



on Fire and Building Safety in Bangladesh

STEERING COMMITTEE QUARTERLY FACE TO FACE MEETING - MINUTES

Date: Tuesday 18th and Wednesday 19th October, 2016

Time: 9am – 5pm. 9am – 1pm

VENUE:

Uni Global Union
Avenue Reverdil 8
1260 Nyon,
Switzerland

ATTENDEES:

Co-Chairs: Edward Southall & Jenny Holdcroft

Company signatories: Santiago Martinez-Lage Sobredo (18th only), Karl Fagerlin, Jochen Overmeyer, Aleix Gonzalez

Trade Union signatories: Christy Hoffman, Christina Hajagos-Clausen, Alke Boessiger

Witness signatories: Scott Nova, Ineke Zeldenrust

Accord Executive Team: Rob Wayss

Accord staff: Michael Bride, Tatiana Delany, Joris Oldenziel

Apologies: Roy Ramesh, Dan Rees, Marissa Pagnani, Amirul Haque Amin

AGENDA ITEMS

1. Introductions

- The Steering Committee agreed that Jenny Holdcroft and Ted Southall would co-chair the meeting in Dan Rees absence.
- Jenny welcomed those SC members present and welcomed Michael Bride, the Accord Head of Training, to his first SC meeting.
- Rob congratulated Santiago and Jochen to their recent re-election as company representatives on the SC and to Jenny for her recent election as IndustriAll Assistant General Secretary.
- Rob thanked Alke for her contribution on the SC and to the Accord noting that this is her last SC meeting before handing over to Matthias Bolton.
- Jochen stated that two NGOs as witness signatories are present at the meeting. The presence had been limited earlier to one signatory at a time.

1.1 Agree meeting agenda and any items of AOB

- Agenda agreed with following change:
 - Extension of the time allocated to the remediation session into the afternoon of the 18th.

2. Governance

2.1 Review last meeting agreed actions

- No outstanding actions

2.2 Advisory Board (AB) Update

Rob updated the SC on the outcomes of the last AB meeting (16th August 2016).

- The Bangladesh Institute for Labour Studies (BILS) asked the SC to reconsider factory group application under Article 21, with the only exception being closure/relocation cases after Article 21 termination if the factory does not pay severance to workers. The SC acknowledged the request and noted that the application of Article 21 to factory groups will be discussed under Agenda Item 3.2.
- Rob informed the SC that an IBC federation asked why the Accord is not monitoring WPC elections and the selection of safety committee members. Rob explained the Accord's approved protocol on safety training in the AB meeting.
- At the ABs request, the Accord has committed to intensify outreach and engagement with BKMEA.
- Several AB members expressed their thanks to the Accord for committing to Bangladesh following the Holey Artisan Bakery terror attack in July.
- The Accord informed the AB of the CSIs resignation and ongoing work to recruit a replacement for the role.
- Rob noted that the AB meeting report is posted on the Accord website.

Actions:

- **Secretariat to send the latest AB meeting report to the SC and provide as an accompanying paper in future SC meetings.**

2.3 Dispute Resolution Process

The SC Brand representatives seek a possible extension of the 30-day timeline referenced in Point 8¹ in the Accord Dispute Resolution Process.

¹ Dispute Resolution Process as agreed by the Steering Committee on 10th April 2014: Point 8; "If the Steering Committee finds that the charge has merit, it will convene a process with the parties to the dispute to determine whether the charged party is willing to remedy the violation within 30 days of the Steering Committee's decision."

