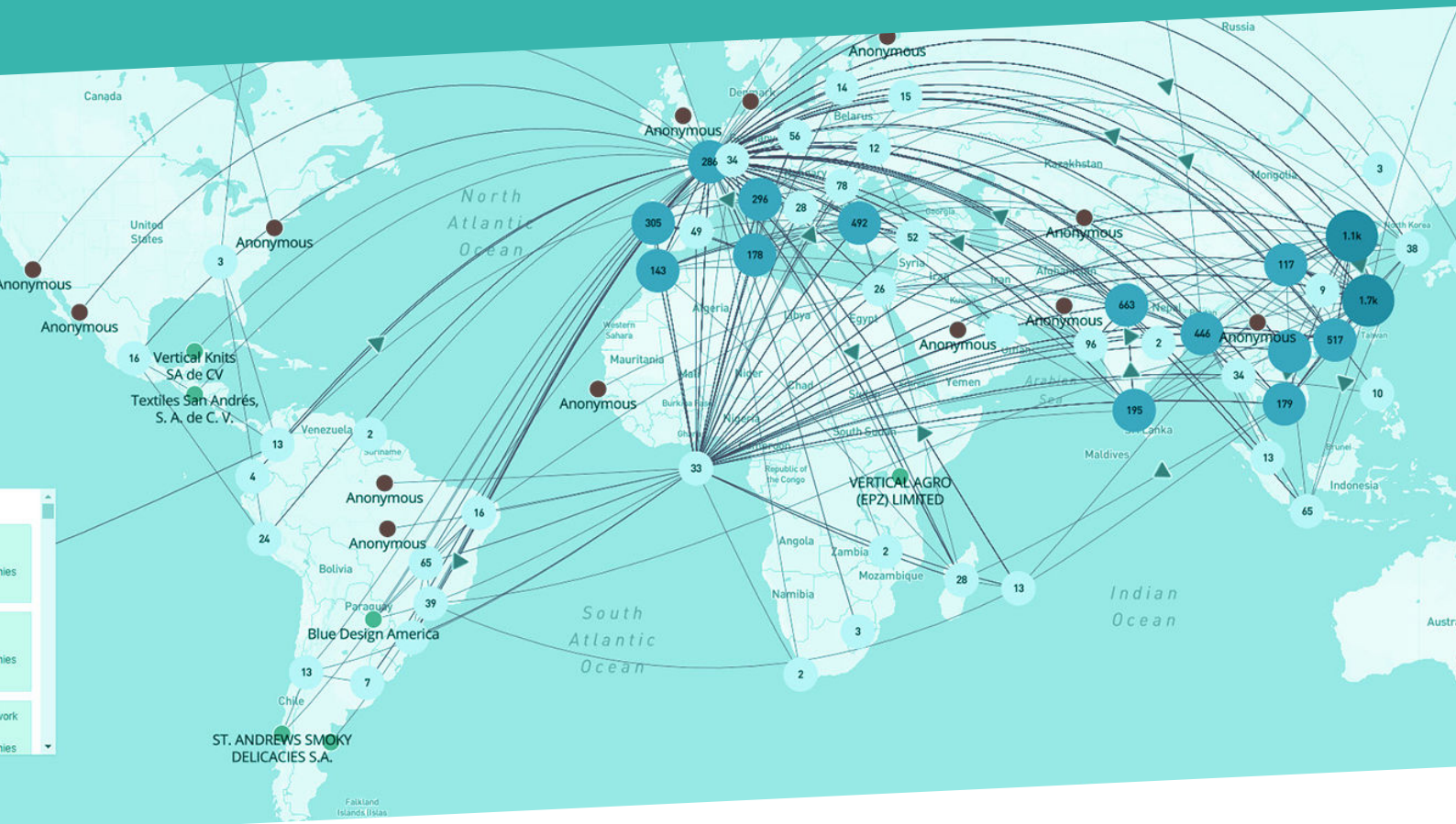




Initiative for Compliance
and Sustainability

2022 ANNUAL REPORT



ICS Roads to Compliance and Sustainability



« PREHISTORIC HUMANS

were threatened in ways we can hardly conceive today. They had similar bodies, but primitive technology gave them only minimal protection from the environment and predatory animals, and virtually no remedies for injury or other health problems. A toothache could end in death.

They lived short, hard, and probably terrifying lives. And yet they survived.

Why?

One important reason is a trait that early Homo sapiens shared with many other successful animal species :

their bodies and brains had evolved to encourage cooperation.»



*R. Waldinger and M. Schulz,
The Good Life, "lessons from the world's
longest scientific study of happiness",
Simon and Shuster, 2023*



THEY ARE THE ICS

3 PAGEN



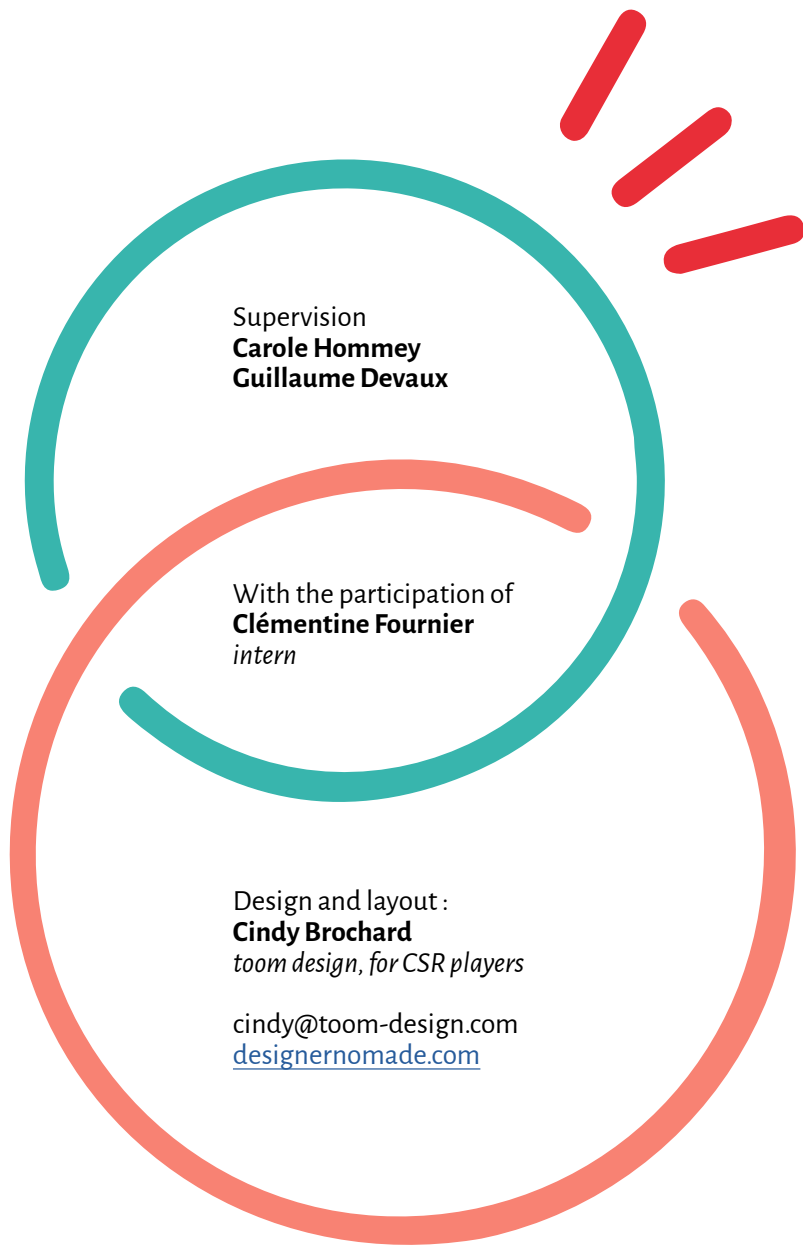
You wish to
join the ICS

or

become an ICS partner

Write us at :
contact@ics-asso.org





Supervision
Carole Hommey
Guillaume Devaux

With the participation of
Clémentine Fournier
intern

Design and layout :
Cindy Brochard
toom design, for CSR players

cindy@toom-design.com
designernomade.com

EDITORIAL





|||||

A WORD FROM THE DIRECTOR

In 2022, significant changes in legislation set the stage for a **new paradigm**, while the ICS continued to enhance its **agile methods** to effectively uphold human and environmental rights **on the ground**.

At the heart of these changes lies the European Union's 23rd of February proposal for a **Corporate Sustainability Due Diligence Directive** (CSDD), which is currently undergoing 'Trilogue' negotiations. Of particular relevance to the ICS is Article 14, which promotes multi-sector initiatives: they do not undermine competition and **align with the goals of the EU legislator**.

The **common thread** running through this 2022 activity report will be the **ICS's effectiveness** in achieving these objectives, aligning with the requirements of the **French Duty of Vigilance 2017 Law** and drawing upon the expertise accumulated over 25 years since its establishment within the French Trade and Retail Federation (FCD) in 1998.

As a prerequisite to all its activities, the ICS has expanded its **risk mapping efforts**, now encompassing **+30,000 active production sites**. This includes a **growing number of tiers 2, 3, and 4** suppliers, made possible through the introduction of an **automated cascading traceability** tool launched in early 2022.

On the social front, the ICS's extended reach down the value chain prompted the launch of a **dedicated audit framework** tailored for **primary production fields**. This framework was piloted in the field in Brazil under the direct management of the ICS in March. Additionally, in 2022, the ICS continued to analyze third-party solutions for **Workers Reporting** and **Grievance Mechanisms**, recognizing their potential as valuable tools, albeit still grappling with certain methodological challenges.

In 2022, it became evident that **environmental audits** were occupying a **larger portion** of ICS members' due diligence efforts. This was complemented

by the introduction of a **new environmental checklist** distributed to factories, aimed at gathering **quantitative data** to evaluate production sites beyond the regular audit cycles.

*In assessing the ICS audit cycles spanning from 2020 to 2022, it was found that **76% of the factories that underwent re-audits against ICS social standard had improved their compliance levels**. This figure rose to 89% for factories re-audited against our **environmental standard**. Regarding compliance levels, the rate of compliant factories for re-audited factories exceed those of initially audited ones by 11 points.*

Throughout the year, the ICS continued to build upon its strong network of inter-expert partnerships. This included collaboration with organizations such as the **International Trade Centre** (ITC) to improve transparency, the **UNECE** (UN) for traceability standards, and the **ILO International Training Centre** (ILO-ITC) to deliver training to factories worldwide. Are also to be acknowledge the OECD, the Alliance 8.7, the Global Deal, and many others mentioned in this report that we salute here.

Finally, in 2022, the **6th IPCC assessment** report was published, reminding us that our current efforts are insufficient in addressing socio-environmental challenges. As we move forward, there is a need to strengthen the connection between Corporate Social Responsibility (CSR) and Buying offices, to educate Western Europe about audits as the sourcing countries' map undergoes transformations, to standardize audit practices globally, to better coordinate product and producer traceability, to streamline greenhouse gas (GHG) assessment data collection, and to support clear and effective CSR reporting. Staying true to our operational ethos, these initiatives are already in progress.

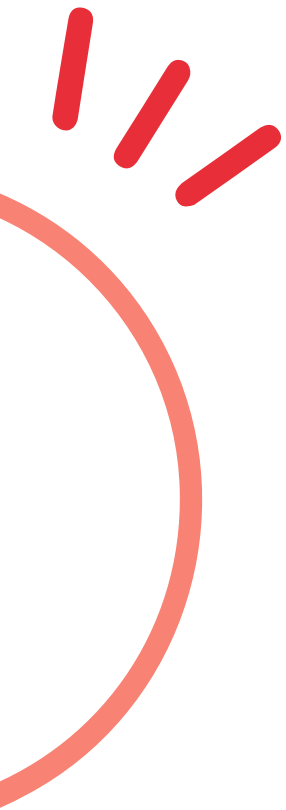


|||||

Carole Hommey
ICS Director

SUMMARY





Dear reader, the below calendar reports the major 2022 ICS achievements and milestones regarding the following topics :

	Governance and cooperation
	Human rights
	Environment
	Trainings for brands, factories, and auditors
	Risk monitoring and common leverage
	SA : Number of social audits
	EA : Number of environmental audits
	New ICS members

JANUARY

 204 SA  48 EA

Isabel Marant Membership 
Steering Committee 1
Audit monitoring WG 1
Envir. Standard updated
Data monitoring training 1

FEBRUARY

 212 SA  30 AE

Tikamoon membership 
Plenary meeting 1
Steering Committee 2
Ecocert & DNV applications
CSDD Directive stage 1
Primary Production WG 1
Primary Production standard launch
Cascaded traceability launch

MARCH

 296 SA  52 AE

Soeur and Jott Membership 
Plenary meeting 2
Social tools WG 1
ILO/OECD training on forced labour for factories
Auditors training 1
Standards Map publication
Brazil: audit monitoring

APRIL

 280 SA  50 AE

Risk monitoring WG 1
Act4Sustain application
ILO/ITC/ICS training on working hours for factories
Data monitoring training 3
AGEC Law

MAY

 303 SA  51 AE

Risk monitoring WG 2
Operational call 1
Environmental WG 1
Data and Traceability WG 2
Primary Production WG 2
ICS & UNECE in Egypt
Madagascar Factories Training

JUNE

 386 SA  81 AE

Plenary Meeting 3
Steering Committee 3
Risk monitoring WG 3
Operational call 2
Social tools WG 2
Auditors Training 2

JULY



312
SA



110
AE

Environmental checklist launch

Steering committee 4

Data monitoring training 3

Risk monitoring WG 4

Operational call 3

AUGUST



303
SA



102
AE

But membership

Auditors training 3

Annual risk matrix publication

New factory risk template

New Auditors' behaviour checklist

SEPTEMBER



365
SA



85
AE

Plenary meeting 4

Steering committee 5

Audit monitoring WG 2

Social tools WG 3

Risk monitoring WG 5

Operational call 4

OCTOBER



364
SA



88
AE

Working hours factory training

Data monitoring training 4

Social tools WG 4

Risk monitoring WG 6

Leather WG recognition

NOVEMBER



376
SA



75
AE

Alinea and Eram membership

Plenary meeting 5

Steering Committee 6

Social tools WG 5

CSDD Directive stage 2

Risk monitoring WG 7

Audit monitoring in Italy

Auditors training in Turin

DECEMBER



310
SA



77
AE

CSRD final adoption

Risk monitoring WG 8

Operational call 6

APSCA plenary meeting Germany

Data monitoring training 5

2022 Annual report

READING GUIDANCE

Below, you will discover icons that will assist you in navigating the 2022 annual report



FOCUS : this icon encourages readers to explore the section related to social and environmental compliance technicality.



METHODOLOGY : this icon signals readers to delve deeper into the section that explains the ICS' compliance methodology. It's an invitation to understand the processes and procedures.



2022 ACHIEVEMENT : this icon draws attention to a specific achievement or accomplishment related to the ICS in the year 2022.



ASTONISHMENT : this pictogram invites you to take a closer look at social and environmental compliance counter-intuitive facts.



All photos of workers and production sites in this report were taken by the ICS after receiving their written consent.



1

Cooperate

- 1.1. The ICS: brands and CSR officers united
- 1.2. ICS missions and processes
- 1.3. Memberships growth and sectors diversity
- 1.4. The ICS partners: inter-experts cooperation



3

Assess

- 3.1. Turning regulations into assessments tools and processes
- 3.2. Assessing production areas
- 3.3. Cross-checking assessments
- 3.4. Assessing specific risks



2

Map

- 2.1. Understanding tiers 1 to 4 and their ranks
- 2.2. Building a reliable supply chain map



4

Control

- 4.1. From supply chain mapping to supply chain assessment: audits
- 4.2. ICS audit methodology and updates 2022
- 4.3. Audits statistics 2022: consolidated volume data
- 4.4. Audits statistics 2022: consolidated results' data



5

Change

- 5.1. Training sustainability stakeholders
- 5.2. Transform production cultures
- 5.3. Conforming global supply chains: ICS re-audit results

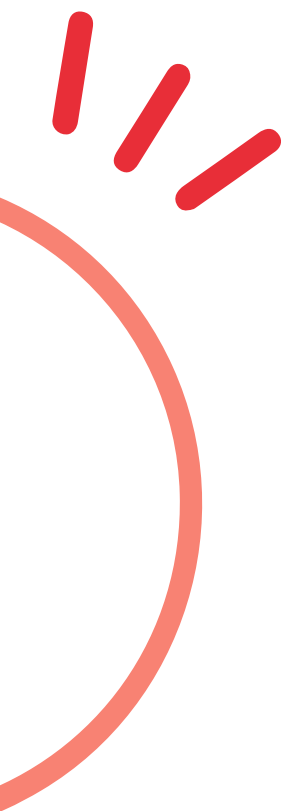
Part

1

COOPERATE

Competing peers
united by common
standards





-
- 1.1. The ICS: brands and CSR officers united**
 - 1.2. ICS missions and processes**
 - 1.3. Memberships growth rate and sectors diversity**
 - 1.4. ICS partners: inter-experts cooperation**
-

1.1 | L'ICS: BRANDS AND CSR OFFICERS UNITED

Before delving into the analysis of the ICS figures (as outlined in sections 4 and 5), it's worth highlighting **the remarkable cooperation among competing companies**, as they come together to share their time and resources in support of human and environmental rights.

