

A photograph of a University of California campus. In the background, a large, ornate building with a prominent golden spire is visible. In the foreground, a woman with long hair, wearing sunglasses, a grey long-sleeved shirt, and a green patterned skirt, is riding a bicycle on a paved path. The scene is reflected in a body of water in the lower half of the image.

UNIVERSITY
OF
CALIFORNIA

Managing UC- Logoed Apparel Production in Bangladesh

2014

EXECUTIVE SUMMARY

UC's Recommendation Regarding Licensees Who Operate in Bangladesh

Recommendation

The apparel industry in Bangladesh has a woeful track record for the safety and working conditions of its workers. To mitigate against further tragedies to Bangladeshi garment workers, UC's Committee on the Code of Conduct for Trademark Licensees recommends that the University *require* its trademark licensees who derive their UC apparel from Bangladesh to become a signatory to the Accord on Fire and Safety in Bangladesh.

Factual Background

On December 16, 2010, a fire broke out on the 10th floor of a garment factory in Ashulia, Bangladesh. Twenty-nine workers were killed and over one hundred were injured. Locked doors prevented workers from fleeing, and many jumped to escape the flames.

On November 24, 2012, fire broke out on the ground floor of the Tazreen Factory in Dhaka, Bangladesh. One hundred seventeen people were confirmed dead, and another 200 were injured, some of whom jumped from the ninth floor. The cause of this fire is unknown, although it is rumored either to be electrical or sabotage.

On April 24, 2013, the Rana Plaza Building, which housed five garment factories, in Dhaka, Bangladesh collapsed, killing more than 1,000 garment workers and injuring over 2,500 others.

These are just three examples of unsafe working conditions that garment workers endure in Bangladesh daily.

Two Proposals for the Safety of Bangladeshi Workers

To combat this trend and to provide safer working conditions for laborers, two leading proposals have gained traction to improve the working conditions in Bangladesh.

1) The Accord on Fire and Safety in Bangladesh (Accord)

"The Accord is a legally binding agreement between international trade unions IndustriALL and UNI Global, Bangladesh trade unions, and international brands and retailers. International NGOs, including the Clean Clothes Campaign and the Workers' Rights Consortium, International Labour Rights Forum and Maquila Solidarity Network are witnesses to the agreement. The International Labour Organisation (ILO) acts as the independent chair."

This proposal is funded by contributions from licensees, and has provisions for inspections, training, remediation, a complaint process, transparency and reporting, and supplier incentives. The Accord has been signed by a number of manufacturers, and

numerous colleges and universities require their licensees to be signatories of the Accord. These higher education institutions include Duke University, Penn State, New York University, the University of Pennsylvania, Temple University, Georgetown, Columbia and Cornell, and most recently University of Wisconsin-Madison and Syracuse University.

2) The Alliance for Bangladesh Worker Safety (Alliance)

Several major companies, including Walmart, the Gap, and VF Imagewear (a UC licensee) have created their own organization, known as the Alliance. Members of the Alliance contribute funding to provide remediation efforts. While also having as a goal the safety of the workers in Bangladesh, the Alliance does not provide for independent monitoring or inspection (among other things); further, its members are the companies (i.e., manufacturers and retailers), who may not have as much interest in the safety of the workers as their bottom line.

The University has been approached by both the Accord and Alliance, as well as numerous student and worker rights' organizations. These various entities have asked the University to endorse either the Accord or the Alliance since UC-logoed apparel is made in some Bangladeshi factories.

Conclusion

After numerous discussions and review of various materials, UC's Committee on the Code of Conduct for Trademark Licensees unanimously recommends that the University require its licensees to become signatories to the Accord. This action will ensure that our trademark licensees who manufacture UC collegiate apparel in this region will contribute funds to modernize factories and make them safer for Bangladeshi workers. While we applaud the work being done by the Alliance, on balance, the Committee believes that the Accord is better aligned with the University's goal of social responsibility in the safe and ethical production of its goods.

The contents of this briefing present our Committee's findings and other materials, as well as our recommendation for the University as a whole.

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Setting the Course for a Brighter Future

Accord on Fire and Building Safety: Recommendation by the Committee on the University of California Code of Conduct for Trademark Licensees

Background

History of UC Social Responsibility

The President has delegated authority to the Executive Vice President – Business Operations for management of systemwide trademark issues.

- ❑ In 1998, a UC workgroup was convened to study working conditions of persons involved in the manufacture of UC logo goods and apparel, and to make recommendations to UC senior leaders. Subsequently, the President issued a UC Code of Conduct for Trademark Licensees (“UC Code”) recommended by the workgroup. The UC Code is appended to agreements with licensees who produce goods carrying UC trademarks.
- ❑ In 2000, UC promulgated a revised UC Code, following consultation with UC students, faculty and administrative representatives and became a member of the Worker Rights Consortium (WRC), an independent monitoring agency with a board composed of representatives from United Students Against Sweatshops (USAS), labor rights experts, and colleges/universities, and Fair Labor Association (FLA), an organization which is managed by a tripartite board made up of colleges/universities, civil society organizations, and brands. The UC Code is summarized in Appendix A and available at <http://policy.ucop.edu/doc/3000130/CodeTrademarkLicensees>.

Background

History of UC Social Responsibility (cont.)

- ❑ March 2004: The Senior Vice President – Business & Finance authorized formation of the Standing Committee on the UC Code, to provide advice and recommendations to the Office of the President on matters related to licensing and manufacture of apparel and other products bearing UC logos.

The Standing Committee has been made up of two faculty members, two students (one undergraduate and one graduate), and four licensing and/or bookstore representatives.

The Committee also includes as ex-officio members:

- UC Sustainability Manager
- University Counsel as advisor to the Committee
- UCOP Liaison and Staff

A complete list of the current membership is attached as Appendix B.

Reasons for UC Code

The University's expectations of Trademark Licensees What does “good” look like?

- **Workplace Standards:** Establish and commit to clear standards
- **Staff Training:** Identify and train appropriate/qualified staff
- **Committed Suppliers:** Share commitment to workplace standards with suppliers and workers in the supply chain
- **Grievance Mechanisms and Confidential channel for Workers:** Ensure access to grievance procedures and confidential reporting channels
- **Internal Monitoring:** Conduct workplace standards compliance monitoring
- **Management of Compliance Information:** Collect, manage, and analyze workplace standards compliance information
- **External Verification:** Allow for independent and credible third party verification and fulfillment of UC, FLA and/or other programmatic requirements

Social Responsibility

Stakeholders' expectations of the University of California What does “good” look like?

- **Leadership and Good Citizenship:** The University of California has been and continues to serve as a leader in teaching, research, and public service, including being at the forefront of establishing one of the strongest Codes of Conducts in the country.
- **Maintain and Ensure Compliance with the UC Code:** Develop, revise, monitor and enforce the UC Code of Conduct for Trademark Licensees.
- **Collaborate:** Work with other colleges/universities, civil society organizations, and companies to improve the lives of workers producing UC logo goods.
- **Manage Reputational Risk:** Reduce damage to the UC brand by analyzing risk and implementing mitigation measures
- **Continuously Improve and Communicate its Vision:** As Appendix C shows, UC must continue to move **from “reacting”** to external pressures to **“advancing” and promoting** its social responsibility efforts.

Bangladesh

April 24, 2013 Collapse of Rana Plaza building in Dhaka, Bangladesh



Munir Uz Zaman/Agence France-Presse — Getty Images

This tragic accident led to more than 1000 deaths and 2500 injuries.

Bangladesh

Garment Industry Overview

- Vertically integrated production of apparel: “one-stop” sourcing and production of garments
- After China, Bangladesh is the 2nd largest apparel producer (approx. \$20 billion) with 3,500 factories and 3 million workers.
- Collegiate logo apparel: According to the Worker Rights Consortium (WRC), Bangladesh is a significant producer of university apparel
- Low wages:
 - At the time of the Rana Plaza collapse, the minimum wage was approximately \$38/month
 - As of November 2013: Minimum was raised to approximately \$68/month

Bangladesh

Challenges

- Structurally unsafe buildings with additional and unapproved floors built after initial construction
- Lack of or blocked fire exits
- Lack of disaster safety protocols
- Fabric strewn throughout factory resulting in acceleration of fire
- Workers forced to work even when concerned about building safety



Two Proposals: Accord or Alliance?

Two solutions have been proposed to remediate the situation in Bangladesh: The Accord on Fire and Building Safety in Bangladesh (“Accord”) and the Alliance for Bangladesh Worker Safety (“Alliance”).

The Accord was formed by largely European manufacturers and is endorsed by both the Worker Rights Consortium and United Students Against Sweatshops. Many U.S. Congress members are urging support of the Accord.

The Alliance is formed of largely American manufacturers and is viewed as less protective of worker safety.

Both the Accord and Alliance represent concrete progress toward the goal of safer workplaces for Bangladeshi workers. However, after almost a year of fact finding and communicating with other colleges/universities, the WRC, FLA, representatives of the Alliance and Accord, and others, the Committee on the UC Code of Conduct for Trademark Licensees, during its March 13, 2014 meeting at UCOP, reached consensus about requiring UC’s trademark licensees to join the Accord.

The following slides provide additional detail.

Accord on Fire and Building Safety in Bangladesh

“The Accord is a legally binding agreement between international trade unions IndustriALL and UNI Global, Bangladesh trade unions, and international brands and retailers (Companies). International NGOs, including the Clean Clothes Campaign and the Workers’ Rights Consortium, International Labour Rights Forum and Maquila Solidarity Network are witnesses to the agreement. The International Labour Organisation (ILO) acts as the independent chair.

As signatories to the Accord, Companies will each contribute an equitable share of the funding required, up to a maximum contribution of \$500,000 per annum. The share is based upon a sliding scale, relative to the individual Company’s volume of sourcing from Bangladesh, relative to the annual volume of other Company signatories.”

Formed by mostly European manufacturers and retailers (currently 156 signatory companies from 21 countries), the Accord also now includes as members UC trademark licensees (i.e., those who have been authorized to use/reproduce the University’s name, indicia, logos, and other trademarks). A complete list of UC trademark licensees producing in Bangladesh is provided in Appendix D.

Alliance for Bangladesh Worker Safety

“The Bangladesh Worker Safety Initiative will provide rapid implementation, worker empowerment and a long-term commitment to sustainable change. The Initiative represents a significant financial commitment, including an initial worker safety fund of nearly \$50 million and growing, and the additional availability of over \$100 million in access to low-cost capital funding to improve fire and structural safety in Bangladeshi factories.

The current group of 26 includes the following companies: Ariela-Alpha International; Canadian Tire Corporation, Limited; Carter’s Inc.; The Children’s Place Retail Stores Inc.; Costco Wholesale Corporation; Fruit of the Loom, Inc.; Gap Inc.; Giant Tiger; Hudson’s Bay Company; IFG Corp.; Intradeco Apparel; J.C. Penney Company Inc.; The Jones Group Inc.; Jordache Enterprises, Inc.; The Just Group; Kohl’s Department Stores; L. L. Bean Inc.; M. Hidary & Company Inc.; Macy’s; Nordstrom Inc.; Public Clothing Company; Sears Holdings Corporation; Target Corporation; VF Corporation; and Wal-Mart Stores, Inc.; YM Inc.”

Comparison

Accord

- Is legally binding
- Allows for worker representative involvement and the right of workers to refuse to enter or remain in unsafe buildings
- Requires that factories have the financial capacity to complete necessary repairs/renovations
- Requires rigorous fire and building safety inspections and follow up repairs
- Discloses inspection reports
- 151 company participants
- Supported by the WRC, USAS, Marine Corps, Duke University, Penn State, New York University, the University of Pennsylvania, Temple University, Georgetown, Columbia and Cornell, University of Wisconsin-Madison, and Syracuse University.
- Receives U.S. Congressional endorsement
- The financial commitment by licensees is reasonable (1/10th of 1% of imports from Bangladesh—e.g., \$1K for \$1MM) in light of the expertise and support provided by the Accord.

Alliance

- Is not legally binding
- Does not include worker representative involvement
- Provides funds for factory improvements via voluntary loans
- Oversight of inspections remain with its members and do not appear to be independent
- Does not appear to have a mechanism in place to allow for workers to refuse work in unsafe conditions
- 26 company (mostly North American) participants
- Formed and supported by a Bipartisan Policy Center and two former U.S. Senators
- The annual financial commitment is tiered from \$62,500 up to \$1MM.

Recommendation:

The Committee unanimously recommends that UC licensees who derive UC-logoed goods from Bangladesh should be required to join the Accord.



Reasons for Recommendation:

Unsafe working conditions persist

- Workers' lives continue to be at risk. Under the Accord, they have the ability to refuse work in unsafe conditions.
- Recent inspection of an Alliance company factory, VF's Optimum Fashions, "uncovered a host of serious fire safety hazards," according to the WRC, "any of which could be the cause of injury or death to workers in this facility: lack of adequate fire exits, lack of fire doors and fire separation, lockable doors on exit routes, inadequate emergency lighting, an inadequate fire alarm system, and other violations."

Opportunity to leverage the broad membership of the Accord

There has been a critical mass of members who have joined the Accord, which will provide funding and support for increasing building and working safety.

These include:

- 156 brands and retailer members from 21 countries
- 1000 factories (associated with Accord members) and growing
- 9 UC trademark licensees

Reasons for Recommendation:

Brand Reputation/Social Responsibility

- UC has been a leader in the socially responsible sourcing of UC logo goods.
- This is literally a life and death issue – failure to act on our part could likely result in additional injuries and deaths among the thousands of workers.
- UC, as a system, can send a strong message to its trademark licensees, community constituents (i.e., students, faculty, staff, and alumni), other colleges and universities, civil society organizations, and the general public that it values the lives and rights of workers, especially those involved in the production of apparel bearing the University of California name, indicia, logos, and other trademarks.
- Without the aid of an effective oversight organization such as the Accord, UC cannot effectively manage or ensure that the necessary corrections are made.

Reasons for Recommendation:

Precedent

The Committee has taken action when violations of our Code have occurred:

- The Committee previously recommended termination of a company's trademark license agreement until responsibility was accepted and remediation measures were implemented. The company's status as a licensee has since been reinstated and is a strong supporter of the University's social responsibility efforts.

Reasons for Recommendation:

Financial impact to UC (as shown on the following slides and Appendix E)

UC licensing and bookstore directors have been consulted and have advised on the financial impact to the campus bookstore and licensing programs.

- UC generated a total of **\$22,872, 451** from trademark licensees (based on available data from campuses) currently sourcing UC-logoed apparel in Bangladesh.
- Potential loss of revenue from requiring UC licensees to join the Accord and would be affected by this requirement: **\$257,425**.
- The WRC and United Students Against Sweatshops (USAS) are encouraging colleges and universities to require those licensees producing collegiate apparel in Bangladesh as of **January 1, 2013** to become signatories for the Accord. The Committee has **not** identified a specific date of implementation but discussion has generally been favorable to a more recent time frame (e.g., April 1, 2014). If UC were to impose a January 1, 2013 date as some other colleges and universities have done, the potential loss could increase to **\$691,857**.

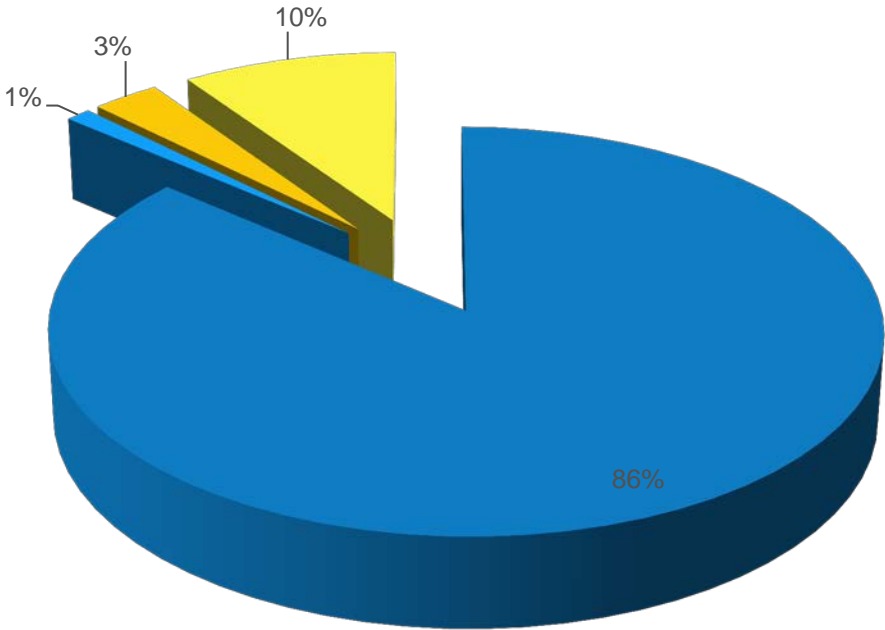
Reasons for Recommendation:

Financial impact to UC (as shown on the following slides and Appendix E) cont.

- Jansport and other licensees that do not source in Bangladesh, would **not** be affected by this recommendation. However, it is a “sister brand” of VF Imagewear that does source in Bangladesh. USAS believes that any company or derivative thereof (e.g., Jansport) should be subject to the Accord. In that case, the loss would increase by an additional **\$2,187,598**, as VF Imagewear is a UC licensee. The information about Jansport and its relationship to VF Imagewear is provided for information only because of recent student communications requesting colleges and universities to extend their recommendation regarding the Accord to this non-Bangladesh sourcing company.

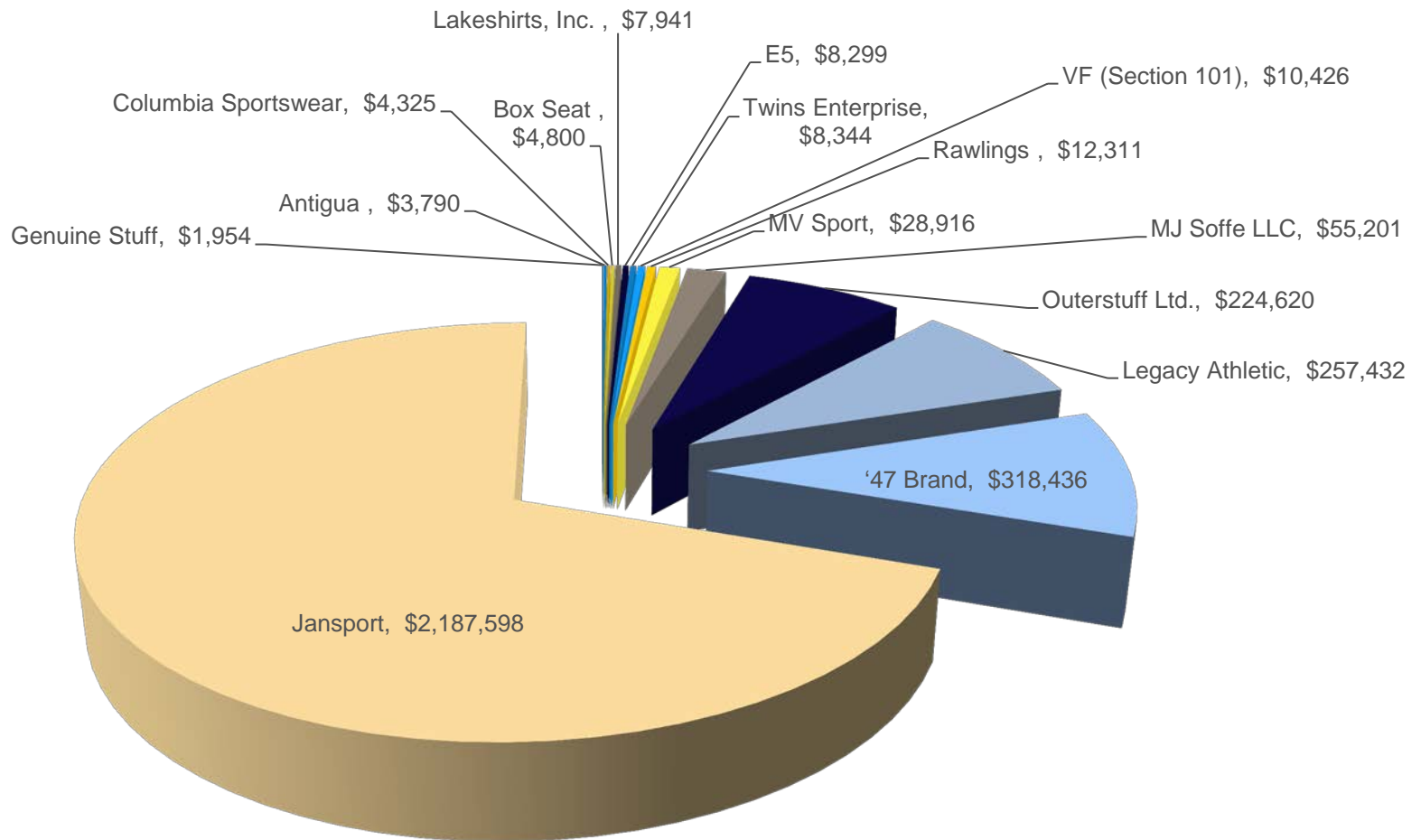
In summary, the anticipated loss of income to UC if its licensees do not join the Accord could be **\$257,425** in royalties and/or on-campus retail sales of UC logoed goods. We are hopeful that continued interest in working with UC will serve as a catalyst for our licensees to join the Accord.

