



GLOBAL ORGANIC TEXTILE STANDARD

ECOLOGY & SOCIAL RESPONSIBILITY

AR 2012

ANNUAL REPORT 2012

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EXECUTIVE SUMMARY

- » With the full implementation of GOTS Version 3.0 following a well-recognised stakeholder input process, the introduction of a Mission Statement, the first public Annual Report, a formal Complaint Procedure as well as unified policies and templates for certificates, we further strengthened our professional appearance.
- » The number of certified entities reached the record level of more than 3000.
- » Sixteen certification bodies were entitled to work as GOTS-approved certifier.
- » We started a webinar-based certifiers' training system.
- » 57 complaint cases were handled in 2012. With the exception of five cases all could be solved without legal assistance. In order to formalise and structure complaints we installed a new complaint procedure.
- » The launch of the joint Organic Cotton Campaign together with Soil Association set an important visual counterpoint to the recent tendency of brands and retailers to reduce or drop their organic cotton programs in favour of less comprehensive 'sustainable cotton' initiatives.
- » The GOTS Marketing project was completed on schedule at the end of 2012 with a strategic marketing concept.
- » Eight GOTS Representatives worked in their regions on the media, on initial consulting, on GOTS certification, on training textile professionals and students and they were involved in political issues as well.
- » In keeping with our principle to use all income to reach our objectives the operating unit of the International Working Group obtained formal non-profit status.

GOTS 2012

Our vision is that organic textiles will become a significant part of everyday life, enhancing people's lives and the environment. Our mission is the development, implementation, verification, protection and promotion of the GOTS

(from: GOTS Vision and Mission)

DEVELOPMENT

Standard revisions are anticipated every three years. Accordingly, as the GOTS Version 3.0 and the corresponding Manual were released on 1st March 2011 the next revision process will take place in 2013. The transparent revision process including the multi stakeholder input procedure, which was introduced with the last revision process, has turned out to be well functioning and acknowledged by market participants and in the public. The approach will again be to invite stakeholders which operate internationally with expertise in the field of organic production, textile processing, textile chemistry and social criteria and representing the industry, NGOs and consumer interests in our program. In this context we will further increase our efforts to achieve participation and contribution from all relevant stakeholders.

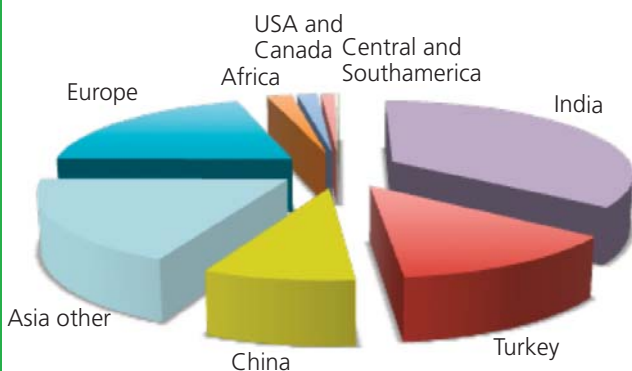
IMPLEMENTATION

GOTS Version 3.0 became fully implemented in 2012. Remaining implementation difficulties (especially GOTS certification of ginneries, registration of chemical inputs under GOTS 3.0) were basically solved. The



implementation of the certification obligation for B2B traders made progress especially in the European sales markets. This, together with the increasing awareness and recognition of the GOTS logo, has led to the effect that GOTS labelled textiles can be found more and more often in the retail market. However, especially in the important US market, most of the relevant importers and wholesalers were still hesitant in participating in the certification program. We are confident that the enforcement of the NOP policy memorandum which requires textiles labelled as "organic" to be NOP or GOTS certified (see GOTS Annual Report 2011), will change the situation in the US as well.

For the first time, more than 3000 facilities were certified to GOTS worldwide. The total number rose to 3016, an increase of more than 11% compared to last year's 2714 certified facilities. The most significant development took place in the European market where for the second successive year the number of certified facilities increased by more than 20%. The top three countries remained India (1062 certified facilities), Turkey (400) and China (252).



Breakdown of facilities by Region/Country 2012

Efforts were made to get the EU to follow the example of USDA in formally acknowledging GOTS. In the U.S. we intensified the contacts to USDA to improve the communication of the specifications of the policy memo, which in 2011 confirmed that textile products produced in accordance with the Global Organic Textile Standard (GOTS) in the U.S. may be sold as 'organic'.

