

THE ALLIANCE FOR BANGLADESH WORKER SAFETY

Statement of Purpose by Leaders of the Alliance for Bangladesh Worker Safety

As leaders in the apparel industry, we understand the complex challenges that surround the garment industry in Bangladesh. Many of our organizations have worked individually to improve safety and training for garment workers. We also know that the Bangladesh garment industry (which employs millions of workers, roughly 80 percent of whom are women) provides invaluable economic opportunity in the country.

The safety record of Bangladeshi factories is unacceptable and requires our collective effort. We can prevent future tragedies by consolidating and amplifying our individual efforts to bring about real and sustained progress.

To this end, we are announcing the establishment of the Alliance for Bangladesh Worker Safety and the launch of the Bangladesh Worker Safety Initiative. These efforts constitute a binding, five-year undertaking that will be transparent, results-oriented, measurable and verifiable.

Accomplishing the Initiative's rigorous objectives will require an equally significant commitment of leadership, resources and funding. Therefore, Alliance Members have agreed to share our knowledge, experiences and best practices, to collectively contribute to a safety fund that is currently \$42 million and growing, and to also provide access to substantial low-cost capital for factory improvements.

Our common purpose is to move swiftly, minimize bureaucracy and work in collaboration with all interested parties to raise standards across the board. We seek to include the government of Bangladesh, its garment industry and its workers, and other international organizations who share these goals. This shared commitment is evidenced by our adoption of accountability and transparency as our guiding principles. We will use third-party experts to verify Alliance Members' activities under the Initiative, publicly report results and milestones, and engage oversight by a Board of Directors that includes stakeholder members and an independent Chair.

We believe the partnership and collaboration are critical to our success. We are committed to working with other global brands and key stakeholders in order to achieve swift change. We'll use the power of this newly created Alliance to find other sources of funding to support additional infrastructure improvement, including working closely with government agencies around the world.

Together we will significantly improve worker safety and contribute to the long-term viability of this important Bangladeshi industry.

Signed by the following Members and supporters of the Alliance:

Buyers

Stephen G. Wetmore

President and Chief Executive Officer
Canadian Tire Corporation, Limited

Michael D. Casey

Chief Executive Officer
Carter's, Inc.

Jane Elfers

Chief Executive Officer
The Children's Place Retail Stores Inc.

Glenn Murphy

Chairman and Chief Executive Officer
Gap, Inc.

Richard Baker

Chief Executive Officer
Hudson's Bay Company

Ronnie Adjmi

President
IFG Corp

Myron E. (Mike) Ullman, III

Chief Executive Officer
J.C. Penney Company Inc.

Wesley R. Card

Chief Executive Officer
The Jones Group Inc.

Kevin Mansell

Chairman, President & Chief Executive Officer
Kohl's Department Stores

Christopher J. McCormick

President & Chief Executive Officer
L.L. Bean Inc.

Terry Lundgren

Chairman, President & Chief Executive Officer
Macy's

Pete Nordstrom

President of Merchandising
Nordstrom Inc.

Dan Shamdasani

Chief Executive Officer
Public Clothing Company

Edward S. Lampert

Chairman and Chief Executive Officer
Sears Holdings Corporation

Gregg W. Steinhafel

Chairman, President & Chief Executive Officer
Target Corporation

Eric C. Wiseman

Chairman, President & Chief Executive Officer
VF Corporation

Mike Duke

President & Chief Executive Officer
Wal-Mart Stores Inc.

Associations

Kevin M. Burke

President & Chief Executive Officer
American Apparel & Footwear Association

Bob Kirke

Executive Director
Canadian Apparel Federation

Matthew Shay

President & Chief Executive Officer
National Retail Federation

Diane J. Brisebois

President & Chief Executive Officer
Retail Council of Canada

Sandra L. Kennedy

President
Retail Industry Leaders Association

Julia K. Hughes

President
United States Association of Importers of
Textiles & Apparel

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Action Plan Overview

Introduction

We are pleased to have played a role in convening the discussions and independently facilitating the collaboration that has led to the creation of the Alliance for Bangladesh Worker Safety and the launch of its substantive action plan, the Bangladesh Worker Safety Initiative. The intensive process involved many individuals from diverse interests, sharing a common goal: a deep sense of responsibility to better protect all those working in Bangladeshi garment factories through swift action that significantly elevates fire and building safety in their workplaces.

