SLCP Mission & Vision Check
Research report July 2018
Methodology

- SLCP mission & vision
- Research methodology
- Research scope

Resources unlocked

- Duplication in audits of sample
- Duplication in audits of industry
- Estimated audit costs
- Possible audit resources unlocked: brand/auditor perspective
- Possible audit resources unlocked: manufacturer perspective
- Possible audit resources unlocked: 5-year strategy targets

Redirecting of resources

- SLCP mission & scope: conditions for possible roles
- Possible roles for SLCP in redirecting of audit resources
- When unlocked resources are redirected towards remediation

Limitations, suggestions and sources
The aim of the mission & vision check is to understand the expected short, medium and long-term potential for data sharing by signatories and users in the industry, as well as the potential value from the reduction in number of audits, to redirect towards improvement programs.

Facilities are shared by at least two signatory brands in the sample (11.6%).

Facilities are estimated to supply to at least two brands in the industry as a whole.

SLCP signatory brands make up the sample of the research. In revenue, the sample consist of 15% of the whole industry.

The research deals with the on-site assessment part of the audit/verification process. It measures resources used for audits/verifications in person-days spent on site.

Of the 3729 audits conducted in the shared facilities in the sample are duplications, this is 57%.

Of the 130,698 audits conducted in shared facilities in the whole industry are estimated to be duplications, this is 75%.

Possible brand/auditor person-days unlocked in three SLCP adoption scenarios:

<table>
<thead>
<tr>
<th>Term</th>
<th>Reduction in days spent</th>
<th>USD unlocked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short</td>
<td>Min 1% Max 43%</td>
<td>Min 91,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Max 4,367,000</td>
</tr>
<tr>
<td>Medium</td>
<td>55%</td>
<td>4,826,000</td>
</tr>
<tr>
<td>Long</td>
<td>66%</td>
<td>115,995,000</td>
</tr>
</tbody>
</table>

Possible manufacturer person-days unlocked in a short and long term SLCP adoption scenario, based on 4 manufacturer case studies:

- On the short term, resulting in an unlocking of 1100 USD per shared facility in one year (67%)
- On the long term, resulting in an unlocking of 2200 USD per facility per year (79%)

Possible roles for SLCP in redirecting audit resources to improve social and labor conditions:

- Anchor in SLCP 2019-2023 goals and signatory commitment
- Facilitate collaboration and develop partnerships
- Enable improvement programs
The Social and Labor Convergence Project Mission
SLCP aims to create a common assessment framework that supports stakeholders’ efforts to improve working conditions in the global apparel and footwear supply chain.

Vision
Converged Assessment.
Collaborative Action.
Improved Working Conditions.

The aim of the mission & vision check is to understand the expected short, medium and long-term potential for data sharing by signatories and users in the industry.

To understand this potential, we have:
• Estimated the total resources used for social audits
• Given insight in present duplication in social audits and the potential for sharing SLCP data
• Analyzed the total potential for audit resources that can be unlocked when the SLCP converged assessment framework is adopted in a short, medium and long term scenario
• Described possible roles for SLCP in redirecting resources towards improving working conditions
• Analyzed trends and best practices in the industry in improving social and labor conditions, to understand what resources will likely be invested in.

The mission & vision check investigates the cost of audit duplications and looks into potential unlocking of resources.
Research methodology

All of the 32 signatory brands’ suppliers lists include their tier 1 suppliers (mainly cut and sew), 9 also include suppliers beyond tier 1 (e.g. fabric and raw material production). The majority of the suppliers included in the research is therefore tier 1. For this research, we assumed that the suppliers on the brands’ supplier lists account for at least 90% of the brands’ total production volume.

Quantitative research
Based on:
- Supplier lists of 32 brands
- Information requests to brands about estimated SLCP adoption: 23 respondents (16 from 2018 information request and 7 from 2017 survey)
- Manufacturer case studies: 4

Qualitative research
Based on:
- Literature research (see page 17)
- Interviews with 3 manufacturers, 4 brands, 3 civil society organizations

Role SLCP

Improving working conditions

Resources unlocked

Current audit resources
Audit duplications
SLCP verification resources
Sharing of data between brands

This study focuses solely on social and labor audits, assessments and verifications; other audits, assessments and verifications (e.g. environmental) are not included.

