

# Policy for Alternative Volume Reconciliation (VR2): Consultation Feedback Summary

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## Introduction

Textile Exchange is committed to building credible, internationally recognized standards that include assurance and monitoring and evaluations systems. As a member of ISEAL, Textile Exchange follows three [Codes of Good Practice](#) in addition to its own procedures for Standard Setting, Accreditation, and Certification.

The Content Claim Standard (CCS) relies on batch-level segregation<sup>1</sup> of certified products, for both 100% certified content and blended products. Textile Exchange recognizes that this model may not be implementable for sites that run continuous production processes<sup>2</sup> with reclaimed or recycled material inputs and are unable to maintain batch level segregation. These sites are typically first processors in the textile supply chain and their inclusion presents an opportunity for meaningful positive impacts through larger volumes.

In December 2021 and January 2022, Textile Exchange collected feedback on the [DRAFT-CCS-105-V1.1 Alternative Volume Reconciliation \(VR2\)](#). Alternative volume reconciliation (VR2) criteria provides an option for mass balance credit accounting at the level of an individual site. This document provides a summary of feedback received during the open feedback period as well as Textile Exchange responses on how the feedback was addressed in the released policy [CCS-105-V3.0 Alternative Volume Reconciliation \(VR2\)](#).

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<sup>1</sup> In batch manufacturing, the raw materials are placed into the manufacturing system at the beginning of the process, and the product is discharged from the system all at once sometime later. No ingredients cross the system boundaries between the time the raw materials are placed into the system and the time the product is discharged from the system.

<sup>2</sup> In continuous production, the raw materials are continuously fed into the manufacturing system, while finished chemicals are removed to create room. It is not possible to determine whether the exact molecules that went into the process came out of the process due to continuous homogeneous mixing.

## Stakeholder Participation

The open feedback period spanned over 45 days from December 2<sup>nd</sup>, 2021- January 15<sup>th</sup>, 2022. Stakeholders from the following regions participated: Austria, Germany, Italy, Spain, Sweden, Switzerland, and the United States.

In total, 13 stakeholders participated in the open feedback period.

- Brands/ Retailers: 5
- Supply Chain: 1
- Raw Material Products: 5
- Professional Services: 2
- Civil Society: 0

## Summary of Comments Received by Theme

### 1. Scope

- a. Ensure that the VR2 approach for recycled materials can be applicable in other material-balance cases to avoid having separate rules and added costs for all situations where a material-balance approach is needed (i.e. carbon capture, bio-based materials, recycled materials). Do not introduce elements that would later contradict the application of the same approach in other areas.

Textile Exchange response: This first version of the policy will be limited to continuous production processes with reclaimed or recycled material inputs only, though we are open to the policy being used for other materials in future versions. We will be considering inputs and looking for guidance on how to apply this thinking in future versions of the policy.

- b. Remove A1.1.1, requiring that the resulting certified product is intended for the textile sector. It is unclear how this requirement can be implemented or feasible, especially on a large production site where inputs are mixed, and outputs can be potentially any organic chemical.

Textile Exchange response: Our main organizational focus is on the textile sector. Currently, we are not broadening the scope of the VR2 policy to other sectors, and therefore, VR2 claims on transaction certificates are only allowed for textile supply chains. However, we understand that certified sites implementing VR2 may have outputs that are not intended for textiles.

- c. Clarify in A1.1.5 if the processing step of pulp making could also be used for conventional fiber instead of recycled fiber.

Textile Exchange response: The inclusion of conventional fibers is not allowed and is thus out of scope of this policy. This policy is only applicable to recycled content under the Global Recycled Standard (GRS) and Recycled Claim Standard (RCS).

- d. Elaborate and provide examples on the intended aim and areas of application for this policy, especially because labelling is not allowed.

Textile Exchange response: Please refer to the beginning of the policy which explains the intended goal of addressing continuous production processes. The policy is not intended to ban labeling for any products that contain VR2, however, if the only certified inputs used are from a VR2 system and are not combined with other qualifying certified inputs, product labeling is not allowed.

- e. Clarify if the recycling unit will receive an annual audit for VR2.

Textile Exchange response: Yes, the recycling unit will fall within scope of the audit. All sites are audited annually.

- f. Clarify in A1.2 if organizations who did not participate in the pilot but have a valid CCS scope certificate need to get re-certified.

Textile Exchange response: Re-certification is not necessary, however, a change in scope to the existing certificate will be needed. Organizations will need to contact their certification body with this request.

- g. Clarify in A1.2 if textile suppliers (i.e. fabric suppliers) need to get a CCS scope certificate or if a GRS/RCS scope certificate would be valid.

