

March
2020

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International Compliance Group is pleased to offer a periodic highlight of news and articles on issues which may impact international trade, global supply chains, proposed legislation, retail, manufacturing, human rights and the environment and therefore your business.

We include in this issue a press release regarding ICG's recent membership with the Sustainable Apparel Coalition.

For Immediate Release – PRESS Release

International Compliance Group Joins Sustainable Apparel Coalition

San Diego – (February 24, 2020) – **International Compliance Group (ICG)** announces that it has joined the Sustainable Apparel Coalition (SAC) and will use the group's sustainability measurement suite of tools, the Higg Index, to drive environmental and social responsibility while assisting our global clients manage their supply chains.

With its membership in the SAC, ICG joins more than 250 global brands, retailers, and manufacturers, as well as government, non-profit environmental organizations and academic institutions which are collectively committed to improving supply chain sustainability in the apparel, footwear, and textile industry.

“With an ever-increasing global population, environmental changes brought about by climate change and shrinking natural resources, every manufacturing company needs to carefully consider how they can continue to provide products and services to their clients and customers and sustain their own businesses over time. Businesses have more challenges before them than any other period in our history. Building on our extensive background in the labor intensive apparel industry, we are excited to add the Higg Index to our tool chest of offerings for our clients. In addition, we are pleased to join the SAC and are confident it will have a positive impact on product sustainability over time and



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become a model for how industries can collaborate in making a positive impact on value chain performance” said Gil Llanes, President and CEO of International Compliance Group.

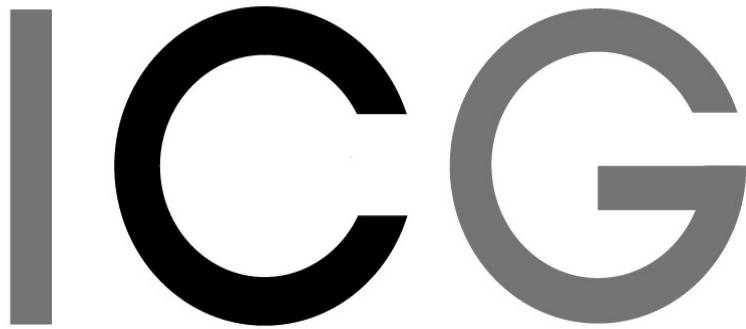
In its relationship with the SAC, ICG will contribute both data and resources to support the Higg Index, which measures sustainability performance and drives supply chain transparency and decision-making to improve efficiency and sustainability impact. The Higg Index is an indicator-based suite of tools that enables suppliers, manufacturers, brands, and retailers to evaluate materials, products, facilities, and processes based on environmental performance, social labor practices, and product design choices.

“We welcome the addition of ICG to the Sustainable Apparel Coalition and look forward to their participation in this industry-wide effort in sustainability,” SAC Executive Director Amina Razvi said. “Having ICG as part of the Coalition widens the scope of our impact within the industry and accelerates the change we’re making toward responsible industry actions.”

Companies or organizations which are not currently members of the SAC and are interested in accessing the Higg suite of tools, may inquire at <https://apparelcoalition.org/join-us/>.

About International Compliance Group

International Compliance Group is a full-service auditing and monitoring firm founded in 1999. We are headquartered in San Diego, CA with offices in Birmingham, AL; Raleigh, NC; Miami, FL; Mexico City, Mexico; San Pedro Sula, Honduras; San Salvador, El Salvador; Santo Domingo, Dominican Republic; Guatemala City, Guatemala; Shanghai, China; Ho Chi Minh City, Vietnam; Chennai, India and Phnom Penh, Cambodia. Our staff have degrees in human relations, sociology, psychology, engineering, law and



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management. ICG is uniquely qualified to help labor-intensive industries meet today's challenges of social responsibility. ICG is an accredited Worldwide Responsible Accredited Production (WRAP) monitoring firm, a provider of SEDEX/SMETA audits, a member of the Sedex Stakeholder Forum and an SLCP Verifier. ICG is a member of the Association of Professional Social Compliance Auditors

About the Sustainable Apparel Coalition:

The Sustainable Apparel Coalition (SAC) is an industry-wide group of more than 250 leading apparel, footwear, and textile, brands, retailers, suppliers, service providers, trade associations, nonprofits/NGOs, and academic institutions working to **reduce the environmental and social impacts of products** around the world. Through multi-stakeholder engagement, the SAC seeks to lead the industry toward a shared vision of sustainability built upon a **common approach for measuring and evaluating apparel, footwear, and textile product sustainability performance** that spotlights priorities for action and opportunities for technological innovation. The SAC was incorporated in the United States as a 501c(6) nonprofit organization and launched the groundbreaking Higg Index suite of tools in 2011. For more information, visit apparelcoalition.org.

