICC recommends using a grading system to differentiate the level of confidence in assessments based on available information. This approach supports a structured, consistent method for assessing sustainability across various trade transactions. The grading system is divided into four levels:

- **Grade A (Sustainable with a High Degree of Confidence):** This represents the highest level of certainty in sustainability assessments.
- **Grade B (Sustainable in Part):** This acknowledges a reasonable level of sustainability but with some uncertainty.
- **Grade N (Unsustainable with a High Degree of Confidence):** Used when the transaction clearly does not align with sustainable activities, making it unsustainable.
- **Grade U (Unknown):** Assigned when there is insufficient information about the purpose or goods, preventing accurate assessment of the sustainability of the transaction.

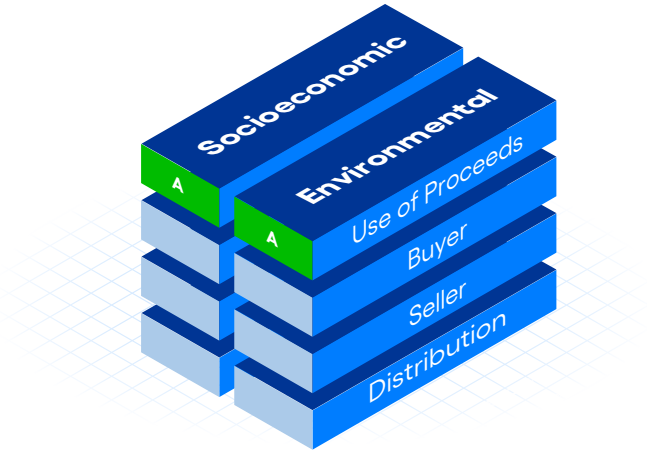
This grading system is recommended as it promotes transparency, helps mitigate greenwashing risks, and enables comparability of trade transactions across institutions and sectors. It also allows users to identify areas needing further clarification or improvement in sustainability reporting.

The following guidance on methodology recommends grades as a distinction between these levels of confidence, however, users may wish to tailor the requirements **only** to a **higher** standard of confidence should they wish.

7.1 Use of Proceeds Assessments

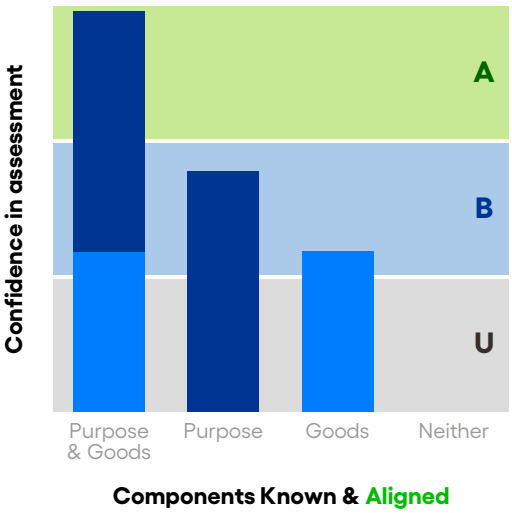
When evaluating the **Use of Proceeds**, users should prioritize understanding both the **purpose** of the trade transaction and the **goods** involved. The highest level of confidence in sustainability assessments is achieved when both the purpose and goods are known and align with recognised sustainable activities.

ICC recommends differentiating between assessment confidence levels based on knowledge of either the goods or purpose through the utilisation of grades

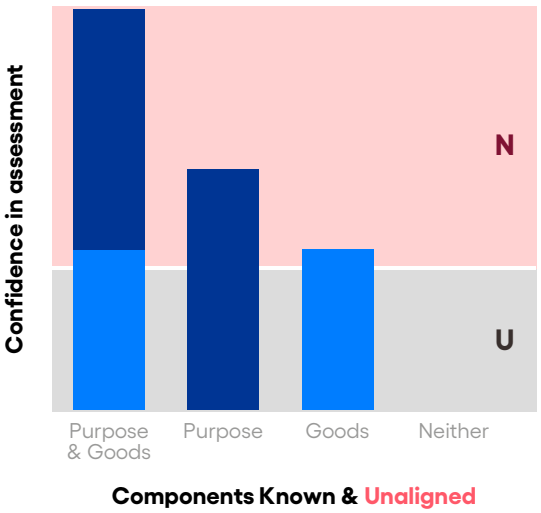


- **Grade A:** When both the purpose and goods are known and aligned with sustainable activities, the transaction can be classified as sustainable with high confidence.
- **Grade B:** If only the purpose or the goods are known and align with a sustainable activity, the transaction may be considered sustainable in part. Whilst ICC does recognise the preference for purpose here, as seen in the visualisation below, we recommend classifying both with grade B.
- **Grade N:** If either the purpose or the goods do not align with a sustainable activity, the transaction is considered unsustainable under the PST, even if the other is sustainable.
- **Grade U:** If information about the purpose and goods are insufficient or unavailable, the sustainability of the transaction cannot be assessed.

Figure 6
Confidence levels and ICC recommended grading

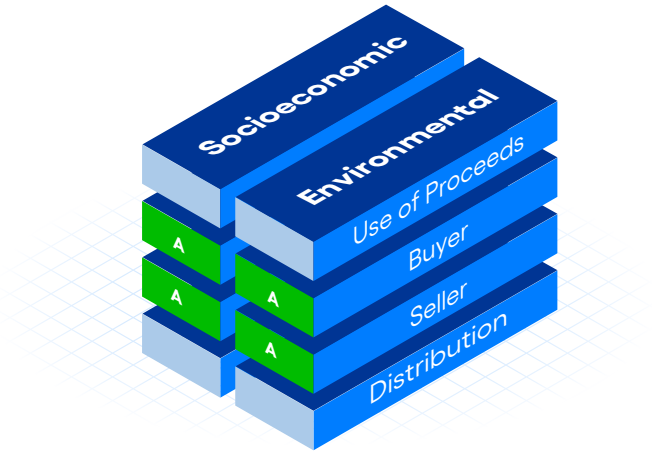


Components Known & Aligned



Components Known & Unaligned

7.2 Buyer and Seller Assessments

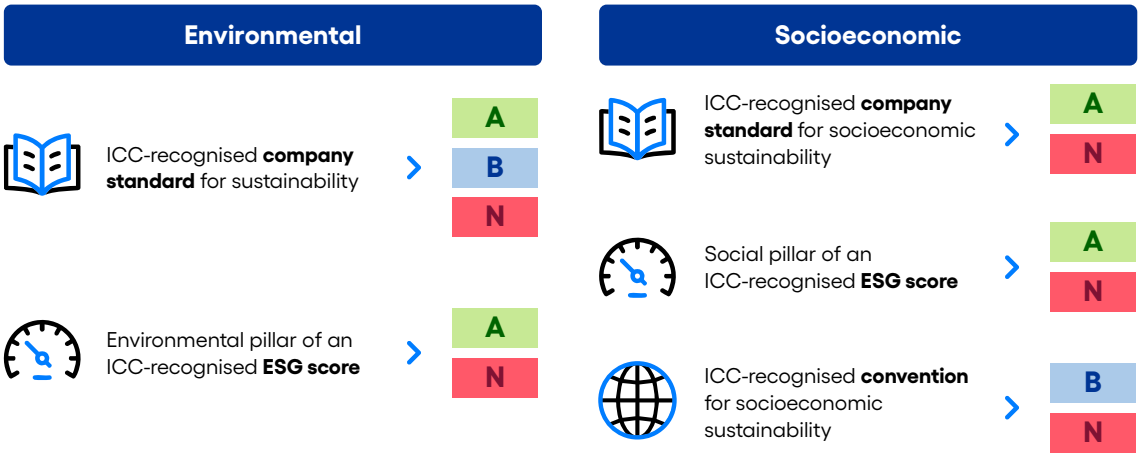


The principles allow users to utilise a range of sources to evidence sustainability for Buyer and Seller (as seen in **section: 8 Data & Evidences**). For the Buyer and Seller assessments, ICC recommends that users of the principles primarily utilise two types of evidence—**standards** and **ESG scores**—to evaluate the sustainability of each party across both dimensions. These sources are widely adopted and accessible, allowing for efficient and transparent grading of trade transactions. For socioeconomic assessments, ICC also recommend utilising conventions but recognise this as a lower-confidence form of evidence.

