

MINUTES - DRAFT

International Accord Steering Committee Quarterly Meeting

Date: 1 February 2022

Time: 13:30 – 16:30 CET

Location: Teams

ATTENDEES:

Chair: Dan Rees

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

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

Witness signatories: Ineke Zeldenrust, Scott Nova

Accord Secretariat: Joris Oldenziel, Véronique Camerer, Koen Oosterom

MEETING MINUTES

1. INTRODUCTION

- Agreement on meeting agenda

Alke proposed two additional agenda points:

- 1- Governance: update from the brand SC members on the Brands Association and Bylaws (added to Item 2 on Accord Governance)
- 2- *confidential*

Decision: Remaining meeting agenda agreed.

- Introduction to Koen Oosterom, Head of Signatory Engagement

The Steering Committee welcomed Koen to the International Accord and proceeded with a round of introductions.

- Review of SC meeting actions

The status of the last SC meeting action points were presented as follows:

	Follow-up Action	Status	Who
1	Explore need for ad hoc working group focused on recruiting new signatories.	Follow-up	Koen
2	Circulate a newsletter to company signatories on the SC's agreement for next phase of feasibility study.	Done	-
3	Organize a signatory/company caucus end of January 2022 (in person, if possible).	Done	-
4	Respond to the Pakistani trade unions and civil society after the Secretariat's newsletter to company signatories informing them about the SC's decision on next steps for the feasibility studies.	Done	-
5	Investigate which non-Accord brands are sourcing from No Brand factories and engage them to sign the Accord/participate in the RSC.	Follow-up	Alke & Jochen
6	Prepare list of ineligible factories and associated group factories.	Done	
7	Joris to organize a meeting with the Audit Committee to establish the revised fee structure and share with the SC.	Done	-
8	Send second reminder to company signatories with unpaid fees.	Done	-
9	Provide update to Christina and Jochen on signatories with unpaid fees.	Done	
10	Prepare a communication from the SC to company signatories enjoining their intermediaries to sign the International Accord.	Follow-up	Koen

11	The Secretariat to prepare a survey for the brands on interest/topics of discussion for the Working Group on Human Rights Due Diligence. Signatory Survey to be included on the agenda of the next Brand Caucus meeting.	Follow-up	Veronique
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On point 5, the Accord Secretariat recommended that the RSC case handlers assist with investigating which non-Accord brands are sourcing in No Brand factories.

On point 10, part of the agreement to adjust the fee structure for intermediaries is to encourage brands to have their intermediaries sign the International Accord.

On point 11, Christina will contribute her thoughts for the HRDD Working Group.

2. GOVERNANCE

- Update on amendments of AoAs & Foundation name change

The deed to amend the name of the Foundation to International Accord and the AoAs to reflect the content and purpose of the International Accord have been passed.

- Board Resolution on designation of Foundation management in case of vacancy or inability Board members

The Accord lawyers pointed to the Foundation's new regulations, which stipulate that a designated trustee for each of the brands and trade unions shall be appointed in the unlikely event that the remaining SC members are unable to fulfil their duties. A draft resolution (Paper 1) was circulated for the SC's review.

Decision: Christina shall be the appointed trustee for the trade unions, and Jochen for the brands.

Follow-up Action: A Docusign of the resolution shall be circulated to the SC members.

- Update on the Brand Association (added)

Discussion

Jochen: Preparation of the Brand Association's Bylaws has been ongoing for two years. This is partly due to differences in position regarding which brands (Accord vs. non-Accord brands) can be members of the Brands Association, lengthy discussions with anti-trust lawyers and bottlenecks with the Dutch notary. The latest version is the version the brands would like to present at the next Brand Caucus meeting to start the onboarding process.

Alke: It is essential that the trade unions have an opportunity to review these By-laws before they are adopted to make sure that the contractual obligations under the Accord are not undermined.

Christina: If these By-laws are to be presented at the Brand Caucus on 17-Feb-2022, Christina underscored the urgency of receiving draft given that it seems to already be far along.

Jochen: Once the brands have the final version of the By-laws, these will be shared to the trade unions as agreed.

