

STEERING COMMITTEE QUARTERLY FACE TO FACE MEETING - MINUTES

Date: Monday 25th & Tuesday 26th January, 2016

Time: 09.00 – 17:00 & 09.00 – 17:00

VENUE:

PVH

Stadhouderskade 2

1054 ES Amsterdam

Netherlands

ATTENDEES:

Chair: Philip Chamberlain, Jenny Holdcroft (afternoon of 26th)

Company signatories: Santiago Martinez-Lage Sobredo, Roger Hubert, Jochen Overmeyer, Aleix Gonzalez, Melanie Steiner, Edward Southall

Trade Union signatories: Christy Hoffman, Jenny Holdcroft, Christina Hajagos-Clausen,

Witness signatories: Scott Nova

Accord Executive Team: Rob Wayss, Brad Loewen

Accord staff: Tatiana Delany, Miriam Neale, Joris Oldenziel

Apologies: Roy Ramesh, Dan Rees, Alke Boessiger, Amirul Haque Amin

AGENDA ITEMS

1. Introductions

- The Chair welcomes those members present and thanks PVH for hosting the meeting.
- The SC send Dan Rees their best wishes and hope he gets well soon.
- The Chair welcomes three new representatives to the SC: Christina Hajagos-Clausen, Garment and Textile Director at IndustriALL; Ted Southall, currently Chief Human Resources Officer transitioning to Head of Global Sourcing at LC Waikiki; and Aleix Gonzalez, Head of Stakeholder Engagement for C&A Global.

1.1 Agree meeting agenda and any items of AOB:

Agenda agreed with following clarifications;

- There is no paper 2d as referred to in the agenda
- Melanie asks if the resource plan is on the agenda. Rob confirms that the resource plan proposal and budget was shared with the SC in November and will be covered under item 4. Human Resource Management & Operations.

2. Governance

2.1 Review last meeting agreed actions:

- No outstanding actions

2.2 Advisory Board (AB) Update:

Revised proposal on AB structure (paper 1)

Rob presented the second proposed revisions to the AB Terms of Reference (paper 1). These revisions reflect previous discussions at the June and October 2015 SC meetings

- Rob noted the revised wording on page 1, para. 2; “Where safety issues are identified, retailers shall require the factory to implement corrective actions and if the factory closes for renovations to maintain employment income for a period of no longer than 6 months.”
- Jenny commented that the revised proposal does not address the decision at the October 2015 SC meeting to open AB participation to a broader group instead of a representative structure. Jenny understood that the SC decision was to extend the invitation to all groups rather than individual named representatives. Rob asks if the language proposed on page 2 addresses this concern; “to create a broader forum to receive ideas, feedback... [AB] members may invite others from their respective company, union, or organization to attend and participate in AB meetings...” Jenny adds that there should be no reference to ‘members’ in the TORs, but instead to organisations. The SC agree to remove reference to members in the TORs.
- The SC agree to keep the AB composition in section 3 in the draft TORs, but remove the numbers and details of each organisation.
- Roger shared some feedback from H&Ms sustainability manager who attended the recent Accord AB meeting. The meetings could be more valuable if there was further discussion and consultation rather than an Accord update based on publicly available information.
- Jochen asked for clarification on the wording of ‘Factory level labour management safety committees’ and requested that this be changed to ‘Occupational Safety and Health Committees’ (OSCHs). Rob clarifies that there was a discussion at the last AB meeting on the Accord terminology of ‘OSHCs’ and it was agreed to use the same wording in the BLA rules and/or the Labour Law of ‘safety committees’.
- The SC agree to change the wording from ‘100’ to ‘200’ on page 1, para 3; “The Accord is a legally binding agreement. It has been signed by over 200 apparel corporations”.

Actions:

- **Secretariat to amend the language in AB TORs to reflect above agreed changes.**

3. Management Reporting (Executive Office pt. 1)

3.1 Review last meeting agreed actions:

- No outstanding actions

3.2 Inspection & Remediation:

Analysis on the Factory Designation Review (FDR) process & company remediation performance (presentation)

Miriam presents analysis on the FDR process and receives questions throughout the presentation:

- Ted asked if factories will ever get to CAP completion given the number of new findings identified in follow-up inspections and therefore whether the designation ‘CAP

completed' is valuable. The SC discuss the factory designations 'initial CAP completed' vs 'CAP completed' and request that for the purposes of assessing company performance only data from the initial CAP is considered at this stage.

