

2018 ACCORD INTERIM STEERING COMMITTEE - FACE TO FACE MEETING – MINUTES

Date: Thursday 10th May 2018

Time: 9am – 12pm

VENUE:

Accord office
AJ Heights, Progoti Sarani,
North Badda, Dhaka

ATTENDEES:

Chair: Dan Rees

Company signatories: Karl Fagerlin, Jochen Overmeyer, Edward Southall, Santiago Martinez-Lage Sobredo, Bob Chant, Lary Brown, Bernardo Cruza (as observer)

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

Witness signatories: Scott Nova

Accord Executive Team: Rob Wayss

Accord staff: Michael Bride, Joris Oldenziel, Raluca Dumitrescu

Apologies: Christy Hoffman, Ineke Zeldenrust

MEETING MINUTES

1. Introductions

The Chair welcomed those members of the Steering Committee present to the Accord office and introduced Bernardo Cruza, who will join the 2018 Transition Accord as SC brand representative, informing the SC that he will be attending the meeting as observer.

1.1 Agree meeting agenda and any items of AOB:

The agenda was agreed with the following changes:

- The Interim SC requested to discuss as first item on the agenda the Accord participation in the proposed joint press conference with BGMEA.
- Agenda item 5 - Stakeholder Engagement will be skipped as Rob Wayss provided an update on Accord stakeholder engagement at the SC meeting of May 9th 2018.

1.2 Discussion on joint press conference with BGMEA

The Interim SC agreed to participate in the joint press conference and thanked the Secretariat for drafting a comprehensive press statement on such short notice.

The Interim SC further agreed that the following Interim SC members will represent the Accord on stage at the press conference:

- Brand representatives: Edward Southall (to present part of the statement) and Karl Fagerlin
- Union representatives: Jenny Holdcroft (to present part of the statement) and Amirul Haque Amin and Roy Ramesh

The Interim SC discussed the statement drafted by the Secretariat and agreed to make the following changes:

- Emphasise the outstanding life threatening hazards.
- Clarify that the Joint Transition Monitoring Committee (TMC)'s function is to assess and agree whether the agreed conditions for a handover of the Accord work to a fully-functional and competent national regulatory body have been met. TMC's role does not include assisting the Accord/RCC in the transitioning period.
- Mention that the remediation progress rate has increased at a very slow pace over the past year.

Action:

- **After the press conference, Secretariat to share the press statement with all media contacts and all Accord signatories.**

1.3 Review last meeting agreed actions

- I. In relation to action i) “The Secretariat to update existing protocols (a-g above) in track changes with all necessary administrative amendments as set out in the 2018 Transition Accord implementation protocol review papers before April 2018. All protocols will be approved by the SC over email (the Interim SC brand representatives noted that Jochen Overmeyer and Lary Brown will review the administrative changes to existing protocols on behalf of the interim SC brand representatives)”, Rob informed the Interim SC that the factory disclosure protocol is the only one fully completed (and was shared with the Interim SC via email on May 2nd 2018) and the Closures and compensations protocol is close to completion and will be shared with Jochen Overmeyer and Lary Brown shortly.

2. 2018 Accord implementation plan

2.1 Bangladesh office extension update

Rob informed the SC that the current Accord’s office permission in Bangladesh will expire on June 28th 2018. The Accord’s lawyers in Bangladesh submitted the application for the extension of office permission two days before the Interim SC meeting.

Actions:

- **Secretariat to inform the SC on further developments.**

2.2 Protocol revisions (paper 1)

Rob apologised that the Secretariat were not able to complete the revisions to all the protocols by this Interim SC meeting, as previously agreed. Rob noted that the priority is to complete the factory disclosure and the closures & compensations protocols as the ones with most immediacy. The latter will be shared as soon as possible with Jochen and Lary via email.

The updated inspections and remediation protocols will be presented at the SC meeting in June and will be shared prior with the SC via email.

