

MAY 13, 2013

Accord on Fire and Building Safety in Bangladesh

The undersigned parties are committed to the goal of a safe and sustainable Bangladeshi Ready-Made Garment ("RMG") industry in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.

The signatories to this Agreement agree to establish a fire and building safety program in Bangladesh for a period of five years.

The programme will build on the National Action Plan on Fire Safety (NAP), which expressly welcomes the development and implementation by any stakeholder of any other activities that would constitute a meaningful contribution to improving fire safety in Bangladesh. The signatories commit to align this programme and its activities with the NAP and to ensure a close collaboration, including for example by establishing common programme, liaison and advisory structures.

The signatories also welcome a strong role for the International Labour Organization (ILO), through the Bangladesh office as well as through international programmes, to ensure that both the National Action Plan, and the programme foreseen by the signatories of this Agreement, get implemented.

The signatories shall develop and agree an Implementation Plan within 45 days of signing this Agreement. The nongovernmental organisations which are signatories to the Joint Memorandum of Understanding on Fire and Building Safety (dated March 15, 2012), having stated their intention to support the implementation of this programme, shall, at their own election, be signed witnesses to this Agreement.

This Agreement commits the signatories to finance and implement a programme that will take cognizance of the Practical Activities described in the NAP involving, at minimum, the following elements:

SCOPE: The agreement covers all suppliers producing products for the signatory companies. The signatories shall designate these suppliers as falling into the following categories, according to which they shall require these supplier to accept inspections and implement remediation measures in their factories according to the following breakdown:

1. Safety inspections, remediation and fire safety training at facilities representing, in the aggregate, not less than 30%, approximately, of each signatory company's annual production in Bangladesh by volume ("Tier 1 factories").
2. Inspection and remediation at any remaining major or long-term suppliers to each company ("Tier 2 factories"). Together, Tier 1 and Tier 2 factories shall represent not less than 65%, approximately, of each signatory company's production in Bangladesh by volume.
3. Limited initial inspections to identify high risks at facilities with occasional orders, one-time orders or those for which a company's orders represent less than 10% of the

MAY 13, 2013

factory's production in Bangladesh by volume ("Tier 3 factories"). Nothing in this paragraph shall be deemed to alleviate the obligation of each signatory company to ensure that those factories it designates as Tier 3 represent, in the aggregate, no more than 35%, approximately, of its production in Bangladesh by volume. Facilities determined, as a result of initial inspection, to be high risk shall be subject to the same treatment as if they were Tier 2 factories.

GOVERNANCE:

4. The signatories shall appoint a Steering Committee (SC) with equal representation chosen by the trade union signatories and company signatories (maximum 3 seats each) and a representative from and chosen by the International Labour Organization (ILO) as a neutral chair. The SC shall have responsibility for the selection, contracting, compensation and review of the performance of a Safety Inspector and a Training Coordinator; oversight and approval of the programme budget; oversight of financial reporting and hiring of auditors; and such other management duties as may be required. The SC will strive to reach decision by consensus, but, in the absence of consensus, decisions will be made by majority vote. In order to develop the activity of the SC, a Governance regulation will be developed.
5. Dispute resolution. Any dispute between the parties to, and arising under, the terms of this Agreement shall first be presented to and decided by the SC, which shall decide the dispute by majority vote of the SC within a maximum of 21 days of a petition being filed by one of the parties. Upon request of either party, the decision of the SC may be appealed to a final and binding arbitration process. Any arbitration award shall be enforceable in a court of law of the domicile of the signatory against whom enforcement is sought and shall be subject to The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The New York Convention), where applicable. The process for binding arbitration, including, but not limited to, the allocation of costs relating to any arbitration and the process for selection of the Arbitrator, shall be governed by the UNCITRAL Model Law on International Commercial Arbitration 1985 (with amendments as adopted in 2006).
6. The signatories shall appoint an Advisory Board involving brands and retailers, suppliers, government institutions, trade unions, and NGOs. . The advisory board will ensure all stakeholders, local and international, can engage in constructive dialogue with each other and provide feedback and input to the SC, thereby enhancing quality, efficiency, credibility and synergy. The SC will consult the parties to the NAP to determine the feasibility of a shared advisory structure.
7. Administration and management of the programme will be developed by the SC in consultation with the 'High-Level Tripartite Committee' established to implement and oversee the National Action Plan on Fire Safety, as well as with the Ministry of Labour and Employment of Bangladesh (MoLE), the ILO and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), to maximize synergy at operational level; and the SC may make use of the offices of GIZ for administrative coordination and support.