This effort focused on identifying the most achievable means for North American retailers and brands to work with government and stakeholders to help ensure the safety of Bangladeshi workers. The result is a legally binding commitment among founding Alliance members who collectively represent the overwhelming majority of U.S. imports of RMG from Bangladesh, produced at more than 500 factories.

This work was conducted in recognition that the urgently needed reforms are beyond the ability of individual companies working separately, and it involved a collaborative process with input from a wide variety of stakeholders — including industry, the International Labour Organization, the U.S. State Department, the Bangladeshi government, and many others.

The group proceeded with a firm understanding that any truly effective solution must be developed and implemented with a strict pledge to transparency and accountability. The resulting agreement and program establish a clear path forward that includes specific and measurable action across the areas essential to improving factory safety. Importantly, it also includes outside experts, ensures independent third-party verification, and establishes systems to track and publicly report outcomes. The resulting transparency will allow the public to form its own conclusions as to the effectiveness of the Alliance's ambitious effort.

The Initiative includes the indispensable component of empowering workers to report violations, including critical measures to protect their personal safety. The Alliance also has laid a foundation with global labor groups and NGOs that engenders shared responsibility with the Bangladeshi government, and will help ensure the long-term economic viability of Bangladesh.

The Alliance's Initiative constitutes a substantive and timely step forward in protecting workers in the garment industry of Bangladesh, and a commitment to sustainable change for years to come.

George J. Mitchell, Co-founder Bipartisan Policy Center

Olympia Snowe, Senior fellow, Bipartisan Policy Center

Mission and Goals

Alliance Members are committed to providing tangible safety improvements and benefits to Bangladeshi garment workers, especially to the women who make up approximately 80 percent of the garment workforce, and their families. The Alliance's Bangladesh Worker Safety Initiative is a result-oriented action plan built upon principles of commitment, collaboration, and accountability.

Its goals are to provide rapid implementation, worker empowerment, and the long-term support necessary to advance sustainable change in an industry that is vital to the economic future of Bangladesh.

Also importantly, Alliance Members are hopeful that their substantive commitments, combined with the separate efforts of European companies and other stakeholders, will powerfully address their shared goal of advancing worker safety in Bangladesh.

Alliance Members are committed to assist in the achievement of these important goals, but they also recognize that ultimate responsibility for the industry and the safety of its workers rests with the nation of Bangladesh and the factory owners themselves. With this in mind, the Alliance intends to work with the government and factory owners to assure that these necessary changes occur.

The sections that follow provide an overview of the organizational structures and program activities that will be carried out by the Alliance for Bangladesh Worker Safety through the Bangladesh Worker Safety Initiative.

Governance Structure

Participating companies have signed a Member Agreement and formed a non-profit corporation, The Alliance for Bangladesh Worker Safety, Inc., whose activities, including the Bangladesh Worker Safety Initiative, will be governed by a Board of Directors.

The Alliance's Board of Directors will reflect the important stakeholder interests surrounding Bangladeshi worker safety and will provide accountability for Alliance activities, including the ability to select an Executive Director, a secretary and a treasurer. .

- **Board of Directors:** The Board of Directors (the "Board") will be composed of nine members, including four company representatives and four stakeholder representatives with qualifications in such areas as worker safety, human rights, anti-corruption, labor, development, international diplomacy, governance, or supplier interests within the Bangladesh garment industry. The elected Board Chair will be an independent voice with the authority to provide a tie-breaking vote. This person will possess "strong public policy and governance credentials as well as a superior reputation for independence and integrity," as stated in the Alliance Bylaws.

- **Oversight and Accountability:** The Board of Directors also is entrusted with oversight responsibility for Alliance Members’ compliance with Initiative requirements, such as meeting financial obligations and self-imposed deadlines for achieving inspections, information-sharing and worker training agreements.

The Board has the authority to investigate possible non-compliance and take appropriate action against delinquent companies, by a two-thirds majority vote, including termination of membership in the Alliance. The Bylaws also provide for binding arbitration following due process in the event of unresolvable disagreements.

