



# **Activity Report 2017**

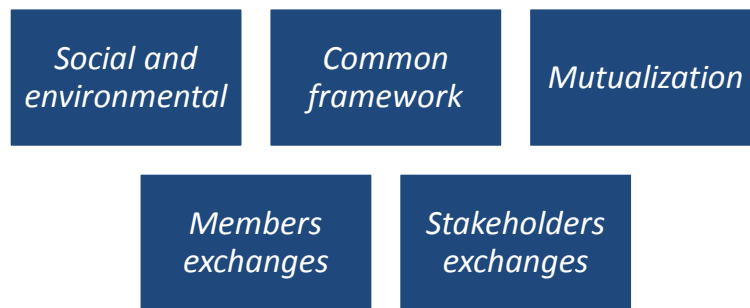
**Supporting factories together to sustainably  
improve conditions for people at work**

# Introduction

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ICS is a France-based initiative created in 1998, so celebrating its twentieth year in 2018!

ICS member brands and retailers work together since its foundation to sustainably improve conditions for people at work, and responsibly support their supplying factories to implement progress and compliance. ICS enables its member companies to collaborate with common tools, to mutualize audits, contributing to the reduction of the 'audit fatigue' and share knowledge and best practices.



This joint approach is guided by the framework defined by the International Labour Organization (ILO) conventions, the universal Human rights principles and local social regulations. ICS members verify the actual working conditions in their supplying production sites by mandating ICS-accredited audit companies to conduct social audits. After the assessment, ICS members engage with the audited factories to implement the defined corrective action plans.

In 2017, around **4 000 ICS social audits** were performed impacting more than **1 350 000 workers** worldwide.



# Member companies

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ICS is composed of **38 multinational retailers and brands**, mainly French, but not limited to, in the sectors of textile, retail, footwear but also electronics and furniture.

## In 2017, 14 new brands joined ICS!

These new members are Camaïeu, Maisons du Monde, Promod, La Redoute, and Vivarte group composed of the following brands André, Besson Chaussures, Caroll, Chevignon, Cosmoparis, La Halle, Merkal, Minelli, Nafnaf, San Marina.

### Collaboration between members

ICS members meet once **every six weeks in plenary meetings** to share experiences and drive the initiative towards continuous improvement of production site compliance.

ICS members also meet in **working groups every quarter** to closely contribute to the enhancement of ICS tools and processes as well as joint positions on specific complex issues.

*“Carrefour group co-founded ICS with 3 other retailers 20 years ago, already convinced at that time that suppliers’ social compliance is a non-competitive issue. Now more than ever, auditing supplying factories, notably in high risk countries in terms of non-compliances, is still a necessity. To answer this need, ICS offers a platform to share audits with members working with the same factories and to exchange on common challenges and issues. However, within the current increasingly regulatory context, auditing is not an end in itself but an assessment of the compliance level of the supplier. ICS’ challenge is therefore now to face this transition towards effectively supporting suppliers’ compliance on the long term.”*



**Carole de Montgolfier, Carrefour Group CSR Manager**



*For a company like Vivarte, a leading French ready-to-wear clothes, footwear and leather goods retailer, we believe signing up to ICS (French retailer association for responsible procurement) is the right thing to do given that ICS pursues the same responsible purchasing goals that we do and shares our determination to support suppliers so that we can together make progress in this field. We are sure we have found the right partner so we can share experiences and build our future.*



**Laure Frugier, Vivarte Communications Director**



# Accredited audit companies

ICS currently works with 9 audit companies around the world. Audit quality is monitored by ICS through statistical indicators and comparative analysis as well as by ICS members' collaborative feedback and review.

## Working group on ICS-accredited audit companies

In 2017, ICS signed an Agreement with each accredited audit company.

This formalized document represents the Code of conduct that every audit company should follow including integrity and confidentiality standards. The Agreement also lists the auditors' experience and qualification requirements to perform ICS audits.



ICS has pursued its monitoring of audit companies' performance indicators to ensure that quality standards are met. This monitoring has been combined with reinforced collaboration: the first joint ICS Working Group with audit companies and member companies was held on December 7th 2017 in Carrefour's headquarters. Participants discussed in roundtables on transversal and non-competitive issues such as the challenges associated with agency and temporary workers in the supply chains. The latter are often vulnerable workers and can raise technical questions such as documents' availability and responsibility sharing between the factory and its sub-contracting agencies.