Resources unlocked are measured in audit person-days only and other costs (e.g. travel) are out of scope of this research.
The sample used for this study consists of 32 signatory brands, with a revenue of 249 billion USD. This is 15% of the whole apparel & footwear industry, which is worth 1700 billion USD.

This research deals with the **assessment part** of the audit/verification process. Pre- and post-assessment, as well as follow-up, are outside of its scope.

**Audit/verification process**

- **Manufacturer:** perform internal audit. Manufacturer and auditor: prepare for 2\textsuperscript{nd}/3\textsuperscript{rd} party audit incl. prepare documents, send pre-audit information, desktop review, plan audit, travel time.

- **Auditor supported by manufacturer:** on-site audit incl. opening + closing meeting, site walk-through, review documents & processes, worker interviews and delivery of a Corrective Action Plan.

- **Auditor:** finalize and submit the audit report. Auditor/brand: Score/rank the facility and explain the audit and needed corrective actions to the facility.

- **Auditor/brand:** verify if corrective actions have been made.

**Pre-assessment**

- Manufacturer: perform SLCP Self/Joint Assessment. Manufacturer and verifier: prepare for SLCP verification incl. prepare documents, send pre-verification information, desktop review, plan verification, travel time.

**Assessment**

- Auditor supported by manufacturer: on-site verification incl. opening + closing meeting, site walk-through, review documents & processes, worker interviews and inform facility of gap assessed data and verified data.

**Post-assessment**

- Verifier: finalize and submit the SLCP verification.

**Follow-up**

- This study measures **resources used for audits/verifications in person-days spent on site.** Specific costs and time spent on preparing and processing assessment data are not included.

Building block for interpretation of data which can lead to scoring/ranking and/or the delivery of a Corrective Action Plan.
The total number of audits was calculated based on the assumption of 1 audit per facility per year for each brand that sources there according to their supplier list. It was also assumed that audit data is currently not shared between brands.

Of the 13,688 facilities mentioned on 32 signatory brands’ supplier lists, **1,591** are shared between 2 or more brands. That accounts for **11.6%**. To identify the overlap of facilities, facility name and address were the main determinants.

Most duplicated audits are conducted in China (628), Vietnam (302), Bangladesh (265) and India (202).

Facilities can be audited by multiple brands. The 32 brands in our sample conduct 15,826 audits at 13,688 facilities per calendar year: **2,138** of those audits are redundant if audit data would be shared.
Based on estimations from four case studies (see annex 1), the number of social audits conducted in the global apparel and footwear industry of 1700b USD, ranges between 102,167 and 160,000. If we take the average of this, we can estimate the total social audits conducted in the apparel & footwear industry at 130,698.

If the 32,675 shared facilities undergo 4 audits on average, then 98,024 audits of the total of 130,698 audits conducted in the global apparel & footwear industry would be redundant if audit data would be shared.

Based on the estimation that facilities undergo 4 social audits per year on average (see annex 2), we estimate the total shared facilities at 32,675.
Estimated audit costs

Facility size is measured in # of employees. In our sample, 56% of the supplier lists specify # of employees. This results in information about the size of 7242 facilities, where 9248 audits are conducted in a calendar year, based on the assumption of one audit per brand per facility per year. These 9248 audits sum up to 24 809 person-days. This comes down to an average of 2,7 person-days per audit. By multiplying the number of audits by the average of 2,7 person-days we can estimate that in a calendar year:

The 32 signatory brands in our sample spend **42 730 person-days** on 15 826 audits.

The 59 signatory brands spend **65 848 person-days** on 24 388 audits.

All brands in the industry spend **352 885 person-days** on 130 698 audits.

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**Comparison of auditor/verifier person-days spent per facility size**

- **Average on-site person-days current audits**
- **On-site person-days required for SLCP verification**

If the 32 brands in our sample would use the SLCP Converged Assessment Framework at their 1591 shared facilities, and shared the information, 38 548 verifier person-days would be needed for the total 15 826 verifications, resulting in an **unlocking of 4182 auditor/verifier person-days**. See annex 3.

SLCP verifications will be compatible with existing systems, they can therefore easily be shared among all brands sourcing from a facility.

**Break even point**

On average, SLCP verifications take 1,5 times as much on-site auditor/verifier assessment time as audits. Meaning that resources are already unlocked when two brands share one facility verification.

