



on Fire and Building Safety in Bangladesh

STEERING COMMITTEE QUARTERLY FACE TO FACE MEETING – MINUTES

Date: Wednesday 3rd & Thursday 4th May, 2017

Time: 9am – 5pm. 9am – 2pm

VENUE:

Accord office

AJ Heights Building, 5th Floor

Cha – 72/1/ D

Progati Sarani, North Badda, Dhaka - 1212

ATTENDEES:

Chair: Dan Rees

Company signatories: Santiago Martinez-Lage Sobredo, Karl Fagerlin, Jochen Overmeyer, Ted Southall

Trade Union signatories: Christina Hajagos-Clausen, Mathias Bolton, Jenny Holdcroft, Roy Ramesh (3rd only), Amirul Haque Amin

Witness signatories: Ineke Zeldenrust

Accord Executive Team: Rob Wayss

Accord staff: Tatiana Delany, Joris Oldenziel

Apologies: Aleix Gonzalez, Marissa Pagnani, Christy Hoffman (joined via phone for agenda item 3.1), Scott Nova

AGENDA ITEMS

1. Introductions

- The Chair welcomed those Steering Committee (SC) members present.

1.1 Agree meeting agenda and any items of AOB

Agenda agreed with following changes:

- Workplace program: SC to discuss BGMEAs request for information on non OSH complaints received by the Accord and their request for a video of Accord training sessions to share with their members for educational purposes.
- Inspections & remediation; SC to discuss BGMEAs request that the Accord establish an ombudsman for factories who wish to appeal Accord technical engineering decisions. A report on the status of remediation and follow-up inspection process at Accord and Alliance shared factories.

2. Governance

2.1 Review last meeting agreed actions: No outstanding actions

2.2 Advisory Board (AB) Update (Paper 1)

Rob updated the SC on the outcomes of the last AB meeting (11th March 2017). Rob noted the following two requests raised by the AB for SC discussion:

- The SC to consider a change of Accord protocol under Article 21, specifically regarding the application of termination to factories in a group situation.
- The Accord role in relation to wage payments and severance payments for workers in factory closure and relocation cases.

Rob also noted that the Accord has now established a regular bi-lateral meeting process with BKMEA.

3. Management Reporting (Executive Office pt. 1)

3.1 Review last meeting agreed actions: no outstanding actions

Inspection Program & Remediation

Article 21: Approval of amendments to protocol (paper 5a, b, c, d & e)

Christy Hoffman joined the SC meeting via phone.

Joris updated the SC on the current status of the Article 21 protocol.

On Friday 28th April, Jochen and Christy submitted an informational document to the Secretariat to circulate to the SC for discussion in this meeting, this has been shared with the SC as Paper 5e.

The SC agreed in principle to the Secretariat's proposal on guidance to brands on terminating business (paper 5b), subject to the following changes:

- Clarification that 'critically unsafe' refers to cases where the factory needs to be immediately evacuated.
- Amend language in the footnote to clarify that brand's contracts with factories should include reference to the fact that 'remaining an Accord covered factory is a condition for business'. If the factory is terminated, termination of the contract may be applied by the brand.
- Review clarity of language in following sentence: 'Any contractual terms that the company has developed to introduce non-compliance with the Accord program as a condition for terminating business'

The SC discussed removing the bullet point; 'cancel orders not yet in production (before the CMT phase has started)' and replacing with 'do not place any future orders'. Rob commented that the Accord has witnessed situations where brands have placed orders with factories multiple seasons and many months in advance. Ineke agreed that she is concerned that if brands can continue with current orders in production indeterminately then a factory could continue producing for that brand for up to 12 months or more.

The SC labour reps explained that they have been asking brands to include a breach of compliance obligations (for e.g. Accord termination under Article 21) in their contracts and code of conducts with factories for a long time. Santiago commented that brands have signed the Accord, a legally binding agreement, and emphasized that it is a brand's responsibility to update their legal requirements with suppliers accordingly.

Ted explained that a production cycle can be up to 6 months, but that end dates for production are frequently delayed in Bangladesh and therefore this may be difficult to accurately provide.

