

Minutes of Meeting

RSC Board of Directors (BoD) Meeting 17 March 2023: 9.00 am - 5.30 pm (Bangladesh Standard Time)

Venue: RSC Office 18 March 2023: 9.00 am - 12.30 pm (Bangladesh Standard Time)

Attendees:

| | Members | Role | Organisation | Attended / Apologies |
|-----------------------------|--------------------------------|-------------------------------------------------|--------------------------------------------------------------|---------------------------------------|
| Industry Representatives | Rubana Huq | Director | BGMEA | Yes |
| | Shafiul Islam Mohiuddin | Director, Co-Chair | BGMEA | Yes |
| | Miran Ali | Director | BGMEA | Yes |
| | Nafis Ud Doula | Director | BGMEA | Yes |
| | Faruque Hassan | Director | BGMEA | Yes |
| | Mohammad Hatem | Director | BKMEA | Yes |
| Brand Representatives | Ziaur Rahman | Director | H&M | Yes |
| | Felicity Tapsell | Director | Bestseller | Yes |
| | Bernardo Cruza | Director | El Corte Ingles | Yes |
| | Jochen Juetten-Overmeyer | Director | Otto Group | Yes |
| Trade Union Representatives | Christina Hajagos-Clausen | Director | IndustriALL Global Union | Yes |
| | Amirul Haque Amin | Director, Co-Chair | National Garment Workers Federation (NGWF) | Yes |
| | Kamrul Anam | Director | Bangladesh Textile and Garments Workers League (BTGWL) | Yes |
| | Babul Akter | Director | Bangladesh Garment and Industrial Workers Federation (BGIWF) | Yes |
| | China Rahman | Director | Federation of Garment Workers | Yes |
| | Alke Boessiger | Director | UNI Global Union | Yes |
| Neutral Conveners | Dan Rees | Convener | ILO | No |
| | Tuomo Poutiainen | Convener | ILO | Yes (Acted in absence of Dan Rees) |
| Observer | Apoorva Kaiwar | Observer | IndustriALL Global Union | Yes |
| RSC Representatives | Abdul Haque | Incoming MD | RSC | Yes |
| | George Faller | CSO | RSC | Yes |
| | Roger Hubert | Outgoing MD | RSC | Yes |
| | Mohammad Momanul Islam (Momen) | Financial Controller | RSC | Yes |
| | A. J. M. Zobaidur Rahman | Manager- Media & Communications | RSC | Yes |
| | Md Erfanul Haq | Communications Officer | RSC | Yes |
| | Afsana Akhi | Translation and Reporting Complaints Specialist | RSC | Yes |

Tuomo Poutiainen greeted the august presence and started the meeting. After formal Introduction of the meeting participants, the RSC BoD reviewed the precirculated agenda. Tuomo called for a motion on approval of the agenda items and the following items were approved.

| Meeting Agenda: | | |
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| <ol style="list-style-type: none"> 1. Approval of minutes of the last BoD meeting 2. RSC 2022/23 Forecast 3. RSC Funding 4. RSC 2023/24 Budget 5. RSC Tax Exemption 6. RSC (2023-2028) 5-year outlook <ol style="list-style-type: none"> a. No-Brand Factories b. OSH/ Non-OSH c. Training Programme Expansion: Factory Master Trainer d. Training Programme Expansion: Middle Management Training e. Other RMG related Industries (Textile, Home, Leather, Shoe etc) 7. Escalation/ De-escalation 8. RSC RACI Chart 9. RSC GCC Framework Agreement/ RSC license 10. RSC DIFE Cooperation 11. GIZ 12. RSC EC Committee Focal Point 13. RSC Department Presentation 14. AOB | | |
| Items | Description | Remarks |
| 1 | <p>Approval of minutes of the last BoD meeting</p> <p>Industry proposed that going forward the RSC should circulate the meeting minutes with the new meeting invitation. Tuomo proposed to confirm the proceeding of the last BoD meeting. Industry noted that some of the discussion wasn't reflected in the last BOD minutes. Tuomo then called for another motion to continue the follow-up discussion on those missing items in the current meeting. All three constituents approved the motion.</p> | |
| 2 | <p>RSC 2022-23 Forecast</p> <p>RSC informed the BoD members that BoD initially approved BDT 585 million for 2022-23 Budget Year on 30 May 2022. RSC's current budget and forecast for 2022-23 budget year is BDT 623 million. RSC then explained detailed breakdown of the budget forecast. The RSC noted having some additional expenditure in the last quarter (3rd Year, 4th Quarter 4) which includes items like office relocation, festival bonuses and commencement of provident and gratuity fund. In response to a query related to motor pool section from Trade Union, RSC noted that back in September 2023, fuel price in Bangladesh increased up to 54%. However, due to RSC's efficient management and renegotiation with vendors through open tender, RSC have been able to decrease the overall cost for the year 2022-23. RSC explained that the budget for legal and professional fees mostly incurred for legal opinion and</p> | |