Current audit person-days are based on data from 8 standard holder/audit firms. See annex 3. In the SLCP verification person-days, delivery of a CAP is not included. Taking an additional estimated half day for this into account would alter the break-even point slightly (to 1,7), as well as further calculations.
**Possible audit resources unlocked: brand/auditor perspective**

Based on information provided by the 32 brands in the sample, an estimation was made of the possible unlocked auditor person-days in the short, medium and long term. It was assumed that brands currently do not share audit data. The short term calculations are based on information from 22 brands about their planned adoption for 2019, for the remaining signatory brands it was assumed that 1-25% of audits will be replaced by SLCP verifications.

<table>
<thead>
<tr>
<th>Term and scenario</th>
<th>Number of audits replaced by SLCP verifications</th>
<th>Auditor/verifier person-days unlocked in shared facilities</th>
<th>% reduction in auditor/verifier person-days spent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current practice:</strong> SLCP verifications adopted by 0 of the estimated 2200 facilities shared by 59 signatory brands</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Short term 1-2 years:</strong> SLCP verifications will replace between 7 - 31% of current audits. Depending on how many will be in shared facilities, the unlocked resources will be higher or lower.</td>
<td>Min. 1653 (60% in shared facilities) and Max. 7510 (max 6590 in shared facilities)</td>
<td>182 - 8734</td>
<td>1-43%</td>
</tr>
<tr>
<td><strong>Medium term 3-6 years:</strong> SLCP verifications adopted in all estimated 2200 facilities shared by the 59 signatory brands</td>
<td>6590</td>
<td>9653</td>
<td>55%</td>
</tr>
<tr>
<td><strong>Long term 6+ years:</strong> SLCP verifications adopted by the whole industry of 32 675 facilities currently under audit</td>
<td>130 698</td>
<td>231 989</td>
<td>66%</td>
</tr>
</tbody>
</table>

From interviews with signatories, it was estimated that the average auditor/verifier person-day rate is between 400 and 700 USD. If we use 500 USD as the average person-day rate for both audits and SLCP verifications, *the unlocked resources can be estimated at: min. $ 91 000 and max. $ 4 367 000 for the short term, $ 4 826 000 for the medium term and $ 115 995 000 for the long term.* This only represents an unlocking in auditor/verifier person-days spent on site on audits/verifications. The average of 2,7 days for audits and 3,7 days for SLCP verifications was used. The days for SLCP verifications may reduce slightly over time, which would increase the unlocked resources further. Other fees and costs are not included in these calculations.

= 25% person-days spent

= 25% person-days unlocked
Possible audit resources unlocked: manufacturer perspective

Signatory manufacturers cannot be considered representative of manufacturers in general. However, to give some insight into the expected resources unlocked on the manufacturer side, a few signatory manufacturer case studies were conducted. They are rough estimations, based on averages of information provided by five manufacturers, information from the 32 brands’ supplier lists and one audit company (annex 4).

Manufacturer case studies short term
The 4 case study manufacturers collectively own 77 facilities, of which 32 supply to multiple SLCP signatory brands. 93 audits are conducted at the 32 facilities by 13 SLCP signatory brands, costing the facility 350 days for audit support. If the audits are replaced by 32 SLCP verifications in 2019, only 116 person-days need to be spent on audit support, an unlocking of 243 person-days (7.6 per facility) or 67%.

An additional 112 person-days would be required for the Self/Joint Assessment, which is estimated to take between 1-5 person-days depending on the size of the facility.

Person-days unlocked: 67%
USD unlocked: $ 1100 per shared facility
Total: $ 35 100

Manufacturer case studies long term
The 77 facilities that the 4 case study manufacturers collectively own, undergo 359 audits from brands and certifiers which cost them 1436 person-days to support. If all these audits would be replaced by SLCP verifications, meaning one verification per facility, that would mean only 308 person-days would be needed for verification support, an unlocking of 1128 person-days or 79%.

An additional 147 person-days would be required for the Self/Joint Assessment. In the long term, it is expected that an assessment will take 1.5 person-days on average.

