Social & Labor Convergence Program (SLCP)

5-Year Strategic Plan 2019-23

10 October 2018

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1. Introduction

We are pleased to present SLCP's first 5-Year Strategic Plan.

The Plan describes how SLCP will fulfill its unique role and purpose as the first industry-wide framework to assess social and labor conditions in the apparel and footwear sector, and potentially beyond.

Our goal is to replace the current practice of duplicative social and labor audits with a process of self/joint-assessment by factories combined with robust, independent external verification. The new system will be much more transparent, effective and cost-efficient, and make a significant contribution to stakeholders' efforts to improve working conditions in global supply chains.

We show how, over the coming years, SLCP will move from a stakeholder-driven development project to a fully operational implementation program with critical mass. As we come to the end of the development phase in 2018, we see two more distinct stages of progress: 2019 and 2020 will be a Start-up Phase in which we test, assess and expand. From 2021 we expect to be in an Established Phase in which the Program becomes self-funding and operating globally with proven systems and evidence of impact.

More than 180 signatories have committed to the principles of SLCP. They come from every part of the apparel and footwear industries as well as from audit firms, social organizations, MSIs, industry associations, national governments and intergovernmental organizations.

We are grateful for the funding and support we have received from the C&A Foundation, the Dutch Government, Norges Bank Investment Management (NBIM) and the Sustainable Apparel Coalition (SAC), which has hosted the project since its inception. We also recognize the continuing financial and practical support from our signatories through 2018.

This 5-Year Strategic Plan has been developed through an iterative 6-month process of consultation involving a wide range of signatories and stakeholders, with regular input from SLCP's Steering Committee, Project Management Team and Working Groups, as well as the Strategy Planning Group set up to steer the process. Our thanks go to them and to our consulting partner Change Agency which has led the development of the Plan.

The strategy set out on the following pages - endorsed by our Steering Committee - represents an ambitious, but attainable vision for SLCP over the next five years, with a particular focus on our Start-Up Phase (2019-20). Ultimately much will depend on real world experience of implementing the system and what we learn about the key bridges and barriers to successful adoption. This Plan therefore sets the direction for the next five years rather than the detail, which will be developed and refined based on experience.

Thank you to everyone who has joined and supported us on our journey. We look forward to taking the next steps together.

Pierre Hupperts, Independent Chair

Janet Mensink, Project Director

2. Executive Summary

This summarizes the key points of SLCP's 5-Year Strategic Plan and provides references to where relevant detail can be found in the sections that follow.

2.1 Process *Section 3*

This 5-Year Strategic Plan has been developed through a collaborative process, led by the SLCP Strategic Planning Group (SPG) and the SLCP Steering Committee (SC) over the period April to September 2018.

2.2 Vision, Mission & Scope *Section 4*

Vision

Converged Assessment - Collaborative Action - Improved Working Conditions

Mission

To implement a Converged Assessment Framework that supports stakeholders' efforts to improve working conditions in global supply chains.

This Program will help the industry to:

- Eliminate audit fatigue: avoid duplication and reduce the number of social & labor audits, by replacing current proprietary assessment tools;
- Increase the opportunity for greater comparability of social & labor data;
- Redeploy resources to improvement actions.

Role

SLCP is part of a complex system and enables actors working to improve social and labor conditions. It provides a foundation for other crucial elements like transparency, better buying practices and improvement programs. SLCP will drive collaborative action and stakeholder inclusion.

Specific Aims

We have four ambitious but attainable aims for the strategy period:

- Industry adoption: 25,000 verified assessments per year by 2023
- Resources to improve working conditions: annual audit-related resource savings worth up to $134m by 2023, for redirection into improvement actions
- Data access and comparability: SLCP will be the principal source of trusted, comparable verified social and labor data in the apparel and footwear supply chain
- Financial resilience: SLCP will be fully self-sustaining through earned income.

Scope

SLCP's Converged Assessment Framework will collect compliance and performance information from production facilities, employ a robust verification process and facilitate the adoption of the framework through data hosting and sharing. This framework will provide a basis for collaborative

action by signatories, stakeholders and partners who share the same ultimate goal of improving working conditions worldwide.

By providing reliable comparable data, SLCP will advance the work of a wide range of private and public sector organizations and multi-stakeholder initiatives concerned with remediation and improvement programs, better buying practices, data analysis and transparency, and the management of standards and scoring systems.

Sector focus

The Program will focus rigorously on the apparel and footwear sector over the first three years of this strategy. It will assess opportunities to extend into other sectors as and when it has proven to be successful and achieved high level of adoption in apparel and footwear.

Principles & Values

Each of more than 180 signatories has already made a commitment to the principles underpinning the development of the project. These signatories and others will be invited to sign an implementation Charter based on the principles of inclusiveness, collaboration under equal terms and collective ownership of the deliverables.

Our work and conduct will be guided by our Values: Rigorous, Impartial, Collaborative, Progressive.

2.3   Key Activities *Section 5*

Driving industry adoption

Driving adoption will remain the over-riding strategic priority. Progress will be assessed by monitoring the number of verified assessments completed each year.

The Light Operation in 2018 will test the full system initially in China and Sri Lanka. Expansion plans in subsequent years will be designed to achieve coverage of the countries where there is the greatest demand for convergence of social and labor audits within the apparel and footwear sector.

We will begin to address potential opportunities in other sectors when – and only when - core operations in apparel and footwear are performing as planned.

Generating resources to improve working conditions

SLCP will encourage the redirection of saved audit expenditure into activities which directly benefit workers and their communities, but will not itself engage directly in such activities. We will work, in collaboration with signatories and partners, to analyze and quantify the scale of cost savings achieved.

Delivering data access & comparability

We will ensure that data is gathered from all facilities in a consistent, trustworthy way through the Converged Assessment Framework. We will develop an effective partnership with ITC to develop a data hosting and sharing 'Gateway' data management solution, implement a training program and maintain a system to oversee verification activities to ensure the quality and comparability of assessment data.

Ensuring financial resilience

The Business Model demonstrates that the program can be financially self-supporting within five years. Financial resilience will depend on achieving and maintaining high levels of participation and satisfaction among the signatories, growing their numbers over time and encouraging them to recruit the companies they work with as SLCP signatories.

2.4 System *Section 6*

System design

SLCP is based on a collaborative and progressive system which enables consistent and reliable connection between four principal processes:

- Self/joint assessment of social and labor conditions at the facility level
- Verification of the assessments by qualified individuals or organizations
- Data entry by verifiers
- Data hosting and sharing among Accredited Hosts and users, supported by the SLCP Distribution Gateway.

At every stage in the process, each participant has clear and well-defined roles and responsibilities to ensure the appropriate level of engagement while ensuring the integrity of the system and the quality of the data and avoiding conflicts of interest.

We have identified the risks within the system and have a plan of mitigation. Ongoing investment will be needed to evolve and improve the system to meet the needs of all participants.

Data

The Converged Assessment Framework will generate verified agnostic data on social and labor conditions in facilities such as working hours, wages, age, recruitment practices and management systems. SLCP's trusted and comparable data will also enable an additional layer of value judgements and follow-up actions which are out of scope for SLCP but could be applied by other organizations working to improve social and labor conditions.

2.5 Organization *Section 7*

The operational effectiveness of the Program depends on a productive and collaborative working relationship between signatories, governance, secretariat staff, participants and partners.

Signatories

SLCP will maintain its multi-stakeholder and inclusive organization and approach. Signatories will include manufacturers, retailers and brands, agents and audit firms/service providers, as well as organizations in the public sector, standard holders, civil society organizations and multi-stakeholder organizations with an interest in converging assessments and improving labor and social conditions. SLCP will be accountable to signatories through an annual meeting (annual general assembly).

Legal form and hosting

SLCP should remain a Fiscally Support Project of SAC for at least the first year of this plan. The governing body will assess the optimum long-term arrangements during 2019.

Operational management

SLCP needs a simpler, more direct form of organization focused on implementation by an experienced, well-resourced Secretariat. High levels of professionalism and capability are essential for the planning, delivery and reporting on the program. The core team, reporting to the Executive Director and supported by senior staff, should be in place through 2019.

SLCP governing body

We propose renaming the governing body as the **SLCP Council** to communicate its strategic responsibility for the program as it evolves from the project design stage.

A number of changes to the governance structure are intended to provide a clear distinction between governance and executive management. These include a simplified governance structure led by the SLCP Council as a strategic and future-focused body which shapes the strategic priorities of the Program and ensures that it fulfils its Mission and Vision.

The Council exists to represent and advocate for the diverse views of SLCP signatories and stakeholders. It would comprise 9 signatories plus up to 3 independent members. All members of Council are elected by the signatories except for the Independent Chair who is appointed by the Council. The Council would be supported by a Technical Committee and a limited number of sub-committees with oversight of key functions.

Partners & service providers

Successful delivery of the Program will require extensive partnerships with other organizations, some of which will generate free support or generate revenue for SLCP while others incur significant levels of cost. They include, but are not limited to, the International Trade Centre, Accredited Hosts, a verification oversight organization (internal or external), and key social & labor organizations.

Forecast costs

The minimum overall operating cost of SLCP in 2019 is estimated at $1.6m, rising to $3.8m in 2023. As with our income projections, there is greater certainty about likely costs during the Start-Up Phase (2019-20). These will be revisited annually as part of SLCP's operational plans.

Projected staff costs for the Secretariat are relatively low, representing roughly one third of SLCP's operating costs and requiring approximately $550K in 2019.

Costs for office and administrative support, including activity-driven expenditure for marketing and communications, events and travel, have been budgeted prudently, based on historical and current patterns, and on the need for some future increases in investment.

External consultants

Reliance on external consultants should diminish as more capabilities and responsibilities are taken in-house. We anticipate some investment in on-going development of the Converged Assessment Framework (tool updates) and technology development to accommodate scalable and secure data hosting and sharing. Along with periodic independent evaluation of SLCP/system performance and ad hoc projects, these costs should not exceed 10% of the operating budget in any given year.

Verification oversight

Verification oversight is likely to be the biggest single area of expenditure over time, accounting for about one-third of total costs rising from an estimated $450K in 2019 and possibly reaching more than $1.5 million by 2023. Costs will be principally volume-driven as a function of the number of trained verifiers to be tested and the proportion of verifications for quality review, with minimum quality standards set to ensure system integrity.

Verification oversight will be tightly controlled to ensure that this function remains fit-for-purpose and delivers value for money.

2.6   Finance & Funding *Section 8*

Self-funding

The Program will require an investment of approximately $1.6m in 2019, rising to $3.6m by 2023. These costs can be fully covered by volume-based fees to make it fully self-supporting by 2021. However, substantial start-up funding of approximately $1.1m will be needed from the industry and donors through 2019, and around $700K in 2020.

Business model

As SLCP moves from an industry-funded project to a fully functioning operational entity, it will require a viable business model that can enable it to become self-sufficient over time through diverse revenue streams with acceptable value propositions for system participants. This should be underpinned by core principles, including that the costs of the system should be fairly borne by participants in the system.

Adoption targets & savings

SLCP's adoption target by the end of 2019 is to have completed 1,750 verified assessments, rising to 25,000 per year by 2023. The resulting net value of time and resources saved are estimated in the region of $134m annually by 2023 in the event of SLCP hitting 75% of target. Even a more conservative scenario of 50% of target could unlock around $60m.

Earned income

We anticipate four main long-term sources of earned income. All are volume-driven, based on the number of verifications conducted and the number of verifiers and accredited hosts participating in the system:

- Verification upcharge fee: a levy for each verification, reducing from $300 in 2019 to $150 by 2023
- Verifier access fees: an annual $200 fee per verifier paid by verifying bodies or freelance contractors for each approved verifier
- Accredited Host partner base fee: a flat annual $30,000 fee paid by Accredited Hosts, who will benefit from a new stream of business thanks to SLCP
- Accredited Host usage fee: a fee of $50 paid by Accredited Hosts when retrieving verifications from the Gateway, potentially re-chargeable to end-users.

We will monitor the performance of each of these revenue streams during the Start-Up Phase (2019-20) and potentially adjust the business model accordingly. This may include re-setting fee levels, modifying how fees work or introducing alternative charging mechanisms, subject to checking the commercial viability for those concerned.