- Roger noted that it is difficult to assess the status of 'in progress' CAP issues because some items may have started and others not at all. A status breakdown of 'in progress' issues would be hard to obtain and would require frequent incremental updates from factories and brands.
- Roger asked if it would be more valuable for the Secretariat to shift the focus of FDRs from the largest companies given that they are performing above the Accord average for CAP progress at this time. The SC agree to this approach. Scott Nova notes that just because companies are above the average does not mean that progress is good considering that the Accord is nearly three years into the program and the Accord average CAP progress is 50%.
- Scott raised a concern that if the original CAP deadlines are extended and the CAP designation becomes 'on track' this creates a false impression that the factory has improved their remediation. The SC discuss the possibility of adding another column in the CAPs to show the original timeline and extended timeline. The Secretariat clarify that the original timeline is already in the CAPs, see column 'Accord timeline'. Roger added that if the Accord included a column in the CAP for original timeline, this would require assessment of how meaningful the initial timelines were, which could be debated endlessly. The Secretariat will investigate mechanisms to publicly distinguish remediation progress of initial findings and remediation progress of new findings.
- Christina asked if the factory designation 'behind schedule' is a trigger for escalation. Jenny commented that triggers for escalation would be affected if timeline extensions are given and this could undermine the escalation procedure, however the escalation triggers are still to be discussed and agreed on.
- Philip asked if it is easy to distinguish between a legitimate and a non-legitimate request for a timeline extension. Brad notes that the Accord will extend timelines, but they are carefully considered. Melanie commented that you can only judge the legitimacy of timeline extension by knowing the specific narrative.
- Brad explained that if a finding which is verified by the Accord as completed is then found to have become hazardous again on a subsequent follow-up inspection, the Accord will mark this as a new finding rather than reversing the progress status for that issue back to 'in progress' in the CAP.
- Philip thanks Miriam for the presentation

Actions:

- **Secretariat to circulate presentation on the FDR process to the SC**

Proposals from remediation WG; operating procedure for implementing Art. 21 escalation protocol, lead brand guidance, proposal for assessing company performance (papers 2a,b,c):

Paper 2a: draft operating procedure for implementing Article 21 escalation protocol:

- Brad explained that the working group on remediation has met four times since the October 2015 SC meeting and paper 2a is the result of their discussions. He summarised the 3 stages of the escalation protocol: stage 1 initial notification of non-compliance; stage 2 notice and warning letter from company signatories; and stage 3 termination of business by company signatories. This draft paper sets out the triggers for each stage of the escalation protocol.
- Brad explained the proposal that any item which is behind schedule in a CAP is a trigger for a stage 1 warning letter. In the past, stage 1 warning letters were only sent if un-remediated immediate findings were identified in the follow-up inspection. The proposal would mean warning letters would be issued from almost all follow-up inspections. He explained that issuing the warning letter has a good effect on factories and they step up their remediation efforts. Brad raised one potential problem with the stage 1 warning letters, which is that the Accord has heard from factories that Accord companies are cancelling orders when they receive the initial non-compliance letter. The Accord has drafted a letter to company signatories to state that companies should not cancel orders at stage 1 or 2 of the escalation process. The SC raised a concern that such an increase in the number of stage 1 warning letters would reduce their impact. Melanie noted that this would also have resource implications on the Accord to monitor this number of escalation cases.
- Brad summarised current escalation data: stage 1, approx. 250 factories, stage 2, 44 factories, stage 3, 11 factories
- Brad described the impact of timeline extensions; either the factory would not get to escalation if the Accord had already agreed a longer timeline, or the Accord may give a longer timeline during discussions prompted by initial escalation. Brad noted that no timeline extensions are given for immediate findings.
- Ted asked what the definition of an 'immediate finding' was. Brad clarified that these are the findings in CAPs where the Accord timeline states 'immediate'.
- Brad refers the SC to the comments on page 2 in the document: the WG requested clarification on what a factory has to do to get out of escalation. Brad explained that

if the factory has met the reasons for the warning letter being issued through either a timeline extension or remediating the issue then the factory would be removed from the escalation process. Factories would move to stage 2 if they do not address any one of the specific issues within the agreed timelines. Timelines are agreed when the factory responds to the stage 1 letter. If the timelines agreed to in stage 1 are short, then the Accord would check these in 30 days. Brad explained that if there are multiple items in the stage 1 warning letter, then any one measure not met would mean escalation to stage 2. Jenny requested consistency in the process for a factory to get out of escalation i.e. whatever trigger sent the factory to escalation is what gets the factory out of escalation.

- Scott asked if the stage 1 warning letter details the remedial actions as per the CAP or does it also specify interim actions. Brad explained that some items will require interim actions and this is explained in the letter.
- Scott explained that the working group on remediation also discussed numerical triggers for escalation in addition to ongoing discretion by the CSI e.g. if the initial inspection was conducted more than twelve months ago and more than X% of items are still marked as in progress this would trigger escalation to stage 1 even without a follow-up inspection. This would not be a substitute for triggers already being used. Roger supported a proposal which uses KPIs and suggested that the SC also consider sending a stage 1 warning letter to all factories with 0% progress.
- Ted asked if the SC or the working group on remediation should be involved in deciding if a factory goes to stage 3 escalation. The SC agree that this could be a conflict of interest for the brand SC reps, however the SC should be informed of any factories escalated to stage 3.
- The SC agree to minor amendments to Paper 2a;
 - Page 4: remove 'requests for assurances'
 - Page 5: 'should' have sufficient decision making power (remove 'must')
 - Page 4, section 2.3: Decision to escalate to stage 3: CSI to propose amended language to clarify that if no response is received *or* lack of cooperation then the factory is escalated to stage 3
 - Add caveat to operating procedure that the CSI may decide not to escalate a factory to stage 3.