CREDIBLE INSPECTIONS:

8. A qualified Safety Inspector, with fire and building safety expertise and impeccable credentials, and who is independent of and not concurrently employed by companies, trade unions or factories, shall be appointed by the SC. Providing the Chief Inspector acts in a manner consistent with his or her mandate under the provisions of this Agreement, and unless there is clear evidence of malfeasance or incompetence on his or her part, the SC shall not restrict or otherwise interfere with the Chief Inspector's performance of the duties set forth in the Agreement as he or she sees fit, including the scheduling of inspections and the publishing of reports.
9. Thorough and credible safety inspections of Tier 1, 2 and 3 factories shall be carried out by skilled personnel selected by and acting under the direction of the Safety Inspector, based on internationally recognized workplace safety standards and/or national standards (once the review foreseen under the NAP is completed in June 2013). The Safety Inspector shall make all reasonable efforts to ensure that an initial inspection of each factory covered by this Agreement shall be carried out within the first two years of the term of this Agreement. The Safety Inspector will be available to provide input into the NAP legislative review and to support capacity building work regarding inspections by the MoLE foreseen under the NAP.
10. Where a signatory company's inspection programme, in the opinion of the Safety Inspector, meets or exceeds the standards of thorough and credible inspections, as defined by the Safety Inspector, it will be considered an integral part of the programme activities set forth in this Agreement. Signatory companies wishing to have their inspection programme so considered shall provide the Safety Inspector full access to the findings of their inspections and he or she will integrate these into reporting and remediation activities. Notwithstanding this provision, all factories within the scope of this Agreement shall still be subject to all the provisions of this Agreement, including but not limited to a least one safety inspection carried out by personnel acting under the direction of the Safety Inspector.
11. Written Inspection Reports of all factories inspected under the programme shall be prepared by the Safety Inspector within two (2) weeks of the date of inspection and shared upon completion with factory management, the factory's health and safety committee, worker representatives (where one or more unions are present), signatory companies and the SC. Where, in the opinion of the Safety Inspector, there is not a functioning health and safety committee at the factory, the report will be shared with the unions which are the signatories to this Agreement. Within a timeline agreed by the SC, but no greater than six weeks, the Safety Inspector shall disclose the Inspection Report to the public, accompanied by the factory's remediation plan, if any. In the event that, in the opinion of the Safety Inspector, the inspection identifies a severe and imminent danger to worker safety, he or she shall immediately inform factory management, the factory's health and safety committee, worker representatives (where one or more unions are present), the Steering Committee and unions which are signatories to this Agreement, and direct a remediation plan.

REMEDIATION:

12. Where corrective actions are identified by the Safety Inspector as necessary to bring a factory into compliance with building, fire and electrical safety standards, the signatory company or companies that have designated that factory as a Tier 1, 2, or 3 supplier, shall require that factory to implement these corrective actions, according to a schedule that is mandatory and time-bound, with sufficient time allotted for all major renovations.
13. Signatory companies shall require their supplier factories that are inspected under the Program to maintain workers' employment relationship and regular income during any period that a factory (or portion of a factory) is closed for renovations necessary to complete such Corrective Actions for a period of no longer than six months. . Failure to do so may trigger a notice, warning and ultimately termination of the business relationship as described in paragraph 21.
14. Signatory companies shall make reasonable efforts to ensure that any workers whose employment is terminated as a result of any loss of orders at a factory are offered employment with safe suppliers, if necessary by actively working with other suppliers to provide hiring preferences to these workers.
15. Signatory companies shall require their supplier factories to respect the right of a worker to refuse work that he or she has reasonable justification to believe is unsafe, without suffering discrimination or loss of pay, including the right to refuse to enter or to remain inside a building that he or she has reasonable justification to believe is unsafe for occupation.

TRAINING:

16. The Training Coordinator appointed by the SC shall establish an extensive fire and building safety training program. The training program shall be delivered by a selected skilled personnel by the Training Coordinator at Tier 1 facilities for workers, managers and security staff to be delivered with involvement of trade unions and specialized local experts. These training programmes shall cover basic safety procedures and precautions, as well as enable workers to voice concerns and actively participate in activities to ensure their own safety. Signatory companies shall require their suppliers to provide access to their factories to training teams designated by the Training Coordinator that include safety training experts as well as qualified union representatives to provide safety training to workers and management on a regular basis.
17. Health and Safety Committees shall be required by the signatory companies in all Bangladesh factories that supply them, which shall function in accordance with Bangladeshi law, and be comprised of workers and managers from the applicable factory. Worker members shall comprise no less than 50% of the committee and shall be chosen by the factory's trade union, if present, and by democratic election among the workers where there is no trade union present.