The SC reviewed the Secretariat's suggested criteria for identifying a factory group, as listed in paper 5c and 5d. The SC agreed the criteria for identifying a factory group, as presented in the papers, subject to the following amendments:

- Change to language in introduction to list of factory criteria to; "Among the criteria the Accord will consider when deciding if a factory is part of a group are the following; "
- Include a new criteria: "Registration document(s) of the Bangladesh Office of Registrar of Joint Stock Companies and firms"
- Amendment to language as follows in bullet point 7: "A company signatory has informed Accord that one of their factories are part of a group."

Actions:

- **Paper 5a: The SC agreed in principle the updates to the Article 21 protocol, pending Jochen's edits to ensure consistency in the use of the terms supplier and factory and the agreed criteria for identifying a factory group. Jochen to share his edits with Christy by Monday 8th May for her agreement. The protocol will then be sent to the Secretariat for review before final approval by Jochen and Christy.**
- **Papers 5b, c, d: The SC approved the proposed updated website text, communication to signatories on factory groups and guidance to signatories on terminating business.**
- **Papers 5c & d: The SC agreed to the amendments to the criteria for identifying factory groups.**
- **SC Brands to develop a proposal to ensure Accord brands include in their contractual obligations with factories that continued business is contingent on the factory meeting Accord obligations, so that termination under Article 21 can be considered a breach of contract and already placed and running orders can be cancelled.**

Update: new structural escalation triggers (paper 7)

Rob explained that the Accord has introduced new escalation triggers to address the slow pace of structural remediation and the DEA submission process. The implementation of the new structural triggers involve the Accord continuing to improve the efficiency of the structural engineering department.

- Karl commented that trigger 3: “DEA not resubmitted > 4 weeks since review” will not have the desired effect of expediting remediation in the short-term and will instead put a lot of pressure on the Accord operations.
- The Secretariat clarified that due to capacity restraints, not all triggers would be implemented at once. The Accord will prioritize those factories for escalation first where no DEA has been submitted.

Action:

- **Secretariat to produce a baseline assessment of how the Accord is increasing efficiency to turn around DEA approvals and whether the Accord is meeting internal KPIs to review DEAs. This will be presented to the SC in the June SC meeting. In the meantime, the Accord will not escalate factories which have not re-submitted their DEA for more than 4 weeks since their last review.**

BGMEA request for a mechanism to appeal technical decisions made by Accord engineers

Rob acknowledged that Accord engineers should be held to account for their technical decision, but requested that the Accord avoids allowing every decision by Accord engineers to become subject to negotiation or challenged.

- The SC agreed that for a mechanism to be effective, the burden must be on the complainant to specify clearly the complaint with details on the case, there should be criteria setting out the severity of issues, an external ombudsman should be appointed, and the cost should be borne by the complainant unless the complaint is upheld.

Action:

- **Secretariat to draft a proposal for an appeal mechanism for technical decisions made by Accord engineers and bring this back to the June SC meeting for decision.**

Inactive Factories Remediation Fund implementation update including discussion on factories not complying with fund requirements.

Rob advised the SC that the Accord has sought expert advice on establishing a remediation fund providing financing to factories for remediation. The advice provided is that disbursing this fund (through grants) is consistent with Accord’s legal Board of Investment (now BIDA) permissions.

Joris updated the SC on the status of the implementation of the inactive remediation fund update.

- The agreed communication is ready to distribute to all Accord inactive factories (inactive for more than 6 months).
- The Accord has developed documents and templates for application and registration forms, a direct support recipient registry, how to manage support applications, administering the support program and monitoring remediation.
- The Accord Secretariat will provide a list of all applicants to one labour and one brand SC rep (Ted Southall and Christina Hajagos-Clausen), specifying the successful applications for their reference.
- Joris clarified that “the support received by inactive factories through this fund satisfies the brands’ article 22 responsibility for these factories.”

Actions:

- **Secretariat to activate the inactive factories remediation fund and issue the communication to factories accordingly.**
- **Secretariat to update the direct financial support contract with factories to include the obligation that the recipient (factory) must pay the tax at source and all other due taxes.**

- **The SC agreed that Rob would send a letter to the Board of Investment (BIDA) authorities informing them that the direct financial support program will be activated shortly and that the Accord looks forward to factories remediating through this direct support.**
- **Rob to update BGMEA on the activation of the direct financial support and seek their support in its implementation.**

Remediation financing requests referrals (paper 4a, b)

Rob summarised Paper 4a and noted that 90 remediation finance requests from factories have been received in total.