Actions:

- **Brad to propose stage 1 quantitative trigger (KPI) for escalation based on a combination of time and progress to the SC by tomorrow afternoon. Noting the CSI has ultimate discretion in every escalation case and that this proposal would be for an additional mechanism to the current escalation criteria.**
- **Secretariat to send a memo to the SC for each stage 3 escalation case outlining the reasons for escalation.**
- **Secretariat to amend draft operating procedure with above agreed edits.**
- **Jochen to propose criteria for how the Accord might re-integrate factories in the Accord after a stage 3 termination.**

Paper 2b: Lead Brand guidance:

- Jenny suggested that the Secretariat update the lead brand guidance to reflect decisions in the draft escalations operating procedure and then submit to the working group for remediation for review. Brad responded that the current version of the guide does not have anything that needs amending in light of change to the escalations procedure. The SC agreed that it would be good to re-issue the lead brand guidance to the brands caucus in the caucus meeting this week.
- Rob asked for support from the SC that the Accord assignment of lead brand is final. He explained that Miriam works closely with brands to accept lead brand changes and their recommendations. Miriam explained how the Secretariat re-allocates inactive lead brands to active lead brands (if there are any in the factory) on a monthly basis. The Accord allocates lead brand for a specific factory to the company with the lowest % of lead brands across their factory list taking into consideration any brands concerns. The SC agree to amend the wording on page 3 of the document to state "The Accord's decision regarding lead brand nominations is final unless you can agree with another company that they take on lead brand..."
- Jochen commented that the concept of lead brand is a highly sensitive topic and a lot of emails are received through the governance liaison structure for brands regarding lead brand allocation and their lack of influence. Miriam explained that brands' feedback regarding their suitability to be lead brand is taken into account. However, we need a lead brand for each factory so it is unavoidable that some companies will be lead brand where they have low or no business.
- Jenny commented that (page 2, point 5) "failure to undertake all of the above could lead to a charge being brought by an Accord signatory..." needs to be re-worded because the lead brand role is not formally within the Accord and thus not subject to arbitration. Jenny suggested that the SC brand reps propose an internal process to

enforce this. Santiago asked if there are any brands not playing the lead brand role adequately. Brad confirmed that it is sometimes an issue that companies are not acting effectively as lead brand. The SC noted that an additional sentence could be included in the lead brand guidance to state “if you know of a non-cooperative lead brand, raise this with your SC brand reps’. The SC agreed that under Article 12 in the Accord every signatory has a responsibility to require a factory to remediate and therefore point 5 could be re-worded to so reflect.

Action:

- **SC brand reps to review point 5 in the lead brand guidance and submit a revised version to the SC by tomorrow afternoon**

