

SLCP Guidance on the EU Corporate Sustainability Reporting Directive

How SLCP's Converged Assessment Framework can support CSRD compliance

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Disclaimer:

The responsibility to comply with CSRD remains with complying companies, regardless of the use of initiatives such as SLCP.

Introduction and context

SLCP's Guidance on the EU Corporate Sustainability Reporting Directive (CSRD) aims to demonstrate how the Converged Assessment Framework (CAF) can support stakeholders in making reporting disclosures from a practical perspective, as well as highlighting its limitations.

The global shift towards mandatory corporate sustainability reporting marks a significant step in recognizing the importance of addressing human rights risks within corporate operations. In this context, the EU Corporate Sustainability Reporting Directive (CSRD) is a critical regulatory development for mandatory reporting, not only for EU companies but also for companies and supply chain actors globally.

CSRD promotes the critical need for transparency and accountability. SLCP supports this objective by providing credible and actionable data through a rigorous data integrity process. SLCP's Converged Assessment Framework (CAF) is mapped against international labor standards and national labor laws, which allows users to collect data that can be valuable for human rights disclosures.

SLCP's Converged Assessment Framework - CAF - used by 9,250 facilities globally in 2023 – is already used for supporting sustainability reporting by 79% of SLCP signatory brands. However, how SLCP can and cannot support reporting around CSRD specifically is still unclear. This confirms the need for guidance from SLCP on CSRD.

79% of SLCP signatory brands report using SLCP assessments for sustainability reporting*

**Source: 2023 SLCP Signatory Survey*



SLCP and Sustainability Reporting

To date, SLCP has carried out the following activities regarding CSRD:

- **Policy Engagement:** Engaged with policymakers during the legislative process of the CSRD reporting standards to ensure SLCP is recognized as a valuable partner to support CSRD implementation.
- **Mapping and Analysis:** Mapped the legislation with the CAF and provided recommendations for its alignment, ensuring it is effective for compliance.
- **Stakeholder Validation:** Validated with our stakeholders that SLCP's efforts are valuable and useful in the context of compliance.
- **Tool Alignment:** Evaluated if the CAF requires any additional alignment with the CSRD and suggested Tool updates to our stakeholders advising on Tool content enhancements.

Throughout this document, we will guide the user on how SLCP is aligned with the CSRD reporting standards – the European Sustainability Reporting Standards (ESRS) – and the level of coverage in the CAF for each specific disclosure. This Guidance outlines the role and limitations of SLCP in supporting brands with human rights disclosures under the CSRD. It also serves as a valuable resource for other stakeholders, including manufacturers, governments, and organizations involved in SLCP data verification activities, to understand how SLCP supports compliance with this legislation.

"Clear and transparent guidance that outlines SLCP's role in supporting European Sustainability Reporting Standards implementation is essential particularly for smaller companies to effectively navigate the Corporate Sustainability Reporting Directive. To ensure robust disclosures, companies must rely on credible data that furthers transparency of their supply chain impacts on worker - something that adopting SLCP can facilitate as this guidance demonstrates."

- Joseph Wozniak, Head, Trade for Sustainable Development, International Trade Centre

SLCP's CSRD Guidance is complementary to the Guide issued by SLCP's first Accredited Host, Worldly, in their [White paper on how Worldly tools can support compliance with the CSRD](#), further explaining how the CAF can specifically support in undertaking CSRD reporting.

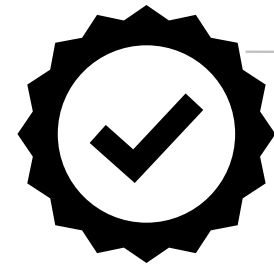


SLCP's value-add for corporate sustainability reporting

What is SLCP's value-add for disclosing under the CSRD?

