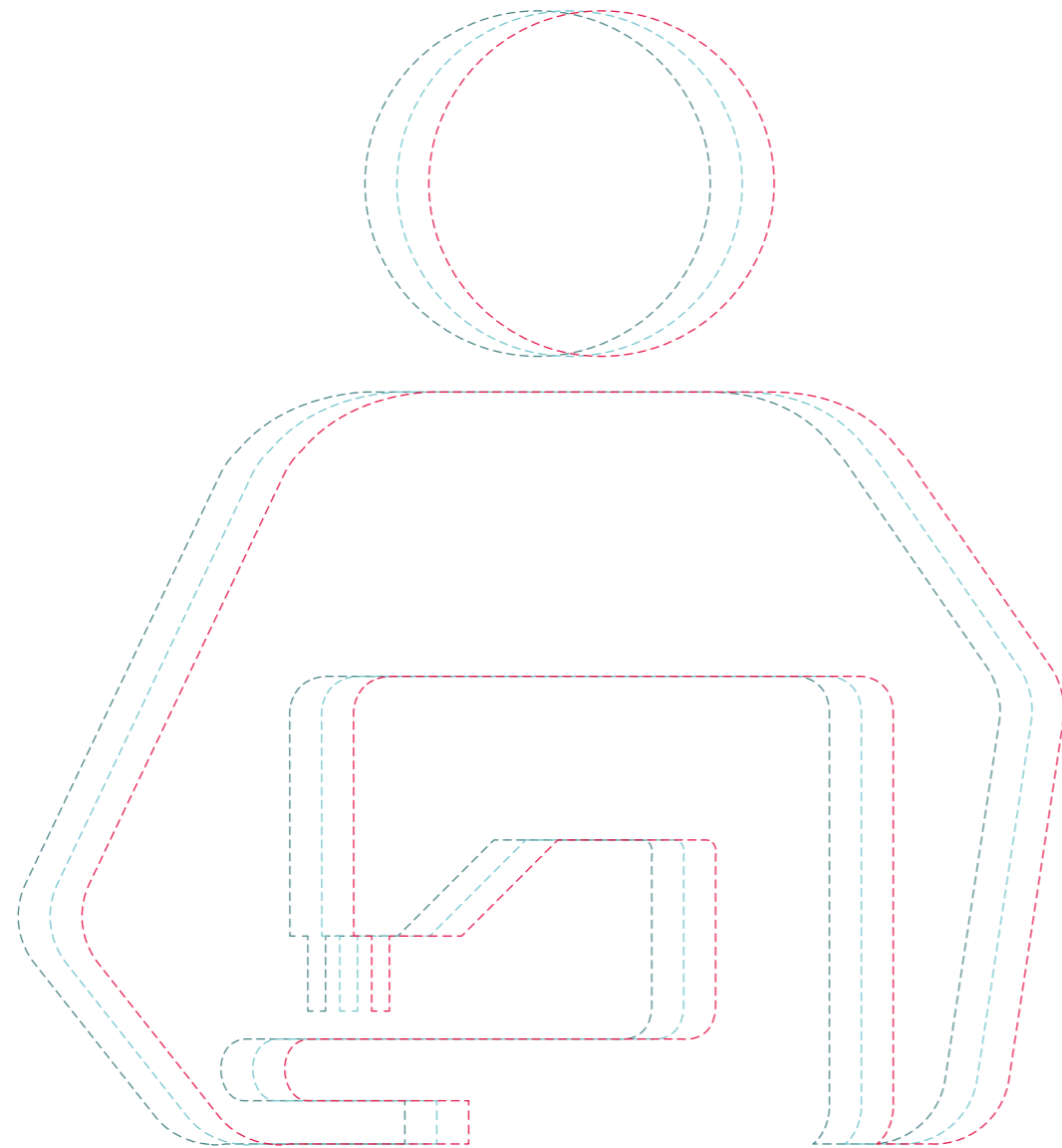




ANNUAL REPORT

2021



HEALTH AND SAFETY IN THE TEXTILE AND GARMENT INDUSTRY



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FOREWORD FROM THE EXECUTIVE DIRECTOR

2021 was a year of hope and perseverance for us in many respects. Between the lingering effects of Covid-19 and uncertainty about the future of Accord programs, we continued working towards workplace safety in the textile and garment industry and reached several memorable milestones together with our signatories and staff.

Through the close cooperation between Accord signatories and the RMG Sustainability Council (RSC) - the organisation that, since June 2020, is implementing the signatories' obligations on inspections, remediation monitoring and workplace programs in Bangladesh – we continued engaging with covered factories to fulfil the requirements under the Accord agreements and implement adequate safety measures to safeguard factory workers from health and safety risks.

Inspections and remediation

In the first half of 2021, our stakeholders continued to recuperate from the effects of Covid-19. While the on-site safety inspections were suspended from April – May 2021 due to Covid-19, a total of 3274 inspections were conducted by RSC engineers in 2021. To prevent the spread of Covid-19 at the inspected factories, the RSC, in close cooperation with the Accord Secretariat and brands, implemented several changes to the usual inspection procedures, including direct transport of the engineers to and from the factories, and the provision of personal protective equipment (PPE).

By the end of 2021, the total remediation completion rate across the 1369 International Accord covered factories was 91%. While this remediation rate indicates the steady progress on workplace safety made by several International Accord covered factories, much remains to be done. Towards the end of 2021, workers at many factories were yet to have proper access to safe exits, fire alarm systems and workplaces with structural integrity – implying that the workers' lives at these factories remain at risk.

Workplace safety programs

From March 2020 to November 2021, the workplace programs were implemented remotely to reduce the risk of spreading Covid-19. The Safety Committee trainings and Safety Committee meetings were conducted via tele-conference, and the trainers distributed to factories informational materials on Covid-19 prepared by the World Health Organisation and the Government of Bangladesh. On-site Safety Committee Training sessions resumed in December 2021.

By the end of 2021, the Safety Committee and Safety Training Program (SCST) had commenced at 1125 International Accord factories with over 1.8 million workers. Out of the 10,926 safety committee members in these factories, 9245 completed the full 8 session training curriculum on workplace safety.

Since its start in 2014, workers at covered factories had filed approximately 4200 complaints through the Accord signatories' Complaints Mechanism by December 2021 (implemented by the RSC since June 2020). The nature of allegations highlighted the non-payment of separation from employment benefits, wages, and maternity benefits as key areas of concerns at covered factories.

Extension of Transition Accord 2018

Ahead of the expiration of the 2018 Transition Accord on 31 May 2021, UNI Global Union, IndustriALL Global Union, and a negotiating committee including leading fashion brands reached agreement to extend the 2018 Accord for three months and continue negotiations to

determine the future of the Accord. This interim agreement, signed by individual brands, extended the Transition Accord until 31st August 2021, and enabled us to continue close cooperation with the RSC to support and monitor the implementation of the workplace safety programs in Bangladesh between June - August 2021.

The 2021 International Accord comes into effect

Following Steering Committee discussions, the Accord brand and union signatories expressed their intention to negotiate a global agreement on health and safety with a vision to continue the Accord in Bangladesh and expand the model of independent inspections, collective brand leverage, public disclosure, accountability, and tri-partite governance to other textile and garment exporting countries.

A breakthrough brand caucus meeting in August 2021 and detailed negotiations between brands and trade union signatories to the Transition Accord 2018 led to a renewed agreement that continues the legally binding commitments to workplace safety in Bangladesh and promises to expand the program to other countries based on feasibility. The new agreement, called the International Accord for Health and Safety in the Textile and Garment Industry, took effect on 1 September 2021. Initially signed by 77 brand signatories, the number of signatories to the International Accord had risen to 160 by 31st December 2021.

The International Accord remains committed to the principles that drove the success of the Accords of 2013 and 2018, including promoting respect for freedom of association, an independent administration and implementation, equal decision-making powers between brands and trade unions, a high level of transparency, provisions to ensure remediation is financially feasible, Safety Committee training and worker awareness program, and an independent complaints mechanism for workers. By signing the agreement, the signatories have committed to support the workplace safety programs in Bangladesh through cooperation with the RSC and establish Country Specific Safety Programs (CSSPs) in at least one other country based on the outcome of feasibility studies conducted between 2021-22. Parties to the 2021 International Accord also agreed to explore the expansion of the Accord's scope to cover other human rights due diligence (HRDD) requirements and to set up a working group for this purpose in 2022.

Building a new team and visual identity

The uncertainty in the future of the Accord led, amongst other reasons, to several staff leaving before an agreement was reached in August 2021. Following the launch of the renewed agreement, the senior management began a hiring round to fill signatory engagement, office administration, communications, data analysis and accountability officer positions essential to Accord implementation.

The name of Stichting Bangladesh Accord changed to the International Accord Foundation. Parallely, the visual identity of our logo, social media accounts and website, was also revised to reflect the International Accord for Health and Safety in the Textile and Garment Industry. The new website of the International Accord has been launched at the time of writing this report. The website comprises key information on Accord programs and signatories.¹

Looking ahead

Since September 2021, the Accord Secretariat began feasibility studies with signatories and stakeholders to explore the needs and opportunities for safety-related inspection, remediation, and workplace safety programs in major textile and garment exporting countries beyond Bangladesh. From November 2021 we conducted surveys of company signatories, desk research of industry data, and interviews with key stakeholders in the

1. <https://internationalaccord.org/home>

countries identified as potential priorities for expansion. The feasibility work was carried on to 2022, and in February 2022 the Accord Steering Committee decided to conduct in-depth feasibility studies in four countries: Sri Lanka, Pakistan, Morocco, and India.