Paper 2c: proposal for assessing company performance

- Miriam explained the two company performance metrics outlined in paper 2c.
- The SC acknowledged that they had already raised concerns about the CAP completed status earlier in the morning and agreed that completed is not finite due to new findings in follow-up inspections.
- Rob clarified that the SC agreed in 2015 that the Secretariat would include new findings in CAPs and these would be publicly reported on. Brad reiterated why there are new findings identified during follow-up inspections. In 2014, the Accord had to inspect 1600 factories as quickly as possible and therefore prioritised the highest risk life safety issues to identify in a four hour inspection. Now the Accord engineers are carrying out follow-up inspections to verify the remediation of the initial findings, but they are also able to identify the next level of safety items from the Accord standard that the Accord did not have time to identify in the initial inspections. The SC acknowledged the importance of new findings. Brad explained that the SC previously discussed how to recognize factories that complete their initial CAPs, and it was agreed that the Accord would issue recognition letters for factories which complete all initial findings.
- Melanie asked if all factories have now had a second follow-up inspection covering the whole standard. Roger also asked for clarification about whether the full standard has been checked. Brad confirmed that all factories except recently inspected factories had received a follow-up inspection. He explained that the primary purpose of the follow-up inspection is to verify the initial findings but they may see additional findings and they report on these. Melanie asked if the Accord has a specific protocol for what the engineers are looking for in a follow-up inspection. Brad acknowledged that safety is not finite and there is no end point for identifying safety findings.
- Jenny asked why there are still only two factories that have completed their initial CAPs. Brad explained that the case handlers flag CAPs that are 95% or more pending verification to schedule a follow-up inspection. However, upon follow-up the Accord keeps findings that some reported remediation is not completed.
- Scott and Melanie both commented that it is important to segregate the data to distinguish initial and new CAP findings. Tatiana explained the rationale for not publishing ‘initial CAP completed’ on the Accord website to maintain accountability for new findings. She also explained that signatory companies have access to this segregated data through their factory designation reports in FFC.
- Roger raised a concern that since August 2015, the Accord has identified a further 30,000 new safety issues. Brad clarified that during this time, the Accord carried out initial inspections at a further 100 newly listed factories, combined with approximately 10 new findings per factory, this explains the increase in safety issues.
- Santiago observed in his recent Bangladesh visit that the factories are confused by the new findings and interpreting this as an inconsistency in the inspection methodologies or standards. Ted and Aleix agreed that there needs to be further effort to communicate to the public and to company teams to explain the actual progress and reasons for new findings.
- Scott commented that for the credibility of the Accord, it is important to publicly recognize factories which have completed their initial CAPs.
- Melanie commented that it is important to ensure that all factories being inspected are being compared to the same criteria. Brad agreed and noted that the inspection scope is rigorous and consistent across all engineers, with all factories receiving an initial inspection for the most important life safety issues and then subsequent follow-up inspections to identify further safety risks on the Accord standard.
- Jenny requested that the Accord only uses the language ‘initial CAP completed’ (i.e. not CAP completed). She asked for an indication of when the Accord expects more factories to complete their initial CAPs. Roger proposed that the SC companies focus more on factories that are close to initial CAP completion to get them over the line.
- Melanie suggested including % progress breakdowns (e.g. factories which have completed 90% of their initial CAPs) in public communications to demonstrate progress. Jenny commented that would reduce the incentive for factories to complete all remediation.
- Miriam proposes that the SC agree to put metric A (CAP completion rate; % of CAPs designated ‘on track’ or ‘completed’ in a company’s factory list) on hold and focus

on metric B (CAP progress rate: Average % of CAP issues ‘pending verification’ or ‘completed’ in a company’s factory list), which is currently the most useful assessment of incremental remediation progress. The SC agreed to this proposal.

- Melanie asked if there is a link between companies with few factories and poor performance. Miriam explained that including companies with less than 10 factories in Bangladesh distorts the data to assess company performance. The Accord has a different approach to monitoring these companies and proposes to carry out one-off meetings with the lead brand of the poorest performing factories.

Actions:

- **Secretariat to amend proposal for assessing company performance removing metric A.**
- **SC brand reps to increase focus on factories close to initial CAP completion.**

Proposal for workers re-employment in Article 21 potential closure cases (Article 21) (Paper 3):

- Rob presented Paper 3 to the SC. He prefaced the discussion noting that the Accord has not received any information to indicate that any stage 3 escalation factories (Article 21) have closed or workers have lost their jobs. Furthermore, to the best of our knowledge, the MoLE Inspector General and BGMEA are not closing the factories down or enforcing remediation in these cases.
- Roger raised a concern that in cases where a factory is still operating, it would be explosive to communicate directly with workers and could be considered as interfering with the factory management.
- Santiago added that from a legal perspective the only mention of re-employment in the Accord text is related to closures for remediation purposes (Article 14), therefore this proposal goes beyond the Accord mandate. Scott responded that Article 14 does relate to Article 21 (in his opinion) and explained the negotiating history of Article 14.
- Christy suggested the SC do not try to conclude the interpretation of article 14 at this point and should not make the argument that this only covers temporary closures. All agreed not to proceed with an interpretation of article 14, given the difference of opinion with respect thereto.
- Jenny commented that the IBC Federations do not have the capacity to undertake the work described in the proposal and it is beyond the mandate of the Accord.
- Rob reminded the SC that this proposal was requested in the October 2015 SC meetings. A factory closure as a result of Article 21 is not yet a scenario that the Accord has faced. Rob suggested that the Accord limits its involvement in cases where the factory has closed.
- Mel argued that Article 14 is a signatory company responsibility rather than an Accord Secretariat role.
- Scott requested that if the SC does not adopt this paper that there still be some effort to facilitate re-employment by the Accord, hopefully with the support of the company signatories. Aleix and Mel noted that this situation needs to be dealt with on a case-by-case basis and further consultation is needed within the brand caucus.
- Jenny alerted the SC brand reps to cases where unionised factories are closing, union reps are being blacklisted and there is consensus amongst factory owners not to employ these individuals.
- Christina asked whether the Accord notifies workers in an Article 21 case. Roger advised that this could be inflammatory. Jenny explained on the contrary that in past review panel cases BGMEA requested that the Accord reach out via the unions to communicate the situation to workers to avoid confusion and misinformation. Rob agreed and requested that the SC consider the political context of closure cases.
- Philip summed up that there is a willingness amongst the SC to step in if possible in an Article 21 closure case, however there is no agreement to extend company signatory obligations or require a written protocol for this scenario. The SC brand reps have agreed that they will request caucus support in Article 21 closure cases should they arise.
- Scott referred back to Christina’s point that the Accord has an obligation to explain to workers that the factory is no longer covered by the Accord and to take flyers to the factory. Rob clarified that IndustriAll, the SC reps, BGMEA and the Bangladesh government are all informed of a stage 3 escalation factory. Jochen suggested that the Accord instead writes an online statement, available in Bengali, for workers, which unions and NGOs can use to communicate with workers in an Article 21 case. The SC agreed with posting online statements written specifically for workers and notifying the SC of stage 3 escalation cases.

