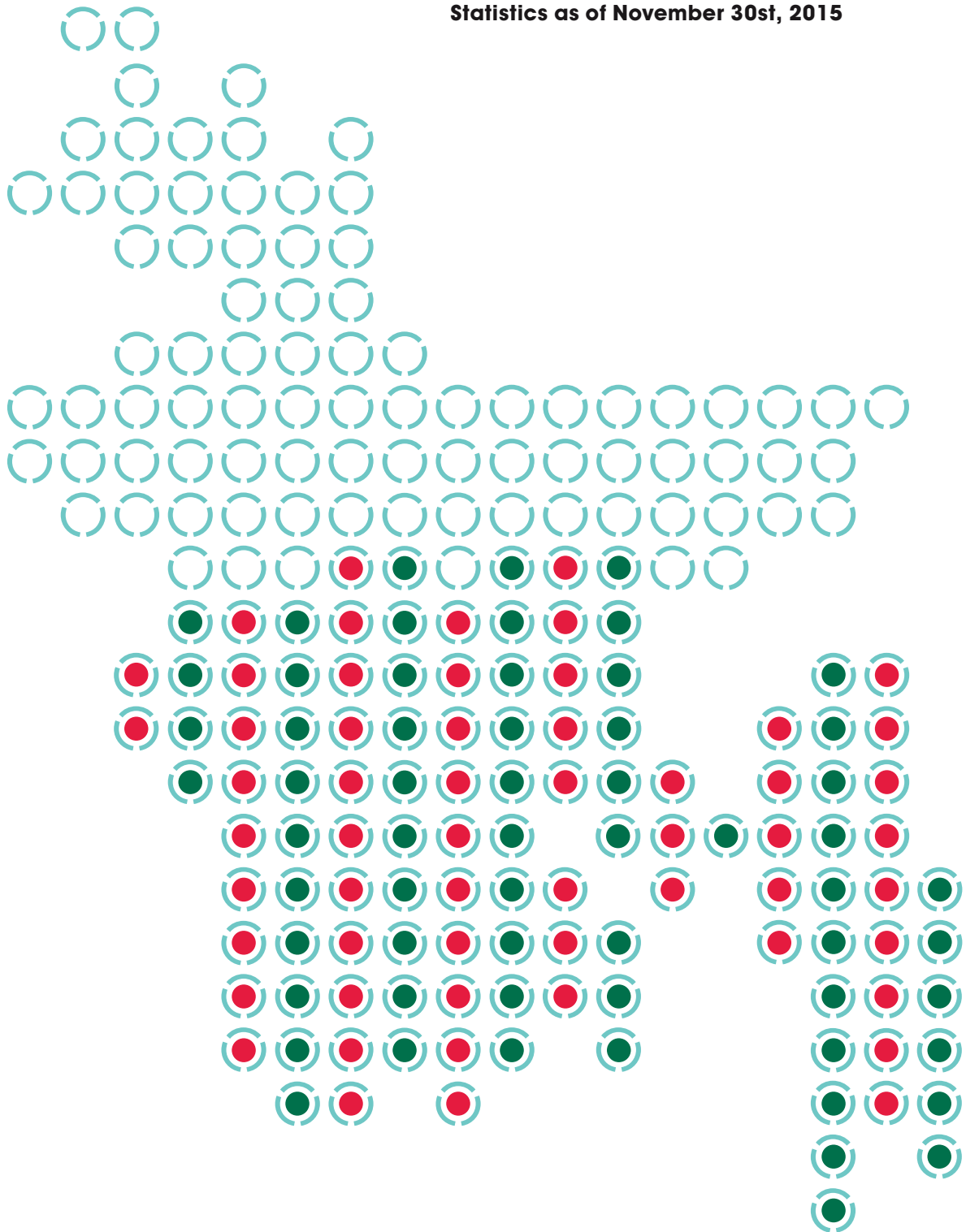


QUARTERLY AGGREGATE REPORT

1 2 3 4 2016 • February 25

on remediation progress at RMG
factories covered by the Accord

Statistics as of November 30st, 2015



● **TABLE OF CONTENT**

INTRODUCTION 4

INSPECTIONS UPDATE. 5

INSPECTION REPORTS & CORRECTIVE ACTION PLANS 6

REVIEW OF FINDINGS. 7

REMEDIATION PROGRESS. 10

FACTORIES BEHIND SCHEDULE 14

FACTORIES WITH NO CAP 15

SUMMARY

The Accord on Fire and Building Safety in Bangladesh is committed to transparency and public accountability. As part of this commitment Quarterly Aggregate Reports are published (Article 19c), providing information on the progress of the implementation of remedial measures in the Ready-Made Garment (RMG) factories covered by the Accord.

This report shows that factories are continuing to make progress in remediation. 1358 Corrective Actions Plans (CAPs) have now been developed by factories and brands and technically approved by the Accord. Of these technically approved CAPs, more than 50% of the identified issues are either reported by factories as corrected or verified by the Accord as corrected through a follow-up inspection visit.

The Accord, however remains concerned about the delays in remediation in many inspected factories. More than 1000 factories are behind schedule with remediation. In order to ensure factories are safe it is imperative that remaining remediation is completed. The Accord and its signatories are increasing our efforts to accelerate the pace and level of remediation at factories; especially those where execution of the remediation is inadequate or too far behind schedule. In November 2015, the Accord commenced a remediation completion plan allocating additional financial, technical, and human resources to remediation support, monitoring, and reporting. This includes hiring nearly 40 additional engineers adding to the existing team of 60 Accord staff engineers.