- The SC discussed whether the requested timeline extension is applicable to the 30 days mentioned in Point 3² or Point 8 in the dispute resolution process and subsequently agreed that the discussion should be about Point 8 only.
- However, the SC Labour representatives agreed to notify the SC of future discussions initiated with a signatory at Point 3. They also agreed to include in their letters to signatory companies at Point 3 a recommendation that they meet with the SC brand reps.
- The SC Brand reps confirmed that the objective of a timeline extension in Point 8 would be for closer involvement of the SC Brand reps in the dispute resolution process. Christy and Jenny welcome further involvement from all SC members in enforcing the provisions of the Accord, but agreed that there need to be time limits in the dispute resolution process.
- Jochen clarified that the SC Brand reps concern with the 30-day timeline referenced in Point 8 is the requirement to remedy the violation within 30 days. Jochen explained that this hinders the SC Brand reps from accepting whether a case has merit.
- Christy noted that Point 8 does not say 'remediate' within 30-days, but 'remedy the violation' and explained that this could mean simply putting an agreed plan in place to remedy the violation(s).
- Jenny noted that the SC has to agree that a charge has merit in order to get to Point 8 in the process.
- The SC agreed that the 30-day timeline referred to in Point 8 of the Dispute Resolution Process refers to the convening of the process (within 30-days) not the remedy of the violation and therefore no changes to the document are needed.

Actions:

- **SC members commit to notifying the full SC of discussions initiated with a signatory at Point 3 of the Dispute Resolution Process.**
- **The SC agreed the following interpretation of Point 8 in the Dispute Resolution Process; that "30 days" refers to the convening of the process to determine the remedy within 30 days.**

3. Management Reporting (Executive Office pt. 1)

3.1 Review last meeting agreed actions

- No outstanding actions

Inspection Program & Remediation

Rob updated the SC on the status of the inspection and remediation program:

- In-house initial inspections have been ongoing since April 2016 and Rob is satisfied with the quality of the inspections and the reports produced. Rob noted however that the pace of initial inspections is not satisfactory (57 initial inspections conducted since April 2016) and has met with the lead engineers to address the scheduling and increase the number of initial inspections being carried out.
- The pace of follow-up inspections over the past few months has been slower than the planned 400-500 inspections a month. This is because of a reduced inspection schedule during Ramadan and two weeks of factory closures during Eid in July and September. The follow-up inspection schedule is now back up to full speed.
- The Secretariat confirmed that approximately 18% of issues reported as fixed are not fixed correctly and therefore they cannot be verified as fixed at

² Ibid: Point 3; "If a signatory, the ED or the CSI believe that a provision of the Accord has been violated, any one of them may initiate discussions with the signatory involved in order to solve the matter. If the parties fail to resolve the situation within a period of 30 days, a signatory may file a charge with the Steering Committee and/or the ED or CSI will report back to the Steering Committee that it has been unable to resolve the matter. In the latter case, the Steering Committee itself may decide to file a charge. The Steering Committee's decision to file a charge is without prejudice to its final decision on the merits of the claim, which shall be issued only after an investigation. At least 15 days before filing the charge, the complaining party shall give written notice to the signatory involved."

the follow-up inspection (i.e. they go from “pending verification” to “in progress”).

- Ted raised a concern that there is a duplication of issues in Accord CAPs; for example 3 or 4 CAP issues refer to the fix of one individual item and that this then exaggerates the number of outstanding issues.
- Rob noted that approximately 450 factories are going through the Accord Article 21 escalation process and that this process is having the intended impact in driving remediation. Rob confirmed that de-escalation is also taking place.
- The turnaround time for Detailed Engineering Assessments (DEAs) and Fire Design Reviews is on target. However, DEA approval remains a challenge. The Accord continues to work with Inditex and the ILO on a functioning DEA protocol for factories. The Accord is also working closely with BGMEA to encourage BGMEA members to require their DEA / engineering firms to meet their contractual terms with factories and for the factories to not pay the DEA / engineering firms until they produce a DEA which is approved by Accord. The Accord is working closely with factories requesting that they start remediation on specific approved items from a DEA if the full DEA is not yet approved.
- Rob summed up by explaining that the primary reason for remediation delays is because the factory is simply not remediating without constant pressure from all parties. Accord technical support is forthcoming and quick, but all-too frequently the threat of termination of business with Accord signatory companies is the only driver of remediation completion.