Action:

- **Accord Secretariat to write clear communication for workers available in Bengali and provide this on the Accord website for NGOs and unions to distribute for factories at stage 3 escalation (Article 21 protocol).**

3.3 Worker Participation and Training:

OHSCs implementation update: pilot

Rob brought the SC attention to the January monthly reports which include for the first time a section on the OSH Committee programme.

- 38 factories have been approached to be part of the OSHC pilot and in general the experience thus far has been good with all factories agreeing to participate. All factories in the pilot are unionised and were nominated by labour and/or company signatories.
- The trainers are demonstrating that they are well prepared and coached on how to engage well with factories. The investment the Accord has made in the past year in their training has been a success. The Accord recently hired a training quality and logistics manager to ensure consistency in delivery of training, observe and give feedback.
- The Accord is currently selecting the fourth batch of unionised factories. However, the Accord is now reaching factories where we have information that the labour – management relationship is not particularly good.
- The Accord labour liaison officer has been doing outreach with the IBC federations before each phase of the pilot.
- Factories have agreed to give the Accord the names of committee members and are allowing without incident for trainings to take place during work hours.
- Philip asked if all brands have supported the pilot. Rob confirmed that the Accord runs webinars with brands before the pilot and usually the lead brand attends the initial meeting. Some brands have attended further meetings and trainings. The Accord has also been updating BGMEA on all aspects of the OSH program & our cooperation with Better Work and the ILO projects.
- Roger confirmed that H&M have participated in all the meetings for their factories involved in the pilot and that this has been a good exercise to be involved in and they have gone well.
- Rob explained the anomalies in the pilot programme so far.
 - In some cases, the factory indicated that they don't have a union, yet there is a registered union with a certificate. The Accord has scheduled the initial meetings, so it remains to be seen how these will be resolved.
 - In two cases the factory management provided the names of the union representatives on the committee and this has to be verified with the unions.
 - A common concern from factories has been the amount of time to run all employee meetings and their impact on production. Rob explained that the training team generally keeps the meetings to the allotted 30 minutes and presents on the production floor to minimise disruption.
 - In one case, the factory management offered to carry out the training but finally agreed to allow the Accord to run the training.
 - There have been two reprisal allegations raised by members of the committee that they have been forced to resign related to their involvement in the OSH committee. One complaint was received a couple of months ago and it was determined that it was a valid complaint under the Accord complaints mechanism. However, BGMEA is handling the complaint with the trade union and the Accord is awaiting confirmation whether the complaint is satisfactorily resolved. Another complaint was lodged a few days ago and the Accord is still carrying out an initial investigation.
- Rob updated on a satisfactorily resolved reprisal complaint raised under the Accord complaints mechanism a few months ago. Nine workers have been reinstated and back wages paid. The Accord has confirmation from the brand, factory and union that since the reinstatement has taken place things are going smoothly. The Accord is now in discussion to possibly include this factory in the pilot program.
- Rob confirmed that all unionised factories (approx. 75) with an active brand will be involved in the pilot in the next two months.
- Ted asked Rob who trained the Accord trainers. Rob explained that a consultant has been working with the Accord for a year, Joris has also been involved, the working group on worker participation have contributed and Accord engineers have trained on technical issues. The Accord has also utilised the US Federal Mediation & Conciliation Service, who specialise in labour-management mediation.
- Christy asked what measures are being used to establish the effectiveness of the OSH committees. Rob explained that the Accord is carrying out evaluations of the pilot trainings, but ultimately the measure is whether the committee is meeting and their work is substantive. Once initial trainings are completed, the Accord dedicated trainer will continue to help facilitate and evaluate the work of the committee.

- Jenny asked how many factories have a committee established and the first meeting held. Rob confirmed that 19 have been formally established, but that no factories have held their first official meeting beyond the training sessions.
- Melanie asked what the mandate of the committees is and what this means practically. Rob explained the Bangladesh Labour Act implementation rules (BLA rules) define the mandate of the committees.
- Joris presented the finalised Training Manual which is currently undergoing translation. It has been reviewed closely by the working group on worker participation and signed off by the management committee. Joris agreed to provide soft copies of the training manual for the brand caucus meeting. Rob commented that the Accord has been coordinating on materials with the ILO.
- The SC commented on the significance of this achievement in getting the OSH Committee programme off the ground. It is a great case study which the Accord should communicate about.

