Social & Labor Convergence Program (SLCP)
2018 Annual Report

Social & Labor Convergence Program (SLCP)
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Executive Summary: Achievements in 2018

The Social and Labor Convergence Program is an industry-driven, multi-stakeholder process that aims to reduce social audit fatigue. Implementation of our Converged Assessment Framework (CAF) will reduce audit duplication and allow the reallocation of resources that can help achieve the ultimate goal of improved working conditions.

In 2018, SLCP made critical progress in finalizing the Converged Assessment Framework (CAF) and beginning a limited-scale operation in China and Sri Lanka. More than 190 signatories — representing the world’s leading manufacturers, brands, retailers, industry groups, (inter)governmental organizations, service providers and civil society organizations — actively contributed to the development of the framework. Their close involvement in thematic working groups led the development of the CAF through a public consultation; a second pilot; and a third proto-type in 2018 ahead of an all-signatory vote to approve the final version of the CAF.

2018 was designated a “bridge year” in which to develop a strategy to support implementation of the CAF. A thorough process was undertaken to achieve this, resulting in the elaboration of a five-year strategy proposal which was approved by an all-signatory vote in late 2018. In parallel, an in-depth research project was carried out to determine the level of resources that could be unlocked through the elimination of audit duplication.

2018 marks the end of SLCP as a Project and the beginning of a longer-term Program. In 2019, SLCP will transition to a new governance model to reflect this change and activities will focus on at-scale implementation and adoption of the Converged Assessment Framework.
Reflections by Pierre Hupperts, Chair of the Steering Committee

The launch of the Converged Assessment Framework; the start of Light Operation; and the creation of a 5-Year Strategic Plan; 2018 was a busy year for SLCP. What was the most significant achievement?

The two overwhelmingly positive all-signatory votes were the stand-out moments of the year for me as they demonstrated real support for SLCP. Looking back at how far we have come since early 2016, when collaboration was a real challenge and consensus seemed elusive, it was fantastic to see the CAF approved by 97% and the 5-Year Strategic Plan signed-off by 94% of signatories. Securing support of the diverse signatory base behind a common tool and a shared vision for implementation is a huge milestone for SLCP.

The 5-Year Strategic Plan sets the course for SLCP to transition from a Project to a Program with ambitious implementation targets. How would you characterize the objectives it sets?

There are three key elements of the 5-Year Strategic Plan that I would highlight as particularly important:

Firstly, one of the aims of the strategy is for SLCP to become entirely self-funded by 2021. This is an ambitious target for an initiative as new as SLCP. The fact that the strategy development work assessed this to be both a feasible and achievable objective demonstrates the viability and potential of the SLCP system.

Secondly, after a thorough review process, the strategy has maintained SLCP’s original vision. SLCP is on track to serve the purpose it was originally set up for and we can be confident in the level of ambition we have set ourselves.

Lastly, the strategy sets a clearly defined scope for SLCP as a Program. It is focused on the goal of implementing and maintaining the CAF. SLCP is just one piece of the puzzle needed to improve working conditions; the Program will play a specific role and will develop partnerships and drive collaboration to facilitate progress in other areas.

As SLCP began the transition from development to implementation in 2018, how did the role of signatories change and what type of signatory support will be most important moving forward?

SLCP is an initiative created by and for the signatories; without them it simply wouldn’t exist. In 2018, signatories, especially those who participated in the Steering Committee, Project Management Team and Working Groups, played an enormous role, both in the continued development of the CAF and in the elaboration of the 5-Year Strategic Plan. As we move into the implementation phase, we will be counting on signatories to ensure that SLCP is adopted – quickly and at scale – throughout their supply chains. Implementation is the route to achieving our ultimate vision of eliminating audit fatigue and freeing up resources to improve working conditions.

What would you say are the benefits of joining SLCP as a signatory now that the work to collaboratively build the Converged Assessment Framework is complete?

Collaboration doesn’t end now that the CAF is in place. Through various channels, including the new Technical Committees starting in 2019, SLCP will continue to offer signatories a unique opportunity to work together; to create dialogue between diverse industry stakeholders; and to learn from one another. Furthermore, as SLCP grows and gets closer to its goal of being the number one global source of social and labor data, we will be able to explore even greater benefits and opportunities in terms of data analysis. Being involved in SLCP is an inspirational experience that has a lot to offer. I believe the number of signatories will continue to grow, especially as we begin to implement at scale in 2019 and 2020.
Project Governance

In 2018, the Project maintained the governance structure put in place in 2016. The Steering Committee was elected by all signatories, to act on their behalf and to be accountable to them. SLCP is inclusive and encourages a wide range of stakeholders to engage and commit. Governance is independent, and the governance structure is designed to follow best practice of multi-stakeholder initiatives. In 2018, several bodies were in place to create checks and balances, marking a clear division between strategic and operations, and recognizing different involvement levels of stakeholders. The Steering Committee was responsible for the strategic direction of the Project. The Steering Committee was not responsible for the operational activities and progress in the Working Groups.