*Joint presentation  
by Haïdie Keddar (TUV Rheinland) and Trystan Lerouge (Casino group, Monoprix)  
after roundtable discussions*

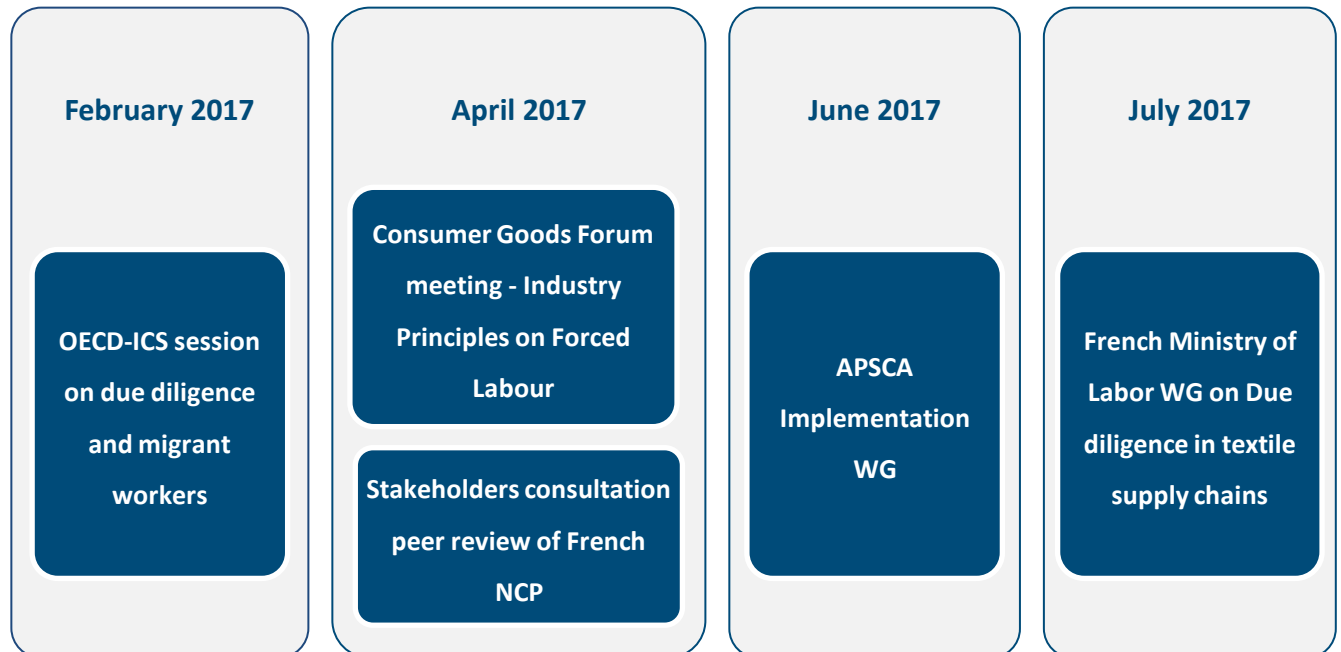
ICS is also involved in two consultation working group of APSCA (Association of Professional Social Compliance Auditors). In the context of this collaboration, ICS has taken part to the review of the APSCA documents on Competency framework and Code of Professional Conduct. ICS also follows APSCA pilot project progress by regular meetings.

# Stakeholders & Events

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In 2017, ICS expanded the scope of its stakeholders' dialogue by developing new collaborations and by participating to and organizing events such as the joint OECD-ICS joint roundtable session held in February 2017 on migrant workers employment in garment and footwear supply chains.

ICS has enlarged its activities in the past few years and is implementing concrete projects, namely with the International Trade Center (ITC) on transparency and traceability.







### September 2017

ICS intervention at Dauphine university on 'Extra financial compliance

ITC Trade for Sustainable Development Forum 2017

### October 2017

30th UN/CEFACT (United Nations Centre for Trade Facilitation and Electronic Business) Forum on Textile supply chains traceability

Italian Innovation & CSR Forum

### December 2017

ICS members and accredited audit firms Joint WG

ILO French bureau conference on due diligence in supply chains



## The International Trade Centre

The International Trade Centre (ITC), a UN agency in Geneva, launched in September 2017 its Sustainability Map platform ([www.sustainabilitymap.org](http://www.sustainabilitymap.org)), which offers users a database of industry sustainability and certifications, codes of conduct and audit protocols, as well as several market analysis modules and the possibility for companies to create a profile and develop a public or private network with their buyers or suppliers. ITC has been collaborating with the ICS for several years, including the referencing of the ICS in the sustainability standards database. With the launch of the Sustainability Map platform, it is a new chapter of collaboration that opens up for 2018, with great potential to help retailers and brands, manufacturers to connect to their direct and subsequent suppliers and implement successfully their responsible sourcing policies, their adherence to national and international sustainability standards in the agri-food, textile and electronics sectors.