Below are suggested grades based on the evidence.

Grade A should be awarded to the Seller or Buyer for environmental or socioeconomic sustainability if the respective entity provides supporting evidence such as exceeding an ESG score threshold, in line with the principles outlined in the evidencing pillar.

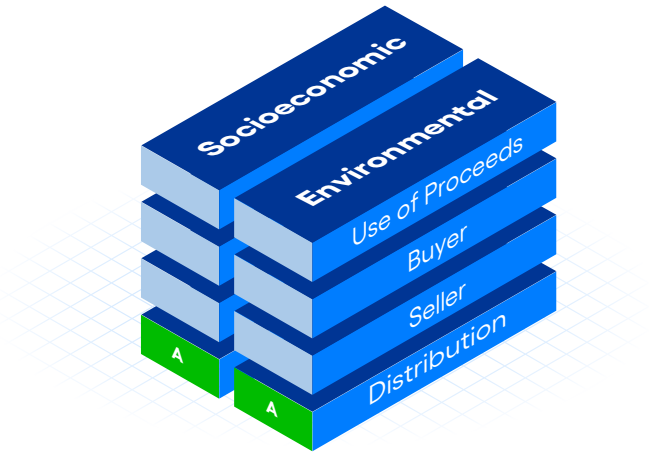
Figure 7
Guidance on assessments of buyers / sellers



If evidence, such as a low ESG score, indicates **harm** to sustainability at a client level, then the user should consider the application of a **Grade N**.

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

7.3 Distribution Assessments



Grading the environmental sustainability of distribution should be based principally 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 fully accurate assessments of environmental sustainability. Where data is deemed sufficiently comprehensive, ICC has introduced additional criteria as follows:

- **Shipping:** Some ships are more energy efficient than others. ICC recommends that users seek out the International Maritime Organisation (IMO) CII rating for the vessel transporting the goods[3], and recommends grades based upon this rating (see below)
- **Rail:** General rail transport is considered environmentally sustainable, except for rail transport of refrigerated goods, which is only sustainable in part.
- **Road:** The sustainability of road travel can be assessed through both the vehicle classification and the distance travelled.
- **Air:** Air travel is generally considered unsustainable, except in the case of critical (such as medical) or highly perishable goods, where alternative methods are impractical or unfeasible. In such cases, air travel is considered sustainable, but it remains unsustainable in all other situations.
- **Transmission grids:** Loss rates dictate additional CO2 emissions on inefficient grids in comparison to high efficiency high-voltage direct current lines. As a result, the sustainability of such transactions will be based on the grid losses of specific grids or interconnectors.
- **Pipelines:** Pipelines offer a sustainable means of transporting goods and have a drastically lower CO2eq emission per tonne per kilometre than any other means of distribution.

Figure 8

Guidance on category screening for distribution

Shipping

Grade	CII rating,
A	'Major superior' (A), 'Minor superior' (B), 'Moderate' (C)
B	'Minor inferior' (D)
N	'Inferior' (E)

Air

Grade	Good type
A	-
B	Critical Perishable Goods ★
N	All other goods

Rail

Grade	Good type
A	Non-refrigerated **Goods** ★
B	Refrigerated Goods ★

Transmission Grids

Grade	Grid Losses
A	Grid losses < 5% ★
B	5% - 10% ★
N	>10% ★

Road

Grade	Vehicle type & Distance
A	HGV under 250km ★
B	HGV 250-500km ★
N	LDV or HGV over 500km ★

Pipelines

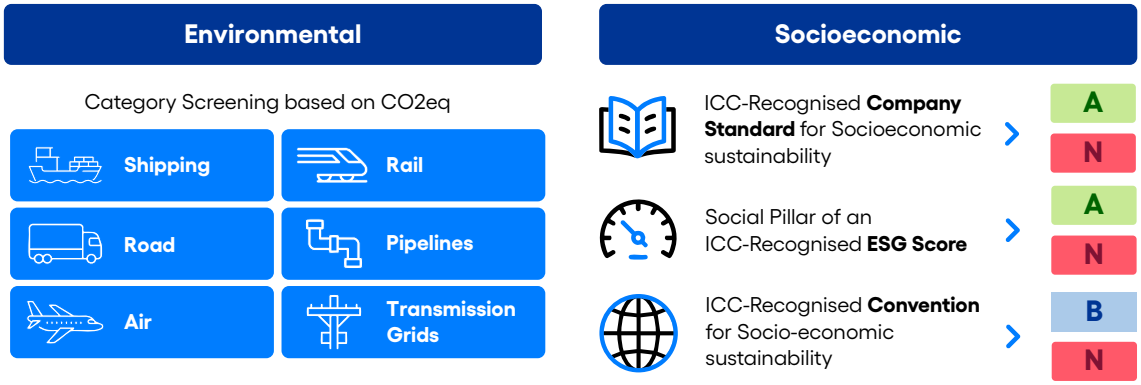
Grade	
A	All ★

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 carbon emissions 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).

Socioeconomic grading for 'distribution'

For the socioeconomic distribution assessment, ICC recommends that users of the principles primarily replicate assessments of a Buyer or Seller for the provider of the distribution and utilise two primary types of evidence—**standards** and **ESG scores**—to evaluate the sustainability of each party across both dimensions (**see section 7.2: Buyer & Seller Assessments**).

Figure 9
Guidance on Distribution assessment



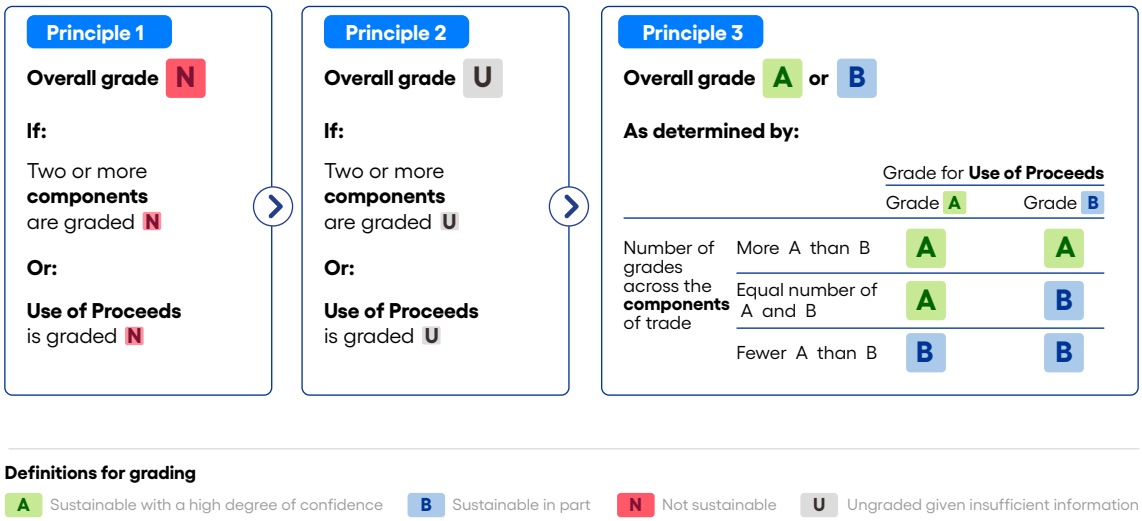
7.4 Overall Grades

ICC recommends aggregating the scores for each component into overall grades per dimension of sustainability, in order to enable users to communicate assessment outcomes and enable comparability across industries and geographies. Several principles support the design of the algorithm to calculate overall grades:

