ANNUAL REPORT 2019

ABOUT ICS

ICS (Initiative for Compliance and Sustainability) is an international multi-sectoral initiative, created in 1998, with a goal of providing its members with a mutual framework and tools in order to facilitate their responsible action within global supply chains. This mutualization helps avoid redundancies when commissioning audits.

OUR GOAL

ICS members act together to sustainably improve working conditions in factories and responsibly support suppliers in order to make them 'actors' of their own approach to progress in global supply chains.

WHAT WE DO

ICS makes it possible for its members to:
- Enforce common social and environmental audit frameworks;
- Promote, while respecting competition law, exchanges of information on social and environmental questions relative to supply chains and implementation of corrective action plans;
- Promote exchanges with stakeholders;
- Define common projects supporting production sites and suppliers.

In 2019, 3Pagen, Aigle, Afibel, Burton of London, Devred 1902, Schneider Consumer Group, and The Kooples joined ICS to make up *48* multinational retailers and brands, in the sector of retail, textile, footwear, food, Do it Yourself (DIY), furniture, electronics and accessories.

Auchan | RETAIL

JULES

La Redoute

Bizzbee

CAMAÏEU

3 PAGEN

adeo

AIGLE
DEPUIS 1853

BURTON
of London

LA HALLE
c'est vraiment vous

cora

Afibel

damartex GROUP

DEVRED 1902

Besson
· chaussures ·

LE BHV / MARAIS

U
les nouveaux commerçants

okaïdi

Conforama

orsay

CAROLL
PARIS

TAO
TAPE À L'OEIL

Chevignon

grain de malice

Galeries Lafayette

GUÉRIN
JOAILLERIE

ics

Club Med

GROUPE Casino
NOURISHING A WORLD OF DIVERSITY

OBAÏBI

SAN MARINA

COSMOPARIS

Carrefour

LACOSTE

pimkie®

promod

MONOPRIX

NAF NAF
LE GRAND MÉCHANT LOOK

Oxybul
éveil et jeux

LOUIS PION

vivarte

SOURCING & CREATION

SCHNEIDER
CONSUMER | GROUP

GO SPORT

THE KOOPLES
PARIS

minelli

MAISONS DU MONDE

ROUGEGORGE

jacadi
PARIS

A word from our members

"By signing up with ICS 3 years ago, as part of the Vivarte group, we were convinced that we would go through the same objectives: transparency, efficiency and improvement of workers' conditions. However, when we left the Vivarte group, it was obvious for Besson that we should stay as an ICS member for years to come. We are now proud to be an active member, We've increased the number of ICS social audits and also benefit from results of other members' audits with the goal of auditing 100 % of our suppliers within 3 years. Next year, we will start environmental audits, I feel even more confident in the suppliers I work with now!"

Besson
· chaussures ·

" Adeo is the third largest player worldwide in the home improvement market, for home life, tooling and DIY for private individuals and habitat professionals. Our strength and driving force is to "feel useful in everything we do - useful to ourselves, to those around us, to others, and to the world". To improve social and environmental conditions in our supply chain, we have been fully involved in ICS since 2012 and a member of its steering committee since 2020. We are indeed convinced that the energy and efforts needed to achieve this ambition are colossal to accelerate and succeed; mutualisation and common tools are key."

Adeo

ICS currently works with 9 audit companies around the world. In 2019, Elevate began its one year trial period during which it will be tested by ICS members.

Audit quality is monitored by ICS through statistical indicators and comparative analysis as well as by ICS members' collaborative feedback and review. Identified errors are continously tracked through a dedicated system.

Audit companies are further monitored through on-site visits of the ICS team. The team visits the factory on the day of the audit, without informing the audit company or the factory. In 2019, the ICS team followed 14 social and environmental audits.

As explained in the version updated in 2019 of the contract ICS has passed with the 9 audit companies, the accumulation of errors or serious errors, e.g. linked to lack of integrity or unethical behavior, can result in ICS deciding not to work with a certain audit company any longer, as was the case in 2019.

ICS believes that improvement can come through close collaboration which is why the joint working group between ICS members and audit companies continued to be held in 2019 as well.

ICS meets with its members regularly, both in Plenary Meetings and in smaller working groups, tackling specific topics.

Risk Mapping

ICS developed a tool providing a score on different countries by consolidating data from its audits as well as external reputable sources. ICS also continues to make use of its weekly news monitoring. The goal for the upcoming year would be to allow its users to filter for sector-specific information.

Environment

Following thorough analyses and through lessons learned from experience gained from conducted audits, new questions have been added, the overall structure of the questionnaire changed and new tools aiming to help factories understand the environmental audit have been developed.

Food

Even though ICS tools are applicable to all sectors, they are best suited for production sites. Therefore, the Working Group met with external stakeholders to better understand how to adapt to the food industry's special needs, given that audits should often take place during harvest season on the farms for example. This WG will continue to be explored in 2020.

The ICS database offers a feature called the online Corrective Action Plan (CAP). ICS members can launch the CAP once the audit report is accepted and exchange with the factory management directly. Audited factories and suppliers can upload documents on identified non-compliances after the audit on the ICS database.

ICS members can verify, accept and/or refuse the evidence provided. The uploaded documents do not change the audits' rating but they enable collaborative and concrete exchanges. The CAP advancements are mutualized between linked ICS members (members working with the same factory).
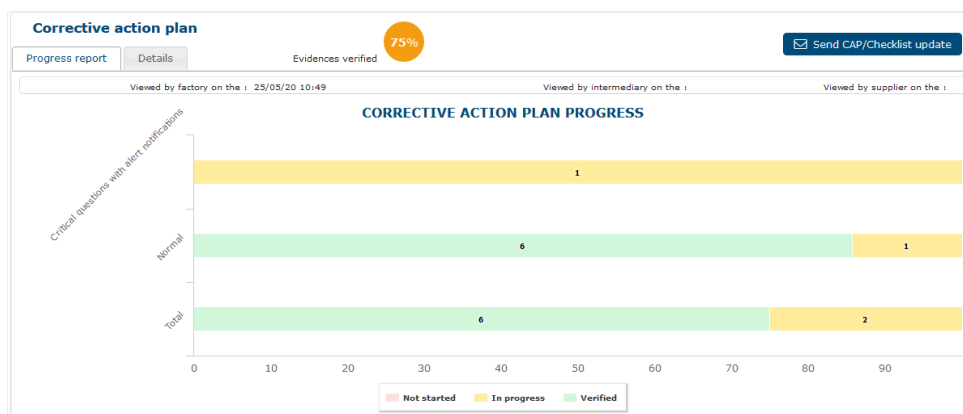
Common Positions and Tools

Question/Problem

It is found that certain local legislations may be unclear or that ICS tools could be made clearer.