In the EU we participated in the CEN working group of the European Norming Organisation (CEN WG 32) which deals with setting requirements for environmental claims in the textile sector.

VERIFICATION

In May 2012 the Italian based certification body Bioagricert was accredited for certification scopes 1-3 and in December the biggest Control Union Certifications office for GOTS certification, Control Union Inspections India, received its independent accreditation as GOTS certifier for all four scopes. Both accreditations were provided by IOAS.

Resulting, 16 certification bodies are entitled to work as GOTS-approved certifiers.

Together with Textile Exchange, harmonised policies and templates for transaction and scope certificates were developed. The templates unify layout, format and text of both certificate types among the different certifiers and standards. This helps all users, especially commercial buyers such as brands and retailers, who purchase certified goods from various suppliers, issued by different certifiers and to different standards to easily compare, handle and verify information provided with scope and transaction certificates issued to GOTS and any Textile Exchange standard. Accordingly, positive feedback for the initiative and its im-



plementation was received from the industry. The new templates must be used by all certifiers approved by GOTS (and TE) for any scope and transaction certificates issued as of 1st September 2012. A webinar-based certifier's training system got started. External experts were engaged as presenters in fields where their specific knowledge and experience were required. In total five webinar trainings were performed in 2012:

- How to get products labelled to GOTS - Review of the corresponding certification, licensing and application requirements
- Risk assessment and residue testing
- Energy and Water Consumption
- Overview of Management-Systems Based Auditing for Labour Standards
- Auditing Challenges - Child Labour

All webinars were provided twice (considering the different time zones) and free of charge. There was a huge interest, more than 50 certifiers' staff members and auditors participated in each training.

PROTECTION

The GOTS logo is a registered trademark in about 80 countries so far. Trademark registrations were continuing in Latin American countries, and some procedures where national trademark offices rejected our application are still continuing.

With increasing recognition and value of our logo and certification program we faced further increasing trademark violations, false references to GOTS (certification) and fraudulent pretensions that a company or products were GOTS certified.

While 42 complaint cases were filed in 2011, 57

complaint cases were handled in 2012 most of which were related to the above issues. Still, most cases of unauthorised trademark use or false references were obviously based on ignorance of the GOTS labelling system and accordingly most companies (mostly traders and retailers) removed the GOTS logo and/or incorrect statements from their advertising material after our intervention. Some companies could be convinced to apply for certification in order to be able to make correct references. In five cases we required legal assistance in order to enforce compliance (Korea); in one case a court procedure was required and was successful (Germany).

In three cases of fraudulent activities the management imposed a certification ban for two years. Certifiers have been advised not to certify the companies or - in the case where a chemical supplier falsified a lab analysis report for an input - not to approve any of its products for a period of two years.

The newly introduced Complaint Procedure proved to be a well-functioning and valuable tool for formalising and structuring complaints.

PROMOTION

In July 2012 Claudia Kersten was appointed Marketing Director and the GOTS strategic marketing concept was completed as planned.

We issued the GOTS News twice with a remarkable response from the media and other interested parties. Textile Exchange served as a multiplier by spreading the GOTS News to their own recipient lists.

Greenpeace rolled out the red carpet for GOTS with its DETOX campaign aiming at the big brands and retailers to reduce their impact on the environment by



reducing their chemical input. This was used as a basis to contact the big players to offer GOTS as the solution.

Together with Soil Association (SA) we started a global campaign to increase the demand for organic cotton, challenging brands, retailers and consumers by asking "Have you Cottoned on yet?". Lord Peter Melchett (SA Policy Director) launched the campaign at the Textile Exchange Conference on the 5th October in Hong Kong where also GOTS Technical Director Marcus Bruegel contributed as a speaker in two workshops. The GOTS Representatives sent out press releases in their respective regions and the translation of the campaign materials into several other languages started in order to help communicating the campaign in the different regions. The Representatives also included the campaign in their work as a framework, e.g. by presenting the campaign at trade fairs, conferences and by contacting companies to commit to organic cotton and GOTS processing through the campaign website www.cottonedon.org.

Our web analysing tool Piwik, installed at the end of 2011, recorded more than 135.000 visitors spending more than 8.000 hours on the GOTS-Website – evidencing the importance of the GOTS website tool. Accordingly we started a process to develop the website further. The most important improvement will be the introduction of different language versions starting with German, Spanish and French. Furthermore, documents that are available in many other languages will be able to be viewed separately and more comfortably. The full length version of the GOTS Film will be able to be watched in all available languages directly on the website. The official trailer will be available on Youtube.