- Principle 1 (Clearly not sustainable): If multiple components are graded not sustainable ("N"), then the dimension in its entirety is deemed not sustainable.
- Principle 2 (Insufficient information): If multiple component grades are ungraded ("U") due to insufficient information, then an overall grade cannot be assigned.
- Principle 3 (Prioritisation of use of proceeds): A transaction's Use of Proceeds of is particularly important and should be weighed more heavily than the other components of trade.

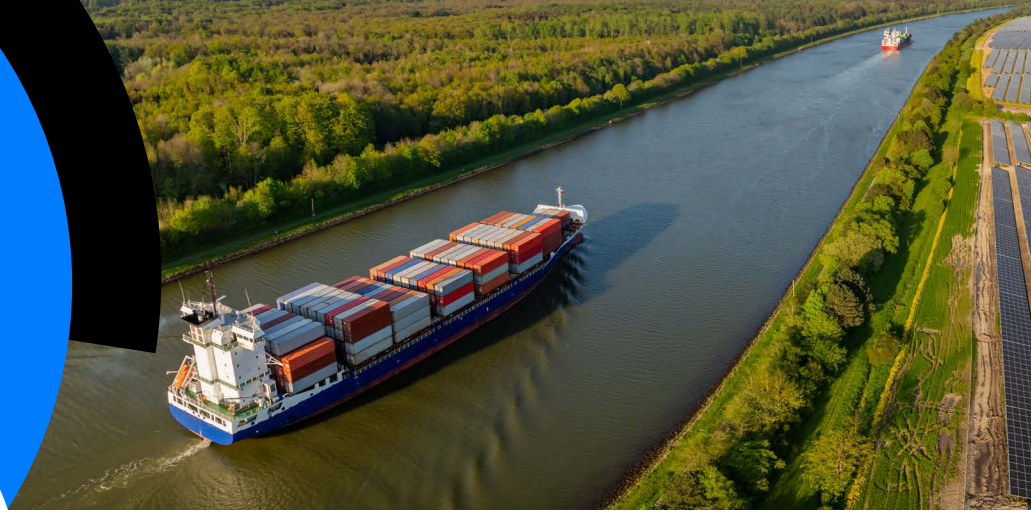
From these broad principles, ICC has developed an overall grading algorithm for the principles, which includes two stages (see Figure 10).

Figure 10
Overall grading criteria for each dimension of sustainability



Definitions for grading

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



8. Data & Evidences

Sources that can evidence environmental sustainability of a purpose or good include:

Figure 11
Sources of Evidence for ICC PST

1. Commercial records for the verification of goods, including but not limited to: Bills of Lading, Invoices, contracts.

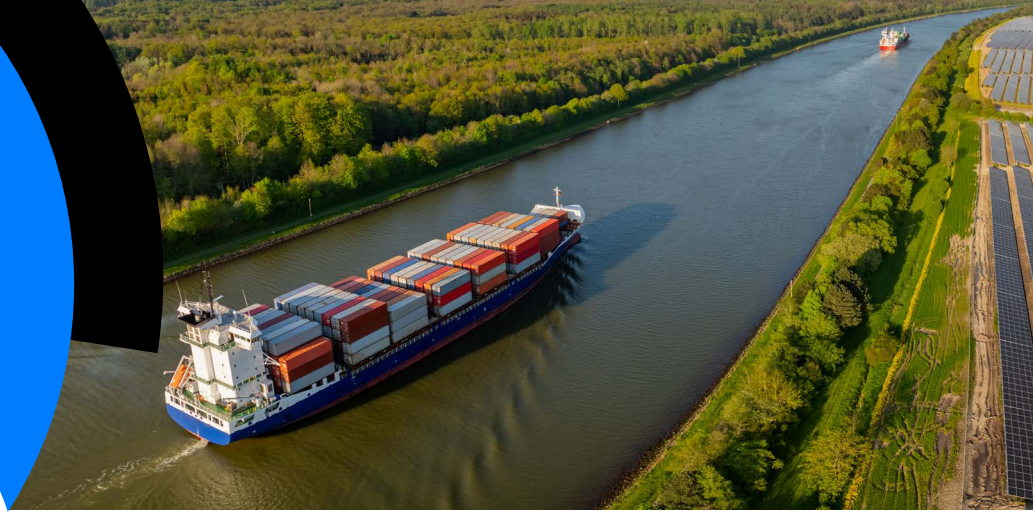
Any credentials should be sufficiently rigorous to avoid potential greenwashing. ICC recommends evaluating credentials under the five criteria seen in section 6.4.

Users are encouraged to reflect ICC's methodology for rigour testing standards, where ICC evaluates the environmental sustainability of standards through their alignment to at least one environmental UN SDGs.

In collaboration with the ITC Standards Map, ICC is preparing to launch a series of data resources to accelerate any assessments made under the PST. Users may wish to use these or develop internal resources under the above methodologies. These include:

- 7000+ Harmonised System (HS), and 650+ Nomenclature of Economic Activities (NACE) code mapping to green activities, with goods and activities mapped to green activities
- 250+ sector specific ICC-recognised standards that have passed rigour assessments
- HS and NACE code mapping to ICC-recognised standards, allowing users to see potential standards for a specific purpose or good

Should users require mapping exercises to additional categories or resources, please reach out directly to ICC.



9. Reporting & Scoring

9.1 Reporting

ICC recommends adhering to recognised industry guidance on reporting, particularly concerning descriptions, confidentiality, aggregation, and information sharing for the majority of reporting requirements. While frameworks like the LMA's GLPs offer valuable insights, ICC provides additional guidance tailored specifically for a more comprehensive view of trade activities.

Trade transactions often involve complex supply chains, multiple parties, or situations where the specific end use of goods may not be clear at the time of the transaction. In such cases, ICC recommends that participants maintain readily available information on the types of goods traded and update this information as necessary in the event of significant changes. The reporting frequency should be tailored to the nature of the trade activity; annual reports are advisable for ongoing trade relationships, whilst periodic reviews may be more appropriate for short-term contracts or significant one-time transactions.

Building upon established industry guidance, ICC encourages the use of qualitative and, where feasible, quantitative performance indicators to assess and report on sustainability impacts. Examples of such indicators include:

- **Environmental metrics**, including greenhouse gas emissions reduced or avoided, energy efficiency improvements, water usage reductions, waste management improvements.
- **Socioeconomic metrics**, including number of jobs created improvements in labour conditions, enhancement of community welfare, contributions to local economic development.

Participants are encouraged to disclose key methodologies and assumptions used in these assessments to enhance transparency and credibility. Parties capable of monitoring achieved impacts should include these metrics in regular reports to relevant stakeholders, such as trading partners, investors, regulatory bodies, and the broader community.