- **Public Reporting:** In keeping with Alliance Members’ commitment to accountability, the Board will issue semi-annual public reports detailing its work and progress toward meeting in-country fire and building safety objectives, as well as training and worker empowerment goals. Reports will be available on the Alliance website, www.bangladeshworkersafety.org.
- **Board of Advisors:** The Board of Directors has the authority to form such a group, including the possibility of creating a joint Board of Advisors with the governing body of the Accord on Fire and Building Safety in Bangladesh, in support of their common goal: to advance Bangladesh worker safety.

Factory Inspections, Safety Training and Worker Empowerment

These core elements of the Bangladesh Worker Safety Initiative are grounded in a shared commitment to move rapidly to create uniform standards for fire and building safety that will guide inspections of factories that do business with Alliance Members, and inform safety training programs for factory management and workers.

Third-party monitoring and verification of these activities is another essential element, along with the structure and education, as well as insulation from possible employer abuse, necessary in order to empower factory workers to play a key role in safety remediation and the establishment of sustainable safe conditions in the factories where they work.

These activities will build on the progress already under way by individual Alliance Members, as all are committed to sharing information and “best practices” borne of their experiences in improving factory and worker conditions within their own supply chains.

The uniform standards, protocols and training curriculum materials developed as part of the Initiative will be made public and shared with other stakeholders, including the Bangladeshi government, that are focused on improving worker safety.

- **Worker Empowerment:** Using mobile technology providers and consultations with factory workers themselves, the Alliance will conduct a baseline survey of factory workers and use the findings to create a uniform, effective, and anonymous “hotline” as a means for reporting any safety concerns without fear of retaliation.

The Alliance also will develop a process for validation and accountability to ensure true empowerment of the work force at every Member factory.

Worker Participation Committees (“WPCs”) will be created at every Alliance Member factory, in which workers will elect their own members, subject to applicable Bangladeshi law. Each WPC will be made up of no less than 50 percent of workers. Third-party trainers will provide the information and education so that these WPCs can become the voice for worker concerns about safety with factory management.

- **Fire and Building Safety Training of Factory Workers and Management:** The Alliance will appoint a Training Committee or Task Force to draw from “best practices” and recognized protocols of fire and building safety training programs, and develop a uniform set of fire and building safety educational standards and a curriculum.

Once the standards and curriculum are reviewed and approved by the Alliance Board of Directors, they will be shared with, and available to, other groups and organizations focused on worker safety, including through the Fair Factories Clearinghouse.

Third-party training organizations will be selected to provide training for factory workers, supervisors and management.

If a Member’s existing safety training program is determined by an independent safety assessment to meet or exceed the Alliance’s standards, additional Alliance training will not be required in the first year. However, by the end of year two, all Members will transition from their existing programs to the Alliance’s uniform fire and building safety curriculum and training program.

A factory that fails an Alliance inspection will be required to receive the approved Alliance training program within 30 days. Also, Alliance members have pledged to work only with factories that ensure a safe working environment, and have committed to refusing to source from any factory that the member finds is unsafe.

- **Development and Implementation of a Common Standard for Inspections:** A Committee of Experts in fire and building safety approved by the Alliance Board of Directors will be convened to develop and implement the Alliance Fire and Building Safety Standards as well as the inspection process.

The resulting standard and process will be consistent with the National Tripartite Plan of Action (NAP) on Fire Safety for the Ready-Made Garment Sector in Bangladesh, whose implementation the Alliance is committed to supporting, and will be used to carry out fire safety, structural and electrical inspections in new and existing factories used by Alliance Members by July 10, 2014, the official end of year one.

The Committee of Experts in fire and building safety will be comprised of recognized and credentialed authorities in fire and building structural safety, and will be responsible for:

- Approving qualified inspectors to carry out factory inspections and develop remediation plans;
- Establishing at-risk criteria for factories that Members will use to classify factories in their supply chains so that inspections of factories on the comprehensive Alliance Member list can be prioritized accordingly;
- Conducting spot audits of remediation efforts to ensure corrective actions at factories rated as “not compliant” are being properly carried out; and
- Auditing and validating inspection reports completed by Alliance Members prior to the adoption of the Alliance Fire and Building Safety Standards.

Financial Structure

The Alliance intends that its financial commitments be devoted to creating conditions for the benefit of workers in the Bangladesh garment industry that are safe and sustainable, and involve oversight and regulation by the Bangladeshi government, as well as active participation by its national garment industry and its workers.

