Global Organic Textile Standard (GOTS)

The Business Case for Sustainability
Linking Sustainability based Textile Standards to competitive strategies using the example of GOTS

GOTS Regional Round Table
Mt. Pleasant / Charleston, SC, 27 Feb 2018

Claudia Kersten
Managing Director
1. Some statistics

2. The business case for sustainability - competitive advantages through sustainability

3. Overlap of sustainability related competitive strategies and standards

Source: Schaltegger/Dyllick 2002, 44ff
8.2% increase in Facilities from last year
Regional Growth 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1658</td>
<td>1684</td>
</tr>
<tr>
<td>Europe</td>
<td>1439</td>
<td>1117</td>
</tr>
<tr>
<td>Rest of Asia</td>
<td>992</td>
<td>877</td>
</tr>
<tr>
<td>Turkey</td>
<td>445</td>
<td>479</td>
</tr>
<tr>
<td>China</td>
<td>292</td>
<td>304</td>
</tr>
<tr>
<td>Africa</td>
<td>56</td>
<td>72</td>
</tr>
<tr>
<td>N.America</td>
<td>107</td>
<td>69</td>
</tr>
<tr>
<td>SC America</td>
<td>35</td>
<td>37</td>
</tr>
</tbody>
</table>
Facilities in Regions 2017 (2016)

Largest increases:
- N. America: 55%
- Europe: 29%
- Rest of Asia: 13%

Reductions:
- Africa: 22%
- Turkey: 7%
Approved Chemical Inputs
14% increase

<table>
<thead>
<tr>
<th>Year</th>
<th>Colourants</th>
<th>Auxiliaries</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6897</td>
<td>11008</td>
<td>7...</td>
</tr>
<tr>
<td>2016</td>
<td>5939</td>
<td>9701</td>
<td>659</td>
</tr>
<tr>
<td>2015</td>
<td>5042</td>
<td>7110</td>
<td>479</td>
</tr>
</tbody>
</table>
GOTS Promotion – Spots 2017

- 7 GOTS Representatives (China, Bangladesh/India, Germany/Austria/Switzerland, India, Japan, Turkey, UK, USA)
- GOTS Annual Press Release + other Press Releases
- GOTS Preconference to OWC
- Regional Round Tables
- Partnerships with leading Trade Fairs (Messe Frankfurt: China, Germany, France, Messe München, Biofach India+Japan...)
- German Textile Partnership
- GOTS Newsletter
- New GOTS Factsheet Labelling
- New Simple Show Film Language Version Turkish
- GOTS Database Smartphone conformity
- QR Code on Database Entry
Condensed list of additional events the management visited/contributed to:

- Suedwind Conference, New Delhi, February 2017
- 11 April, GOTS presentation to Colourtex, India
- 27-28 June: Global Sustainability Standards Conference, Zurich
- 20 July: APEDA / ISOT Stakeholders Meeting, New Delhi
- 9-12 October: Textile Exchange Conference and Round Tables, Washington
- 10 November: APEDA / ISOT Second Stakeholders Meeting, Gurgaon
GOTS Promotion – Piwik Website

- 243.518 (225.085) from 155(150) countries
- 1.082.650 (985.123) page views
- 363.171 (301.503) page views on GOTS Database
- 36.137 (28.095) Downloads
# GOTS Promotion – Piwik Website

