SOCIAL AND LABOR CONVERGENCE PROGRAM (SLCP)

IMPACT REPORT
2022

SOCIAL & LABOR CONVERGENCE

International Trade Centre

Published June 2023

Foreword

The recent global challenges, from the pandemic and geopolitical tensions to volatile markets and climate shocks, have forced supply chain actors to prepare for new realities. This preparation amidst uncertainty has fueled the ever-growing need for reliable data to drive informed decision making within supply chains and to support policy efforts. In this report, we present SLCP's efforts to equip industry stakeholders with the necessary data to influence change within global supply chain networks.

Looking back, 2022 was a year of significant momentum for SLCP. We saw growth in the number of assessments, increased industry acceptance, expanded into new sectors and regions, and continued progress towards convergence. The steady growth in adoption of the Converged Assessment Framework (CAF) has enabled us to shift focus to quality, insights, and the impact of our data. This last year served as a foundational year for SLCP in establishing our insights and policy work to further serve as a resource for credible supply chain data for stakeholders.

High quality data will provide us the opportunity to measure the state of labor conditions in supply chains, This impact report highlights the tremendous need to work on labor conditions; in many facilities there are still non-compliances with national labor law.

Next to measuring the labor conditions, the data provide opportunities to analyze trends and identify effective improvement actions. The Impact Report shows the potential in moving the needle, particularly as SLCP is reaching scale.

Data Insights will be a priority for SLCP and, together with partners, we will expand this area.

At SLCP, we value continuous improvement and ensuring that our signatories and stakeholders benefit from SLCP is at the core of our program strategy. The report shows the work underway to further improve the quality of our data and strengthen our data analytics.

Lastly, you can read about the collaborations we have in place to drive data insights, such as with the International Trade Center and Manaus, who reviewed and validated our methodology to measure the costs savings from CAF implementation.

"The power of data insights is tremendous, particularly as SLCP is reaching scale. SLCP data has the potential to drive improved labor conditions in global supply chains."

JANET MENSINK
Executive Director, SLCP

Introduction

SLCP's purpose is to improve working conditions and reduce audit fatigue within the global supply chain networks.

SLCP initially formed as a project in 2015 in response to growing awareness of the burden repetitive and duplicative social audits had become within the apparel and footwear industry.

By 2019 SLCP had developed into an established multi-stakeholder initiative (MSI) program. SLCP convenes stakeholders from across the industry to create alignment around the use of one common tool, our Converged Assessment Framework, and to amplify the voices of manufacturers in the creation and sharing of facility data.

SLCP's goal and overall objective is summarized in our Theory of Change framework below. Through the implementation of the CAF, our aim is to provide actionable and credible data on working conditions, and to unlock resources for users of the tool, with the overarching goal to improve working conditions.
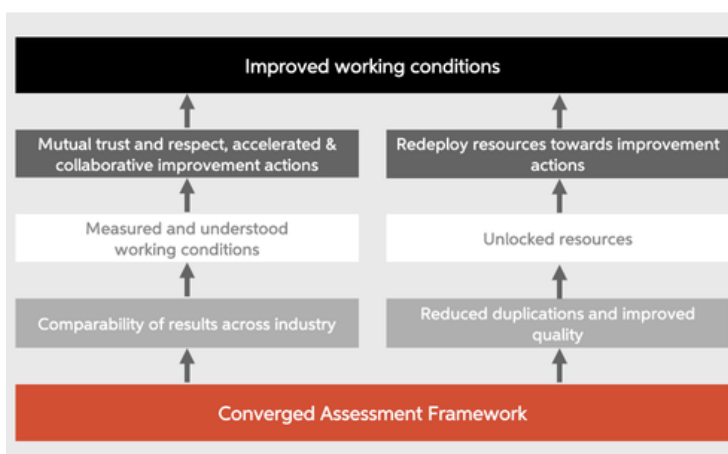
About This Report

This year's report provides an overview of SLCP's impact over the course of 2022 in reducing audit fatigue and improving working conditions within the apparel and footwear industry.

Within this report, we've also included spotlights on key initiatives and pilots that SLCP has undertaken in the last year, in collaboration with key stakeholders, to further working condition improvements and incrementally improve our use of data for insights.

The first section in the report summarizes progress in SLCP's Operations, from our continued scaling in operations, to a detailed country and sector breakdown, and key updates to the CAF to further support our work.

The next two sections of this report represent our impact with signatories and manufacturers who use the CAF. This includes highlights from our annual signatory survey and progress in our efforts to unlock cost saving resources for our manufacturers.

This is followed by a section highlighting industry trends and insights in legal compliance demonstrated in the SLCP data.

The final two sections provide a broad overview of SLCP's contribution in supporting policy within global supply chains and meeting international goals.

We introduce SLCP's policy arm and its foundational work to drive human rights due diligence efforts globally. We also outline meaningful ways SLCP directly supports international goals, such as the UN Sustainable Development Goals, through our mission and activities.

Improved working conditions

Mutual trust and respect, accelerated & collaborative improvement actions | Redeploy resources towards improvement actions

Measured and understood working conditions | Unlocked resources

Comparability of results across industry | Reduced duplications and improved quality

Converged Assessment Framework

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Collaboration with ITC

The International Trade Centre (ITC) is a joint agency of the United Nations and the World Trade Organization. ITC enables companies in developing economies to become more competitive and to connect to international markets, thus raising incomes and creating job opportunities, especially for women, young people and poor communities.

The collaboration with SLCP began through ITC's role as an implementation partner in an ongoing project supported by the European Commission, Directorate-General for International Partnerships, to enhance transparency and traceability of sustainable value chains in the garment and footwear industry. This report is a collaborative effort as a result of this ongoing project.

Aligned with it's efforts to identify and reduce trade-related costs and barriers, ITC engages with SLCP by providing IT tools and solutions that empower facilities with data ownership and sharing:

Gateway
The central repository for all SLCP verified data. From their Gateway account, a facility can control how they share their SLCP verified assessment.

E-Learning
ITC hosts the SLCP e-learning service that is designed to train users on how to use the SLCP Gateway. The e-learning program is free and open to all stakeholders.

"I would like to congratulate SLCP on another excellent year driving convergence, collaboration, and improving working conditions in global garment and footwear value chains. Supporting market access and efficiency for SMEs - through the adoption of sustainability practices - is near and dear to ITC's core mission and we are happy to be a key development partner in these efforts.

I would also like to thank the European Commission for their continued support of our work in the core issue of sustainability in trade. Their backing makes it possible for ITC, along with SLCP, to provide the cutting-edge tools and expertise needed to deliver these market solutions at a global scale.

The combination of SLCP's power to drive collaboration among the major clothing brands, manufacturers' associations, standards, and other stakeholders - combined with ITC's customized tools and expertise - has brought about some incredible results which you will read about in this report.

Though there remains a lot of work to be done, the future is bright in terms of bringing these solutions to more companies. I encourage you to continue expanding into new countries and regions for the benefit of workers worldwide. ITC is also here to support increased collaboration with other MSIs through the benchmarking of requirements.

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

Pamela Coke-Hamilton
Executive Director, ITC

International Trade Centre

Progress

Scaling operations

In 2022, SLCP operations grew significantly. SLCP's presence expanded to 61 countries or regions now using the Converged Assessment Framework (CAF). The reach of the CAF across numerous regions serves as an indicator of the tool's global applicability.

By the end of 2022, just under 10,000 facilities were registered on the Gateway. Further, the number of assessments grew 65% to 7,255 from the previous year's figure of 4,400.

