Committee of Management

Proceedings

Jaipur, India
November 18, 2016
Committee of Management

Committee of Management members from the following countries attended the meeting:

- Brazil
- China
- Chinese Taipei
- Germany
- India
- Indonesia
- Kenya
- Korea Rep.
- Netherlands
- South Africa
- Spain
- Switzerland
- Turkey
- UK

ITMF Officials: The Director General
ITMF Economist

In the Chair: Tiankai Wang (China)
President of ITMF
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Attachments

document no. 1: HTP Committee: Home Textiles: Global Drivers of Demand and Future Outlook

document no. 2: HTP Committee – Standard Audit Label Initiative - Update

document no. 3: Changes of Statutes
Opening Remarks by the President

The President of ITMF, Mr. Tiankai Wang (China) welcomed the participants of the meeting and thanked everybody for attending the Federation’s Annual Conference 2016 in Jaipur/India. He thanked especially the Confederation of Indian Textile Industry (CITI) for successfully hosting the conference in Jaipur.

Proceedings of the Last Meeting

The Proceedings of the last meeting of the Committee of Management of ITMF, held in San Francisco/USA, on September 12, 2015, were duly circulated on December 17, 2015 and were approved by way of correspondence.

Matters Arising of the Previous Meetings

There were no matters arising from the minutes other than those included in the agenda.

Appointment of Auditors, Solicitors and Bankers

The following appointments were confirmed:

Auditors: Universe (AG für Unternehmensberatung und Revision), Zürich
Solicitors: Dres. Pestalozzi Lachenal & Patry, Zürich
Bankers: Credit Suisse, Zürich

Financial Report by the Honorary Treasurer

The report on the financial position of the Federation at the end of 2015 was presented by Mr. Peter Gnägi (Switzerland), Honorary Treasurer of the Federation.

The Balance Sheet and the Income Statement as authorized by Universe, Zürich, were circulated to the Members of the Committee on April 6, 2016 and approved by way of correspondence.
**Balance Sheet**

At the end of 2015, the Federation’s Net assets stood at CHF 919,217, an increase of +7% compared with 2014. The main reasons were higher “Cash and bank balances” (+CHF 65,932) and higher “Marketable securities” (+CHF 8,579).

The balance sheet in total remains very sound.

**Income Statement**

The **Total income** rose by +14% to CHF 716,408. The main reasons were an increase income from corporate members which jumped by +55% to CHF 262,500.

The **Total expenditures** increased by +25% to 678,516. The main reasons were higher “Salaries and social payments” which rose to CHF 407,446 (+15%) as well as higher “Travel expenses” which increased by +14% to CHF 44,667 and “Ad-hoc Meetings” which reached CHF 28,617 (+22%). The main reason for higher salaries and social payments was the employment of the new ITMF-Economist, who works 100% instead of 50%. More travel activities in connection with promotional activities in various countries (Bangladesh, Indonesia or Vietnam) led to higher travel expenses. These trips were successful as three new members could be acquired in these countries. Another important cost item was “Computer expenses” which amounted to CHF 46,884 (+117%). These expenses reflected the work on the ITMF-database and the relaunch of the ITMF-website.

The Federation’s **total gain** in 2015 amounted to CHF 39,798, compared to CHF 108,018 in 2014.

It is proposed that for 2017 the basis of calculation of Member Associations’ subscriptions remains unchanged:

The minimum levy shall therefore remain CHF 4,000.

The maximum levy shall therefore remain CHF 57,000.

Subscription which fall between the upper and lower limits shall continue to be calculated according to the subscription formula based on an unaltered unit rate of CHF 0.065064.

No Member Association shall pay a subscription representing less than 60% of total national yarn production by the spinners, and consumption by the weavers, in the cotton-system sector.

It is also proposed that Associate Members’ levies for 2017 shall be as follows:

**Textile Associations**

| CHF 15,000 | Taiwan Textile Federation |

**Cotton (Textile) Associations**

| CHF 7,000 each | American Cotton Shippers Association (USA) |
|               | Cotton Incorporated (USA) |
|               | International Cotton Association (UK) |
|               | National Cotton Council of America |
|               | Texprocil (India) |
CHF 5,000 each
Australian Cotton Shippers Association
Bremen Cotton Exchange (Germany)
Supima (USA)
XPCC Cotton Association (China)
Cotton Association of India

Textile Machinery Associations
CHF 15,000 German Textile Machinery Manufacturers Assoc. (VDMA)
CHF 13,000 Italian Textile Machinery Association (ACIMIT)
CHF 12,000 Swiss Textile Machinery Manufacturers Assoc. (Swissmem)

Corporate Members shall pay an annual levy on the basis of turnover, the minimum amounting to CHF 3,000 for companies with a turnover not exceeding USD 50 million. For a turnover between USD 50 and 200 million, the annual levy will be CHF 5,000 and for a turnover in excess of USD 200 million it will be CHF 7,000 (maximum).

