

## AGENDA - FINAL

### *Steering Committee Meeting*

**Date:** Friday, 17<sup>th</sup> September 2021

**Time:** 2:00 pm CET / 6:00 pm Dhaka / 8:00 am US Eastern

**CONFERENCE CALL: Microsoft Teams**

#### **ATTENDEES:**

**Chair:** Dan Rees

**Company signatory representatives:** Bernardo Cruza, Felicity Tapsell, Jochen Overmeyer, Michael Bride, Masarrat Quader

**Trade Union signatory representatives:** Alke Boessiger, Christina Hajagos-Clausen

**Witness signatories:** Ineke Zeldenrust, Scott Nova

**Accord Executive Team:** Rob Wayss, Joris Oldenziel

**Accord staff:** Danny van Opmeer (external financial consultant), Véronique Camerer

**Apologies:** Valter Sanchez

#### AGENDA ITEMS

##### **1. INTRODUCTION**

Christina noted that Valter Sanchez will be stepping down from the Steering Committee (“SC”) with the recent election of the new General Secretary Atle Høie, who will be taking his place as a member of the SC.

##### **1.1 Agree meeting agenda**

Agenda agreed with one AOB item: list of brands signing the International Accord with unpaid fees from the 2018 Transition Accord.

##### **2. GOVERNANCE**

##### **2.1 International Accord Foundation issues**

- Amendments to Foundation registration and articles of association:

Joris highlighted the amendments needed to the current Articles of Association (“AofA”), last amended in August 2020:

- New name of the organization: *International Accord Foundation*;
- Article 3 on the objectives of the Foundation, which Joris revised in line with the language of the International Accord; and
- Article 5.2(d) on the appointment of IndustriALL affiliates to the SC in addition to those from Bangladesh given the expected Accord expansion to other countries.

Jochen:

- Proposes that a generic name, i.e. Stichting Accord Foundation, would be more practical given the name might again change at the term of the current agreement.
- On Article 3(b), proposed to remove “in Bangladesh.”
- On Article 3(c), requested to emphasize that expansion is contingent on the outcome of feasibility studies.
- On Article 5.2 (d), suggested that SC membership to IndustriALL affiliates be kept open.
- The Accord’s governance regulations will need to be revised accordingly.

Michael:

- The delinearity between the 2013/2018 agreement and the current agreement needs to be made clear. These are different vehicles. We should systematically refer to the International Accord when now talking about the Accord agreement. This should be edited across the AoAs.
- On Article 5.2 (d), an option to add affiliates without displacing other representatives already present could be included, without increasing voting capacity but having plurality of representation. Access to a diversity of trade union stakeholders on the SC is important for the brands.

Joris:

- As a point of clarification regarding Article 5.2(d), while SC decisions are taken by consensus, the AoA state that each BOD member equals one vote.
- One option could be to have an SC trade union member as alternate from another CSSP.

Ineke:

- On Article 3(c), the International Accord specifies that expansion will take place in at least one country within two years. The proposal from Jochen reads as though there is a possibility this might not happen. The expectation that expansion will happen in at least one country requires clarification.

Dan:

- On Article 3(c), at least one country means more than one country.
- Best to use the language of the International Accord agreement.

Christina:

- On Article 5.2(d), the intention is to have other affiliates on the SC when we expand, not just from Bangladesh. Will clarify with new leadership.

- On Article 3(c), this is about the Foundation's objectives, and therefore does not require as much detail. We have a detailed agreement.

Alke:

- A separate email exchange among the SC members confirmed the use of the name International Accord. The International Accord name should therefore be used.
- On Article 3(c), agrees with Dan to borrow from the language of the International Accord.

**Decisions:**

1. *Name used in the revised founding documents shall be International Accord Foundation;*
2. *Proposed changes from Jochen on Article 3(b), adopted.*
3. *Article 3(c) should reflect language in the International Accord.*
4. *Proposal on Article 5.2(d) is that language is deleted after "affiliates". Christina to confirm by 21-Sept-2021.*
5. *A brief SC meeting with all Board members present or represented will be required for a Board resolution to adopt the revised AoAs.*
6. *Joris/Miriam to coordinate with the law firm and propose a date for the SC call.*

- *Formal appointment / election of International Accord SC members*

Joris:

- As members of the current Foundation, the SC can continue to operate until the name change is effective.
- With the signing of the International Accord and new signatories, new SC elections need to be considered.