The financial structure for the Alliance builds upon the ongoing work by individual Member companies, and as such, will continue to rely on significant in-kind and supplemental contributions, all directed at worker safety.

In the Alliance agreement, Members are committed to the establishment of a worker safety fund, as outlined below. Additionally, individual Members are making available to factories access to over \$100 million in affordable capital to facilitate remediation of factories.

- **Worker Safety Fund:** This will be used to provide factory inspections for fire and building safety, training and worker empowerment, with a reserve of 10 percent in order to support workers temporarily displaced from factories safety remediation activities..

The Alliance has already raised over \$42 million for the Worker Safety Fund, and continues to attract new members and funding. Members will contribute to this fund based on a tiered fee structure that is based on the previous year’s dollar volume of exports of apparel products from Bangladesh, as depicted in the accompanying chart.

Tier	FOB Export Value prior calendar year	Per-Year Total	5-Year Total
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

*Contributions are front-loaded for Tier One participants only, with two years of contributions paid in the first year.

**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.

In addition, as progress is demonstrable on the ground in Bangladesh, the Alliance intends to leverage this fund to attract in-kind, aid, grants and investments from other organizations, including the philanthropic and non-governmental organization (NGO) communities, USAID, the International Labour Organization, garment industry groups in Bangladesh, and the governments of Bangladesh, Canada, and the United States.

The Alliance intends that these additional financial resources will assist in the advancement of important in-country activities, including capacity-building in fire and building safety, and uniform national fire and building safety training and education programs.

- **Affordable Capital for Building Safety:** In recognition of the current difficulty of obtaining access to affordable capital in Bangladesh for business projects, some Alliance Members are also making low-cost capital available to factories within their supply chains, in order to accelerate the pace of improvements.

This program, to which members have already pledged over \$100 million, was created in response to priority requests from the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association.

Information Sharing and Sustaining Progress

Alliance Members are committed to principles of transparency and collaboration in order to multiply the participation and energy needed to make real and lasting improvements on behalf of the Bangladeshi garment workers and their families.

As a result, the Alliance recognizes it must reach out to and establish working processes that will sustain strong relationships with a number of important stakeholders: factory owners and workers, the governments of Bangladesh, the United States and Canada, and other groups and organizations committed to improving the safety of working conditions in Bangladeshi garment factories.

- **Fair Factories Clearinghouse (“FFC”):** This non-profit organization specializes in providing software to facilitate transparent information-sharing among parties engaged in common goals for improvements for factories and workers around the world. Many of the Alliance Member organizations and companies are members of FFC and already use its collaboration tools to support ongoing worker safety and other improvement programs in their supply chains.

By developing a common information-sharing platform using the FFC, Alliance members agree to provide and exchange information on the factories they use, fire and building safety training programs and curriculum, and submit monthly reports on safety inspections and progress updates on remediation plans being undertaken.

Because safety inspections will be part of the shared data exchange, any safety issues that arise will also be reported on FFC. In the event an Alliance-qualified inspector identifies an “imminent danger” to worker safety, the inspector is authorized to promptly inform factory management and the WPC, including worker representatives where one or more unions are present; local government building officials; Bangladeshi industry organizations; and the Alliance Board of Directors. The inspector will recommend the specific remedial actions that need to be taken immediately, including if necessary, the interim closure and evacuation of the facility.

- **Prohibition of Unauthorized Subcontracting:** The Alliance recognizes that subcontracting which has not been ordered by its Members limits its ability to make progress toward enforcing supply chain standards for worker safety. When not approved by the company, such subcontracting to supplement primary production is often performed in an undisclosed manner, perhaps even at prohibited facilities. It also has emerged as a common element in industrial accidents that take place in Bangladesh.

As part of their commitment to stamp out the practice of using unauthorized subcontractors, Alliance Members have agreed to review internal policies with an eye to improving enforcement, and to share experiences that can help to reduce the risks.

Conclusion

The Alliance will move swiftly to implement the specific and measurable actions highlighted in this summary. In addition, Alliance Members believe the Bangladesh Worker Safety Initiative establishes a foundation for collaboration with other groups focused on worker safety, including global labor groups and NGOs, and also creates shared responsibility with the government of Bangladesh. These are essential ingredients for building sustainable improvements and ensuring the long-term economic viability of Bangladesh.