The CAF is available in over 60 countries
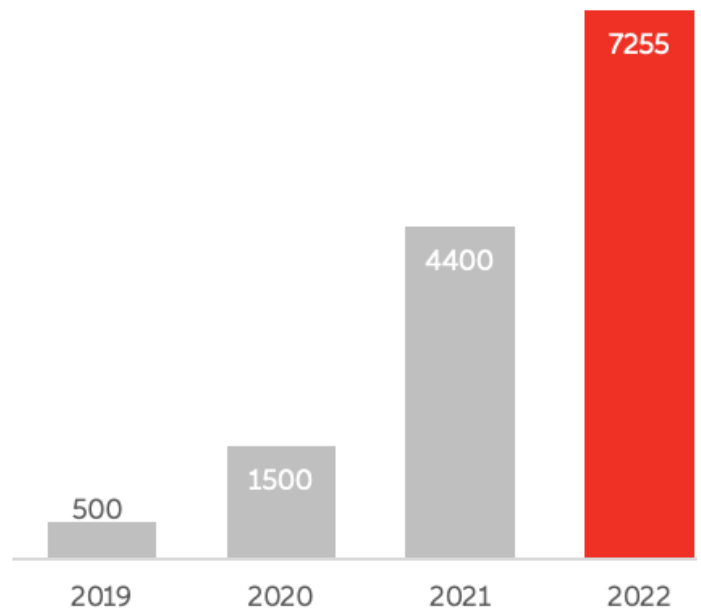
7255
assessments completed in 2022

77%
repeat users in 2022

9805
facilities registered in the SLCP Gateway

Number of assessments annually

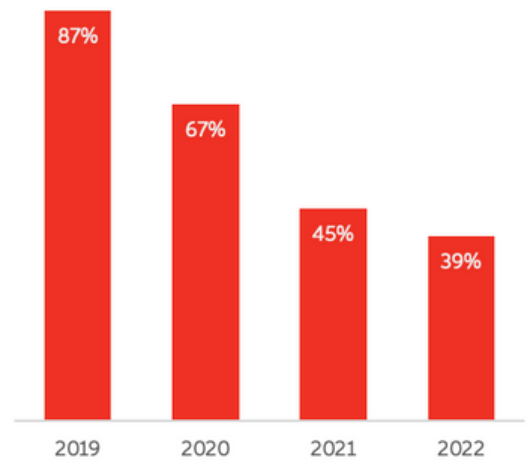| Year	Assessments
2019	500
2020	1500
2021	4400
2022	7255

▶ Facility breakdown by country & region

SLCP aims to be relevant for facilities everywhere.

SLCP adoption is now scaling at a faster rate outside of mainland China. In 2022, more than 60% of assessments were completed in other countries or regions.

In 2022, Vietnam saw the greatest increase in user group growth from 275 to 775 assessments, a 182% increase. This rapid growth was due in part to the end of COVID lockdowns, coupled with SLCP's joint launch with Better Work in 2021. On average, other countries and regions also maintained continued growth of 40% of more.

To efficiently direct resources, we focused on training and support from our locally-engaged SLCP staff in 5 focus countries: Bangladesh, China, India, Turkey and Vietnam.
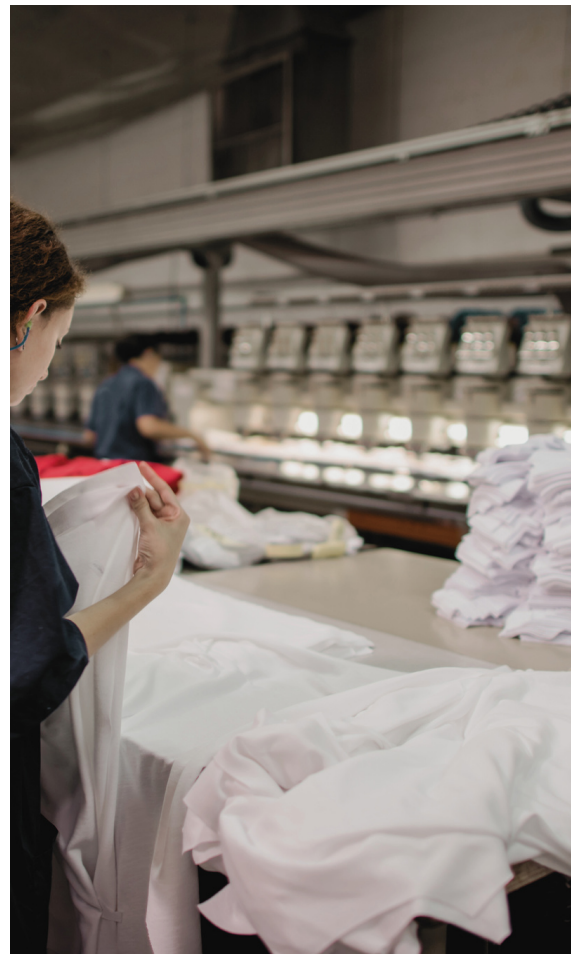
Percentage of total SLCP assessments in China

Breakdown & growth of assessments in focus countries
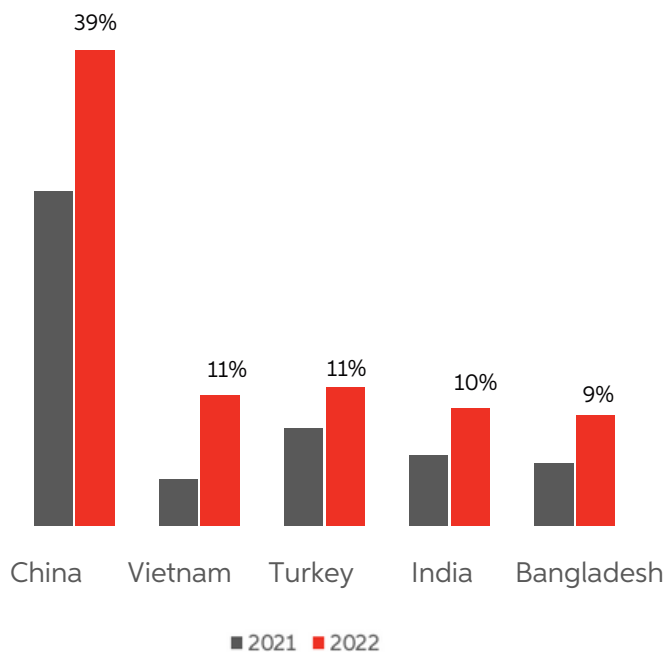
The percentage shows the share of total assessments each focus country had in 2022.
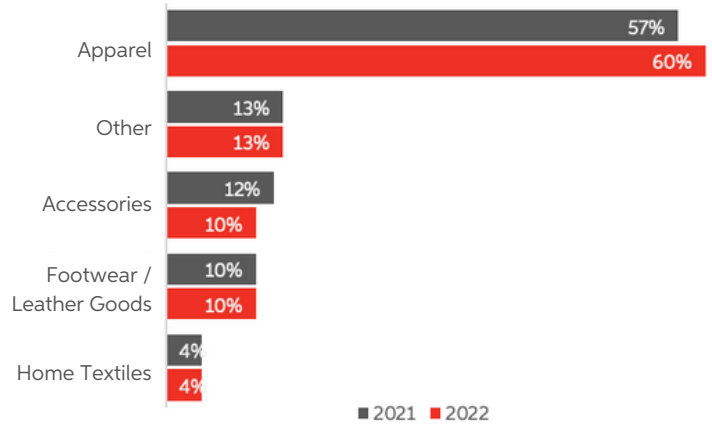
Facility breakdown by size & type

Breakdown of facility sector coverage

SLCP continued to focus on adoption in the apparel & footwear sectors, with assessments in other sectors making up around 30% of total volume.

Despite the large increase in the number of assessments from 2021 to 2022 (63% growth rate), the sector breakdown remained relatively consistent compared to 2021, with only a slight dip in the accessories sector from 12% to 10% in 2022.

	Apparel	Other	Accessories	Footwear / Leather Goods	Home Textiles
2021	57%	13%	12%	10%	4%
2022	60%	13%	10%	10%	4%

■ 2021 ■ 2022

Top 5 facility types with a 2022 SLCP assessment

Facility type	%
Sewing or Final Product Assembly	48%
Printing or Dyeing	15%
Packaging	9%
Footwear / Leather Goods	7%
Materials Supplier	6%

The type of facilities in 2022 closely resembles the data from 2021, with almost half being sewing or final product assembly (tier 1).

