SLCP
Impact
Report
2023

Table of Contents

Foreword

Janet Mensink
Chief Executive Officer

Recent years have shown us that global uncertainty, economic turbulence and the resulting supply chain disruption have become enduring trends. These challenges increase both the risk of human rights' abuses in supply chains and the need for trusted data. At the same time, the growing regulatory push for companies to address human rights' concerns, along with fast-paced technological advancements, provides exciting opportunities to enhance working conditions at scale.

In this context, we reflect on SLCP's progress in 2023, the final year in our first five-year strategic plan and our fifth year of implementation of the Converged Assessment Framework (CAF). In this report, we hope to demonstrate both the evolution of SLCP adoption, and our tangible impact.

In terms of growth, 2023 saw over 9000 assessments, covering 6.6 million workers worldwide, and a potential of $26 million of resources unlocked! We also witnessed greater diversification in the type of facilities using the SLCP tool, demonstrating the CAF's global applicability. Notably, 75% of the facilities that completed an assessment in 2022 chose to do so again in 2023.

Maintaining the relevance of the CAF is essential and in 2023 we both sought feedback on the tool from key stakeholders and mapped against upcoming Human Rights Due Diligence (HRDD) legislation. The result is greater alignment with both the Core Labor Conventions and HRDD requirements in the CAF Version 1.6. We also launched a well-received HRDD Toolkit to support our stakeholders in better understanding the CAF's role in HRDD. We used this as a springboard to increase our engagement in policy realms and are proud of the strides we have made in this area.

As you dive into the report, you will see how the extensive and rich nature of the SLCP data set enables us to mine ever more useful insights and analyses. Overall, we witnessed a 5% increase in the number of legal non-compliances found in SLCP assessments in 2023, indicative of both the tool's increasing efficacy and the imperative to create lasting improvements to working conditions.

SLCP is just one piece of the puzzle in creating positive change. This report showcases some of the key partnerships we have fostered in 2023. We aim to work closely with partners who can leverage our data and our collaborative approach to drive improvements at scale.
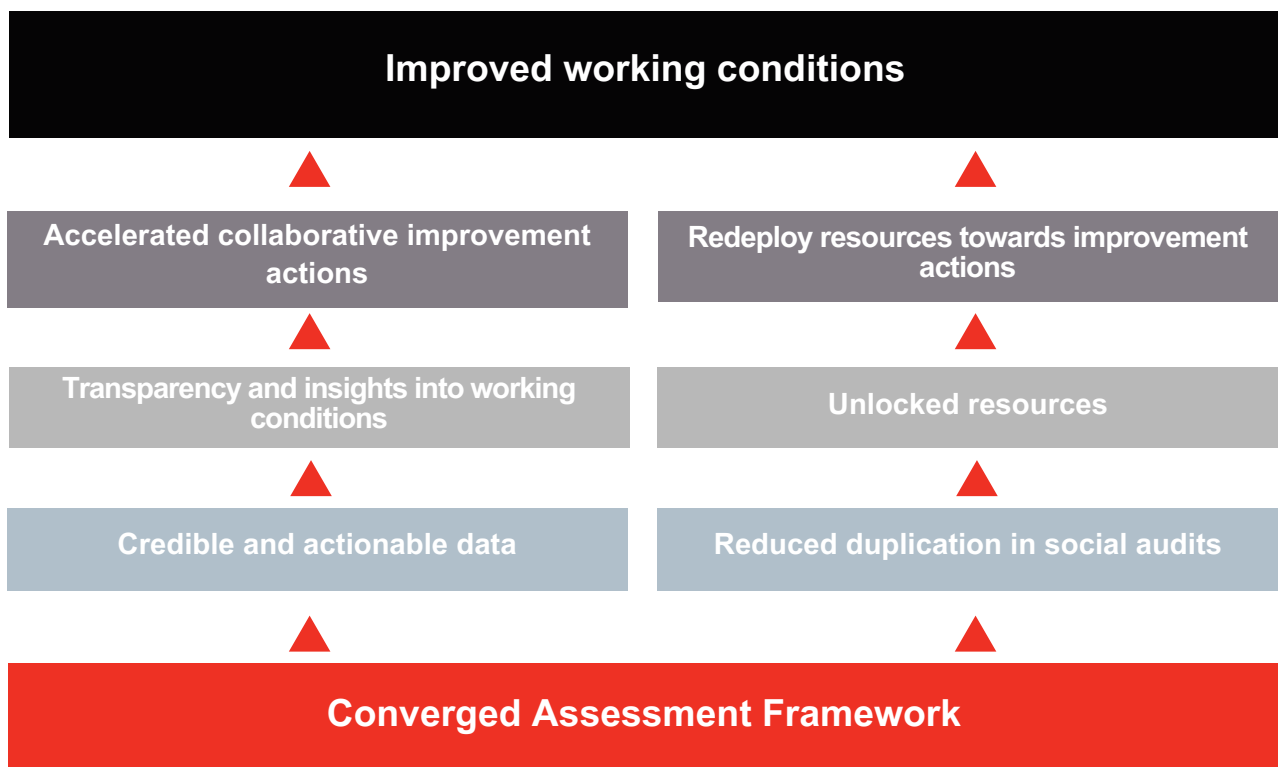
About this Report

SLCP's 2023 Impact Report provides an annual overview of the program's impact and highlights how the Converged Assessment Framework drives improved working conditions in global supply chains.

In line with SLCP's Theory of Change, the report outlines the various uses of SLCP data to better understand facility experiences, key trends, and insights based on legal compliance data, and collaborations that accelerate improvement actions.

This report also covers the broader impacts of reducing social auditing duplication, resulting in unlocked resources, and how stakeholders use these savings to drive improvements.

Together with our partner, the International Trade Centre, we have developed this report to share insights into what the SLCP data tells us and how using common frameworks can drive changes for facilities and workers.

SLCP'S THEORY OF CHANGE

Improved working conditions

Accelerated collaborative improvement actions	Redeploy resources towards improvement actions
Transparency and insights into working conditions	Unlocked resources
Credible and actionable data	Reduced duplication in social audits

Converged Assessment Framework

Progress

Central to SLCP's growing impact is it's growth as a program. Over the past 5 years, SLCP has grown twenty-fold in terms of adoption.

By the end of 2023:

6.6 million workers covered by SLCP assessments in 2023

SLCP is available in **62 countries and regions**

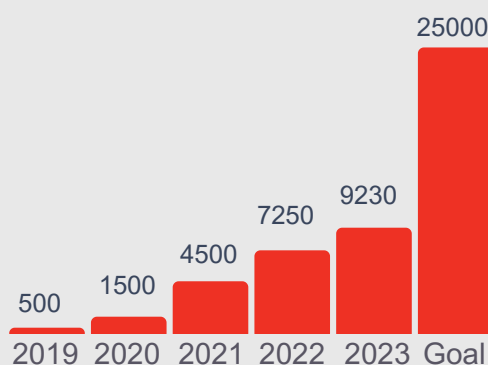**12,000+ facilities** were registered in the Gateway.

9,230 assessments occurred in 2023

74 organizations accepted SLCP

Growth in SLCP assessments per year

Year	Assessments
2019	500
2020	1500
2021	4500
2022	7250
2023	9230
Goal	25000

TOOL UPDATE

The Converged Assessment Framework (CAF) is regularly updated to align with stakeholder expectations and regulatory demands. SLCP worked throughout 2023 to refine the data points captured in the Data Collection Tool **to further align the CAF with International Labor Standards and National Labor Laws**.