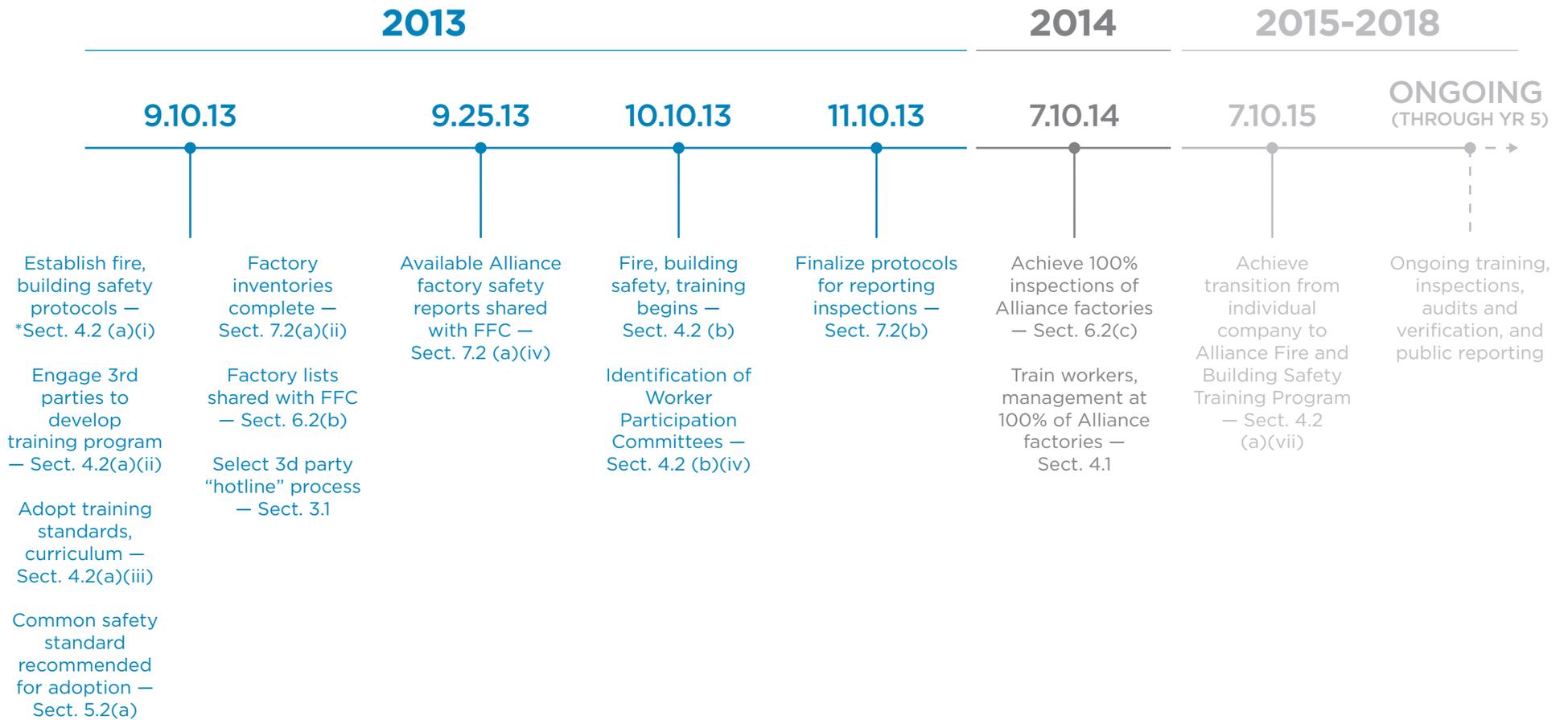
Also importantly, by binding Alliance Members to the shared commitments described in this summary, these structures and processes will encourage cooperative work with the EU-based Accord on Fire and Building Safety in Bangladesh, and others focused on improving factory safety.

All of these efforts share a common goal: to improve the safety of garment factory workers in Bangladesh so that they and their families can live longer and more productive lives, free of fear and anxiety caused by the application of dangerously inconsistent and incomplete standards for fire and building safety.

MILESTONES

A FIVE-YEAR COMMITMENT

Significant efforts to improve worker safety in Bangladesh are already under way by individual Alliance Member companies. The Initiative builds on this progress through collaborative sharing of “best practices.”



*Section numbers correspond to details in the Alliance Member Agreement.