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| | <p>special audit. RSC also explained the budget for consultant which mostly incurred for international training for Boiler Safety, Korn Ferry HR review. Roger explained the additional costing in travel incurred due to his appointment.</p> | |
| 3 | <p>RSC Funding RSC informed the BoD members that RSC have received USD 3.67 million from Brands and BDT 50 million from Industry. However, balancing amounts from Brands and Industry are USD 1.06 million (subject to USD exchange rate) and BDT 74 million respectively. In order to cover full expenses of June 2023 and partial expenses of 4Q1 (4th Year, 1st Quarter), RSC would need additional BDT 100 million from the Brand during the month of May 2023. Industry ensured that they are committed to provide necessary funding and would do so as required. Brands ensured that they would transfer portion of fund due in March within a week.</p> | |
| 4 | <p>RSC 2023/24 Budget RSC stated that for year 2023-24 RSC's fiscal year will start from June 2023 and it will be 13 months budget to match the financial year with budget year. RSC Accounts department is working with other departments to assess their departmental requirements for the next budget year. Currently the Accounts department is reviewing departmental requirements for finalisation. RSC have prepared an initial draft budget with 15% increase compared to last year's actual expenditure. RSC informed that they would provide detailed breakdown of the budget soon and the budget needs to be approved, latest May 2023.</p> | |
| 5 | <p>RSC Tax Exemption RSC informed the BoD members that it has successfully submitted the tax return for 2nd successful year on a Nil Tax Rate basis and obtained the tax clearance certificates from National Board of Revenue (NBR). The RSC and BoD members thanked the industry colleagues for their relentless support on this matter. RSC noted that the NBR officials have suggested having a Statutory Regulatory Order (SRO) for tax exemption. On that note, Industry proposed that they are going to discuss the matter with NBR.</p> <p>The RSC informed the BoD members that they have already submitted the RJSC return for 2022. The RSC started the Provident Fund (PF) and Gratuity Fund (GF) back in January 2023 and currently the bookkeeping is done by Deloitte. RSC have submitted documentation for registration of PF and GF under NBR. Industry proposed that they will take up the discussion with NBR to expedite the PF & GF registration process.</p> | <p>5.1. RSC to share documents related to SRO, PF and GF with Industry.</p> <p>5.2 Industry to discuss with NBR on PF and GF registration and SRO.</p> |

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RSC (2023-2028) 5-year outlook

Roger raised the question what BoD has in mind for RSC, as there is no 5-year action plan in place. He suggested that the plan should include ways in which RSC could generate funds.

A. No-Brand Factories

Industry informed that of approx. 150 factories that are BGMEA/BKMEA member, 100 wish to remain in RSC. The BGMEA would invite all 150 factories together to update them about the consequences. If the factories still wish to be covered by RSC, they will be categorised as independent factories after following proper procedure (contract with BGMEA stating willingness to pay fees, follow protocols and comply with RSC processes). Trade Union agreed to this proposal. Brands agreed and suggested maintaining proper procedure in terms of safety to get the factories onboard.

The RSC suggested that considering the backlog of work, particularly on initial assessment of new factories, RSC have started a recruitment process for vacant positions to build additional capacity. Industry stated that they had a further approx. 70 factories wanting to join RSC but did not want to take fee for entry if they would have to wait up to 1 year for backlog to be cleared before getting initial assessment. They asked what resources would be needed to clear backlog rapidly. BoD members suggested George to share an analysis for resources needed to clear backlog as quickly as possible before the next EC meeting.

Industry stated that they would share with the BoD, the draft legal agreement between the industry association and Independent factories, with proposed fees for subscription/services.

B. OSH/ Non-OSH

RSC noted that in 2022-23 fiscal year, complaints filed with the RSC have significantly increased (to date 2200+). Approximately 75% of these complaints are non-OSH. The RSC have been getting an increasing number of requests from Brands and Trade Unions to start resolving non-OSH complaints and become a one stop solution for Bangladesh. A motion was called to take up this discussion in the next BoD meeting with a formal proposal from the RSC to work on the non-OSH complaints. The motion was unanimously approved.

