Social & Labor Convergence Program (SLCP)


SLCP Data Insights for Policy Webinar
31st October, 2023
Thank you for joining! The webinar will start in a couple of minutes.

Online Webinar:

Using SLCP Data Insights for Policy

31 October, 2023

• Please note that this webinar is being recorded and will be posted online.

• All attendees are requested to observe Chatham House Rules and follow Anti-trust Guidelines.

• Please use the Q&A function to ask questions to the speakers.
SLCP Data Insights & Policy

Alejandra Barajas, Data Insights Manager
Tom Mason, Policy Manager
Today’s Agenda

1. Welcome
2. Introduction to SLCP’s Usefulness for Policy
3. Government Perspective: Green Button on use of SLCP data for due diligence implementation
4. Example: SLCP brand (stichd) on using SLCP for policy
5. Introduction to SLCP’s Data Insights – What is the data saying?
6. Example: Better than Cash Alliance – SLCP data digital wage progress
7. Q&A
Context: SLCP’s growth

Industry Adoption

7255 assessments completed in 2022.
10,000 expected in 2023.

12k+ facilities registered in the SLCP Gateway

70+ brands & organizations publicly committed to accepting SLCP verified data

Resources Unlocked

87% of signatories using the CAF instead of proprietary tools

Potential of 23 million USD unlocked* through use of the CAF

37% of signatories reported redirecting resources as a result of SLCP implementation in 2022.
Context: The rise of regulation

2023 ENFORCED

- UK Modern Slavery Act - In force as of 26th March 2015
- French Corporate Duty of Vigilance Law - In force as of 27th March 2017
- Australia's Modern Slavery Act - In force as of 1st January 2019
- US Uyghur Forced Labour Prevention Act - In force as of June 2022
- Japan's Guidelines on Respect for Human Rights in Responsible Supply Chains - In force as of 2022
- Norwegian Transparency Act - Companies required to report by 30th June 2023
- German Supply Chain Act - In force for companies with over 3000 employees as of 1st January 2023
- Mexico's Forced Labour Regulation - Comes into force 18th May 2023

Disclosure-based legislation

Trade-based legislation

Due diligence-based legislation
Greater uses of SLCP Data for policy

**Compliance with due diligence legislation**
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**
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.

**Sustainability reporting disclosures**
E.g. Nike used SLCP data for its SASB reporting, according to their 2022 Impact Report. Brands will likely also use SLCP data for their ESRs (EFRAG/CSRd) reporting in future years.

**Policy research by international organizations**
e.g. The OECD referenced SLCP in their 2022 background note to policymakers on the role of sustainability initiatives for supporting mandatory HRDD.
SLCP Data & Policy

Tom Mason
Policy Manager
Background: SLCP’s policy aims

1. The CAF is an aligned and acknowledged tool to help users implement policy.

2. SLCP data is recognized as a credible source of information to facilitate supply chain policy & legislation implementation and drive future improvement initiatives.
Credible data needed for policy compliance

SLCP data can only support policy implementation if it is high quality.

Data quality is a top priority for SLCP.

We ensure data quality and integrity through our Verification Oversight and Quality Assurance strategy.

SLCP works with an external Verification Oversight Organization (VOO) who is responsible for ensuring integrity of SLCP verifications and quality of verified assessment data.
SLCP supporting HRDD

SLCP assessment data provides a credible & actionable foundation for companies to **identify** human rights risks in supply chains and **track & monitor** progress.

Available on our website
SLCP supporting HRDD

1. The CAF is a foundational social assessment
2. SLCP prioritises credible and actionable data
3. The tool is mapped against international labor standards and national labor laws
4. Capacity to unlock resources for improvement programs
### Legislation deep-dive

