



**TextileExchange**  
Creating Material Change

# Digital Innovations in Traceability

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Webinar 2:

Transparency: how it is re-shaping the textile value chain

5 August 2020



# Creating transparent supply chains

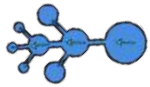
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Amit Gautam – CEO & Founder

Confidential

# Before we start: what's the difference between traceability, transparency, chain of custody, and forensic-markers?

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**Traceability:** is the ability to trace the history, application or location of a product i.e. tracking the flow of product(s) along the supply chain



**Transparency:** is the ability to share the traceability data with the relevant players in your ecosystem (consumers, suppliers, employees, investors)



**Chain of custody:** is the ability to trace the change in (legal) ownership of the product as it's transformed along the supply chain



**Forensic-markers:** is the ability to physically verify the presence of a fiber in textile product at any stage along the supply chain (markers can be incorporated or inherent to the product)



# What is common between these brands?

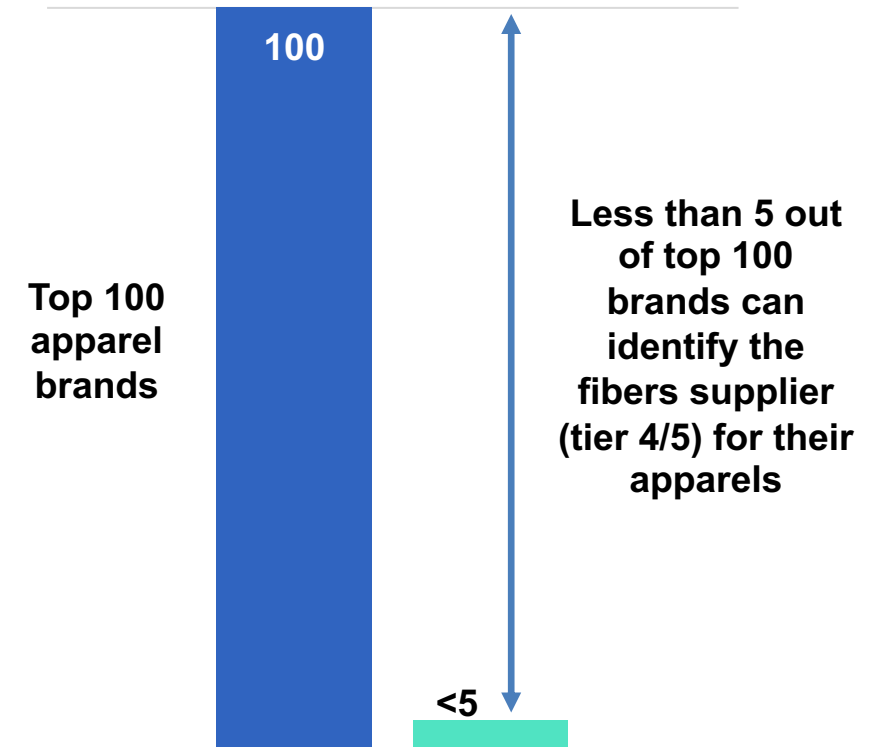


# Traceability 'paradox': Key challenge in the apparel supply chain



**Majority of top 100 brands have announced 100% sustainable fibers target by 2022-2025**

**However, brands have limited raw material visibility**



# Traceability is challenging in the textile industry due to four factors

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## Fragmented certification data

- Certification data is highly fragmented and variable over several organizations
- Challenging for large brands to build scale due to lack of “single source of truth”



## Profitable to counterfeit

- Dishonest suppliers likely to prefer the lack of transparency – adulteration can increase margin by 20-30%



## Inefficient manual processes

- Brands and supply chain partners have to manually track PDF certificates
- Compliance costs increase due to back-and-forth communication in supply chain to track product level certificates



