

## Standard Operation Procedure for the RMG Sustainability Council (RSC) Escalation Protocol<sup>1</sup>

### INTRODUCTION

The Escalation Protocol includes three stages to be followed prior to terminating business with a supplier due to inadequate participation in the RSC program (**Article 24(q) RSC Articles of Association**).

**Article 24(q): “The [RSC] BoD shall require that RSC covered factories participate fully in the inspection, remediation, health and safety training activities If a supplier fails to do so, the CSO will promptly implement a notice and warning process in accordance with the Escalation Protocol leading to termination of the business relationship by participating brands and retailers and withholding of the Utilization Declarations (UDs) by the BGMEA/BKMEA.”**

This Standard Operating Procedure outlines the following:

1. The criteria which the RSC will apply when deciding whether to escalate or de-escalate factories.
2. Procedure for Escalation Stage 1 and issuance of Escalation Letters
3. Procedure for Escalation Stage 2, Mandatory Stage 2 meetings and Financial considerations
4. De-escalation from Escalation Stages 1 and 2
5. Procedure for Escalation Stage 3 and UD withdrawals.
6. Considerations for determining supplier ineligibility to produce for Participating Companies.

**Note:** *Templates of all letters referenced in this SOP are available in RSC’s Escalation Protocol.*

### DEFINITION

An “Active Factory” is a factory listed by an International Accord (IA) signatory brand until the brand notifies the IA and updates its factory list with FFC database to show the factory is inactive, in which case the factory becomes an “Inactive Factory”.

“Independent Factories” are factories that have been listed to FFC data base by the BGMEA/BKMEA and have no IA signatory brand(s) as customer(s). Brands can “adopt” Independent Factories, in which case the respective factory becomes an Active Factory. After a period of 18 months after becoming Inactive they may become Independent Factories upon listing by BGMEA/BKMEA.

*Jointly referred to herein as “factories”.*

Participating Company or Companies” refers to brands, importers/agents and retailers that are signatories of the IA and other participating companies as agreed to by the RSC Board.

### ESCALATION CRITERIA

The following is a non-exhaustive set of criteria to assess if a supplier warrants escalation:

- A factory has denied access or refuse to allow RSC engineers to conduct an inspection.
- An inspector has identified one or more immediate risks in the building during an inspection, and those identified risks are not immediately remediated.

<sup>1</sup> The participating companies (brands) that are signatories to the International Accord for Health and Safety in the Textile and Garment Industry (“IA”) are bound by the provisions of the RSC escalation protocol as part of their obligations under Article 30 of the IA.

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- A factory has made no observable progress on remediation of any specific CAP item since the last follow-up inspection and the timeline for that CAP item has expired.
- A factory was inspected over 9 months ago and is below the average verification rate for either their electrical or structural CAP items. (Escalation is not issued for Structural slow progress).
- A factory has not submitted a corrective action plan addressing findings from an inspection after several requests through email and phone calls.
- A factory has not submitted or re-submitted a DEA or EA within the required timeline.
- A factory has not completed all the required corrections in their DEA or EA resubmission.
- A factory has not completed structural remediation within the required timeline.
- A factory has failed to cooperate with the RSC investigation of an OSH complaint; or failed to implement the remedy required following an investigation under the RSC OSH complaint mechanism.
- A listed factory has refused or failed to participate in the Safety Committee Training Program, having been duly selected for inclusion.
- A factory has not submitted or re-submitted a FADS and/or SUPS documents within the required timeline.
- A factory fails to provide full documentation as per the RSC checklist required for pre-T&C and/or required for T&C, after 3 submissions, or documents provided are not validated as complete. A factory fails to pass the Pre-T & CVI or full T & CVI after 3 or more times.

The decision to escalate any issue is based on the assessment of information received by the RSC. The Chief Safety Officer may escalate for other reasons as s/he may determine.

### ESCALATION STAGE 1 PROCEDURE

If a factory does not comply with the remediation requirements set by the RSC’s CSO, the RSC will address the non-compliances in a step-by-step manner using the RSC’s Escalation Protocol. The NCs will be identified by the engineers on the basis of expiration of the timeline and no significant progress is observed.

Within 5 days of receipt of notification via an Escalation Letter (EL) and warning of the risk of termination of business relations should the factory be escalated to Stage 3, the factory must report to the RSC, responsible brands and, in the case of independent factories to BGMEA/BKMEA, on the escalation issues.

The RSC will record Stage 1 of escalation in FFC and save the EL in the appropriate folder of the RSC database. The engineers will provide corresponding timelines to complete the NCs in the escalation recommendations form (EAFs) which will be shared with the factory in the Stage-1 letter.

