



**3RD MEETING OF
TEXTILES COMMITTEE
Wednesday, 28th June 2023
8 a.m. Washington DC time**

Minutes

The ICAC Secretariat staff who attended the meeting:

Parkhi Vats, Mike McCue, Maria Borisova

The PSAC members who attended the meeting:

Dimitris Polychronos, Jerzy Kotwas, Iwona Frydrych, Hama Ali, Chandrima Chatterjee, Mark Sussman, Peter Wakefield, Sergio Benevides, Anees Khawaja, Mohamed Bashir

Observers/presenters: Kelli Hoggle, Gary Bell

Meeting recording

<https://youtu.be/CIPL9duwgog>

Presentation by Valentina Bolognesi, Amfori

<https://youtu.be/TvMa02k0uhs>

Presentation by Gary Bell, US Cotton Trust Protocol

<https://youtu.be/CUtSNnxHm8w>

1. Participants presented themselves.

- 2. Mike's update on World Cotton Day (WCD):** This year it is going to be a combination of different types of events. WCD falls on a Saturday, so the original founding organisations (ICAC, FAO, ITC, UNIDO, WTO, UNCTAD) will be gathering on 4 October in Vienna for a one-day event. UNIDO is responsible for the event this year. The ICAC wants to have another event and considering the support from Taiwan-based Peter Wakefield and Mark Sussman and that we have scheduled an international seminar in Taipei for October 18th, we are suggesting that we have a WCD exhibit on 19 October. The ICAC Delegate from Taiwan is now discussing this question with the capital. As there is another major event in Taiwan on 21 October, the International Organisations Day, we were discussing a possibility of wrapping it into one big event. I will be back with an update about the opportunities for PSAC.

Peter Wakefield: We will be waiting for the update and see if PSAC can assist in organisation.

- 3. Parkhi's update on the ICAC Plenary Meeting:** We will have an in-person Plenary Meeting in Mumbai, India, from 2-5 December 2023. The inaugural session will take place on Saturday 2 December and there will be a slot for PSAC session; the final date is under discussion. Usually there is a technical tour after the Plenary and the tentative dates are 6-7 December. We will get back to PSAC via email with the details.
- 4. Mike's update on sponsorship for Plenary Meeting:** Our position is to let the organising committee in India determine what they can do with sponsorships. When they decide on



their plans, we will fill in the gaps. We are going to have an exhibition area and I presume we will have opportunities for sponsorship. We will update on this as well.

5. **Parkhi requested to move to item #2 of the agenda due to time constraints and then get back to item #1.** Anees agreed.
6. **Parkhi:** We are preparing for the PSAC session at the Plenary Meeting this year and the Permanent Committees decided to work on traceability. So, the session title is going to be, 'Private Sector Recommendations for Policy Making on Traceability'. Each Permanent Committee will advise what is important in their view to keep in mind when making decisions on traceability policies. The audience will include government delegations so we can seek that the governments can force or relax some aspects of the policies. Once each Permanent Committee has compiled their comments, the Executive Committee will merge them into one set of guidelines which will be presented at the Plenary Meeting. This objective will be achieved in three steps: collecting the current problems from the private sector; discussing the current and upcoming traceability regulations in the world; and looking at the solutions that are available in the industry.
7. **Presentation by Valentina Bolognesi, Amfori.**
8. **Q&A with Kelli Hoggle.**

Mark Sussman: As far as I understood, a company would have 30 days to go through the corporate sustainability directives and then another 15 days to implement them. The textile value chain is extremely complex and the requirement to make these directives and respond to them within a 30-day and 15-day window seems to be a little confusing.

Kelli: I'm not as familiar with what happens if there is a claim or complaint brought against the company — what is the time frame in which they are required to respond. I'll have to get back to you on that; I apologise I don't have a specific answer. But you're right that does seem to be quite strict.

Peter Wakefield: If I understand this correctly it is not a single report; it is an integrated ongoing reporting system which must be a day-to-day part of your business. Am I correct?

Kelli: Yes, you are correct. The sustainability reporting does require an overhaul of the way that your 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, customised due-diligence program that reflects that specific corporation and its business.

Mohomed Bashir: Import is a very complex operation; importers can buy from companies of any size. How will it be managed; how will you be able to tell which goods are coming from where? This is very concerning, especially when you mix fibres and buy cotton from so many places. It is a very big challenge to start in 2024.

Kelli: What starts in 2024 covers the companies that are already required to report under the EU regulations, so it's not as new to them. The reporting directive does not require the same



level of due diligence. What you're referring to is the CSDDD, which has not yet been finalised. There are currently negotiations going on, expected to finish at the end of this year and then there will be time for EU member states to transpose the law into their own national legislations. The earliest that we're looking at is 2026 and that is the legislation requiring companies to have a due diligence process in place and it doesn't necessarily mean that they must trace their full supply chain. Companies must have a meaningful approach in which they try to identify and mitigate risks within their supply chain. Back to your original point about importers: Maybe importers won't fall under the requirements to report; however, they may still have a knock-on effect on their supply chain due to large retailers having to adhere to the legislation. This is what US companies are scrambling for; this is a million-dollar question now.

Mohomed Bashir: The other thing is audit fatigue, which increases the cost of production tremendously. There will be a huge price difference and compliant companies will have a disadvantage compared to non-compliant companies. And it is a nightmare to manage all the compliances for different retailers.

Kelli: I agree; audit fatigue affects the cost, and those investments could really focus on improvements.