INSPECTIONS UPDATE



Under the terms of the Accord, company signatories disclose all their supplier factories in Bangladesh. This information is consolidated into an aggregated list, including information pertinent to assessing building safety.

Key information on each factory on the disclosure list includes: factory name and address, the number of stories of each structure, whether a building includes multiple apparel factories, whether it houses other types of businesses, the number of workers in the factory, and the number of Accord signatories with production at each factory.

As stipulated in the Accord Factory Data Disclosure Protocol, a factory is covered by the Accord if:

1. It has been placed on the list of active and/or approved factories of a signatory company.
2. Production of a signatory company's products is currently taking place at the factory.
3. Production of a signatory company's products has taken place at the factory within the past twelve months and the factory has not been de-listed by the signatory company in the meantime.
4. An order for products of a signatory company has been placed with the factory, but production has not yet commenced.

Accord signatory companies update their factory data on an ongoing basis submitting it directly to the Fair Factories Clearinghouse (FFC), a secure external platform for sharing and analyzing factory information. The Accord updates the publicly available factory list on a monthly basis.¹

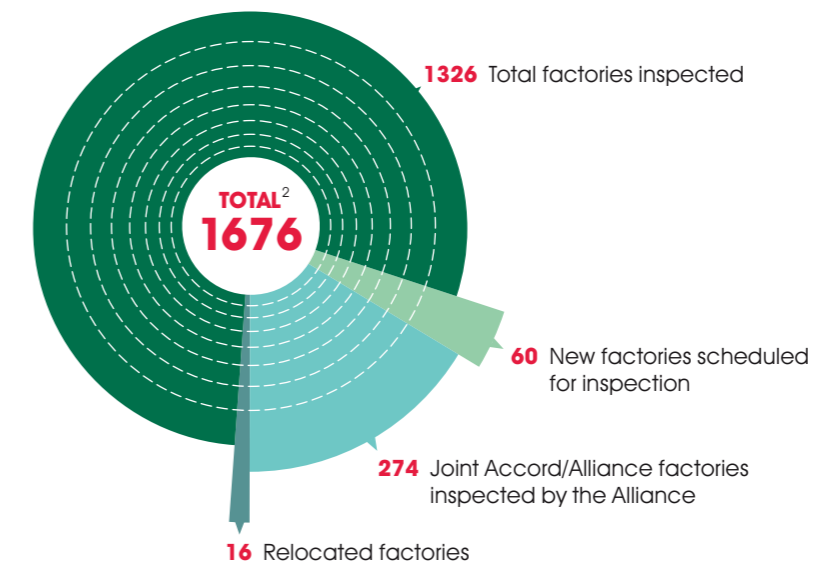
All factories covered by the Accord are subject to initial inspections and periodic follow-up inspections to monitor and verify remedial measures. The Accord completed the first batch of initial inspections of 1100 factories in September 2014. A second batch of initial inspections was completed at an additional 180 newly listed factories between January and April 2015. In October 2015, a third batch commenced at an additional 100 newly listed factories. These inspections were completed in early December 2015.

A further 274 factories producing for both Accord and Alliance brands have been inspected by the Alliance. For these factories, Accord formatted Corrective Action Plans (CAPs) are being developed, and the Accord will continue to monitor remediation through follow-up inspections.

¹ <http://bangladeshaccord.org/factories/list-factories/>



DIAGRAM 1: ACCORD INSPECTIONS UPDATE



² This number is lower than the total factory list which includes factories which had ceased operation, or had relocated or had no active brand at the time of scheduling.

INSPECTION REPORTS & CORRECTIVE ACTIONS PLANS

After each factory has been inspected for fire, electrical and structural safety, the inspection reports are shared with factory owners, the active Accord signatory companies and worker representatives.

The factory owner and the company signatories are tasked to develop a Corrective Action Plan (CAP) that details what remedial actions will be taken with a clear timeline and a financial plan. The Accord has a team of case handlers that provide support in the CAP development and implementation and work closely with the Accord engineers to provide any necessary technical guidance.

