

# Pilot Project: Supply Chain Group Certification

Textile Exchange is piloting the use of the CCS for group certification beyond its farm standards where group certification is currently allowed. The pilot project will assess the feasibility of group certification for supply chain scopes (e.g. for OCS) to understand the assurance process and conditions for supply chain group certification of sites without compromising the integrity of assurance requirements.

Currently, the RDS and RAF (RWS, RMS, and RAS) Textile Exchange *farm* standards allow for group certification. *Group members* (farms) are audited by certification bodies based on a sampling methodology. These farms are not typically under *common ownership* with the certified organization. Farm groups are often managed by the entity who purchases certified materials from the farms (e.g. down processor, waterfowl slaughterhouse, or wool broker).

There are small scale supply chain operations such as artisans, home weavers, and self-help groups, as well as smaller scale manufacturing businesses which cannot practically obtain certification under current criteria. This pilot project is intended to support smaller scale sites by exploring how they may achieve certification by reducing auditing intensity and allowing for reduced cost and effort. This is done by having an entity acting as the *internal control system* (ICS) for the group. The ICS may, for example, be an industry group, a non-profit organization, or a supplier and/or customer of the group members.

References to the CCS in this document refer to *CCS-101-V3.1 Content Claim Standard*. Later versions of the CCS shall be applied if applicable based on the specified effective dates.

## Section A – Scope and Timeline

### A1. Scope and Characteristics of Pilot Project

In this pilot project, Textile Exchange will allow for pilot certifications to be conducted for up to ten (10) supply chain groups globally. If no pilot project proposals are received, Textile Exchange may determine that there is not sufficient interest in this option.

Participation in this project is open to organizations who would like to establish an *internal control system* (ICS) for a supply chain group certification, and by extension to their prospective *group members*.

Each pilot audit and certification will involve a certification body, an organization acting as the ICS, and a minimum of two group members. The pilot period will be two years, allowing for the initial certification of the group along with one recertification.

| Eligibility / Scope Criteria                | Supply Chain Group Certification  |
|---|---|
| 1. Goal of Supply Chain Group Certification | <p>a. Provide access to certification for small companies by relieving some of the site-specific audit requirements and enabling shared resources through ICS support</p> <p>b. Achieve acceptable reduction in auditing conducted by the certification body based on ICS responsibilities</p>  |
| 2. Goal of Pilot Project                    | <p>a. Test group certification framework</p> <p>b. Establish eligibility of sites as group members</p> <p>c. Test acceptable reduction in auditing conducted by the certification body based on ICS responsibilities</p>  |
| 3. More than one site                       | Yes, minimum two and maximum 100 sites (group members)  |
| 4. Size of Sites                            | <p>Small companies only (with no more than 25 full-time equivalent workers), including small-scale artisans</p> <p>OR</p> <p>Small independent brands (proposal from certification body to establish criteria)</p> <p>NOTE: Multiple brands under common ownership do not fall under the intent of this pilot. Such brands are eligible for multi-site certification.</p> |
| 5. <i>Common Ownership</i> across sites     | Not required  |
| 6. Geographic Scope                         | Organization and all group members located in one country or within neighboring countries in the European Union or otherwise approved by Textile Exchange   |
| 7. Sampling of Sites                        | Allowed – certification bodies audit the ICS and a sample of group members annually   |

## A2. Expectations of Pilot Participants

### A2.1 The participating certification body shall:

- A2.1.1** Submit a proposal for participating in the pilot project on behalf of a particular participating organization to [assurance@textileexchange.org](mailto:assurance@textileexchange.org);
- A2.1.2** Hold accreditation to the CCS, and to the GRS for GRS groups;
- A2.1.3** Have experience auditing organizations similar to the organization participating in the pilot project;
- A2.1.4** Have experience with other certification schemes which use group certification;
- A2.1.5** Agree that the audit may be recorded by Textile Exchange, or that Textile Exchange may require the certification body to record the audit;
- A2.1.6** Agree to the conditions of the pilot project mentioned in Section A – including the specified timeline, and to provide proactive feedback to Textile Exchange throughout the duration of the project; and
- A2.1.7** Agree to provide any documentation related to the certification of the group at the request of Textile Exchange (e.g. audit report, sale and transport documents, financial documents).

