



ICG Newsletter November 2020

The US, England and France, among others, continue to face challenges with the economic impact of the Covid-19 virus. In countries such as Australia and New Zealand, a few others are showing signs of improvement.

North America

Defining Social Responsibility

The London-based SEDEX organization (Supplier Ethical Data Exchange) released a brief on the business benefits of sourcing product in an ethical manner:

- Complying with national and international laws, securing the “license to operate”. Operating responsibly helps a company to meet or exceed the requirements set by laws. Failure to comply with these laws can result in sanctions being imposed on a company, in heavy fines, or even imprisonment for company officials.
- Protecting business reputation and being an attractive investment prospect. Business practices that exploit people or the environment are a huge reputational risk. Poor practices and mistreatment of workers can turn into international scandals, generating significant negative press coverage and deterring both consumers and investors. Operating responsibly protects companies against these risks.
- Better business performance with reduced operational costs. Protecting workers and providing safe working conditions reduce injury rates, absenteeism rates, employee turnover rates and worker error rates, all of which cost a company. Academic research¹ has shown that companies

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with robust sustainability practices demonstrate better operational performance – which ultimately translates into cashflow.

Note: *International Compliance Group is an active member of SEDEX and provides its related SMETA audits around the world for agriculture and apparel products. A SMETA audit is rapidly becoming a requirement of an increasing number of global brands and retailers.

https://www.sedex.com/what-is-responsible-sourcing/?utm_source=Sedex+Mailing+List&utm_campaign=9ecb06b8cd-EMAIL_CAMPAIGN_2020_03_06_04_15_COPY_01&utm_medium=email&utm_term=0_bb4a4aebb3-9ecb06b8cd-215627833

Social Labor Convergence Program (SLCP) Accepted by More Brands/Retailers

The number of brands and retailers which now accept the Social Labor Convergence Programs (SLCP) now exceeds 34 and includes companies such as adidas, VF Corporation, Target, C&A, Under Armour, G-Star Raw, New Balance, Nike and Puma.

Note: *ICG is an authorized SLCP Verification Body and provides SLCP visits in most countries now open with SLCP.*

Source: <https://www.ecotextile.com/2020103026934/materials-production-news/brands-back-supply-chain-assessment-tool.html>



Social Responsibility Produces More Resilient Organizations

"...companies are increasingly finding that excellence in CSR is associated with excellence in overall operating and market performance."

September 2020 marked the 50th anniversary of Milton Friedman's essay entitled "The Social Responsibility of Business is to Increase Profits". He believed that the sole responsibility of business was to earn the greatest revenue reasonably possible and to return that revenue to the shareholders. He scoffed at the idea that businesses had an obligation to consider employees, customers, non-profit groups and others in their business plans and actions. Much has changed in the last 50 years.

This article clearly demonstrates that companies that incorporate CSR as a primal function of the organization are more profitable, more resilient in times of crisis, reduce turnover and retain valuable employees, and have greater insight into their business, customers and issues that affect their performance.

Source: https://sloanreview.mit.edu/article/why-social-responsibility-produces-more-resilient-organizations/?use_credit=ee6ea24e3263aeca20dff071f5d47f1b

JC Penney Has New Owners

JC Penney has reached agreement with Simon Property Group, Brookfield Asset Management, and a group of lenders to sell the company and its 160 real estate assets. It is hoped the deal will be closed before the December holidays. JC Penney has been struggling for years with the changing dynamic of consumer preferences and buying habits along with high operating costs versus its competition.

https://www.retaildive.com/news/jc-penney-inks-deal-to-sell-itself-in-bankruptcy-looks-to-close-in-time/587449/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-29%20Retail%20Dive%20Newsletter%20%5Bissue:30556%5D&utm_term=Retail%20Dive



Bealls Buys Bealls

The family owned, Florida-based Bealls, Inc. bought the intellectual property, including Stage's Bealls banner, as well as a distribution center, for \$7 million. Bealls, Inc. also bought the rest of the brand property of State including Stage Stores, Goody's, Gordmans, Palais Royal and Peebles plus private label programs and customer lists. Stage Stores has been suffering liquidity problems for some time.

https://www.retaildive.com/news/another-bealls-buys-stage-stores-ip-and-other-assets-for-7m/587465/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-21%20Retail%20Dive%20Newsletter%20%5Bissue:30382%5D&utm_term=Retail%20Dive

NPD Group Predicts More Leisure Apparel Sales

NPD group has predicted holiday sales of sweatpants, sweatshirts and other leisure wear will increase by 5% over sales of last year. In addition, they see online sales comprising 30 – 35% of all sales as online which has been spurred by the Covid-19 pandemic. So far this year, the "boomers" have increased their online commerce sales by 19% over last year.

https://www.retaildive.com/news/consumers-projected-to-spend-more-on-comfortable-clothing-npd/587365/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-21%20Retail%20Dive%20Newsletter%20%5Bissue:30382%5D&utm_term=Retail%20Dive

US CBP Issues \$575,000 Fine on Prohibited China Imports

The US Customs and Border Patrol is increasing surveillance of products made with forced labor and has issued 13 withhold orders this year compared to seven last year. The \$575,000 fine imposed on importer, Pure Circle U.S.A., should be a warning that the agency is serious in its enforcement and that importers must be diligent to ensure their products are not made with forced labor.