Research

ICS explores the question and does research by consulting reputable sources online.

Discussions

ICS and its members meet to discuss the research and impact analyses and come to an agreement on whether and how ICS tools should change and on whether or not a common statement should be adopted.

Feedback

ICS consults its authorized audit companies through what is called a "RETEX" and summarizes the feedback received. ICS may also consult external stakeholders, such as the OECD or the ILO.

New Tools

If necessary and agreed, ICS will adapt its tools. It may do so whenever deemed relevant and important.

On January 18th, ICS and its members sent a letter to the government of Malaysia, addressing the situation of the migrant workers in the country.
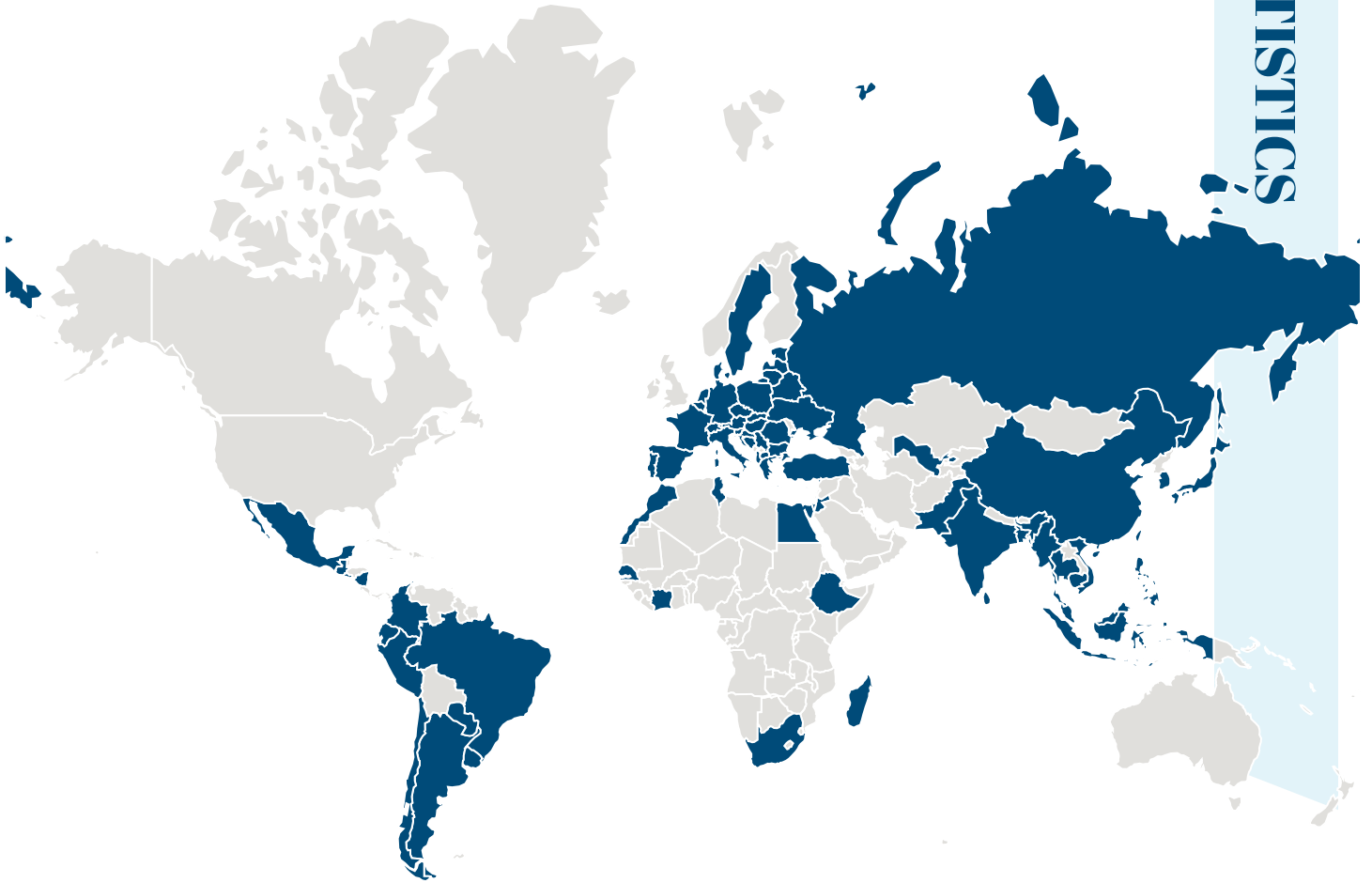
On June 12th, ICS, as part of the Quick response group, together with Fair Labor Association, American Apparel & Footwear Association and Social Accountability International, sent a letter to the government of Myanmar regarding freedom of association in the country.
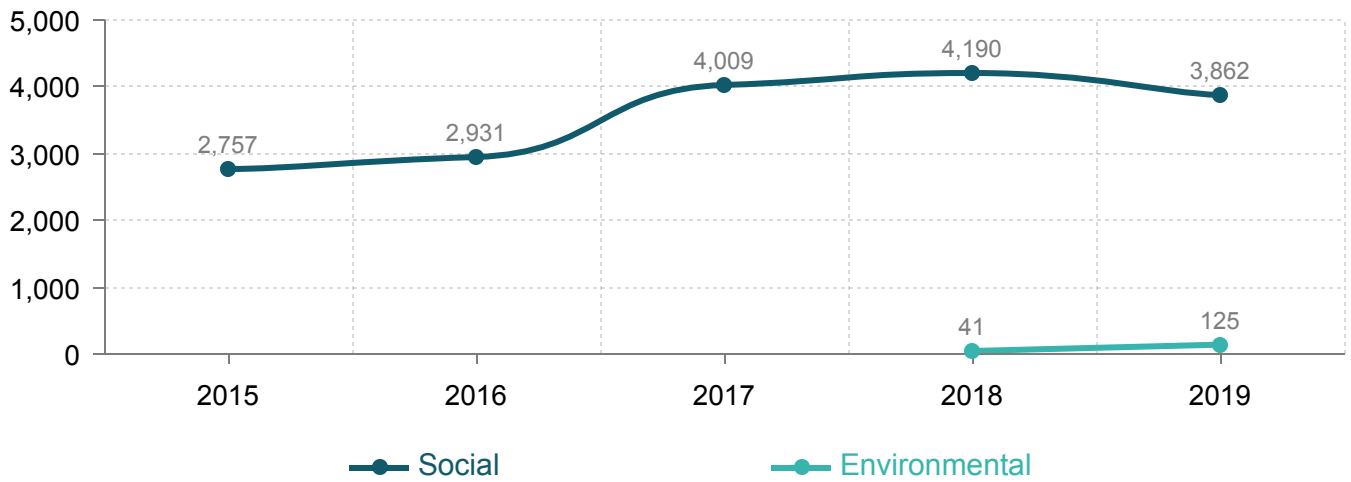
Capacity Building