The report by the Honorary Treasurer was unanimously approved by the Committee.

Report by the Spinners Committee

Opening Remarks by the Chairman

The Chairman of the Committee, Mr. Andrew Macdonald (Brazil), opened the meeting by welcoming everyone to the meeting of the ITMF Spinners Committee in Jaipur/India. He welcomed especially the new member of the Committee, Mr. Ernst Grimmelt, Managing Director, Velener Textil GmbH, Germany, a producer of yarns and grew fabrics.

Based on the fact that the attendance at meetings and country visits has been falling in the past ten years, especially Mr. Macdonald asked the members to reflect on the composition, activities and objectives of the ITMF Spinners Committee. While the reputation of the Committee around the world is remarkable – as perceived by the Committee when travelling around the world – the group representing the Spinners Committee on various occasions became smaller over time.

The general view of the members was that the Committee is important and needs to continue its work

a) The Committee should not only look at cotton but also at man-made fibres (mmf). Since the share of blends is increasing, more knowledge about mmf-fibers is of essence.

b) The Committee could organise trips not only focusing on cotton, but include also visits of mmf-producers, mmf-conferences, etc.

c) It was suggested that alternate membership should be possible.

d) The Committee should increase its efforts to attract younger members.
International Committee on Cotton Testing Cotton Methods (ICCTM)

The Chairman informed the Committee about the activities of the ICCTM since its last meeting in March 2016 on the fringes of the International Cotton Conference in Bremen/Germany. He stated that stickiness was and is an important issue for spinners. Though the negative consequences of stickiness can be mitigated by spraying a certain oil onto the cotton, or by mixing certain quantities of sticky cotton with no-sticky cotton, this does not solve the problem of detection prior to bale opening, and action being taken on sample based tests. According to the Chairman, the necessity to look at stickiness is more important than ever before, due to the environmental approach in the production of cotton and the reduction of use of insecticides.

ICA’s Cotton Consumers Committee

Mr. Macdonald informed the meeting on the progress of the ICA Cotton Consumer Committee, which has the objective of strengthening the spinners’ voice within the ICA. He told the meeting that ICA’s “Cotton Consumers Committee” did not make much progress, without Board support. As a result, it had decided to form a smaller working group of cotton traders and spinners plus an arbitrator that would discuss possible changes. The first noteworthy achievement of this working group was that the penalty discounts would increase slightly, for cotton delivered below the contracted quality. The meeting discussed the question of how such penalty discounts are calculated, and the Chairman advised that they were based on tradition as a disincentive to growers, rather than as compensation to spinners. It was suggested, that the Spinners Committee might like to take some recommendations.

Another point that this working group agreed upon was to change the tolerance for micronaire measurement. Until recently, the tolerance was up to 0.3, but is now been changed to 0.1.

Apart from these two points, this working group has at least another 16 items on their “wish list”.

ICA Default List Expansion

The Committee discussed the new measures taken by the ICA to enforce arbitration awards, the majority of which are against spinners. Though undoubtedly, there are spinners who default on contracts for prices reasons in their favour, they should be more involved in the arbitration process and understand the consequences.

Against this backdrop, the meeting discussed what could be done to improve this situation and agreed that in principle the ITMF should attempt to build bridges between the spinners and the trade through the ICA.

Spinners’ Committee Country Visit to Uzbekistan in 2016

The Chairman gave an extensive report about the Committee’s country visit to Uzbekistan, which took place from October 10-15, 2016. The report about the country visit is available on the ITMF-website under “Reports”.
Next Meeting

It was proposed that the next annual meeting of the Spinners Committee would be held in connection with ITMF Annual Conference in 2017 that will be held from September 14-16, 2017.

Report by the Joint Cotton Committee (JCC)

Opening Remarks by the Chairman of the Meeting

The Chairman of the Committee, Mr. Nicholas Earlam (UK), opened the meeting by welcoming everybody to Jaipur.