Reporting should be aggregated across a portfolio in cases where confidentiality agreements exist.

9.2 Scoring

The **overall grading matrix** introduced last year as part of the **ICC Principles for Sustainable Trade** (**PST**) serves as an optional tool for users to communicate the sustainability performance of trade transactions. The scorecard evaluates transactions across both **environmental** and **socioeconomic** dimensions, offering a clear snapshot of their sustainability impact. ICC recommends utilising the scorecard in conjunction with specific reporting requirements seen later in this section.

The scorecard functions by aggregating scores from the four main pillars—**Use of Proceeds**, **Buyer**, **Seller**, and **Distribution**—each assessed across both environmental and socioeconomic categories. The underlying **algorithm** weighs

these components, with heavier emphasis on Use of Proceeds to reflect its critical role. If multiple components fall short of sustainability, the overall score reflects this. Conversely, if most components are aligned with sustainability principles, the transaction receives a higher grade. Guidance for assigning weight to different grades is in **section 7: Guidance on Methodology**.

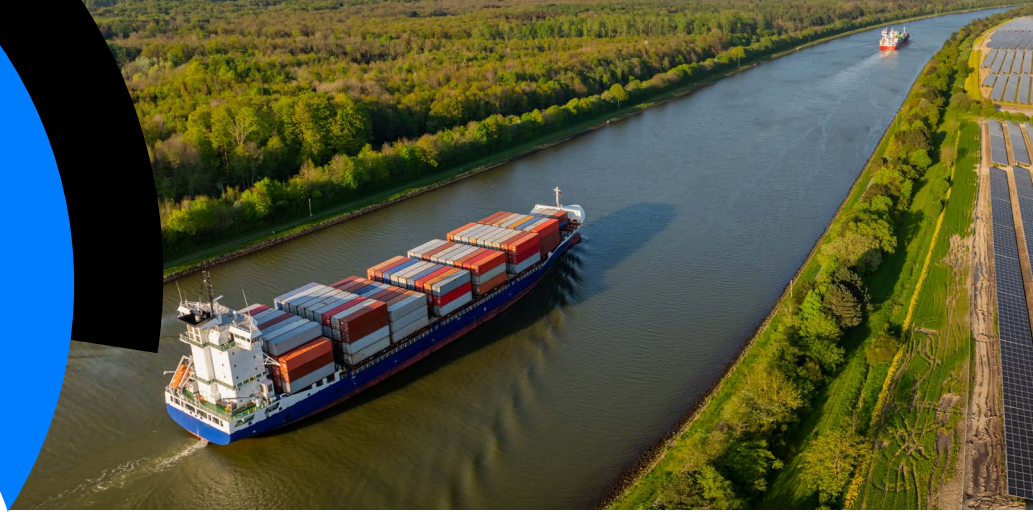
Whilst the **overall grading scorecard** is not mandatory, it offers key benefits for transparency and communication. It allows businesses and financial institutions to present their sustainability efforts in a clear, consistent format, enhancing accountability and providing stakeholders with a comprehensive view of trade sustainability. It also provides clear Environmental and Socioeconomic sustainability outcomes. ICC have consciously not created a single score here to delineate between the two. By using the scorecard, users can simplify their reporting and align with industry standards, but they have the flexibility to opt out if it does not suit their reporting needs.

Examples of Overall grading

	Textiles: Cotton 'Use of proceeds' grade is prioritised and implies a N on Environmental		**Energy: Wind turbine** The use of proceeds is sustainable which implies an A on Environmental		**Automotives: Tyre** Sustainable practices in part imply a B on Environmental		**Agriculture: Tomatoes** Insufficient information on the Buyer and Distribution method imply a U on Environmental	
	Environmental	Socioeconomic	Environmental	Socioeconomic	Environmental	Socioeconomic	Environmental	Socioeconomic
Use of Proceeds	N	B	A	U	B	A	N	B
Seller	A	N	A	A	A	N	A	A
Buyer	A	N	A	A	A	N	U	N
Distribution	B	U	B	U	B	U	U	U
Overall	N	N	A	U	B	N	N	B

Definitions for grading

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



10. Tooling & Enablers

10.1 Sustainable Credential Library

ICC has developed a dynamic library of credentials that have all passed the ICC rigour testing, and thus are "ICC-recognised," which allows them to be used in the evidencing of sustainability throughout each component of the trade transaction. ICC hopes to launch these in the near future, following the development of supporting tooling to enabling distribution. These pre-approved credentials will allow for automation of the principles. These include:

- 200+ Environmental and socioeconomic standards
- 20+ Socioeconomic conventions
- 30+ ESG Impact Scorers and relevant thresholds for environmental and socioeconomic sustainability
- 7000+ S Code mapping to sustainability alignment, green activities and Standards
- 650+ NACE code mapping to sustainability alignment, green activities and Standards

Figure 12
ICC Sustainable Credential Library

In collaboration with International Trade Centre

Standards Library

- **160+ verified** and ICC-recognised standards suitable to evidence sustainability across both **environmental** and **socioeconomic** dimensions
- Assessed across ICC's 5 rigor tests **and** alignment to UN SDGs

Examples include:

ESG Scorers

- **Impact-based** ESG scorers validated against ICC's 5 rigor tests and validated by independent experts
- Recommended **score thresholds** to evidence sustainability
- Specific **environmental** and **socioeconomic** pillars highlighted

Examples include:

HS Code Map

7000+ HS codes mapped across 3 dimensions:

- Inherent sustainability alignment
- Potential Green Activities
- Standards to support assessments

Code	Description
520300	**Cotton:** carded or combed
Sustainability alignment	Potentially Sustainable
Green Activity	Sustainable Land Use and Natural Resource Management
Applicable Standards	

NACE Code Map

900+ NACE codes mapped across 3 dimensions:

- Inherent sustainability alignment
- Potential Green Activities
- Standards to support assessments

Code	Description
351133	**Alternative** and renewable sources of energy: solar
Sustainability alignment	Clearly Sustainable
Green Activity	Renewable Energy
Applicable Standards	

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

To ensure that the standards and scoring data are sufficiently robust, ICC has ensured that they meet five tests, as seen in **section 6.4: Evidencing**, to be included in the principles.

To ensure rigour, these credentials have both passed the five tests of robustness laid out above and been validated by sector experts for impact, objectivity, and acceptance in the industry.

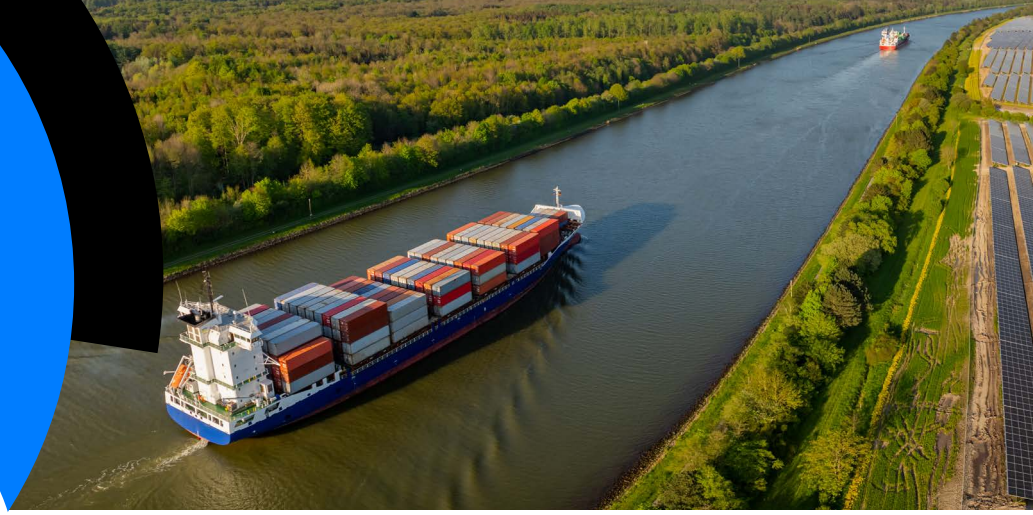
Mapping of standards

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

ESG scores

As in the Wave 2 principles, ICC recommends using ICC-recognised ESG scores for grading the environmental or socioeconomic sustainability of a Buyer, Seller, and distributor in line with **section 6: Principles**. 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. ICC will evaluate this in future iterations of the principles.