The ICS is a non-profit multisectoral initiative (MSI), a collaborative effort established to promote and enforce social and environmental compliance and sustainability throughout the global supply chain. It accomplishes this by pooling resources for the protection of human rights and the environment. Recognizing the pressing need to transition our globalized economy into a sustainable one and the importance for brands to ensure compliance, this peer-cooperation approach proves invaluable in achieving maximum effectiveness.

The inter-peer cooperation multiplying effect is such that in 2022, **both the OECD and the European Union promoted the MSIs in their normative tools**, enhancing companies to seek MSI's membership.

40
CSR Departments

70
Audit budgets

722
CRS and buying officers

1
Coordinating body



*While agreements between brands that result in anti-competitive behaviors are strictly forbidden, collaborations in the realm of Corporate Social Responsibility are **highly recommended***



FOCUS 1

[OECD BACKGROUND NOTE 2022](#)

THE ROLE OF SUSTAINABILITY INITIATIVES IN MANDATORY DUE DILIGENCE

« *These initiatives play a critical role in promoting collective action to solve problems, scaling up responsible and sustainable practices, and driving best practices that go beyond legal requirements.* »



FOCUS 2

[PROPOSAL FOR A EUROPEAN UNION DIRECTIVE ON CORPORATE SUSTAINABILITY DUE DILIGENCE](#)

Explanatory memorandum, part 2:

« *This Directive allows for company cooperation, use of industrial schemes and multi-stakeholder initiatives to reduce the cost of compliance for the companies with this Directive.* »

Whereas 37

« *Therefore it should be possible for companies to rely on such initiatives to support the implementation of their due diligence obligations laid down in this Directive.* »

Article 14 :

« *Companies may rely on industry schemes and multi-stakeholder initiatives to support the implementation of their obligations referred to in Articles 5 to 11 of this Directive* »



1.2 | ICS : MISSIONS AND PROCESSES

To proactively mitigate and address risks related to human and environmental rights violations within their global supply chain, ICS members **pursue four primary missions** :

Mapping the supply chain

Embracing tiers 1 to 4 traceability challenge is **ICS Database, Traceability and Transparency Working Group's task** (see part 2)



Defining risks

Converting the numerous international regulations into assessable and practical on-site checklists falls under the purview of the **ICS Social, Environmental and Primary Production Working Groups' task** (see part 3)



Assessing production sites

Monitoring vast social and environmental audit campaigns and monitoring the audit firms conducting these campaigns is entrusted to the **Audit firms Working group task** (see part 4)



Comply and engage the sustainability journey

The sustainability journey starts with Corrective Action Plans, follow-up audits and re-audits, and gain momentum through acculturation and learning, facilitated by global training programs designed for factories and auditors.





ICS MEMBERS DECISION PROCESS

3
weeks dedicated
to CSR
collaboration

37
meetings

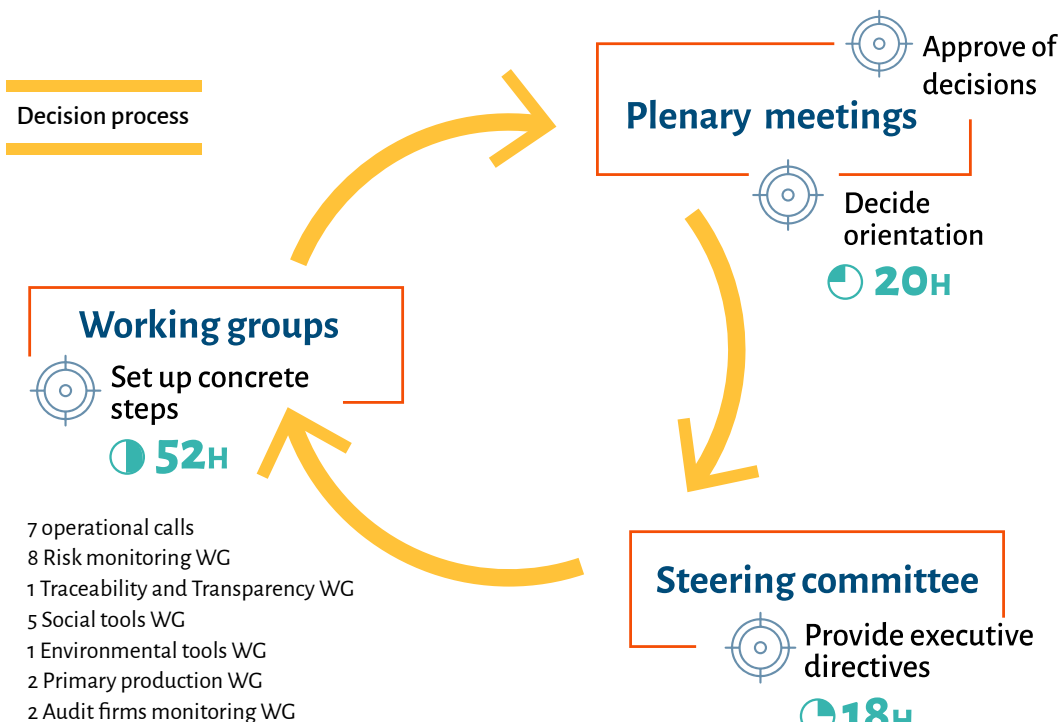
100
hours of
collective
thinking

Plenary meetings deliberate and vote on **major orientations** that will be monitored by the steering committee **directives** and elaborated upon by the different working groups. The methodologies and tools **propositions** from the working groups are then brought back to the plenary meetings for final decisions, for the ICS executive Team to **implement**.

While ICS plenary meetings are held every two months, working groups and steering committee meetings are scheduled on demand, in accordance with priorities and needs. Throughout 2022, the ICS executive team gathered ICS members **37 times**, involving approximately **100 hours of collective thinking**, equivalent to three working weeks dedicated to CSR cooperation. This collaborative effort enables **effective problem-solving** and fosters change at a quicker pace.



In addition to CSR directors and senior officers taking part in the decision-making processes, the ICS counts **+700 CSR and buying officers logging in the ICS database daily**. They access resources to assess risks data, initiate and monitor audit campaigns and ensure the implementation of Corrective action plans within a world supply chain of 2.6 million workers.



|||||

LET'S SURPRISE OURSELVES



Indeed, let's surprise ourselves and celebrate a member's courageous decision, made after thorough deliberation, to embark on the remarkable journey of cooperation. These brands have chosen to open their internal processes and subject their long-standing suppliers to a fresh and rigorous standard. They dare to challenge themselves through peer review and, with a mix of enthusiasm and apprehension, commit to the changes that the pursuit of human and environmental rights sustainability demands of them.



1.3 | ICS MEMBERSHIP GROWTH RATE AND SECTORIAL DIVERSIFICATION

More companies from more sectors join the ICS

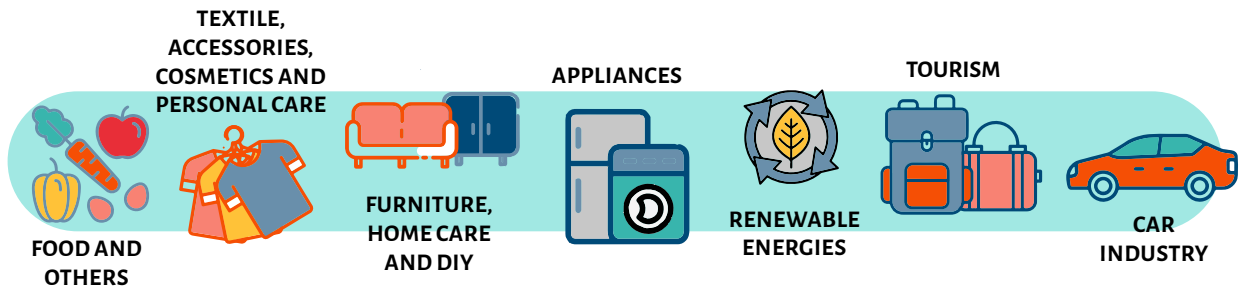
When created as a French Trade and Retail Federation working group in 1998, the ICS members amounted to three. Following the 2017 French Duty of Vigilance Law, their number grew by 15% per year in average to reach 68 brands in 2022 including notable additions of But, Gant, Groupe Eram, Isabel Marant, Jott, Soeur, Technifibre, Tikamoon and the membership process of Alinéa and Zadig & Voltaire, completed in early 2023.

While the number of members increased, so did the sectorial diversity the ICS stands for: Textile, accessories, cosmetics and personal care (27 brands), Food and others (5), Furniture, Home care and DIY (4), Appliances (4), renewable energies (1), Car industry (1) and Tourism.

+15%
members
growth rate

40
groups or single
companies

+10
new brands



The ICS is open to all companies regardless of their size and industry



The expansion of inter-sectorial and international cooperation leads to a more robust and fastest implementation of international standards pertaining to human and environmental rights. It is essential because uniform working conditions and environmental protection should apply globally, eliminating the need for sector-specific scattering. In instances where particular tiers, such as tier 4, necessitate heightened vigilance, the ICS establishes specific standards and offers specialized guidance. All sectors are thus welcome at the ICS, as well as all companies, regardless of their market share. In 2022, ICS members' turnover ranged from 5 M € to 80 bn €.

Indeed, there is no requirement for companies to fall within the scope of the French Duty of Vigilance Law or the EU's expected Corporate Sustainability Due Diligence Directive to become a member of the ICS. In fact, many ICS members do not meet the legal thresholds that would make human and environmental rights due diligence processes obligatory. Instead, they choose to join the ICS in response to demands from investors, insurers, clients, and stakeholders who prioritize responsible business practices and sustainability.

1.4 | ICS PARTNERS: INTER-EXPERTS' COOPERATION

The ICS is not limited to its internal members; inclusivity and openness is at the heart of Corporate Social Responsibility values. Therefore, the ICS actively engages with experts, and experts also approach the ICS for collaboration. These external partnerships can take the form of long-term joint projects or shorter-term, temporary collaborations, reflecting the commitment of the ICS to foster broad cooperation and expertise in pursuit of its goals.

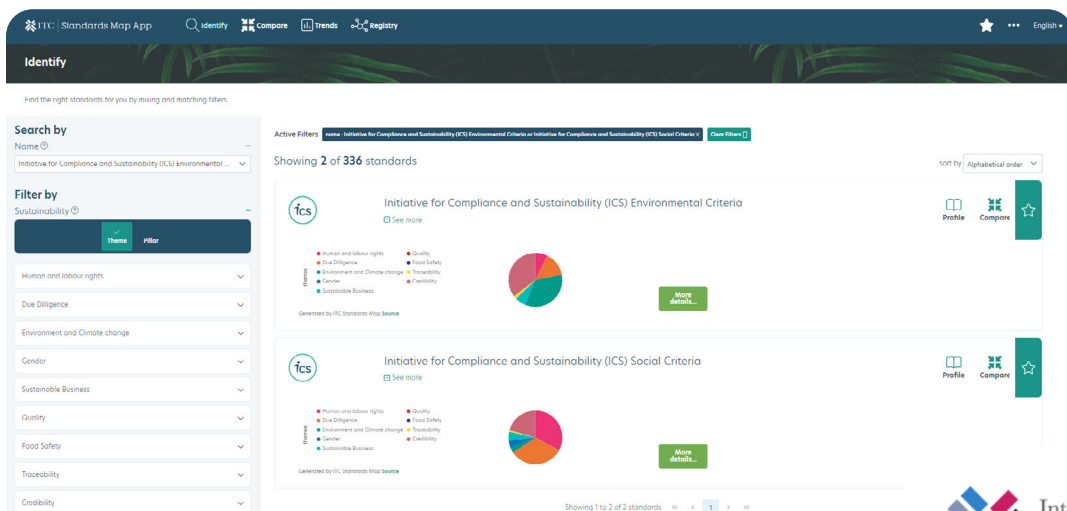
COMMON PROJECTS

A third-party cooperation is said to be direct when it comes to pursue a common objective through a common project.

One notable example of such cooperation is the longstanding partnership between the ICS and the [International Trade Centre](#) (ITC), a transverse organization under the UN and WTO, located in Geneva. Together, they have collaborated on the development of the Sustainability Map, a publicly accessible mapping tool that promotes transparency and traceability. In 2022, this collaboration continued to strengthen, with ICS members' production sites actively contributing to the Sustainability Map database.

Notably, suppliers of ICS members who have made their information public now amount to 2,866, and a total of 3,316 suppliers have agreed to share their data and contribute to enhancing transparency within the global supply chain.

This demonstrates a significant commitment to promoting transparency and sustainability in supply chain management. In 2022, the ICS also published its environmental standards on the ITC Standards Map, a global CSR standards comparator, as previously done for its social standards in 2021.



In 2022, the ICS made a contribution to the work of the United Nations Economic Commission for Europe (UNECE) concerning traceability standards recommendations. This effort aimed to align the consolidation of production site maps, which is a core mission of the ICS, with product traceability, using interfaced tools. The result of this collaborative work was the publication of the «Report on the Blockchain Pilots for the Garment and Footwear Sector» on October 6th, 2022.

The screenshot shows the UNECE website interface. At the top, there are logos for '75', 'UNECE', and 'Sustainable Development Goals'. A search bar with a magnifying glass icon and the text 'Advanced Search' is on the right. Below the logos is a navigation menu with items: 'About UNECE', 'Our work', 'Themes', 'SDGs', 'Open UNECE', 'Events', 'Publications', and 'Media'. The main content area has a header 'UNECE TRADE TRACEABILITY FOR SUSTAINABLE GARMENT AND FOOTWEAR'. On the left, there is a sidebar with 'Trade Programme' and several sub-items: 'Steering Committee on Trade Capacity and Standards', 'UN Centre for Trade Facilitation and E-business (UN/CEFACT)', 'Working Party on Agricultural Quality Standards (WP.7)', and 'Working Party on Regulatory Cooperation and Standardization Policies (WP.6)'. The main article is titled 'Traceability for Sustainable Garment and Footwear' and includes an image of a garment with a white tag. The text discusses the importance of transparency and traceability in the garment and footwear industry, mentioning challenges like labor rights violations and environmental impacts. It also mentions that many companies have a limited view of their business partners within their value chain.

Upon the UNECE and UNIDO invitation, the ICS spoke alongside the ITC on at the background works conference to the [November 22 COP 27 hold in Egypt on May 24th and 25th.](#)

15.30-16.30 – Social Compliance

Keynote Speaker	Presenter & Moderator	Discussants		
 <p>Joseph Wozniak Head of the Trade 4 Sustainable Development Programme, International Trade Centre</p>	 <p>Marwa Salah-Abdou National Project Manager, Regional project Accelerating Action for the Elimination of Child Labour in Supply Chains in Africa (ACCEL Africa), International Labour Organization</p>	 <p>Abeer Samir Arafa Deputy Director for Research, Focal Point of International Organization of Francophonie, Cotton Research Institute</p>	 <p>Mona Kassem Export Manager, Alkan</p>	 <p>Carole Hommey General Manager, Initiative for Compliance and Sustainability (ICS)</p>

International conference - Accelerating action for the sustainable garment and footwear industry of the future: Harnessing the potential of innovation for due diligence and reduced environmental impact - The way forward to UNFCCC COP27 - 24-25 May 2022 - Sufiel Cairo Nile El Gezirah Cairo Egypt

Logos for UNECE, THE SUSTAINABILITY PLEDGE, and UNIDO are shown at the bottom left. The text 'United for greater traceability, transparency and circularity in the garment and footwear sector.' is at the bottom right.