Person-days unlocked: 79%
USD unlocked: $ 2200 per facility
Total: $ 169 200

- 2 of 4 manufacturers indicated that supporting an SLCP verification takes the same amount of time as supporting a regular audit, the 2 others indicated that it takes longer. The calculations for this study are based on the indication that it takes the same amount of time, since the assumption is that this will be the case over time.
- In these calculations it was assumed that all brands conduct yearly audits at the facilities and that audit data is not shared.
- Depending on the current practice of the facility, the time spent on the Self/Joint Assessment may be additional time spent, or similar to current audit preparation or internal audit practice.
- The resources unlocked are only based on person-days for audit support, other costs, e.g. fees, are not included. The calculated unlocked resources are based on the conservative estimation that the average person-day rate for manufacturers to support both audits and SLCP verifications is 150 USD. It was indicated by a manufacturer that the average day-rate is 200 USD.
Possible audit resources unlocked: 5-year strategy targets

SLCP verified assessment adoption targets

Rapid increment of adoption over next coming years, after 2018 Light Operation.

This translates to 77% of apparel and footwear facilities estimated to be currently under social audits: 32,675 (see page 8). Since this is a conservative figure, the percentage may well be lower. Moreover, in terms of feasibility of the 25,000 SLCP verified assessments: the implementation plan includes new markets by adoption of SLCP assessments in tier 1 apparel and footwear facilities not under current audits, and adoption in tier 2 and 3 and widening to other sectors.

The previous calculations in this study only focused on person-days spent on audits/verifications. These calculations also include other costs. In addition, a slight reduction over time in person-days spent on SLCP verifications was included in these calculations.

These numbers were calculated based on the assumption that the average auditor person-day rate for both audits and SLCP verifications is 500 USD. The associated costs (incl. time spent by manufacturers) are estimated at 1000 USD for both. The upcharge fee for SLCP verifications is 300 USD for 2019, reducing to 100 in 2023. Other SLCP verification related costs (e.g. accredited host fees and Joint Assessments) were estimated at 150 in 2019 reducing to 25 in 2024.

### Scenario 1 ‘conservative’:
50% implementation targets, sharing 1.3 (2018) -3 (2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Resources unlocked (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ -19,500</td>
</tr>
<tr>
<td>2019</td>
<td>$ 196,875</td>
</tr>
<tr>
<td>2020</td>
<td>$ 3,350,000</td>
</tr>
<tr>
<td>2021</td>
<td>$ 14,625,000</td>
</tr>
<tr>
<td>2022</td>
<td>$ 48,187,500</td>
</tr>
<tr>
<td>2023</td>
<td>$ 60,500,000</td>
</tr>
</tbody>
</table>

### Scenario 2 ‘realistic’:
75% implementation targets, sharing 1.5 (2018) -3.9 (2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Resources unlocked (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 41,250</td>
</tr>
<tr>
<td>2019</td>
<td>$ 1,837,500</td>
</tr>
<tr>
<td>2020</td>
<td>$ 10,312,500</td>
</tr>
<tr>
<td>2021</td>
<td>$ 27,225,000</td>
</tr>
<tr>
<td>2022</td>
<td>$ 94,312,500</td>
</tr>
<tr>
<td>2023</td>
<td>$ 134,371,875</td>
</tr>
</tbody>
</table>

### Scenario 3 ‘progressive’:
100% implementation targets, sharing 2 (2018) -4.8 (2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Resources unlocked (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 290,000</td>
</tr>
<tr>
<td>2019</td>
<td>$ 4,506,250</td>
</tr>
<tr>
<td>2020</td>
<td>$ 19,625,000</td>
</tr>
<tr>
<td>2021</td>
<td>$ 52,750,000</td>
</tr>
<tr>
<td>2022</td>
<td>$ 184,500,000</td>
</tr>
<tr>
<td>2023</td>
<td>$ 237,325,000</td>
</tr>
</tbody>
</table>
SLCP mission and scope: conditions for possible roles

**SLCPs mission is** to create a common assessment framework that supports stakeholders’ efforts to improve working conditions in the global apparel and footwear supply chain.

**Project scope**

**SLCP Converged assessment framework will**
- Collect compliance and performance information from production facilities
- Employ a robust verification process
- Facilitate operation (data hosting & sharing)

SLCP’s Converged Assessment Framework will reduce duplicative efforts and improve the quality of assessments. Assessments in isolation do not drive the systemic change that is needed. The ultimate vision is improved working conditions.

SLCPs activities only focus on the creation and operation of the Converged Assessment Framework. There are other crucial pieces of the puzzle, which stakeholders are working on and which SLCP partners with. SLCP provides a building block for other crucial elements like risk prevention, transparency and improvement programs. SLCP will drive collaborative action and stakeholder inclusion for addressing these.