Foundational social assessment

The CAF is a broad social assessment that can support companies when reporting under the CSRD. By capturing data on a wide range of social & labor compliance topics, it comprehensively covers many of the relevant disclosure requirements. [Read more about the areas the CAF covers.](#)



Priority on data quality & integrity

Credible and actionable data, a priority for effective disclosures, is one of SLCP's four strategic aims in the 2024-2028 Strategy. SLCP commits to nurturing, maintaining, and evolving a Program that delivers credible, trustworthy, quality data enabling integration, comparability and insights. SLCP aligns with the data quality principles stated in qualitative characteristics of information ESRS-1 section – relevance, faithful representation, comparability, verifiability, and understandability. [Read more about SLCP's Data Quality & Integrity Strategy.](#)

Alignment with International Labor Standards and National Labor Laws

SLCP works with key industry stakeholders to map the CAF against International Labor Standards and National Labor Laws. This means that the data collected is highly relevant to any emerging policy which aligns with the existing standards. Likewise, SLCP annually maps the Tool questions against key policies and regulations to strive towards further alignment.



Corporate Sustainability Reporting Directive (CSRD)

Overview

The CSRD entered into force on January 5th, 2023, requiring companies to report on both their impacts on people and the environment, as well as how sustainability matters affect the company.





Therefore, companies are required to conduct a **"double materiality"** assessment. This involves identifying material topics by assessing both "impact materiality" and "financial materiality".



On July 31, 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS), which include **84 disclosure requirements** that companies need to comply with under the CSRD.

Affected Companies

EU and non-EU companies that meet turnover and employee thresholds outlined below must report:

In 2025 for FY 2024	In 2026 for FY 2025	In 2027 for FY 2026	In 2029 for FY 2028
Companies already subject to the Non-Financial Reporting Directive - NFRD (large companies with +500 employees and publicly listed companies)	All large EU companies (those who meet at least two of the following criteria): i) the balance sheet is above €25 million; ii) the net turnover is above €50 million; iii) +250 employees	Listed SMEs	Non-EU companies with a net turnover + €150 million in the EU and at least a subsidiary or branch in the EU
			

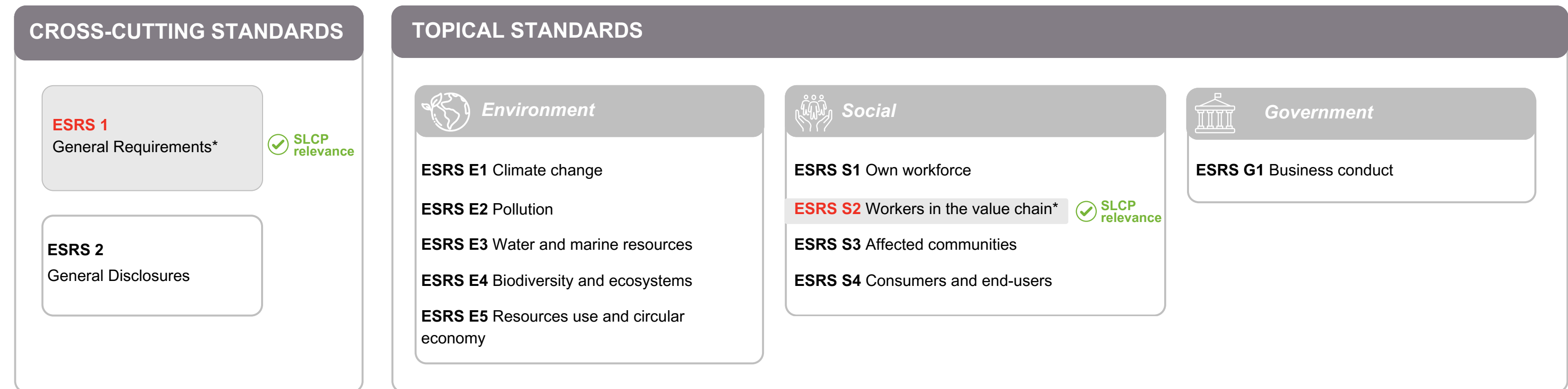
Interested to find out more about CSRD? Refer to the [FAQs](#) published in August, 2024 by the European Commission.

European Sustainability Reporting Standards (ESRS)

Overview

Currently, the [legislation](#) envisions twelve (12) standards, comprising of two (2) cross-cutting standards and ten (10) topical standards on environmental, social, and governance matters. Due to a legislative postponement, sector-specific standards are now expected to become available in 2026, and will be crucial for clarifying sectorial expectations.

SLCP is only relevant for supporting disclosures for certain standards, specifically for disclosures in ESRS S2 – Workers in the value chain. However, companies must first independently assess double materiality to identify which aspects are material for reporting.