In 2022, the ICS and the [International Labor Organisation's International training Center \(ILO-ITC\)](#) in Turin, Italy, tightened their partnership. On April 15th, both our organisations jointly decided to initiate a specific training for relevant factories, focusing on the fundamental principles of respecting, managing and negotiating Working hours. To date, the participation level was up to 700 production sites. Furthermore, on November 30th, the ICS and the ILO-ITC reconvened in Turin to explore the possibility of launching a dedicated course for

auditors. This course would emphasize the fundamentals of Human Rights Due Diligence and the essential role of auditors in this process. The rationale behind this initiative is to address the growing tension in audit capacities and the significant variations in audit practices observed across different companies and countries.



In 2022, the [UN environment program \(UNEP\)](#) reviewed the ICS environmental checklist project, and transmitted it to the One Planet Network.

Finally, the ICS contributed to the [Better Work Madagascar Program](#), an initiative jointly managed by the International Labour Organization (ILO) and the World Bank. The ICS provided the trainers with its consolidated audit data from the country. This data was used to better focus on addressing the specific issues at risk within factories in Madagascar. Following the collaborative efforts conducted by the ICS from May to July 2022 on this project, representatives from the ICS participated in the Madagascar Better Work Forum on November 10th, 2022.



A PLATFORM TO HAVE A VOICE

Provide a platform for other stakeholders to have a voice and speed-up change

Beyond long-term collaborative projects, the ICS maintains an open approach that allows various experts and relevant stakeholders in the fields of human and environmental rights to propose projects, seek participation, or offer training opportunities. This approach enables them to address all 70 ICS member brands simultaneously, saving valuable resources and amplifying the potential for change if one or more ICS members choose to get involved.

In this framework and among others, the ICS hosted on September 06th 2022 the [Fair Wear Foundation](#) for a presentation of living wages issues, the French government [Plateforme RSE](#) on September 15th regarding environmental requirements for product layouts and displays, or the Fair Labor, Fear Wear, BRC and Ethical Trade Initiative [Joint Call Action](#) in sight of Sri Lanka economic turmoil.

Following ICS members proposition, the [French Agency for Ecological Transition](#) (ADEME) provided the ICS brands on September 29th with answers regarding the coming regulations for environmental layouts.

This room for expression system also works when one ICS brand wish to underline the benefits of a specific program or local stakeholder it has successfully worked with. As an example, Carrefour an ICS member that has signed the [International Accord for Health and Safety in the Textile and Garment Industry](#) provided other ICS members with feedbacks and insights. Furthermore, the ICS consistently shares relevant news, training opportunities, and programs from external stakeholders or third parties with its members and their suppliers, as detailed in Part 5 of the report. This approach fosters an environment of collaboration and information sharing that supports meaningful change in the realms of human and environmental rights.

REQUESTS for ICS expertise

For instance, the ICS discussed with the [Alliance 8.7](#) regarding child labor and forced labour on March 2nd 2022, participated to the February 16th OECD Advisory Group meeting on [Responsible Business Conduct](#), intervened at the [UNECE-UNIDO](#) May 24th preliminary meeting towards COP27, at the [Club des Juristes](#) on June

20th 2022, regularly took part to the [OECD Global Deal](#) sessions, provided [Paris Dauphine University](#) Sustainable Development and Organizational Responsibility Masters degree students trainings on January 12th and November 21th, and spoke at the [ASPCA](#) annual plenary meeting panel on December 6th.



The ICS expresses its gratitude to all trusted stakeholders who have embarked on the sustainability journey alongside them, working together to strengthen human and environmental rights worldwide.

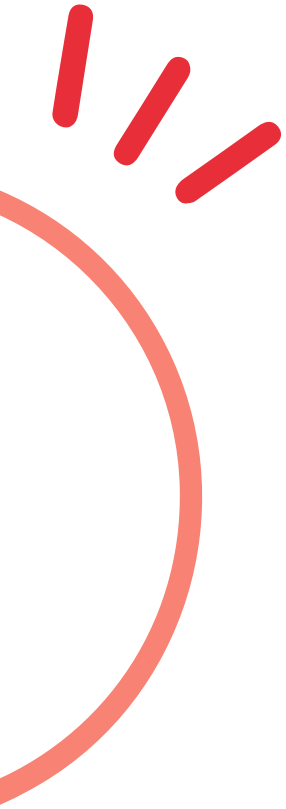
Part

2

MAP

Collecting
production sites
data to map the
value chain





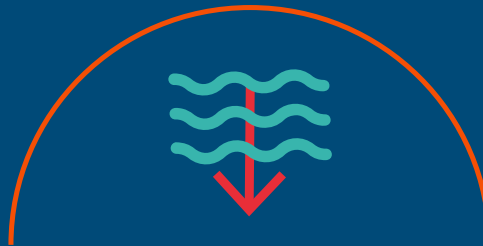
-
- 2.1. Understanding tiers 1 to 4 and their ranks
 - 2.2. Building a reliable supply chain map
-

UNDERSTANDING TIERS 1 TO 4 AND THEIR RANKS



The history of globalization has not been characterized by transparency or direct relationships between producers and retailers. Historically, suppliers valued their confidential knowledge of production sites around the world. The call for transparency from retailers, however,

shifted this paradigm, thanks to extensive discussions and negotiations. Gradually, the «supplier screen» of secrecy was lifted, and ICS's members first requirement is to integrate and continually update all their production site data in the ICS database.



Mapping then just begins, for known producers are only but the last link of a very long supply chain.

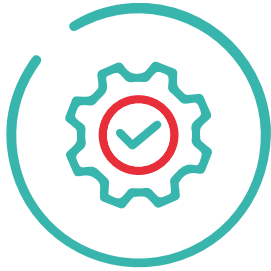
Going down the supply chain first demands to distinguish between production relations and links, called tiers.

Tier 1 is the final production step, such as assembling and packing, before a product is sent to a retailer for sale to the end customer. **Tier 2** involves processes related to finished materials, such as dyeing, while **Tier 3** pertains to the primary transformation of materials, such as weaving. Last but not least, **Tier 4** refers to the primary production itself, such as harvest and fishing.

Additionally, within each tier, a producer may decide to sub-contract the order to another party, which is referred to as a sub-contracting rank. What makes this mapping particularly challenging is that each tier and sub-contractor can have their own sub-contractors, creating a complex and multifaceted supply chain.

The ICS has been engaged in this monumental task for 25 years. Production sites are dynamic and can undergo changes, such as growth, relocation, duplication, or mergers. These changes necessitate a continuous update of their addresses. Similarly, retailers' sourcing practices can also shift in response to global political and economic factors, further fuelling the need to map an ever-evolving supply chain.





To ensure highest level of reliability, the ICS continuously update, cross and double-cross its data.

Building a reliable supply chain map through double-crossing brands data

When an ICS member uploads a producer profile into the ICS database, a matching algorithm is employed to determine whether the declared production site is already known or could be found in the database under a similar or different name, address, or production unit. This algorithm is designed to identify production sites that may have relocated, split into multiple locations, or undergone name changes over time.

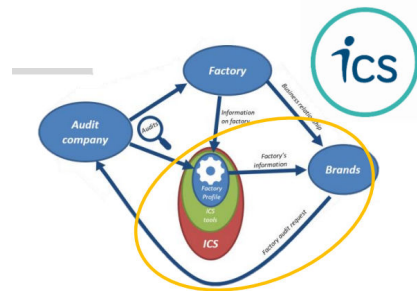
Factory	Name match score (%)	Common with	Address	Address match score (%)	City	Audit history	Business license
	49.2	<ul style="list-style-type: none"> Auchan Baumannoir Camaleu-Former member Camaleu Casino AMC Casino Monoprix Fashion3 Grain de Malice Fashion3 Jules Fashion3 Pimkie Groupe Dram Groupe Omnium Drevad U Enseigne 		92.1		<ul style="list-style-type: none"> 20/04/2022 (A 100%) Social : Groupe Omnium 10/10/2020 (E 96%) Soc. Small : Casino 10/08/2020 (E 72%) Soc. Small : Casino 	
	33.3	Adeo ADEO Platform France		36.5		21/01/2021 (C 85%) Social : Adeo	There is no actual business opening and operating license at the facility.

Declaration example

The algorithm is tasked with evaluating whether the new producer profile should be merged with an existing one or if it warrants the creation of a new producer profile. However, if the matching rate falls short of the desired level of accuracy or satisfaction, the database system notifies the ICS team to conduct a manual and more extensive research to ensure the accuracy of the database.

Auditors and producers data crossing

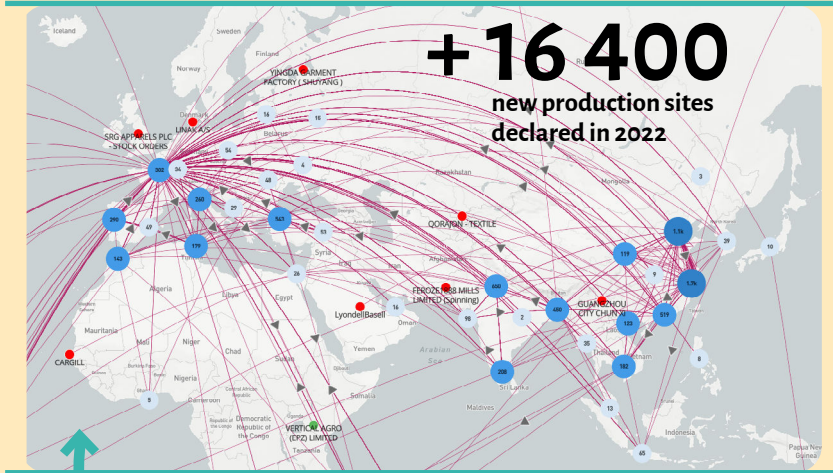
After a producer has been integrated into the ICS database for the first time, it is required to complete a factory profile form that consists of 81 traceability questions. This factory profile form serves as a comprehensive data collection tool. During on-site audits (as described in Part 4), the auditor's responsibility includes verifying the accuracy of the information provided in this factory profile. The Factory Profile is indeed a fundamental component of the ICS data collection process.



What is a factory profile?

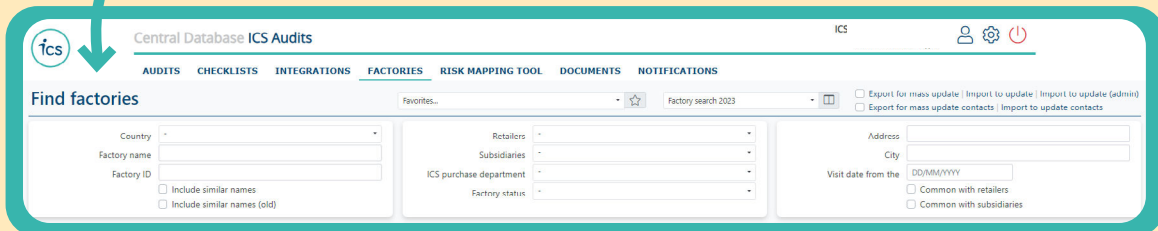
It is a Questionnaire completed by the facility prior to the audit with data needed by the audit company to prepare for the audit. Factory profile includes data such as workforce profile, facility size, production processes, etc.

In 2022, the ICS introduced an innovative feature within its factory profile process known as «Cascading Traceability.» Under this feature, the ICS requires declared producers to declare their own suppliers, automatically requested to complete their own factory profiles. This creates a cascading effect contributing to enhance transparency and traceability.



In 2022, ICS members declared 9 694 production sites, while producers declared 6 722 production sites thanks to cascaded traceability, bringing the ICS database to a collection of 27 964 active factories by the end of 2022. Among them, 21 648 were registered as in a business relation, while 8 439 were registered as prospects.

Each ICS member is thus able to generate its own sustainability map



BEHIND THE MAPS



For the sole audited factories during the 2020-2022 audit cycle, the **number of workers** benefiting from ICS members human and environmental rights preventive and corrective standards **amounts to 2,6 million.**

9 694

production sites declared by ICS members

6 722

production sites declared by their suppliers

Part

3

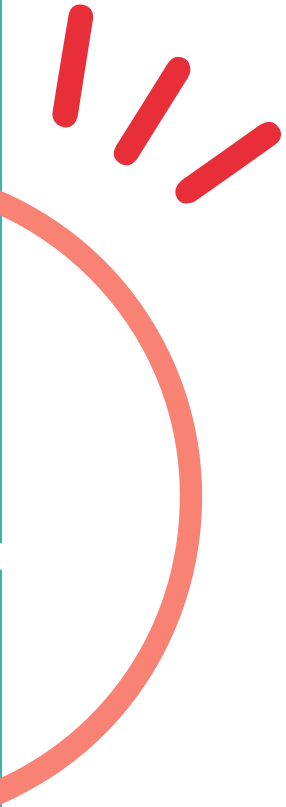
ASSESS

ON MARCH 27TH 2017, FRANCE ADOPTED A LAW

(Code of Trade L. 225-102-4-1), defining the Duty of Vigilance as a set of measures meant to identify and prevent serious risks of violations to human rights, freedom, health and security (which we refer to as "social risks") as well as the environment (which we refer to as "environmental risks"), stemming from a company activity including its subsidiaries, as well as the one of its suppliers and subcontractors provided they share an established business relationship. The European Union Directive Proposal (see part 1) widens these broad principles in its article 4 to 7.



ics



3.1. turning regulations into assessments tools and processes

3.2. Assessing production areas

3.3. Cross-checking assessments

3.4. Assessing specific risks

3.1 | TURNING REGULATIONS INTO ASSESSMENT TOOLS



One of the key missions of the ICS is to identify and specify the regulations that fall within the broader scope of «preventing harm to human and environmental rights.» This involves translating these regulations into concrete requirements and practical processes that can be used to assess the effectiveness of these rights on the ground. For instance, if a convention or regulation requires the assurance of health and safety at work, the ICS would work to clarify and define what constitutes compliance. This might involve specifying details such as the proper distance between a workstation and an emergency eyewash station, among other practical requirements.

Regarding **social** risks, the ICS refers - mainly but not limited to - to the UN Guiding principles, the OECD recommendations and ILO international Conventions on Responsible Business Conduct and International Labor standards and structure them into 9 categories – chapters – of risks to be assessed :

- 1 MINIMUM AGE, CHILD LABOR AND YOUNG WORKERS
- 2 FORCED LABOR
- 3 DISCRIMINATION
- 4 DISCIPLINARY PRACTICES, HARASSMENT AND ABUSE
- 5 FREEDOM OF ASSOCIATION AND GRIEVANCE MECHANISMS
- 6 WORKING HOURS AND OVERTIME
- 7 REMUNERATION AND BENEFITS
- 8 HEALTH AND SAFETY

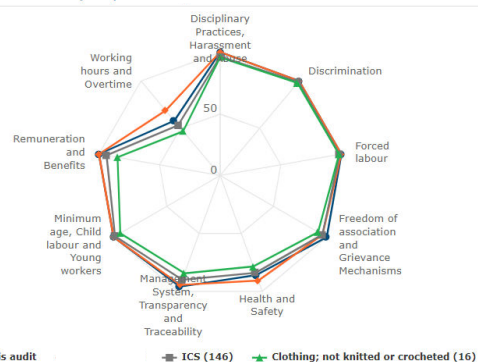
To these chapters is added a **chapitre 0** meant to assess the Management system, Transparency and Traceability, whose compliancy or non-compliancy impact all other chapters' assessments.

> Letter and % rating by chapter

AN	Chapter	Letter and % rating
0	Management System, Transparency and Traceability	B 96%
1	Minimum age, Child labour and Young workers	A 100%
2	Forced labour	A 100%
3	Discrimination	A 100%
4	Disciplinary Practices, Harassment and Abuse	A 100%
5	Freedom of association and Grievance Mechanisms	A 100%
6	Working hours and Overtime	D 58%
7	Remuneration and Benefits	A 100%
8	Health and Safety	B 86%

Example of a summary of content of an ICS social audit per chapters.