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End of Press Release



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AMERICAS

Continuing Unrest in Haiti as Police and Army Fire On Each Other

As the political situation in Haiti continues to unravel, a crisis is unfolding with the police demanding better wages and benefits plus the reinstatement of their fired colleagues, and their anger with the reinstatement of the Army by Haitian President Moise. The police and army began firing on each other in front of the presidential palace where the army headquarters is across the street. No fatalities were reported but several people on both sides were injured.

Source: <https://abcnews.go.com/International/wireStory/haiti-police-exchange-fire-troops-national-palace-69162334>

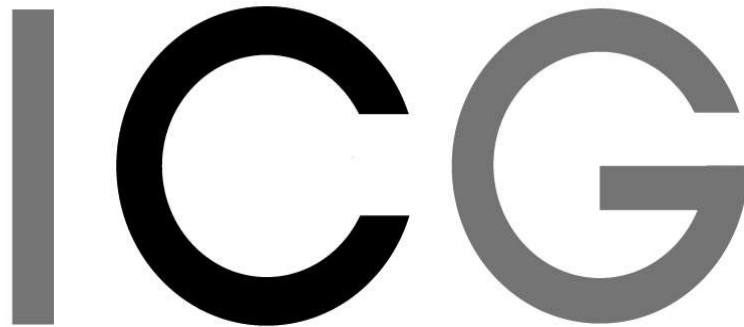
Harvard Professor Not Sure Coronavirus Can Be Contained

"I think the likely outcome is that it will ultimately not be containable." This according to Harvard University Professor of Epidemiology Dr. Marc Lipsitch. He predicts that within the next year, over 40% of the world's population could contract the virus. But - and he is emphatic in saying but, not all people who have the virus will get sick and many more will only have slight symptoms. The main business concern now is what will happen with global supply chains as the virus moves around the world.

Source: <https://www.theatlantic.com/health/archive/2020/02/covid-vaccine/607000/?mod=djem10point>

JC Penney Sales and Profits Down, Plans More Store Closings

Sales at JC Penney were down 7.7% for the quarter and operating income dipped by 20% and net profits fell 64% but the company beat the estimates allowing the



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stock price to rise 3%. The company announced it will be closing "at least six more stores in 2020 out of the approximately 850 stores the chain has

Source: https://www.retaildive.com/news/jc-penney-q4-sales-down-77-to-close-at-least-6-more-stores/573117/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-02-27%20Retail%20Dive%20Newsletter%20%5Bissue:25901%5D&utm_term=Retail%20Dive

New Owners Acquire Forever 21 Out of Bankruptcy

Following the bankruptcy filing of the Los Angeles-based Forever 21, the apparel chain was acquired by Authentic Brands Group, the Simon Property Group and Brookfield Property Partners. ABG and Simon each own 37.5 percent of the business with Brookfield owning 25 percent of Forever 21's operating business and intellectual property. Plans are to negotiate new leases for the US stores and move stores in Central and South America, Mexico, the Philippines and the Caribbean to a licensed partnership mode. Future plans call for opening new stores across South America, Europe, China, Southeast Asia, the Middle East and India.

Source: <https://www.apparelnews.net/news/2020/feb/19/forever-21-acquired-abg-simon-and-brookfield/>

Grupo Kattan Builds New \$75MM Sew Plant in Honduras

Grupo Kattan is building a 63,000 square meter factory in San Pedro Sulas which will be outfitted by Tegra Global of Atlanta as a sewing plant to employ 7,000 workers when completed in 2021.

