

ICS Annual Report

YEAR 2020



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INTRODUCTION

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.

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.

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.

MEMBER COMPANIES

In 2020, CWF, IKKS, MGTS, Sarenza and Sessùn joined ICS to make up 50 multinational retailers and brands, in the sector of retail, textile, footwear, food, Do it Yourself (DIY), furniture, electronics and accessories.



A WORD FROM OUR MEMBERS

Member of the ICS and its Steering Committee for more than 20 years, the Casino group has played a continuous leading role in the ICS development since its creation.

The Casino group and its subsidiaries (AMC, Casino Global Sourcing, Cdiscount, Grupo Pão de Açúcar, Grupo Exito and Monoprix) have contributed for several years to more than 20% of all the ICS social audits performed each year.

The Group is also involved in the ICS Working Groups and has supported the development of the ICS environmental standard, the online Corrective Action Plan feature and more recently, the implementation of the Covid-19 checklists and workers' voices surveys to assess the measures set by the factories to protect their employees from the risk of Covid-19 contamination in their workplace.

Thanks to the reactivity of the ICS team, the involvement of its members and the effectiveness of its common tools, the ICS initiative truly improves the practices throughout the supply chains of its members and plays a continuous key role in the social and environmental compliance policy of the Casino group.





As a French listed company with shops in Europe/Middle East/USA and an e-commerce website in 12 European countries, Maisons du Monde is a growing company committed to make a positive impact on its ecosystem.

Being part of the ICS has always been an engaging and enlightening adventure for us, placing collaborative intelligence at the center of its actions.

Making corporate social responsibility a hyphen between our industries is what naturally convinced Maisons du Monde to join this retailing initiative.

Plus, this so particular year of 2020 has brought ICS's resilience and creativity to light allowing its members to explore new features, such as the Workers' Voice tool or the covid-19 checklist.

2021 comes along with new challenges for us, such as supply chain's full traceability, and for which solutions are already being experimented with the ICS' members. It's always reassuring to move forwards together.



AUDIT COMPANIES

ICS worked with 9 audit companies around the world. In 2020, Elevate was in its one year trial period during which it was tested by ICS members. The trial proved to be conclusive and Elevate is now fully authorized to conduct ICS audits.

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 continuously tracked through a dedicated system.

Audit companies are further monitored through on-site visits by the ICS team. The team visits the factory on the day of the audit, without informing the audit company or the factory. In 2020, due to the Covid-19 crisis, the ICS team followed only a handful of social and environmental audits.

In 2020, to further enhance monitoring and improve auditors' performance, ICS members have started testing counter audits, where one audit company can be hired to verify the work of another that performed a previous audit.

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 or suspend their activities in a certain region/country.

ICS also believes that improvement can come through close collaboration which is why we strive to meet with the audit companies during a joint working group. The WG will of course continue being held in the following years.

Last but not least, to ensure continuous improvement, ICS has developed and continues to develop trainings, e-learning and documentation for auditors and audit companies.



In 2020, ICS started a pilot project inviting ICS members' supplying factories to participate in a survey that gathers feedback from them on their latest experience with auditing. The survey focused on the professionalism, behavior, accountability, and integrity of the auditors supplying factories encountered during ICS audits, and provided them with the opportunity, if necessary, to raise any grievances they may have on these topics. The pilot project was launched in Turkey in November 2020 in collaboration with [Ulula](#). The survey was available via web and Automated Voice Call and completely anonymous and free to participate.

32



INVITED FACTORIES

86



WORKERS
PARTICIPATING

WORKING GROUPS

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



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.

ICS' partner, the International Trade Centre (ITC), organized workshops on Resource Efficiency and Circular Production (RECP) practices in Morocco and Viet Nam. In Viet Nam, the module aimed to support Vietnamese companies in optimizing their use and management of resources (water, energy, and waste) and in identifying solutions to make their production process cleaner and more circular. In Morocco, the workshop provided the opportunity to have buyers, suppliers, and donors exchange on the advantages for companies to implement RECP practices, challenges to implement these practices, and sources and conditions of access to funding. **ICS and its members participated in the project by identifying possible supplying factories that could participate.**

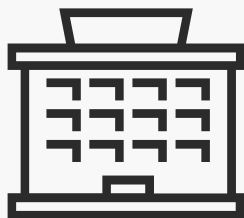






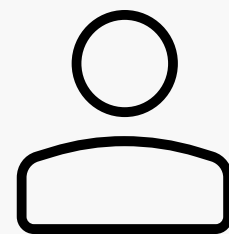
In 2020, ICS adapted its tools and processes to the unforeseen changes with the onset of the Covid-19 crisis. The ICS remote assessment framework was developed and tested by the end of the year, allowing members to continue monitoring their supplying factories' compliance even though physical access to the production site was limited.

Further, to measure the impacts of the pandemic, ICS decided to collaborate with external partners, &Wider and Ulula, to implement worker reporting tools in its members' supplying factories. The surveys allowed ICS members to incorporate feedback directly from workers in production sites. The results aimed to identify priorities for improvement and at the end of the survey, ICS members were provided with post-survey reporting listing most common issues that were identified, as well as possible measures that could be taken to mitigate these adverse effects in the members' supplying factories.



150+

Participating factories



24 000+

Participating workers



In response to the Covid-19 crisis, ICS sent several notifications to the suppliers and factories identified on its database to raise awareness on the different steps one should take to protect themselves from the virus. The notifications were sent in several languages: Bengali, Chinese Mandarin, English, French, Portuguese, Serbian, Spanish, and Turkish. The recommendations were based on those provided by the World Health Organization (WHO) and the International Labour Organization (ILO).

Perite svoje ruke

Perite svoje ruke sapunom i tekućom vodom kada su ruke vidljivo prljave



Ako vam ruke nisu vidljivo prljave, često ih čistite sredstvom na bazi alkohola ili sapunom i vodom



World Health Organization

Kendinizi ve çevrenizdekileri hastalanmaktan koruyun

Ellerinizi yıkayın

- ✓ öksürdükten ya da hapşırdıktan sonra
- ✓ hasta bakımı yaparken
- ✓ yemek hazırlamadan önce, hazırlarken ve hazırladıktan sonra
- ✓ yemek yemeden önce
- ✓ tuvaletten çıkınca
- ✓ eller görünür şekilde kirlendiğinde
- ✓ hayvanlarla ya da hayvansal atıklarla temas sonrasında



World Health Organization

Protégez-vous ainsi que les autres contre la maladie

Couvrez-vous la bouche et le nez avec le pli du coude ou avec un mouchoir en cas de toux ou d'éternuement – jetez le mouchoir immédiatement après, et lavez-vous les mains



Jetez le mouchoir immédiatement après l'utilisation



Lavez-vous les mains avec un hydroalcoolique ou à l'eau et au savon après avoir toussé ou éternué et lorsque vous vous occupez de personnes malades



World Health Organization

保护他人免于生病

如果你有咳嗽或发烧的症状，避免和他人密切接触。



如发烧、咳嗽或呼吸困难，请尽早就医并告知医务人员你的旅行










World Health Organization #2019冠状病毒病#

16 300+

Notifications sent

ICS also developed a new tool on its database in form of a checklist allowing its members to communicate with the factories on measures taken by them to combat the Covid-19 virus. The tool acts as a questionnaire and collects responses from factories on the situation on the ground, any guidance they may have received from government and health officials and different measures they may have taken to prevent and, if necessary, combat the spread of the virus in the workplace. The tool also allowed factories to add documents and/or photographs where needed. Based on the responses, ICS members can conduct their risk analysis throughout their supply chains, which could help them choose where they wish to implement alternative solutions to audits (in a form of a remote assessment and/or worker reporting).