Potential Financial Impact of Decision



- \$19,735,570: No impact; these licensees have either already signed the Accord or do not source in Bangladesh
- \$257,425: Lost from licensees currently sourcing in Bangladesh if they refuse to sign Accord
- \$691,857: Lost from licensees who previously sourced in Bangladesh should UC apply this recommendation retroactive to 1/1/13 and these licensees refuse to sign the Accord
- \$2,187,598: Lost if decision is applied to licensees not sourcing in Bangladesh but associated with "sister" brands who are doing so and they refuse to sign Accord

Potential Revenue Loss by Licensee



Does not include retail sales figures from UC Berkeley campus-controlled bookstore and athletics in-stadium and on-line sales therefore total impact likely to be higher

Summary:

The Committee unanimously agrees to require licensees sourcing UC-logoed goods from Bangladesh to sign onto the Accord. The Committee recognizes that the Accord is not the only organization working toward UC's goals of social responsibility in the safe and ethical production of its goods. Therefore, the Committee encourages its licensees to be members of the Alliance (in addition to the Accord) and take other proactive measures for the safety of garment workers in Bangladesh and beyond. Nevertheless, we are unequivocal in the following recommendation:

The Committee recommends that UC licensees who derive UC-logoed goods from Bangladesh should be required to join the Accord.

The Committee therefore respectfully requests that Executive Vice President Brostrom accepts the Committee's recommendation.

University of California: Soaring to New Heights in Social Responsibility

Appendix A

Summary: University of California Code of Conduct for Trademark Licensees

Provisions

- **Wage and Benefits**
- **Working Hours**
- **Overtime Compensation**
- **Child Labor**
- **Forced Labor**
- **Health & Safety**
- **Nondiscrimination**
- **Harassment or Abuse**
- **Freedom of Association**

Under the Code, all names and addresses of the licensees' contractor and manufacturing plants are made public. All licensees (those authorized to reproduce UC's name and other trademarks) are required to adhere to the Code, ensure that their contractors are adhering to the Code, take corrective action as needed, assume responsibility for their contractors if/when they fail to take corrective action for non-compliance with the Code.

Appendix B

Current Committee Membership

UC Berkeley:	Maria Rubinshteyn , Committee Chair Office of Business Contracts and Brand Protection
UC Davis	Doug Kouba , Trademark Licensing Coordinator
UCLA:	Cynthia Holmes , Director, UCLA Trademarks & Licensing
UC Riverside:	Cynthia Chavez , Undergraduate Student Representative
UC Santa Barbara:	Richard Appelbaum , Professor of Sociology and Global International Studies
	Nelson Lichtenstein , Professor of History & Director of the Center for the Study of Work, Labor and Democracy
	Reem Alfrayan , Graduate Student Representative
UC Santa Cruz:	Bob McCampbell , Executive Director, UCSC Bookstore
UCOP	Kobie Crowder , Associate Director, Business Operations Liaison to UCOP
	Matt St. Clair , Sustainability Manager, UCOP
	Angus MacDonald , University Counsel and Committee Legal Advisor
	Sutton Bennett , Executive Assistant, UCOP Business Operations Staff to Committee

Appendix C: Transition of Licensing

	Reactive	Defensive	Compliance	Managerial	Strategic	Civil
Licensing Program Viewpoint	"... has not been an issue on our campus."	"University is protected by the code of conduct; licensees must handle."	"CLC, the FLA and the WRC will manage this for us with the licensees."	"This is important to us; we need to measure whether licensees understand and are taking action."	"We're making an impact by retaining the most responsible licensees."	"Success depends on the commitment of many, so we need more involved; schools, licensees, retailers, ..."
Licensee Viewpoint	"This does not apply to us; we have not had any problems."	"It is not our job to take on this task; we're not an aid organization, we're a business; we're too small"	"We need the licensor to just tell us what to do and we'll do it."	"Our business needs to change if we are going to be able to meet code of conduct expectations."	"Having a responsible business gives us a competitive edge"	"Everyone needs to do this in order for us to fully deliver on the promises we made."
Campus Community Views	"I don't know anything about this."	"This is the responsibility of another department within university."	"Just tell the licensee specifically what they do" ("Just tell the un-licensed vendor what they need to do to become licensed")	"This is a great way to define great licensees."	"Licensees that have developed CSR capacities are more successful in other key indicators than those which have not."	"All licensees should build CR capacity and execution; it is a foundation for success."
Responsibility Level	Denying	Rejecting	Transferring	Accepting	Valuing	Advancing
LICENSOR	No-cause termination option in license agreement exists	Include Code of Conduct as part of license agreement; enforce code if/when issue bubbles to the surface	Require licensees to be members of FLA, fulfill factory disclosure requirement for WRC and to answer WRC inquiries	Measure licensees' level of understanding and performance; execute university decisions	Highly prioritize responsible manufacturing practices into criteria for PCM RFPs; award business to best in class CR performers	Link academic research, teaching mission of university to inform the global business community
Results	Status quo among licensees; action if required	Licensee must sign Code, which is quickly forgotten	Licensees pay FLA dues. Some licensees take additional training if they perceive benefit	Licensees take additional steps as directed by several universities	Licensees see this as a competitive advantage; make strategic investments	Licensees take initiative to engage others, collaborate in new solutions and approaches; be transparent and self report

Appendix D: UC Licensees' Status in Bangladesh

Accord signatories:

- Adidas
- Cutter & Buck
- Knights Apparel
- New Agenda (Perrin)
- Top of the World/Captivating Headwear
- Zephyr Graphics
- Russell Brands
- Top Line Screenprinting
- Mitchell & Ness (owned by adidas)

Not Accord signatories and still sourcing in Bangladesh:

- Outerstuff Ltd.
- Genuine Stuff
- Rawlings Sporting Goods
- Antiqua Sportswear
- VF Imagewear (Signatory of Alliance)
- Columbia Sportswear

Ceased sourcing in Bangladesh sometime after 1/1/13:

- Box Seat Clothing
- E5
- Legacy Athletic
- Lakeshirts, Inc.
- MJ Soffe LLC
- Twins Enterprises
- '47 Brand
- MV Sports

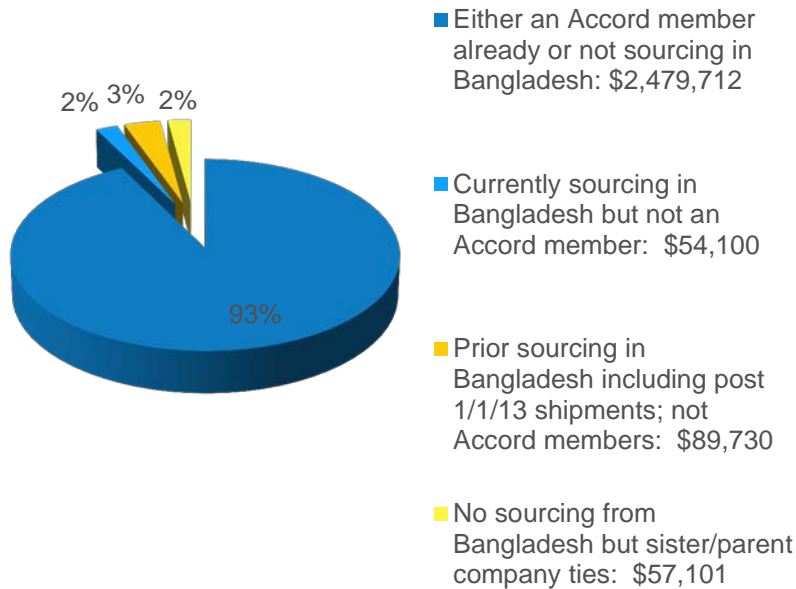
Not Sourcing in Bangladesh but affiliated with brands that are:

- Jansport

Appendix E: Licensing Income

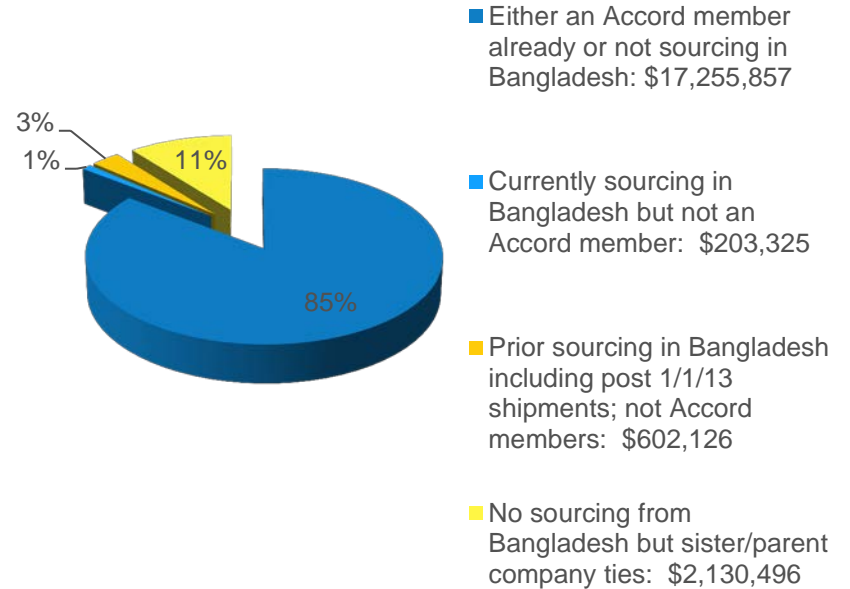
2012/13 UC Total Licensed Product

Royalty: \$2,680,645*



* Some UC campuses collect royalty (approximately 10% of wholesale value) in connection with sales made to both on-campus and external retailers while other campuses exempt those sales made to campus-controlled retailers (i.e. campus book stores, athletic concessions, etc.)

On-Campus Retail Sales : \$20,191,806**



** Does not include retail sales figures from UC Berkeley campus-controlled bookstore and athletics in-stadium and on-line sales.

Appendix F:

Supporting Documentation

- UC Code of Conduct for Trademark Licensees
- Accord on Fire and Building Safety
- Alliance for Bangladesh Worker Safety
- *NY Times* article: “Two Plans for Safety at Bangladesh Factories”
- Congressional Bangladesh letter to UC (03.12.14)
- Congressional Staff Report Military Exchange Bangladesh (12.20.13)
- USAS UCSB to UC Code of Conduct for Trademark Licensees Committee - A Call to Action
- WRC Update – VF - Optimum Fashion (Bangladesh)
- VF letter to UC President (03.21.14)
- President’s Correspondence - D. Drew re Alliance for Bangladesh Worker Safety

UNIVERSITY OF CALIFORNIA
CODE OF CONDUCT
FOR TRADEMARK LICENSEES
(Revised January 5, 2000)

It is the policy of the University of California that trademark licensees for goods produced with UC logos agree to follow the Code of Conduct issued on January 5, 2000. Administrative guidelines implementing this policy and incorporating appropriate enforcement mechanisms shall be issued by the President of the University.

UNIVERSITY OF CALIFORNIA

Code of Conduct for Trademark Licensees

January 5, 2000

Introduction/Notice/Remediation

Standards/Compliance and Disclosure/Verification

- I. **Introduction:** The University of California (“University”) is committed to conducting its business affairs in a manner consistent with its employee personnel policies and expects its licensees to conduct their business in a manner consistent with, and follow workplace standards that adhere to this Code of Conduct (the Code). The Code is subject to amendment to reflect any subsequently developed standards either by the University or a national higher education organization whose code the University chooses to adopt.

- II. **Notice:** This Code shall apply to all trademark licensees of the University of California. Throughout this code the term “licensee” shall include all persons or entities who have entered a written licensing agreement with the University to manufacture products bearing the name, trademarks and/or images of the University. Additionally, this Code shall apply to all of the licensee’s contractors. Throughout this Code the term “contractor” shall include each contractor, subcontractor, vendor, or manufacturer that is engaged in a manufacturing process that results in a finished product for the consumer. “Manufacturing process” shall include assembly and packaging.

As a condition of being permitted to produce and/or sell licensed products bearing the name, trademarks and/or images of the University, each licensee must comply with this Code and ensure that its contractors comply with this Code. All licensees and contractors are required to adhere to this Code within six months of notification of the Code and as required in applicable license agreements.

- III. **Remediation:** If the University determines that any licensee or contractor has failed to remedy a violation of this Code, the University will consult with the licensee to examine the issues and determine the appropriate measures to be taken. The remedy will, at a minimum, include requiring the licensee to take all steps necessary to correct such violations including, without limitation, paying all applicable back wages found due to workers who manufactured the licensed articles, and reinstating any worker whose employment has been terminated in violation of this Code of Conduct. If consultation and agreed upon measures fail to adequately resolve the violations within a specified time period, the University and the licensee will implement a corrective action plan on terms acceptable to the

University. The University reserves the right to terminate its relationship with any licensee which continues to conduct its business in violation of the corrective action plan, in accordance with the terms set forth in the licensee agreement.

IV. **Standards:** University licensees and their contractors must operate workplaces, and ensure that their contractors operate workplaces, that adhere to the following minimum standards and practices:

A. **Legal Compliance:** University licensees and their contractors must comply, at a minimum, with all applicable legal requirements of the country in which products are manufactured. Where this Code and the applicable laws of the country of manufacture conflict or differ, the higher standard shall prevail. Such compliance shall include compliance with all applicable environmental laws.

B. **Ethical Principles:** Licensees shall commit to conduct their business according to a set of ethical standards which include, but are not limited to, honesty, integrity, trustworthiness, and respect for the unique intrinsic value of each human being.

C. **Employment Standards:** The University will do business only with licensees whose workers are present to work voluntarily, are not at undue risk of physical harm, are fairly compensated, and are not exploited in any way. In addition, the following specific guidelines must be followed:

1. **Wages and Benefits:** Licensees and their contractors must provide wages and benefits which comply with all applicable laws and regulations and which match or exceed the local prevailing wages and benefits in the relevant industry or which constitute a “living wage,” whichever provides greater wages and benefits.
2. **Working Hours:** Except in extraordinary circumstances, employees shall (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime per week, or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture; and (ii) be entitled to at least one day off in every 7-day period.
3. **Overtime Compensation:** In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such a premium rate as is legally required in that country, but not less than at a rate equal to their regular hourly compensation rate.
4. **Child Labor:** No person shall be employed at an age younger than 15 (or 14 where, consistent with International Labor Organization practices for

developing countries, the law of the country of manufacture allows such exception). Where the age for completing compulsory education is higher than the standard for the minimum age of employment stated above, the higher age for completing compulsory education shall apply to this section. Licensees agree to work with governmental, human rights, and non-governmental organizations, as determined by the University and licensee, to minimize the negative impact on any child released from employment as a result of the enforcement of this Code.

5. **Forced Labor:** There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise (March 1977 Regents' Action, *University Policy on the Procurement of Foreign-Made Equipment, Materials, or Supplies Produced by Forced Labor, Convict, or Indentured Labor* and *Administrative Guidelines* issued April 7, 1998).
6. **Health and Safety:** Licensees and their contractors must provide workers with a safe and healthy work environment and must, at a minimum, comply with local and national health and safety laws. If residential facilities are provided to workers, they must be safe and healthy facilities.
7. **Nondiscrimination:** Licensees and their contractors shall employ individuals solely on the basis of their ability to perform the job. Licensees and their contractors may not discriminate against employees in subsequent personnel decisions. The pregnancy of an employee shall not be used as a basis for disciplinary treatment or termination of employment. Licensees and their contractors shall use their best efforts to reinstate workers who have taken maternity leave to the same or similar position at the same rate of pay and benefits. No employee or prospective employee shall be subjected to involuntary use of contraceptives or pregnancy testing.
8. **Harassment or Abuse:** Every employee shall be treated with dignity and respect. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Licensees will not use or tolerate any form of corporal punishment.
9. **Freedom of Association:** Licensees and their contractors shall recognize and respect the right of employees to freedom of association and collective bargaining with bargaining representatives of their own choice. No employee shall be subject to harassment, intimidation or retaliation as a result of his or her efforts to freely associate or bargain collectively.

- V. **Compliance:** Prior to the date of an annual renewal of a license agreement, the licensee shall be required to provide the following to the University, as set forth in the license agreement:
- A. The company names, owners and/or officers; and addresses, phone numbers, email addresses and the nature of the business association of all the licensees' contractors and manufacturing plants which are involved in the manufacturing process of items which bear, or will bear, the name, trademarks and/or images of the University;
 - B. Written assurances that it and its contractors adhere to this Code (except that in the initial phase-in period, licensee must provide such written assurances within six months of receipt of this Code); and
 - C. A summary of the steps taken, and/or difficulties encountered, during the preceding year in implementing and enforcing this Code at each site.

VI. Disclosure:

- A. The company names, owners, and/or officers, addresses, and nature of the business association, including the steps performed in the manufacturing process, of all the licensees' contractors and manufacturing plants which are involved in the manufacturing process of items which bear, or will bear, the name, trademarks and or images of the university shall be made public information.
- B. The Licensee shall be required to report immediately to the University any changes in its business operations which materially affect the application of this Code, such as the selection of a new factory. This information will also be made publicly available.

- VII. Verification:** It shall be the responsibility of each University licensee to ensure its compliance with this Code, and to verify that its contractors are in compliance with this Code.

Clearly defined methods of internal monitoring, training and independent external monitoring have not yet been determined by the University and licensee. The University and its licensees shall undertake efforts to determine and clearly define the obligations associated with the development of adequate training and monitoring methods, including establishment of a reasonable time frame within which compliance measures, including internal monitoring and independent external monitoring, will begin.

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 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 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

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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.

Trade Union Signatories



Jyrki Raina
General Secretary
IndustriAll Global Union

15.5.2013
Geneva, Switzerland



Philip Jennings
General Secretary
UNI Global Union

15.5.2013
Geneva, Switzerland

Company Signatory

MEMBERS AGREEMENT

ARTICLE ONE

Purpose

1.1. Purpose.

The **Members Agreement** (“Agreement”) of **THE ALLIANCE FOR BANGLADESH WORKER SAFETY, INC.** (“Alliance”) is a governing document to accompany the **Bylaws** and **Certificate of Incorporation** for the Alliance. The signatories to this Agreement are the members of the Alliance (the “Members”).

Membership is open to all business organizations which are involved in the sale or marketing of ready-made garments (“RMG”) and wish to support the principles set forth below. Organizations are encouraged to join the Alliance immediately, but as is set forth in the Alliance’s Bylaws, at Article Three, may apply for membership at any time.

The Members are committed to the principles set forth in this Agreement referred to collectively as the Bangladesh Worker Safety Initiative (“BWSI”), which recognize that the safety of workers at RMG factories in the Members’ supply chains within Bangladesh (the “Factories” or, if singular, “Factory”) is paramount. Specifically, the Members commit to:

- Support the implementation of the National Tripartite Plan of Action on Fire Safety for the Ready-Made Garment Sector in Bangladesh (NAP);
- Empower workers to take an active role in their own safety, and to be able to speak out about unsafe conditions without any risk of retaliation;
- Work with factories that ensure a safe working environment, with each Member committing not to source from any Factory that the Member has deemed to be unsafe;
- Rapid implementation that is results-focused and non-bureaucratic;
- Providing safety inspection, and safety and empowerment training for 100% of Factories in the Members respective supply chains;
- A common standard for safety inspections and safety and worker empowerment training;
- Use of transparency to create accountability for all stakeholders involved;
- Sharing of information on training, current and future fire and building safety inspections and remediation actions;
- Strive to end unauthorized subcontracting within their supply chains, and review their internal policies to ensure application of best practices for addressing unauthorized subcontracting;
- Independent monitoring and verification of their work;
- Inclusion of diverse stakeholders in decision making and collaboration in implementation;

- A Bangladeshi focus, with a framework that engages and builds capacity of key stakeholders, including the Government of Bangladesh and Bangladeshi industry; and
- Commitment of substantial financial resources to accomplish these tasks, as well as encouraging and assisting in the establishment of sustainable mechanisms to meet these objectives.

In seeking to achieve these objectives, the Alliance recognizes the importance of building partnerships with the Bangladeshi government, the Bangladesh Garment Manufacturers and Exporters Association (“BGMEA”), the Bangladesh Knitwear Manufacturers and Exporters Association (“BKMEA”), workers’ rights organizations, other RMG buyers’ groups (including the Accord on Fire and Building Safety in Bangladesh (“the Accord”)), and others who support safer work conditions in Bangladesh RMG Factories.

To this end, the Members agree to the financial commitments and the components of the worker safety program described below. The Alliance Members are fully committed to creating conditions for the benefit of workers in the Bangladesh RMG industry that are not only safe but sustainable, with appropriate and careful oversight and regulation by the Bangladeshi government. The Members of the Alliance recognize that their role is to provide meaningful material assistance to reach these goals and to assist in the creation of a self-reliant Bangladesh RMG industry, while recognizing that ultimately the responsibility for and control over the industry and the safety of its workers rests with the sovereign nation of Bangladesh, its government and its people.

ARTICLE TWO

Funding

2.1. Needs.

The Members recognize that the fire and building safety problems that have historically beset the Bangladeshi apparel and garment industry are widespread, complex and systemic. Accordingly, certain of the Members have committed a combination of direct funding and access to capital, spread out over five years, for the purpose of funding necessary company-led improvements designed to impact significantly factory fire and building safety within Bangladesh.

Alliance Members are keenly aware that they have a critical role to play in improving the lives of RMG industry garment workers in Bangladesh. The Members also believe that in order to be lasting and significant, those changes must be made in concert with parallel efforts on the part of the garment Factory owners themselves, the Bangladeshi government, the BGMEA/BKMEA, and international buyers generally.

To support the Alliance effort, Members will employ two primary funding components - one collectively and one building upon new and ongoing Member-specific initiatives.