Start-up funding

While SLCP is set to become financially self-sufficient by 2021, volume-related fees will be insufficient to fund the organization through the early years. Unearned income will be required both to make up the funding shortfall and to help protect against the risk of lower adoption rates than targeted.

2.7   Influencing *Section 9*

We will invest progressively in influencing and communications, with a focus on current and prospective signatories and supporters, to promote and build confidence in the system. We will collaborate with communications professionals working at key signatories and strategic partners to encourage adoption.

2.8   Change Program *Section 10*

The actions outlined in this strategic plan will require significant changes in the way SCLP works as it progresses from the design and development stage (2015 to Q3 2018) through the initial Light Operation (Q4 2018) to Start-Up Phase (2019-20) and then expansion to scale in the Establishment Phase (2021 and beyond).

3. Strategy Process

This 5-Year Strategic Plan has been developed through a collaborative process, led by SLCP's Strategic Planning Group (SPG) and Steering Committee (SC), over the period April to September 2018. Over 70 stakeholders from 50 different organizations have participated in interviews, calls, workshops and online meetings - many at several points in the process.

3.1 Terms of Reference

Change Agency was awarded the contract to research and produce this Plan after a competitive selection process. The Terms of Reference for the strategy development process and the appointment of a qualified consulting firm were included in a Request for Proposals issued on behalf of the SC on 14 March 2018. Change Agency began its work on 23 April 2018. The stated goals of the assignment were to:

- Reconfirm the future vision of SLCP with the signatories and relevant stakeholders;
- Define strategic initiatives & key activities;
- Determine income sources and strategy (financial and business case);
- Propose an operating model, including future organizational structure/ownership, and business plan.

3.2 Documentation review

The process has involved review and consideration of both pre-existing documentation and new material that has emerged from the on-going work of the SLCP Secretariat and SC, including:

- SLCP website
- SLCP 2016 and 2017 Annual Reports
- SLCP Public Consultation Report January 2018
- OECD Working Party on Responsible Business Conduct: ToR for the Sector Project on Responsible Supply Chains in the Textile and Garment Sector
- SLCP Pilot Proto 2 Update Report, January 30 2018
- SLCP 2018 Activity Plan + Financial Plan + Operation Targets, March 2018
- SLCP Light Operation Updates, 15 April 2018
- SLCP Progress Webinar, 23 April 2018
- SLCP Report and Proposal to Industry Summit, May 2018
- Implementation Plan, International Trade Centre (ITC), SLCP 8 May 2018
- SLCP Targets & Priorities, June 2018
- SLCP Verifier Oversight Organization Project Plans from tendering organizations, June 2018
- SLCP Secretariat's Draft Mission Check Report, August 2018.

3.3 One-to-one interviews

32 one-to-interviews were conducted with key stakeholders drawn from the SC, SPG and Project Management Team (PMT) plus others, representing the public sector, civil society organizations, audit firms, manufacturers and brands.

The initial round of 17 interviews in April-May 2018 was designed to check SLCP's Vision and Mission, and solicit opinions and ideas relating to SLCP's activity focus, organization, governance

and potential sources of funding. A further 15 interviews were conducted June-August 2018 to further refine thinking on organization, business model and technology.

3.4   Meetings & workshops

The findings from desk research and the first round of interviews were presented and discussed with 24 participants at a workshop in Vancouver on 22 May 2018. This meeting also provided an opportunity to discuss options for future organization and governance and the key issues around the business model of the organization.

The strategy progress and key issues have been extensively discussed at meetings of the PMT, SPG and SC throughout the process. These have been supplemented by a number of online meetings, workshops and calls, open to additional stakeholders.

3.5   Chair & Secretariat

SLCP's Independent Chair and Project Director have contributed regularly to the development of the 5-Year Strategic Plan, as well as keeping Change Agency up-to-date on material developments such as planning for the Light Operation, the specification and short-term appointment of the Verification Oversight Organization (VOO) and the implementation plan for the development and operation of the Central Gateway with ITC.

Annex 1 lists the organizations that have participated in the strategy development process.

4. Vision, Mission & Scope

The final wording of SLCP's Vision and Mission remains consistent with the drafts proposed through the earlier development stages of SLCP's development. The only significant change is from a development Project to a fully operational Program.

SLCP's Scope clearly positions it as an enabler to improve social and labor conditions through supply chains, initially in apparel and footwear and later possibly in other sectors as SLCP builds evidence of success.

4.1 Vision

The Vision statement concisely expresses the overall aim of SLCP. It is clearly understood and was endorsed by stakeholders who participated in the strategy development process and by those who contributed to research in November 2017.

> **Converged Assessment**
> **Collaborative Action**
> **Improved Working Conditions**

4.2 Mission

The Mission statement explains the distinctive role of SLCP in realizing the Vision.

> **To implement a Converged Assessment Framework that supports stakeholders' efforts to improve working conditions in global supply chains.**
>
> **This Program will help the industry to:**
>
> - Eliminate audit fatigue: avoid duplication and reduce the number of social & labor audits, by replacing current proprietary assessment tools;
> - Increase the opportunity for greater comparability of social & labor data;
> - Redeploy resources to improvement actions.

Together, the Vision and Mission statements effectively summarize the overall intent to increase the funding available for social and labor programs by reducing industry spending on audits, and to increase comparability between - and access to - social and labor data.

This Mission requires pre-competitive collaboration between multiple actors. SLCP is part of a complex system of actors and enables organizations to improve social and labor conditions. The Program provides a foundation for other crucial elements such as risk prevention, transparency and improvement programs. SLCP will drive collaborative action and stakeholder inclusion to make change happen. *See also 4.5 below.*

Figure 1 below illustrates how SLCP's focus on converged assessment enables collaborative action for better outcomes.

Figure 1: SLCP's role in accelerating improvements in social and labor conditions

SOCIAL & LABOR CONVERGENCE
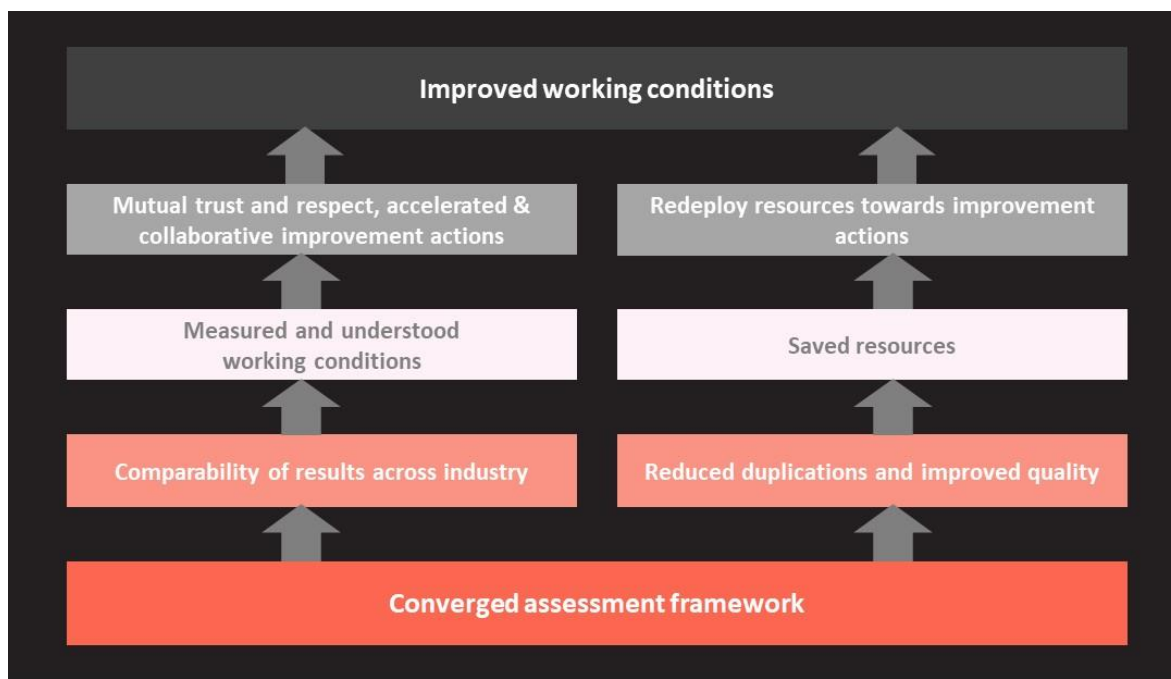
Contribution to Sustainable Development Goals:

4.3   Specific Aims

SLCP has four ambitious but attainable Specific Aims for the strategy period and beyond, based on phased but rapid adoption of the Converged Assessment Framework. For each of these aims there are quantifiable and measurable targets which flow directly from the delivery of the three elements of the Mission: elimination of audit duplication and fatigue, greater comparability of social & labor data and the opportunity to redirect money and resources saved into improving working conditions.

- **Industry adoption**: 25,000 verified assessments per year by 2023. This would represent a reduction of around 75,000 duplicative social and labor audits per year. *See Adoption rates in 8.3 below and Annex 3 for details of the audit cost savings estimates.*
- **Resources to improve working conditions:** Annual audit-related resource savings, potentially worth $130m by 2023, for redirection into improvement actions.
- **Data access and comparability:** SLCP will be the principal source of trusted, comparable social and labor verification data in the apparel and footwear industries and in at least one other sector.
- **Financial resilience:** SLCP will be fully self-sustaining through earned income and able to operate without donor support.

4.4   Scope

From an operational and organizational perspective, SLCP will focus on the development, management and promotion of the Converged Assessment Framework - ensuring that it is attractive, fit-for-purpose, affordable and workable in practice.

The framework will:

- Collect compliance and performance information from production facilities
- Employ a robust verification process

- Facilitate the adoption of the framework through data hosting and sharing.

The framework is agnostic and makes no value judgments. It will not set minimum requirements, nor will it be a:

- Scoring/ranking system
- Certification program
- Code of conduct.

Manufacturers will benefit from a significant reduction in audit fatigue and increased ownership of, and accountability for, social assessments. Brands will save resources by sharing facility-level assessments, eliminating duplication.

Other stakeholders - including civil society, standards holders and labor organizations - will gain a single, consistent measure of social and labor conditions globally, trusted comparable data and greater transparency.

4.5   Enabling role

Figure 2: SLCP as enabler

Our Converged Assessment Framework will provide a basis for collaborative action by signatories, stakeholders and partners who share the same ultimate goal of improving working conditions worldwide.

By providing reliable comparable data, SLCP will advance the work of a wide variety of private and public sector organizations and multi-stakeholder initiatives concerned with remediation and improvement programs, better buying practices, data analysis and transparency, and the management of standards and scoring systems. SLCP will also aim to develop meaningful partnerships with some of the key organizations operating in each of these areas to help influence desired outcomes.

As the system begins to unlock significant resources, we will need to secure the links between savings and benefits. We will identify which factors convert savings into better conditions, how to nurture them, and how to measure and report them to stakeholders.

4.6   Sector focus

SLCP will focus rigorously on the apparel and footwear industries over the first three years of this strategy. We aim to reach all facilities which are currently subject to multiple audits, including smaller units and, over time, into Tier 2 and 3 facilities.

The SLCP Distribution Gateway is being developed for SLCP by the Trade for Sustainable Development Programme (T4SD) of the International Trade Centre (ITC), which has a particular focus on helping SMEs to develop more sustainable trade practices.

We will assess the opportunity to extend the system into other sectors as and when it has proven to be successful and achieved high level of adoption in apparel and footwear.
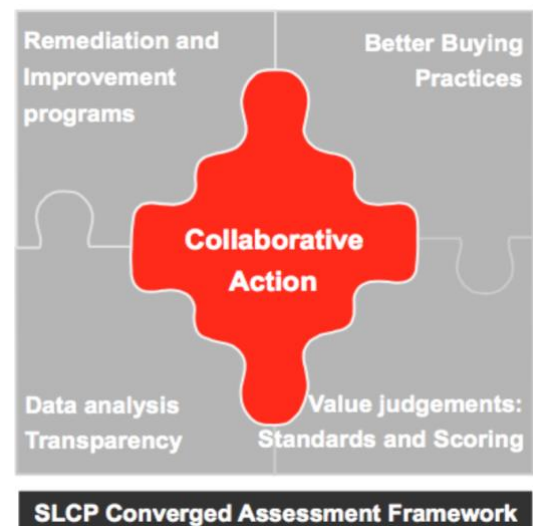
The Business Model allows for the recruitment of sector specialists from 2021 to develop strategies for expansion into sectors which present the greatest opportunity and the strongest business case for entry.