## Organisation for Economic Co-operation and Development (OECD)

The OECD (Organisation for Economic Co-operation and Development) promotes policies that will improve the economic and social well-being of people around the world. The OECD is the home of the OECD Guidelines for Multinational Enterprises, the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. Implementation of the Guidelines is facilitated by practical sectoral due diligence guidance covering the agricultural, extractive, financial, mineral and textile and garment sectors. The sectoral guidance is used worldwide by companies to identify, prevent and mitigate their actual and potential adverse impacts in their supply chains.

In 2017, the OECD welcomed ICS in the Advisory Board to the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. The OECD and ICS also co-organized a session on the employment of migrant workers during the 2017 OECD Roundtable on Due Diligence in the Garment and Footwear Sector.



## French National Contact Point (NCP)

“The office of the French National Contact Point (NCP) is housed in the Treasury. It is composed of representatives from several ministries, trade unions and an employer's federation. The NCP conducts promotional activities and contributes to enhancing the implementation of the OECD Guidelines. The NCP examines “specific instances” that are issues concerning potential non-compliances according to the Guidelines by French multinational enterprises in the world or by foreign companies in France.

The French NCP and ICS have been closely collaborating for several years as ICS shares its annual tools and methodology updates with the NCP. Among others, ICS has been invited to the stakeholders meeting in the context of the NCP Peer review in April 2017 and the NCP has participated to an ICS plenary meeting in September. The French NCP and ICS will continue to work together in 2018 and look forward to enhanced cooperation between the two organizations.”



FRANCE  
POINT DE CONTACT NATIONAL



# Tools

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**Collaboration with external stakeholders is key.**

But deep collaboration within industries is also crucial: at ICS, members meet every month, share audit tools, monitoring rules and factory audit results when they work with the same factory. ICS members now also share consolidated data on risks analysis by country and topics. These various forms of mutualization are non-competitive topics between ICS members, formalized by a signed Code of Conduct to which members commit to.

ICS actions are based on a common methodology applied by all ICS members and securing a complete control of the audit process by brands.

ICS audits are mandated and managed by member companies. Audit launch is a member prerogative, which ensures a total control of the use of ICS tools.

Audits are only performed by third party ICS-accredited audit companies.

ICS audits are neither certificates nor labels.

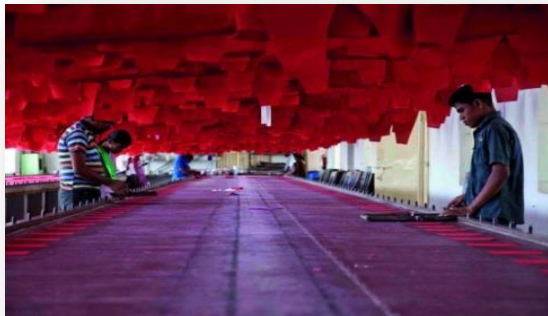
ICS members share common monitoring rules when critical non-conformities are identified in the factories.

The vast majority of ICS audits are semi announced or unannounced.



### Tools Working Group

ICS annually updates its tools (Audit questionnaire, Methodology guideline, Factory Profile) and develops new tools and resources for its members and their supplying factories.



### ICS social Handbook for factories published in 2017

ICS elaborated the Social Handbook for factories in 2017 to accompany factories into their understanding of ICS audit's process, scope and rating system. The Handbook also informs the audited factories on the list of documents that will be analysed by the auditor as well as on the interviews and documents review sampling size.

The Handbook for factories is part of the ICS recent development of supporting tools and guidance for its members' supplying factories and partners with the aim to sustainably enhance compliance.