2.2. Worker Safety Fund (WSF).

(a) Members will create a fund, the Worker Safety Fund (“WSF”), to underwrite Factory-based fire and building safety initiatives in Factories from which Members source RMG products. The Alliance recognizes the need to make resources available to support training, inspections, worker empowerment, and temporarily displaced workers due to factory remediation activities. Over five years, cash contributions to this effort will be based on a tiered fee structure derived from the preceding year’s dollar volume of each Member’s FOB exports of RMG from Bangladesh (see accompanying fee chart attached as Exhibit 1). Wholesalers will be permitted, without becoming Members, to participate in the information sharing described in Article Seven provided they contribute to the WSF on the same terms and conditions as Members, and agree to abide by the requirements of Members set forth in Articles Three through Nine.

(b) Collectively, over five years, the Alliance’s goal is to attract membership which will approach or exceed total contributions of fifty million dollars (\$50,000,000) pursuant to this article – with some Members contributing one million dollars (\$1,000,000) per year. Contributions to this fund will cover all aspects of the program’s administration (including governance) and, based on approval of and pursuant to conditions established by the Alliance Board of Directors, provide support for the following coordinated worker safety services as outlined in other articles of this Agreement:

- Mandatory Fire and Building Safety Training;
- Assessing Fire and Building Safety Inspections and Audits;
- Coordinated Factory Fire and Building Safety Readiness efforts among Members; and
- Personal Worker Safety and Empowerment/Hotlines.

(c) A reserve of 10% of the WSF will be established for the support of temporarily displaced workers due to Factory safety remediation activities, as follows:

i. Within sixty (60) days from the date of hire, the Executive Director shall issue recommendations to the Board for how funds shall be administered. The recommendations shall outline a process under which the Factory owners bear primary responsibility and the Alliance serves as a support mechanism in the absence of acceptable coverage in the event of temporary worker displacement due to safety remediation in a Factory.

ii. In the event of a fire or safety emergency affecting a Factory or the permanent closure of a Factory due to safety concerns, the Executive Director will convene affected Members to coordinate a response regarding the transition for such displaced workers and/or aid to victims of any such emergency.

(d) In addition, the Alliance intends to leverage WSF funds to solicit third party resources focused on improving development within Bangladesh. Such third party resources may include, but will not be limited to, resources made available by the United States and Canadian governments, the Government of Bangladesh, BGMEA/BKMEA, the International Labor Organization (“ILO”), USAID, the International Finance Corporation (member of the World

Bank), multilateral organizations or Non-Governmental Organizations (“NGOs”), philanthropic non-profit organizations, other foreign governments and potential independent funders. These efforts will also seek to identify and secure supplemental and longer term financing, as well as in-kind contributions, that will help meet the worker safety demands identified by the Alliance and that are supportive of the NAP.

Projects supported by third-party resources may include, but will not be limited to, the following:

- Increasing fire and building safety expertise and capacity within Bangladeshi government agencies;
- Upgrading equipment and training for Bangladeshi government agencies;
- Hiring, training, certifying, and providing technical education for Bangladeshi government fire and building inspectors;
- Conducting national fire and building safety education campaigns;
- Developing sustainable compensation programs for displaced workers (due to Factory remediation activities); and
- Remediation efforts not otherwise provided through Alliance capital expenditures (see below).

By a vote of two-thirds (2/3) of the Board of Directors (the “Board”), the Board may in its discretion approve the expenditure of WSF resources in order to obtain matching funds from a third party for the projects listed above.

(e) The expenditure of WSF funds shall be directly tied to metrics demonstrating improvement in safety conditions in Bangladesh. The Alliance is fully committed to partnering with Bangladeshi government agencies and other funding sources to establish necessary and reasonable government and Factory milestone targets, as well as achievable metrics for fire and building safety, that collectively seek to assure that Alliance funds are effectively targeted, and that they lead to continued and sustained progress on fire and building safety throughout the Bangladeshi RMG industry. These goals will be clearly stated and recognize that responsibility for conditions in Bangladesh ultimately resides with the local Factory owners and people and government of Bangladesh. Accordingly, the extent and breadth of any future Alliance commitments will be based on the responsible parties making measurable progress that lasts well beyond the five-year horizon of this program and which fosters locally driven and self-sustaining programs for the future benefit of the Bangladeshi RMG industry workers. The Board of Directors will review such progress periodically at their discretion, but the first such review must occur no later than two years from the date of this Agreement.

2.3. Alliance Member In-Kind Contributions.

In addition to new contributions to the WSF, Alliance Members are supporting independent fire and building safety measures within their own supply chains. Such in-kind contributions will be coordinated to the greatest extent possible with those of other Alliance Members.

2.3.1. Affordable Capital for Building Safety (“ACBS”).

Due to impediments to progress caused in part by the high cost of borrowing funds within Bangladesh, certain individual Members of the Alliance are also making capital available to Factories within each Member's supply chain in Bangladesh. This Affordable Capital for Building Safety ("ACBS") is designed to provide Factory owners within the respective supply chain of each donating Member with access to affordable loans to finance needed Factory repairs and/or improvements recommended by the Alliance and sanctioned by Alliance Member inspections and audits. This responds to one of the priority requests for support by the BGMEA/BKMEA.

ACBS funds will be administered solely by the Member who makes such funds available to Factories, on terms and conditions to be established solely by that Member and any lending institutions who are working with such Member on ACBS. The goal of ACBS funds is to provide affordable financing that will enable Factories within Alliance supply chains to achieve compliance with both Bangladeshi building and safety codes as well as industry "best practices." Such low cost loans will enable remediation plans to focus on the unique needs of individual Factories while engaging the Factory owners themselves in solving existing problems.

Participation in ACBS is not a condition of membership in the Alliance.

2.3.2. Member Supplemental Contributions.

Funds raised by the Alliance will supplement the considerable investments that many Members are already making to improve worker safety, including:

- Full fire and building safety inspections;
- Factory training and educational activities;
- Assessment and training oversight to eliminate duplication;
- Worker empowerment and engagement; and
- Support for local community fire and safety awareness.

ARTICLE THREE Empower Factory Workers

3.1. Principles.

Members of the Alliance are keenly aware that effective worker empowerment is a critical element in achieving meaningful fire and building safety in Bangladesh. To that end, no later than September 10, 2013, Members of the Alliance will work in combination with both mobile technology providers and the workers themselves to develop a uniform, effective, and anonymous means for accessing and improving the ability of workers to have their safety concerns heard and acted upon. Alliance Members will also incorporate a process for validation and accountability to ensure true worker empowerment.

3.2. Program.

Alliance Members will establish an accountability and validation process to ensure that Worker Participation Committees (“WPCs”) are established in all Alliance Member Factories for the primary purpose of empowering Factory workers to report fire and building safety risks without risk of retaliation. WPCs shall be comprised solely of workers and managers from each applicable Factory, Factory workers shall comprise not less than fifty per cent (50%) of each committee, and shall be chosen exclusively by the workers themselves in a democratic election, subject to applicable Bangladeshi law.

(a) The Executive Director, in concert with the Board, shall, within ninety (90) days from the date of hire, design and obtain approval by the Board of a baseline survey whereby workers will be empowered to communicate their Factory fire and building safety concerns directly to the Alliance or to an independent third party acting on behalf of the Alliance, through face-to-face interaction, and indirectly, through random sampling.

(b) No later than November 10, 2013, the Alliance will finalize the implementation of a program to incorporate transparency into worker fire and building safety conditions across the Factories, including the following components:

- i. The Training Committee or Taskforce/Executive Director will (1) identify potential third-party hotline and/or mobile technology providers; and (2) submit identified third-party hotline and mobile technology providers to the Board for review and selection;
- ii. The Executive Director will engage selected third-party hotline and/or mobile technology providers and supervise the implementation of worker training programs designed to utilize the selected hotline/mobile technology; and
- iii. The Executive Director will periodically review WPCs and make a determination of mandatory participants, as required by Bangladeshi law.

Factory management will also be empowered to act on concerns expressed by the WPCs, and ensure their timely remediation.

ARTICLE FOUR

Train and Educate Factory Workers, Supervisors, and Management on Fire and Building Safety.

4.1. Principles.

Members of the Alliance recognize the importance of helping to build and instill a culture in which RMG Factory workers, supervisors, and management alike place safety as their first priority, and in which Factory workers are empowered to report and act on safety concerns.

By July 10, 2014, one hundred percent (100%) of RMG Factories in Bangladesh that manufacture for Members will have its workers and management undergo training for fire and building safety and empowerment that is certified against a common standard.

The Alliance will develop a uniform fire and building safety educational standard and curriculum, based in part on training materials, compatible protocols and “best practices” from existing fire and building safety programs. The Alliance and its Members will work with qualified third party organizations to implement this training.

The Alliance will seek to share and align the standards, curriculum and training programs with other major worker education and training initiatives focused on Factory fire and building safety in Bangladesh, such as the NAP and the Accord, in order to avoid duplication or confusion where possible.

4.2. Uniform Safety Training Program

(a) By September 10, 2013, the Alliance will establish a uniform fire and building safety curriculum and training program as follows:

- i. The Alliance will create a Training Committee or Task Force of Members, which shall compile a matrix of existing fire and building safety protocols and “best practices”, to serve as a source document for the curriculum and training program and materials. The source document shall be publicly available.
- ii. The Training Committee or Task Force, in consultation with the Board and the Executive Director, shall engage independent, third party organization(s) for the purpose of developing the uniform fire and building safety standard, curriculum and training program, based, in part, on the source document. The training standards and curriculum will also be designed to meet criteria established by the Alliance’s Standards Task Force or Committee and the Board.
- iii. Once it is satisfied with the substance, the Board will adopt the Alliance fire and building safety standards and Alliance empowerment standards, the uniform curriculum and any related materials. The standards and curriculum will be publicly available.
- iv. The Training Committee or Task Force will (1) identify potential third party training organization(s) (“Qualified Trainers”) to implement and deliver the training program to Factory workers, supervisors, and management; and (2) submit the names of recommended Qualified Trainers to the Board for review.
- v. If a Member’s existing safety training program meets or exceeds the Alliance’s safety training program, as determined by an independent safety assessment, additional Alliance training will not be required during the first year of the Agreement. If a Member’s existing safety training program fails to meet the Alliance’s safety training protocol, as determined by an independent safety assessment, the Member will be required to utilize the Alliance’s fire and building safety curriculum and training program.

- vi. If a Member Factory fails an Alliance inspection/audit, the Factory will be required to receive the Alliance fire and building safety training program within thirty (30) days.
 - vii. By the end of the second year of the Agreement, all Members will transition from their existing safety training programs to the Alliance's approved uniform fire and building safety curriculum and training program.
- (b) By October 10, 2013, the Alliance will begin implementation of the uniform fire and building safety standards, including:
- i. The Board will review and approve Qualified Trainers recommended by the Training Committee. These Trainers will deliver the Alliance fire and building safety training programs and deliver Alliance training on worker empowerment program. The work of Qualified Trainers will be verified on a regular basis by a third-party to ensure quality of work and adherence to standards. Qualified Trainers may use a variety of mediums to deliver programs, including but not limited to: visual posters, existing YouTube video clips on prevention, reporting procedures, evacuation procedures, televised soap opera mini-series based on Factory worker lives, and phone/text messages.
 - ii. The Board will approve multiple Qualified Trainers, on behalf of its Members, to implement a training program that meets the common standard and curriculum.
 - iii. Members will choose from the list of Qualified Trainers to implement the approved training program.
 - iv. Consistent with Article Three, Members will seek to confirm the existence and effectiveness of independently and democratically elected WPCs in each Factory, with the authority to address fire and building safety and worker safety issues as required by Bangladeshi law. It is a goal of the Alliance for WPCs to be empowered to affect positive and lasting change within the workplace.
- (c) Within one-hundred and twenty(120) days from the date of hire, the Executive Director shall issue a report to the Board that considers joint, interactive solutions for Factories with multiple fire and building safety initiative programs.

ARTICLE FIVE

Develop and Implement a Common Standard for Assessing Fire and Building Safety

5.1. Principles. Members of the Alliance agree to establish a common standard by which to provide a uniform and effective method for assessing fire and building safety in new and existing Factories. The Alliance will work in combination with fire and building safety experts, Factory owners, the Bangladeshi government, and the workers themselves to develop and implement a common standard for Factory fire and building safety that is consistent with the NAP, based on existing protocols and initiatives, and that meets or exceeds local legal requirements.

5.2. Common Standard for Assessing Fire and Building Safety.

- (a) By September 10, 2013, the Alliance will recommend a common and comprehensive standard to be adopted by Alliance Members, to be known as the Alliance Fire and Building Safety Standards, for assessing fire and building safety in new and existing Factories, as follows:
- i. A Standards Committee or Task Force of Members will be created to develop the common standard. The standard will be reviewed by a Committee of Experts, comprised of professionals in fire and building safety as defined in Article 6.2 below, and approved by the Board. Once the Alliance Fire and Building Safety Standards are approved by the Board, these standards will be made public.
- (b) The Alliance Fire and Building Safety Standards will include a comprehensive listing of fire safety, structural, and electrical factors which shall be defined as “At-Risk” criteria.

ARTICLE SIX

Expand Industry Fire and Building Safety Inspections and Remediation Programs

6.1. Principles.

Members of the Alliance agree that fire and building safety inspections conducted by Members or their representatives are a critical element of Factory safety. Many Members have already begun comprehensive fire and building safety inspections and evaluations of Factories. As set forth in this Agreement, Members agree that inspections will be conducted by independent Qualified Inspectors (“Qualified Inspectors”) and in accordance with the Alliance Fire and Building Safety Standards. The ultimate goal is for Members to utilize Factories that comply with the Alliance Fire and Building Safety Standards, as verified by Qualified Inspectors through an inspection process.

6.2. Factory Inspections and Evaluations

- (a) A Committee of Experts in fire and building safety approved by the Board of Directors will be convened for the purpose of creating and helping to implement a program for the Alliance Fire and Building Safety Standards and inspection process. The Committee of Experts will:
- i. Consist of professional experts who are certified, credentialed or recognized authorities and/or specialists in fire and building structural safety;
 - ii. Operate under the oversight of the Board of Directors and the Executive Director;
 - iii. Assess and approve Qualified Inspectors to inspect and remediate Member Factories in accordance with the Alliance Fire and Building Safety Standards;
 - iv. Conduct spot auditing of remediation efforts to ensure Corrective Action Plans are implemented according to the Qualified Inspectors’ recommendations; and
 - v. Audit and/or validate inspection reports completed prior to the execution of the Agreement or the adoption of the Alliance Fire and Building Safety Standards.

- (b) By September 10, 2013, the Alliance will assemble a list of all Factories utilized by Members in Bangladesh. The list shall be shared in the Fair Factories Clearinghouse (“FFC”), as provided in Article 7.2.
- (c) By July 10, 2014, one hundred percent (100%) of all Factories in Bangladesh that source for Members will undergo fire safety, structural, and electrical inspections to assess compliance with the Alliance Fire and Building Safety Standards. If a Member’s existing fire safety, structural, and electrical inspections program meets or exceeds the Alliance Fire and Building Safety Standards, additional inspections will not be required during the first year of the Agreement. If a Member’s existing fire safety, structural, and electrical inspections program fails to meet the Alliance Fire and Building Safety Standards as determined by the Committee of Experts, the Member will be required to re-inspect Factories earlier inspected pursuant to the Alliance Fire and Building Safety Standards absent another inspection of that same Factory which meets or exceeds the Alliance Fire and Building Safety Standards.
- (d) The Executive Director, reporting to, and subject to the oversight of the Board of Directors, will coordinate and oversee the inspection process among Members, to ensure all Factory inspections are prioritized, consistent with the risk factors referenced in Article 5.2(b), and conducted pursuant to the Alliance Fire and Building Safety Standards.
- (e) Qualified Inspectors, under the coordination of the Executive Director, will inspect, assess and recommend appropriate remediation for all Member Factories according to the Alliance Fire and Building Safety Standards. Members will choose from a list of Qualified Inspectors to inspect Factories according to the Alliance Fire and Building Safety Standards.
- (f) The results of inspections shall be available to Members via the FFC as provided in Article 7.2 below.
- (g) Factories that are inspected and confirmed by Qualified Inspectors to meet the Alliance Fire and Building Safety Standards will be identified as “Compliant” in the FFC. Effective October 10, 2013, any new Factory must be identified as “Compliant” according to this Article prior to production commencing.
- (h) Members will prioritize the inspection of Factories if the Factory is known to meet any of the “At-Risk” criteria referenced in Article 5.2(b), or if the Factory otherwise fails to satisfy the Alliance Fire and Building Safety Standards established pursuant to this Agreement.
- (i) Factories deemed as “At-Risk” Factories will be sub-categorized as either “high risk” or “moderate risk”, depending on the severity and immanency of the Alliance Fire and Building Safety Standards violation(s). Inspections that identify severe and imminent risks will be shared according to the steps outlined in Article 7.2(c) below. A Factory meeting one or more of the criteria of an “At-Risk Factory” can be reclassified as a “Compliant” Factory, when it has been verified, through the inspection process, that it meets the Alliance Fire and Building Safety Standards. Each Member will be responsible for developing its own approach to addressing its relationship with Factories deemed “At-Risk”.

- (j) Following the inspection of a Factory by a Qualified Inspector, whereby the Factory does not qualify as “Compliant”, Members will direct the establishment of a Corrective Action Plan, with reasonable timelines for completion of the plan in order to confirm that the Factory can meet the Alliance Fire and Building Safety Standards. Corrective Action Plans and Progress Reports will be published on the FFC, as provided in Article 7.2 below.
- (k) Factory owners and suppliers will be afforded notice of findings of fire and safety violations and provided with an adequate opportunity to respond to any findings that they may consider to be inaccurate.
- (l) Following the initial inspections, periodic follow-up evaluations will be conducted on the recommendation of the Committee of Experts. If the Factory is verified as “Compliant,” a longer reevaluation period may be allowed. This timeline and process of reevaluations will be managed by the Executive Director.

ARTICLE SEVEN

Share Information on Training, Current and Future Fire and Building Safety Inspections and Remediation Actions

7.1. Principles.

Alliance Members recognize the need to create a clear, transparent, and collaborative process among themselves, Factory owners, Factory workers, the Bangladeshi government and other stakeholder organizations with respect to sharing information on training, fire and building safety Factory inspections, and audits.

7.2. Process and Procedures for Sharing Information.

- (a) Except as prohibited by law, Members of the Alliance agree to share information on Factories utilized, fire and building safety training programs and curriculum, safety inspection reports, and audit results, as follows:
 - i. Utilize the FFC as the common sharing platform for sharing the Alliance fire and building safety training program, curriculum and materials, the Alliance Fire and Building Safety Standards, and Factory inspections and audit information for Factories. The Members agree to execute the FFC Member Agreement;
 - ii. By September 10, 2013 or within sixty (60) days of signing onto the Alliance, whichever comes later, Members will provide information to be made available on the FFC, including: (1) a list of all Factories Members currently utilize in Bangladesh, (2) existing training programs, curriculum and communications procedures for Factory workers, and (3) Factories that have received fire and building safety training;
 - iii. Information linking specific Members to specific Factories is not required to be shared on the FFC, but will be available to the Executive Director;

- iv. By September 25, 2013, or within seventy-five (75) days of signing onto the Alliance, whichever comes later, Members will provide available safety inspection reports for Factories utilized by them to be made available on the FFC; and
 - v. The information required under this subparagraph (a), including new inspection reports and progress updates on any remediation plans, will be updated on a monthly basis by Members to the FFC, until the process in subparagraph 7.2(b) is operational. Such information will be supplied by the Members by the first business day of each month.
- (b) Within thirty (30) days of the establishment of the common template referenced in subparagraph (f) below, Members agree to utilize the following process to share information via the FFC platform on any inspections occurring thereafter:
- i. Written inspection reports of all Factories inspected under this Agreement will be prepared within three (3) weeks of the date of inspection and shared with Factory management, the Factory's Worker Participation Committees and worker representatives (where one or more unions are present);
 - ii. Factory management, Worker Participation Committees and worker representatives (where one or more unions are present) will have a period of five (5) business days after receiving the inspection report to comment on any alleged report inaccuracies and a period of up to fifteen (15) days to provide input into the remediation plans; and
 - iii. At the end of the comment period and once a final remediation plan is complete (but no longer than five (5) weeks after the inspection has occurred), the inspection and the remediation plan will be disclosed to the FFC and available to all Members for review.
- (c) If, in the opinion of the Qualified Inspectors, the inspection identifies a severe and imminent danger to worker safety, the Inspector shall: (1) immediately inform Factory management, the Factory's Worker Participation Committee, worker representatives (where one or more unions are present), the local government building department, the BGMEA/BKMEA, as well as Members through the Board of Directors; and (2) recommend to Factory management and local government the immediate implementation of remedial action, including immediate interim closure and evacuation of the Factory, if necessary.
- (d) By the fifteenth day of each month, the Alliance will publicly disclose a list of all Factories utilized by the Alliance, Factories that have been inspected and information related to issues identified by the inspections, and Factories' progress on addressing remediation plans created. Information linking specific Members to specific Factories will be kept confidential.
- (e) Members will propose and assist in the development and implementation of any needed enhancements and expansion of the FFC sharing platform to facilitate effective collaboration

on building safety, training, and inspections, with the goal of completing such enhancements no later than November 10, 2013.

