



on Fire and Building Safety in Bangladesh

STEERING COMMITTEE QUARTERLY FACE TO FACE MEETING – MINUTES

Date: Tuesday 27th June, 2017

Time: 9am – 5pm

VENUE:

De Rode Hoed
Keizersgracht 102,
1015 CV Amsterdam

ATTENDEES:

Chair: Dan Rees

Company signatories: Santiago Martinez-Lage Sobredo, Karl Fagerlin, Jochen Overmeyer, Ted Southall, Marissa Pagnani (morning only)

Trade Union signatories: Christina Hajagos-Clausen, Mathias Bolton, Jenny Holdcroft, Christy Hoffman, Amirul Haque Amin

Witness signatories: Ineke Zeldenrust, Scott Nova

Accord Executive Team: Rob Wayss

Accord staff: Tatiana Delany, Joris Oldenziel, Miriam Neale

Apologies: Aleix Gonzalez, Roy Ramesh

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 the following changes:

- Discussion on factory closures and related compensation for workers to be included under agenda item 3.2

2. Governance

2.1 Review last meeting agreed actions: No outstanding actions

3. Management Reporting (Executive Office pt. 1)

3.1 Review last meeting agreed actions:

Rob noted that the fraud protocol was updated in accordance with the decision at the May SC meeting and has been approved by the Management Committee.

Outstanding actions:

- 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 orders can be cancelled.

Inspection Program & Remediation

SC brand representatives' proposal: brands contractual obligations with factories contingent on factory meeting Accord obligations.

Jochen explained to the SC that signatory companies have varied relationships with their suppliers. Most contracts are based on general buying terms which differ from company to company and country to country. Furthermore, smaller companies may purchase product according to the supplier's terms and conditions (where Bangladesh law would apply), and certain countries place limitations on what companies can and can't do in relation to terminating contracts with supplier. These varied supplier relationships mean that it is difficult for the SC brand reps to provide universal language for signatory companies to include in their supplier contracts. The SC brand reps recommended that signatory companies should use their own applicable wording in their supplier contracts.

- Jenny responded that the primary purpose of this proposal is to encourage suppliers to comply with Accord requirements and thus it should not be used as a tool for brands to withdraw from factories.

- Ineke asked the SC brand reps to share some models, best practice and suggested language with the caucus and flag the potential legal issues brands may face if not included in their commercial terms.
- Santiago commented that it is a brand's responsibility to update their legal requirements with their suppliers to reflect their obligations under the Accord.

Actions:

- **SC brand reps to share best practice examples & sample language from commercial terms with their suppliers to explain that business is contingent on their supplier meeting Accord obligations with the caucus meeting on 29th June. SC brand reps to also explain legal consequences brands may face if they do not update their terms and conditions accordingly.**

Jensen-Hughes Quality Assurance Assessment (QAA) preliminary report & analysis (paper 3)

Rob presented the preliminary findings from the Jensen-Hughes Quality Assurance Assessment (QAA).

- The QAA was carried out between 17th May and 8th June 2017 in approximately 75 factories.
- The purpose of the QAA was to identify possible Accord capacity and technical issues and ethical integrity issues.
- Rob noted that a key area of investment needed is in testing and commissioning (both internally from an engineering technical capacity of the Accord engineers and externally regarding the capacity of the T&C technicians utilized by factory owners).
- Marissa asked for clarification on whether compliance and safety monitoring is included in the safety committee training. Rob clarified that there are modules on safety hazard identification and monitoring. The Safety Committee accompanies follow-up inspections and does a walk around in the factory to identify hazards as part of this training. Rob clarified that the Accord communicates to the safety committee that items are not considered corrected until verified as fixed by Accord engineers.

Rob summarised the proposed actions based on the preliminary report received from Jensen-Hughes.

- Accord to fully review all QAA reports
- Determine specific technical capacity needs of staff engineers
- Discuss findings with lead engineers to develop operational interventions on maintenance, vigilance, consistency, documentation issues
- Focus on capacity findings in next Engineers' Professional Development training
- Budget for international engineers to periodically conduct "Inspector General" type inspections.
- Utilize international engineers to conduct testing and commissioning and T&C training focusing on practical, in-factory "teaching by doing" on-site.

Ted suggested that engineering staff in signatory companies could also participate and benefit from technical training. Rob supported this suggestion.

Marissa congratulated Rob on initiating and implementing the QAA and recommended that Rob consider contracting an external engineering firm on a two-year basis rather than on a project basis going forwards.

Baseline assessment & review of DEA efficiency & structural remediation progress (presentation)

Miriam and Rob presented a baseline assessment of DEA efficiency.

- The Accord has recently hired an administrative assistant for the structural department and is recruiting a managerial level position to support the work of the structural lead engineer.
- The number of structural consultancy firms that the Accord will not accept work from is increasing. This has a direct impact on the DEA submission and review process.
- Dan and Jochen asked why factories frequently do not address Accord DEA review comments. Rob responded that there are a variety of reasons including lack of incentive, general administrative delays, professionalism of consultants and factories not closely managing their consultants.