We also incorporated feedback from stakeholders to prepare for CAF v1.6, including by adding:
- data points to collect **gender-disaggregated wage information** at the lowest wage grade/level and most represented wage grade/level at the facility, and
- over 30 new questions to provide details about the **process undertaken by the Verifier** during verification

Key impacts as a result of expert feedback:
- further alignment with **ILO Conventions**
- better **understanding of improvements** through the CAF data
- increased usefulness of SLCP data for **HRDD implementation**

It is SLCP's ambition to incorporate further feedback from the ILO in future versions of the CAF. Alignment with ILO Conventions and National Labor Laws will continue to be a key priority for SLCP over the coming years.

GLOBAL APPLICABILITY OF THE TOOL

In 2023 we saw significant growth and diversification of use of the Converged Assessment Framework. The global applicability of the CAF enables comparable data across and throughout global supply chains, and increases the opportunities for impact.

SECTOR EXPANSION

28% of facilities in adjacent sectors **(non apparel and footwear/ leather)**

Change from 2022:
↑ **+4 percentage points**
(24%)

IMPACT:
- Greater opportunity to reduce audit burden in adjacent sectors
- Multi-sector companies can use one tool - the CAF - to conduct assessments
- Comparability between sectors allows for greater understanding of sector-specific issues and risks

DEEPER IN THE SUPPLY CHAIN

2300 *(25%)* **facilities in Tier 2 conducted SLCP assessments**

Change from 2022:
↑ **+700 facilities**
(1600)

IMPACT:
- Demonstrates applicability in Tier 2 & 3
- Companies can implement one tool across all manufacturing stages of production
- Reduced burden on facilities who are often less experienced and educated in social compliance

SIZE OF FACILITIES

52% **of assessments in 2023 were completed by SMEs***

Change from 2022:
↑ **+3 percentage points**
(49%)

IMPACT:
- Highlights growing use and applicability of SLCP in smaller facilities
- Reduced audit burden on smaller facilities who often lack resources

*SLCP defines small and medium sized enterprises (SMEs) as facilities with less than 250 workers.

GLOBAL APPLICABILITY OF THE TOOL

GLOBAL REACH

Top 5 countries with new facilities in 2023

	Total Facilities		New Facilities	
	Number	%	Number	%
China	5339	41%	+1342	43%
India	1351	10%	+388	13%
Türkiye	1374	11%	+336	11%
Vietnam	1133	9%	+239	8%
Bangladesh	1089	8%	+219	7%
Others	2669	21%	+566	18%

6.6 million workers represented in facilities who completed assessments in 2023

Change from 2022: ↑ **+700k workers** *(5.9 million)*

52 Facilities from 52 countries and regions completed assessments in 2023

Change from 2022: ↑ **+4 countries and regions** *(48)*

New countries added in 2023:

Czechia   Japan   Lithuania   South Africa

IMPACT:
- Increased comparability of data (which is useful in conducting HRDD on a global scale)
- The growth in multiple countries reflects SLCP's increasing relevance in different contexts, allowing for a richer global social and labor data set.

Impact

2023 marked the final year of SLCP's first five-year strategy. A key impact indicator in the strategy was the amount of resources unlocked through reduced audit duplication. All SLCP signatories commit to redeploying the unlocked resources created through implementation of the CAF to improvement programs. This chapter focuses on progress made in 2023 in unlocking and redirecting resources as a result of reduced audit duplication.
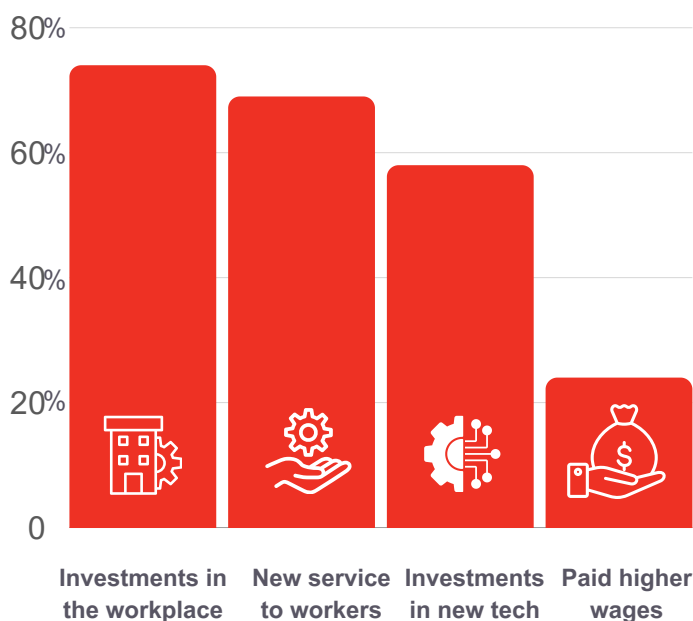
HOW MUCH IS BEING UNLOCKED?

Potential of $26 million USD

With 9230 facilities having completed an SLCP assessment in 2023 alone, SLCP estimates that this unlocked savings of up to $26 million that can be reinvested in improving working conditions*.

See Appendix I for more information on the Resources Unlocked methodology.

HOW ARE FACILITIES USING THE SAVINGS?

According to Better Buying's 2023 Purchasing Index results, **52% of suppliers** are seeing money saved, as well as other benefits including clarity on corrective actions and savings in staff time. According to suppliers, these savings are being shifted to improvement programs - a true sign of impact achieved through SLCP adoption.

GROWING ACCEPTANCE OF SLCP

By the end of 2023, **74** of the world's leading brands, retailers and standards holders publicly committed to accepting SLCP data instead of proprietary audit tools. It opens up the huge potential for a facility to share one social and labor data set with a large number of buyers, clients and partners, resulting in reduced audit fatigue.

2.54 In 2023, there were 2.54 average shares per assessment

Change from 2022:
↓ **-0.13 average shares** *(2.67)*

IMPACT:
- Facilities were able to reduce duplication of assessments by sharing their SLCP data with multiple buyers

80% **Over 80% of signatory brands & manufacturers were able to replace proprietary tools with the CAF in 2023**

Resulting in the follow benefits experienced:

- **54%** reported time saved on audits
- **49%** reported ability to share reports with customers/partners
- **46%** reported that facility ownership of data has enabled better relationship with partners

Source: SLCP Signatory Survey 2023

Partnership with GIZ to drive further acceptance

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)'s "Initiative for Global Solidarity" (IGS) emphasizes the shared responsibility of purchasing and producing companies to identify, prevent, mitigate and account for how they address their actual and potential adverse impacts, creating a more sustainable industry.

IGS supports SLCP's work by funding a project to further convergence of the CAF, particularly with social standards, and to pilot the CAF in a second industry. Through this partnership, SLCP is exploring the applicability of the CAF in adjacent and secondary industries, such as luggage and bags and the electronics sector.

MANUFACTURER CASE STUDY: DÉCOR

| **75%** | Décor operates in 80+ facilities: 75% use SLCP's Converged Assessment Framework (CAF) |

| **5 brands** | working with Décor accept SLCP or have replaced traditional audits with SLCP |

| **20 audits** | per year are saved with the use of SLCP |

| **800 – 1000 hours** | have been saved using SLCP compared to using other audit tools. |

| **$20,000 – $25,000** | estimated audit cost savings since using SLCP |

SLCP helps us to systematically monitor facility status of our supply chain matrix and push for continuous improvements on compliance. It provides a common standard for us and makes it easier to communicate with facilities and customers.