- (f) A common template for sharing inspection information via FFC shall be developed within thirty (30) days of adoption of the Alliance Fire and Building Safety Standards.
- (g) The Alliance, through the Executive Director, will work with the Government of Bangladesh to obtain the following information to be shared on FFC: (1) a list of all inspected Factories covered by this Agreement, (2) the results of those inspections, (3) names of closed Factories, (4) reasons for the closures, and (5) what remediation actions are required to reopen. The goal is to obtain such information no later than November 10, 2013. The Alliance, through the Executive Director, shall also recommend a process by which Members' inspections can be mutually shared with both the Bangladeshi government and the participating members of the Accord.
- (h) Within ninety (90) days of signing the Alliance Agreement, Members will work with Factory owners to encourage them to share completed fire and building safety evaluations through the FFC.

ARTICLE EIGHT

Commitment to the Prohibition of Unauthorized Subcontracting and Shared Best Practices

8.1. Principles.

Unauthorized subcontracting impedes supply chain transparency and inhibits the ability of Members to enforce their supply chain standards. Although Members each maintain comprehensive policies against unauthorized subcontracting that impose predetermined consequences, in order to maintain proper control over their supply chains and monitor compliance on fire and building and worker safety, the practice of placing production in unauthorized Factories has emerged as a common element in industrial accidents that occur in Bangladesh. Members agree to review their internal policies to address unauthorized subcontracting and collaborate with other Members to identify "best practices" that may help reduce the risks of and seek to end unauthorized subcontracting.

8.2. Review of Existing Policies and Best Practices to Prohibit Unauthorized Subcontracting.

- (a) For the purposes of this Agreement, the following definitions apply:
 - i. ***Unauthorized subcontracting*** is defined as the production and related processes carried out in an undisclosed, unapproved, and/or prohibited facility for the purpose of supplementing the primary production facility.
 - ii. ***Authorized subcontracting*** is defined as the production and related processes carried out in a disclosed and approved facility for the purpose of supplementing the primary production facility.

- iii. ***Predetermined consequences*** is defined as reduced production, cancellation of orders, suspended placements, the indemnification of costs associated with the unauthorized subcontracting activity, and/or termination of contractual relationships.
- (b) Members agree to each conduct a review of their internal policies and procedures to identify “best practices” and potential modifications to buying practices that could help to reduce the potential of unauthorized subcontracting.
- (c) Members will also each examine their methods of effective communication with supply chain partners and utilize clear communications with supply chain partners, including setting realistic expectations, clear and consistent guidelines, and penalties for non-compliance.
- (d) The Executive Director will coordinate with Members to facilitate the exchange of “best practices” communications and additional recommendations for Members to consider and incorporate necessary changes, in an effort to reduce the risks of unauthorized subcontracting. The Alliance shall make such best practices publicly available as appropriate.

ARTICLE NINE Termination Fees

9.1. Termination Fees in the Event of a Resignation Prior to Two Years of Membership.

The Alliance and this Agreement have a term of five years, with a minimum commitment by Members of two years. If a Member resigns or otherwise terminates its membership in the Alliance less than two years from the date of the Member’s admission to the Alliance, the Member agrees to pay to the Alliance a sum equal to the amount of such Member’s funds due under Article 2.2 of this Agreement for a five year period commencing at admission, less any sums paid by such Member prior to resignation or termination. For the purpose of computing this sum, the parties shall assume that the export value of RMG for such resigning Member for all future time periods is equal to the Member’s export value of RMG for the calendar year immediately preceding the Member’s resignation. Such funds will become immediately due and owing as of the effective date of resignation. Public notice will be given of any Member exiting the Alliance under this Article.

9.2. Termination Fees in the Event of a Resignation Following at Least Two Years of Membership.

If a Member resigns or otherwise terminates its membership in the Alliance two years or more after the date of the Member’s admission to the Alliance, the Member agrees to pay to the Alliance a sum equal to the amount of funds assessed of such Member for the year immediately prior to the Member’s resignation (i.e., a one year assessment termination fee), in addition to any monies due and owing by such Member to the Alliance as of the date of resignation. Such funds will become immediately due and owing as of the effective date of resignation. Public notice will be given of any Member exiting the Alliance under this Article.

9.3. No Termination Fee in the Event of a Resignation in the Event the Member no Longer Sources RMG from Bangladesh.

Notwithstanding anything to the contrary in this Article, if a Member determines it will cease sourcing RMG from Bangladesh, it may resign from the Alliance upon providing notice of such determination. Such resignation will be effective six (6) months after the date such Member notifies the Alliance that it will have no orders for RMG from Bangladesh outstanding and unshipped as of the effective termination date. No termination fee will be assessed in the event of such a resignation, but the Member will remain liable for all monies due and owing to the Worker Safety Fund as of the date of resignation, including, at a minimum, its dues for the first two years of the Alliance. The Member will not be entitled to a pro rata refund of its annual prepaid assessment to the Worker Safety Fund for the year in which it resigned. The Member's sourcing of RMG from Bangladesh must actually cease to be eligible for the treatment provided by this termination article. Termination made pursuant to this article will not be the subject of public notice.

9.4. Resignation following Member Vote to Raise Mandatory Contributions to the WSF

As is set forth in Article 10.2 below, this Agreement can only be amended pursuant to an affirmative vote of two-thirds (2/3) of the Members. In the event of an amendment to this Agreement which results in mandatory contributions to the WSF increasing for Members, any Member who voted against such amendment may resign, without any further obligation to the Alliance, but the Member will remain liable for all monies due and owing to the WSF as of the date of resignation. The Member will not be entitled to a pro rata refund of its annual prepaid assessment to the WSF for the year in which it resigned. Termination made pursuant to this article will not be the subject of public notice.

**ARTICLE TEN
Miscellaneous**

10.1. Compliance with Laws.

In carrying out its obligations hereunder each of the Members and the Alliance agrees to adhere to all relevant laws, rules and regulations that are applicable to the actions and activities required of them by this Agreement.

10.2. Amendments.

This Agreement can be amended at any time pursuant to an affirmative vote of two-thirds (2/3) of the Members.

10.3. Choice of Law.

This agreement is to be governed by New York law, without reference to conflicts of laws principles.

10.4. No Third Party Beneficiaries Created.

The Members expressly intend that no rights be created in any third parties by virtue of the undertakings to which the Members have committed to each other in this Agreement. The sole rights to enforce any alleged breach of such commitments by a Member are through the processes described in the Bylaws. No Member has any right of action or other claim against another Member arising out of this Agreement, or such Member's participation in the Alliance, all of which are hereby waived and released.

10.5 Force Majeure.

For the purpose of this Agreement, an "Event of Force Majeure" means any circumstance not within the reasonable control of the Party affected, but only if and to the extent that (i) such circumstance, despite the exercise of reasonable diligence cannot be, or be caused to be, prevented, avoided or removed by such Party, and (ii) such circumstance materially and adversely affects the ability of the Party to perform its obligations under this Agreement, and such Party has taken all reasonable precautions, due care and reasonable alternative measures in order to avoid the effect of such event on the Party's ability to perform its obligations under this Agreement and to mitigate the consequences thereof. In the Event of a Force Majeure, the Board in their reasonable discretion is authorized to modify the deadlines contained in this Agreement.

10.6. Binding Provisions.

The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and assigns of the respective parties hereto.

10.7. Counterparts.

This Agreement shall be executed by the Alliance and each of the Members, by the execution of a separate signature page and attached hereto. The body of the Agreement and the signature pages so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the same signature page. Any signature page signed by the party against whom enforcement of this Agreement is sought shall be admissible into evidence as an original hereof to prove the contents hereof.

10.8. Severability of Provisions.

Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.

10.9. Paragraph Titles.

Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.10. Entire Understanding.

This Agreement, the Bylaws and Certificate of Incorporation of the Alliance constitute the entire understanding among the Members and the Alliance and supersede all prior written or oral agreements among them with respect to the matters contained herein.

ATTACHMENT 1

Tier	Dollar Value of FOB Exports (in prior calendar year)	Contribution/Year <u>*/</u>	Total Individual Contribution <u>**/</u>
1	>\$250MM	\$1,000,000	\$5,000,000
2	\$250MM->100MM	\$675,000	\$3,375,000
3	\$100MM->50MM	\$375,000	\$1,875,000
4	\$50MM->25MM	\$187,500	\$937,500
5	<\$25MM	\$62,500	\$312,500

Note: The amount for Tier 5 is a maximum. Low volume buyers may elect instead to pay a fee based on a percent of the value of their exports from Bangladesh during the prior year.

*/ Contributions are front-loaded for Tier One participants only, with two years of contributions paid in the first year (these contributions will be deemed to be the first and last year contributions). Annual contributions are due within thirty (30) days of a Member's joining the Alliance, and on the anniversary of each such contribution thereafter. Contributions are deemed delinquent thirty (30) days after their due date.

**/ After membership for 5 years.



Published: September 1, 2013

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Two Plans for Safety at Bangladesh Factories

North American and European-led retailers and apparel brands created separate plans to try to inspect and improve workplace conditions in Bangladesh, with significant differences, as this side-by-side comparison shows.

[Related Article »](#)

The North American Pact

Companies plan to develop a common safety standard for inspection by October to determine which factories will be approved and which need upgrades.

The European-Led Pact

Companies agreed to a legally binding plan to inspect and upgrade factories where serious safety problems are found.

Official name

The Alliance for Bangladesh Worker Safety

The Accord on Fire and Building Safety in Bangladesh

Participating retailers and groups

About 20 retailers and brands from either the United States or Canada, including the Children's Place, Costco, Gap, Hudson Bay, J.C. Penney, Macy's, Nordstrom, Target and Walmart.

More than 70 retailers and brands from 15 countries, including Britain, France, Italy and Japan. The brands include Abercrombie & Fitch, Benetton, H&M, Inditex, Marks & Spencer and PVH. Labor federations and nongovernmental organizations joined the initiative.

How will companies try to ensure safe working conditions in garment factories?

Within a year, inspections will be done in the roughly 500 factories used by the retailers, which have pledged to pursue plans that would correct major safety issues.

Within 9 months, inspections will be done in the 1,200 factories used by participating companies, which have agreed to develop plans to fix hazardous problems.

Who will pay for inspections and safety improvements needed at these factories?

The retailers will pay \$42 million for inspections and worker safety and are offering \$100 million in loans. But they have not pledged to cover all improvements.

The companies say they will make sure there is sufficient financing to pay for whatever renovations and other safety upgrades are required.

How will the agreements to inspect and improve factories be enforced?

Little of the pact is legally binding, beyond the initial financial pledges. Companies may opt out at any time.

The accord is legally binding. Suspected violations would be reviewed by the group's board and an independent arbitration process.

Congress of the United States
House of Representatives
Washington, DC 20515

March 12, 2014

Ms. Maria Rubinshteyn
Chair
Committee on the UC Code of Conduct for Trademark Licensees
University of California
1111 Franklin Street
Oakland, CA 94607

Dear Ms. Rubinshteyn and Members of the UC Code of Conduct Committee:

We are writing to urge the Committee on the UC Code of Conduct for Trademark Licensees to formally recommend that the University of California (UC) take action to improve the safety and working conditions for those making collegiate apparel in Bangladesh, by requiring licensees which source, produce or purchase collegiate apparel in Bangladesh to become signatories to the Accord on Fire and Building Safety in Bangladesh.

The gruesome deaths of over 1,100 garment workers crushed under the collapse of the Rana Plaza factory in April 2013, and the tragic deaths of 112 garment workers—mostly women—who were locked by management behind the gates of the burning Tazreen factory in November 2012, underscores the imperative of taking meaningful action. The Bangladesh Institute of Architects estimates that as many as 50% of the factories in the country may be unsafe, and the Government of Bangladesh currently lacks a sufficient number of qualified inspectors to enforce its building and fire safety codes. In the interim, it is necessary for the buyers of garments to step up and assure that the factories producing their garments are not deathtraps. The Accord creates a transparent and accountable framework for improving factory safety.

- Factory inspections are independent and transparent. Workers are included in inspections. Results are provided to factory workers and their representatives, and made public.
- Workers have the right to refuse to work in an unsafe building.
- Factories must implement remediation plans to retain their contracts. At the same time signatories must provide financial resources, where funds are not otherwise available, to cover the cost of safety upgrades, including through pricing or extended contracts.
- Unlike other corporate social responsibility programs, the obligations under the Accord are binding, rather than voluntary.
- To assure accountability and shared governance, the Accord is governed jointly by retailers/brands and labor unions, with the International Labor Organization as the neutral chair.

Ms. Maria Rubinshteyn
March 12, 2014
Page 2

Globally, there are 156 brands and retailers from 21 countries that are now signatories to the Accord. We are pleased that constructive steps have already been taken by some of UC's collegiate apparel suppliers, as 7 of 21 licensees producing collegiate apparel in Bangladesh have now joined as signatories to the Accord. These UC licensees source from at least 27 different factories in Bangladesh, according to disclosure data provided by the Worker Rights Consortium.

Likewise, the Accord has growing support in Congress and within various federal agencies as a better model for monitoring and correcting sweatshop conditions. For example, the U.S. Marine Corps was directly touched by the Tazreen disaster, when books and patterns marked "Semper Fi" and "the Few and the Proud" were found in the rubble of that disaster. The Marine Corps had licensed production of logoed apparel to M.J. Soffe, a company which, incidentally, also supplies apparel to UC campuses.

In an effort to better protect the reputation of its trademarks, the Marine Corps Trademark and Licensing Office modified its licensing agreements in October 2013 to require licensees that source from Bangladesh to become signatories to the Accord on Fire and Building Safety in Bangladesh.

Congress took approving notice of this action in January 2014 when it included the following report language in Fiscal Year 2014 Consolidated Appropriations Act, (P.L.113-76):

Fire and Building Safety Accord

The Marine Corps is commended for adopting a requirement to abide by the Accord for Fire and Building Safety in Bangladesh, and the rest of the Armed Forces are strongly encouraged to adopt this standard. In order to better understand the magnitude of business that the Department conducts with businesses that are not signatories or in compliance with the Accord, the Secretary of Defense is directed to provide quarterly reports to the congressional defense committees that specify whether any garments purchased by the military exchange system are manufactured in Bangladesh from suppliers that are not signatories or in compliance with the Accord.

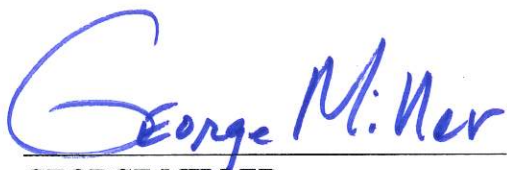
We note that a separate Bangladesh safety initiative has been launched by a group of 26 U.S. and Canada-based retailers; however, this initiative lacks key features needed for effective implementation, such as binding obligations to ensure financing of unsafe factory conditions and worker participation in governance and oversight.

Based on the values and mission of the Code of Conduct Committee, we are confident that you share our view that steps need to be taken to assure that the University is not marketing collegiate apparel where workers at the bottom of the supply chain are laboring in sweatshops. The Accord of Fire and Building Safety provide the best path forward at this time, and we urge your favorable consideration.

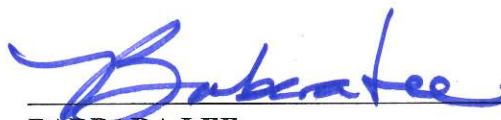
March 12, 2014

Page 3

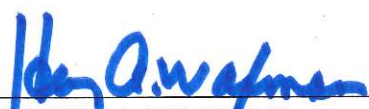
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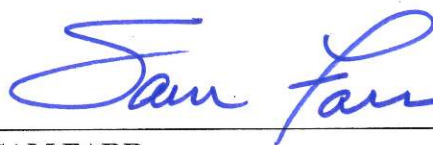
GEORGE MILLER




BARBARA LEE



HENRY A. WAXMAN



SAM FARR



JULIA BROWNLEY



MICHAEL M. HONDA

cc: UCB, Committee Chair, Maria Rubinshteyn
UCD, Scott Stevenson, Trademarks Licensing Manager
UCLA Cynthia Holmes, Director, UCLA Trademarks and Licensing
UCSB Richard Appelbaum, Professor Of Sociology And Global International Studies
UCSB Nelson Lichtentein, Professor Of History And Director Of The Center For The
Study Of A Work, Labor And Democracy
UCSC Bob McCampbell Executive Director UCSC Bookstore
UCOP Kobie Crowder, Associate Director, Business Operations, Liaison to UCOP
Matt St Clair, Sustainability Manager, UCOP Exofficiomember
Thuvan Le, Senior Administrative Analyst UCOP and Staff of Committee
UCSB Reem Alfrayan, Graduate Student Representative
UCR Cynthia Chavez, Undergraduate Student Representative

STAFF REPORT

TO: George Miller, Senior Democratic Member
FROM: Committee Staff
RE: Supply Chain Practices by U.S. Military Exchanges and Labor Conditions in Bangladesh Garment Factories
DATE: December 20, 2013

With respect to the Committee on Education and Workforce's jurisdiction over labor rights and workplace health and safety, and as part of our focus on labor rights protections in the global supply chain for garments, we have been examining the practices of U.S. military exchanges with respect to their garment suppliers in Bangladesh. A provision proposed for inclusion in the FY 2014 Defense Authorization Act (H.R. 1960) would have required that Military Exchanges abide by the Accord on Fire and Building Safety in Bangladesh.¹ That provision, however, was not included in the final enacted bill. In the meantime, staff have followed up on letters that were sent to the Army-Air Force Exchange and the Marine Corps Exchange requesting information about the Exchange store system's oversight of safety and labor conditions at Bangladeshi factories which produce garments for sale by the Exchanges.² This memo summarizes the key findings from that oversight effort, namely:

- Exchanges have social responsibility policies, but provide little or no oversight of the labor and safety conditions in factories to assure compliance with the Exchange's own policies;
- Exchanges have outsourced responsibility for oversight to major U.S. retailers, and abrogated their core responsibilities to assure garments produced for sale in Military Exchanges are not produced in sweatshops; and
- While the Exchanges reject any association with the Accord as a means to improve factory safety, the Marine Corps Trademark and Licensing Office has taken a different tack and now requires its licensees to abide by the Accord for production of garments in Bangladesh.

The Exchanges have opposed legislation that would require them to abide by the Accord. They simply want to continue their current sourcing and oversight model, despite the clear failings detailed below. As AAFES noted in an email to the Committee: .

¹ Section 634 states:

The senior official of the Department of Defense designated pursuant to section 2481(c) to oversee the defense commissary system and the exchange store system shall require, consistent with applicable international agreements, that the exchange store system— (1) for the purchase of garments manufactured in Bangladesh for the private label brands of the exchange store system, becomes a signatory of or otherwise complies with applicable requirements set forth in the Accord on Fire and Building Safety in Bangladesh; (2) for the purchase of licensed apparel manufactured in Bangladesh, gives a preference to licensees that are signatories to the Accord on Fire and Building Safety in Bangladesh; and (3) for the purchase of garments manufactured in Bangladesh from retail suppliers, gives a preference to retail suppliers that are signatories to the Accord on Fire and Building Safety in Bangladesh.

² August 2, 2013, letter from U.S. Representatives George Miller and Jan Schakowsky to Tom Shull, Chief Executive Officer, AAFES; and September 24, 2013, letter from U.S. Representatives George Miller and Jan Schakowsky to Cindy Whitman Lacy, Chief Operating Officer, MCX. [Exhibit 1](#).

“I’m sure that you have heard that WalMart has committed \$50M to help improve conditions in Bangladesh. Given this news, we believe any legislative action that mandates/taxes the Exchanges through the Accord is pre-mature. The prudent thing to do is continue to audit the factories (which we will do) and monitor the impact of the influx of WalMart’s contribution.”³

Military Exchange Supply Chain Standards and Oversight: Ineffectual to Nonexistent

The Army Air-Force Exchange (AAFES), Navy Exchange (NEX), and Marine Corps Exchange (MCX), which are non-appropriated fund agencies within the Defense Department, have authority to oversee and demand improvements to factories that provide their “private label” garments—if they chose to exercise it. “Private label” brands are owned by the Exchanges, such as “R&R Casuals,” an AAFES clothing brand, and “1775,” an MCX brand.

An existing DoD Instruction (DoDI)⁴ requires Exchanges to assure that private label merchandise is not produced with child or forced labor, and that Exchanges have a code of conduct “that reflects the values and expectations the Exchanges have of their suppliers.” The Exchanges’ Codes of Conduct require factories to ensure workplace health and safety, prohibit forced and child labor, pay wages and overtime consistent with local laws, prohibit discrimination and physical and verbal harassment, and respect workers’ right to freedom of association.

Although the Exchanges lack authority to directly intervene factories used by popular brand names (such as Levi’s or Ralph Lauren) whose garments are re-sold through the Exchanges, the Exchanges have the authority to establish minimum standards that approved vendors must meet. On paper, at least, the AAFES Code of Conduct says it “continues to expect that all brand-name merchandise suppliers comply with international laws regarding social responsibility and labor standards, and [Exchanges] shall take appropriate contractual [sic] or action if this expectation is not met. Social responsibility and labor policies at MCX and NEX are limited to private label brands, but do not extend to brand-name merchandise suppliers.”⁵

The DoD Instruction further states that Military Exchanges: “shall develop a monitoring effort to ensure the codes of conduct are upheld.” Monitoring approaches range from reliance on U.S. retailer audits to a one-sentence attestations of compliance, but in all cases, the compliance regimens represent little more than a paper-shuffling exercise.

