



Strategic Plan 2024-2028

SOCIAL & LABOR CONVERGENCE PROGRAM (SLCP)

FINAL February 2024



Stichting SLCP - RSIN 865635298

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INTRODUCTION

We are excited to present SLCP's Strategic Plan 2024-2028, which has been developed collaboratively with many of our signatories and stakeholders. The strategy is evolutionary, building on key strengths and accomplishments from our first five-year cycle (2019-2023), while also recognizing where we need to improve and change.

SLCP was born out of a collective need and desire to reduce social and labor audit duplication and fatigue in the global apparel and footwear industry. The solution was SLCP's Converged Assessment Framework (CAF), a universal tool that eliminates the need for proprietary audits and allows saved resources to be redirected to improving conditions for workers.

We have much to celebrate from our first five years as a live program. We are already reaching over 10,000 facilities (including other sectors) and unlocking an estimated \$23m annually through use of the CAF. At the same time, however, supply chains have faced significant challenges. The pandemic exposed serious vulnerabilities, reinforcing the need for resilience and adaptability. And we have seen growing pressure from consumers, companies, investors and regulators for greater transparency, responsible sourcing, and just and equitable working conditions.

At the heart of SLCP's success to date has been our multi-stakeholder, signatory-driven ethos. We have been fortunate to attract a group of over 250 signatories who share common goals, representing a diverse range of interested stakeholder groups – manufacturers, brands and retailers, audit companies, service providers, civil society, industry associations, national governments and intergovernmental organizations. We also have a number of key partners, who have invested alongside us in creating a dynamic ecosystem of services and solutions to drive adoption and unlock value through the CAF.

The same principles of collaboration and partnership underpin our Strategic Plan 2024-2028, with an unwavering commitment to equipping and empowering our stakeholders with credible and actionable data that will enable them to drive transformative change.

Work on the plan has been led by the SLCP Secretariat, working closely with a Council Strategy Committee and supported by The Terrace, a consultancy firm. We have had regular touchpoints with our signatories and stakeholders throughout the process and have built much of our thinking iteratively with their input and feedback. Our thanks go to everyone for their participation and contribution.

Over the following pages, we hope that we make a compelling case for the role SLCP can play – with your help – in driving decent working conditions in global supply chains. We look forward to you joining us on the journey. The best is yet to come.



JANET MENSINK
Executive Director, SLCP



JONATHAN OBERMEISTER
Independent Chair, SLCP

"An unwavering commitment to equipping and empowering our stakeholders with credible and actionable data."

EXECUTIVE SUMMARY

Our new Strategy is evolutionary, taking forward several proven elements of our first five-year Strategic Plan, while incorporating lessons learned (Chapter 1) plus a comprehensive horizon scanning exercise to assess the implications for SLCP of a complex set of mega and sectorial trends (Chapter 2).

In terms of the impact we seek, our theory of change remains constant: SLCP is a foundational piece of a much bigger ‘puzzle’. However, we have responded to signatory and stakeholder feedback by making our Vision more aspirational and our Mission more purposeful (Chapter 3).



Underpinning our Vision are four new Value Drivers that in turn have shaped a fresh articulation of our Strategic Aims (Chapter 4), as illustrated in the diagram below.

New or enhanced elements in our core strategy include the power and dynamism of SLCP’s partner and stakeholder ecosystem, SLCP’s role in supporting human rights due diligence, supply chain efficiencies through audit de-duplication, developing the CAF for scale, and the potential of SLCP data to drive decision-making and transformative change.

VISION	Decent working conditions in global supply chains			
MISSION	To unite and support all stakeholders by developing and deploying a Converged Assessment Framework (CAF) that delivers harmonized, accessible and trusted data.			
VALUE DRIVERS	Create efficiencies and resilience in supply chains		Identify and share social labor insights	
	Support human rights due diligence implementation		Enable solutions to improve working conditions	
STRATEGIC AIMS	Relevant, effective and scaled tools	Credible and actionable data	Accelerated collaborative improvement programs	Inclusive organization and dynamic ecosystem
SUCCESS CRITERIA	CAF used at scale and in multiple sectors	Diverse stakeholders including governments accept SLCP data	Partnerships that drive improved working conditions	Multi-stakeholder governance and committed partners

To deliver against this core strategy, SLCP will concentrate its efforts and resources on eight Focus Areas (Chapter 5). These remain broadly consistent with SLCP's first strategy cycle (2018-2023), but with renewed emphasis on optimizing the CAF and improving its ease of use, data quality and integrity, data insights, cutting-edge technology and expansion into other sectors.

The work of the SLCP Secretariat will be guided by three over-arching performance indicators: the annual number of verified SLCP assessments conducted, the resources saved to fund improvement actions, and stakeholders using SLCP data for research and decision-making. Annual plans will be driven and monitored against these indicators, plus a broader set of operational KPIs, also taking into account our Risk Register (Chapter 6).

The one substantive change for SLCP from a governance and organization perspective (Chapter 7) will be our incorporation as a fully independent entity – a Netherlands-based not-for-profit public benefit foundation, which will be operational at the start of the new strategy period. A successful signatory vote launched in August 2023 showed widespread support for this move. SLCP's Council will transition to a two-tier Board, broadly replicating SLCP's current multi-stakeholder governance, including elected Board seats representing our diverse caucuses. We will also place greater emphasis on people and culture, along with prudent expansion of SLCP's team and capabilities in line with the new strategy and further income growth.

SLCP's business model and the principles behind it have been field tested and validated in the first strategy cycle, with SLCP's earned income consistently ahead of expenditure (Chapter 8). We will maintain, but not increase, our current system of fees from Accredited Hosts, Verifying Bodies and verifiers plus the upload charge on verified assessments to the SLCP Gateway, which will remain our primary income stream. This allows us to extrapolate forward for the first three years of the new strategy period with a reasonable degree of confidence, with income forecast to double to nearly \$8m by 2026.

We believe that this Strategic Plan sets ambitious, but attainable goals for the next five years and defines a credible pathway to achieve them.





1. CONTEXT

Where are we coming from?

In our first five years as a live program, we have successfully established SLCP as a force within the social and labor landscape, meeting our promise to stakeholders and providing evidence for our theory of change.

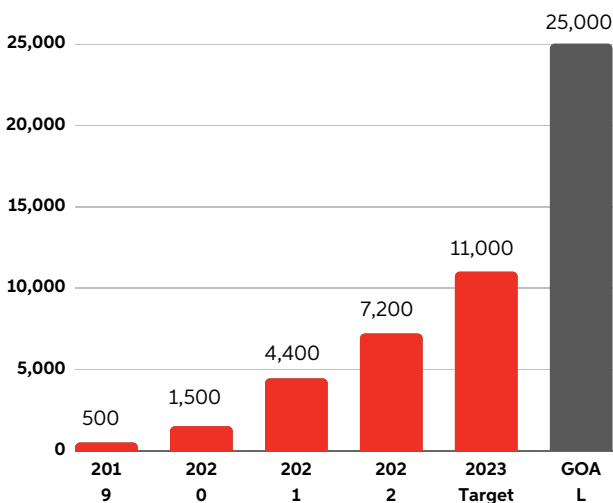
In this chapter:

- 1.1 Progress and achievements to date
- 1.2 Collaborations and partnerships
- 1.3 Lessons learned

1.1 Progress and achievements to date

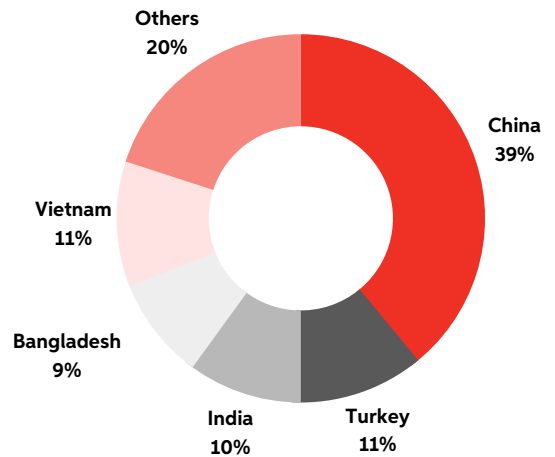
During the 2019-2023 strategic cycle, we have seen significant growth and momentum across all areas of SLCP's work.

