



on Fire and Building Safety in Bangladesh

STEERING COMMITTEE QUARTERLY FACE TO FACE MEETING - MINUTES

Date: Wednesday 29th June, 2016

Time: 9am – 6.45pm.

VENUE:

The Hatton
51-53 Hatton Garden
EC1N 8NH
London

ATTENDEES:

Chair: Dan Rees

Brands: Santiago Martinez-Lage Sobredo, Karl Fagerlin, Jochen Overmeyer, Aleix Gonzalez, Edward Southall, Marissa Pagnani

Labour: Jenny Holdcroft, Christy Hoffman, Christina Hajagos-Clausen

Witness Signatories: Scott Nova

Accord Executive Team: Rob Wayss, Brad Loewen

Accord Staff: Tatiana Delany, Joris Oldenzel

Apologies: Amirul Haque Amin, Roy Ramesh, Alke Boessiger

AGENDA ITEMS

1. Introductions

- The Chair welcomed Marissa Pagnani, company board representative for PVH to the Steering Committee and welcomes those members present.

1.1 Agree meeting agenda and any items of AOB

- Agenda agreed with following additions
 - o Re-opening of previously completed remediation issues to be discussed under agenda item 3.2

2. Governance

2.1 Review last meeting agreed actions

- No outstanding actions

2.2 Advisory Board (AB) Update

- Next Advisory Board meeting to be scheduled after the Eid holiday in July.

3. Management Reporting (Executive Office pt. 1)

3.1 Review last meeting agreed actions

- No outstanding actions

3.2 Inspection Program & Remediation

Update on factories with immediate issues still in progress with a recommendation of escalation to stage 1 for any or all factories in this category.

Brad reported to the SC that 2% of all findings are classified as immediate findings still 'in progress' (and not in escalation under Article 21).

- Brad clarified that in searching the database for findings in this category, all findings with an Accord timeline of 'immediate', 'priority 1' (etc.), or a timeline of anything up to three weeks were included.
- Brad explained that some safety findings with an 'immediate' timeline are not as life threatening. They were given the Accord timeline of 'immediate' (or equivalent) because they could be fixed quickly and easily.
- This data was requested by the SC company reps because they felt it could be a useful tool with which to approach the brand caucus and explain that a number of items can be prioritised and quickly remediated. From the Accord's perspective, this exercise has served as an internal quality check to ensure all factories that require escalation are being correctly escalated and the stage 1 triggers are being used systematically.
- Jenny asked at what stage the Accord will escalate any of the factories with immediate findings still in progress and not yet in escalation. Brad explained that it is unlikely there will be a high number of factories that require escalation from this cohort because the immediate findings do not necessarily mean that the issue is imminently life threatening. Furthermore, all factories have received one or more follow-up inspections and most un-remediated high risk immediate findings (e.g. lockable gates) have been identified and escalated. Jenny also asked if factories are being

automatically escalated from stage 1 to stage 2 after 30 days if they do not meet the requirements in the stage 1 escalation letter. Brad clarified that the stage 2 or de-escalation trigger for the 'lowest 75 factories' is being met at 30 days, but the timeline can change for the other stage 1 triggers. Brad confirmed that the Accord is rigorously applying the triggers and protocol for de-escalation. To date 16 out of 471 factories in stage 1 have been de-escalated.