The RSC will send escalation Stage 1 notice directly to factory by copying responsible brands (Active/Inactive Factories) and BGMEA/BKMEA (Independent Factories), factory unions (if any), IA and relevant RSC staff.

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A factory may be issued multiple ELs for failure to meet various RSC requirements at different times, for example:

- a factory may have resolved all issues in a first escalation but receives another escalation for newly identified issues, in which case the factory would receive a Continued Stage 1 letter and remain in Stage 1 escalation.
- a factory has not addressed all issues in a first escalation and receives another escalation for newly identified issues, in which case the factory would receive an Additional Stage 1 letter and remain in Stage 1 escalation.
- a factory has not addressed issues in the Stage 1 letters within the timeframes specified in the EL, it will be escalated to Stage 2.

All ELs will be recorded in the RSC’s Escalations tracker and other related trackers so that each case is systematically monitored and monthly list of factories in escalation is reported to the RSC BoD and IA.

**ESCALATION STAGE 2 PROCEDURE**

The RSC will send escalation Stage 2 notice directly to factory by copying responsible–brands (Active/Inactive Factories) and BGMEA/BKMEA (Independent Factories), factory unions (if any), IA (Active/Inactive Factories) and internal RSC relevant staff.

**MANDATORY MEETING AT STAGE 2**

After issuing Stage 2, the RSC will organise a mandatory Stage 2 meeting with responsible–brands (Active/Inactive factories – IA Secretariat may participate as an observer), BGMEA/BKMEA (Independent factories), factory Unions (if any) and internal RSC relevant staff, to clarify the expectations for the supplier and brands.

The agenda for the meeting will include:

- An explanation of the RSC’s Escalations Protocol
- a review of non-compliances in the factory as identified by the engineers or case handlers.
- a review of the actions taken to date by the factory.
- a review of the outstanding CAP items.
- the remediation financing plan.
- RSC’s expectations regarding what needs to be done to bring the factory into compliance.
- consequences of further escalation: termination of business with the factory, public disclosure of non-compliance, notification by the RSC to the Dept. of Inspection for Factories & Establishments (DIFE) and BGMEA/BKMEA; and
- Possible suspension of issuance of UDs by the BGMEA/BKMEA.

Factory management will be requested to commit to a time-framed Stage 2 action plan (timelines will be provided by the RSC engineers) addressing the outstanding issues identified. The RSC will check with factory management that they have a full and complete understanding of the issues raised in the meeting and the actions required by the factory. The finalised action plan will be shared with the factory, copying responsible brands and IA (Active/Inactive Factories), BGMEA/BKMEA (Independent factories) factory unions (if any), and RSC relevant staff.



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Following agreement of the plan, the RSC will monitor the actions agreed in the meeting and will conduct an inspection to verify findings. Until this inspection is conducted, the factory will be requested to actively report to the RSC its remediation progress and completion of non-compliances according to these timeframes.

As mentioned above, the time-framed Stage 2 action plan will be recorded and updated by the Remediation Programme Officers (RPOs) on a weekly basis in the RSC’s and the *Monitoring S2* trackers such that each factory’s situation can be closely monitored, and follow-up escalation decisions can be made.

Following the mandatory Stage 2 meeting and agreement on the Stage 2 time-framed action plan, the RSC will monitor these agreed actions. If the factory does not fulfil the agreed actions within the specified timelines, the RSC will escalate the supplier to Stage 3, i.e., termination of or ineligibility to do business with Participating Companies.

The scheduling of Stage 2 follow-up inspections and the results of these inspections shall be recorded, updated and monitored in the *RSC Stage 2 Inspections Schedule* tracker.

In the same way as for Stage 1, a Stage 2 factory may be issued Additional Stage 2 letters for failure to meet various RSC requirements at different times.

All ELs will be recorded in the RSC’s Escalations tracker and other related trackers so that each case is systematically monitored and monthly list of factories in escalation is reported to the RSC BoD.