<table>
<thead>
<tr>
<th>Country</th>
<th>Visits 17</th>
<th>Visits 16</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany, Austria, CH</td>
<td>53890</td>
<td>53097</td>
<td>1,49%</td>
</tr>
<tr>
<td>United States</td>
<td>73604</td>
<td>67591</td>
<td>8,90%</td>
</tr>
<tr>
<td>France</td>
<td>10791</td>
<td>10273</td>
<td>5,04%</td>
</tr>
<tr>
<td>India</td>
<td>6409</td>
<td>7256</td>
<td>-11,67%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7361</td>
<td>7747</td>
<td>-4,98%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10889</td>
<td>8297</td>
<td>31,24%</td>
</tr>
<tr>
<td>Spain</td>
<td>8625</td>
<td>6727</td>
<td>28,21%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6070</td>
<td>5619</td>
<td>8,03%</td>
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<tr>
<td>Denmark</td>
<td>5372</td>
<td>5272</td>
<td>1,90%</td>
</tr>
<tr>
<td>Italy</td>
<td>5801</td>
<td>4507</td>
<td>28,71%</td>
</tr>
<tr>
<td>Turkey</td>
<td>6512</td>
<td>5428</td>
<td>19,97%</td>
</tr>
<tr>
<td>Australia</td>
<td>3826</td>
<td>3624</td>
<td>5,57%</td>
</tr>
<tr>
<td>China</td>
<td>5505</td>
<td>3575</td>
<td>53,99%</td>
</tr>
<tr>
<td>Portugal</td>
<td>3899</td>
<td>2667</td>
<td>46,19%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>1584</td>
<td>2326</td>
<td>-31,90%</td>
</tr>
<tr>
<td>Japan</td>
<td>2060</td>
<td>1985</td>
<td>3,78%</td>
</tr>
</tbody>
</table>
GOTS Promotion – Piwik Website
Spreading of visitors per continent 2017

- Europe: 54% (55)
- North America: 33% (31)
- Asia: 9% (10)
- Oceania: 2% (5)
- Africa: 0% (1)
- South America: 1% (1)
- Unknown: 1% (1)

Total visitors: 168
GOTS Promotion – Logolution
“…the relaunch of a logo should only lead to a change or modernization in such a way that the viewer immediately recognizes the logo as such, without knowing the change…”

Gabriele Kolompar
...the winner was not voted first by all but it was the only one which was voted by almost all...
Value-based sustainability management

Integration?

Quelle: Schaltegger/Dyllick 2002, 44ff
Sustainability and Competition

Security in strategy

Assuring acceptance and legitimacy

Realizing and making use of differentiation potential

Quelle: Schaltegger/Dyllick 2002, 104ff
Competitive Advantages in general

- Relevance
- Perception
- Permanence

Competitive Advantage
Competitive Advantages

Social and ecological problems

Social and ecological knowledge becomes stakes

Social and ecological competition fields (current, latent, in the future)

Competitive Advantages
What makes a standard a competitive factor?

- Visibility
- Customers benefit
- Credibility
- Permanence
- Relevance (to solve eco/social problems)
Sustainability based competitive strategies

- Reducing or controlling risks
- Improving image and reputation
- Improving productivity and efficiency
- Market differentiation
- Sustainable market development
- Safe
- Credible
- Efficient
- Innovative
- Transformative
Reducing or controlling risks

- Standard as risk management instrument
- Standard as an instrument of communication to create trust

GOTS’ Solutions

- GOTS products are certified the whole production chain
- Criteria are comprehensible
- Criteria are verifiable
- Compliance with the criteria has do be documented by certified entities
Strategy type „safe“

- U.S. Department of Agriculture (USDA) Policy Memorandum on Labelling of Textiles That Contain Organic Ingredients (2011)
- Regulation amending Annex XVII of REACH as regards nonylphenol ethoxylates (NPEOs) in textile articles
All GOTS Goods, the components of these products and the inputs used are to be included in the risk assessment and therefore potentially subject to testing.

GM testing considerations added to the factors that should be considered in an appropriate risk assessment analysis:

The essence is that GM testing on (cotton) fibre material is more appropriate/reliable at an early stage of the processing chain as still sufficient DNA from the plant can be found in the fibre material (e.g. at ginning or spinning stage).
Strategy type „credible“

Improving image and reputation
- Standard can integrate stakeholder in standard development
- Standard communicates solutions for sustainability based problems
- Standard can be „external proof“

GOTS’ Solutions
- Third Party Certification
- Specific and verifiable criteria instead of best practise
- Includes environmental and social criteria along the entire supply chain

Integration of stakeholders (Committees and Revision Process)
- USDA, ISEAL, ITC, standard rankings…
What is measured?