- Marissa commented that PVHs heads of sourcing divisions are very concerned about factories in stage 1 escalation, specifically how to manage business continuity in these factories. Marissa is also concerned that in exiting large factories this will leave un-remediated factories unmonitored.
- Ted and Karl explained LC Waikiki's and H&M's company policies on business continuity for a factory going through the Accord escalation program, some members of the SC agreed that it makes sense for a brand to temporarily suspend new orders with a factory which is at stage 2 escalation.
- The SC discussed the status of factories at stage 3 (terminated suppliers), noting that to date stage 3 factories have not had strong business relationships with Accord signatory companies. However, going forwards some factories which are part of groups and/or with large business with Accord or Alliance brands will feel the consequences more extensively.
- Scott asked Brad how effective the strategy for the lowest 75 poorest performers is. Brad responded that their progress tends to be slower, however escalation letters do have a positive impact on the pace of remediation.
- Brad commented that whilst the Accord's goal is 100% remediation, the Accord continues to issue recognition letters for factories which have completed 100% of initial findings.
- The SC requested data on stage 1 escalated factories which meet the lowest 75 trigger. Specifically, how many of these factories have no active Accord business, acknowledging that it is more challenging to drive remediation in inactive factories. The Secretariat clarified that 36 out of 98 factories in escalation stage 1 which meet the bottom 75 trigger have no active brands. Scott suggested that brands could incentivise inactive factories to remediate by offering business to these factories. The brand SC reps explained that it is likely business was withdrawn from these factories due to quality reasons, delivery issues or a breach of their company codes of conducts for example. Furthermore, it is not a systematic approach to temporarily suspend new orders at stage 2 escalation, as discussed earlier, yet offer business to poor performing inactive factories at stage 1.
- Brad advised the SC that the major complicating factor in the escalation process is around financing requests and mandatory stage 2 financing meetings which delay the process e.g. 30 day timelines are difficult to maintain if a lengthy conversation around financing needs to take place.

Actions:

- **Secretariat to update the escalations dashboard in the monthly reports to better measure the performance of factories in escalation. The specific information requested by the SC is as follows: a) Month by month track of lowest 75 factories (stage 1, 2, 3, de-escalated); b) the number of factories in each trigger with responsible inactive brands vs. active brands.**
- **Secretariat to request that a discussion on escalation factories is included on the agenda for the upcoming BGMEA meeting (18th July).**

Remediation Review Meeting Process update (Paper 1a & 1b)

Rob summarised Paper 1a to the SC and explained that the purpose of the remediation review meeting process is to support signatory companies in driving remediation by prioritising the slowest remediating factories and sharing best practice.

- Full-time staff member in the Amsterdam office has been hired to help prepare and coordinate these review meetings.
- Secretariat is now holding between 20-30 meetings a month and has met with 60 brands (end June).
- Tatiana clarified that companies were selected according to four different criteria as outlined in Paper 1a. However, the 'poor performing' category were selected against October 2015 remediation data with their monthly progress tracked since then. The Accord continues to hold the meetings with these companies if necessary regardless of whether they would still fall within the category of poorest performer.
- Rob summed up that the feedback from the review meetings is very positive and that especially for the smaller brands the Accord is seeing an above average increase in the pace of remediation.

- Aleix voiced his support of sharing best practice amongst company signatories. He also requested some further guidance from the Accord on new findings; specifically, how to manage the re-opening of previously completed findings after a follow-up inspection. Brad explained that there are a few reasons why an initial finding may be re-opened, but agreed that going forwards instead of re-opening an initial finding, the Accord would include this as a new finding in CAPs. Brad suggested that the Accord could consider sharing a list of common new findings.
- In response to Aleix and Marissa's suggestion that the Accord develop tools and training for factories on preventing corrected items from reverting to not corrected and on how to fix the most common items, Rob and Brad commented that given the urgency and scale of the task of completing remediation, the Accord should focus on this as a priority and in the future re-consider the need for factory training. Brad noted that there is a large amount of informal factory-by-factory training taking place through follow-up inspections, phone calls and meetings.

Update on the mandatory escalation stage 2 meetings. (Paper 2)

Rob updated the SC on the mandatory escalation stage 2 meetings held thus far.