Operations

In 2018, the Steering Committee held 16 meetings. Thirteen were conference meetings (webinars) and three were face-to-face meetings in Washington (February), Vancouver (May) and Amsterdam (September). In 2017, the Steering Committee held 14 meetings. Twelve were conference meetings (webinars) and two were face-to-face meetings in Bangalore (May) and Amsterdam (August). Each webinar was an hour and a half in length. In the event that a Steering Committee member could not attend due to travel commitments or conflicting meetings, the Steering Committee member provided comments to the relevant discussions in writing. Steering Committee Members were also active in other committees, such as the Strategic Planning Committee. The finalization of the Converged Assessment Framework and the development of a 5-Year Strategic Plan were the two key strategic priorities for the Steering Committee in 2018.

Governance

The Secretariat consisted of the Project Director and supporting staff. The Secretariat acted as the main process link between the Steering Committee, Project Management Team, Working Groups and signatories. On behalf of the Project Management Team, the Secretariat updated the Steering Committee on the Project’s progress, including adherence to timelines, tool development and verification. The Secretariat gathered strategic direction from the Steering Committee, ensuring decisions were driven by them.

The Five Working Groups

The operational activities on the Project deliverables were developed and managed under the Working Groups and sometimes delegated down to specific committees. In 2018, SLCP had five Working Groups: Tool Development; Verification; Stakeholder Engagement; Communication & Public Relations; and Adoption & Operation.
Reflections by Janet Mensink, Project Director

What happened this year that you are particularly proud of? What were your personal milestones?

For me, personally, seeing the CAF in action in Light Operation made me the most proud. Demonstrating that the Tool and, in particular, the decentralized data hosting and sharing system, worked in the ‘real-world’ was a defining moment for SLCP. As the first few facilities completed the entire SLCP process, producing the first SLCP verified assessment reports that could be shared with multiple customers and therefore eliminating the need for duplicative audits to be carried out, I started to see the potential of SLCP come to fruition. What had begun at the end of 2015 as just a concept, a common vision shared by a diverse set of stakeholders, was for the first time a working reality.

After three prototypes, the CAF was publicly launched in 2018 for Light Operation. What were the critical factors in deciding the framework was ready to launch?

Developing the Converged Assessment Framework has been a long and meticulous process and there were many important factors to consider. By early 2018, we were in a position to analyze the results of the second pilot and the public consultation, both of which provided a wealth of data and feedback to inform our decision-making. We talked through these findings in-depth at a signatory meeting in Hong Kong in March 2018. It was clear at this stage – and from follow-up engagement with the full SLCP signatory base – that the level of confidence in the Tool had increased significantly since previous iterations. Support was confirmed through the overwhelmingly positive results of the signatory vote on the final version of the CAF. This gave us the green light to publicly release the Tool to put it to the test in Light Operation.

At the end of 2018, SLCP evolved from a Project to a Program; looking back, were you always confident the initiative would make it this far, and where would you like to see SLCP five years from now?

I have always - and still do - believe strongly in the potential of a Converged Assessment Framework, collectively developed and owned by a multitude of industry stakeholders, to eliminate audit fatigue and improve working conditions. Bringing together such a diverse signatory base and asking them to agree together on a single approach has, however, at times been immensely challenging. During the early years of SLCP, there were many difficult conversations and significant roadblocks to get around. Ultimately, though, thanks to the commitment of our signatories; their willingness to listen to each other and, at times, to make compromises; we were able to overcome the obstacles and reach consensus in pursuit of our shared goals. By establishing effective industry-wide collaboration, I believe we have laid the foundations for SLCP to succeed where similar attempts at convergence have failed. By nurturing and prioritizing this collaborative approach, I am confident SLCP can become the number one source of social and labor data by 2023.
CAF: Development to Implementation

Approval for Release
The SLCP Steering Committee approved the final version of the Converged Assessment Framework on June 01, 2018. In line with the SLCP’s consensus-based decision-making model, signatories were asked to have the final say in an all-signatory vote in August 2018. In total, 97% of all signatories approved the CAF, with 75% stating that they would be prepared to implement immediately. 22% stated that they would monitor developments with a view to implementing at a later stage if outstanding issues had been addressed.