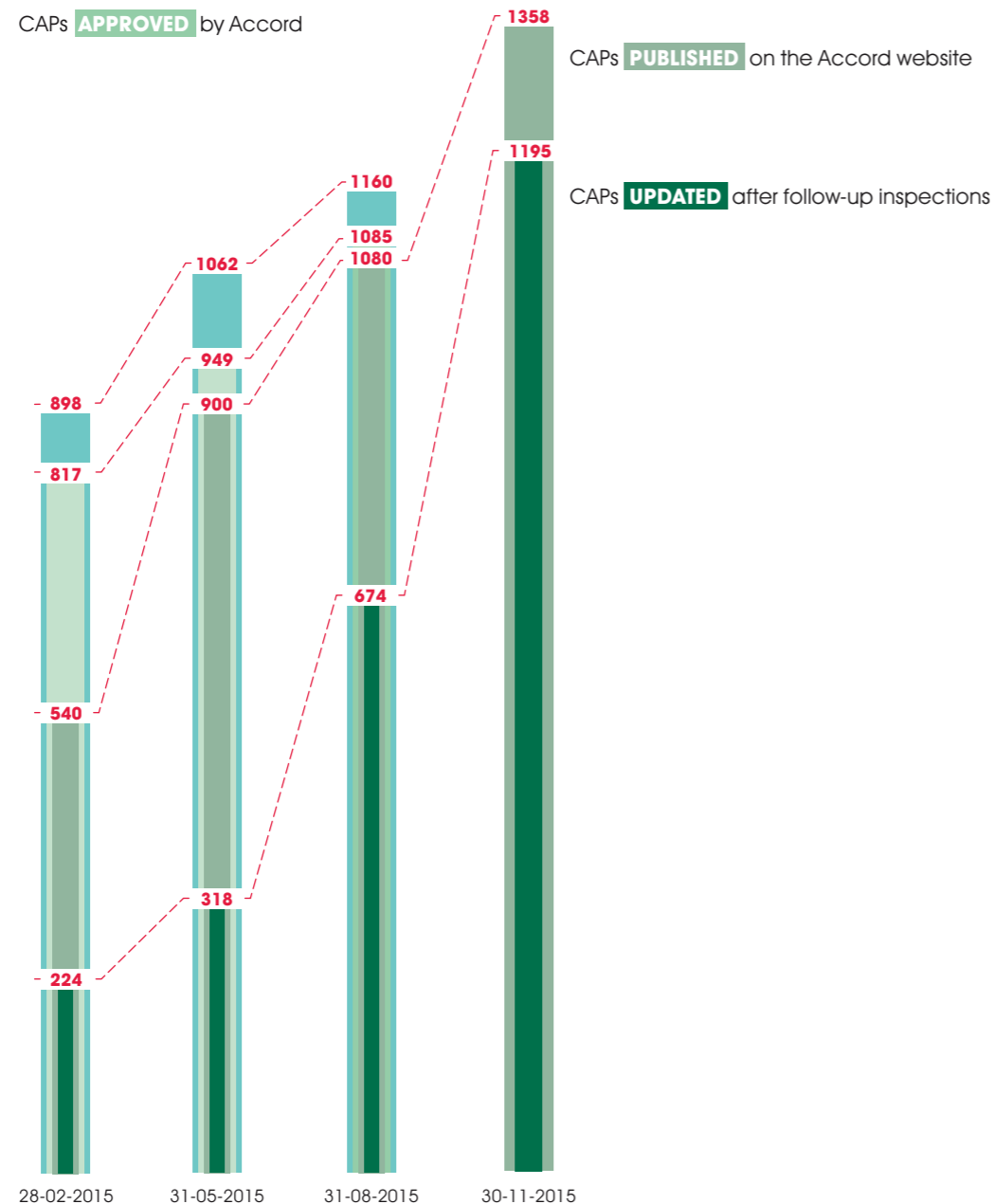
Once a CAP is finalized by the factory owners and the signatory companies it is submitted to the Accord for review and approval by the Chief Safety Inspector. After approval, all three inspection reports and the CAP are uploaded to the Accord database and website. CAPs are updated after the Accord case handlers receive information from the factories reporting that issues have been fixed and after Accord engineers have conducted follow-up inspections.



DIAGRAM 2: CAP DEVELOPMENT

CAPs **RECEIVED** by Accord

CAPs **APPROVED** by Accord



REVIEW OF FINDINGS

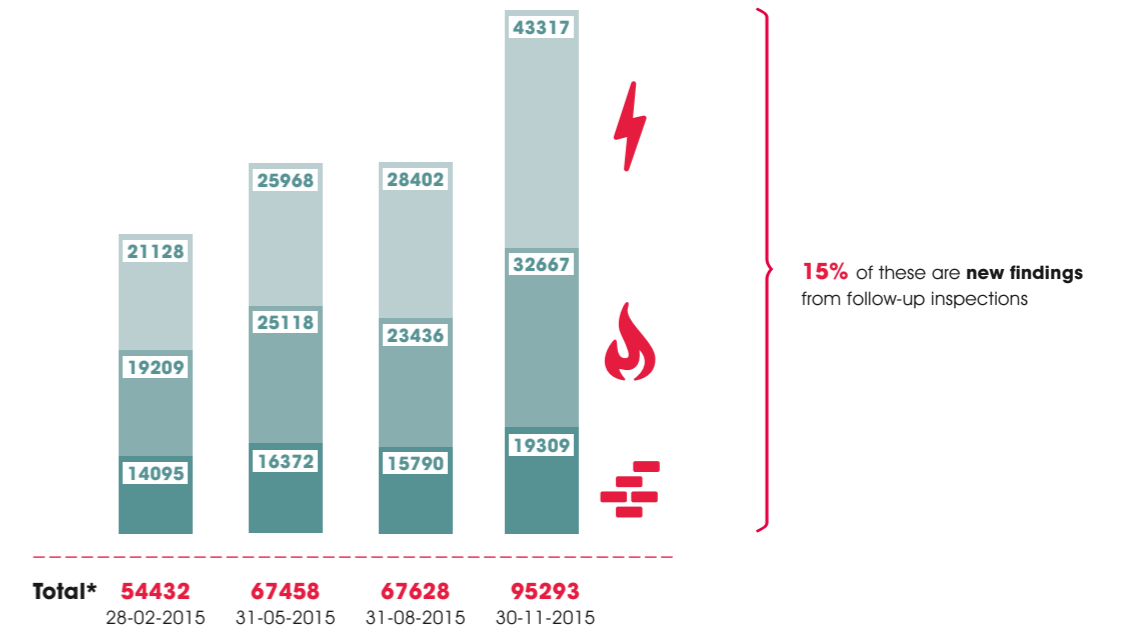


The fire, electrical and structural findings from inspections form the basis of the Corrective Action Plan. Once the CAP is published, the Accord tracks the total number of findings and their status. The numbers presented here therefore represent all reported findings in published CAPs.