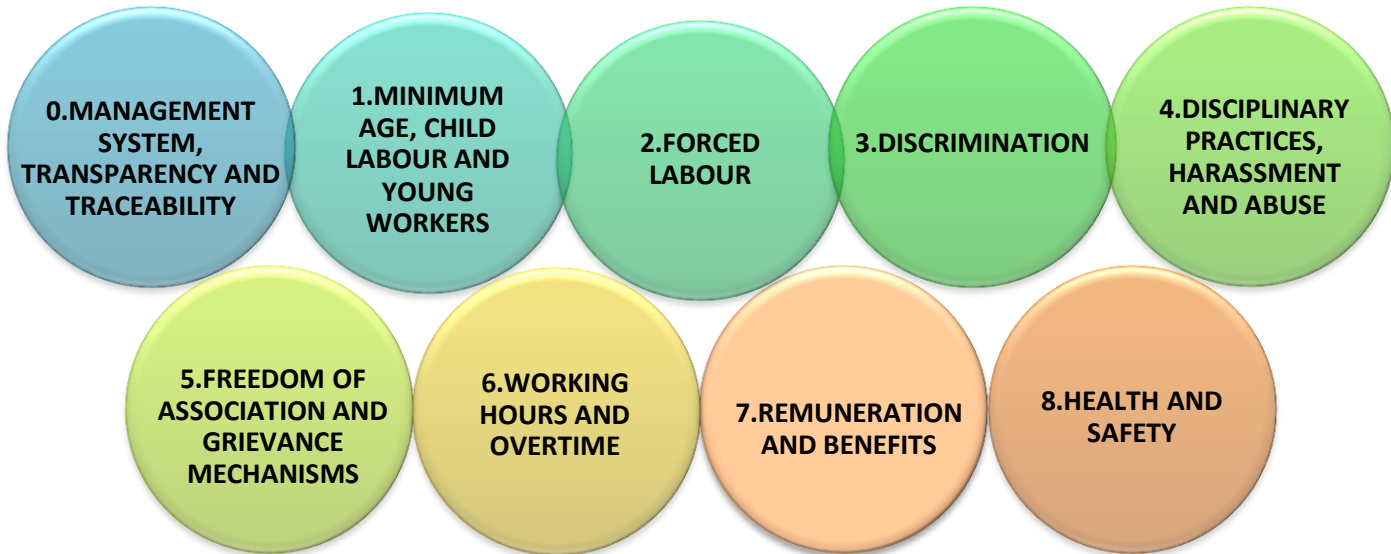
Every ICS member requests its suppliers to comply with the ICS Code of Conduct that can be complemented by the member's own detailed Code of Conduct.

By signing this Code, suppliers undertake **to conform and commit** to it as well as having it respected by their own subcontractors and partners: **shared responsibility** is a key concept.

The Code of Conduct is currently available in English, French, Spanish, Chinese, Turk, Bengali and Hindi.

The cornerstone of the ICS system is the audit report questionnaire used in more than 60 countries. The ICS social audit questionnaire is composed of 9 chapters.

Auditors from ICS-accredited audit companies are provided with the ICS Guideline which describes the methodology and any specific rating indication for each question.



#### ICS double audit rating system

ICS audit is built on a double rating scheme composed of a percentage and a letter i.e. 90%B, 60%C etc. The percentage reports the degree of compliance of the factory and the letter reports the degree of criticality related to defined major non-compliances.

The ICS rating system is grounded on a thresholds table coupled to the finding of critical non-compliances that require immediate attention and action. For instance, if an Alert Notification is raised, the facility rating can be 85% E: the facility is mostly socially compliant but one major issue has been identified and has raised an alert notification (i.e. an emergency exit locked). The ICS audit system is designed to report the global level of the factory and at the same time clearly raise major non-compliances.

The most critical non-compliances are referred to as 'Alert Notifications' in the ICS system and are notified to the ICS member requesting the audit through email, within 24 hours by the auditor as representing immediate danger for the workers or the environment.

## Environment Working Group

This year, ICS set up an Environment Working Group to complement ICS activities on social compliance with environmental tools and resources. ICS approach of environmental compliance is to accompany factories in understanding their practices and impacts and to tackle these issues by a progressive methodology.

ICS Environmental tools are:

- ICS Environmental Code of Conduct;
- ICS Environmental Handbook for factories ;
- ICS Environmental Best practices factsheets;
- ICS Environmental audit tool to be launched in April 2018.

The **ICS environmental requirements** are built around the three levels recommended by the GSCP (Global Social Compliance Programme) :

- Level 1 : Awareness and Compliance
- Level 2 : Proactive Management and Performance Improvement
- Level 3 : Leading Practices

More informations on these links:

- [GSCP Reference Environmental Audit Process & Methodology](#)
- [GSCP Environmental Reference Requirements](#)



### ICS Environmental Code of Conduct

Every member of the Initiative Clause Sociale – see [www.ics-asso.org](http://www.ics-asso.org) for the list of members- expects from its suppliers that they respect the ICS Environmental Code of Conduct (hereinafter defined as 'this Code'), being heard that the latter can be completed by the retailer's own code of conduct. By signing this code, the supplier undertakes to conform to it and to obtain his own subcontractors and partners that they also act.

#### Environmental Management System

1. The supplier shall put in place an efficient internal management system to ensure that:
  - a. The principles set forth in this Code are circulated and applied consistently within the supplier's organisation;
  - b. The supplier can detect all acts which breach the principles of this Code, determine the underlying causes of problems identified and implement measures to deal with such acts effectively in accordance with national laws, customs and practices and international employment standards.