3.1 Established hand wash stations at the main gate with adequate number of liquid soaps		
<input checked="" type="checkbox"/> YES <input type="checkbox"/> PARTIALLY <input type="checkbox"/> NO	<input type="text" value="Type in to add a new comment"/>	
 		
3.2 Ensuring hand wash/sanitization for all the visitors and employees while entering into the factory		
<input checked="" type="checkbox"/> YES <input type="checkbox"/> PARTIALLY <input type="checkbox"/> NO	<input type="text" value="Type in to add a new comment"/>	
 		
3.3 Ensuring a minimum distance of 1 meter when entering the factory		
<input checked="" type="checkbox"/> YES <input type="checkbox"/> PARTIALLY <input type="checkbox"/> NO	<input type="text" value="Type in to add a new comment"/>	
  		
3.4 Provided soap in all toilet facilities		

1191

Validated Checklists





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 2021.

ICS continued to update its 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 and allow for an analysis per audited site.



To respond to specific needs and identified risks (related to certain regions or industry sectors), ICS organized a new Working Group in 2020. The risks are identified either by ICS members or external stakeholders. To work on possible solutions, ICS also met with certain external stakeholders seen as experts in their respective fields. The Working Group will be explored further in the following year.

COMMON POSITIONS

ICS continued its investigation on specific issues in 2020. ICS worked closely with its authorized audit companies on multiple matters ranging from legal matters to impacts of the Covid-19 on auditing activities. These investigations help ICS to further evolve its audit tools and guidelines and render them ever more precise and detailed.

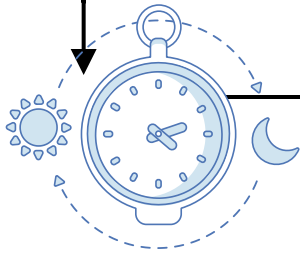
The investigations concentrated on **11** different subjects, in **7** countries (highlighted in light blue on the map below: Bangladesh, Cambodia, China, India, Indonesia, Russia, and Turkey) and resulted in **6** Common Positions ranging from fire protection legislation in China to legislation on overtime payments in Turkey.

As part of the MSI Emergency Group, on June 9th, 2020, ICS, AAFA (American Apparel and Footwear Association), amfori, FLA (Fair Labor Association), Fair Wear Foundation and SAI (Social Accountability International) co-signed a [Letter](#) on the proposed amendments to State labor laws in India addressed to the Indian Prime Minister and sending it to the President and Members of the Government.

The signatories have requested the Government to (1) ensure that the restrictions on labor laws promoted by the state governments are not implemented; (2) encourage those governments to consult with affected stakeholders, including trade unions, before proposing additional changes to state labor laws; and (3) ensure that all eight fundamental ILO Conventions are implemented in India.

Adopting a Common Position

Should factories in China have a sprinkler system everywhere on the premises, including warehouses?



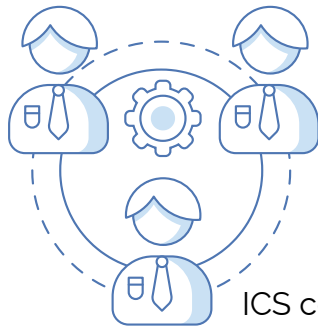
Should sprinklers be put everywhere?



The Chinese law is not clear on whether sprinklers should be installed in both integrated and separate warehouses .

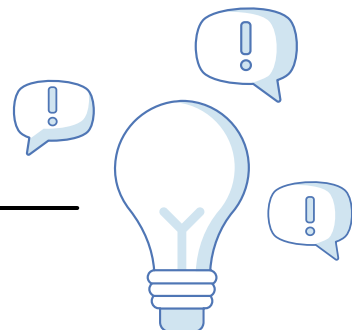


The ICS team did research on past decisions on the topic.

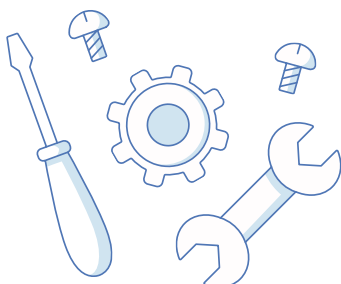


ICS consulted its authorized audit companies through what is called a "RETEX" and summarized the feedback received.