4.7   Principles

Each of more than 180 signatories has made a commitment to the principles underpinning the development of the project.

These signatories and others will be invited to sign an implementation Charter which encourages them to publicly support the SLCP Mission, facilitate the adoption of the Converged Assessment Framework and, for businesses, develop plans to implement it in their own organizations.

See Section 6: Organization and Annex 2: Draft Charter

The Charter is based on the principles of inclusiveness, collaboration under equal terms and collective ownership of the deliverables.

4.8   Values

SLCP's work and conduct will be guided by the following values:

- **Rigorous**: ensuring the integrity and credibility of our system and the objectivity of our data
- **Impartial**: inclusive and fair in our treatment of all supply chain actors and others committed to improving social and labor conditions
- **Collaborative**: working actively with signatories and partners to facilitate change and achieve greater impact
- **Progressive**: always looking to improve the usefulness and effectiveness of the tools and services we provide.

5. Key Activities

SLCP will focus on the development, implementation and continuous improvement of the Converged Assessment Framework to achieve its four Specific Aims:

1. Industry adoption
2. Data access and comparability
3. Resources to improve working conditions
4. Financial resilience.

Each Key Activity will have corresponding KPIs, to be included in annual operating plans.

We will not duplicate wider social and labor activities which are already well covered by other industry, government and voluntary organizations. We have mapped these actors and will work in close collaboration with them.

See Section 6 below for a detailed description of the SLCP system and the terminology used to define the key system participants.

5.1 Driving industry adoption

The success of SLCP is highly dependent on the rate of adoption which it can achieve over the first two years as a start-up and by the following three years as an established program. Driving adoption will therefore remain SLCP's over-riding strategic priority throughout.

We aim to increase adoption year-by-year to 25,000 verified assessments in 2023. Progress will be assessed by monitoring the number of verified assessments completed each year.

Success in achieving this rate of growth will require:

- Successful delivery and evaluation of the two-country Light Operation beginning in Q4 2018
- Clear and ongoing communication of the benefits and progress of SLCP to all sections of the industry to build awareness, support and active participation
- An appropriately resourced and qualified team from 2019, with specific skills and experience in program management, quality assurance, data management and technology.
- Phased expansion country by country in 2019, applying the learnings from each phase of work to enhance the system, and aiming for global coverage by 2020.
- Comprehensive planning, set-up, training, monitoring and reporting
- Effective design, testing, delivery of the Distribution Gateway on-line platform that supports transparency and enables a direct linkage between business partners across all social and labor sustainability standards. *See Section 6: System*
- Continuous, monitoring, review and improvement of key elements of the system e.g. Converged Assessment Framework, tool and app development
- Selection, appointment, terms of business and monitoring of partners and approved service companies as the project expands.

5.1.1   Geographic priorities

Following successful piloting, the Q4 2018 Light Operation will test the full system initially in China and Sri Lanka.

Expansion plans in subsequent years will be designed to achieve rollout with support packages (translations, trainings) in the countries where there is the greatest demand for convergence of social and labor audits in the apparel and footwear industries. The Secretariat will review and refine its country plans from Q4 2018.

Current provisional plans suggest that immediate priorities could be Bangladesh, India, Turkey and Vietnam, followed by Indonesia, Myanmar, Cambodia and Ethiopia. The Secretariat will carefully evaluate the opportunities, costs and risks of early entry into other countries and regions, including Latin America, but will focus its start-up work in those countries which offer the greatest prospects of early adoption.

5.1.2   New sectors

The SLCP principles and methodology are applicable to other industries. Our plan envisages that, when – and only when - our core operations in apparel and footwear are performing as planned through the first three years of this strategy, we will begin to address potential opportunities in other, most likely adjacent, sectors.

We will consider moving into other industries, possibly in partnership with others, if the following conditions are met:

- SLCP is achieving its aims in apparel and footwear and is confident of remaining on track
- SLCP is financially sustainable
- There is a demonstrable need and business case for SLCP's system and a sufficient level of demand within proposed new sectors.

5.2.   Freeing up resources to improve working conditions

We have identified the opportunity for multi-million-dollar savings by reducing the number of duplicated audits through the use of the Converged Assessment Framework at production units used by two or more signatories. Annex 3 illustrates the scale of the opportunity.

The activities to drive adoption will also contribute to the aim of generating more resources to improve working conditions. We will:

- Encourage the redirection of saved audit expenditure into activities which directly benefit workers and their communities (although SLCP will not engage directly in such activities)
- Carry out further work, in collaboration with signatories and partners, to analyze and quantify of the scale of attainable cost savings
- Monitor and report on the number and estimated value of savings achieved by use of the Converged Assessment Framework
- Ensure the delivery and comparability of data to aid improvement efforts.
- Develop key partnerships with select organizations with specific interests in remediation, standard setting, transparency and better buying practices.

5.3   Delivering data access & comparability

To achieve the Specific Aim of becoming the principal source of trusted comparable social and labor assessment data, we will:

- Ensure that data is gathered from all facilities and verified in a consistent way through the Converged Assessment Framework
- Implement a training program to provide consolidated information, resources and decision-making tools and methodologies to all actors in the textile and apparel value chains, through translations, on-site activities, online learning and dissemination of Gateway applications
- Set up, maintain and continuously improve a system to oversee verification activities to ensure the quality and comparability of assessment data
- Develop an effective partnership with ITC to further develop and maintain the Distribution Gateway as well as develop partnerships with a growing number of Accredited Hosts
- Encourage the publication of benchmarked data and facilitate analysis by signatories and by independent organizations working to improve social and labor conditions
- Explore options for publication of aggregated SLCP data, this includes appointing a senior manager with responsibility for data management and analytics.

5.4   Ensuring financial resilience

The Business Model for SLCP demonstrates that the program can be financially self-supporting within the first five years. Depending on the rate of adoption, income could exceed expenditure by 2021 or 2022. By that time, planned increases in the volume of verifications through the Converged Assessment Framework will enable SLCP to function without donor support. *See Section 8: Finance & Funding.*

The activities required to achieve the other specific aims all contribute to the realization of a sound business model. Additionally, SLCP will:

- Report its financial performance regularly and accurately to signatories
- Put in place and implement rigorous financial management and accounting policies and processes
- Review all fees and charges each year so as to maximize the benefits for participants.

Financial resilience will also depend on achieving and maintaining high levels of participation and satisfaction among the signatories, growing their numbers over time and encouraging them to recruit the companies they work with as SLCP signatories. In addition to the priorities set out above, we will therefore:

- Ensure effective governance and multi-stakeholder engagement through an elected governing body and expert advisory groups
- Communicate clearly and regularly with all signatories
- Appoint a senior member of staff with responsibility for maintaining effective and interactive communication with signatories and stakeholders
- Conduct annual satisfaction surveys among all signatories and take appropriate action in response
- Articulate clear policies to manage grievances and disputes.

6. System

6.1   System overview

SLCP is based on a collaborative and progressive system which enables consistent and reliable connection between four principal processes:

- Assessment of social and labor conditions at the facility level
- Verification of the assessments by qualified individuals or organizations
- Data entry by verifiers
- Data hosting and sharing among SLCP Distribution Gateway, Accredited Hosts and users.

6.2   Participant roles & responsibilities

Throughout the process, each participant has clear and well-defined roles and responsibilities to ensure the appropriate level of engagement while ensuring the integrity of the system and the quality of the data and avoiding conflicts of interest.

Table 1 below summarizes the roles and responsibilities of each participant in the system. Interactions with other participants are shown in red.

Table 1: SLCP system roles and responsibilities

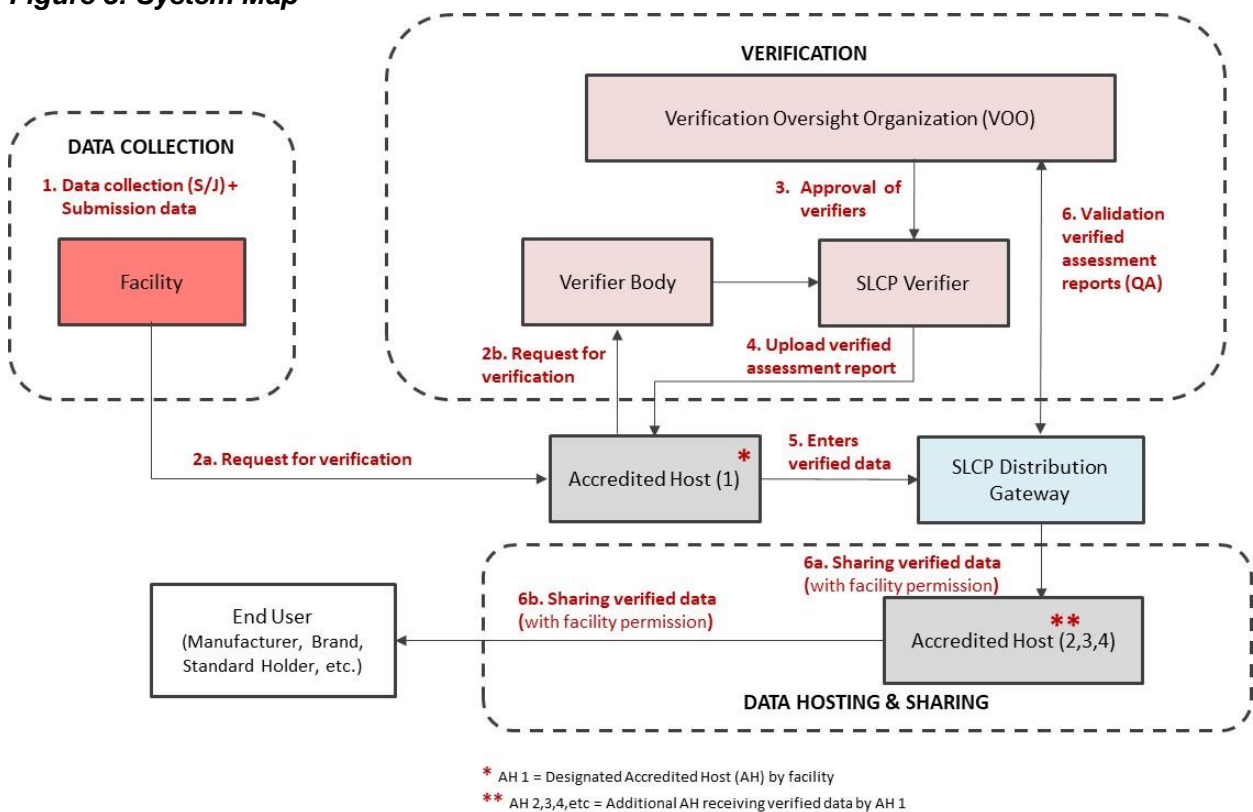| Actor	Role	Responsibilities
Facility	Location of manufacturing and where data collection takes place. Initial focus on garment and footwear production sites, later also other products.	1. Registering Facility and retrieving ID through Gateway and downloading latest version of SLCP converged data collection tool (Excel) 2. Completing data collection through self- or joint-assessment. Options 1) off-line excel or 2) on-line through Accredited Hosts (AH). With joint assessment, verifier body or system end user may be involved 3. Setting accounts on relevant AHs 4. Selecting Verifier from approved list of SLCP verifiers, selected by VOO and visible through Gateway and accessible through AHs 5. Allowing verification (off-site + on-site) by selected SLCP approved verifier 6. Approving distribution of verified data through the Gateway (permission setting) for specific Accredited Hosts and ad hoc users 7. Approving distribution of verified data through the Accredited Host(s) (permission setting) for end users
Gateway	IT system and platform that stores all verified assessments, enables the flow of verified information and ensures data security	1. Registering all system users (facilities, verifier (bodies), VOO) and providing them with an ID 2. Interact with Accredited Hosts, via API 3. Central repository of all verified assessments, with access for VOO 4. Sharing verified assessment data to facility (excel) and AH and ad hoc end users (PDF), based on facility permission 5. Analysis and reporting of aggregated SLCP program data to SLCP