# Risk Mapping

## Risk mapping Working Group

ICS sends weekly newsletters to its members with news and reports on Corporate Social Responsibility, social and environmental compliance as well as Human Rights in supply chains. This continuous information and alerts sharing constitutes a wide documentary base with countries and thematic risks identification.

In 2017, ICS members decided to go further in the mutualization of risk analysis and created a dedicated Working Group. The first steps were to enhance the ICS database reporting features with consolidated statistics on ICS audits results by region, country, thematic chapter and even ICS audit question.



## ICS Newsletter on countries and thematic risks sent every week

### Countries :

- India:
  - o **Rajasthan: Major fire breaks out in diaper factory in Alwar; three feared trapped FIRE FACTORY 25.10.2017**
  - o **India to introduce minimum wage for millions of workers**
- Banladesh:
  - o **Accord, Alliance to leave Bangladesh next year**
  - o **The European Union and the Bangladesh garment industry- the failure of the Sustainability Compact**
- France:
  - o **146 députés interpellent le Président sur le devoir de vigilance des multinationales**
  - o **Lanceurs d'alerte : les entreprises ont jusqu'au 1er janvier 2018 pour mettre en place le dispositif de signalement**
- Brazil: **ILO: Brazil Eases Further Possibility of Modern Slavery**
- Europe: **A 10-point roadmap for Europe on the role of the private sector in development Report October 2017**
- New Zealand: **Blacklisted for exploiting migrant workers in New Zealand**

### Thematic news:

- **The Dark Side of Electric Cars: Exploitative Labor Practices Research by Amnesty International**
- **An assessment of Environmental and Social transparency of food related companies currently listing in Hong Kong Stock Exchange Report October 2017**
- **3e édition de l'Observatoire de la distribution responsable « Un engagement collectif, concret et mesurable des enseignes de la distribution en faveur de la RSE » Communiqué de presse FCD-ESSEC**
- **5 Steps To Building Better Working Conditions In Global Supply Chains**
- **Supply Chain Slavery Index Identifies High-Risk Countries in Fashion Supply Chains**
- **The Dark Side of the Toy World Report November 2017**





# Database

### Corrective action plan

Progress report | Details

Evidences verified **100%**

#### 5 Freedom of association and Grievance Mechanisms

D 5.8 Does the facility have a procedure by which employees can freely and confidentially raise grievances to management?

**Re-Audit (30-01-2018) New Findings During factory tour, It was found that suggestion box is provided at under CCTV Surveillance. It was corrected during the audit In accordance to The Industrial Disputes (Amendment) act 2010, Chapter II B,9C. (I) Every industrial establishment employing twenty or more workmen shall have one or more Grievance Redressal Committee for the resolution of disputes arising out of individual grievances.**

Target date: 15/02/2018

Status: **Verified by ICS member**

suggestion\_box\_replace\_not\_seen\_by\_CCTV\_(1).pdf

It is recommended to factory to provide grievance raising mechanism to workers, which is free and confidential.

Please check that every single suggestion box throughout the factory are located in isolated areas

The file suggestion\_box\_replace\_not\_seen\_by\_CCTV\_(1).pdf has been uploaded.

Auditor - 05/02/2018 11:27:21

Factory/02/2018 11:27:21

Factory/02/2018 16:06:40

## ONLINE CORRECTIVE ACTION PLAN MONITORING

In 2017, ICS Database Working Group worked on the launch of the **Online Corrective Action Plan (CAP)** with a pilot phase in India. The feature will be progressively extended to other countries in 2018 .

This feature allows audited factories and related actors to upload documents on identified non-compliances after the audit (e.g. renewed permit, non-discrimination policy etc.) on the ICS database. ICS members can verify and validate the evidences for the CAP to progress.