Panel Discussion on “Transparency & Traceability in the Cotton Value Chain”

The panel was invited to discuss the challenges and opportunities of more transparency and traceability in the cotton textile value chain and what this means for the different segments of the value chain. The panelists were:

- Moderator: Nick Earlam, Plexus (UK)
- Ginner: Suresh Kotak, Kotak Ginning & Pressing (India)
- Spinner: Enrique Crouse, Prilla 2000 (South Africa)
- Trader: Henning Hammer, Otto Stadtlander (Germany)
- Retailer: Calvin Wooley, IKEA (Sweden)
- Technology Provider: Kai Hughes, ICA Bremen (Germany)

Mr. Earlam started the panel discussion by stating that the issue of transparency and traceability in the supply chain is a massive subject. There is the rise of identity cottons such as BCI, Cotton made in Africa (CmiA) and Organic Cotton. They make up over 10% of the world’s production of cotton and their share is on the rise. He also referred to a recent incident where a large Indian textile company had lost high profile contracts with an US retailer for mislabelled products. The products were labelled as made of from Egyptian cotton, but were not. Furthermore, he recalled that there is the claim that end-customers make good noises about traceability and transparency in the supply chain, though in most cases the majority refuses to pay for it a premium.

Against this backdrop, Mr. Earlam invited the panellists to comment on the question what transparency and traceability means to them.

Mr. Calvin Wooley of IKEA emphasized that for them and their customers, physical traceability is key. The case of mislabelled products illustrated that retailers and their suppliers alike cannot afford to sell mislabelled products.

Mr. Suresh Kotak of Kotak Ginning & Pressing pointed out that mixing at gin level can be a major problem. It is very important to eliminate mixing of cottons. To increase transparency and traceability at this stage of the supply chain is of course very important.
Mr. Enrique Crouse of Prilla 2000 stated that sustainable cotton and quick response are important criteria today in order to remain in business. Some of the spinners are asking premiums, others are absorbing the costs in order to secure business.

Mr. Kai Hughes of ICA Bremen presented a new technology that provides 1) authentication, 2) identification, 3) quantification and 4) the ability to monitor the supply chain. He explained that nanoparticles encased in cellulosic fibres are sprayed onto the cotton fibres just before being baled. By using a scanner, it is possible to identify tagged/marked cotton in any (finished) product and to quantify the share of tagged/marked cotton in that finished product.

Mr. Henning Hammer of Otto Stadtlander, a cotton trading company, confirmed that demand for traceable and sustainable cotton is increasing. The trade encourages producers to be aware of these requirements. Nevertheless, he reminded everyone that it is easy to implement traceability solutions on large farms but very difficult in countries with small-scale farming. The trade needs to provide their customers the service of supplying them with the cotton they need.

In this context, Mr. B.K. Patodia of GTN Textiles raised the question whether one requires labelling the marker and how this works? If 100% Supima cotton had been tagged with markers, the labelling should be “100% Supima Cotton” with some additional explanations that the cotton was marked/tagged.

Mr. Woolley agreed that traceability comes at a cost but encouraged spinners to embark on sustainable and traceable cotton.

Mr. Hughes emphasized that the risks of ignoring traceability is enormous in terms of losing business, reputation damage, etc. compared to the small costs (USD 0.0019 per t-shirt if the marking of one ton of cotton is USD 10).

It remained open who will eventually pay for any traceability measures. It seems that the cotton industry – ginners or spinners – do not seem to be ready to do so. Whether or not the retailers can demand it, needs to be seen.

**World Cotton Contract**

Mr. Earlam stated that the ICE had spent several million dollars developing this contract, that total open interest is currently 28 contracts and that it has not traded since June.

The ICE established the contract with the aim of avoiding the sort of volatility that was seen in 2011 when only American cotton could be delivered to the Board and there was not enough American cotton to deliver.

Over the last two years it has been a very flat market which together with the abundant USA crop have been major obstacles to the World contract.

However, according to Mr. Earlam opinion another 2011 situation would likely mean a quick revival of the World Contract. Also, if and when we switch from Chinese de-stocking to Chinese imports it might well become a subject again. To him it seems unlikely that the ICE will scrap the contract in the near future.
In the following discussion, Mr. Kotak stated that India should be a delivery point in the World Contract.

Mr. Hammer shared Mr. Earlam’s view that volatility will come back at one point in time and that then the contract will be useful.

A World without Buffer

The Committee was invited to discuss the short- and long-term consequences for the cotton trade and the cotton spinning industry once the Chinese cotton reserves have been reduced.

