

## CC19 Minutes – 3 June 2021

Webinar 3.30- 5.30 PM CET – Janet’s Zoom

### Council members present:

1	Jonathan Obermeister	Independent Chair
2	Jeremy Lardeau	SAC
3	Steve Harris	Expert
4	Nikhil Hirdaramani	Hirdaramani Group
5	Daniel Danielsen	Expert
6	Abhishek Bansal	Arvind Limited
7	Tamar Hoek	Solidaridad
8	Anna Burger	Expert
9	Margot Sfeir	ELEVATE
10	Mary Bean	Columbia Sportswear
11	Mayank Kaushik	Inditex
12	Michael Cai	Décor Co

### Absent with apologies

1	Ninh Trinh	Target
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### Guests for relevant agenda items

1	Dan Chastain	Gap Inc.
2	Jim Goddard	SAC
3	Amina Razvi	SAC

### SLCP Secretariat

1	Janet Mensink
2	Dennis van Bregt
3	Sharon Hesp
4	Susanne Gebauer
5	Lauren Hill
6	Tom Mason

Agenda item	Inputs	Ask to Council
<b>1. Opening &amp; Welcome</b>	Verbal updates Secretariat	<ul style="list-style-type: none"> <li>Be introduced to new colleagues</li> <li>N/A</li> </ul>
<b>2. Minutes CC18</b>	2. Draft minutes CC18	<ul style="list-style-type: none"> <li>Approve/amend minutes</li> </ul>
<b>3. CAF tool &amp; adoption</b>	3. A-Ops 2021 update: <ul style="list-style-type: none"> <li>✓ Update CAF v1.4 launch</li> <li>✓ Progress with ILO-BW</li> </ul> 3. B-Adoption and acceptance: <ul style="list-style-type: none"> <li>✓ Revised adoption figures</li> <li>✓ SLCP acceptance list &amp; process for 'brand window-dressing'</li> </ul> 3. C-FYI- BW note consultations	<ul style="list-style-type: none"> <li>Update on progress &amp; projections, including key challenges &amp; mitigations</li> <li>Approve/amend proposal 'window-dressing brand acceptance'</li> </ul>
<b>4. Finance</b>	4. Financial report <ul style="list-style-type: none"> <li>✓ 2020 figures</li> <li>✓ Q1 2021 report</li> <li>✓ Updated 2021 budget &amp; projections</li> </ul>	<ul style="list-style-type: none"> <li>Be updated on 2020 budget (under audit)</li> <li>Be updated on 2021 income &amp; expenses</li> <li>Approve/amend budget revision: proposal to move to 4,000 VRF budget</li> </ul>
<b>5. Accredited Host contracts &amp; fee levels</b>	5. Proposal: principles, updating agreements and fee levels <ul style="list-style-type: none"> <li>Darren Chastain (co-chair TAC Technology) will co-present together with Steve.</li> </ul>	<ul style="list-style-type: none"> <li>Approve/amend AH proposal (including fee updates)</li> </ul>
<b>6. AoB</b>	Verbal updates: <ul style="list-style-type: none"> <li>Draft 2020 annual report for email approval next week.</li> <li>8 June joint session TACs CAF &amp; VO with Council on proposal BW on Virtual Compliance Checks (VCC) Bangladesh, Indonesia.</li> <li>Partnership GFA (announcement May)</li> <li>Council engagement Reminder SLCP signatory portal</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>7. SAC hosting &amp; collaboration</b>	7. A. SAC-SLCP Background note 7. B. Collaboration draft v11 <ul style="list-style-type: none"> <li>Discussion/Q&amp;A with Amina Razvi (ED SAC) and Jim Goddard (SAC board liaison)</li> </ul>	<ul style="list-style-type: none"> <li>Update on progress</li> <li>Opportunity for Q&amp;A</li> </ul>

### Summary: Key Decisions

- Welcome new staff: Dennis (Senior Tech & Data Insights Manager), Tom Mason (Coordinator).
- CC18 minutes approved.
- Approved: 'window-dressing brand acceptance' policy, with Secretariat to flesh out some specifications and modifications discussed.
- Approved: budget amendment to relate to VRF 4000, Expansion to 1.741 M USD.
- Approved: principle of differentiating AHs, updating Accredited Host contracts and fee changes
  - No change in 2021 fees, updates in 2021 fees (lower base fee for 2nd year, lower volume based (VRF) fees with stepped levels, see amounts in pre-read)
  - TBC 2023 fees proposal, revisit in 2022; rather agreement to wait until 2022 figures/ outcomes are available before committing to 2023 fee update
- SAC-SLCP relationship: broad endorsement of the collaboration v11 document.