- Reputation of standard
- Fit with own company
- Financial results or sales
- Impact on the ground
- Don’t measure
- Own experience

Messung der Wirkung von Nachhaltigkeitsstandards durch das Unternehmen (vgl. ISEAL 2010, 12)
By entering the [license no.] from an on-product label into the ‘free text’ field of the search engine, the certified entity can be verified.
Improving productivity and efficiency

- Standards as instrument to build up and manage supply chains
  - Achieve improvements in eco-efficiency
  - Achieve improvements in socio-efficiency

GOTS’ Solutions

- Reduction of wastewater costs (Wastewater management)
- Instrument for sustainable supply chain management
- Reduction of “social damage“ (Social Compliance Management)
Certificates along the supply chain

Each buyer in the supply chain only needs to check SC and TCs of the supplier(s).
Benefits from standards

What benefits do you get from standards systems?

Nutzen von Nachhaltigkeitsstandards für die Unternehmen (vgl. ISEAL 2010, 12)
Type of Strategy: “Innovative”

- Differentiation
  - Standards for opening up new markets
  - Niche markets
  - Public procurement
  - Using customers “willing to pay more”

Example of GOTS

- Added value of the innovation in the premium segment compared to conventional products (similar pricing)
- Decrease of health risks
- Protection of resources in production process
- Compliance of social criteria
Differentiation – customers view

Visibility

Influence decision to purchase at equal price and equal time expenditure

Willing to pay more and change consumer habits

Credibility

Customers own benefit

Quelle: Petersen et al. 2012
Strategy type „transformative“

Sustainable market development

- Standards to exclude non sustainable managing marked participants

- Participation in working groups and stakeholder consultations of standard developers

- Standard as an instrument for lobbying and for integrating into government regulations (e.g. USDA)

GOTS

- Possibility to join stakeholder process
- Official recognition of GOTS as organic guideline (USDA) is intended in other countries too
- Contribution to the SDGs
GOTS material for you

• Simple Show Clips
• GOTS Film
• Why GOTS Factsheets
  • Why GOTS - How Official Bodies, Organisations and Institutions support the Global Organic Textile Standard
  • Why GOTS - How Companies Benefit with GOTS Certification
  • Why GOTS - How Consumers Benefit from the Global Organic Textile Standard
  • Why GOTS - Why GOTS Meets Legal Requirements and Demands of NGO's
  • GOTS Labelling Factsheet - From Field to Fashion
• Security Advice Adverts
• Annual Reports
• FAQs
Why GOTS?
How Companies Benefit with GOTS Certification

There are numerous ways in which companies benefit from becoming certified to the Global Organic Textile Standard (GOTS). Below we list the top five reasons how and why becoming certified to GOTS supports a company’s business case for sustainability.

 риск reduction
- GOTS is a comprehensive risk management instrument for your supply chain
- GOTS sets strict and extensive environmental and social criteria for the entire supply chain
- GOTS criteria are explicit

credibility
- Third party certification serves as independent external verification versus self-claims
- Certification includes dual quality assurance - onsite inspection and product testing
- Certification provides the credibility and verification of claims that investors, and the public, expect.

Efficiency and Productivity
- GOTS’ wastewater management and other requirements result in improved eco-efficiency
- GOTS’ social compliance management requirements result in improved socio-efficiency
- GOTS certification facilitates sustainable supply chain management, cutting companies’ costs as they do not need to trace the whole supply chain themselves.

innovation and differentiation
- GOTS certification can grant access to new markets, e.g. public procurement
- GOTS is explicitly recognized by governments and leading textile, sport, environmental, and organic organizations worldwide
- Sustainability innovation provides added value over conventional products.

Sustainable Market Development
- Enables companies to be market drivers
- Readies companies for the increasingly stringent regulatory climate.

GOTS is recognised as the leading processing standard for textiles made from organic fiber worldwide.
Security Advice for Consumers

Do you want to be sure that a product is really GOTS certified?
Please check for complete labelling.

Security Advice for Retailers

Make sure that products are actually GOTS certified and labelled correctly!

Request from your supplier:

- **Scope Certificate** (Certificate of Compliance) proves that the supplier is able to process according to GOTS criteria
- **Transaction Certificate** proves that the actual products are GOTS certified
- **the certifiers release** for the valid GOTS logo use on the product

Wrong labelling is a trademark infringement!
Retailers are liable for incorrect labelling