ICS partnered with the International Labour Organization and its entity SCORE (Sustaining Competitive and Responsible Enterprises) to launch a pilot project on Health and Safety and Workplace Cooperation Training. The pilot was held in China and Vietnam for a dozen factories.
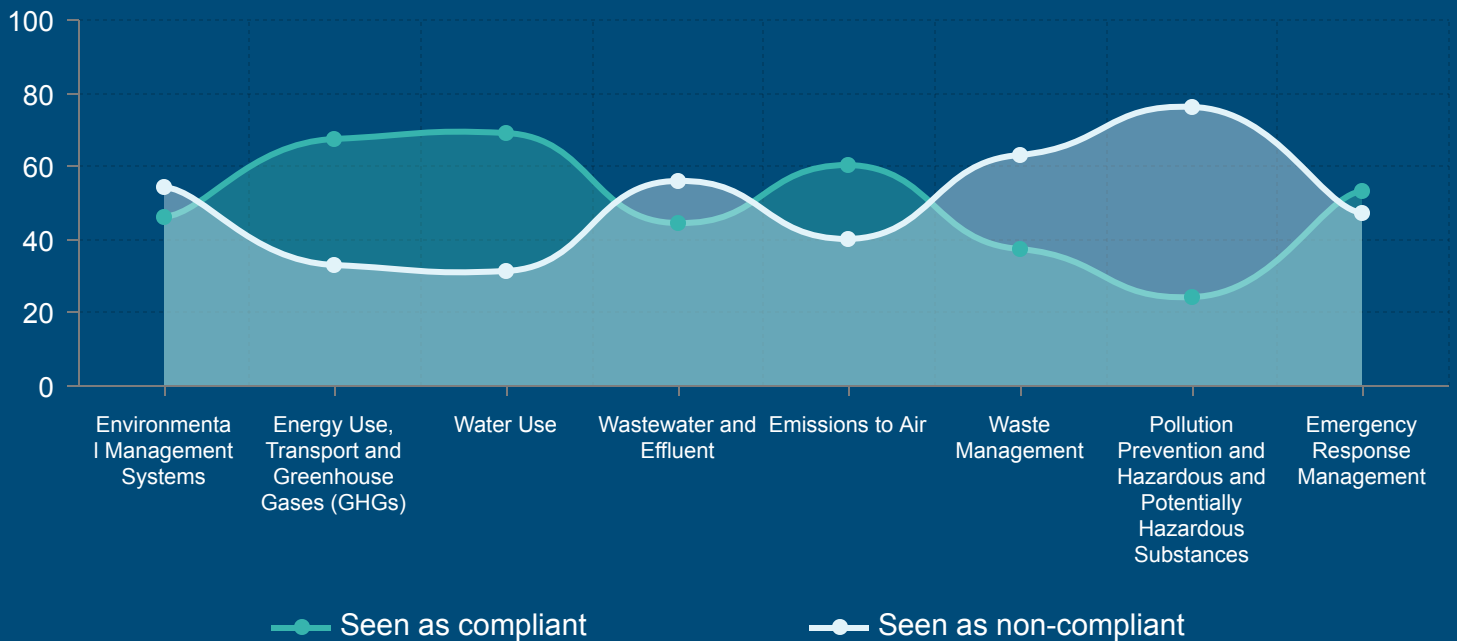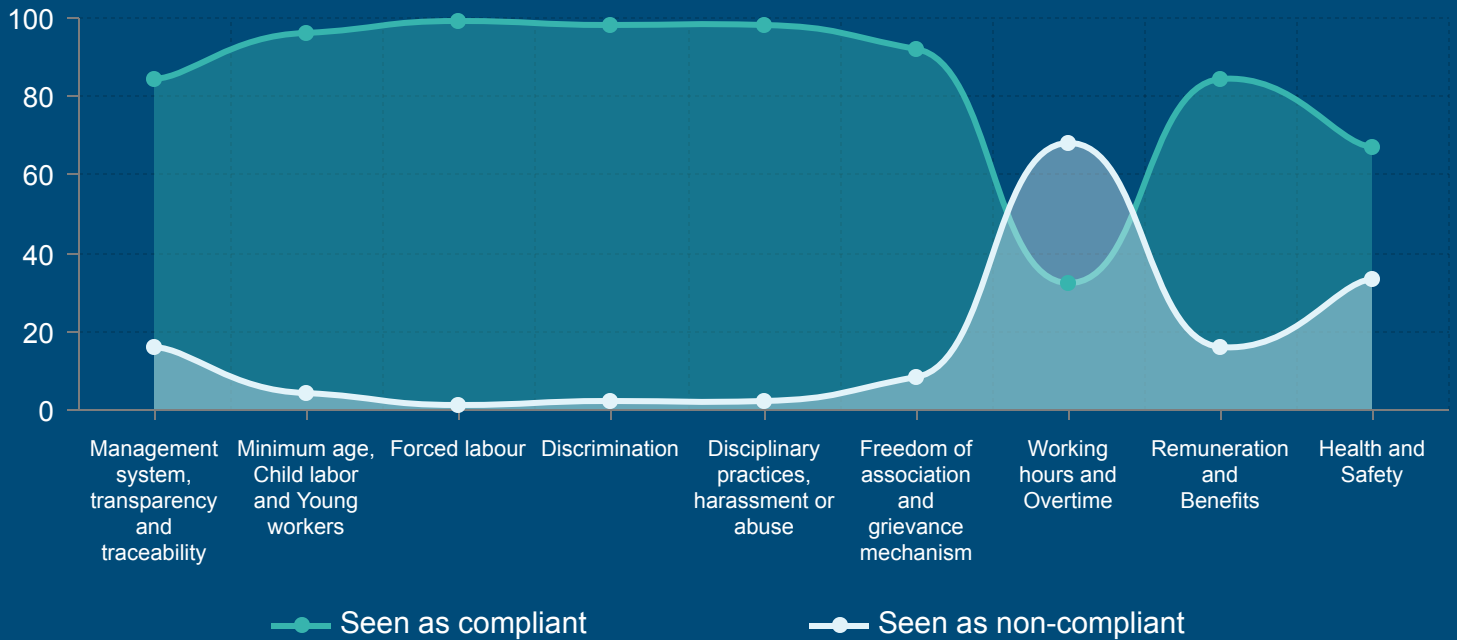
ICS continued its partnership with Eurofins|AQM to provide training to factories on Environmental Awareness, Health and Safety and Chemical Management in the Textile Industry in Bangladesh, China, India and Pakistan.

