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Serving Manufacturers, Retailers, and Service Solutions Providers



Textile Recycling and Responsible Business Conduct: The Role of Social Compliance

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Textile Recycling and Responsible Business Conduct: The Role of Social Compliance

By Mark Jaeger, Senior Vice President, Stakeholder Engagement, WRAP (Worldwide Responsible Accredited Production) (RLA Alliance Partner)

Introduction

Brands and retailers (Sellers) have partnered with reverse logistics organizations to implement increasingly efficient approaches for handling ecommerce and retail returns. Some Sellers have started accepting used clothing as part of their commitment to a more sustainable operating model. However, despite these efforts, the harmful effects of textile overproduction and underconsumption have continued, prompting some regulators to mandate textile recycling.

Textile Recycling Mandates

In August 2024, the California state legislature passed [SB 707](#), the Responsible Textile Recovery Act of 2024, establishing a Producer Responsibility Organization program that will require covered producers to implement and fund a program to support reuse, repair, and recycling of clothing and textile fibers. Governor Newsom ratified the bill and it takes effect July 1, 2028.

The European Union is in the process of

implementing its [Strategy for Sustainable and Circular Textiles](#). This is a multi-prong strategy and includes revisions to its [Waste Framework Directive](#) to introduce “... mandatory and harmonized Extended Producer Responsibility schemes for textiles, textile related and footwear products across all EU countries...”

The revisions will also “... oblige member states to ensure the separate collection of textiles for re-use, preparation for re-use and recycling by 1 January 2025.” By the end of 2028 “... the Commission will consider setting specific targets for waste prevention, collection, preparing for re-use and recycling of the waste textile sector.” The revision to the Waste Framework Directive was approved by the [Council of the European Union on June 17, 2024](#).

The global textile recycling market is expected to grow from [\\$7.1B USD in 2023 to over \\$11.3B USD](#) in 2030. This growth raises many questions including how textile recyclers and their business partners can address social compliance risks in their value chains.

Responsible Business Conduct

The global shift from voluntary to mandatory textile recycling laws echoes the shift from voluntary to mandatory social compliance schemes. Over the past thirty years, Sellers started on their path to social compliance by publishing codes of conduct for their supply chains, followed by establishing internal audit programs to enforce those codes, and today many Sellers work with independent social compliance programs.

As social compliance programs took root and grew, international standards bodies like the Organization for Economic Cooperation and Development (OECD), the United Nations (UN) and the International Labor Organization (ILO) began issuing guidance to define what responsible business conduct in global supply chains should look like.

For example, the OECD published its Guidance for [Responsible Business Conduct](#) (Guidance) in

2018. The Guidance has been voluntarily followed by many large multinational organizations. More recently, the Guidance has become a framework of reference for regulators when drafting and adopting mandatory human rights due diligence (mHRDD) laws.

One example of the influence of the Guidance is the new Corporate Sustainability Due Diligence Directive ([CSDDD](#)) in the European Union (EU). The CSDDD entered into force on July 25, 2024, and will take effect for larger companies doing business in the EU in 2027. These companies will need to conduct risk-based human rights and environmental due diligence across their chain of activities. If adverse impacts are identified, they need to be mitigated.

A chain of activities includes more than immediate suppliers and reaches both upstream and downstream. Interestingly, earlier drafts of the directive defined chain of activities to include [product disposal](#) activities. Shortly before adoption, the directive was narrowed to limit the downstream reach to distributors. As such, unless textile recyclers are directly covered by the CSDDD, they will need to look at other regulations or voluntary frameworks to ensure their operations meet international standards.

In Canada there is a new mandatory reporting law, S 211, [Fighting Against Forced Labour and Child Labour in Supply Chains Act](#), requiring all companies that have at least \$40M CDN turnover in Canada to report on their efforts to identify and remediate forced labor and child labor in their supply chains.

While the US has not passed a national mHRDD-type law or even an enhanced reporting law as in Canada, it did pass the Uyghur Forced Labor Prevention Act, ([UFLPA](#)) in 2021. UFLPA prohibits imports if there are credible allegations that the goods were made in whole or in part with forced labor from China’s Xinjiang region. UFLPA empowered the Customs and Border Protection (CBP) agency to enforce the law. CBP has detained over [9,000 shipments](#) from June 2022 through August 1, 2024 for potential violation of the law.

