



**5<sup>th</sup> MEETING OF THE  
BRANDS COMMITTEE  
Thursday, 22 August 2023  
8:00 am, Washington, DC**

**Minutes**

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The PSAC members who attended the meeting:

Sharad Saraf, Nate Herman, Javed Hassan, Peter Wakefield, Tina Stridde, Driana Guwa Lwanda, Mohamed Bashir, Lisa Ventura

Observers/Presenters: Kelli Hoggle, Alia Malik

The ICAC Secretariat staff who attended the meeting:

Parkhi Vats, Mike McCue, Kanwar Usman, Maria Borisova

Meeting video: <https://youtu.be/yoCZUKtuXTU>

Presentation by Valentina Bolognesi, Amfori: <https://youtu.be/TvMa02k0uhs>

Presentation by Alia Malik, Better Cotton: <https://youtu.be/j-Fq553OUJc>

1. Participants introduced themselves and the Chair opened the meeting.
2. The Chair introduced new members of PSAC: Canadian Apparel Federation as an observer, and three new members: The Yield Initiative from Nigeria, The Eastern Southern Cotton Organisation from Zambia, and The African Chamber of Trade and Commerce.
3. The Chair informed about the open positions of the Brands Committee Vice-Chair and Third Representative to the Executive Committee and encouraged the participants to apply.
4. The Chair reminded attendees about the ICAC Plenary Meeting and called for volunteers to represent the Brands Committee in person.
5. **Presentation by Valentina Bolognesi, Amfori**
6. **Q&A with Kelli Hoggle.**

Nate: Could you provide a little bit more information about the scope of the upcoming measures, in terms of revenue, doing business with Europe, etc.?

Kelli: Both are based on the revenue and number of employees. For CSRD (reporting directive), there are different phases according to size. The last year for all companies to be affected will be 2028. The largest Europe-based companies will be the first.



Nate: What about corporate sustainability due diligence directives (CSDDD) and forced labour statute? What was the expected scope of covered companies?

Kelli: First, CSDDD is not yet finalised, so there are a couple of different proposals right now. The commission's proposal is covering companies with 500+ employees and a turnover of 150,000,000 euros; non-EU companies will be covered if they have the same turnover in the EU or 40-150 million euros, provided that at least 50% of it is generated in one of the listed high-impact sectors. For the forced labour ban, it is a general ban regarding the source origins.

Nate: What is the timeline for the CSDDD? When is it going to become a law?

Kelli: The expectation for the final version of the text is later this year, or the beginning of the next year, and for it to go into effect in 2026. After that, the member states will have two years to transpose it to the national legislature.

Nate: for the CSDDD, who is setting the sustainability standards? What is the basis for those standards?

Kelli: European Corporate Reporting Lab is overseeing the process.

Peter: With all these new initiatives, do you know if there is any sort of consideration to cooperate with other jurisdictions on standardising?

Kelli: I am not aware of the specific initiatives, but some negotiations take place with the US government. But it is not necessarily about accepting the same legislation — more of conversations to get on the same page. I am sure there are conversations, but not a huge push for that.

Nate: I would like to emphasise for this group: For the CSDDD, it does go back to the raw product, doesn't it?

Kelli: The way the legislation is written implies that companies have to perform a level of due diligence that mitigates adverse human rights and environmental impact. It is not super specific. The focus is less on traceability like it is for the UFLPA, but the intent is for companies to have a robust due diligence approach. But that could mean full traceability for some companies, depending on their level of risk and industry.

Nate: And obviously, with the forced labour ban, it will go to the Uyghur forced labour prevention act.

Kelli: Yes, correct.

Mohomed Bashir: When you are looking at forced labour, are you looking specifically at China — or broader, as the situation changes in other countries as well? Will it be specific to companies or countries?

Kelli: It is not country- or region- or product-specific or targeted; it is generalised at this stage. It is not yet a law, and the details could change, but it is not specifically targeting China.

Mohomed Bashir: Will it be specific to the brands or retailers in the EU? Do you have a list of companies that will first implement this? What about the importers?

Kelli: If passed, this will not be specific to just EU brands and retailers or importers; that's depending on the goods.