*SLCP can support companies with this ESRS.

Interested to find out more about ESRS? Refer to the [ESRS Q&A platform](#) published in May, 2024 by the the European Financial Reporting Advisory Group (EFRAG).

SLCP's alignment with the CSRD – ESRS

SLCP welcomes the CSRD and consequently the ESRS, which enhance transparency on human rights issues by strengthening rules on non-financial reporting. SLCP is eager to support companies on this journey.

As part of our commitment to align the CAF with emerging regulations and support our stakeholders in achieving compliance, SLCP conducted various mapping exercises involving the Tool and different regulations. These mapping exercises included a detailed analysis of the alignment with the ESRS, to assess the coverage of each of its sub-requirements.

The CAF provides comprehensive and credible data on working conditions in the value chain and SLCP is well-suited to support companies in meeting their disclosure requirements within the following standards:

ESRS 1 - General Requirements

This cross-cutting standard established the core principles that all companies should consider while preparing their sustainability statements. SLCP aligns with the characteristics by which the ESRS 1 defines high-quality information: relevance, faithful representation, comparability, verifiability, and understandability – as these are pivotal in ensuring disclosures accurately reflect a company's sustainability impacts.

ESRS S2 – Workers in the value chain

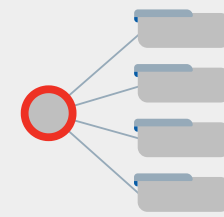
SLCP's CAF comprehensively covers a wide range of social and labor topics across the supply chain, effectively addressing the five sub-standards of ESRS S2, which include:

- ESRS S2-1: Policies related to value chain workers
- ESRS S2-2: Processes for engaging with value chain workers about impacts
- ESRS S2-3: Processes to remediate negative impacts and channels for value chain workers to raise concerns
- ESRS S2-4: Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions
- ESRS S2-5: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities



CAF coverage for the ESRS S2 Workers in the value chain

Analysis and Limitation of SLCP Mapping



SLCP conducted an analysis of the disclosure requirements established in CSRD and performed a mapping exercise with the CAF to measure their coverage. This involved identifying the role of SLCP for each requirement, determining how SLCP can provide support, and identifying any existing gaps. Where relevant, there are examples of CAF questions for each disclosure.

The analysis of SLCP's coverage of ESRS disclosures presented in this document is based on an interpretation of the current legislation. Companies are advised to conduct their own review to analyze their specific case when preparing their sustainability reports to ensure compliance with all applicable ESRS requirements. This will require including information far beyond SLCP's scope.

For the full mapping details, please contact info@slconvergence.org.

Scope of 'Workers in Value Chain'



The ESRS defines value chain as 'all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking'. SLCP can support companies with ESRS S-2 disclosures limited to its definition of workers and the stage of the value chain in which SLCP is used.

SLCP assessments are undertaken in **distribution centers, Tier 1, Tier 2, and Tier 3 of the value chain.**

Overview

Sub standards	High-level SLCP relevance
ESRS S2-1 Policies related to value chain workers	This sub-requirement focuses on the company's human rights policy rather than on manufacturers or facilities. Use of SLCP can form part of a companies human rights policy, however the relevance for these disclosures is limited.
ESRS S2-2 Processes for engaging with value chain workers about impacts	A company could disclose the use of <u>SLCP's Worker Engagement Technology (WE Tech)</u> as one process for engaging directly with it's value chain workers. The results of the WE Tech survey could then be one piece of information taken into account in the decision-making process of the undertaking.
ESRS S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns	SLCP's CAF helps to identify the existence of policies and systems in the supply chain that relate to remediation, but is not a remediation tool itself. Therefore, a company's general approach to remediation should go beyond an SLCP assessment, demonstrating the approach to addressing issues identified in an SLCP assessment.
ESRS S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	SLCP has limited relevance to this section as SLCP assessments do not alone address material impacts. SLCP can be useful in disclosing certain actions related to approaches to material risks and opportunities, such as actions taken as a result of findings from SLCP's Worker Technology Engagement (WE Tech).
ESRS S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	SLCP does not require companies to develop targets regarding the remediation of negative impacts. While the data can be used to inform such targets, these disclosures are outside SLCP's scope.

