

IAF'S PRIORITY ISSUES 2021

IAF's mission is to unite all stakeholders of the fashion and apparel industry, including brands, retailers, manufacturers, suppliers and country associations from around the world to enable and promote smarter, stronger, more sustainable supply chains. IAF's focus on the supply chain stems from its unique membership structure with members representing (SME) brands and retailers as well as manufacturers, catering to the needs of buyers and suppliers.

SUPPLY CHAIN COLLABORATION

The ability to speak to the needs of both the buying and the selling parties and therefore to the operation of the supply chain as a whole, has taken on additional meaning in a time when an already structurally struggling industry is jolted by a global crisis of consumer demand. The importance of collaboration in the supply chain has been at the core of IAF's message shared with every one of its annual World Fashion Conventions in the past decade. But the pandemic has made really clear that the keys to building a better (measured on the scales of people, planet and profit) apparel industry can be found in the operation of the supply chain, including the processes, the relations, the contracts and the flow of finance that comprise it.

TRANSITION IN SOURCING

It is our conviction that the solutions to escape from the deflationary spiral the industry has ended up in can largely be found upstream. The apparel industry is making a transition to a sourcing model based on flexibility and

the reduction of uncertainty. The current predominant adversarial relations in the supply chain are a barrier to this transition. Flexibility requires investments in processes that stretch across the supply chain and so these processes can only be carried out when buyers and their suppliers work together.

SOLIDARITY

IAF's call for supply chain solidarity given in March of 2020, was therefore much more than a call to right an obvious wrong. Buyers' conduct at the start of the pandemic often was the exact opposite of collaboration and the breach of trust created caused damage to supply chains that needs to be repaired. After our call for solidarity IAF has formulated a strategy for strengthening supply chains that will help repair this damage, prevent new damage and will go much further to contribute to the creation of a stronger, smarter and more sustainable industry. IAF's strategy is based on the following six priorities, listed on the following page in no particular order.

1

First, we believe **the supply chain, to function well, literally and figuratively speaking needs a new contract.** It needs to operate with a greater sense of equity. Trust needs to be rebuilt. And changing business processes need to be backed by new agreements. That is why IAF has teamed up with the STAR Network of industry associations, GIZ, Better Buying and the OECD in a project in which around ten associations will build their recommendations



for payment and delivery terms. Even though the intentions are often good, purchasing practices are more an offer by buyers. This project will lead to better purchasing practices through a more equal discussion about them. The financial flows fueling the supply chain including a fairer distribution of risk and reward are a major part of this new contract and IAF is developing both guidance and concrete services to its members in this area.

2

Second, IAF believes **that the apparel industry needs a better global, institutional industry infrastructure** to provide a solid road along which the transition can travel. It is now too fragmented, with too many global initiatives and it is not inclusive enough, with many initiatives not sufficiently including large parts of the industry, including manufacturers and small and medium sized brands. At every forum where it can, IAF has put fragmentation of initiatives on the agenda. Through IAF's and ITMF's project to reduce audit and standard fatigue, working with ITC to make progress- or the lack of it- more transparent we are also directly contributing to a reduction of



fragmentation. IAF has worked hard, and often with success, to make sure that manufacturers and SMEs have a seat at the table, including the ILO led COVID-19 response 'Call to Action' in which IAF sits in the international working group overseeing this global initiative on behalf of apparel manufacturers. Other examples are the SAC, SLCP and the OECD, where IAF interventions have helped to include the interests of SME brands and manufacturers. IAF will continue to spend considerable time and effort to work within the industry to help create a better institutional infrastructure on behalf of its members.

3

Third, IAF has since its founding in 1972 recognized that **education and training is the engine for positive change of the industry.** IAF's membership has always included schools and universities specialized in fashion management and technology. Through these individual connections and through IAF's collaboration with IFFTI (the International Federation of Fashion Technology Institutes) and with the FT Alliance project, IAF is fostering interaction between schools and industry. And in line with our aim to build a stronger global institutional infrastructure for our industry, IAF will also work to enhance global coordination of industry education. Global coordination means



alignment of priorities, quality and efforts to reduce the chances of overlap. We don't want to be setting ourselves up for 'training fatigue'. IAF's unique membership of national and regional associations has convinced us that associations are crucial operators for creating a smarter industry. Bringing knowledge to associations, training them and coaching them can have a great multiplier effect as they in turn educate their member companies. So IAF is working with several multilateral organizations to organize a more structured transfer of knowledge aimed particularly at industry associations.