Mohomed Bashir: We tried to discuss that, for example, consider most goods on the audit the same and then address specific concerns for specific products. We spent money, used the help of very good consultants and still were not able to fully manage this. You should reach out to associations and use their experience to make everything more user friendly.

Peter Wakefield: That is where we as PSAC can put our recommendations to make things easier for companies falling under these requirements.

Kelli: The new draft legislation CSDDD requires a third-party verification, so the retailer and brand audits are less meaningful or not going to be accepted. The objective of Amfori is to reduce audit duplication. There is one audit per year that all our members are supposed to go through, accept those results, and move on with continuous improvement, etc.

Mohomed Bashir: Retailers have so much bureaucracy now and things in textiles are changing every day. It is going to be quite difficult.

Anees: You cannot take all the countries to the same level. 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. This is something we need to take over on our committee mandate as well.

Mark Sussman: Speaking about the audits, have you thought about how this will affect small stakeholders because this is going to take them out of the loop?

Kelli: Not quite and this is one of the criticisms that this legislation is receiving.

Chandrima: When the majority of the manufacturers are SMBs, this is becoming a huge concern.

Kelli: That was our recommendation in a way that we can influence this legislation.



Chandrima: There are already a lot of initiatives where this data is captured; can you recommend any of them?

Kelli: There have been developments in the new draft that encourage collaborations with initiatives like Amfori. CSDDD does not suggest that a whole new set of audits must be conducted but rather that companies should have a meaningful approach to risk management. I don't think that the legislation will come down to recommending one specific data provider; however, it will be recognised as a part of a larger due-diligence system that companies need to implement.

Dimitris Polychronos: I don't think that this legislation related to large corporations is linked to what consumers try to find out, they try to learn what is the impact. And this is more of a corporate tool; it doesn't give any additional information to consumers.

Kelli: You are right it is not that simple to find out, but it holds companies accountable to a certain level.

Mohomed Bashir: Is it possible to first standardise the audits as much as possible, making things easier for companies and customers and from there move ahead?

Kelli: This work has to be done in parallel; this legislation is not audit-based but suggests that companies should have a meaningful approach. That is why our company was founded – to bring companies together, collaborate, encourage them to use the same audits.

Parkhi: if you have more questions, please email me; I will forward them to Amfori and ask for a written response.

9. Presentation by Gary Bell, US Cotton Trust Protocol

10. Q&A with Gary Bell

Mohomed Bashir: 70% of textile consumption is man-made fibres, so how much is cotton and how are we dealing with blends?

Gary: The system itself is designed to accommodate blends. If yarns are identified in the system, it becomes a building block for the fabric. The system can also accommodate double-knit fabrics, woven fabrics, duplicity of garments that can have multiple fabrics; it does the calculations based on the input materials. It may look like a huge amount of data, but the suppliers already have to collect the same data for certification. It is not more information; it is a different way of delivering the information. I believe that our industry, which was regulated much less than other ones, will be scrutinised in a way that has never been seen before. And the industry needs to evolve; transparency is no longer a 'nice to have'. The system allows to build a traceable connection between fibre and the brand, which is very long and complex chain.

Mark Sussman: You mentioned nine principles of focus like soil health. In Taiwan, we try to blend by-products of other agricultural industries such as pineapple leaves. Is this something you are looking at as one of the principles of focus? Putting more natural fibres?

Gary: The nine principles are related to the overarching categories. There are 142 questions in the self-assessment questionnaire and 40% of those questions are related to mandatory practices: If you are using cover crops; what are they?



There is a push for regenerative agriculture but there is no globally accepted definition of what a regenerative agricultural product is. I would say around 60% of all the recommended practices that the protocol has are by nature regenerating: using cover crops, doing crop rotation, doing limited tillage. Everything within the protocol is meant to put carbon and organic matter back into the ground and to increase the soil carbon index.

The growers receive a report card every year that shows them this year versus last year and their relative rank; we highlight the practices used by leaders. It's our job to provide information that can be informative.

Traceability and sustainability were always something within big brands and retailers that operated as a very small sustainability department. But now these discussions are happening on a very different level. And technology now allows us to involve consumers in the process. Up to 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 they do not believe what brands tell them. Green marketing guidelines that are coming up in the EU are putting increased pressure on brands but over time it will lead to more credibility for consumers. So, I think these traceability solutions are helping to connect the dots between the supply chain and the consumer.

Iwona Frydrych: This will affect prices; do you think that environmental aspects are as important for higher-paying consumers as other product qualities?

Gary: Consumer research shows that design and brand (used as a reference of quality) are of almost same importance for consumers. The industry has changed, and we see brands that are moving to protocol cotton to be able to show their consumers where they get the product because they recognise that is what their consumer wants to hear.

As far as audit fatigue is concerned, the brands and retailers requiring those audits can only use their own audits from the legal risks point of view. And as much as we want to standardise audits, the brands and retailers operating in highly litigious environment will still require their own audits.

The US Cotton Trust protocol is active in several programmes around the world where we're trying to come up with a globally acceptable definition of sustainable cotton and how we can all measure the same things. I would highly recommend that you think of recommendations to governments about the concept of data capture standardisation and what minimum amounts of data are required and used to track transactions. The textile and apparel industry is almost unique because of the style/colour/size dated definitions and we're almost unique in how complex our data models are; every manufacturer has their own way of identifying the articles, so it's a huge melting pot of specific data points. I would highly recommend that you think of the concept of standardisation of data capture for transparency.

11. Parkhi suggested postponing objective 2 until the next meeting; Anees and Peter agreed. Parkhi thanked everyone and concluded the meeting.