Mohomed Bashir: The implementation should be in a phased manner, so it all doesn't come to a standstill.

Kelli: This is one of the big questions to figure out right now — the enforcement mechanism for each member state must be developed. As far as I understand, the information they are going to utilise to identify goods made using forced labour will be similar to the one the USA is using right now: independent investigations, alerts submitted to the government, along with some proprietary mechanisms.

Usman: From the Commissioner's report, I know that there are around 160,000 textiles SMBs in the EU. In the developing countries, there are even more. Is there any benefit, time lag, facilitation, or capacity building incorporated for that?

Kelli: We offer trainings for our members and their suppliers, and it's free for the suppliers. But from the industry point of view, SMBs operating in Europe are less likely to be affected by the legislation. But of course, there is going to be a knock-on effect on the producers. I don't think though there is anything formal yet.

Usman: So, if I export from India or Pakistan to SMBs in Europe, they can get away from this procedure for the time being?

Kelli: For the time being, yes. But if you are working with a large retailer you can get under this scope. My advice to everyone would be to prepare like you have to comply already.

Usman: But this will be very expensive to manage, considering the complexity of the supply chain. This is going to give advantage to large companies later and discourage SMBs in the EU.

Kelli: Yes, this can be a consequence. Here I wonder how UFLPA affected SMBs already.

Nate: SMBs are definitely impacted, because they have fewer resources, and they are getting hit by shipments being detained as much as large companies are. Even in enforcement, there is no discretion. There is no safe harbour for smaller companies.

Mohomed Bashir: Even the larger companies purchase from SMBs. Fashion is changing every week, and textiles are coming in so many different blends, and you can't be checking all the supply chain. The cost of doing it can bring the whole fashion sector to a standstill. I think the timeline should be extended for the homework to be done.

Parkhi: We know that the EU holds public consultations before they make it a law. Are you aware of any upcoming public consultations regarding CSDDD? Can anyone from the private sector attend those meetings?

Kelli: I am not aware of the most recent schedule, but let me look and get back to you.

Mohomed Bashir: There are so many conferences going on, would there be a speaker or presentation available to share this information and create awareness? At the moment, very few people are taking interest in this so far.

Parkhi: I am not aware of any other organisations taking care of this, but we will have a dedicated PSAC session at the ICAC Plenary Meeting in December. Peter will make an introduction summarising all this information and then Permanent Committee Chairs will



present our comments on this. Delegations from all ICAC Member governments will be attending this meeting.

Peter: My last comment is that we will be asking each member of the PSAC to pass this information to their associations and the supply chain so that we can present this to as wide an audience as possible.

#### **7. Presentation by Alia Malik, Better Cotton**

#### **8. Q&A with Alia Malik**

Nate: Are you using a certain solutions provider to build this traceability program?

Alia: Yes, we work with a company called ChainPoint, based in Netherlands, and working quite actively with supply chains of different commodities. When we started working with them, they were among the very few companies doing such things, and now there are lots of digital platforms.

Nate: So, you are not planning to use bale ID system as part of chain of custody, are you?

Alia: Not in November but yes, in the future. We are currently piloting the bale ID approach in Pakistan; it has been piloted already in Türkiye. We are expanding this process to other regions where the bale ID system is already used.

Nate: I know there were conversations with India about implementing traceability systems, specifically bale ID. Are you part of those conversations?

Alia: Yes we are, and we have quite a significant presence in India. There are about a million smallholders producing cotton licensed under our arrangements; we have some pilots in the planning around using bale ID as well.

Nate: Obviously, one of the drivers for you is regulation. Have you had conversations with regulators in the EU or the USA?

Alia: Previously, we didn't have a habit of being in close contact with regulators, so we are only in the early stages.

Lisa Ventura: We don't oversee the whole supply chain, but we are able to provide more information within a separate stage of the supply chain, which can be used as a part of overall reporting. Regarding discussions with regulators, we are at the stage of mapping the requirements across different jurisdictions and our capabilities.

Alia: It was very important for us not to work just on digital traceability. There are many digital-only solutions that do not have those check and balances between paperwork and digitalised data. In November, we are going live with country-of-origin level of traceability.