Escalation may be postponed for a limited period of time at the CSO’s discretion, if the factory:

- has an Initial Corrected Progress rate of 90% or above
- CSO ascertains that factory shows willingness/ cooperativeness towards the completion of the remediation, demonstrated by consistent good progress on the outstanding NCs during the set Stage 2 time period

Where this extra grace period is given, RSC will provide additional support to the factory by:

- better communications in the form of a meeting with higher management, preceded by an invitation letter (BGMEA in copy), spelling out consequences of subsequent actions
- a revised Action Plan based on an assessment of risk posed by non-completed NCs and with demanding but realistic timelines

Follow-up by RSC for these cases will be:

- An inspection by regular inspection team within two weeks after the last NC deadline has passed, with report and EAF
- Escalation team will analyse EAF to provide CSO with a recommendation on whether to de-escalate or escalate to Stage 3.
- If there are mitigating factors these will be considered by the CSO for a decision

**FINANCIAL CONSIDERATIONS**

If for an Active or Inactive Factory it’s not financially feasible to meet the costs of the required remediation, it may request assistance from the brands under the terms of the IA (see the Accord-RSC Factory Finance Request Standard Operating Procedures).



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If the factory has an unresolved finance request, then the RSC will inform the IA Secretariat so that they can arrange a Finance meeting. The IA Secretariat will communicate with the RSC on whether the factory has submitted the required financial documentation and completed all low cost and immediate remediation items.

The IA Secretariat may then refer the case to the IA Steering Committee with a recommendation either to dismiss the finance request, or to require the brands to address the request for financial support under the terms of the IA. Until such time as the finance request is dismissed or considered resolved through brand support or self-financing, the RSC will suspend the application of the Escalation SOP.

**DE-ESCALATION**

A factory will be removed from the escalation process (de-escalated) if the factory successfully completes and the RSC verifies all the previous escalation issues and no other escalation issues have been recommended in the interim, then they are eligible for a de-escalation. In detail:

- De-escalation from Stage 1 – on verification as corrected all the NCs that caused the escalation, in addition to any other escalation issues recommended in the interim.
- De-escalation from Stage 2 – on verification as corrected all the Stage 1 issues and any Additional Stage 2 NCs that caused the escalation, and provided that any other outstanding issues recommended for escalation in the interim, whose timelines have expired but ‘significant progress’ has been demonstrated in addressing those issues, and the factory is ready for the Pre-T&CVI onsite review.

Review and analysis of de-escalation cases shall be provided in the *Pending De-escalations* tracker. If a factory is de-escalated for addressing all issues in the NCLs, the RSC will send an email “Removal from escalation” and will record the factory as “De-escalated” in FFC.

**ESCALATION STAGE 3 PROCEDURE:**

A factory and its associated cluster account(s)<sup>2</sup> will be escalated to Stage 3, if it does not address all the NC issues within the timeframes specified in the previous NC letters and the factory failed to show significant progress to remediating the non-compliances; at the discretion of the RSC CSO the factory will be issued with further escalation to Stage 3.

The RSC will issue Stage 3 letter to the relevant responsible brands (active/inactive) requesting them to send a formal business termination email to factory. The factory, unions, IA and relevant RSC staff will be also copied in this email.

In the case of “Independent” factories the RSC will issue Stage 3 letter directly to the factory and copy BGMEA/BKMEA, local unions and relevant RSC staff.

RSC will inform IBC of Stage 3 escalation by email in which all the outstanding NCs will be mentioned, and an email will also be circulated to relevant RSC staff with instructions to cease communications with the factory related to the RSC programme (inspection, remediation, training, etc.). In cases where Accord is mentioned in the Stage 3 recommendation relating to a finance request/FRF or other matter, share with IA for review. Escalation Stage 3 will be publicised on the RSC website.

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Factories escalated to Stage 3 will no longer be covered under the RSC and will be handed over to DIFE for further monitoring. RSC will notify the DIFE IG by letter of all factories made ineligible due to Stage 3 escalation, with a covering email giving factory details and a summary of all NCs and attachment with soft copies of initial and latest inspection reports and current CAPs.

**UD SUSPENSION**

Should the CSO implement Stage 3 of the Escalation Protocol leading to the factory’s ineligibility as result of the factory’s failure to implement RSC then:

- the RSC CSO shall request the BGMEA/BKMEA to suspend the issuance of the Utilization Declarations (UDs) of factories escalated to Stage 3.
- as per Article 24(q) of the RSC’s Articles of Association, the BGMEA/BKMEA shall suspend the issuance of a factory’s UD.
- BGMEA/BKMEA shall provide evidence of such suspension within 4 weeks of the factory’s escalation (a communication factories announcing suspension of UD issuance).
- BGMEA/BKMEA shall send the evidence to the RSC’s Chief Safety Officer (CSO), RSC Managing Director (MD), and the Escalation Team. The CSO will inform the IA hereof by providing evidence as far Active or inactive Factories are concerned.



<sup>2</sup>Cluster account(s) are the original factory account plus extension building(s) in the same compound and under the same trade license that have separate account IDs.

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