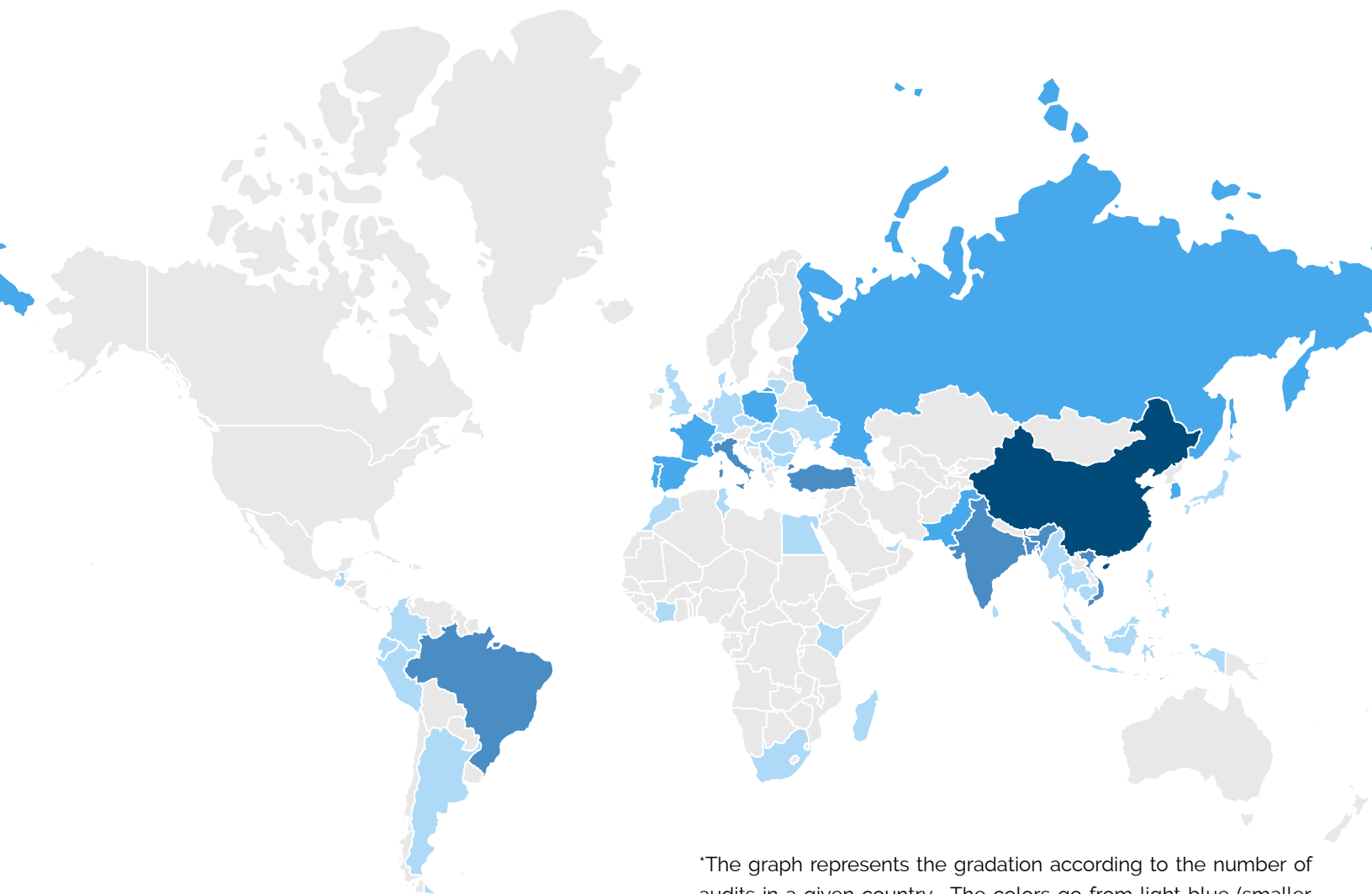
A Common Statement was adopted and sent out to ICS authorized audit companies to follow. Factories in China should install sprinkler systems in both integrated and separate warehouses.



ICS members met during a Working Group, discussed the issue and reached a decision.

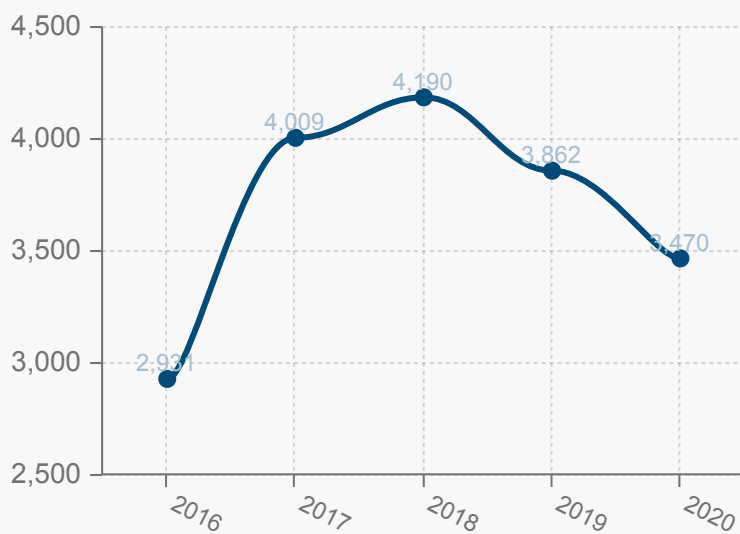


STATISTICS

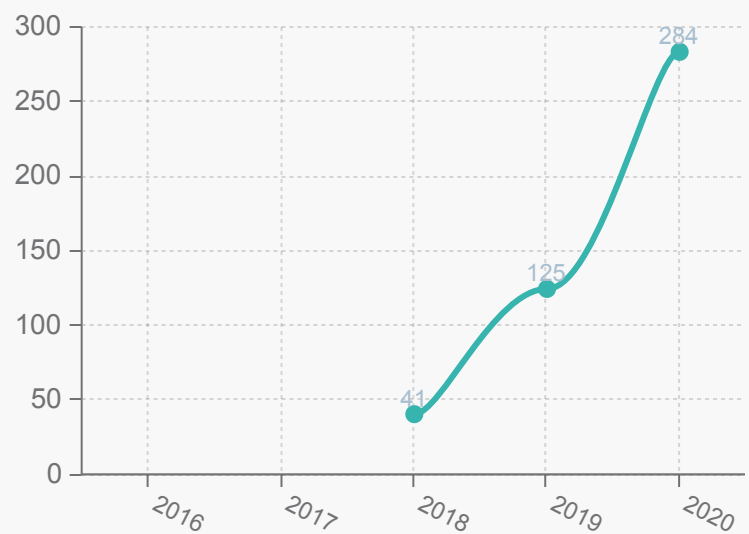


*The graph represents the gradation according to the number of audits in a given country. The colors go from light blue (smaller number of audits) to dark blue (larger number of audits).