Number of Audits

	2015	2016	2017	2018	2019
Social	2,757	2,931	4,009	4,190	3,862
Environmental				41	125

● Social   ● Environmental

Compliance per Chapter

Chart 1 — Compliance per Chapter (Social)

Categories: Management system, transparency and traceability; Minimum age, Child labor and Young workers; Forced labour; Discrimination; Disciplinary practices, harassment or abuse; Freedom of association and grievance mechanism; Working hours and Overtime; Remuneration and Benefits; Health and Safety

Legend:
- Seen as compliant
- Seen as non-compliant

Chart 2 — Compliance per Chapter (Environmental)

Categories: Environmental Management Systems; Energy Use, Transport and Greenhouse Gases (GHGs); Water Use; Wastewater and Effluent; Emissions to Air; Waste Management; Pollution Prevention and Hazardous and Potentially Hazardous Substances; Emergency Response Management

Legend:
- Seen as compliant
- Seen as non-compliant

The ICS audit rating is double and is represented through a letter (ranging from A to E; A being the highest and E - the lowest result) and a percentage (ranging from 0 to 100). The percentage reports the degree of compliance of the factory and the letter reports the degree of criticality related to defined major non-compliances. For example, a factory may be generally compliant and thus have a high percentage rating and at the same time have one major non-compliance and thus the letter E rating. Any question that cannot be proven (using triangulation techniques) is considered to be non-compliant.

The below graph represents the letter and percentage ratings for top 10 large audit volume countries.

## Social audit results for large audit volume countries

Legend:
- E
- D
- C
- B
- A
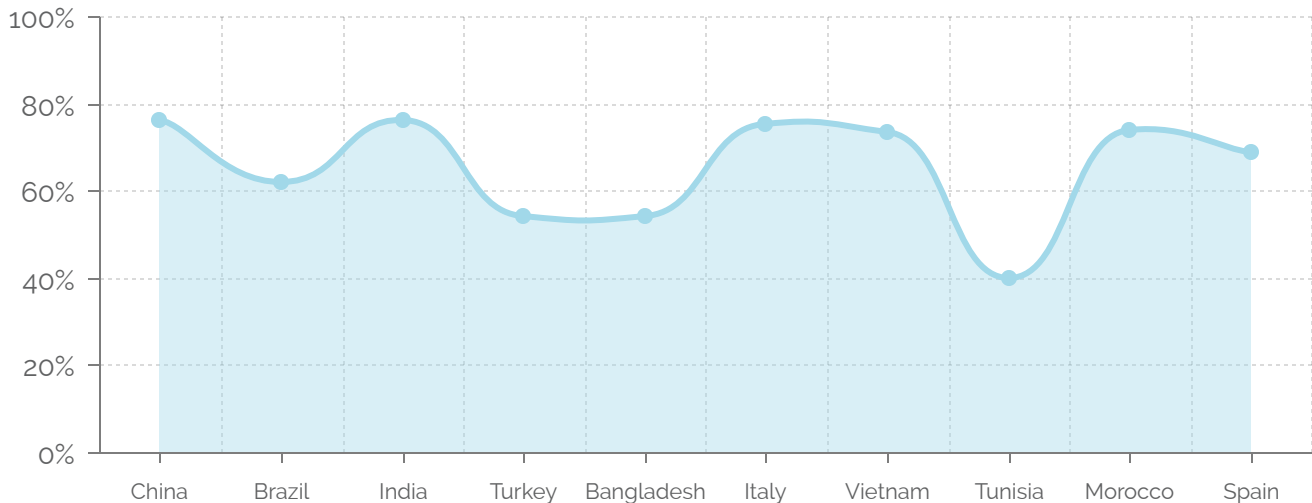- Average rating percentage per country
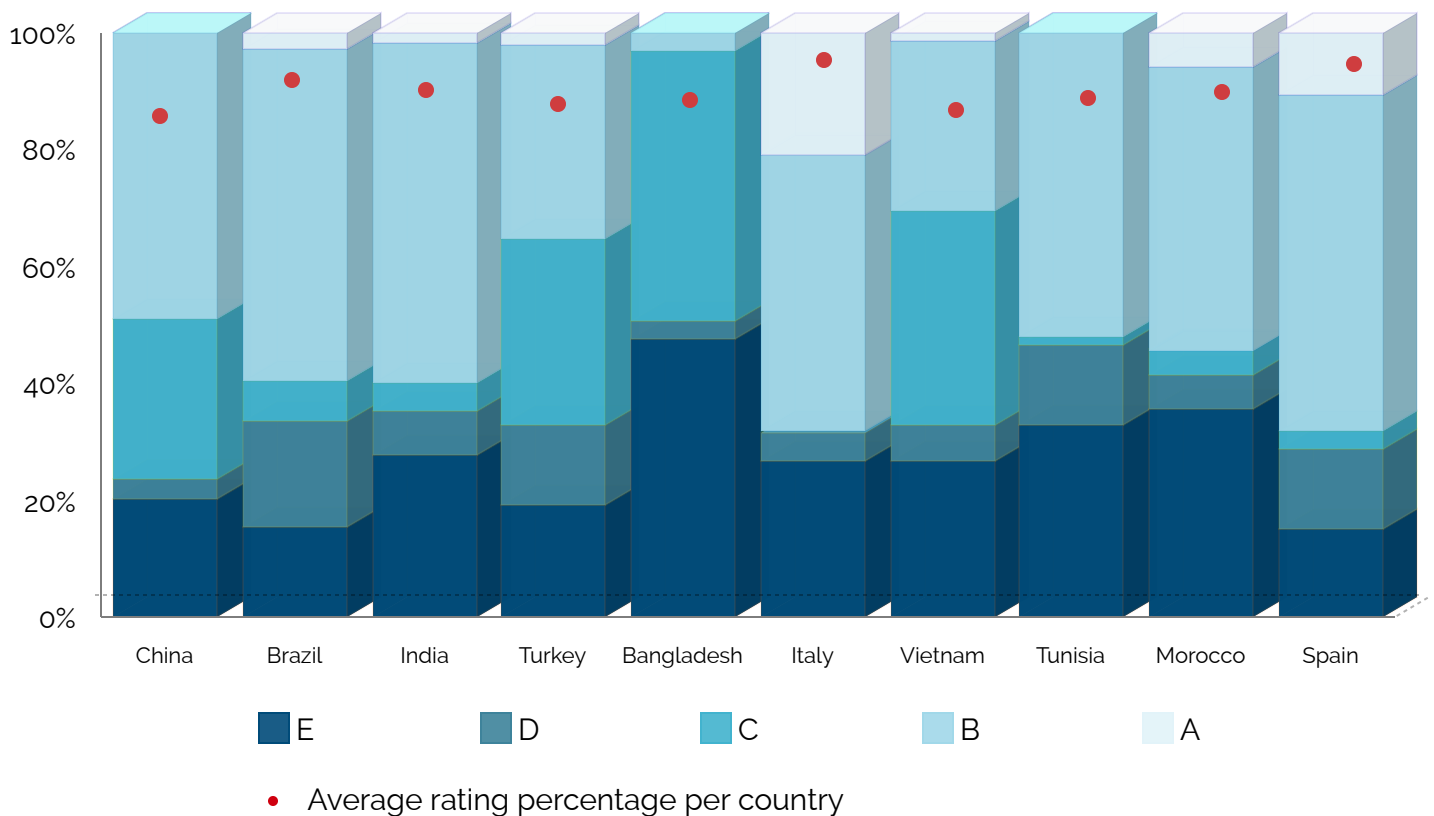
ICS and its members strive towards factories improving over time and adopting practices compliant with international standards and local laws. Many are followed through the online CAP (Corrective Action Plan) feature ICS has developed (explained in the Database section of the Annual Report). The second graph shows the average percentage of the online CAP's advancement rate for factories that have started engaging in the process.