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SLCP	Owner of the SLCP process and responsible for ensuring that the process serves its goal and quality is delivered	1. Overall program responsibility 2. Development, maintenance and updates of Converged Assessment framework (data collection tool, verification protocol, guidance material) 3. Providing VOO with criteria for SLCP approved verifier + training body 4. Involved in developing training curriculum for verifiers together with VOO; selection VOO 5. Development specs, selection and monitoring functioning for Gateway 6. Development specs and accreditation Accredited Hosts 7. Optional: reporting/communication aggregated data consolidated by Gateway and accredited hosts
Verification Oversight Organization (VOO)	Overarching body responsible for the day to day management of the verification process and its quality assurance	1. Registering and retrieving VOO ID through Gateway; Management of verifiers and training bodies, inc. submission process and oversight 2. Operational maintenance of verifier protocol, incl. communication to system users and improvement 3. Testing qualifications of (aspiring) SLCP verifier + training body; Keep overview SLCP Approved Verifiers actual in Gateway 4. General program operations and execution, incl. support system users in implementation 5. Conflict resolution, incl. complaint log and arbitration of conflicts, between system users 6. Quality assurance of system organizations (access all verified assessment via Gateway): verifiers, verifier bodies, training bodies. Incl. feedback to SLCP for continuous improvement.
Verifier body - SLCP approved verifier	Organization to which a verifier belongs responsible for ensuring the correct candidates are put forward when verification is requested, and verified data is distributed	1. Registering Verifier Body / Verifier ID through Gateway - invite by VOO 2. Recruiting and application to VOO of (aspiring) SLCP approved verifiers 3. Assign SLCP approved verifier to a verification requested by facility in Gateway 4. Data entry verified data onto Accredited Host platform and discussing them with facility and resolve issues that come up 5. Completing verification on Accredited Host after obtaining approval from facility (after which data are pushed to Gateway)
Accredited host (active)	Active holder of data that is responsible for distribution of verified data to system users	1. Interact with Gateway, via API – pushing and receiving data 2. Support facility data entry: Offline – excel upload is a must, Online – must have website & corresponding app 3. Able to support SLCP verification process (website and/or app), with access for approved verifier. 4. Able to deliver basic/overarching program data to SLCP 5. Sharing verified assessment data to End users, based on facility permission 6. Optional: Analytical functionality and ability to export analyzed data and/or scored/assessed data against specific standard and/or formulate corrective action plans (outside of system scope)
Accredited host (passive)	Passive holder of data that is responsible for distribution of verified data to system users	1. Interact with Gateway, via API – only receiving data 2. Ability to deliver basic/overarching program data to SLCP (TBD) 3. Sharing verified assessment data to end users, based on facility permission 4. Optional: Analytical functionality and ability to export analyzed data and/or scored/assessed data against specific standard and/or formulate corrective action plans (outside of system scope) NOTE: passive hosts out of scope for 2018 Light Operation

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System end user (Brand, Standard Holder, Manufacturer HQ)	Users of the Gateway, either to upload or download data for personal purpose	1. Following rules of engagement of SLCP process related to data sharing (e.g. no distribution outside system) 2. Registering/downloading verified data from Accredited Host, based on facility permission 3. Possibly: assisting in joint assessment at Facility
Approved Training body	Organization responsible for the delivery of training to become an SLCP approved verifier and for maintaining the skillset (which can be a verifier body or not)	1. Training of aspiring SLCP verifiers NOTE: not relevant to 2018 Light Operation

6.3   Flow of work and data

The relationships between participants and the flow of work/data are illustrated in Figure 3.

Figure 3: System Map

* AH 1 = Designated Accredited Host (AH) by facility
** AH 2,3,4,etc = Additional AH receiving verified data by AH 1

6.4   Design & Implementation

6.4.1   System architecture & design

The assessment and verification system can be broken down into four sub-systems, each with its own distinct requirements and an obligation to interact efficiently and effectively with one another:

- Registration of participants
- Collection & verification of assessment data
- Viewing & distribution of assessment data

- Invoicing & collection of fees for SLCP.

SLCP's semi-decentralized approach to system design provides a degree of simplicity in terms of devolved responsibility for service provision but requires complex systems architecture. Integrating disparate offline and online systems from many independent parties brings significant challenges in technical and process design as well as data management issues.

Strong and persistent leadership will ensure successful operational delivery of the system in system design, technical architecture and testing. Technology choices will be important, and mechanisms will be in place to ensure that best choices are made among the plethora of relevant technologies that are available (e.g. middleware).

6.4.2   Implementation

Our aim is for the entire assessment system to be on-line through an automated ecosystem of platforms that communicate directly with each other. However, large parts of the system will be manual at the beginning. System planning and design will give equal attention to these interim manual processes to ensure a smooth launch and later transition to digital systems.

6.4.3   Continuous Improvement

An ecosystem of integrated, disparate systems requires strong overall ownership and control to ensure it remains efficient and effective. In-house or contracted CTO-level oversight and continued investment in relevant resources will be essential.

Like any system, it will contain imperfections from day one; continuous improvement and ongoing investment will be needed to ensure that it evolves to meet the needs of all participants.

6.5   Data

The Converged Assessment Framework will generate verified data on the Worker Life Cycle (e.g. recruitment and hiring, working hours, employee engagement, termination) as well as management systems and data points that go beyond the core purpose.

SLCP provides options for disclosure and transparency on social and labor data at two levels - verified facility level data and SLCP aggregated data – underpinned by clear contractual terms. At the first level, manufacturers are data owners and will be able to set permissions for brands and retailers with whom they do (or intend to do) business to access full verified data sets.

Through the Accredited Hosts (AHs), the same companies may also be able to access analyzed, benchmarked and scored data - enabling them to compare performance between manufacturers or locations, relevant to their respective facility/supply base. This is dependent on the 'rules' of the respective AH and its members/clients.

Our trusted, comparable data will also enable an additional layer of value judgements and follow-up actions which are out of scope for SLCP but could be applied by others for (e.g.):

- Scoring, ranking and benchmarking
- Industry standards
- Compliance with company codes of conduct
- Certification schemes
- Remediation efforts.

Data analysis work by partners could enable (e.g.):

- Identification of risk hot spots by region, country, supply chain section
- Highlighting areas of high-risk operation within facilities
- Identifying common areas for improvement to drive training and education programs

SLCP has overview of all verified data through the Gateway. Initially, high level aggregated data will be generated for internal program management. Subsequently, SLCP will - in consultation with stakeholders, specifically manufacturers - develop plans for wider reporting on this data.

These reports could provide unattributed bigger picture data at sector, manufacturing tier or geographic level. The granularity will depend on finding a balance between ownership of the facilities' SLCP verified data and demands from policy-makers and civil society for bigger picture insights into social and labor conditions.

6.6   System risks & mitigation

Table 2 below sets out our assessment of some the some of the risks in the SLCP system and proposes mitigating action for each.

Table 2: System risks and mitigating actions

Risk	Mitigating action
Lack of ownership of the system as a whole leads to inefficiencies in the design and implementation, lack of cohesion, loss of effectiveness, user frustrations and missed opportunities.	SLCP to retain responsibility for overall system design. Appoint technology manager resource and maintain ongoing interest in system cohesion and improvements.
Lack of change control of the assessment tool leads to multiple, different versions in use, end user confusion and out of date data in circulation.	Introduce a protocol of minimum changes to the tool with tightly controlled distribution by SLCP.
Change management/version control of the master list of participants, particularly verifiers, is loose resulting in out of date lists of verifiers being used resulting in wasted time and effort.	Gateway to publish and adhere to robust master list update and distribution protocol, together with clear communication to all users.

Risk	Mitigating action
Insufficient attention given to the manual elements of the system, especially during early years, leads to errors, delays and frustrations. Reporting opportunities can be depleted in a system based on Excel.	Ensure the system design gives equal attention to manual processes as to the online tool development. Awareness of difficulties of manual operation.
Lack of transparency in the assessment distribution leads to Facilities being unsure as to who has their assessment data and how they are using it.	Ensure transparent logging of all assessment distribution activities.
Quality of the online assessment tools developed by AHs leads to user frustration, dissatisfaction and erosion of trust in the system.	Technology manager oversees all system development to ensure consistent, high quality implementation of the tool and overall system flows.

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7. Organization & Operating Costs

The operational effectiveness of SLCP depends on a productive and collaborative working relationship between signatories, governance, secretariat staff, participants and partners. The previous section shows the inter-dependence of all the actors and how technology will underpin and enable the Converged Assessment Framework through the period of this strategic plan.

7.1   Signatories

7.1.1   Type and number

Central to the mission and goals of SLCP is the early commitment of signatories from across the apparel and footwear supply chains to adopt the Converged Assessment Framework.

SLCP will maintain its multi-stakeholder and inclusive organization and approach. Signatories will include manufacturers, brands and retailers, agents and audit firms/service providers, as well as organizations in the public sector, standard holders, civil society organizations and multi-stakeholder organizations with an interest in converging assessments and improving labor and social conditions.

This plan targets the recruitment of 180 signatories across the apparel and footwear sectors through 2019 and 2020. The number of signatories could increase further over time if the program extends into other sectors.

7.1.2   Accountability

The SLCP will be accountable to signatories through an annual meeting at which they will elect the members of the governing body, receive reports on performance and hold the governing body to account for delivery of the program (see 7.2 Governance below).

7.2   Governance

7.2.1   Evolution

The early development of SLCP has been led by a Steering Committee elected by the signatories and enabled by a Project Management Team (PMT) and working groups drawn from the signatories. They have been supported by a small secretariat, hosted by SAC, which is also the legal entity through which SLCP operates as Fiscally Sponsored Project. This structure and method have worked well in bringing SLCP to readiness for the launch of the Light Operation in China and Sri Lanka in Q4 2018.

There is now a consensus that the time has come for a simpler, more direct form of organization focused on delivery rather than development. Implementation of the Light Operation negotiation of key partnerships and expansion into additional countries require a better resourced executive team to manage the key activities necessary for success.

There needs to be a clear and documented distinction between execution and governance in which signatories exercise governance through its governing body and in which executive action is the responsibility of an expanded secretariat.

7.2.2 Short-term legal form & hosting

This plan assumes that SLCP will remain a Fiscally Supported Project of SAC for at least 2019, benefiting from SAC's considerable authority and influence within the global apparel sector. From a practical perspective, continued SAC hosting can provide continuity in terms of key contractual relationships and treasury management and minimize disruption at a time when SLCP's Secretariat (all of whom are currently employed by SAC) will need to focus on delivery.

In this legal form, the governing body of SLCP has overall responsibility for setting policy and strategy, approving the annual work plan, providing oversight, assessing and mitigating risks and monitoring performance. Ultimate financial authority rests with the Board of SAC.

Formal legal and hosting arrangements between SLCP and SAC will define the obligations of each entity, including delegated authority and reporting, financial arrangements and service levels.