Textile Exchange response: The GRS/RCS scope certificate would be valid if all requirements in the VR2 policy are met. The VR2 policy does not change any existing certification requirements. It only allows an alternative volume reconciliation if the qualifications of this policy are met.

- h. Clarify whether all outsourcing activities are included within the scope certificate or just the outsourcing activities for the recycling processes.

Textile Exchange response: This policy applies to all facilities which utilize continuous production processes with reclaimed or recycled material inputs.

- i. Create a subset standard of the GRS/RCS dedicated only for the VR2.

Textile Exchange response: The VR2 policy is part of the CCS requirements for volume reconciliation and may expand to cover more than recycling processes in the future. Therefore, it will remain as a CCS-related policy.

- j. Add how Textile Exchange’s approach aligns with alternate standards and approaches in the VR2 space (i.e. ongoing work with the ISO, existing certification schemes for mass balance).

Textile Exchange response: We are aware of other schemes in the chemical recycling landscape and are closely monitoring approaches of peer schemes, as well as ISO and ISEAL requirements. At this point, however, we are not accepting equivalencies without further research and stakeholder conversations.

## 2. Terminology

- a. Define “site” and “processor” in A1.1.4. According to the current formulation, it seems a large chemical company can transfer the benefits claims anywhere between their facilities or locations.

Textile Exchange response: We have clarified our intent and updated wording for A1.1.4 in the final policy.

- b. Define “batch/lot”.

Textile Exchange response: Batch and lot are used synonymously. A batch is a quantity or consignment of materials treated separately or produced separately from other certified or non-certified materials. Mixing or blending of materials is controlled and recorded, so the proportion of certified content in each final product is known.

- c. Incorrect distinction between batch and continuous production and therefore what is allowed to be certified. For example, the polymerization process is considered a continuous process, but the products are formed in batches.

- d. Define “continuous production” and “batch manufacturing”.

Textile Exchange response to c and d: We have added explanations of batch manufacturing vs. continuous production manufacturing as they relate to the current VR2 scope via footnotes at the beginning of the policy as well as in this summary of feedback document.

In batch manufacturing, the raw materials are placed into the manufacturing system at the beginning of the process, and the product is discharged from the system all at once sometime later. No ingredients cross the system boundaries between the time the raw materials are placed into the system and the time the product is discharged from the system. In continuous production, the raw materials are continuously fed into the manufacturing system, while finished chemicals are removed to create room. It is not possible to determine whether the exact

molecules that went into the process came out of the process due to continuous homogeneous mixing.

### 3. Recycling Methods

- a. The eligibility criteria under A1.1.2 are too strict. Gasification and pyrolysis depolymerization should be included to account for innovations in technology. This policy should consider acceptance of chemical recycling schemes existing today, for example ISCC Plus. [Note: This comment captures other similar feedback received which is addressed in the following Textile Exchange response]

Textile Exchange response: Gasification and pyrolysis depolymerization will remain excluded from this first version of the policy as an eligible recycling method for VR2 mass balance. In many conversations with stakeholders, we learned about the complexities of these processes and also the lack of general regulation on how to account for them in a consistent and industry-recognized way. While we support innovations in recycling methodologies and technologies, there are challenges with these methods to accurately account for the exact claimed material percentages: a product made with a claimed percentage of recycled content either could or could not contain a single atom of recycled material using these technologies. This poses a challenge for our chain of custody system that is designed to track claimed material through the supply chain. We are aware that other schemes in the chemical recycling landscape are allowing these methodologies today and we are open to review this further in consideration for a future version of the VR2 policy. At this point, however, we are not accepting equivalencies without further research and stakeholder conversations.

- b. The recycling methods that include pyrolysis and gasification of the waste cannot avoid CO<sub>2</sub> emissions.

Textile Exchange response: We will be evaluating the environmental impacts of production as part of the Unified Standard development across all our existing standards.

- c. Remove A2.7, requiring a minimum of 5%. Most production sites where a balancing approach is necessary are large and therefore an input threshold does not need to be included. The threshold should apply only to the output, not to the input.
- d. Clarify in A2.7 if the 5% minimum input requirement is required even for non-claimed products.

Textile Exchange response to c and d: Through many conversations with stakeholders we learned that requiring a minimum of 5% is not realistic at this time,

hence this minimum requirement has been removed from this first version of the policy.

- e. Add minimum yield requirements.

Textile Exchange response: We were unclear of the intent of this feedback and have not added minimum yield requirements in this version of the policy. However, recording conversion factors as part of the VR2 credit account is required.

- f. Clarify whether the conversion factor that determines how much output material can be produced is determined by Textile Exchange or the supplier.
- g. Clarify if a supplier can have different conversion factors for different VR2 periods.

Textile Exchange response for f and g: Conversion factors are provided by the supplier and vetted by the certification body. There should not be different conversion factors for the same material in the same processing step. Averages are accepted. Conversion factors should stay consistent across different volume reconciliation periods.