- The Accord sends out a request for a stage 2 mandatory meeting in every case, however scheduling the meetings is proving challenging. 27 stage 2 escalation meetings have been held thus far.
- The Accord continues to receive limited information about the financing of remediation from signatories.
- The Accord is concerned that brands feel that they have met their remediation financing obligations if they refer their factories to the IFC for access to the IFC loan. The IFC loan is relatively small and there are a number of challenges in accessing the loan. Rob confirmed that approximately twenty Accord factories have had access to the IFC loan.
- Christy asked why Accord staff are promoting the IFC loan. Rob clarified that he has addressed the importance of not emphasising this as the only financing option with the case handling team. Santiago noted that the Accord paid \$250,000 to the IFC for access to this facility and therefore the factories must be informed that this is available.
- The SC discussed the importance of ensuring that the appropriate factory personnel are involved in any discussions around financing.
- Marissa explained PVHs approach to sourcing in Bangladesh. However, smaller brands who move between factories and/or work through agents will have to look at significantly changing their sourcing models to meet the requirements of Accord Article 22 if the IFC loan is not an option.
- Scott noted that if the factory has submitted a genuine request for financial support and discussions are ongoing that escalation should be delayed because it is not fair or consistent with the terms of the Accord to terminate a factory when they are willing to remediate but financing is an issue. Rob noted that in the majority of cases the Accord does not have substantive information about whether the factory genuinely requires financing. Ted agreed that it is very difficult to get accurate costings and financial information from factories. Karl suggested that brands sense-check financial requests and estimated costings.
- Aleix commented that he would like to ask the company caucus for more information on remediation financing. Dan agreed that if there is more financing of remediation taking place than is reported, this would be useful information and help to address some of the negative attention the Accord receives externally. Jochen and Marissa requested that this is discussed further amongst the brand representatives and the caucus.
- Rob asked the SC for guidance on how to manage escalation in the following two scenarios; a) factories who request financial support but do not provide the appropriate documentation or evidence for discussion; and b) brands who do not participate in the stage 2 escalation meetings.
- Brad also requested that the SC discuss financing requests and escalation of 'responsible inactive' brands (i.e. inactive inspected factories).
- Ted responded that it is unrealistic to expect brands to finance remediation in an inactive factory especially if the factory has violated a brand's code of conduct. Brad and Rob explained that they understand a brand would not be relieved of their remediation obligations in these cases but asks for further SC guidance. Scott commented that it is unlikely all Accord inactive factories were exited for breaches of social compliance.
- Jenny commented that the Accord is not going to draft policy based on individual exceptional cases, but that the SC should focus more broadly on how to address inactive factories requesting financial support and in escalation. Jenny requested a case-by-case investigation of the highest priority factories where financing is an issue. Marissa flagged that she believes this could be a very subjective process.
- The Secretariat noted that 64% of inactive inspected factories are currently in escalation and that the Secretariat has been providing information on

inactive inspected factories for the past year through the monthly reports (report d). The Secretariat asked what further information the SC would like to see in this report. Joris reminded the SC of Paper 2 which sets out on a detailed case-by-case basis any factories which are in escalation and which have requested financial support.

- Jenny noted that the SC could use the dispute resolution process to address individual cases where brands are in breach of their obligations. The SC company reps. agreed that in clear cases where a signatory is in breach of the Accord, they would support bringing a joint charge to the SC.
- Jenny requested that Rob participate in financing discussions going forward. Rob agreed that he would participate in more financing discussions.
- The SC discussed the obligations of a factory in a rented building and whether escalation is fair if the landlord is refusing to allow retrofitting of the building. The SC agreed that if the factory has not yet remediated or relocated then escalation is the appropriate response.
- The SC discussed whether they should recommend that the CSI temporarily halts the escalation process for inactive inspected factories which have requested financial support pending further SC discussion on these cases. Brad explained that he wishes to make it very clear that factories are escalated to stage 2 because there are significant un-remediated safety risks in the factory which the Accord is not comfortable with. Brad asked the SC if they are willing to accept this ongoing safety risk if the Accord delays further escalation to stage 3 due to ongoing discussion at SC level on how to address financing requests for inactive inspected factories.