In 2022, the Secretariat visited Sri Lanka, India, Morocco and Pakistan to meet stakeholders for discussions on the feasibility and desirability of establishing safety programs in these garment and textile industries, aligned with the principles which made the Bangladesh Accord effective. Based on strong interest from stakeholders, the Accord Steering Committee agreed to conduct pilot assessments as part of the feasibility research in Pakistan to inform the possible establishment of a workplace safety program there. At the time of writing this report, the International Accord Secretariat is working with brands, trade unions and factories to establish the Pakistan Accord.

We look forward to continuing the Accord's work in 2022 and expand our programs to more garment and textile factories, so they become and stay safe for millions of workers. We also look forward to continuing our engagement with policy makers, social partners, business and human rights constituents, and academia to extend the Accord model of transparency and accountability to other sectors and countries.

Joris Oldenziel,
Executive Director, International Accord

● BACKGROUND TO THE INTERNATIONAL ACCORD

● Purpose

The International Accord for Health and Safety in the Textile and Garment Industry promotes safe workplaces through independent safety inspections, training programs, and a complaints mechanism to address workers' concerns about occupational health and safety.

The International Accord is a legally binding agreement between more than 180 brands/retailers and global trade unions, IndustriALL Global Union & UNI Global Union, to make textile and garment factories safe. It came into effect on 1 September 2021, as the successor to the 2013 and 2018 Accords on Fire and Building Safety in Bangladesh.

We see transparency and accountability as the backbone of advancing workplace safety. Through the publication of inspection reports and corrective action plans on a factory-by-factory basis, safety complaints and periodic reports of the Accord Steering Committee, the International Accord promotes transparency and accountability amongst brands, trade unions, factories and workers in the textile and garment supply chain.

The Accord on Fire and Building Safety in Bangladesh 2013

The Accord on Fire and Building Safety in Bangladesh 2013 was created to advance workplace safety and address the prevalence of seriously harmful factory accidents in the textile and garment industry in Bangladesh. The agreement was initially signed by some 40 brands and retailers, 2 global trade unions, IndustriALL Global Union & UNI Global Union, and 8 Bangladeshi trade unions, and many more brands and retailers joined shortly in the following months. Over 220 companies signed the five-year Accord, and by May 2018, the work of the Accord had contributed to significantly safer workplaces for millions of Bangladeshi garment workers.

Transition Accord 2018

To maintain and expand the achievements of the 2013 Accord, over 190 brands and retailers signed the 2018 Transition Accord with the global unions. The 2018 Transition Accord lasted 3 years and included a commitment to transfer the implementation of Accord programs to a national monitoring body. In May 2019, the Accord signed a Memorandum of Understanding with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) to set up a national, tri-partite organisation governed by brands and retailers, trade unions, and manufacturing associations, the RMG Sustainability Council (RSC), to carry forward the achievements on workplace safety in Bangladesh.

International Accord for Health and Safety in the Textile and Garment Industry 2021

This agreement was further revived in September 2021 as the International Accord for Health and Safety in the Textile and Garment Industry, initially signed by 77 brand signatories. By December 2021, the number of signatories to the International Accord had risen to 160.

The International Accord remains committed to the fundamental components that drove the success of the Accords of 2013 and 2018, including respect for freedom of association, independent administration and implementation, a high level of transparency, provisions to ensure remediation is financially feasible, Safety Committee training and worker awareness program, and an independent complaints mechanism for workers.

By signing the agreement, the signatories have committed to support the workplace safety programs in Bangladesh through cooperation with the RSC and establish Country Specific





Safety Programs (CSSPs) in at least one other country based on the outcome of feasibility studies conducted between 2021-22.

The International Accord is governed by a Steering Committee (SC) consisting of equal representation of trade union and company representatives, with two NGO witness signatories as observers. The International Labour Organization (ILO) acts as a neutral chair for the Accord Steering Committee.

Funding

Each signatory company contributes funding based on the number of factories producing for the company and in proportion to the annual volume of its garment production in Bangladesh (and other countries with new CSSPs), with a maximum contribution of €350,000 per year for each year of the term of the 2021 International Accord.

Transparency & Accountability

As part of the signatories' commitment to transparency and accountability,² the International Accord publishes Quarterly Aggregate Reports and makes the following information public on its website:

- **The list** of International Accord-covered factories and their safety remediation progress, together with the status of the safety training program.
- **The list** of suppliers³ ineligible for business with Accord signatory companies, due to failure to implement workplace safety measures.
- **The list** of factories handed over to the Government of Bangladesh.
- **The complaints** raised by workers and their representatives with the Accord signatories' complaints mechanism.

2. Under Article 28 of the 2021 International Accord for Health and Safety in the Textile and Garment Industry.
 3. www.internationalaccord/factories. Apply filter 'Remediation status: ineligible'.

INTRODUCTION

The International Accord promotes safe workplaces through independent safety inspections, training programs, and a complaints mechanism to address workers' concerns on occupational health and safety.

Alignment with the UN Guiding Principles

The International Accord is aligned with the UN Guiding Principles (UNGPs) on Business and Human Rights. Through the workplace safety programs, brands seek to prevent and mitigate risks at garment and textile factories, prioritising one of the most salient human rights risks in their supply chains: the risk to loss of lives and irremediable injuries by fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.

The independent and trusted Safety and Health Complaints Mechanism, now implemented by the RMG Sustainability Council (RSC), meets the effectiveness criteria for Non-Judicial Grievance Mechanisms (UNGP Article 31, Pillar III – Access to Remedy). In 2020, the Accord Secretariat reviewed the effectiveness of the OSH Complaints Mechanism using the criteria for non-judicial grievance mechanisms prescribed by the UNGPs. A summary of the analysis is available here.

Parties to the 2021 International Accord agreed to explore the expansion of the Accord's scope to cover other human rights due diligence (HRDD) requirements and set up a working group for this purpose. At the time of writing (February 2023), the HRDD Working Group has been established with 10 brand signatories to identify human rights due diligence responsibilities issues that could potentially be addressed by the International Accord.

Main features of the 2021 International Accord

• Legally binding agreement between brands & trade unions
• Brand commitment to ensure safety remediation is completed & financially feasible
• Independent safety inspections & remediation program
• Disclosure of inspection reports & corrective action plans (CAPs)
• Safety Committee and Safety Training Program
• Safety and Health Complaints Mechanism
• Protection of the Right to refuse unsafe work
• Ongoing promotion of the Right to Freedom of Association (FoA) to advance safety
• Training and Complaints Protocol to cover (FoA) rights
• Optional listing of home textiles and fabric & knit accessory suppliers

The key distinctions between the International Accord and the 2018 Transition Accord are as follows:

2018 TRANSITION ACCORD	2021 INTERNATIONAL ACCORD
COMMITMENT	
Signatories commit to a safe and sustainable Ready-Made Garment (RMG) industry in Bangladesh.	Signatories continue their commitments in Bangladesh (through the RMG Sustainability Council (RSC)) and agree to establish International Accord programs in at least one other garment and textile producing country.
IMPLEMENTATION	
Programs implemented by Bangladesh Accord Foundation in Amsterdam and liaison office in Dhaka, Bangladesh till June 2020. On June 2020, all operations, protocols and policies transitioned to the RSC.	RSC to implement the workplace safety programs in Bangladesh. The Secretariat in Amsterdam (now International Accord Foundation) supports, coordinates, and liaises with the RSC to ensure that the brand obligations under the Accord agreement are fulfilled.
SCOPE	
Addresses human rights issues in the garment and textile industry through the workplace safety programs and the workers complaints mechanism.	<p>Commitment to expand the work of the Accord to other countries through the establishment of Country-Specific Safety Program. Aims to expand to at least one country during the period of the agreement.</p> <p>Option to explore and address additional Human Rights Due Diligence (HRDD) issues in the clothing industry alongside the existing workplace safety programs and complaints mechanism.</p>

Continued commitment to workplace safety in Bangladesh

The signatories continue their commitment to promoting safer garment and textile factories in Bangladesh through the RMG Sustainability Council (RSC). The RSC is an independent, national, and tri-partite safety monitoring organisation for the Ready-Made Garment (RMG) sector in Bangladesh that continues to implement the safety inspections and remediation program, safety committee and safety training program, and the complaints mechanism previously implemented by the Accord liaison office in Bangladesh. The signatories recognise the independence of the RSC and share a common vision for the growth of the RSC to becoming a sector-wide program in Bangladesh.

The work of the RSC, as stipulated in the Transition Agreement and Article 24 of the Articles of Association, builds on the operations and protocols of the 2013 and 2018 Accord on Fire and Building Safety in Bangladesh, including inheritance of the Accord's Bangladesh based assets and human resources, protocols, procedures, and standards, as agreed between the 2018 Accord Steering Committee and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in the Transition Agreement signed in January 2020.

The Secretariat in Amsterdam supports, coordinates, and liaises with the RSC to ensure that the brand obligations under the Accord agreement are fulfilled. The Secretariat is particularly mandated to monitor and enforce adherence by the signatories to the Escalation Protocol as it applies to their suppliers in Bangladesh, and to monitor compliance if a signatory's supplier indicates that completion of the remediation is not financially feasible. The Secretariat shall refer any cases of unmet finance requests to the SC. In 2021, the close cooperation between the Secretariat and the RSC covered over 2 million workers and

approximately 1370⁴ factories in Bangladesh.⁵

New team and visual identity

In mid-2021, the uncertainty in the future of the Accord led, amongst other reasons, to several staff leaving before an agreement was reached in August 2021. Following the launch of the renewed agreement, the senior management began a hiring round to fill the head of signatory engagement role, office administration, communications, data analysis and accountability officer positions essential to Accord implement the 2021 International Accord objectives. Joris Oldenziel was appointed as the new Executive Director of the International Accord.