### A2.2 The participating organization shall:

- A2.2.1** Acknowledge that they are participating in a pilot project and that no certification – neither scope certificate nor transaction certificate – is guaranteed even with positive findings.
- A2.2.2** Acknowledge that Textile Exchange may choose to discontinue the pilot project at any time.
- A2.2.3** Acknowledge that no sales of certified products or claims about certification may be made prior to receiving a scope certificate.
- A2.2.4** Agree that the audit may be recorded and/or documented by Textile Exchange or by the certification body. Textile Exchange staff may join as an observer either virtually or on-site.
- A2.2.5** Acknowledge that Textile Exchange will have access to all information provided to the certification body or obtained by the certification body during the course of certification activities. And

**A2.2.6** Agree to the conditions of the pilot project and to provide proactive feedback to Textile Exchange throughout the duration of the project.

**A2.3** Textile Exchange shall:

**A2.3.1** Proactively monitor the progress of pilot audits, including direct observation of audits as is feasible;

**A2.3.2** Waive subsequent site fees (detailed in *ASR-107 Certification Fee Structure*, note that the main site fee still applies) for the certified organization and group members for the duration of the pilot project period; and

**A2.3.3** Not provide additional financial support for the project nor be charged for any fees from the participating organization or certification body as a result of their participation in the pilot.

**A2.4** Textile Exchange may approve exemptions to specific details or criteria in this document, if requested and justified in the project proposal.

### A3. Request for Proposals

**A3.1** Textile Exchange is requesting project proposals from the certification body for participation in this project. A certification body may submit multiple proposals.

**A3.2** Each proposal shall detail proposed participation for one specific organization which meets the criteria in A1. Textile Exchange recommends limiting the scale of the activities for pilot purposes.

**A3.3** Pilot project proposals shall include the following elements:

**A3.3.1** Clear identification of the certification body and the organization including contact information;

**A3.3.2** Identification of key certification body personnel, including auditors, to be involved in the pilot project along with a brief (one paragraph) summary of personnel qualifications and experience;

**A3.3.3** Proposed *ICS* organization for the pilot certification including location, contact information, and other activities at the site (e.g. *processing*);

**A3.3.4** Proposed group members in terms of a specific list and/or an identification of criteria for inclusion (e.g. *processing steps, products, affiliations*);

- A3.3.5** Identification of the desired certification claim (OCS for organic, RDS for down, RAF for responsible animal fiber, RCS or GRS for reclaimed/recycled content, or CCS for claims outside of Textile Exchange standards);
- A3.3.6** Description of the plan for auditing and ongoing monitoring, including justification for a remote audit, if applicable;
- A3.3.7** Identification of any other relevant certifications (including the certification body) held by the organization;
- A3.3.8** Identification and justification for any exemptions to pilot project or other criteria which are needed to conduct the audit;
- A3.3.9** Acknowledgement that Textile Exchange will have access to all information provided to the certification body or obtained by the certification body during the course of certification activities; and
- A3.3.10** Agreement for the ICS and group members to submit a report and/or be interviewed by Textile Exchange about the pilot experience (e.g. how well group certification works, if this seems financially viable).