- Jenny asked for an update from the Secretariat on escalation triggers, specifically whether the ‘lowest 75’ trigger is successful. Rob acknowledged that the ‘lowest 75’ trigger is not working as anticipated because of Accord capacity issues in managing the escalation of 75 new factories every month. Rob asked if the SC would re-consider this escalation trigger and proposed that the Accord escalates the ‘lowest 25’ factories (based on previous months verification % at follow-up inspection) on a monthly basis. Rob noted that this would be 25 new factories in escalation every month. The SC agreed with Rob’s proposed amendment to the escalation standard operating procedure and asked that this ‘lowest 25’ trigger be implemented immediately. The SC noted that if escalating 25 new factories every month becomes a capacity and resource issue then this trigger will be discussed again in the future.
- The SC also requested that the Accord continues to closely monitor factories in escalation and ensures that public CAPs for these factories are up-to-date.
- Scott asked whether it would be worth having a mandatory stage 1 meeting (currently only stage 2 meeting is mandatory) to ensure factories understand how critical the escalation process is from the outset. Rob explained the challenges of running mandatory stage 2 meetings, the time and resources required, concluding that the Accord does not have the capacity to run mandatory stage 1 meetings.

Action:

- **The SC agreed to amend the stage 1 ‘lowest 75’ escalation trigger to the ‘lowest 25’ in the Article 21 escalation standard operating procedure, and that the lowest 25 would be selected from factories not yet in escalation.**
- **Secretariat to ensure that factories do not receive multiple stage 1 letters simultaneously for different escalation triggers.**

Remediation financing requests (paper 1)

Rob explained that Paper 1 is a response to actions from the June SC meeting related to inactive factories in escalation which have raised a legitimate financing request.

- Rob provided a progress update on the introduction of the mandatory stage 2 meetings and noted that either Rob or the Amsterdam Secretariat have attended most meetings. Rob explained that it has been challenging organising these meetings specifically as it relates to coordinating attendees and time zones and ensuring the factory presents the required documents (e.g. CAP costings) in advance of the meeting.
- Rob further informed the SC that finance meetings rarely result in a resolution during the meeting. The Accord facilitates the discussion, but the outcome is usually that discussions will continue after the meeting between the factory and the signatory companies. Frequently the appropriate

person to make decisions on financing are not present in the meeting and the necessary documentation is not produced by the factory on which to have the discussion.

- In total 47 factories have requested financial support for remediation. 9 of these cases have been resolved; for example, in several cases the factory indicates that they have obtained resources through a bank loan and in one case through the IFC.
- Rob explained that in the case of finance requests from tier 3 factories, the Accord informs the factory owner and signatory companies of Article 22 but also advises both parties that there is disagreement at the SC level on how Article 22 should be implemented and this is unresolved. Regardless, the Accord still asks the signatory companies if they are willing to ensure financial feasibility of remediation.
- Rob referred the SC to a communication sent to signatory companies in June 2014 which explained that after 20th July 2014 any un-tiered factories would be considered as tier 1 or 2 for the purposes of applying the Accord. Any factories without a tier which have raised a finance request for remediation support have thus far been held in abeyance from Stage 3 escalation under Article 21. The SC agreed that factories without a tier should be considered as tier 1 or 2 as per the SC decision of 2014.
- Jenny asked for clarification on whether the Secretariat has provided a report to the SC on signatory companies which may not be exercising all of their responsibilities under Article 22. Joris explained that this information has been provided through the referral cases outlined in the summary paper of Paper 1. The Secretariat agreed to specify the reasons for referral to the SC in future reports, for example: factories referred to the SC as a result of signatory companies not exercising all of their responsibilities under Article 22; which factories have submitted the required financial documentation; and which factories are referred for "in abeyance."
- Scott asked whether the Secretariat checks the accuracy of signatory company factory tiering. The Secretariat clarified that if a signatory company makes significant changes to their factory list then they are asked to confirm the accuracy of their tiering upon acceptance of their updated factory list. However, the Secretariat does not have access to information on sourcing volumes and therefore cannot check the accuracy independently.
- Jochen asked how often the brand has used tier 3 as a reason not to support a finance request for remediation support. Rob clarified that in most cases the conversation about financing remediation takes place outside of the Accord processes and the Accord is informed after the fact that a finance plan is in place, usually self-financing by the factory.
- Christy questioned whether the information being asked of the factory in preparation for a finance meeting is fair, suggesting that this could be an obstacle for factories in obtaining financial support.