Industry coverage 2021 vs. 2022 (% of total assessments)

	Apparel & Footwear	Adjacent Sectors
2020	66%	34%
2021	67%	33%
2022	70%	30%
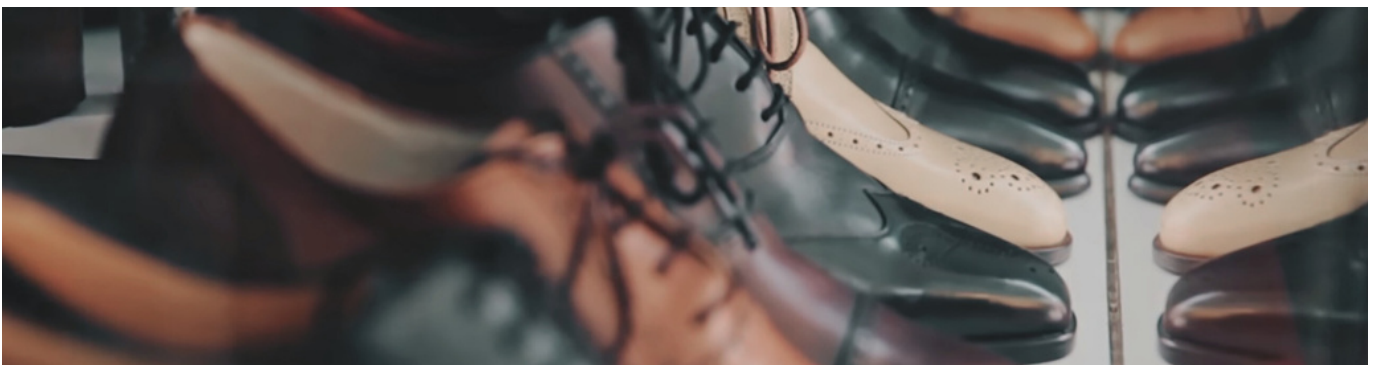
▶ Updated Converged Assessment Framework

In late 2022, SLCP launched the CAF v1.5. The CAF is regularly updated to respond to signatory and stakeholder feedback and to remain relevant.

Updates to the CAF

The latest update to the CAF was made to:
1. Enable the data collection to be more tailored in the context of local legislation
2. Provide more flexibility in data verification methods, including the addition of Full Virtual Verification
3. The Introduction of WE Tech

Introducing WE Tech capabilities

What is WE Tech?
WE Tech (Worker Engagement Technology) provides a digital platform for workers to directly report information via mobile phone survey.

From the end of 2021 to early 2022, SLCP conducted a WE Tech pilot. For the pilot, SLCP worked with signatories to develop a 20 question survey designed to be complementary to an SLCP assessment.

Worker Engagement Tech Data Collection Pilot

The WE Question Set was deployed in 10 facilities across 5 countries, and translated into 10 languages. The pilot was conducted to determine the benefits of employing WE Tech in the SLCP assessment process.

Early learnings from the pilot include:
- WE Tech survey results support the CAF data and contribute to the rigor of an SLCP verification
- Over 70% agree WE Tech helps facility management see new problems
- 85% agree WE Tech helps Verifiers focus on specific areas of concern

Benefits from WE Tech reconfirmed in the pilot

- WE Tech is a powerful communication tool that goes beyond completing a CAF assessment
- It builds trust between workers and management
- It provides meaningful results to better understand the worker experience
- WE Tech is adaptable, ensuring worker engagement can be designed to best inform and improve business activities

2023 Roll-out
WE Tech will be available to all facilities as an add on from late 2023. Currently, WE Tech is mandatory for full virtual verifications.

Signatory Impact

As a continuous learning organization, we reach out to our signatories annually to solicit feedback from our closest stakeholders on the usefulness of the Converged Assessment Framework (CAF), the impact the tool has had for them, and potential areas for improvements to further strengthen our program. Based on 2022 Signatory Survey data:

92%
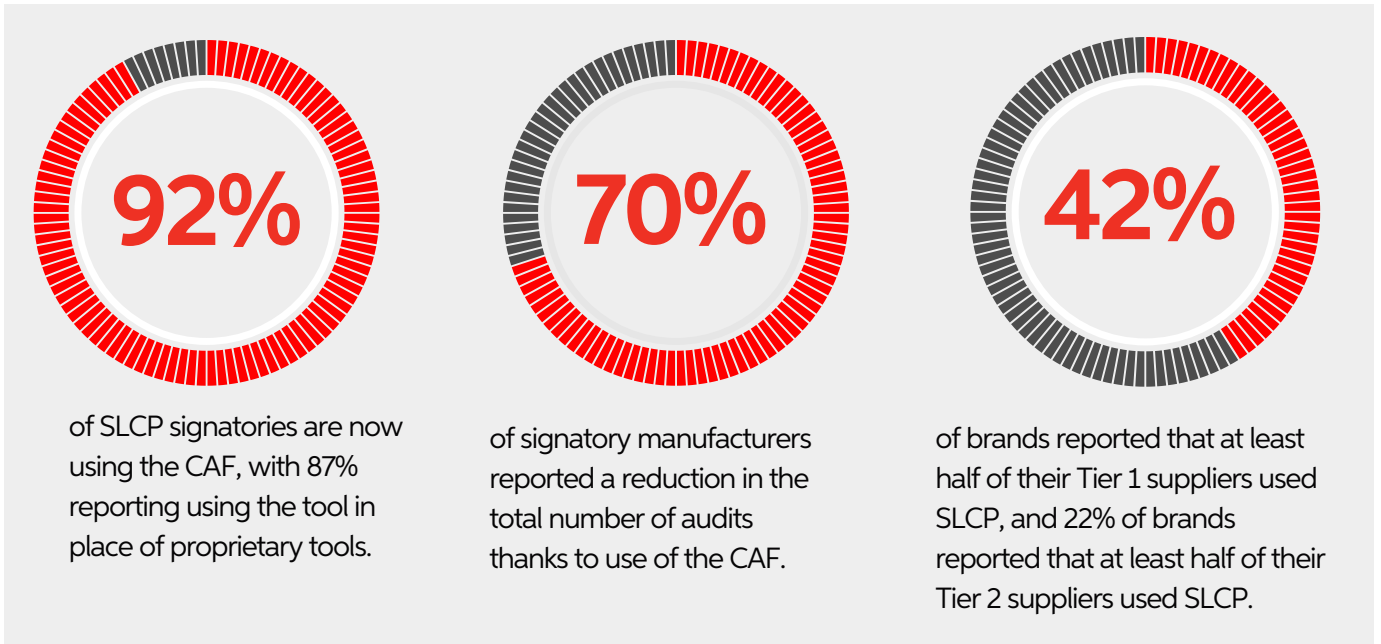
of SLCP signatories are now using the CAF, with 87% reporting using the tool in place of proprietary tools.

70%

of signatory manufacturers reported a reduction in the total number of audits thanks to use of the CAF.

42%

of brands reported that at least half of their Tier 1 suppliers used SLCP, and 22% of brands reported that at least half of their Tier 2 suppliers used SLCP.

>75%

of brands reported using the CAF to:

- Identify human rights risks in the supply chain
- Monitor and track human rights risks in the supply chain
- Assess if there are instances of forced labor in their supply chain

For more information on how the CAF supports brands undertake these human rights due diligence activities, refer to the SLCP HRDD Toolkit.
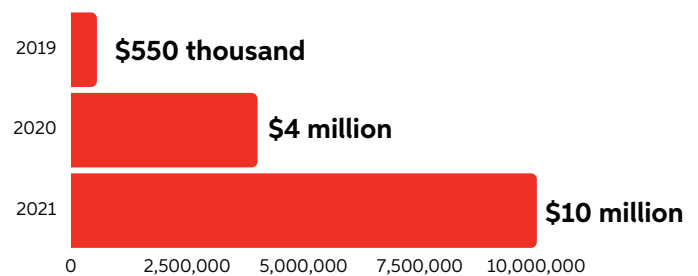
Resources Unlocked for Users of the CAF

Since 2018, SLCP has calculated to what extent the CAF is unlocking resources to improve working conditions. The 'Resources Unlocked Methodology' (see Appendix 3) served our organization well in providing a general estimate of our level of impact and subsequent cost savings.

How does using the CAF unlock resources?

- Reduced number of assessments
- Reduced number of verification days
- Increased number of assessment shares

Savings year-on-year*

Year	
2019	**$550 thousand**
2020	**$4 million**
2021	**$10 million**

0   2,500,000   5,000,000   7,500,000   10,000,000

*Using the 2018 previous methodology.

Revised "Resources Unlocked" methodology

In 2022, SLCP engaged Manaus, a social impact research consultancy, to review the underlying components of the existing Resources Unlocked methodology. The findings from the Manaus review validated the assumptions that inform our current calculation, and provided recommendations to more accurately capture the costs and benefits of implementing the CAF.