**SLCP Converged assessment framework will NOT**
- Set minimum requirements
- Be a scoring/ranking system certification program or code of conduct

The SLCP Converged assessment framework will be compatible with existing systems. The apparel and footwear industry knows many organizations with years of experience in areas such as standard setting and remediation; SLCP will not try to reinvent the wheel.
Possible roles for SLCP in redirecting of audit resources

Anchor in SLCP 2019-2023 goals and signatory commitment

• Develop charter where redirection of unlocked resources is confirmed
• Increase number of signatories, including brands & retailers and standard holders to ensure wide adoption and promotion of shared verified assessments
• Support wide implementation and facilitate aggressive scaling for roll out
• Monitor resources unlocked and redirected – signatory reporting requirements

Facilitate collaboration and develop partnerships

• Maintain broad stakeholder engagement
• Collaborate and create selective partnerships with stakeholders that focus on other pieces of the puzzle, e.g. remediation, improvement programs

Enable improvement programs

• Facilitate further comparability and transparency: common data sets and aggregated reporting, e.g. through Gateway
• Promote shared remediation, e.g. through Accredited Hosts
• Stimulate sharing of best practices and solutions to issues among signatories

Countries with most duplicated audits based on sample of 32 brands:
- China: 628
- Vietnam: 302
- Bangladesh: 265
- India: 202
- Indonesia: 107
- Cambodia: 96
- Turkey: 75
- Sri Lanka: 67
- Brazil: 52

Factors that determine where SLCP roll out takes place first include: countries with high numbers of audit duplications, and emerging markets like Ethiopia and Myanmar.
When unlocked resources are directed towards remediation

Trends in improving social and labor conditions

<table>
<thead>
<tr>
<th>Past practice</th>
<th>Current trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on core ILO convention issues: e.g. child labor, forced labor, minimum wage</td>
<td>Additional focus on: e.g. living wage, true cost of products, worker wellbeing and engagement, capacity building, gender</td>
</tr>
<tr>
<td>Unannounced audits, one way communication from brand to supplier</td>
<td>Supplier ownership and commitment, stakeholder engagement, partnerships built on trust, open dialogue</td>
</tr>
<tr>
<td>Unstructured approach to improving working conditions</td>
<td>Structured approach to improving working conditions: e.g. due diligence, KPIs, monitoring systems, online tools</td>
</tr>
<tr>
<td>Closed culture, little collaboration and sharing</td>
<td>Collaboration among sector stakeholders: e.g. transparency, sharing best practices, scaling up solutions</td>
</tr>
<tr>
<td>Corporate Social Responsibility dealt with as a separate issue</td>
<td>Corporate Social Responsibility aligned with business and sourcing strategies</td>
</tr>
</tbody>
</table>

Best practice examples from signatories

**Increasing ownership and commitment**

Christelle Esquirol, TAL Apparel: “We encourage ownership of sustainability issues at all our facilities in part through an internal self-monitoring system, in which facilities report to our management team on a different topic each month. To stimulate improvements, a prize is awarded to the most sustainable facility every year”.

**Transparency and open dialogue**

Laurence Sommers, Fair Trade USA: “We have an open and honest dialogue with the facilities in our program, to foster the environment that allows them to share their true records with our teams. We welcome the discussion around their non-conformities as it is important for us to have visibility on their challenges.”

**Sourcing strategy**

Shelly Gottschamer, Outerknown: “You can’t have a sustainability strategy, whether it is social or environmental, without a sourcing strategy because they are intricately linked, [...] in our organization, the CSR department and sourcing department are one and the same”.
Limitations and suggestions

Limitations

• For the quantitative part of the research, sample size was limited to the percentage of signatory brands that shared their supplier lists, either online or through our information request. The sample consists of 54% of SLCP signatory brands. In revenue the brands in the sample represent 78% of the signatory brands. All types of companies are represented in the sample: fashion, sportswear, outerwear and footwear, except for home textiles. Due to the limited size of the sample, the research does not differentiate between these types of companies.

• With the variations in names used for the same facility there will be a margin of error in the data analysis. This may underestimate the level of overlap and therefore reduce the estimated benefits.

• Some suppliers supply to brands for a relatively short period of time. They are not included in the supplier lists and this may underestimate the level of overlap and therefore reduce the estimated benefits.

• Some non-apparel or footwear suppliers may be included in the brands’ supplier lists. These are not filtered out and therefore included in the final outcome.