Christina: Query whether this should be put on hold until we have more signatories.

Jochen:

- Need to agree on new AoA and regulations before elections e.g. regulations will need to be revised to reflect the reality that brands having to step down after one year is not feasible. Brand membership on the SC is a commitment, involving significant involvement and commitment to ensure that the RSC, the Brands Association and the International Accord are functioning effectively.
- Requires an additional two weeks to explain the situation to signatory brands and identify those brands willing to provide the necessary resources.

Felicity: This next phase will indeed require more engagement and momentum from brands, especially when considering expansion to other countries. The period to make progress is short.

Alke: Query whether a formal nomination of the seats is required if there are no changes for UNI Global.

Joris: Holding the SC Brand elections until the finalization of the new AoAs and governance regulations makes sense as then the SC candidates know what they are potentially signing up for.

**Decision:** Decision to be taken on the date of SC brands election at the next SC call when the AoAs are adopted and when new signatories coming in have stabilised.

## **2.2 Other administrative issues related to International Accord**

- International Accord signatory factory listings

Joris:

- Update – Brands were given the opportunity this week to update (i) their contact details, and (ii) FOB/number of factories to confirm the applicable fee band per company signatory.
- Query on the continuation of “no-brand/orphan” factory decision in line with the 2018 Transition Accord: will brands be given an opportunity to start with a clean slate, i.e. to only list the factories with whom they are actively sourcing at this time. This will cause a new list of No Brand factories. Inactive responsible factories will appear once brands start delisting their factories under the International Accord. The numbers are as follows:

### **2018 Accord: Factory status as of 31st August 2021**

- Total covered factories: 1702
- Active factories: 1390
- Inactive Responsible factories: 84
- No brand factories: 82
- Pending closure factories: 146
- Pending closure factories without any Active brands: 113

### **2021 International Accord: Factory status as of 16 September 2021**

With the current 120 Companies signatories:

- Total active, unique factories: 1295
  - Factories potentially not covered: 407
  - Of which pending closure: 130
  - No Brand from 2018: 82
  - New No Brand under International Accord: 195
- Either 277 factories are transferred to RCC/DIFE or they become No Brand and are kept in the scope of the RSC inspection program.
  - This is a decision that also requires the input from the RSC BOD given the impact on the allocation of resources. An additional consideration is that RSC will not only be financed by brands, but also by BGMEA/BKMEA.
  - The decision to take on No Brands affects the International Accord to the extent that it impacts factory listings and data.

Rob:

- With the 2018 Transition Accord, continued Safety Committee trainings and AEMs were offered to No Brand factories if they had started the program.
- Regarding complaints, any complaint that was filed was processed to resolution or disposal. After 31 May 2018, only complaints related to inspections and remediation were processed. The logic was that the Accord continued to do follow-up inspections and, by association, complaints

related to the inspections and remediation required processing. Any other type of complaint was not processed. For all processed complaints, the Escalation Protocol applied.

Masarrat: The issue of whether to keep No Brand factories under the workplace safety program is an RSC BoD issue.

Jochen:

- The RSC is likely to follow the same logic as the Accord on these points. The RSC will be dealing more and more with factories without responsible brands - one of the urgent points on our agenda with the RSC (i.e. financing, compliance, BGMEA/BKMEA leverage on No Brand factories etc.).
- For the International Accord, engagement will continue where the brands are responsible.

Ineke:

- The decision on whether No Brand factories are covered or not by the Accord or RSC is a matter of urgency. Under the 2018 Transition Accord, it had been decided that brands would collectively assume financial responsibility for financing remediation at No Brand factories through the Factory Remediation Fund.

Christina:

- Under the 2018 Transition Accord, we kept the No Brand factories because we had the resources at the time to support with financing remediation.
- Requires more detailed info on the situation with No Brand factories (e.g. escalation, Factory Remediation Fund, etc.).

**Decision:** Jochen and Christina will engage with the BGMEA/BKMEA through the RSC's Executive Committee and will report back in writing.

**Action for Secretariat:**

- Prepare overview of situation of No Brand factories (remediation /escalation status)
- Send request for updated factory list to signatory brands.
  