Light Operation
Approval of the CAF paved the way for implementation to begin. “Light Operation” saw the full SLCP system go live in China and Sri Lanka in November 2018, in a limited operation designed to pressure test the system. By the time Light Operation concluded in February 2019, 150 facilities had completed an SLCP verified assessment and over 100 SLCP Verifiers had been trained, providing ‘proof of concept’ for SLCP.

Final Development Milestones
In order to finalize the CAF and start implementation, early 2018 was a period of intense development and decision making. Below you will find a breakdown of the key moments in the final stages of developing the SLCP system:

⇒ Public Consultation Results: Over 200 external stakeholders were contacted to review proto 2 and to provide feedback by way of an online survey. The survey received 26 responses and was followed up by more in-depth discussions with some organizations, as well as an in-person meeting in Paris in January 2018. The overall tone of the feedback was positive. The main critiques centered around four themes: the level of detail in the tool; the representation of workers in the verification process; purchasing practices and transparency.

⇒ Second Pilot: Proto 2: A pilot testing proto 2 ran from September 2017 to January 2018. 175 facilities in 23 countries completed a self-assessment and 85% (149 facilities) also tested the verification stage of the SLCP process. Feedback from participants highlighted four key areas for improvement: simplification and clarification of questions in the tool; functional limitations and size of the tool; expansion of guidance for data collection and verification; and more explanation of the verification process.

⇒ Project Management Team & Working Group Meeting, Hong Kong March 2018: During this intense four-day meeting, the PMT and WG reviewed the results of the public consultation and the learnings from the second pilot to identify necessary amendments and improvements for the CAF proto 3. These changes were implemented immediately after the meeting, allowing for the rapid release of proto 3, which was circulated to all signatories for feedback. This led to further minor amendments being incorporated into the final version of the CAF.

“Launching the CAF in 2018 was an exciting milestone. It has sometimes been a rocky road to overcome all of the differences, doubts and difficulties, so implementing the framework was a real breakthrough moment for the industry. By driving further collaboration, I believe SLCP will eventually change the traditional compliance model to one where brands & manufacturers work together on shared sustainability goals.”

Mulyawan Laij, Social Sustainability Manager
TAL Apparel Limited
(Member of CAF Working Group)
ITC as Partner: In January 2018, the SLCP Steering Committee signed a letter of intent to explore a potential collaboration with the International Trade Centre (ITC). ITC is the joint agency of the World Trade Organization and the United Nations. Their mission is to foster inclusive and sustainable economic development and contribute to achieving the United Nations Global Goals for Sustainable Development. The partnership with SLCP would see ITC build on their existing Sustainability Map to develop an SLCP data hosting & sharing solution. By May 2018, a full implementation plan had been developed and approved by the SLCP Steering Committee. The agreement included ITC playing a key role in the translations of the CAF and supporting materials for Light Operation.

Verification Oversight: For 2018 Light Operation, the decision was made to contract a service provider with the in-house expertise to oversee the quality and integrity of the SLCP verification process. Neutrality and independence from SLCP were important factors in the final selection of Sumerra as the Verification Oversight Organization (VOO). During Light Operation, Sumerra successfully fulfilled the VOO role: their management of the SLCP verifier selection process and the quality assurance activities provided important feedback that has helped improve the SLCP process ahead of 2019 operations.

“We have lived too long in a world of audit fatigue. SLCP is really needed and it’s great to see how much has been achieved. We are proud to have been part of Light Operation, where we successfully applied the CAF in our facilities. It’s great to see our client brands committed to using this.”

Nikhil Hirdaramani,
Sustainability Director for the Hirdaramani Group
Preparing for the Future: Project to Program

Early in 2018, the SLCP Steering Committee and Project Management Team established a Strategic Planning Committee. The Committee was tasked with reconfirming the future vision of SLCP; defining strategic initiatives and key activities; determining income sources and strategy; and determining the operating model, including the organizational structure and a business plan for the years 2019-2023. Between April and September 2018, and with the support of an external consultant (Change Agency), the Strategic Planning Committee led an inclusive process to achieve these goals. This included broad consultation across the SLCP signatory base by way of an in-person meeting in Vancouver in May 2018, and a series of focus group webinars. The result was the elaboration of the 5-Year Strategic Plan presented to signatories at the General Assembly in September and approved by a signatory vote in October 2018.

