Integrity of Organic Cotton

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OUR MISSION
Textile Exchange inspires and equips people to accelerate the adoption of preferred materials through clear and actionable guidance. We convene the textile industry to collectively achieve climate reduction goals and holistic positive impacts across fiber and raw material production.

OUR VISION
We envision an enriching global textile industry that protects people and planet by positively impacting climate, soil health, water, and biodiversity.
Textile Exchange by the numbers*

- 660+ Active Members of Textile Exchange
- 2,400+ Participants across 11 Round Tables
- 250+ Companies engaged in benchmarking their use of preferred materials
- 1,900+ Industry professionals convened at our most recent Conference In Dublin - 2021
- 40,000 Sites in 75 countries certified to our 7 active standards
- 70+ Online educational events hosted throughout 2020

* Numbers correct as of Nov.t 2021
A driving force for urgent climate action in textile fiber and materials production.

Enabling and guiding the textile industry to reduce greenhouse gas emissions (CO$_2$ equivalents) **45% by 2030** in the pre-spinning phase of textile fiber and materials production.

**Grounded in Partnership+**

*Amplifying positive impacts in soil health, water, + biodiversity.*
Getting to 45% in Tier 4

Baseline:* 611Mt

BAU: 845.9Mt

165Mt  Slow growth (1%)

148.4Mt  Materials Substitution

533.5Mt  Aggressive Substitution

197Mt  Circular & Regenerative

▼ 23%

45% pathway

Innovation Gap

336Mt

Fiber and Material GHG emissions

Reduce Growth Related to New Materials and Products

+ Aggressive Substitution
   (Known Solutions)

+ Fill the Innovation Gap
   (Unknown Solutions)

= 45%

* Calculations are based upon global fiber volume from the Textile Exchange Preferred Fiber and Materials Market Report and midpoints from the Higg Index Materials Sustainability Index (MSI)
The Industry’s Direction of Travel
Encouraging Continuous Improvement

- Status-Quo: Conventional Fibers & Materials
- Improved: Minimizing Harmful Impacts
- Progressive: Maximizing Positive Effects
- Advanced: Regenerative Organic & Circular

CLIMATE
TextileExchange • VISION 2030
Soil • Biodiversity • Water
What is Integrity?

If we were talking about Personal Integrity?  
We act according to the values, beliefs and principles we hold.

If we were talking about a building?  
It would mean unimpaired, or sound in construction.

If we are talking about a product?  
Internal consistency or lack of corruption
What is Organic Cotton?

Organic cotton comes from organic agriculture, which IFOAM International defines as:

“A production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.”

- IFOAM-Organics International
The Many Facets of Organic Agriculture

Organic agriculture production prohibits the use of synthetic toxic and persistent pesticides and fertilizers as well as genetically engineered seed.

Soil health, water, and biodiversity – all key components of Textile Exchange’s Climate+ Strategy – are just three of the many positive facets of organic agriculture.

Note: Organic is not a purity claim; it is a production claim.
Organic is the only agricultural production system focusing on sustainability that has been codified into law.

- These laws are in place in most regions of the world. These include:
  - the European Commission Regulation EC 2018/848
  - India’s National Programme for Organic Production (NPOP), and
  - the U.S. Department of Agriculture National Organic Program (USDA NOP).

This means that the term "organic" has greater legal protections (and legal scrutiny) than any other "green" claim.
How Integrity is Built into the Organic System

- National laws and regulations govern organic standards and claims

- IFOAM independently recognizes the credibility of particular national standards in its "Family of Standards."

- Accreditation bodies (ABs) - government-run or independent entities, approve and monitor independent certification bodies (CBs)

- Third-party CBs perform audits on the farms to verify that organic producers meet strict national regulations addressing methods and materials allowed in organic production, and address chain-of-custody through to finished products, if desired.
The Role of Standards

- **Governments or the Scheme Owner**: sets the rules for farmers and claims
- **Accreditation body (AB)**: provides oversight of the CBs
- **Certification body (CB)**: audits for conformity with the rules set by scheme owner
- **Certified companies (farms)**: implement the standard according to the rules.
Two voluntary standards address the post-harvest tracking and labeling of products containing organic cotton:

• Textile Exchange’s Organic Content Standard (OCS): Chain of Custody standard enabling an ingredient claim in a product.

