

World Investment Forum 2018

Sustainability, Commodities and Derivatives

Opening remarks

James Zhan, Director, Investment and Enterprise, UNCTAD

Wednesday 24 October, Room XXVII

At the outset, I wish to express my great appreciation to Ms. Nandini Sukumar, CEO, World Federation of Exchanges (WFE) for joining hands with UNCTAD to organize this important event. I would also like to thank Ms. Siobhan Cleary, Head of Research, WFE, who is moderating the session.

A welcome to the distinguished panelists and participants to this special session.

UNCTAD has a long history in dealing with issues related to commodities and development. It has a lot of experiences and lessons learnt over the past decades.

The global interest in responsible supply chains has continued to grow over the years. Back in 2011, UNCTAD was tasked by the **G20** to look into the sustainability elements of MNE supply chains.

As we highlighted to policy makers then, the interest among consumers, workers, investors and others is strong and growing. And more importantly, it is “**deepening**”. Let me explain what I mean by that.

When we examine the focus on supply chain CSR practices, we see an evolution in practices: year after year, companies are trying to tackle problems deeper and deeper into their supply chains.

In the 1990s and early 2000s, for example, there were many questions about working conditions in apparel factories. These are first tier suppliers for major apparel brands. But no one was yet asking about the working conditions in the tanneries that made the leather for shoes. Or the cotton farms that produced the cotton for shirts. These are all third or fourth tier suppliers. More difficult to reach and with more fragmented industries, very difficult to influence let alone control.

But eventually pressure from consumers, investors, workers and others drove the focus **deeper** into the supply chain. This led to the creation of the Better Cotton Initiative and the Better Leather Initiative for example.

This same dynamic has impacted things like wood and fish, which led to the Forest Stewardship Council and the Marine Stewardship Council. As well as Cocoa, which led to the Better Cocoa Initiative. Always the theme is: deeper into the supply chain.

So now when consumers start to ask about the coltan in their phone or the cobalt in their batteries – where do they come from and under what circumstances were they produced – this is part of a broader trend.

Today the **objective** of this session is to explore how this trend of promoting sustainable business practices affects the derivatives traded on commodity exchanges.

We noted with great interest earlier this year that the London Metals Exchange launched its “Responsible Sourcing Position Paper”. We applaud LME and any other commodity exchange that begins to seriously look at the conditions under which basic commodities are produced and tries to ensure its listed brands respect responsible sourcing practices.

For today's discussions, we do not start with any pre-conceived answer to these questions. We are looking to map out the questions, the challenges and the possibilities for action.

And we are pleased to partner with the World Federation of Exchanges for this session, to benefit from their expertise on exchange practices.