Recommendations for optimising the methodology

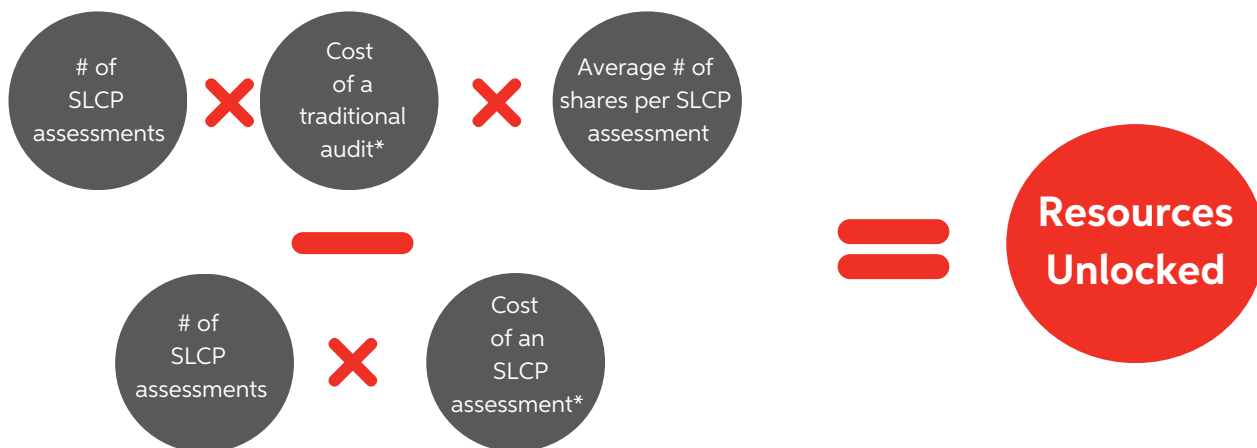**Capturing the differences in the cost of using the CAF**
- initial start-up costs
- cost of updating
- high-risk factories
- unique factors beyond tier 1 and new sectors
- language
- geographic difference
- other additional costs

More data points
- the SLCP Gateway
- our Verification Oversight Organization Sumerra
- Evolvement of cost saving assumptions

Revised methodology for calculating resources unlocked:

# of SLCP assessments ✕ **Cost of a traditional audit*** ✕ **Average # of shares per SLCP assessment**

━

# of SLCP assessments ✕ **Cost of an SLCP assessment***

= **Resources Unlocked**

2022 "Resources Unlocked" estimation:

Applying the revised methodology to the 2022 figures:

7255 SLCP assessments   **2.67 shares per SLCP assessment**

Results in the following estimation of resources unlocked: ➔ **23 million USD unlocked**

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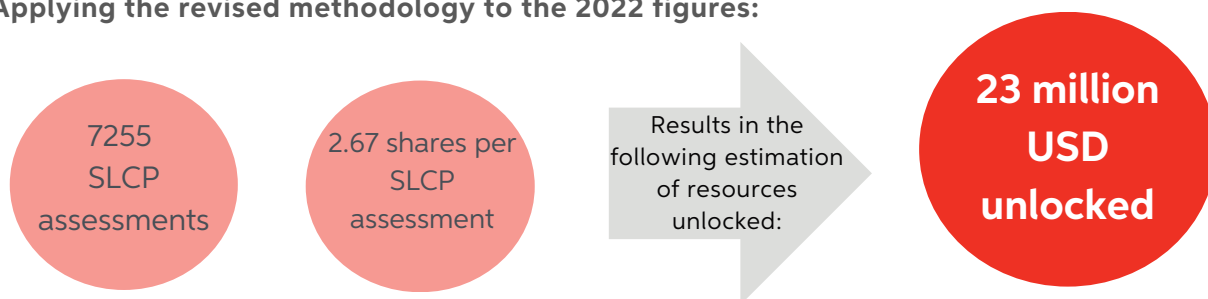
*How were assessment costs calculated?

Building on the previous methodology, calculating the cost of an SLCP assessment included data such as initial start-up costs, verification days, language, geographic differences, facility size, as well as other additional costs.

▶ 2022 year in review: Savings for signatories (SLCP Signatory Survey, November 2022)
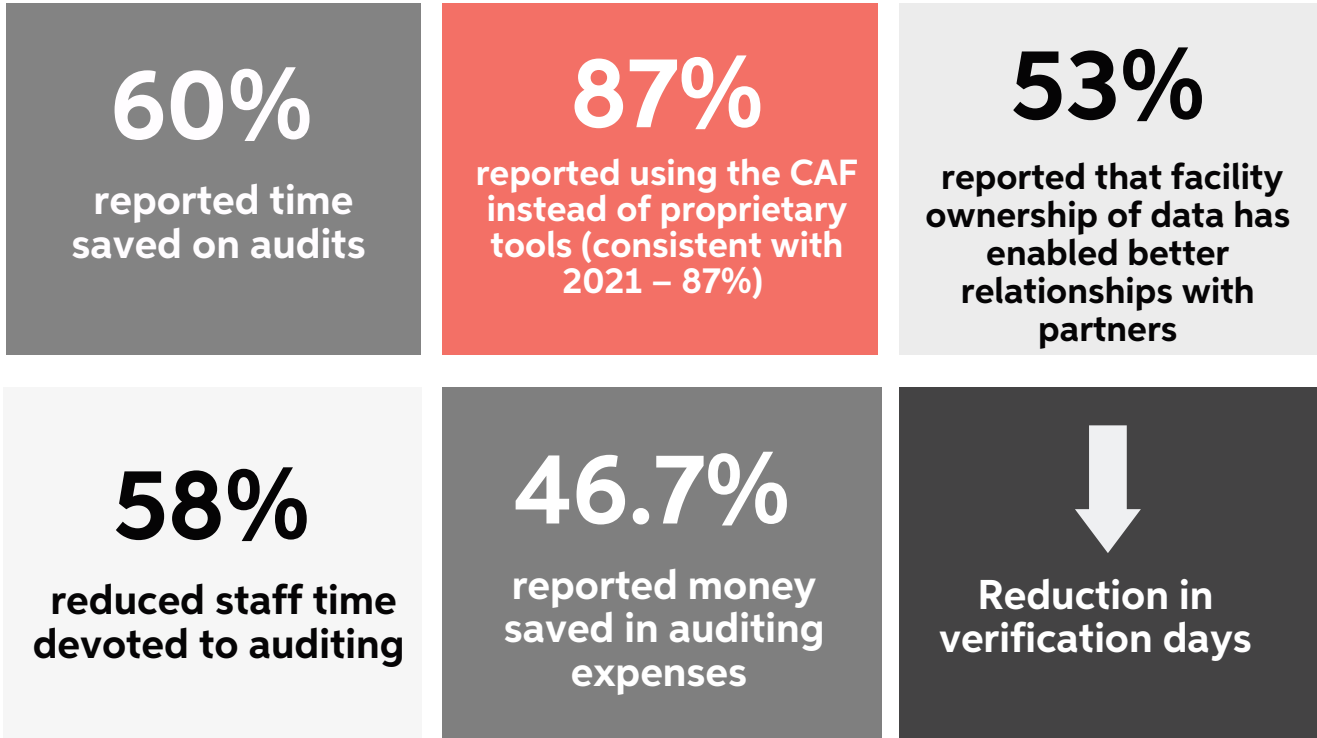
60%
reported time saved on audits

87%
reported using the CAF instead of proprietary tools (consistent with 2021 – 87%)

53%
reported that facility ownership of data has enabled better relationships with partners

58%
reduced staff time devoted to auditing

46.7%
reported money saved in auditing expenses

⬇
Reduction in verification days

Redirection of resources from verification cost savings

Evidence suggests SLCP is beginning to achieve its vision and mission of shifting resources from auditing to improving working conditions.

For example, SLCP partners with the Better Buying Institute to include questions about audit harmonization in their annual supplier ratings cycle. According to 2022 findings:

- Over a fifth (22.5%) of respondents reported their buyers are accepting SLCP
- Many reported saving thousands (up to $20,000) as a result
- Savings are being reinvested in workplace improvements, new programs for workers & higher wages.