Over the last several years, the world has been dealing with two balance sheets for cotton. One for the rest of the world and one for China. According to the USDA, Chinese stock levels peaked at 66.9 million bales at the end of the 14/15 season. This represented a massive 196 percent of stocks-to-use ratio. Since that time stocks have now declined (again according to the USDA) to 48.1 million bales at the end of the 16/17 season. This translated to only a 135 percent stocks-to-use ratio. Quite a number of people in the trade who believe the numbers are lower is questioning the validity of these figures.

Again, according to the USDA, Chinese cotton acreage has declined from a peak of nearly 15 million acres in 2008 with about 4.5 million of those acres being in Xinjiang to only 7 million acres today with those same 4.5 in Xinjiang remaining. In other words, over the last eight years, cotton acreage outside Xinjiang has declined from 10.5 million to 2.5 million acres. It is unlikely that this acreage will come back because of lack of arable land and food security issues.

The USDA predicts this coming year a crop of 21 million bales in China a consumption of 35.5 million bales – imports at 4.5 million bales and another drawdown of stocks of between 10 and 12 million bales. If these numbers were correct, then within the next 18 months to two years Chinese stocks will no longer be a burden as the government in the summation of many would be unlikely to want to carry less than a year’s worth of consumption as stock.

World production outside China according to the USDA is expected to increase in the 16/17 season by 4.3 million bales. Mill use outside China is expected to remain unchanged at 73 million bales and world-ending stocks outside China are expected to remain unchanged at 35 million bales.

If, after utilisation of its stocks in the next two years, China needs to be a major importer of cotton – whether in the form of raw material or yarn – and if it is unlikely to grow it themselves where is the growth in cotton production or yarn likely to come from?

Obviously, whether cotton production is increasing depends from many different factors, among which price is of course very important. The discussion showed that India has a huge potential to increase its cotton production (13-4% p.a.).
Report by the Intl. Committee of Cotton Testing Methods (ICCTM)

The last meeting of the ITMF International Committee on Cotton Testing Methods (ICCTM) took place in Bremen/Germany on fringes of the International Bremen Cotton Conference in March 2016. At the meeting the CottonScope, an instrument for testing cotton fibre maturity, fineness, ribbon width and micronaire was recognised. The final report of the meeting is in preparation.

The ITMF ICCTM had announced recently a new initiative to standardize the testing of stickiness in cotton samples. The stickiness testing initiative will be led by Jean-Paul Gourlot and his colleagues at Centre de coopération internationale en recherche agronomique pour le développement (CIRAD), in collaboration with Axel Drieling at Faserinstitut Bremen e.V. (FIBRE) and Karsten Fröse at the Bremen Baumwollbörse.

Report by the Home Textiles Producers (HTP) Committee

Opening Remarks

Mr. Zhaohua Yang, Chairman of the ITMF Home Textile Producers Committee and of the China Home Textile Association (CHTA), China, opened the meeting with a few introductory remarks about the current state of the Chinese and global home textile industry.

Presentation

Mr. Jorge Martin, Euromonitor International (UK), made a presentation with the title “Home Textiles: Global Drivers of Demand and Future Outlook” (see attached document no. 1).

Presentation

Mr. Karim Shafei, Gherzi Textil Organisation (USA), updated the Committee on the status of the Committee’s “Standard Audit Label Initiative”, which the Committee initiated at its meeting in New York/USA in September 2014 (see attached document no. 2).

Next Meeting

It was proposed to meet again on January 12, 2017 (17:15-18:30 hrs.) during Heimtextil 2017 (January 10-13, 2017) in Frankfurt/Germany.

Thereafter, the next meeting of the Committee will take place in conjunction with the Home Textile Market Week (March 27-30, 2017) on Tuesday, March 28, 2017 (17.00-18.30 hrs.) in New York/USA (Textile Building, 295 5th Avenue, 30th-31st Street).
Report by the Fibres & Applications (F&A) Committee

Mr. de Vries informed the Committee of Management that since its last meeting of the F&A-Committee in San Francisco/USA, the Committee had conducted in November 2015 a plant visit to Royal TenCate in Nijverdal/Netherlands. The participants visited different divisions of the company – the TenCate Advanced composites division, TenCate Outdoor fabrics division and the TenCate digital finishing division – and had the possibility to discuss with the management what it requires to be a successful producer of technical textiles. The visit was very well received as it offered the unique opportunity to see a first-class production site for technical textiles and to discuss and exchange topics of mutual interest.