Source: https://www.just-style.com/analysis/grupo-kattan-mulls-70m-wovens-facility-in-honduras_id138161.aspx



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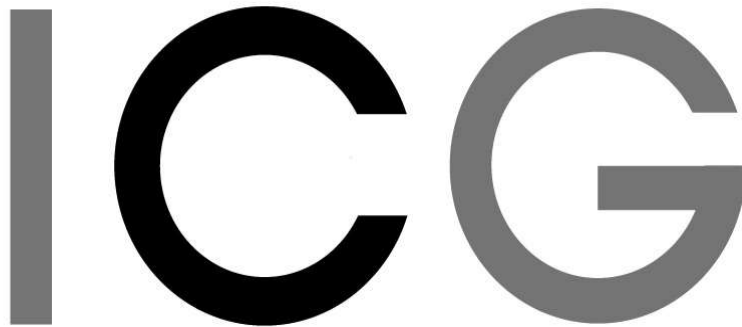
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Hanesbrands Receives Two CSR Awards in Latin America

For the ninth consecutive year, Hanesbrands received a 2019 FUNDAHRSE Seal from the Honduran Foundation for Corporate Social Responsibility. The award recognizes the company's efforts in seven key areas: corporate governance, employee relations, environmental sustainability, responsible marketing, supplier standards, community relations and public policy.

In addition, Hanesbrands was honored by the Mexican Center for Philanthropy with its seventh CEMEFI award for the company's focus on promoting "a more equitable, supportive and prosperous society" across Latin America. Hanes earned the award for its back-to-school program, an initiative that has operated in the Dominican Republic since 2008. The program distributes school kits to children of employees and to those who attend public schools in communities where the company operates. To date, the company has donated 106,000 kits, which include a backpack, notebooks and other needed supplies, that help children be successful in school.

Source: https://www.csrwire.com/press_releases/43623-HanesBrands-Global-Corporate-Social-Responsibility-Achievements-Earn-Two-Highly-Recognized-Awards-for-Work-in-Latin-America



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ASIA

Quick Rebound on China Economy Predicted After Coronavirus Subsides

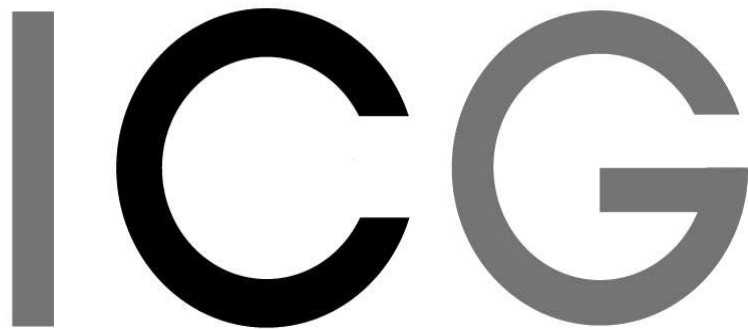
The managing director for China for global consultancy Roland Berger, Denis Depoux, predicted that the Chinese economy will quickly rebound after the coronavirus subsides just as it did after the SARS crisis. He foresees that inventory, restocking and consumption of goods and services will recover quickly. A growing number of manufacturers such as Honeywell and Asia Pulp and Paper have already resumed operations.

Source: <http://global.chinadaily.com.cn/a/202002/24/WS5e530811a3101282172799f6.html> 2-24-20

Cambodia Loses \$1.1billion in EU Trade with Loss of EBA Preference

On February 12, the European Union revoked part of Cambodia's trade preference program called Everything but Arms (EBA). The EU is Cambodia's largest trading partner and the loss of \$1.1billion in duty free access to the EU, or about one-fifth of Cambodia's exports to the EU with garments, shoes and sugar being hit the hardest. The garment sector alone employs 800,000 workers in 1,200 factories, with 85% of the workers being women. The Cambodian footwear industry described the move as a "dramatic setback". There is a strong likelihood that some factories will close and foreign investors will look elsewhere.

Source: <https://www.aseantoday.com/2020/02/withdrawal-of-eba-failure-eu-engagement-cambodia/>



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EU and Vietnam Agree to Free Trade Agreement

On February 12, the EU Parliament approved a free trade agreement between Vietnam and the EU which will allow all goods traded between the two countries to pass duty and quota free. The agreement also contains strong protections for labor rights, sustainable development, environmental protection and the Paris Agreement on climate. The agreement will go into effect in 2020 as soon as it is ratified by Vietnam.

