



The ICG Newsletter

Recent global news from the retail, textile, apparel, footwear, and agriculture sectors

Global

Global Cotton Consumption Highest in Four Years for 2021/2022

Cotton consumption is expected to be higher than the 2017/2018 pre-pandemic levels with growth in the 3.5% range expected to almost 122 million bales. India's consumption will account for about half the global increase with an additional 2 million bales followed by growth in Turkey, Bangladesh, Pakistan and Vietnam. With world consumption expected to grow by 3%, stocks are expected to shrink by 2%.

Source: <https://apps.fas.usda.gov/psdonline/circulars/cotton.pdf>

Leather Industry Calls for Higg Index Score for Leather to be Suspended.

Representatives of the world's four largest leather and chemist's associations united to call for the Higg Index to suspend the scores for the Materials Sustainability Index for leather saying that leather has been treated unfairly. While recognizing the need to assess the environmental impact of products, they questioned the methodologies and data, some of which they considered to be outdated, inaccurate and incomplete causing the scores to be "disproportionately high". The groups remain committed to having a dialog with the Sustainable Apparel Coalition and work toward a fairer and more accurate assessment of leather and the associated manufacturing processes.

Source:

http://www.usleather.org/press/Leather_Industry_Unites_in_Call_for_Higg_Index_Score_for_Leather_to_be_Suspended#main-content



Western Hemisphere

Lectra Gets Government Approval to Acquire Gerber Technology

The US regulatory authorities gave final approval for Lectra to acquire Gerber Technology subject to shareholder approval at the June 1, 2021 shareholder meeting. Based in Paris, Lectra has 1700 employees serving customers in over 100 countries.

Source: <https://www.bloomberg.com/press-releases/2021-05-27/lectra-lectra-confirms-receipt-of-regulatory-approvals-for-the-gerber-technology-acquisition-project>

Walmart to Pilot Drone Deliveries

Walmart has partnered with a company called Zipline to test the use of drones for delivery of non-prescription health and wellness products at one of its Arkansas, USA facilities close to its headquarters in Bentonville, Arkansas. Zipline has a history of using drones to deliver prescriptions, blood and other lifesaving supplies across Africa starting in Rwanda in 2016 and now serving over 2600 medical facilities across the continent. The drones in Arkansas will deliver packages of up to four pounds which drop the packages that then float to the ground with a paper parachute.

Source: <https://www.arkansasonline.com/news/2021/may/24/walmart-delivery-drone-launch-site-zooms-into/>

AFL-CIO Files Petition Against Mexico Under USMCA Labor Provisions

The largest worker union in the US – the AFL-CIO – filed a petition against Mexico under the United States – Mexico – Canada Agreement citing the government's refusal to schedule a new election for workers at the Tridonex subsidiary of Cardone Industries seeking to have a new union represent them. The workers are unhappy that SITPME did not support their campaign in 2019 seeking higher wages. Workers in Mexico are the lowest paid of all 37 member countries of the Organization for



Economic Cooperation and Development. This lawsuit is the first legal challenge to the labor provisions of the trade agreement since it came into effect.

Source: <https://mexiconewsdaily.com/news/afl-cio-files-trade-deal-petition-against-mexico/>

Wood Pallet Prices Jump 400% on Lumber Shortage

Timber is still in plentiful supply, but the Covid-19 pandemic forced the closure of the majority of sawmills across the US which dried up the availability of finished lumber which, in turn, stopped the production of wood pallets used for the shipment of virtually all goods around the country. As a result, the shortage has driven the price up by as much as 400%. The problem is further exacerbated by the lack of trailers and truck drivers to deliver pallets to where they are needed. Plastic pallets are being considered but are three times the cost of wooden ones. The shortage is expected to last through 2021.

Source: https://www.supplychaindive.com/news/pallet-shortage-lumber-inventory-supply-chain-produce-truck/600484/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202021-05-20%20Supply%20Chain%20Dive%20%5Bissue:34381%5D&utm_term=Supply%20Chain%20Dive

General Motors Ordered by Mexico Government to Hold New Union Election

In response to the complaint filed by the US against Mexico regarding the election of union representation for workers at the General Motors plant in Guanajuato, the Government of Mexico has ordered the management of the GM plant to hold a new election. The Mexico Labor Ministry (STPS) found irregularities in the election where some ballots were thrown away and the union refused to turn over documentation of the election to independent labor inspectors. The US filed the complaint under the provisions of the USMCA trade agreement. If the issue is not satisfactorily resolved, the US is allowed to impose a 25% tariff on the Chevrolet Silverado and GMC Sierra pickup trucks made at the facility which made 339,000 of the vehicles in 2019.

Source: <https://mexiconewsdaily.com/news/mexico-orders-new-gm-union-vote/>



Hanes Brands and VF Named 2021 World's Most Ethical Companies

For the year 2021, 135 companies were named the World's Most Ethical Companies by Ethisphere. Hanes Brands and VF Corporation are the only two apparel companies honored with the annual awards.