The meeting of the F&A-Committee during the conference in Jaipur took place one day AFTER the meeting of the Committee of Management. Nevertheless, the minutes of the F&A-Committee meeting are also included in the minutes of the meeting of the Committee of Management.

Opening Remarks

The Chairman, Mr. Loek de Vries (Netherlands), welcomed the attendees to the meeting and thanked Mr. Aamir Akhtar, CEO of Arvind OG Non-wovens and Arvind Composites (India), for his willingness to share his experience about entering the markets of technical textiles in India.

Presentation

Mr. Aamir Akhtar, CEO of Arvind OG Non-wovens and Arvind Composites (India) gave a talk on what it takes to enter the technical textile market as a producer in Asia “from start-up to scale up”.

In his talk Mr. Akhtar pointed out that before entering a market it is very important to have a very good understanding of the objectives and the circumstances in which a company acts. Like in other industries, a company entering the technical textile market needs to know who the future customers are, which raw material they use, which suppliers of raw material are available, etc. A key question certainly is whether a business is scalable. In addition, one has to be aware of the fact that most technical textile markets are capital intensive (high costs for interests and depreciations). Furthermore, he highlighted that capacities in technical textiles can be exposed to volatile markets and/or regulations. In addition, starting a business in technical textiles requires well-educated people in a variety of different areas like textiles, chemistry, material science, etc. Only if all the expertise is available and working together can a start-up be successful in the market of technical textiles.

Activities in 2017

In the interest of time a discussion on future activities until the ITMF Annual Conference 2017 was postponed.

Nevertheless, all ITMF members were invited to come up with suggestions and ideas regarding activities in 2017 like company visits, seminars on specific topics, etc.
Elections & Future Structure

Mr. Loek de Vries, Supervisory Board Member of Royal Ten Cate (Netherlands), and Mr. Abemanyu Thackersey, CEO, Hindoostan (India), were standing for re-election as Chairman and Vice Chairman, respectively. In addition, Mr. Li Lingshen, Vice President of CNTAC and Chairman of China Nonwovens and Industrial Textiles Association (CNITC), was nominated as Vice Chairman of the F&A-Committee. All three persons were (re-)elected.

Chairman:  Mr. Loek de Vries (Netherlands)
Vice Chairman:  Mr. Abemanyu Thackersey (India)
Vice Chairman:  Mr. Li Lingshen (China)

Next Regular Meeting

The next regular meeting of the F&A-Committee will be in conjunction with the ITMF Annual Conference 2017 which will be held from September 14–16, 2017 in Bali/Indonesia.

Membership

Since the last meeting of the Committee of Management in September 2015 the following changes in the composition of the ITMF membership took place:

ENTRIES:

1. Akij Textile Mills (Bangladesh, Corporate Member)
2. Gildan Activewear (Canada, Corporate Member)
3. Pahartali Textile & Hosiery Mills (Bangladesh, Corporate Member)
4. Thien Nam Spinning (Vietnam, Corporate Member)

Date and Location of ITMF Annual Conference 2017

Mr. Wang informed the Committee of Management that the Federation's next Annual Conference will be held in Bali/Indonesia from September 14–16, 2017.

The Committee of Management welcomed this invitation very much and thanked the Indonesian Textile Industry Association (API) for having invited the ITMF membership to convene in 2017 in Indonesia.
Statutes: Changes

On October 21, 2016 the members of the ITMF Committee of Management (CoM) have been asked by email for approval of changes to the ITMF Statutes (see document no. 3). By way of correspondence the respective changes had been approved by the CoM. Based on these new ITMF Statutes the elections of the Board could take place.

Election of Honorary Officers

The Committee elected unanimously the following Honorary Officers for a term of two years as Executive Board Members:

President Jaswinder Bedi (Kenya)
Vice President Kihak Sung (Korea Rep.)
Vice President Ruizhe Sun (China)
Honorary Treasurer Peter Gnägi (Switzerland)

The Committee elected unanimously the following Honorary Officers for a term of two years as Non-Executive Board Members (in alphabetical order):

- Rafael Cervone (Brazil)
- John Cheh (Hong Kong, China)
- Muharrem H. Kayhan (Turkey)
- Andrew Macdonald (Brazil)
- Heinz Michel (Switzerland)
- B.K. Patodia (India)
- K.V. Srinivasan (India)
- Bassem Sultan (Egypt)
- Loek de Vries (Netherlands)

The new President, Mr. Jaswinder Bedi (Kenya), thanked Mr. Tiankai Wang (China) for his excellent and outstanding services as Vice President and President of the Federation during the past six years and presented to him an engraved silver plate. Mr. Tiankai Wang (China) was elected Honorary Life Member of the Federation.