Number of Social Audits



Number of Environmental Audits

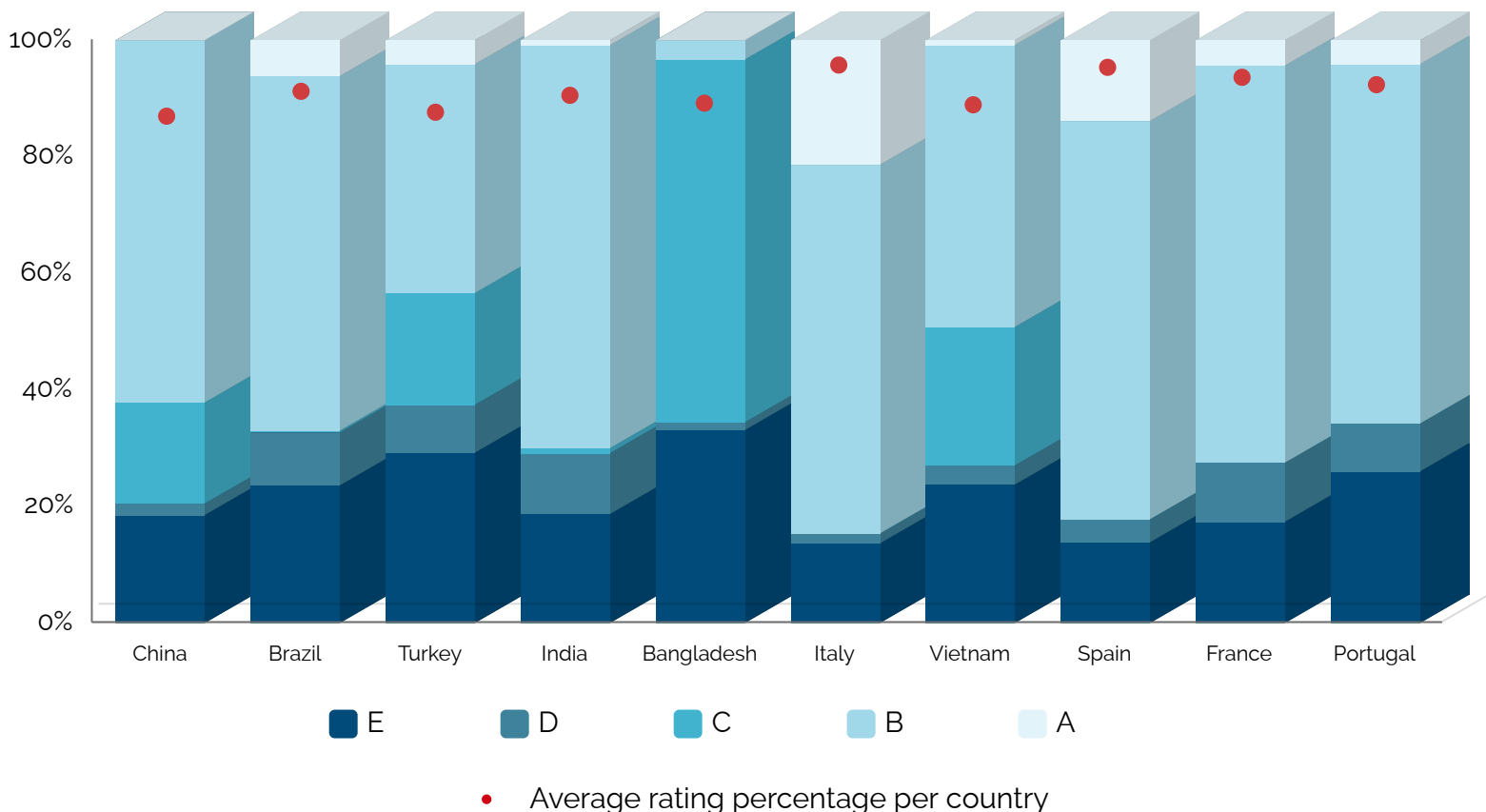


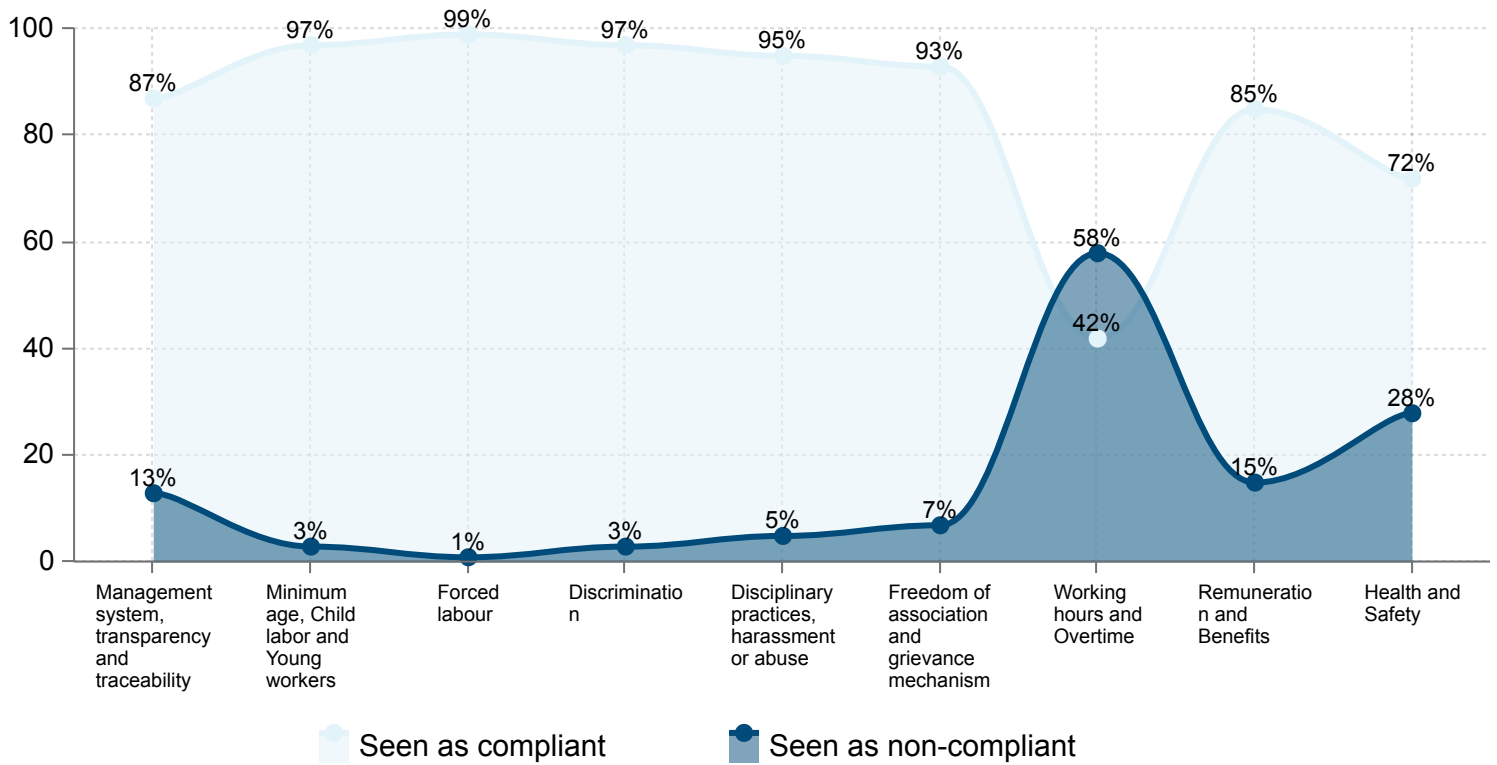
SOCIAL AUDITS

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





The above graph represents the percentage of compliance per ICS social audit chapter for all ICS audits throughout the globe. Figures below show improvements we have noticed in ICS audits. The figures shown should, however, be studied within the context of the Covid-19 crisis, which had important and devastating effects on production sites throughout the world and on auditing activities, provisions and campaigns.