Our visual identity, including the Accord logo, social media accounts and website, also underwent a change as we were renewed as the International Accord for Health and Safety in the Textile and Garment Industry. The new website of the International Accord contains key information on Accord programs and signatories⁶.

New International Accord programs

From September 2021, the Accord Secretariat began feasibility studies with signatories and stakeholders to explore the needs and opportunities for safety-related inspection, remediation, and workplace safety programs in major textile and garment exporting countries beyond Bangladesh. From November 2021 to February 2022 the Secretariat conducted surveys of company signatories, desk research of industry data, and interviews with key stakeholders in the countries identified as potential priorities for expansion.

In February 2022 the Accord Steering Committee decided to conduct in-depth feasibility studies in four countries: Sri Lanka, Pakistan, Morocco, and India. In March 2022, the Secretariat visited Sri Lanka and Pakistan to meet stakeholders for discussions on the feasibility and desirability of establishing safety programs aligned with the principles of the Bangladesh Accord in these garment and textile industries.

The expansion of the International Accord's health and safety programs to at least one of the four priority countries—Pakistan, Sri Lanka, Morocco, and India—will be based on assessment of feasibility using the following criteria:

1. Scope of safety risks and potential impact
2. Interest of brands and trade unions
3. The presence and volume of signatory brands in the country
4. Gaps in monitoring and enforcement of safety standards
5. Support from key local stakeholders, including government, industry, and trade unions
6. Opportunities for cooperation and capacity building
7. Costs associated with program implementation

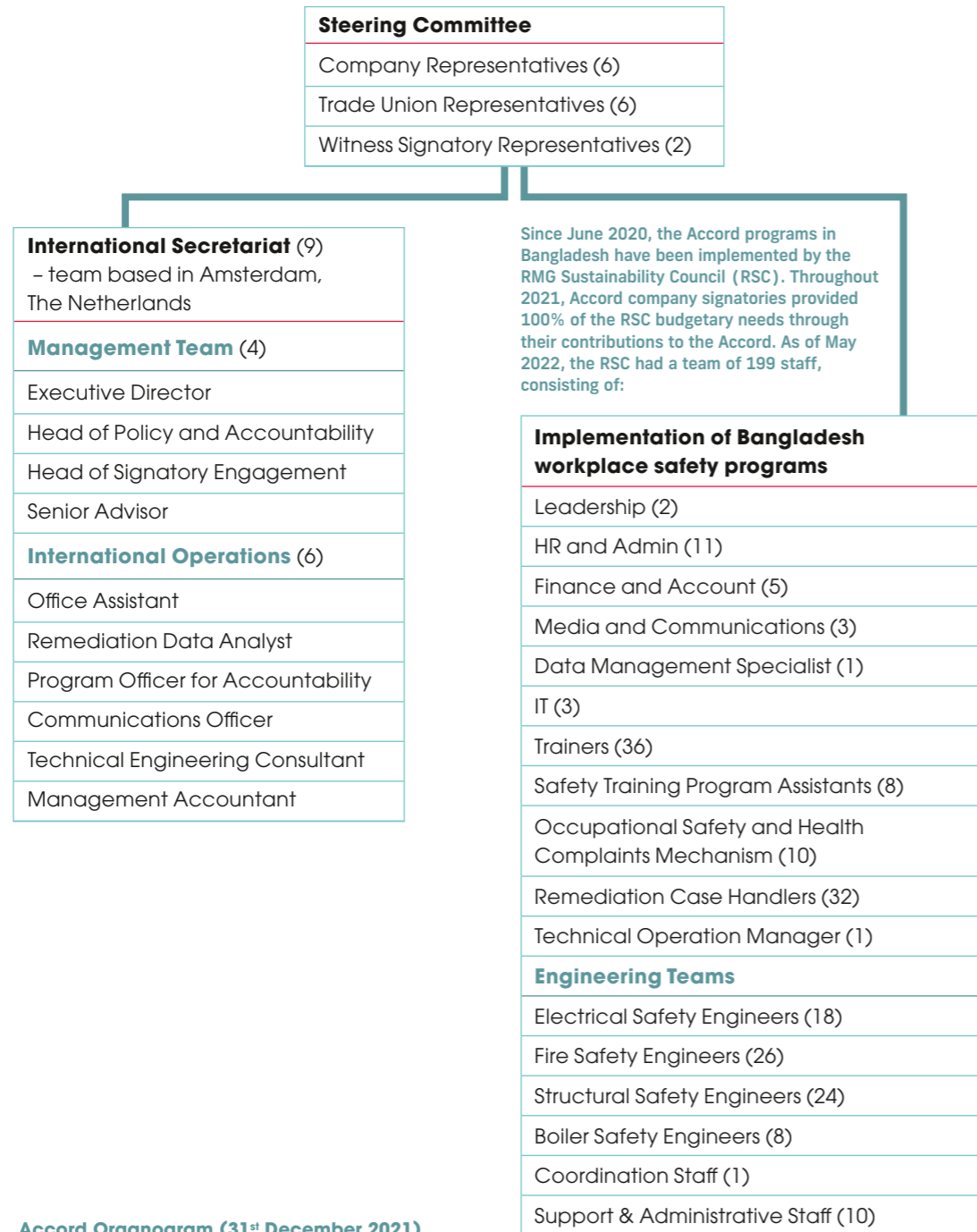
Based on strong interest from stakeholders, the Accord Steering Committee agreed to conduct pilot inspections as part of the feasibility study in Pakistan to inform the possible establishment of a workplace safety program there.

At the time of writing this report, the International Accord Secretariat is working with brands, trade unions and factories to establish a new country program in Pakistan, that was agreed by the Accord Steering Committee in December 2022, the Pakistan Accord for Health and Safety in the Textile and Garment Industry.

4. More information on the current remediation status of the factories in Bangladesh is available on the 'Bangladesh' and 'Factories' pages of the International Accord website. <https://internationalaccord.org/factories/>
5. Includes NA factories. There may be some differences in reporting between the RSC and International Accord. This may be attributed to the variation in the reporting period and the scope of covered factories. The RSC continues to report on No Brand factories; the International Accord stopped reporting on No Brand factories on 1 September 2021.
6. <https://internationalaccord.org/home>

IMPLEMENTATION PROGRESS

Organisational Development



Since June 2020, the Accord programs in Bangladesh have been implemented by the RMG Sustainability Council (RSC). Throughout 2021, Accord company signatories provided 100% of the RSC budgetary needs through their contributions to the Accord. As of May 2022, the RSC had a team of 199 staff, consisting of:

Source Annual report 2021-2022, RSC

Accord Organogram (31st December 2021)

Developments in Governance

In 2021, the Articles of Association for the International Accord were amended as per Dutch law, to reflect the new mandate and name change (from the Bangladesh Accord Foundation to the International Accord Foundation). The amendments incorporated the renewed objectives of the Foundation, namely the establishment of new workplace safety programs and the potential expansion of the agreement's scope to address additional Human Rights Due Diligence (HRDD) issues in the textile and garment industry.

Bob Chant (Loblaw) and Robert Hubert (H&M) stepped down as the company representatives on the Accord Steering Committee in February and May 2021, respectively. This led to two separate rounds of elections in April and May 2021 as per *Article 5.2.a* of the Accord Foundation Statutes to fill Committee member positions: *“All Company Members of the Board are appointed by the Company Signatories through an election process by the majority of their votes cast for a candidate applying for an open Board position. In cases of only one qualified candidate applying, that candidate is automatically deemed elected.”*

Following the call for nominations in April 2021, Felicity Tapsell (Bestseller) filled the position that became available following the resignation of Bob Chant. Being the sole candidate nominee during the elections in May 2021, Masarrat Quader (H&M) was automatically elected as the new company representative on the Accord Steering Committee. Masarrat also automatically assumed the role of a brand board member of RSC and a board member in the brands association.

The trade union representation on the Steering Committee also changed with the appointment of IndustriALL's Valter Sanchez in place of Jenny Holdcroft.

In November 2021, the Accord Governance Regulations were amended amongst others to reflect the transition from the Bangladesh Accord to the International Accord. A key change also included the SC Company Member elections:

SC Company Members shall serve a term of two years. Upon the expiration of this two-year period, all six representatives of signatory companies serving on the SC shall be (re)appointed by the signatory brands through an election process. A candidate who receives the majority of votes cast for an open SC Company Member position will be (re)elected. In cases of only one qualified candidate applying, that candidate is automatically deemed elected.

Independent Inspections and Safety Hazards Remediation

Inspections

All factories listed by International Accord signatory companies receive initial inspections and regular follow-up inspections to monitor and verify remediation. Since June 2020, all safety inspections at Accord-covered factories in Bangladesh are conducted by the RSC. Following the initial inspection, factory owners with support from the company signatories develop a Corrective Action Plan (CAP) detailing the planned remediation with a clear timeline and financial plan. These CAPs are regularly updated and published online⁷ with details on remediation progress reported by factories and/or identified by engineers who have conducted follow-up inspections on fire, electrical, structural and boiler safety at factories covered by the International Accord.