**Example from SLCP HRDD Toolkit: German Supply Chain Act (LkSG)**

<table>
<thead>
<tr>
<th>Due Diligence Step</th>
<th>Article Number</th>
<th>SLCP relevance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establishing an effective risk management system</td>
<td>s4</td>
<td>✓</td>
<td>An SLCP assessment can form part of the risk management system.</td>
</tr>
<tr>
<td>2. Undertaking risk analysis</td>
<td>s5</td>
<td>✓</td>
<td>SLCP can support the initial identification of human rights risks.</td>
</tr>
<tr>
<td>3. Derivation of preventative measures</td>
<td>s6</td>
<td>✗</td>
<td>Companies need to implement their own preventative measures. However, an SLCP assessment could inform this step as brands can use SLCP data to tailor preventative measures.</td>
</tr>
<tr>
<td>4. Provision for remedial measures</td>
<td>s7</td>
<td></td>
<td>Brands can check SLCP data against the policy requirements and implement corrective action plans accordingly.</td>
</tr>
<tr>
<td>5. Establishment of complaints procedure</td>
<td>s8</td>
<td></td>
<td>SLCP does not help a company establish a complaints procedure, but it does help complying brands understand if their suppliers have grievance systems in place.</td>
</tr>
<tr>
<td>6. Documentation and reporting</td>
<td>s10</td>
<td></td>
<td>SLCP assessments can be used as one of the measures included in annual reporting.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Addressed in the CAF</th>
<th>Section in the tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Labor</td>
<td>Addressed</td>
<td>Step 1/2</td>
</tr>
<tr>
<td>Forced Labor and all forms of slavery</td>
<td>Addressed</td>
<td>Step 1/2</td>
</tr>
<tr>
<td>Occupational Safety and work-related health hazards</td>
<td>Addressed</td>
<td>Step 1/2/3</td>
</tr>
<tr>
<td>Freedom of association and the right to collective bargaining</td>
<td>Addressed</td>
<td>Step 1/2</td>
</tr>
<tr>
<td>Equality in employment (Discrimination)</td>
<td>Addressed</td>
<td>Step 1/2/3</td>
</tr>
<tr>
<td>Fair Wages</td>
<td>Partially addressed</td>
<td>Step 1/2/3</td>
</tr>
<tr>
<td>Destruction of vital natural resources through environmental pollution</td>
<td>N/A (However, Step 1 &amp; 2 asks a some high-level questions on this broad topic)</td>
<td></td>
</tr>
<tr>
<td>Land rights</td>
<td>Partially addressed</td>
<td>Step 3</td>
</tr>
<tr>
<td>Hiring or use of private/public security forces without an adequate command structure or proper oversight to prevent harm</td>
<td>Partially addressed</td>
<td>Step 1/2/3</td>
</tr>
</tbody>
</table>
## Use of SLCP Data for Policy

Comparison: How do brands use the tool vs how our policy stakeholders see the tool as useful for?

<table>
<thead>
<tr>
<th>Do you use SLCP data for any of the following purposes?</th>
<th>% of Brands that use SLCP data for these purposes (2022 Signatory Survey)</th>
<th>% of Policy stakeholders that consider SLCP useful for this purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>To identify human rights risks in the supply chain</td>
<td>89%</td>
<td>93%</td>
</tr>
<tr>
<td>To monitor and track human rights risks in the supply chain</td>
<td>93%</td>
<td>80%</td>
</tr>
<tr>
<td>To assess if there are instances of forced labor in your supply chain</td>
<td>78%</td>
<td>60%</td>
</tr>
<tr>
<td>To make disclosures relating to workers in your supply chain</td>
<td>61%</td>
<td>47%</td>
</tr>
<tr>
<td>To substantiate social and labor claims made about your products to consumers</td>
<td>43%</td>
<td>33%</td>
</tr>
<tr>
<td>For sustainability reporting</td>
<td>53%</td>
<td>73%</td>
</tr>
</tbody>
</table>
Scope of SLCP data use for compliance

Due diligence requires **tailored, ongoing implementation**

The **responsibility** remains on the company

SLCP data requires an **'interpretation layer’**
Government Perspective: SLCP & the Smart-Mix

Christine Moser-Priewich
Co-Head of Secretariat
Green Button (GIZ)
Brand Perspective

Ioana Cotos
Sustainability Manager
stichd
WHO IS STICHD?