Growth in SCLP assessments



SLCP adoption grew 65% from 2021 to 2022

2022 country breakdown of verified assessments



SLCP has been implemented globally

SLCP has been able to meet its promise and provide evidence for its theory of change. Key achievements include:

- Establishing the program and scaling the deployment of the Converged Assessment Framework (CAF) in more than 61 countries.
- Enabling facilities to reduce duplicative social and labor, unlocking resources that can be redirected towards improvement programs.
- Increasing industry acceptance and expansion into new sectors and regions, driving further progress towards convergence.
- Creating a sophisticated technology ecosystem with a Gateway and Accredited Hosts to allow sharing of data in a secure and scaled way.
- Achieving broad satisfaction among users of the CAF through tools, systems, reports (e.g., case studies and surveys) and efficiency gains.
- Building up a strong data quality and integrity program.
- Establishing a highly professional and financially healthy organization, with inclusive multi-stakeholder governance and proven partnerships.



Vince Beaman, Sourcing and Supply Chain, Décor

“Labor practices in the fashion industry can only be improved if the entire supply chain is bought-in. At Décor, we are thrilled to be working closely with SLCP, and other industry leaders, to shape the future of collecting, consolidating, and using verified social and labor data to drive a highly complex and globalized supply chain into the future. The more we can work together as a value chain, the faster we can drive meaningful and comprehensive impacts. SLCP provides that community and partnership forum, with global industry stakeholders committed to improving the conditions for the people working within it.”

A background image showing a large collection of colorful fabric rolls in various shades including pink, red, purple, blue, and white, arranged in a dense, overlapping pattern.

SLCP is a signatory-driven organization. Signatories (250+) commit to the principles of convergence and subscribe to our Vision and Mission by signing the SLCP Charter. From the 2022 annual signatory survey, the satisfaction rate was high, with 97% confirming support for the Mission and 82% confirming SLCP was inclusive of all signatories.

Our past Strategic Aims revolved around four main topics: industry adoption, resources unlocked, data access and comparability, and organizational resilience. The numbers below provide a snapshot of our progress through 2022, creating a solid foundation for our next strategic cycle:



*This number reflects the potential of resources unlocked. Many signatories invested time and resource into implementing SLCP within their supply chains. This included training, awareness-raising and updating/ changing internal systems to ensure it is compatible with SLCP and the CAF. At this early stage of SLCP roll-out, the resources unlocked through SLCP may be offset by the cost of implementation.

1.2 Collaborations and partnerships

Since our inception, SLCP has positioned itself as catalyst for change, working towards a bigger, shared Vision by supporting stakeholders’ efforts to improve working conditions in global supply chains. In the spirit of convergence and collaboration, we have always recognized that SLCP would need to partner with other organizations with complementary capabilities and expertise to deliver our Mission. We refer to our expert support network of partners, hosts and service providers as the ‘SLCP ecosystem’.

Critical partners include The International Trade Center (ITC), who have built our technology system and central portal (Gateway) and our connected Accredited Hosts, whose platforms enable SLCP data collection and analyze SLCP data for end users. ITC, together with other training bodies, also support us with training for facilities and other stakeholders.

SLCP’s outsources quality assurance to an expert Verification Oversight Organization (VOO), Sumerra. We also work with many Verifier Bodies to manage and implement the data verification of assessments.

Other key collaborators include manufacturer’ organizations – the International Textile Manufacturers Federation (ITMF) and International Apparel Federation (IAF).



Pamela Coke-Hamilton, Executive Director, International Trade Center

"The combination of SLCP's power to drive collaboration among the major clothing brands, manufacturers' associations, standards, and other stakeholders – combined with ITC's customized tools and expertise – has brought about some incredible results. Though there remains a lot of work to be done, the future is bright in terms of bringing these solutions to more companies.

The potential to utilize the wealth of data now contained within the Gateway presents an enormous opportunity. Through an anonymized and aggregated analysis, we can, together and in partnership with research institutes, leverage this assessment data from thousands of factories to identify social and labor gaps, inform policymakers, and re-direct the money saved to improvement measures where they are most needed – data informed decision-making."

SLCP has deliberately focused its own mandate and efforts on developing and implementing the CAF. We have always seen ourselves as being just one piece of a piece of a bigger ‘puzzle’ and as an enabler of more systemic solutions to improve working conditions, such as remediation of non-compliances and improved buying practices by companies. In so doing, we have also created connections to drive collaborative actions in these fields, including for instance with Fair Wear Foundation (FWF) and Better Buying Institute (BBI). A non-exhaustive list of key partners and collaborators is shown in the table below.

Stakeholder		Topic
	International Trade Center (ITC)	The ITC is a joint agency of the United Nations and the World Trade Organization. SLCP partners with the ITC for the Gateway, user training and support for the CAF, stakeholder engagement and data insights.
	ILO-Better Work (BW)	ILO-BW and SLCP are on common ground in promoting credible and actionable data that is shared between a broad range of industry actors to act upon, including governments and workers’ and employers’ organizations. SLCP and BW work together on tool development, data sharing, ILO constituent consultation and other related work.
	Sustainable Apparel Coalition (SAC)	SAC took the initiative to facilitate discussions with stakeholders for a joint convergence effort in 2015. Today, the CAF is the backbone of SAC’s Higg Facility Social & Labor Module (FSLM) Organizations have a shared vision to drive convergence in social compliance assessment efforts in order to improve working conditions in global supply chains.
	Better Buying Institute (BBI)	BBI and SLCP pursue a shared vision of improved working conditions in apparel and footwear supply chains. We have jointly developed some key questions related to the convergence of social assessments and /implementation of the Converged Assessment Framework (CAF) which were added to the Better Buying Purchasing Practices Index™.
	Accredited Hosts	Accredited Hosts are selected technology partners who have implemented the CAF on their platform and are providing value-added services to their members/clients. Active Accredited Hosts include the Higg FSLM platform and Fair Factories Clearinghouse (FFC), both operating under the tech company Worldly. Brands can also connect directly to the SLCP Gateway as Brand Hosts. By the end of 2023 we expect to have an additional AH.
	Fair Wear Foundation (FWF)	FWF and SLCP have developed a list of joint activities in pursuit of improved working conditions in supply chains, including human rights due diligence hub drawing on SLCP data as source
	Verification Oversight Organization (VOO)	The VOO is responsible for monitoring data quality and integrity. Currently (2023), this is Sumerra.
	Association of Professional Social Compliance Auditors (APSCA)	SLCP aligns with APSCA criteria to monitor and improve the performance of SLCP Verifiers and Verifier Bodies.
	VBs (Verifier Bodies)	SLCP partners with (approved) Verifier Bodies who are carefully selected. Their performance is monitored for on-site verification of the assessments.
	TBs (Training Bodies)	SLCP partners with (approved) organizations/service providers who provide training to facilities and other stakeholders for the CAF and SLCP.
	IAF (International Apparel Federation)/ITMF (International Textile Manufacturers Federation)	ITMF and IAF bring a focus on manufacturers and manufacturer associations. Their collaboration with SLCP is focused on convening stakeholders to implement the CAF.
	Global Fashion Agenda (GFA)	The GFA and SLCP partnership has complementary roles. GFA focuses on convening industry, leadership and business/trade media, and policymakers. SLCP focuses on the implementation of the CAF, providing data and measuring progress. Together, we can accelerate industry alignment and convergence and shift resources towards improvement actions based on credible, verified data.

1.3 Lessons learned

The 2019-2023 Strategy was originally based on an adoption goal of 25,000 SLCP verified assessments on an annual basis. Prior market research in 2018 had indicated that approximately 33,000 apparel and footwear facilities worldwide are currently under audit. The goal was set on 75% of those.

In reality, SLCP found that adoption was slower and less than expected. This was due to external factors (pandemic, supply chain consolidation) as well as more SLCP-related elements (such as time, costs of transition and compatibility with industry standards).

Adoption remains our over-riding priority for the next strategy cycle. To take SLCP's scale and impact to the next level, we will need to:

- Optimize the CAF to achieve (more) global and wide applicability of the CAF including Small and Medium Enterprises (SMEs);
- Improve ease of use;
- Ensure greater alignment with International Labor Standards (ILS) and National Labor Law (NLL);
- Enhance data quality and integrity;
- Develop data analytics and insights for impact;
- Facilitate change management with users (including compatibility with existing systems);
- Diversify through tier and sector expansion.

These align closely with the trends, and their implications, that we outline in Chapter 2.



Dr Delman LEE, Vice Chair, TAL Apparel Limited

“TAL Apparel supports and actively participates in the convergence work of SLCP. A Converged Assessment Framework (CAF) is important for the industry as it helps to reduce audit fatigue and let facilities spend their time making real improvements on the ground. The apparel industry has been tackling the social space for a long time. It is time to focus our efforts on capability building and realize the benefits. In addition, adoption of unified data structure is crucial for big data analysis, more accurate benchmarking and identification of best practices. We do continuously support and promote this meaningful initiative, expecting that more industry players will adopt the CAF to drive positive movement in the industry.”