• A distinction was not made between tier 1 and beyond tier 1 suppliers due to limited availability of supplier lists that include tiers beyond tier 1 and unclarity about the distinction between tier 1 and further tiers on some of the supplier lists shared.

• 1700 billion USD was used as the value of the whole apparel and footwear industry. This number includes all countries and excludes black market sales and second hand sales. It may include domestic market production which is not under audit. The actual value may therefore be slightly lower. This may overstate the estimation of the number of facilities in the whole industry.

• Calculation of the break-even point and unlocked resources are solely based on time spent on on-site audits/verifications. In line with the scope of the research, additional time spent on e.g. joint assessments or time saved on explaining the audit report/CAP to facilities was not included, unless explicitly stated.

• An estimation has been made of the additional costs for SLCP verifications, including additional costs for joint assessments, accredited host fees etc. Calculation of the exact costs, including both the extra costs and cost savings of the SLCP converged assessment framework was not part of this research.

• In the manufacturer case studies, the assumption was made that brands conduct yearly audits at facilities. The actual reduction in number of audits depends on the specific audit programs of a brand, e.g. sometimes exemptions are given for longer than a year when standards are met. This may overstate the possible resources unlocked.

• The assumption was made in the calculations that brands currently do not share audit data, for some brands this may not be true. This may overstate the possible resources unlocked.

Suggestions for additional research

• To analyze the potential for audit sharing and collaboration in more detail, an additional study with a larger sample could be conducted that differentiates between type of company, e.g. outerwear, footwear, sportswear, fashion.

• To analyze the potential benefit of SLCP for various countries, an additional study could be conducted that samples and extrapolates data per major country.
Sources

Literature sources

- SAC salesforce database.

Information for this research was provided by 12 closely involved signatories, e.g. in the form of interviews, including but not exhaustive:

Thank you.
Converged Assessment.
Collaborative Action.
Improved Working Conditions.

A special thanks to Stuart Cranfield, Ali Poling and Ritika Burman for their input during the research process and their valuable suggestions and comments on earlier drafts of this report. Thanks as well to Lyn Ip and Susanne Gebauer for their comments on an earlier draft of this report, and to the other signatories that provided input for the research.
Annex 1: case studies total number of social audits in apparel & footwear industry

Four separate case studies were conducted to estimate the total number of social audits in the apparel & footwear industry:

1. Estimations based on extrapolation figures
   BSCI/Amfori 2017 annual report:
   In 2017 21 220 Amfori BSCI audits were conducted. Textile/garments is one of the top three sectors. Based on the estimation that 25% of these audits are conducted in textile/garment facilities, this means 5305 BSCI audits. The estimated market share of Amfori vs other schemes like WRAP, SMETA, BetterWork, FWF, FLA is 20%, meaning that the total number of audits in apparel & footwear facilities covered by schemes is 26 525. Based on the estimation that 20% of audits fall under these schemes, the total number of social audits in apparel & footwear facilities is estimated at **132 625**

2. Calculation based on estimation number apparel & footwear facilities and percentage audited
   The total number of apparel and footwear facilities in the world, based on a guesstimate on extrapolation of facilities in Bangladesh and China, is 100 000.
   - The estimated percentage of facilities currently under audits is 40%, meaning 40 000 facilities (mostly tier 1).
   - Based on the estimation of 4 duplicated audits per facility (see annex 2), the total number of social audits in apparel & footwear facilities is estimated at **160 000**

3. Extrapolation of figures and estimations third party audits
   Based on interviews with signatory audit firms, it was estimated that the third party audit market conducts 128 000 audits. Of those audits, about half are conducted in the apparel & footwear industry: 64 000. Based on the assumption these 64 000 third party audits are half of the total audits conducted in the industry, with an additional 64 000 second party audits, the total number of social audits conducted in the global apparel and footwear industry per year is estimated at: **128 000**

4. Extrapolation of audits based on sample mission & vision check research
   Based on a linear relationship between brand revenue and number of audits, we can extrapolate the data from our 32 sample brands to estimate that:
   - The 59 signatory brands with **317b USD** revenue conduct **20 532** social audits.
   - The global apparel & footwear industry of **1700b USD** conducts **102 167** social audits per year (see annex 1.2).

The average of these four separate case studies is **130 698** social audits conducted per year in the global apparel & footwear industry, and **24 388** for the 59 signatory brands (see annex 1.2).
Annex 1.2: extrapolation number of audits

For the whole industry of 1700b USD this can be estimated at 102 167 audits.