In 2012 two new Representatives were appointed in China and in India respectively. The Representatives in alphabetical order: Stuart McDiarmid (Australia, New Zealand), Sumit Gupta (India), Shirley Han (China) Yoshiko Ikoma together with Satoko Miyoshi (Japan), Claudia Kersten (Germany, Austria, Switzerland), Sandra Marquardt (USA), Christopher Scopes (United Kingdom) and Elisabeth Tosti (Scandinavia).

Here are examples for the tasks and worldwide activities of the Representatives:

Media: Beside the individual press contacts in the regions we undertook two central media initiatives in 2012: The annual press release, documenting GOTS successes in 2011 and the press release regarding the "Cottoned on" campaign in October.

In Scandinavia, Elisabeth Tosti's essay "From the Brundtland Report to Global Organic Textile Standard" was published in "The Nordic Textile Journal". A huge hit in the German speaking countries were comparisons of eco-labels by numerous b2b (e.g. "Textilwirtschaft") and b2c (e.g. "Süd-deutsche Zeitung") publications.

In India, Organic food is getting more and more attention but organic textiles have not been picked up yet by the media. During Biofach India, interviews were given to consumer oriented print media and TV. A detailed interview was published in "Textile Excellence" in the October Issue.

The specialist industry journal "Eco Textile News", published in the UK but with a worldwide audience, had a total of 27 news items mentioning GOTS.

In USA we got considerable trade media interest regarding the Cotton On campaign and got coverage in the popular eco-fashion blog „Ecousterre“ as well as in Fiber to Fashion and on OTA's Facebook page.



Approaching relevant textile operators:

In 2012 trade fairs and congresses were continuously the primary method used to get in touch with small and increasingly with big players. In October 2012, we participated in two major events in China: Interstoff Asia Essential Hong Kong and Intertextile Shanghai ApparelFabrics as the long term Eco partner of Messe Frankfurt. In December, a luncheon seminar was solely dedicated to GOTS at the Hong Kong based Sustainable Fashion Business Consortium with big players such as Puma or Avery Dennison attending. In Germany, Austria and Switzerland GOTS was represented at 11 events (including both trade fairs and congresses). We ran booths in partnership with IVN at Biofach 2012, at the Berlin Fashion Week's Ethical Fashion Show in the Knowledge Lounge in January as well as in July, and at Munich Fabric Start (Eco Village) in September together with a lecture. The GOTS Film was shown at Innatex in January and July four times each. Additional lectures on GOTS were given at Heimtex (Frankfurt) in January, Organic Textile Forum (CH) in May in combination with a workshop, at Beyond Fashion Summit (Berlin), and at Dialog Textil Bekleidung (München) in November. In India we were presented at more than 10 conferences with speeches, workshops or seminars and additionally through Skype. GOTS was official supporter of Biofach India including a booth there and was able to show media presence. GOTS was presented in Japan with booths and seminars at Interiorlifestyle in June and at Biofach in November. In Scandinavia, we were sponsor of the winning prize at Copenhagen Fashion Summit 2012. At the Peoples Meeting at Bornholm we organized a booth for four days together with the Danish Eco Council. In the UK, a focus on GOTS promotional events with the industry was

through the GOTS partnership with the Ethical Fashion Forum (EFF) in two GOTS sponsored events in March and October 2012 and with the EFF SOURCE forum in July. Through the continuous connection with the government's Sustainable Clothing Action Plan, where the big retailers actively participate, GOTS and organic were able to be highlighted. We participated in the RITE Group conference in October with a table display and also at NICE. In the USA three Textile Exchange conferences were attended and GOTS was spoken about at the TexWorld conference in New York City on the "Eco-certifications" panel.

Initial consultancy for GOTS certification:

There is an on-going wide range of demand for individual consultancy including common economic questions like strategy and organisation or sourcing up to standard specifics like chemicals or correct labelling. In China the individual consultancy took place at the big events and then as follow-up through emails. In Germany, Austria and Switzerland we received more than 200 enquiries. Seminars with the help of our Adobe Connect online conferencing tool were conducted individually for companies. This has proven to be a very efficient tool saving time and travel expenses. In India, more than 100 companies were consulted individually from deep problem solving up to needed POS materials. Amongst the numerous companies consulted in Scandinavia was H&M and Polarn O. Pyret, a big player in Sweden. In the UK, one-to-one meetings with Otto Group, ASOS and Ted Baker were held.