The total number of findings continue to increase for two reasons. As new factories continue to be listed by Accord signatories, the findings from initial inspections to these factories are added. Secondly, the follow up inspections may identify new findings. These are either new hazards that have arisen since initial inspection or hazards which were not checked in the initial inspection which was of limited time and scope due to the urgency to inspect all factories rapidly.

DIAGRAM 3: TOTAL REPORTED FINDINGS (Published CAPs)

⚡ Electrical
 🔥 Fire
 🏗️ Structural



* Total issues based on published CAPs only

Overview of common findings

Most of the findings that are reported in published CAPs continue to be commonly found findings, such as unsafe means of egress, unsafe electrical installations and weak structures. Lack of fire separations between floors and adequate fire doors are common in almost all factories inspected by the Accord. The most common new inspection findings are electrical safety issues.

Most buildings are not constructed in accordance with the structural design drawings. In just over 10% of the factories inspected, this resulted in an immediate requirement to reduce the loads in the building, such as storage, water tanks and other weight.

The common safety hazards that need to be remediated include:³

- Lack of certified fire doors in stairwells
- Inadequate automatic fire alarm systems
- Inadequate fire separations and protected exits
- Excess combustible material (fire load) in areas where people are working
- Loose electrical connections and inadequate/improper earthing (grounding) systems
- Accumulation of dust and lint on electrical wiring
- Inadequate space for electrical installations such as substations
- Electrical phases that are imbalanced or overloaded
- Negligence towards electrical systems
- Lack of lateral stability in the structure
- Lack of accurate structural drawings
- Lack of management load plans to avoid excess weight in certain parts of the building

³ Please see the Accord's Glossary of Terms for an explanation of the terms used here: <http://bangladeshaccord.org/wp-content/uploads/Glossary-of-Terms.pdf>

Factories requiring Detailed Engineering Assessments (DEAs)

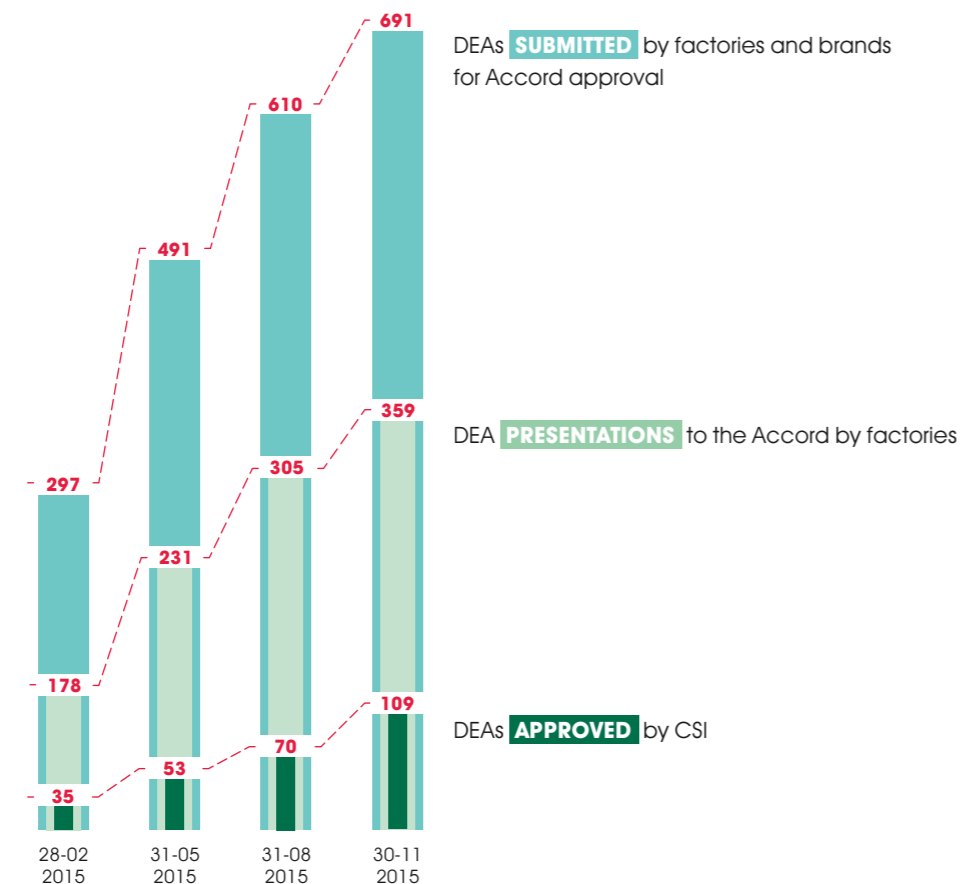
The initial structural inspection is not comprehensive and is limited to what can be observed during a 1-day visual inspection of the building. If the initial inspection indicates potential structural weakness this requires in-depth investigation and therefore many factories are required to undertake a structural Detailed Engineering Assessment (DEA) of all or part of the building.