10%

Point improvement for Working Hours and Overtime chapter

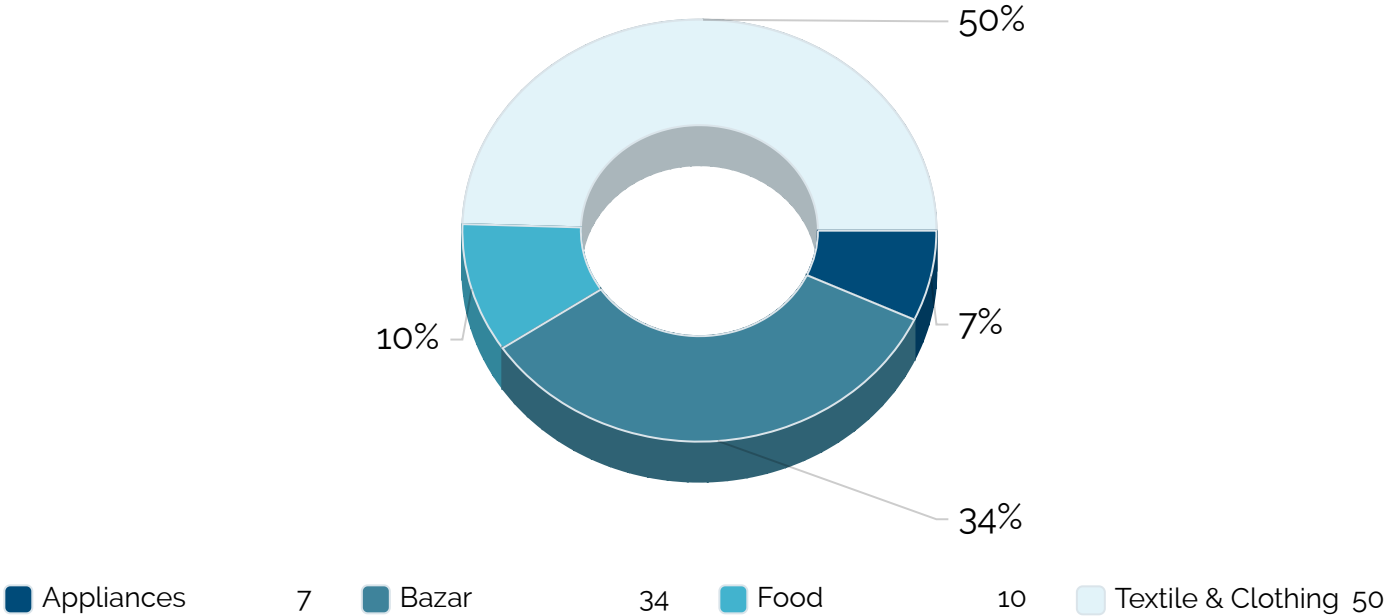
5%

Point improvement for Health and Safety chapter

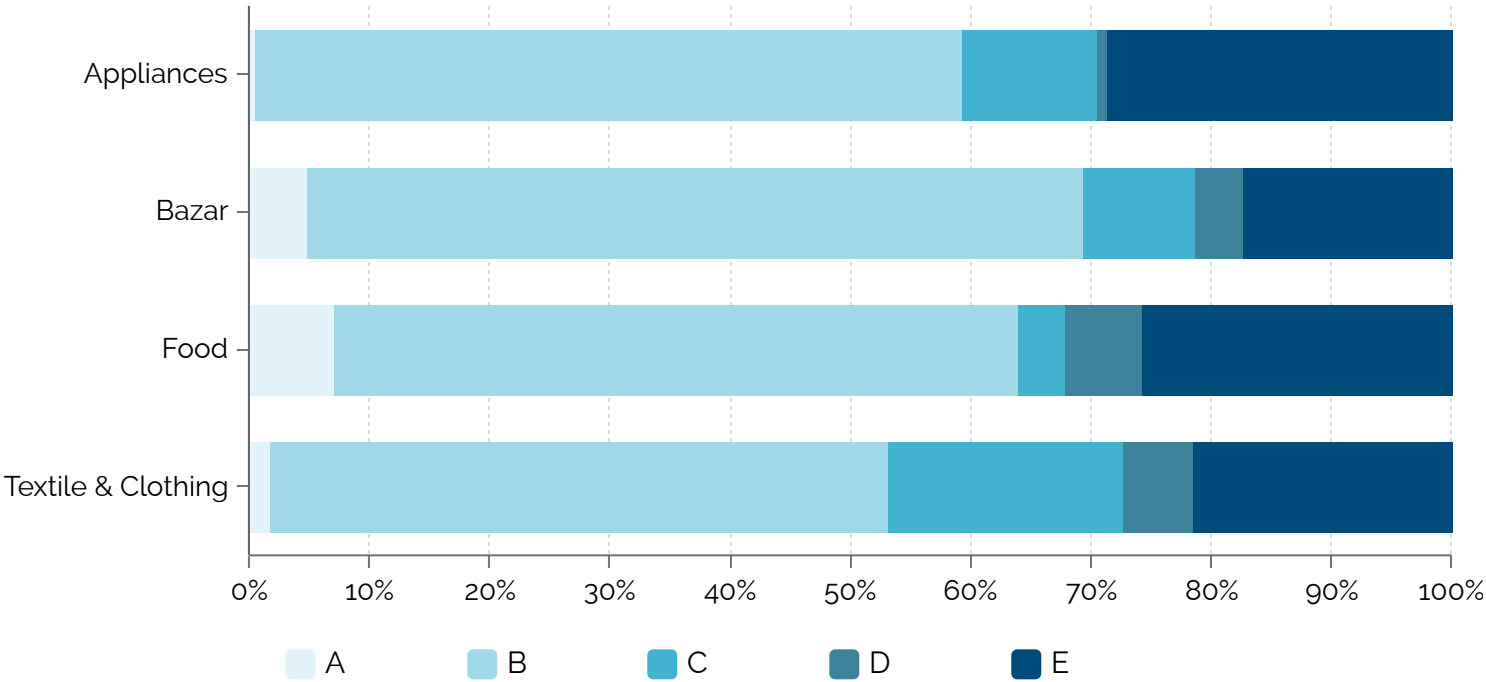
3%