Factory disclosure

Rob mentioned that the updated factory disclosure protocol was shared via email with the Interim SC on 2nd May 2018.

The Secretariat made the following edits:

- Added more points required in the detailed factory information:
 - Supplier type
 - Factory group info
- Edited and reduced wording from existing protocol without cutting any substance
- Added the following sections:
 - Procedure for expansion into ‘other related industries’
 - Other related industries in scope of Accord beyond RMG
 - Procedure for signatories to invoke ‘release of responsibility’ (Article 22)
- Added appendix with definitions for the following terms:
 - integrated unit
 - covered factory
 - inactive factory
 - inactive responsible
 - factory extension
- Added appendix with relevant Accord sections

Lary raised a concern that due to the level of detail in the protocol, company signatories may not read it thoroughly and suggested that the Secretariat drafts a one pager highlighting the key points. Rob explained that the Accord will set up a series of webinars prior to the start of the 2018 Transition Accord to explain this protocol to company signatories.

The Interim SC requested the following edits to be made to the protocol:

- Page 4: remove the list of examples of related industries.
- Page 6: replace the four bullet points used to define ‘active factories’ by a paragraph indicating that company signatories must list all the factories where the company is currently supplying from or has already placed orders. Factories will remain listed as ‘active’ until the company notifies the Accord that they are not ‘active’ anymore.

The Interim SC agreed that the factory disclosure protocol must be presented to the 2018 Transition Accord company signatories

before June 1st 2018 in order to ensure that company signatories are correctly listing the factories they are supplying from.

Actions:

- **Jochen Overmeyer and Lary Brown - as Interim SC brand representatives to review the administrative changes to existing Accord protocols - to send their feedback on the Factory disclosure protocol to the Secretariat by May 15th 2018. Secretariat to incorporate the feedback within 48 hours.**
- **Secretariat to send the final version of the Factory disclosure protocol to the Interim SC, who will approve it by May 21st 2018.**

2.3 Working Groups update

Rob informed the Interim SC that both the Workplace Programs Protocol Working Group and the Dispute Resolution Protocol Working Group met at least once and asked the Interim SC members involved to update on the status.

Workplace Programs

Mathias informed the Interim SC that the working group met via conference call the week prior to the Interim SC meeting.

The working group decided to draft an appendix to the 2014 approved Proposal on Worker Participation explaining how the workers' right to Freedom of Association will be covered i) under the training program to ensure "the functionality and empowerment of effective Health and Safety Committees and protecting workers' health and safety" (Art. 12b) and ii) under the complaints mechanism "in relation to protecting their [workers'] own safety under the scope of this agreement" (Art. 13).

Michael noted that the priority for the working group is to finalise the complaints mechanism protocol to ensure that it will be implemented, as required by the agreement, starting June 1st. The complaints mechanism protocol will be sent to the Interim SC for review and approval in the w/c May 14th.

Dispute Resolution

Jochen informed the SC that the Dispute Resolution protocol will be sent to the Interim SC for review and approval by latest May 31st.

Both the union and brand Interim SC representatives agree that the protocol must describe a procedure by which the signatory parties involved have the opportunity to participate in a mediation process to solve the dispute at hand and that arbitration should be seen as the last resort.

Jochen further informed the SC that Christy Hoffman is currently in the process of reviewing and incorporating the brand SC comments related to specific language changes.

2.4 Expansion of scope – feasibility study

Joris Oldenziel updated the Interim SC on the progress made by the Secretariat in conducting a feasibility study to cover spinning mills; fabric mills; washing, dyeing, printing and finishing suppliers, as agreed by the Interim SC during the last Interim SC meeting.