"

Michael Cai - Director of Operations & Supply Chain, Decor

We asked manufacturers how they used SLCP and here's what they had to say...

- *"To evaluate the social performance of our partner facilities, identify areas of concerns and work on remediation. In this way we can drive continuous improvements."*

- *"To improve the condition of the facility through Corrective actions"*

Source: SLCP Signatory Survey 2023

Engaging Workers to Accelerate Change

IN 2023:

99%

In 99% of the facilities, the number of worker interviews conducted **met or exceeded** the minimum number of worker interviews proposed in the <u>Verification Protocol</u>.

51%

Half of all facilities involved **workers' representatives and/or workers** in the self/joint-assessment process, compared to only a quarter in 2022 (24%).
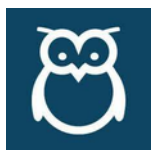
WE Tech

In July 2023, we launched the **Worker Engagement Technology Program** (<u>WE Tech</u>), which allows facilities to further engage workers in the assessment process. WE Tech is a 20-question set designed to complement the CAF tool and provides a digital platform for workers to report information directly and anonymously. Facilities can use the results to inform their SLCP self/joint assessment and verification.

WE TECH IN ACTION

Crescent Textile Mills Ltd. (Crestex) implemented WE Tech alongside onsite SLCP assessment verification at its facility in Faisalabad, Pakistan, which employs 3800 workers. A total of 111 workers participated in the WE Tech survey, which was provided to them in the local language, Urdu. Based on the survey response, Crestex created a WE Tech Action Plan and made improvements in three key areas:

- *Grievance Mechanisms:* Crestex implemented a permanent, third-party-operated platform that workers can use to report complaints, and committed to addressing all grievances within 24 hours of receipt.

- *Working Hours:* Working hours policies were reviewed and amended.

- *Supervisor Behavior:* Training sessions have been provided to improve supervisor interaction with other workers and a follow-up survey to monitor for improvements.

Ulula - WE Tech Service Provider:
"Direct worker feedback must also play an instrumental role in Verifiers' ability to ensure that policies and procedures on paper have a real and tangible impact on workers' rights and wellbeing. WE Tech is a methodologically and procedurally comprehensive worker feedback component of the broader SLCP verification process, and Ulula is very pleased to be able to deliver it to suppliers.

Trends and Insights

This chapter presents insights on facility compliance with social and labor standards using the data in SLCP assessments conducted during 2023. Most of the assessments were conducted using the CAF Version 1.5.0.

HIGHLIGHTS

+5%

Overall, legal non-compliances increased by 5% compared to the previous year.

Health & Safety

Health and Safety remains the section of the CAF with the highest number of legal non-compliances.

SMEs

Small and Medium enterprises (SMEs) have more legal non-compliances than large facilities.

Repeat users

Repeat users have a lower average of legal non-compliances than new facilities.

Facilities that **pay salaries digitally** are more compliant with social and labor standards.

LEGAL COMPLIANCE

10.1 Average number of legal non- compliances per assessment in 2023

2022 average: 9.6 | + 5% increase

93.8% of all assessments included at least one non-compliance in 2023
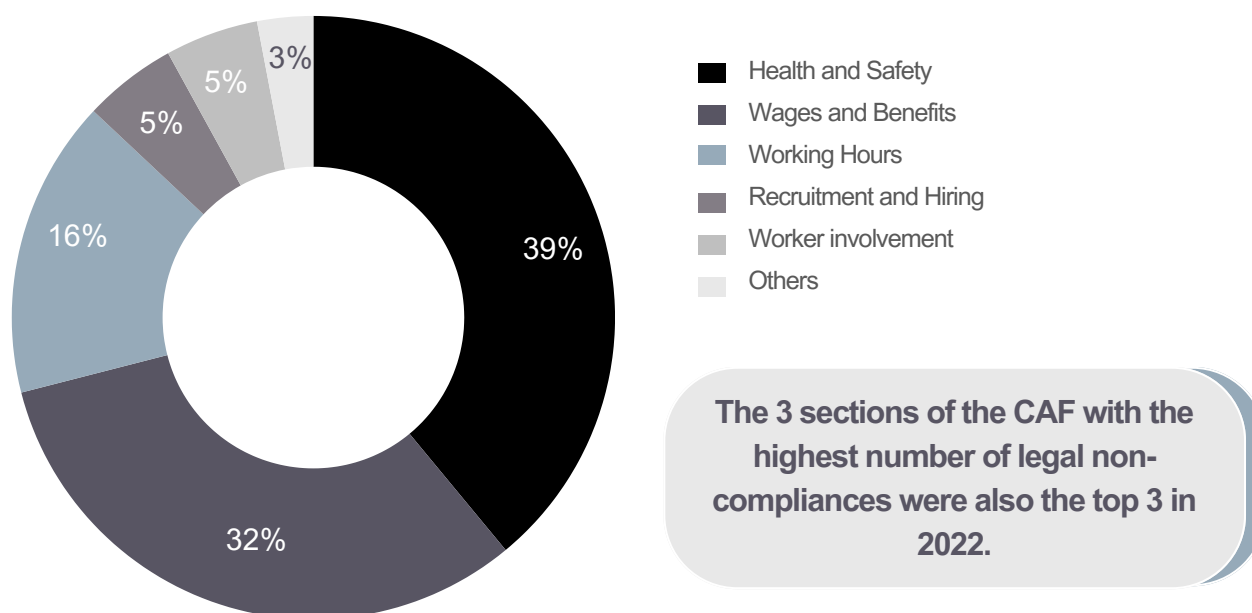
2022: 94.3% | - 0.5% decrease

Exploring trends through compliance data

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. The verification summary in the assessment report provides an overview of the facility's legal non-compliances. Due to changes in the CAF versions, a sample of 244 CAF keys were selected to complement the analysis to avoid underestimations*.
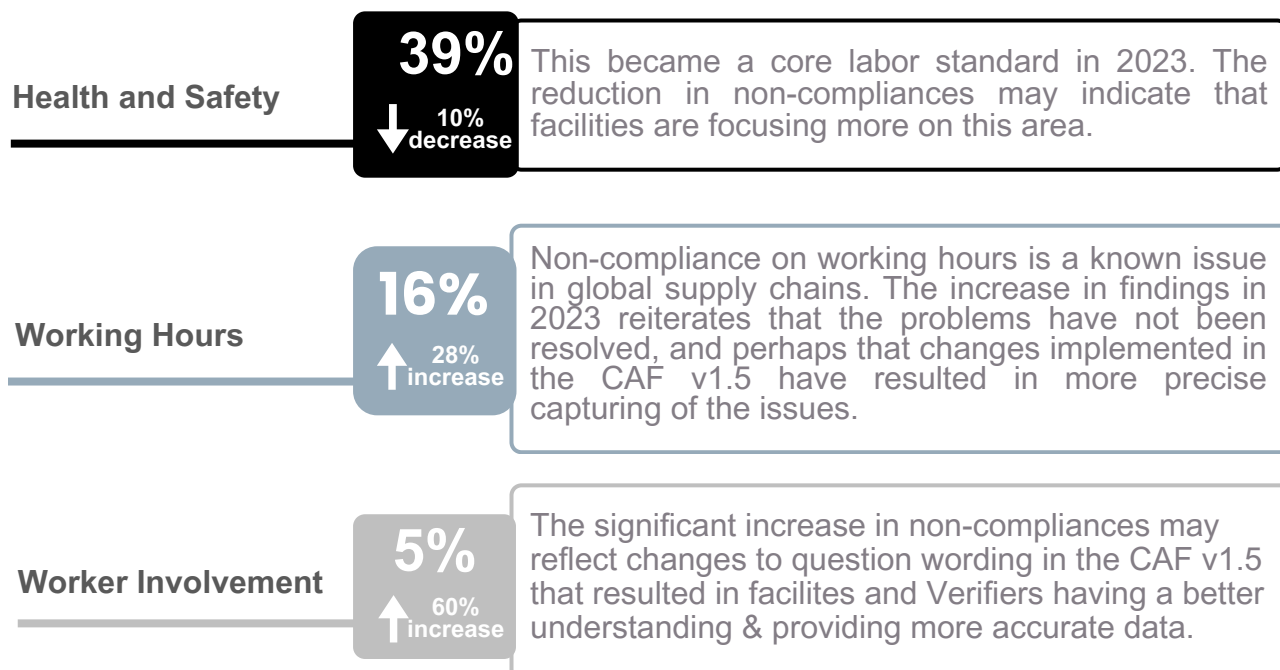
*See Appendix II on Legal Non-compliances