## A4. Timeline

| Date                          | Milestone   |
|-------------------------------|---|
| January 31, 2023              | Proposals due from certification bodies for participants in the pilot project   |
| February 28, 2023             | Textile Exchange will notify certification bodies of acceptance/rejection of proposals<br><br>NOTE: Proposals may be approved before this date. |
| March – June 2023             | Completion of initial audit(s) for group certification and CCS criteria   |
| July 31, 2023                 | Deadline for submission of audit report(s) to Textile Exchange  |
| August 29, 2023               | Latest deadline for scope certificate to be issued if positive certification decision has been reached (60 days from completion of auditing)    |
| Approximately March-June 2024 | Recertification audit(s) for group certification and CCS criteria   |

| Date              | Milestone                              |
|-------------------|--|
| December 31, 2024 | Textile Exchange reports on next steps |

## A5. Expected Outcomes

Following the completion of the pilot project, Textile Exchange plans to present a plan to the CCS International Working Group (IWG) to determine whether supply chain group certification will be allowed or disallowed across different scopes covered by the CCS or other Textile Exchange standards.

If a decision to allow supply chain group certification is made by the CCS IWG, Textile Exchange may then approve group certification criteria for ongoing use. In this case, Textile Exchange will plan to publish an updated policy (*CCS-106-V3.0*) which will detail requirements for the use of supply chain group certification on an ongoing basis.

If a decision is made to not allow supply chain group certification, pilot project participants will be permitted to continue until the expiry of active scope certificates, but no further recertification will be permitted.

## Section B – Pilot Project Criteria

NOTE: Textile Exchange may update these criteria based on feedback received during the proposal process, including discussion with pilot project participants.

### B1. General Criteria

- B1.1** The organization shall meet the criteria of *CCS-101-V3.1 Content Claim Standard* (or any subsequent version, “CCS”). Conformity with specific criteria may be managed by the ICS or by each group member. Special attention should be paid to CCS Section F.
- B1.2** The ICS shall ensure that each group member qualifies as a small-scale supply chain operation, under one of the following options:
  - B1.2.1** The site has a maximum of 25 full time equivalent workers. If a company operates multiple sites, this limit shall apply to all sites combined. Or
  - B1.2.2** The site is a small *brand*, based on criteria proposed in the pilot project proposal and accepted by Textile Exchange.

- B1.3** The ICS shall maintain documentation to demonstrate the eligibility for group certification of each group member.
- B1.4** If the ICS location physically handles certified material, one of the following shall apply:
- B1.4.1** The ICS location shall meet the eligibility criteria and be included as a group member. Or
  - B1.4.2** The ICS location shall be certified independently under a separate scope certificate. This is an exception to CCS F1.2.
- B1.5** Volume reconciliation (see CCS C3) shall be conducted per site.
- B1.6** The ICS shall obtain the consent of each group member to participate in the group certification including data sharing requirements using a form provided by Textile Exchange.

## B2. Inspection of Members

- B2.1** The ICS shall select one of the following two options:
- B2.1.1** The ICS shall document and implement an inspection protocol to ensure that CCS criteria are met by all group members and shall meet criteria B2.2-B2.5. Or
  - B2.1.2** The ICS shall decline to conduct internal inspections, in which case criteria B2.2-B2.5 shall not apply.

NOTE: If the ICS declines to conduct internal inspections, the certification body will audit all group members annually, and will audit any new group members joining the group prior to the group being approved to join.

- B2.2** The inspection protocol shall include a process for handling non-conformity, including the following elements:
- B2.2.1** Identification of non-conformities against all applicable requirements of the Standard;
  - B2.2.2** Grading of non-conformities according to the levels identified in CCS A2;
  - B2.2.3** Follow-up to ensure that non-conformities are closed within a specified timeline which is not more than 30 days for major non-conformities and 60 days for minor non-conformities;
  - B2.2.4** Immediate suspension from the group in the case of critical non-conformities, until such non-conformities have been closed; and

- B2.2.5** Documentation of non-conformities issued and closed, including explanation of corrective actions taken.
- B2.3** The ICS shall appoint one or more ICS inspectors to carry out inspections. The ICS manager may also be an ICS inspector. ICS inspectors shall not be responsible for inspections of family members or themselves.
- B2.4** The ICS shall carry out annual inspections of each group member. Inspections shall be carried out on-site for all group members who take physical possession of claimed materials other than *final products*.
- B2.5** A written inspection report shall be prepared for each inspection, including identification of all non-conformities. Photos or other verification of the date and location should be included.