COMPLAINTS PROCESS:

18. The Safety Inspector shall establish a worker complaint process and mechanism that ensures that workers from factories supplying signatory companies can raise in a timely fashion concerns about health and safety risks, safely and confidentially, with the Safety Inspector. This should be aligned with the Hotline to be established under the NAP.

TRANSPARENCY AND REPORTING:

19. The SC shall make publicly available and regularly update information on key aspects of the programme, including:

- a. a single aggregated list of all suppliers in Bangladesh (including sub-contractors) used by the signatory companies, based on data which shall be provided to the SC and regularly updated by each of the signatory companies, and which shall indicate which factories on this list have been designated by that company as Tier 1 factories and which have been designated by that company as Tier 2 factories, however volume data and information linking specific companies to specific factories will be kept confidential,
- b. Written Inspection Reports, which shall be developed by the Safety Inspector for all factories inspected under this programme, shall be disclosed to interested parties and the public as set forth in paragraph 11 of this Agreement.

Public statements by the Safety Inspector identifying any factory that is not acting expeditiously to implement remedial recommendations.

- c. Quarterly Aggregate Reports that summarize both aggregated industry compliance data as well as a detailed review of findings, remedial recommendations, and progress on remediation to date for all factories at which inspections have been completed.
20. The signatories to this Agreement shall work together with other organizations such as ILO and the High-Level Tripartite Committee and the Bangladeshi Government to encourage the establishment of a protocol seeking to ensure that suppliers which participate fully in the inspection and remediation activities of this Agreement shall not be penalised as a result of the transparency provisions of this Agreement. The objectives of the protocol are to (i) support and motivate the employer to take remediation efforts in the interest of the workforce and the sector and (ii) expedite prompt legal action where the supplier refuses to undertake the remedial action required to become compliant with national law.

SUPPLIER INCENTIVES:

21. Each signatory company shall require that its suppliers in Bangladesh participate fully in the inspection, remediation, health and safety and, where applicable, training activities, as described in the Agreement. If a supplier fails to do so, the signatory will promptly

MAY 13, 2013

implement a notice and warning process leading to termination of the business relationship if these efforts do not succeed.

22. In order to induce Tier 1 and Tier 2 factories to comply with upgrade and remediation requirements of the program, participating brands and retailers will negotiate commercial terms with their suppliers which ensure that it is financially feasible for the factories to maintain safe workplaces and comply with upgrade and remediation requirements instituted by the Safety Inspector. Each signatory company may, at its option, use alternative means to ensure factories have the financial capacity to comply with remediation requirements, including but not limited to joint investments, providing loans, accessing donor or government support, through offering business incentives or through paying for renovations directly.
23. Signatory companies to this agreement are committed to maintaining long-term sourcing relationships with Bangladesh, as is demonstrated by their commitment to this five-year programme. Signatory companies shall continue business at order volumes comparable to or greater than those that existed in the year preceding the inception of this Agreement with Tier 1 and Tier 2 factories at least through the first two years of the term of this Agreement, provided that (a) such business is commercially viable for each company and (b) the factory continues to substantially meet the company's terms and comply with the company's requirements of its supplier factories under this agreement.

FINANCIAL SUPPORT:

24. In addition to their obligations pursuant to this Agreement, signatory companies shall also assume responsibility for funding the activities of the SC, Safety Inspector and Training Coordinator as set forth in this Agreement, with each company contributing its equitable share of the funding in accordance with a formula to be established in the Implementation Plan. The SC shall be empowered to seek contributions from governmental and other donors to contribute to costs. Each signatory company shall contribute funding for these activities in proportion to the annual volume of each company's garment production in Bangladesh relative to the respective annual volumes of garment production of the other signatory companies, subject to a maximum contribution of \$500,000 per year for each year of the term of this Agreement. A sliding scale of minimum contributions based on factors such as revenues and annual volume in Bangladesh will be defined in the Implementation Plan with annual revisions, while ensuring sufficient funding for the adequate implementation of the Accord and the Plan.
25. The SC shall ensure that there are credible, robust, and transparent procedures for the accounting and oversight of all contributed funds.