

GOTS & Textile Exchange Specific Questions

Introduction

Textile Exchange has responded below directly to the questions submitted, but additionally wanted to include some background information help frame the responses below:

- Textile Exchange's third-party certification system relies on accreditation bodies to assess the competence of certification bodies. They make the decision on accreditation fully without standards owners. This maintains impartiality of the accreditation decision process just as a certification body is required to act as a third party for the certification decision of a site.
- Control Union (CU) India is a separate accreditation from CU Netherlands and CU Turkey. Clients from CU India can technically move to other CU entities as if they were new clients. They are then required to be treated as such, including new audits. However, this would ease some of the logistical burden of switching certification bodies. Control Union should be contacted to answer questions about their plans.
- Textile Exchange has completed a calibration (i.e. an interim interpretation between document version publications) that allows, under certain circumstances, a succeeding certification body to issue transaction certificates for product(s) that were processed while under the validity of the preceding certification body's scope certificate. A guidance document for this calibration has been sent to brands and is also attached here.

The answers below build on the details shared with GOTS and IOAS, we have attempted not to repeat the specific points already covered elsewhere.

2. Did standard owners conduct an impact assessment on the supply chain before the suspension decision?

- Standards owners set the rules for the standards, certification bodies (CBs) audit and certify companies, and the accreditation body supervises the CBs. Standards owners do not intervene in suspension decisions to maintain the impartiality of the accreditation process.
- Because this suspension includes the restriction of transaction certificates (TCs), it has been important to provide guidance on how to proceed if the suspension is not lifted. We have previously had a process in place to allow CBs to issue TCs for sites that have transferred their scope certificates, but we paused this in 2019 due to validation concerns. Now that we have Trackit in place and can validate against the availability inventory and scope certification (a step we felt necessary to ensure integrity), we are issuing calibration to allow TC issuance for transferred scope certificates, provided criteria are met. This calibration has been shared with certification bodies on Wednesday, March 22nd.

3. Have standard owners and certification bodies (Control Union in this case) come to an agreement on how to manage the situation which may arise out of the suspension decision?

- Textile Exchange is responsible for setting guidelines for how certification bodies must operate within our standards system under circumstances of suspension.

- 4. Has standard owners carried out a thorough analysis of their system with checks and balances of certification bodies, to ensure issues are flagged and resolved earlier (before suspension). This is to avoid penalizing manufacturers and brands who trust the process of accrediting and qualifying certification bodies.**
 - Textile Exchange continuously analyzes our system covering certification body performance issues, complaints about sites, conducting investigations and shadow audits of our own, etc. We also consider where improvements are needed in the system and build these into our strategic priorities.
 - While suspension causes disruption in the supply chain, it is there to prevent even bigger problems from growing and erupting down the line. By suspending accreditation, certification bodies have a strong impetus to address issues and ensure that standards are being upheld, which ultimately benefits the industry in the long term.

- 5. How can this kind of situation be avoided in the future, where a suspension has such drastic and immediate effects?**
 - To maintain impartiality and integrity, we cannot influence the decision of accreditation bodies or the severity of the suspension scope. All voluntary sustainability standards face this to some degree, and we are reviewing how to best mitigate the impact of such decisions on the client sites specific to this situation.
 - In the immediate term, the calibration issued this week provides a scope certificate transfer solution that allows TCs to be issued for shipments that occurred during the suspension period by a new CB based on the availability of TC data in Trackit.
 - In the long-term, we can explore ways to support certified sites when suspensions or withdrawals of CBs occur.

- 6. What happens if the validity of a factory's scope certificate expires while the suspension is in effect? Can CU extend the validity of existing certification for now?**
 - CU India may continue issuing renewals during their suspension.
 - See accompanying guidance on the calibration for further details regarding options for continuity of transaction certificate issuance.

- 7. Please confirm that TCs issued (before the 3 March suspension date) remain valid.**
 - All TCs issued by CU India are still considered valid, unless specified as invalidated by CU India or Textile Exchange.

- 8. What is your recommendation to address this immediate supply chain impact for orders that already are dispatched and running orders as it will also affect brands with re-labelling resources.**

Historic TCs – What is the solution for organic content in the market for the TCs that are already in the pipeline.

What happens to the orders that are currently in transit (on cargo ships), our suppliers need a “grace period” for these TCs.

What should our supply chain do with upcoming shipments? Should they stop/postpone them?

What is your approach on not meeting the policy in the below cases?

Case 1 – The TCs are already in the CB’s pipeline: suppliers are waiting for the CB’s approval and will not be issued within the deadline of 14 calendar days not meeting the TE/GOTS policy (see point A8.1 of the Policy for transaction certificates).

Case 2 – Potential TCs in the pipeline that will not meet point 1 as well as the deadline of 90 days from the shipment (see point A6.1.5 of the Policy for transaction certificates).

- The accompanying guidance provides clarity around the status of pending TCs for sites that remain certified by CU India, as well as further explanation of our new Calibration 229 regarding SC transfers and TC issuance. Both sets of information in the guidance should help each site decide what is best for them while also advising it is always best to check for relevant updates from their current CB. Please note that we cannot advise on specific business decisions.

9. Due to the immediate suspension of CU’s accreditation, exposed upstream stakeholders such as smallholder farmers will be negatively impacted. Is there any plan of action to mitigate business impacts to them?

- We estimate impact to smallholder farmers from this suspension to be limited, but we welcome feedback on this point.

10. Considering Control Union India & Bangladesh is the main certification body, there is no capacity from other CB to be able to assume this demand without a “grace period.” Have Textile Exchange and GOTS considered the emerging additional workload for the remaining certification bodies in India and Bangladesh in the deadlines for reassigning audits?

- Multiple CBs are approved for auditing in India to support the capacity in the region: <https://textileexchange.org/certification-bodies/>. CU Netherlands can also take on these clients in line with ASR 112 as a separate certification body.
- The attached calibration guidance provides a path for TC issuance to resume with a certificate transfer, while also providing clarity for sites maintaining their scope certificate with CU India.

11. Do the standard owners have alignment on the process to reassign audits from Control Union to another certification body? Are there any assurances the audit prices will not increase due to CU no longer being able to perform these services?

- Standards owners have no control over audit assignment but may provide guidance for sites to transfer to a new CB. Audit pricing is under the purview of CBs.

12. We request standard owners to jointly decide and align on the approach of the reassigning process, it should be made as simple as possible for our suppliers. Clarity and agreement is needed on the best solution for the supply chain. (See point 2.4 of the GOTS document “Policy for change or migration”)

- Textile Exchange cannot make migration decisions on behalf of certified sites. The attached guidance is intended to provide information for different scenarios to help site decisions on whether to stay with CU India or move to another CB.

13. From Textile Exchange, we seek additional clarity on whether there are implications for manufacturers and brand certification caused by CU India and Bangladesh suspension.

- CB suspension will be lifted if the CB takes adequate corrective actions. ASR 112 provides steps in the case of full withdrawal of accreditation. We are happy to discuss further implications as examples are given.