Dan summed up the SC discussion on escalation and financing:

- The SC is in agreement that transferring inactive factories to the NTPA would undermine the spirit of the Accord.
- The SC company representatives will informally discuss transparency of financial reporting and come back to the SC with a suggestion for how some financing information could be made more visible.
- The SC company representatives will re-iterate to the caucus that the stage 2 escalation meetings are mandatory.
- If a factory has requested financial support but is not forthcoming with further financing information (costing, a financial plan etc.) then the SC agreed that this is grounds for further escalation.
- However, if the factory is preparing financial documents and a financing discussion is ongoing then the escalation process should be delayed until a conclusion is reached in the financial discussions.
- In the event that a signatory company is not participating in financing discussions or attending the stage 2 escalation meeting then the Secretariat will bring these cases back to the SC for discussion.
- Based on the SCs recommendation, it is the CSIs decision to hold inactive inspected factories requesting financial support in abeyance from stage 3. (The SC noted however that if the factory has made no effort to remediate low cost simple issues then they should be terminated.) The CSI confirmed that he agrees to implement the SCs recommendation until a more formal and functioning system for applicable finance requests in stage 2 inactive cases is developed.

Actions:

- **Secretariat to carry out an analysis of inactive factories in escalation which have raised a legitimate financing request. These factories will be held in abeyance before stage 3 and a report brought to the SC at the next SC meeting for further discussion.**
- **Secretariat will bring any cases to the SC where the signatory company may not be exercising all of their responsibilities under Article 22.**

Update on DEA acceleration plans

Brad updated the SC on the Accord's efforts to accelerate the pace of DEA approvals.

- Brad has recently received a report from H&M and Inditex with their recommendations on accelerating the DEA process which he will analyse further.
- The Accord has recalled two structural engineers from Chittagong to Dhaka to review DEAs. One structural engineer remains in Chittagong to

monitor red and red/amber factories.

- In total the Accord has 16 structural engineers dedicated to DEA reviews (in late 2015 the Accord dedicated all structural engineers to DEAs to catch-up). All 16 engineers have been assigned batches of factories (divided between approx. 600 DEAs) for which they are responsible for reviewing.
- The structural engineers carry out the DEA presentations in pairs with a specific engineer assigned to each file.
- The Accord has refined the internal DEA protocol to ensure consistency of the review process.
- The Accord has further developed the DEA guidance document and an accompanying 'common problems' document which will be shared on the Accord website.
- The Accord has hired an administrative assistant working for the structural engineering team who is responsible for receiving DEAs, arranging meetings and who has freed up engineering time to focus on DEA reviews.

- Brad informed the Accord of recent NTPA developments related to DEA guidance.
- Ted informed the SC that LC Waikiki recently carried out remediation analysis of a small sample of their factories and identified that remediation progress is approximately 6-8% behind in factories pending DEA approval.
- Brad advised the SC that two DEA consulting firms are in the process of being made ineligible for the Accord for altering DEA documents. These companies may have been working on DEAs with other factories, but the Accord will not accept any further documents from them. The Accord informs BGMEA of any consultants who are no longer accepted by the Accord.

Christina requested an update from Brad on the status of red and red/amber factories.

- Brad explained that in April and May 2016 all red (30) or red/amber (95) factories received a follow-up inspection. These factories are now receiving follow-up inspections every two months.
- The Accord ensured that all red and red/amber factories maintain all safety issues raised in the DEA assessment and/or initial inspections (e.g. load bearing). Factories which were not adequately following the requirements were issued escalation letters and have since complied.
- The Accord also issued escalation stage 1 letters to some recently inspected factories who have not yet submitted a DEA.
- The Accord is monitoring factories undergoing retrofitting. Escalation letters were issued to factories with approved DEAs but where retrofitting had not yet started.
- Brad reminded the SC that if a factory completes all initial structural remediation then they are issued with an Accord letter which states that their structural remediation is complete and their colour code (from the initial inspection) is no longer applicable. This is because the Accord understands that signatory companies are making purchasing decisions using these colour codes from the initial inspections.
- Brad confirmed that very few of the red, red/amber factories have completed their structural remediation.

Brad clarified that the Accord does not require a review of Lightning Protection Systems (LPS) prior to installation. There are clear guidelines and technical advice in the BNBC on how to install an LPS.

3.3 Safety Committees, all Employee Information sessions & complaints

Safety Committee roll-out implementation update

Rob updated the SC on the pilot of the safety committee training program.

