

SOCIAL & LABOR CONVERGENCE

CC33 Minutes

CC33 26 June – 9.00-12.30 pm (3.5 h)

In person meeting – Soho, Flæsketorvet 68, 1711 København, Copenhagen

| Council Attendance | |
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| Chair | Jonathan Obermeister |
| Brands | 3 |
| Manufacturers | 2 |
| Standard Holders | 1 |
| Audit Firms | 1 |
| Expert Seats | 3 |
| Civil Society | 1 |

| Agenda Item | Ask to Council |
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| 1. Welcome and opening | • Reconfirmation Rules of engagement. |
| 2. Minutes approval | <u>Decision</u> • Approve/amend CC32 minutes |
| 3. Operational update: where we are (adoption, acceptance, staffing) | • Be aware on progress & challenges • Opportunity for Q&A |
| 4. SLCP - APSCA Alignment | <u>Decision</u> • Approve/amend proposal to move forward with alignment with APSCA in transitional approach from 1 Jan 2024 onwards, including the promoting the APSCA support fee 15 USD/verification |
| 5. SLCP independence: JWG updates, progress New Entity & financial position | • Be aware on the timeline /critical milestones, progress made and next steps re independence: 1. Carve-out from SAC, 2. Legal establishment of SLCP New Entity • Input on V1 Articles of Association, particularly 5 topics (name, objective, structure, identity founding board members, ED position) • Discussion around SLCP 2024-2026 business plan & projections including Q1/Q2 2024 cashflow position, challenges and possible solutions |
| 6. Signatory votes 2023: independence & new strategy | <u>Decision</u> • Approve/amend proposal to go for simultaneous votes for Independence & New Strategy • Broad endorsement of approach & suggestions for cleaning up & managing the signatory base, including Council members' support |
| 7. Review and update the SLCP risk framework | • Review the SLCP top-10 risks and check for applicability 2023 • Review the SLCP Horizon Scanning • Provide your thoughts and feedback |
| 8. 5-year Strategy Development update | Review the SLCP top 10 risks and check for applicability 2023 Review the SLCP Horizon Scanning Provide thoughts and feedback |
| 9. Strategy Discussion – core strategy & key topics arising | Input to be provided on critical topics for 5-year strategy |
| 10. Wrap-up | Summary by Chair and share key take-aways |

CC32 Meeting Summary

Confirmation on Rules of Engagement (including Chatham House rules and anti-trust guidelines).

Minutes CC32

- Decision: CC32 approved with minor correction required.

Operational Updates

Key points consolidated by Secretariat Senior Management in presentation:

- Achievements:

- Approximately 30% (3k+) VRF target achieved to date.
- QA Manual updated on facility unethical behavior.
- 0/6 helpdesk tickets per VRF.
- 2022 Impact Report published.
- Some changes/growth in the Secretariat team (20+ staff members).
- Currently onboarding a new Active Accredited Host, which will help ensure the health of SLCP's host ecosystem.
- In progress:
 - Close to locking CAF v1.6 as per July target. Current timeline for rollout is still January 2024.
 - We are seeking to expand the QA Stakeholder Program.
 - BBI: annual anonymous questionnaires with manufacturers included 2 SLCP questions.
- Management of risks and obstacles:
 - Overall doing well, but some resources/capacity constraints to manage key ongoing issues optimally, especially given leanness of time and efforts diverted to the development of new 5-year strategy and carve-out from SAC.

SLCP – APSCA alignment

- Context:
 - In 2021, APSCA and SLCP signed a collaboration agreement aimed at monitoring and improving the performance of SLCP Verifiers and Verifier Bodies (VBs).
 - SLCP developed an internal study (June-August 2022), This resulted in an CC28 adopted proposal to fully align with APSCA (only accept APSCA Member Audit Firms) after specific preconditions (inclusiveness towards SME audit firms and 2nd party auditors) are met and following a transitional plan
 - Since then several conversations and developments took place.
- Decision: Full alignment with APSCA, from 1 January 2024 onwards in a 1 year transition without the second party scope coverage. This would include a minimum admin fee on top of assessments or audits for APSCA to build up capacity.

SLCP independence: JWG updates, progress New Entity & financial position

- Progress update:
 - Preparations underway for the legal registration of the new legal entity (Dutch stichting), based on a targeted launch date of 1 January 2024.
 - The Term Sheet for SLCP's carve-out from SAC has been finalized and will be signed imminently by SLCP ED and SAC CEO.
 - We will aim to 'copy and paste' the Council's current governance arrangements as far as possible, most of which will be covered in the bylaws for the new entity. This will include a mechanism to continue to have elected caucus seats.
 - SLCP's 2024-26 business plan and projections show a positive balance sheet and that SLCP will be viable as an independent entity from Day 1.
 - However the seasonality of SLCP's cashflow means that we ideally require a cash-flow cushion.

Signatory votes 2023: independence & new strategy

- Decision: hold simultaneous signatory votes on independence and strategy, as per ED and Governance Committee recommendation.
- Need to streamline Signatory base (increase engagement and update the distribution list).

Review SLCP risk framework

- Decision: Council endorsed the recommended an assessment of the 2023 risks with updated approach to include residual risk.
- Council members to follow up with Chair of the Finance & Risk Committee with any feedback on the Top 10 risks and proposed mitigations.

5-Year Strategy Development

- Discussion (ahead of afternoon Signatory strategy workshop)

- Broad Council support for key components of the new Strategy: Theory of Change, Mission/Vision/Strategic Aims.