2. HORIZON SCANNING

Key trends and implications

To inform our next strategic cycle, we conducted a comprehensive horizon scanning exercise to identify key trends affecting SLCP, our signatories and stakeholders, drawing from a wide range of sources. These can be summarized as a combination of mega trends (such as global trade and climate change) and sectorial trends (such as regulation and corporate accountability).

In this chapter:

- 2.1 Mega trends
- 2.2 Sectorial trends
- 2.3 Implications for SLCP

2.1 Mega trends

The world is facing a complex set of challenges as we look toward the end of the decade, many of them interlinked, with both direct and indirect consequences for businesses and their workers.



Global uncertainty and geopolitical conditions

We expect a rise in geopolitical instability and tensions, with growing barriers to trade. Social unrest, civil wars, conflicts, disasters, migration and other humanitarian emergencies will disproportionately affect emerging economies – bringing increasing risks of child labor, restrictions on freedom of association and assembly, and human rights violations. Threats to working conditions and worker livelihoods in some already high-risk countries will be exacerbated as sourcing shifts to more stable and compliant locations.

Global economic turbulence

In the near to medium-term, the world will continue to suffer the aftershocks of Covid and trade wars, particularly through higher energy prices, interest rates and inflation. Economic headwinds will continue to affect consumers, companies and investors alike. Workers will be particularly vulnerable to order volatility, margin pressures and deteriorating purchasing practices – which will negatively impact their economic security, wages, working hours, and health and safety. This, in turn, will set back progress in key areas such as non-discrimination, the representation and involvement of women, and available funds to improve working conditions.

Supply chain disruption

Multiple factors including disrupted commodity markets, sudden changes in bilateral or multilateral trade agreements (such as removal of preferential duty arrangements), transport bottlenecks and shipment disruptions will make supply chains more challenging and potentially less predictable. These and other factors are likely to fuel two opposing trends of supply chain consolidation on the one hand, and fragmentation on the other – adding to unpredictability and insecurity for both manufacturers and workers alike.

Technology and innovation

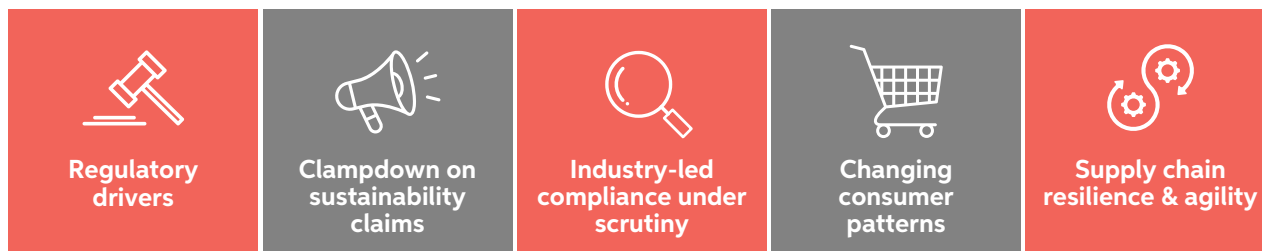
Technology will impact manufacturing in multiple ways, including growing use of automation and robotics (particularly in more sophisticated, higher wage countries), supply chain digitalization from design to production (including leveraging the power of data and AI) and development of innovative materials (especially through recycling) – although traditional manufacturers will be less able to reap the benefits. The global workforce will inevitably shrink, with lower-skilled workers particularly affected.

Climate change

Climate change is both an existential threat in its own right and a force multiplier for other megatrends. Climate impacts for manufacturing will include the fluctuating availability, quality and cost of agricultural raw materials, sea-level rises eliminating some manufacturing locations, and extreme weather and heat hindering production and creating unsustainable working conditions. Climate-induced migration will put additional strains on resources and systems in countries which are already vulnerable, with increased risks of exploitation. Increased risk of flooding and extreme heat will cause long periods of unemployment and financial turmoil for workers.



2.2 Sectorial trends



Regulatory drivers

Major regulatory initiatives such as the European Union’s Corporate Sustainability Due Diligence Directive (CSDDD) or the New York Fashion Act, will have fundamental impacts on sourcing, supply chain assessment, materiality assessment, risk management, legal compliance, ESG reporting, and investor scrutiny. There will be a particular focus on human rights due diligence (HRDD), expanding the breadth and depth of compliance programs and regulating what has to date been guidance from the Organisation for Economic Co-operation and Development (OECD). New regulation will cover a much larger supply chain footprint including both upstream and downstream production, as well as extending to a wider range of facilities.

Clampdown on sustainability claims

Within and alongside the above due diligence legislation, national regulators – particularly consumer authorities (for example in Norway and Denmark) – are placing increased scrutiny on sustainability claims. Retailers and brands particularly are in the line of fire around potential misleading claims or consumer confusion – putting corporate reputation at risk and fueling increased demand for accurate, credible and trustworthy data from their supply chains, including social and labor data.

Industry-led compliance under scrutiny

The drive for more public regulation fits with a growing backlash towards private regulation and more criticism of industry-led compliance initiatives and sustainability standards (especially from civil society), despite their multi-stakeholder nature. There is insufficient proof that these have led to material changes in social and labor conditions.

There is also a lack of transparency in data sharing and a lack of trust in auditing regimes, where companies select their own auditors. There is a risk of a race to the bottom on audit quality and price. The proliferation of competing schemes and standards also drives undesirable complexity and opacity – making harmonization, aggregation and comparison of data difficult. There is also growing evidence that private regulation fails to address underlying issues and materially improve workers lives.

Changing consumer patterns

A growing proportion of global business in markets such as apparel and footwear will take place within the Global South, with local manufacturers producing for national and regional demand outside of the regulatory and consumer dynamics we will see in the Global North. Western consumer buying behavior and expectations will continue to evolve – including the trend towards circularity and possible rejection of fast-fashion, and more focus on corporate sustainability claims and performance – including both environmental and social and labor criteria.

Supply chain resilience and agility

This will be an increasing area of focus for brands and manufacturers in response to the trends above. Businesses will seek to future-proof their supply chains – looking to increase efficiency, tighten planning, optimize sourcing agreements to increase flexibility and speed to market, and improve risk management, including spreading risks across new and existing manufacturing hubs. On the positive side, there will be some movement away from transactional relationships towards strategic partnerships between companies and preferred suppliers, distributing costs and risks more equitably.

2.3 Implications for SLCP

Understanding how and where this complex, changing landscape affects SLCP has been a key driver of our new five-year Strategy. Putting ourselves in the shoes of our signatories and stakeholders, while being far-sighted and focused as what SLCP itself can meaningfully do and drive, and where best to focus our resources. We have therefore integrated the following key learnings into our future plans.



Program expansion

SLCP must continue to advocate for audit de-duplication, industry convergence and the re-allocation of saved resources into improving conditions for workers. Increasing adoption is the pre-condition for this, with opportunities for diversification of our supply chain users (companies, tiers, sectors).

Drive impact

Further scale cannot be at the expense of impact, and demonstrating impact will be key. We need to create an enabling environment for more transparency and disclosure, based on trusted social and labor data that demonstrates tangible improvements for workers.

Human rights due diligence (HRDD)

SLCP must adapt and align to HRDD requirements, providing confidence to stakeholders and policymakers as to how the CAF can be integrated into credible HRDD approaches, enabling effective monitoring and detection of due diligence risks.

Data-driven approach, quality and effectiveness

SLCP was born in response to signatory demand for credible, actionable data informing stakeholders how to improve labor conditions. Data quality and integrity will remain paramount, with more work to do on quality assurance. Technology and innovation will have a key role to play here. We will need to build out data analytics capabilities (in-house and with partners) to identify and share key insights from SLCP aggregated data, and support stakeholders in their effort to improve labor conditions.

Equal partnership

Facility ownership in the CAF tools, systems and processes will be more important than ever in helping to bring more balance and equity to supply chain relationships and unlock compliance on labor conditions. By the same token, SLCP's multi-stakeholder constitution and vibrant, inclusive ecosystem will remain critical to fostering collaborative dialogue and action.

Anna Burger, Board Chair, Cornell University ILR School, Global Labor Institute (GLI)

"Access to SLCP data gives academic researchers the ability to analyze data from across the supply chain to identify trends and underlying obstacles to improving working conditions. This can be the basis of collaboration by stakeholders on strategies to address problems systemically and with real impact."