Proposal for establishing OSH committees in non-unionised factories (paper 4):

- Rob prefaced discussion on this proposal with an update on the Better Work Bangladesh program. Rob noted that there are clear inconsistencies between the BLA rules and international labour standards and that the official ILO comments on the rules has not yet been issued.
- Melanie indicated that Accord Article 17 only states that company signatories shall require their factories to have OSHCs and does not empower or give the Accord Secretariat any role in respect of the setting up or execution of OSHCs. This is clearly opposite to Article 16 which gives a clear mandate for the Accord to give training, so we should focus on that. However, Rob clarified that Article 17 does specify that worker representatives would be democratically elected. Jenny emphasised that the Accord has a clear mandate to conduct training and the Accord should focus on that.
- The SC discussed the value of running wider training with all employees. Rob clarified that from an operational perspective this would be feasible but that the program materials we have developed thus far are predominantly designed for OSHC members. Philip summed up that the SC agree that the Accord will only focus efforts on OSHC training and all employee training and will not be involved in WPC or safety committee elections in non-unionised factories, thus resulting in an inability for the SC to adopt or agree to paper 4. The Accord will first focus on factories where there are unions and a good foundation to get a committee running effectively
- Rob asked what the Accord should do in the scenario that factory does not have a WPC. Jenny requested that the Accord work step by step and focus resources in unionised factories first.
- Melanie suggested that evidence of a management appointed OSHC could be used as a trigger for escalation under Article 21.
- The SC fully support the training of the OSHCs and training of all workers. Roger commented that the Accord needs to engage with BGMEA to explain this approach.
- Joris presented some photos from recent all employee meetings.

Actions:

- **Accord to set up a joint meeting with the ILO when the SC are in Dhaka in April to discuss OSHC plans**
- **Accord to update BGMEA on OSH training plans at next bilateral meeting**
- **Secretariat to develop OSHC training programme rollout plan including, selection process of factories & factory numbers.**
- **Joris to send photos & videos of OSHCs all employee meetings to the SC**

OSH complaints update

Rob informed the SC that the first public report on the Accord complaints mechanism is being prepared and will be published on Accord website shortly. Rob summarised the current status of complaints received by the Accord since September 2014:

- 62 complaints received thus far (from all covered factories), 12 non OSH related, 14 in progress, 36 resolved
- Rob noted that many complaints date back to April 2015 following the Nepal earthquake.
- 6 reprisal related cases where the Accord is playing a facilitation and mediation role
- The Accord has a dedicated phone number for complaints & a booklet to explain the complaints mechanism and workers' rights and responsibilities, which will be

distributed to IndustriALL partners and available for any signatories that would like to distribute them. These will be further distributed through factory and OSHC training.

- Rob clarified that any out of scope complaint received by the Accord is forwarded to all responsible brands and unions in the factory.

3.4 Roadmap towards 2018 and beyond;

Christy updated the SC on the status of the 'Roadmap' working group, which has met twice since October 2015

Action:

- **Roadmap working group to set up a joint meeting with the ILO when the SC are in Dhaka in April to discuss post 2018 plans**
- **Working group to break down & assess different Accord functions (with support from Secretariat on predictions)**
- **SC brands to come back to Secretariat to confirm replacement on WG for Philip Chamberlain**

Tuesday 26th January 2016

Closed Session SC only (no Secretariat)

4. Management Reporting (Executive Office pt. 2)

4.1 Review Last Meeting Agreed Actions

The SC discuss outstanding actions from the last SC meeting:

- Rob to conduct a risk assessment and costs analysis of insurance needs e.g. lawsuits/liability of Accord decisions/factory collapses/staff insurances etc. for the next SC quarterly meeting. Rob informed the SC that a meeting is scheduled with Walter Beck for Friday 4th February to discuss liabilities and potential coverage.

4.2 Signatory Management

4.3 Human Resource Management

Update on staffing & field office issues

Melanie updated the Secretariat on the decisions from the closed SC session.

Rob updated the SC on the registration of the field offices in Bangladesh:

- Rob explained that the Accord expected to have opened field offices by 2016 and this has had an impact on Accord operations, especially with regards to frequency of access to the factories and time lost in traffic each day. The Accord is considering renting another floor of the AJ Heights building to accommodate the increasing numbers of staff. This is not ideal because the Accord has to set up the office in AJ Heights and it is less accessible for engineers and trainers who need to be in the field.
- Rob noted that the Accord has budgeted for 240 staff (currently at 155 approx). This total does not include Amsterdam office, Brad, Rob and Anup.
- Brad referred the SC to the resource plan, first shared in November 2015. Brad reminded the SC that at the October 2015 SC meeting the Accord had 55 full-time engineers (budgeted for 60 engineers), but following the SC decision to increase resources into remediation efforts, the Accord has hired a further 39 engineers. Their contracts are fixed term until the end of 2016. Brad explained how he has also re-structured the engineering teams to create 12 mid-management positions and one senior management position of General Manager for Engineering.
- Brad explained that with these extra resources the Accord has the capacity to increase the number of follow-up inspections each month from approximately 300 in January to 500 by March.