LEGAL NON-COMPLIANCES BY SECTIONS OF THE CAF

Health and Safety — 39%
Wages and Benefits — 32%
Working Hours — 16%
Recruitment and Hiring — 5%
Worker involvement — 5%
Others — 3%

> **The 3 sections of the CAF with the highest number of legal non-compliances were also the top 3 in 2022.**

Key changes in legal non-compliances by section (% change from 2022)

As seen in 2022, Health and Safety, Working hours, and Wages & benefits have the highest number of legal non-compliances. Interestingly, there have been some significant changes in legal compliances in some sections of the CAF, including:

Health and Safety

39% ↓ **10% decrease**

This became a core labor standard in 2023. The reduction in non-compliances may indicate that facilities are focusing more on this area.

Working Hours

16% ↑ **28% increase**

Non-compliance on working hours is a known issue in global supply chains. The increase in findings in 2023 reiterates that the problems have not been resolved, and perhaps that changes implemented in the CAF v1.5 have resulted in more precise capturing of the issues.

Worker Involvement

5% ↑ **60% increase**

The significant increase in non-compliances may reflect changes to question wording in the CAF v1.5 that resulted in facilites and Verifiers having a better understanding & providing more accurate data.
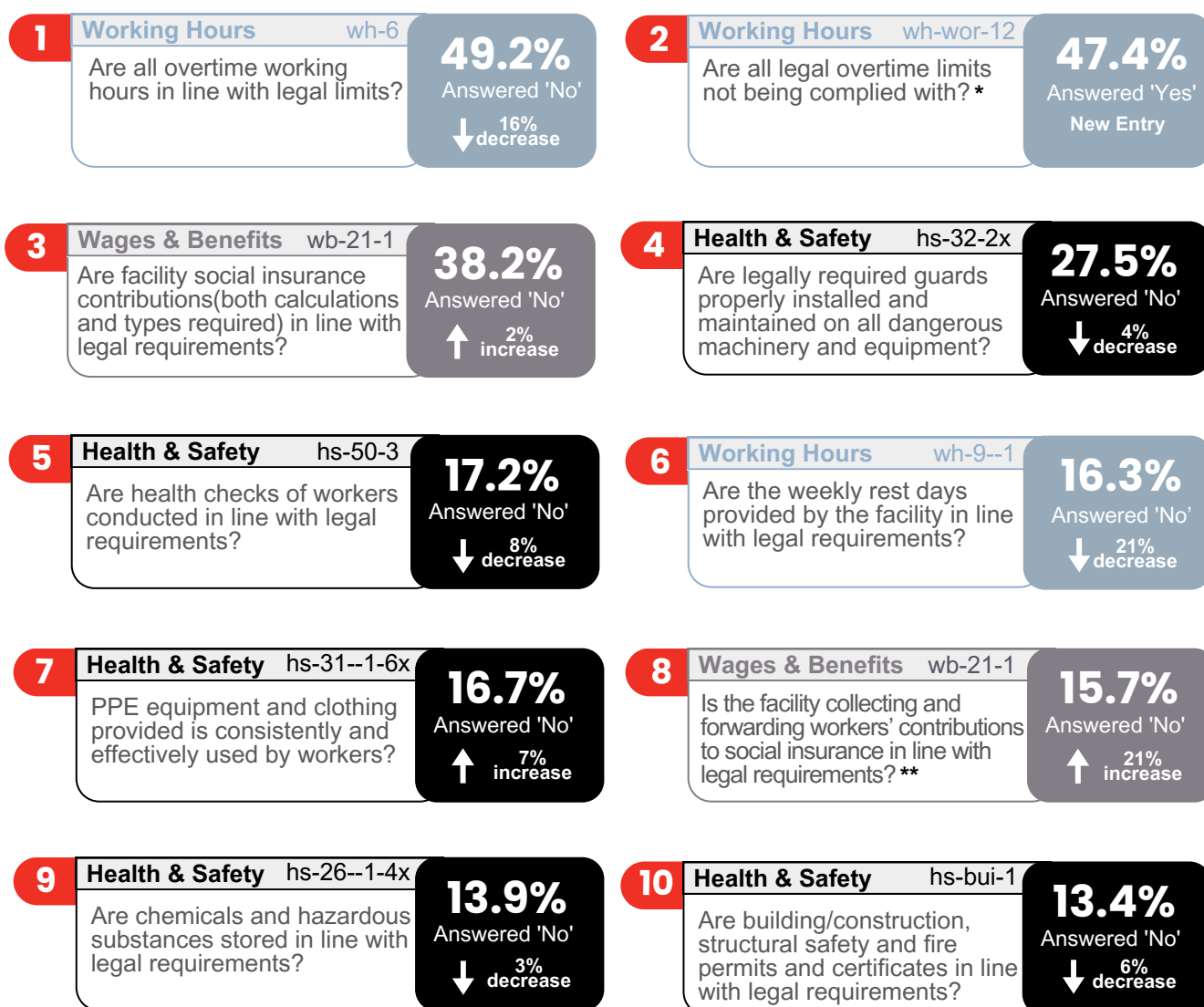
The shift in legal non compliances sheds light in the changes brought by the CAF v1.5. Adjustments to the tool provide a better understanding of data points by facilities, such as questions related to working hours and worker involvement, helping capturing more precisely the areas of improvement of facilities' social and labor conditions.

TOP 10 LEGAL NON-COMPLIANCES

The list below includes the most frequent legal non-compliance data points in 2023. 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 total 2023 assessments flagged this data point as a legal non-compliance. The accompanying codes are question IDs from CAF v1.5.