Driving remediation at inactive factories (paper 2 provided by Secretariat for context)

- Addressed under agenda item on remediation finance requests above.

Article 21: Factory ownership

Rob asked the SC to support the EDs decision as acting CSI in the following factory Group termination cases:

- Smart Group: in June the SC agreed to temporarily suspend the decision of termination of Accord business under Article 21 of the Smart Group. This was in light of further information shared since the SC meeting in April when the falsified DEA concrete strength results were first identified. The temporary suspension was strictly contingent on the Smart Group completing all remediation in an expedited manner before 30th September 2016. The Smart Group notified the Accord at the end of September that they had completed all remediation. Upon verification by the Accord engineers on 4th and 5th October, it appeared that the factory had completed approximately 70% of fire remediation with several significant findings un-remediated. The SC supported the EDs decision as acting CSI to terminate the Smart Group. The Secretariat to verify the ownership of R.B. Industries prior to termination to confirm factory group ownership.
- Haesong Corporation Ltd: The SC supported the EDs decision as acting CSI to terminate Haesong Corporation due to falsification of DEA documents, on the basis of the EDs affirmation that the Accord has verified the falsification.

Remediation of Individual Fire Safety Findings

Scott asked the SC to reflect on the fact that the Accord is currently relying predominantly on top line data (initial CAP progress rate) to monitor remediation progress. This progress rate is distorted by an over-representation of electrical completion. Scott specifically raised the issue of stairwell enclosures sharing some recent analysis by WRC which indicates the average remediation progress of stairwell enclosures is approximately 40%. The SC Brand reps agreed that this is of serious concern and acknowledged that the non-weighting of issues in assessing progress explains why this has not yet come to light.

- The SC Brand reps commit to raising the issue of stairwell enclosures at the brand caucus meeting in the New Year.
- Christina asked the SC Brand reps how their companies monitor remediation of specific issues. Aleix clarifies that each brand would approach this differently, but most companies should have a detailed tracking system with close monitoring of the progress of individual issues preferably by regular factory visits.
- Aleix asked for clarification on why fire door installation is delayed. Rob clarified that delays in importing fire doors is no longer the issue it once was and any delay is mainly the factories not ordering the fire doors in the first place.
- Ineke asked the SC to consider publishing transparent information on individual signatory company progress (in the same way as progress on factories is publicly reported).
- Scott asked the SC not to consider changing the escalation protocol to address individual findings without expert technical consultation first on what are the most significant outstanding safety hazards.
- Jenny suggested that the Accord could issue a general communication to signatories and factories raising awareness about the importance of completing remediation of stairwell enclosures. Aleix noted his concerns about sending a general message to signatories without a further detailed background check on the progress of specific safety hazards.
- The Secretariat asked for SC approval in hiring temporary administrative staff to analyse Accord CAPs and simplify the findings (inspection observations) to better identify individual issues and categorise findings for easy reporting. The SC approved this proposal.