Mr. Wang thanked his colleagues on the Board for their continuous support during his term as ITMF President. The meetings and discussions were always held in an amicable atmosphere. He specially thanked Mr. Jas Bedi for his support as Vice President and Mr. Peter Gnägi for his excellent work for as the Federation’s Honorary Treasurer during the past two years.
Concluding Remarks by the Newly Elected President

Mr. Jas Bedi thanked the Committee’s members for their trust and confidence placed in him and asked for their support in order to continue the successful efforts of his predecessors to make the Federation even more informative, interactive and thus more meaningful for both its current and its potential new members. He invited everyone to attend the ITMF Annual Conference 2017 in Bali/Indonesia.

February 2017
HOME TEXTILES: GLOBAL DRIVERS OF DEMAND AND FUTURE OUTLOOK
JORGE MARTIN – EUROMONITOR INTERNATIONAL

NOVEMBER 2016
Euromonitor International Ltd.

12 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, and São Paulo

80 COUNTRIES
in-depth analysis on consumer goods and service industries

210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies
GLOBAL DRIVERS OF DEMAND

IMPACT ON HOME TEXTILES

INDIA

FUTURE OUTLOOK
Three key growth drivers

- Income levels
- Housing market
- Retailing landscape
Growing wealth boosts discretionary spending

Top 10 Markets
Home Textiles Retail Value Growth 2010-2015

- China: +$5,491
- Indonesia: +$2,894
- India: +$8,221
- Thailand: +$27,486
- Brazil: +$5,146
- China (Hong Kong): +$5,491
- Mexico: +$909
- Romania: +$6,489
- Turkey: +$2,967
- Ukraine: +$1,809
Global urbanisation

...Million new households created over the review period between 2010 and 2015.

...Of these nearly 90% were Urban

© Euromonitor International
"Generation rent"

- Low wage growth
- Rising property prices

Renting

Top 20 markets with highest proportion of renting:
- Saudi Arabia
- Germany
- Egypt
- Denmark
- United Arab Emirates
- China
- Austria
- Hong Kong, China
- France
- New Zealand
- Finland
- South Korea
- Netherlands
- USA
- Belgium
- Czech Republic
- Switzerland
- United Kingdom
- Australia
- Sweden
Retail consolidation

Key Distribution Channels Globally 2015

- IKEA: 11% vs. 7%
- Walmart: 20% vs. 4%
- Amazon: 228% vs. 164%

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GLOBAL DRIVERS OF DEMAND

Fast-fashion’s love affair with home textiles
Cheaper, trendier and widely available

Home Textiles, Ikea and Zara Home Growth 2010-2015

- **Over 500 outlets in 53 different markets**
- **Over 368 stores in 23 different markets**

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GLOBAL DRIVERS OF DEMAND

IMPACT ON HOME TEXTILES

INDIA

FUTURE OUTLOOK
Key facts and figures

**US$101bn**
Global Retail Value Sales in 2015

**3%**
Global Retail Value Growth in 2015

**China**
Contributed with 27% of global value sales
Bed textiles remain the heavy weight

Home Textiles by Type in 2015

- Bath Textiles: 13% US$13 Bn
- Bed Textiles: 20% US$20 Bn
- Kitchen and Dining Textiles: 11% US$11 Bn
- Living Room Textiles: 10% US$10 Bn
- Rugs: 46% US$47 Bn
GLOBAL DRIVERS OF DEMAND
IMPACT ON HOME TEXTILES
INDIA
FUTURE OUTLOOK
India illustrates huge potential centred on mega-cities
The path to growth in India: From unbranded to branded

**Opportunities**
- Growing purchasing power
- Greater demand
- Transition to smaller households
- Modern retail expansion
- E-commerce

**Challenges**
- Poor infrastructure for retail expansion
- Income disparity
- Legislation
- Informal retailing
- Unbranded

Informal Retail

Formal Retail
US$2 Bn
Home Textiles
Retail Value Sales 2015

7%
Home Textiles
Retail Value Growth in 2015

8%
Home Textiles
Retail Value Growth to 2020
GLOBAL DRIVERS OF DEMAND
IMPACT ON HOME TEXTILES
INDIA