Top three ways cost savings were reinvested by manufacturers

- Investments in the workplace
- New programs or services to workers
- Investments in new technology

Case Study

Innovative use of SLCP data in HSBC and PVH Supply Chain Finance Program

In mid-2022, HSBC and SLCP signatory, PVH Corp., announced the first sustainable supply chain finance program based on suppliers' sustainability ratings. The social elements of these ratings are measured using their SLCP assessment data. This ground-breaking initiative provides PVH's suppliers with access to critical funding based on both environmental and social objectives. SLCP data is used to measure social targets which include a healthy and safe working environment, compensation and benefits, and employment issues such as forced labor, child labor, harassment, and abuse. Sustainable supply chain finance programs help leading companies incentivize progress towards improving human rights in their supply chains while empowering suppliers to responsibly invest back into their businesses and people.

The use of SLCP data in the HSBC and PVH partnership is an excellent example of the way in which credible and actionable social and labor data can drive improved working conditions. It also demonstrates one of the many benefits that engaging in the SLCP assessment process can provide for facilities. Read more about the HSBC and PVH partnership here.

"At HSBC, we want to be the leading bank on financing the transition to net zero, with a special focus on the impact of trade finance and supply chains. That's why we welcome industry-aligned tools such as SLCP. Data-based solutions are needed to support sustainable supply chain finance programs that drive real progress and reward responsible business conduct."
Kelly W. Fisher, Head of Corporate Sustainability, HSBC Bank USA

Trends and Insights

The 2022 data provides a number of valuable insights. With an established and stabilized tool adopted by 7255 facilities globally, the findings are becoming increasing meaningful. The vast majority of assessments were conducted using CAF v1.4, meaning there is now more data which is aligned with international labor standards and national labor laws.

The following pages are informed by SLCP's 2022 operations, with a particular focus on trends and insights relating to legal non-compliance findings.

▶ Legal compliance

8.7

2021 average: 8.5

Average number of legal non-compliances per assessments in 2022

91%

2021 average: 91%

of all assessments included at least one legal non-compliance in 2022

62,821

Total number of legal non-compliances in 2022

How are legal non-compliances assigned to a data point?
Legal non-compliances are assigned to a data point in SLCP's Data Collection Tool when the Verifier identifies that the facility's situation is not in line with local legal requirements. This occurs during verification of the data, regardless if the facility self-assessment data is 'accurate' or 'inaccurate'. An overview of the facility's legal non-compliances is captured in the verification summary in the assessment report. Find out more via this SLCP Helpdesk article.

?

2022 legal non-compliances by category

- ■ **Health and Safety**
- ■ **Wages and Benefits**
- ■ **Working Hours**
- ■ Recruitment and Hiring
- ■ Worker Involvement
- ■ Other

46%
32%
13%
4%
2%
3%

Out of the total number of legal non-compliances found, the majority related to three categories
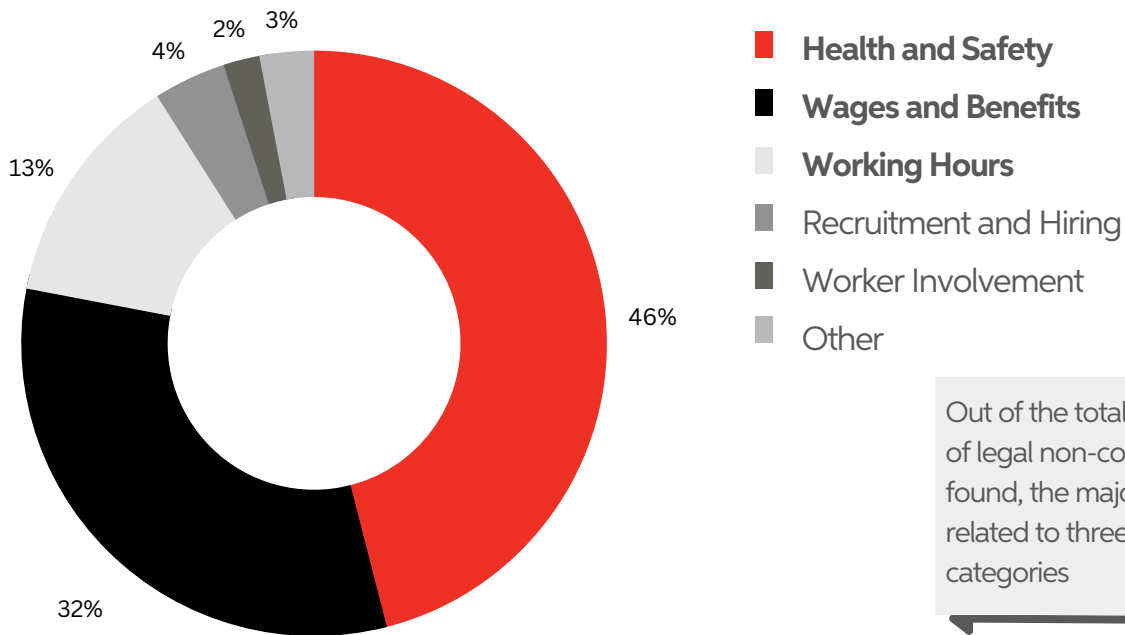
Key takeaways from the 2022 legal compliance data
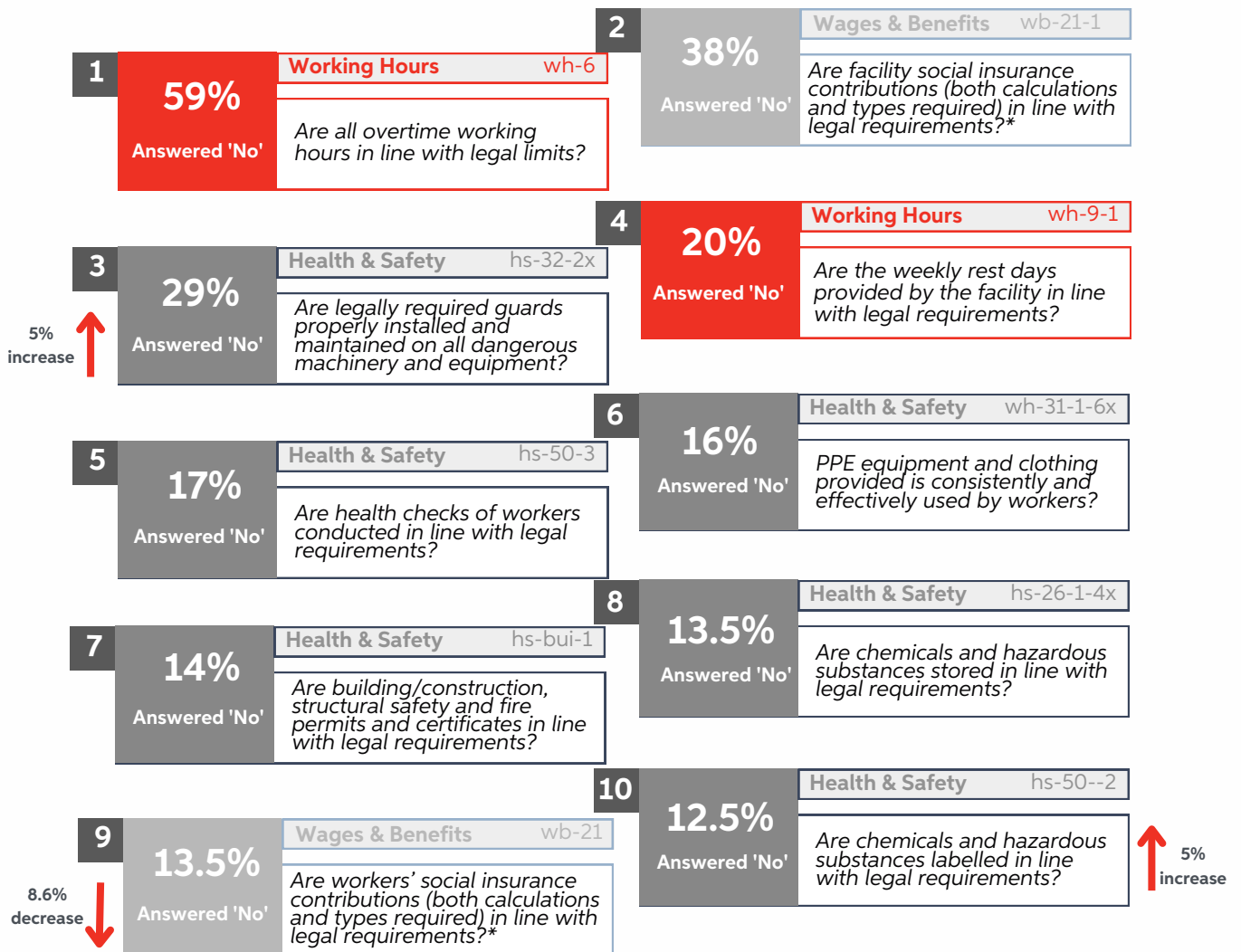
8.7	The average number of legal non-compliances (8.7) remains similar to previous years (8.5 in 2021)
91%	The data continues to show that a very high number of facilities (91%) are still not legally compliant
49%	There was no difference between SMEs, who make up 49% of assessments, and larger manufacturers in terms of legal compliance performance
Management Systems	Facilities with zero non-compliances in Step 2 (Management Systems) have half of the legal non-compliances in Step 1. This suggests a correlation between management systems and broader social compliance.
Core Labor Standards	The CAF is effective at identifying legal non-compliances, but should be used as one of a number of tools to identify the most severe risks such as the (5) core labor standards
77%	Repeat users (77% in 2022 assessments) do not demonstrate a large difference in social & labor data. However, they are more likely to complete a more extensive assessment, going beyond the Step 1 'Essentials' and opting for Step 2 and 3 (read more below).