> Average results of ICS audits by chapter



Regarding **environmental** risks, the ICS assesses the below risks structured as followed :

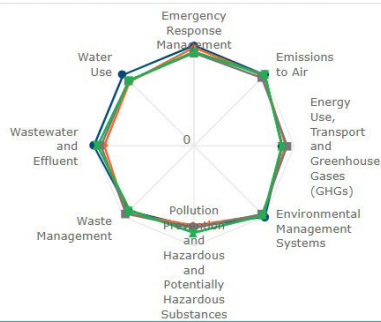
- 1 ENVIRONMENTAL MANAGEMENT SYSTEM
- 2 ENERGY USE, TRANSPORT AND GREENHOUSES GASES (GHGS)
- 3 WATER USE
- 4 WASTEWATER AND EFFLUENT
- 5 EMISSIONS TO AIR
- 6 WASTER MANAGEMENT
- 7 POLLUTION PREVENTION AND HAZARDOUS AND POTENTIALLY HAZARDOUS SUBSTANCES
- 8 EMERGENCY RESPONSE MANAGEMENT



> Letter and % rating by chapter

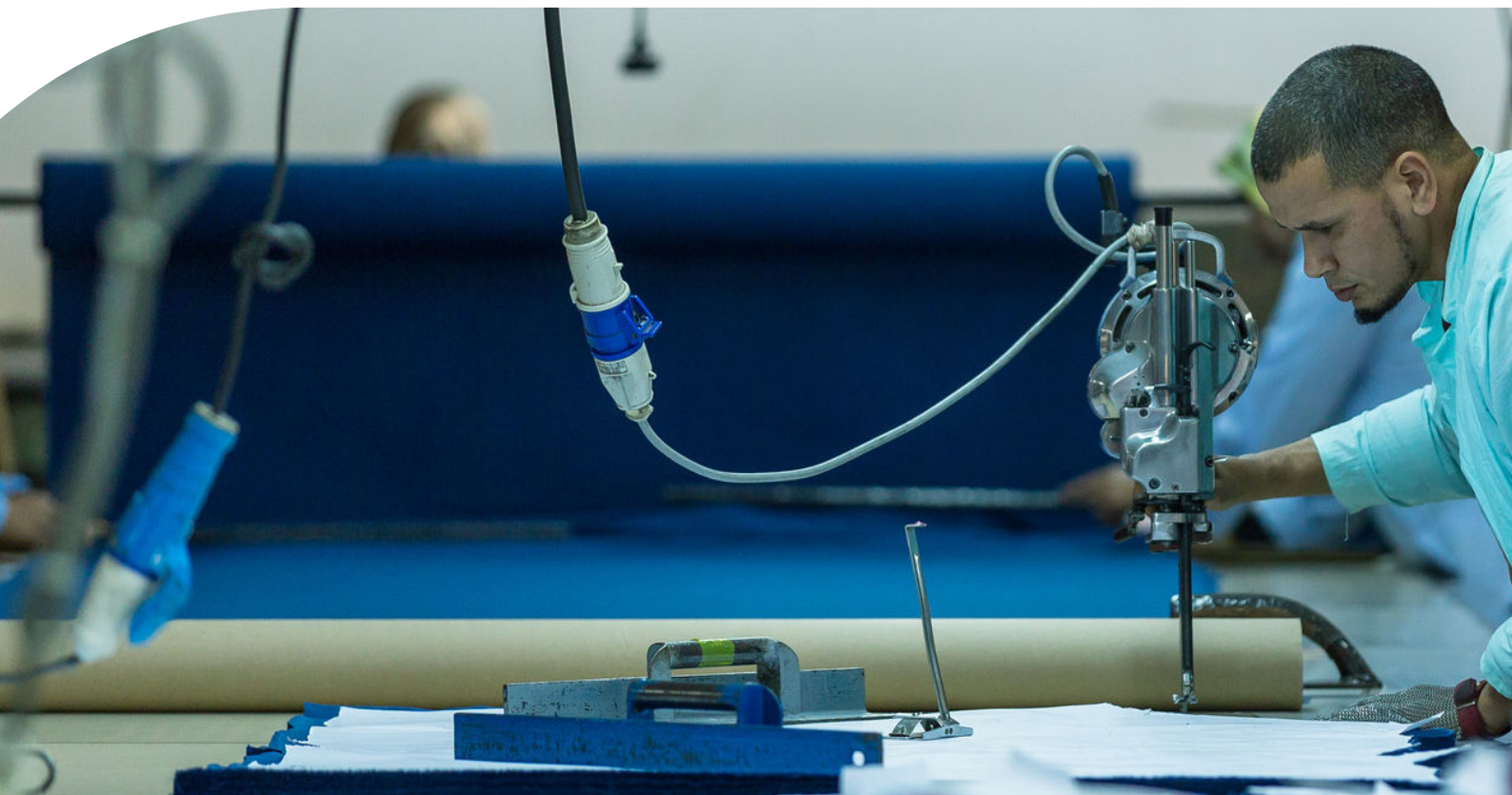
AN	Chapter	Letter and % rating	Advanced requirements
Q	1 Environmental Management Systems	A 100%	
Q	2 Energy Use, Transport and Greenhouse Gases (GHGs)	B 88%	
Q	3 Water Use	A 100%	
Q	4 Wastewater and Effluent	A 100%	
Q	5 Emissions to Air	A 100%	
Q	6 Waste Management	B 92%	
Q	7 Pollution Prevention and Hazardous and Potentially Hazardous Substances	B 81%	
Q	8 Emergency Response Management	A 100%	

> Average results of ICS audits by chapter



3.2 | ASSESS PRODUCTION AREAS

To effectively allocate resources at the appropriate level, whether it be at the country, industrial zone, factory, or field level, for the purpose of preventing and correcting risks related to human and environmental rights, the ICS equips its members with a suite of tools and data. These resources are structured within a meticulously cross-checked methodology.



STRUCTURAL RISK

Structural risk refers to **production zones national drivers:** public institutions, ILO Conventions ratification processes, social and democratic background, legal and political stability, public investments and infrastructure quality, CSR maturity etc. In 2022, ICS members' sourcing countries underwent assessments based on world public institutions' indicators and ICS consolidated audit results (as outlined in Part 4). These assessments were summarized and integrated into an advanced risk matrix for CSR and buying officers to make informed decisions regarding their sourcing strategies.

The screenshot shows a risk matrix interface with a dropdown menu on the left containing filters like 'KPI for all ICS members', 'Worldwide Governance Indicators', 'SDG Index', 'ITUC', 'US Department of State', 'Environmental Performance Index', 'ILO', 'Freedom in the World', and 'Score Risk'. The table below displays data for 2020 across various indicators.

KPI	% audit at 100%	% audit between 99% > % > 76%	% audit between 75% > % > 61%	% audits between 60% > % > 41%	% audits less than or equal to 40%	% audits with AN	% Initial audits	% Follow-up/Re-audits	Representativity of ICS audits	Total	Worldwide Governance Indicators							
											Global Index Score (0-100)	Poverty headcount ratio at \$1.90/day (%)	UHC Tracer Index (0-100)	Female labor force participation (% male)	Slavery Score (0-100)	Unemployment rate (%)	Production-based SO2 emissions (kg/capita)	
25.0	0.0	100.0	0.0	0.0	0.0	25.0	87.5	12.5	32.0	61.9	48.0	72.8	0.9	76.0	70.6	1.3	11.7	22.2
23.5	6.1	89.7	3.5	0.6	0.0	22.9	75.2	24.8	0.0	60.8	45.7	71.3	3.9	79.0	74.1	1.8	13.7	11.4
13.8	0.0	96.6	0.0	3.4	0.0	13.8	44.8	55.2	0.0	58.9	34.4	64.5	0.5	60.0	87.8	16.8	0.3	11.0
30.8	0.0	84.6	7.7	0.0	7.7	23.1	84.6	15.4	52.0	49.4	47.4	66.3	2.4	57.0	65.5	4.7	4.1	10.9
100.0	0.0	100.0	0.0	0.0	0.0	66.7	0.0	100.0	12.0	18.3	58.7	70.9	0.0	73.0	66.3	6.9	4.6	37.5
40.0	0.0	90.0	10.0	0.0	0.0	40.0	60.0	40.0	80.0	41.5	30.8	64.9	0.6	61.0	60.7	11.0	1.8	3.2
5.7	0.0	94.3	5.7	0.0	0.0	5.7	25.7	74.3	0.0	64.6	53.3	57.7	2.0	45.0	26.5	0.0	4.7	5.5
50.0	0.0	50.0	50.0	0.0	0.0	50.0	25.0	75.0	16.0	35.0	48.9	64.5	6.2	61.0	64.3	7.7	3.4	9.2



Structural risk may also refer to a specific industrial zone that ICS's watch or consolidated audit results would identify as regularly non-compliant due to, for example, local management culture or global unsafe infrastructure or polluting practices.

At a sharpest scale, a structural risk can refer to a single factory that wouldn't comply with ICS standards despite the corrective actions requested by an ICS brand following an audit (see part 5).

CYCLICAL RISKS

At the country level, cyclical risks may result from recent political instability, a health crisis, or hazardous climate events. These events can lead to migrations and have long-term, uncertain impacts that cannot be fully assessed at the moment.

Cyclical risks at the industrial zone or factory level may arise from economic downturns that impact production capacities and working hours. They can also stem from specific management teams displaying non-compliant managerial practices. Cyclical risks are closely monitored because they have the potential to become entrenched and evolve into structural risks over time. Cyclical risks are identified through various means, including ICS audit cycles (as described in Part 4-5). Innovative tools such as remote assessments, especially during the COVID-19 pandemic, and working conditions surveys addressed to workers are used for risk assessment.

Additionally, the ICS conducts media monitoring by screening local, regional,

national, and specialized sources in all ICS member sourcing zones.

The ICS closely tracks human and environmental rights infringements or the risk of infringement reported by media outlets, NGOs, local initiatives, and stakeholders. Data from various sources are cross-checked to determine the specific factory or industrial site involved. When a risk is identified in relation to a particular factory, the ICS team issues a specific alert to ICS members. These alerts serve to warn brands about the potential realisation of a risk or a risk to human and environmental rights enforcement, prompting them to



engage with their suppliers and take appropriate actions. In 2022, the ICS sent **over a hundred risk alerts** to its members to notify them of potential risks or infringements related to human and environmental rights.



3.3 | CROSS-CHECKING ASSESSMENTS

To assess the risks of its own supply chain, each ICS member is granted an access to its producers data history, made of social and environmental information of different reliability:

Assessment level 1

Factory data filled by the supplier in the factory profile

Factory certifications history

Factory media alerts

Assessment level 2

Country-based consolidated audit results

Audit history results, specific risk and level of seriousness

Corrective Action plans, factory negotiations and follow-up audits history

Inter-brand discussions regarding a production site history



Database available

Common with

Retailer	Subsidiary	Factory status	CAP follower
Beaumanoir	Beaumanoir	Referenced	
Galeries Lafayette - BHV		Referenced	✓
Groupe Omnium	Devred	Referenced	
La Redoute		Prospect	

Damart - API
Social Initial audit
87% D
22/03/2018

Damart - API
Social Partial followup
97% B ↗
12/02/2019

Lacoste - Bureau Veritas
Social Re audit
91% B =
26/06/2020

Lacoste - Bureau Veritas
Env. Initial audit
Waiting for planification

Audits & Certifications

Audit type	Certification	Valid until
Environmental	amfori BEPI	26/06/2021
Environmental	Environmental certification	25/06/2017
Environmental	Gots	01/02/2020
H&S	OHSAS18001	31/01/2022
H&S	Veterinarian approval reference	05/06/2021
Product	Fair Trade	01/01/2022
Product	Oefitex	30/11/2021
Product	Responsible Mohair Standard (RMS)	23/10/2021
Quality	ISO9001	26/06/2021
Quality	ISO/TS16949	26/06/2021
Social	amfori-BSCI	16/09/2021
Social	ICTI	23/06/2021
Social	SEDEX-SMETA	17/01/2019

THE ICS DATABASE : ROOM FOR CONSTANT DIALOGUE



Every user of the ICS database becomes part of daily notification network regarding mapping updates, audit results, media alerts, queries from auditors or brands, responses to these queries,

factory certifications uploads, corrective actions evidences, photos, comments and updates for a total of 475 122 notifications sent in 2022 to the 21 766 users by December 2022.



The notification number raise (+60% per year) reflects both the CSR scope extension, the increasing number of tools to conduct CSR due diligences and the growing number of ICS members.

475 122

Notifications sent by the ICS database

 **+60%**
per year

3.4 | ASSESSING SPECIFIC RISKS

When faced with a cyclical or potentially structural risk within their supply chain, retailers and brands always seek to respond in a manner that is both adequate and proportionate, to strike a balance that addresses the risk without causing undue harm to the economic stability of a specific factory or zone and unfairly impact the livelihoods of workers and their families.



COLLECTIVE THINKING : SPECIFIC RISKS WORKING GROUPS

The ICS has a structured mechanism in place to address new or worsening risks to human and environmental rights within the supply chain without immediately resorting to cutting off commercial relationships or exiting sourcing zones. The mechanism is a quickly organised working group that is set up upon the request of two or more ICS members to provide a platform to openly share information, insights and options related to the identified risk. In cases where additional expertise is required, such as insights from NGOs, diplomats, or consultants with relevant knowledge, these experts may be invited to provide insights and

analysis to inform decision-making. 8 of those were hold in 2022.

Those meeting are of utmost importance to ensure a responsible response to risks, the first intent being to preserve the local or national social and economic stability, and try to onboard all managers around the world in a continuous improvement CSR culture in place of a policy of sanction that would cut off the business partnership that leads to unemployment or a factory shift towards the domestic production market deprived of any CSR control.



2022 SPECIFIC RISKS

04/14	05/10
06/02	07/12
09/06	11/08
10/10	12/06

COLLECTIVE THINKING: AUDIT FIRMS RETEX

When confronted with a specific and technical legal change in a country or administrative zone or when there are increasing reports of likely non-compliant practices, the ICS takes a proactive approach to gather insights and expertise. This involves reaching out to its network of audit partners and regional offices.

Relying upon 12 audit partners, the ICS can consolidate their contributions and expertise – return of experience or RETEX – in order to adapt or explicit its standards and recommendations for specific situations, in a fast and appropriate manner to be shared to all ICS members.

12
audit
firms
validated

In 2022, 10 Retex requests were issued to ICS audit partners, on the below subjects :



- **France, Poland, Turkey** training fees refund to workers reaching the end of probationary period
- **China, Brazil, Turkey, India, France, Poland, Bangladesh, Portugal, Spain :** comparing buildings safety compliance requirements
- Fire alarms interconnectivity and fire alarms requiring manual activation
- Eyewash protection kits renewal frequency
- Apprenticeship contracts in **Brazil**
- Exit doors minimum height
- Minimum wage in **Sindh region in Pakistan**
- Auditors security in warzones
- Conducting Audits in **Myanmar**
- **France** : understanding the 2017-1386 regulation
- **Moroccan** minimum wage progressive rise compliancy

SEE FOR OURSELVES : THE ICS ON THE GROUND

To truly comprehend and address human and environmental rights violations, one must be physically **present on-site**, going beyond mere written analysis and statistics. While it's easy to state that fire alarms should encompass all areas of production sites, the real challenge lies, for example, in offering practical solutions to a farm manager who needs to comply with this requirement across extensive hectares of primary production fields.

That's why the ICS Team and members combined its third-party auditors on-site reports to its own on-field missions:

- ➔ **Internal auditors, CSR, buying and quality officers** provide on-site feedbacks regarding human and environmental rights compliancy either in an informal way during ICS meetings, or in a more structured way thanks to the Factory risk report updated in 2022 to be filled by any ICS member officer who's been onsite regardless to the purpose of its visit.
- ➔ Following the ICS Team on the ground policy enacted in 2013, **the ICS management** travelled to Brazil and Italy in 2022 to shadow audits production sites to assess both management and auditors practices. For each factory shadow audited, the ICS Team share its conclusions with the ICS members during a Plenary meeting and to the audit firms to request corrective actions if mistakes in ICS processes and methodology were observed.