Source: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_227

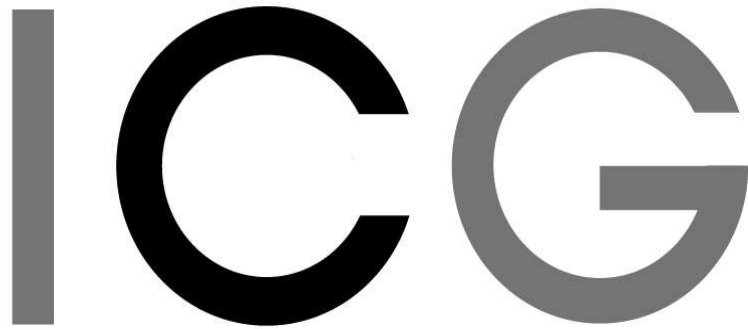
Cambodia Plant Closings Likely as Closed China Plants Can't Deliver Materials

Most fabric used in sew plants in Cambodia is sent from China. In anticipation of the Chinese New Year, factories ordered extra fabric with the plan to begin receiving fabric after the Lunar New Year. But the onset of the Coronavirus extended the New Year holiday and has closed hundreds of textile plants which will mean factories will start shutting down in March as they run out of supply. The government and unions are concerned about the possibility of layoffs and plant closings.

Source: <https://www.phnompenhpost.com/national/coronavirus-likely-result-lay-offs-china-factories-close>

Cambodia PM Promises Tax Relief and Wage Support for Virus Outbreak

Prime Minister Hen Sun promised a tax break of six months to garment factories which are affected by the coronavirus outbreak and higher tariffs. In addition, for laid off workers due to the disruptions, factories will pay 40% of the workers' wages and the government will pay an additional 20%.



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Source: <https://www.nytimes.com/reuters/2020/02/24/world/asia/24reuters-china-health-cambodia-eu.html>

Myanmar Factories in Dire Straits with Loss of China Textile Supplies

Up to 90% of garment inputs at Myanmar factories come from China with Indonesia, Vietnam, Thailand and South Korea making up the rest. The ongoing coronavirus is spelling trouble for the 500,00 garment workers working in the Yangon region. Normal overtime during the week and weekends has stopped due to lack of supplies. The Myanmar Garment Manufacturers Association said that by mid-March, supplies will run short and factories will start closing.

Source: <https://www.fibre2fashion.com/news/apparel-news/myanmar-s-garment-units-risk-closure-due-to-virus-impact-255383-newsdetails.htm>

Compliance Highlight

An Introduction to Sedex

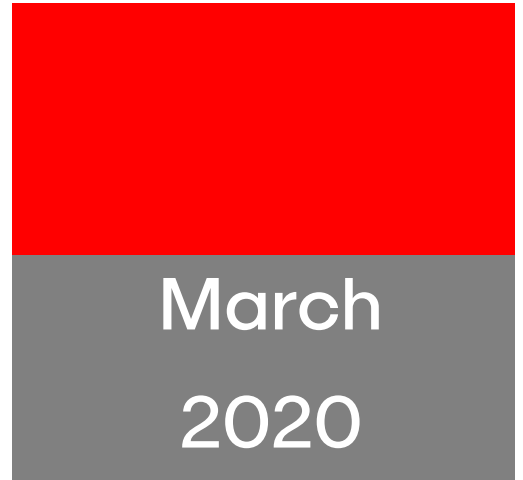


Sedex is one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains. Sedex provides practical tools, services and a community network to help companies improve their responsible and sustainable business practices, and source responsibly.

Through Sedex Advance it provides a collaborative platform for buyers, suppliers and auditors to store, share and report on information quickly and easily. Sedex offers a tool for facilitating access to information and collaboration and does not audit and does not certify.

INTERNATIONAL COMPLIANCE GROUP. INC

www.humanrightscpliance.com



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With 60,000 member companies in over 180 countries the Sedex platform is used extensively across multiple industries. SMETA, the audit protocol provided by Sedex, is accepted for Social Compliance audits by suppliers such as Walmart and Marks and Spencer. ICG is product to be associated with Sedex, through membership in the Sedex Stakeholder Forum, and by providing third party social compliance audits via the SMETA audit protocol.

Learn more about Sedex by visiting <https://www.sedexglobal.com/>

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About International Compliance Group

www.humanrightscpliance.com

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.

