



January  
2021

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As we begin this new year, many of us will be happy that 2020 is over as we look toward a healthier and more productive 2021. Almost 2,000,000 souls have died from the Covid-19 virus with over 75 million having contracted the ailment. The treatments which doctors have devised have helped more and more people survive and return to normal lives. We can only hope and pray that the vaccines which have been developed can slow down or eradicate this dreaded virus.

International Compliance Group wish you and yours a healthy, happy, and prosperous 2021. May all your dreams come true.

## The Americas

### **Strong, Positive Outlook for 2021 But Expect Bumps in the Road**

In its December 7, 2020 Outlook report for the retail and apparel sectors, Moody's Investor Services predicts the road ahead is full of risk and that it may take several years for both sectors to return to the profits of 2019. The firm predicts that formal and work apparel will continue to decline as the work-from-home change driven by the pandemic will continue, possibly permanently, for many companies. Moody's envisions profits to increase from 100% to 500% for some companies but not until the second half of the year. The firm views strong sales growth in the international sector which will provide much of the increase. They see online sales increasing to 25% of gross revenue in the next five years. As troubles continue for currently at-risk retailers, additional store closings and bankruptcy are also on the horizon.

Source: [https://www.retaildive.com/news/moodys-sees-2021-apparel-comeback-but-risks-remain-high/591728/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-07%20Retail%20Dive%20Newsletter%20%5Bissue:31271%5D&utm\\_term=Retail%20Dive](https://www.retaildive.com/news/moodys-sees-2021-apparel-comeback-but-risks-remain-high/591728/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-07%20Retail%20Dive%20Newsletter%20%5Bissue:31271%5D&utm_term=Retail%20Dive) and [www.moody.com](http://www.moody.com).



## **Francesca's Files Bankruptcy**

Francesca's Holdings filed for bankruptcy protection on December 3, 2020. The mall-based "boutiques" chain received a debtor-in-possession loan of \$25 million from Tiger Finance which will allow the 580-store group to continue operations while it pursues a buyer. The private equity firms of TerraMar Capital has agreed to be a "stalking horse" bidder for the auction sale which is to occur on January 15 with bids due on January 13.

Source: [https://www.retaildive.com/news/francescas-files-for-bankruptcy-pursues-a-sale/591616/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-04%20Retail%20Dive%20Newsletter%20%5Bissue:31251%5D&utm\\_term=Retail%20Dive](https://www.retaildive.com/news/francescas-files-for-bankruptcy-pursues-a-sale/591616/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-04%20Retail%20Dive%20Newsletter%20%5Bissue:31251%5D&utm_term=Retail%20Dive)

## **Designer Shoe Warehouse (DSW) Changes Direction During Pandemic**

The DSW, which has 500 stores across 44 States in the USA, shifted direction away from formal footwear to athletic and leisure wear which significantly improved a planned loss, not toward profitability but a smaller loss than projected. The move saw athletic and leisure wear increase 5% in sales which represented a loss of 26% per share for the parent company, Designer Brands, versus the projected loss of 48% driven by the pandemic.

Source: <https://footwearnews.com/2020/business/earnings/dsw-designer-brands-q3-2020-earnings-sales-1203082267/>

## **Sycamore Partners Buys Four Ascena Group Brands Out of Bankruptcy**

The private-equity firm of Sycamore Partners agreed to purchase Ann Taylor, Loft, Lane Bryant and Lou & Grey out of bankruptcy for \$540 million. The bankruptcy judge complimented Ascena and Sycamore for their ability to bring good out of the financial challenges. The sale is expected to close the week of December 14, 2020.

Source: <https://therealdeal.com/national/2020/12/09/ascena-rescued-from-bankruptcy-by-private-equity-firm/>



## **Cost Plus World Market Sold to Kingswood Capital Management**

In its continuing effort to sell off smaller parts of its business, Bed, Bath & Beyond announced that it has sold the entire World Market business including its corporate headquarters in California, two distribution centers, 243 stores and other assets to the private equity firm Kingswood Capital Management. The sale is expected to close before the end of February 2021.

Source: [https://www.retaildive.com/news/bed-bath-beyond-to-sell-off-cost-plus-world-market-banner/592130/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-14%20Retail%20Dive%20Newsletter%20%5Bissue:31405%5D&utm\\_term=Retail%20Dive](https://www.retaildive.com/news/bed-bath-beyond-to-sell-off-cost-plus-world-market-banner/592130/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-14%20Retail%20Dive%20Newsletter%20%5Bissue:31405%5D&utm_term=Retail%20Dive)

## **SEDEX Partners with Higg Index**

SEDEX (Supplier Ethical Data Exchange) announced they have partnered with the Higg Index to give SEDEX members access to the Higg Facility Environmental Assessment. The December 15 announcement offered that the "collaboration aims to broaden global due diligence efforts across industries and strengthen communications and transparency between supply chain partners". SEDEX members will receive a discount for use of the Higg Facility Environmental Modules.

Source: <https://e.sedex.com/sedex/iz/iz.aspx?p1=MU5DUzMjA3NFM4MjowREE3NTIzOTc2ODFBMzJBNDM3MDRGNzM2RTZBQjFFRg%3d%3d-&CC=&p=0>

## **Christopher & Banks Evaluates "Strategic Alternatives"**

With the third quarter loss of 22.6% and stated loss of \$10.8 million which was an improvement over the second quarter. With 450 mall-based stores, and shoppers generally staying away from indoor malls, the company is unsure of its future. All options are currently on the table including sale of the business, bankruptcy and others.