Point improvement for Management system, Transparency and Traceability chapter

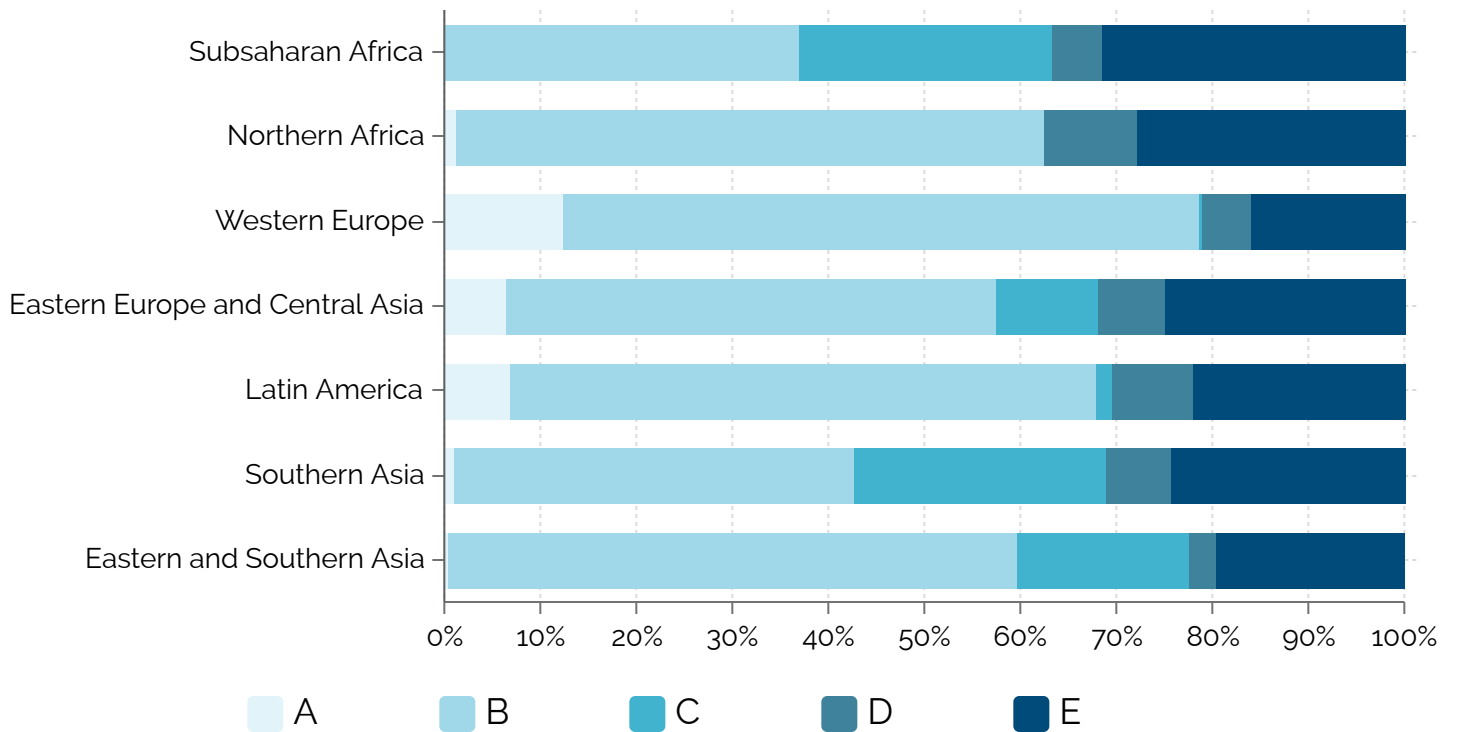
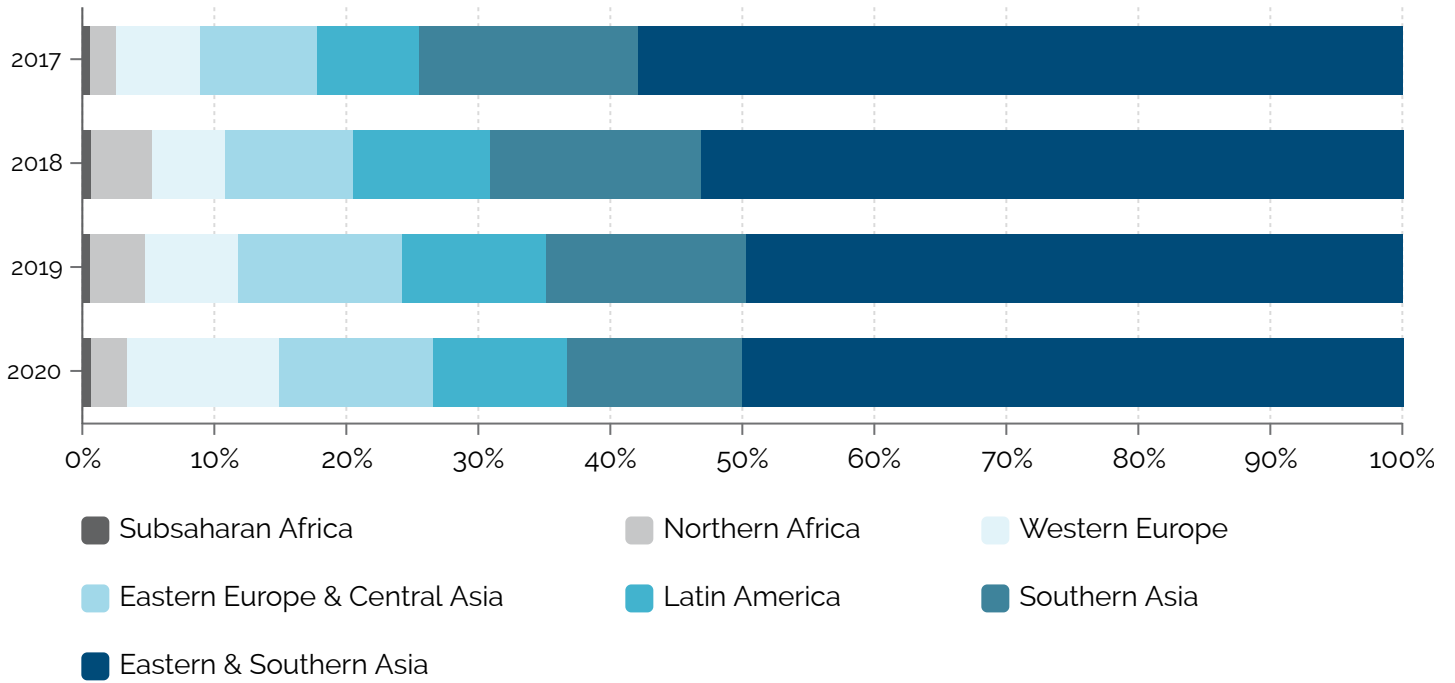
Share of ICS social audits per purchase department