3. IMPACT

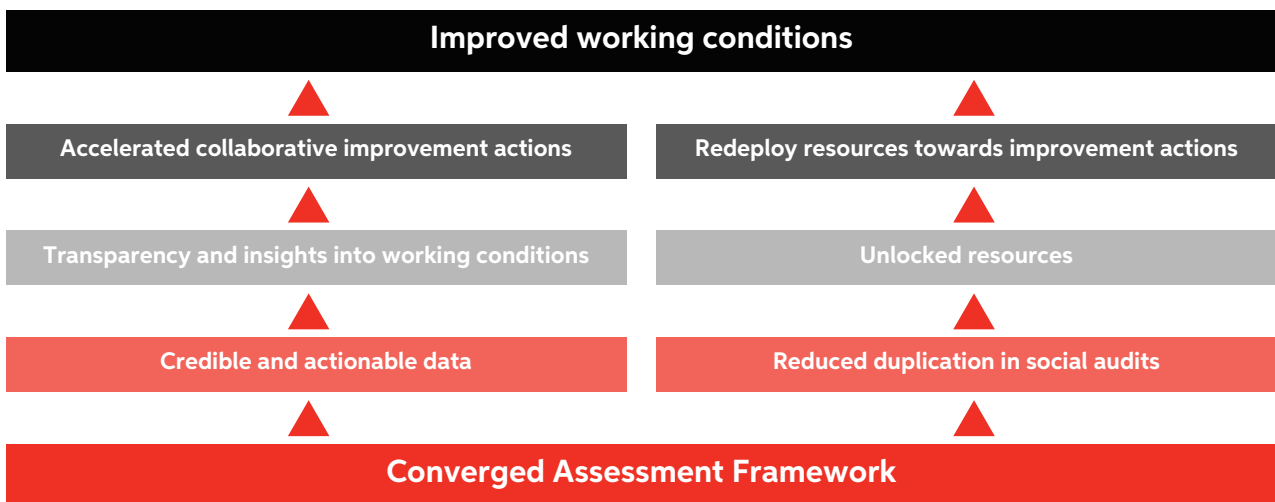
The change we want to see

To respond to learnings, identified trends and evolving stakeholder and signatory demands, we have updated our theory of change, refreshed our Vision and Mission, and identified four primary areas of value delivery.

- In this chapter:
- 3.1 Theory of change
 - 3.2 Vision and Mission
 - 3.3 Value Drivers
 - 3.4 Core Values

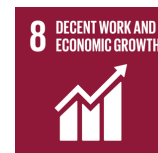
3.1 Theory of change

Improving working conditions in global supply chains requires pre-competitive collaboration between multiple parties to enable 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 drives collaborative action and stakeholder inclusion to make change happen.



The CAF is SLCP’s unique asset and contribution to our theory of change – empowering manufacturers, providing common data and reducing audit duplication and fatigue. This in turn helps drive transparency and the unlocking of resources.

The CAF is contributing to Sustainable Development Goals 8 and 17:



3.2 Vision and Mission

Given the evolutionary nature of our next five-year Strategy, our overall ambition has not changed. However our consultation with signatories and stakeholders highlighted calls for a more aspirational expression of SLCP's Vision and more purposeful Mission. Our Vision statement outlines the world we all want to see – one where decent working conditions in global supply chains are standard practice. Our Mission captures the distinctive role we play in realizing that Vision.

VISION	Decent working conditions in global supply chains
MISSION	To unite and support all stakeholders by developing and deploying a Converged Assessment Framework (CAF) that delivers harmonized, accessible and trusted data.

3.3 Value Drivers

We have identified four main Value Drivers where SLCP can make a tangible contribution to delivering against our Mission. These drivers fully align with findings from our 2022 Learning & Evaluation Report and 2022 Impact Report, as well as responding to key trends identified in Chapter 2.

VALUE DRIVERS	<p>Create efficiencies and resilience in supply chains</p> <p>SLCP results in the reduction of duplicative social audits, provides opportunities for reallocating resources towards improvement programs, and through gained efficiencies and supply chain partnerships creates resilient supply chains.</p>	<p>Identify and share social labor insights</p> <p>Analysis of SLCP data provides patterns, trends and insights on labor conditions in supply chains. Given the CAFs (further) alignment with International Labor Standards and National Labor Law, this will include legal compliance information.</p>
	<p>Support human rights due diligence implementation</p> <p>The CAF supports supply chain actors to undertake human rights due diligence activities (HRDD). By laying the foundations for strong alignment with policy demands, stakeholders can leverage SLCP data to maximize impact and support HRDD implementation.</p>	<p>Enable solutions to improve working conditions</p> <p>Convergence on assessments and data insights opens the opportunity of a shared foundation for dialogue and prioritization of improvement areas for labor conditions. This drives transparency and accelerates collective knowledge and action on systemic solutions.</p>

Alexander Kohnstamm, Executive Director, Fair Wear

“At Fair Wear, we know that ambitious alignment is needed for the garment industry to become fair for all. Integrating SLCP data into our human rights due diligence (HRDD) facilitation tool is an example of how we’re promoting collaboration. By joining forces with SLCP we can better support companies with a variety of high quality, verified information sources as input for their HRDD implementation. This will help brands focus their resources when addressing human rights impacts in their supply chains, as well as build critical mass for change across the wider industry.”

SLCP and HRDD

According to our 2022 signatory survey, many brands already use SLCP for HRDD purposes. SLCP aims to ensure the CAF is relevant to HRDD legislative frameworks, particularly in identifying human rights risks and tracking and monitoring progress, and will partner with other organizations (such as Fair Wear Foundation) to enable broader solutions.

SLCP tools and systems will continue to be adapted to meet policy needs, such as alignment with the OECD Due Diligence Guidance, specific inclusions of compliance against International Labor Standards (ILS) and National Labor Law (NLL) and mechanisms to further enhance stakeholder engagement with workers.

Do you use SLCP data for any of the following purposes?*	% of brands that use SLCP data for this purpose	% of policy stakeholders that consider SLCP useful for this purpose
To identify human rights risks in the supply chain	89%	93%
To monitor and track human rights risks in the supply chain	93%	80%
To assess if there are instances of forced labor in your supply chain	78%	60%
	2022 signatory survey	OECD Policy roundtable survey

3.4 Core Values

SLCP's work and conduct will continue to be guided by the same Core Values. We have refreshed some of the language, but these values apply throughout our governance structure – Secretariat, Technical Advisory Committees and Board – and to our everyday interactions both internally and externally.



Rigorous

Ensuring the quality of our work, the credibility of our system and the integrity of our data.



Impartial

Inclusive and fair in our treatment of colleagues, supply chain actors and others committed to improving social and labor conditions, with the interests of workers at the heart of everything we do.



Collaborative

Working actively with our colleagues, 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.



4. STRATEGIC AIMS

What we want to achieve

SLCP has four Strategic Aims, and accompanying success criteria, for the next strategy period and beyond. Operational delivery against these aims will be channeled through the Focus Areas detailed in Chapter 5, with annual operational plans approved by the SLCP Board.

In this chapter:

- 4.1 Relevant, effective and scaled tools
- 4.2 Credible and actionable data
- 4.3 Accelerated collaborative improvement actions
- 4.4 Inclusive organization and dynamic ecosystem

Strategic Aims

Our four Strategic Aims build on the Value Drivers, where SLCP contributes to tangible change. They have collaborative action at their heart. The intention is to develop and learn from our success, but recognize where we need to improve and change.

STRATEGIC AIMS	Relevant, effective and scaled tools	Credible and actionable data	Accelerated collaborative improvement programs	Inclusive organization and dynamic ecosystem
SUCCESS CRITERIA	CAF used at scale and in multiple sectors	Diverse stakeholders including governments accept SLCP data	Partnerships that drive improved working conditions	Multi-stakeholder governance and committed partners

4.1 Relevant, effective and scaled tools

Success criteria: CAF used at scale and in multiple sectors

SLCP has done well to create significant momentum around adoption of the Converged Assessment Framework (CAF) (see Chapter 1.1 Progress to date). Further scaling will require broader acceptance by end-users of the CAF (particularly brands and retailers), expansion into adjacent sectors (such as home textiles and new sectors) and extension across supply chains (including material processing and related industries such as packaging and distribution centers). We have already seen organic uptake in these categories.

4.2 Credible and actionable data

Success criteria: Key stakeholders including governments accept SLCP data

Trusted, actionable data is a cornerstone of our strategy. Data quality and integrity will therefore remain a key pillar in our work. Robustness of our verification oversight and quality assurance of Verifier Bodies, verifications and execution of verifications will be high priority.

Data insights will increase the effectiveness of SLCP's own program, as well as identifying industry-wide trends that can direct improvement actions. Linking SLCP with policy implementation, particularly HRDD, requires that SLCP is accepted by all stakeholders as a trusted solution, including governments and policymakers.

4.3 Accelerated collaborative improvement actions

Success criteria: Partnerships that drive improved working conditions

As one piece of the 'puzzle', multi-faceted collaboration will remain critical for SLCP. We will continue to play an enabling role in supporting and driving systemic solutions in four key areas: data interpretation, supply chain resilience, better buying practices, and remediation and improvements.