Background:

- In February 2018, the Transition Accord Interim SC agreed that signatories to the 2018 Transition Accord may choose to list their suppliers in any of the following categories: i) home textiles; and ii) fabric and knit accessories.
- It was further agreed the Secretariat would carry out a feasibility study on the following industry suppliers that company signatories can list under the 2018 Transition Accord:
 - spinning mills
 - fabric mills
 - washing
 - dyeing
 - printing
 - packaging
 - finishing suppliers

Objectives feasibility study:

- Map general supply chain structure in Bangladesh, including identifying where these industries are located / geographically concentrated.
- Identify relevance for company signatories of each sub-category (horizontal & vertical), including:
 - Potential number of additional listings in each of the sub-categories for expansion
 - 2018 Transition Accord signatory interest in Accord scope expansion

Joris noted that the Secretariat is working with an external freelancer specialised in supply chain analysis, who, as part of the study:

- conducted 10 interviews with Transition Accord signatories & external organizations
- created a survey for all Transition Accord company signatories - 34 company signatories completed it
- is conducting web-based secondary research to map the Bangladesh “related industries”

Joris presented the key preliminary findings of the survey conducted in the period April 27th – May 4th 2018:

- 18% of brands have made significant progress on mapping their supply chains beyond CMT.
- Most brands indicated they would need >6 months fully map their supply chain beyond their 1st tier suppliers.
- 34% of brands are unaware of level of vertical integration of factories beyond CMT
- Fire & building safety risks beyond CMT are considered concentrated in fabric, weaving & spinning mills + dyeing facilities
- High interest from brands in listing factories in the following categories: dyeing, printing, finishing and fabric mills

Ted informed the Interim SC that listing suppliers in other industries may result in a change of band and an increase in fees.

Lary commented that as the RMG factories currently covered under the Accord will be approaching 100% remediation, the Accord engineers and case handlers may be able to accommodate the workload necessary for an increasing number of newly-listed factories. Rob noted that the Secretariat will assess the Accord's staff capacity to inspect and monitor remediation at the newly listed factories. Additionally, when company signatories will start listing factories in other categories than RMG, the Accord will assess what types of specific safety risks may need to be addressed in these facilities.

Christina commented that brands have manifested a high interest with IndustriALL to list home textile factories.

Actions:

- **Secretariat to send to the Interim SC the PPT presentation of the feasibility scope preliminary findings.**
- **Secretariat to send the link of the survey addressed to Transition Accord company signatories to the Interim SC brand representatives so they can share it among the brand caucus.**
- **Secretariat to present the complete analysis of the feasibility study at the next Interim SC meeting on June 26th 2018.**
- **Secretariat to report on: i) the number of factories currently covered under the 2013 Accord that will not continue to be covered under the Transition Accord and ii) the number of newly listed factories, including the category they are part of, and iii) the Accord's capacity to inspect, monitor remediation, conduct Safety Committee training and respond to health and safety complaints at all factories covered under the Transition Accord, at the next Interim SC meeting on June 26th 2018.**
- **Secretariat to create explanatory document that illustrates the "life cycle" stages that an Accord covered factory goes through, since the moment of being listed by an Accord company signatory until the remediation and Safety Committee Training Program are completed.**

3. Management Reporting

3.1 Signatory Management

Signatories update and projections for factory numbers

Joris updated the Interim SC on the number of company signatories to the 2018 Transition Accord and the number of factories that will be covered under the Transition Accord, as indicated by current data:

- 160 company signatories, of which 147 are ‘continuing’ signatories and 13 are ‘new’ signatories (one of them does only home textiles)
- The distribution of company signatories per region is as follows:

Asia	4
Australia	10
Europe	134
North America	12
South America	2
- Under 2013 Accord: 1622 total factories covered, of which 1363 active and 225 inactive
- All signatories from 2013 Accord in bands 6 & 7 have signed the 2018 Accord.
- 75 signatories to the 2013 Accord have not signed the 2018 Accord, of which:
 - 34 in band 0 & sourcing from under 4 factories
 - 15 in band 1 & sourcing from under 10 factories
 - 6 in band 2
 - 11 no longer sourcing from Bangladesh

Joris further presented the induction plan for 2018 Accord signatories, which will be carried out through a series of webinars.