3. FEASIBILITY STUDY ON EXPANSION

- Presentation Feasibility Studies priority countries *Paper 2 (Pakistan); 3 (Sri Lanka), 4 (India) and 5 (Morocco)*

Introduction by Joris:

Joris presented the Accord Feasibility Country Reports for Pakistan, India, Sri Lanka and Morocco, the four priority countries for expansion. The Country Reports include data from the brand surveys conducted in November 2021 and January/February 2022 and the Secretariat's desktop research. A total of 114 brands completed the last survey.

The Accord Secretariat presented 3 areas for discussion based on the information provided in the Country Reports and the surveys:

1. Input regarding further work on feasibility studies;
2. Criteria for expansion as deadline for defining those criteria ends 28 February 2022 (Article 37); and
3. Next steps for the Accord Secretariat.

(1) Accord Secretariat presentation of feasibility study findings:

On the geographic location of Accord brand factories per priority countries:

- In Pakistan, factories are evenly located between the Punjab and Sindh provinces.
- In India, Accord brands source in New Delhi (95%), Tirupur (78%), Bangalore (47%), and Mumbai (29%).
- In Morocco, while there are no clearly defined regions, there is a concentration of factories around Tangiers and Casablanca.
- In Sri Lanka, factories are present throughout the country.

Based on UN Comtrade figures from 2020, EU brands presence is important in all priority countries, and particularly significant in Morocco and Pakistan.

(2020, in millions)	India	Pakistan	Sri Lanka	Morocco
Total export value of textiles & garments	\$ 16,995	\$ 9,963	\$ 4,361	\$ 2,832
Total export value of textiles and garments to the EU	\$ 4,433	\$ 4,108	\$ 1,263	\$ 2,480
Percentage of textiles and garments to the EU	26%	41%	29%	88%
Total export value of textiles and garments to the US	\$ 5,702	\$ 2,878	\$ 1,684	\$ 120
Percentage of textiles and garments to the US	34%	29%	39%	4%

This table lays out the potential scope of health and safety impacts to be addressed in each of the priority countries as it relates to the number of workers (according to ILO and World Bank reports) and number of factories (as disclosed in the Open Apparel Registry – OAR). To test OAR accuracy, the Accord Secretariat compared the number of Accord company signatory factories in Bangladesh and the number was close to the number of actual factories covered:

Pakistan	India
<p>Number of workers: 4.3 million workers in the sector, of which 62% are men.</p> <p>Number of factories (OAR): 486 facilities are producing for the 45 Accord signatory companies listed in OAR.</p>	<p>Number of workers: estimated 45 million people to 100 million people</p> <p>Number of factories (OAR): 2427 facilities are producing for 54 Accord signatory companies whose factories are listed in OAR.</p>
Sri Lanka	Morocco
<p>Number of workers: Estimates on the total workforce vary. Approx. 300,000 to 600,000 workers, of which 78% are women.</p> <p>Number of factories (OAR): 329 facilities are producing for the 39 Accord signatory companies listed in OAR.</p>	<p>Number of workers: Employs approx. 189,000 garment workers, which is 22 percent of the total workforce in the manufacturing sector.</p> <p>Number of factories (OAR): 183 facilities are producing for the 41 Accord signatory companies listed in OAR.</p>

As for salient OHS risks, they are similar to varying degrees in each of the four priority countries. These include fire, electrical and structural safety, boiler safety, excessive working hours, workplace violence, sexual harassment, social security as it relates to OHS and transportation. While similarities exist between the different countries, a program would need to be tailored to address the prevailing risks specific to that particular country.

An Accord program in Pakistan and India would resemble closest to the program in Bangladesh given the level of fire and building safety risks.

Note: Other confidential information resulting from the brand surveys and the Accord Secretariat's analysis was not included in these minutes.

General Input on Feasibility Studies:

Masarrat: The Accord's value-add for the continuation of GSP+ will be an important consideration for local stakeholders. Pakistan has been provided a 2-year extension until 2024. The review is therefore ongoing until the end of 2023.

Felicity: Requested insight on discussions with International Apparel Federation (IAF).

Joris: The IAF is keen to be involved in terms of reaching out to the industry associations. The Accord Secretariat believes this a good way to get introduced and have a discussion with that group, including how best to present the benefits to an Accord program for the industry.

Jochen: Suggests making the Accord Feasibility Country Reports living documents, with a condensed paper for the Brand Caucus meeting. With ILO and boots on the ground to support the Accord already, the Accord must make use of those already existing structures.