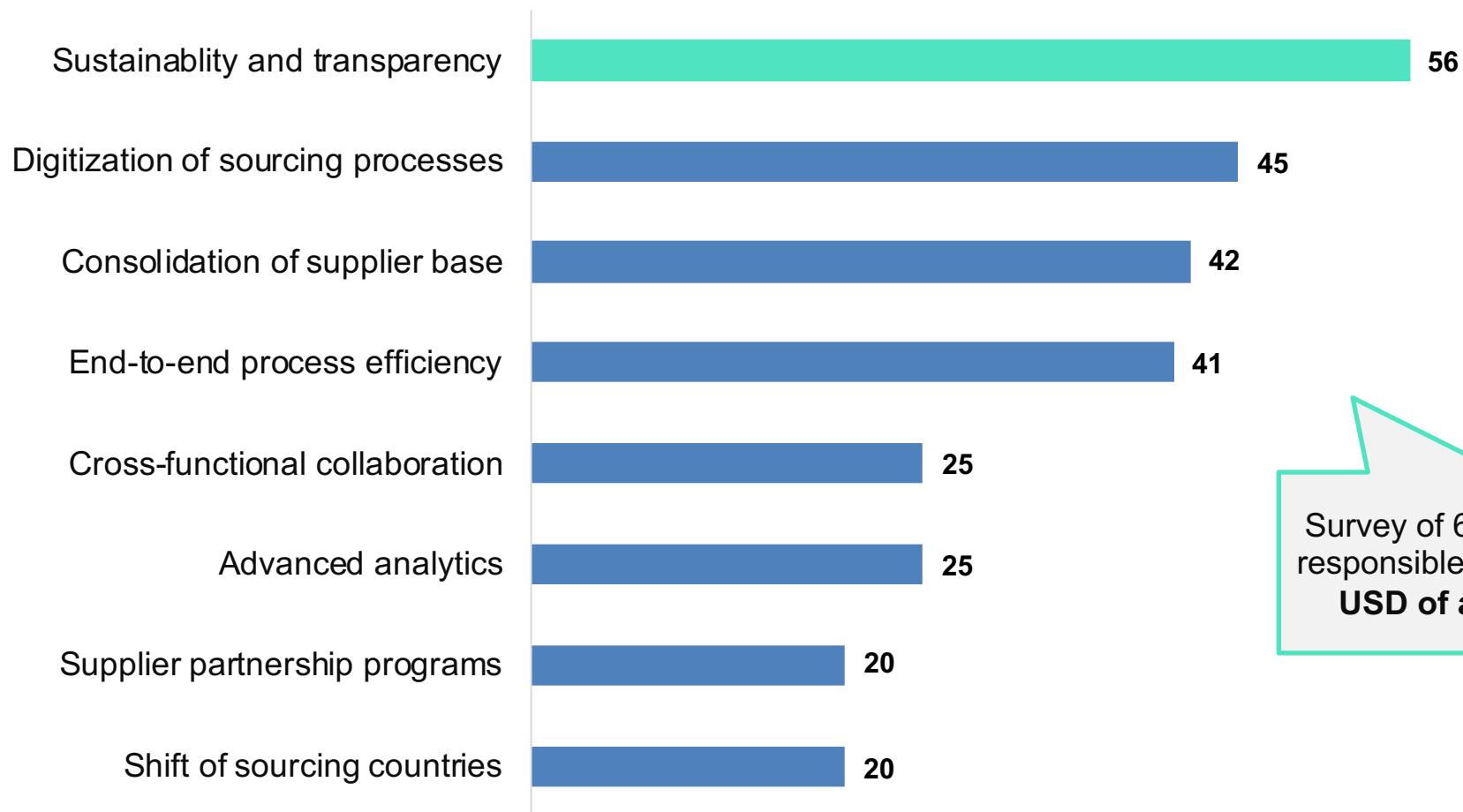
## Lack of user-friendly technology platform

- No common traceability platform(s) to run certification standards chain of custody
- Prevents collaboration & exchange of standardized traceability data across the supply chain

# Transparency is #1 priority for CPOs in apparel & footwear industry

“What are the top 3 sourcing areas to cope with overall macro trends?”