CAF coverage for the ESRS S2-1

Policies related to value chain workers

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe the company's human rights policy commitments related to value chain workers	No	No	Limited relevance for an SLCP assessment as it is about a company's Human Rights policy, not a manufacturer's or facility's. However, using SLCP should support a company in implementing its Human Rights policy.	No
State if the company's policies in relation to value chain workers explicitly address trafficking in human beings, forced labour or compulsory labour and child labour, and existence of a supplier code of conduct	Partial	An SLCP assessment could be used by a company to identify indicators of severe issues relating to forced labor, compulsory labor, or child labor.	Broad social assessments do not commonly identify severe issues such as instances of forced labor, compulsory labor or child labor. Further, the disclosure would need to indicate what the company's policy is in the instance of such a finding. Whether a supplier code of conduct exists is not relevant to whether a company uses SLCP.	cl-1 Does the facility verify minimum age requirements prior to hiring workers? wt-for-6 Do workers keep all of their original personal documents (such as birth certificates, passports, work permits and ID cards)?
Disclose whether and how the company's policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers	Yes (where relevant)	When a company makes a disclosure on how its policies are aligned with internationally recognized instruments, it can refer to SLCP. SLCP is developed in alignment with international labor standards. Mapping has been undertaken with the ILO Fundamental Principles and Rights at Work, the UNGPs, and the OECD Guidelines.	A company's policies will need to include additional measures it is taking if the company wants to show that it is fully aligned throughout the value chain.	Companies can reference the use of the SLCP assessment.
Report cases of non respect of UNGPs on Business and Human Rights and OECD guidelines upstream and downstream the supply chain	Yes (where relevant)	SLCP assessments can support a company in making this disclosure as the legal non-compliances in an SLCP assessment can be used to provide an indication of the extent and nature of the non-compliances in relation to workers in the facility.	A company will need to go beyond SLCP findings to understand how its full value chain respects the UNGPs and OECD Guidelines.	Legal compliances can be identified throughout the SLCP assessment.

CAF coverage for the ESRS S2-2

Processes for engaging with value chain workers about impacts

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Disclose the general processes for engaging with value chain workers and their representatives about actual and potential impacts on them.	Partially (where relevant)	A company could disclose the use of SLCP's Worker Engagement Technology (WE Tech) as one process for engaging directly with its value chain workers on potential human rights impacts on them. The results of the WE Tech survey could then be one piece of information taken into account in the decision-making process of the company.	A company would need to disclose additional processes used for engaging with value chain workers and their representatives.	WE Tech Question Set
Disclose whether and how the perspectives of the value chain workers on the company's decisions or activities related to actual and potential impacts	Yes	<p>A company could disclose the use of SLCP's WE Tech as one process for engaging directly with its value chain workers. The type of engagement is via an online survey platform facilitated by SLCP-approved Service Providers. By comparing the results of WE Tech with an SLCP assessment, the company could disclose this as a method for assessing the effectiveness of its engagement.</p> <p>On-site worker interviews form part of the verification process and provide another opportunity for worker feedback direct to an SLCP Verifier. A self-assessment is often undertaken by facility management, and then verified by a Verifier. Both the facility management and Verifier have direct insights into the working conditions, making them a credible proxy for providing information on the worker experience.</p>	A company's value chain will include workers that are beyond the scope of SLCP facilities. This means that this disclosure will require mentioning of additional activities to gain insights of the workers throughout the full value chain.	<p>WE Tech Question Set</p> <p>vd-e14 What is the total number of worker interviews conducted?</p>
Disclose the company's steps to gain insights into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalized	Partial	SLCP's CAF includes a section on worker involvement, helping to identify the processes in place to gather the perspectives of value chain workers, including certain group of workers such as women, who are particularly marginalized. Additionally, SLCP's WE Tech allows workers to directly and anonymously report information on the working conditions in the facility and their engagement with their employers.	SLCP is only one channel that can support a company in identifying their processes, but a company would need to disclose additional measures.	<p>wi-work-2 Are written records of suggestions and feedback maintained for at least 12 months?</p> <p>wi-work-3 If yes, how many suggestions and feedback received by the facility addressed topics related to women's rights in the workplace?</p>