FUTURE OUTLOOK
Emerging markets will continue driving growth

Top 10 Fastest Growing Home Textiles Markets to 2020

China, Romania, Indonesia, Malaysia, United Arab Emirates, Spain, Thailand, Argentina

© Euromonitor International
Contrasting factors shaping the future of the regions

**Key Takeaways**

**Strong growth forecast**
- **Asia Pacific**
- **Middle East**
- **Africa**

- Strong growth forecast
- Buoyant housing market
- Strong social mobility
- Young population
- Home textiles = Staple products

**Weak growth forecast**
- **North America**
- **Australasia**
- **Western and Eastern Europe**

- Struggling property market
- Uncertain economic situation
- Ageing population
- Home Textiles = Discretionary products
THANK YOU FOR LISTENING
Jorge Martin | Project Manager - Research
Jorge.Martin@euromonitor.com

Euromonitor International
Standard Code of Conduct

Initiative by
ITMF – Home Textiles Producers Committee
2016
Social Compliance
Current practices are not optimal

- Confusing and conflicting standards
- Gaps in coverage
- Costs
- Disruption to production
- Lengthy process
## CONFLICTING STANDARDS

Example from working hours and days off

<table>
<thead>
<tr>
<th></th>
<th># of hours</th>
<th>Overtime</th>
<th>Hours exceptions</th>
<th>Days off</th>
<th>Days-off exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>48</td>
<td>12</td>
<td>None</td>
<td>1 / 7</td>
<td>Could be 1 / 14</td>
</tr>
<tr>
<td>Sears</td>
<td>48</td>
<td>12</td>
<td>72 in peak season</td>
<td>1 / 7</td>
<td>Could be exchanged</td>
</tr>
<tr>
<td>JC Penny</td>
<td>Local Laws</td>
<td>Local Laws</td>
<td>None</td>
<td>Local Laws</td>
<td>None</td>
</tr>
<tr>
<td>IKEA</td>
<td>48</td>
<td>12</td>
<td>None</td>
<td>1 / 7</td>
<td>None</td>
</tr>
<tr>
<td>Macy’s</td>
<td>48</td>
<td>12</td>
<td>72 in peak season 14 / day max</td>
<td>Yes</td>
<td>-</td>
</tr>
</tbody>
</table>
## Gaps in code of conduct

Example from toilet policy

<table>
<thead>
<tr>
<th></th>
<th>Toilets : workers</th>
<th>Cleaning</th>
<th>Ventilation</th>
<th>Privacy</th>
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Legend:
- **Elaborate Policy**
- **Basic Policy**
- **No Policy**
Costs
Disruption and redundancy

Disruption (production interruption)

Adaptation (different standards)

Resources (time & manpower)

Audit Fees

COST
A universal code of conduct
Standardization of requirements

1. Create a collaborative platform for communication between retailers and manufacturers
2. Unify requirements and create a comprehensive industry standard
3. Continue to elaborate code of conduct
Business made easier
A win-win initiative

- Easy to implement
- Simpler auditing
- Better communication between brands/retailers and vendors
- Optimization of resources
- Evolution NOT revolution
- Best-practice and capacity building tools
- Opportunity for developing a collaborative database
What can the future of this initiative include?
1. Auditing
2. Traceability across the supply chain
3. Label of differentiation
4. Communication with consumers
5. ..........................

The Future
Transparency
Status
Qualified pool of suppliers

- Scrutinized codes of conducts of 20 top retailers (USA – EU)
- Combined strictest requirements in most comprehensive code of conduct (over 650 parameters in 7 key categories)
- Performed 3rd party audits on a number of top suppliers (combined supply of home-textile products to the US exceeding USD 3 Billion)
- 3rd party audits were conducted by: SGS – Bureau Veritas - Intertek
## General requirements

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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### Verification

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### Total Score for this section

23

### Maximum Score for this section

37

### Score percentage

62%
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Total Score for this section: 23
Maximum Score for this section: 37
Score percentage: 62%
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</tr>
<tr>
<td>Evacuation procedures?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire prevention?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Accident reporting?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical safety?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental health and safety awareness? Does it include:</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asbestos, chemical handling and waste management (when applicable)?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job specific training?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the member keep training records? Do they include:</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training date?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training content?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trainers?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendees?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Score for this section**: 23

**Maximum Score for this section**: 37

**Score percentage**: 62%

Are key procedures communicated in writing? Are such key procedures:
- Communicated using signage on walls? | Y | 1 | x |
- Communicated in manuals? | Y | 1 | x |
- Written in a simple language using clear, legible fonts? | Y | 1 | x |

**Total Score for this section**: 23

**Maximum Score for this section**: 37

**Score percentage**: 62%
Guiding notes for specific questions are added as well as the means to verify each standard are determined for the auditors.