At the start of 2021, Accord and subsequently RSC engineers had conducted over 33,200 follow-up inspections at covered factories in Bangladesh to monitor remediation progress and verify that the corrective actions had been completed correctly. In line with Covid-19 rules, the Accord and RSC suspended on-site safety inspections from April to May 2021. Thereafter, to prevent the spread of the Covid-19 virus among its staff and at the inspected

7. Under the 'Factories' pages of the International Accord and the RSC websites



factories, the RSC implemented several changes to the usual inspection procedures, including direct transport of the engineers to and from the factories, and the provision of personal protective equipment (PPE).

From September 2021, the International Accord Steering Committee decided to discontinue covering factories which were not supplying to Accord brands when the new agreement came into effect on 1st September. Therefore, we no longer report on the follow-up inspections at such factories. The RSC continues to cover these factories which have no responsible Accord brands. This change in scope partly explains the cumulative number of follow-up inspections dropping to 26,368 by the end of the year. As of 31 December 2021, 10,180 follow-up inspections were on fire safety, 10,502 on electrical safety and 5,686 on structural safety.

	1 JAN 2021	31 DEC 2021
Fire	12,998	10,180
Electrical	13,189	10,502
Structural	7,066	5,686
TOTAL	33,253	26,368

Figure 1.1
Breakdown of follow-up inspections as of December 2021

Targeted fire safety inspections

In addition to regular follow-up inspections, RSC engineers also conduct targeted inspections. The targeted fire safety inspections at covered factories include Testing & commissioning verification inspections (T&C VIs), Pre – T&C VIs and Negative Suction non-compliance-related inspections. By the end of 2021, Accord engineers (now RSC) had conducted over 640 T&CVIs, 790 Pre – T&CVIs, 115 T&CVIs final verification inspections and 235 negative suction non-compliance-related inspections at covered factories.

TARGETED FIRE SAFETY INSPECTIONS	JAN 2021	DEC 2021
T&CVIs	546	645
Pre-Testing & commissioning verification inspections (T&CVIs) visits	734	793
T&CVI Final Verification Inspections	78	116
Negative suction non-compliance-related inspections	280	238
TOTAL	1,638	1,786

Figure 1.2
Targeted fire safety inspections at covered factories in 2021

Boiler safety inspections

A Boiler Safety Pilot Program in 2018-2020 found significant safety hazards including non-compliant or missing boiler components/parts and a lack of certification. In 2021, the RSC began integrating boiler safety into the inspection and remediation programs, through training an engineering team dedicated for boiler inspections and conducting the preliminary visual boiler inspections prior to more extensive inspections which require boiler shutdown for internal inspections and hydrostatic pressure tests. In 2021, RSC conducted 225 preliminary visual boiler inspections. This inspection program will continue at all International Accord-covered factories.

Temporary evacuations

Based on the Accord signatories' requirements, 78 factory buildings were temporarily evacuated since the inspection program began in 2014 through December 2021; out of which 11 such evacuations were in 2021.

These temporary evacuations took place as the initial or follow-up inspections revealed a severe and imminent risk of structural failure or severe electrical and fire hazards. Most of the temporary evacuations in 2021 were initiated due to the following safety findings:

- Highly overstressed columns;
- Cracks in beams and floor slabs;
- Discrepancies between design information and building structure;
- Inadequate additional construction onto cantilevers.

In these cases, the RSC Chief Safety Officer required the responsible Accord company signatories to ensure the factory owner evacuates the building and stops production until it is determined the building is safe to resume work in.

Remediation

The completion of safety remediation at the 1370 factories supplying to Accord company signatories is monitored through regular follow-up inspections. Starting 1st June 2020, all safety inspections at International Accord-covered factories in Bangladesh are being conducted by the RMG Sustainability Council (RSC). The Accord Secretariat further conducts targeted remediation review meetings with individual signatory companies to identify high priority factories where remediation must be accelerated.

In 2021, the remediation progress of safety issues identified during initial and new inspections in International Accord covered factories was 91%; with 1000+ factories with a remediation rate above 90%. While the remediation progress at covered factories has been steadily increasing for the past few years, this rise has been minimal. Thus, several factories have yet to ensure proper access to safe exits, fire alarm systems and workplaces with structural integrity. Additionally, 28% of the covered factories completed their initial Corrective Action Plans (CAP) in 2021.

Factories where FADS/SUPS is required	1,278	1,055
Fire system verified as installed to standard and fully functional	337	216
Fire system installation or verification outstanding	941	839

Figure 1.3
Progress and completion rates of common remediation items

Ensuring remediation is financially feasible

The International Accord requires signatory companies to negotiate commercial terms with their suppliers which ensure that it is financially feasible for factories to maintain safe workplaces and comply with the remediation requirements instituted by the RSC's Chief Safety Officer. The Secretariat shall be informed and monitor compliance in the event that a signatory's supplier indicates that completion of the remediation is not financially feasible.

Signatory companies use various mechanisms to make it financially feasible for their supplier factories to remediate including guaranteed order volumes for longer periods, higher volumes, soft loans, order pre-payment to improve cash-flow or direct cash assistance.

Finance requests

When a factory expresses the need for financial support to cover remediation costs, the Accord will hold a meeting with the factory owner and all responsible brands. The meeting is scheduled with a minimum of 30 days’ notice to give the supplier time to submit the required information for the brands’ review - as outlined in the Finance Guide. Such information will typically include the list of materials/works required to complete the CAP items for which financial support is being requested, written quotations from service providers, as well as the factory’s/supplier’s financial documentation for the previous three years. If the documentation is incomplete at the meeting, the factory will be given an additional 2 weeks to fulfil the request for information.

The factory must demonstrate the need for financial support and the costs of outstanding remediation. The brands must evaluate the factory’s request and inform the Accord of the outcome within 2 weeks of having received the information from the factory. The signatory companies should negotiate amongst themselves to determine how the economic and financial responsibility are to be apportioned to ensure that it is sufficient for the factory to cover the remediation costs.

If the factory provides all relevant documents but the brands do not respond or the process does not result in a mutually acceptable agreement that ensures completion of remediation, the Accord Secretariat will refer the finance request to the Steering Committee, that decides whether the brand is in breach of its obligations under the International Accord 2021. If the factory does not follow-up or cooperate during the finance request process, the request is dismissed. In 2021, we recorded 11 finance requests from factories out of which 3 were resolved.

Factory Remediation Fund

The Accord Factory Remediation Fund was established in 2017 to support covered factories that no longer had any Accord signatory companies as customers. In July 2019, the Fund became available to all Accord-covered factories meeting certain criteria, including those that produce for Accord company signatories.

The funds made available through the Remediation Fund were distributed in several instalments, subject to factory cooperation, proof of payment towards remediation works, and verified completion of the remediation commensurate with each preceding instalment. The Factory Remediation Fund closed on 31st May 2020 and the International Accord Secretariat continues to monitor the Factory Remediation Fund disbursement, subject to a Fund Agreement with each factory.

Details on the status of the FRF as of 31 December 2021, are shared below:

	DEC 2021
Total funding committed	\$1,405,796
Total funding disbursed	\$1,083,722 (77%)

Figure 1.4
Funding status of Factory Remediation Fund as of December 2021

Non-compliant suppliers

Supplier factories failing to participate in the workplace safety programs prescribed by the legally binding 2021 Accord agreement between global companies and unions, go through a notice and warning (escalation) procedure under Article 30⁸ of the 2021 International Accord. As part of the Bangladesh-based functions transitioning to the RSC on 1st June 2020,

8. Under the 2013 and 2018 Accords, the notice and warning process was implemented in accordance with Article 21 and Article 16 respectively.

the implementation of the escalation protocol and procedures has become the responsibility of the RSC Acting Chief Safety Officer (CSO), with the Accord Secretariat monitoring and enforcing adherence by the signatories to the Escalation Protocol

The escalation procedure consists of three stages:

- Stage 1: Non-compliance notification from Participating Companies to supplier
- Stage 2: Notice and warning from Participating Companies to supplier
- Stage 3: Ineligibility of business with Participating Companies.

Examples of factory non-compliance that could trigger the implementation of the escalation procedure include:

- refusal to temporarily evacuate a critically unsafe factory;
- a lack of progress in finalizing corrective action plans or executing required safety renovations;
- refusal to resolve worker complaints on occupational safety and health (OSH) issues;
- a lack of cooperation with Accord (now RSC) trainers, case handlers, OSH complaint handlers, and/or engineers.

Stage 1	225
Stage 2	53
De-escalations	299

Figure 1.5
Factory escalations and de-escalations in 2021

If no action is taken following the first warning or the Accord signatories do not see adequate progress, the supplier factory will be escalated to stage 2 of escalation and the signatory companies in the factory will be required to issue a warning letter to the supplier. At this stage, mandatory meetings are held with the Factory Management, the responsible signatory companies, and the Accord Secretariat and the RSC to discuss the issue at hand. If the factory meets all the requirements within the specific timelines of the non-compliance notifications, the factory will be de-escalated. In 2021, 299 suppliers were de-escalated.

If the requirements are not met, the factory will be escalated to stage 3 and signatory companies will terminate their business relationship with this factory and the factory becomes ineligible to produce for other Accord signatory companies. The application of group ineligibility, as applied until May 2019, means that the number of supplier factories ineligible for business with Accord signatories is larger than the number of factories escalated to Stage 3. As of 31st December 2021, the total number of ineligible supplier factories was 310. The application of group ineligibility was replaced by the commitment of the BGMEA and BKMEA to withhold issuance of the Utilization of Declaration (UD) disallowing the factory to export their products.