Based on feedback from ESG scorers and sector experts, ICC has defined a scoring range corresponding to Grade A for each recognised environmental or socioeconomic 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.

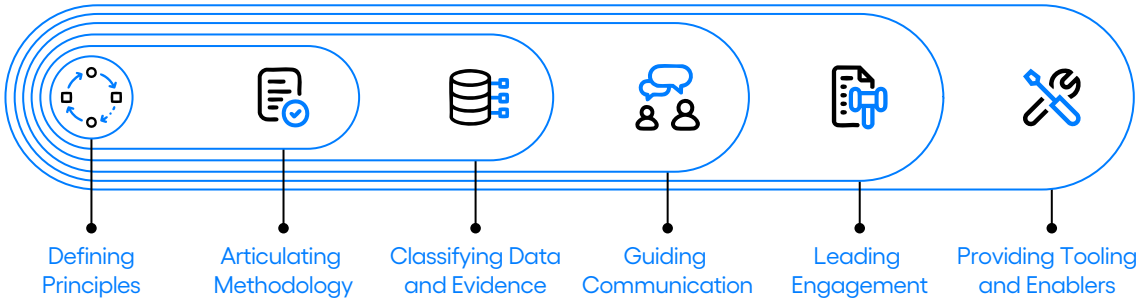


11. Governance and Next Steps

11.1 Ongoing Role of ICC

Following the release of the PSTF, ICC will continue to evolve the principles and provide additional support in the following ways:

Figure 13
ICC Will deliver value through the PST and PSTF across 6 dimensions



Defining principles: Define and maintain clear, consensus-based principles for sustainable trade, green Trade Finance, and Social Trade Finance. ICC will update these principles regularly to reflect evolving industry norms and the increasing availability of sustainable credentials.

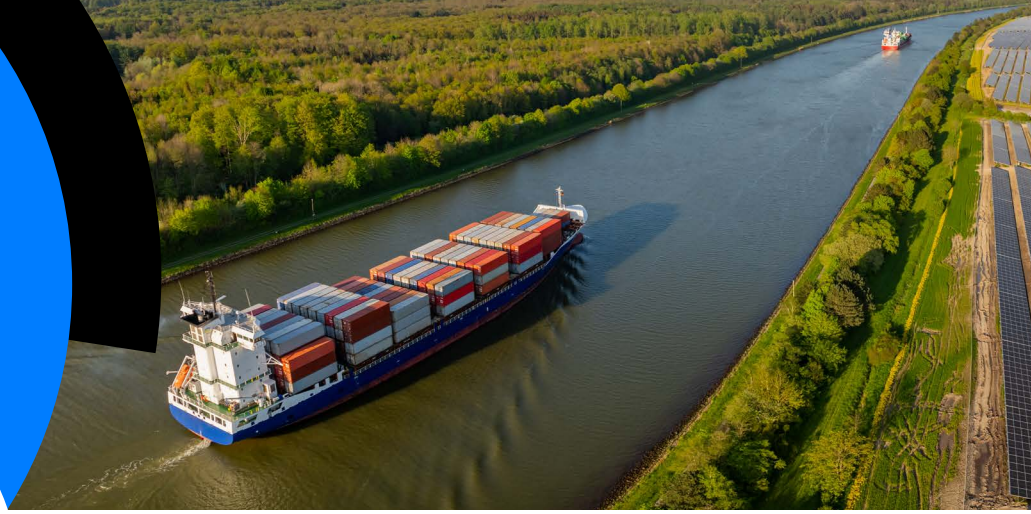
Articulating methodology: Continue to articulate methodological principles for users to apply the PST, which provides sufficient "degrees of freedom" to align with internal processes whilst maintaining rigour so as to avoid any potential greenwashing risks.

Classifying data and evidence: Deliver ongoing guidance on acceptable methods for evidencing sustainability, including access to proprietary data sources that support the assessments detailed in **section 8: Data & Evidences**.

Guiding communication: Maintain guidance on how to communicate outcomes of the PST matrix and assessments made through the PSTF, and share reporting in a transparent and regular manner whilst ensuring confidentiality as required.

Leading engagement: Lead engagement across banks, regulators, corporates, and industry bodies like BAFT and ITFA to ensure alignment of a consensus view and enable accessible education to expand both the PST's and the PSTF's usage.

Providing tools and enablers: Provide access to tools that can support users in applying the principles, including a library of approved ICC standards ("Sustainable Credentials Library") and code-mapping tables to enable automation. Rather than serving as prescriptive methodologies, these tools will act as enablers to increase the accessibility and applicability of the principles.



12. Considerations for Future Development

The Wave 3 principles both build upon and simplify the Wave 2 principles. Future iterations will evolve to further enhance simplicity and usability whilst maintaining the rigour and robustness of assessments.

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

12.1 Example Use Cases of the principles

ICC believes that the framework offers valuable use cases for a wide array of target audiences. To ensure its applicability, ICC has designed it with two main groups in mind:

- Corporates and SMEs (Buyers, Sellers, and primary transport provider)
  - Enabling detailed reporting on supply chain sustainability and monitoring progress toward sustainability goals
  - Serving as a foundational tool for shaping company procurement policies
  - Facilitating both internal and external communication of a company's sustainable trade practices and tracking advancements
  - Promoting alignment on common definitions of best practices among industry peers
- Financial institutions
  - Providing a consistent and comparable method for reporting the sustainability of trade finance portfolios
  - Assisting clients in executing more sustainable transactions by highlighting areas for improvement that may require investment
  - Simplifying the setting of portfolio targets through access to detailed transaction information
  - Evaluating the sustainability of trade finance portfolios to manage asset distribution effectively and avoid misinterpretations
  - Offering guidance on acceptable methods for evidencing sustainability in trade and trade finance activities

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

- **Governments, regulators, and auditors:** To aid in developing policies related to sustainable trade and supply chains
- **International organisations (for example, the UN, EU, or ASEAN):** To inform the creation of sustainable taxonomies and enhance international classification systems for wider adoption of sustainability standards

- **Data and infrastructure providers:** To support industry implementation of these standards by designing products that facilitate a digitised application of the principles

- **NGOs and standard-setting regulatory bodies:** To translate the principles into coherent reporting mechanisms or provide more detailed, industry-specific guidance on its application

- **ESG scorers and standard setters:** To assist companies in gathering and utilising ESG scores and standards within the principles, offering more tailored guidance for different industries

- **Logistics providers:** To ensure accurate information is communicated throughout the value chain, promoting systemic adoption of the principles

12.2 Areas in the Principles for Future Development

Whilst the **ICC Principles for Sustainable Trade** (**PST**) and the **Principles for Sustainable Trade Finance** (**PSTF**) have made substantial progress in setting the foundation for assessing sustainable trade, certain limitations still exist that need to be addressed in future iterations to ensure broader adoption and effectiveness.