4.4 Inclusive organization and dynamic ecosystem

Success criteria: Multi-stakeholder governance and committed partners

For SLCP to be successful, we will need to remain a focused, results-oriented, inclusive, and independent organization. Our multi-stakeholder governance and ethos has been a critical pre-condition and will be even more so in the future. At the same time, SLCP has fostered a dynamic ecosystem of stakeholders (ITC Gateway, Accredited Hosts, Verification Oversight Organization, Verifier Bodies, Training Bodies). Nurturing and building on this is imperative.





5. OPERATIONAL PRIORITIES

Where we will focus our efforts

5.1 Key performance indicators and targets

Given the fast-changing landscape we have set headline three-year targets for 2026 and will set new targets for 2028 following a mid-term review of this Strategic Plan.

Based on a forecast of 11,000 facilities assessed by the end of 2023, we are seeking to double that to 25,000 verified assessments annually by the end of 2026, with a threshold of 90% of that target (23,000). Based on a forecast \$25m per year in resources unlocked by the end of 2023, we are aiming to quadruple that figure to \$100m per year by the end of 2026. This will be underpinned by increasing number of brands & retailers that accept SLCP data, as well as drive further convergence with MSIs and Standard Holders.

TARGETS (Guiding KPI's)	25,000 assessments on an annual basis	\$100 M/year unlocked for improvement actions	SLCP data as a key source for research and decision making on working conditions
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These three lead KPIs will be complemented by an additional set of more operational KPIs against each of our Strategic Aims. These will be built and tracked in SLCP's annual operating plans. A non-exhaustive list of KPIs is provided below.

<p>Strategic Aim 1: Relevant, effective and scaled tools</p> <ul style="list-style-type: none"> # facilities in Gateway # country roll-out # law overlays 	<p>Strategic Aim 2: Credible and actionable data</p> <ul style="list-style-type: none"> # brands and organizations that accept SLCP % credibility index # shares/SLCP assessment
<p>Strategic Aim 3: Accelerated collaborative improvement programs</p> <ul style="list-style-type: none"> # law overlays # collaborations on improvement actions # academic studies based on SLCP data 	<p>Strategic Aim 4: Inclusive organization and dynamic ecosystem</p> <ul style="list-style-type: none"> # signatories and % satisfaction % financial self-reliance # ecosystem tech partners (AHs)

5.2 Focus Areas

In order to deliver against our Mission, Value Drivers and Strategic Aims, in this next strategy period SLCP will concentrate its energy and resources on eight Focus Areas:

1. Optimized CAF
2. Data quality and integrity
3. Scaled roll-out and ease of use
4. Enabled through cutting-edge tech
5. Meaningful data insights and analysis
6. Engaged and informed stakeholders
7. Collaborations and partnerships
8. People and culture

STRATEGIC AIMS	Strategic Aim 1 Relevant, effective and scaled tools	Strategic Aim 2 Credible and actionable data	Strategic Aim 3 Accelerated collaborative improvement programs	Strategic Aim 4 Inclusive organization and dynamic ecosystem
SUCCESS CRITERIA	CAF used at scale and in multiple sectors	Diverse stakeholders including governments accept SLCP data	Partnerships that drive improved working conditions	Multi-stakeholder governance and committed partners
FOCUS AREAS (below) Linked to Strategic Aims 1, 2, 3 and/or 4 (X)				
1. Optimized CAF	X	X	X	
2. Data quality and integrity		X	X	
3. Scaled roll-out and ease of use	X		X	
4. Enabled through cutting-edge tech	X	X	X	X
5. Meaningful data insights and analysis	X	X	X	
6. Engaged and informed stakeholders		X	X	X
7. Collaborations and partnerships			X	X
8. People and culture			X	X

1. Optimized Converged Assessment Framework (CAF)

The CAF will continue to deliver high quality social and labor data aligned with International Labor Standards and National Labor Law, generating data and insights that inform stakeholders, including companies, civil society, governments and policy makers. We will optimize the CAF so as to ensure that it becomes a scalable tool that is relevant, globally applicable, and widely implementable.

Specifically, we will:

- Ensure that the CAF continues to address future trends, particularly in ensuring relevance to upcoming legislation, and including worker voice, through Worker Engagement Technology (We Tech);
- Introduce more flexibility into the CAF tool and process, to better accommodate diverse stakeholder needs;
- Support data interpretation and readability of the SLCP assessment report;
- Aim for annual and, in the future, bi-annual major updates of the CAF as SLCP stakeholders have expressed the importance of predictability and stabilization;
- Continue to manage priorities based on clear processes and our multi-stakeholder governance framework – learnings from the past years show that priorities sometimes compete.



She Ali, Chief Sustainability Officer, Crestex Textile Mills

“Because SLCP’s WE Tech is facilitated by a third party, it provides a credible platform for collecting feedback directly from workers. We shared the WE Tech survey results with a number of our customers. Using WE Tech and sharing the surveys with our business partners distinguishes us and strengthens our customer relationships.”

2. Data quality and integrity

SLCP’s success so far is based on broad acceptance (70+ organizations/brands accepting) and trust in the system. A system that is data-driven, transparent, and robust, emphasizing stakeholder collaboration and relying on technology to create efficiencies and performance insights. To run this system, we rely on our Verification Oversight Organization (VOO).

Data Quality and Integrity (DQ&I) will remain our highest priority, particularly in the context of SLCP data supporting human rights due diligence implementation. Through the Verification Oversight Organization (VOO), we will continue to spend a significant share of our resources directly on Quality Assurance (QA) activities. SLCP will continue to enhance the systems, use a smart mix of QA activities and be transparent about tools and outcomes. SLCP will seek further opportunities for innovative and data driven strategies and measures. This will also ensure a more ‘risk based’ approach, which should set a foundation for a best in class, yet cost effective data quality and integrity strategy.

We will rely on quantitative KPIs to measure success – the Credibility Index, based on users’ trust in SLCP data, being a key driver. While SLCP data quality is equal to or better than existing social audit schemes, we know it’s not perfect. In the upcoming strategy period, we will:

- Continuously drive improvements to Verifier Body (VB) and Verifier performance and consistency;
- Incentivize good performance and be strict(er) on poor performance of VBs and Verifiers;
- Use predictive analytics for QA activities;
- Develop our collaborative approach to QA, including our partnership with the Association of Professional Social Compliance Auditors (APSCA);
- Implement system improvements by focusing on stakeholder feedback and investigations as input.



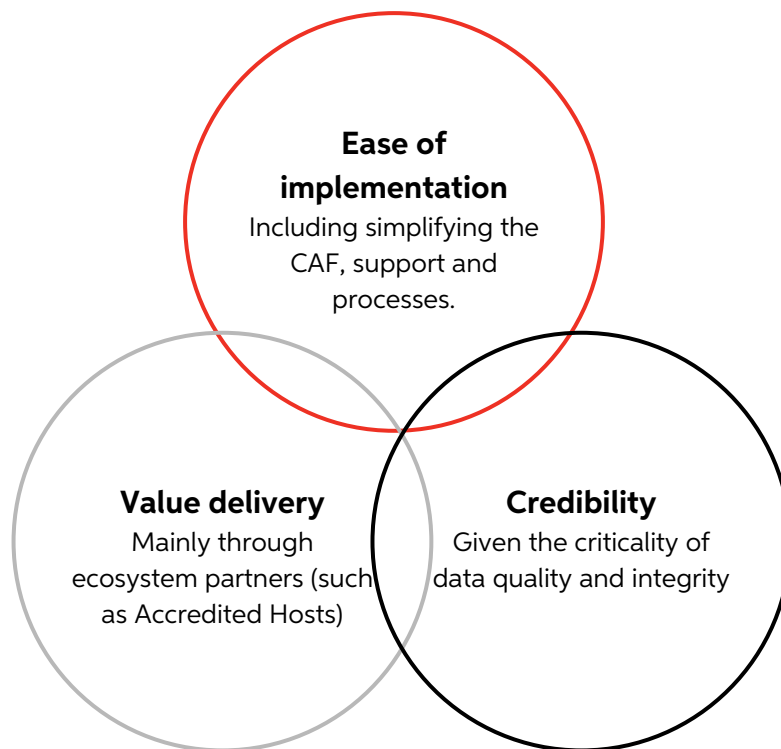
Ian Spaulding, CEO LRQA

"LRQA is proud to be an SLCP Verifying Body. We strongly believe that the data gathered during the SLCP verification process has the potential to provide the industry with relevant and actionable insights to drive for sustainable improvement throughout the apparel industry supply chains. Critical to achieving this potential will be for SLCP to continue to prioritize quality and strengthen verification oversight standards to ensure the bar remains high and that the SLCP verification provides stakeholders with complete and accurate insight into working conditions."