### 1. Opening and Welcome

- Reminder on Chatham House rules and anti-trust guidelines.
- Introduction of new SLCP Secretariat staff: Tom (Coordinator) and Dennis (Senior Tech & DI).

- A couple of agenda items where some Council members may have a conflict due to the organization they work for. For transparency, Council members can speak to potential conflict at the relevant point in the discussion.

## 2. CC18 Minutes

### Decisions

- No remarks on the minutes, CC18 minutes approved.

## 3. CAF tool & adoption

### Context

- Ops 2021 update: Introduction and rollout of CAF v1.4.
  - CAF v1.4 launched on 6/04 with CAF launch webinar on 7/04.
  - Implementation has gone smoothly so far.
  - Training webinars were also launched prior to inform Training Bodies and Verifier Bodies, while post-launch SLCP conducted facility trainings in CN, EN, TU, plus a Verifier Body calibration webinar.
- SLCP & Better Work (BW) Joint Roll-out CAF v1.4
  - Better Work and SLCP have launched/about to launch in key countries Bangladesh and Indonesia. Vietnam will follow next month.
  - Joint FAQs have been published, see link in pre-read.
- Adoption and acceptance of CAF v1.4: 2021 projected adoption – target 4000+ VRF
- `Window-dressing; brand acceptance policy: Proposal from Secretariat to address cases of brands featuring on adoption list that in reality are not accepting SLCP and still do their own audits::
  - SLCP to provide an option for manufacturers to report to file case(s) of brands on the acceptance list, who in reality did not accept SLCP, but still conduct proprietary audits. There should be a link to brand/organization acceptance list on our website.
  - The secretariat will follow up by investigating the case (accident/incident/systemic issue) and get in touch with these brands and will request the brand to correct within a month.
  - If not corrected within a month or otherwise justified to the satisfaction of the secretariat, the case will be disclosed to the SLCP Council (and in case the brand is also an Industry Summit brand to that forum also). Council/IS will try to resolve this within a month from receiving the notification.
  - If not resolved, the name will be removed from the SLCP Acceptance list.

### Discussion: Adoption & Acceptance

- SLCP now in 54 countries (BW will launch in Vietnam July 1. Pakistan launch event also had high attendance (200 people). By end of 2021, projected to be in 55 countries/regions.
- We are currently at 17% of our target with 695 assessments (mostly v1.3 with some v1.4). This is normal transition to v1.4. and all data suggests we will surpass our weekly targets (to reach 4000 VRF), meaning a positive outlook from Ops so far.
- Overall, CAFv1.4 rollout has gone well from a tech perspective, with some lessons learnt which will be included in v1.5. No major technical issues, rather glitches and bugs that can be resolved with quick fixes.
- Since launch, some weeks had up to 100 new facility Gateway profiles (which is our reference point of VRFs/week to reach 4000 target).
- High attendance at webinars (over 4000+ participants, 2000+ unique participants) – positive feedback but also lots that can be done so will commence work on v1.5.
- We are currently working on best process for data sharing between BW and SLCP as soon as possible.
- The overall prediction of VRFs in 2021 based on brand nominations, does this include others who are not SLCP signatories?
  - Current predictions indicate 4450 VRF. Includes factors such as duplications, possible drop-outs, and independent facilities.
  - SLCP verified data is now accepted by 40+ brands, which is very promising.

- This is not all the brands included and the number is based on voluntary nominations (some are not included which we know are accepting SLCP). Industry Summit brands commit 25% - 50% of supply chain so we have reasonable insight into them, but not other brands. (Our 5-year Strategic Plan estimated that 25,000 verified assessments would cover 77% of the supply chain)

### Decisions

- Council approval of 'window-dressing brand acceptance' policy, with Secretariat still to flesh out some specifications and modifications.