Top 10 legal non-compliances

The below list includes the most frequent legal non-compliance data points in 2022. Non-compliances were detected in every category and this list only describes the top ten data points.

The percentage value shows how many of the 2022 total assessments flagged this data point as a legal non-compliance.

The accompanying codes are question IDs from CAF v1.4.

1 **59%** Answered 'No' — **Working Hours** wh-6 — *Are all overtime working hours in line with legal limits?*

2 **38%** Answered 'No' — **Wages & Benefits** wb-21-1 — *Are facility social insurance contributions (both calculations and types required) in line with legal requirements?**

3 **29%** Answered 'No' — **Health & Safety** hs-32-2x — *Are legally required guards properly installed and maintained on all dangerous machinery and equipment?* — 5% increase ↑

4 **20%** Answered 'No' — **Working Hours** wh-9-1 — *Are the weekly rest days provided by the facility in line with legal requirements?*

5 **17%** Answered 'No' — **Health & Safety** hs-50-3 — *Are health checks of workers conducted in line with legal requirements?*

6 **16%** Answered 'No' — **Health & Safety** wh-31-1-6x — *PPE equipment and clothing provided is consistently and effectively used by workers?*

7 **14%** Answered 'No' — **Health & Safety** hs-bui-1 — *Are building/construction, structural safety and fire permits and certificates in line with legal requirements?*

8 **13.5%** Answered 'No' — **Health & Safety** hs-26-1-4x — *Are chemicals and hazardous substances stored in line with legal requirements?*

9 **13.5%** Answered 'No' — **Wages & Benefits** wb-21 — *Are workers' social insurance contributions (both calculations and types required) in line with legal requirements?** — 8.6% decrease ↓

10 **12.5%** Answered 'No' — **Health & Safety** hs-50--2 — *Are chemicals and hazardous substances labelled in line with legal requirements?* — 5% increase ↑

Interestingly, the top 10 legal non-compliance data points are the same as 2021. Despite this, there have been some notable changes in the percentage of legal compliance since 2021, with the most significant highlighted as percentage changes above.

Repeat users and legal compliance

Repeat users are facilities who have previously completed an SLCP assessment. 77% of facilities from 2021 completed another assessment in 2022. In 2022, 47% of assessments were from new facilities.

Observations on repeat users

- 47% of repeat users show improvement in compliance levels from their first assessment.
- However, the average number of legal non-compliances (8) was only marginally lower than the overall average (8.7).
- Repeat users show commitment to the process, with 91% opting for Step 2 or 3 (management systems & above & beyond), while only 9% continued to opt for step 1.

3846
Total repeat users

53% of 2022 assessments
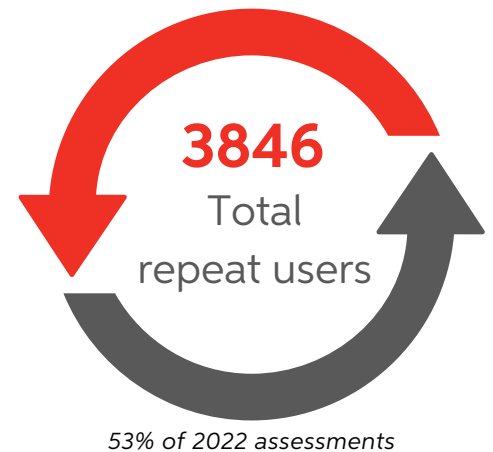
Why do repeat users go beyond Step 1?

- Many questions in Step 2 and 3 of the tool are associated with human rights due diligence. As HRDD increases, there is a growing demand for understanding management systems and broader social impacts of suppliers.
- A supplier may have received feedback from buyers to opt for Step 2 or 3 in future assessments.
- By first using Step 1 of the tool, facilities may feel more confident with the system and process, and have the capacity to opt for Step 2 and 3 in future assessments.

▶ Correlation between management systems and legal compliance

In 2022, 52% of facilities completed a Step 2 assessment. Step 2 of the CAF is largely focused on management systems*. This provides an insight into how facilities that are legally compliant in their management systems perform overall.

Average legal non-compliances (Step 1)

	15
	10.64
	10
5.36	8.24
	5
	0
	2022

2022 assessments which had:

- ■ At least one Step 2 legal non-compliance
- ■ No Step 2 legal non-compliances
- ■ Total Average legal non-compliances
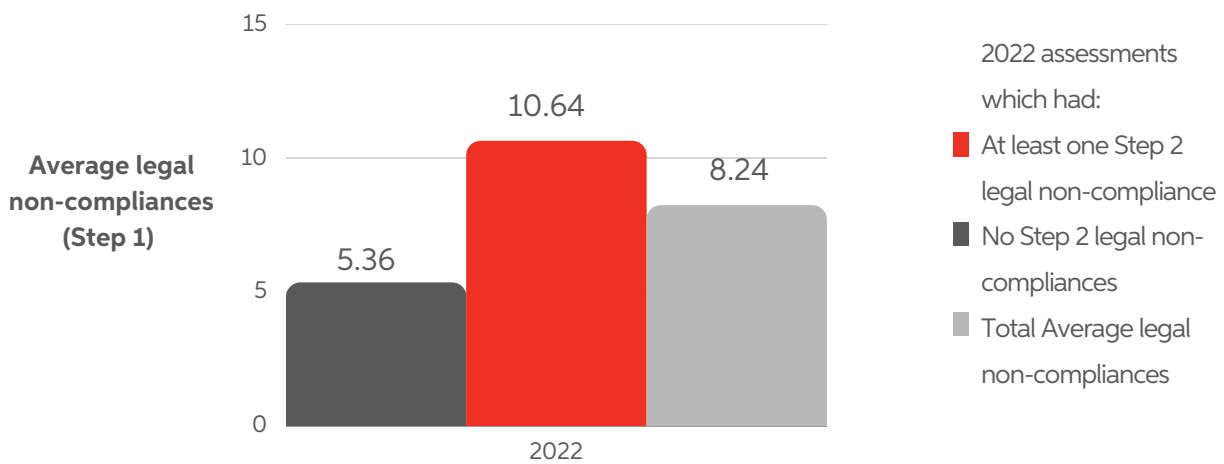
🔍 Observations

- Facilities who are fully compliant on the management systems generally report fewer legal non-compliances.

Opportunities for further insights:

As the volume of assessments increases in future years, we can further investigate:

- *Whether facilities with good management systems are more likely to be highly compliant on all social compliance issues.*

▶ SMEs and legal compliance

SMEs - small and medium sized enterprises - represent a large part of production in global supply chains. SLCP defines SMEs as facilities with less than 250 workers. In 2022, 49% of all SLCP assessments were completed by SMEs (this is consistent with previous years' data). This shows the broad applicability of the tool.

LEGAL NON-COMPLIANCES IN ASSESSMENTS	2022 SMEs AVERAGE	2022 OVERALL AVERAGE
% assessments with non-compliance	92%	91%
Average # legal non-compliances per assessment	9.3	8.7
% of assessments with 10+ legal non-compliances	32%	29%

🔍 Observations on SMEs

- SMEs appear to have similar findings in terms of legal compliance to larger facilities.
- As SMEs represent a large part of production in global supply chains, the applicability of SLCP in these facilities helps drive further data comparability.