Factories are also followed through successive follow-up and re-audits.
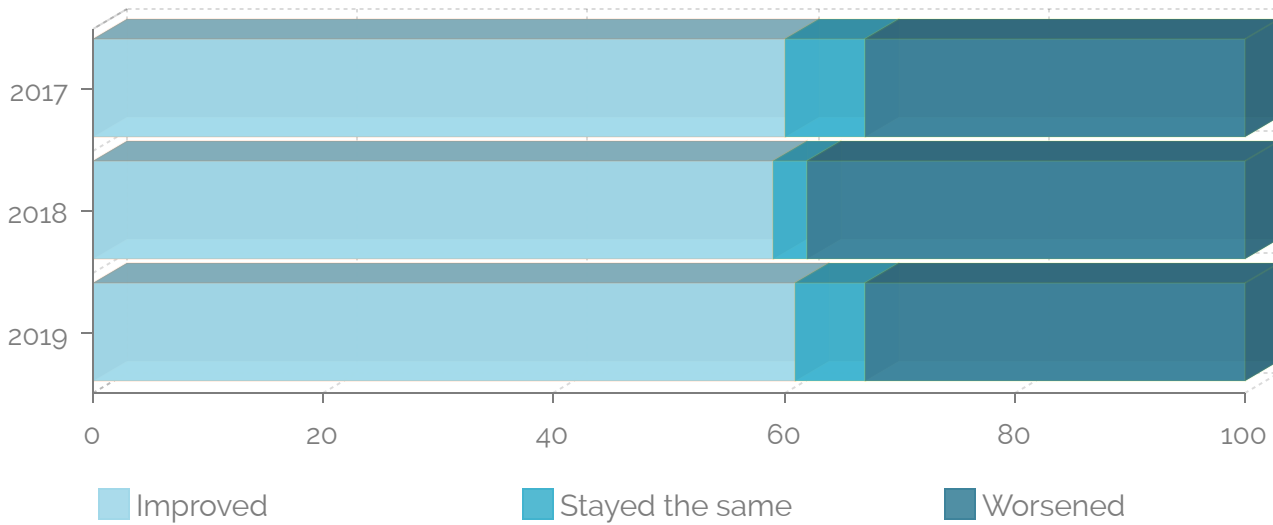
Online Corrective Action Plans Launched

Number of CAPs launched
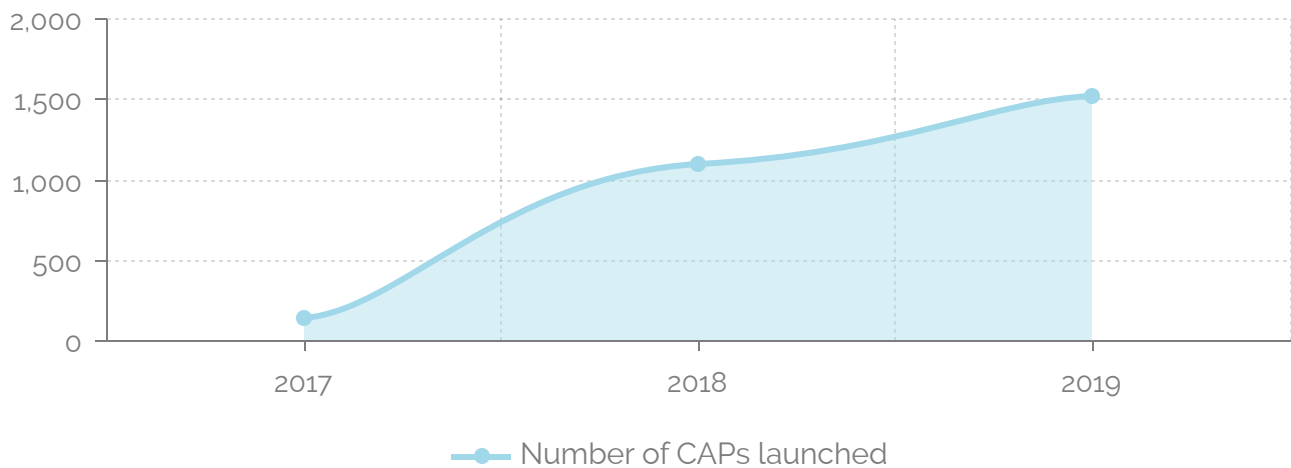
2019 Online CAP Completion Rates in Large Audit Volume Countries