Jenny thanked the Secretariat for the information provided in each finance case on whether low cost and immediate items have been remediated.

Joris summed up the status of remediation finance requests as follows:

- The Accord is seeing an increasing number of finance requests, mostly because of an increasing and consistent number of stage 2 meetings.
- More factories are willing to submit required financial documentation in order to proceed with their remediation finance request.
- 34 finance cases are still pending, the Accord is waiting for confirmation from signatory companies on whether they are willing to provide financial assistance for remediation. Five cases are resolved with the brand confirming support through various means.

Actions:

- **The SC supported the EDs decision as acting CSI to terminate under Article 21 the following factories: Ababil Knit Composite Ltd (10871), Mantrust Sweater Ltd (11436), Ali Apparels Ltd (9393) and Cotton Textiles and Apparels (10284).**

Accord/Alliance shared factories; remediation progress update

Rob explained that since the SC met in January 2017, the Accord has carried out a follow-up inspection at 263 out of 278 shared Alliance factories where the Alliance carried out the initial inspection.

- The initial CAP progress rate for shared factories where the Alliance carried out the initial inspection is 79%
- The Accord pro-actively informs the Alliance at least a week in advance of an upcoming Accord follow-up inspection at a shared factory.
- The Accord case handlers are sharing Accord engineers' follow-up inspection reports with the Alliance on a regular (weekly) basis.
- The Accord and Alliance have convened a couple of meetings to discuss technical differences identified during follow-up inspections and these have been resolved and/or are being resolved.
- Rob re-iterated that the more frequent the follow-up inspections, whether Accord or Alliance, the faster remediation accelerates.
- Ted asked for clarification on whether there are discrepancies between Accord or Alliance CAPs. Rob acknowledged that there may be minor differences based on a few discrepancies that the Accord does or does not identify and that the Accord will also identify new findings in our CAPs.

The SC noted BGMEAs concern that factories are concerned about duplication of inspection and Rob shared that the Accord has received only a few complaints regarding this concern from factories directly. In each case, the Accord has responded to the factory in question to resolve the complaint. The SC brand reps also noted that they have received some complaints from brands about duplication of inspections, but no concrete examples of problems arising as a result have been shared with them.

Actions:

- **SC brand reps to ask signatory brands proactively if they have concrete cases where duplication of follow-up inspections has resulted in discrepancies in Accord CAPs.**

Pilot proposal to enable unlisted newly built factories to organise a (non-Accord) inspection

At the Oct 2016 SC meeting, the SC asked the Secretariat to bring a proposal to the January 2017 SC meeting assessing the feasibility, qualification criteria, and demand for, a pilot inspection program of non-listed Accord factories seeking Accord business. In the Jan 2017 SC meeting, the SC requested that this be re-considered and requested that Marissa, Scott and Rob bring a new proposal to the May 2017 SC meeting for further discussion. Rob summarised the updated proposal for the pilot:

- If an unlisted newly-built RMG factory is inspected on the Accord initial inspections standards for fire, electrical, and structural safety by the firms that the Accord used for the first three batches of initial inspections, the Accord would accept these as the equivalent of Accord initial inspections should such factory become listed with the Accord. These firms are: Arup, WSP, Jensen-Hughes and Woosun. The full details were provided to the Accord Steering Committee in the Paper titled 'Inspections of non-listed Factories'.

The SC agreed on the proposal as presented subject to the following changes to the document:

- A clear communication based on the protocol to be developed and agreed by the MC and circulated to all suppliers and signatories.
- Include at least two fire, electrical and structural inspection firms for each discipline. Rob agreed to consult with Brad Loewen on possible alternative engineering firms.
- Clarify in the document what being 'listed' means i.e. explain that a factory would require a buyer and the buyer must then 'list' the factory with the Accord to be considered 'Accord covered'.