### B3. Adding Sites

- B3.1** CCS F5.1 shall not apply to pilot project participants.
- B3.2** Members may be added to the group after the following steps have occurred:
  - B3.2.1** Information required by B1.6, CCS F2.5 and CCS F2.6 has been received by the ICS;
  - B3.2.2** The ICS Inspector has completed an inspection of the site, or the certification body has conducted an audit of the site in the case that the ICS has declined to conduct internal inspections;
  - B3.2.3** All critical and major non-conformities for the site have been closed; and
  - B3.2.4** The ICS has received approval from the certification body for the addition of the site.

### B4. Scope Certificates

- B4.1** Upon a positive certification decision following the initial audit, the certification body may issue a scope certificate to the organization.
- B4.2** In addition to regular reporting criteria, the certification body shall email a copy of the scope certificate to [assurance@textileexchange.org](mailto:assurance@textileexchange.org) within seven days of when it is issued.
- B4.3** Recertification conducted as part of the pilot project shall be approved in advance by Textile Exchange.



## B5. Transaction Certificates

- B5.1** Transaction certificates may be issued for claimed material which is shipped and sold on or after the date when the scope certificate is issued under the group certification pilot.
- B5.2** Transaction certificates shall be issued for the sale and shipping of claimed material between group members or between a group member and the ICS.

## Section C – Certification Body Criteria

### C1. Auditing Criteria

- C1.1** Auditing shall be conducted based on the CCS latest standard version and current valid standard (OCS, GRS, RCS, RDS, RWS, RMS, RAS) as applicable, and except were indicated in this document.
- C1.2** The certification body shall issue scope certificates in accordance with section B4 and transaction certificates in accordance with section B5.
- C1.3** The certification body shall make arrangements for Textile Exchange to participate remotely or in-person in pilot audits on request. This shall include the following, as needed:
- C1.3.1** Arranging audit schedules to align with times requested by Textile Exchange (within normal business hours at the organization’s location);
  - C1.3.2** Live videoconferencing or recording of the audit; and
  - C1.3.3** Providing an interpreter on request if the language of the audit is not English.
- C1.4** The certification body shall respond to requests for feedback from Textile Exchange within the timelines specified by Textile Exchange and shall provide an audit report including findings per requirement to Textile Exchange in accordance with the timelines in A4.
- C1.5** All audits shall be conducted on-site unless the site does not have physical possession of claimed material, in which case a remote audit may be conducted if allowed for by *CCS-102 CCS Certification Procedures*.

### C2. Risk Levels and Sampling

- C2.1** Prior to each audit, the certification body shall conduct a risk assessment and assign a risk level for each scope certificate following the process within *CCS-102-V3.0 CCS Certification Procedures (CCS-102) D2.2*. High risk criterion c from CCS-102 Appendix B1 may be ignored.

- C2.2** Where the risk level of group members varies, the certification body may establish subsets of group members and apply the sampling rates in C2.6 to each subset of group members.
- C2.3** If the ICS declines to conduct internal inspections (see B2.1), a high risk level shall apply.
- C2.4** Section D2.2 of CCS-102 is not applicable.
- C2.5** The certification body shall audit the ICS annually.
- NOTE: C2.5 refers to auditing of the ICS functions only (CCS Section F and ICS criteria in this document). If the ICS site is also acting as a group member, auditing of those functions are included in C2.6.
- C2.6** The certification body shall carry out annual audits of sites (group members) based on the group risk level. The number of group members to be audited shall be determined as follows, where  $n$  is the number of group members:
- C2.6.1** High risk level: audits of all sites;
  - C2.6.2** Medium risk level: audits of at least  $1.5\sqrt{n}$  sites, rounded up to the next whole number;
  - C2.6.3** Low risk level: audits of at least  $\sqrt{n}$  sites, rounded up to the next whole number.