## 4. Finance

### Context/Discussion

- 2020 Financial report figures: EoY
  - Net profit of 47K USD
  - Earned income 50% of total income
  - Budget 7% increased vs COVID CC-10 approved budget (higher # assessments than planned)
- Q1 2021 financial report
  - Income & expenses on schedule
  - No grant income secured yet.
  - Revenue in > expenses made (cashflow positive). Spending (slightly) behind schedule.
  - Earned income in line with target.
- 2021 update on adoption/ earned income
  - Nominations for 2021 have increased since Nov 2020 input for CC15
  - In detailing March/April risks factored in
  - We also know that some facilities will be part of 2021 but have not been nominated
  - Best current estimate = 4.450 facilities for 2021 (see pre-read 4B)
- 2021 proposed budget revision & projections
  - Therefore, The Finance Committee recommends a revision of the SLCP budget for 2021: Targeted budget based on 4,000 VRF – 1.747 M USD.

### Decisions

- Approved: budget amendment to relate to VRF 4000, Expansion to 1.741 M USD.

## 5. Accredited Host contracts & fee levels

### Conflict of interest disclosure

#### Context

- Welcome Darren Chastain (Gap Inc.), chair of the TAC for Technology, who has worked with Steve Harris in developing the proposal.
- Growing need for better differentiation between different AH categories: Active AH, Passive AH and Brand Host (new type). According to their type of organization and function in the SLCP eco-system, these will be treated differently in business rules, legal agreements and fees.
- We constantly review business options particularly in Covid-19 times and anticipated a review of fee structure for AHs. In Feb 2020, we reviewed our (Passive) Accredited Host fee model and the Council decided to keep it as it is for now to not risk passing on increased fees and jeopardizing adoption.
- Feedback both from Passive AHs that the existing fee structure is a barrier to entry and from Active AHs that they are not seeing sufficient return from their investment.

- The proposed fee structure will be based on the type of host you are (passive/active/brand), and rewards for loyalty (fee reductions for retention). It is also based on volume (sharing fee can therefore be reduced over time). These changes will attract and incentivize current and new hosts.
- The TAC has also been engaged in developing these new fee proposals.
- Suggested fee changes for 2022 onwards:
  - **Base fees:** Retain Year 1 base fee for all types of hosts at 30,000 USD, an initial investment by the AH and reflecting SLCP's additional work to onboard them. Fees for Years 2 and 3 will however drop to 5000 USD, as an incentive for retention.
  - **VRF sharing fees:** introduce a stepped model for discounts with increasing volume for an AH. which is direct way of recognizing the commitment and volume and encourage increased sharing. Subsequently seek to reduce the sharing fee levels in general to help further drive adoption and scale.

### **Decisions**

- Approved: principle of differentiating AHs, updating Accredited Host contracts and change in fees
  - No change in 2021 fees, updates in 2021 fees (lower base fee for 2nd year, lower volume based (VRF) fees with stepped levels, see amounts in pre-read)
  - TBC 2023 fees proposal, revisit in 2022; rather agreement to wait until 2022 figures/ outcomes are available before committing to 2023 fee update.

*Darren Chastain left meeting.*

## **6. AoB**

### **Discussion**

- Signed partnership with Global Fashion Agenda (announcement May)

### **Decisions**

- Agreement to set up Slack workspace

## **7. SAC hosting & collaboration**

### **Conflict of interest disclosure**

### **Context**

See Collaboration note v11 (pre-read).

- The SLCP-SAC relationship has still not been formally/legally codified (including SLA terms for SAC's service provision to SLCP), despite SLCP pushing for this since 2019. SAC Board is now more concerned about SAC's own potential liabilities and risks, which has created impetus to resolve
- The SLCP Council has set up a Working Group to oversee and input into this process. 'Sherpa' discussions are being led by Jonathan as SLCP Chair working with Jim Goddard, former SAC Board Chair and now Board liaison (representing SAC's Strategic Planning Committee).
- Aiming to put the relationship on a cleaner, clearer and better footing that meets the needs of both parties. Steady progress has been made together, but there are still (a lot of) details to address.
- Jonathan, Steve and Janet attended a SAC Board session on SLCP in April. SAC Board have since broadly endorsed the contents of Collaboration note v11. The guiding principles in particular (v11, p2) provide a good basis for working through the detail.

### **Discussion (Council)**

*Welcome to Jim Goddard (advisor to SAC Board) and Amina Razvi (ED, SAC)*

**Key points from SAC**

- Macro-level context: natural alignment between SLCP and SAC in terms of shared vision/common goals for the industry.
- SAC's new strategy is focused on collective action and transparency, moving away from emphasis on tools per se to how can we scale/adopt these to bring the industry together to reach collective action targets.

Jim Goddard/ Amina Razvi leave meeting.

**Decisions**

- SAC-SLCP relationship: broad endorsement of the collaboration v11 document.