Dan: On Better Work assessment services in Pakistan and Sri Lanka, one of Better Work's thematic interventions is OHS and promoting dialogue in the textile and garment sector. This will be closely related to the Accord's plans and the ILO will be disposed to support, which will also depend on the disposition of the industry and local government. Advised that moving from desk to visiting countries can create big expectation. Stakeholders need to be clear about where decisions lie and when they will be taken.

Masarrat: Conveyed thanks for the good job and identifying the different stakeholders in a balanced manner. In terms of financing and budget, the Accord may first need to determine what the program will be, e.g. relying on government services, third-party contractors, etc. The Accord in other countries may not necessarily be a replicate model of the Accord in Bangladesh.

Joris: The Accord has not yet looked into local engineering capacities. The plan is to first do pilot inspections with international engineering firms as we did in Bangladesh at the start. As for financing and budget, we will indeed need to have a better picture of what the program will look like to know what the associated costs will be. Once we have done in-country visits, we will be in a better position to develop program scenarios and provide an estimation of the costs. We also need factory lists and FOB export value from brands for an accurate budget assessment. Suggests this be announced at the next Brand Caucus meeting.

Christina: Noted that IndustriALL has started taking action by introducing the Accord and initiating consultations with the IA affiliates to gauge interest for an Accord program.

Input on Selection of Priority Countries:

Bernardo: Two countries stand out: Pakistan and India. Query whether an Accord program should be considered in Sri Lanka and Morocco.

Jochen: The Accord may have quicker wins in the smaller countries, while continuing to focus on the larger countries like Pakistan and India. It seems too early to set priorities now. We need to do a first round of meetings in-country.

Christina: For IndustriALL, it is important to keep Morocco because of the IndustriALL affiliates' operations and interest there.

Michael: Echoing Jochen's point, Pakistan and India are bigger lifts and we may not want to invest all in those two countries. Pakistan has a smaller footprint with clear advocacy from local stakeholders making it a more likely win. While Sri Lanka is a heavy US destination, it is also a very good opportunity to talk to US brands. ILO presence in both countries is also a real opportunity. As for Morocco, it is surprising how few Accord brands are present. For PVH, it is doable as the North African work is housed in the Amsterdam office.

Indalecio: Also echoing Jochen's points, a quick path may be more sustainable in the long run. It is critical to talk to the constituents: government, industry/ IAF is critical. Expansion priority should also be given to countries where brands have expressed their top priorities. The four countries can be kept on the list but Pakistan and India do come out on top.

Input on Brand Support and Engagement

Veronique: Brand support will be key during these in-country stakeholder consultations to show industry and government that the brands are behind and supporting these expansion efforts, which can mean potential future economic and business development in those countries.

Felicity: Bestseller is planning a supplier seminar from our side. They are ready and willing to support conversation with key manufacturers in the region. Having this kind of constructive engagement with industry is crucial. This should also be brought to the Brand Caucus and urge other brands to contribute resources.

Indalecio: Certainly, the support of the brands and employers association needs to be there. Without industry's commitment, it is going to be difficult to have success cases. Support from IAF is more than welcome.

Decision on (1) Input regarding further work on feasibility studies:

- The Steering Committee decided to continue feasibility studies with all four priority countries.
- This decision and condensed country-reports will be presented to the Brand Caucus.
- The Feasibility Country Reports will become living documents.

Follow-up Action: The Accord Secretariat will report back to the Steering Committee after the in-country visits.

(2) Accord Secretariat Presentation of Criteria for Expansion

Following the last Steering Committee meeting and in accordance with the relevant provisions of the Accord, the Accord Secretariat developed the following criteria for expansion, subject to further consideration after the in-country visits:

- the presence and volume of signatory brands in the country (**LEVERAGE**)
- the interest of brands (**INTEREST**)
- (Political) support/acceptance of stakeholders (**SUPPORT**)
- the extent to which existing mechanisms are able to regulate safety (**GAPS**)
- the extent to which there are safety problems (**RISKS**)
- Potential impact (workers, factories, contribution to local economy) (**IMPACT**)
- Administrative/logistical challenges (**LOGISTICS**)
- Opportunities to use national government institutions and local expertise and, where applicable, the influence of the ILO - Better Work in order to build capacity and enhance a culture of health and safety in the country (**OPPORTUNITY**)

On the presence and volume of signatory brands (Leverage), this will need delving in deeper by obtaining factory and FOB export value information directly from the brands.