<table>
<thead>
<tr>
<th>1. General requirements</th>
<th>Answer</th>
<th>Score</th>
<th>Notes</th>
<th>Docs</th>
<th>Interview</th>
<th>Observe</th>
<th>Inspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the member have a written procedure for everyone of the standards</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Is there a responsible person for the implementation and documentation of standards and procedures?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Does the compliance system of the member include the following:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigned personnel to be responsible for overall social compliance?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line management accountability for social compliance?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disciplinary actions for violation of social compliance rules?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A process for the identification of environmental, health and safety hazards in the workplace?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A policy for continuous improvement of labor, environmental, health and safety performance?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the member keep records of incidents where standards were breached or were not sufficient?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the member review regularly the standards to see how they can be improved or whether additional standards are needed?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the member have all the procedures written and made available to everyone?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Does such a training include the following:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Induction training? Does it include:</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work schedule?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wages?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the member provide training for workers where possible to those procedures and to any changes to the procedures as well as their legal rights?</td>
<td>Y</td>
<td>1</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Does the member keep training records? Do they include:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training date?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training content?</td>
<td>N</td>
<td>0</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trainers?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
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<td></td>
</tr>
<tr>
<td>Attendees?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
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</tr>
</tbody>
</table>

Yes if standards are reviewed regularly

Verification

<table>
<thead>
<tr>
<th>Docs</th>
<th>Interview</th>
<th>Observe</th>
<th>Inspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>X</td>
<td></td>
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</tbody>
</table>

Total Score for this section: 23
Maximum Score for this section: 37
Score percentage: 62%
A summary with a total score is given at the end of the assessment. Committee needs to agree on whether such a score will be needed or not and if subsections should be scored as well.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Score</th>
<th>Maximum Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General</td>
<td>28</td>
<td>36</td>
<td>78%</td>
</tr>
<tr>
<td>2 Health &amp; Safety</td>
<td>323</td>
<td>333</td>
<td>97%</td>
</tr>
<tr>
<td>3 Employment</td>
<td>76</td>
<td>150</td>
<td>51%</td>
</tr>
<tr>
<td>4 Environment</td>
<td>31</td>
<td>79</td>
<td>40%</td>
</tr>
<tr>
<td>5 Security</td>
<td>18</td>
<td>18</td>
<td>100%</td>
</tr>
<tr>
<td>6 Corruption &amp; Business ethics</td>
<td>9</td>
<td>9</td>
<td>100%</td>
</tr>
<tr>
<td>7 Required Documents</td>
<td>8</td>
<td>60</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total Score</strong></td>
<td>475</td>
<td>685</td>
<td><strong>69%</strong></td>
</tr>
</tbody>
</table>
Next Steps

Standardization

Members have undergone 3rd party audits

Currently working with select retailers to adopt the code of conduct as industry standard

Role over process to other suppliers and retailers

Take it forward
Thank You
Proposed Changes of the ITMF Statutes

Current Version

X. Honorary Officers and Officials

(1) There shall be a Board consisting of up to eleven members with one President, one Vice President and one Treasurer forming the Executive Board. The President and Vice President shall hold office for a period of not more than two years. The Treasurer shall hold office up to four years. The other members are non-executive members of the Board who shall hold office for a period of not more than six years. The executive and non-executive members of the Board shall be elected every other year from among the delegates and representatives to the Committee of Management.

Proposed New Version

X. Honorary Officers and Officials

(1) There shall be a Board consisting of up to thirteen members with one President, two Vice Presidents and one Treasurer forming the Executive Board. The President shall hold office for a period of not more than two years and the Vice Presidents for a period of not more than four years. The Treasurer shall hold office for up to six years. The other members are non-executive members of the Board, who shall hold office for a period of not more than six years. The executive and non-executive members of the Board shall be elected every other year from among the delegates and representatives to the Committee of Management.

The Executive Board may co-opt up to four additional Board members by unanimous vote for the term of the Board. The co-opted Board members shall have the same rights and obligations as the elected non-executive members of the Board.

(2) no changes

(3) no changes