DEAs are conducted by a qualified structural engineer hired by the factory. A complete DEA takes around 45 days to conduct⁴ and involves preparing as-built drawings, conducting engineering tests e.g. sampling and testing concrete strength, assessing actual loading, preparing load plans and developing retrofitting drawings. The factory then submits the DEA to the Accord for review. After review, the Accord will advise if further analysis is required for the DEA to be considered. Once the documentation is satisfactorily submitted, the Accord arranges a presentation meeting for the factory's structural engineer to present the findings. In most cases, the presentation generates further questions and the Accord will specify any further requirements for completing the DEA. The process is therefore iterative and usually needs 2 or 3 reviews and presentations before the DEA can be approved for the factory to begin retrofitting work.

A challenge at the beginning of this process was for factories to find structural engineers with the necessary experience to conduct DEAs. A current challenge is a long waiting time for concrete tests to be conducted in the authorised testing laboratories. The Accord prioritizes DEA reviews and presentations for factories identified as having serious structural safety risks.

The Accord is observing improvement in the quality of DEA submissions and re-submissions as the factories and engineers are gaining knowledge and experience in this complex technical discipline. The diagram below shows the progress made in DEA submission, review/presentation and approval in the last year.

DIAGRAM 4: **DEA STATUS**

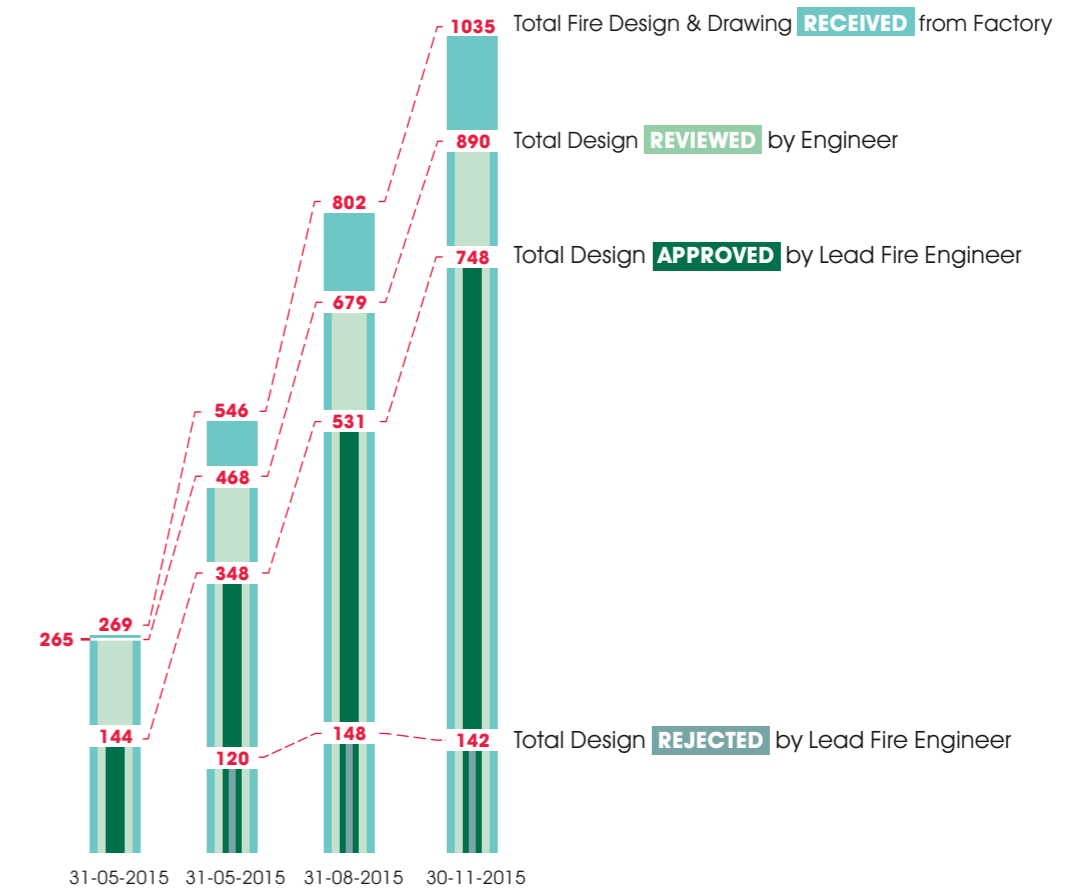


⁴ In many cases, the DEA requirement from the initial structural inspection is not for a complete DEA but rather involves further assessment on a finite number of specific items of concern. In such cases, the time for performing the DEA should be accordingly less.

Factories requiring Fire Design & Drawing

The Accord fire safety inspections may result in the requirement of the factory to install fire protection systems such as automatic fire alarm systems, automatic sprinkler systems and hydrant systems. The design drawings for these systems must be submitted to the Accord for review and acceptance prior to installation of the system to ensure they meet standard.