Based on a linear relationship, it can be estimated that the 59 signatory brands with 317b USD revenue conduct 20 532 audits.

The number of audits in the whole industry of 1700b USD was estimated at 130 698.

Based on a linear relationship, it can be estimated that the 59 signatory brands with 317b USD revenue conduct 24 388 audits.

32 brands with 249b USD revenue conduct 15 826 audits.

Based on a linear relationship, it can be estimated that the 59 signatory brands with 317b USD revenue conduct 20 532 audits.
Annex 2: case studies on potential shares per facility

<table>
<thead>
<tr>
<th>Signatory manufacturer</th>
<th>Number of facilities</th>
<th>Number of client brands</th>
<th>Total audits per year</th>
<th>Avg. number of audits per facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>21</td>
<td>30</td>
<td>66</td>
<td>3</td>
</tr>
<tr>
<td>V</td>
<td>9</td>
<td>50</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>W</td>
<td>7</td>
<td>13</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>X</td>
<td>7</td>
<td>-</td>
<td>96</td>
<td>14</td>
</tr>
<tr>
<td>Y</td>
<td>40</td>
<td>36</td>
<td>163</td>
<td>4</td>
</tr>
<tr>
<td>X</td>
<td>14</td>
<td>12</td>
<td>14</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Mission & Vision check research

2. SAC Higg Facility Environmental Module (Higg FEM) case study

<table>
<thead>
<tr>
<th>Signatory manufacturer</th>
<th>Number of facilities</th>
<th>Number of client brands</th>
<th>Total audits per year</th>
<th>Avg. number of audits per facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>21</td>
<td>30</td>
<td>66</td>
<td>3</td>
</tr>
<tr>
<td>V</td>
<td>9</td>
<td>50</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>W</td>
<td>7</td>
<td>13</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>X</td>
<td>7</td>
<td>-</td>
<td>96</td>
<td>14</td>
</tr>
<tr>
<td>Y</td>
<td>40</td>
<td>36</td>
<td>163</td>
<td>4</td>
</tr>
<tr>
<td>X</td>
<td>14</td>
<td>12</td>
<td>14</td>
<td>1</td>
</tr>
</tbody>
</table>

Higg FEM informs brands, retailers and manufacturers about the environmental performance of their facilities.

As of July 2018, over 3894 of 8600 facilities indicate that they share two or more SAC member brands. That is an overlap of 45%. The percentage is expected to increase even further in the next few months as the sharing functionality of the platform is enhanced.

3. Signatory manufacturer experiences case study

Based on data provided by six signatory manufacturers, we can see that the number of audits per facility per year ranges between 1 and 14.

The first two case studies include manufacturers of a broad range of sizes. The third case study includes mainly relatively large manufacturers. Based on these three separate case studies, and the expectation that an increase in brands in the studied sample will mean an increase in overlap in facilities and duplicated audits, 4 was taken as the estimated average number of shares per facility in further calculations and extrapolation.
Annex 3: Person-days calculations

Calculation of break-even point

<table>
<thead>
<tr>
<th># Employees</th>
<th># Audit person-days</th>
<th># SLCP verification person-days</th>
<th>% facilities in this category</th>
<th>How many times more person-days (verification vs. audit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>1,7</td>
<td>3</td>
<td>39%</td>
<td>1,8</td>
</tr>
<tr>
<td>101-200</td>
<td>2,2</td>
<td>3</td>
<td>9%</td>
<td>1,4</td>
</tr>
<tr>
<td>201-500</td>
<td>2,5</td>
<td>4</td>
<td>17%</td>
<td>1,6</td>
</tr>
<tr>
<td>501-1000</td>
<td>3,1</td>
<td>4</td>
<td>13%</td>
<td>1,2</td>
</tr>
<tr>
<td>1001+</td>
<td>4</td>
<td>5</td>
<td>21%</td>
<td>1,3</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td>1,5</td>
</tr>
</tbody>
</table>

Break even point
On average, SLCP verifications take 1,5 times as much on-site auditor/verifier assessment time as audits. Meaning that resources are already unlocked when two brands share one facility verification.

Calculation of person-days unlocked in shared facilities
The number of person-days that would be needed for SLCP verifications in facilities based on the 56% of supplier lists in our sample that specify # of employees, excluding the overlapping audits, comes down to 3,7 person-days on average.

