4ᵗʰ MEETING OF THE
BRANDS COMMITTEE
Thursday, 13 July 2023
8:00 am, Washington DC

Minutes

The PSAC members who attended the meeting:
Sharad Saraf, Nate Herman, Javed Hassan, Marc Lewkowitz, La Rhea Pepper, Jerzy Kotwas, Peter Wakefield

Observers/Presenters: Kelli Hoggle, Gary Bell

The ICAC Secretariat staff who attended the meeting:
Parkhi Vats, Mike McCue, Kanwar Usman, Maria Borisova

Meeting video: https://youtu.be/6FpSWVB_tXY
Presentation by Gary Bell, USCTP: https://youtu.be/CUtSNnxHm8w
Presentation by La Rhea Pepper, Textile Exchange: https://youtu.be/u543W4f9zic

1. Participants introduced themselves.
2. <u>Mike's update on WCD</u>: 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 — given that the ICAC has support from Taiwan-based Peter Wakefield and Mark Sussman, and that we have already scheduled an international seminar in Taipei for 18 October, 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 the possibility of wrapping it into one big event. I will be back with an update about the opportunities for PSAC.
3. <u>Parkhi's update on the ICAC Plenary Meeting</u>: We will have an in-person Plenary Meeting in Mumbai, India, from 2-5 December 2023. The inaugural session will take place on Saturday and there will be a slot for a PSAC session, but the formal 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 emails with the details.

4. <u>Mike's update on sponsorship for Plenary Meeting</u>: Our position is to let the organising committee in India determine what they can do with sponsorship. When they decide on their plans, we will try to fill in the gaps. We are going to have an exhibition area and I presume we will have opportunities for sponsorship like lunches, dinners, and perhaps a post-event video. We will update on this as well.

5. <u>Sharad Saraf</u>: We are planning the Plenary along with multiple organisations and within one month we will have a program which will answer some of the questions you just raised.

6. <u>Parkhi's update on the discussion with the EU</u>: There is no specific update, but we reminded the delegates that we are waiting for their reply. It is normal for the EU to take 6-8 months to reply because they are collecting comments from all the member states.

7. <u>Parkhi</u>: The Standing Committee granted its approval to add organisations like WTO and World Bank as permanent Observers at PSAC and validated a list of organisations from non-Member countries to become temporary Observers, including Eurotex and an organisation from Canada. We also welcome back organisations from Brazil, which happily has re-joined the ICAC.

8. <u>Nate</u>: Hopefully addition of Eurotex and Canadian Apparel Federation will help to broaden the scope of this Committee.

9. <u>Peter</u>: We asked one of the Delegates from Brazil to recommend a retailer organisation that could join the PSAC. We also have the new Executive Director who joins the ICAC in August, and we can discuss with him the possibility of modification and relaxation to the rules so actual brands could be invited to the PSAC.

10. <u>Nate</u>: Our goal this year is to compile recommendations on traceability legislation. As part of this we will have presentations about regulations and current solutions on the market.

11. **Presentation by Gary Bell, US Cotton Trust Protocol (USCTP)**

12. **Q&A with Gary Bell**

<u>Nate</u>: All US Cotton has the permanent bail ID (PBI), but USCTP takes it to a higher level with the partnership with Textile Genesis, etc. Could you explain how PBI works alone and then how it works with USCTP?

<u>Gary</u>: The PBI system was put in place by USDA-AMS, and the way US cotton is managed is it goes through the ginning process and at this point the fibre quality in that bale is not known yet, so the grading stage happens after it is physically packaged and had this number applied to it. USCTP uses that fixed unit of measure, the number of kilograms of cotton in that bail ID to control the amount of volume of fibre going into the system.

One of the challenges of any traceability solution is to connect unconnected transactions. When a farmer sends their cotton to the gin, it is not connectable to a brand or even to a yarn. So, we are trying to create these fixed levels of inventory, so the PBI system is a perfect foundation to start with accurately.

The greatest challenge of traceability is one where the actual recipient of the material is able to self-declare the inventory they received. So, everyone needs to be a part of USCTP, sign a

legal agreement that they are only recording to the system what happens at their facility. The key point is that we try to create this unbroken chain of custody.

This is what makes our solution fibre-forward. Because if you start with the product and try to work your way backward it is very difficult to connect transactions.

Peter: You mentioned that each member inside the value chain must sign up for USCTP. Is there a fee for each member or is it paid by one party within the entire chain?

At this point, Gary's connection was lost so the Chair asked Parkhi to move to the next presentation.

13. Presentation by La Rhea Pepper, Textile Exchange

14. Q&A with La Rhea Pepper

Nate: You would describe your system as a closed loop system, correct?

La Rhea: Yes, especially the E-Trackit. The D-Trackit is moving through the system and has the external verification. We have these two systems because of how the industry is evolving; there are brands that are more advanced in terms of access to technological solutions. Textile Genesis is using the same technology as USCTP; we worked in tandem to make sure we have consistent methodologies and data governance.

Nate: You also need all the stakeholders throughout the supply chain to sign up, correct?

La Rhea: Yes.

Nate: In terms of demand, is there an issue right now?

La Rhea: it is always an issue. Will those things support scalable solutions? Does it take away the obstacles, does it give those brands and market partners the ability to have confidence in the material moving through the supply network? It addresses the underpinning issues of confidence and the ability to send clear market messages to the supply.

Gary: I am sorry for dropping off earlier; I agree with La Rhea. As Kelli's presentation points out it is no longer a 'nice to have'. The regulations coming in around green marketing, the prohibition of forced labour is now becoming business imperatives.

This is a very encouraging time because technology and regulatory forces are creating a convergence of factors that are amplifying the need for this internally within brands. Sustainability used to be the field of historically underfunded and under-resourced CSR departments within brands. And now the discussion is happening on a completely different level. We have a very fragmented industry and that creates challenges from the traceability point of view. The recommendation to ICAC as you come up with your recommendations: Try to find ways to make it standard. It will reduce fatigue on the middle level.

We were discussing this connection from brand to consumer; brands have been struggling historically to get their consumers to believe that they are doing something sustainable and to spend more money on such products. There is this intent-to-action gap which mainly appears because of the mistrust and traceability can bridge that gap.

La Rhea: this is a fruitful discussion and the recommendations which we can make through ICAC regarding standardisation; reducing audit fatigue can help the industry get stronger.

15. <u>Parkhi</u>: We will send invites for the next meeting; we are expecting presentations from Amfori and BCI. It will happen sometime before or in September because we must finalise the statement for the Plenary Meeting and approve it at the Standing Committee meeting.
16. Nate thanked everyone and closed the meeting.