3. Scaled roll-out and ease of use

In order to achieve the scaling and expansion described in our first Strategic Aim (Chapter 4.1) and our 2026 adoption target (Chapter 5.1), our approach will change. Customer success will be integrated throughout our workstreams, and we will take a more tailored approach towards tools, support mechanisms and systems for specific target groups (e.g. small facilities, home-textiles or other categories, and facilities deeper in the supply chain).

In the upcoming strategy period, we will prioritize the following three areas:



Converged Assessment Framework (CAF) availability

The CAF is publicly available and accessible via an open license. SLCP strives for transparency and scaled adoption. The CAF has been developed in a multi-stakeholder effort and has been rolled-out since 2019. Tools will be publicly and freely available through the SLCP Gateway. SLCP will confirm this through a long-term open licensing model for the CAF.

4. Enabled through cutting-edge tech

Since 2019, SLCP has worked in close partnership with ITC to develop and enhance the Gateway as the hub of SLCP's data hosting and sharing model. The model was independently validated by PWC in 2020 as being fit-for-purpose, and remains well-suited to supporting our growth over the coming years.

Specifically, we will:

- Continue partnering with ITC and Accredited Hosts to develop the Gateway and deliver value for users and stakeholders. Initiatives will ease implementation for facilities, brands, MSIs and standard holders, with plans to add features such as the bulk upload of supply chain data, mapping tools to support compatibility of the CAF with existing standards, and decision frameworks (including HRDD);
- Engage with additional Accredited Hosts and Brand Hosts to facilitate wider adoption;
- Use artificial intelligence, including predictive analytics and machine learning, to enhance data quality and integrity throughout the assessment lifecycle;
- Apply strong data governance to ensure that data remains secure and protected even when used for insights and analysis;
- Develop dashboards to provide a near real-time view of operations across the organization.



Viola Wan, Team Head Social Sustainability, Puma

"In an industry where many suppliers are shared among brands, we cannot do it alone. Therefore, we are working with our industry peers towards harmonizing sustainability standards and joint efforts towards implementing good practices to create positive impact. We use SLCP's technology ecosystem, so other stakeholders can access shared data."

5. Meaningful data insights and analysis

SLCP's verified assessment data offers enormous potential to analyze trends in supply chain labor conditions and correlate this with effective remediation, such as buying practices. In this way we can drive real change. While expansion and adoption remain key in the next strategy cycle, the focus is now shifting towards data insights and measuring impact. We are showcasing this in the SLCP impact reports and fact sheets, which ITC and SLCP will continue to publish annually.

SLCP and ITC have already structured the data in a 'data store' which can provide trusted partners with access to anonymized and aggregated SLCP data.

In the upcoming strategy period, we will:

- Develop the data store for public good and remain non-commercial for the aggregated data (vs. selling data) to drive research and policy discussions. This is also linked to our strong collaborations with UN organizations ITC and ILO/Better Work and the role division with Accredited Hosts (who can be commercial);
- Further drive data insights with (academic) partners and seek (grant) funding for this;
- Explore the option of identifying 'purpose' projects to support longer-term academic research on SLCP data, potentially drawing on an internal fund if and when SLCP generates a significant annual surplus.

Opportunities for data insights and research together with (academic) partners:

- Tracking of legal non-compliances/ issues frequency and identify high impact areas
- Time and resources saved through SLCP and reallocated towards improvements and measurable impact on workers
- Measure progress of specific remediation approaches
- Correlation between proper management systems and labor conditions in facilities
- Correlation between buying practices and labor conditions in facilities

6. Engaged and informed stakeholders

Multi-stakeholder collaboration is at the heart of SLCP. From existing signatories and supporters to new partners in government, academia and policy – we will continue to inform, advise and listen to our stakeholders as we build and grow.

Specifically, we will:

- Invest in policy and public affairs;
- Work with our stakeholders to acknowledge and understand their challenges, address issues and deliver solutions;
- Prioritize business development and support the wider SLCP team to deliver on Customer Success;
- Continue to monitor stakeholder satisfaction and feedback;
- Seek the right external media opportunities to promote our Vision and increase awareness to wider audiences, with a focus on demonstrating impact and tangible outcomes;
- Provide clarity on the complexities of our data-driven approach, promoting quality and integrity;
- Develop clear and simple messaging, better tailored to our audiences;
- Celebrate achievements and key milestones with collaborative case studies;
- Develop more creative content across a broader range of channels and touchpoints.

7. Collaborations and partnerships

Collaboration and partnership is hardwired into SLCP's work and cuts across both our Strategic Aims (see Chapter 4.3, 4.4) and other Focus Areas. As we scale through the next strategy period, we will seek to enhance, expand and diversify our collaborations with other organizations that share our Vision and that can play a role in delivering our theory of change.

We will further develop our ecosystem of partners and service providers with a priority on:

- Technology and innovation: additional Accredited Hosts and potentially new collaborations with organizations like Open Supply Hub;
- Quality assurance: including working more with our Verification Oversight Organization (VOO), Verifier Bodies (VBs) and APSCA;
- Engagement with standard holders for further convergence and alignment. We aim for acceptance and compatibility of SLCP data versus standards such as SAC's FSLM (full integration achieved), but also additional standards such as amfori's BSCI.

Throughout the consultation towards this Strategic Plan 2024-2028, we received broad support for developing additional impact collaborations and data analysis and learnings. In line with our enabling role in four areas – as presented in our updated 'piece of the puzzle' graphic in Chapter 4 – this includes:

- Unlock further potential in our long-lasting collaboration with ILO-Better Work;
- Partner on data analysis and knowledge development with academic institutions and universities to enable greater collaboration throughout the global supply chain on strategies for improvements in worker's lives (for example, our partnership with Cornell/Global Labor Institute GLI);
- Expand the use of SLCP data in driving sustainable finance and trade, through collaboration with financial institutions and investors (such as Norges Bank Investment Management (NBIM), a founding signatory and early funder of SLCP).

Better Work and SLCP have found common ground in promoting credible and actionable data to be shared between a broad range of industry actors to act upon, including governments, workers', and employers' organizations.

8. People and culture

Over our first five years as a live program, we have built a strong and distinctive organizational culture, underpinned by SLCP's Core Values (see Chapter 3.4). This seeks to bring out the best in our people, to foster collaboration, to encourage listening and learning, to empower people to speak up, and to drive accountability for performance.

In the upcoming strategy period, we will:

- Continue prioritizing organization culture and identity;
- Enhance the professionalism of the organization through our competency framework and performance management;
- Develop our own, fit-for-purpose HR policies and procedures as a fully independent organization;
- Continue to attract and retain talented staff;
- Invest in learning and development (L&D).

As a multi-stakeholder organization representing, serving and partnering with a diverse range of stakeholders across the world, we place particular importance on diversity, equity and inclusion and respect for difference. Given that SLCP's Mission is centered on improving conditions for workers, we are especially mindful of ensuring the right working conditions for our own staff.



6. RISKS AND MITIGATION

Learning, planning and analysis

This Strategic Plan builds upon the learnings and experience gained through the first five years of SLCP's operations. Despite careful planning and analysis, a number of risks remain. The most significant risks are shown in the table below, including an assessment of risk levels, their impact and probability, and corresponding mitigating actions.

Key Risks and Mitigation Strategies

Risk	Impact	Probability	Risk	Mitigation
Quality of SLCP verified assessment (VRF data) perceived to be insufficient	4.5	4.6	20.7	<ul style="list-style-type: none"> • CAF designed in collaboration with key signatories and ILO-BW • Worker voice included in SLCP process • Continuous improvement methodology for CAF content • Strong verification oversight and QA program • Quality checks enforced through technology
MSIs and Standard Holders do not see themselves as compatible with the SLCP system	4.5	4.0	18.0	<ul style="list-style-type: none"> • Develop tools and resources for easy onboarding of standard holders • Support other organizations to better understand the CAF • Create mapping tools
Lack of customer focus	4.0	3.5	14.0	<ul style="list-style-type: none"> • Re-orient around 'Customer Success' principles • Build capacity and skills to exceed customer expectations
SLCP unable to expand to other sectors	3.0	4.5	13.5	<ul style="list-style-type: none"> • Accommodate sector requirements as part of CAF development process • Strong training and guidance materials • Work with signatories to expand to mutually adjacent sectors • Early engagement with tech partners in other sectors • Case studies that demonstrate applicability of the CAF in other sectors