The trend towards mHRDD is accelerating. To avoid supply chain disruptions, reputational harm and legal liabilities, companies need to understand these new laws and adopt programs to ensure they are and remain in compliance.

Textile Recycling and Responsible Business Conduct

Textile production has centered in developing countries for economic reasons including lower labor costs and access to raw materials. In some cases, these developing countries lack the resources to enforce their laws and protect workers from unsafe workplaces. This was the reason for the development of voluntary standards, international guidelines and now mHRDD.

Textile recycling raises similar worker concerns especially where the recycling takes place in developing countries. The [ILO reports](#) that 6.9 million workers are currently employed in the global waste management and recycling industries and face hazardous working conditions;

Notably, while contributing to environmental sustainability, workers in the waste management and recycling industry often face significant health hazards. These include exposure to toxic chemicals, biological agents, and physical risks from handling hazardous materials and operating heavy machinery. These risks are compounded in developing countries, where occupational safety and health (OSH) regulations are often weaker or poorly enforced, leaving workers more vulnerable to injuries, respiratory issues, and long-term health conditions. This stark contrast between the industry's role in promoting a green economy and the unsafe conditions many workers endure highlights the need for stronger OSH protections, particularly in regions where regulatory frameworks are less robust. (ILOSTAT, August 26, 2024, Valentina Stoevska).

The ILO also noted that many workers are working informally and are not receiving social protections from injury or job-related illness. Hours are also reported to be long and the workforce on average has a lower level of education. These factors raise the risk of worker exploitation.

As mandated textile EPR networks start up, how should Sellers assess social compliance risks in these networks? Likewise, for textile recyclers, absent mandatory requirements, what should they do to demonstrate to Sellers that they operate safe facilities, treat their workers with respect, and ensure workers are paid all wages and benefits legally due?

One approach is for Sellers and textile recyclers to collaborate with third-party programs like [Worldwide Responsible Accredited Production \(WRAP\)](#). WRAP conducts audits and certifies conditions at production facilities around the world.

Even if textile recycling is done in developed countries with robust regulatory enforcement, there is the potential in a growing industry that inexperienced or short-sighted operators will overlook worker safety and worker rights issues—issues that could be identified by an effective social compliance audit program.

Social compliance audit programs like WRAP draw on years of experience and trained auditor networks to identify potential adverse worker impacts and guide management on corrective action.

WRAP has recently reviewed audit findings for suppliers and identified the most common noncompliances found during audits.

WRAP Audits

WRAP audits include small suppliers with fewer than one hundred workers to large suppliers with over 20,000 workers. The audits cover suppliers making textiles, footwear, travel goods, accessories, and other products.

WRAP audits are comprehensive assessments of a

WRAP's 12 Principles

- | | | | |
|---|---|---|---|
|  | 1. Compliance with Laws and Workplace Regulations |  | 7. Prohibition of Discrimination |
|  | 2. Prohibition of Forced Labor |  | 8. Health and Safety |
|  | 3. Prohibition of Child Labor |  | 9. Freedom of Association & Collective Bargaining |
|  | 4. Prohibition of Harassment or Abuse |  | 10. Environment |
|  | 5. Compensation and Benefits |  | 11. Customs Compliance |
|  | 6. Hours of Work |  | 12. Security |

supplier's compliance with international standards and local laws based on WRAP's 12 Principles. WRAP's accredited monitoring partners conduct audits, identify noncompliances, and document audit findings in a Corrective Action Plan (CAP). Suppliers are then asked to mitigate the noncompliance findings in their factories before WRAP can award a certification.

WRAP audits collect valuable data that helps suppliers improve working conditions as well as prepare for audits by addressing commonly cited noncompliances. Sellers are also interested in reviewing this audit data to benchmark their own programs against the data.

A WRAP audit results in two initial outcomes: (1) No audit findings, in which case an auditor submits a Recommendation for Certification (REC) report, or (2) the identification of one or more noncompliances with WRAP's Principles leading to a CAP.

WRAP Principles

WRAP audits assess a supplier against WRAP's

12 Principles. Principles 1-10 are usually found in other social compliance programs and codes of conduct. WRAP Principles 11 and 12 uniquely focus on Customs Compliance and Security, respectively. All WRAP principles and audit tools are periodically updated to remain current. Principles 11 and 12 are benchmarked against the US Department of Homeland Security's Customs and Trade Partnership Against Terrorism Program ([CTPAT](#)).