Actions:

- **Secretariat to send a draft list of CAP findings and simplified categories to the SC for their input.**
- **Secretariat to hire temporary staff to analyse and categorise CAP findings based on the agreed fire, electrical and structural categories in order to better track individual CAP issues.**
- **Upon completion of the categorisation of CAP findings, the Secretariat will send each signatory company a list of their factories without enclosed stairwells to raise awareness of this issue alongside a communication on the severity of non-remediation of this item.**
- **Secretariat to prepare talking points for the Accord to use to address the importance of enclosed stairwells at upcoming BGMEA meetings, buyer's forum meetings and caucus meetings.**

3.3 Safety Committees, all Employee Information sessions & complaints

Safety Committee roll-out implementation update

Michael presented a summary of the status of the safety committee training program to the SC:

- The Accord safety committee training program is comprised of an initial meeting with every factory, followed by 7 safety training sessions and 2 all employee- informational sessions. The first all employee-meeting takes place after the initial meeting and the second all-employee meeting takes place after the fifth training session in order for close involvement by the factory's safety committee.
- The training department have almost finalised two new presentations for the all-employee meetings: the first is on safe evacuation in the event of a

- fire (finalised and approved). The second presentation is on common safety hazards in a factory (90% finalised).
- The training department have recently been introduced to a staff development program focusing on continuous quality improvement. This involves factory feedback and case study analysis. A mentoring program is also in place for the newer trainers. The trainers are becoming more competent and self-sufficient.
- The training department has also established gender balanced expert groups responsible for administrative and logistics support.
- The training department is receiving further training from the Federal and Mediation Conciliation Service (FMCS) based in the US. These training sessions are comprised of five or six three hour modules delivered by Video Conference. This training also includes a mentor/mentee relationship to focus on dispute resolution and mediation.
- A protocol is now in place for the training of dedicated safety committee members (one worker and one manager) to accompany follow-up inspections.
- Signatory companies have been very positive and engaged.
- 57 unionised factories in pilot, with safety committees established in 37 factories.
- 16 of the pilot unionised factories have run safety committee meetings attended by the Accord.
- Signatories have nominated 398 factories for participation in the program and the Accord is now active in 161 factories.
- The program now covers approximately 500,000 workers.
- The Accord currently has 25 trainers, but is aiming for between 25 and 40 in total, with 6-12 program assistants.

Michael explained the current challenges in running the safety committee training program, noting that most factories have welcomed the program.

- Federation involvement in their observer capacity at the initial meeting;
- Initiating the training in shared Accord/Alliance factories which have already received Alliance safety training
- Appointed vs. elected WPCs. In a number of cases where it has been identified that the WPC is appointed not elected, the Accord has carried out the initial meeting but postponed the all-employee meeting until after the WPC election date.
- In 20 factories in the pilot program (factories with a registered union), the Accord has been asked by the union federations to halt the Accord safety committee program. In most of these cases the factories are not cooperating and are intransigent.
- The Accord is receiving push-back on the message about safe evacuation in the event of a fire being given in the first all-employee meeting and informational session. Rob commented that this is not a popular position to take in the industry given decades of fire-fighting training in factories and credit should be given to the SC for maintaining this line.
- All employee meetings and informational sessions; Accord purposely selected the large factories first to run the all-employee meeting, however a number of mid-size factories do not have space in the factory to address all employees at once. In these cases, the Accord sends out multiple training teams to carry out multiple all-employee sessions simultaneously to cause the least disruption to the factory.

Karl asked Michael what level of support the Accord requires of the signatory companies in implementing the program successfully. Michael clarified that when the Accord runs into problems it deals privately and discreetly with the signatory company. In all cases so far the companies have been supportive in resolving the issue. The SC Brand reps asked what more companies could do to support the roll-out of the training program. Michael requested that the SC Brand Reps ask signatory companies to firstly explain the benefits of the training program to factories and if they are unresponsive to explain the consequences of non-cooperation. Secondly to push factories to establish safety committees in accordance with the BLA where workers elect their representatives. Thirdly that factories continue to provide factory nominations for participation in the Safety Committee training program. Lastly, Michael asked for support from the SC brand reps in communicating to the caucus the importance of the agreed message on safe evacuation in the event of a fire.