Factory Improvement (% Rating)

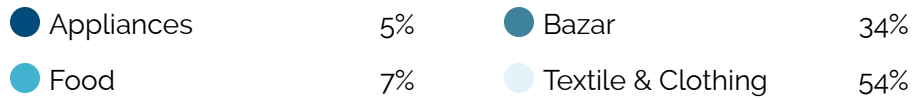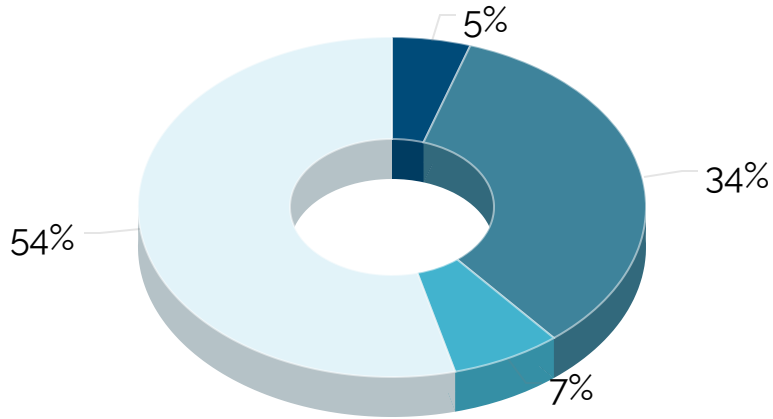- Improved
- Stayed the same
- Worsened

As previously explained, the ICS rating consists of the percentage and the letter rating. The below graph takes into account the change in terms of letter ratings, whilst the graph above shows changes in terms of percentage ratings.
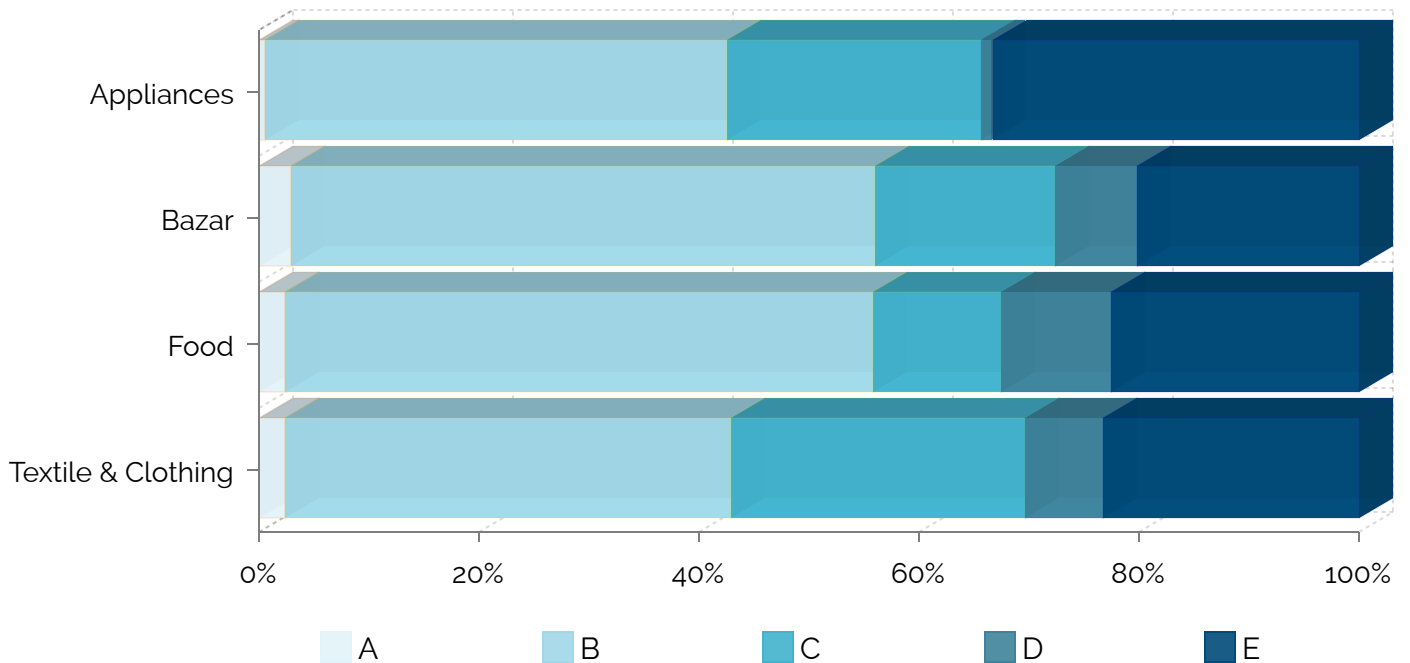
Factory Improvement (Letter Rating)