Actions:

- **Rob and Brad to develop a proposal for a whistleblowing line to Amsterdam to present at the next SC meeting**
- **Rob to draft a communication plan for Accord staff to explain the longer term plan for the Accord and implications for employment opportunities.**

4.4 Budget and Accounting

Quarterly Budget (budget vs. actual) (paper 5)

Danny Van Opmeer is invited to join the SC meeting.

Rob explained why the Accord has spent less than budgeted for in the last quarter, noting that the Accord spent more than the ¼ ly allocation of the annual fees received, but less than the deficit budgeted in May 2015:

- Accord expected to have three additional field offices open by 2016.
- Legal costs have been moderate compared to budget
- Increased spending on initial inspections due to 90-100 initial inspections carried out with external engineering firms in last quarter.
- \$250,000 fee to IFC for remediation fund. Jochen asked for an update on the IFC loan fund. Rob confirmed that four out of five banks are providing loans and loans of approximately \$500,000 have been issued in two cases. He clarified that the IFC loans are accessible for fire, electrical and structural remediation work.
- Slower roll-out of OSHCs than anticipated has reduced spending in this area.
- Melanie asked if this quarterly budget includes the increased number of engineers on staff. Rob confirmed that it does not include this number because this has been budgeted for the hiring's to take place from late November 2015 through early 2016.

5. Communications

5.1 Review Last Meeting Agreed Actions

- No outstanding items for discussion

5.2 External Communications

Quarterly Aggregate Report (QAR) (Paper 6)

Brad explained the recent edits to the QAR (data as at Nov. 2015) and noted that some small typos have been corrected since the last version was circulated.

- Joris noted that this is the plain text version of the QAR and once the content is agreed it will be sent to the graphic designer to finalise.
- Melanie asked if there is a way that the data in the QAR could be presented more positively. Joris clarified that in light of discussions on previous versions of the QAR, the Secretariat tried to produce as neutral a report as possible.
- Page 9: SC agree to remove the wording “no justification has been given for the delay” to explain the ‘CAP behind schedule’ factory designation.
- Page 9: Change ‘CAP in progress’ to ‘CAP on track’ in the designations box
- Page 9: Amend wording ‘% issues in progress’ to clarify what this means.
- Page 9: Include a table of ‘% issues pending verification and completed’ as a reverse metric to demonstrate more positive progress.
- Page 4: Ted asked why the number of issues has increased. Joris explained that the number has increased because more CAPs have been approved. Joris presented a graphic from a previous QAR to demonstrate how the increased number of total findings vs progress is explained. The SC agreed to add further text beneath this graphic to explain why the total number of findings increases.
- The SC discussed how to present initial findings and new findings in the QAR and agreed that this data should be presented separately with an explanation of the methodological differences between initial inspections and follow-up inspections.
- Miriam clarified that the average CAP progress for original findings is 47%, but the average CAP progress for original and new findings combined is 45%.

Annual Report (Paper 7)

Rob explained the Accord audit process for the calendar year ending 2014:

- Dubois & Co were not able to complete the Accord audit until late 2015. The Accord aims to complete the 2015 audit by June 2016.
- Dubois & Co are finalising the audit this week, there is no indication of significant findings. The report will be shared with the SC as soon as it is received.
- Bangladesh accounting year is July to June and the Amsterdam accounting year is January to December. Going forwards, the Accord will audit according to the calendar

year to simplify the process.

- Danny explained that the signatory fees have to be divided into 7/12^{ths} for 2014 calendar year.
- Accord income is from signatory fees only and a small amount of credit interest.
- Danny presented the profit and loss account summary and explained that there is further detailed explanation on each tab
- Philip asked why the banking and exchange difference costs show a large increase. Danny clarified that in the beginning of the Accord all the fees were invoiced in dollars when there was only a euro account. Transfer losses were incurred. However, this is a paper loss which has now been accounted for. The majority of all fees are paid in dollars into the USD account now.
- Roger asked for a five year budget with actuals and a forecast. Rob confirmed that the latest update to the five year budget was shared in November 2015.

The SC thank Danny Van Opmeer for his contribution and he leaves the meeting.

Philip Chamberlain is thanked by the SC for his role as Chair and leaves the meeting. Jenny takes on the role of Chair for the remainder of the meeting.

- The SC agreed to amend the wording on workplace programs in the annual report to conform with the discussions on OSH committees.