Complexity for smaller entities: Although the principles are designed to be scalable, a lack of potential evidence in specific sectors and geographies may present challenges, **particularly for small- and medium-sized enterprises** (**SMEs**). Many SMEs may lack the resources or infrastructure to collect and evidence sustainability data across multiple components of the trade lifecycle. Without simplified pathways for smaller businesses to engage with the principles, there is a risk that adoption will be restricted primarily to larger organisations, leaving a critical segment of the trade ecosystem underserved.

Lack of depth on deep-tier supply chain assessments: ICC's principles rely entirely on the evidences utilised to evaluate the provenance and end use case of the goods, or looking at the steps before and after the specified transaction. In the future, ICC hopes to address this by enabling multi-tier assessments that look at the full supply chain across both dimensions.

Reliance on standards and ESG scorers: The principles' dependence on **external standards** and **ESG scorers** for evaluating the sustainability of Buyers, Sellers, and distribution methods may introduce inconsistencies. Whilst these sources provide valuable benchmarks, the coverage and applicability of these standards vary significantly across industries and regions. In addition, variability in **ESG scoring methodologies** may lead to discrepancies in how users measure sustainability, potentially undermining the consistency and comparability of sustainability assessments across different transactions.

Purpose vs. goods-based assessments: The principles prioritise the **purpose-based assessments** of the Use of Proceeds, which allows for a more holistic evaluation of a transaction's sustainability. However, when only the **goods** are known, assessments are inherently less robust. Without clarity on the overall purpose of the trade, assessing sustainability based solely on goods can introduce uncertainties, particularly regarding the broader impact of the transaction.

Dual sustainability (environmental and socioeconomic) complexity: One of the strengths of the principles is its dual focus on both **environmental** and **socioeconomic** sustainability. However, this also introduces complexity, particularly when one dimension of sustainability is well-supported (for example, a green activity), but the other is harder to evidence. The need to address both environmental and socioeconomic dimensions adds an additional layer of compliance, which may slow down adoption for businesses that are used to focusing solely on environmental factors.

Operationalising the principles: Whilst **Wave 3** introduces important steps toward **enabling automation** through the Sustainable Credential Library, the principles still rely heavily on **manual processes** for data collection, reporting, and evidencing. The absence of a fully automated system for managing these processes can increase the time and resource burden on users, especially in organisations with complex supply chains or constrained resources. Without further operationalisation, the principles may remain difficult to implement efficiently at scale.

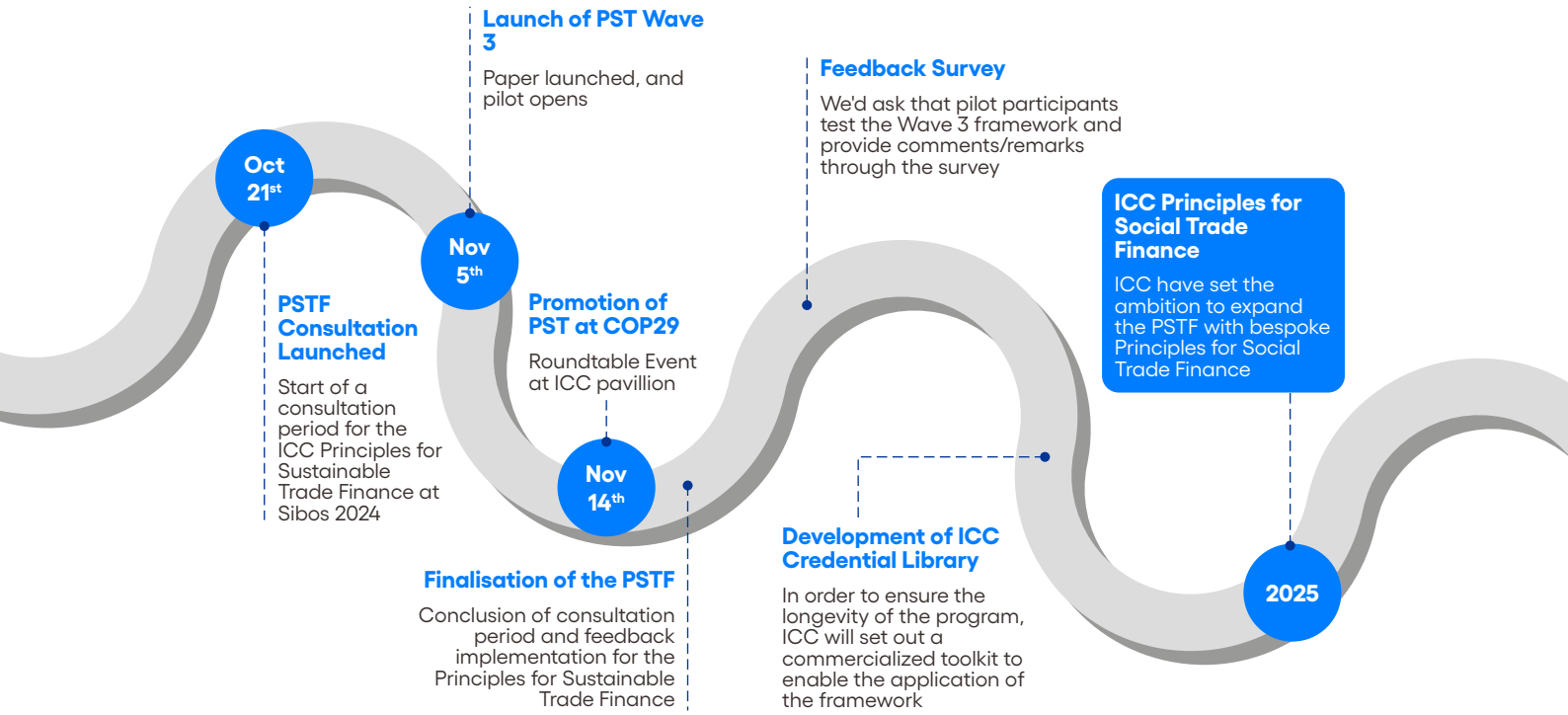
Sector-specific nuances: Although the principles' scope has expanded to cover multiple sectors, there are still some industries—such

as **technology**, **digital services**, and **emerging sectors**—where the principles may not fully capture sector-specific sustainability challenges. Additionally, certain industries with unique environmental or socioeconomic impacts may require more tailored guidance. The current **one-size-fits-all approach** may not sufficiently address the evolving needs of all sectors, limiting the principles' adaptability in high-growth or rapidly changing industries.

12.3 Next Steps

Following the launch of Wave 3 at COP29 in November 2024, ICC has outlined several key initiatives to further advance the Principles for Sustainable Trade.

Figure 14
Next steps for the Principles for Sustainable Trade Wave 3



Wave 3 Pilot (Q4 2024-Q1 2025)

ICC would like to welcome members of the trade community—including banks, corporates, distributors and other stakeholders—to test and pilot the ICC PST Wave 3. Throughout the pilot ICC asks that participating organisations test the PST on live transactions. ICC welcomes any and all feedback on Wave 3 and will conduct follow-up calls and run a survey **here** to capture feedback. ICC would like to thank pilot members in advance for their time and contributions to the development of the PST.

