



**FINAL**

**ICAC Plenary Meeting  
2<sup>nd</sup>- 5<sup>th</sup> December 2023  
Mumbai, India**

**PSAC's Committee on Textiles  
Recommendations on policy making for traceability**

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**Challenges and concerns regarding current and upcoming traceability regulations and traceability solutions present in the world**

- **Unclear regulations**
  - Many countries are now expanding their regulations to cover traceability, child labor prevention amongst others. However, some of these regulations are not specific, for example: - many child labor prevention acts don't define the age of the child involved, many are not region specific and may subject every region to perform checks.
- **May create unintended consequences**
  - If an importer has their shipment detained by a country, they can either challenge this detention or they can choose to re-export or destroy the shipment, this could lead to creation of new 'dumping grounds' of re-exported products which may also include products containing forced labour.
- **The issue of recycled cotton**
  - Almost all the traceability solutions don't track recycled cotton.
- **Challenges with fragmented supply chains**
  - For full traceability utilising existing traceability systems, everyone on the cotton value chain needs to volunteer to provide the information at the same traceable solution provider. Which also means that everyone needs to pay membership not just to a traceable solution but to the same traceable solution, or to several solutions. As cotton value chains are spread across nations, this process can be extremely challenging and costly.
- **Access to traceability solutions**
  - Most traceability solution providers are also certification bodies for Identity programs and their traceability programs are linked to their production certificates. That means



a producer is forced to employ a specific production certification program to take part in their traceability program.

- **Audit fatigue and compliance issues**

- Multiple audits don't just create audit fatigue but also increase the cost of production tremendously. Further, there will be a huge price difference and compliant companies will have a disadvantage compared to non-compliant companies. It is also a challenge to manage all the compliances for different retailers.
- Even after employing a traceable solution, the supply chain participants may still need third-party auditing.
- The upcoming regulations require many audits which is difficult as it seems impossible to audit every shipment and every movement virtually.
- Some of the new legislation requires third-party verification, so the retailer and brand audits may not be accepted, yet individual Retailor or Brand legal compliance departments require only their bespoke systems and will not always accept independent third party verification..

- **The gap between the developed and developing countries**

- The developed and developing countries are going through a different set of problems; the timeline is different for them. So, we need to see what is more important in different countries and how it needs to be taken care of.

- **Long term process**

- The sustainability reporting does require an overhaul of the way that a company conducts its business practices. The recommendation is for companies to get started now and start looking at how they make these decisions, understanding what type of risk they touch upon within their supply chain: not only within their company but within their impactful business partners, so that does affect factories throughout the supply chain. It is intended to be a robust, meaningful, customized due-diligence program that reflects that specific corporation and its business. This process is costly and may require longer than the current expected time frames.

- **Intent to action gap**

- for example: - If 70% of consumers say they would prefer to buy a sustainable product, but only 20% actually do – that is called 'intent to action' gap. It happens because consumers do not believe what brands tell them. Green marketing guidelines that are coming up in different countries are putting increased pressure on brands but over time it will lead to more credibility for consumers.



- **Unclear data points within the industry**
  - The textile and apparel industry is almost unique because of the style/color/size dated definitions and almost unique in how complex their data models are; every manufacturer has their own way of identifying the articles, so it's a huge melting pot of specific data points.

### **Recommendations**

- Special consideration should be given to small-scale farmers and small and mid-size businesses.
- Governments should consider recognizing some solution providers as a part of a larger due-diligence system that companies need to implement.
- Governments should consider standardizing audits so that the process is as simple as possible, making things easier for companies and customers.
- Governments should consider subjecting man-made fibres to the same levels of traceability and sustainability standards.
- Consideration to create globally acceptable definition of sustainable cotton and how we can measure and trace the same.
- Governments should consider standardization in data capture modals – in terms of what minimum amounts of data are required and will be used to track transactions.
- Government should consider providing different timelines for developing and under developed countries.