For example, the AAFES “Code of Conduct” requires social compliance audits of private label supplier factories within the past year. AAFES accepts the submission of audits from a “large well-known U.S. retailer or brand-name company” (such as Wal-Mart and Sears), “or a cover sheet with the company’s letterhead stating the factory was acceptable for social compliance.” Walmart and Sears contract for these audits with for-profit auditing companies (such as Bureau Veritas), which then subcontract the work to local inspection companies. AAFES does not take any steps to verify the quality of these audits or intervene to correct any issues identified in the

³ September 6, 2013 e-mail from Gregg Cox, AAFES to Committee staff.

⁴ DoD Instruction 4105.71, Nonappropriated Fund Procurement Procedures (updated July 2002)

⁵ AAFES Policy of Social Responsibility & Labor Standards for Private Label and Direct Import Merchandise.

audit. To the extent that the audits find serious problems, AAFES relies on the retailers who contracted for the audits to correct unacceptable conditions. According to AAFES staff:

“The Exchange does not directly communicate with the factory. We utilize the audit by other retailers to facilitate the monitoring effort and rely on auditor’s findings and report to determine if a factory is acceptable for our business.”⁶

AAFES has outsourced its responsibility for compliance with the government’s Code of Conduct.

In contrast with the mandatory compliance audits required by AAFES, MCX and NEX do not mandate audits. Committee staff was advised that USMC attorneys do not believe that the DoD Instruction requires a specific “social audit.”⁷ When asked how MCX assures “codes of conduct are upheld,” MCX staff stated:

“To ensure compliance, MCX requires a signed letter from each of our private label vendors that commits them to comply with the direction in the social responsibility letter. We are happy to provide those in lieu of the social audits.”⁸

That means that factories producing products for MCX do not have to be audited by U.S. retailers or others, let alone by a credible outside entity. MCX relies solely on unverified statements that its products are produced without safety or labor violations.

MCX provided the Committee with letters prepared by a middleman, Scope Imports, and signed by five factory owners. The certifications state:

“We certify that our establishment and any contracted factories are in compliance with all applicable labor laws. At no time will convict, forced or indentured labor or illegal child labor be employed for the production of merchandise for Scope Imports.”

MCX apparently accepted this narrow reassurance at face value without any further verification. And because NEX uses the same policy as MCX, presumably it is left equally in the dark about the conditions at factories that produce its merchandise.

AAFES Has Outsourced Minimum Safety and Labor Standards to Walmart, Other Brands

AAFES provided the Committee with a list of 10 Bangladesh factories it has recently used to source private label men’s, women’s, and children’s garments.⁹ AAFES advised that it imported

⁶ MCX contends that the AAFES Policy does not apply to them, even though document states unequivocally that it also covers MCX. “The document you included is an AAFES policy document and as such it does not cover NEX or MCX.” E-mailed communications between MCX and Committee staff, September 26, 2013.

⁷ E-mailed communication from MCX to Committee staff, September 30, 2013

⁸ <http://community.marines.mil/news/publications/Documents/MCO%201700.30.pdf>; e-mailed communications from MCX to Committee staff, September 30, 2013.

⁹ August 21, 2013, letter to U.S. Representatives George Miller and Jan Schakowsky from Tom Shull, Chief Executive officer, AAFES. [Exhibit 2](#). Data from the Import Genius database, which reflects shipping manifests through U.S. ports, indicates 14 factories had shipped garments to the AAFES over previous year.

\$3.9 million in private label garments from Bangladesh last year. As described below, instead of overseeing its own minimum safety and labor standards, AAFES has substituted the judgment of U.S. retailers and their subcontracted auditors to determine whether a garment factory adheres to the AAFES Code of Conduct.

One of those AAFES factories is Citadel Apparels in Gazipur, Bangladesh, where a Walmart auditor tagged the factory with a negative “Orange” ranking¹⁰ due to lack of fire exits, obstructed fire exits, blocked fire extinguishers, workers forced to work overtime in excess of the legal maximum, a worker participation committee that was selected by management rather than elected by workers, and no footwear or dust masks available for most workers.

Among the findings, auditors found cracks in factory walls and questioned whether the cracks were “hampering building safety.” The factory told the auditor they would follow up with an engineer to assess whether the cracks were compromising the building’s structural integrity. A Walmart follow-up audit that was coded a somewhat improved “Yellow” noted that the cracks were fixed, but provided no indication whether the cracks in that seven-story building were reviewed by an engineer for structural inadequacy, or whether they were simply plastered and painted over, hiding but not removing the potentially dangerous conditions.¹¹

The Committee brought the audit finding about building cracks to the attention of AAFES, in part, because the Bangladesh Institute of Architects estimates that as many as 50 percent of the factories in that country may be unsafe; following the Rana Plaza collapse, there are multiple reasons to suspect that there might be safety concerns at this particular facility. When asked to confirm whether an engineering inspection had, in fact, occurred, AAFES responded:

“We do not know if these occurred based on the report we received.”¹²

And when asked if the follow-up review of the factory safety conditions was merely a perfunctory check, AAFES said:

“We do not have information to come to that conclusion.”¹³

In other words, despite red flags, there is no indication that AAFES ever took any action to confirm whether the factory is truly safe.

In August, AAFES was put on notice¹⁴ that the Citadel factory had labor and safety conditions, which, if verified, would violate its Code of Conduct. These conditions, which were derived from 50 worker interviews as recently as July 2013, were not identified in the previously provided Walmart audit, and include:

¹⁰ Citadel Apparels audit, July 18, 2012. [Exhibit 3](#). Walmart uses 4 color codes to designate social compliance from best to worst: green yellow, orange and red. Three “Orange” assessments in 2 years results in factory being placed in “disapproved” status.

¹¹ Citadel Apparels followup audit, January 15, 2013. [Exhibit 4](#)

¹² Emailed communications between AAFES and Committee staff, September 26, 2013. [Exhibit 13](#).

¹³ Ibid.

¹⁴ August 2, 2013, letter from U.S. Representatives George Miller and Jan Schakowsky to Tom Shull, Chief Executive Officer, AAFES.

- fire safety hazards, including bars on windows and inadequate fire exits
- verbal and physical abuse (beatings) for failure to make production targets
- unpaid overtime or loss of a day’s wages when production targets are not met
- unsafe drinking water
- workers are coached on what to say to auditors when factory audits are conducted

When asked six weeks later whether AAFES followed up on these concerns (independent of Walmart’s follow-up audit), they responded:

“We rely upon the audit report and its findings to assess the factory to determine if it is acceptable.”

When pressed on whether the Walmart audit was sufficient to meet minimum AAFES requirements, the Exchange responded:

“Wal-Mart’s social responsibility requirements and acceptance standards (their Green or Yellow rating only) meet our minimum requirements.”

In conclusion, AAFES was presented with substantial evidence that the factory that they have been sourcing garments from was not adhering to their own Code of Conduct and continues to be in noncompliance, yet they have responded with troubling indifference. It appears this branch of the U.S. government has outsourced its oversight responsibility, leaving Walmart’s minimum standard and questionable audit results—no matter how inadequate—as the *de facto* U.S. government standard.

Had the AAFES been a signatory to the Accord on Fire and Building Safety in Bangladesh, there would, at a minimum, have been independent safety audits, a remediation plan, full transparency on the findings of the audit, and a requirement for an independently elected worker health and safety committee. These measures would have provided far greater assurance that the audits were credible and that this factory fully remediated building and fire safety hazards. As noted above, AAFES has thus far refused to sign the Accord, and resisted legislation mandating such compliance.

AAFES and MCX Audits Provided to Committee on Education and Workforce

The two Exchanges provided the Committee with audits for 13 factories in Bangladesh: AAFES provided the Committee with audits for 10 factories plus 1 follow-up; and MCX provided a total of 3 audits. This memo highlights audit findings from 7 of the 13 factories. The audit findings range from nearly fully compliant factories to those to with significant shortcomings. Whether these audit findings fairly capture the reality of working conditions is doubtful, because it is common practice for workers to be coached on what to say to auditors when factory audits are conducted.

Highlights of findings from other audits provided by AAFES

The Citadel factory is not the only facility with the potential for severe, ongoing safety and labor concerns, as the following audits illustrate:

- **Green Fair Textile, Chittagong**, Sears Audit, 2/12/2013 (“Acceptable with Issues”): 80 percent of cut-and-sew workers “had worked on average 80 hours per week.” The legal limit is a 60-hour workweek, with one day off. The audit provides weak admonition: the “factory needs to think about how to keep working hours down to more reasonable levels.”¹⁵
- **Savannah Fashion, Chittagong**, Sears Audit, 11/5/12 (“Acceptable with Issues”): Emergency fire exits obstructed.¹⁶
- **Eastern Dresses, Chittagong**, Sears Audit, 11/29/12 (“Acceptable with Issues”): 87 of 440 workers paid less than minimum wage for the grade in sewing section, and 29 paid less than minimum wage for their grade in the quality section.¹⁷

Documents provided by MCX also suggest widespread violations of social responsibility requirements

Until the Committee oversight request was sent to MCX in September, MCX had apparently not known whether their private label garments were produced in Bangladesh. MCX has now identified 10 factories in Bangladesh that produce clothing for its MCX brand “1775” but has only been able to provide 3 audits.¹⁸ As noted above, MCX does not mandate factory audits as a pre-condition of sourcing, but has authority to request them, and did so only in response to the oversight request. Highlights of the audits provided include:

- **Trouser World, Gazipur**, Walmart audit, 6/10/2012: “ruptured wall found...almost in all of the floors from 1st floor to 5th floor.”¹⁹ Note: Lacking a follow-up audit, Committee staff asked the Accord about the factory’s safety. The Accord sent a structural engineer to examine the crack in December 2013. On a preliminary basis, the Accord has concluded that the crack is superficial, but the factory is slated for further inspection.
- **V&R Fashions, Gazipur**, Sears audit, 6/27/13 (“Needs Improvement”): Did not pay overtime to “cutter man, marker man, sample man, electrician, mechanic, and storekeeper.” Engaged in wage theft by withholding a full day’s wages when employee was absent only a half day. Fire fighters not trained and inadequate number of fire extinguishers (116 vs. 187 required). The Workers’ Participation Committee was apparently selected by management instead of being elected by workers, as workers “could not recognize worker participation committee members,” and the committee members were “not aware of their roles and responsibilities.”²⁰

¹⁵ Green Fair Textile Audit, [Exhibit 5](#)

¹⁶ Savannah Fashion audit, [Exhibit 6](#)

¹⁷ Eastern Dresses audit, [Exhibit 7](#)

¹⁸ November 18 letter to U.S. Representatives George Miller and Jan Schakowsky from Cindy Whitman Lacy, Chief Operating Officer, MCX. [Exhibit 8](#)

¹⁹ Trouser World audit, [Exhibit 9](#)

²⁰ V&R Fashions audit, [Exhibit 10](#)

- **Scope Imports, Houston, Texas:** MCX provided “letters of compliance” from Scope Imports that covered five factories, but did not produce any audits.²¹ MCX wrote that Scope Imports was terminated “based on their lack of compliance with MCX requirements.” According to a conversation between MCX and Committee staff, Scope Imports failed to supply audits for these five factories when requested by MCX.
- **Caesar Apparels, Chittagong:** Received the Worldwide Responsible Accredited Production (WRAP) “Platinum Certificate of Compliance,” the highest possible rating.²² However, an audit summary underpinning this 1 page certificate tells a different story.²³ The factory was assigned a “D” rating (Critical) for health and safety violations following an audit on 6/24/2012. WRAP apparently relied upon an overall audit rating score of “B” (Acceptable) to award this certificate. This glaring inconsistency raises a question about the validity of WRAP certificates as a basis for assuring compliance. This requires further inquiry.

The Marine Corps Trademark and Licensing Office Is Raising Standards for Worker Safety and Labor Conditions

Found in the rubble following the November 2012 fire at Tazreen Fashions outside of Dhaka were order books and patterns for Marine Corps-licensed apparel marked “Semper Fidelis” and “Marines--the Few the Proud.” The orders were placed by Soffe, a North Carolina company that had licensed these logos from the Marine Corps through its Trademark and Licensing Office (TMLO). As you know, that fire took the lives of at least 112 workers—mostly women-- many of whom were locked into the burning factory with barred windows. Some were burned beyond recognition and have still not been identified. Those who survived had to jump from the third and fourth stories after crawling through the blades of ventilation fans; twelve of those who jumped did not survive the fall.

When the TMLO granted a license to M.J. Soffe, the company “specifically agreed that all manufacturing would be done in North Carolina.” Despite the presence of Soffe order books in the rubble, Soffe contends that they did not manufacture at Tazreen, but they admit to manufacturing at six factories in Bangladesh, including Tazreen’s parent company, Tuba Garments, as well as Hemple Rhee, Mono Attire, Southern Designers, and DK Knitwear. TMLO suspended Soffe’s license for one year until December 6, 2013. Its application for reinstatement is pending.

Subsequent to the Tazreen fire, the TMLO revised its Standards of Manufacturing Practice to add requirements that licensees must: (1) become a signatory to Accord on Fire and Building Safety in Bangladesh for garments made in Bangladesh; and (2) comply with Executive Order

²¹Scope Imports “Letters of Compliance” for 5 factories (JK Shirt & Fabric, Fashion Park International, Afrah Dresses, Premier Fashion, Authentic Garments), [Exhibit 11](#)

²²The Worldwide Responsible Accredited Production (WRAP) program claims, according to its website, to be “the world’s largest facility certification program mainly focused on the apparel, footwear and sewn products sectors. Facilities receive a certification based on compliance with the 12 WRAP Principles. The WRAP Principles are based on generally accepted international workplace standards, local laws and workplace regulations which encompass human resources management, health and safety, environmental practices, and legal compliance including import/export and customs compliance and security standards.” <http://www.wrapapparel.org/>

²³Platinum Certificate of Compliance and audit summary for Caesar Apparels, [Exhibit 12](#)

(EO) 13126 regarding the Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labor. This EO only applies to government vendors, but the TMLO has extended it to cover licensees of Marine Corps intellectual property. The Marine Corps has taken a noteworthy step by raising the bar instead of incentivizing a race to the bottom. It is in the public interest for the Marine Corps to take this step: they want to protect the reputation of a trademarked brand which belongs to the American people. To our knowledge, this is the first government agency to adopt this higher standard, which establishes a precedent worthy of emulation.²⁴ It is disappointing that the Marine Corps Exchange has not taken an equally enlightened approach.

Feasibility of Broader Adoption of the Accord on Fire and Building Safety

Military Exchanges generally have a special area where Marine Corps licensed products (garments, jewelry, firearms, etc.) are available. Given the current lack of consistent standards, garments made in Bangladesh under licenses granted by the Marine Corps must be produced under the Accord's "high road" safety standards, while the Exchange's own private label garments (and many of the garments it resells) are produced under a lower-road model with little accountability.

TMLO's enlightened policy stands in contrast to the largely ideological objections to stronger worker protections that have been voiced by the Military Exchanges, which contend that it is infeasible for them to abide by the Accord because it will drive up the costs of garments. However, the annual fee for Accord membership would not exceed \$10,000 per year for each of the 4 Exchanges, plus a pro-rata share of Accord-mandated factory improvement costs, a small price for the Military Exchanges to pay to protect workers. According to the New York Times, the Military Exchanges made \$485 million last year.²⁵ Of the 115 retailers/brands that have become Accord signatories, 8 are major U.S. brands/retailers.

The proposed legislation—which was ultimately not included in the FY 2014 Defense Authorization Act—would have required that the Exchanges provide a preference to suppliers who are Accord signatories, guaranteeing that their garments are produced in factories which are independently audited, that unsafe conditions are corrected, and that factory owners are provided with the necessary financing and long-term contracts to assure they can afford to make the upgrades. U.S. retailers/brands that are not Accord signatories, such as some members of the Retail Industry Leaders Association, opposed this proposed legislation because they are concerned that they might lose the ability to sell to Military Exchanges. However, in the end, all U.S. retailers/brands have the option of choosing to join the Accord in addition to any other initiatives they might be a part of. And there is already a high-profile example: Fruit of the Loom just recently joined the Accord, in addition to participating in another retailer safety initiative.²⁶

²⁴ Three universities (U. Penn, NYU and Temple) now require licensees using their university logos to become signatories to the Accord on Fire and Building Safety in Bangladesh. Licensees who are signatories include Knights Apparel and Top of the Hill.

²⁵ U.S. Flouts Its Own Advice in Procuring Overseas Clothing, New York Times, December 23, 2013

²⁶ List of Accord signatories and covered factories are at www.bangladeshaccord.org.

UC Code of Conduct for Trademark Licenses Committee: A Call to Action

USAS UCSB <usas.ucsb@gmail.com>

Wed, Mar 12, 2014 at 5:21 PM

To: 'Reem Alfrayan <rraym93@hotmail.com>', 'Richard Appelbaum <rich@isber.ucsb.edu>', Angus MacDonald <Angus.MacDonald@ucop.edu>, Bob McCampbell <rfmccamp@ucsc.edu>, Cynthia Chavez <cchav012@ucr.edu>, Cynthia Holmes <cynthiaholmes@asucla.ucla.edu>, Douglas Kouba <dkouba@ucdavis.edu>, Kobie Crowder <kobie.crowder@ucop.edu>, "Matt St.Clair" <matthew.stclair@ucop.edu>, Nelson Lichtenstein <nelson@history.ucsb.edu>, Sutton Bennett <sutton.bennett@ucop.edu>, Maria RUBINSHTEYN <mrubinsh@berkeley.edu>
Cc: President <President@ucop.edu>, Henry Yang <henry.yang@chancellor.ucsb.edu>, Henry Yang <henry.yang@ucsb.edu>

To the Committee on Trademark Licensing:

The University of California students stand in solidarity with the apparel workers of Bangladesh and demand that you listen to their call for change. **We have collected 1,134 signatures of UCSB students supporting the Bangladesh Accord, one for each worker killed at the Rana Plaza factory collapse.** Please view the signatures [here](#).

We are proud students of one of America's leading public university systems and we believe that our institution's commitment to excellence is not consistent with the deficiencies of our university's code of conduct. **Students want their clothes to advertise educational accomplishments, not complicity with a system of exploitation and murder.**

You will never have greater assurance to amend the code of conduct. Two of the three largest collegiate licensees, two of the three largest retailers in the world, and three of the four largest fashion designers have signed on to the Accord. Ten of the top universities in the nation require that their licensees sign the Accord to maintain contracts with the universities. **Failure to act would be to ignore the will of the workers, the recommendations of the monitoring agency hired by the University of California, and the demands of the student body.**

It is the responsibility of the Committee to uphold the ideals of the university and strive to implement the strongest labor standards to ensure that the code of conduct (particularly the health and safety clause) is not empty rhetoric. **While the Committee continues to deliberate, workers in Bangladesh are risking their lives each day to make products for companies that produce University of California clothing.** Were another disaster to happen during deliberations, blood would be on your hands. The Committee's inaction tomorrow would demonstrate complicity in perpetuating unjust labor standards; justice delayed is justice denied. **We demand that the University of California modify its code of conduct to require all licensees to participate in the Bangladesh Accord on Fire and Building Safety.**

Thank you for your time and effort in ensuring that the University of California stands for social justice.

University of California United Students Against Sweatshops

Update: VF/Optimum Fashion (Bangladesh)

Scott Nova <scott.nova@workersrights.org>

Fri, Mar 14, 2014 at 10:22 AM

Reply-To: scott.nova@workersrights.org

To: mrubinsh@uclink4.berkeley.edu



[WRC Website](#) | [Factory Reports](#) | [Factory Database](#) | [Contact Us](#)

To: WRC Affiliate Universities and Colleges
From: Scott Nova
Date: March 14, 2014
Re: Update: VF/Optimum Fashion (Bangladesh)

On February 20, 2014, the WRC conducted an on-site follow up inspection at Optimum Fashion, a collegiate apparel factory in Narayanganj, Bangladesh that is producing goods for VF Corporation and its subsidiary, VF Imagewear. I am sorry to have to report that the results are discouraging.

Last autumn, the WRC reported to you on the findings of a comprehensive fire safety inspection we conducted at Optimum. You can see our report [here](#). The inspection uncovered a host of serious fire safety hazards, any of which could be the cause of injury or death to workers in this facility: lack of adequate fire exits, lack of fire doors and fire separation, lockable doors on exit routes, inadequate emergency lighting, an inadequate fire alarm system, and other violations.

We provided VF with detailed recommendations for corrective action on October 14, 2013, and asked VF to supply a corrective action plan. VF acknowledged the violations and pledged to implement the corrective actions, but stated that a corrective action plan would be delayed because of other building safety inspections scheduled at the factory. The WRC accepted that a modest delay was reasonable in providing a plan. However, VF did not provide a corrective action plan for more than *four months*. The WRC received VF's plan on February 20, three hours before our follow-up visit to the factory.

The recommendations made to VF by the WRC called for the elimination of most of the identified hazards by January 14, 2014. VF's corrective action plan, provided to the WRC more than one month after that date, cited 30 necessary corrective actions, of which two were reported to have been completed. These involved moving furniture and a machine that were blocking exit routes. VF claimed that three other actions were "partially

completed.” The plan did not call for completion of most of the remaining 25 actions, such as the installing of fire doors, for an additional three to eight months.

The WRC’s follow-up inspection revealed what VF’s corrective action plan belatedly acknowledged: there has been very little progress in addressing the fire hazards at Optimum Fashion.

The factory still does not have adequate fire exits; there are no fire doors; there is no fire separation; the interior exit route is unprotected and ends with a lockable door; there is not adequate emergency lighting; and there is not an adequate alarm system. In one crucial area, the factory is even more dangerous than when the WRC first inspected it: management added large, unprotected door openings to the external exit stair, making it more likely that this stair will be unusable in a fire (because it will be exposed to heat and smoke from within the building).