Social audit results per purchase department



Share of ICS social audits per region

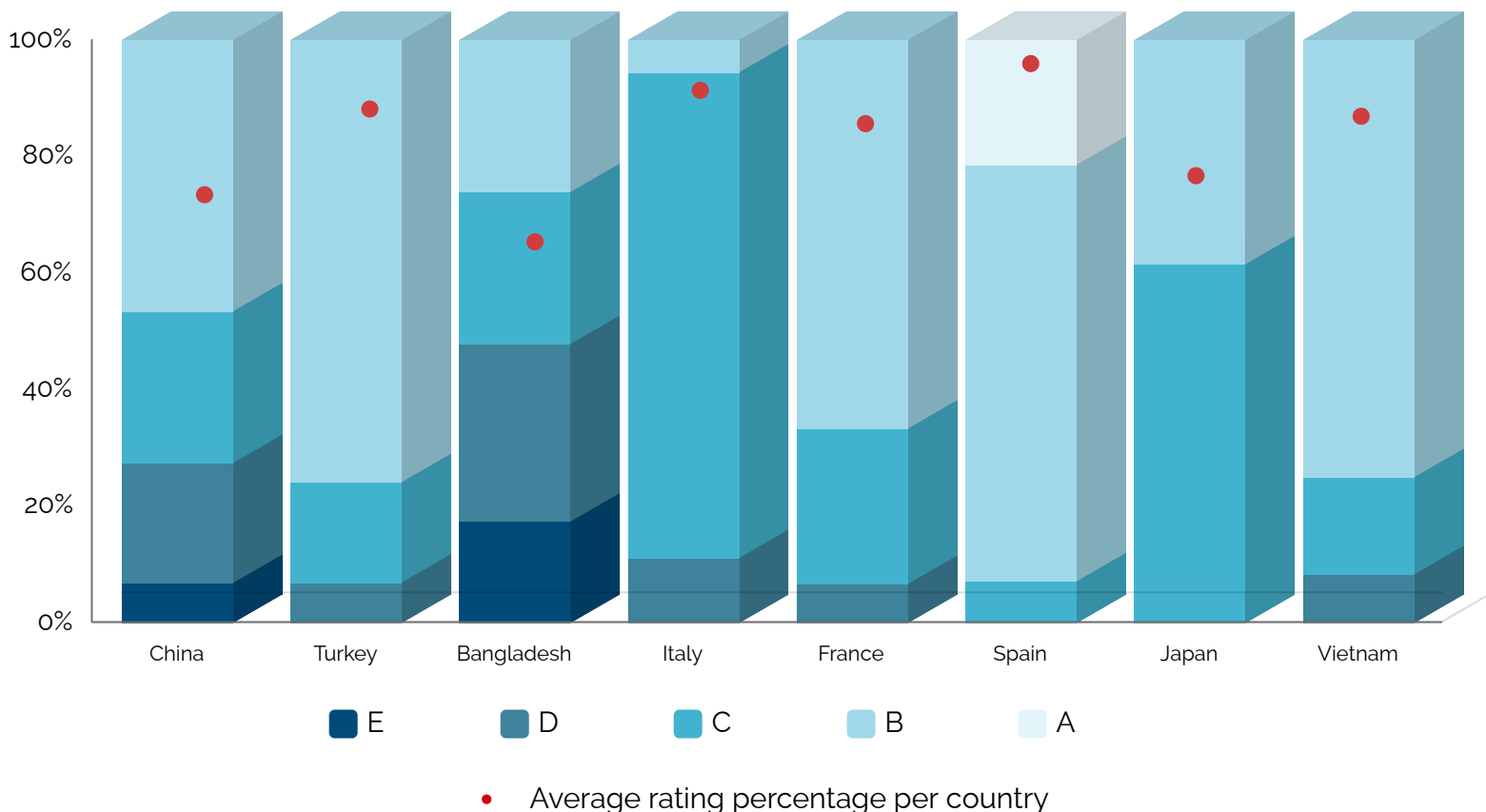


ENVIRONMENTAL AUDITS

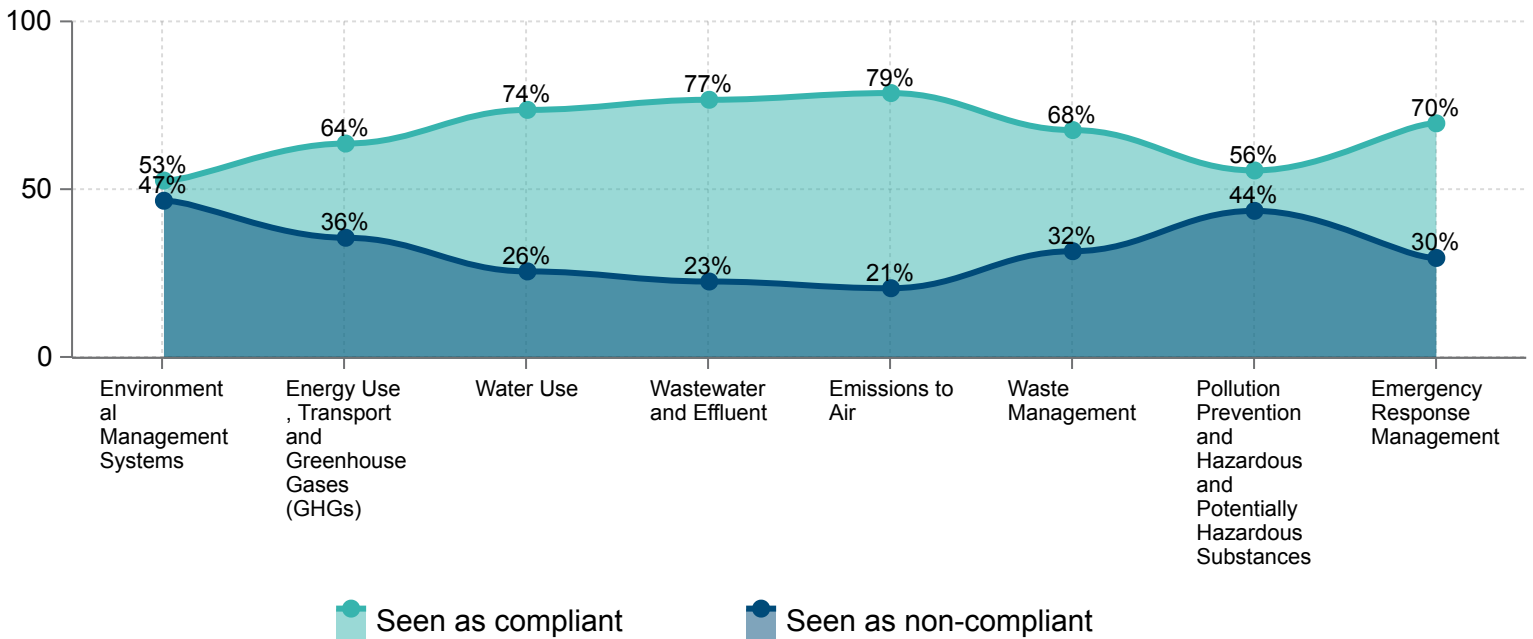
The ICS audit rating for environmental audits is also double and is represented through a letter (ranging from A to E; A being the highest and E - the lowest result) and a percentage (ranging from 0 to 100). The percentage reports the degree of compliance of the factory and the letter reports the degree of criticality related to defined major non-compliances. However, as environmental audits are rather new compared to social audits, so far major non-compliances (called alert notifications) do not downgrade the final rating. Auditors are asked to be more pedagogical in their approach as well. It goes without saying, 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 countries with more than 10 environmental audits.

Environmental audit results for countries with 10 or more audits



The below graph represents the percentage of compliance per ICS environmental audit chapter for audits throughout the globe. Individual figures show improvements we have noticed in these audits. It is important to note that production sites are becoming more accustomed to environmental audits, which are becoming more frequent, and have therefore shown significant progress.