**Essentials**

LEGWEAR | BODYWEAR | SWIMWEAR

CALVIN KLEIN
LEVIS STRAUSS
PUMA
HEAD
TOMMY HILFIGER

Wardrobe’s humble heroes. The first thing you put on and the last thing you put off. Quality product ranging from trusted basics to seasonal styles to boost confidence and complement outfits.

**Fanwear**

MOTORSPORT | FOOTBALL

MERCEDES F1 TEAM
SCUDERIA FERRARI F1 TEAM
FORMULA E
FORMULA 1
PORSCHE MOTORSPORT
AYRTON SENNA
ASTON MARTIN F1 TEAM

Sport merchandise that brings fans closer to their favorite drivers and teams. From online to the stadiums to trackside, it’s all about personal products igniting total team spirits.

**Lifestyle**

ACCESSORIES | APPAREL

BMW LIFESTYLE

Branded products that allow for personal identity building through selective brand engagement. A carefully curated product offer with the intent to express individual style and values.
What are the benefits of SLCP for stichd?

- Reducing duplicative audits for suppliers
- Less resources to manage data across licensee brands
- Consistent data from suppliers on a global scale
- Supporting suppliers to own their social data

stichd
DUE DILLIGENCE PROCESS

- Identify & assess adverse impacts
- Effective preventive and mitigation measures
- Communicate
- Embed Responsible Business Conduct
- Provide for or cooperate
- Track
TRACK

Dashboard to monitor social issues from last year
Understanding hotspots and recurrent issues

IDENTIFY AND ASSESS ADVERSE IMPACTS

- SLCP Verified assessment
- Brand rating
- stichd Social Sustainability score
GOALS & COMMUNICATION

**Target 1:** 100% T1 factories completed verification of SLCP/ enrolled in Better Work program by 2025

**Target 2:** 100% T1 suppliers achieve a *Leading* Social Sustainability score

**SLCP ROLL OUT - TIER 1**

<table>
<thead>
<tr>
<th>Year</th>
<th>Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡</td>
<td>65%</td>
</tr>
<tr>
<td>2021</td>
<td>🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡🧡</td>
<td>59%</td>
</tr>
</tbody>
</table>

*This does not include T1 Fanwear Business Unit facilities. For Fanwear Business Unit facilities, 38% have completed a verified assessment in 2022. The same target of 100% by 2025 applies.*
SLCP Data Insights

Alejandra Barajas
Data Insights Manager
SLCP data at a glance

Converged Assessment Framework (CAF) Version 1.5

Distribution of questions and facilities selection in 2022

- 2000 + questions in total

Step 1: Labor Standards
48%
22%

Step 2: Management Systems
42%
52%

Step 3: Above and beyond
26%
10%

Questions
Facilities selection
SLCP data at a glance

Legal Compliances

8.7
2021 average: 8.5
Average number of legal non-compliances per assessments in 2022

91%
2021: 91%
of all assessments included at least one legal non-compliance in 2022

By Category

The majority of legal non-compliances relates to three categories

When conducting HRDD, Brands need to work with their suppliers to prevent and mitigate HR issues.
## Top 10 legal Non-Compliances

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>ID</th>
<th>Question</th>
<th>Answered 'No'</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Working Hours</td>
<td>wh-6</td>
<td>Are all overtime working hours in line with legal limits?</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>2</td>
<td>Wages &amp; Benefits</td>
<td>wb-21-1</td>
<td>Are facility social insurance contributions (both calculations and types required) in line with legal requirements?</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>3</td>
<td>Health &amp; Safety</td>
<td>hs-32-2x</td>
<td>Are legally required guards properly installed and maintained on all dangerous machinery and equipment?</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>4</td>
<td>Working Hours</td>
<td>wh-9-1</td>
<td>Are the weekly rest days provided by the facility in line with legal requirements?</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>5</td>
<td>Health &amp; Safety</td>
<td>hs-50-3</td>
<td>Are health checks of workers conducted in line with legal requirements?</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>6</td>
<td>Health &amp; Safety</td>
<td>hs-31-1-6x</td>
<td>PPE equipment and clothing provided is consistently and effectively used by workers?</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>7</td>
<td>Health &amp; Safety</td>
<td>hs-bui-1</td>
<td>Are building/construction, structural safety and fire permits and certificates in line with legal requirements?</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>8</td>
<td>Health &amp; Safety</td>
<td>hs-26-1-4x</td>
<td>Are chemicals and hazardous substances stored in line with legal requirements?</td>
<td>13.5%</td>
<td>13.5%</td>
</tr>
<tr>
<td>9</td>
<td>Wages &amp; Benefits</td>
<td>wb-21</td>
<td>Are workers’ social insurance contributions (both calculations and types required) in line with legal requirements?</td>
<td>13.5%</td>
<td>13.5%</td>
</tr>
<tr>
<td>10</td>
<td>Health &amp; Safety</td>
<td>hs-50-2</td>
<td>Are chemicals and hazardous substances labelled in line with legal requirements?</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>
Repeated users & legal compliance
Monitoring step for HRDD