1 | **Working Hours** wh-6
Are all overtime working hours in line with legal limits?
49.2% Answered 'No'
↓ 16% decrease

2 | **Working Hours** wh-wor-12
Are all legal overtime limits not being complied with? *
47.4% Answered 'Yes'
New Entry

3 | **Wages & Benefits** wb-21-1
Are facility social insurance contributions(both calculations and types required) in line with legal requirements?
38.2% Answered 'No'
↑ 2% increase

4 | **Health & Safety** hs-32-2x
Are legally required guards properly installed and maintained on all dangerous machinery and equipment?
27.5% Answered 'No'
↓ 4% decrease

5 | **Health & Safety** hs-50-3
Are health checks of workers conducted in line with legal requirements?
17.2% Answered 'No'
↓ 8% decrease

6 | **Working Hours** wh-9--1
Are the weekly rest days provided by the facility in line with legal requirements?
16.3% Answered 'No'
↓ 21% decrease

7 | **Health & Safety** hs-31--1-6x
PPE equipment and clothing provided is consistently and effectively used by workers?
16.7% Answered 'No'
↑ 7% increase

8 | **Wages & Benefits** wb-21-1
Is the facility collecting and forwarding workers' contributions to social insurance in line with legal requirements? **
15.7% Answered 'No'
↑ 21% increase

9 | **Health & Safety** hs-26--1-4x
Are chemicals and hazardous substances stored in line with legal requirements?
13.9% Answered 'No'
↓ 3% decrease

10 | **Health & Safety** hs-bui-1
Are building/construction, structural safety and fire permits and certificates in line with legal requirements?
13.4% Answered 'No'
↓ 6% decrease

The 2023 top 10 CAF questions with legal non-compliance largely resemble that of 2022.

While this report focuses on the ten most common points of non-compliance, it is worth noting that SLCP assessments in 2023 uncovered a wide range of non-compliances across all topics covered by the Converged Assessment Framework (CAF). This includes legal non-compliances with **freedom of association, discrimination, and forced labor.**

*For CAF v1.5 overtime working hours questions were sub-divided into 3 sub-categories - daily, weekly and monthly. The total percentage outlines how many assessments had at least 1 of the subcategories marked as a non-compliance.
**For CAF v1.5 the facility and worker social insurance questions were sub-divided into 8 sub-categories – pension (etc). The total percentage outlines how many assessments had at least 1 of the subcategories marked as a non-compliance.

SMALL AND MEDIUM-SIZED FACILITIES (SMES)

The average number of legal non-compliances in small and medium-sized facilities (SMEs) was higher than that of large facilities in 2023, and rose 7% from 2022. However, the proportion of facilities with **at least one legal non-compliance** remains the same for both facility types.
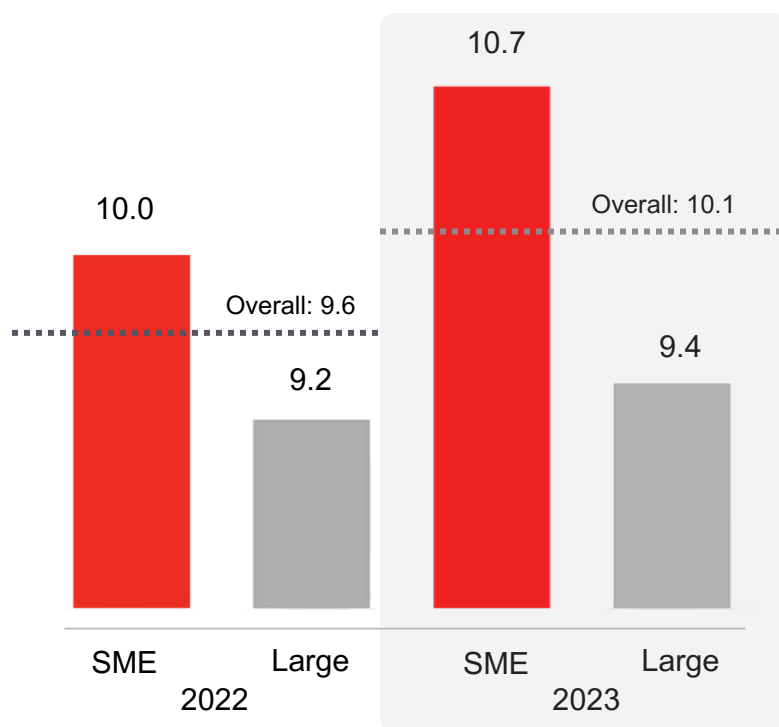
95%
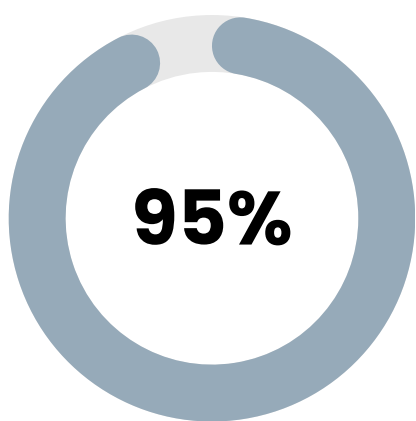
% of SME with at least one legal non-compliance in 2023
= to large facilities

96% in 2022
= to large facilities

Average legal non-compliances by facility size

10.7

10.0

Overall: 10.1

Overall: 9.6

9.2

9.4

SME	Large	SME	Large
2022		2023	

SMES CHALLENGES TO LEGAL COMPLIANCE

SMEs have to overcome challenges while navigating the different requirements in terms of human rights due diligence (HRDD). Among them:

- The lack of knowledge of regulatory obligations and difficulty translating policy obligations into practice.

- The limited access to resources needed to adopt business practices that can support the implementation of due diligence.*

STEP SELECTION AND FACILITY COMPLIANCE

In 2023, **49%** of facilities conducted an SLCP Step 2 assessment. In addition to ILO Core Labor Standards and National Laws covered in Step 1, Step 2 of the CAF also includes management systems. Thus, an analysis of Step 2 assessments helps us learn more about those facilities that have management systems in place.

49% of SLCP facilities conducted Step 2 assessments in 2023.

What is included in each step of the Converged Assessment Framework?

Step 1 = Essential
Focuses on key social & labor compliance questions, mostly connected to International Labor Standards (ILS) and National Labor Laws (NLL).

Step 2 = Progressive
Focuses on management systems and questions that are additional/supportive of social & labor compliance questions but less critical. These questions are often found in social industry/certification/brand standards.

Step 3 = Advanced
Questions that go above and beyond social responsibility industry standards, are not required by national or international law, and seek to elevate workplace well-being and community impact.

Average legal non-compliances

8.8   11.8   10.1

2023

2023 assessments which had:

- At least one Step 2 legal non-compliance
- No Step 2 legal non-compliances
- Total average legal non-compliances

Facilities that had no Step 2 legal non-compliances (so were fully compliant with management systems requirements) also had **fewer legal non-compliances** on Step 1 questions.

Step selection by facilities

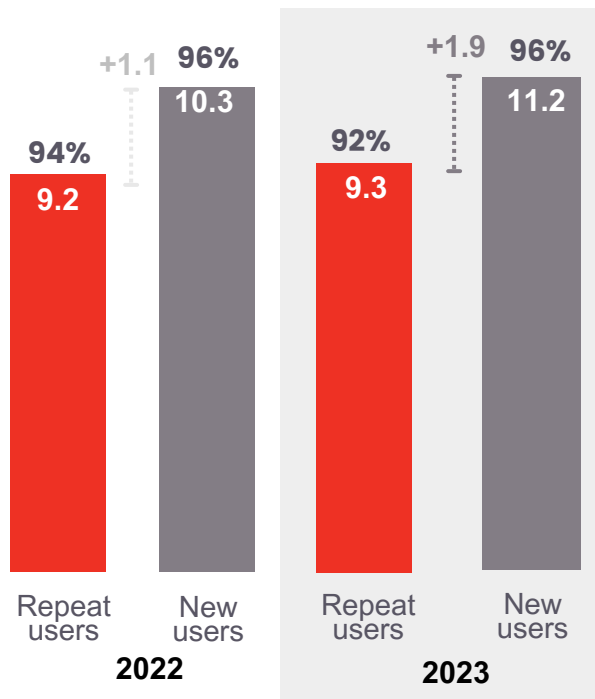|	Step 1	Step 2	Step 3
2022	21%	52%	26%
2023	19%	49%	33%
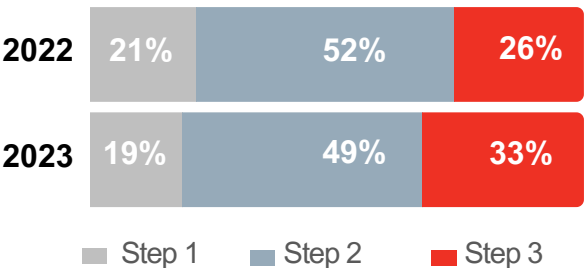
MORE FACILITIES OPTING FOR STEP 3

In 2023, 33% of facilities completed Step 3 SLCP assessments, an **increase of 7 percentage points** from 2022. While Step 1 continues to be the focus in terms of social compliance coverage, a growing number of facilities are choosing to share more on management systems (Step 2) and worker well-being & community impacts (Step 3), as shown in the graph.