There were also problems in some of the areas where VF reported that remediation was complete or partially complete. As VF reported, the factory did move a checking machine, a panel, and some furniture that were partially blocking exit routes. The factory also removed switches on each floor that allowed emergency lights to be turned off (emergency lights must not have an accessible manual off switch, lest they be turned off at the wrong time). Unfortunately, the factory left in place a manual off switch on the first floor that can kill the entire system and is accessible to anyone walking into the building. Management placed emergency lights on the external exit stair, but they are not sufficiently bright for the purpose. VF reported that management had, per the WRC’s recommendation, instituted a policy to make sure that all lockable doors on exit routes are locked in the open position when the building is occupied, to ensure that people can get out in an emergency. However, none of the doors were locked in the open position at the time of the WRC visit.

VF cites challenges in procuring certain safety systems as a reason why some corrective actions have been delayed. If strong progress were being made in general, with some deficiencies or delays due to procurements issues, VF’s excuse would be plausible. This is not the case.

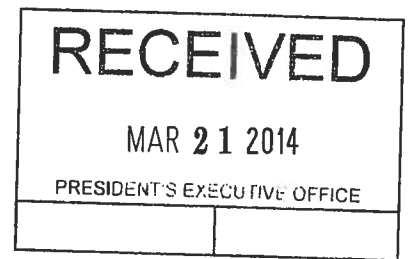
Given the serious nature of the hazards identified, and given VF’s obligations under university codes of conduct, the company’s poor performance at Optimum Fashion is difficult to understand. VF has been in Bangladesh for many years and is aware of the grave fire safety risks in many of the country’s garment factories. It has seen 29 workers killed in one of its supplier factories and has seen a fire at another (this one producing collegiate apparel) in which half a million units of product were destroyed, with casualties avoided only because the factory was unoccupied at the time. VF is also a company with substantial resources; it describes itself as follows: “*VF is an \$11 billion apparel and footwear powerhouse, with an incredibly diverse, international portfolio of brands and products.... With our expertise in both the art and science of apparel, we have built a sustainable base for continued long-term success.*” VF’s failure to bring about meaningful progress on fire safety at Optimum is not the result of inadequate resources or knowledge.

One additional note: On the morning of the WRC's return to the factory, VF informed the WRC that it has ceased producing university logo apparel at Optimum Fashion and that it now produces no collegiate apparel in Bangladesh. VF continues to use the factory for the production of non-university apparel and has more than 50 other contract factories in Bangladesh.

VF, which has disclosed university production in Bangladesh every year for the past decade, says its decision to stop producing university product in Bangladesh is unrelated to policies adopted by some universities requiring licensees to sign the Safety Accord.

We will update you on this case as developments warrant. As always, please let me know if you have any questions or wish to discuss any aspect of this update.

Scott Nova
Worker Rights Consortium
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Washington, DC 20005
ph 202 387 4884
fax 202 387 3292
nova@workersrights.org
www.workersrights.org



From: Eric_Wiseman@vfc.com [mailto:Eric_Wiseman@vfc.com]
Sent: Friday, March 21, 2014 11:35 AM
To: President
Subject: Bangladesh

Dear Ms. Napolitano,

Recently, universities across the United States have come under pressure from the United Students Against Sweatshops (USAS), an organization that insists that targeted schools discontinue business with apparel companies that have not signed the *Accord on Fire and Building Safety in Bangladesh* (the Accord).

VF Corporation has been wrongly and unfairly targeted by USAS, and we want to share the full story with you.

As you'd expect of a global company like VF, we consistently place worker safety as a high priority in every factory that we use around the world. We carefully studied the need for a safer workplace for the people of Bangladesh. We agree that changes must be made and we've taken action.

We're proud to be a founding member of the *Alliance for Bangladesh Worker Safety* (the Alliance). This group of 26 companies has created a five-year, legally binding, results-oriented initiative dedicated to improving worker safety.

VF chose to join the Alliance for three fundamental reasons: The Alliance has 1) a practical and positive vision to advance worker safety in Bangladesh; 2) the ability to make significant progress quickly and effectively; and 3) the specificity of governance and obligations.

USAS is highly critical of VF for not signing the Accord. Just last week we met with two members of the organization's leadership team. We shared our point of view, our achievements, and our commitment going forward. We listened to their point of view, working to identify common ground and common understanding. We were told that we would continue to be a target, despite the work that we are doing, simply because we have not signed the Accord.

USAS has brought several of our brands into the conversation including The North Face[®], our Licensed Sports Group (fanwear) and JanSport[®] (backpacks, bags, totes and luggage). Interesting to note: Our JanSport[®] brand produces no product in Bangladesh. Our Licensed Sports Group produced less than 2,000 pieces of apparel there in 2013. In fact, we have two locations in the United States that produce fanwear for universities, employing nearly 1,000 Americans.

What follows is a summary of the actions we are taking in Bangladesh to advance worker safety. If you have questions or would like to discuss this further, please contact me. This is important and I welcome the opportunity to tell our story of commitment and good work.

If this issue is put before you and your teams, we ask that you examine the facts and ignore the emotional, untruthful rhetoric.

Sincerely,

Eric Wiseman
Chairman, President & CEO



We Care: Bangladesh

VF has taken a number of steps to help improve working conditions in Bangladesh. Our approach is guided by three tenets:

- We care about safe working conditions for the people of Bangladesh, and we're focused on making things better;
- As a founding member of the *Alliance for Bangladesh Worker Safety*, we're working closely with member companies and other organizations to make a difference; and,
- We intend to provide a sustainable future for Bangladesh. Our resolve and commitment will remain strong.

At VF, we have achieved measureable progress because of our sense of urgency and investment of VF time and money:

- For many years, we have had a Global Compliance Framework to manage our supplier relationships and ensure that people affiliated with VF are treated with respect and guaranteed basic worker rights, with safety paramount among them.
- In early 2013, VF developed a Fire Safety & Building Structure Plan achieving progress in the following three areas: health and safety, training and capacity building, and education and community development:
 - Established independent verification of structural integrity, fire and electrical safety at every facility where all VF products are manufactured.
 - Increased the frequency of unannounced inspections and reaffirmed our compliance policies.
 - With 80 percent of our 91 factories already inspected, we're on track to complete all by May 1 — two months ahead of our original plan.
 - Collaborated with the Alliance to train workers on safety protocols and the proper response to emergencies, and worked with inspectors to ensure audits are being done in accordance with Alliance standards.
 - Investing more than \$6.2 million to ensure the health and safety of Bangladesh workers.
 - Developing an impact study that sets priorities for investment opportunities within Bangladesh.
 - Created a scholarship program with the *Hinrich Foundation* to support internships and scholarships for students from Bangladesh.

We also are developing an agreement with the UN's International Finance Corporation to make loans available in Bangladesh at favorable interest rates.

These achievements are aligned with VF's commitment to "stay and improve," working closely with our factory management teams and workers on continuous improvement, including an intense focus on worker safety. As long as a factory management team is making significant progress and is concentrating on the best interests of its employees, we believe our approach supports the necessary balance between providing needed jobs and safeguarding employees.

In addition, the Alliance has achieved much during its first six months, as detailed in its recently published progress report, including:

- Opening a Dhaka office and hiring a 15-member staff;
- Finalizing a common set of strict standards;
- Developing a core training curriculum for workers and trainers;
- Providing fire safety training to workers and managers at 218 Alliance factories;
- Conducting inspections and training in 44 percent (365) of factories used by Alliance members;
- Developing a Worker Empowerment Hotline;
- Conducting a baseline survey of more than 3,200 factory workers – the largest ever in Bangladesh – to identify worker experiences and perspectives;
- Committing \$50 million to support the work of the Alliance – 10 percent of which will be set aside for a Worker Welfare Fund established in association with *Bangladesh Rural Advancement Committee* – and an additional \$100 million in low-cost loans to assist factory owners with factory safety improvements.

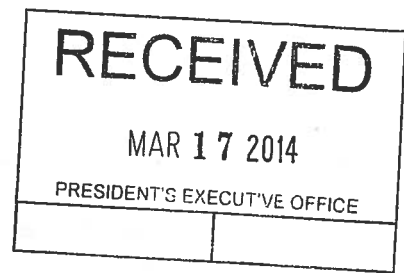
It's our hope that, in the spirit of our shared goals, the Alliance and the *Accord on Fire and Building Safety in Bangladesh* (the Accord) will continue to actively seek opportunities to collaborate and align moving forward. For example, both groups are working with the International Labour Organization (ILO), the Bangladesh Garment Manufacturers & Exporters Association (BGMEA), Bangladesh University of Engineering and Technology (BUET) and the Bangladesh government to affect change in the country.

It's essential that this not be viewed as a competition between groups, but rather as somewhat differing approaches en route to achieving the same goal – a safe workplace for people in Bangladesh. Together we must focus on the similarities and clear, common ground of the organizations that include:

- Long-term commitment to sustainable change;
- Common safety standards;
- Multiple stakeholders for implementation;
- Legally binding financial commitments;
- Mechanisms to ensure transparency, verification and good governance; and,
- Training programs that empower workers.

Information sharing is a must. That is why both the Alliance and the Accord are using the independent Fair Factories Clearinghouse to house information about factory inspections. This will ensure the immediate identification of factory issues so they are promptly addressed.

We're pleased with the progress we've made in collaboration with the Alliance and others. There is much yet to be done. We are focused on doing the right things that provide a safe workplace for people in Bangladesh, an achievement that must be sustained over time.



-----Original Message-----

From: ddrew@afbws.org [mailto:ddrew@afbws.org]

Sent: Monday, March 17, 2014 12:01 PM

To: President

Subject: Information on the Alliance for Bangladesh Worker Safety

Dear Ms. Napolitano,

I hope this email finds you well.

I am pleased to be sending you several documents that highlight the work and recent progress of the Alliance for Bangladesh Worker Safety.

In particular, please find attached the following documents:

- Letter from Ellen Tauscher, Chairman of the Board of Directors of the Alliance
- Q & A on the Alliance
- Alliance's Semi Annual Report
- Ellen Tauscher's written testimony for the recent Senate Committee on Foreign Relations Hearing

I hope you find this information useful. We would be delighted to further discuss our work and answer any questions you may have.

I look forward to hearing from you.

Sincerely,

Deborah Drew

The Alliance for Bangladesh Worker Safety



Janet Napolitano
President, University of California
Office of the President
University of California
1111 Franklin Street, 12th Floor
Oakland, CA 94607

March 17, 2014

Dear President Napolitano,

I am writing in my capacity as Chairman of the Alliance for Bangladesh Worker Safety ("Alliance"), a coalition of 26 global apparel companies and their partners that have joined forces under a legally binding agreement to help improve working conditions in Bangladesh's garment industry. Many of the Alliance member companies are connected to the collegiate market, either through development, production, and merchandising, or through retail sales of collegiate product.

As you may know, more than 4 million people in Bangladesh, most of them women, depend on jobs in the garment industry to support themselves and their families. Cumulatively, Alliance member companies source garments from more than 800 factories in Bangladesh, which together employ over 1.5 million workers.

Workplace conditions in Bangladesh's garment industry are complex and challenging. Rapid industry growth and urbanization have led to manufacturing in buildings that contain serious fire and safety risks, and conditions have suffered from too few government inspectors, weak labor laws, and political instability. Unfortunately, these circumstances have contributed to repeated workplace accidents, many of which have resulted in tragic loss of life.

These difficult circumstances on the ground in Bangladesh underscore the need for a collaborative approach to creating a safe and inclusive environment for factory workers. This is why we are dismayed by a confrontational campaign against the Alliance that is being led by the national student labor organization United Students Against Sweatshops (USAS) and the Worker Rights Consortium (WRC). The aim of this campaign is to pressure universities like yours into restricting their clothing purchases and licensing activities to companies that have signed The Accord on Fire and Building Safety in Bangladesh ("Accord"), an alternative workplace safety agreement.

The Alliance and the Accord vary in some of their specific provisions, but they share a common goal: the end of preventable workplace tragedies in Bangladesh's garment industry. Indeed, the Alliance and the Accord are actually working very closely *together* to make this goal a reality.

Last October, technical experts from the Alliance, the Accord, the International Labor Organization (ILO), and Bangladesh University of Engineering and Technology (BUET) jointly developed a common Fire Safety and Structural Integrity Standard that is now being used for factory inspections. We have identified 394 overlapping factories between the Alliance and Accord member companies and are in discussions with the Accord regarding the right way to conduct inspections in these facilities. This type of pragmatic collaboration will help streamline and accelerate improvements to worker safety.

In general, in criticizing the Alliance and its member companies, USAS and WRC are presuming that the Alliance will not, and cannot, be as effective in improving working conditions in Bangladesh as the Accord. This is not supported by evidence on the ground.

Since its formation in July 2013, the Alliance has already taken a number of actions that are contributing to worker safety in Bangladesh's garment industry, including:

- Surveyed and interviewed more than 3,200 workers for their input and perspective on factory safety issues;
- Opened an office in Dhaka with 15 local staff;
- Completed fire safety, structural and electrical inspections in 365 factories with 100% of inspections to be completed by July, 2014;
- Provided fire safety training to workers and managers at 218 Alliance factories;
- Established a \$5 million fund with BRAC to help support workers who may be temporarily displaced if factories need to be idled for safety improvements;
- Provided affordable access to capital (approx. \$100 million) to factory owners for safety improvements through certain individual brands ;
- Helped organize the first International Trade Expo on Building and Fire Safety in Dhaka in February, 2014;
- Hosted a presentation on Alliance Standards to more than 300 members of the Bangladesh Garment Manufacturers and Exporters Association;
- Engaged telecommunication firms to implement a telephone helpline for garment workers to anonymously report unsafe working conditions.


Despite the challenging circumstances on the ground, Bangladesh is starting to see tangible progress. A number of factories that make products for Alliance member companies are already installing some of the first industrial fire systems in the country. Thanks to new fire doors, sprinklers, and smoke detection systems, tens of thousands of garment workers in Bangladesh are benefitting from a safer work environment.

The work will not be done overnight – solutions will take time to adopt and sustain. I assure you the Alliance member companies are committed to working together to make safer workplaces in Bangladesh not the exception, but the rule. Alliance member companies have no objection with civil society holding them accountable for their business practices in Bangladesh or anywhere else, but we expect judgment to be based on actual achievements or lack thereof, not on preconceived biases.

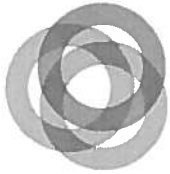
For more information on the Alliance's work on the ground in Bangladesh, please refer to the recently published 6-month Progress Report, which can be found at the Alliance website at: <http://www.bangladeshworkersafety.org/>.

We welcome the opportunity to discuss the steps we are taking to protect workers' safety and develop a sustainable garment industry in Bangladesh. We appreciate your consideration of this important issue, in particular the ways in which the University of California's apparel suppliers can join in our efforts.

Sincerely,



Hon. Ellen Tauscher
Chairman, Alliance Board



ALLIANCE
FOR BANGLADESH WORKER SAFETY

PROTECTING THE LIVES of Bangladesh Garment Workers

A 6-month Progress Report of the **Alliance for Bangladesh Worker Safety**



Message from the Alliance Independent Chair & President

Dear Colleagues,

Recent years have marked several tragic factory disasters in Bangladesh, such as the Tazreen fire and the Rana Plaza collapse, which together took the lives of more than 1,200 people. No one should have to risk their life in order to make a living—and in the face of such events, preventing these tragedies is nothing short of a moral imperative.

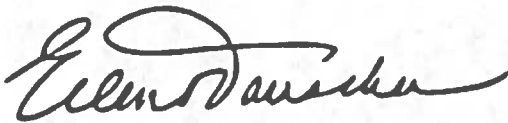
That is why six months ago, leading North American apparel companies came together to form the Alliance for Bangladesh Worker Safety—a five year, legally binding, results-oriented initiative dedicated to dramatically improving safety conditions for workers in Bangladesh. Today, the Alliance is pleased to share the progress achieved against our commitments in our first six months.

There are approximately 700 factories in Bangladesh from which our Member companies source, employing approximately 1.28 million workers. It is our goal to ensure that safe workplaces in Bangladesh become the rule, not the exception, for all women and men employed in the Bangladesh ready-made garment industry. We also recognize that improving safety needs to be a collaborative effort, and we will continue to work with others who share in the responsibility for garment factory safety.

The challenges are complex and much work lies ahead, but we are dedicated to achieving results that will set a new standard for worker safety. Together, we can realize a safer workplace for all Bangladesh garment industry workers.

We look forward to sharing our future developments and learnings from this ongoing effort.

Sincerely,



The Honorable Ellen Tauscher
Chairman, Alliance Board



Jeff Krilla
President & CEO, Alliance

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Accomplishments at a Glance

Commitment	Strategy / Progress	Next Steps
1. COMMON SAFETY INSPECTION STANDARD	<ul style="list-style-type: none"> ✓ Together with Bangladesh Accord on Fire and Building Safety (Accord), developed common Standard to guide all factory inspections ✓ Harmonized Standard with the National Tripartite Plan of Action on Fire Safety (NTPA) ✓ Exceeded National Building Code in select areas related to fire safety ✓ Recruited Committee of Experts (COE) to oversee execution ✓ Conducted equivalency evaluation of previous Member inspections 	<ul style="list-style-type: none"> • Serve on NTPA monthly Review Committee/attend monthly meetings • Finalize and share assessment protocols • Release list of Qualified Inspectors • Continue factory inspections
2. WORKER TRAINING AND EMPOWERMENT	<ul style="list-style-type: none"> ✓ Trained workers and managers in 31% of Alliance factories ✓ Conducted Worker Baseline Survey and offsite interviews among more than 3,200 workers in 28 factories ✓ Selected team of third-party organizations to implement a helpline and develop training materials 	<ul style="list-style-type: none"> • Roll out training curriculum • Conduct impact evaluation against worker survey • Train employees and managers at remaining Alliance factories • Pilot helpline in 50 factories • Complete worker representative approach that includes worker and management education on Freedom of Association • Further develop Worker Health & Safety Committee structure with input from the International Labor Organization (ILO)

<p>3. LOCAL ENGAGEMENT AND CAPACITY BUILDING</p>	<ul style="list-style-type: none"> ✓ Opened Dhaka office and hired 15 local staff ✓ Partnered with Bangladeshi Government, BGMEA, BKMEA, BRAC and IFC ✓ Identified local organizations/ firms to respond to training and assessment RFPs ✓ Developed a shared training model for local organizations to support implementation ✓ Engaged with local and international labor organizations, civil society groups and think tanks to address the need for shared responsibility ✓ Mapped existing worker empowerment and training programs to avoid duplication ✓ Identified shared factories with the Accord 	<ul style="list-style-type: none"> • Partner with local organizations for implementation of program and provide safety training • Participate in first international Trade Expo for Building and Fire Safety in Bangladesh in February, in collaboration with IFC, BGMEA, Accord and C&A Foundation • Qualify inspection firms released by COE • Identify and further develop relationships with international labor organizations
<p>4. FINANCIAL COMMITMENTS</p>	<ul style="list-style-type: none"> ✓ Worker Welfare Fund established in association with BRAC ✓ Identified several commercially available financing options that exist to support factory remediation ✓ Affordable access to capital (approximately \$100 million) provided by individual brands ✓ Year 1 membership fees collected from all Members ✓ Financial governance being developed and implemented 	<ul style="list-style-type: none"> • Communicate to factory owners about access to funds for remediation • Establish reporting of fund disbursement • Finalize financial governance

**5. TRANSPARENCY
AND SHARING**

- ✓ Factory information and inspection reports regularly uploaded by Members to Fair Factories Clearinghouse (FFC)
- ✓ Factory lists updated and disclosed monthly
- ✓ All key Alliance documents publicly available on Alliance website
- ✓ Sent weekly newsletters and held monthly membership calls on program updates
- ✓ Conducted monthly update calls with allied trade associations

- Publicly share training curriculum for use by the industry
- Create reporting template guide for FFC
- Publicly share factory inspection report summaries
- Announce Board of Advisors
- Distribute regular updates on Alliance progress

Progress Toward Alliance Commitments

Ensuring a Common Standard for Safety Inspections

The Alliance has one purpose: To **improve safety conditions for the women and men** who make their living in Bangladesh's ready-made garment sector (RMG). The priority to achieve this goal is to work together with the Bangladeshi government, factory owners and other stakeholders to improve the fire safety and structural integrity of the factories in which these women and men work.

Since our formation in July 2013, the Alliance has focused on laying the groundwork to inspect, remediate and train workers in every factory in which our Member companies do business. This began with the establishment of our **Fire Safety and Structural Integrity Standard** (the "Standard"), which will ensure that all factories are held to the same, clear safety requirements.

The Standard was developed by technical experts from both the Alliance and the Bangladesh Accord on Fire and Building Safety (the "Accord"), and

finalized in December 2013. To help ensure consistency in the inspection of factories countrywide, the Standard has been harmonized with the guidelines developed by the Bangladesh University of Engineering and Technology (BUET) for the **National Tripartite Plan of Action (NTPA)**.

In alignment with the NTPA—the agreement between the Bangladesh government and employers' and workers' organizations that creates a timeline to improve working conditions in the Bangladesh garment industry—the Standard is founded on the requirements of the 2006



Bangladesh National Building Code (BNBC), though it exceeds those requirements in some cases.

To translate the Standard into practice, our technical experts have begun to develop **Assessment Protocols** and field tools to guide assessors and ensure a consistent technical approach. The Assessment Protocols also provide a formal process for escalating issues in the event that severe and imminent life-threatening situations are suspected. Assessment reports are then shared with the factory, along with recommended **Corrective Action Plans (CAP)** that are developed to guide factory improvements.