Action:

- **Secretariat to draft a proposal to hire an external engineering firm to support and speed-up the DEA process, taking into account what work can be done remotely. The proposal should consider how external firms could help improve the submission quality of DEAs; the Accord's internal review process; and training and capacity building.**

Ted shared some data with the SC to demonstrate the status of 'in progress' issues across LC Waikiki's factory base.

- LCW has categorised all outstanding CAP items according to the following criteria: green (item almost completed – 4% of factories), amber (genuine remediation progress – 8% of factories) and red (remediation not started – 4% of factories).
- Ted committed to sharing further detailed analysis of this project with the SC once completed.
- The SC agreed that the Accord could use LCW's approach to build a tool for company signatories to carry out the same analysis across their factories.
- Joris flagged to the SC that even if remediation of a specific issue is genuinely progressing it is frequently very unclear when it will be completed.

Action:

- **Ted to provide the final analysis of 'in progress' issues across LCW's factory base to the SC.**
- **Secretariat to develop a tool for signatory companies to conduct similar analysis across their own factories.**

Termination period for suppliers in cases of fraud (paper 4)

Rob introduced the revised fraud protocol, updated after the May SC meeting, noting that the revisions are highlighted in grey. The edits have been checked and approved by the Management Committee.

Rob asked the SC to approve the latest version of the Article 21 protocol and the fraud protocol.

- The SC agreed to keep the requalification period after termination, including in cases of fraud, as 24 months unless agreed otherwise.
- The SC further agreed that termination of an RMG company group requires all affected suppliers in the group to remediate to 100% before requalifying as an Accord covered factory.

Remediation financing requests referrals (paper 5a,b)

Joris summarised the status of remediation finance requests outlined in Paper 5a and noted that further detailed information is available in Paper 5b.

- The number of finance requests continues to rise (currently 100)
- 29 finance requests have been resolved and the type of resolution is detailed in paper 5b
- 38 pending finance cases

Update on inactive factories remediation fund implementation

Rob advised the SC that the Accord has communicated formally to the Bangladesh authorities regarding the implementation of the inactive factories remediation fund. The Accord has also communicated, in writing, with BGMEA to inform them of the fund and ask them to share the information with their members.

Joris informed the SC that the Accord sent the announcement of the inactive factories remediation fund on the 19th May to 113 factories. Individual emails to each factory were then issued two weeks later. The Accord is now planning to follow-up individually with each factory to ensure receipt of the fund information.

4 applications have been received and a further 10 factories have contacted the Accord showing an interest in the fund.

Marissa agreed that the fund needs to be re-communicated with the brand caucus and with factories. However, in PVHs experience there are some suppliers who do not want to demonstrate to their buyers that they require financial support. Marissa suggested that the communication on the fund should come from Accord rather than coming from brands.

Action:

- **Secretariat to re-issue the information on the inactive remediation fund to factories and to draft talking points for case handlers to explain the fund to each factory.**

Appeal mechanism for technical decisions made by Accord engineers (BGMEA request) (paper 6)

Rob presented a proposal for an appeal mechanism for technical decisions made by Accord engineers, drafted in response to BGMEA's request and SC discussions in May 2017.

Actions:

- **Accord to draft a formal proposal to present to the BGMEA.**

Interpretative question on purchase of a terminated factory by another owner

Rob asked for the SC to consider a situation where an RMG company group which owns several garment factories in Bangladesh, including several Accord covered factories, is interested in purchasing a factory to expand their business. This factory has been terminated by the Accord. Before purchasing the factory, the RMG company group would like to know if the termination of the factory would continue to apply i.e. if all remediation is completed in the building would they still have to wait 24 months until the requalification period following termination is over. Rob noted that the seller and potential buyers came to the Accord for a meeting and both parties confirmed there is no relationship between the two.

The SC agreed that where there is a valid change of ownership of a factory terminated under Article 21, the factory must remediate to 100% before it can apply to be listed under the Accord and seek business with Accord brands.

Tatiana explained that several Accord covered factories and Accord brands have informed the Accord that they (or their listed factories) have undergone a change of ownership. In cases where the brand continues to have active business with the factory this is irrelevant and remediation/monitoring/safety training continues. However, in cases where the brand is inactive responsible or the brand is not continuing to work with the 'new' owners the Secretariat seek clarification from the SC on how to handle these situations. Firstly, would the SC consider a factory still Accord covered if it changes ownership and no longer supplies Accord signatory brands. Secondly, what does the SC consider as change of ownership?

- Jochen responded that a legal change of ownership would be more than 50% share transfer, but this is not sufficient for the Accord to consider it a change of ownership and recommended that all shares would be sufficient.
- Rob commented that it is very difficult to verify change of ownership.

