



## Frequently Asked Questions (FAQ): Piloting the Concept of Humanizing Value Chains (HVC)

### 1. What is the Humanizing Value Chain (HVC) Initiative?

The HVC Initiative is a transformative effort to integrate ethical practices, sustainability, and worker empowerment into global supply chains. By leveraging cutting-edge technologies such as blockchain and artificial intelligence (AI), the initiative aims to create transparent, equitable, and socially responsible value chains. It addresses systemic gaps in traditional market mechanisms, ensuring fair wages, safe working conditions, and dignified livelihoods for workers, particularly in industries like garments, coffee, cocoa, and more.

### 2. Why is this initiative important now?

The global economy is undergoing rapid transformation due to advancements in AI and other emerging technologies, raising concerns about job security and fair treatment for workers. At the same time, consumers—especially Gen Z and Millennials—are increasingly prioritizing ethical and sustainable brands. The HVC Initiative responds to these challenges by demonstrating how technology can be harnessed for social good, ensuring workers benefit from these advancements while aligning with evolving consumer expectations.

### 3. How does the HVC Initiative benefit workers?

The initiative introduces a **micro-repatriation (MR)** mechanism, allowing consumers to contribute voluntary, small amounts (e.g., \$0.50–\$2.00) per product purchased. These contributions directly benefit workers, potentially lifting millions out of poverty. For example:

- In the garment industry, with 524 million garments sold daily, even a \$0.50 repatriation could generate \$262 million daily for workers.
- In the coffee industry, an additional \$0.01 per cup could provide \$30 million daily for 25 million coffee farmers, helping them surpass the World Bank's poverty line of \$2.15 per day.

### 4. What is Micro Repatriation (MR)?

Micro-repatriation (MR) is a digital mechanism that channels a small, voluntary portion of each purchase directly back to the producers and workers at the start of the value chain. Unlike traditional tipping, often perceived as charitable, micro repatriation reframes these payments as a fair share—an act of restorative justice that addresses systemic imbalances, ensuring that those marginalized receive tangible, traceable benefits.

Every transaction in global value chains prompts a critical question: Are we extracting value, or are we repatriating it? Extraction treats smallholders and workers merely as resources, squeezing efficiency and profit, and often leaving them in poverty. It perpetuates the cycle of inequity. Repatriation, on the other hand, restores justice and fuels sustainable development. Through Micro-repatriation, we

choose to honor and return value to its creators, not just its sellers. We focus on the "value" in value chains.

### **5. Why Micro Repatriation (MR)?**

Global value chains have historically acted as engines of extraction, drawing value from communities and concentrating prosperity away from their origin. With Micro-repatriation, we change this narrative: instead of merely extracting, we actively return value to where it belongs. This approach rectifies injustices and serves as a smart reinvestment in the long-term resilience of supply chains. Our stance is clear: shift from extraction to fair repatriation, transaction by transaction, life by life.

Micro-repatriation (MR) recognizes the foundational role of producers, ensuring that value flows back to those who generate it. It is a practical, visible, and scalable solution—a direct, transparent return of value to producers, farmers, and laborers who are often excluded from the benefits of global trade.

In a world demanding greater ethical transparency, our mission is to lead the movement from extraction to repatriation, utilizing technology, innovation, and consumer partnerships to humanize value chains at every step.

### **6. What role does blockchain technology play in this initiative?**

Blockchain ensures transparency, traceability, and accountability in the value chain. It enables:

- Micro-repatriation: Secure and direct transfer of consumer contributions to workers.
- Product Traceability: Integration with the European Union's Digital Product Passport (DPP), ensuring compliance with sustainability goals and ethical practices.

### **5. What is the European Union's Digital Product Passport (DPP), and how does it relate to HVC?**

The Digital Product Passport (DPP) is an EU initiative to promote sustainability and transparency in supply chains. It requires companies to provide detailed information about a product's lifecycle, including its environmental and social impact. By integrating the HVC Initiative's micro-repatriation mechanism with the DPP framework, companies can:

- Enhance compliance with EU regulations.
- Strengthen their brand reputation as leaders in ethical and sustainable practices.

### **6. What is the role of the Common Fund for Commodities (CFC) in this initiative?**

The CFC, a UN-affiliated organization with 101 member states, is committed to investing its resources to pilot the HVC Initiative. The CFC's mission is to increase income for smallholders and workers through innovative solutions. By addressing systemic gaps in traditional market mechanisms, the CFC aims to empower vulnerable groups and foster sustainable livelihoods. This initiative is entirely philanthropic on the CFC's part, with no financial burden on participating companies.

### **7. What are the potential benefits for participating companies?**

- Enhanced Brand Reputation: Recognition as pioneers in ethical and sustainable business practices.
- Consumer Loyalty: Alignment with socially conscious consumers (Gen Z and Millennials) who prioritize ethical brands.

- Compliance Leadership: Early adoption of the EU's DPP framework, positioning companies ahead of industry peers.
- Worker Satisfaction: Improved worker morale and productivity through fair wages and dignified treatment.
- Global Impact: Contribution to the United Nations' Sustainable Development Goals (SDGs), particularly poverty alleviation, at a time when progress toward SDG 2030 is off track.

#### **8. What does a company need to do to participate in the pilot?**

Participation involves:

1. Consent: Approving the pilot project and allowing the CFC to engage a blockchain vendor.
2. Product Line Integration: Selecting a product line for the pilot with blockchain-based traceability features.
3. Consumer Engagement: Collaborating on branding campaigns to promote transparency and micro-repatriation.
4. Worker Participation: Ensuring the repatriation system reaches its intended recipients.

#### **9. How will the pilot project be funded?**

The CFC will fund the pilot project through its resources, subject to approval by its Consultative Committee. Participating companies will not bear any financial costs for the pilot. The CFC will also fast-track the selection of a blockchain vendor to implement the initiative, subject to approval of the Consultative Committee.

#### **10. What is the long-term vision of the HVC Initiative?**

The HVC Initiative aims to create a global movement where every product sold contributes to the empowerment of workers. By demonstrating the success of micro-repatriation in industries like garments, the initiative can be expanded to other commodities like coffee, cocoa, rice, and wheat. The ultimate goal is to lift millions of workers out of poverty, promote ethical business practices, and inspire industries worldwide to prioritize worker well-being.

#### **11. Who can I contact for more information?**

For further details or inquiries, please contact Ms. Zahra Kahla, the Focal Point for HVC Pilot  
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#### **12. What are the next steps?**

1. Interested companies provide in-principle consent to proceed with the pilot.
2. The CFC engages a blockchain vendor and finalizes the pilot design.
3. Participating companies select a product line and collaborate on branding and worker engagement.
4. The pilot is launched, with results presented to the CFC's Consultative Committee for further scaling.

The HVC Initiative represents a unique opportunity to transform global supply chains, empower workers, and align with the values of socially conscious consumers. By partnering with the CFC, companies can lead the way in ethical business practices, setting a powerful example for the industry and beyond.