Finally, the Alliance has retained a committee of independent fire and structural safety experts from Bangladesh, Europe and North America who are certified, credentialed and recognized authorities in fire or building structural safety. The **Committee of Experts (COE)** is responsible for overseeing the implementation of the Alliance Standard, which includes approving qualified inspectors, conducting spot audits of remediation efforts and validating inspection reports.

Next Phase: Inspections

Now that the Alliance Standard has been finalized and harmonized with the standards of our partners, Alliance-led inspections against these criteria will begin. Many of our Member companies have been conducting factory inspections since before the inception of the Alliance; to date, 222 factories (31%) have been covered by these inspections.

In order to avoid duplication, the Alliance Committee of Experts is now conducting an independent analysis of those inspections to evaluate their compliance with the Alliance Standard. Factories not meeting the Standard will be re-inspected by Qualified Inspectors—our list of which will be released in February 2014—as will all factories for which inspections have yet to take place.

“All Alliance Member Factories in Bangladesh will undergo fire safety, structural and electrical inspections to assess compliance with the Alliance Fire and Building Safety Standard.”

By July 2014 one hundred percent (100%) of all Alliance Member factories in Bangladesh will undergo fire safety, structural and electrical inspections to assess compliance with the Alliance

Fire and Building Safety Standard. Inspections will then prompt action plans to be used by factories to improve safety conditions for garment workers, and remediation will begin when necessary.

We recognize that we have a great deal of work in front of us to complete our inspections by July and will continue to garner learnings as we move forward. We will look for opportunities to collaborate with others conducting inspections in an effort to cover more factories more efficiently and begin to focus our efforts on remediation plans.



Training and Empowering Workers

Workers are at the heart of this initiative. They bring an important perspective from the factory floor. It is this perspective that will help inform our work. It also serves as a powerful reminder of why we are committed to this effort. To date, our worker empowerment initiatives have been driven by the following key actions:

- Completion of a **Worker Baseline Survey** as well as off-site worker interviews with over 3,200 workers in 28 representative factories to assess the existing safety education landscape of Member supplier factories (see details, page 12);
- Ongoing provision of basic **fire safety training** to all workers and management with a particular emphasis on the role of the worker representative structures in factories; and
- Establishing a confidential **helpline** that provides workers with an accessible, immediate and confidential way to raise safety concerns without fear of reprisal.

Management and Worker Training

To date, our Member companies have provided fire safety training at 218 (31%) Alliance factories; the Alliance will provide training at all remaining factories by July 2014. In our first six months, focus has been on developing the **Alliance Foundational Course Curriculum**, designed to be clear, complete and easily communicated to and adopted by factory workers in a scalable and sustainable manner.

To this end, we have partnered with the *Institute for Sustainable Communities*, a grassroots organization that specializes in the development of creative training materials that will open a Health & Safety Academy in Bangladesh this fall. We are also soliciting bids from additional training service providers, with an eye toward the prioritization of non-profits that specialize in worker safety and empowerment.

The Alliance training plan includes two parallel models for improving the culture of safety in our supplier factories: (1) Train the Trainer (TtT) Training, which expands capacity by ensuring that leaders within factories are equipped to deliver safety training to new hires and periodically as refreshers to all staff, and (2) In-factory training, which is aimed at all factory workers, and may be delivered by trained factory leaders or qualified third party trainers.

	Train the Trainer Training	In-factory Training
Audience	REQUIRED: Health and Safety Committees, Management, Worker Representatives Recommended: Guards, Supervisors	REQUIRED: All Managers and Workers
Purpose	Educate trainers on the key responsibilities of workers, guards and management for fire prevention and firefighting Equip factory trainers with the necessary methodology and knowledge to deliver the basic training	Impart fire safety and evacuation skills Ensure workers understand their rights and responsibilities with regard to fire prevention, firefighting and protection
Methods	Small Group Discussions, Role Play, Sticker Voting, Association Games, Quizzes, Demonstration, Practice Sessions	Small Group Discussions, Role Play, Sticker Voting, Association Games, Quizzes, Demonstration, Practice Sessions

Worker Empowerment Helpline

In both the Tazreen and Rana Plaza tragedies, lives could have been saved if workers who tried to speak out about unsafe conditions were heard and supported. Moving forward, worker perspectives must drive change, which is why the Alliance is committed to providing workers with a confidential channel through which to report concerns.

To this end, the Alliance has selected three worker empowerment-focused organizations—*Clear Voice*, *Phulki* and *Good World Solutions*—that will work in partnership to implement a worker helpline and education program. Founded by an early worker rights and human rights pioneer,

Clear Voice provides tools for communication with workers. Clear

Voice will partner with Phulki, one of Bangladesh's

leading worker rights non-governmental

organizations (NGO), and Good World

Solutions, whose focus will be on

applying its Labor Link technology

to train workers on their rights

and survey them on their well-

being.

Beginning March 2014,

the helpline program will

be piloted in 50 select

factories in greater Dhaka,

with in-factory orientation

to accompany the launch

at each location. Helplines

will roll out to 100 factories

by March 2015, with the

goal of becoming functional

in all Alliance factories by 2017.

Program operation will be closely

monitored and the results will be used

to refine the system before it is implemented

throughout all Alliance factories.



As part of the NTPA, industry-wide hotlines are being discussed as a mechanism to provide upstream communication channels for all workers for the industry. Currently, however, no

such hotlines exist in a credible and effective manner for all workers throughout the industry. If the NTPA's hotline is established, the Alliance will work with them to ensure that we avoid duplication and ensure that the hotline is sustainable long term.

Engaging Partners and Building Capacity at the Local Level

Engaging Bangladeshis in this effort will be critical to success: this is their country and their future at stake. To this end, the Alliance opened an office in Bangladesh, hired local staff and focused our first six months on building partnerships with the Bangladeshi government and local trade associations, worker organizations and technical experts.

We are also working closely with the Fire Defense and Civil Department and the Bangladesh University of Engineering and Technology (BUET), and have been asked to serve on the Review Committee for potential shutdown of any garment factory failing inspections conducted by BUET, the Accord and/or the Alliance.

Engagement with the International Labor Organization (ILO) has been another critical pillar to the Alliance's work in country. The ILO was pivotal in bringing together structural engineers and fire safety experts from BUET, the Accord and the Alliance to harmonize inspection standards, and we continue to seek their counsel on Alliance matters.

We have been closely monitoring the recent changes in labor laws related to freedom of association announced by the government of Bangladesh. While there has been some progress made in the right direction by the government, efforts need to continue to respect the right for workers to organize. The Alliance is engaging with the unions where they exist at the supplier level.

“Worker perspectives must drive change, which is why the Alliance is committed to providing workers with a confidential channel through which to report concerns.”

The Alliance Dhaka office has 15 staff in place, with a forecast to increase to 20 by February 2014. All staff are Bangladeshi nationals who bring decades of combined experience in Bangladesh's garment industry. To date, our team includes a managing director, managers for fire and structural safety, assessments, training, worker outreach and empowerment, factory liaison and remediation, as well as other support staff.

We continue to seek opportunities to collaborate on efforts in Bangladesh to improve factory safety as the challenges are significant and will take our collective effort to make meaningful progress.

Securing Financial Commitments

Improving Bangladesh factories and helping workers displaced by factory safety issues will require significant investment on the part of all stakeholders. To this end, Members of the Alliance have established two separate mechanisms to assist with factory improvements and provide supplemental support to workers in need.

First, Alliance Members have established and committed nearly **\$50 million** to the **Worker Safety Fund**, which will be used to provide training and worker empowerment tools. A reserve of 10 percent of this Fund annually will be set aside to support temporarily displaced workers in the event a factory is closed for remediation. Funds will be administered through BRAC—the world's largest NGO in service to the poor, founded and based in Bangladesh.

In recognition of the current difficulty of obtaining access to affordable capital in Bangladesh for business projects, some Alliance Members have made over **\$100 million** in low-cost capital available to factories within their supply chains to accelerate the pace of improvements.

As progress is demonstrable on the ground in Bangladesh, the Alliance intends to leverage results and these funds to attract in-kind aid, grants and investments from other organizations, including the philanthropic and NGO communities, USAID, the ILO,



garment industry groups in Bangladesh, and the governments of Bangladesh, Canada and the United States.

Ensuring Transparency and Sharing

The Alliance is strongly committed to regular public reporting of factory information that can help improve safety for factory workers. To this end, the Alliance works closely with the **Fair Factories Clearinghouse** (FFC), a platform for Member companies to share assessment reports and remediation plans. Its use allows for rapid exchange of information, including factory lists, factory profiles and structural details, safety inspection reports, audit results, remediation progress and the development of democratically elected worker committees and unions.

Our Member companies regularly contribute relevant information via this platform, and since our inception, the Alliance has supplemented this with monthly reporting and disclosures. On the 15th day of each month, the Alliance publicly discloses information about Member factories. These reports will become more robust in upcoming months, as more information becomes available regarding factory inspections and progress on addressing remediation plans.

“It is our goal to ensure that safe workplaces in Bangladesh become the rule, not the exception, for all women and men employed in the Bangladesh ready-made garment industry.”

After acquiring membership, all new Members are required to provide information to be made available on the FFC, including: (1) a list of all RMG factories that Members currently utilize in Bangladesh, (2) existing training programs, curriculum and communications procedures for factory workers, and (3) factories that have received fire and building safety training.

We believe sharing of information and learnings will be important to working collectively to address the issue of safety in Bangladesh.

In Focus: Worker Baseline Survey

In November to December 2013, the Alliance conducted a Worker Baseline Survey among more than 3,200 workers in 28 garment factories in Bangladesh. In addition, 10 focus groups were conducted off-site with 101 participants in three Bangladeshi regions to obtain more nuanced information on fire and other health and safety issues. Participants were specifically chosen from factories that had not received training provided or sponsored by Alliance Member companies. The primary purpose of the survey and off-site interviews was to better understand the current level of awareness of health and safety risks and what workers believe needs to be done to improve safety and reduce risk.

The worker survey consisted of 50 questions assessing workers' perspective on health and safety from seven dimensions: knowledge, awareness, training, experience, worker integration, perception of risks at work and perception of management concern for health and safety.

All participants were selected randomly and were informed that the survey was 100% anonymous. All told, **the survey points to the need**

for a comprehensive and consistent health and safety training curriculum that can be implemented systematically across factories and that corrects for some of the issues that have come to life in this survey. Key takeaways include the following:

1. Workers are concerned for their safety.

- 65% of workers in focus groups indicated they would prefer to work on a low floor for safety reasons, even if working on a high floor offered additional financial rewards.
- In 64% of surveyed factories, workers say they had witnessed fire incidents. This is in line with the focus group results, where participants in all but one of the 10 discussions reported experiencing fires.

“Workers are at the heart of this initiative. They bring an important perspective from the factory floor that informs our work and serves as a powerful reminder of why we are committed to this effort.”

- 47% of respondents feel they cannot leave the building quickly in case of emergency, and 30% think there is a high risk of fire in their building.

- 27% feel they are not given sufficient training on how to protect themselves.

2. *Workers have been trained on fire safety issues to some extent.*

- 87% have participated in a fire evacuation drill in the last three months.
- 73% say that health and safety was part of their orientation training.
- 45% say that they had not been trained on fire safety.

3. *When asked off-site during focus groups, however, workers voice more concern about how training is executed.*

- Female participants pointed out that their male counterparts are more readily offered training.
- While most participants have taken part in evacuation drills, most were conducted during daytime hours, leaving night shift workers neglected.
- Drills were often conducted inappropriately, such as with a failure to count participants; others were only partly conducted, for example, evacuating workers to lower levels rather than fully outside their buildings.

4. *Lags in frequency and quality of training have consequences for workers.*

- In the event of an emergency, most workers (82%) know that they need to leave the area using designated escape routes whenever possible. However, a considerable group of workers think they should find shelter in a safe place inside the building (24%) or take the elevator to exit the building (17%).
- A majority of workers surveyed did not realize that overfilled storage rooms (67%) or electrical wires under the carpets or mats (52%) posed a fire hazard.
- Only 34% said when a fire alarm goes off, they would react as if there were a real fire, while 32% felt they should wait to determine if it was a false alarm. 21% indicated they would first ask a security guard and 13% said they would call the fire brigade before evacuating.

5. *Training has not been fully effective in raising workers' awareness and sense of responsibility for health and safety.*

- While the majority of workers agree that they should report unsafe conditions (67%) and follow the dress code and personal protective equipment requirement (64%), nearly half do not think it is a worker's obligation to get to know the emergency procedure (48%) or report injuries (49%).

6. *Workers are not fully aware of fire risks and the importance of fire safety measures.*

- Although 92% of surveyed workers say they are provided with personal protective equipment, 25% of focus group discussion participants say they only wear them when buyers come to visit (which might contribute to the high prevalence, 61%, of machinery injuries reported in the survey).
- 73% think that a certain number of fatal fires or other accidents cannot be prevented.
- 65% think most fires can be put out easily and fast, and do not constitute a threat.
- Over half (57%) think evacuation drills and safety training should be avoided during peak seasons.

7. *Certain groups of workers are at particular risk and would benefit from special consideration as new trainings are developed.*

- Despite being 80% of the garment factory work force, female workers tend to have a lower level of knowledge than their male counterparts. They are also less active in health and safety committee activities, contacting worker representatives and voicing their concerns.



- Workers with less education are inclined to have a lower level of awareness, whereas those who are better educated do a better job of recognizing fire risk.
- Workers between the age of 14 and 17 feel their work constitutes a bigger health risk than adult workers. Close to half of younger workers (49%) think their job will negatively impact their health at least to some extent.

The results of this survey point to the **need for a comprehensive and consistent health and safety training curriculum** that can be implemented systematically across factories, and have helped identify areas for special consideration as the Alliance curriculum is finalized and rolled out in garment factories.

Board of Directors

The Honorable Ellen O’Kane Tauscher
Independent Chair

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Managing Director of Enterprises
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Jan Saumweber
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Bobbi Silten
Senior Vice President of Global
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Randolph Tucker
Global Leader
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Committee of Experts

Dr. Ishtiaque Ahmed
Professor, Structural Engineering Division
Bangladesh University of Engineering and
Technology (BUET)

Tracey Bellamy
Chief Engineering Officer
Telgian Corporation

Benjamin Dutton
Vice President of Strategic Facility
Consulting
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Canadian Tire Corporation, Limited	The Just Group
Carter's, Inc.	Kohl's Department Stores
The Children's Place Retail Stores, Inc.	L. L. Bean, Inc.
Costco Wholesale Corporation	M. Hidary & Company, Inc.
Fruit of the Loom, Inc.	Macy's
Gap Inc.	Nordstrom, Inc.
Giant Tiger	Public Clothing Company
Hudson's Bay Company	Sears Holdings Corporation
IFG Corp.	Target Corporation
Intradeco Apparel	VF Corporation
J.C. Penney Company, Inc.	Wal-Mart Stores, Inc.
The Jones Group, Inc.	YM, Inc.

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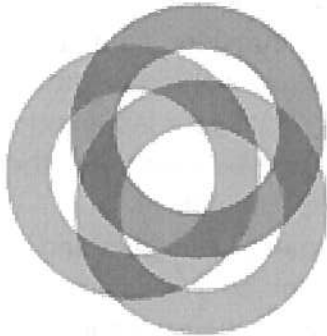
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ALLIANCE
FOR BANGLADESH WORKER SAFETY



A L L I A N C E
FOR BANGLADESH WORKER SAFETY

Testimony of the Honorable Ellen Tauscher
Chairman of the Board of Directors
Alliance for Bangladesh Worker Safety

**PROSPECTS FOR DEMOCRATIC RECONCILIATION
AND WORKERS' RIGHTS IN BANGLADESH**

U.S. Senate Committee on Foreign Relations

Tuesday, February 11, 2014

Hon. Ellen Tauscher
Testimony before the U.S. Senate Committee on Foreign Relations
February 11, 2014

Introduction

Chairman Menendez, Ranking Member Corker and members of the committee, it is a real honor to be back at this table again today. This is a Committee I came to know well during my time as Under Secretary of State, as we collectively worked together on arms control and non-proliferation. And, Mr. Chairman, I appreciate your leadership on Bangladesh, and specifically on worker safety. I know how much you care about these issues, as you did during our time together in the House of Representatives.

Last summer, the leading North American apparel companies, retailers and brands launched the Alliance for Bangladesh Worker Safety. The core mission of the Alliance is to improve the safety of the women and men who make their living in Bangladesh's ready-made garment sector. The Alliance was developed under the guidance of former U.S. Senators George J. Mitchell and Olympia Snowe, with the help of the Bipartisan Policy Center. It represents a 5-year, \$50 million effort to improve the fire safety and structural integrity of factory buildings through a rigorous inspection and training regime, which is already well underway.

Currently, the Alliance is comprised of 26 companies, and I have the honor of chairing its Board of Directors. Our members have visited Bangladesh, toured local factories and met with government officials and labor leaders to learn about the magnitude of the country's safety challenges.

As we gain a deeper and more nuanced understanding of these challenges, we also see the great potential and promise for the workers of Bangladesh as we come together to find sustainable solutions. We are actively working with the Accord, the Government of Bangladesh, the Bangladesh University of Engineering and Technology, workers' groups, factory owners and other key stakeholders to prevent another factory tragedy and to build a long-term culture of safety. Too many Bangladeshis have died – we all have to do better.

Context

Despite its failures, the garment industry has played a key role in improving workers' lives in Bangladesh and advancing the country's economic development. More than four million people in Bangladesh, most of them women, depend on their jobs making clothes to support themselves and their families. The Alliance member companies source garments from close to 700 factories in Bangladesh, which employ approximately 1.28 million workers. Far too many people depend on these jobs for us to turn away.

The situation on the ground in Bangladesh is complex and challenging. The 700 factories that make products for the Alliance member companies are only a small fraction of the roughly 5,000 factories in Bangladesh's ready-made garment industry. As the committee's own report from last Fall notes, rapid industry growth and urbanization have led to factories sprouting up in apartments and other places that are ill-suited to large-scale garment production and make unauthorized sub-contracting even more dangerous than usual. There are too few government inspectors, labor laws have been too weak for too long, and recent political instability has taken attention away from focusing on worker and factory safety.

These circumstances only reinforce the need for a collaborative approach to creating a safe and inclusive environment for factory workers that contributes to economic growth and stability in Bangladesh. We recognize our shared responsibility to address the threats to workers' safety head-on and agree workers should never need to risk their lives to make a t-shirt or pair of jeans.

Our business interests are aligned with our moral compass. A strong garment industry that protects workers' rights and safety is not only good for the people who work in these factories, but makes for better business continuity and builds a sound foundation for long-term business partnerships.

Lastly, let me note that there has been considerable misinformation about the perceived differences between the Alliance and the Accord and too little said about what we have in common and where we can collaborate. The member companies and other stakeholders of both initiatives share a common purpose: to protect the safety and livelihoods of garment workers in Bangladesh. We have had excellent discussions with the Accord leadership in Europe, as well as in Dhaka. We need to work together, and we are today on a number of important areas such as standards, sharing of inspection results and even organizing collaborative events to educate the factory community on the standards and ways to improve workplace safety.

Now, I'd like to briefly address some of the progress we've made in our first few months.

Collaboration and Common Standards

Last October, technical experts from the International Labor Organization, the Alliance, Accord and Bangladesh University of Engineering and Technology worked together to develop a common Fire Safety and Structural Integrity Standard that is being used for factory inspections. I was very proud of the work that many technical experts from Alliance member companies put in, sharing their expertise to achieve the goal of having one fire and structural safety standard. The Standard aligns with the Bangladesh National Building Code and National Tripartite Plan of Action.

We hope we can continue to work in the spirit of collaboration with the Accord and other stakeholders focused on worker safety in Bangladesh.

Local Participation

The Alliance recognizes the importance of building local capacity and empowering workers to develop an effective, lasting system for ensuring the safety and future growth of Bangladesh's garment industry. In just over six months since its formation, the Alliance has:

- Conducted a baseline survey and off-site interviews with more than 3,200 Bangladeshi workers in 28 representative factories to obtain their input and perspective on factory safety issues. The insights from this research will help us build better and more relevant solutions, and we will share these insights with the public.
- Provided fire safety training to workers and managers at 218 Alliance factories.
- Opened an office in Dhaka with 15 local staff, including technical experts.
- Engaged the Bangladeshi government, factory owners and industry associations, labor groups, NGOs including BRAC and the International Finance Corporation.
- Been in dialogue with the US Embassy in Bangladesh to clarify our intentions and our progress.

Empowering Workers

Garment workers play a key role in the Alliance's efforts to improve factory safety. They have unique insights from the factory floor into potential safety issues and their active participation facilitates remediation efforts and effective responses to threatening conditions.

We know that workers must have a voice in ensuring their working environment is safe. They must not only be able to recognize safety concerns, but must also have the means to effectively take those concerns to factory management without fear of being disciplined or fired.

We believe democratically elected groups operating within the factories – whether they be Trade Unions, Worker Participation Committees, Health and Safety Committees – will be an effective way to communicate safety concerns to management. We intend to work closely with these groups, sharing remediation plans and ensuring that they are immediately alerted to urgent safety issues.

The Alliance is also working to develop tools to protect workers' rights and give voice to their concerns. For example, an anonymous worker helpline that uses mobile technology will empower workers to call attention to safety issues before they become emergencies. This helpline will not only field calls with a live operator 24 hours a day, 7 days a week, it will also allow for two-way communication with workers and a platform for education.