The SC agreed that factories which undergo a change of ownership remain covered under the Accord program even if they have no business with Accord signatory companies.

3.3 Safety Committees, all Employee Information sessions & complaints

Safety Committee and Safety Training update

Rob provided an update on the following action from the May SC meeting; "Secretariat to hire a professional firm to produce a video on the training sessions of the SCST program. The video will include footage and highlights of the in-factory Safety Committee training sessions and the all-employee meeting sessions in a factory. The Accord would provide the video to BGMEA as per their request." Michael Bride has identified the highlights in the training sessions and all-employee meetings, these will be filmed over the next few months and the film will be provided to BGMEA.

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 program
- 74 have completed the 7 modules of the training program
- 413 of the all-employee meetings have been conducted

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 (SC) is not functioning or is not allowed to function. The Accord is following up with these factories and scheduling Safety Committee meetings with Accord trainers facilitating the Safety Committee meeting as part of the effort to support and monitor that the Safety Committees are functioning. Jenny asked if the Accord can consider communicating this more broadly to raise awareness in Bangladesh that the committees are not functioning. Rob explained that in the unionised factories, the reasons for the lack of functioning of the safety committee are varied for e.g. the factory and union are not communicating, there is not a good relationship between management and union and in some cases the union no longer exists. Amin commented that in a number of cases the factory level union is not functioning and asked that the federation or affiliates could be more involved. Rob responded that the federations are invited to the initial meeting at any factory where there is a union. In factories where there is no union, the federation is copied on all correspondence and the federation is welcome to participate. There is no current Accord policy that the Accord proactively invite the federations to trainings and follow-up inspections. Christina commented that the unions have carried out further training with safety committees in Accord unionised factories after the Accord safety committee training was carried out. This further re-iterates the lack of empowerment of these committees. Dan asked the SC to consider at what point the Accord should step back and assess whether the training could be carried out any differently to improve the functionality of the safety committees. Rob noted that it is being more widely known (albeit slowly) that the Accord will continue to monitor functioning of the safety committees.

Complaints update

Rob updated the SC on the most recent developments relating to the Accord complaints mechanism noting that the last two months have seen the highest number of complaints received by the Accord to date. This can be attributed to the increased number of safety training and all-employee meetings and a recent program with the IndustriALL federations on the complaints mechanism.

- Total number of complaints received is 272
- 105 complaints are resolved
- 44 complaints are in progress
- 23 complaints are in the initial assessment phase
- 60 complaints have been determined to be out of scope
- 29 complaints are unresolved
- 11 complaints have been withdrawn

Rob informed the SC that reprisal complaints continue to be a serious concern for the Accord. Rob shared information on a recent reprisal case with the SC involving alleged violence against multiple workers in an Accord covered factory.

Action:

- **Secretariat to develop violence protocol under the complaints mechanism.**

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

4.1. Budget and Accounting

Post 2018 Budget planning

Rob shared a hold-over budget with the SC, to be used in case of a disruption in fee streams in June 2018 at the end of the current Accord.

Dan advised the Accord to check whether there are any fiscal or governance rules regulating whether a foundation can carry over funds into a new agreement. Santiago noted that the legal entity is not going to change, so there should be no problem carrying funds over into the 2018 Accord.

Rob informed the SC that the Accord does not have an updated quarterly budget for this meeting because the Accord accountant has recently taken a month's leave and the update will be provided at the next meeting.

Rob noted that the auditors in Amsterdam and working with auditors in Bangladesh for annual report.

Action: Secretariat to check fiscal or governance rules regulating carry over of funds in a new agreement.

5 Communications

5.1 Review last meeting agreed actions: No outstanding actions

5.2 External Communications

Joris reported that on the 8th May the Accord held a press conference in Dhaka and an international press webinar to mark the fourth anniversary of the Accord.

Joris informed the SC that the next quarterly aggregate report will be drafted using end-June data and will be sent to the SC over email seeking their approval to publish.

5.3 Stakeholder Engagement

Rob updated the SC on recent stakeholder engagement:

- The Accord will schedule the next monthly meeting with BGMEA shortly after the EID holiday.
- The Accord is in regular contact with the EU ambassador, Dutch ambassador and the political economics chief at the US embassy
- The Accord and the Alliance sent a joint letter to BGMEA regarding Accord and Alliance follow-up inspections at common factories.
- The Accord is regularly engaging with the ILO and the National Tripartite Plan of Action and continues to work closely with the ILO RMG project.
- The Accord attended the Sustainability Compact public assessment, where the Accord raised the issue of the ongoing lawsuits and the impact this has on the implementation of the Accord.

Joris informed the SC that the Accord has responded to the ICCR letter on their behalf. Three Dutch responsible investors have invited a number of Accord brands to a meeting Thursday evening.

The Accord is attending and speaking at the upcoming OECD Global Forum on Responsible Business Conduct (Thursday 29th and Friday 30th June 2017).

Close of Meeting