7.2.3 SLCP Governing Body

SLCP's current governing body is the Steering Committee (SC). In Q4 2018 signatories vote on the new governance structure, as proposed below:

- Rename the governing body as the **SLCP Council** to communicate its strategic responsibility for the program as it evolves from the project design stage.
- The SLCP Council is a strategic and future-focused body which shapes the strategic priorities of the Program and ensures that it fulfils its Mission and Vision. The Council exists to represent and advocate for the diverse views of SLCP signatories and stakeholders.
- Restructure the composition of the governing body:
  - 3 members from among manufacturer and supplier signatories;
  - 3 members from among brand, retailer and agent signatories;
  - 3 members from other signatory stakeholder groups. One representation from each of the following categories ('assigned seats'):
    - service providers (including audit firms, service providers and consultancies)
    - civil society (including NGOs, trade unions and industry associations)
    - standard holders & multi-stakeholder initiatives.
  - Up to 3 independent members, to ensure diversity and necessary expertise in the Council e.g. in fields such as labor conditions, systems design & management, international trade, academics, etc.
  - Relevant (inter)governmental and tripartite organizations such as ILO and OECD can participate as non-voting observers – up to two seats.
- The following processes will be applied to fill these seats in the Council:
  - The 9 candidates that represent the signatory stakeholder groups in the Council will be elected by a vote among all the signatories, to be overseen by the Governance and Nominations Committee of the Council. The 9 representatives of the signatory groups are elected on the same basis as at present i.e. they are elected as named individuals on behalf of a specific organization. If a member leaves the organization, the seat is vacant and new elections will be held. Elected signatory representatives Council members may appoint one alternate within the same organization they are representing.
  - The (max) 3 independent members of Council will be nominated by the 9 elected signatory representative Council members and consequently elected by the signatories. This implies that two rounds of elections to 'fill' the Council seats would be required.

- o The (max) 2 observers will be invited by the elected Council members from among eligible tripartite and intergovernmental organizations.
- o Independent Chair is selected and appointed by the Council.

Nomination & election process

- Draw up clear criteria for the nomination of candidates for election to the Council e.g.
  - o senior-level management within the individual's organization (VP-level or similar);
  - o successful board service for organizations of similar or greater size than SLCP;
  - o strategic thinker with strong judgement and decision-making skills;
  - o consensus driven and good communication skills;
  - o relevant expertise for SLCP;
  - o able to function as a sounding board for the ED;
  - o time and availability.

The Council as a whole should reflect the diversity of the sector, its signatories and stakeholders.

**Roles and responsibilities**

- The role and responsibilities of the Council are different from those of the preceding Steering Committee. It has the final responsibility and authority to take all decisions that are relevant for SLCP, including policies, strategy, governance and hosting.
- The Council has a key responsibility in ensuring income generation for the Project, especially in the first two years of SLCP.
- The Council agrees a Service Level Agreement with SAC as host which defines the powers and accountability of both organizations as a Fiscally Sponsored Project of SAC.
- The Council reports yearly about its activities and is accountable to the General Assembly of Signatories.

The Council will also:

- Define the Constitution and Terms of Reference for the Council and all other bodies of the new organization: roles and responsibilities, election and selection processes, terms of office and codes of conduct;
- Articulate core policies and procedures;
- Set out Terms of Reference for the Independent Chair, Vice-Chair, and Treasurer, and for the governing body individually and collectively, together with the selection procedures;
- Vice Chair and Treasurer are selected from and by the Council members
- Define levels and conditions of compensation for members of the Council and the Independent Chair e.g.
  - o The Chair should be remunerated at a level commensurate with the responsibilities of the office
  - o Travel and lodging costs of the Chair and independent members will be reimbursed;
- Selects and appoints the Executive Director of the Secretariat and provides resources for delivery to the Secretariat which is accountable to the signatories through Council;
- Approves the Establisment, Terms of Reference and the composition of the Technical Committee(s).
- Set up a limited number of Council Committees with specific Terms of Reference. At a minimum the following committees are advised as standing committees: Finance & Audit, Governance & Nominations and Dispute Committee.

The proposed new governance arrangements for 2019 are illustrated in Figure 4 below:

Figure 4: Summary Organization Chart
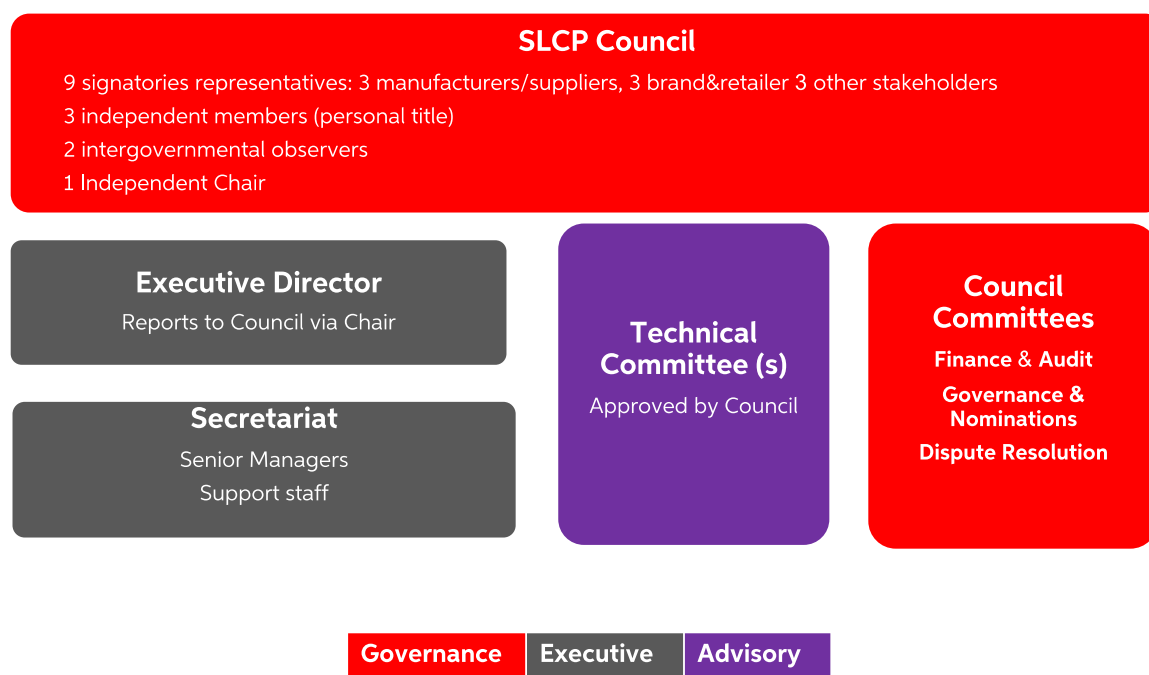
As SLCP evolves from the Start-Up phase into the Establishment Phase, the Council could consider the formation of a permanent or ad hoc Stakeholder Advisory Board as well as other advisory committees. These could consist of individuals with a high level of authority and expertise to advise the Council, its committees and the Secretariat on the implementation of the Program and future development of the Converged Assessment Framework, and to enhance connections with the wider stakeholder community. These committees could be a steady permanent body or ad hoc. The number of such advisory committees will be kept to an absolutely needed minimum. Any advisory committee will require an explicit mandate and Terms of References approved by the Council

Stakeholder Advisory Board Members would be appointed by the Council, with its Chair being one of the members of this Stakeholder Advisory Board.

7.2.4   Longer term legal form & governance

Longer-term governance arrangements will depend on decisions about the future legal status and hosting arrangements for SLCP with SAC or potential future other option. The SLCP Council should be in a position to reach decisions on both early in 2020, after evaluating learnings from the 2019 delivery of the Program and considering the best long-term structure for the organization.

Hosting entails, as a minimum, provision of:

- A legal entity for contracting and partnering purposes
- Office accommodation and related support services
- Financial management and reporting
- HR services.

The comparative benefits of keeping SLCP as a hosted program or as an independent foundation are summarized in Table 3 below.

Table 3: Comparison hosted program and independent foundation

Hosted program	Independent Foundation
Project implies shorter term – task with end date.	Foundation indicates permanence and long-term mission.
Has built wide multi-stakeholder participation & delivered on its mandate through the design and development stages.	Greater actual and perceived independence.
Allows for sharing of central expertise and resources.	Agile and well-suited to efficient decision-making.
Perception of SLCP neutrality relies on host organization reputation, mandate and involvement in SLCP (can be pro or con, depending on nature host organization).	
Risks and responsibilities mitigated by host's experience and resources.	Risk and responsibilities with the governing body.

As an independent foundation, SLCP might broaden participation among smaller brands and facilitate entry into other sectors. Structurally this would be relatively easy to set up in many jurisdictions, although the specific legal form and requirements differ by country.

7.3   Secretariat

An experienced, well-resourced secretariat is essential to the delivery of this strategic plan. Although stakeholders clearly want to keep the organization 'lean and mean', it is also evident that high levels of professionalism and capability are essential for the planning, delivery and reporting on all aspects of the Program - including continuous improvement of the system, engagement with partners and the management of data.

The following core team should be in place by mid-2019, with most roles filled by January 1:

- The Project Director role should be retitled as **Executive Director** (ED) to reflect the progression from project to live program: ED has overall responsibility for the implementation of the program and is accountable to Council through the Chair. Responsibilities will also include fundraising, partnership management
- Technology Manager: ensures that the system is fit for purpose and oversees IT developments and licensing and management of Accredited Hosts
- Operations Manager: country rollout in coordination with ITC and ensuring adoption targets are met
- Stakeholder Engagement & Communications Manager: includes marketing, business development and profile raising
- Quality Assurance Manager: includes maintenance and version control of the Converged Assessment Framework, ensuring system integrity, management of verification oversight/VOO.
- Data Manager (from mid-2019): includes data analysis and reporting
- Junior Operations Manager: for operational back-up, project management
- Team assistant.

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From 2021, we anticipate a modest expansion of the team to include another team assistant and sector development managers who are specialists in sectors beyond apparel and footwear.

7.4   Partners & service providers

The successful delivery of the Program will require extensive partnerships with other organizations. Some will generate free support or generate revenue for SLCP while others will incur significant levels of cost. These include, but are not limited to:

7.4.1   International Trade Centre (ITC)

ITC will provide - at no cost to SLCP - full development of a data hosting & sharing "Gateway" solution for SLCP previously described in summary in Section 6: System. The value of this contribution is estimated at approximately $500K per year.

In order to manage oversight of the system, SLCP and ITC will establish a Coordination Committee including two representatives from the SLCP Steering Committee in order to exchange programmatic feedback periodically and as needed. ITC will also create an Information Technology Working Group for the specific tasks, activities and deliverables related to the development of the Gateway. This group will enable stakeholder engagement, consultation and coordination between ITC, SLCP and their respective stakeholders.

As part of ITC's larger mandate and plan of action under its EU DEVCO textile project, ITC will ensure that representatives from private sector as well as public sector partners and international organizations are consulted and made aware of the progress of the collaboration with SLCP.

From 2021/2022 onwards, once the EU DEVCO grant is over, SLCP would need to take into account the coverage of the maintenance of the Gateway. This is estimated at $100K per year.

7.4.2   Verification Oversight

After a competitive tender, Sumerra has been appointed to act as a Verification Oversight Organization (VOO) for the Light Operation in 2018 only.

Further work will be required to agree the specification and budget for verification oversight longer-term, based on evaluation of the Light Operation during Q1 2019. All options will be considered including taking some functions in-house, outsourcing to commercial providers or transfer to non-commercial organizations (such as APSCA and/or intergovernmental organizations) - or any combination of the above.

All verification oversight activity will operate under strict control from SLCP. (See also costings in 7.5.4 below.)

7.4.3   Accredited Hosts

These are either active or passive holders of data, responsible for the distribution of verified data to system users. Brands will access facility-level data through them, while Accredited Hosts will be able to add value for their customers/subscribers as more data becomes available.

7.4.4   Social & Labor Organizations

The ultimate vision is improved working conditions in partnership with stakeholders. A range of actors have an interest in using the Converged Assessment Framework and the data derived to support and advance their own contribution to positive social impact. *See Enabling Role in 4.6.*

7.5   Operating Costs

The minimum overall operating costs are estimated at around $1.5m in 2019, rising to $3.6m in 2023. These are explained in further detail below and summarized in Table 4.