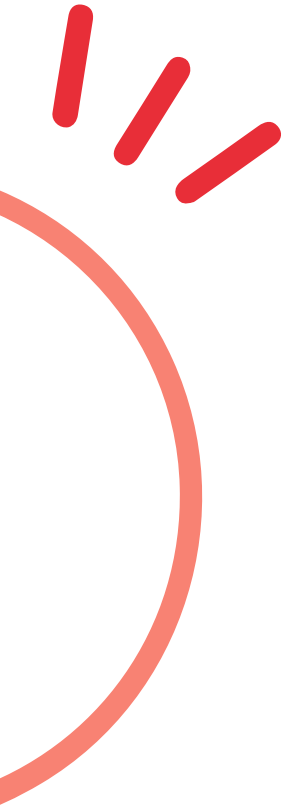


Part

4

CONTROL



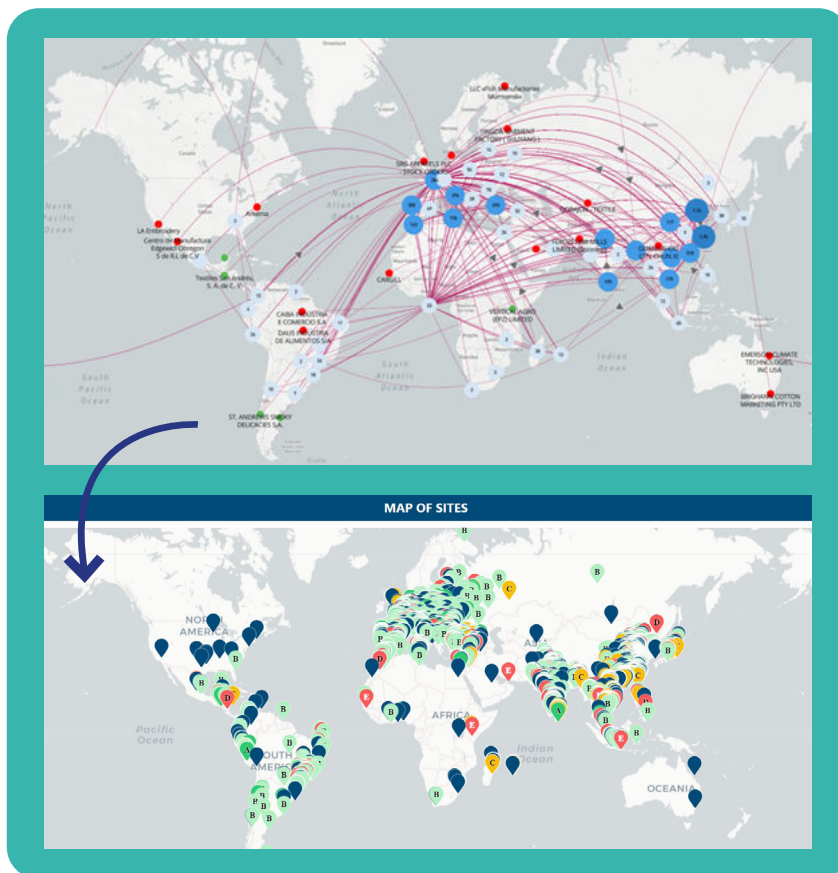


-
- [4.1. From supply chain mapping to supply chain assessment: audits](#)
 - [4.2. ICS audit methodology and updates 2022](#)
 - [4.3. Audits statistics 2022: consolidated volume data](#)
 - [4.4. Audits statistics 2022: consolidated results' data](#)
-

4.1 | FROM SUPPLY CHAIN MAPPING TO SUPPLY CHAIN ASSESSMENT: AUDITS

Throughout the process, from mapping production sites to assessing compliance, audits play a pivotal role. Auditing involves sending a trained individual to physically visit a factory. They use their own eyes to witness production processes' compliance and their own ears to listen to what workers have to say about their working conditions and their company's environmental practices. Auditors are more than just models,

reports, suspicions, or allegations; they represent the most reliable means of truly understanding what is happening within a factory. To have confidence in audit reports and their analyses, it is crucial to establish processes, methods, and safeguards that ensure the highest level of trust possible. In this section, we present the audit results and the methodologies from which they are derived.



Caption : From site mapping to risk mapping

In 2022, ICS habilitated audit partners amounted to 11 – we salute them here – including DNV and Act4Sustain trial period, offering the ICS the complete coverage capacity for of all its 70 sourcing countries.



ICS AUDIT METHODOLOGY AND STANDARDS ARE:



RIGOROUS

Why doesn't the ICS simply ask the audit firms to conduct their own standards and methods? Due to the 2017 Duty of Vigilance law requirements, first of their kind, and its 25 years long history, the ICS has gain the reputation of a stringent and specific initiative regarding method, content and framing regarding the UN, OECD and ILO guidelines, standards, recommendations and regulations, as well as regarding national and local ones.

HARMONISED

To ensure their understanding of social and environmental world standards is secured in a harmonised way across the globe, the ICS members continuously discuss, establish, and update their unique processes and standards that will ensure the same quality regardless of the selected audit firm as well as the audited industrial sector.

4.2 | ICS AUDIT METHODOLOGY AND UPDATES 2022

ICS standards are meticulously framed by methodological application processes and are subject to daily monitoring by the ICS team and its audit partners' management. This continuous oversight ensures that auditors worldwide adhere to the ICS requirements effectively, with attention paid to the feedback they provide. Among the significant ICS methodological requirements, which total around a hundred, are **the following principles that both ICS members and ICS audit partners are expected to follow:**



Audit campaigns are driven and ordered by ICS members and not by suppliers for the latter not to choose the audit firms and exert a pressure on the audit result.



The auditor visit date can not be announced to the factory for social audits

They are unannounced or semi-announced (the factory is provided a window period).



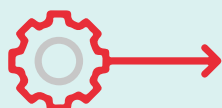
Suppliers and producers are not provided with the ICS standards details nor full audit report for them not to get familiar with the methodology de notation.



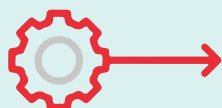
ICS is allowed by its audit partners to shadow audits of their auditors on-site and to conduct ICS standards trainings.



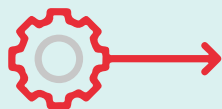
Regarding audit impartiality continuous securement and audit efficiency, the ICS members notably adopted the below measure in 2022 :



Updating the cap recommendation for an auditor to audit the same site several time, so as to guarantee a non-biased approach to the factory.



Granting access to ICS standards notation and questions level of criticality to ICS brands only, to protect the auditor from any pressure and to commit into a prioritized corrective action plans logic rather than just a sterile criticality assessment report.

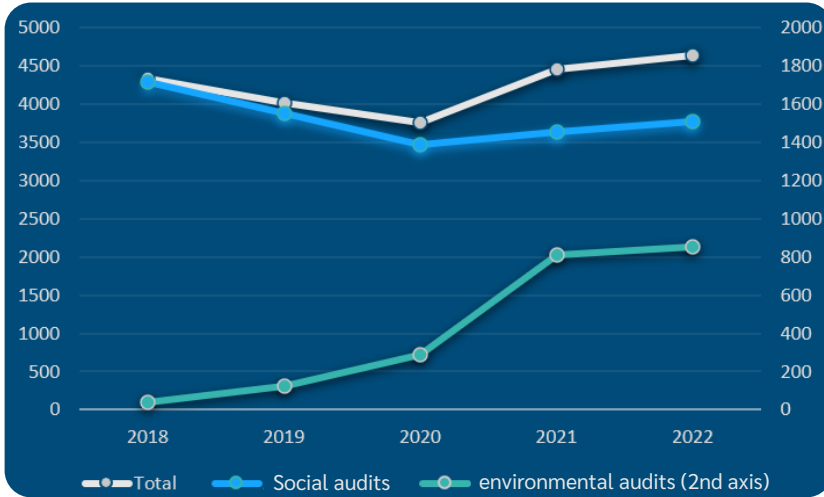


Granting auditors a specific access to the ICS database so they can access the audited factory's data on-site during the audit, for more efficiency.





4.3 | AUDITS STATISTICS 2022 : CONSOLIDATED VOLUME DATA



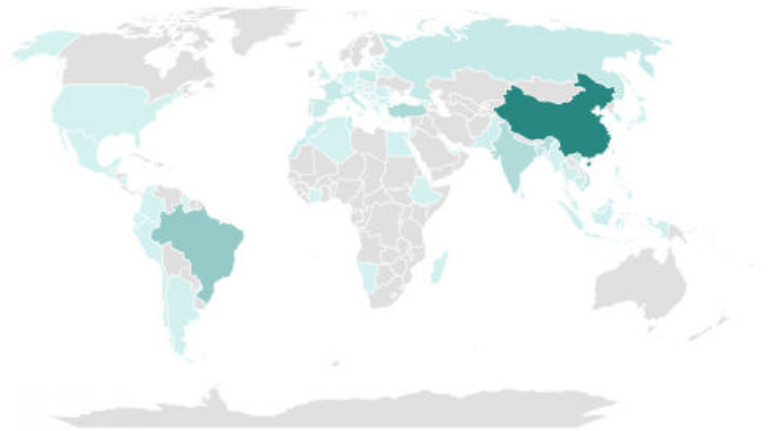
1 Annual growth in the volume of social and environmental audits combined

4,642 in 2022, an increase of 4%, confirming the recovery trend since the marked slowdown in 2020 (3,760 audits) due to the sanitary context, particularly in China, leading production country for ICS brands. The 5% growth in environmental audits should also be highlighted, which reaffirms their successful adoption by ICS members since their initiation in 2018.

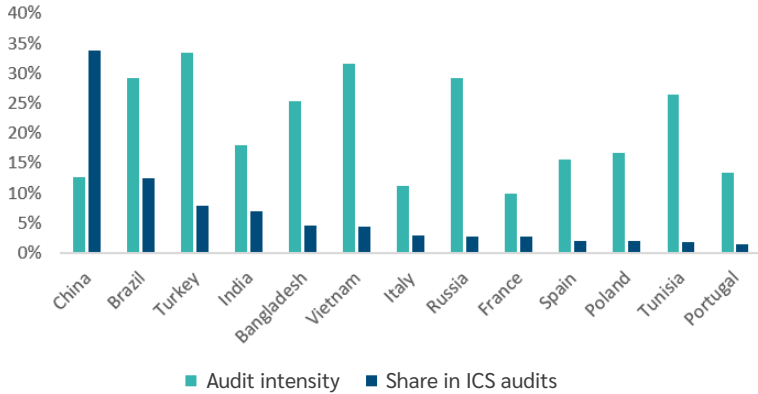
4 642 audits conducted → **+4%** compared to 2021

2 Social audit repartition per country

For the highest volumes, China remains the most audited country in 2022, followed by Brazil, Turkey, and India, as in 2021. Bangladesh, Vietnam, and Russia follow with a clear increase in audit volume, while Italy, France, Poland, and Portugal experience a slowdown. Spain, Tunisia, and Morocco maintain similar levels. Please note: these figures are not to be confused with the audit intensity per country, i.e., the number of audits in relation to the number of factories.



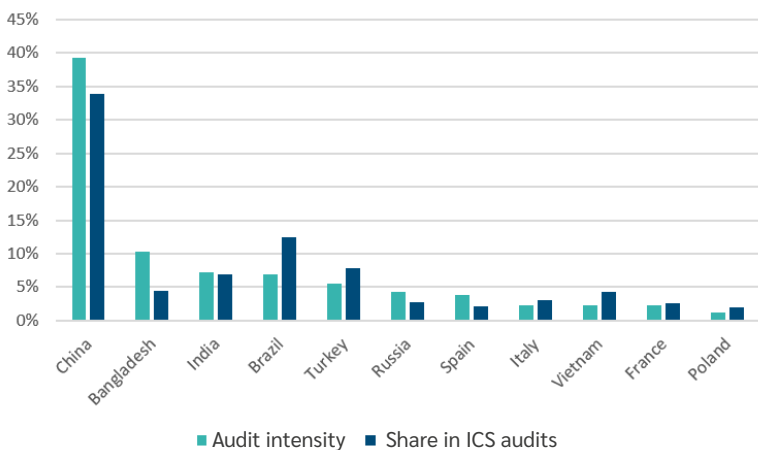
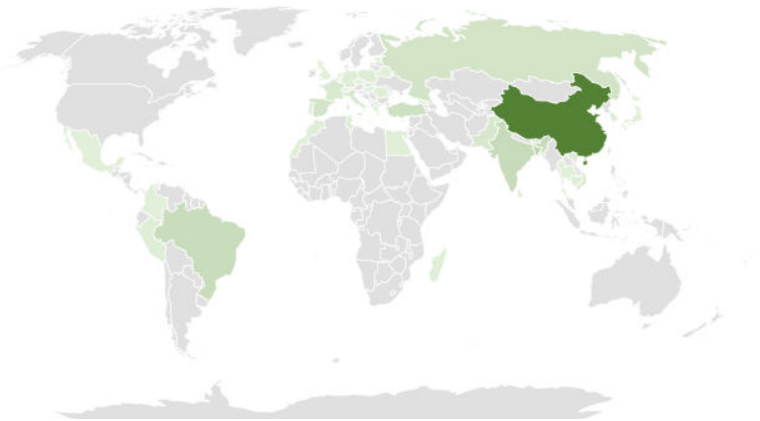
3 Intensity of social audits by country



Although China is the most audited country in absolute terms, this is only due to the volume effect. In relative terms, Turkey is the most ICS-audited country in relation to its number of listed production sites.

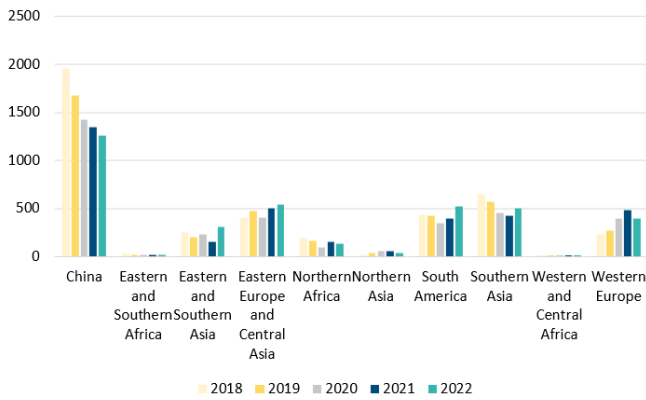
4 Environmental audit repartition per country

Once again, China remains the most audited country, followed by Bangladesh and India, whose volumes have more than doubled, while Brazil's has almost halved. Turkey and Russia come next, doubling, and tripling their volumes respectively, followed by Spain and Pakistan at relatively stable volumes, with Italy down sharply and Vietnam up to round off the top ten countries controlled, with France also seeing its audit volume severely shrinking. Please note: these figures are not to be confused with the audit intensity per country, i.e., the number of audits in relation to the number of factories.



5 Intensity of environmental audits

Unlike social audits, there is less disparity in the intensity and volume of audits. China is the most subject to ICS environmental audits in absolute and relative terms.

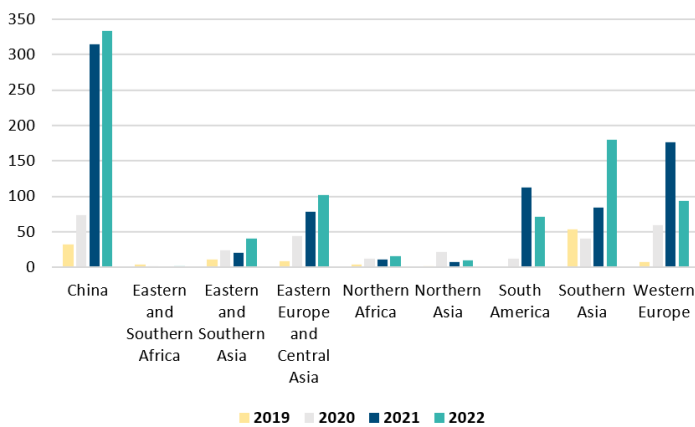
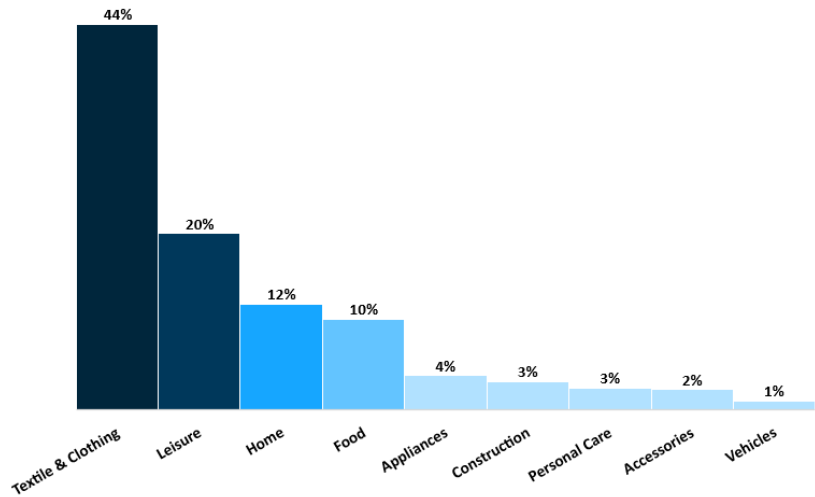


6 Zoom on the average growth rate in social audit volume by zone since 2019

The trend over the last four years, marked by the global health crisis, has seen a clear decline in audit volumes in China and South Asia, to the benefit of all the other regions of the world, particularly North and East Asia as well as Western Europe.