Actions:

- **Rob to send audit report to SC upon receipt from Dubois & Co.**
- **Rob to present an update on the budget forecast to 2018 at the next SC meeting**
- **Secretariat to amend the QAR and re-circulate to the SC for sign-off.**
- **Secretariat to amend the annual report narrative and send to the MC for final approval**

5.3 Stakeholder Engagement

- Rob confirmed that he would update the SC on the remediation summit which is being arranged by the ILO once he has more information.
- The ILO has consulted with the Accord on a study they are doing with the IFC to assess remediation costs.
- The Accord has met with the EU compact, EU ambassador, the incoming Dutch ambassador, Canadian High Commissioner, US Embassy and the Danish Ambassador since the October SC meeting.
- The Accord met with the French Development Agency to discuss their proposed financing instrument for remediation
- The Accord was approached by GIZ on work they are doing to make workplaces handicap accessible. This is mostly out of scope of the Accord mandate, but the Accord has advised GIZ to consult with our technical experts and engineers if making structural assessments.

Actions:

- **Secretariat to schedule SC meetings with BGMEA and ILO on the afternoon of Monday 25th April and all day Tuesday 26th April**

6. AOB

Review Last Meeting Agreed Actions:

- No outstanding actions

6.2 AOB:

- Rob asked the SC Labour representatives to confirm a replacement for Monika Kemperle to serve on the audit committees, noting that the Accord is required to have an audit committee under Dutch regulations. The SC Labour representatives confirm that Alke Boessiger will replace Monika Kemperle.

- Roger informed the SC that he intends to step down from his role as a Board member due to other commitment and projects he is taking on in Bangladesh when a successor has been elected. Therefore an election process should be initiated among the brand signatories for a successor as soon as possible. H&M will nominate KG Fagerlin as a possible candidate for election to replace Roger. Roger offered to further assist the SC, in case requested, on the ground in BD. The SC thanks Roger for his contribution on the SC.
- The SC re-confirmed the below meeting schedule for 2016:
 - April 27th and 28th: Dhaka.
 - June 28th and 29th: London (caucus meeting 1st July)
 - October w/c 17th October: Dhaka
- Roger requested an update on the intensive monitoring of 20 poor performing factories which was intended to shed light on the reasons for remediation delays. Brad presented data on these 20 factories and in summary explained that based on analysis of these 20 cases there is no obvious reason for why factories are not remediating.

The SC return to agenda item 3.2 to finalise Papers 2a, 2b and 2c

Paper 2a:

Brad proposed the following escalation trigger for factories entering stage 1 of the Article 21 escalation process:

- The Accord will assess the previous month's factories which had a follow-up inspection. The Accord will issue a stage 1 warning letter to the 75 factories which had the lowest % verified initial inspection findings *and* which are below the Accord average for % verified initial findings. There will be a breakdown of tier 1/ 2 factories vs tier 3 (breakdown of 50 tier 1 vs 25 tier 3). The factory then has 30 days to get their average % verified initial findings above the Accord average before the Accord re-inspects to verify and assess whether to escalate to stage 2 (if they have not increased their average % verified initial findings above the Accord average) or whether they come out of the escalation process (if they increase their average % verified initial findings above the Accord average).
- In summary there would now be three criteria for escalation to stage 1: a) immediate items not remediated, b) No CAP, c) Lowest % verified initial findings. These criteria would replace previous proposed criteria by the working group and/or CSI.
- The SC agree that the CSI retains the discretion not to escalate a factory that otherwise meets the criteria (if he sees good reason) and to escalate a factory that doesn't meet the criteria (if he sees good reason)
- Brad commented that if a lot of factories are not meeting the trigger to get out of escalation in stage 1 and are being escalated to stage 2, then he may have to adjust the number of factories being escalated to stage 1 to be able to monitor the status of stage 2 factories.
- Scott asked if the stage 2 escalation meeting is mandatory. The SC agree to amend the wording in the operating procedure to replace 'may' with 'should' and remove 'if necessary'. The SC also agreed to include 'where applicable' with regards a union representative attending the meeting.
- Scott commented that the purpose of stage 2 is not to get factories to stage 3, but rather that some steps are in place to ensure a positive change of approach. The SC agree to increase the time between stage 2 and stage 3 to 30 days.
- The SC agreed that it is the CSIs decision whether to escalate a factory to stage 3 not an SC decision.
- The triggers in the operating procedure for implementing the Article 21 escalation protocol are agreed by the SC as presented.

Christy Hoffman leaves the meeting.

Paper 2b: Lead Brand Guidance

Scott noted that the lead brand guidance needs to be updated to reflect amendments to operating processes discussed in these meetings

Paper 2c: assessing company performance criteria

- The SC approved Paper 2c as presented with amendments.

Actions:

- **Secretariat to circulate a clean final version of the operating procedure for implementing Article 21 escalation protocol to the MC for sign-off. A simplified version of this procedure to be presented at the brands caucus meeting.**
- **Miriam Neale to update the lead brand guidance and send to the MC for final approval**

The Chair officially closes the meeting and thanks all present