DIAGRAM 5: **FIRE DESIGN & DRAWING**



Factories submitted to the Review Panel

In 29 building structure inspections, the Accord found that the structural integrity of the building fell below the acceptable level of safety that there was a severe and imminent risk of structural failure. This led the Accord to submit its inspection results to the Government of Bangladesh' Review Panel. The Review Panel was established for inspections which lead to determinations that a building evacuation or suspension to operations is required. In order to overturn the initial production suspension / evacuation recommendation of the inspection, a unanimous decision of the team of 4 Review Panel engineers (1 Accord, 1 Alliance, 2 Government of Bangladesh/Bangladesh University for Engineering Technology) must be reached.

The Accord has developed a separate webpage on its website that provides more details on the factories submitted to the Review Panel, such as a summary of reasons for submission, information about the current operational status of the factory/building, and information about the status of employment of the affected workers.⁵

⁵ <http://bangladeshaccord.org/factories/review-panel-cases>

The Accord is working with owners, brands, and labour in these cases in the three critical areas of: expediting remediation, ensuring wages are paid, and verifying employment is maintained. This is very challenging work but the Accord is working to obtain credible and verified information from brands, labour, owners, and through our own efforts to ensure the provisions of the Accord are being upheld.

REMEDIATION PROGRESS

Diagram 6 provides an overview of the status of inspection findings that are reported in the published CAPs.

- **IN PROGRESS:** This means that the inspection finding is in progress towards remediation. This may or may not be within the set timeline.
- **PENDING VERIFICATION:** The Accord has been informed that the finding has been corrected but the Accord is yet to verify this.
- **CORRECTED:** The finding has been verified by the Accord engineers as being corrected through their follow-up verification visits.

The total findings in published CAPs include original findings and new findings.

- **ORIGINAL FINDINGS:** Findings from the Accord **Initial inspections**.
- **NEW FINDINGS:** Findings from Accord **follow-up inspections**.

The Accord experience with remediation verification thus far, indicates that around 20 percent of issues pending verification will be reclassified as 'in progress' after a follow-up inspection. This is attributed to discovering during an Accord follow up inspection that the issue was either not corrected or inadequately/ incompletely corrected.

As shown in the diagram below, almost 50% of all original and new findings in published CAPs have now been reported by factories as corrected or verified by the Accord as corrected through a follow-up inspection visit.

TABLE 1: **STATUS OF TOTAL ORIGINAL AND NEW FINDINGS** (In published CAPs)




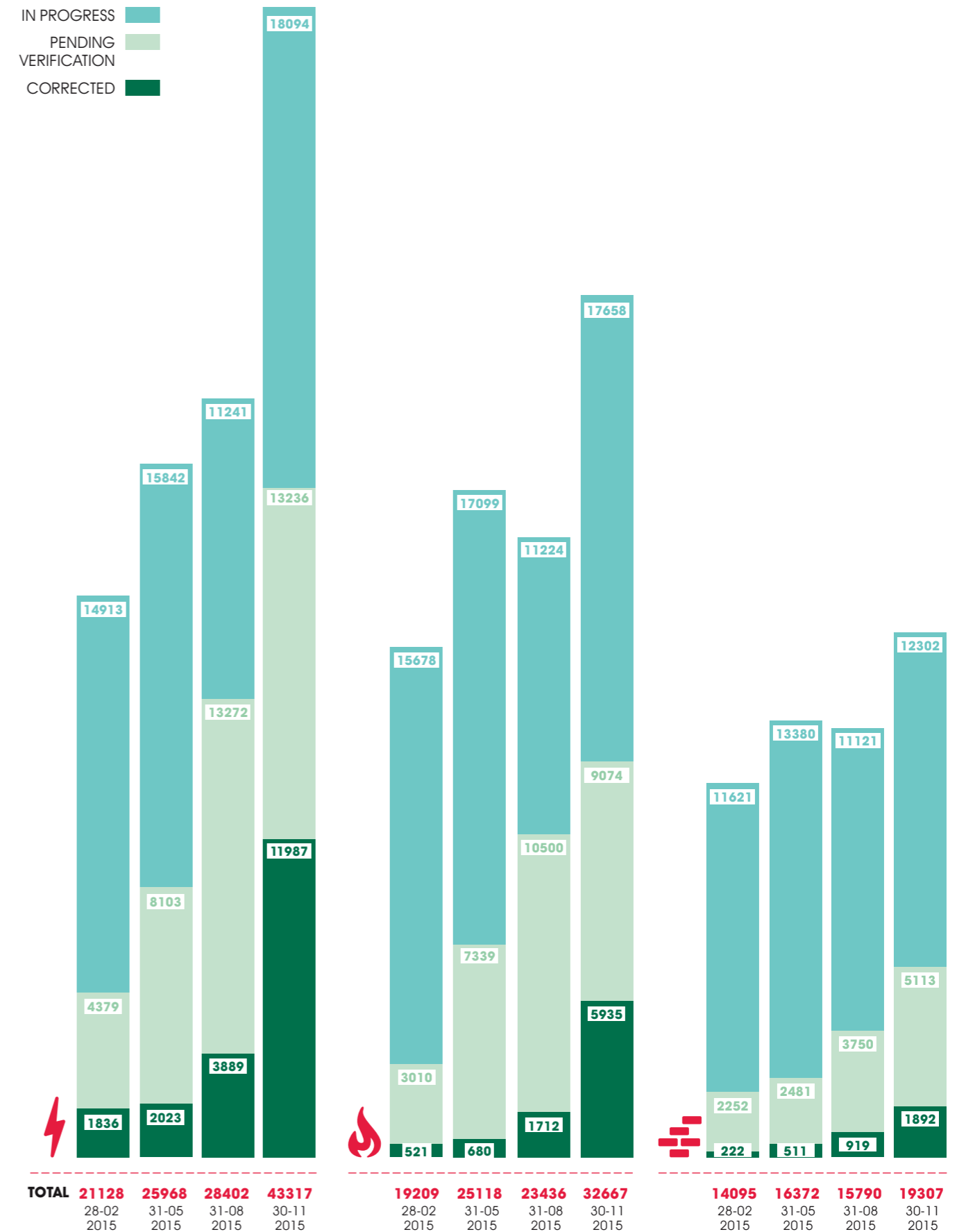
|    | TOTAL 28-02-2015 | TOTAL 31-05-2015 | TOTAL 31-08-2015 | TOTAL 30-11-2015 | % |
|---|---------------------|---------------------|---------------------|---------------------|------------|
| IN PROGRESS | 42212 | 46323 | 33588 | 48056 | 50.4 |
| PENDING VERIFICATION | 9641 | 17923 | 27522 | 27423 | 28.8 |
| CORRECTED | 2579 | 3214 | 6520 | 19814 | 20.8 |
| TOTAL | 54432 | 67460 | 67630 | 95293 | 100 |