- *Website issues*

Joris: Update – The Secretariat set up a new website, as a placeholder. The Secretariat will further develop the website and transfer information that is on the Bangladesh Accord website on to the new website (e.g. factory inspection reports, CAPs, complaints, etc.). Also currently exploring option to archive the Bangladesh Accord website with all the data that is there.

**2.3 Formalities with Executive Director transition**

- *ING bank account / payment approvals*

Rob:

- All administrative formalities relating to Executive Director transition will be completed by 30 September 2021.
- Felicity and Mathias, that have authority over the bank account, provided the signatures that Joris will require.

- The power of attorney (“POA”) that existed for Rob will expire. The draft POA for Joris is based on the one that was developed for Rob and Brad. The previous POA had Rob as POA and the Chief Safety Inspector (“CSI”) as the proxy authority. With no CSI as proxy, either Mathias or Felicity can hold the proxy until such time as a senior secretariat staff can serve the more traditional proxy role we have had until now.

Jochen:

- A lot of money is at stake and therefore recommends that both Felicity and Mathias hold the proxy.
- Proposes that proxy is triggered at \$40,000. Any amount below this, Joris can make decisions without having to go through the proxy. For any amount above, authorization can be acquired over email from either Mathias or Felicity.
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Alke: Agrees with having two people act as proxy, also security for Joris.

**Decision:**

- Felicity and Mathias added as proxy, for amounts over \$ 40,000 either Mathias or Felicity will need to approve the payment through email.
- Felicity and Mathias to sign on the International Accord’s bank accounts.
- Rob will finalize language on expiration of his POA and liaise with the Management Committee.

**2.4 Proposed budget Sept. 2020 - May 2021**

- Budget approval (Paper 2)

Rob:

- Prefaced presentation that he and Joris met with the Management and Audit Committees, separately, to present the budget and staffing plan, integrated in the budget. After those discussions, the executive leadership also had a follow-up joint meeting with the two Committees earlier this week where the budget was presented, and received endorsement.
- We have a cash balance of \$1.173 million, based on projections from RSC in August, and the actuals received from Danny through 31 August 2021. This number is likely to be higher. But for the sake of due diligence, the current cash balance is based on a more conservative number.
- First invoices are under way, and the second invoices will be generated around January-February 2022, expecting to total \$6.6 million with the current number of signatories and the 2018 Accord fee structure.
- In terms corporate costs: live SC and caucus meetings are budgeted; website costs are higher to develop the new website, as well as additional budget for the rebranding of the Accord to International Accord (graphic design, logo, etc).
- The legal counsel line item is higher than the previous year due to expected costs associated with name changes, administration of the Trade Union and Brand Associations, a recent settlement, and changes to corporate documents.
- Netherlands costs include the Factory Remediation Fund and the audit requirement to include a budget for doubtful debtors in case of unpaid annual fees, which assumes 5% of fees will remain unpaid. Based on past experience, confident that will receive close to 100% of the fees.
- People costs represents over 35% decrease from the previous year.
- Operational costs include resumption of travel to Bangladesh, related feasibility/CSSP costs, including pilot inspections in the later months.
- Based on proposed budget and project income from fees, the cash balance will be \$750,000. The custom of the SC is to have approx. \$500,000 as an emergency buffer.
- The SC can either lower the invoicing or keep as is until the next budgeting cycle.

Danny: no comments

Ineke: Query regarding the increase in the legal fees and the amount allocated for the Brand Association and the Trade Union Association.

Rob:

- There are a couple of issues regarding co-membership of the RSC, including anti-competition issues that the SC brands wanted legal advice on for the BA.
- Additional money was allocated as it relates to RSC membership, and to the work between the Accord and the RSC.

Christina: Appropriate to keep that money reserved because we will have legal questions, especially around Dutch foundation law.

Jochen:

- The parties have agreed that as members of RSC, we will strive to build a compliance system in the RSC.
- Our bylaws and member regulations must reflect these commitments, not only through the brands' agreement with unions, but also through the brands' membership with the Brand Association.

Bernardo:

- On the pilot inspections, seems premature to budget for this year, and doubts that the Accord will do pilot inspections as early as February.
- Will take 6 months to define the criteria used for expansion and feasibility studies.