- Total factories nominated for Accord (pilot) programme: 55
- Factories that have confirmed participation in the pilot: 39

- All Employee meetings held & safety committees established: 38 (56,000 participants)
- Safety Committee training sessions held: 204
- Factories having completed full (7 session) training curriculum: 23
- Trainers facilitated safety committee meetings: 11

Rob updated the SC on the roll-out of the safety committee training program in non-unionised factories:

- Total factories suggested by brands: > 370
- Commenced with 19 Better Work Bangladesh and Ethical Trading Initiative factories and initial letters have been issued.
- Michael Bride has been in country for two months. He continues to hire additional trainers and has developed a job description for support assistants to the training team.
- Newer trainers are being paired up with a more experienced trainers through the first few phases of the roll-out to shadow their training sessions.
- The Accord is considering hiring an OSH advisor. This role would support in the complaints process specifically on the increasing number of complaints related to OSH working conditions.
- 3 alleged unfair terminations and forced resignations including Safety Committee members.
- The Accord is carrying out webinar briefings for brands in factories where the safety committee roll-out is now starting.
- The Accord has informed the IBC federations that they are allowed to nominate a union representative to observe the initial meeting in those factories where there are verified solidarity members. The list of phase 1 factories has been circulated to them. The IBC RMG committee will determine internally which federation will attend and observe the initial meeting in those cases where more than one federation has individual / solidarity members
- Jochen enquired if the federation representative (in a factory with solidarity members) is an OSH expert. Jenny noted that the delivery of the training by union specialists is a separate discussion to the participation of the union representative in the initial meeting in factories with solidarity members.

Complaints update

Rob updated the SC on the status of the Accord complaints mechanism:

- 98 complaints filed with the Accord complaints mechanism and 49 complaints resolved through Accord investigation
- 11 alleged reprisal cases (alleging reprisals related to raising safety concerns)
- 16 non-OSH complaints, not processed, forwarded to signatories and labour partners
- 3 complaints (partially) addressed through other means
- 9 complaints in progress/initial assessment phase
- Rob clarified that brands, factory management and union federations are included on all communication related to a safety complaint.
- The Accord has a dedicated phone line established for safety complaints, the numbers are available in the complaints booklets distributed by unions, FRPs & Accord trainers. The Accord is experiencing increased complaints through the safety committee members.

4. Management Reporting – Executive Office (pt.2)

4.1 Review last meeting agreed actions

- Related to the outstanding action of a proposal to retain an extra 40 engineers post 2016, Brad comments that the Accord has the budget to extend all engineers contracts by a number of months. However, he recommends that the Accord should in fact scale back by approximately 25 engineers in early 2017. Marissa asked if the Accord has considered using any of the engineers to support the inactive inspected factories in implementing the

Accord in light of earlier discussions, for example offering technical assistance. Rob commented that this might be a potential conflict of interest and Brad noted that a more likely scenario is if the engineers are incorporated into the Accord training program.

Actions:

- **Brad to bring a proposal to the next SC meeting on retaining a number of the Accord engineers post 2016 including a proposal on how their skills could be utilised in relation to inactive inspected factories and the Accord training program.**
- **Rob to bring a proposal to the next SC meeting on loyalty bonuses and staff incentives 2017-2018.**

4.2 Signatory Management

Annual fee issues/outstanding fees (paper 3)

Rob updated the SC on the status of company signatory fees;

- 100 signatory companies have paid to date, income received approximately \$3 million.
- Accord has a net income gain of almost \$1 million in response to the solicitation of 2016-2017 band changes.
- 10 signatory companies owe year 2 and/or year 3 fees and these companies are denoted as 'not in good standing' on the Accord website.

Factory non-disclosure (Paper 5a, 5b)

- The SC confirmed their agreement that the Accord fee structure is not related to factory numbers or sourcing relationships, but the appropriate level of contribution from signatory companies based on their total export volumes from Bangladesh.