DIAGRAM 6: **STATUS OF FIRE, ELECTRICAL AND STRUCTURAL ISSUES**



PROGRESS BREAKDOWN ORIGINAL AND NEW FINDINGS

| | TOTAL ORIGINAL | TOTAL NEW FINDINGS | TOTAL NEW AND ORIGINAL |
|-------------------------------------|----------------|--------------------|------------------------|
| IN PROGRESS | 38845 | 9211 | 48056 |
| PENDING VERIFICATION | 22287 | 5136 | 27423 |
| CORRECTED | 19426 | 388 | 19814 |
| TOTAL | 80558 | 14735 | 95293 |
| PERCENTAGE OF TOTAL FINDINGS | 84.5% | 15.5% | |

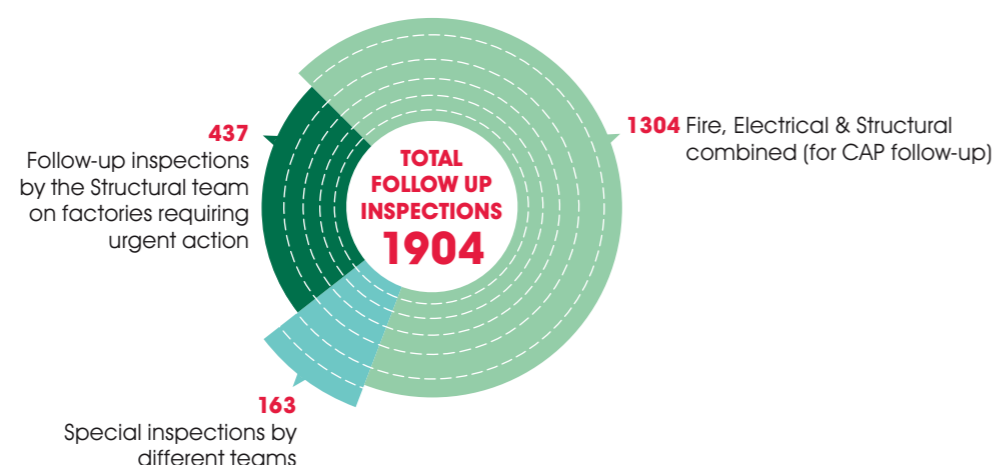
Follow-up inspections

The Accord engineers are monitoring progress and verifying implementation of CAPs. Accord engineers are conducting follow up inspections to verify that corrective actions have been completed correctly.

In addition to the teams undertaking follow-up fire, electrical and structural inspections to verify CAP implementation, one team of structural engineers inspects factories with major structural concerns which required immediate attention. The reasons for the structural follow-up inspections are to verify whether or not required immediate actions were taken, to verify the information provided in the DEA is correct, and to verify retrofitting works.

The Accord is also conducting special inspections in response to safety complaints and fire incident investigations. Special inspections were also conducted in response to the earthquake and aftershocks in April 2015. The Accord conducts 200 follow-up inspections a month. The Accord anticipates a minimum of 2 to 3 visits to each factory to verify all issues are adequately remediated.

DIAGRAM 7: ACCORD FOLLOW-UP INSPECTION



Escalations due to failure to implement workplace safety measures

Factories failing to participate in the Accord program will go through an escalation procedure implemented by the Accord and signatory companies. This procedure consists of three stages: (1) A notification of non-compliance from the Accord; (2) Notice and warning from signatory companies and (3) Termination of business by signatory companies.