7 Distribution of social audits by sector

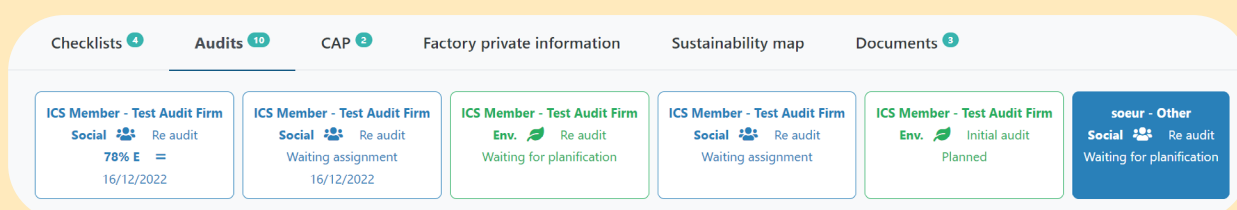
The textile sector is the most audited by the ICS, with more than twice as many audits as the second most audited sector, leisure. Next are housing and food sectors, in similar proportions, followed by electrical appliances, and construction.



8 Volume of environmental audits by zone since 2019

As in 2021, China will be the country with the highest number of audits in 2022, followed by South Asia, which will see its volume more than double, while the volume of audits in Western Europe has fallen by a similar proportion.

4.4 | AUDITS STATISTICS 2022: CONSOLIDATED RESULT'S DATA



The majority of the 2022 consolidated ICS audit findings pertain to initial audits, which evaluate the social and environmental compliance of production sites **that have not previously undergone an audit or been engaged in a corrective action plan by the ICS.**

It's important to note that these results do not serve as the primary indicator for assessing the ICS's sustainability performance. Instead, the indicators to assess the ICS's sustainability performance are presented in part 5 of this report, which focuses on follow-up audits and re-audits that provide insights into ongoing improvements and compliance within the supply chain.

The ICS dual notation audit system

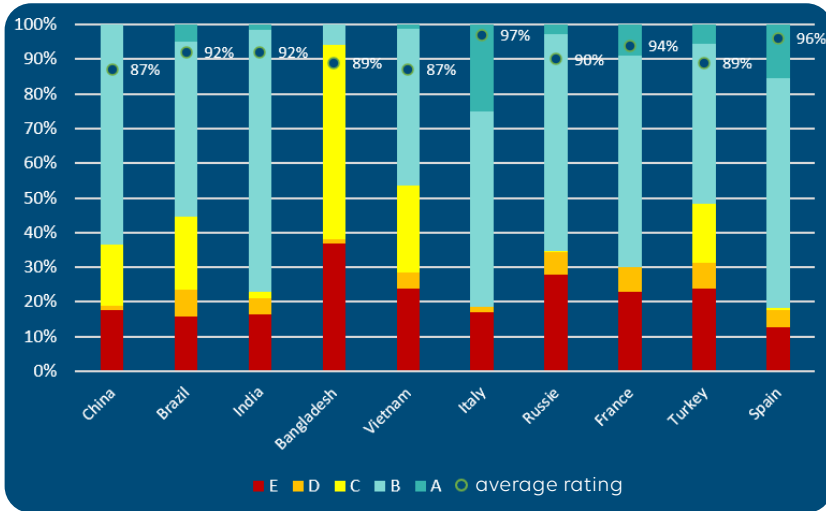


An ICS audit result is presented using a dual notation system consisting of a letter (A to E) and a corresponding percentage (ranging from 0% to 100%). The percentage reflects the overall degree of compliance observed at the audited site, with higher percentages indicating higher levels of compliance. The letter, on the other hand, signifies the level of criticality, taking into account the urgency and seriousness of identified non-compliances.

It's important to note that the rating system is more nuanced than a simple letter or percentage on its own. The letter and percentage values are interrelated, meaning that specific percentage levels may correspond to specific letters, and vice versa. This integrated approach allows for a quick assessment of either the percentage rating or the letter rating, providing a comprehensive understanding of the audit result.

- Anything that cannot be proven to be compliant is presumed to be non-compliant.
- An A-B rating means that the production site complies with the ICS standards.
- A C-D-E rating means that the production site is not compliant.
 - ↳ For the sake of rigour, the ICS does not recognised "C" rated sites as "partially compliant" for it is unsatisfactory to consider a right to be partially insured.

2022 SOCIAL AUDITS RESULTS

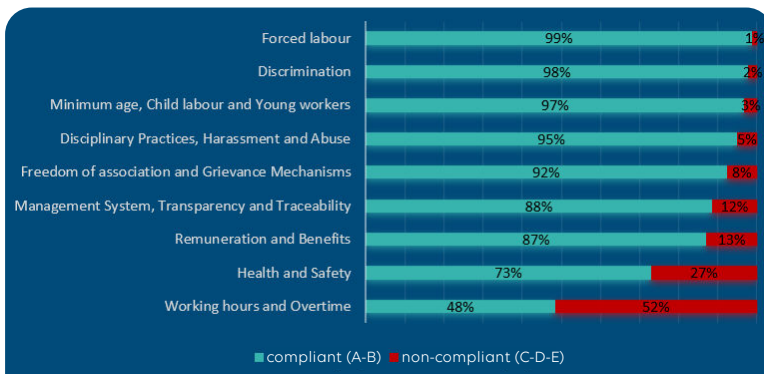
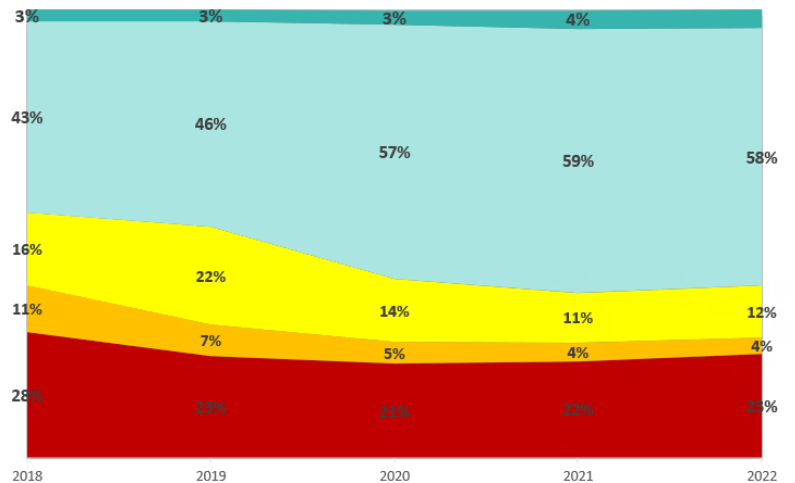


9 Social audit results for the 10 most audited countries in 2022

At the exception of Vietnam and Bangladesh, where half of the production sites audited were non-compliant, more than two-thirds of the sites audited were compliant on average. While all have high average percentages, indicating high average compliance, it is to be noted that a quarter of the production sites in the main countries audited reveal serious and urgent non-compliance (Letter rating) following which corrective action plans and follow-up audits will be required.

10 Evolution of social audit compliance, 2018-2022

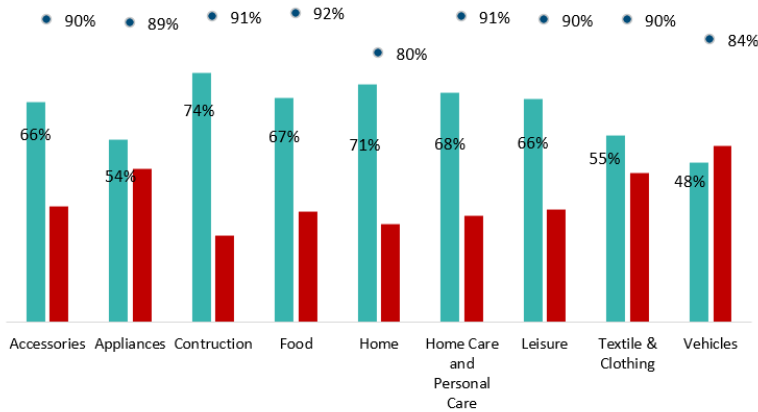
Between 2018 and 2022 there was an increase of 16 points in the number of factories complying to ICS' standard, a level that has stabilised around 62% over the last three years. The other way round, the number of non-compliant factories has reduced accordingly, particularly D and E ratings, by 7 and 5 points respectively.



11 Compliance rate by social chapter

The working time chapter is where most risks are detected (50% of cases), followed by health and safety (almost 25%), then remuneration and the management system in equal proportions, with just over 10% of non-conformities. For serious cases of child labour and forced labour, 3% and 1% of audits led to detecting such non-compliances.

12 Compliance rate by sector



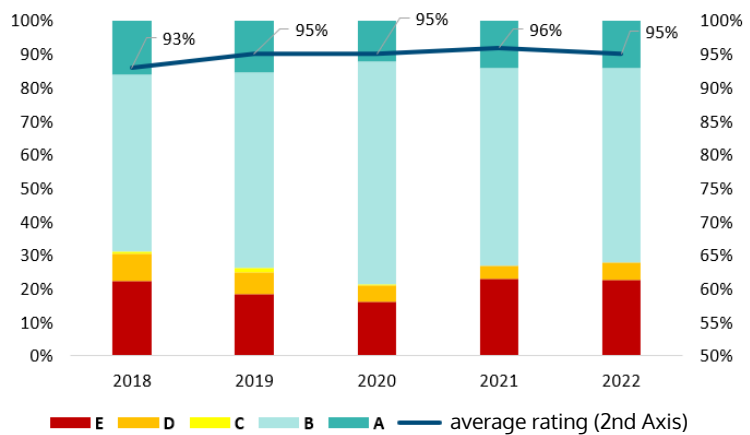
All 9 sectors audited against ICS' standard have an overall score of over 80%, and over 90% for 7 of them. However, an average of 63% of the sites were compliant in the end. This underlines the importance of assessing urgency and seriousness of non-compliances in ICS' rating: an audit may result a very high percentage but not be compliant due to a single critical negligence, which the production site will be asked to correct as quickly as possible.

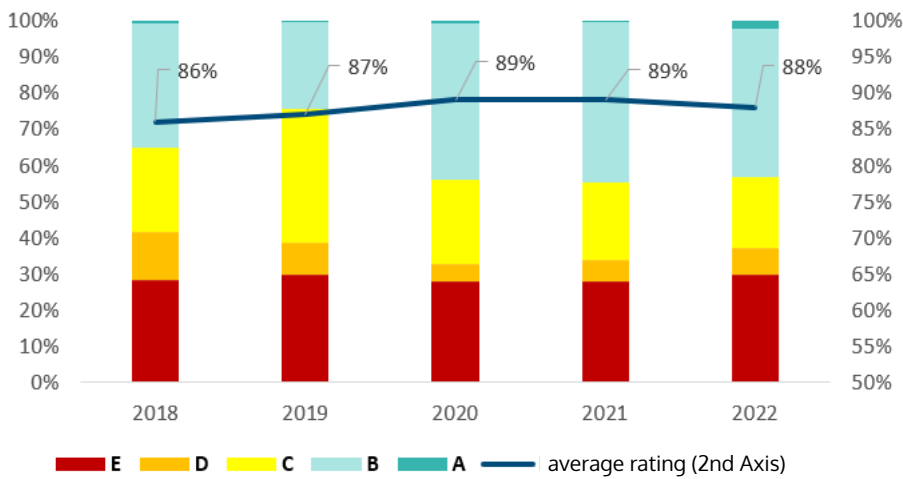


FOCUS SOCIAL AUDITS RESULTS IN COUNTRIES UNDERGOING INCREASING AUDIT DEMAND

13 Distribution of social audit ratings in Western Europe 2018-2022

The average score for social audits in Western Europe remains stable over the period at 95%. Compliance distribution remains unchanged compared to 2021, slightly higher than in 2019 and 2020.



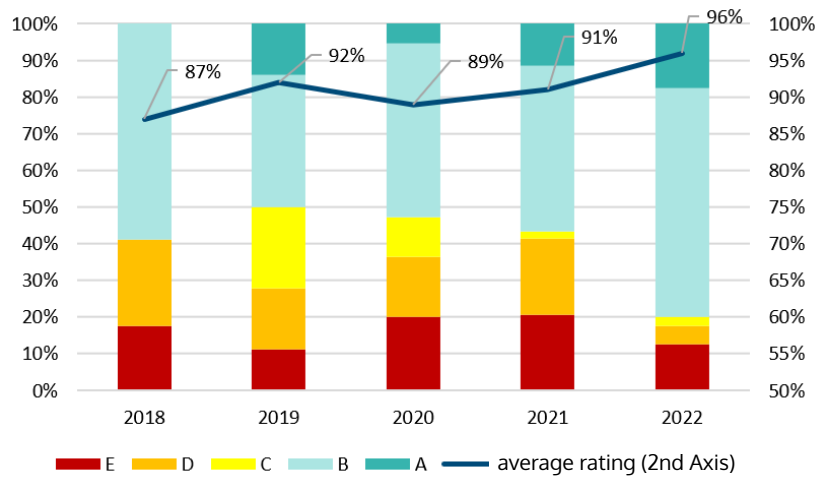


14 Distribution of social audit ratings in East and South Asia

The average audit score in East and South Asia fluctuates between 86% and 89%. Compliance levels have remained stable since 2020, a year which saw a clear reduction of 'C' level non-compliances, although the most severe level of non-compliance remained stable.

15 Distribution of social audit ratings in East and South Asia

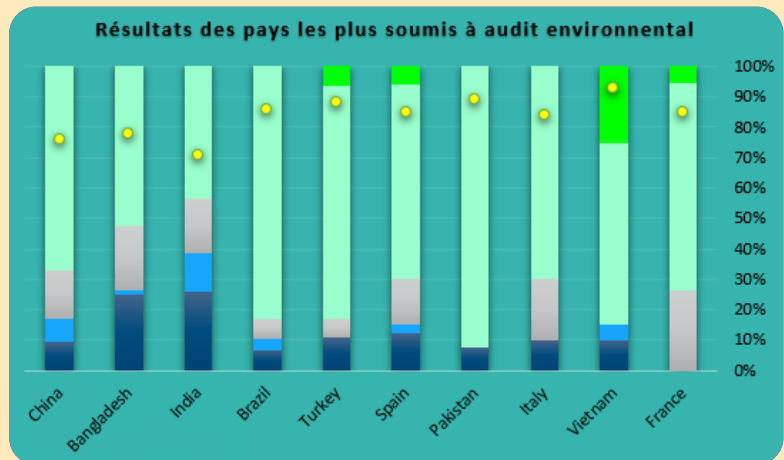
the average audit score in North Asia rose by almost 10 points over the period, from 87% to 96%. Compliance levels improved, with a significant drop in 'D' level non-compliances, and to a lesser extent in 'E' level non-compliances.



ENVIRONMENTAL AUDITS RESULTS 2022

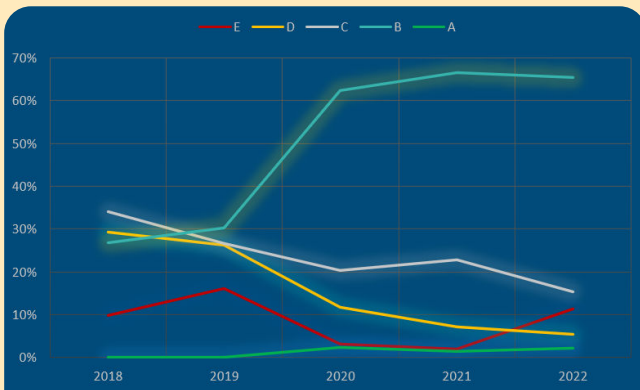
16 Environmental audit results for most audited countries

Factories audited in India and Bangladesh tend to have higher-than-average rates of critical non-compliances. Vietnam has the highest overall score and 'A' rating, and, along with Brazil, Turkey, and Pakistan, has a rate of compliant production sites of over 80%, with France and Italy at 73% and 70% respectively.