4.3 Human Resource Management & Operations

Risk assessment and costs analysis of insurance needs

- Rob thanks PVH for their support in obtaining Director's Liability Insurance and insurance for the foundation.

Actions:

- **Rob to finalise the policy for the Amsterdam office**

Report on the complaints received under the ACC

- Rob informed the SC that no complaints have been received yet under the ACC.
- The Accord distributed the ACC notification approx. two weeks after the April 2016 SC meeting.

4.4. Budget and Accounting

Danny Van Opmeer joined the SC meeting via conference call.

- Rob confirmed that the budget was sent to the SC with extra columns for previous year's subtotals after the April SC meeting.

Quarterly Budget (budget vs. actual) (paper 7)

Rob explained the key changes in the quarterly budget:

- Continue to be underspent in this quarter, most notably on staff, legal fees, FFC (anticipating increased customisations costs with the safety committee roll-out) and consultant costs (due, in part, to the cancelled FMCS trainings).
- Accord has rented an additional floor in AJ Heights building (4th floor).
- The Accord has overspent on group meetings (regional meetings) due to the fact they were budgeted for in the previous quarter.
- There has been some change to income as a result of new signatories and fee band corrections.
- Rob confirmed that any overage is carried over to the next quarter/year.

Update on Annual report, Dubois & Co. audit report (2015)

- Rob informed the SC that the auditors commenced work on the 2015 audit report the w/c May 9th and are coordinating with Bangladesh auditors.
- Danny advised the SC that the auditors will have their draft audit prepared by the end of August and the Accord expects to issue the full 2015 annual report by the end of September.

5 Communications

5.1 Review last meeting agreed actions

- No outstanding actions

5.2 External Communications

Updated Public Factsheet (July 1st)

- Joris advised the SC that the quarterly report usually submitted prior to the SC meeting is being prepared based on end June data. It will therefore be shared over email for final approval.
- Joris shared a draft of the July 1st factsheet (quarterly factsheet) with the SC.

5.3 Stakeholder Engagement

Rob updated the SC on recent stakeholder engagement with the BGMEA, the Bangladesh Government, visiting delegations and other stakeholders

- The Accord has provided information on the lowest performing Accord factories and factories in escalation to BGMEA so they can support in driving remediation
- BGMEA were offered the opportunity to suggest factories for the Accord safety committee training roll-out however their initial response was one of decline.
- The Accord organised a meeting with the Alliance, IFC and four partner banks (BRAC participation as an IFC remediation loan program partner bank never materialized) to address concerns about the IFC loan program. Rob noted that it would be helpful for an applicant factory to have a letter of support from the brands if applying for a loan through the IFC.
- The DIFE review panel continues to not convene or convene in a very delayed manner and factories are not being evacuated by the Inspector General despite numerous efforts from the Accord and signatories.
- The Accord has been invited to participate in a panel discussion at the responsible supply chain conference in Sept. organised by the Dutch Embassy and Ministry of Foreign Affairs.
- Accord 3rd year anniversary press conference held in May with significant national and international media coverage.

- Accord continues to participate in brand supplier meetings with a growing number of brand's suppliers. The focus of these for the Accord is: completion of remediation and implementation of safety committee and safety training programs.
- The first round of week-long engineering training sessions with Arup has commenced. Round 1 is complete, 2nd round scheduled for August, classroom supplemented with factory visits.
- Joris updated the SC on international stakeholder engagement including Accord participation at the recent GRI annual meeting, OECD conference and German BDA panel on transnational company agreements.

6. AOB

Dan Rees leaves the meeting and the SC agreed for Ted to act as chair.

Actions:

- **Secretariat to coordinate a Steering Committee conference call on Friday 12th August at 14:00 CET.**
- **Secretariat to confirm if an election is required for new company board members and set up the election process accordingly.**
- **The next SC meeting is confirmed for the 18th / 19th October in Dhaka. Secretariat to arrange stakeholder meetings accordingly.**
- **Jenny advised the SC that she will be on holiday in July and therefore Christy will represent labour on the Management Committee in July.**

Close of Meeting