REPEAT USERS

SLCP considers repeat users facilities that complete assessments in two consecutive years. **75% of facilities** from 2022 completed another SLCP assessment in 2023. In 2023, 41% of assessments were conducted by facilities using SLCP for the first time.

### Average legal non-compliances by repeat and new users
% of facilities with at least one legal non-compliance

94%
9.2
Repeat users

+1.1 **96%**
10.3
New users

2022

92%
9.3
Repeat users

+1.9 **96%**
11.2
New users

2023

5281
Total repeat users

59% of total assessments in 2023

In 2023, 92% of repeat users had at least one legal non-compliance, **down 2 percentage points from 2022**. Repeat users showed an average of 9.3 legal non-compliances, **lower than the overall average of legal non-compliances.** Although the level of legal non-compliances in repeat users remained the same as in 2022, the gap between repeat and new users increased moderately.

Step selection by repeat users

2022 | 19% | 52% | 29%

2023 | 15% | 52% | 34%

■ Step 1   ■ Step 2   ■ Step 3
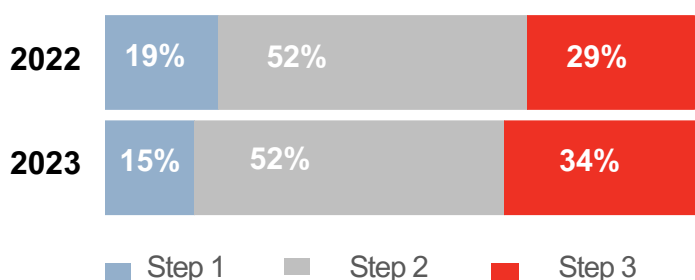
Repeat users opt to disclose more information in 2023

Repeat users show commitment to the SLCP process, by choosing to complete Step 3 assessments (34% of repeat users in 2023 compared to 29% in 2022).

SPOTLIGHT: DIGITIZING WAGES

Defining Digital Wages

Digital wage payments means the transfer of wages to individual accounts using a digital device or channel e.g. bank accounts (direct deposit), mobile money wallets and prepaid cards. In the context of wage payments, prepaid cards may also be known as payroll cards.
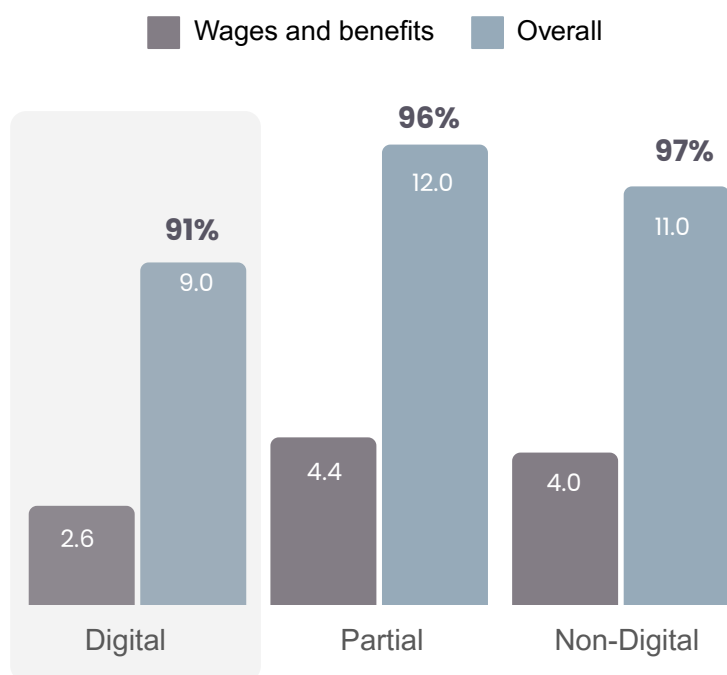
82% **of SLCP facilities are paying wages digitally in 2023, representing an estimated 87% of workers in SLCP facilities.***

Average legal non-compliances by facility type of payment

% of facilities with at least one legal non-compliance in 2023

Wages and benefits ■ **Overall**

Facility type	Wages and benefits	Overall	%
Digital	2.6	9.0	91%
Partial	4.4	12.0	96%
Non-Digital	4.0	11.0	97%

Facilities paying exclusively by digital means had a **lower average level of legal non-compliance than facilities paying non-digitally**. This average is 25% lower than that of facilities paying with mixed methods (digital and non-digital) and 18% lower than those paying by cash/check only (non-digital).

When looking specifically at the "wages and benefits" section of the CAF, the gap between digital vs. non-digital facilities **increases twofold** when contrasting the average number of legal non-compliances, confirming that facilities that pay digitally were more likely to - for example - pay salaries on time and contribute to social security schemes in 2023.

"The Better Than Cash Alliance partnered with SLCP to integrate wage data collection into the CAF tool, used by over 5,500 facilities, representing 49 brands globally. This data demonstrates that adopting digitization promotes decent work and economic growth and reduces inequality. SLCP's data allows policymakers, governments and other industry stakeholders to gain a deeper understanding of the positive impacts of digitizing wages, facilitating a more targeted approach in directing resources towards areas that require tailored interventions"

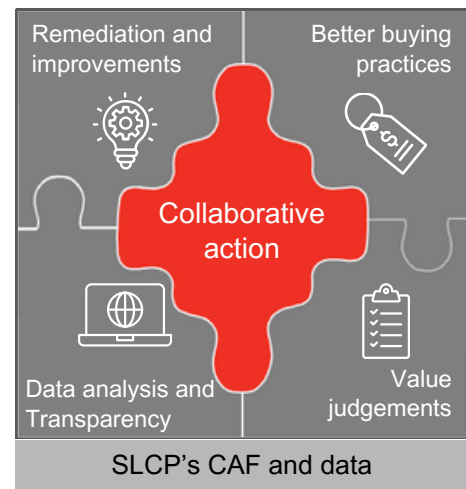**Tidhar Wald - Managing Director a.i.**

BETTER THAN CASH ALLIANCE

*Out of 5,500 facilities which completed step 2 and step 3 in 2023. Digital includes facilities that paid workers fully or partially via digital channels. For more information on the methodology and findings, refer to our Digital Wages factsheet.

18

Partnerships for Impact

Since its inception, SLCP has positioned itself as a catalyst for change, working towards a bigger, shared vision by supporting stakeholders' efforts to improve working conditions in global supply chains.

In the spirit of convergence and collaboration, we have always recognized that SLCP must partner with other organizations with complementary capabilities and expertise to deliver our mission.