Opportunities for further insights:

As the volume of assessments increases, we can start investigating:

- *Are non-compliance trends in SMEs similar to larger facilities?*

This is particularly useful given the need for supplying SMEs to adhere to new regulations, like the proposed EU Corporate Sustainability Due Diligence Directive.

Laying the policy foundations

With a stabilized tool mapped against international labor standards and national labor laws, 2022 saw SLCP well positioned to establish itself as a credible data source to support policy-based improvement programs.

Throughout the year, SLCP continued to increase its understanding of the CAF's relevance in light of policy developments. In particular:

- How can SLCP's data be used to comply with emerging policies and legislation?
- How does the Converged Assessment Framework capture data on severe human rights risks?
- How can SLCP data drive policy decisions?

Human rights due diligence has been a key tool used to improve companies' respect of human rights. By laying the foundations for strong alignment with policy demands, stakeholders can leverage SLCP data to maximise impact in this space and to support human rights due diligence implementation.

▶ Core labor standards & the Converged Assessment Framework

Most human rights due diligence policies require companies to use a 'risk-based' approach to address human rights impacts. This means that the most severe and likely risks in the supply chain should be prioritized. As such, in 2022 SLCP undertook research into how the CAF incorporates the most severe human rights – the core labor standards - into the tool, and what trends and insights we can unlock as a result.

The learnings from 2022 found that the CAF captures legal non-compliances relating to all core labor standards, to varying extents.

Instances of forced labor, discrimination, freedom of association, child labor, and sexual harassment are often extremely difficult to uncover through audits for a number of reasons. SLCP continues to advocate that stakeholders looking to identify, prevent, and mitigate these severe human rights violations need to conduct proper due diligence by using a number of tools and mechanisms in conjunction with the CAF.

5 **Core labor standards** all of which are addressed by the CAF

854 **The potential number of data points which are directly or indirectly related to a core labor standard.**

Out of a possible 2134 questions in CAFv1.4.

ILO core labor standards & data points in the CAF	
Forced Labor	105 data points
Child Labor	40 data points
Freedom of Association	95 data points
Discrimination	155 data points
Health & Safety	396 data points
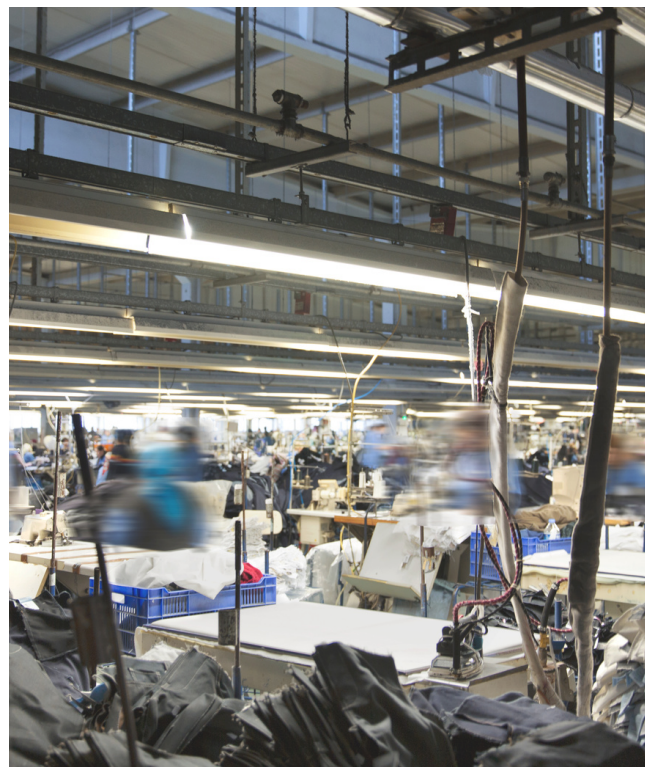
This is according to the ILO's Conventions. Note in 2022, a safe and healthy working environment was added as a core labor standard.

▶ Focus area: Health and Safety

Why is this a key focus for human rights data now?
Health and safety has become a critical focus area in working conditions within supply chains, particularly after the International Labour Organization (ILO) recognized it as a fundamental right at work in 2022. The pandemic only exacerbated the risks to health & safety at work, further prompting the ILO provisions.

What has changed now that Health & Safety is an ILO core labor standard?
Recognizing health and safety as a fundamental right at work emphasizes the need for effective tools and measures to foster safe and healthy working environments. Part of this includes collecting credible and actionable data on health and safety, allowing companies to conduct meaningful human rights due diligence and incentivise responsible business conduct. SLCP can play a role in supporting this effort.

How does SLCP collect data on Health & Safety?
The Converged Assessment Framework includes questions relating to various social compliance areas, including health and safety. The majority of health & safety questions are in Step 1 in the 'health and safety' section. There is a total of 396 data points in this section. SLCP is continuing to explore what the ILO defines as a 'safe and health working environment' and how the tool collects data on this topic.

What does the 2022 SLCP data say about health and safety?
Health and safety remains the number 1 area of legal non-compliances in 2022. This further cements the need for it to be an area of impact for industry stakeholders in future years.

▶ Potential uses of SLCP data for policymaking

Evidence-based policymaking is fundamental to governments and international organizations. At the same time, there is a rise in regulatory efforts to address the human rights impacts of companies. As the number of SLCP assessments grows, there is an opportunity to use the aggregate data as evidence of industry trends, and to support compliance efforts. This can ultimately inform broader decision-making, increase impact, and drive improved working conditions.

Compliance with due diligence legislation

Companies are using SLCP data to support due diligence efforts, according to recent survey results. Under emerging human rights due diligence regulations, companies need to be able to prove they are addressing adverse human rights impacts in their supply chain.

E.g. a German brand can use SLCP data to support identify, track & monitor social & labor risks for the German Supply Chain Act (LkSG) compliance. For a high-level mapping, refer to SLCP's HRDD Toolkit.

Driving future policy decisions and initiatives

By understanding industry trends, policy makers can gain a deeper understanding of issue areas tha could benefit from a policy intervention.

E.g. SLCP data that highlights indicators of forced labor could be used as one supporting source to understand risks of forced labor. The EU Risk Database for Forced Labor Regulation (part of the proposed EU Forced Labor Regulation) will require qualitative and quantitative evidence to measure risk.

Looking to find out more on the use of SLCP's data for policy compliance?

We published our SLCP Human Rights Due Diligence Toolkit in March 2023, that includes more specific insights.

Sustainability reporting disclosures

The EU estimates that over 50,000 companies will need to be disclosing on their material sustainability impacts from 2025. Many companies are already voluntarily disclosing ESG information, such as through the ISSB (currently SASB Standards) or GRI standards.

E.g. Nike used SLCP data for its SASB reporting, according to their 2022 Impact Report.

Policy research by international organizations

International organizations are often conducting research and publishing commentary on various issues underpinning responsible business conduct. In addition, international organizations turn to qualitative and quantitative evidence to support their research, which could include reference to SLCP and use of the CAF data.

e.g. The OECD referenced SLCP in their 2022 background note to policymakers on the role of sustainability initiatives for supporting mandatory HRDD.

SLCP and the UN Sustainable Development Goals

Our mission and goals positively impact the following SDGs:

Enabling conditions for decent work

SDG 8: Decent Work and Economic Growth

The comprehensiveness of the Converged Assessment Framework (CAF) provides users enhanced understanding of working conditions in their supply chain. An increased awareness of the conditions, coupled with the cost savings resulting from data sharing, empowers stakeholders to efficiently allocate resources towards fostering dignified work opportunities for all.

Steering collaborative action

SDG 17: Partnerships for the Goals

By bringing together diverse industry stakeholders in tackling audit fatigue and ensuring they all have an equal seat at the table, SLCP contributes to the SDG target of enhancing global partnerships for sustainable development. As a multi-stakeholder initiative, SLCP is able to facilitate dialogues and collaborations that can build trust and drive impactful action.