5-Year Strategic Plan
The Strategic Planning Committee scrutinized, and reconfirmed in the 5-Year Strategic Plan, the scope of SLCP: to focus only on the creation and operation of the Converged Assessment Framework. The Strategy positions SLCP as one key piece of the puzzle within the wider landscape of social and labor issues, positioning SLCP as a building block for other crucial elements like risk prevention, transparency and improvement programs. It states that SLCP will drive collaborative action and stakeholder inclusion for addressing these issues and affirms that the CAF will not set standards or propose remediation but will be compatible with existing systems.

The Strategy sets out how SLCP will move from a stakeholder-driven development Project to a fully operational implementation Program with critical mass. It identifies two distinct phases over the next five-year period: 2019 and 2020 will be a Start-up Phase in which to test, assess and expand. 2021 onwards will be an Established Phase in which the Program becomes self-funding and operating globally with proven systems and evidence of impact.

In terms of business model, the Strategy set out SLCP’s role to focus on the maintenance and operation of the Converged Assessment Framework and to avoid duplicating the work of other actors. It states that SLCP should remain as lean as possible and work in partnership with other organizations, while working to become self-funding as soon as possible through earned income rather than donor support. A key principle of the business model is that costs should be borne fairly by the main beneficiaries of the system. In addition, fees should be volume-driven, to link costs to usage and drive sustainability of the system. The Strategy sets the fees in the start-up years (2019-2020) higher to help get the system off the ground, with the real cost benefits for participants starting to flow through from 2021 onwards.

“We have been involved in the SLCP since the beginning and provided seed funding in 2016. I feel proud to see this seed has grown into a beautiful tree. It’s amazing to see the impact SLCP has achieved in only a couple of years. The way in which SLCP has been embraced by all stakeholders gives us reason to be very optimistic. Ensuring transparency of data will be key to SLCP’s success and we would encourage further stakeholder collaboration in this area as the Program develops.”

Jos Huber, Senior Policy Advisor at the Dutch Ministry of Foreign Affairs
On governance, the Strategy proposed renaming the governing body as the SLCP Council to communicate its strategic responsibility for the Program as it evolves from the Project design stage. It proposed other key changes to the governance structure, 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 5-Year Strategic Plan confirmed the vision, mission and scope of SLCP. It presented four specific aims with targets to deliver by 2023, and detailed key activities against each of these aims. The four specific aims are: to achieve 25,000 verified assessments by 2023; to unlock $130 million for improvement actions; to become the industry’s number one source of verified social and labor data; and to be self-sustaining through earned income.

Vision & Mission Check
In parallel to the work of the Strategic Planning Committee, the Secretariat undertook a Vision and Mission Check to reconfirm the future vision of SLCP and to define strategic initiatives and key activities. The aim was to understand the expected short, medium and long-term potential for data sharing by signatories and users in the apparel and footwear industry, as well as the potential value from the reduction in number of audits to redirect towards improvement programs.

The research included an estimation of the total resources used for social audits; insights into present duplication in social audits and the potential for sharing SLCP data; and an analysis of the total potential for audit resources that could be unlocked when the SLCP’s Converged Assessment Framework is adopted in a short, medium and long term scenario. The research estimated the audit resources that could potentially be ‘unlocked’ through SLCP adoption. It concluded that based on “realistic” adoption targets, use of SLCP could free up almost $2 million in the short-term (as early as 2019), rising to over $134 million by 2023. The findings of the Vision and Mission Check correlated with and further supported the objectives set out in the 5-Year Strategic Plan.
General Assembly & Signatory Vote
Once approved by the Steering Committee, the 5-Year Strategic Plan was ready to present to the signatory base at the 2018 General Assembly. Over 90 representatives from SLCP signatories attended this one-day meeting in Amsterdam in early October. In addition to being the first unveiling of the new Strategy, the General Assembly was also a moment to celebrate the achievements of the last three years. Collectively, SLCP signatories had accomplished their shared goal of developing a Converged Assessment Framework. Implementation was about to begin and SLCP and was on the cusp of transforming from a Project to a Program. Shortly after the General Assembly, webinars were held to present the 5-Year Strategic Plan more widely. In November, in the second landslide signatory vote of the year, the 5-Year Strategic Plan was approved by 94% of all signatories.
## Financial Summary