Development of the ICC Principles for Social Trade Finance (est. 2025)

ICC recognises the paramount importance of introducing bespoke principles for social Trade Finance. Due to the nascence of Social Trade Finance offerings in the market, ICC will provide guidance on this product category in the near future.

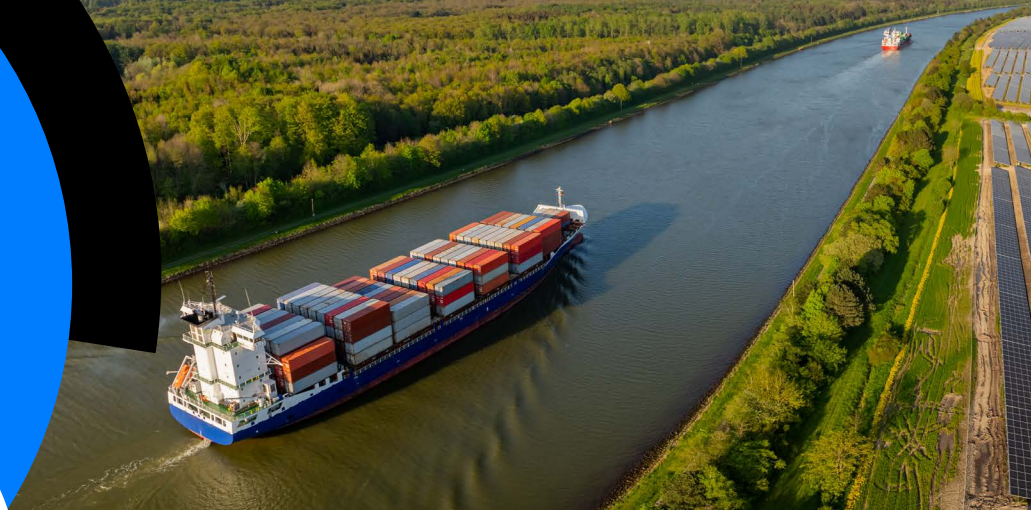
In the ICC Principles for Sustainable Trade, ICC has set out its current thinking on the socioeconomic dimension of Use of Proceeds. ICC hopes, in the coming year, to develop and iterate these into a document similar to that of the PGTF and ensure that the PSTF remain a comprehensive and rigorous document.

Development of the Sustainable Credential Library

ICC aims to further develop the Sustainable Credential Library into an API-accessible platform. Doing so would allow users to seamlessly integrate the library into their systems, reducing manual work and supporting more automated sustainability assessments. The goal is to make sustainability credentials easily accessible and actionable for businesses.

Regulator engagement and feedback integration

ICC is committed to continuous engagement with stakeholders and regulators to ensure the PST remains aligned with evolving industry needs and global sustainability goals. The integration of feedback will ensure the principles' relevance and effectiveness.



13. Appendix: Sustainable Activities, Pilot Feedback, and Definitions

13.1 Green Activities

Renewable energy

- Production, transmission, and deployment of renewable energy sources (solar, wind, hydro, geothermal, and bioenergy)
- Innovations in renewable energy technologies
- Purchase or sale of equipment or construction that supports the development of renewable energy

Energy efficiency

- Projects aimed at improving energy efficiency in industrial processes and energy systems, including the replacement of goods with that of more energy-efficient substitutes
- Development of smart grids and energy-efficient infrastructure
- Energy storage technologies (batteries, thermal storage, and pumped hydro)

Circular economy

- Design and implementation of processes and products that promote resource efficiency, recycling, and reuse
- Trading of scrap or waste material that is designated for reuse
- Transition to a circular economy through sustainable production and consumption practices
- Waste management and recycling initiatives

Sustainable water and marine resources

- Sustainable water management and water efficiency projects
- Protection and restoration of marine and freshwater ecosystems
- Sustainable wastewater treatment and urban drainage systems

Sustainable land use and natural resource management

- Sustainable agriculture, forestry, and aquaculture practices
- Biodiversity conservation and ecosystem restoration
- Climate-smart land use and natural resource management

Clean transportation

- Development and deployment of electric, hybrid, and other clean transportation modes
- Sale or distribution of clean transportation
- Infrastructure for clean energy vehicles, including charging stations
- Public, rail, non-motorised, and multimodal transportation systems

Sustainable infrastructure buildings

- Construction and refurbishment of buildings that meet recognised environmental performance standards, including the replacement of goods with that of more energy-efficient substitutes, like replacing air conditioning units with heat pumps
- Integration of energy efficiency, renewable energy, and sustainable materials in building design
- Development of infrastructure that supports sustainable practices across energy, transportation, water, and waste sectors
- Integration of digital and automated technologies in sustainable infrastructure, like smart grids
- Products adapted for the circular economy
- Green buildings

Climate change mitigation

- Projects that substantially reduce greenhouse gas emissions
- Deployment of advanced nuclear power technologies (the utilisation of this green activity may vary across users and geographies, however, is included due to its role within the EU taxonomy)
- Hydrogen production, storage, and use as a clean energy source

Climate change adaptation, pollution prevention and control

- Enhanced resilience of infrastructure, communities, and ecosystems to climate change impacts
- Projects that support adaptation to climate-related risks, such as flooding or drought
- Activities focused on reducing air, water, and soil pollution
- Greenhouse gas reduction, including Carbon Capture, Utilisation, and Storage (CCUS)

Biodiversity and ecosystem protection

- Conservation and restoration of terrestrial and aquatic ecosystems
- Protection of coastal, marine, and watershed environments
- Initiatives to enhance and maintain biodiversity

13.2 Social Activities

Affordable basic infrastructure

- Provision of clean drinking water
- Development and maintenance of water purification and distribution systems
- Installation of community wells and water harvesting systems
- Modification of workplaces to accommodate employees with disabilities

Sanitation systems

- Construction of sewage treatment facilities and sanitation infrastructure
- Promotion of hygiene practices through education and facilities

Access to energy

- Implementation of projects that provide reliable and affordable energy to underserved communities
- Support for off-grid energy solutions in remote areas

Healthcare services

- Construction and equipping of hospitals, clinics, and health centres
- Mobile health units providing services in remote or underserved areas

- Programmes for disease prevention, vaccination, and health education

Educational services

- Building and renovation of schools and educational facilities
- Provision of educational materials and resources to students and teachers
- Scholarships and financial support for disadvantaged students

Vocational training

- Establishment of vocational and technical training centres
- Programmes aimed at skill development and capacity building for employment

Construction of affordable homes

- Development of housing projects for low-income families
- Rehabilitation of existing housing to improve living conditions

Social housing programmes

- Initiatives that provide housing subsidies or support for vulnerable populations
- Community-led housing projects promoting ownership and empowerment

Job creation initiatives

- Support for small- and medium-sized enterprises (SMEs) that create local employment
- Development of industries in economically disadvantaged areas

Microfinance and microenterprise support

- Provision of financial services to entrepreneurs and small businesses lacking access to traditional banking
- Training and mentoring programmes for business development

Food security and sustainable agriculture

- Access to quality seeds, tools, and farming equipment
- Training in sustainable farming practices and resource management
- Development of urban agriculture projects to improve local food access
- Initiatives that promote nutrition and food education

Socioeconomic advancement and empowerment

- Programmes promoting women's rights, leadership, and participation in decision-making
- Support for women's entrepreneurship and economic empowerment
- Educational and recreational programmes aimed at youth development
- Initiatives to reduce youth unemployment and enhance skills
- Programmes assisting refugees, indigenous peoples, and ethnic minorities
- Initiatives promoting the rights of persons with disabilities
- Development of centres offering social services, counselling, and recreational activities
- Projects that protect and promote cultural heritage and diversity
- Support for arts, music, and cultural events accessible to the community
- Facilities and programmes providing healthcare, recreation, and social interaction for the elderly

