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Transition Agreement
Between Accord on Fire and Building Safety in Bangladesh and BGMEA/BKMEA

FINAL

Signed on 14 January 2020

Preamble

On the 8th of May 2019 the BGMEA and the Accord on Fire and Building Safety in Bangladesh agreed to a Memorandum of Understanding between the parties which outlined the main principles of the founding, implementation and purposes of a permanent national monitoring safety compliance system for the Bangladesh RMG industry with the name 'RMG Sustainability Council' (RSC).

This governing body will operate under the corporate structure of a special purpose non-profit company under Section 28 of the Bangladesh Companies Act 1994 and shall comprise all relevant stakeholders, representing producers, brands and trade unions.

The parties initiate a time bound transition process in which all major functions of the Accord office in Bangladesh will transition before 31st May 2020 into the national initiative RSC.

The governance of the RSC will consist of members from the national RMG Business associations (BGMEA/BKMEA), global brands and global and national trade unions and will be supported by mechanisms that will be developed in collaboration with key national and international engagements if and when needed.

The RSC will continue the work of the Accord and sustain the achievements reached in occupational health and safety remediation, safety training and safety complaints processing within the Bangladesh RMG industry. The Accord will not merge with the RSC but its earlier role and responsibilities in Bangladesh will - mutatis mutandis- be transferred to be dealt with by RSC.

The RSC will operate within the regulatory framework of the laws of Bangladesh closely co-operating with and complementing the regulatory function of the Department of Inspection for Factories and Establishments (DIFE) of the Ministry of Labour and Employment whose responsibilities as a public authority will stay untouched. The RSC will also co-operate, as applicable and necessary, with the Bangladesh Export Processing Zone Authority (BEPZA) with regard to RMG factories situated in the EPZs.

This transition agreement outlines the way forward of the transition process and the main steps to be taken to reach the agreed purpose The parties will establish, as deemed appropriate, sub-committees to elaborate on specific tasks and procedures.

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Association

The parties to this agreement will actively support the set-up of a suitable national corporation by the name of RMG Sustainability Council (RSC) which will, by its legal structure, be able to continue with the earlier purpose and functions of the Accord in Bangladesh but also may reach out in other related areas. The specific governance and objectives will be described and agreed on within the Memorandum and Articles of the Association.

Organizational structure:

To perform its functions, the operations, staff, infrastructure, and functions of the technical operational department of the Accord Foundation Liaison Office based in Dhaka, Bangladesh will be transferred to the RSC and will form an initial basic contribution of the signatories by way of providing fund, assets, manpower, expertise, equipment and safety engineers of the Accord into the set-up, function and further professional performance of the RSC. The Accord Foundation and its recent and future activities as a legal entity under Dutch law based in Amsterdam are unaffected by this agreement.

The technical departments are:

- structural engineering, fire safety engineering, electrical safety engineering, boiler safety engineering
- remediation administration and management (case handlers)
- safety committee and safety training
- safety and health complaints and grievances
- data management, disclosure, reporting

A qualified Chief Safety Officer, with fire and building safety expertise and impeccable credentials, and who is independent of and not concurrently employed by any third party, shall be employed by the RSC board. The independence, autonomy, authorities, and reporting requirements of the CSO as elaborated and practiced by the Accord shall remain in effect.

The RSC board shall not restrict or otherwise interfere with the CSO's technical and compliance mandate and performance of duties, including the scheduling of inspections or publishing of reports. In other matters the CSO will be subject to board supervision. In the event that the Steering Committee finds that the Chief Safety Officer has acted in a manner inconsistent with his or her mandate and there is clear evidence of incompetence or malfeasance, it may intervene as it sees fit and, if deemed necessary, may remove the CSO. These principles shall be written into the rules governing the RSC.