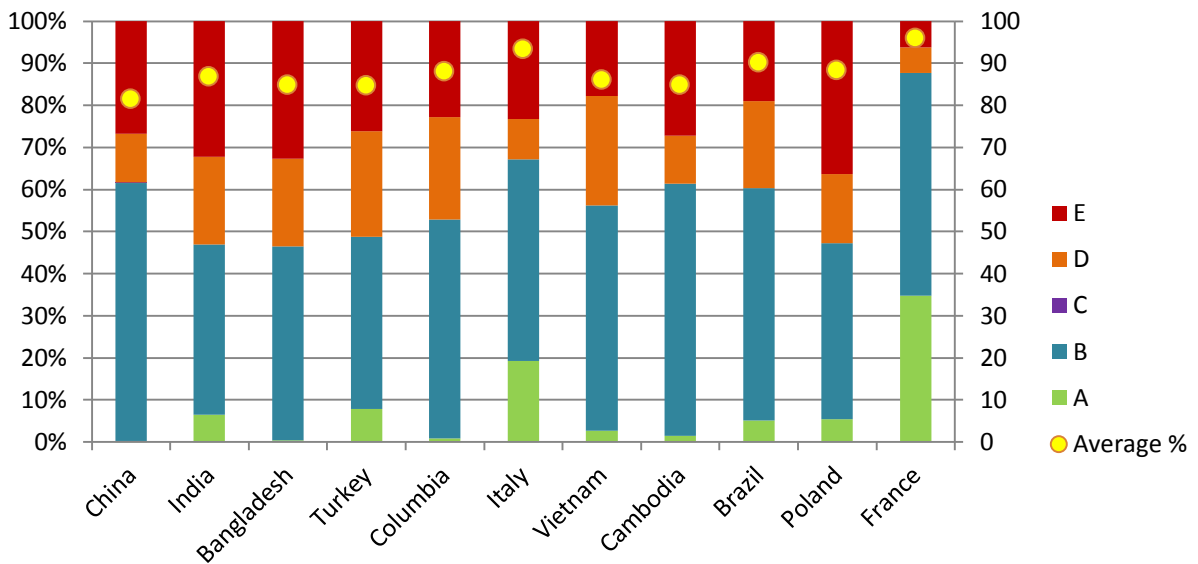
The uploaded documents do not change the audits rating but they enable brands and factories to engage in collaborative and concrete exchanges. The CAP advancements are then mutualized between linked ICS members (members working with the same factory).



# ICS audits – geographical analysis

In 2017, the 11 main countries in terms of audits volumes are: China, India, Bangladesh, Turkey, Columbia, Italy, Vietnam, Cambodia, Brazil, Poland and France. Compared to 2016, the new high-volume countries are in Europe (Italy, Poland and France) and in South America (Columbia and Brazil).

## Audits results for 11 main countries in 2017



This graph shows the average results of ICS audits by main country, decoupling the letter and the percentage of the rating. It constitutes a double rating scheme, i.e. 90%B, 60%C etc.

The percentage reports the degree of compliance of the factory and the letter reports the degree of criticality related to defined major non-compliances..

E.g. According to this graph, the average rating percentage in Italy is higher than in Vietnam whereas there are more critical non-compliances in Italy (letter E) than in Vietnam.

This means that statistically in 2017, Italy might be more subject to alert notifications but that the country's audited factories are globally more compliant than Vietnam's.



# Evolution in 2017

Evolution of the number of countries where audits take place :

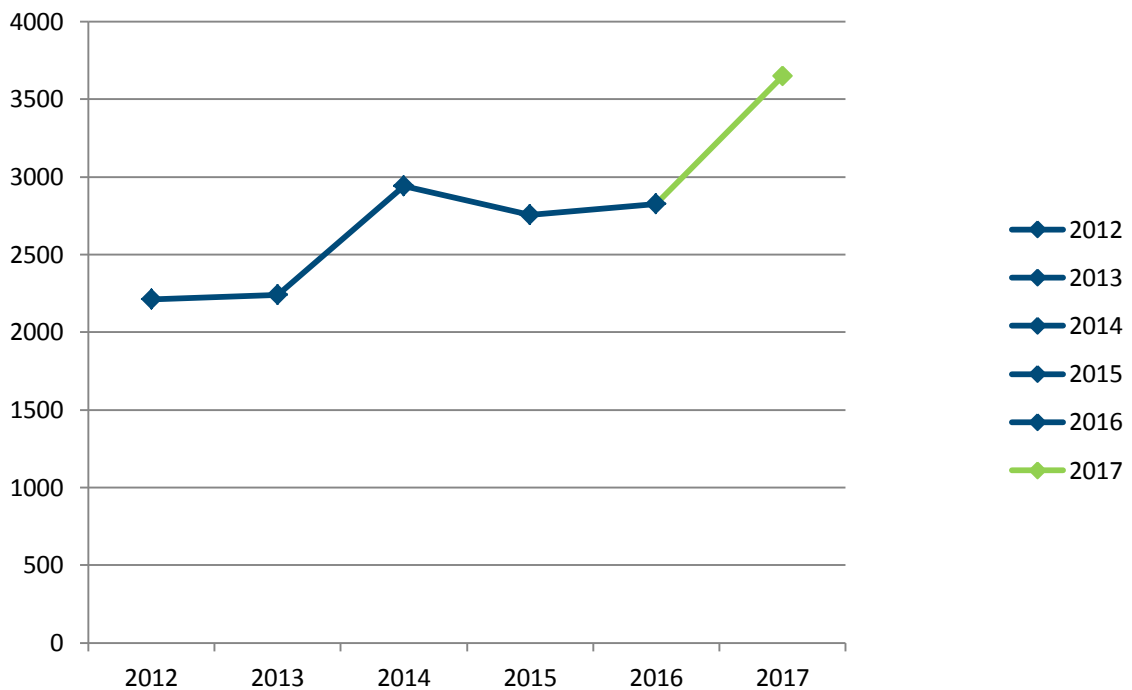
| 2016 | 2017 |
|------|------|
| 44   | 62   |