Risk	Impact (1)	Probability (2)	Risk	Mitigation
Insufficient Verifier Bodies and verifiers to meet demand	3.0	4.2	12.6	<ul style="list-style-type: none"> • Work with brands to understand regional demand • Ensure SLCP remains commercially attractive for VBs
Adoption rates significantly lower than planned	4.0	3.0	12.0	<ul style="list-style-type: none"> • Create compatibility and acceptance with other standards • Analyse and understand user requirements and behaviors • Strong comms programs to share best practices and benefits of using SLCP • Engage additional Active, Passive and Brand Hosts • Ensure sufficient verifier capacity
Insufficient staff capacity	3.0	4.0	12.0	<ul style="list-style-type: none"> • Invest in recruiting and retaining talent • Continue to develop strong team culture and effective working practices • Celebrate successes
SLCP verified data not aligned with new policies and laws	2.5	4.2	10.5	<ul style="list-style-type: none"> • Close tracking and monitoring of legislative development • Detailed gap analysis with support from Better Work and signatories • Evolve VO and QA program to ensure compliance
New sustainability initiatives emerge and compete with SLCP	3.0	3.5	10.5	<ul style="list-style-type: none"> • Proactively enhance products and services • Ensure alignment with emerging legislation and themes
Complexity of self/joint-assessment and verification deters manufacturer participation (esp. smaller size)	3.0	3.5	10.5	<ul style="list-style-type: none"> • Customer-focused implementation • Automation through technology • Comprehensive user training • Regular feedback and capture of user experiences • Evolve CAF content to ensure it is applicable to all users

(1) Probability and Impact evaluated from 1 (low) to 5 (high).

(2) Risk evaluated from 1 (low) to 25 (high).

Overall responsibility for risk management lies with the Board's Finance and Risk Committee. SLCP will continue to monitor for emerging and changing risks both at an operational and strategic level, and will ensure that appropriate and effective mitigations are in place to control SLCP's exposure. The risk assessment is performed on an annual basis, priority risks and mitigations are updated accordingly.

7. GOVERNANCE AND ORGANIZATION

Evolving and maturing

Since SLCP's inception as a project in 2015 and then its first five years as a live program, SLCP's multi-stakeholder, signatory-driven ethos and governance have been a critical driver of its legitimacy and success. In this second strategic cycle, SLCP will continue to mature as a signatory-supported program and organization.

In this chapter:

7.1 Legal form

7.2 Signatory representation

7.3 Secretariat

7.1 Legal form

From 1st January 2024, SLCP will be an independent Foundation (known as a stichting), headquartered in the Netherlands. The Stichting SLCP will aim for a PBO (public benefit organization) status to demonstrate its not-for-profit nature and commitment to improving working conditions. The organization will be the legal owner of the CAF, securing the public and open nature of the tool. This legal form is optimal for international multi-stakeholder initiatives working for the public benefit. SLCP was previously governed by a Council, which will transition to a new two-tier Management and Supervisory Board.

Previously, SLCP was incubated by the Sustainable Apparel Coalition (SAC), acting as SLCP's financial and legal host and providing a range of support services to SLCP under a service level agreement (SLA). As an independent organization, SLCP will now have full ownership in delivering against its 2024-28 Strategic Plan. SAC and SLCP will enter in a new partnership based on a shared Vision 'to drive convergence in social compliance assessment efforts in order to improve working conditions in global supply chains'.

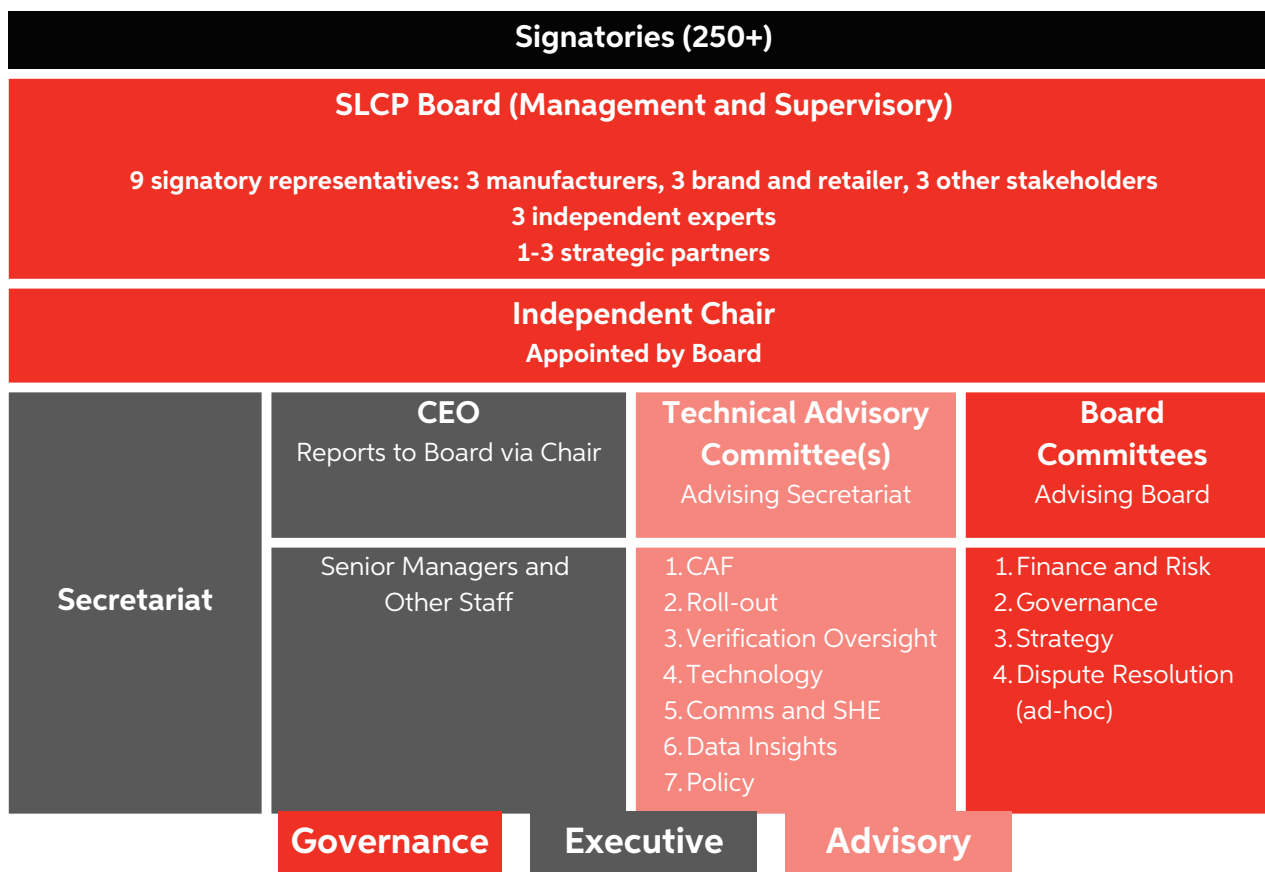
Andrew Martin, Executive Vice President of Sustainable Apparel Coalition (SAC)

"This strategic move propels both the SAC and SLCP into a shared journey of growth, evolution, and collective progress. We're shaping an impactful future, working hand in hand to leverage data and drive collaborative improvements in global supply chain working conditions."

7.2 Signatory representation

In keeping with best practice for multi-stakeholder organizations, signatories can participate in SLCP's governance either through our TACs (Technical Advisory Committees) or via elected Board seats.

SLCP Governance structure 2024-2028



The majority of Board seats (nine) will continue to be held by elected signatory representatives.

Up to three seats will be reserved for Strategic Partners, with an additional three Independent Expert seats appointed by the Board. This ensures appropriate representation of SLCP's caucuses, while ensuring diversity of experience and skills.