Source: [https://www.retaildive.com/news/christopher-banks-weighs-strategic-options-including-bankruptcy/592198/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-15%20Retail%20Dive%20Newsletter%20%5Bissue:31435%5D&utm\\_term=Retail%20Dive](https://www.retaildive.com/news/christopher-banks-weighs-strategic-options-including-bankruptcy/592198/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-15%20Retail%20Dive%20Newsletter%20%5Bissue:31435%5D&utm_term=Retail%20Dive)



## **TJX Stores Reports Above-Plan Earnings and Increases Stock Dividend**

The TJX Companies, parent company for TJ Maxx, Home Goods, Marshalls, Sierra and Homesense in the US and multiple other chains in Canada, UK, Ireland, Australia and across Europe announced a quarterly dividend payment of \$.71 per share. Sales were down for the \$40 billion company but significantly exceeded expectations as stores were closed for 27% of the time during the first nine months of the year.

Source: <https://www.businesswire.com/news/home/20201118005610/en/The-TJX-Companies-Inc.-Reports-Q3-FY21-Results-Reports-Above-Plan-Overall-Open-Only-Comp-Store-Sales-of-Down-5-Earnings-Per-Share-of-.71-Plans-to-Reinstate-Payment-of-Quarterly-Dividend-at-Increased-Rate-of-.26-Per-Share>

## **Nike Reports \$11 Billion Quarter**

With all the terrible news due to the Covid-19 pandemic, excellent news was passed on with Nike's third quarter sales of \$11.2 billion, a 9% increase over last year. All areas of Nike saw increases – Nike Live and Nike Direct though Converse sales dropped by 4%.

Source: [https://www.retaildive.com/news/nike-posts-11b-quarter-and-plans-for-30-new-stores/592551/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-21%20Retail%20Dive%20Newsletter%20%5Bissue:31568%5D&utm\\_term=Retail%20Dive](https://www.retaildive.com/news/nike-posts-11b-quarter-and-plans-for-30-new-stores/592551/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-21%20Retail%20Dive%20Newsletter%20%5Bissue:31568%5D&utm_term=Retail%20Dive)

## **Lululemon Revenue Increases 22% in Q3 to \$1.1Billion**

In addition to opening nine new company-owned stores, bringing the total worldwide to 515, the company reported strong earnings growth with international leading the way at 45% growth and North America saw a 19% increase. The board of directors authorized \$500 million in share buy-back based upon market conditions.

Source: <https://investor.lululemon.com/news-releases/news-release-details/lululemon-athletica-inc-announces-third-quarter-fiscal-2020-0>



## Europe

### European Union Issues New Regulations on Hazardous Substances in Clothing

The new regulations focus on exposure to 33 carcinogenic, mutagenic or toxic chemicals focused on “everyday clothing, textiles and footwear bought by Europeans”. The chemicals include “polycyclic aromatic hydrocarbons (PAHs), cadmium, chromium, lead and its compounds and phthalates” and others. These new restrictions are based upon the EU REACH regulations which purport to be the strongest protection in the world for human health and the environment.

*Source: <https://www.fibre2fashion.com/news/textile-news/eu-steps-up-action-against-hazardous-chemicals-in-clothing-270718-newsdetails.htm>*

## Asia

### Covid-19 Hits Viet Nam's Apparel/Textile Exports

For the first time in 25 years, sales of exported textiles and apparel is projected to drop 14-15% or about \$35 billion. The significant drop is driven by the drop in demand from importing countries where retail store closures were rampant and consumer demand dried up. One sunny side was the ability of the industry to rapidly shift to making a variety of personal protective equipment and apparel such as masks, gowns, protective suits and more.

*Source: <https://vietnamnews.vn/economy/816445/annual-textile-and-garment-exports-down-for-first-time-in-25-years.html>*



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## **Forced Labor Alleged to Pick Cotton in Xinjiang Province, China**

US Customs and Border Patrol, in a news conference in early December, called upon the industry to conduct "significant due diligence" in their cotton supply chain given the amount of forced labor and prison labor which is coming from the Xinjiang Province. A study by the Victims of Communism Memorial Foundation found that cotton for use in trimmings or finished goods was prevalent throughout Asia. It is estimated that 20% of all garments produced worldwide contains cotton from Xinjiang Province.

*Source: [https://www.supplychaindive.com/news/uighur-labor-xinjiang-cotton-center-global-policy-cbp/592362/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202020-12-21%20Supply%20Chain%20Dive%20%5Bissue:31569%5D&utm\\_term=Supply%20Chain%20Dive](https://www.supplychaindive.com/news/uighur-labor-xinjiang-cotton-center-global-policy-cbp/592362/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-12-21%20Supply%20Chain%20Dive%20%5Bissue:31569%5D&utm_term=Supply%20Chain%20Dive)*

## **US Bans Cotton from XPCC in China**

The US Government has banned all cotton produced by Xinjiang Production and Construction Corps, a group the US Government refers to as a quasi-military organization using forced labor. XPCC produces about 30% of China's cotton. The United Nations has reported that about one million Muslim Uighurs are kept in forced labor camps which the China government denies referring to the camps as "vocational training centers needed to fight extremism". The move could effectively ban all cotton exports from China according to a knowledgeable source.

*Source: <https://www.reuters.com/article/us-usa-trade-china-idUSKBN28C38V>*



# International Compliance Group

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## 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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