Ineligibility for Accord company production applies for a minimum period of 18 months and until the conditions for requalification have been met. The Accord will work with its labour and company signatories to ensure that any affected workers are offered employment with safe suppliers. Factories made ineligible as per Article 24(q) of the International Accord are handed over to the Inspector General of the Government of Bangladesh’s Department of Inspection for Factories and Establishments. The factories’ inspection reports and Corrective Action Plans are handed over for the Inspector General’s attention and authority to address the ongoing safety concerns at these factories.

Workplace Programs

Signatories to the International Accord recognise that factories cannot be maintained as safe workplaces without the active participation of workers. Through safety training and an independent complaints mechanism for workers and their representatives, the Accord signatories encourage workers at covered factories to help monitor and address safety in their factories on a day-to-day basis.

Under the International Accord, workers at covered factories have the following rights:

- The right to refuse unsafe work;
- The right to participate in the work of their factory Safety Committee;
- The right to file a complaint when they see a safety problem in their factory;
- The right to protection against reprisal for reporting safety-related matters;
- The right to Freedom of Association in relation to protecting their own safety.

Safety Committee and Safety Training Program (SCST)

Joint labour-management Safety Committees at covered factories are trained to address and monitor workplace safety & health and all the workers in the factory are informed about essential workplace safety & health issues. Functioning Safety Committees and an informed workforce are key to ensuring that factories become and remain safe workplaces.

Since June 2020, the Safety Committee and Safety Training Program is being implemented by the RSC. This training program⁹ covers basic safety procedures and precautions, as well as enable workers to voice concerns and actively participate in activities to ensure their own safety. Over 40 staff members in the Training department focus on building these committees, making them effective in addressing and monitoring safety and health issues on a day-to-day basis, and integrating their responsibilities into the functions of the RSC.

The Safety Committee and Safety Training Program¹⁰ consists of the following components:

- Initial Meeting with Factory Management and signatories;
- 8 Session Safety Committee Training Curriculum;
- All Employee safety informational meetings (AEMs);
- Factory walk-throughs;
- Ongoing support for effective functioning of Safety Committees.

From March 2020 to November 2021, the workplace programs were implemented remotely to reduce the risk of spreading Covid-19. The Safety Committee trainings and Safety Committee meetings were conducted via teleconference, and the trainers distributed to factories informational materials on Covid-19 prepared by the World Health Organisation and the Government of Bangladesh. On-site Safety Committee Training sessions were resumed by RSC trainers in December 2021. Covid-19 measures were maintained during training sessions, including social distancing, wearing of masks, and non-attendance in case of symptoms.

Following an Accord Steering Committee decision on 27th April 2020, The Accord Secretariat requested all Lead Brands to provide their assigned factories with guidelines and examples based on the opinions and recommendations of global and Bangladeshi public health, OSH, and disease prevention experts. This communication included accepted measures to keep workers safe and prevent further spread of the virus. To ensure the Covid-19 measures were

9. More details about the programs can be found under the 'Workers' section of the RSC and International Accord websites.

10. As per Article 12b of the 2018 Transition Accord, the Accord Steering Committee decided that the Safety Committee and Safety Training Program shall include an 8th training session and a 3rd All Employee Meeting with a focus on common health hazards and the workers' right to Freedom of Association in relation to health & safety. These training elements have been rolled-out at factories starting in September 2019.

implemented, factories were requested to provide their Lead Brands with video or pictorial evidence, and to communicate the date of completing each measure.

By the end of 2021, the SCST program had commenced at nearly 1125 International Accord factories with over 1.8 million workers. Out of the 10,926 safety committee members in these factories, 9245 completed the full 8 session training curriculum on workplace safety.

From March 2020 and throughout 2021, All Employee Meetings (AEMs) to inform all workers in a factory about health and safety were suspended due to the pandemic. In January 2022, the RSC resumed on-site AEMs in an adapted format, whereby the presentations are made in the work areas of the factory with workers remaining at their workstations rather than separately congregating in one location.

	All Employee Meeting 1: Safe evacuation and safety hazards in RMG factories	All Employee Meeting 2: Workers' rights and responsibilities with respect to a safe workplace	All Employee Meeting 3: Health hazards and the right to Freedom of Association in relation to health & safety
DEC 2021	1,204	858	288

Figure 1.6
Number of covered factories where All Employee Meetings to inform workers of workplace safety had been conducted as of December 2021

Safety and Health Complaints Mechanism

Signatories to the International Accord provide for an independent complaints mechanism at all covered factories. Through this mechanism, workers and their representatives can raise concerns on health and safety risks safely, and if they choose so, confidentially. The mechanism ensures that safety and health concerns at the covered factories are properly addressed and remediated, and that the right to refuse unsafe work is upheld where necessary.

Since June 2020, the complaints mechanism is operated by the RSC, following the same procedures to handle complaints as developed by Accord signatories under the 2013 and 2018 Accord. Workers who utilise the Safety and Health Complaints Mechanism or who exercise the right to refuse unsafe work must not face retaliation. In such cases, the Accord signatories require that such founded violations be remedied, failing which, the notice and warning provisions of Article 16 would apply. In accordance with our commitment to transparency, once a complaint has been closed, a short summary of the complaint is published on the International Accord website.¹¹

The independent complaints mechanism meets the effectiveness criteria for Non-Judicial Grievance Mechanisms (UNGP Article 31, Pillar III – Access to Remedy). In 2020, the Secretariat reviewed the effectiveness of this complaints mechanism using the criteria for non-judicial grievance mechanisms prescribed by the UNGPs. A summary of the analysis is available [here](#).

By the end of 2021, over 4270 total (unique) complaints had been received under the Accord complaints mechanism. The percentage of non-OSH complaints related to non-paid leaves and non-paid overtime was higher (62.42%) than the Occupational Safety & Health (OSH) complaints (39.73%). As a complaint can include both OSH and non-OSH allegations the percentages add up to more than 100%.

11. <https://internationalaccord.org/workers/complaints-mechanism/>

Figure 1.7
Total complaints
as of 31st
December 2021:
type of allegations

Occupational Safety & Health (OSH)	1,698	39.73%
Non-OSH (termination, forced resignation, non-payment of wages, non-payment of separation benefits)	2,668	62.42%
Total complaints (unique)¹²	4,274	

1480 of the total (unique) complaints were registered in 2021, with the most complaints recorded in September 2021 (252), after the International Accord for Health and Safety in the Textile and Garment Industry came into effect.

DATE	NO. OF COMPLAINTS
January	124
February	109
March	148
April	110
May	69
June	160
July	65
August	184
September	252
October	155
November	60
December	44
Total	1,480

Figure 1.8
Number of complaints filed
through the Accord complaints
mechanism in 2021

By the close of calendar year 2021, 1698 OSH-related complaints were filed by workers and their representatives at all factories with access to the International Accord complaints mechanism.¹³ Out of which most complaints were working environment related. This included over 1,340 complaints related to Covid-19, unsafe drinking water supply, excessive heat, workplace violence, forced overtime, denial of maternity pay/leave rights, sexual harassment.

12. The total number of unique complaints is lower than the total number of complaints alleging OSH and Non-OSH concerns, as some complaints have both OSH and Non-OSH aspects. The Accord Signatories' complaints mechanism only processes the OSH aspects of such complaints. As a complaint can include both OSH and non-OSH allegations the percentages add up to more than 100%.

13. This number may include complaints from factories not covered by the RSC and/or the International Accord.

Engineering (structural/fire/electrical safety)	192
Working environment related (incl. Covid-19 related, unsafe drinking water supply, excessive heat, workplace violence, forced overtime, denial of maternity pay/leave rights, sexual harassment)	1,486
Reprisal for having filed a complaint	40
Total OSH Complaints (unique)¹⁴	1,698

Figure 1.9
Occupational Safety & Health (OSH) complaints received as of 31st December 2021: type of the allegations

In progress	156
Closed	1,542

Figure 1.10
Status of Occupational Safety & Health (OSH) complaints received as of 31 Dec 2021

Following an Accord Steering Committee decision on 28th April 2020, all complaints related to the Covid-19 health crisis are processed under the safety and health complaints mechanism. All Covid-19 related complaints are therefore included as complaints within the OSH complaints mechanism's scope in the statistics presented. The Covid-19 related complaints recorded as of 31 December 2021, highlighted the non-payment of separation from employment benefits, wages, and maternity benefits as areas of concerns at factories with access to the Accord complaints mechanism.

Non-payment of separation from employment benefits	123
Non-payment of wages	58
Retrenchment	40
Termination of employment	45
Forced resignation	42
Risks to health	30
Non-payment of maternity benefits	29
Under-payment of wages	20
Lay-off	11
Worker unrest	9
Threats	7
Physical abuse	3
Unhygienic toilets	2
Denial of sick pay	1
Total unique Covid 19 complaints¹⁵	296

Figure 1.11
Covid-19 related complaints
received as of 31 December
2021: type of allegations

14. The total number of unique OSH complaints is lower than the total number of complaints categorised by nature of the allegations, as some complaints include more than one allegation

15. The total number of unique Covid-19 related complaints is lower than the total number of complaints categorised by nature of the allegations, as some complaints include more than one allegation.