In 2023, several partnerships and collaborations have formed or flourished, all with impact-focused outputs as highlighted below.

Remediation and improvements · Better buying practices · Collaborative action · Data analysis and Transparency · Value judgements

SLCP's CAF and data

DATA ANALYSIS AND TRANSPARENCY

International Trade Centre

The International Trade Centre (ITC) is a joint agency of the United Nations and the World Trade Organization. It 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.

International Trade Centre

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.

KEY IMPACT:

Aligned with its 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 data. From their Gateway account, a facility can control how they share their SLCP 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 for all stakeholders.*

REMEDIATION AND IMPROVEMENTS

Fair Wear Foundation

Fair Wear and SLCP have developed a list of joint activities in pursuit of improved working conditions in supply chains, including upcoming work to have the Fair Wear Human Rights Due Diligence (HRDD) hub draw on SLCP data as source.

Fair Wear and SLCP have common objectives, and in order to meet them, jointly they have:

- Worked together closely to promote better alignment and use of assessment data in the garment industry;
- Recognized that an over-reliance on audits has so far impeded industry-wide systemic change; and,
- Joined forces to promote impactful human HRDD implementation.

KEY IMPACT:

"The Fair Wear Foundation and SLCP share a joint vision to improve working conditions in supply chains, and by joining forces we are able to leverage the expertise within each organisation. Integrating SLCP's data into the country risk profiles and factory level assessments on the Fair Wear HRDD Facilitation Hub will enable brands to accurately identify risks and drive effective solutions for preventing and addressing human rights issues in their supply chains. Our collaboration demonstrates the importance of industry alignment and how the sharing and convergence of data can drive meaningful change for workers."

Annabel Meurs, Associate Director, Fair Wear Foundation

VALUE JUDGEMENTS: STANDARDS AND SCORING

Cascale

Once the incubator of SLCP, Cascale (formerly the Sustainable Apparel Coalition), has fully embraced the Converged Assessment Framework (CAF). The CAF is the backbone of Cascale's Higg Facility Social & Labor Module (FSLM).

KEY IMPACT:

Cascale and SLCP work together closely to drive adoption of the CAF by Cascale's membership, advocate for a shared vision, and promote industry engagement and convergence. In 2023, Cascale and SLCP signed a new Strategic Collaboration Agreement to kickstart their renewed relationship. In addition, SLCP presented at Cascale's Annual Meeting in Boston as well as their Manufacturer Forum in Shenzhen. SLCP also participated in Cascale's Global Member Webinars throughout the year.

BETTER BUYING PRACTICES

Better Buying Institute (BBI)

BBI and SLCP agreed to work together to provide data around the convergence of social assessments and identify potential links between purchasing practices and social conditions in the supply chain. We jointly developed key questions related to the convergence of social assessments and implementation of the Converged Assessment Framework (CAF) which were added to the Better BuyingTM Purchasing Practices Index from the 2021 ratings cycle onwards and have been included every year since then.

KEY IMPACT:

- The latest research from the Better Buying Institute (BBI) shows the impact of SLCP's converged assessments –with **74% of savings from reduced audits reinvested into the workplace** and **24% on higher wages**.

- When suppliers who took part in this researched were asked if their buyer accepted results from recently completed audits/assessments of workplace conditions, rather than proprietary audits or assessments, nearly **88%** said they did, with **34.5%** reporting that their buyer accepted SLCP's Converged Assessment Framework (CAF).

- These suppliers reported a **number of benefits from their buyer accepting the CAF**, including; greater clarity on corrective actions (71%); reduced staff time devoted to auditing (65%); and money saved on auditing expenses (52%).

Global Fashion Agenda (GFA)

SLCP has been an impact partner of the Global Fashion Agenda (GFA) since 2021 and is proud to provide expert support on the GFA priority area of "Respectful and Secure Work Environments." GFA is an expert in convening fashion-industry stakeholders and spreading the message. Together, SLCP and GFA are leveraging their collective power to make a call to action for further and faster industry alignment and convergence, and shifting resources towards action, based on credible data.

KEY IMPACT:

- In 2023, SLCP actively participated the Fashion Industry Target Consultation co-led by GFA and UNEP informing a holistic set of key industry actions laid out in GFA's Fashion CEO Agenda. This included a call to the industry to implement recognized converged social assessments as well as the near-term actions for brands, retailers and producers. This report was downloaded more than 1,100 times.

- SLCP provided a case study for the 2023 GFA Monitor to demonstrate how the introduction of SLCP's Worker Engagement Technology (WE Tech) can support active worker participation. This report was downloaded more than 1,300 times.

- For the second year in a row, we are timing the release of the annual SLCP Impact Report with GFA's flagship Global Fashion Summit: Copenhagen Edition to capitalize on the event's ability to crystalize the attention of leaders in the fashion industry on the urgent sustainability needs of the day.

Driving Policy Impact

SLCP Human Rights Due Diligence Toolkit launched

In May 2023, SLCP successfully launched the Human Rights Due Diligence Toolkit (HRDD), designed to help companies understand how SLCP assessments can support them in implementing mandatory HRDD and respecting human rights in their supply chains.

The HRDD Toolkit is a publicly available resource and has been shared with signatories and policymakers.

SLCP considered to be a useful organization for policy implementation

88% SLCP signatory brands use SLCP to **identify human rights risks** in the supply chain

79% SLCP signatory brands use SLCP to **monitor and track progress** on addressing human rights risks in the supply chain

71% SLCP signatory brands use SLCP for **sustainability reporting**

Source: SLCP Signatory Survey 2023

IMPACT SLCP invited to the European Parliament

In December 2023, SLCP was invited to co-host a meeting at the European Parliament alongside MEP Adrián Vázquez Lázara and signatory Inditex to present to EU policymakers.

SLCP was highlighted as one of the existing credible and effective MSI in the textile industry for supporting HRDD implementation.

Providing Insights to Cascale and Policy Hub for EU Advocacy efforts

The emergence of mandatory HRDD and Forced Labor legislation means that diverse stakeholders are eager to find credible and actionable social and labor data that can inform implementation, compliance, and enforcement. SLCP can add value as a solution provider in this space and, particularly on the Corporate Sustainability Due Diligence Directive (CSDDD).

In this context, in 2023 SLCP worked closely with industry stakeholders to provide social and labor insights on key policy matters based on credible and actionable data:

- Providing key CSDDD expertise to Policy Hub* to share industry perspective with European legislators,
- Providing data insights to Cascale when engaging with key EU officials.

In 2023, Cascale and SLCP's collaboration in the policy space has opened the doors for greater collective impact. SLCP has valuably strengthened Cascale's public affairs efforts with crucial social and labor data insights and expertise on evolving regulatory initiatives, especially within the EU on the Corporate Sustainability Due Diligence Directive and the Forced Labor Ban.

Our combined efforts have helped EU policymakers understand key textile and apparel industry challenges by coupling SLCP's set of social and labor data with Cascale's holistic industry experience and supply chain expertise. Through our concerted advocacy highlighting the vital role of credible multi-stakeholder initiatives and data, alongside Policy Hub, we bring a unified voice, driving meaningful policy change. In the policy space, our collaboration reinforces our mission, as exemplified in Cascale's new name, `Collective action at scale'.

Elisabeth von Reitzenstein - Senior Director, Public Affairs, Cascale

*Founded by Cascale, FESI, GFA and Textile Exchange, the Policy Hub represents more than 700 brands, retailers, manufacturers, and other industry stakeholders in driving EU policy development.