• Global Organic Textile Standard (GOTS): Chain of Custody tracking plus processing stages (e.g., dyeing and finishing) standards and workers’ rights, providing the ability to make a product claim.

These private, voluntary standards go beyond production laws, as the transformation of organic agricultural products into textile products. The manufacturing process is either not covered (Europe) or poorly covered (U.S.) in most areas.
Organic Cotton's Journey From Field to Finished Product (Part 2)

- The standards require a “scope certificate” (SC) and “transaction certificate” (TC) for each step - from field to finished product - documenting quantities, sources, destinations, dates, and more.

- A scope certificate lists the post-harvest products / product categories which can be offered as certified and labelled to a standard and the corresponding production stages.

- The transaction certificate lists the actual certified products and shipment details.

- This information is available in public online data bases.
What does the Chain of Custody Look Like?

The forward product path is ensured, but suppliers are able to preserve confidentiality if desired.
Textile Exchange understands that integrity is critically important to the organic cotton supply chain.

Challenges in integrity are not new - nor unique to organic cotton.

Challenges in integrity are complex with root causes and can evolve over time. We are taking a multi-faceted approach to Strengthening Integrity in Organic Cotton.
Institutionalizing Integrity in the Organic Supply Chain – Inside the System

Challenges inside the system:

- Strengthening our standards to reduce the opportunity for Integrity Challenges.
- Significant investments in centralizing and digitizing certification data for volume reconciliation and traceability.
- Improved and continuous improvement to auditing requirements to detect supply chain substitutions.
- Increasing oversight of CB activities.
  - Banning CBs or traders that are engaged fraudulent activities.
- Instigating or requesting investigations where reports of fraud are alleged.
- Conducting, and increasing number of shadow audits.
- Senior Leadership monitors integrity issues with monthly meetings and hosting a quarterly Task Force meeting, to keep these issues on front burner.
- Collaborating and sharing monitoring results as members of ISEAL.
Investing & Strengthening Integrity

• Challenges *outside* the system:

  • Educate stakeholders throughout the supply network regarding:
    • Risk - how to identify, mitigate, and prevent fraud.
    • Monitoring the Market Place
    • Compliance - how standards and certification can provide assurance and reduce fraud.
      “Know your supply chain fiber & material suppliers”
      It's all about traceability.
  • Forecasting - "Plan for Planting," removing the incentive for fraud when the fiber is not otherwise available.
Institutionalizing Integrity in the Organic Supply Chain – What You Can Do

We recommend that brands and supply chain partners:

• Invest in developing policies outlining your response to potential challenges.
• When you hear concerns, investigate them fully – and immediately.
  • Capture evidence and corroborate claims.
• Share evidence of investigations with relevant authorities / stakeholders.
• Collaborate and share monitoring with trusted partners to provide the right culture and environment for integrity to flourish.
Integrity is not just an Organic Cotton Issue. **Integrity is a cotton Issue** – both an opportunity and a challenge. Stronger regulation is here and is coming for both environmental and social issues.

**Cotton has a significant opportunity** in both the present and future time to play a role in being the preferred fiber of choice to mitigate Climate Change.

- Carbon Sequestration, Biodiversity, Water Utilization (watersheds)

**Resilient Rural Communities:** Cotton also can play an important role as a cornerstone crop in many rural communities around the world, providing not only a cash crop with the fiber, but also revenue for seed as a protein source for livestock – and in some villages, stalks provide fuel for kitchen fires.
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Regenerating

CLIMATE+ 
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Soil • Biodiversity • Water
Final Thoughts – Organic or Identity Preserved Cottons

- Adoption of best practices – *with* stringent and transparent verification systems and *without* the use of greenhouse gas emitting fertilizers – is the best solution for mitigating and reversing adverse climate change effects.

- Organic is the world's most highly regulated agricultural production system. Hence its popularity with brands – and with opportunists.

- No system is immune to integrity challenges.

- Putting the most intensive restrictions in place to prevent it is vital.
  - So is educating players to recognize, prevent, and address it.

*We have a choice – to be part of the problem – or part of the solution!!*
Thank you

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