● Stakeholder engagement

Collective efforts to renew Accord

In 2021, the efforts to ensure the continuation of Accord programs unfolded in various ways. We worked together with our signatories and stakeholders to garner support for a renewed agreement on workplace safety in the textile and garment industry. Simultaneously, the collaboration with our partners also involved encouraging non-signatories to sign the (prospective) agreement. We also engaged with key policymakers and international organisations working on business and human rights to support the renewal of the 2018 Transition Accord.

Breakthrough Brand Caucus and new Accord agreement

Besides recuperating from the effects of Covid-19, 2021 was a significant year to determine the way ahead for the Accord programs. A breakthrough during a brand caucus meeting in August 2021 and detailed negotiations between brands and trade union signatories to the Transition Accord 2018 led to a renewed agreement that continues the legally binding commitments to workplace safety in Bangladesh and commits to expand the program to other countries based on feasibility. The new agreement, called the International Accord for Health and Safety in the Textile and Garment Industry, took effect on 1 September 2021. Initially signed by 77 brand signatories, the number of signatories to the International Accord had risen to 160 by 31st December 2021.

DIRECTORS' REPORT

2021 marked a new chapter in the story of the Accord.

Ahead of its expiration on 31 May 2021, the 2018 Transition Accord was extended till 31 August 2021. A breakthrough brand caucus meeting in August 2021 and detailed negotiations between brands and trade union signatories to the Transition Accord 2018 led to a renewed agreement called the International Accord for Health and Safety in the Textile and Garment Industry.

This renewed agreement came into effect on 1 September 2021 and through their signing the signatories remain committed to the principles that drove the success of the Accords of 2013 and 2018, including consensus based-decision making between brands and trade unions, independent administration and implementation, a high level of transparency, provisions to ensure remediation is financially feasible, technical engineering fire, electrical, structural and boiler safety inspections at all covered factories, Safety Committee training and worker awareness program, and an independent complaints mechanism for workers.

By signing the agreement, the signatories have committed to continue to support the workplace safety programs in Bangladesh through their cooperation with the RSC and establish Country Specific Safety Programs (CSSPs) in at least one other country based on the outcome of feasibility studies conducted between 2021-22. The renewed agreement also includes an option to expand the scope of addressing Human Rights Due Diligence issues in the textile and garment industry.

The lingering effects of Covid-19 continued to impact the implementation of Accord's workplace safety programs in 2021. The on-site safety inspections by RSC engineers were suspended between 4th April – 24th May 2021. To prevent the spread of the Covid-19 virus among its staff and at the inspected factories, the RSC implemented several changes to the usual inspection procedures, including direct transport of the engineers to and from the factories, and the provision of personal protective equipment (PPE).

From March 2020 to the end of 2021, the workplace programs were implemented remotely to reduce the risk of spreading Covid-19. The Safety Committee trainings and Safety Committee meetings were conducted via teleconference, and the workers received informational materials on Covid-19 prepared by the World Health Organisation (WHO) and the Government of Bangladesh. On-site Safety Committee Training sessions were resumed by RSC trainers in December 2021.

By the end of 2021, the total remediation completion rate across the 1369 International Accord covered factories was 91%.

The Safety Committee and Safety Training Program (SCST) had commenced at 1125 International Accord factories. Out of the 10,926 safety committee members in these factories, 9245 completed the full 8 session training curriculum on workplace safety.

By 31 December 2021, more than 1.8 million workers had participated in the SCST program which commenced in September 2015.

The number of complaints submitted to the Accord's /RSC's OSH complaints mechanism increased in 2021. By the close of calendar year 2021, workers and their representatives had filed 4200 complaints at Accord-covered factories with employment benefits, wages and Covid-related grievances emerged as the key grievances.

We publish herewith the financial report for the year ending 31 December 2021, highlighting a deficit on income over expenditure of \$2,154,201. A deficit of app \$2.3 million was budgeted. The positive variance is primarily attributed to the following:

- Extra income:
More brands signed the Accord than budgeted.
- Extra costs:
Transferring funds to the RSC in December 2021 for budgeted costs for the quarter December 2021 – February 2022.

The budget for the financial year ending 31 December 2022 is expected to generate a deficit of \$741,930. The negative result can be covered by the General reserve.

This will result in having a general reserve of \$ 149,550 by the end of December 2022.

Alke Boessiger
Board Member and Member of the Audit Committee
21 February 2023

Masarrat Quader
Board Member and Member of the Audit Committee
21 February 2023

FINANCIAL REPORT

2021

1 BALANCE SHEET

	December 31, 2021	December 31, 2020
ASSETS	\$	\$
Tangible fixed assets	2,580	5,420
Receivables		
Debtors	310,818	931,274
Other receivables and accrued assets	1,264,662	156,540
	1,575,480	1,087,815
Banks and petty cash	1,616,940	3,929,480
	3,195,000	5,022,715
	December 31, 2021	December 31, 2020
LIABILITIES	\$	\$
General reserve		
Reserve value at January 1	3,045,681	7,360,808
Balance financial year	2,154,201-	4,315,128-
	891,480	3,045,681
Current liabilities		
Creditors	29,937	27,342
Salaries, taxes, social contributions	13,833	33,981
Remaining accounts payable	35,571	32,625
Accounts received in advance	2,224,180	1,883,086
	2,303,521	1,977,035
	3,195,000	5,022,715

2 STATEMENT OF INCOME AND EXPENDITURE

	BUDGET		
	2021	2021	2020
INCOME	\$	\$	\$
Signatory fees	5,156,743	5,433,333	5,238,790
Credit interest	-	-	-
	5,156,743	5,433,333	5,238,790
<i>Total income</i>	5,156,743	5,433,333	5,238,790

	BUDGET		
	2021	2021	2020
EXPENSES	\$	\$	\$
General			
Personnel costs	1,163,383	1,391,529	1,766,382
Organisation costs	251,796	147,011	343,790
Banking and exchange difference costs	29,162	13,233	6,389-
Group corporate costs	368,515	431,914	417,030
Bangladesh operations	5,498,088	5,023,895	7,033,105
	7,310,944	7,007,582	9,553,918
<i>Total expenses</i>	7,310,944	7,007,582	9,553,918
Result	2,154,201-	1,574,249-	4,315,128-
Appropriation of result			
General reserve	2,154,201-		4,315,128-

3 ACCOUNTING POLICIES

GENERAL

The financial report has been made in accordance with the Dutch Accounting Standard Board's Guideline RJK C-1 for 'Small Not for Profit Organisations'.

All assets and liabilities are stated at their face value, unless otherwise mentioned. Foreign currency amounts are valued against the exchange rate, using the website of the Belastingdienst. Exchange rate differences have been included in the result.

TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at purchase price minus depreciation.

Depreciation of computers and laptops is 33.33%

LIQUID ASSETS

All cash and bank balances listed under liquid assets are discretionary.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Receivables, liabilities and accruals are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

ACCOUNTING POLICIES FOR DETERMINING THE RESULT

Income

Income consists of signatory fees.

The signatory fee is calculated from a scale based on the Brands FOB value of goods exported from Bangladesh.

Situation until May 2021

The signatory fees are invoiced for the period June-May.

So 7/12th is income for this year and 5/12th is deferred income.

Situation starting September 2021

The signatory fees are invoiced for the period September-August.

So 4/12th is income for this year and 8/12th is deferred income.

Result

The result is the difference between income on the one hand and expenses at historical cost on the other hand, taking into account the above valuation principles.

4 SPECIFICATION OF THE BALANCE SHEET: CURRENT ASSETS

	December 31, 2021	December 31, 2020
	\$	\$
Receivables		
Debtors		
Debtors	840,432	1,352,229
Provision doubtful debtors	529,614-	420,955-
	<u>310,818</u>	<u>931,274</u>
<i>Debtors: \$840,432 is the outstanding amount by the end of 2021.</i>		
Other receivables and accrued assets		
VAT	1,409	-
To be invoiced	1,216,790	68,337
Paid in advance	33,577	73,617
Deposits	12,886	12,886
Signatory remediation case settlement funds to factories	-	1,701
	<u>1,264,662</u>	<u>156,540</u>
Banks and petty cash		
ING EUR	180,324	332,006
ING USD	1,437,608	3,503,805
ING savings	-	96,010
Petty Cash	-	1,600
Deposits in transfer	992-	3,941-
	<u>1,616,940</u>	<u>3,929,480</u>

All cash balances are freely disposable.

EXPLANATION OF THE BALANCE SHEET: CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
	\$	\$
General reserve		
<i>Accumulated reserves</i>		
Reserve at January 1	3,045,681	7,360,808
Result	2,154,201-	4,315,128-
Reserve at December 31	<u>891,480</u>	<u>3,045,681</u>
<i>The result of 2021 is deducted from the General reserve.</i>		
Creditors		
Miscellaneous	29,937	27,342
	<u>29,937</u>	<u>27,342</u>
Salaries, taxes and social contributions		
Social taxes	13,833	33,981
	<u>13,833</u>	<u>33,981</u>
Remaining accounts payable		
VAT	-	1,580
Auditor	22,058	21,658
Remaining accounts payable	13,513	9,387
	<u>35,571</u>	<u>32,625</u>
Accounts received in advance		
Deferred income	2,224,180	1,883,086
	<u>2,224,180</u>	<u>1,883,086</u>

Deferred income is 8/12th of the invoiced signatory fees of the year September 2021- August 2022 related to 2022.