Action:

- **Secretariat to incorporate the SC requested edits to the proposal on enabling unlisted newly-built factories to organise a (non-Accord) inspection and share with the MC for approval.**

Inspections and Remediation general update

Rob shared latest statistics on Accord inspections and remediation progress:

- 76% initial CAP progress rate and 65% verified progress rate
- Initial CAP progress rates: Electrical 88%, Fire 71%, Structural 57%
- The Accord is beginning the 8th round of follow-up inspections in some factories.
- The Accord has approved 587 DEAs (out of 1277).

Rob informed the SC that the Accord is currently prioritising the implementation of efficiency improvements in the engineering department, particularly as it relates to scheduling and relying exclusively on Fair Factories Clearinghouse data to drive Accord programs.

3.3 Safety Committees, all Employee Information sessions & complaints

Safety Committee and Safety Training update

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

- 442 factories participating in the Safety Committee training with a new batch of 140 factories scheduled to enter the roll-out in the coming weeks.
- 343 all-employee meetings, with a total number of participants of 986,000
- 2250 – safety committee members have been trained

- Rob noted that the Accord is now returning to factories that have completed the safety committee training and finding that in almost all cases the safety committee is not functioning or is not allowed to function. The Accord is following up with these factories and scheduling follow-up by Accord trainers to monitor the functioning of the safety committees.
- The Accord website has been recently updated with new information on the workplace programs.

The SC acknowledged BGMEAs request to video tape an Accord training session for educational purposes and agreed to hire a professional firm to video a training and an all-employee meeting session in a factory and provide this to BGMEA as requested.

Action:

- **Secretariat to hire a professional firm to video a training session in a factory and an all-employee meeting session in a factory and provide to BGMEA as per their request.**

Complaints update

Rob updated the SC on most recent developments relating to the Accord complaints mechanism:

- The Accord will be issuing a second public report on the complaints received immediately after the SC meeting.
- The Accord is receiving a higher % of non-OSH complaints and an increasing number of anonymous complaints.
- The Accord is facing very little resistance in dealing with complaints and factories seem to be very supportive of the Accord communication to workers in complaints cases.
- The Accord still received complaints related to reprisal cases and even several recurring cases of allegations of harassment and/or violence.
- Many complaints received by the Accord are related to structural concerns or structural retrofitting, however an increasing number of complaints are related to OSH issues e.g. wet floors, overheating, mosquitos etc.

The SC discussed BGMEAs request that on receipt of a non-OSH complaint from workers, the Accord should pass the complaint immediately to DIFE. The SC agreed that the Accord should continue to do an initial complaints assessment to determine whether a complaint is in scope. The SC re-confirmed that in all cases anonymity of the complainant must be maintained.

Action:

- **The Accord will inform complainants of the DIFE complaints hotline in cases where a non-OSH complaint means that the investigation of the complaint is out of scope of the Accord complaints mechanism.**

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

Review last meeting agreed actions: no outstanding actions

4.1. Budget and Accounting

Danny Van Opmeer joined the SC meeting by Skype.

Quarterly Budget (budget vs. actual) & 2017/2018 Budget (Paper 11)

Rob introduced the revised final year budget (2017-2018) and summarised the key revisions.

- New Communications Assistant position in Amsterdam office

Rob summarised the budget variance in the quarterly budget for the period 1 June 2016 to 28 February 2017.

5 Communications

5.1 Review last meeting agreed actions: No outstanding actions

5.2 External Communications

Quarterly Aggregate Report (data 31 March 2017)

The SC approved the QAR for publication

4th anniversary press conference & press release (paper 13)

Joris informed the SC that the Accord is planning a press conference on Monday 8th May to mark the 4th anniversary of the Accord. A press release will simultaneously be issued, but will need to be approved by the Management Committee first.

- Ineke requested that the Accord highlights substantive information on the training program, rather than just the number of workers 'trained' in the press release.
- The Accord should be prepared for questions on the recent legal cases and also recent allegations that Accord signatories are justifying lower prices on the basis of the costs they have to meet to remediate factories.

5.3 Stakeholder Engagement

The SC acknowledged receipt of a letter recently received from the ICCR and noted their recommendations set out in the letter.

The SC conducted separate meetings with stakeholders as part of their program in Dhaka the week commencing 1st May.

6. AOB

The SC re-confirmed the following date for their next SC quarterly meeting: 27th June 2017 in Amsterdam.

Close of Meeting