Source: https://www.worldsmoethicalcompanies.com/honorees/?fwp_industry=apparel

Victoria's Secret to be a Separate Publicly Traded Company

After entertaining several offers to purchase Victoria Secret, the Board of Bath & Body Works elected to spin off the brand as a separate, publicly held business. The spinoff is expected to be completed in August 2021. Net sales rose 73% to \$1.6 billion for Victoria Secret in the last quarter.

Source: https://www.retaildive.com/news/rejecting-offers-l-brands-to-spin-off-victorias-secret/599948/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202021-05-11%20Retail%20Dive%20Newsletter%20%5Bissue:34167%5D&utm_term=Retail%20Dive

Timberland Expands Regenerative Leather, Creates Regenerative Rubber Supply

Timberland is fully embracing the "regenerative agriculture" movement by working toward a net positive impact by 2030 through a project of regenerative rubber supply for their footwear business, Regenerative Leather uppers for its Timberland PRO® line called Gridworks EK+ and GreenStride™ Soles made of 75% renewable materials.

Source: <https://www.businesswire.com/news/home/20210427005098/en/Timberland-Expands-Regenerative-Leather-Offerings-Sets-Out-to-Build-Worlds-First-Regenerative-Rubber-Supply-System-for-Footwear>

US Retail Sales Show Largest Gain Since August 2018

Overall retail sales in the US grew a whopping 9.8% in March with sporting goods, clothing and food and beverage leading the way with a gain of 18.3%. The growth was propelled by the \$1400 stimulus checks but also by pent-up consumer demand



as restrictions from the Covid-19 pandemic were lifted as consumers felt comfortable leaving their homes and returning to shopping destinations and restaurants. At the same time, jobless claims dropped to their lowest level since the start of the pandemic.

Source: <https://www.cnbc.com/2021/04/15/us-retail-sales-march-2021.html>

Asia

USTR Says China Falls Short of Agreement on Intellectual Property Commitments
The Office of the US Trade Representative, in its Special Report 301, says that China has made changes in several laws relative to intellectual property but has failed to implement those changes to "improve the IP landscape in China". The USTR went further to say that there continues to be problems with trademarks and counterfeiting.

Source: <https://www.reuters.com/business/us-says-china-has-fallen-short-phase-1-intellectual-property-commitments-2021-04-30/>

Viet Nam – Australia Trade Grows 34% YoY

In the first four months of 2021, two-way trade between Viet Nam and Australia increased by an astounding 33.85% to US\$3.63 billion compared to 2020. Exports to each country expanded significantly in the areas of seafood, farm produce, minerals, garment and textiles, footwear and building materials. Besides goods, trade in services has increased including fintech, health care and education. The prospect for trade growth in additional areas of economy, education, environmental services, defense and more show great promise.

Source: <https://vietnamnews.vn/economy/955797/viet-nam-australia-trade-revenue-surges-nearly-34-per-cent.html>



China Slips as Sourcing Destination, Vietnam Gains Market Share

A recent survey of 700 buyers showed that while China remains the top sourcing destination for companies in the EU and US, its share has slipped considerably since the new free trade agreement with the EU took effect August 1, 2020 and the trade war erupted with the US, then the pandemic drove buyers away. China continues to be the favored country by 85% of companies outside of China but Vietnam saw increased growth in popularity with almost one-third listing it as their top sourcing destination while 43% said it was in their top three.

Source: https://www.scmp.com/economy/china-economy/article/3131785/global-supply-chain-continues-shift-away-china-it-remains-top?utm_medium=email&utm_source=mailchimp&utm_campaign=enlz-gme_trade_war&utm_content=20210504&tpcc=enlz-us_china_trade_war&MCUID=eacb419bee&MCCampaignID=1b14581122&MCAccountID=7b1e9e7f8075914aba9cff17f&tc=25

Two Trade Unions Withdraw from Bangladesh's RMG Sustainability Council

The Bangladesh Accord, a legally binding agreement between the Bangladesh Government, the Bangladesh Garment Manufacturers Exporters Association, global trade unions and others is set to end on June 1 and is to be replaced by the Ready-Made Garment (RMG) Sustainability Council. However, numerous retailers have not agreed to sign on to the new council, and it is not legally enforceable, causing the two signatory unions, IndustriALL Global Union and UNI Global Union to withdraw from the new council citing lack of legal teeth in the new group. The continuation of the Accord did not have the backing of the Bangladesh government or the BGMEA which, in part, led to the formation of the new Council.

Source: <https://www.uniglobalunion.org/news/global-unions-withdraw-unenforceable-garment-factory-safety-scheme-bangladesh>



Second Covid-19 Wave Bashing Fashion Retail in India

India's domestic rating agency, ICRA, predicts that business will be knocked back to pre-Covid-19 levels and it will be FY 23 before fashion retail sees a rebound in sales. A good recovery was taking place in the sector until the second wave of the virus hit in March 2021 which has caused massive disruption in the economy with world leading new Covid cases and deaths as the country reels under the weight of the virus.