WRAP Audit Findings

WRAP recently analyzed its 2023 audit reports that cited noncompliances requiring mitigation. These noncompliances were sorted by WRAP under its twelve principles, and then further broken down into specific categories within each principle. The analysis was conducted for all countries and then for each country individually with a sufficient sample size. The charts below show the set of audit reports with CAPs and the percentage of audit reports that identified a particular noncompliance.

84% of WRAP audit reports that identified noncompliances cited Principle 8, Health and

Safety, followed by Principle 12, Security (61%), and Principle 1, Compliance with Laws, and Workplace Regulations (29%).

Looking more closely below at Principle 8, the most cited sub-categories are;

Principle 8, Health and Safety

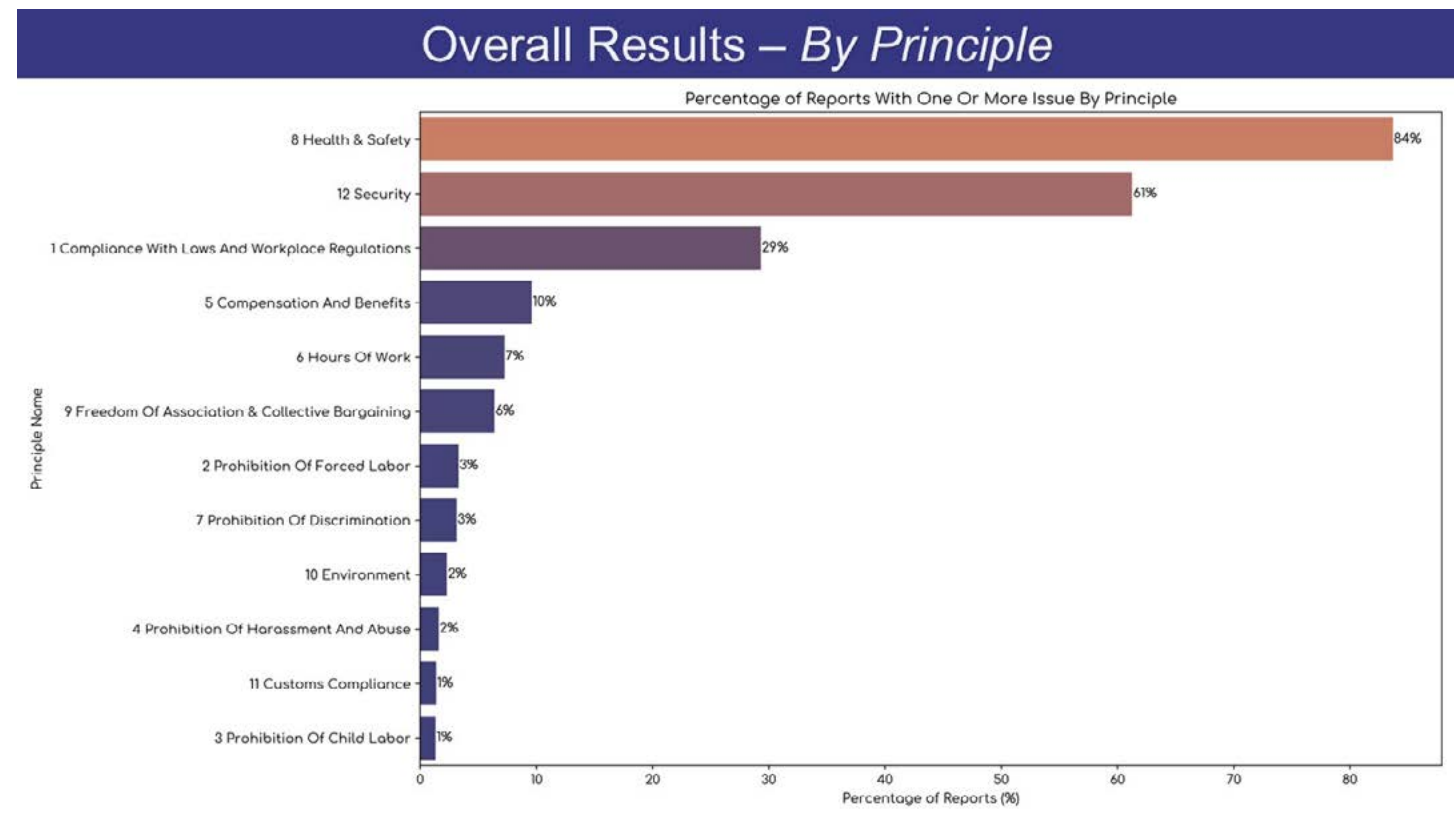
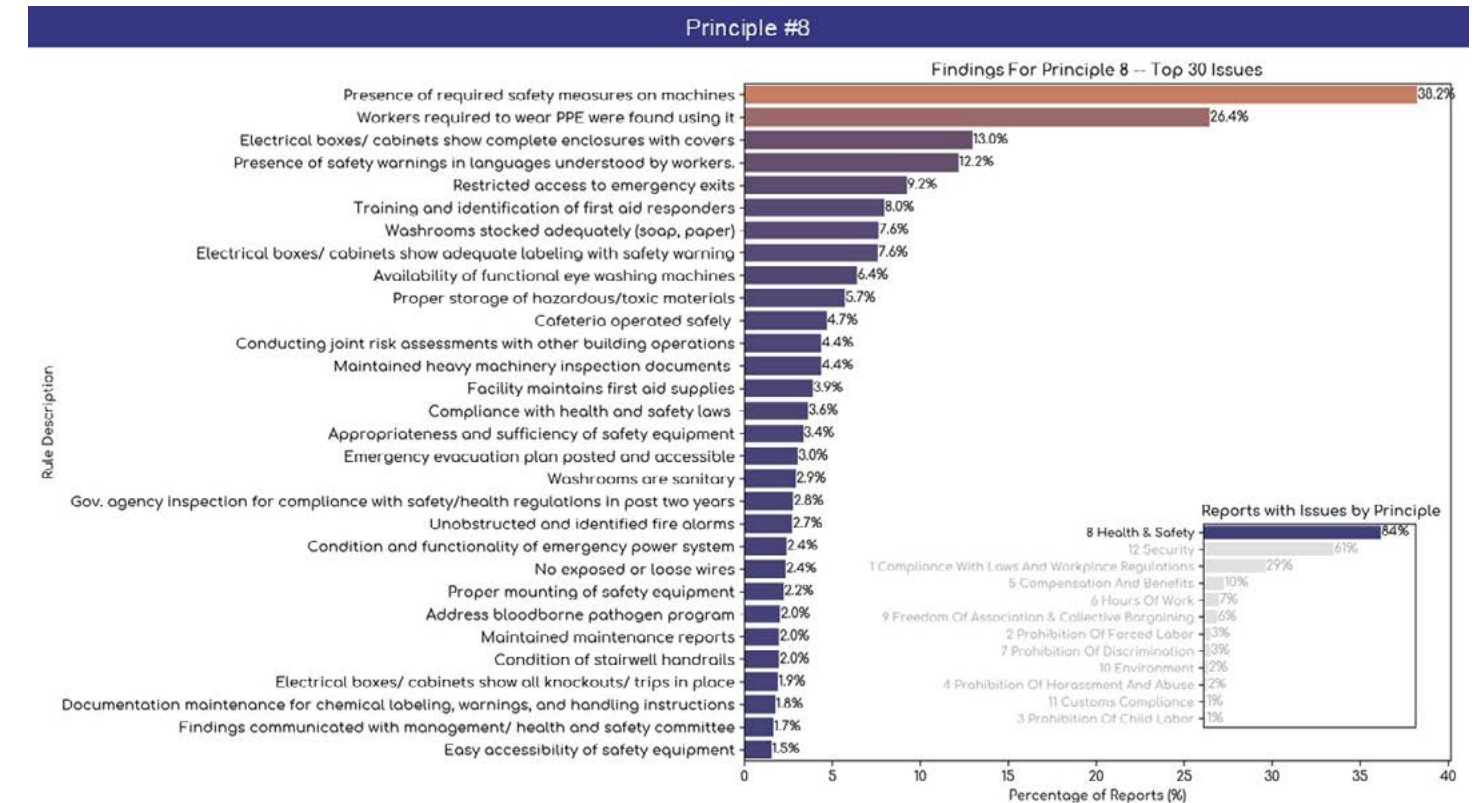
- **38%** Presence of Required Safety Measures on Machines
- **26%** Workers Required to Wear PPE Were Found Not Wearing It
- **13%** Electrical Boxes / Cabinets Show Incomplete Enclosures with Covers
- **12%** Presence of Safety Warnings in Languages Understood by Workers
- **9%** Restricted Access to Emergency Exits
- **8%** Training Relevant Personnel for Security Inspections of Empty Conveyances