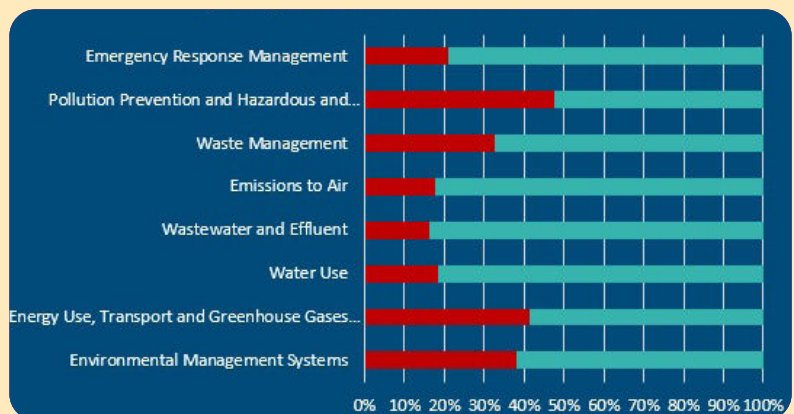
17 Environmental audit results for all audited countries, 2018-2022

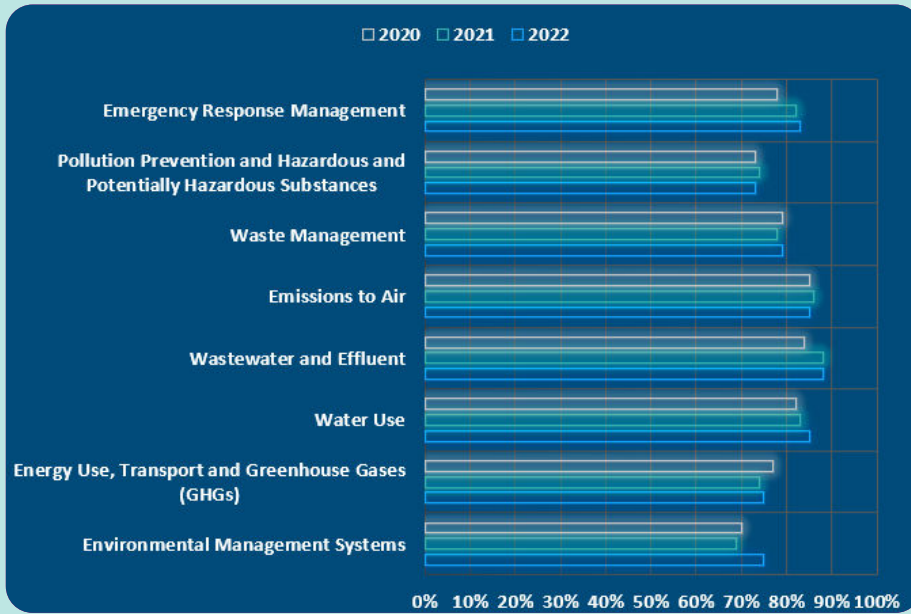
There was a marked improvement in the compliance of environmental audits between 2019 and 2020, which stabilised between 2020 and 2022, however with a slight drop in "A" grades and an increase in critical non-compliances in 2022. The improvement can be partly explained because production sites are becoming acculturated to environmental standards. In the other hand, 2020's release of ICS' environmental standards has toughened rating criteria, is a factor in explaining progresses deceleration since.



18 Distribution by chapter of environmental compliance in 2022, most audited countries

On average, one production site out of two complies with all assessed chapters, with compliance rates over 80% for water use, wastewater treatment and air emissions. The chapters assessing pollution prevention and hazardous products have highest rates of non-compliances, followed by energy use and greenhouse gas emissions, as well as the overall environmental management system.



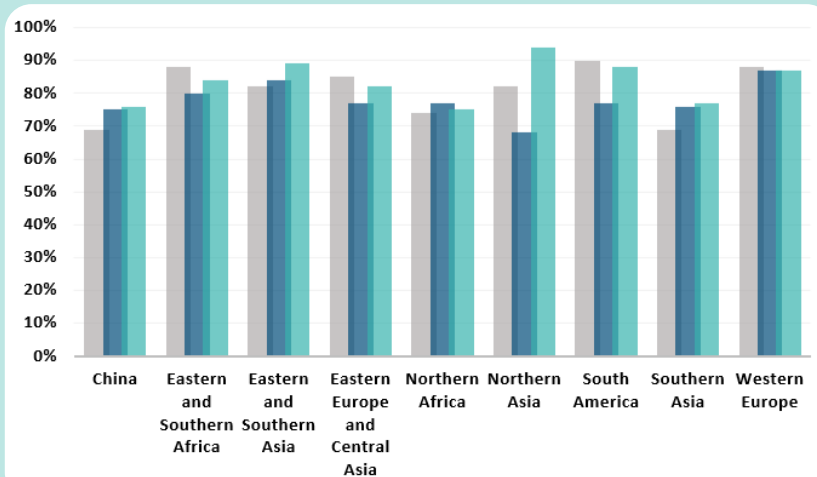


19 Distribution by chapter of the overall rating for environmental audits, 2020-2022

Sites audited in 2022 score better overall rates (not compliance) than previous years in terms of management of environmental systems, water use and crisis management situations. Wastewater management has stabilised compared to 2021, while the management of hazardous products and air emissions have declined slightly, returning to levels like 2021. It is important to note that not all the sites audited in year N are the same as those audited in year N-1.

20 Regional distribution of the overall rating for environmental audits

In 2022, North Asia had the highest average rating, surpassing Western Europe. This is followed by East and South Asia, South America, and Western Europe. China has the lowest average rating.



Part

5

CHANGE

|||||

The activities of uniting, assessing, and controlling, while integral to the ICS's operations, serve a greater purpose beyond themselves. If audits and assessment tools were merely undertaken for their own sake, the primary focus would be on legal risk management. However, that is not the sole mission of the ICS.

For ICS members, the true objective lies in what comes «after the audit.» This ultimate goal is to ensure that our global economy can fulfill our needs in a sustainable manner, while respecting the rights of both human beings and the environment.

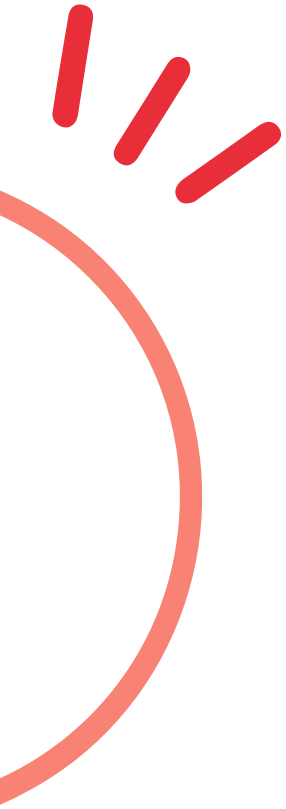
THREE TOOLS TO BRING ABOUT SUSTAINABILITY

Training: educating production sites' managers, auditors, and ICS members on international organization social and environmental standards.

Transforming: patiently instilling an understanding of human and environmental rights in production site managers, by conveying concepts and requirements raising awareness among all producers, whether or not their sites have been audited.

Complying: through corrective action plans, the ICS cornerstone to ensure audited factories change.





-
- 5.1. Training sustainability stakeholders
 - 5.2. Transform production cultures
 - 5.3. Conforming global supply chains
-

5.1 | TRAINING SUSTAINABILITY STAKEHOLDERS

TRAINING RETAILERS

ICS database trainings

The ICS database serves as a centralized platform that encompasses essential functions such as data collection, launching audit campaigns, reviewing audit reports, monitoring risks, consulting media alerts, and extracting consolidated statistics. Proficiency in utilizing this digital database and its associated tools is a fundamental requirement for the successful implementation of due diligence and duty of vigilance policies on a global scale. In 2022, the ICS conducted six trainings dedicated to data monitoring through the ICS database, reaching out to more +700 CSR and buying officers using the ICS digital tools on a daily basis.



The stakeholder training catalogue

The ICS takes a proactive approach by sharing pertinent training materials from international organizations. This sharing ensures that ICS members and factories have access to continuous and in-depth knowledge about social and environmental standards. Given that these standards are numerous, continually evolving, complex, and often specific to individual countries, maintaining an up-to-date catalog of ongoing and ad-hoc training courses is essential. In 2022, the ICS shared the following training opportunities with its members :



- **OECD's e-learning Academy on Responsible Business Conduct**

 - OECD Due diligence in agricultural and maritime supply chains
 - OECD Due diligence in textile supply chains
 - OCDE Due diligence in electronic supply chains
- **ILO-International Training Center for labor conditions**

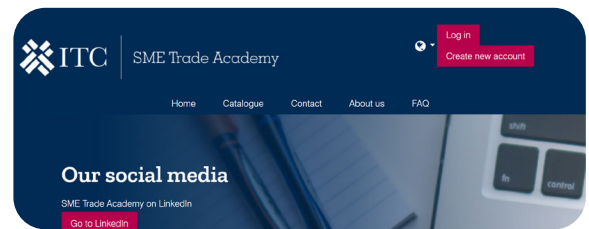
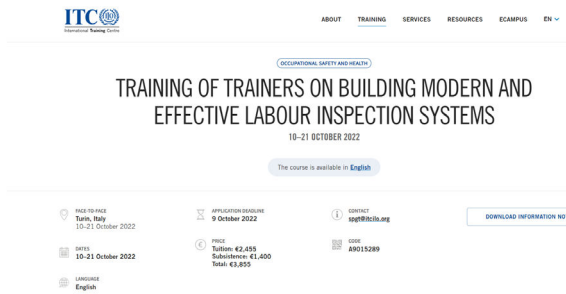
 - The e-learning course on Labour inspection (*May 9th – June 1st, 2022*)
 - Training of trainers on building inspections systems (*October 10th to 21st, 2022*)
 - Webinair on ILO Global Business network on forced labour (*2020/03/12*)
- **The International Trade Centre (UN-ITC), such as :**

 - Introduction to the international cocoa industry (*2022/02/28*)
 - Respecting standards in the food industry (*2022/02/28*)
 - Introduction to CSR (*2022/03/21*)
 - Introduction to Standards and sustainability (*2022/04/18*)
 - Becoming a climate-resilient SME (*2022/04/25*)
 - Standards and technical requirements in the leather industry (*2022/04/25*)
 - Measuring and monitoring social impact (*2022/05/16*)
 - Business competitiveness through sustainability (*2022/05/23*)
- **The UN Food and Agriculture Organisation (FAO)**

 - Communicate effectively to eliminate Child labour in agriculture (*September 14th, 2021*)
 - Transparency and Forest in the context of the Paris Agreement (*November 2021*)
 - Introduction to the links between water and forests (*August 2021*)
 - SDO 15.1.1 and 15.2.1 (*December 2018*)
 - Introduction to Child labour in agriculture (*July 2017*)



The ICS takes a comprehensive approach by **combining international standards and methodological training with the efforts of its working groups**, which are tasked with translating regulations into practical assessment tools. This integrated approach plays a vital role in continuously improving the skills of ICS CSR officers, whether they are newcomers to the field or experienced professionals adapting to the evolving landscape of CSR regulations and practices worldwide.



TRAINING AUDITORS

Along with CSR officers, auditors rank among most important actors for world compliance and sustainability. The ICS contributions to their continuous skill improvement works as follows :

ICS Standards and database trainings



Fast, fluid and efficient audit campaigns securement first require ensuring the audit teams' ICS's standards and database tools mastery, be it planning and reviewer teams or auditors themselves. All the more in sight of ICS standards stringency and super-processed methodology. In 2022, the ICS conducted **four international trainings**, among them three were both onsite and online, from Sao Paulo (Brazil, March 11th), Paris (France, at ICS member Monoprix' on August 8th) and Turino (Italy, hosted by ILO-ITC on November 29th) and one online for worldwide auditors on June 16th. The ICS hereby thanks its partners for their contributions and support.

Training on International Standards

The ICS make sure to forward to its +1500 registered auditors the relevant international organisations trainings.



FREE INTERNATIONAL LABOUR STANDARDS
Responsible Business – Meeting labour standards in global supply chains
 English, Spanish, Portuguese



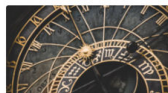
INTERNATIONAL LABOUR STANDARDS
E-learning on sustaining the elimination of child labour
 11-29 JULY 2022
 Online, English



INTERNATIONAL LABOUR STANDARDS
Inspection of labour conditions on board fishing vessels
 3 OCTOBER-4 NOVEMBER 2022
 Online, English



INTERNATIONAL LABOUR STANDARDS
International Labour Standards and Corporate Social Responsibility: The labour dimension of human rights due diligence
 17 OCTOBER-11 NOVEMBER 2022



FREE INTERNATIONAL LABOUR STANDARDS
Working times and teleworking
 Online, English



FREE SOCIAL DIALOGUE
The 2030 Agenda, Decent Work and Social Dialogue
 English



SOCIAL DIALOGUE
E-Academy on Social Dialogue and Industrial Relations
 7 NOVEMBER-9 DECEMBER 2022
 Online, English, French



LABOUR INSPECTION
The role of labour inspection in ensuring compliance with fundamental principles and rights at work



SOCIAL DIALOGUE
Certification Course on Conciliation/Mediation of Labour Disputes
 24 OCTOBER-18 NOVEMBER 2022



Auditors' specific training on purpose and onsite best practices: the ITC, ILO-ITC and ICS teams met in Turin, Italy, on November 30th to discuss about a new training dedicated to auditors, in order to address the decisive issue of social and environmental audits future in sight of rising demand but constrained capacities, calling for an enhanced attention to the purpose and attractiveness of the auditor's job in insuring UN, OECD and ILO guidelines and Conventions efficiency on the ground.

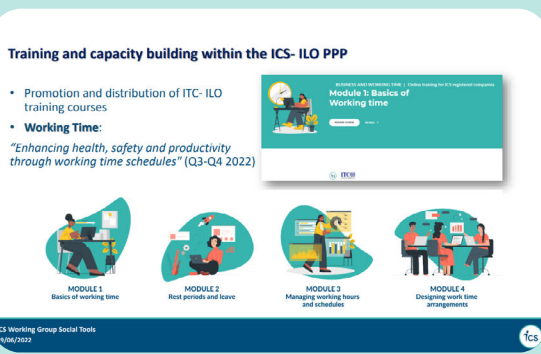
TRAINING PRODUCERS

In line with its commitment to comprehensive stakeholder coverage, the ICS takes an active role in forwarding or collaborating on relevant training programs for production site managers. These programs address both general compliance issues and specific topics outlined in ICS chapters, particularly those related to specific regions or issues identified through consolidated audit results. Here are a few examples of the ICS's involvement in training initiatives :



For example, the ICS forwarded to all its relevant production sites network the Septembre 26th ILO-ITC training on Companies and Decent work in Africa.

The ICS also contributed to the Madagascar Better Work Training program (ILO/World Bank initiative) providing its aggregated audit results so as to target the highest and recursive social risks to be addressed in the country working on the project from May to July 2022 up to the presentation at the Madagascar Better Work Forum on November 10th.



As excessive working hours and overtime is the main recursive social non-compliance in the world supply chain, the ICS and the ILO-ITC co-built a training directly addressed to the relevant factories thanks to ICS data.

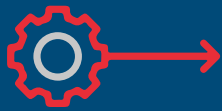
Four modules were displayed, regarding the foundation of working hours regulation, working hours compliance, scheduling management and collective bargaining on working hours. From October 2022 to March 2023, a total of

683 factory managers registered for these training programs. Out of those, 365 participated in the opening and follow-up webinars. The training is still ongoing.

5.2 | TRANSFORM PRODUCTION CULTURES

Initiate, strenghten and share the sustainability culture

Within the ICS framework, prioritized and targeted audit campaigns are complemented by a gradual and middle-run acculturation to Human and Environmental rights. To foster to this cultural change, the ICS employs a range of tools bridging the gap training and control.