4 Fourth, we believe that **the industry needs an all-out, all-forces-joined drive for digitization.** Digitization works as a double-edged sword. It technically enables the supply chain to become more responsive. But it also forces processes to change. It both forces and enables buyers and suppliers to engage in more collaborative relationships. Through digitization, processes become more integrated within the supply chain, even extending to third tier suppliers supplying fabrics. When suppliers are more integrated into a complex but more profitable collaborative supply chain, the relationships with suppliers also become more difficult to untangle, strengthening the position of suppliers. Because



of this complexity digitizing the industry relies on education and training. It is not just about learning to use the software, it is about learning entirely new processes and interactions within companies and between companies. So digitization will be the main topic of IAF's work on education and training as described above. Another important pillar of the drive for digitization is standardization, particularly of the processes to create the authentic digital twin of fabrics and of garments. Here, IAF has started to work with some of its members to bring more coordination to the efforts already underway and to determine on an industry wide scale where gaps still remain.

5 Fifth, **the industry must accelerate its efforts to increase the transparency of its supply chains.** There must be an extensive and trustworthy back and forth flow of information alongside the flows of physical goods and money. Transparency is important to create more responsive supply chains, it is important to improve sustainability and it is needed to comply with demands of civil society and government. Only if the information is able to travel smoothly through the supply chain, in a trustworthy and standardized way, will consumers and stakeholders be able to value all the efforts put into making products less environmentally demanding. Digitization will



help to create more transparency, but it isn't sufficient. An industry wide effort to improve transparency needs to be developed, involving standardization and education. Industry wide in the context of transparency clearly includes the entire supply chain, upstream towards agriculture and the petrochemical industry. IAF believes that the apparel and textiles industries need to be collaborating institutionally much stronger. It has therefore strongly invested in its relation with ITMF, the International Textile Manufacturers Federation, which will enable both organizations to work jointly on transparency going forward.

6 Sixth, and finally, **the essence to the greening of the industry is a supply chain wide, collaborative approach.** Pledges to reduce CO2 emissions are important but not sufficient. The costs and the rewards of transformation need to be shared in the supply chain. The financial sector can bridge gaps. Education across the supply chain will help. Consumers can drive change but they need to be able to base their buying decisions on clear and trustworthy green claims. Circularity is at the same time one of the most effective and of the



most complex methods to reduce the pressure on the environment exerted by the apparel industry. IAF's efforts on education, digitization, collaboration and transparency as described in the previous five points, help create a better foundation for a greener industry. In addition, IAF will focus on bringing the manufacturers' voice more clearly into the global industry infrastructure that is being built to reduce apparel's global environmental footprint.



FOCUS

In 2021 therefore, IAF's fulfillment of its mission to unite the industry to enable and to promote stronger, smarter and more sustainable supply chain will be focused on:

1. Contract and equity
2. Institutional infrastructure
3. Education and training
4. Digitization
5. Transparency
6. Greener industry

This choice is guided by the urgency of the need for industry transition and by the IAF's unique global network, uniting (SME) brands, manufacturers and their associations.

In the past years, IAF has already developed the partnerships, participations and projects to make a difference in these six focus areas. In 2021, our involvement in these areas will take the shape of:

1. Spreading the message of these six 2021 priority issues and the context and relation

to IAF's mission through our events and publications, including the 36th IAF World Fashion Convention to be held in Antwerp and through our speaking roles in other, global and local events.

2. Participation in global initiatives including already the ILO led Garment Industry Call to Action and the OECD led work on human rights due diligence on behalf of our membership.
3. Developing and leading projects, including already the Standards Convergence Initiative with ITMF and the Manufacturer's Payment and Delivery Terms project with STAR Network and with more projects to follow.
4. Extending services to our members, developed with partners to specifically suit the specific needs of IAF's member associations and their members, related to the above six 2021 priority issues and other issues important to IAF members.