Evolution of the number of audits:

| 2016 | 2017 |
|------|------|
| 2824 | 3987 |



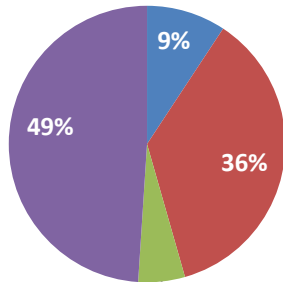
## Number of audits 2012-2017



# ICS audits – sectoral analysis

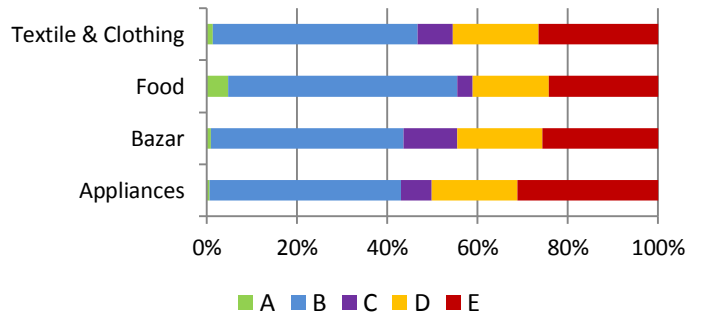
ICS is a **multi-sector initiative** that conducts audits in the textile and clothing, bazar, appliances and food sectors.

**Share of ICS audits by purchase department**



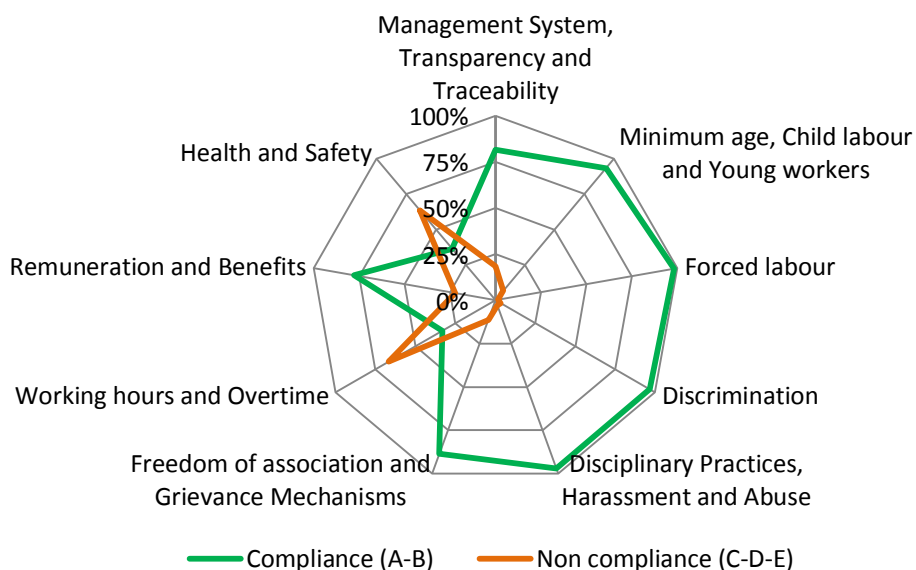
■ Appliances ■ Bazar ■ Food ■ Textile & Clothing