SDG 8 TARGETS WITH DIRECT RELEVANCE TO SLCP

8.5
Full and productive employment and decent work for all.

8.7
Eradicate forced labor and child labor, end modern slavery, human trafficking.

8.8
Protect labor rights and promote safe and secure working environments for all.

SDG 17 TARGETS WITH DIRECT RELEVANCE TO SLCP

17.16
Enhance the global partnership for sustainable development.

17.17
Promote effective public, public-private and civil society partnerships.

17.19
Build on existing initiatives to develop measurements of progress on sustainable development.

While SLCP's areas of work directly contribute to SDGs 8 and 17, SLCP also positively influences the progress of several other SDGs in the social and economic domains.

Read more about SLCP and the UN SDGs in our blog here.

The interconnectedness of the SDGs means that SLCP also influences the promotion and progression of broader goals including:

Unlocked resources through the use of SLCP offers stakeholders the potential to reinvest resources to reduce the disparities and inequalities that exist in global supply chains (SDG 10).

SLCP's focus on improved social conditions in supply chains encourages responsible production practices which aligns with the SDG target of promoting sustainable patterns of consumption and production (SDG 12).

SLCP data also supports in the assessment of legal compliance, effectively contributing to advancement of the rule of law at the national and international levels (SDG 16)

The numerous global challenges that have unfolded recently have forced supply chain actors to prepare for new realities and have emphasized the need for a more sustainable future for all. As they navigate these uncertain times, SLCP strives to continue supporting partners in driving the SDGs through audit harmonization and providing actionable and comparable social data to realize our collective vision of sustainable development.

Case Study

SDG 17 - Fostering collaborative action with Fair Wear Foundation

SLCP and Fair Wear set the long-term goal of SLCP's data being used as a source for Fair Wear's strategy and instruments, and for brands to be able to use SLCP's data as part of their human rights due diligence approach.

To work towards this goal, SLCP and Fair Wear defined some initial short-term projects including a Fair Wear led pilot working with a small number of brands to develop improvement plans based on SLCP data.

The pilot involved:

5
Member brands

15
SLCP reports received by **7** Verifier Orgs, with **11** complete and **10** reviewed

4
countries

Positive findings:
- A high degree of alignment between SLCP's CAF and the Fair Wear standard
- That SLCP data can be useful as input for Fair Wear Members' HRDD implementation
- That the Fair Wear CAP (corrective action plan) tool can be applied to SLCP data to develop remediation and follow-up actions

Improvement & development in the CAF:
- The need for consistency in the language and terminology used in Verifier findings
- Verifier explanations sometimes lack the details or clarity necessary to identify root cause
- Conduct training of verifiers to help identify issues of sensitive information
- Repetitive findings in a report

As follow-up to the pilot, Fair Wear and SLCP will be working closely together in 2023 to explore options for scaling the use of SLCP data in Fair Wear members' Corrective Action Plans and in FWF HRDD system more broadly, including exploring technical integration.

APPENDIX 1 - Topics covered in the CAF

What topics are covered in each of the top legal non-compliance categories?

Health & Safety	General Work Environment; Building Safety; Risk Assessment; HS Policy; Qualified HS Staff; HS Committee; HS Worker Engagement Emergency Preparedness; Flammable And Combustible Materials; Chemicals And Hazardous Substances; Worker Protection; Materials Handling and Storage; First Aid and Medical; Dormitories; Canteens; Childcare; Facilities
Wages & Benefits	Minimum Wage; Facility Information; Records; Overtime Wage; Other Premium Pay; Piece Rate Workers; Wage Payment; Legal Withholdings; Social Insurance; In-kind Benefits; Leave; Compensatory Leave; Work Stoppages; Work-related Activities; Overtime Allowances; Wages; Wage Increase; Bonus; Deductions; Performance Evaluations; Loans & Advances
Working Hours	Records; Regular Hours; Overtime Hours; Breaks; Break Payment; Rest Days; Forced Labor; Overtime; Total Working Hours
Recruitment & Hiring	Child Labor; Apprenticeship / Trainee; Internship Programs; Discrimination; Recruitment Practices; Employment Practices; Homeworkers

APPENDIX 2 - Glossary

- AH – Accredited Host
- CAF – Converged Assessment Framework
- TB – Training Body
- VB – Verifier Body
- VRC – Verification Completed (assessment status)
- VRF – Verification Finalized (assessment status)
- VOO – Verification Oversight Organization (Sumerra)

- Accuracy Rate - percentage of the self/joint-assessment that was found to be accurate during the verification
- Completion Rate - percentage showing level of completeness of the self/joint-assessed data
- Facility Return Rate - percentage of facilities which are not completing an SLCP assessment for the first time

For a detailed explanation of general SLCP terms, visit the SLCP Glossary.

APPENDIX 3 - Resources Unlocked

2018-2022 Resources Unlocked methodology

The core components that informed the annual calculation:

- Estimated Audit Costs facilities incur for the on-site SLCP verification process compared to the on-site verification from a traditional audit firm by:

  - Number of days for auditor/verifier on-site verification

  - Percent reduction in days for auditor/verifier on-site verification

- Duplication of Audits by facilities from multiple brands compared to the reduced number of audits by using the CAF

Using this methodology, between 2019 to 2021, SLCP estimated a potential cost savings for users of the CAF to be 10M to 25M USD annually.
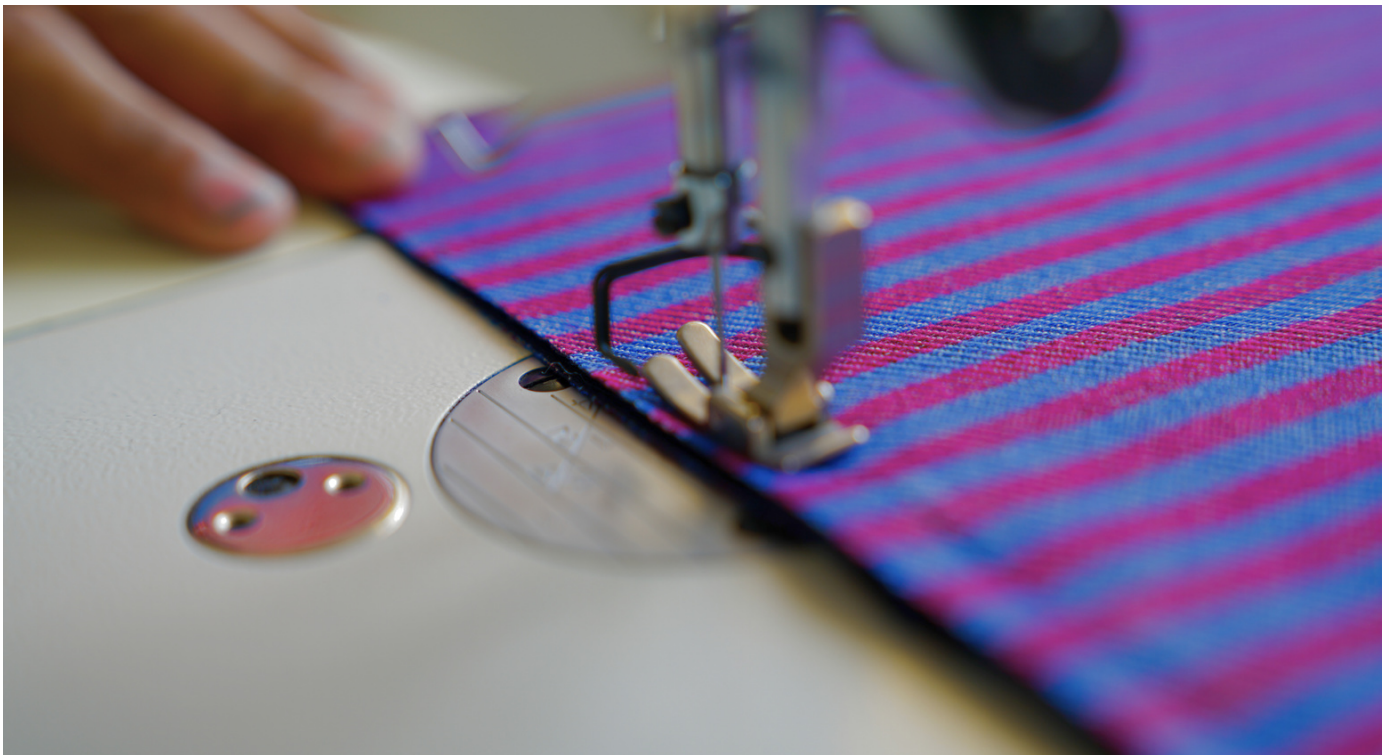
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