The induction plan for continuing signatories includes the following elements:

- New factory disclosure elements: other industries, lead brand preference, indication of volume in factory (High, Medium, Low) to assist lead brand allocation
- Reminder: definition of ‘active factory’
- Reminder: Accord will continue to cover inactive factories
- Deadline for factory list submissions: by 22nd May

The induction plan for new signatories includes the following elements:

New signatories

- Training on using FFC
- Detailed walk through of factory disclosure
- Deadline for factory list submissions: by 29th May

The invoicing will take place at the end of May.

Actions:

- **Secretariat to share PPT presentation of signatories update and projections for factory numbers with the Interim SC.**

Letter from 2013 signatory re: proportionality in financing remediation (paper 2)

Rob summarised Paper 2 and explained that the Accord received this letter from a 2013 Accord company signatory on March 30th 2018 and was asked to share it with the Interim SC. The letter is asking for clarification in two areas: proportionality in financing remediation and 2018 Accord governance.

In relation to the proportionality in financing remediation, the SC discussed the following scenario: two brands are the only company signatories sourcing from the same factory; one of them makes up for 80% of the factory's production and the other for 20% of the factory production. If the factory requests financial support, the letter from the company signatory is suggesting that the financial support be paid proportionally between the two brands.

The Interim SC agreed that financing remediation is a matter of negotiation between signatory companies supplying from the same factory.

Actions:

- **Secretariat to communicate to the company signatory that this matter was discussed at the Interim SC meeting and it was agreed that the Secretariat reports back and sends the Accord existing guidance on this matter.**

3.2 Budget

Draft budget 2018-19 (paper 3)

Rob presented the draft budget for 2018 -19, mentioning that:

- The budget lines are continuations of the previous year's budgets.
- The budget allocated to external consultants has been increased. Rob commented that in the last years the training provided by international companies impacted on the quality of the inspection programs. The Secretariat recommended the Interim SC to approve future utilising of international engineering firms to train the Accord staff and to continue providing learning opportunities to NPoA colleagues.
- \$3,5 million is budgeted to carry over in the 2018 Transition Accord under the Inactive Factories Remediation Fund. The fund for the current year was budgeted at \$5 million, of which \$550,000 has been already spent.
- The cumulative Accord liabilities for severance and leave cash out entitlements of Accord staff are included in the budget as is the cumulative surplus.
- Rob noted that the Accord staff in the Amsterdam office has extended in the past months, resulting in a higher budget being allocated for international staff travel to Bangladesh.
- There is a \$10 million surplus over the 5 years of the 2013 Accord.
- \$7.7million in income from fees is based on the current information available regarding 2018 signatories, their projected band, and their numbers of factories. The \$7.7 million is likely a conservative projection.

The Interim SC agreed on the budget for 2018-19.

Actions:

- **Secretariat to present a summary document to accompany future budgets provided to the SC, including the following: forecast expenditure income, balance, significant adjustments.**

4. Communications

Website relaunch

Joris briefly updated the Interim SC on the progress made to relaunch the Accord's website.

He noted that the intention to develop a new website as part of the Transition Accord's external communications strategy has been communicated in the past to the SC and it was raised through feedback from a number of company signatories.

The Accord is currently working with a web development company and the launch of the website is planned for July 2018. The website will keep the Accord's house style elements, but will improve on the user experience for Accord signatories and external Accord stakeholders.

Press conference launch 2018 Accord (paper 4)

Joris informed the Interim SC that prior to the Interim SC's decision to participate with BGMEA in the joint press conference planned for later that day, the Secretariat intended to propose to the Interim SC to organise a press conference to launch the Transition Accord on June 5th 2018.

Action:

- **Secretariat to re-evaluate the external communications strategy and inform the Interim SC should the press conference proposed for 5th June 2018 still be needed.**

4.1 Confirm next meeting dates:

1st June, conference call

26th June, Amsterdam

The October meeting dates will be agreed at the next SC meeting.