**Audits results distribution by purchase department (letter rating)**



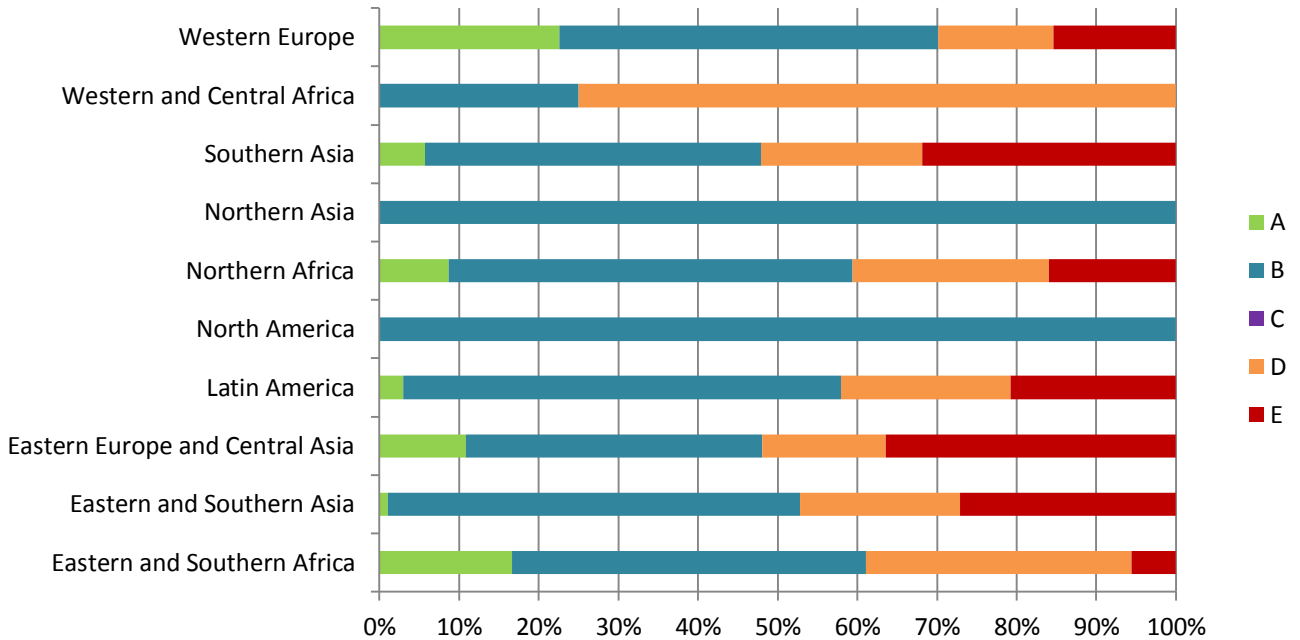
Below graph compares the average degree of compliance of audited factories by chapter. For ICS audits globally, most non-compliances (either minor or major) are related to working hours (60%) and health & safety issues (55%).

**Compliance by ICS audit chapters - All countries 2017**

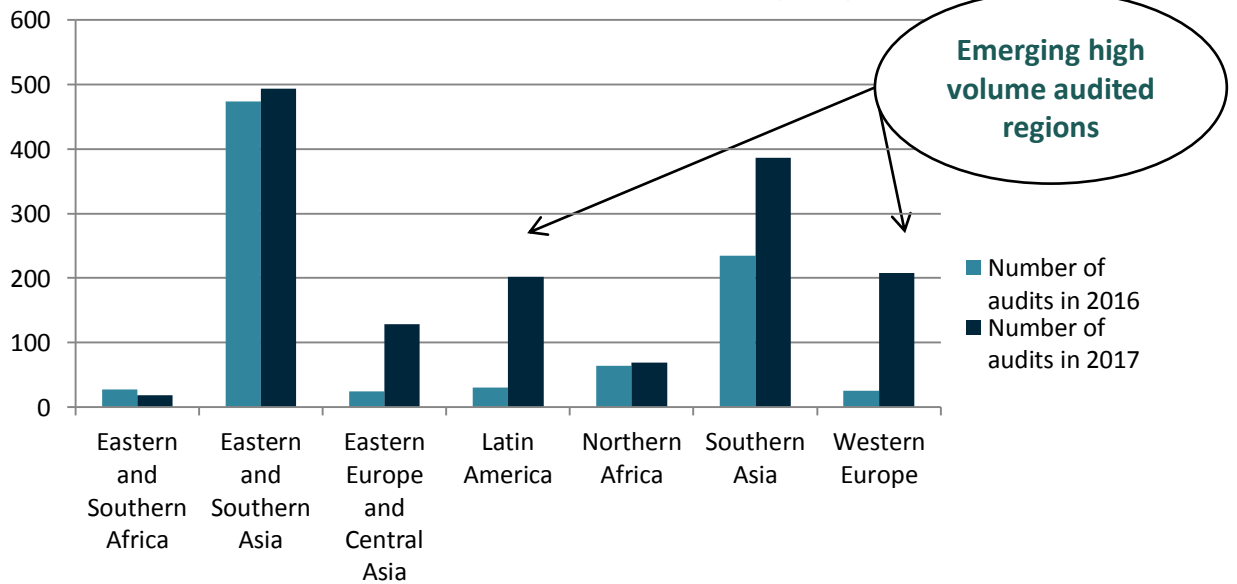


# ICS audits – regional analysis

## Audit results by region (excluding China and Turkey)



## Evolution of the number of audits by region





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