- Shelters, education, and care programmes for orphaned or vulnerable children

Access to financial services

- Establishment of banking facilities in underserved areas
- Financial literacy programmes to educate communities on managing finances
- Provision of affordable insurance options for health, agriculture, or property to vulnerable populations

Health improvement programmes

- Campaigns for vaccination and eradication of communicable diseases
- Education on preventive healthcare and healthy lifestyles
- Services focused on prenatal care, safe childbirth, and child nutrition
- Programmes reducing infant and maternal mortality rates

Disaster relief and resilience building

- Provision of immediate aid and resources in the aftermath of disasters
- Training communities in disaster risk reduction and emergency preparedness
- Infrastructure projects that mitigate the impact of natural disasters

Access to information and communications technology

- Internet access and digital devices in underserved areas
- Establishment of community technology centres
- Training on technology use as it relates to education, employment, and communication

Promotion of fair trade

- Surety that producers receive fair compensation
- Encouragement of ethical supply chains and consumer awareness

Access to transportation

- Development of accessible and affordable transit options in urban and rural areas
- Creation of sidewalks, bike lanes, and safe pedestrian crossings

Social enterprise development

- Funding and resources for enterprises addressing social issues
- Support for social enterprises to reach broader markets

13.3 Recap of Feedback from Wave 2 Pilot

The Wave 2 pilot provided invaluable insights from participants across various sectors, highlighting several areas where the principles could be improved to enhance usability, accessibility, and effectiveness. The key feedback points and the corresponding adjustments made in the Wave 3 principles are detailed below.

Simplification of the evidencing process

Participants noted that the complexity involved in evidencing each component of the principles made it challenging for users, particularly SMEs, to navigate and complete. The extensive documentation and rigorous proofs required were time-consuming and difficult to assemble. In response, the Wave 3 principles has simplified and expanded the evidencing process by providing clearer guidance on acceptable forms of evidence. This aims to make the principles more accessible and less burdensome, especially for SMEs.

Bias toward large corporations

Feedback indicated that the principles was inadvertently biased toward large, structured companies, as SMEs often struggle to provide the required sustainability information, which was not readily available. The principles were also less suitable for smaller entities due to their limited resources. In response, the Wave 3 principles have been adjusted to include simplified assessment pathways for SMEs. This includes accepting a broader range of evidence types and providing

additional support to smaller businesses in understanding and meeting the principles' requirements.

Inclusion of additional standards

The exclusion of credible and recognised standards such as the Science Based Targets initiative (SBTi) was identified as a limitation. Participants suggested that these standards should be included as ICC-recognised standards for environmental sustainability. In response, the Wave 3 principles have expanded its list of recognised standards.

Incorporation of regional taxonomies

Participants emphasised the importance of incorporating local standards and taxonomies to make the principles more applicable in emerging markets. Localisation can ensure the principles align with regional regulations and norms, enhancing its relevance and effectiveness globally. The Wave 3 principles has been updated to enable the integration of any regional taxonomies where appropriate, allowing for greater applicability across diverse markets.

13.4 What ICC Means 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. ICC maintains the two high-level dimensions of sustainability introduced as part of Wave 1:

- **Environmental:** Supporting climate change mitigation, as well as the sustainability of local environments and terrestrial and marine ecosystems
- **Socioeconomic:** 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 2, these dimensions are informed by the themes of the 17 UN SDGs, shown in **Figure 15**. ICC also builds on these definitions by integrating the concept of sustainability applied in the EU Taxonomy. Although 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 socioeconomic dimension as specified by ICC's principles. Thus, it has not been considered as a relevant SDG to the principles.

Figure 15
The dimensions of sustainability and relevant SDGs

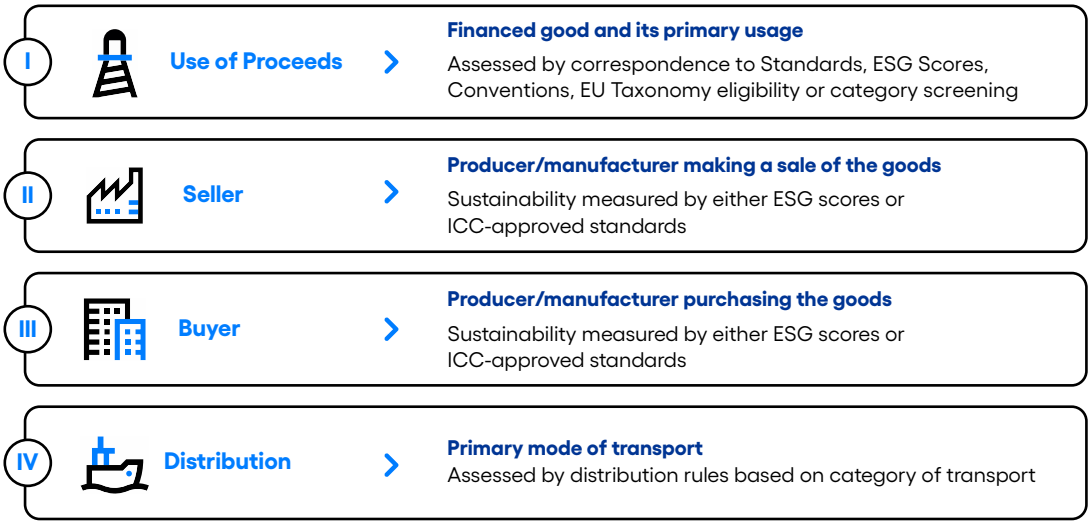
- Mitigate and/or reverse the impact of climate change
- Source and support use of clean energy, transport and industrial processes
- Protect, restore and promote sustainable use of terrestrial and marine ecosystems

- 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

13.5 What ICC Means by Components of Trade

We divide the entire life of an international trade transaction into four components, shown in Figure 16.

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.



13.6 List of Acronyms and Abbreviations

AG	Agriculture industry	**ICC**	International Chamber of Commerce
AML	Anti-Money Laundering	**ICE**	Internal combustion engine
API	Application programming interface	**ILO**	International Labour Organization
ASEAN	Association of Southeast Asian Nations	**IMO**	International Maritime Organization
AU	Automotive industry	**ISIC**	International Standard Industrial Classification of All Economic Activities
BCG	Boston Consulting Group	**ISO**	International Organisation for Standardisation
CII	Carbon Intensity Indicator	**ITC**	International Trade Centre
CO2	Carbon Dioxide	**ICE**	Internal combustion engine
CO2eq	CO2-equivalent emissions	**KYC**	Know Your Customer
COP29	2023 United Nations Climate Change Conference of Parties	**NACE**	Nomenclature of Economic Activities
DD	Due Diligence	**NGO**	Non-governmental organisation
DNSH	Do No Significant Harm	**OECD**	Organisation for Economic Co-operation and Development
EEA	European Environmental Agency	**SDG**	Sustainable Development Goal
EN	Energy industry	**SE**	Socioeconomic
ESG	Environmental, Social and Governance factors	**SME(s)**	Small and medium-sized enterprise(s)
EU	European Union	**T4SD**	Trade for Sustainable Development
EV	Electric vehicle	**TX**	Textiles and Apparel industry
GHG	Greenhouse Gas	**UN**	United Nations
HS	Harmonised System	**WTO**	World Trade Organisation