3846 Total repeat users
53% of 2022 assessments

47% Show improvement in compliance levels from the first assessment.

8.0 Average legal non-compliance is 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.

Tracking and monitoring of HRDD: Repeated users allows us to understand the effectiveness of preventing and mitigating previously identified risks.
Facilities who are fully compliant on management systems generally report fewer legal non-compliances.

52% of total facilities have completed a step 2 assessment.

Average legal non-compliances (Step 1):
- 2022: 5.36
- 2022: 10.64
- Total Average legal non-compliances: 8.24

2022 assessments which had:
- At least one Step 2 legal non-compliance
- No Step 2 legal non-compliances
- Total Average legal non-compliances
SMEs and legal non-compliances

49% of total facilities are classified as SMEs in 2022.

SMEs will be impacted by upcoming policies and need to focus on actual improvement programs rather than repeated auditing.

<table>
<thead>
<tr>
<th>LEGAL NON-COMPLIANCES IN ASSESSMENTS</th>
<th>2022 SMEs AVERAGE</th>
<th>2022 OVERALL AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>% assessments with non-compliance</td>
<td>92%</td>
<td>91%</td>
</tr>
<tr>
<td>Average # legal non-compliances per assessment</td>
<td>9.3</td>
<td>8.7</td>
</tr>
<tr>
<td>% of assessments with 10+ legal non-compliances</td>
<td>32%</td>
<td>29%</td>
</tr>
</tbody>
</table>
As the number of assessments increase, there is more potential to work on data analytics to analyse trends and insights about our facilities worldwide.

- **Factsheets**: SMEs, Digital Wages, Occupational Health and Safety.
- **Impact Report** in collaboration with ITC (Chapter 4)
- **Data Fridays**: Data bite-size facts on Labor Standards and much more.
Practical Example: SLCP Data highlights Digital Wages Progress

Katherine Rickard
Private Sector Digital Payments Analyst
UNCDF Better Than Cash Alliance
The Better Than Cash Alliance (Alliance) has been a signatory since SLCP inception five years ago.

Together we developed and integrated worker wage payment questions into the Converged Assessment Framework (CAF tool).

Nearly 80% of all SLCP signatories reporting against the CAF (5,500+ facilities representing 49 brands globally) reported this wage data in 2022.

This improves the capacity of SLCP signatory facilities to monitor and assess the digital wages of workers in their supply chains, especially in:
  - improving understanding of wage management systems and,
  - supporting traceability for living wages.
Digital Wages Factsheet

**Key Takeaways:**

- Extremely positive developments for digital payments, with significant increases in recent years.

- **Bangladesh** is particularly promising story – with a large increase in digital wages since the previous analysis was conducted in 2018.

- **SMEs** are progressing well, but still require more support given their unique challenges.
Digital Wages Factsheet

Social & Labor Convergence Program

64% of SLCP facilities paid workers through direct deposits. Digital wages generate increased efficiencies, transparency and security in supply chains and support inclusive growth.
89% of facilities paying wages digitally were more likely to contribute to at least one social insurance scheme (pension, medical, injury, unemployment or maternity).
Q&A

For all follow up questions after today’s webinar, please contact tom@slconvergence.org or Alejandra@slconvergence.org
Thank you for joining!