- Improved
- Stayed the same
- Worsened
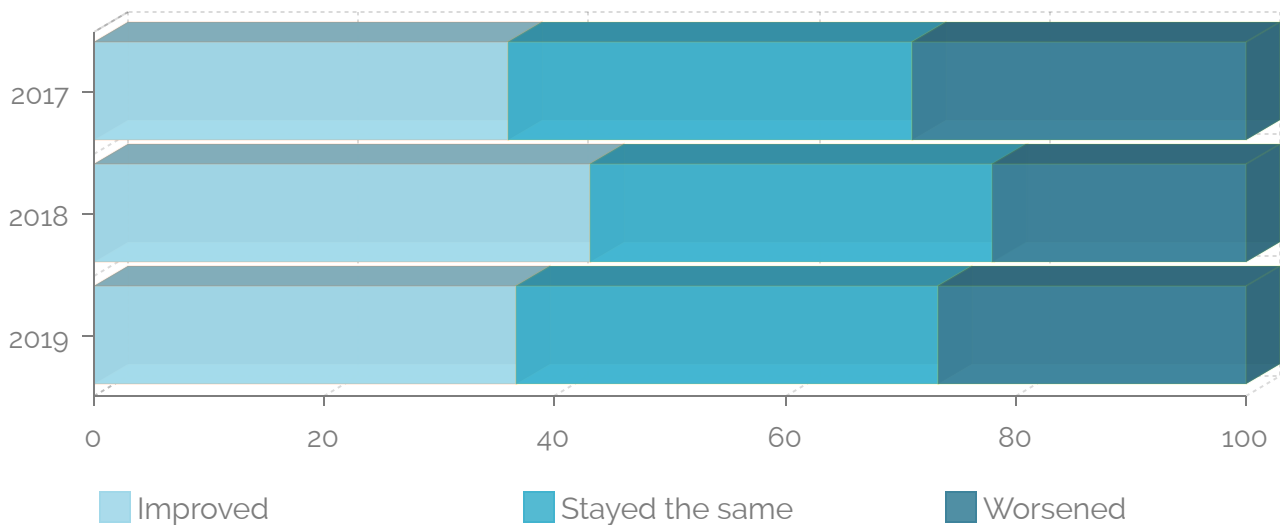
Share of ICS social audits per purchase department

5%

34%

54%

7%

- ● Appliances   5%
- ● Bazar   34%
- ● Food   7%
- ● Textile & Clothing   54%

Audit results per purchase department

Appliances

Bazar

Food

Textile & Clothing

0%   20%   40%   60%   80%   100%

☐ A   ☐ B   ☐ C   ☐ D   ☐ E

Legend (top chart):
- Subsaharan Africa
- Northern Africa
- Western Europe
- Eastern Europe & Central Asia
- Latin America
- Southern Asia
- Eastern & Southern Asia

Legend (bottom chart):
- A
- B
- C
- D
- E
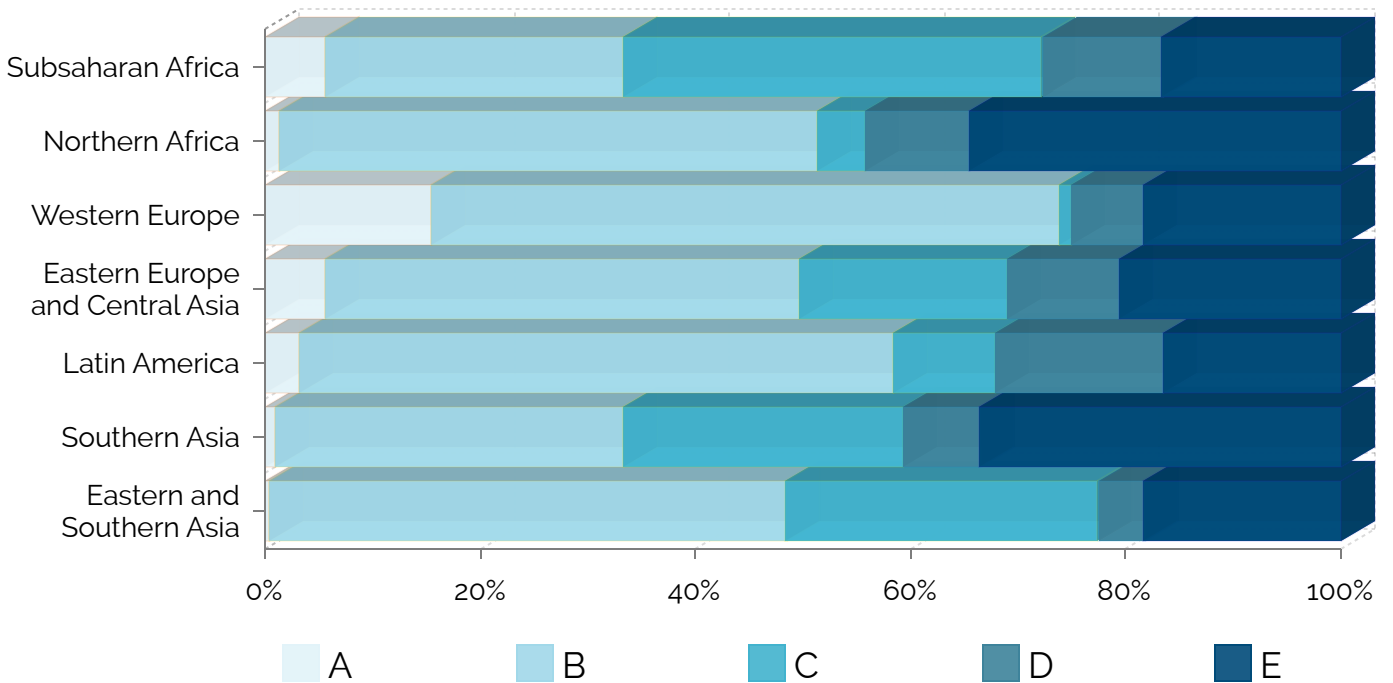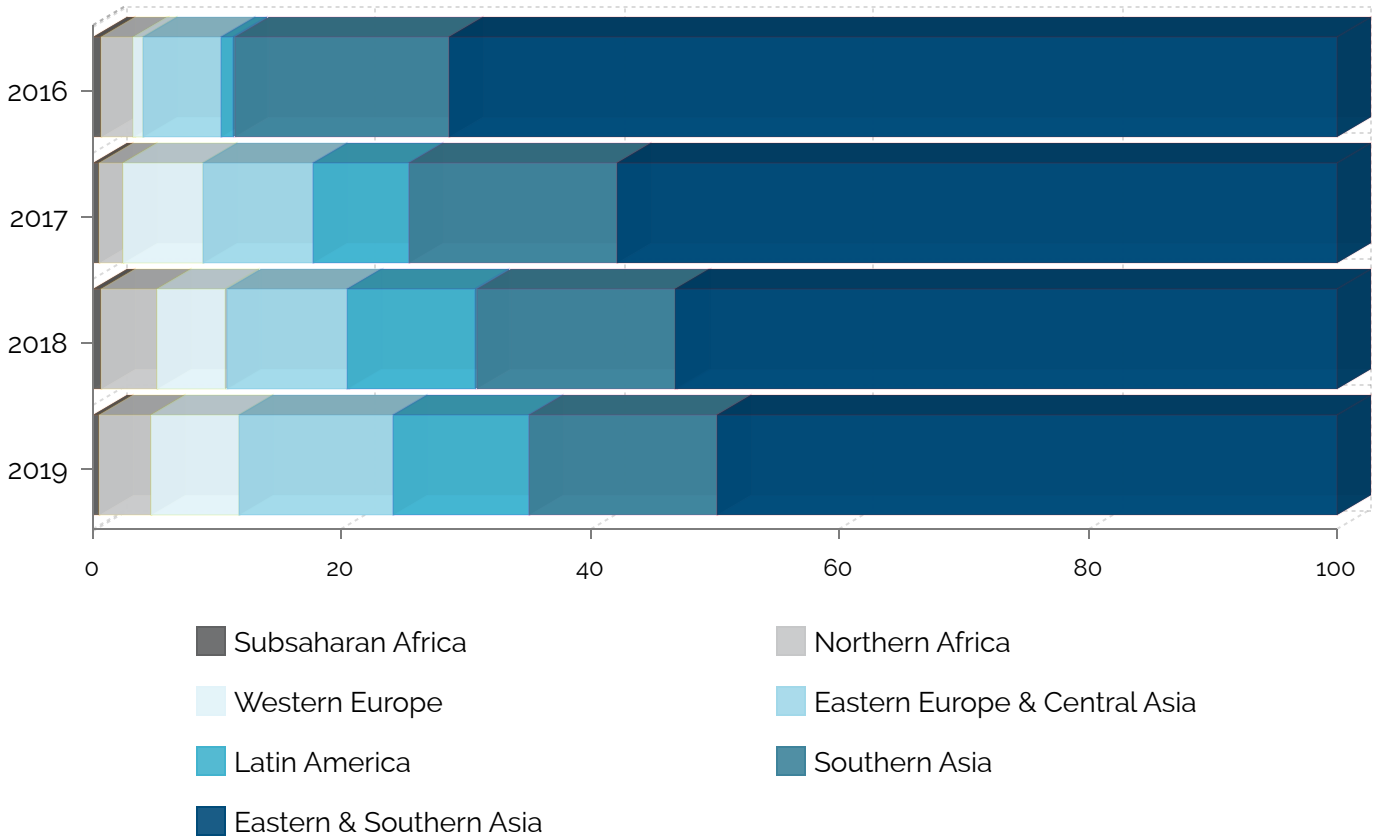
In 2019, ICS continued its partnership with the International Trade Centre (ITC) within the framework of the Global Textiles and Clothing Programme (GTEX/MENATEX). Funded by the Swiss and Swedish governments, this programme promotes Textile and Clothing (T&C) exports from countries in Central Asia, the Middle East and North Africa; its aim is to stimulate employment and income generation along the value chain. ICS helped ITC by identifying relevant suppliers and factories in Morocco and Tunisia.