Source: <https://retail.economictimes.indiatimes.com/news/apparel-fashion/apparel/second-wave-to-impact-fashion-retailers-revenue-to-hit-pre-covid-levels-only-in-fy23-report/82250767>

Bangladesh Government Approves Additional 2 Hours of Daily Overtime

The Labor and Employment Ministry of the Bangladesh Government approved an additional two hours of overtime per day in addition to the current two hours of overtime provision raising the daily total approved to four hours. The overtime must be paid at 200% of the normal hourly wage and no worker may be forced to work more than the four hours of overtime. This caps the work week at 60 hours and does not allow for work on weekends.

Source: <https://www.textiletoday.com.bd/govt-permitted-2-hour-overtime-rmg-next-6-months/>

Trade Unions Warn of Factory Dangers with Expiration of Accord Deal

The 2013 agreement between 200 international retailers, the Bangladesh Garment Manufacturers Exporters Association and the Bangladesh government and trade unions UNI Global and IndustriALL will expire on May 31, 2021. The unions are raising the warning flag that unless the agreement is continued, there is no legally binding way to hold the retailers and government accountable for maintaining the safety and health training and improvements to factories that must be made. Nor do they believe that the new program backed by BGMEA and the government, Ready-Made Garment



Sustainability Council (RSC) has sufficient power or teeth to hold factory owners, brands and retailers accountable for the working conditions in factories. However, it appears that several of the large retailers are supporting the RSC in their drive to create a continuing program with “independence, resources and financing”.

Source: <https://www.theguardian.com/world/2021/apr/22/bangladesh-clothing-factory-safety-deal-in-danger-warn-unions>

BGMEA Strongly Objects to Criticism of RSC by Trade Unions

The BGMEA issued a statement in response to the article in the Guardian newspaper which criticized the Ready-Made Garment Sustainability Council (RSC) and its role in continuing the work of the Accord. The RSC pointed out that the 18-member board is composed of equal number of representatives from trade unions, brands and retailers. They further point out that “all policies and procedures developed by the Accord have been carried over to the RSC”. The Accord expired in 2018 and a transition program was established which will expire on May 31, 2021 but the transition was not accepted by BGMEA or the Bangladesh government.

Source: <https://www.textiletoday.com.bd/bgmeas-response-report-published-guardian/>

EMEA

Eurozone Recovery Projected to Start in Second Half of 2021

While lockdowns and some significant restrictions are in place in many parts of Europe, the fundamentals for a solid recovery are in place. The EUR750 billion Covid-19 economic recovery fund, Next Generation EU2 has started to significantly ease the pain to EU citizens but is not yet fully in place. Economic indicators look good, and the labor market is still intact and healthy. Experts remain optimistic with the caveat that



the pandemic must be brought under control. In addition, the manufacturing sector is in its strongest position in the past 24 years showing increases in exports, new orders and output. A recent CFO survey shows significant positivity with 45% of companies planning to expand their capital expenditures in the next 24 months.

Source: <https://www2.deloitte.com/us/en/insights/economy/emea/eurozone-economic-outlook.html>

China is UK's Largest Trading Partner

The impact of the Brexit and the Covid-19 pandemic significantly drove down imports from the EU by 23% from Q1 2018 to Q1 2021 but only by 0.8% from non-EU countries. Meanwhile, imports from China for the same period increased by 66% to reach €19.5 billion largely in the areas of textiles used for face masks and personal protective equipment along with electronic machinery (telecommunication and sound equipment).

Source: <https://www.euronews.com/2021/05/26/after-brexit-china-has-replaced-germany-as-the-uk-s-biggest-trading-partner>

"Fashion Today is Not Sustainable" – H&M's Road Ahead

The head of sustainability for H&M, Pascal Brun, aims to have H&M be climate positive by the year 2040, a very tall order. He said their goal is to create a circular business model where all the apparel they create can be disassembled and reused in new products. But the company is a long way from achieving that goal. Brun is hopeful that by working with their supply chain to create new fabrics, materials and technologies, including leather grown from cells so "it doesn't come from cows or sheep anymore".

Source: <https://www.euronews.com/2021/05/13/h-m-has-responsibility-to-lead-on-green-issues-head-of-sustainability>



EU Sees Slight Uptick in Textiles and Clothing During Q1 2021

Textiles and clothing experienced a disastrous 2020 with textile sales down 9.3% and clothing down by 17.7% compared to 2019. Exports of textiles and clothing dropped by 13.6% for the full year. Imports, primarily personal protective equipment, increased from EUR 1 billion to EUR 20 billion during 2020, primarily coming from China in the form of facemasks. The February/March time showed a slight uptick as sales for textiles increased 3.8% and clothing 1.6% along with an increase in employment for the sector.

Source: <https://www.iafnet.com/2021/04/09/2021-turning-point-for-the-european-textiles-and-clothing-industry/>

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