Percentage of respondents, n = 64



Survey of 65 sourcing executives responsible for sourcing of **100 bn USD** of apparel & footwear

# Case example: A clear differentiation is emerging in textile fibers market based on sustainability and transparency

- 1 Strong NGO/activist approach & media focus on Viscose fibers industry... →
- 2 ...resulting in top global brands to make public commitment to sourcing sustainable and traceable viscose by 2023 →
- 3 Resulting in two distinct textile fibers markets – sustainable & traceable fibers vs. unsustainable/opaque



Strong market need for sustainable and traceable fibers in the fashion industry (e.g. for first time a clear distinction is emerging between good and bad viscose, lyocell, recycled PET, cotton, etc.)





# Consumers are willing to reward brands with more transparent and sustainable supply chains

Recent research indicates consumers willing to rewards brands for transparency....



- MIT research reveals that consumers are willing to reward brands (with higher price premium) for transparent and sustainable supply chains
  - This consumer behavior is known as “indirect reciprocity”
- Consumer survey by Ipsos MORI and Fashion Revolution shows that 80% of consumers want brands to declare their transparent and sustainable supply chains

... reflected in the success of brands with sustainability & transparency as core values

STELLA McCARTNEY

*allbirds*

MARA HOFFMAN

**patagonia**<sup>®</sup>

EILEEN  
FISHER

ARMEDANGELS



# Business case: Five key levers to engage your CEOs/Board

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## Strengthen brand reputation

- Secures brand reputation against supply chain compliance risks and unauthentic claims
- ~80% of consumers want brands to be more transparent about their supply chain



## Delivery on corporate sustainability goals

- Traceable supply chains are key to deliver 100% sustainable fibers target
- Ability to have reliable & accurate GHG emissions (scope 3) of garment's supply chain



## Lower compliance costs

- Digital traceability eliminates need for 'offline' spreadsheets/PDF docs for chain of custody
- Reduces the compliance effort to share traceability data along the supply chain



## Deeper consumer engagement

- Supply chain transparency could enrich consumer shopping experience (online, shops)
- Post Covi-19, consumers are even more sustainability-conscious in their buying decisions