Table 4: Overhead Cost Projections 2019 – 2023 - $K

	START-UP		ESTABLISHED		
	2019	**2020**	**2021**	**2022**	**2023**
STAFF					
Executive Director	122	124	127	129	132
Operations Manager	92	94	96	98	100
Technology Manager	72	92	94	96	98
Engagement & Comms Manager	89	91	93	94	96
Quality Assurance Manager	103	105	107	109	111
Data Manager	45	92	94	96	98
Junior Program Manager	60	61	62	63	65
Team Assistants	25	25	51	52	53
Sector Development Managers			95	200	300
Governance	40	40	40	40	40
sub-total	*648*	*724*	*859*	*977*	*1.093*
OPERATIONS & ADMIN					
SAC hosting fee	114				
Office space		30	31	33	35
Admin		20	28	29	35
HR		40	45	50	55
Professional services	30	31	32	33	34
Events	35	45	60	65	70
Marketing & comms	30	50	80	120	130
Travel	60	70	80	100	120
Local country partnering	30	60	90	100	110
sub-total	*299*	*346*	*446*	*530*	*589*
CONSULTANCY					
Converged Assessment Framework update	40	75	75	75	75
Evaluation	40		50		60
Misc projects	20	75	90	100	110
sub-total	*100*	*150*	*215*	*175*	*245*
VERIFICATION OVERSIGHT					
External partner/in-house	450	500	750	1.100	1.550
sub-total	*450*	*500*	*750*	*1.100*	*1.550*
CONTINGENCY	*50*	*75*	*100*	*125*	*150*
TOTAL	**1.547**	**1.795**	**2.370**	**2.907**	**3.627**

7.5.1   Staffing

There is a strong consensus among those interviewed in the strategy development process that the Secretariat has been understaffed through its prior development stage, and that significant additional resources will be needed for the Start-Up and Establishment Phases.

The planned staff costs for the Secretariat are relatively low, representing roughly one third of operating costs and requiring approximately $650K in 2019, the first full year of operation. When

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the core team is in place, the only significant additions in later years will be for sector specialists to spearhead expansion into other sectors, if and when required.

The figures provided are for full gross remuneration, factoring in deferred start dates for some team members, and rising by c 2% per year.

The staffing budget also includes a limited allocation of funds for governance to remunerate the independent chair and to cover travel expenses for the chair and independent Council members.

7.5.2   Operations & admin

In addition to typical core costs for office and administrative support, this includes activity-driven expenditure for marketing and communications, events and travel.

All of these have been budgeted prudently, based partly on historical and current patterns of expenditure but adjusted for annual inflation and recognizing the need increased investment in some areas going forward.

We have included a modest allocation for local country partnering, on the basis that this cannot be left only to supply chain actors and service providers and that some central subsidy by SLCP of local personnel or marketing activities will be needed. These costs will rise as the Converged Assessment Framework rolls out to more countries.

Current hosting terms are based on SAC charging 10% of SLCP's (currently unearned) income in exchange for office, admin and HR services, time investment from SAC's leadership team and on-going treasury management. For budgeting purposes, we have assumed the same arrangement is maintained in 2019, subject to the future Service Level Agreement to be agreed between SLCP and SAC.

7.5.3   External consultants

As SLCP becomes a live program, reliance on external consultants should diminish as more capabilities and responsibilities are taken in-house. We are, however, fortunate to benefit from a long-term partnership with ITC which significantly reduces investment in third-party IT providers.

We anticipate some investment in on-going development of the tool, including any technology development outside of the Gateway. Along with periodic independent evaluation and ad hoc projects, these costs should not exceed 10% of the operating budget in any given year.

7.5.4 Verification oversight

Given the importance of verification oversight to system integrity – and by extension participants' faith in the system - these costs will be borne by SLCP, not by system users.

While verification oversight is likely to become the biggest single area of expenditure over time, it is the hardest to forecast accurately at this stage. Costs will be volume-driven as a function of (i) the number of trained verifiers to be tested and (ii) an acceptable proportion of verifications for quality review. We have assumed automated tests for all verifiers and basic desktop compliance reviews of 25% of verifications. We hope to reduce that percentage in later years.

In this respect, current VOO arrangements with Sumerra for the Light Operation are only a partial guide to future budgeting. Operational experience and cost-benefit assessments will indicate how far can reduce cost. We will also learn whether more robust, sophisticated or widespread quality control is required or desired and, if so, how such additional investment can be recouped through earned income.

We will actively look for opportunities to bring responsibilities in-house and/or transfer them to other bodies (such as APSCA), if this will improve quality assurance or industry acceptance and/or help to reduce cost.

8. Finance & Funding

2018 research and analysis by the Secretariat indicates that the switch from the current regime of social and labor audits to the new system of self-assessment plus verification could free up as much as $134 m in resources annually by 2023. *See Annex 3.*

As detailed in 7.5 above, SLCP's total operating costs will be around $1.5m in 2019, rising to $3.6m by 2023. These costs can be fully covered by volume-based fees to make the program fully self-supporting by 2021, but will require substantial start-up funding of approximately $1,140K from the industry and donors through 2019 and a further $470K in 2020.

8.1 Financial forecasting

The plans and projections set out in this section are based on broad consultation with SLCP signatories and stakeholders. Short-term survival and long-term success will be dependent on the level and speed of adoption of the Converged Assessment Framework and on brands and manufacturers following through on adoption targets/commitments they have set and communicated, either publicly or privately.

The assumptions and numbers in this plan are therefore firmer for the Start-Up Phase (2019-20), where early volumes are reasonably predictable, but more of a 'direction of travel' for the subsequent Establishment Phase (2021-23).

8.2 Business model: core principles

As SLCP moves from an industry-funded project to a fully functioning operational entity, it will require:

- A viable business model that can enable it to become self-sufficient over time
- Diverse revenue streams with acceptable value propositions for system participants
- Adequate funding to achieve the objective of maximizing adoption of the Converged Assessment Framework within apparel and footwear, and to eventually spearhead expansion into other sectors
- Sound budgeting and financial management principles.

The following principles have been researched and refined with a range of signatories:

- Focus on maintaining and operating the Converged Assessment Framework (tool, verification protocol and guidance) and avoid duplicating the work of other actors
- Remain as lean as possible and work in partnership with other organizations
- Become self-funding as soon as possible through earned income, rather than donor support
- Costs should be borne fairly by the main participants/beneficiaries of the system,
- Fees/charges should be built around natural steps/events in use of the system, including billing and payments
- Fees/charges should be volume-driven, to link costs to usage and drive sustainability of the system.

It is also acknowledged that Start-Up Phase fees (2019-20) will need to be higher to get the system off the ground, with the real cost benefits for participants starting to flow through from 2021 onwards.

8.3 Adoption targets

Savings in audit costs and the financial viability of SLCP are directly linked to the rate of adoption of the Converged Assessment Framework, as well as the number of Accredited Hosts and licensed verifiers participating in the system. SLCP's adoption targets for 2019-23 are shown in Table 5 below, including 2018 Light Operation targets as a baseline.

Table 5: Preliminary estimate - adoption targets 2018 – 2023

	2018	2019	2020	2021	2022	2023
Implementing countries	2	10	Unlimited			
Verified Assessments	200	1750	5000	10000	15000	25000
Approved verifiers	45	250	500	1,000	1500	2000
Accredited Hosts - Active	3	5	6	7	7	7
Accredited Hosts - Passive	0	1	2	4	5	6

Our research indicates that approximately 33,000 apparel and footwear facilities worldwide are currently under audit. To reach the 5-year goal of 25,000 verifications, around 75% of these facilities would need to have switched to annual verification. However, depending on how many verifications are coming from other sectors by this point, the effective target could be closer to 60%.

While these figures are clearly ambitious, there are some favorable indicators to support them. Based on successful piloting with smaller facilities in 2018, we are confident that we can drive adoption beyond larger/Tier 1 facilities. Based on research and trends, we expect that brands will push for wider/deeper adoption of the Converged Assessment Framework as soon as they have adequate proof of concept.

8.4 Potential industry savings

8.4.1 Market opportunity

We estimate that approximately 130,000 social and labor audits are currently conducted each year globally, with an average of 4 similar audits being conducted per facility. Thus around 100,000 audits are effectively duplicative and could be eliminated in the event of full adoption of the Converged Assessment Framework.

Working from the adoption targets in Table 5 above, the net value of resources saved could reach $134m annually by 2023 in the event of SLCP hitting 75% of target. Even a more conservative scenario of 50% of target could save around $60m. See Table 6 below.

Table 6: Projected Audit Savings 2019 – 2023: $m

Scenario	2018	2019	2020	2021	2022	2023
Conservative: 50% adoption	(20)	0.2	3.35	15	48	60
Optimistic: 100% adoption	0.290	4.5	19.6	53	184	237
Realistic: 75% adoption	**0.041**	**1.8**	**10.3**	**27**	**94**	**134**

We have modeled the potential annual savings at the level of an individual manufacturing facility, including both direct costs (such as audit/verification fees) and indirect costs (such as the time investment for manufacturers or brands to support/manage the process).

This shows an average annual saving of around $6,100 across all sizes of facility where a verification is shared between 4 brands. These savings increase significantly in the case of larger facilities employing 200+ people, where audits are more complex and expensive.

For more detail on how the savings have been calculated, see Annex 3.

8.4.2 Redirecting resources saved

There are significant variations across the apparel and footwear industry as to who bears the cost of social and labor auditing currently. Brands may use in-house or second-party auditors, as well as third-party audit firms, and may or may not pass on the costs to manufacturers. Where manufacturers commission audits, they may or may not pass on the audit costs to brands.

The SLCP system is intentionally neutral about who (ultimately) pays for the cost of verification and will not impact or distort the commercial arrangements and practices that exist between manufacturers, brands, audit firms and accredited hosts. **Whoever currently pays for auditing should therefore benefit from the savings generated.**

Manufacturers and brands will be free to redirect resources saved towards whichever improvement activities best suit their sustainability strategies and the desired impact they wish to see.

8.5   Earned income

We anticipate four main long-term sources of earned income for SLCP. All are volume-driven, fees based on the number of verifications conducted and the number of verifiers and accredited hosts participating in the system.

These are summarized in Table 7 and explained below.

Table 7: Summary of long-term SLCP fees

Fee type	Amount	Payable by
Verification upcharge fee	$300 in 2019-20 $150 by 2023	Whoever pays for a facility verification, included in the cost of the verification
Verifier access fee	$200	Verifier/verifying body annually, as a business cost
Accredited Host partner base fee	$30,000	Accredited Hosts annually, as a business cost
Accredited Host usage fee	$50	Accredited Hosts when retrieving verifications from the Gateway, potentially re-chargeable to end-users

These fee mechanisms and rates have been tested and refined with different system participants. They take account of what users of the system are already paying or charging for services used or provided. They are designed to be manageable on-costs, which will not materially impact the affordability of the system as a whole. Nor will they compromise the ability of service providers (such as Accredited Hosts or verifying bodies) to set their own commercial terms for their services.

While all are keen to keep charges to a minimum, there is broad agreement that these fees are in keeping with the core principles outlined in 8.2 above and represent the best way to get SLCP off the ground. We are also mindful that in the short-term, some system participants (particularly audit firms and Accredited Hosts) will incur additional expenses and time costs to onboard the new system, train their people and adopt new ways of working.

We will closely monitor the performance and viability of each of these income streams during the Start-Up Phase (2019-20) and potentially adjust the business model accordingly. This may include re-setting fee levels, modifying how fees work or introducing alternative charging mechanisms, subject to checking the commercial viability for those concerned.

8.5.1   Verification upcharge fee

A levy payable to SLCP for each verification, built into the cost of the verification. Depending on the adoption rates achieved, we propose reducing this progressively from $300 in 2019 to $150 by 2023, with an ultimate target of just $100 from 2024 onwards.

Where a third-party verifying body (typically an audit firm) conducts the verification, this levy will be invoiced as part of the total cost of the verification and passed on to SLCP. Where a verification is conducted by a brand's in-house/second-party verifier, then they will be invoiced directly by SLCP.

Volumes will be monitored monthly and upcharge fees invoiced quarterly.

8.5.2   Verifier access fees

An annual fee paid by verifying bodies or freelance contractors for each approved verifier, recognizing the business opportunity that SLCP represents for verifiers. This is effectively a licensing fee which approved verifiers pay for the right to use SLCP's verification protocol.

We propose to set this fee at $200 per verifier. As with other comparable fees, it will be paid by verifying bodies in respect of any employees or contractors who work for 50+% of their time. Freelance verifiers without such preferential relationships will pay the fee themselves.

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Volumes will be monitored monthly and access fees invoiced quarterly.