- 1591 (original audits at shared facilities) + 2138 (duplicated audits at shared facilities) = 3729 x 2,7 (avg. person-days spent on regular audits) = **10068 person-days currently spent on all audits at shared facilities**, including duplicates.
- 1591 (original audits at shared facilities) x 3,7 (avg. person-days spent on SLCP verifications) = **5887 person-days needed for SLCP verifications in shared facilities**.
- 10068 – 5887 = **4181 person-days unlocked**.

- 13688 (total facilities) – 1591 (shared facilities) = 12097 x 2,7 = **32661 person-days will be spent on the audits in non-shared facilities**, as usual.

If the 32 brands in our sample would use the Converged Assessment Framework at their 1591 shared facilities, and shared the information, 38,548 person-days would be needed for the total 15,826 audits: an **unlocking of 4181 auditor person-days**.
Table 1: Facility person-days spent on SLCP Self/Joint Assessments per facility size

<table>
<thead>
<tr>
<th>Number of employees at facilities</th>
<th>Range of facility person-days, based on info from 3 manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>1</td>
</tr>
<tr>
<td>101-200</td>
<td>1</td>
</tr>
<tr>
<td>201-500</td>
<td>1</td>
</tr>
<tr>
<td>501-1000</td>
<td>2</td>
</tr>
<tr>
<td>1001+</td>
<td>3-5</td>
</tr>
</tbody>
</table>

One manufacturer indicated 5 person-days needed for a facility of 4500, one indicated 3 days for a facility of 1000+, another indicated it takes 1 person-day for 1-500, 2 for 500-1000 and 3 for 1001+.

Table 2: Facility person-days spent on supporting audits/SLCP verifications in their facility per facility size

<table>
<thead>
<tr>
<th>Number of employees at facilities</th>
<th>Range of facility person-days</th>
<th>Expected avg. facility person-days used in calculations</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>1 to 2,5</td>
<td>1,75</td>
</tr>
<tr>
<td>101-200</td>
<td>1 to 3</td>
<td>2</td>
</tr>
<tr>
<td>201-500</td>
<td>1 to 5*</td>
<td>2,5</td>
</tr>
<tr>
<td>501-1000</td>
<td>1 to 5</td>
<td>3</td>
</tr>
<tr>
<td>1001+</td>
<td>1 to 8</td>
<td>4</td>
</tr>
</tbody>
</table>

This information is based on data from one auditing/certification company, and cross checked and supplemented with information provided by 4 manufacturers. *For the 201-500 there was only one instance of 5 person-days.

Table 3: Calculation resources unlocked short term for manufacturers

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th># SLCP brands</th>
<th># facilities that supply to multiple SLCP brands</th>
<th># audits conducted in these facilities</th>
<th># person-days (table 2) for audit support</th>
<th># person-days for verification shared facility</th>
<th>Time spent on self/joint assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>15</td>
<td>48</td>
<td>177</td>
<td>51,5</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>5</td>
<td>12</td>
<td>46</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>9</td>
<td>11</td>
<td>31</td>
<td>119</td>
<td>41,5</td>
<td>40</td>
</tr>
<tr>
<td>13</td>
<td>32</td>
<td>93</td>
<td>350</td>
<td>116</td>
<td>112</td>
<td></td>
</tr>
</tbody>
</table>

Resources unlocked: 350 – 116 = 234 days * 150 USD = 35 100 USD

Table 4: Calculation resources unlocked long term for manufacturers

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th># facilities</th>
<th># audits</th>
<th>Avg. estimated facility size</th>
<th>Person-days (table 2) * facilities</th>
<th>Person-days * audits</th>
<th>Time spent on self/joint assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
<td>58</td>
<td>1001+</td>
<td>232</td>
<td>84</td>
<td>31,5</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>33</td>
<td>1001+</td>
<td>132</td>
<td>36</td>
<td>13,5</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>103</td>
<td>1001+</td>
<td>412</td>
<td>28</td>
<td>10,5</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
<td>165</td>
<td>1001+</td>
<td>660</td>
<td>160</td>
<td>60</td>
</tr>
<tr>
<td>77</td>
<td>359</td>
<td></td>
<td></td>
<td>1436</td>
<td>308</td>
<td>115,5</td>
</tr>
</tbody>
</table>

The total number of audits at manufacturer 1 is an estimation, based on the knowledge that the facilities supply to 11 brands in total and 10 brands conduct 53 audits (5 per brand).