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

4.1 Review last meeting agreed actions

- On June 22nd, the Accord received a letter from Switcher's receivers to indicate their bankruptcy. This was shared with the SC at the last meeting on 30th June. The deadline for submitting the claim was 4th July. The Secretariat missed this deadline. The SC agreed to remove Switcher from the website and no further actions.

4.2 Signatory Management

Annual fee issues/outstanding fees (paper 3)

Rob introduced Paper 3 to the SC which outlines the current status of outstanding annual fees from signatory companies.

- 28 unpaid (approximately \$533,000).
- Rob noted that he has no serious concerns about non-payment from the few larger companies in the list and has received assurances that payment is in process. A number of other companies in the list have closed and will be discussed under the following agenda item.

4.3 Human Resource Management & Operations

CSI next steps

Rob informed the SC that the Management Committee are finalising an interim contract with Brad for him to provide technical opinion on a consultancy basis. The Accord has finalised a proposal with Acre to support the recruitment search. The proposed timeline for recruitment, contingent on candidates, would be a new CSI in country by Feb 2017.

- The SC agreed that Ted, Karl and Scott would participate on a selection committee when required.
- Jenny asked if the current interim arrangements are sufficient and Rob confirmed that the Accord operations proceed as usual.

Report on the complaints received under the ACC

- Rob informed the SC that no complaints have been received yet under the ACC.

Proposal on retaining Accord engineers post 2016

Rob recommended to the SC that the Accord retains 75 full time Accord engineers (25 per department) post 2016. In addition, 6 engineers would be assigned to the Training Department for safety and health complaints, and be available to the trainers for technical input and to support specific training sessions.

4.4. Budget and Accounting

Danny Van Opmeer joined the SC meeting via conference call.

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

Rob introduced Paper 5 advising the SC that the Accord has a continued underspend this quarter, as per previous quarters in the Accord 4th Year.

- Income has increased due to additional brand's fees
- Continue to be substantially underspent on training, but spending will accelerate with increased roll-out of the program.
- Suppliers and equipment capital expenditure; budgeted for the 4th floor construction of AJ Heights.

Actions:

- **Rob to provide a budget forecast to year end and budget forecast to June 2018 at the next SC meeting.**

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

Danny Van Opmeer presented the financial report and audit for January – December 2015 to the SC.

- Danny noted that the Accord financial year runs from June to May and as such it is not easy to compare the quarterly budget reports with the annual reports. The financials are therefore divided into the last 7 months of the calendar year 2014-2015 and the first 5 months of the calendar year 2015-2016.

5 Communications

5.1 Review last meeting agreed actions

- No outstanding actions

5.2 External Communications

Quarterly Aggregate Report (QAR) (Paper 6)

Joris presented the draft Quarterly Aggregate Report to the SC noting that there are very few narrative changes from the previous one.

- Accompanying the QAR, the Accord will also publish the updated progress page on the Accord website.
- Rob noted that the QAR is widely read in Bangladesh and picked up by several international online publications.

Actions:

- **The Secretariat will report on the progress of individual outstanding findings and include narrative on the consequences of unprotected fire exits in future Quarterly Aggregate Reports.**

Article 21 Escalation Flowchart

Rob asked for SC approval to distribute the Article 21 Escalation flowchart with signatories and factories.

- The SC conditionally approved the Article 21 Escalation flowchart for publication subject to amendment of the automatic stage 1 trigger from 75 to 25.

5.3 Stakeholder Engagement

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

6. AOB

The SC agreed on the below 2017 quarterly meeting dates:

- 25th and 26th January 2017: Dhaka – including prior two days
- 25th and 26th April: Amsterdam
- 27th June: Dusseldorf
- 18th and 19th October: Dhaka

Christy thanked Rob for his work during the past year, recognising the challenging environment in Bangladesh following the terror attacks and the CSIs departure. The SC thanked both Rob and Michael for their commitment to the Accord.

Close of Meeting