C. Training Programme Expansion: Factory Master Trainer

RSC proposed to develop a new training module and use that to train the Master trainers in the factory. Currently RSC is required to resume Training programme if there are significant changes in the Safety Committee. The Master trainer programme would exempt RSC from that obligation and eventually save time and resources of the RSC. All three parties unanimously agreed to the proposal. Trade Union proposed to update the training module.

6.1. RSC to send full list of approx. 150 factories to BGMEA (including those previously stating unwillingness to remain under RSC).

6.2 RSC to share their analysis on recruitment needed for rapid clearance of initial assessment backlog, to speed up bringing new factories on board. RSC agreed to share analysis with EC by 28 March to enable a decision on recruitment in the next EC meeting.

6.2. RSC to explore the implementation of a Master Trainer Programme, while updating the current training Modules.

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| | <p>D. Training Programme Expansion: Middle Management Training RSC noted that it feels that there is a need to train the Middle management also. Going forward, RSC would analyse the item and would get back to BoD with a formal proposal.</p> <p>E. Other RMG related Industries (Textile, Home, Leather, Shoe etc) RSC shared that it has a long-term vision the explore its scope of covering the other related industries.</p> | 6.3. RSC to analyse the Middle Management Training requirement and get back to BoD with a formal proposal. |
| 7 | <p>Escalation/ De-escalation RSC noted that the escalation now comes directly from the RSC, and Brands, Unions, BGMEA and BKMEA and IA are informed. RSC then explained the escalation and de-escalation process. RSC pointed out that it is much easier for the factories to get de-escalated now. Industry acknowledged RSC's claim. Industry stated that when a factory becomes ineligible, the RSC requires 18 months' timeline to make the factory eligible again, and this timeline needs to be reduced. After detailed discussion on the 18 months' timeline, it was unanimously agreed that factories would face 18 months' timeline before getting reconsidered by the RSC. However, if all three constituents recommend it then special consideration could be made by the CSO to expedite the re-onboarding process. In any case, it was agreed that if a factory claimed to have completed the requirements, the RSC would do inspection(s) at the factory and charge the factory for its services.</p> | |
| 8 | <p>RSC RACI Chart The RSC BoDs broadly discussed the relationship between RSC, Brands, Industry, Trade Unions and International Accord. Industry urged that they want to see RSC credible as well as independent. All three parties agreed to revisit the RACI chart on the following day, to explore the implications for removing IA from all R, A and C functions. A committee was selected (Miran, Alke and Jochen) to make a proposal on the revised RACI.</p> <p>After detailed discussion on 18 March, it was unanimously agreed that a better understanding of the functions currently assigned to IA was needed, and that George would provide a detailed explanation on the factory listing and other operational procedure of FFC that could serve as guidance to the RACI revision committee. George will report back to EC on 28 March in preparation for finalisation of the RACI at the next EC meeting envisaged to be held on 18 April.</p> | 8.1. RSC to report back to EC regarding FFC functions and implications of RSC covering all R, A and C functions of the RACI, on 28 March 2023 |
| 9 | <p>RSC GCC Framework Agreement/ RSC license The RSC informed the BoD that there are three points in the RSC GCC framework agreement that need attention of the BoD. RSC recently had meetings with GCC and DIFE where RSC tried to resolve those issues, especially the section related to the Review Panel role for "any factory or individual offended by any decision of the RSC". In the meeting with DIFE on the Review Panel a ToR was provided that reflected a role for addressing serious structural issues requiring a decision on whether to evacuate the factory or not. It was agreed</p> | |