## Attract ESG-minded investors

- ESG performance of brands has become a key selection metric for investors

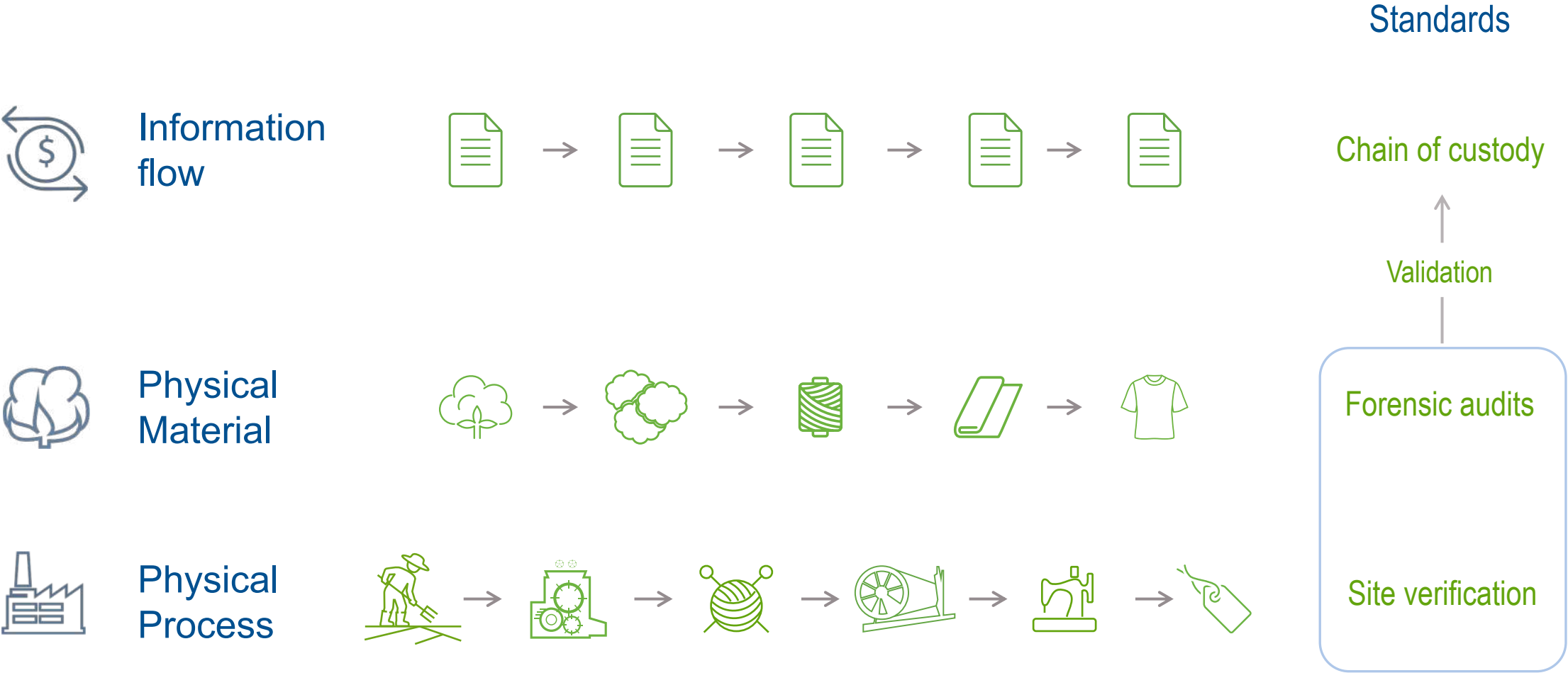
# Role of Sustainability Standards

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Evonne Tan

Data Management & China Strategy Director  
Textile Exchange

# The Role of Sustainability Standards



# Chain of Custody Models

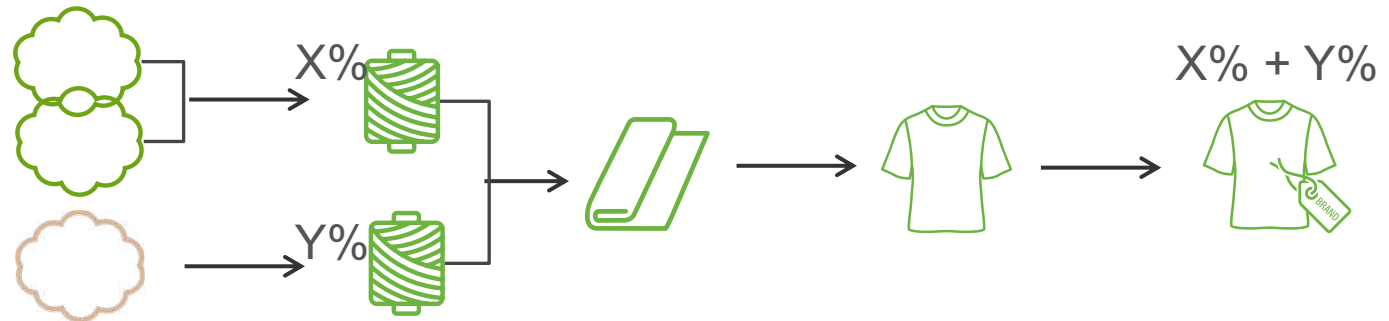
## Identity Preserved



## Segregation



## Mass Balance



## Credit Trading





# Examples of Standards

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## Identify Preservation



## Segregation



## Mass Balance



## Credit Trading



# Forensics Audits

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## DNA markers

DNA molecule structures within the product.



## Natural fingerprint

Isotopes and trace elements derived from the natural chemical composition of plants and animals.



## Microscopic dusts

Microbiome (genetic material of microbes) that coats the products.



## Synthetic markers

Dyes, inks, fluorescent markers applied on the products.

# How It Fits Together



## Chain of custody

- Site verification ensures adherence to basic sustainability performance
- Process verification ensures the way of working is compliant with industry standards.
- Creates visibility across supply chain tiers
- Allows 'risk-based' verification of textile products instead of pure 'random-sample'.

## Forensic audit

- Physical testing of the product to authenticate material in product
- Additional layer of validation for data
- Complements the chain of custody by connecting the 'transactions' of certified material to the physical material

# Coming Next

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Textile Exchange and TextileGenesis® Collaboration

September 2 @ 10AM EST | 4PM CEST

# Thank you

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