Compared to 2019, the chapters improved by:

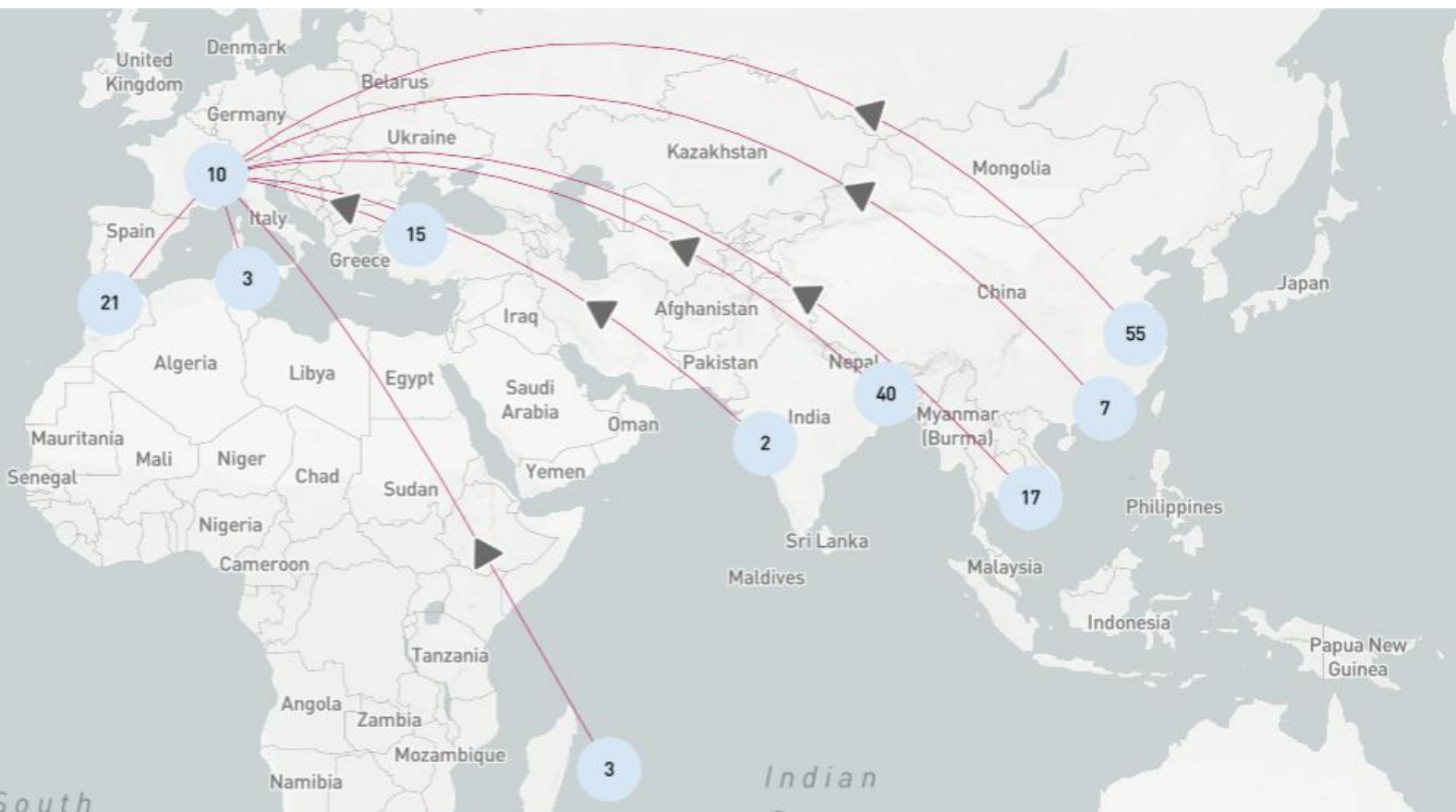
- **7 percentage points** for the chapter Environmental Management Systems
- **5 percentage points** for the chapter Water Use
- **33 percentage points** for the chapter Wastewater and Effluent
- **19 percentage points** for the chapter Emissions to Air
- **29 percentage points** for the chapter Waste Management
- **32 percentage points** for the chapter Pollution Prevention and Hazardous and Potentially Hazardous Substances
- **27 percentage points** for the chapter Emergency Response Management

71,4%
Factories improved

STAKEHOLDER ENGAGEMENT

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.

In 2020, ICS continued its collaboration with the ITC (International Trade Centre) 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. 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. Finally, it aims to build traceability allowing end consumers to access information on goods they buy and where and how they were produced.



ICS in collaboration with the ITC organized a joint online event on March 12th to discuss the main issues at stake in the area of compliance and sustainability, due diligence, and cross-cutting challenges for transparency in global value chains. Participants around the world connected online to follow the event and listen to speakers' rich and lively debate on sustainability and transparency in global value chains. The speakers came from different backgrounds including institutional representatives, unions, NGOs, initiatives, and members of the private sector.

The program of the event was the following:

1. Transparency and Traceability in global value chains, what does it take?
2. Tools and methodologies to mainstream transparency and traceability
3. Multi-stakeholder partnerships: from coordination to implementation
4. Stakeholders mapping in global value chains

The star of the event, the Sustainability Map platform, was presented as well. The platform was created by ITC who is collaborating with ICS for its development and pilot in the textile and garment sector. The platform enables users, regardless of their position in the value chain, to better understand the sustainability landscape and to connect with business partners to increase transparency and traceability.

More information can be found on our [external website](#).





International
Labour
Organization

In October 2020, ICS signed a Memorandum of Understanding (MOU) with the International Labor Organization (ILO) for a duration of three years starting November 1st, 2020. The goal of the MOU is to engage with the ICS corporate members to support the improvement of their suppliers in terms of better working conditions, higher levels of productivity and environmental performance, to raise awareness of best practices for supplier capacity development and corporate procurement practices in support of Sustainable Development Goals. To effectively implement this goal, ICS is collaborating with the SCORE (Sustaining Competitive and Responsible Enterprises) Program and the Multinational Enterprises and Enterprises Engagement Unit (MULTI) Unit of the ILO. In practice, ICS and ILO collaborate to raise awareness among ICS members on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and relevant ILO tools, such as the ILO Helpdesk for Business, for business and to promote and roll out existing ILO training modules, resources and tools among ICS members and their suppliers.

ICS organized a webinar to share the learnings from the ILO on "Restructuring during COVID-19". The webinar was held on July 23rd, 2020 with the objective to deepen understanding of the relevant principles of international labor standards which can help guide company operations during COVID-19, particularly around how to balance saving jobs and enterprises.

The following key questions were addressed:

- What can companies do to avoid the need for restructuring?
- If restructuring is necessary, what are the key principles in international labor standards and the ILO MNE Declaration to keep in mind?
- What can a company do to support business partners who may be under serious financial difficulty facing difficult decisions in its supply chain?
- What works and what are the lessons from company practices?

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Participants



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