Note: ICG offers audits to the USCBP Customs–Trade Partnership Against Terrorism requirements for factories exporting to the US.

https://www.supplychaindive.com/news/cbp-forced-labor-finding-stevia-china/587446/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-21%20Supply%20Chain%20Dive%20%5Bissue:30383%5D&utm_term=Supply%20Chain%20Dive

Carter's Plans to Close 200 Stores Over Next Two Years as Store Leases Expire
Carter's, the retailer which sells children's apparel under its own label plus OshKosh B'gosh, has seen sales drop dramatically in its retail operations as stores were forced to close due to the Covid-19 pandemic. However, its ecommerce business has remained strong, as have sales of its product through retail partners such as Walmart, Target, Amazon, Costco, and others. For revenue, US comps fell 3.5% while ecommerce rose 17.5%.

Source: https://www.retaildive.com/news/carters-to-close-at-least-200-stores/587742/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-26%20Retail%20Dive%20Newsletter%20%5Bissue:30465%5D&utm_term=Retail%20Dive

Major Changes Going on at Gap, Inc.

The new management team installed for Gap, Inc., which also includes Old Navy, Banana Republic, Athleta, Hill City, Janie and Jack, and Intermix has suggested plans for the future very similar to the former management team: Plans to close 220 Gap stores and 130 Banana Republic stores by 2023 which are now located primarily in malls; double e-commerce to 50% of sales, increase sales of Athleta to \$2billion, and grow Old Navy to \$10billion. With far-ranging changes in store, growth seems to be key to their plans but with a different looking company five years out.

https://www.retaildive.com/news/with-plans-for-350-store-closures-gap-flees-the-mall/587621/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-26%20Retail%20Dive%20Newsletter%20%5Bissue:30465%5D&utm_term=Retail%20Dive



Bluestar Bids US\$60MM for Ascena's Justice "Tween" Store

Bluestar Alliance, owners of Hurley, bebe, Tahari, Brookstone, Limited Too and Nanette Lepore has made an offer of \$60million+, which includes \$45million in cash, for Ascena's Justice retailer which specializes in "tweens". An auction for the company is set for November 2. Ascena has been closing Justice stores over the past year but Bluestar indicated they would be opening more stores if they were in control of the brand.

<https://www.retaildive.com/news/hurley-owner-bluestar-bids-60m-for-justice-tween-brand/587558/>

EMAE

LVMH to Buy Tiffany's for \$15.8B

LVMH Moët, Hennessy Louis Vuitton and Tiffany & Co. agreed to sell Tiffany to LVMH for \$15.8billion which is \$131 per share in an all cash offer. At the same time, the two companies reported they have resolved all legal matters and have the necessary regulatory and governmental approval for the purchase. LVMH has a strong presence in luxury leather and fashion apparel including Berluti, Fendi, Kenzo, Marc Jacobs and Louis Vuitton.

https://www.retaildive.com/news/lvmh-to-buy-tiffany-for-158b-shaving-400m-off-the-price/588012/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-10-29%20Retail%20Dive%20Newsletter%20%5Bissue:30556%5D&utm_term=Retail%20Dive

Better Cotton Initiative Releases Forced Labor Report*

The Geneva and London-based not-for-profit organization released its taskforce report focused on Forced and Decent Work on October 27, 2020. The taskforce



was set up in April 2020 "to develop a set of strategic recommendations to help improve the effectiveness of the BCSS in identifying, preventing, mitigating and remediating forced labour risks." The major conclusion of the taskforce is that "forced labour receives a comparatively lower degree of attention across the BCI programme and Better Cotton Standard System (BCSS) than environmental issues such as water and soil health." In short, Forced Labor and Decent Work take a back seat to environmental matters of water and soil health. The full 53-page report is available for review.

Source: file:///C:/Users/steve/Documents/ICG/BCI-Task-Force-on-Forced-Labour-and-Decent-Work_Final-Report_Oct-20.pdf

*Note: EcoTextile News reported on October 29, 2020 that BCI has pulled out of its work in the Xinjiang region of China as the organization was giving "comparatively lower degree of focus and investment" than environmental issues.

Asia

MoU Signed to Support Apparel Workers in Asia

A consortium of US brands and retailers, led by the American Apparel & Footwear Association (AAFA), signed a Memorandum of Understanding to support workers hard-hit by the Covid-19 pandemic in Cambodia, Bangladesh, Sri Lanka and Vietnam. The Memorandum of Understanding was co-signed by the US Agency for International Development. The companies and associations supporting the MoU were Carter's, Gap, Global Brands Group, Levi Strauss, Nike, Tapestry, Target, VF Corporation, Walmart, AAFA, Retail Industry Leaders Association, National Retail Federation and the US Fashion Industry Association. The purpose of the collaboration is to help alleviate the hardships faced by the factory workers in the noted countries brought on by the Covid-19 pandemic and the resulting loss of jobs



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and revenue brought about by the significant slowing of purchases from the four countries.

Source: <https://www.msn.com/en-xl/news/other/mou-signed-to-help-hard-hit-supply-chain-workers-in-asia/ar-BB1aujlv>

Latin America

AR Holdings to Expand Forever 21 in Latin America

Authentic Brands Group, the new owner of Forever 21, announced it has signed an agreement with AR Holdings, a leading brand and retail operator, to expand the company across Latin America. AR Holdings agreed to distribute the brand across 26 retail stores, e-commerce and wholesale in Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Panama and Perú.

Source: <https://news.yahoo.com/forever-21-expand-latin-america-201049621.html>

About International Compliance Group

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International Compliance Group is a privately held, US based organization focused on social compliance monitoring. Since 1999 our auditors around the world have supported Corporate Social Responsibility programs through third party audits. Our auditors leverage decades of combined experience in labor-intensive industries to provide a unique, operationally relevant set of audit skills, treating social compliance as a business supporting activity and not a required checklist exercise. ICG is a WRAP approved monitor, member of the Sedex Stakeholder's Forum, member of APSCA and signatory of SLCP, and an accredited 17021, ISO 9001:2015 Certifying Body.



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