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| | <p>that this ToR was not suitable as a mechanism to address general complaints.</p> <p>Industry opined that the option of challenging an RSC decision and taking it to the review panel should be there. Otherwise, people would only have option to raise issues in court. RSC will propose to work with DIFE on the amendment of ToR, to introduce a filter in the process that could divert general complaints to DIFE for resolution, and identify others related to serious safety issues that should go to the Review Panel. It was unanimously agreed that RSC BoD would have a discussion with MoC where RSC would raise issue to amendment of Terms of Reference (ToR).</p> <p>Regarding the issue of a common safety standard DIFE agreed that RSC could go beyond BNBC, if they comply with minimum legal standards.</p> | <p>9.1 RSC to propose amendments to the ToR that provide a filter to direct general complaints directly to DIFE to address without having to convene the Review Panel</p> |
| 10 | <p>RSC DIFE Cooperation</p> <p>RSC noted that they had several meetings with DIFE. In a recent meeting DIFE requested that a working group be set up. RSC identified their contact point for collaboration with DIFE. As per DIFE's suggestion, selected 3 RSC representatives for working group. RSC was also asked to draft a ToR for the working group which has been shared with DIFE. RSC also agreed to share information/ documents with DIFE, as and when needed. The working group would finalise the cooperation framework. The DIFE has given satisfactory remarks on the commencement of such collaboration.</p> | <p>10.1 Working group to finalise the cooperation framework between DIFE and RSC.</p> |
| 11 | <p>GIZ</p> <p>RSC informed that GIZ has set out 3 areas to work with RSC and subsequently proposed a project with the RSC to the MoC. The RSC assisted GIZ in developing a TOR for finding an international firm to be contracted by GIZ to assess the RSC processes and advice on improvements and possibilities for digitalising the process. The consultant would make recommendations also on technical training and digitalising. GIZ have published the ToR which are now waiting for responses from consultants. The RSC BoD will have a meeting with GIZ on 20 April 2023 and would discuss further on the collaboration at the meeting.</p> <p>GIZ has also proposed direct funding for RSC personnel in the working group seeking to improve collaboration with DIFE.</p> | <p>11.1 RSC BoD agreed to accept the direct funding from GIZ.</p> |
| 12 | <p>RSC EC Committee Focal Point</p> <p>Industry and Brand suggested that EC minutes should be regularly shared with the BoD, and the BoD should be given at least 3/5 days to respond to the decision taken by BoD. Industry suggested that EC should hold authority up to a limit and should report to BoD. Tuomo called for a motion to form a committee/task team that would work on the functionality of EC committee. All three constituents nominated their focal persons. The RSC MD will chair the committee. Industry proposed that rather than having multiple committees there</p> | |

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| | <p>should be only one EC committee, and the committee should meet once a month.</p> <p>Industry: Miran Ali and Nafis Ud Doula Brands: Jochen Juetten-Overmeyer Trade Unions: Alke Boessiger and Amirul Haque Amin</p> | |
| 13 | <p>RSC Department Presentation Industry suggested to share all the presentation slides with all parties.</p> | <p>13.1 RSC to share all the presentation slides with all parties.</p> |
| 14 | <p>AoB</p> <p>RSC Website In response to a query related to website, the RSC noted that the RSC website is updated till 31 January 2022. The BoDs suggested to put details of BoD members on RSC website.</p> <p>Asset Register and Inventory In response to a query on asset register and inventory, RSC informed that it has already started developing in IT inventory. Once the IT inventory is fully functional, the RSC would start working on the finalisation of other inventories.</p> <p>Clearing RSC backlog and getting the independent factory onboard Industry suggested RSC to expedite the recruitment process so that the RSC would have the capacity to clear backlogs. In addition to the backlog issue, the industry also suggested RSC to build capacity for the inspection of Independent factory. By next week Industry would provide RSC the list of independent factories.</p> <p>Duplication of Inspection at the RSC covered factories. Industry suggested that there have been issues with some Brands that are conducting double safety inspections parallel to RSC. In addition to that, some brands have their own standards for inspection. Industry urged that there should be unified code for all Brands. After detailed discussion, the RSC suggested that they could invite the Brands to have a joint safety inspection at the factory which would save time for all parties.</p> <p>List of recommended consultants Industry requested RSC to develop a list of recommended consultants with proper rating and share it with RSC. The RSC responded that this would only bring consequences. RSC added that RSC have recently shared a list of consultants with DIFE that the RSC have worked with, but with no ratings.</p> | <p>14.1 The RSC to upload details of BoD members on RSC website.</p> <p>14.2 Industry to provide list of independent factories to RSC.</p> <p>14.3 Going Forward, RSC would invite factory affiliated Brands to have a joint safety inspection at the factory.</p> |

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| <p>New Building/ Interim Building Issue Industry noted that many factories that were built before 2014 couldn't pass BNBC 2006 but can pass the BNBC 2020. If the RSC apply BNBC 2020 on those factories, many will pass the RSC inspections. The RSC stated that it has developed a guideline to help the factories. The factories are always welcome to visit RSC and have a discussion on the issue.</p> <p>Disciplinary Action Trade Unions noted that they have recently heard the information of termination of several RSC employees. They wanted to know whether due procedure was followed. In response, the RSC informed that proper procedure was followed guided by Bangladesh Labour Law.</p> | |
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The RSC incoming MD then shared his closing remarks. He thanked the august presence for their precious time. He mentioned that at the end of the day the RSC is a customer service-oriented company. Going forward, RSC needs to continuously improve and learn from its experience and establish itself as a One-Stop-Service-Point for the RMG industry in Bangladesh. He finished his speech by urging all the stakeholders of RSC to work for the shared objective, so that everyone wins. Tuomo then thanked everyone and formally closed the meeting.