8.5.3 Accredited Host partner base fee

A flat annual fee paid by Accredited Hosts, reflecting the significant business opportunity that SLCP represents for them in providing brands, manufacturers and others the ability to conduct and access facility-level verifications.

This base fee leaves Accredited Hosts free to determine how they package, bundle or price their services to their respective subscribers or customers. We propose to set this fee at $30,000 per year.

The fee will be invoiced by SLCP when Accredited Hosts first join the system and annually on the anniversary of their joining date.

8.5.4 Accredited Host usage fee

Brands and other end-users with the appropriate manufacturer permissions will be able to access verifications only via their respective Accredited Host. As verifications are requested by end-users, they are retrieved from the Gateway and entered onto the Accredited Host's system.

This will trigger a usage fee of $50, payable to SLCP by the Accredited Host concerned. As more verifications are shared between Accredited Hosts, the value of this income stream to SLCP will rise – eventually reaching or even surpassing the value of the income generated through the initial verification upcharge fee. It will be up to the Accredited Host to determine whether and how to pass on this SLCP charge to end users.

In the Start-Up Phase, the income will be based on the number of verified assessments hosted by the respective Accredited Host. In due course, we will explore more sophisticated indicators, which take into account the number of shares/end users for a particular verified assessment.

Income due to SLCP will be tracked monthly from the Gateway and collected quarterly.

8.5.5 Other potential income streams

Other options have been considered and rejected for now - essentially because they are marginal or because they would potentially discourage participation in the system. For example:

- Annual membership fees, for which there is little appetite, and which would likely duplicate annual subscription fees that are already being paid to Accredited Hosts
- Requiring Accredited Hosts to charge brands or other end-users volume-related fees for access to or usage of verifications, which would interfere with the freedom of Accredited Hosts to determine their own services and pricing
- Training-related fees, such as a levy on income from accredited training bodies, which might overload training costs for system users and verifiers and thus discourage take-up.

The biggest unknown in terms of revenue potential will be opportunities to monetize the analysis and publication of aggregated data (see 6.5 above). This raises multiple issues around the ownership of data; whether/how system users pay for use/access, levels of interest/demand and who is best placed to generate value from it. We will assess any such opportunities during the start-up phase.

8.6   Start-up funding

While SLCP is set to become financially self-sufficient by 2021, volume-related fees will be insufficient to fund the organization in the meantime. Unearned income will be required both to make up the funding shortfall and to mitigate the risk of lower adoption rates than targeted.

Short-term 'seed funding' measures have therefore been built into the 5-Year Plan, involving continued generosity from those who have already funded the development of the Converged Assessment Framework, as well as seeking financial support from new public and private sector donors with a commitment to social and labor issues.

A number of leading brands have already pledged a significant one-off donation of $330K for 2019. This and other private sector funding should help us attract matched funds from the public sector and investment from social lenders, as described below.

8.6.1   Grant donors

We will actively target conventional sources of donor funding, including:

- international governmental organizations
- bilateral donor agencies
- corporate/private foundations with specific interest in improving social and labor conditions

We will be alert to invitations to bid for appropriate funding and will proactively develop relationships with donors whose interests are closely aligned. We will not be diverted by accepting funding or project work which is not consistent with its Vision, Mission or Scope.

8.6.2   Social lenders

Casting the net more widely to help make up the 2019-20 funding shortfall, we will also endeavor to raise money from social investors and financial institutions prepared to provide funds at their risk, but with the prospect of a mid-term return on their investment. Contractual terms will determine rate of interest, start-date for payback (currently modeled from Year 4) and payback period, depending on investor/lender appetite and perceived risk.

Informal conversations with potential investors have indicated positive interest - especially given the innovative nature of what SLCP is seeking to accomplish, the speed at which SLCP could become self-supporting through volume-related fees enabling a timely payback and attractive return.

Social lending could also make it easier to unlock more conventional grant funding and we have had an early expression of willingness from a social lender to put together blended finance proposals, drawing on its own networks.

8.6.3 Charter signing fee

Given the uncertainty of generating the amount income needed through donors and lenders, SLCP needs another more assured form of short-term income to cover core operating costs in 2019-20.

This will take the form of a charter signing fee to help get the system off the ground and shape its evolution as a live program. It will be charged as part of the charter signing process. *See Section 7.2: Signatories.*

We recognize that many of these charter signatories are likely to be organizations who have already contributed resources, time and money to SLCP. In view of this, there are several ways to minimize the additional burden:

- Make charter signing fees a one-off payment only
- Cap fee levels in line with comparable charges in global sustainability standards and roundtables.
- To avoid discriminating against early adopters, maintain the same arrangements for new signatories longer-term (particularly as SLCP enters new sectors).

Fees will depend on the nature and size of each signatory organization, as set out in Table 8 below. The Secretariat will determine the best way to set the proposed fee bands, most likely based on total company turnover, as proposed in Table 8 below:

Table 8: One-off charter signing fees $

	Turnover	Fee ($)
Brands, Retailers, Agents		
- L, XL	> 1 B USD	10,000
- S, M	< 1 B USD	2,000
Manufacturers		
- L, XL	> 1 B USD	2,000
- S, M	< 1 B USD	1,000
Other	N/A	1,000

8.7 Projected income

Projected income is set out in Table 9 below, for both the earned and unearned income streams described in 8.5 and 8.6 above.

To be prudent, these projections are based on 75% achievement of the annual adoption targets set out in 8.3 - in terms of the number of verifications, licensed verifiers and accredited hosts.

We have additionally factored in any lag between work done and payment received (e.g. quarterly processing of verification upcharge fees back to SLCP). We have also built in what we believe to be attainable goals for the recruitment of charter signatories.

Table 9: Income 2019-23 - $K

		START-UP		ESTABLISHED		
		2019	2020	2021	2022	2023
EARNED/ON-GOING						
Verification upcharge fees		237	1.058	1.725	2.175	2.700
Verifier access fees		38	75	150	225	300
AH partner base fees		135	180	247	270	270
AH usage fees		85	281	675	1.181	2.250
Sub-total		**495**	**1.594**	**2.797**	**3.851**	**5.520**
UNEARNED/SEED FUNDING						
Additional brand support		330				
Charter signing fees		158	124	124	98	62
Donors/social lenders		650	550		-150	-200
Sub-total		**1.138**	**674**	**124 -**	**52 -**	**138**
TOTAL		**1.633**	**2.268**	**2.921**	**3.799**	**5.382**

We are mindful that the targets set for donor funding/social lending are particularly challenging. They recognize that we are at the limits of what we can reasonably ask from system participants in the Start-Up Phase and therefore constitute an urgent priority for the SLCP Secretariat and the new Council.

8.8   Projected surplus & loss

Table 10 below summarizes SLCP's projected surplus and loss for 2019-23. This shows how the program can become self-financing, without further need for donor support, by the end of 2021 on the basis of hitting 75% of adoption targets.

Table 10: Projected Surplus & Loss 2019-2023

	2019	2020	2021	2022	2023
	Start-up Phase		**Establishment Phase**		
Total income	1,633	2,268	2,921	3,799	5,382
Total expenditure	1,547	1,795	2,370	2,907	3,627
Operating Surplus	86	473	551	892	1,755

There is no intent to build up significant reserves in the program but to maintain sufficient cash flow and meet ongoing commitments. The start-up years are unlikely to generate adequate financial reserves, and even in later years the annual surplus in these projections is an effective minimum to partially underwrite the following year's core operating costs and safeguard the financial resilience of the organization.

8.9   Sensitivity analysis

To test these numbers, we have looked at 'worst case' and 'best case' income scenarios based on achievement of 50% and 100% of adoption targets respectively. In both cases, the greatest positive or negative impact will be on (i) the annual rate of reduction in the verification upcharge fee and (ii) the amount of donor funding required for the start-up phase.

In our 75% adoption model above, the verification upcharge fee is planned at $300 in 2019 and 2020, reducing to $250 in 2021, then $200 in 2022, then $150 in 2023 - before stabilizing at $100 from 2024 onwards.

In the worst-case scenario, the verification upcharge fee might have to be increased temporarily to compensate for lost income and would be unlikely to reduce below $200/$250 by 2023. Moreover, increased donor support would be required, both in the start-up years and potentially for longer. Either of these measures would call into question SLCP's viability as a standalone program.

In the best-case scenario, the verification upcharge fee could be reduced faster than we currently plan, provisionally coming down to $100 a year by 2023. Dependence on donors could be significantly reduced (but not entirely eliminated) in 2020. Any such decisions would need to be reviewed annually based on revised forward projections and ensuring that the program maintains adequate reserves.

9. Influencing

We will invest progressively in influencing and communications, with a focus on current and prospective signatories and supporters, to promote and build confidence in the system. SLCP will collaborate where appropriate with communications professionals working at key signatories and strategic partners to encourage adoption.

9.1 Audiences

Over time, we will expand its engagement and communications activity to embrace a wider range of audiences, all of whom have a part to play in helping the program achieve its Specific Aims:

- Supply chain actors (manufacturers, brands, retailers, agents)
- Service providers (audit firms, accredited hosts)
- Civil society (NGOs, Trade Unions, Academics, Industry Associations)
- Multi-stakeholder initiatives and Standard holders
- International & national government agencies
- Social organizations (involved in remediation, standards, transparency, better buying practices)
- Donors (philanthropic foundations, aid/development agencies)
- Regulators
- Investors

9.2 Communication objectives

The main communications objectives will be to:

- Promote the aims and benefits of the system
- Publicize key milestones and success stories in the rollout and adoption of the system
- Address misperceptions and concerns
- Advise/consult re new developments and improvements.

These apply to direct communications to signatories and stakeholders and to the supporting materials and messaging that SLCP can provide to key supply chain actors and service providers to help them 'make the market' for the Converged Assessment Framework and to encourage switching from audits to self-assessment.

9.3 Key messages

As SLCP moves from being a development project to a live system with new ways of working and new charges which users will need to prepare for and budget for, we will communicate how users will benefit over time and how to get the most out of the system.

There will be ongoing work to anticipate the most likely objections, concerns and barriers to adoption and to provide appropriately persuasive answers.

Table 11: Key messages by audience

Audience	Key messages
Manufacturers	• Reduction in audit fatigue • Increased ownership of, and accountability for, social assessments • Ability to redirect resources saved to improvement activities in line with company strategy and desired impact
Brands, retailers, agents	• Reduced management burden • Credible S&L data: facility level and aggregated • Ability to redirect resources saved to improvement activities in line with company strategy and desired impact • Enhance/protect brand reputation
Service providers	• Value-add for current/future clients • Reasonable commercial terms/return for system investment • New opportunities e.g. data, improvement consulting • Progressive business & best practice
Non-profits and (inter)governmental	• A single, consistent measure of social & labor conditions globally • Trusted comparable data • Greater transparency • Positive impact on working conditions

9.4   Communications mix & channels

Inter-personal relationships and communication will remain crucial, especially as SLCP transitions from development project to live operational entity and as governance arrangements are streamlined to transfer more autonomy and operational responsibility to the Secretariat.

This will be supplemented by a regular program of:

• Events, including workshops and conferences
• Bilateral meetings with different audiences/caucuses
• Online and social media
• Newsletters and updates
• Audio-visual material and collateral, such as case histories and testimonials.

9.5   Branding: Social & Labor Convergence Program

SLCP's role in ensuring the integrity of the system as a whole requires effective management of the brand and its assets. Brand usage and corporate messaging guidelines will ensure proper representation and communication of SLCP across in-house, signatory and partner communications.

As SLCP becomes a live operation/entity in 2019, rather than a project, this will require a name change changing the 'P' from 'Project' to 'Program'. The current 'Social Labor Convergence' logo and graphic livery need not change.

9.6   Resources

A Stakeholder Engagement & Communications Manager will be recruited early in 2019 to take full responsibility for all SLCP-related communications and put in place the necessary policies, procedures, tools and templates to protect the SLCP brand and brand assets and to engage more compellingly and persuasively with a range of signatories and stakeholders.

Specialist freelancers or agencies will also be used selectively to support on graphic design, story-telling and online/social marketing.

10. Change Program

The actions outlined in this strategic plan will require significant changes in the way SCLP works as it progresses from the design and development stage (2015 – Q3 2018) to the Start-up Phase (Q4 2018 – 2020) and then expansion to scale in the Establishment Phase (2021 and beyond).