Masarrat: Safer to keep this reserve in to have the ability to conduct inspection in case things move fast. Do not want to be limited by budgetary constraints.

Jochen: Pilot inspection could be necessary as part of feasibility studies and determination of risks within a particular region.

**Decision:**

- Budget approved by the SC
- *Staffing plan (Paper 1)*

Joris: Clarification required on whether staffing plan is also approved.

Rob: The staffing plan is part of the budget and is therefore approved.

Dan: Confirmed approval of the staffing plan.

**Decision:**

- Staffing plan approved with no comments.
- *AOB – Unpaid signatory fees from the 2018 Transition Accord*

Rob: Query on whether signatories are welcomed under the new International Accord if they have unpaid dues under the 2018 Transition Accord. For example, one brand that has already signed with the trade unions has close to \$100,000 in unpaid fees.

Christina: Cannot deny signatories if they have already signed. However, steps will need to be taken to raise this issue with the concerned brands.

Jochen: This is unacceptable. Either the concerned brands pay up or they cannot be part of the Brand Association.

**Action for Secretariat:**

- To provide a list of brands with invoices outstanding, indicating which have already signed the International Accord.
- To support drafting correspondence with amount of payments made and outstanding per brand.

**2.5 2020 Annual Report**

Rob:

- Decision required to add statement regarding the International Accord in the Director's Statement.
- Language to be drafted with the approval of the Audit Committee.

**Decision:** Agreement with Rob's proposal.

Rob:

- The auditors conducted their audit from April to August 2021. Also reviewed a sample of funds sent to the RSC. The auditors prepared to give the independent auditor's report letter, once the audit report is approved by the SC.
- If one looks at the financials themselves, the Accord spent more than fees received. The Accord's balance was not in the negative but it signifies that the Accord spent more than what it took in. This is partly due to unspent cash balance from the 2020 cash balance year and the Factory Remediation Fund also carrying over from the previous year.
- Statement drafted by Danny on the deficit that was generated and the general reserve is based on the assumption that the numbers would be approved.
- Wants to thank Ashraf and Asif on the work done to complete the audit because part of the audit is related to the work in Bangladesh. Everything was done on a very timely basis.

**Decision:** Annual Report and Audit report approved.

**3. MANAGEMENT REPORTING**

**3.1 Foundation – RSC engagement**

Joris:

- Shared a proposal for a funding/cooperation agreement between the RSC and the Accord.

- Understands this requires further thought and discussion, including with the RSC, but given the urgency to transfer fees, this is something that needs to be flagged. An underlying legal document, whether a cooperation or funding agreement, is needed to transfer funds to the RSC.
- The draft proposal is based on language in the International Accord.

Jochen:

- Agreed, a legal basis is needed to transfer the funds.
- Proposes to meet with Alke, Joris, Masarrat, Christina to draft a document that addresses what we want to achieve with the RSC.

**Decision:**

- Agreed that Alke, Joris, Masarrat, Christina and Jochen to meet on 21 September 2021 to finalise the funding agreement.

**3.2 Annual fee payments and 1<sup>st</sup> invoice update**

Joris:

- Invoices sent to all Band 7, 6 and 5 amounting \$2.8 million total.
- Query whether the SC will decide on fees in January 2022 or based on current budget. If on the latter, the SC can consider a 5.4% decrease in fees as this is the percentile decrease from the maximum (\$370,000 to \$350,000)
- On the issue of double paying agents and importers, the Secretariat is requesting additional information from the signatories in order to advise the SC.

Felicity: The bandwidth of member brands may change thereby affecting the amount of fees coming in and risking that the current budget will use up the full invoicing.

Jochen:

- Need to clarify that the 5,4% lower top band fee was not a negotiated deduction, this was due to currency conversion differences.
- However, we can not invoice the full 2018 fees because signatory companies were told the fees would be lower than the 2018 Accord fees.
- We can provide an estimation for brand to reserve funds for next year's budget.
- Proposes that the Funding Committee meets again soon to find a solution.

Alke: Agrees to communicate a maximum amount that brands need to allocate towards RSC and International Accord funding.

**4. AOB (see under 2.4 Proposed budget Sept. 2020 - May 2021)**