Delivering for Signatories

2023 SLCP Signatory survey results:

96% support the mission of the Program

92% using the Converged Assessment Framework

Brands report increased use of the CAF in **tiers 1 and 2**

88% of brand signatories had used SLCP data from more than 10 facilities *(up from 67% last year)*

SLCP mentioned in signatory CSR reports:

"We are working with the Social & Labor Convergence Program (SLCP) and other brands to pilot the SLCP tool in small facilities and upstream facilities, by creating a shorter survey for facilities who don't have the expertise and resources to fulfil the exhaustive SLCP questionnaire."
- H&M Group Sustainability Disclosure 2023

"To avoid duplication and prevent auditing fatigue, in 2023, we increased the percentage of shared assessments to 67% (59% in 2022). We will further increase our use of SLCP-based assessments to 350 factories in 2024. We believe that SLCP is an ideal tool for building long-term relationships with suppliers and supporting them to take ownership of their social and labour data."
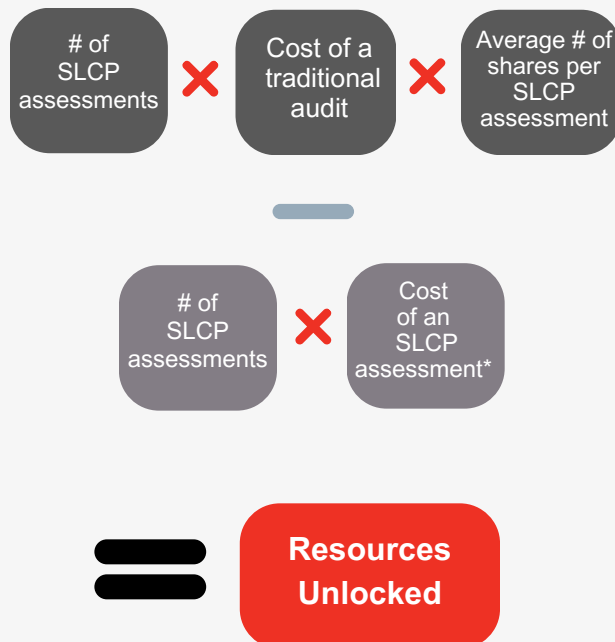**- Puma Human Rights Annual Report 2023**

"73% of Tier 1 factories reduced duplicative audits by submitting verification of SLCP assessment or are enrolled in ILO Better Work program." "Programs such as SLCP and ILO Better Work offer audits which aim to consolidate important requirements. Through this, suppliers would be able to fulfill audit requirements from all brands through one audit. This way they can focus their efforts on production improvements."
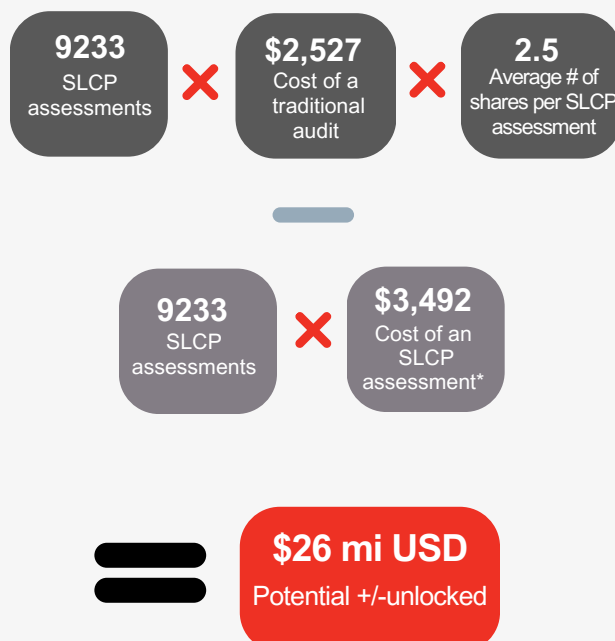**- 2023 Stichd Impact Report**

Appendix I: Resources Unlocked

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*]
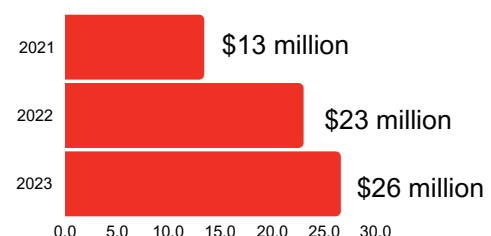
= **Resources Unlocked**

Since 2023, SLCP has been using a revised methodology to calculate resources unlocked. The revision was based on the recommendations made by Manaus, a social impact research consultancy that reviewed the previous methodology. They identified revisions and updates to more accurately capture the costs and benefits of implementing the CAF.

Estimation of resources unlocked in 2023:

[**9233** SLCP assessments] **×** [**$2,527** Cost of a traditional audit] **×** [**2.5** Average # of shares per SLCP assessment]

—

[**9233** SLCP assessments] **×** [**$3,492** Cost of an SLCP assessment*]

= **$26 mi USD** Potential +/-unlocked

Based on the total number of assessments completed in 2023 (9233), compared to the average number of shares per assessment (2.5), 2023 operations resulted in a total savings of $26M USD.

Savings year-on-year

Year	Savings
2021	$13 million
2022	$23 million
2023	$26 million

(Axis: 0.0 5.0 10.0 15.0 20.0 25.0 30.0)

*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.

Appendix II: Legal Non-compliances

In practical terms, legal non-compliances are established based on legal flags captured by Verifiers during the verification process. They are marked on verification reports as legal flags with an "X." In principle, all CAF keys can produce a legal flag if there is justification with a valid legal reference.

Due to changes in CAF versions, the number of potential keys can cause discrepancies in the magnitude of average legal non-compliances. To improve the accuracy, we added a new layer of analysis by including a list of 244 keys from CAF Versions 1.4.0 and above related to ILO conventions. The purpose of this is to ensure that any legal non-compliances which may not have been flagged by Verifiers but have been identified in facility responses are also taken into account. This prevents underestimations and validates existing legal flags.

Topics covered in each of the top legal non-compliance categories:

Health and 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; Safety Warnings; Electrical Safety; First Aid and Medical; Contractor Safety; Dormitories; Canteens; Childcare; Children; Facilities
Wages and Benefits	Minimum Wage; Facility Information; Records; Overtime Wage; Other Premium Pay; Piece Rate Workers; Wages; Legal Withholdings; Social Insurance/Social Security; In-kind Benefits; Leave; Break; Compensatory Leave; Work Stoppages; Work-related Activities; Overtime Allowances; Wage Structure/Scale; Wage Increase; Deductions; Performance Evaluations; Loans & Advances; Bonus; Profit-based Bonus, Participation Fund/Welfare Fund; Wage Payment
Working Hours	Records; Regular Hours; Overtime Hours; Breaks; Rest Days; Leave; Forced Labor; Overtime; Total Working Hours
Worker Involvement	Freedom of Association and Collective Bargaining; Workplace Cooperation; Grievance Systems; Whistleblower Systems; Worker Feedback
Recruitment and Hiring	Child Labor; Apprenticeship / Trainee; Internship Programs; Forced Labor; Recruitment Practices; Discrimination; Employment Practices; Homeworkers

Acknowledgements

Feedback and further information:

- Please contact info@slconvergence.org for feedback or questions
- Please visit the Gateway (www.slconvergence.org/gateway) for the latest information on SLCP roll-out
- For questions about the SLCP assessment & verification process, consult the FAQs on our Helpdesk (www.slcp.zendesk.com/hc/en-us).

Contact

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