As of November 30th 2015, the Accord has issued warning letters to 209 factories. If no action is taken following this letter or the Accord does not see adequate progress, the signatory

companies in the factory will be required to invoke the provisions of the Accord (Article 21) related to non-compliance with required remediation. In 20 cases, the Accord has informed the signatories companies to give notice and warning to their suppliers. In 7 cases, the Accord signatory companies have terminated their business relationship with the supplier factory under Article 21 requirements. Suppliers whose business with Accord signatory companies has been terminated for reasons of workplace safety are listed on the Accord website.⁶

⁶ <http://bangladeshaccord.org/terminated-suppliers-2/>

Factory remediation status

The Accord evaluates the status of each CAP to allow for factory by factory monitoring. The table below shows the totals for each factory status of all factories covered by the Accord. Accord engineers have verified the successful completion of all remediation requirements stemming from the initial inspections at two Accord listed factories.

The factories that either have a status of 'CAP not finalised' or 'no CAP' include: factories with an incomplete CAP (i.e. missing one or more timelines for corrective actions); newly listed factories that have not yet been inspected; factories inspected by the Alliance of which the inspection reports have only been shared recently; and uncooperative factories yet to submit a CAP to the Accord.

| FACTORY STATUS | NUMBER OF FACTORIES | EXPLANATION |
|------------------------------|---------------------|--|
| • CAP completed | 2 | All issues identified in the Accord CAP have been resolved and verified by the Accord engineering team. |
| • CAP in progress | 161 | The CAP is in implementation and all timelines have so far been met. |
| • CAP behind schedule | 1182 | The CAP is in implementation but some timelines have not been met. |
| • CAP not implemented | 7 | The factory does not agree to implement the CAP and as a result Accord signatories have terminated business with the factory following a notice and warning process. |
| • CAP not finalised / no CAP | 306 | The CAP is either incomplete, absent or not yet approved by the Accord. |

FACTORIES BEHIND SCHEDULE

The large number of factories behind schedule is a cause for concern to the Accord. It must be noted that a CAP is marked behind schedule if just one item has passed the agreed final timeline. Being behind schedule therefore does not necessarily mean that no progress has been made at all. The table below shows the level of progress that factories who are behind schedule have made.

TABLE: **PROGRESS LEVEL OF FACTORIES BEHIND SCHEDULE: NUMBER OF FACTORIES AT DIFFERENT LEVELS OF CAP PROGRESS** (% of issues pending verification and verified)

| PROGRESS LEVELS OF FACTORIES BEHIND SCHEDULE | | | | |
|--|------|--------|--------|------|
| % of issues fixed (reported and verified combined) | >75% | 50-75% | 25-50% | <25% |
| No of factories | 130 | 404 | 409 | 239 |
| % of factories | 11% | 34% | 35% | 20% |

These figures show that factories are progressing in their remediation, despite being behind schedule. Some factories are further delayed than others. The extent of remediation delays since the initial inspections is broken down in the table below.

TABLE: **NUMBER OF FACTORIES BEHIND SCHEDULE VS TIME SINCE INITIAL INSPECTION**

| TIME SINCE INITIAL INSPECTION | NUMBER OF FACTORIES BEHIND SCHEDULE |
|--|-------------------------------------|
| More than 1,5 years | 331 |
| Between 1,5 and 1 year | 708 |
| Between 1 and 0,5 year | 141 |
| Less than 0,5 year | 2 |
| Total factories behind schedule | 1182 |

FACTORIES WITH NO CAP

Another category of factories that need attention is factories with no Accord approved CAP. Some of these have been inspected within the last 6 months, while an equal number of factories have been inspected more than 1,5 years ago.

TABLE: **BREAKDOWN OF INSPECTED FACTORIES WITH NO CAP**

| | |
|--|------------|
| More than 1,5 years since 1st inspection | 100 |
| Between 1,5 and 1 year since 1st inspection | 28 |
| Between 1 and 0,5 year since 1st inspection | 18 |
| Less than 0,5 year since 1st inspection | 100 |
| Total inspected factories with no CAP | 246 |

The Accord remains vigilant in accelerating the pace and level of remediation at the large number of Accord inspected factories where execution of the remediation is inadequate or too far behind schedule.

Ensuring remediation is financially feasible

As part of every Corrective Action Plan, the Accord requires signatory companies and their suppliers to confirm that a remediation finance plan is agreed for each factory and to confirm which type of finance plan. The Accord obtains confirmation of agreed finance plans from all signatories and factories. As of end of November 2015, 1020 finance plans were reported to be confirmed. In November 2015, the Accord introduced a column to the website page with the inspection reports and CAP for each factory to indicate whether a finance plan has been confirmed or not.

As both the staff of the Accord and the members of the Steering Committee recognize, the information that has been reported is sometimes inaccurate or incomplete. In some cases, signatory brands and factories are reporting that the factory is “self-financing,” even though the factory is receiving some form of financial assistance (such as guaranteed order volumes for longer periods, higher volumes, pre-payments to improve cash-flows, price increases or direct cash assistance). Signatories have officially reported that assistance is being provided by brands in 14 cases.

The Accord acknowledges there may be under-reporting of financial support from signatory companies and as a result it is unclear to the Accord how many suppliers are actually receiving assistance and what forms of assistance are being received. Both labour and brand representatives on the Steering Committee agree that more assistance is likely being provided than is reflected in the official reporting. The question of whether and to what extent factories need financial assistance but are not receiving it, and whether that is a major cause for delays in remediation, is assessed differently by the labour and company side in the SC.

The Accord Secretariat continues its efforts to obtain more accurate data on financing remediation on an aggregated level for public purposes and provide public updates concerning these efforts.

● **COLOPHON**

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