The Representatives worked on additional topics such as political, educational and relations with stakeholders other than producers and retailers, such as NGOs. Here are some examples:



“Political” engagement:

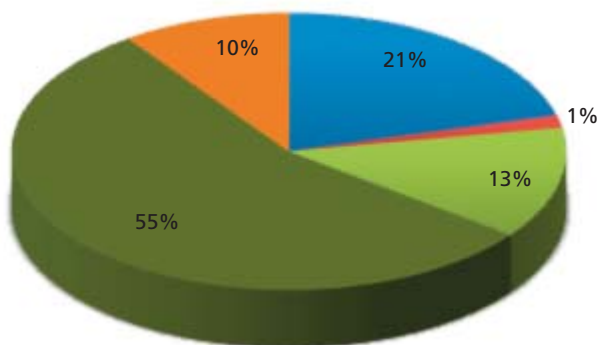
In China we were involved in clarification of the legal and administrative framework for foreign processing standards. In Germany we participated at a round table of the German council for sustainable development. GOTS was involved in discussions about changes of the Nordic Swan. We have been involved in the UK government 'Sustainable Clothing Action Plan' initiative, which includes a series of improvement actions aimed at reducing the environmental impact of the clothing sector, one of these is the move to using lower impact fibres, such as organic.

Education

Some Representatives did educational work, for example, in India we encouraged students to take projects in sustainable fashion, whilst in Germany we arranged a yearly GOTS guest lecture and workshop at textile design institution ESMODs Master Program “Sustainability in Fashion”. In Japan we started a weekly lecture on ethical and sustainable fashion at ESMOD Japan including two hours lecture on GOTS. Consumer education also took place in Germany in collaboration with consumer fairs and in Japan by holding lectures in big consumer stores.

FINANCIAL INFORMATION

Our organisation maintains a flat structure and aims to minimise administrative costs. The GOTS programme is self-financed. All income is used to reach our objectives. Accordingly the operating unit has legal non profit status (Global Standard gemeinnützige GmbH) and we chose the social-ecologically oriented GLS Bank as our house bank.



Expenses by task fields 2012

Income

| | |
|--|------------------|
| Annual Fee 30 € per facility inspected and/or certified | 80.196 € |
| License Fee 120 € per facility inspected for a certified entity | 298.561 € |
| Registration Fee 15 Euro per approved trade name of an auxiliary input | 88.245 € |
| Application Fee 2000 Euro per certifier initially applying for GOTS accreditation | 2.000 € |
| Total | 469.002 € |

Expenses

| | |
|--|------------------|
| Standard and Quality Assurance System | 98.661 € |
| System Protection | 6.755 € |
| Promotional and Marketing Tools | 61.776 € |
| Promotional Activities, GOTS Representatives | 259.945 € |
| General Administration | 46.569 € |
| Total | 473.706 € |



ABOUT GOTS

GOTS is recognised as the world's leading processing standard for textiles made from organic fibres. It defines high-level environmental criteria along the entire supply chain of organic textiles and requires compliance with social criteria as well.

GOTS was developed by leading international standard setters in order to define globally recognised requirements that ensure the organic status of textiles – from harvesting of the raw materials through environmentally and socially responsible manufacturing all the way to labelling – in order to provide credible assurance to the consumer.

Supported by the growth in consumption of organic fibres and by the remarkable demand for standardised processing criteria from the industry and retail sector, GOTS has already gained universal recognition. It enables processors and manufacturers to supply their textiles made from organic fibres with one certification accepted in all major selling markets

The International Working Group on Global Organic Textile Standard is comprised of four well-respected member organisations: Organic Trade Association (OTA), USA, International Association of Natural Textile Industry (IVN), Germany), Soil Association, UK and the Japan Organic Cotton Association (JOCA), Japan. Together with international stakeholder organisations and experts, they contribute their respective expertise in organic farming and environmentally and socially responsible textile processing to GOTS.

The monitoring system is based on on-site inspection and certification performed by independent, specially accredited bodies. This assures the integrity of GOTS-certified textiles. The GOTS licence entitles to participate in the GOTS programme, including use of the GOTS logo on its respective GOTS goods.