• OFF-BALANCE-SHEET RIGHTS, OBLIGATIONS AND ARRANGEMENTS

Rent commitments

The Bangladesh Accord Foundation has a rental agreement in the Netherlands for Prins Hendrikkade 25 2, Amsterdam which is for an indefinite period and has a notice of 6 months. The remaining obligations amounts to \$ 22,190, the amount payable within one year is \$ 22,190 and after five years \$ 0.

RMG Sustainability Council (RSC)

The Accord and the RSC signed a cooperation agreement for the period June 2020 to 31st May 2021 for an amount of \$ 6,6 million. Following the expiration of this cooperation agreement and the signing of the International Accord, the International Accord Foundation and the RSC signed a funding agreement for the period 1st September 2021 to 31st August 2022. The signatories to the International Accord agree to continue the health and safety program in Bangladesh through the RMG Sustainability Council ("RSC"). The International Accord Secretariat supports, coordinates and liaises with the operations of the RSC in order to ensure that the obligations under the International Accord agreement are met. For the first year of this agreement, the Foundation shall collect the funds necessary for the implementation of this agreement, including implementation costs for the parties. The Foundation will transfer the funds necessary to the RSC, as per the approved RSC budget. For the period 2021 a total of \$ 4,923,185,- was transferred to the RSC.

Factory Remediation Fund

The Steering Committee developed a Factory Remediation Fund in 2017 for Accord-covered factories that require financial support to meet the International Accord's remediation requirements. The funds made available through the Remediation Fund are distributed in several instalments, subject to factory cooperation, proof of payment towards remediation works and verified completion of the remediation commensurate with each preceding instalment. The International Accord Secretariat monitors the Factory Remediation Fund expenditure and coordinates the disbursements of each fund instalment.

As per 31-12-2021 the total outstanding commitments (contractual agreed amounts minus disbursements) amounts to \$ 272,763,-

Litigation filed by Accord inspected factory owners or other parties

- 1) A money (damages) suit filed by a factory owner in May 2014 challenging actions taken by the Govt of Bangladesh over acute structural safety concerns identified in an Accord structural inspection, where the Accord is 1 of 7 co-respondents, in 2021 had negligible progress in the Bangladesh courts. At the close of calendar year 201, the case remained pending before the Court of Joint District Judge, Dhaka, Bangladesh. Accord views this case as primarily against the MoLE, Govt of Bangladesh. The MoLE, Govt of Bangladesh has formally submitted to the Court that the money (damages) suit is not maintainable in the law. Accord remains confident about the legality of its actions.
- 2) 1 local engineering firm providing structural engineering analysis services to Accord covered factories filed 2 writ petitions against the Accord after the Accord refused to accept work product of this firm from covered supplier factories. The Accord stopped accepting work product performed by this firm when it was discovered they had submitted fraudulent data in some of their structural analyses and had violated ethical practices of the engineering profession in their work. These 2 writ petition cases were ongoing, with no substantive developments, at the close of 2021.
- 3) In Oct. 2018, a factory owner filed a writ petition against the Accord in the Bangladesh High Court challenging the implementation of first stage notice & warning provisions related to the slow pace of safety remediation completion of one of the owner's factories. The case was ongoing at the end of calendar year 2021 with no court hearings held subsequent to the Oct. 2018 filing by the factory owner.
- 4) General comment on litigations / court cases: The Accord remains confident on its position related to the money (damages) suit (see point 1 above) given that GoB requirements related to the Review Panel were followed and that the GoB itself has formally stated the case is not maintainable under the law and is without merit.

The Accord is advised by our counsel that our positions related to the other above-described pending suits / cases are strong based on the merits or our arguments and associated facts and related to the fact that the Accord operations in Bangladesh have transitioned to the RSC on 1 June 2020.

In the event of a future court order going against the Accord and with the Accord office in Bangladesh legally closing in 2020, the petitioner would be required to attempt to enforce the order in the Courts of the Netherlands or would be required to file a separate case in the Courts of the Netherlands. The Accord is confident that our arguments and associated facts would prevail in any such legal actions filed in the Courts of the Netherlands.

5 STATEMENT OF INCOME AND EXPENDITURE - EXPLANATION INCOME

INCOME	BUDGET		
	2021	2021	2020
	\$	\$	\$
Signatory fees	5,156,743	5,433,333	5,238,790
	5,156,743	5,433,333	5,238,790
Credit interest	-	-	-
	-	-	-

Signatory fees 2021 is 5/12th of the total signatory fees of year 8 (2020-2021) and 4/12th of the total signatory fees of year 9 (2021-2022).

• STATEMENT OF INCOME AND EXPENDITURE - EXPLANATION EXPENDITURES

EXPENSES	BUDGET		
	2021	2021	2020
	\$	\$	\$
Personnel expenses			
Gross salaries	608,552	614,184	724,335
Remuneration foreign employees	249,719	306,780	588,873
Social contributions	73,190	92,128	86,124
Pension contributions	67,228	71,210	88,708
Allowances	89,320	95,802	220,883
Received sickness pay	-	-	-
Severance liability & projected leave cash out	30,352	75,675	-
Temporary work-force/consultants	13,134	57,750	-
Travel & subsistence	19,791	78,000	55,004
Other staff costs	12,097	-	2,455
	1,163,383	1,391,529	1,766,382

● **STATEMENT OF INCOME AND EXPENDITURE - EXPLANATION EXPENDITURES (CONTINUED)**

There are 6 Board members and 6 Alternates which are unremunerated.

The executive team consisted of 2 persons in 2021.

The actual severance liability cost were less than budgeted, due to staff finding jobs elsewhere.

Due to Covid-19 travelling costs were substantially less than budgeted.

Allowances mostly relate to the 30% ruling (extraterritorial costs and tax-free), for the members of the executive team.

EXPENSES	BUDGET		
	2021	2021	2020
	\$	\$	\$
Organisation costs			
Communications	80,227	70,000	80,312
Rent	49,449	54,253	48,819
Office supplies	4,419	12,958	3,010
Computer maintenance and installation	5,494	1,200	862
Costs doubtful debtors	108,660	-	206,495
Insurances	707	5,900	752
Depreciation	2,840	2,700	3,540
	<u>251,796</u>	<u>147,011</u>	<u>343,790</u>
Banking and exchange difference costs			
Banking costs and exchange differences	29,162	13,233	6,389-
	<u>29,162</u>	<u>13,233</u>	<u>6,389-</u>

Costs doubtful debtors haven't been budgeted for, but actual costs have been less than in 2020 due to good debtor management with from the Board members.

Banking costs are mainly due to the exchange differences in 2021.

	BUDGET		
	2021	2021	2020
	\$	\$	\$
Group corporate costs			
Brands and Steering Committee meetings	4,107	47,250	28,919
Website development and support	2,179	39,800	11,511
Public relations	8,968	27,075	14,350
Legal advise	70,618	62,778	87,611
Bookkeeping and payroll administration	31,160	22,349	44,108
Audit costs	36,012	20,000	20,833
Fair Factories Clearinghouse (FFC)	187,323	193,486	176,895
Insurances	28,148	19,176	32,802
Miscellaneous	-	-	-
	<u>368,515</u>	<u>431,914</u>	<u>417,030</u>
Bangladesh operations			
Meetings and business entertaining	-	-	77
Facilities	-	-	271,814
Motor pool	-	-	297,741
Supplies & equipment	15,275	-	20,641
Training	-	-	58,238
Consultants/contractor support	-	-	170,639
Inspections	-	-	551,889
Operations people costs	-	-	1,980,007
Inactive remediation fund	341,374	405,244	261,437
Travel and Subsistence	-	-	8,871
RSC expenses	5,141,439	4,618,651	3,411,750
	<u>5,498,088</u>	<u>5,023,895</u>	<u>7,033,105</u>

A smaller portion of the funds for the Inactive Factory Remediation Fund was accessed in 2021 in part due to the ongoing impact of the pandemic on the recipient factories' ability to advance / complete remediation and in part related to the suspension of field inspections (due to the pandemic) to verify completion of remediation required for distribution of subsequent tranches of funds to recipient factories.

The actual RSC expenses are accounted for based on contractual disbursements. These are quarterly disbursed in advance of the quarter. The budget was based on the expected monthly costs in Bangladesh. In December 2021 the disbursement for the quarter December 2021 - February 2022 was made.

	BUDGET		
	2021	2021	2020
	\$	\$	\$
Country Specific Safety Programs			
Travel to potential CSSP countries	-	10,500	-
Programs, meetings, roundtables in potential CSSP countries	-	15,000	-
Local consultants in potential CSSP countries	-	16,000	-
Materials and translation	-	20,000	-
Pilot inspections in potential CSSP countries	-	-	-
	-	61,500	-

The budget for the Country-Specific-Safety Programs was not yet utilised 2021, these costs will be incurred in 2022.

Impact of Covid-19

The Covid-19 pandemic did not have any significant impact on the income of the International Accord generated by signatory fees. The number of signatory brands to the Accord which have gone out of business remained limited in calendar year 2020 and the percentage of invoiced fees which were paid by the signatory brands was very high.

The RSC has continued to face the impact of the Covid-19 pandemic in the beginning of 2021. Field operations were partially suspended until early 2021. After this suspension, the RSC stepped up their efforts to resume inspections and Safety Committee training activities in Bangladesh.