CAF coverage for the ESRS S2-3

Processes to remediate negative impacts and channels for value chain workers to raise concerns

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe the company's general approach and processes on remediation	Partial	SLCP's CAF helps to identify the existence of policies and systems in the supply chain that relate to remediation, but is not a remediation tool itself.	SLCP does not provide remediation activities, but can support to prioritize them. A company's approach to remediation should go beyond an SLCP assessment, demonstrating the approach to addressing issues identified in an SLCP assessment or other identification methods.	<p>hb-6 Does the facility have effective remediation processes in place to address cases of harassment or abuse?</p> <p>ms-act-1 Does the facility create improvement plans based on social and labor practices? (SELECT all that apply with a "X")</p>
Describe the company's specific channels to raise their concerns	Partial	SLCP supports the identification of grievance mechanisms in place, allowing facilities to report in detail their specific channels for workers to raise concerns. Additionally, SLCP offers Worker Engagement Technology (WE Tech) which provides an opportunity for workers to share grievances anonymously through an online survey.	SLCP is only one channel that can support a company in identifying their grievance mechanisms in place, but a company would need to disclose additional measures.	<p>gr-1 Does the facility have established grievance handling and dispute resolution procedures?</p> <p>wi-gri-2f If yes, please describe how workers are able to submit grievances</p> <p>WE Tech Question 15: In the past twelve months, have you or anyone working with you made a suggestion or complaint to your employer, and your employer has done something about it?</p>

CAF coverage for the ESRS S2-3

Processes to remediate negative impacts and channels for value chain workers to raise concerns

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe the company's support processes for the existence of specific channels to raise their concerns	Partial	A company could mention if it pays for the use of SLCP's Worker Engagement Technology (WE Tech) in its supply chain as one channel for receiving grievances.	SLCP's WE Tech Protocol highlights that WE Tech can only be as beneficial as the follow up actions the facility puts into place in response to the WE Question Set findings. SLCP's WE Tech is only one channel that can support a company's grievance and remediation processes, therefore the disclosure would need to include additional measures.	WE Tech Question Set
Tracks and monitoring issues raised and addressed including stakeholder engagement	Partial	Companies can use the following SLCP year assessment to track and monitor their grievances identified in the previous assessment. Additionally, if the company uses WE Tech, the improvement plan can be monitored to track actions to remediate the identified findings.	SLCP does not support the specific tracking and monitoring of grievances identified in an SLCP assessment.	WE Tech Question Set
Disclose whether and how the company assesses value chain workers' awareness of remediation processes	No	N/A	SLCP does not require facilities to make workers aware of remediation processes. However, SLCP's approved service providers offer additional services after the WE Tech survey execution that could support this disclosure.	N/A

CAF coverage for the ESRS S2-4

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe the actions taken, planned or underway to prevent or mitigate negative impacts on value chain workers	No	N/A	Use of SLCP does not prevent or mitigate negative impacts on value chain workers.	N/A
Describe the actions to provide or enable remedy in relation to an actual material impact	Partial	SLCP's Worker Technology Engagement (WE Tech) survey, requires facilities to create an improvement plan based on the findings of a significant impact. Companies can further support remedy by enabling facility partners to set up grievance management measures. This could be included in the disclosure as one example of an action taken to mitigate negative impacts on value chain workers.	A company would need to take further actions to ensure they are remediating issues found in an SLCP assessment. These are out of scope for SLCP.	WE Tech Question Set
Describe additional actions or initiatives in place for delivering positive impacts for value chain workers	Partial	SLCP's CAF reduces the audit burden on suppliers, freeing up resources for improvement programs. A company can reference the ability to free up resources to be put towards improvement programs, creating positive impacts for value chain workers. If working with WE Tech service providers, they can also be included as such an initiative depending on the additional follow-up services they choose to implement after the use of WE Tech.	SLCP serves as only one reference for companies to disclose positive impacts for value chain workers.	Companies can reference the use of the SLCP assessment.