This section summarizes the key changes which SLCP will need to manage within the next 12-18 months, in order to realize its Vision, Mission and Specific Aims.

10.1 Planning

- Develop 2019 Annual Plan for SLCP based on the approved Five-Year strategy through Q4 2018 to include activities & resources, income & expenditure.

10.2 Implementation & Evaluation

- Prepare and implement Light Operation in two countries Q4 2018
- Evaluate Light Operation Q1 2019
- Expand to 10 countries from Q2 2019
- After evaluation of 2019 program, begin scaling up from March 2020.

10.3 Hosting & Legal Form

- Agree the legal status and hosting terms and conditions with SAC during Q4 2018
- Consider long-term legal structure and hosting during 2019

10.4 Organization

- Build the capacity of the Secretariat to take responsibility for implementation, monitoring, evaluation and reporting through start-up and establishment phases
- Finalize recruitment, training and employment policies by end 2018
- Finalize new SLCP Charter and recruit signatories from apparel and footwear industries from Q4 2018 onwards
- Finalize governance structure for SLCP as a Fiscally Sponsored Project within SAC during Q4 2018 for implementation from January 2019, including clear definition of roles, responsibilities and code of conduct.
- From 2020, identify costs & opportunities for entering new sectors and recruit necessary expertise

10.5 Partners & suppliers

- Conclude agreement for provision of Gateway and support in country roll out with ITC Q4 2018
- Implement and oversee VOO through early months of contract with Sumerra and evaluate options for mid- and long-term verification oversight system through 2019
- Develop and document terms and conditions for Accredited Hosts, Verifiers/Verifier Organizations.

10.6 System

- Complete planning for Light Operation Q3 2018

- Ongoing risk management, evaluation and continuous improvement.

10.7   Finance & funding

- Finalize 2019 income and expenditure budget and draw up provisional 2020 budget during Q4 2018 with particular focus on agreement with ITC and firming up largest cost lines: Secretariat and Verification Oversight
- Seek signatory agreement to business model October 2018
- Design and implement financial processes and control systems with effect from Q4 2018
- Identify, build case for support and approach possible sources of start-up finance from donors and social lenders from Q4 2018.
- Annual review of income and expenditure to consider adjustment of costs and charge-out rates.

10.8   Identity & Influencing

- Evolve brand identity to Social and Labor Convergence Program from Q4 2018
- Implement communications strategy at progressively increasing rate of investment from 2019.

11. Risk Register

This 5-Year Strategic Plan has been drafted on the basis of adoption rates and income projections ahead of the first live experience of the Converged Assessment Framework to take place through the Light Operation in Q4 2018. Therefore, there are a number of risks inherent in the plan which we have assessed during the planning process.

The principal risks to the operational and financial viability of the program are:

- Adoption rates coming in significantly lower than estimated, from 2020 onwards
- Resistance to fees, particularly during the early years when they are highest
- Delays in program set up due to negotiations with partners, IT obstacles and/ or completion of the Gateway
- Costs exceeding initial projections, particularly on verification oversight
- Failure to attract start-up investment.

Table 12: Risk Register
Scale 1 – 5 where 5 is the highest and 1 lowest probability or impact.
Scale 2 – 10 for total risk where 10 is highest and 2 lowest.

Risk	Probability	Impact	Total	Mitigation
Adoption rates significantly lower than planned (esp. yr. 3 onwards)	4	5	**9**	- Ongoing assessment through Light Operation to revise projections and strengthen recruitment among brands - Secure signatory charter commitment - Potential for shortfall in apparel/footwear to be made up from other sectors
Gateway + Accredited Hosts fails to deliver to expectations	4	4	**8**	- Inclusiveness for multiple Accredited Hosts (AH) - Benefits for AHs - Ongoing performance monitoring and liaison with ITC and AHs
Insufficient staff capacity/performance	4	4	**8**	Clear recruitment and HR policies designed to make SLCP an emotionally and financially rewarding place to work
Resistance to fees	3	4	**7**	Clear, persuasive and consistent communication of principles & benefits
Delays in program set-up due to negotiations with partners and/or completion of Gateway	3	4	**7**	Reschedule forward plan based on progress attained through Q2 & 3 2018
Risk	**Probability**	**Impact**	**Total**	**Mitigation**
Costs exceed initial projections	3	4	**7**	Monthly reporting against budget and tight financial policies and control systems
Failure to attract donor/angel support for	3	4	**7**	Focused donor funding activity through 20819

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2018 19 (essential until volume fees kick in)				
System underperforms: complex network of partners & suppliers using untried system;	4	3	**7**	• Careful monitoring and adjustments of system throughout development and go live phases • Ongoing investment in user training
Complexity of self/joint-assessment + (external) verification deters manufacturer participation (esp. smaller size)	3	3	**6**	• Communicate simplicity + positive pilot 2 results (including S facilities) • Evaluation Light Operation 18 and beyond=> options to improve CAF and systems Q1 2019 for scaled roll-out
No remediation achieved	1	4	**6**	• SLCP Charter conditions • Consistent analysis and reporting of resources unlocked by SLCP for programmatic work
Sub-optimal SAC-SLCP working relationship	2	4	**6**	• Instigate periodical relationship review, initially as part of Light Operation evaluation
Perception that SLCP adds costs & complexity	3	3	**6**	• Ongoing analysis and reporting of reduction in audit burden • Ongoing review and improvement of system
Perceived lack of independence diminishes credibility	1	4	**5**	• Clear and consistent communication of plans and outcomes • Relationship building with key donors and partners
Lack of stakeholder acceptance/license to operate	2	3	**5**	• Maintain stakeholder/signatory engagement, especially through governance changes

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Annex 1: List of contributors

Our thanks to the following organizations for participating in the development of this Plan.

adidas	Isko
Arvind	ITC
Avery Dennison	ITMF
Better Buying	Li Fung
Burton	LL Bean
C&A	MAS Holdings (Pvt) Ltd.
C&A Foundation	MEC
C & J Clark International Ltd.	OECD
Columbia Sportswear	Outerknown
Crystal Group	Nike
DBL	Patagonia
Elevate	PUMA
Esprit	PVH Corp
Esquel	REI
ETI	SAC
European Outdoor Group	SAI
Fair Trade USA	Sedex
FWF	SGS
Gap Inc	Solidaridad
WL Gore	TAL Group
Hennes & Mauritz	Target
Hirdaramani Group	UL
IDH	UNDP
ILO	Verité
Impact	VF Corp.
Impactt	WRAP
International Civil Society Centre, Berlin	Yesim
Intertek	Williams Sonoma
ISEAL	

Annex 2: SLCP Draft Charters

The following draft Charters have been developed for discussion purposes, with the input of numerous signatories and stakeholders. An early task for the new SLCP Council will be to finalize and ratify the Charter and to develop more detailed Implementation Guidelines for Charter signatories.

SLCP Charter for brands and manufacturers

Preamble

The Social and Labor Convergence Program (SLCP) is a pre-competitive, collaborative initiative with a mission to implement the Common Assessment Framework to support stakeholders' efforts to improve working conditions in the global apparel and footwear supply chain

The goal of the program is to replace the practice of duplicative social and labor audits with a process of self/joint-assessment by factories combined with robust, independent verification. The new system will be significantly more transparent, effective and cost-efficient.

Commitment

As a signatory to this SLCP Charter, we [name of entity] commit to:

- support the mission of the program and contribute to the delivery of its aims;
- implement the SLCP's Converged Assessment Framework (the data collection tool and verification methodology)
- encourage supply chain partners to become SLCP signatories and contribute to the mission of the program;
- facilitate adoption of the Converged Assessment Framework by project stakeholders and the sharing of assessment results among business partners;
- develop adoption plans for the Converged Assessment Framework to replace proprietary social audit tools within our organization;
- redirect resources freed by the savings generated by converged assessment into activities which directly benefit workers and their communities;
- promote the principles of inclusiveness, collaboration on equal terms and collective ownership of the aspirations of SLCP among signatories to this Charter;
- facilitate the adoption of the SLCP Implementation Guidelines throughout our organization and that of our business partners.

Undertakings

Within 12 months of signing, we will produce a timetable and action plan to implement SLCP Converged Assessments in our apparel and footwear businesses, setting clear targets and timelines.

At the beginning of each calendar year, we will report to SLCP on our progress over the past year on meeting our deliverables, including our levels of adoption of the SLCP system, including those of our supply chain partners.

We will engage with other signatories to enable collaborative pre-competitive approaches, joint ownership and accountability to address issues revealed by SLCP assessments.

2.   SLCP Charter for other signatories

Preamble

The Social and Labor Convergence Program (SLCP) is a pre-competitive, collaborative initiative with a mission to implement the Common Assessment Framework to support stakeholders' efforts to improve working conditions in the global apparel and footwear supply chain.

The goal of the program is to replace the practice of duplicative social and labor audits with a process of self/joint-assessment by factories combined with robust, independent verification. The new system will be significantly more transparent, effective and cost-efficient.

Commitment

As a signatory to this SLCP Charter, we [name of entity] commit to:

- support the mission of the program and contribute to the delivery of its aims;
- encourage supply chain actors to become SLCP signatories and contribute to the mission of the program;
- promote the principles of inclusiveness, collaboration on equal terms and collective ownership of the aspirations of SLCP among signatories to this Charter;

Undertaking

We will engage with other signatories to enable collaborative pre-competitive approaches, joint ownership and accountability to address issues revealed by SLCP assessments.

We will proactively contribute our expertise, insights, skills and contacts to help encourage adoption of the Converged Assessment Framework over time.

Annex 3: Audit Savings

The calculations below are based on SLCP's comprehensive Mission & Vision Check Research (September 2018), which draws on data provided by 32 signatory brands with combined annual revenue of $249 billion and a combined supplier list of 13,688 facilities (over a third of all footwear and apparel facilities worldwide).

Verifications are more time-consuming than traditional audits, so the extra auditor time required, plus the verification upcharge fee, will make verification more expensive. Savings are realized as soon as a verification is shared between two brands, instead of duplicative audits.

Cost of verification vs audit

Table 13 shows all the potential component costs related to audit and verification respectively, including both external costs (such as audit/verification fees) and internal costs (such as the time investment for manufacturers or brands to support/manage the process).

As well as explaining the basis for our savings calculations, this should be a helpful guide for brands and manufacturers for budgeting purposes (while accepting that costs and budgeting methods will very significantly by facility size, location, company and commercial arrangements with their suppliers/customers).

Table 13: Audit vs verification: cost components (2019)

	Traditional Audit	SLCP Verification
EXTERNAL COSTS		
Auditor/verifier person days	2,7	3,7
Auditor/verifier fees	$ 1350	$ 1850
Verification upcharge fee[1]		$ 300
Accredited Host usage fees (if re-charged to end users)[2]		$ 75
Sub-total	**$1,350**	**$2,225**
INTERNAL COSTS		
IT adjustment[3]		$ 75
Prep/support time (manufacturer)	$400	$400
Process/review time (brand)	$300	$300
Data sharing/hosting (brand/manufacturer)	$300	$300
Sub-total	**$1,000**	**$1,075**
TOTAL	**$2,350**	**$3,300**

Savings from sharing of verifications

Table 14 shows the progressive savings that can be realized as verifications are shared between more brands. Given a global average of 4 audits per facility, we could expect an annual saving of

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[1] Will reduce over time to $150 by 2023

[2] Assumes relatively little sharing initially between Accredited Hosts, averaging 1.5 per verification

[3] Short-term cost only as brands/manufacturers adapt their IT to the SLCP system

$6,100. This figure would be substantially higher both for larger facilities (employing 200+ people) and for manufacturers working with a wider range of signatory brands from the same facility.

Table 14: Audit vs verification: savings based on number of users/shares (2019)

Number of users/shares	1	2	3	4	5
Traditional audit	$2,350	$4,700	$7,050	$9,400	$11,750
SLCP verification	$3,300	$3,300	$3,300	$3,300	$3,300
Saving	-$ 950	$ 1,400	$ 3,750	$ 6,100	$ 8,450