Usman: Does this increase costs for the whole supply chain, and how these costs are mitigated? Increased productivity, using less resources, or increasing unit value? Was there any exercise on this?

Alia: We've looked to make our traceability solution is affordable as possible for all the actors to move into this system. For example, if you look at the supply actors, there will be no additional technology costs for them — but there is going to be a 3-year audit cycle and you can't get away from those costs. The other cost will be for training staff. Looking at the farm side, the solution will be free for small up to medium farmers. We also support trainings and



knowledge sharing on the production side. We help with more efficient production, cost reduction, and proactivity. We see that our model has worked reasonably well over the year, but the level adoption of sustainable practices has plateaued in the communities where we have been present for a long time, at about 40%-50%. So, we understand that we need to build a better incentive structure so the smallholder farmers can be rewarded.

Mohomed Bashir: We are using a lot of BCI cotton and buying it from all over the world; the sellers are charging a premium. They are not giving it at the same price. So, of course there is a cost and it's not a ginner or a farmer who's benefiting. Also, some cotton that used to be BCI is not BCI anymore, so this creates shortage of BCI cotton and increases prices as well. It is becoming very difficult because each country creates its own protocols. Have you discussed how it can be managed? Is there a way to get different systems together and have one or two platforms?

Alia: The way we grew initially was about how much supply and demand we need; during the last year, the demand has come up significantly, so we had to raise our supply. The pressure for buying traceable cotton is growing as well. Internally, we are doing mapping of the demand by country, so we can understand whether we have the right footprint and grow the footprint where it's missing. In the future, there is no reason that USCTP cotton cannot be traded inside the BCI arrangement. There are new challenges and opportunities, and we are thinking about it very actively.

Usman: I heard a lot of debate is going on around unification of compliance requirements so you (Nate and Peter) can consider starting this discussion as well, to create awareness around the world.

Nate: Indeed, there are a lot of talks about harmonisation of regulations. We certainly can have it as a future topic, maybe in 2024.

Peter: Our goal is to teach all the PSAC members about the issues taking place around the world. Valid points raised by Bashir were also mentioned at other PSAC meetings, and it will certainly be a part of our final statement, which will go not only to governments but to the entire value chain. And I agree that it is a very good possible discussion point for the next year.

## **9. Recommendations from the PSAC**

Nate: First, there is a need for the cotton industry to adopt the traceability approach. And the second point is, what approach we are recommending? Do we recommend a suite of approaches or anything else?

Peter: I don't think we can recommend one solution over the other.

Tina: We should not recommend one specific solution. Why do you think we should recommend that retailers and brands press this transparency thing? They do it anyway.

Nate: The idea is to make a recommendation to cotton producers that they take this initiative seriously and adopt a traceability approach; we need to share that urgency and educate producers and everyone throughout the supply chain about the urgency because of this regulatory pressure.



Parkhi: We have to support our recommendations with a good reasoning. For example, SMBs won't be able to adjust to these traceability regulations in the next three years because of the cost, audit fatigue, government support, etc. We also cannot tell the EU regulatory bodies not to implement regulations — but we can recommend certain reasoning on what we are worrying about.

Peter: We can say we are supporting the traceability approach, but we are also aware of the audit fatigue, and this has to be taken into consideration by the regulatory bodies.

Nate: Yes, we can say that this thing is necessary and there are a lot of solutions out there, but we hope the approaches are harmonised to mitigate as much of the impact on the supply chain as possible.

Tina: There are also systems that don't have audits in place — at least not at the level of cotton producers. In this case, the additional work falls on brands: It is a lot of data collection and management, staff time, software, etc., and this should also be taken into account.

Parkhi: Is it about recommending that governments have some kind of subsidies like they have for production, but for traceability? It comes under Blue Box and is not calculated as a support.

Nate: The next step is to take all the comments and summarise them to a specific set of recommendations. We will then send it back to the committee and vote during the next meeting.

Peter: Let's do it via email.

Parkhi: ICAC will compile the draft, including all comments from prior meetings. It will be shared with the committee, members will be asked to comment again, and then we will revise the document. Then we will decide whether we need another meeting.

Nate: I agree; please proceed.

The Chair thanked everyone and closed the meeting.