Discussion on criteria:

Jochen: Cost/resources would need to be added as an additional criterion. The Accord Steering Committee will need to know the estimated cost for the following two years, as well as the number of brands involved.

Felicity: Acceptance from the manufacturers needs to be made explicit in the criteria.

Christina: There is language in the agreement on the governance structure, which includes industry.

Ineke: On the governance structure, the key question is what will be the appropriate structure and the level of stakeholder involvement. This is a program that is intended to benefit the workers. Industry may not be fully on board immediately but we need to have their support and acceptance and they need to have a role but we should keep an open mind on what the structure will be.

Joris: Indeed, a certain level of acceptance is needed. We will likely not meet all of the criteria. So rather than looking at the red lines, we should be looking at the green lines. This is why it is important to involve the brands to convey the message that a program would strengthen the industry's business potential, now and in the future (including in light of GSP+ and mandatory due diligence initiatives). After this next phase, we can begin developing proposals of how a program could look like in each country, including its governance structure which will depend on the local specificities in each country.

Dan: These would be threshold/enabling criteria.

Felicity: Sees a two-step process: 1) Will expansion be put to a vote? 2) What are the KPIs to establish that the criteria are met?

Decision:

- Sharpen criteria and share with Steering Committee for approval by email before the end of February (Accord Art. 37).

Follow-up actions:

- Develop indicators for each expansion criteria.
- Present approved criteria at Brand Caucus meeting.

(3) Accord Presentation on Next Steps

The Accord Secretariat's next steps for the feasibility study in each of the priority countries are the following:

- In-country visits by Accord Secretariat (March 2022)
- Obtain more details on exact number of factories and export volumes
- Engagement with industry associations (introductions through International Apparel Federation)
- Engagement with relevant Government officials
- Engagement with EU representatives
- Dutch/EU Embassy hosting of stakeholder meeting (Pakistan)
- Engagement with ILO Better Work (Pakistan & Sri Lanka)
- Further analysis of building codes and relevant OSH regulation
- Contracting local consultants for scoping
- Reviewing inspection reports/conducting pilot inspections

Follow-up action: Prepare engagement through brands before in-country visits.

4. Confidential agenda item

5. BUDGET & FINANCE

- **Quarterly Accounts for Sept-Nov 2021**
Paper 6: Quarterly Accounts Sept-Nov 2021

Joris raised a few points on the Accord's quarterly accounts:

- Transfers to RSC for Bangladesh operations have been made (Accord is still directly covering cost of Head of Workplace Programs)
- Underspending on following items:
 - o Live SC meetings
 - o Accord website – now contracting company to build the new International Accord website
 - o Travel and CSSP programs – these expenses will increase with the upcoming in-country visits.
 - o Remediation support - \$23,000 in funds are now available with the termination of a Remediation Fund Agreement
- Overspending on the following items:
 - o Legal costs relating to Brands Association

On the Actuals, the Accord had a reserve of \$ 2.862.660 on 1 June 2021; income from fees of \$ 2.242.038; and total expenditure from 1 June 2021 to 30 November 2021 of \$ 3.439.550, leaving a reserve on 30 November 2021 of \$ 1.665.148

- **Annual fee payments and 1st invoice update**

On the Collection of Fees, the Accord received \$3.7 million, which represents 88% of the first invoice.

- **Planning of 2nd invoicing**

The Accord Secretariat will start invoicing the 2nd invoice at the start of February according to the adjusted fee band structure.

Discussion:

Masarrat: Before issuing those invoices, requests to have an audit committee meeting to discuss the expenditures and cash balance on a more detailed level. Also requests an audit committee meeting before each SC meeting.

Joris: Notes that it was agreed that the next invoices would be issued based on the new fee structure - Same banding structure but with the top band paying \$350,000.

Follow-up action: Arrange audit committee meetings before each Steering Committee meeting.

AOB

- On 17 February 2022, an All Signatory meeting shall be held followed by a Brand Caucus meeting.
- For the short panel discussion, the Accord Secretariat will need to know who from the brands, trade unions and witness signatories will be presenting.
- The next SC meeting is scheduled for 25 April 2022.