- h. Clarify if input materials that contain only claimed materials (no non-claimed materials) are allowed under A2.2.1.

Textile Exchange response: We were unclear of the intent of this feedback. Implementation of the policy on VR2 would not be needed if this was the case.

- i. Remove the separation between pre-consumer and post-consumer material in A2.4.3. Both are important to increasing the share of recycled textile fibers and separating them creates an administrative burden on the product level. Suggestion to allow blending on the product-side without specifying pre- or post-consumer.

Textile Exchange response: The GRS and RCS require all material to be labelled as pre-consumer or post-consumer, with the percentage of pre-consumer and/or post-consumer being stated on the transaction certificate. It is currently required to include pre- and/or post-consumer material on the actual product labelling. Note that physical separation of pre- and post-consumer is not required in the VR2 policy.

- j. The policy uses volume and mass/weight terms interchangeably which may create confusion. Streamline and add balancing calculations for other physical basis besides dry mass (i.e. carbon content for biobased materials). Avoid the misunderstanding and different interpretations of the document, for example:

- i. calculations based on physical volume of input instead of dry mass;

- ii. calculation based on mass without taking water content into account;
- iii. calculations based on weight of the input where the carbon content logic should have being applied.

Textile Exchange response: In the revised policy, we have introduced the term of a VR2 credit account. The organization must define the unit of measurement that is used for the VR2 credit account which is consistent with input/output measurements normally utilized for volume records at the site.

- k. Add a clear guideline on how to treat water/ moisture content.

Textile Exchange response: We will take this feedback into consideration for a future guidance document.

#### 4. Chain of Custody

- a. Unclear if Textile Exchange will update CCS 3.0 to reflect the updated VR2 policy.

Textile Exchange response: No, this will be a stand-alone policy until the next scheduled revision of the CCS.

- b. Add information on the direction of travel for transaction certificates. For example, whether the transaction certificate from the recycling unit is the first transaction certificate issued in the supply chain.

Textile Exchange response: Yes, it is the first transaction certificate, unless the reclaimed material supplier elects to get certified. The reclaimed material supplier is not required to be certified under the scope of the GRS/RCS but may choose to do so.

- c. Clarify in A2.6 how adding credits to VR2 accounting records works, and if they are shown on transaction certificates.

Textile Exchange response: We have introduced the term of a VR2 credit account in the revised policy and updated requirements for clarity. Records are kept by the organization and verified by the certification body.

#### 5. Claims

- a. Add clarity to section A4 to show what claims are and aren't allowed with material balance/ VR2 content.
- b. Concerns about forbidding labeling of any product containing VR2 material. Customers want products that are eligible for labeling.

- c. Include a fair accounting approach to enable defensible consumer claims in the future.
- d. Create new labels for products containing VR2 material similar to RCS 100 and RCS Blended.
- e. If the aim of the policy is to increase the market uptake of recycled materials, consider a labelling approach to where products with up to 30% VR2 material can label (similarly to FSC and PEFC).

Textile Exchange response to claims feedback: We have reworded section A4 to clarify our intent. In short, GRS or RCS product-related claims, including logo use, is not allowed on VR2 material. Where VR2 material is mixed with non-VR2 material, the VR2 material cannot be claimed as part of an overall product-related claim. However, a certified organization may make non-product-related claims about their certification status.

Our approach to labelling will be revisited as part of the Unified Standard development and review/revision of our claims and labeling policy.

## 6. Auditing

- a. Clarify if every interested supplier (i.e. recycling unit or next steps of the supply chain) must get in touch with Textile Exchange first before applying for the certification.

Textile Exchange response: Interested suppliers can also ask their certification bodies to notify Textile Exchange.

- b. Clarify in B1.3 whether certification bodies need to receive approval from Textile Exchange for all companies along the supply chain that apply for VR2 ahead of scheduling the audit, or just the recyclers.

Textile Exchange response: VR2 is only applicable to recyclers in most cases. An authorized certification body will know how to scope the audit accordingly and determine who is in and out of scope and when to seek approval from Textile Exchange.

- c. Under B1.1, add clarification whether accreditation to all of Textile Exchange standards and GOTS qualifies a certification body to audit VR2.

Textile Exchange response: We have clarified our intent in the revised policy: In order to evaluate VR2, the auditor and certification decision-maker must have previously audited a mass balance standard or completed an approved training from Textile Exchange.



- d. Clarify why the volume reconciliation period is not allowed to be longer than three months under A2.4.1 as it usually is set at 12 months.

Textile Exchange response: The time limit is intentionally set at three months to manage risk by ensuring a shorter time period than a full year to balance input and output credit in the VR2 credit account.