One part of the project aimed to strengthen competitiveness and improve resource efficiency and circular production processes in the **Tunisian** textile value chain. A sensitization workshop with the project's stakeholders was held on April 30th. During this time, ICS had the opportunity to visit several participating factories.

International Trade Centre

The second part of the project aims to help factories improve their social and environmental sustainability and development in the **Moroccan** textile value chain.

To achieve this, the ITC had organized a workshop on raising awareness on resource efficiency and circular production on September 26th in Casablanca, Morocco. The companies learned about the impact their production has on the environment and how to identify more efficient use of resources.

SUSTAINABILITY MAP

In 2019, ICS continued its collaboration with the ITC on the Sustainability Map platform. The platform offers users access to wide-ranging information related to sustainability initiatives and standards, allowing businesses to deploy better sustainability practices in international trade and allows them to connect with business partners. One of the modules of Sustainability Map is the Virtual Network (as shown on the picture on the right).

The purpose of the project is to put forward validated information (imported directly from the ICS database), through an inclusive process for the factories and suppliers, provide them access to the information and in that way empower them. At the same time it is a source for sustainable sourcing for participating brands. Finally, it aims towards building traceability allowing end consumers to access information on goods they buy and where and how they were produced.

ICS began the pilot project with some of its members and will slowly be expanding it to others. An event on Transparency and Traceability better detailing the project was originally planned in October 2019 but had to be postponed to March 2020.

PROGRAMME Thursday, March 12ᵗʰ 2020

10:00-10:15 **Welcome Remarks**

Speakers: Joseph Wozniak, International Trade Centre (ITC)

Carole Hommey, Initiative for Compliance and Sustainability (ICS)

10:15-10:30 **Special Keynote**

Speakers: Frédéric Lecoq, Lacoste

Adeline Cruz Bonilla, Adeo

10:30-11.15 **Session 1: Transparency and Traceability in global value chains, what does it take?**

Speakers: Julia Del Valle, Organisation for Economic Co-operation and Development (OECD)

Maylis Souque, General Secretary of the French National Contact Point (NCP) to the OECD

Ebba Aurell, European Commission DG for International Development and Cooperation (DG DEVCO)

Blake Harwell, Trade Union Advisory Committee (TUAC) to the OECD

Moderator: Mathieu Lamolle - ITC

11:30-12:30 **Session 2: Tools and methodologies to mainstream transparency and treaceability**

Speakers: Josée Laporte, International Labour Organization (ILO)

Thibault Gravier, Business for Social Responsibility (BSR)

Thomas Radal, Expert consultant

Thuy-Anne Stricher, CARE International

Evonne Tan, Textile Exchange

Moderator: Joseph Wozniak – ITC

13:45-14:45 **Session 3: Multi-stakeholders partnerships: from coordination to implementation**

Speakers: Jenny Holdcroft, IndustriAll

Séverine Mareels, ID Kids

Irina Coupé, Maisons du Monde

Thomas van Haaren, Consumers Goods Forum (CGF)

Sophie Schiller, Univeristé Paris Dauphine

Moderator: Cécile Huertas - ICS

15:00-16:00 **Session 4: Stakeholders mapping in global value chains**

Speakers: Claire Loire, Lacoste

Gregory Sampson, ITC

Claudia Kersten, Global Organic Textile Standard (GOTS) - Video

Ayoub Anika, Active Line

Moderator: Carole Hommey - ICS

16:00-16:15 **Closing remarks**

Speakers: Joseph Wozniak, ITC

Carole Hommey, ICS

ICS regularly meets with different external stakeholders to exchange ideas and good practices. The meetings are of various natures that sometimes even result in fully-formed partnerships.

CONTACT US