CAF coverage for the ESRS S2-4

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe how the company tracks and assesses the effectiveness of such actions and initiatives in delivering intended outcomes for value chain workers.	No	N/A	This is outside of the scope of an SLCP assessment.	N/A
Describe the processes to identify needed and appropriate actions for negative impacts, approaches to take action including stakeholder engagement and to ensure that remedy is provided effectively in case of material negative impacts.	No	N/A	SLCP does not support the development of remediation actions. An SLCP assessment identifies what negative impacts exist in a facility, which informs the remediation process. SLCP highly encourages this as follow-up action to Worker Engagement Technology (WE Tech) survey results through engagement of facilities with SLCP-approved service providers.	N/A
Describe the actions planned or underway to mitigate material risks for the company arising from its impacts and dependencies on value chain workers and how it tracks effectiveness in practice.	Partial	SLCP assessments could form part of this disclosure as a measure for tracking the effectiveness of the mitigation actions taken by a company to remediate a negative impact on value chain workers.	SLCP assessments are only one reference for this disclosure. Companies would need to go beyond SLCP to meet the disclosure requirement.	Companies can reference the use of the SLCP assessment.

CAF coverage for the ESRS S2-4

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Required disclosures	CAF coverage	Explanatory note on SLCP's support for the disclosures	Limitations in SLCP's coverage	Examples of CAF data points useful for the disclosure requirement
Describe the actions planned or underway to pursue material opportunities for the company in relation to value chain workers	No	N/A	This is outside of the scope of an SLCP assessment.	N/A
Disclose the actions to avoid causing or contributing to material negative impacts on value chain workers	No	N/A	This is outside of the scope of an SLCP assessment.	N/A
Disclose the human rights severe issues and incidents connected to the company's upstream and downstream value chain	Partial	SLCP assessments can be used by a company to identify human right issues and incidents connected to value chain workers. A company could use findings of severe human rights issues in SLCP assessments as part of this disclosure.	Given the nature of a broad social assessment, their usefulness in identifying severe issues in facilities is limited, particularly for those that are harder to detect. A company would need to go beyond their SLCP assessment to identify severe human rights issues in the value chain.	SLCP has undertaken mapping against the ILO Fundamental Principles and Rights at Work. Findings on these data points could be considered severe. Contact SLCP for more details.
Disclose the resources allocated to the management of the company's material impacts	No	N/A	This is outside of the scope of an SLCP assessment.	N/A

Alignment with strategic partners

As a reflection of SLCP's commitment to convergence and transparency, SLCP has sought alignment with its key strategic partners – such as **Cascale** (formerly the Sustainable Apparel Coalition) and **Worldly** (an SLCP Accredited Host), enhancing our communication on how to best support companies in their CSRD journey.

"Together with SLCP, we are committed to creating a future where the consumer goods industry embraces ethical and sustainable practices. SLCP's CAF is the social compliance assessment framework of our Higg FSLM tool, and understanding how the CAF intersects with key legislation, such as CSRD, provides immense value for our members as they navigate CSRD requirements. Our alignment on shared goals and harmonized tools is more important than ever, and it is important as we strive for industry convergence and collective action at scale."

- **Jeremy Lardeau**, Senior Vice President, Higg Index



"The sustainability regulatory landscape is complex, and consumer goods businesses are looking for guidance and solutions as they prepare for reporting. SLCP's paper is a valuable resource that explains how its Converged Assessment Framework aligns with the EU's Corporate Sustainability Reporting Directive ."

- **J.R. Siegel**, Vice President, Sustainability

What are the next steps?

The publication of the sector-specific ESRS - expected in 2026 – will provide clarity not only for investors and companies seeking clarity, but also for multi-stakeholder initiatives (MSIs) such as SLCP - which provide implementation tools and can align with the legislative requirements.

The CAF is constantly being reviewed and mapped against emerging policy regulations to strive for alignment. SLCP will carry out additional mapping exercises with the sector-specific standards are published, specifying its role and limitations for compliance.

We welcome feedback from our stakeholders on how SLCP can be a useful organization for corporate human rights reporting and the usefulness of this Guidance. See further details below.

Acknowledgements



SLCP would like to thank all those who contributed to the development of this Guidance, including those who reviewed the document, provided case studies and examples, and otherwise contributed to its development.

Feedback and further information:

- Please contact info@slconvergence.org for feedback or questions
- For questions about the SLCP assessment & verification process, consult the [FAQs](#) on our [Helpdesk](#).

Disclaimer:

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