Principle 8 findings address general worker health and safety concerns found in production

facilities in a wide range of industries and would be a concern for textile recycling operations as well. For example, the audit findings identify lack of machine guarding, failure to wear required personal protective equipment (PPE), missing electrical box covers, safety warnings in worker languages and restricted access to emergency exits. This last audit finding is a heavy one given the tragic lessons of the 2013 building collapse at [Rana Plaza](#) in Bangladesh.

If textile recycling supply chains grow to include third-country processing of textile products and cross-border shipments of materials, Principle 12, Security, becomes more relevant as it tracks CBP's CTPAT program.

Principles 5 and 6 covering compensation benefits and hours worked are also relevant for textile recyclers given the workforce vulnerability concerns raised by the ILO and others. Social compliance programs with effective audits can help ensure workers are paid in accordance with local laws and that hours worked are accurately recorded.



Forced Labor and Child Labor

Although less frequent at 3% of audit findings, forced labor is a growing concern in the global workforce. The ILO has identified 11 [forced labor indicators](#) and these are used by regulators to determine if forced labor contributed to the production of goods. A forced labor allegation can result in shipments being denied entry in the US and Canada. The EU has also recently approved a forced labor [regulation](#) that will prohibit the sale in the EU of goods made with forced labor. Social compliance programs like WRAP address the 11 forced labor indicators to help identify the forced labor risk in a facility. While child labor is still a

concern it is noteworthy that less than 1% of WRAP audit findings in 2023 identified child labor issues.

Conclusion

Textile recycling operations will grow to meet the needs of voluntary programs implemented by Sellers and the mandated requirements of regulators. Social compliance programs can help protect workers, Sellers, and textile recyclers by identifying and remediating adverse impacts in the workplace. These programs have a proven business model and can be scaled to meet the needs of a growing industry.



Mark Jaeger

Senior Vice President, Stakeholder Engagement, WRAP (Worldwide Responsible Accredited Production)

Mark is responsible for global operations and stakeholder engagement for WRAP. Before joining WRAP in September 2020, Mark worked for twenty-seven years in the apparel industry as Senior Vice President – General Counsel and Secretary for Jockey International, Inc. Mark has a BBA in economics with honors from the University of Iowa and a law degree from Southern Illinois University School of Law.



Recover More.
Spend Less.



The Crucial Role of Systems in Powering the Circular Economy

By Christopher Bless, Director of Business Development at Triage Partners (RLA Silver Partner)

Overstock and obsolete shouldn't be overwhelming.



We work with the largest retailers and brands in the country to process customer returns, identify fraud, consign inventory, and purchase inventory. We handle inventory that is big, small, overstock, liquidation or returns. We specialize in untangling the mess to provide transparency, minimize environmental impact, and maximize recovery.

In the face of increasing pressure to minimize waste and improve efficiency, the circular economy offers businesses a roadmap for developing smarter, more sustainable logistics practices. That's not just good for the environment, it's also good for business. Recent research from the National Retail Federation found that [half of consumers](#) are willing to pay more for sustainable products, and sustainability in the supply chain can support [cost reductions](#), higher ROI, and [increased brand value](#).

For the circular economy to successfully reduce environmental impact in supply chain management, businesses must look for ways to create lean

processes and minimize waste at all stages of the product lifecycle. Technology systems play a key role in achieving this goal by collecting and analyzing material and process data to identify inefficiencies, product quality, process bottlenecks, and opportunities for improvement.

Understanding the Circular Economy

According to the [Environmental Protection Agency](#) (EPA), a circular economy extracts the highest value from an asset by keeping it in circulation for as long as possible, reducing waste, and improving efficiency. In logistics, this means creating a

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