6 TANGIBLE FIXED ASSETS

	Acquisition	Lifecycle (months)	Depreciation till 2020	Value 1/1/2021	Acquisition 2021	Depreciation 2021	Value 31/12/2021
Computers							
Camera	1,051	36	1,051	-			-
3 Sony Vaio Pro laptops, 4 22" monitors, 1 color printer	7,085	36	7,085	-			-
Asus Zenbook	1,605	36	1,605	-			-
MacBook	1,400	36	1,400	-			-
Qconferencing video conference call	9,274	36	9,274	-			-
Office furniture	5,802	36	4,997	806		806	0
MacBook	1,630	36	543	1,087		543	543
MacBook	1,570	36	436	1,134		523	611
Lenovo Thinkbook	927	36	180	747		309	438
MacBook	1,976	36	329	1,647		659	988
	32,321		26,900	5,420	-	2,840	2,580
<i>Disinvestments</i>	3,005-		3,005-		1,051-	1,051-	-
Total	29,316		23,895	5,420	1,051-	1,790	2,580
Inspectors equipment							
Ferroskans 8	142,393	51	142,393	-			-
Fluke thermal imager + 2 clamps meters	3,631	43	3,631	-			-
2 Pixel IR camera	6,773	42	6,773	-			-
Fluke IR camera+ 2 clamps meters	3,090	41	3,090	-			-
	155,887		155,887	-	-	-	-
<i>Disinvestments</i>	-		-	-	155,887-	155,887-	-
Total	155,887		155,887	-	155,887-	155,887-	-
Total tangible fixed assets	185,203		179,783	5,420	156,938-	154,097-	2,580

7 OTHER INFORMATION

7.1 STATUTORY PROVISIONS GOVERNING PROFIT APPROPRIATION

The articles of association of the Foundation do not stipulate any provisions governing the appropriation of profit.

7.2 APPROPRIATION OF RESULT

By decision of the board the negative result of \$ 2,154,201 will be deducted from the general reserve.

INDEPENDENT AUDITOR'S REPORT

To: the board and management of Stichting International Accord Foundation.

A. Report on the audit of the financial statements 2021 included in the annual report.

Our opinion

We have audited the financial statements 2021 of Stichting International Accord Foundation based in Amsterdam, the Netherlands.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting International Accord Foundation at 31 December 2021 and of its result for 2021 in accordance with the 'RJ-Richtlijn C1 Kleine organisaties zonder winststreven' (Guideline for annual reporting C1 'Small not-for-profit organisations') of the Dutch Accounting Standards Board).

The financial statements comprise:

1. the balance sheet as at 31 December 2021;
2. the statement of income and expenditure for 2021; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing . Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting International Accord Foundation in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual report.

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

Oranje Nassaulaan 1
1075 AH Amsterdam
Telefoon 020 571 23 45

E-mail info@dubois.nl
www.dubois.nl
KvK nummer 34374865

Dubois & Co. Registeraccountants is een maatschap van praktijkvennootschappen. Op alle opdrachten die aan ons kantoor worden verstrekt zijn onze algemene voorwaarden van toepassing. Deze voorwaarden, waarvan de tekst is opgenomen op de website www.dubois.nl, bevatten een aansprakelijkheidsbeperking.

The other information consists of (page 4 until page 25 and page 41 until 44) :

- Foreword from the executive director
- Background
- Introduction
- Implementation
- Director's report
- Board of directors
- Executive leadership
- List of Signatories

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, being the Management Board's report in accordance with Guideline for annual reporting 'RJ-Richtlijn C1 Kleine organisaties zonder winststreven' (Guideline for annual reporting C1 'Small not-for-profit organisations').

C. Description of responsibilities regarding the financial statements

Responsibilities of the board and management for the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 'RJ-Richtlijn C1 Kleine organisaties zonder winststreven' (Guideline for annual reporting C1 'Small not-for-profit organisations'). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the organisation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the organisation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an organisation to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 2 March 2023

Dubois & Co. Registeraccountants

Valid Signed door G. Visser RA

G. Visser RA

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Mathias Bolton	Appointed 13 January 2017
Amirul Haque Amin	Appointed 28 June 2019
Michael Bride (PVH)	Appointed 15 October 2020
Masarrat Quader (H&M)	Appointed 30 March 2022
Felicity Kate Davies (Bestseller)	Appointed 15 April 2021
Atle Hoie	Appointed 17 January 2022

BOARD OF DIRECTORS IN 2021

Valter Sanchez	Appointed 28 May 2021 Resigned 15 September 2021
Indalecio Perez (Inditex)	Appointed 4 August 2020 Resigned 30 March 2022
Jennifer Mary Holdcroft	Appointed 13 January 2016 Resigned 23 April 2021
Robert John Chant (Loblaw)	Appointed 7 December 2018 Resigned 31 March 2021

EXECUTIVE LEADERSHIP

Joris Oldenziel, Executive Director



LIST OF SIGNATORIES (AS OF 31 DECEMBER 2021)

Company Signatories

- A** Adidas Group
Åhléns AB
ALDI North
ALDI South
America Today
American Eagle Outfitters Inc.
APG and Co
Artsana (Chicco)
ASOS
- B** Baumhuetter International GmbH
Bel-Confect
Bel&Bo Fabrimode NV
Benetton
BESTSELLER
Boohoo group PLC
Brand Co Management Ltd
Brands Fashion GmbH
Bristol B.V
Brothers AB
- C** C&A
Carrefour
Cassis - Paprika
Chicca Body-Fashion GmbH & Co. KG
Coop Switzerland
COTTON ON GROUP
Country Road Group Pty Ltd
- D** David Jones Pty Ltd
David Peyser Sportswear
Daytex Mode GmbH
DELTEX Handelsgesellschaft mbH
Distra Warenhandelsgesellschaft mbH & Co. KG
DK Company Vejle A/S
- E** El Corte Inglés
Ellos Group Sweden AB
Ernsting's family GmbH & Co. KG
ESPRIT
- F** Face to Face
Fanatics
Fast Retailing Co. Ltd.
Fat Face Ltd
Florett Textil GmbH & Co. KG
Forever New Clothing
- G** G-Star
G.Gueldenpfennig GmbH
GALERIA Karstadt Kaufhof GmbH
GEBRA Nonfood Handelsgesellschaft mbH & Co. KG
Gina Tricot
- H** HALO
Hanson Im- und Export GmbH
Heinrich Obermeyer GmbH & Co. KG (Blue Seven)
HEMA
Hennes & Mauritz AB (H&M)
- Holland House Fashion BV
HUGO BOSS AG
Hummel A/S
Hunkemöller B.V
- I** ICA Special AB
ID Rexholm A/S
INDITEX
INTERSPORT AB
- J** JBC
JOGILO N.V.
John Lewis
Juritex
- K** KappAhl
Kesko Corporation
Kid ASA
KiK Textilien
Kmart Australia
Knights Apparel - Hanesbrands
- L** L. ten Cate
LC Waikiki
Lidl (Gesellschaft und Umwelt International)
Lindex
Loblaw Companies Limited
Low Land Fashion International B.V.
LPP S.A
- M** Mainpol GmbH
MANGO
Marks & Spencer
Matalan
METRO AG
Mitchell & Ness LLC
MONOPRIX
MQ MARQET AB
MS Mode
- N** N Brown Group
NA-KD (Nakdcom One World AB)
New Frontier GmbH
New Look Retailers Ltd
New Wave Group AB
NEXT
Nutmeg (Wm Morrison Supermarkets plc)
- O** O'Neill
OLYMP Bezner KG
Orsay GmbH
Otto Group
Ouray Sportswear
Outerstuff Ltd
OVS S.p.A.
- P** Padma Textiles Ltd.
Peak Performance AB
Perrin, Inc
Polarn O. Pyret AB
Prénatal Moeder & Kind B.V
Prénatal Retail Group
(Prénatal: BimboStore; Mawi)
- Primark (ABF)
Princess-Gruppen AS
PUMA
PVH
PWT Brands (Texman)
- R** Reima Oy
Retail Holdings Pty Limited
River Island
- S** S. Oliver
Sainsbury's
Salling Group
Sandryds
Schijvens Confectiefabriek Hilvarenbeek B.V
Schmidt Group
Seidensticker Group
SOK VASTUULLISUUS / SOK SUSTAINABILITY
SOLO INVEST SAS
Stadium AB
Suprema Strick- und Wirkwarenfabrik GmbH
- T** T. Kwaspen BV
Takko Holding GmbH
Tally Weijl AG
Target-Australia
TCC Global N.V.
Tchibo GmbH
TED Baker
Tesco
Tex Alliance
Texsport BV
TH Clothes
The Just Group
The Sting B.V.
The Very Group
Tokmanni Oy
Top Grade Int.
Trademark Textile A/S
Tricorp Workwear
Triumph
TVM Europe
- U** Uscap Apparel
- V** VAN DER ERVE
Varner Group
VDR Fashion Group B.V.
Voice Norge
- W** W Republic Apparel
WE EUROPE BV
Wibra Supermarkt B.V.
Woolworths Australia
Workwear Group
Wünsche Services GmbH
- Y** Y'Organic BV
- Z** Zalando SE
Zeeman textielSupers B.V.
Zephyr Headwear

● **Union Signatories**

IndustriALL Global Union
UNI Global Union

● **Witness Signatories**

Clean Clothes Campaign
Global Labour Justice - International Labour Rights Forum
Maquila Solidarity Network
Worker Rights Consortium

INTERNATIONAL ACCORD

Prins Hendrikkade 25
1012 TM Amsterdam
The Netherlands

Tel +31 (0)20 2103685

contact@internationalaccord.org
www.internationalaccord.org



February 2023



**INTERNATIONAL ACCORD
FOR HEALTH AND SAFETY IN THE TEXTILE
AND GARMENT INDUSTRY**