For all of us, a critical element of worker empowerment calls for better understanding what workers need and how our collective efforts can drive sustainable impact. To gain better insight into their perspectives, we have talked to workers directly and conducted one of the largest worker surveys on safety and health in Bangladesh. The survey and off-site interviews point to the need for a comprehensive and consistent health and safety-training curriculum that can be implemented systematically across factories and correct for some of the issues that have come to life. For instance:

- Workers are legitimately concerned for their safety.
- 65% of workers in focus groups indicated they would prefer to work on a low floor for safety reasons.
- In 34% of surveyed factories, workers say they had witnessed fire incidents. This is in line with the focus group results, where participants in all but one of the 10 discussions reported experiencing fires.
- 47% of respondents feel they cannot leave their building quickly in case of emergency, and 30% think there is a high risk of fire in their building.
- 27% feel they are not given sufficient training on how to protect themselves.
- When asked off-site during focus groups, however, workers voice more concern about how training is executed.
- Female participants pointed out that their male counterparts are more readily offered training.
- While most participants have taken part in evacuation drills, most were conducted during daytime hours, leaving night shift workers neglected.
- Drills were often conducted inappropriately, such as with a failure to count participants; others were only partly conducted, for example, evacuating workers to lower levels rather than fully outside their buildings.
- Despite comprising 80% of the garment factory work force, female workers tend to have a lower level of knowledge than their male counterparts. They are also less active in health and safety committee activities, contacting worker representatives and voicing their concerns.

Our training programs will endeavor to directly address these findings, and we will continue to identify areas for special consideration as the Alliance's programs are rolled out.

Training

Worker training is an essential part of the Alliance's commitment to local capacity building. Ongoing training courses are designed to result in measurable improvements in the knowledge, skills, and awareness that are critical for ensuring worker safety and well-being. By July 2014, the Alliance intends to fulfill its commitment to train workers, supervisors, managers and security guards in 100 percent of our current factories on safety fundamentals. We will also develop additional training modules related to safety in Year 2.

As part of training for management, we believe it is critical to help them understand the importance of engaging workers, both individually and through any democratically elected workers' groups operating within the factory. We also believe it is important that management respect workers' right to collectively voice concerns without fear of retaliation and to allow for regular and open dialogue about safety. We intend to incorporate these messages into management safety training, and we will share this training curriculum publicly for use by other safety initiatives.

Factory Inspections

Factory inspections are an essential component of evaluating and improving the existing building and electrical infrastructure in Bangladesh's garment industry. To date, fire safety, structural and electrical inspections have been completed in 222 factories (31%) that make products for Alliance member companies. A number of brands have already completed initial assessments of all their approved factories in Bangladesh, and many factories have already begun to implement substantial remediation. Alliance member companies have committed to inspecting 100 percent of all member-approved factories by July 2014.

Technical Expertise

Considering the rapid, often haphazard growth and unique structural characteristics of Bangladesh's garment factories, it is especially important that inspectors have the right technical training and expertise. The Alliance established an independent Committee of Experts to help develop and implement consistent factory safety standards across all approved Alliance factories and to certify inspectors. The Committee is made up of independent fire, structural and facility safety experts from Bangladesh and North America who are certified, credentialed and recognized authorities in safety. Training on implementation of the safety standards will be mandatory for all approved inspectors.

Resources for Remediation

The work we are all undertaking requires money as well as time and effort. The Alliance's approach emphasizes the importance of shared responsibility through mechanisms such as access to low-cost capital.

By recognizing the difficulty to gain access to affordable financing in Bangladesh, some Alliance members have pledged a combined total of \$100 million in low-cost capital to assist vendors in financing safety remediation efforts. These resources can be used to implement critical safety measures, such as installing fire doors, sprinkler systems, handrails in stairways and other structural integrity improvements.

We anticipate that pricing adjustments will likely be made over time by factory owners to cover these important investments in safety. We are currently working with partners such as the IFC and banks to explore innovative financing solutions, and expect the Government of Bangladesh and other stakeholders to play an important role in supporting these efforts.

In addition, we are collaborating with other groups, including the IFC, Accord and BGMEA, on the International Trade Expo on Building and Fire Safety in Bangladesh that will be held later this month. The Expo is focused on providing Bangladesh factory workers with access to quality safety equipment. In addition to offering exposure to credible resources, this Expo will also provide education by experts as well as an announcement about low-cost capital available for factory remediation made available by three external funding sources.

Alliance members have also committed \$5 million to assist workers by replacing any lost wages if factories need to be temporarily idled for repairs.

Transparency

Let me now shift to another important priority for the Alliance – transparency. The Alliance releases a monthly report that publicly discloses the names of all approved suppliers in Bangladesh. The list also identifies factories that are currently manufacturing goods for members of the Accord. These shared suppliers make up approximately 50 percent of the Alliance factory list, underscoring the importance for collaboration between the two initiatives. Supplier information for the approved Alliance factories is listed on the Alliance website. The Alliance also recently released a six-month progress report detailing the strong foundation that has already been laid for our work. Copies of the report have been provided to the Committee.

Moving Forward

While the situation is complex, one thing is clear – improving the safety of Bangladesh's garment industry cannot be done unilaterally. Collaboration among all who share in the responsibility for garment factory safety is the only effective way forward. We know the work will not be quick or easy, and solutions will take time to

adopt and sustain. We must all stay committed to the common goal of making a safer workplace in Bangladesh not the exception, but the rule.

Conclusion

We appreciate the initiative that the committee and U.S. government have taken to address the important safety issues in Bangladesh's ready-made garment industry, and we are grateful for the opportunity to share our perspective on the Alliance's approach and progress. We look forward to working together to improve the safety and well-being of Bangladesh's garment workers and advance the sustainable, inclusive growth of the country's garment industry. Thank you for allowing us to testify today.



Q&A About the Alliance for Bangladesh Worker Safety

UNDERSTANDING THE ALLIANCE

1. What is the Alliance?

The Alliance for Bangladesh Worker Safety was founded in July 2013 by a group of apparel companies, retailers and brands that joined together to help improve safety in Bangladeshi ready-made garment (RMG) factories. Alliance members recognized the urgent need to rapidly improve working conditions for garment industry workers in Bangladesh and are now an organization of 26 global apparel companies, retailers and brands who are committed to working together to improve safety in the Bangladeshi garment industry.

The Alliance is a five-year effort that is legally-binding, transparent, results-oriented, measurable and verifiable. The initiative calls for inspections of 100 percent of Alliance member factories within the first year; common safety standards; and inspections results that are transparently shared.

At the heart of the Alliance effort is a commitment to make systemic and sustainable improvements to Bangladesh's garment industry. The Alliance believes that the linchpin to achieving real, long-term progress in Bangladesh is shared responsibility from all of the stakeholders, including garment factory owners, NGOs, labor, civil society, the government of Bangladesh and the country's apparel industry. Shared responsibility also includes the role of factory owners in improving safety for their workers. The Alliance plan includes training for factory management, as well as workers, in order to increase awareness and knowledge of fire and building safety practices.

Members of the Alliance are providing the funding necessary over the five-year period – currently at \$50 million and growing – to support the specific programs of the initiative, with some companies offering an additional combined total of over \$100 million in affordable access to capital for factory safety improvements.

2. Is the Alliance legally binding?

Membership to the Alliance is a five-year commitment – an agreement and its terms that are legally binding on all of its Members. The Alliance Board of Directors – chaired by an Independent Director – has the authority to seek binding arbitration against any member who does not satisfy its financial obligations under the agreement, and to publicly expel a member for failure to abide by other commitments set forth in the Members Agreement. The inspection and training requirements, for example, are not voluntary and all members must comply.

3. What has the Alliance achieved in its first six months?

We are very proud of the progress the Alliance has made in these first few months:

- *We have opened a Dhaka office and hired 15 staff with decades of combined experience in the Bangladesh garment industry;*
- *With partners including the International Labor Organization, the Bangladesh University of Engineering and Technology and the Accord, we have agreed upon and finalized a common, harmonized and strict set of standards that will guide all factory inspections;*
- *We are developing the core training curriculum for workers and trainers that will be implemented in all Member factories;*
- *Our Member companies have conducted inspections and trainings in 31% of our factories which will be matched against our strict standards;*
- *We have begun development – and will soon begin rollout – of a Worker Empowerment Hotline that will allow workers to anonymously seek information and report concerns without fear of reprisal;*
- *We have conducted a baseline survey among more than 3,200 factory workers – the largest ever in Bangladesh – to identify worker experiences and perspectives and ensure that they drive our work, and*
- *Member companies have committed \$50 million to support the work of the Alliance – 10% of which will be set aside for a Worker Welfare Fund established in association with BRAC – and an additional \$100 million in low-cost loans to assist factory owners with factory safety improvements.*

4. Developing a Unified Standard

The Alliance and Accord worked together on developing a common set of fire and building safety standards, and have had world-recognized experts prepare them. Those experts considered what is feasible in Bangladesh. Our standard builds on the national building code and the National Tripartite Plan of Action standard.

Some of the changes required by the new standards, like sprinkler systems for example, will take time and money to get fully implemented – but we are committed to seeing this through.

5. How do you work with the Accord?

We have had very good engagements with the Accord leadership in Europe and Dhaka. We have hundreds of factories in common, we have worked together and we will continue to do so.

We are in discussions with the Accord regarding the creation of a common inspection report as well as a similar methodology for worker involvement in the inspection and remediation process. Technical experts from the Accord and the Alliance recently met for an ongoing discussion pertaining to shared factories and their assessments.

6. What steps has the Alliance taken to end unauthorized subcontracting?

Alliance members are committed to ending unauthorized subcontracting within their supply chains. To fulfil this objective, members have agreed to review their internal policies to address unauthorized subcontracting. Several members have already taken concrete steps such as capacity assessments to determine the ability for suppliers to fulfill orders without the need for unauthorized subcontracting. Further, members will collaborate with each other to identify best practices that will help reduce the risks of and seek to end unauthorized subcontracting. The Alliance shall make such best practices publicly available as appropriate.

Another example of our commitment to end unauthorized subcontracting is that Alliance members have agreed to disclose all the factories that produce their finished product. Some members have also elected to include all authorized subcontract factories involved in laundry, embroidery or other single operation production processes.

Ultimately, our goal is to ensure that all factories are registered and authorized to produce product for an Alliance member and that all factories are subject to the requirements/standards of the Alliance in terms of building, electrical and fire safety.

INSPECTIONS

7. Has the Alliance started inspecting factories? Will the results of Alliance inspections be shared with workers?

Our initial activities focused on protecting workers – we went to our factories, and brought in outside experts to ensure no imminent dangers were present.

We then started developing a common safety standard – that was a very detailed and difficult process, but it was critically important.

We have now begun the inspection process. Long and complex reports will be and have been generated.

We also established an independent Committee of Experts to certify our inspectors and review our assessment protocols.

Our plan – as required by the member’s agreement – is to share remediation plans and summaries of these inspection reports with worker groups operating within the factories. We have worked with our factories during the past six months to understand which democratically elected worker groups are operational – again, we will work closely with these groups where they exist.

Obviously, where there are urgent safety concerns the inspection information will be provided immediately.

8. What do the inspection reports look like, what information will be shared with the members of the Alliance, and what information will then be shared publicly? Will the Alliance and Accord develop one inspection report format?

We are in discussions with the Accord regarding how to share the inspection result publicly. This will ensure consistency in terms of what information is shared and in what manner. The final reporting template will also be in line with the National Tripartite Plan of Action to make it easier for all three initiatives to mutually recognize each other’s efforts. Additionally, all members will be working with a uniform grading scale for individual findings, thereby avoiding any confusion.

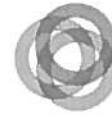
9. How will the Accord and the Alliance handle inspecting shared factories? Will one inspection satisfy both organizations?

By working together, we have identified 337 overlapping factories between the Alliance and Accord member companies. We are in discussions with the Accord regarding how to share the inspection results publicly, as well as how to involve workers and worker representatives in the process. Technical experts from the Accord and the Alliance recently met as part of an ongoing discussion pertaining to shared factories and their assessments.

10. Failed Inspections -- will Alliance member companies refuse to source from a factory that has failed or repeatedly fails safety inspections?

As our members’ agreement states in Article 1, each Alliance member has committed not to source from any factory that the member has found to be unsafe.

We take this commitment seriously. We are working to share assessment reports and remediation plans. All the factories we source from and related key inspection information will be made public.



It is our intent to ensure members do not source from unsafe factories. Our Agreement is legally binding. And members who fail to comply will be removed.

11. Harmonization with Individual Company Efforts – how does the equivalency process work, and who gets to decide whether an inspection or training was sufficient to meet the commitments of the Alliance?

The independent committee of experts (COE) is conducting an analysis of those inspections conducted by individual member companies before the Alliance Standard was adopted to evaluate whether they are equivalent. This involves a review of the inspection reports, review of the qualifications of the inspectors, and follow-up conversations with the inspection firms to ascertain whether they have undergone an inspection that would satisfy our COE's requirements for phase one of our program. This is to ensure quality and avoid duplication. Factories not meeting the Standard will be re-inspected by one of the qualified inspectors, as determined by the COE.

The review of some inspections conducted by an Alliance Member through the equivalency process helps to highlight gaps. For example, one member of the Alliance conducted thorough and detailed inspections using qualified inspectors; however, the scope of the inspection was limited to structural and fire and did not include a review of electrical issues. As such, for these examples, further work is needed to ensure that each inspection meets the requirements of the Alliance going forward.

TRAINING

12. Training Curriculum – what kind of training will the Alliance do? Has the Alliance established its training curriculum yet?

It is important to first understand our broader training program that has been informed by our worker outreach efforts. We have developed a common safety program. It will be tailored to specific groups such as security guards, workers, management, and worker representatives such as union leaders.

To help the Alliance meet this commitment, we conducted the largest worker survey in Bangladesh where more than 3200 workers were surveyed on and off site. One critical objective of the survey was to better understand what workers and management know today about building and fire safety risk, how they are managing these risks, and what behavioral changes need to be made to improve safety. The official results of the survey will be published shortly. However, the learnings from this survey are essential to help guide the direction and scope of the Alliance training work.

One important training course that we are working on now relates to the Alliance commitment to have all workers and management trained on basic fire safety by July 2014. This training course, entitled Alliance Basic Fire Safety Training, is a 3 hour interactive training course that is being rolled out as a Train the Trainer Program whereby Alliance factories send key staff, worker representatives and members of the fire brigade to an all-day training program to learn how to train workers in an effective and sustainable manner. Different from other training courses that teach workers complicated content on chemical management, the Alliance Basic Fire Safety Training is being developed through an iterative process that involves sharing of the materials with labor groups, NGOs, think tanks and Alliance committee members for feedback. We believe this process will guide the changes in the materials to ensure maximum effectiveness.

We will develop tangible deliverables as well, such as a safety training card – like the kind you would see on an airline.

We are currently piloting our safety curriculum, and we will certainly continue to consult with stakeholders and share materials as they come on line.

13. Will the Alliance training include the right to organize?

The Alliance is committed to a worker representative approach that includes worker and management education on Freedom of Association. In the past 6 months, the Alliance has mapped existing worker empowerment and training programs to avoid duplication.

The Alliance will work to incorporate messages on freedom of association and the importance of a worker's right to organize into the management safety training curriculum. This effort will comprise our second phase of training priorities, which will be shared publicly. The goal will be to underscore that workers and worker voices play an essential role in improving factory safety.

14. How will the Accord and the Alliance handle training in shared factories?

The Alliance has raised with the Accord leadership the prospect of a shared training program. The Alliance intends to pursue this, and will report back on progress that we make on this front. It would be a positive development if we can get there.



WORKER EMPOWERMENT

15. Worker Survey – what are the takeaways from your worker survey?

In November to December 2013, the Alliance conducted a Worker Baseline Survey among more than 3,200 workers in 28 garment factories in Bangladesh. Participants were specifically chosen from factories that had not received training provided or sponsored by Alliance Member companies. The primary purpose of the survey and off-site interviews was to better understand the current level of awareness of health and safety risks and what workers believe needs to be done to improve safety and reduce risk. Some of the key findings include:

- *65% of workers in focus groups indicated they would prefer to work on a lower floor for safety reasons, even if working on a higher floor offered additional financial rewards;*
- *45% said that they had not been trained on fire safety;*
- *Drills were often conducted inappropriately, such as with a failure to count participants; others were only partly conducted, for example, evacuating workers to lower levels rather than fully outside their buildings;*
- *Despite being 80% of the garment factory work force, female workers tend to have a lower level of safety knowledge than their male counterparts. They are also less active in health and safety committee activities, contacting worker representatives and voicing their concerns;*

16. How will the Alliance involve workers in its efforts? Will the Alliance engage only with Worker Participation Committees (WPC)?

The Alliance does not discriminate between any democratically elected worker representative groups. We believe that workers voices and their perspectives must drive change. Therefore, we also believe that the establishment of safety committees (as required under the new Bangladesh labor law), worker participation committees and unions will help ensure workers have a sufficient voice to communicate their concerns regarding safe and healthy working conditions effectively with management.

Already, the Alliance is engaging with the unions where they exist at the supplier level. Another example of our contribution to worker empowerment, is that we will share our factory inspection report summaries and remediation plans with factory owners and any democratically elected worker committees that exist in a given factory – whether this takes the form of a WPC, a safety committee or a trade union.

17. Outreach to Labor – what kind of outreach to labor has been made?

We have and will continue to make concerted efforts to engage with labor organizations and worker groups in this country, in Europe and especially in Bangladesh.

We have been in regular dialogue with the ILO. We have met regularly with the Solidarity Center in Bangladesh, the Bangladesh Institute of Labor Studies in Dhaka, and numerous other labor leaders in Bangladesh. We want and need their input. We are confident we will get important labor representation on our board of advisors.

For example, we recently met with four local trade unions that are represented in Alliance factories. The discussion focused on how to work together on safety. It was very constructive. We intend to involve union leaders on training and the inspection process.

18. What specifically do you plan to train workers and management on with respect to freedom of association?

The garment workers' voice is fundamental to the work of the Alliance around safety. They have the key perspective from the factory floor, and this perspective will help inform our work. It also serves as a powerful reminder of why we are committed to this effort. We believe that democratically elected groups operating within the factories – whether they be Worker Participation Committees (WPC's), Health and Safety Committees or Trade Unions – will be an effective way to communicate safety concerns to management. We intend to work closely with these worker representative structures, listening to their concerns, conducting training, sharing remediation plans and ensuring that they are immediately alerted to urgent safety issues.

The Alliance has several program elements focused on worker empowerment that will help us capture their perspective. This includes conducting a representative survey among more than 3,200 workers as well as establishing a worker hotline that allows anonymous reporting of factory issues.

Currently, we are focused on inspecting all Alliance Member factories, getting remediation started, and ensuring that all the workers and management in our factories are trained on basic fire safety. As this progresses, we will move to our second phase of training priorities, which will include further education on freedom of association and ensuring that management does not engage in retribution against democratically elected workers groups.



FUNDING MECHANISMS

19. Worker Displacement Fund – how much has been disbursed from the worker displacement fund to date? How does it work, and what are the terms?

We do not want any worker to be negatively impacted as a result of our work; however, as we know, some factories will need to be relocated or suspended while they are undergoing renovation/remediation. The Alliance is committed to supporting the workers of such factories. Specifically, 10 percent of total member dues has been set aside for worker displacement – this is about \$5 million. This money will support those workers from Alliance factories that might be temporarily displaced during remediation work.

The Alliance has partnered with BRAC – one of the largest NGOs in the world – to administer the Fund. We will ensure transparency and proper disbursement of funds and we will report publically on our efforts.

20. Liability/Victims Fund – have members of the Alliance contributed to any victim funds? Does the Alliance encourage members to contribute to these funds?

We do have a shared responsibility to support victims.

Recent factory tragedies in Bangladesh revealed major problems and failures at all levels. The buildings were not safe. Workers were not heard. We have to ensure that does not happen again.

This is what the Alliance is all about. We intend not only to inspect all of our factories and train all of our workers and management, we also intend to engage with workers to ensure their voice is heard.

We are actively exploring more formal mechanisms for our members companies to contribute to both the ILO victims fund, as well as other humanitarian funds.

We are also currently planning several fundraising efforts for victims – the first is the International Trade Expo on Building and Fire Safety, where all proceeds raised for the exhibition will be donated to the ILO victim's fund. We are very proud of our team in Dhaka that has been leading this effort.

21. Access to Capital Fund – how has the Alliance made capital available to factories that require remediation? Have any factories availed themselves of the Capital Fund?

We are at the beginning of the inspection process. As we move from the inspection process to the remediation stage, more factories will need support in terms of access to capital.

Individual members have committed up to \$100 million through affordable access to capital to help with remediation. Some options currently being made available by Members include:

- *Provide supply chain financing, or advance payment, which is early payment on invoices. These are special financing terms to reduce interest payments so that the savings can be redirected toward remediation.*
- *Fund factory improvements by issuing a Commercial Letter of Credit. Alliance members have the option of making a direct loan to factories, as may be required.*
- *Make available a U.S. dollar standby Letter of Credit via the International Finance Corporation (IFC). This option could potentially offer factories interest rates well below those currently available. We have further meetings scheduled with the IFC, and will pursue this option. We believe that this partnership could expedite much-needed factory safety improvements.*

22. How will the Accord and the Alliance handle remediation in shared factories?

For shared factories where remediation is required, obviously Alliance and Accord member companies will have to work together to ensure there is not a duplication of effort, or a free-rider problem. The key will be to ensure there is adequate financing or support to make the necessary improvements.