Once a production site is integrated into the ICS database, its management receives an invitation to complete its **Factory Profile**. This profile includes a total of 81 questions related to compliance, serving as an initial step to raise awareness about human and environmental rights. Additionally, the site is provided with :

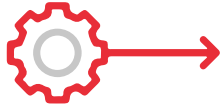
- A social handbook - see [Documentation - ICS ASSO \(ics-asso.org\)](#)
- An environmental handbook
- Thematic memos and focuses

In 2022, those tools were provided to **13 143 production sites for a total of 23 193 ICS notifications including inciting reminders.**



Also, the ICS piloted and launched a **environmental checklist** not only to increase environmental data collection beside environmental audits, but also to offer factories managers to evaluate their **environmental maturity and performance** so as to raise awareness on best practices and corrective actions to expect.





Lastly, the ICS Team, in collaboration with its audit partners, maintains a continuous assessment of the effectiveness of its standards and methods. This involves monitoring closely audit reports and results on a daily basis. The aim is to identify any discrepancies or inconsistencies in ratings over time, both within a specific audit firm's reports and between different audit firms. When errors or discrepancies are identified in the ICS process, the ICS team and audit managers engage in discussions and implement appropriate corrective measures.

In 2022, a total of 236 audit contradictory procedures were initiated, each followed by corrective actions to ensure the accuracy and reliability of the audit process.



WHY DO AUDITORS NEED TO BE MONITORED ?



As any profession, auditors themselves are under continuous monitoring by their management, supported by the ICS Team regarding the ICS standards and processes. Auditors are thus audited, either by audit firm internal teams or by the ICS directly, leading to investigations and counter-audits when necessary, followed by the necessary corrective measures.

To this end, the ICS hold a specific and reliable position to support audit firms in their continuous improvement processes: partnering with 12 audit firms conducting the same ICS standards in more than 70 countries, the ICS has the view to identify and question discrepancies.

5.3 | CONFORMING GLOBAL SUPPLY CHAIN: ICS RE-AUDIT RESULTS

Corrective action plans

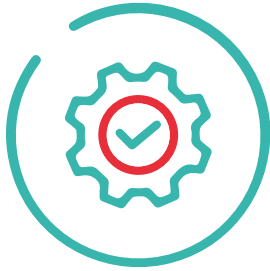
To assess the ICS's performance, one needs to underline the ICS's strong understanding of compliance and sustainability: IICS member's work isn't about solely controlling a supplier or producer risk level to include or exclude it from its supply chain. Much further, and following international recommendations, the ICS's members duty is to onboard suppliers and producers on a lasting compliance process, that is to onboard them on to the sustainable economy journey.

To do so, the ICS unfolds a master tool: **Corrective action plans, set up at the audit's end.**



After the audit, comes the CAP

Following up to several intense days, the audit process typically concludes with a significant and formal event known as the «closing meeting.» It brings the factory management and the workers representatives around the table, to present overall conclusions and list the non-compliant items and best practices. Non-compliant items will be reviewed by the audit firm reviewing team before being sent to the ICS member. The ICS member will in turn then monitor the Corrective Action Plan and set the corrective actions target dates according to their criticality. Through the ICS database, the factory management will be requested to upload compliance evidence (pictures, certificates, licences, detailed explanations) to be further assessed by a follow-up audit or re-audit.



Initial audit: what comes next?

An initial audit refers to the first ICS audit ever conducted in a production site. If the results are non-compliant (grades C, D or E) the audited factory will have to conduct a Corrective action plan and will be submitted, upon the ICS member's requests, to **a follow-up audit within the next 6 months to assess all the evidences provided are real** and that initially compliant items haven't become non-compliant in the meantime.

If the initially audited site is compliant (A or B), The ICS member is thus recommended to reaudit it within a two year period.

8 Health and Safety

D 8.30 Are emergency exit paths designated with visible path markings ?

Description of Non compliance It was noted that aisle marking is not marked in Dining hall and Spray Painting section located at Second Floor of Building-1 in which 04 workers are working and total area will be 1500 square feet Local law: In accordance with Factories Act 1948, Chapter IV, Section 38 (1), in every factory all practicable measures shall be taken to prevent out break of fire and its spread both internally and externally and to provide and maintain – (a) safe means of escape in all persons in the event of a fire and (b) the necessary equipment and facilities for extinguishing fire. (2) Effective measures shall be taken to ensure that in every factory, all the employees are familiar with means of escape in case of fire and have been adequately trained in the routine to be followed in such case.

It is recommended the factory to mark aisle marking at Dining hall and Spray Painting section for workers easy identification

Target date: 22/07/2019

Status: Verified by ICS member

yellow marking_1.jpeg
yellow marking_1.jpeg

Dear Bruno, could you please upload a file for the Dining hall ? thank you

Yellow line seems properly marked, ensure it remains unblocked to be used in case of emergency.

We will mark it for workers easy identification

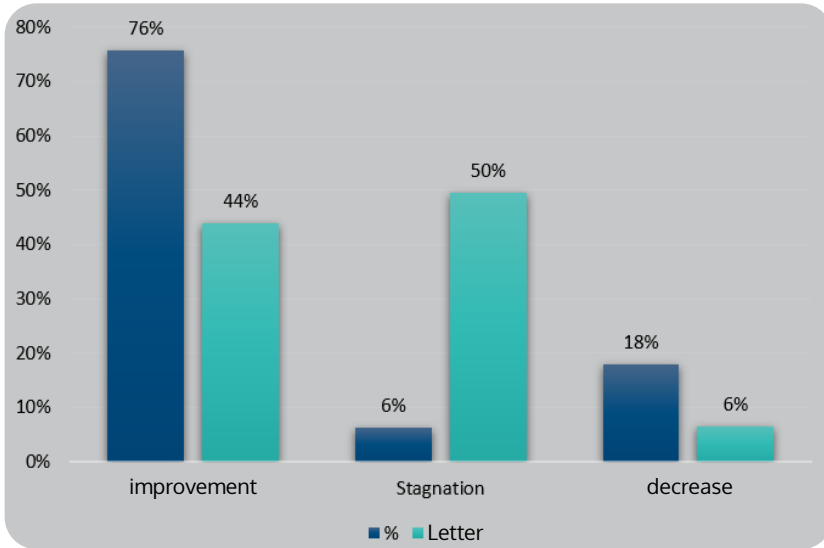
Dear Bruno-please share the evidences for finding closure.

The file yellow marking_1.jpeg has been uploaded.

Factory city	Retailer	Category	Visit date	Overall rating	CAP initialization date	Last CAP target date	Nb corrected	Nb to verify	Progress
New Delhi		Social	14/06/19	B 97%	30/06/19	17/06/19	4 / 4	0 / 4	100 %
FUDHOU		Social	31/07/19	D 84%	05/08/19	30/10/19	8 / 8	0 / 8	100 %
YUYAO		Social	27/05/19	B 85%	03/06/19	27/06/19	11 / 11	0 / 11	100 %
Shenzhen		Social	26/05/19	C 92%	07/06/19	26/11/19	6 / 6	0 / 6	100 %
Dongguan		Social	23/05/19	B 96%	03/07/19	30/06/19	1 / 1	0 / 1	100 %
Kai Hu		Social	24/05/19	C 93%	07/06/19	31/10/19	4 / 4	0 / 4	100 %

This ICS is then able to assess its performance: regarding social compliance between 2019 and 2022, 76% of re-audited production sites had improved their overall compliance rate. Over the same period and regarding the environmental compliance, 89% of re-audited factories had improved their overall compliance rate. Strictly speaking, the share of compliant factories regarding ICS social and environmental standards were 10 points and 14 points higher for re-audited factories than for initially audited factories, demonstrating the ICS corrective action plans efficiency.

SOCIAL

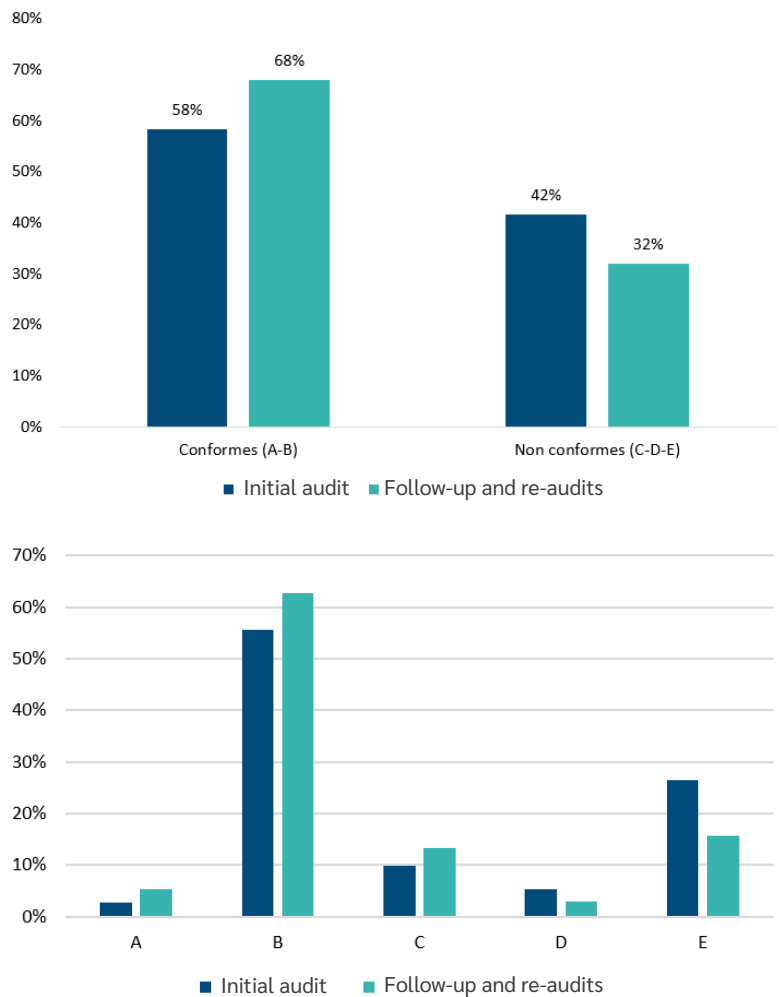


21 Distribution of compliance trends for production sites subject to an environmental re-audit or follow-up audit in 2022

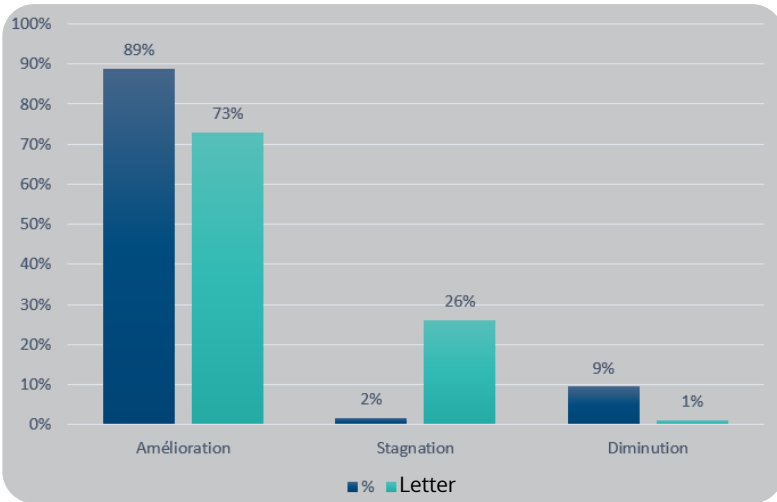
76% of the production sites re-audited have improved their audit % rating, while 44% have improved their letter grade, which determines conformity (A-B) or non-conformity (C-D-E).

22&23 Distribution of compliance of follow-up audits compared to initial audits (social) 2020-2022

68% of production sites audited a second time or more (follow-up audit or re-audit) comply with ICS social standards, which compares to 58% of the production sites audited for the first time. A and B ratings are each at higher levels, while the C rating is slightly higher, to the benefit of a drop in the D and E ratings.

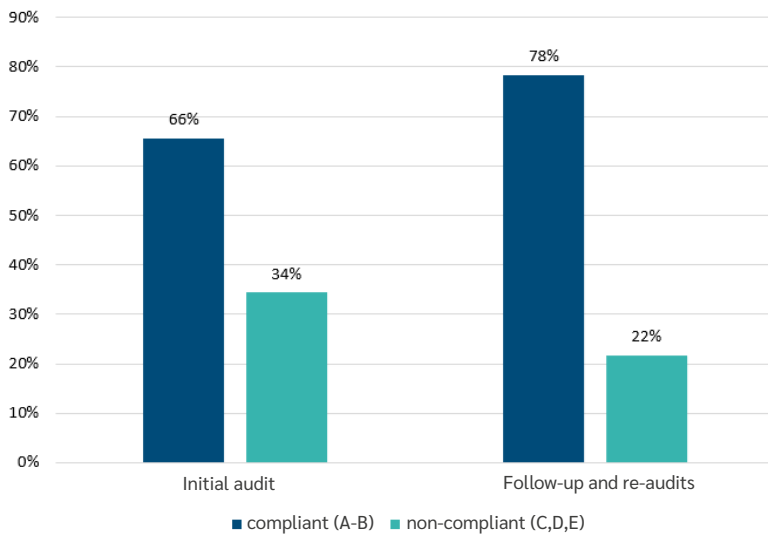


ENVIRONMENTAL



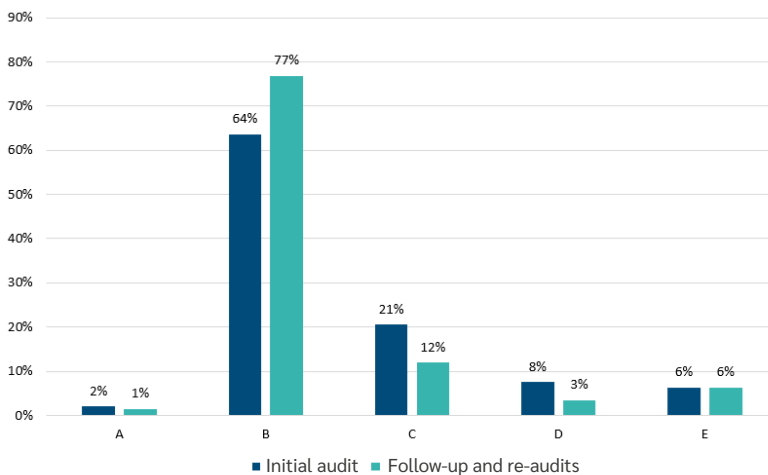
24 Distribution of compliance trends for production sites subject to an environmental re-audit or follow-up audit in 2022

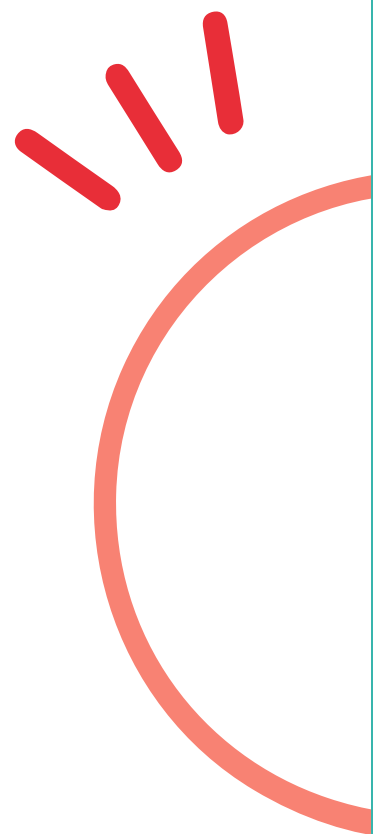
We can see that 89% of the production sites re-audited have improved their audit % rating, while 73% have improved their letter grade. Such levels are higher than those for social audits, which can be partly explained by environmental audits being conducted more recently.



25&26 Distribution of compliance of follow-up audits compared to initial audits (environmental), 2020-2022

78% of re-audited sites comply with ICS environmental standards, compared with 66% of sites audited for the first time. The B rating is 13 points higher, the C and D ratings are lower, and the E rating is the same.







WE EXPRESS OUR GRATITUDE TO

International organisations supporting us in implementing their standards, international and local initiatives informing or alerting us, stakeholders sharing their expertise or reaching out to ours, audit partners, their management, scheduling, reviewing and training teams and of course all their social and environmental auditors, our “eyes and ears” in the world supply chains. To all our members, who have made the ICS a world-known organisation for Human and Environmental rights.



For more information about the ICS
www.ics-asso.org

You want to start a partnership with the ICS
or start a membership process :
contact@ics-asso.org

Follow us on



[ICS \(Initiative for Compliance and Sustainability\)](#)