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>SC approved budget (May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants 2018</td>
<td>$190,091</td>
<td>$118,991</td>
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<tr>
<td>Signatory Bridge Funding</td>
<td>$731,396</td>
<td>$834,009</td>
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<tr>
<td>Total Revenue</td>
<td>$921,487</td>
<td>$953,000</td>
</tr>
</tbody>
</table>

### Expenses

#### 1. Staff

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual</th>
<th>SC approved budget (May 2018)</th>
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</thead>
<tbody>
<tr>
<td>Secretariat salary and benefits</td>
<td>$325,608</td>
<td>$293,000</td>
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<tr>
<td>Human Resources (HR) expenses</td>
<td>$0</td>
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<tr>
<td>Additional short-term contracts (Light Ops)</td>
<td>$59,505</td>
<td>$70,000</td>
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<tr>
<td>Staff travel</td>
<td>$39,475</td>
<td>$35,000</td>
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<tr>
<td><strong>Sub-Total Staff</strong></td>
<td>$424,588</td>
<td>$398,000</td>
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#### 2. Consultants and outside services

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual</th>
<th>SC approved budget (May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities rental and catering for meeting</td>
<td>$7,305</td>
<td>$30,000</td>
</tr>
<tr>
<td>Consultancies (process facilitation, technical, translations, strategic planning)</td>
<td>$274,210</td>
<td>$260,000</td>
</tr>
<tr>
<td>Verification Oversight management</td>
<td>$80,416</td>
<td>$130,000</td>
</tr>
<tr>
<td>Legal support</td>
<td>$8,975</td>
<td>$30,000</td>
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<tr>
<td><strong>Sub-Total Consultancies and Outside Services</strong></td>
<td>$370,906</td>
<td>$450,000</td>
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</tbody>
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#### 3. Overhead and admin costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual</th>
<th>SC approved budget (May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office rent, office utilities, technology, expenses, etc.</td>
<td>$102,787</td>
<td>$85,000</td>
</tr>
<tr>
<td>Contingencies &amp; reserves</td>
<td>$23,215</td>
<td>$20,000</td>
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<tr>
<td><strong>Sub-total Overhead and Admin Costs</strong></td>
<td>$126,002</td>
<td>$105,000</td>
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</table>

Total Expense: $921,496
Net Result (income): $-9
Signatory Involvement

2018 Project Management Team
Abhishek Bansal, Arvind
Aleix Gonzalez Busquets, C&A
Ana Chiu, PVH
Anna Ronngard, H&M
Christelle Esquirol, TAL Apparel
Cimarron Nix, Nike
Daniel Fibiger/ Kapil Mathur, GAP
Eranthi Premaratne, MAS
Fatos Huseyinca, Yesim
Lary Brown, Esprit
Lyn Ip, REI
Malar Odayappan, Esquel
Mary Bean, Columbia
Ritika Burman, SGS
Samantha Kuchmak, MEC
Shelly Gottschamer, Outerknown
Stuart Cranfield, Clarks

SLCP 2018 Steering Committee
Manufacturers (2): Helen-Sahi: Avery Denisson, Evre Kaynak: WL Gore
Agents (1): Laura Rainier: Li & Fung
(Inter)governmental Organizations (2) - observer status: Jennifer Schappert: OECD, Roopa Nair: ILO
Multi-stakeholder Initiatives/Standard Holders (2): Dan Murray: Sedex, Maya Spaul: Fair Trade USA
Auditing Firms/Service Providers/Consultancies (2): Federico Burlon: Impact, Kevin Franklin: Elevate Limited
Independent Chair: Pierre Hupperts
Signatory List December 2018 (190 signatories)


Agents (6) Ethical Apparel Africa, Haddad Group, Li&Fung (Trading) Ltd., MGF Sourcing, Piece&Co, Randa Accessories

National Governments (2): Denmark - Ministry of Foreign Affairs, Netherlands Government


Industry Association (11): AAFA, EURATEX, European Outdoor Group (EOG), Istanbul Apparel Exporters' Association (IHKIB), International Apparel Federation (IAF), ITMF, JAAF, MVO Netherlands, Outdoor Industry Association (OIA), Proudly Made in Africa, Turkish Textile Employers Association


Intergovernmental organizations – observer status (3): ILO, OECD, Better Than Cash Alliance

Non-signatory Advisory Group of Standard Holders/Multi Stakeholder Initiatives (3): FWF, GSCP-CGF, SAI