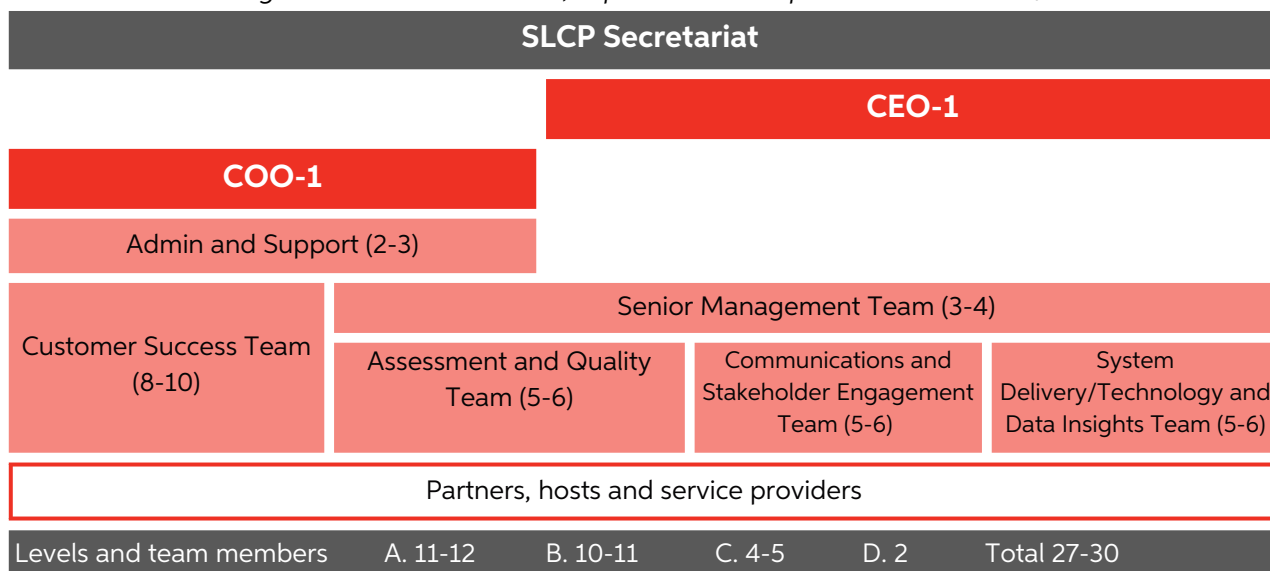
SLCP also has an Independent Chair, appointed by the Board, who is free from any vested interests. SLCP's Chief Executive leads and runs the organization, reporting to the Board via the Chair.

7.3 Secretariat

Our people are SLCP’s capital (see Chapter 5.8). While remaining lean, the Secretariat team has grown in line with the evolving needs of our signatories, partners and other stakeholders, and our ability to grow our income. At the start of this strategy period, SLCP will have a team of around 25 value-driven and passionate professionals.

Leadership will be divided between the Chief Executive Officer (formerly Executive Director) and a newly appointed Chief Operating Officer. The CEO will have overall responsibility and be accountable to the Board. They will be supported by a Senior Management Team (SMT) responsible for running teams in Customer Success, Assessment and Quality, System Delivery/Technology, Data Insights, and Communications and Stakeholder Engagement. Responsibility for delivery against SLCP’s Focus Areas will be allocated to the relevant teams.

SLCP Secretariat - Organization Chart Q3 2024, expected to be expanded later in 2024/2025



SLCP will continue to be agile and responsive in growing and developing its team, while maintaining tight control of expenditure (see also Chapter 8 Finance). Key drivers of SLCP’s organization development will include:

- Building more capacity within the Leadership and SMT;
- Deepening of existing resources in key areas (e.g., tech, policy);
- Addition of new capabilities (e.g., customer success, data analytics);
- More resource in local markets to get closer to signatories;
- Expansion into other sectors beyond footwear and apparel;
- Engagement of specialist service providers and/or in-house resources to manage key functions (HR, financial, legal) previously handled by SAC as SLCP’s host;
- Continued alliances with ecosystem partners and expert consultants to complement and support SLCP’s in-house team.

It is hard to predict with precision, but we would expect 40-50 staff by the end of 2028, within broadly the same organization design and shape. Staff growth will be somewhat below projected income growth, allowing for improvements in productivity and efficiency.



8. FINANCES

Building on strong foundations

SLCP's 2019-2023 business model has proven to be solid and prudent, having reached self-reliance on earned income already in its third year of operation (2021). It is SLCP's intention that the business model remains similar for the next three years, while continuing to increase adoption and use of the CAF.

In this chapter:

- 8.1 Business model: core principles
- 8.2 Adoption targets
- 8.3 Income
- 8.4 Financial forecast

8.1 Business model: core principles

As a fully-functioning operational entity, SLCP will require:

- A viable business model that can enable it to remain self-sufficient;
- Diverse revenue streams with acceptable value propositions for system participants;
- Adequate funding to achieve the aim of maximizing adoption of the CAF within the apparel and footwear supply chain, to spearhead expansion into other sectors, and to further explore new work streams such as public affairs and data insights;
- Sound budgeting and financial management principles (including transparency in reporting, conservative revenue budgeting, cautious expense management, checks and balances in spending and reporting, and ensuring sufficient cash flow/operational budget availability).

SLCP is and will remain a non-profit organization. This implies that once volumes go up and earned income becomes higher, or through any other changes which increase SLCP's balance above levels required to sustain operations, further surpluses will be reinvested in support of SLCP's Mission and/or fees will be reduced.

These principles have been field tested over the past five years, adjusted where necessary and validated and further refined to make them future proof:

- Focus on implementing the CAF and making the data available to stakeholders;
- Remain as lean as possible and work in partnership with other organizations;
- Remain self-funding through earned income, rather than being dependent on charity/donor support;
- Costs should be borne fairly by the main participants/beneficiaries of the system;
- Fees/charges should be volume-driven, to link costs to usage and drive sustainability of the system;
- Fees/charges should incentivize adoption (low costs/tiered levels);
- Fees/charges should be built around natural steps/events in use of the system, including billing and payments.

8.2 Adoption targets

Savings in audit costs and the financial viability of SLCP are directly linked to the rate of adoption of the CAF and indirectly the number of Accredited Hosts and approved verifiers participating in the system.

Based on experience, signatory feedback and trends analysis (including legislative pressure), we expect that wider adoption of the CAF is viable. This will be driven by expected uptake of SLCP by smaller brands, use of the CAF in upstream/downstream production tiers, compatibility with social standards and sector expansion.

We have therefore restated our original 2023 goal of 25,000 verified assessments (see Chapter 1.3) as our 2026 adoption target. Conservatively we have based our financial model on 90% of that target (23,000 verified assessments by 2026), plus achievable growth in the number of SLCP hosts, Verifying Bodies and verifiers – as set out in the table below.

	2023	2024	2025	2026
Verified Assessments	11K	15K	19K	23K
Accredited Hosts - Active	2	2-3	3	3
Accredited Hosts - Brand and Passive	2	2	2-3	3
Approved Verifier Bodies (Active)	80	92	108	124
Approved Verifiers (Active)	1100	1250	1500	1750

8.3 Income

Revenue: Adoption related fees

SLCP will have several streams of earned income. All are volume-driven with fees based on the number of verifications conducted and the number of verifiers and Accredited Hosts participating in the system. For now we are assuming the same fee levels as 2023. These are summarized in the table below.

Summary of SLCP fees (US\$)

Fee type	Amount	Payable by
Verification upcharge fee	\$300 (and lower if possible during the years)	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 first year \$5,000 consequent fees	Accredited Hosts annually, as a business cost
Accredited Host usage fee	\$45 (and lower based on volume tiers)	Accredited Hosts when uploading or downloading verifications from the Gateway, potentially re-chargeable to end-users

These fee mechanisms and rates have been tested and updated in the past few years. 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.

For the years 2024-2026 SLCP intends to maintain fee levels at no higher than the figures stated in the table above. Maintaining these fees represents a real-terms reduction in cost to participants in the face of other rising costs. The aim for SLCP – again – is not to make profit”. Any further reductions possible due to additional income or stronger than expected balance will be passed on to make the program even more affordable for participants.

Additional funding

While SLCP has been financially self-sufficient since 2021, other funds will be used to complement and drive innovative projects, aligned with our Vision and Mission. The two key additional funding streams include:

1. Grant donors
2. Charter signing fees (one-off)

Additional funding is expected to be minor compared to the earned income (below 5-10%).

8.4 Financial forecast

We project SLCP's financial future for the next three years, as predicting further ahead leads to too many additional uncertainties. Projected revenue and expenses for 2024-2026 are shown in the table below:

Summary of SLCP 2024-2026 Forecast (1000 US\$)

<i>In US \$000s</i>	2023	2024	2025	2026
Income	3,996	5,190	6,507	7,803
Expenses	3,716	4,838	6,229	7,358
Simple profit	280	352	278	445

Note that going forward, budgets will be made in Euros, aligned with the new legal entity in The Netherlands.

The forecasts show (limited) net profits in all years. Over the years, a continuity reserve will be built up to provide three to six months' cover of core operating expenses. SLCP is a non-profit organization and does not aim to build up surpluses beyond operational reserves. Any additional profits will be used to invest in 'purpose projects' and/or will lead to a decision to reduce fee levels.

The cashflow position, particularly in the first few quarters of the upcoming strategy period, is affected by seasonality with incomes trailing expenses. Additional measures (donation and/or no/low interest loan) will be taken to avoid it falling below the desired level of operating reserve.



ACKNOWLEDGEMENTS

SLCP would like to thank all the signatories, partners and stakeholders that continue to support us.

For further information:

- Please contact info@slconvergence.org for feedback or questions
- Please visit the [Gateway](#) for the latest information on SLCP roll-out
- For questions about the SLCP assessment and verification process, consult the FAQs on our [helpdesk](#).

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