The Safety and Health complaints mechanism established under the Accord will continue to operate independently and autonomously from RSC interference following the same principle as the role of the CSO. The increasing confidence in this function among the Bangladesh workforce is based on its

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confidentiality, trustworthiness, easy accessibility and effective remedy. The independence as well as its interdependence with other Accord departments (engineering, training, remediation case handlers) provide for quick and effective remedy and the same spirit and mechanism will be retained by the RSC. The RSC shall establish all necessary safeguards to protect anonymity, real and perceived impartiality, protection against reprisal and retaliation, and independent decision-making in complaint resolutions.

The administrative, logistics, vehicle pool, finance & accounting, communications, IT, data management, office support, and local office management structures and staff will be transferred to the RSC. Any function and any asset not expressively specified to be transferred will stay with the Accord Foundation. The RSC will cooperate closely with the Accord Foundation in Amsterdam providing all necessary access to data and information as required for the implementation and management of the legally binding agreement between brands and unions. The RSC and the Accord Foundation will agree a protocol specifying the terms of access to the RSC data.

All Accord Bangladesh liaison office employees shall be offered employment by RSC and will be given one calendar week to respond to such offer. Persons choosing to accept the offer shall become employees of the RSC on the first day after their employment with the Accord Bangladesh liaison office terminates. Staff who decide to take employment with the RSC shall be employed with no probation period and with the status of their current terms of employment and can not be terminated for their first year without cause. The details of this transfer will be worked out by the "Sub-Committee on the transition of staff and knowledge transfer from Accord to RSC" agreed on by both parties on the basis of Bangladesh law. A thorough and credible HR Review shall be conducted by this Sub-Committee. The member of the Sub-Committee are Arshad Jamal Dipu, Sharif Jahir, Fazlee Shamim Ehsan, Ted Southall, Roger Hubert and Christina Hajagos Clausen. This Committee will form their TOR and start work within 21.01.2020.

Prior to the start of the RSC, BGMEA and Accord will agree to a plan regarding cooperation between RSC and Accord Foundation staff from Amsterdam, in order to ensure that all functions to be assumed by the RSC and all relevant knowledge and information will be smoothly and fully transferred.

Scope, Functions, and Coverage of the RSC

The RSC is established, amongst other purposes as enumerated in the memorandum of RSC, to continue and sustain the work of the Accord in Bangladesh in accordance with the Tri Partite Plan of Action on Fire and Safety and Structural Integrity on the Ready Made Garment Sector (NTPA). This covers factory safety inspections; safety remediation; follow up safety inspections; safety and health training of factory safety committee members; safety and health informational sessions with RMG factory employees; safety and health complaints mechanism; and the transparency/disclosure/public reporting programs and respective functions of these organizations.

The RSC safety inspections and safety remediation will be based on the RMG factory inspection standard for fire, electrical, and structural safety utilized by the Accord and developed and agreed in November

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2013 through the technical workshop organized and facilitated by the ILO and the National Tripartite Plan of Action (NTPA). Should any changes be made to the BNBC 2006, the RSC will reconvene the parties to the November 2013 agreement to discuss any implications to the agreed standard. Additionally, the RSC shall continue the factory boiler safety inspection and remediation program as implemented by the Accord through coordination with the ILO and the Government of Bangladesh Chief Inspector of Boilers (CIoB) office.

Factories currently covered by the Accord shall be carried over to the RSC retaining their remediation status and any outstanding remediation requirements as per the factory's Corrective Action Plan approved by the Accord and, where relevant, their escalation status and requirements to address non-compliances. Factories escalated to stage 3 under the Accord shall remain ineligible to produce for any Accord signatory companies until fully remediated but at least for a minimum period of 18 months from the date of escalation to stage 3 and until the requirements for requalification are met.This 18 month embargo is stipulated in Accord Escalation Protocol, however the RSC board will have discretion to waive this embargo on a case to case basis.

A complete list of the types of Accord inspections to be performed by the RSC is provided in **Appendix A**.

When defining and establishing its internal governance to sustain the earlier work and experience of the Accord and to serve the common goal of a safe and transparent RMG industry, documented decisions and protocols taken under the regime of the Accord will stay untouched if not expressly decided by the RSC Board of Directors to be revised, as these have proven to be effective and expedient. This refers to protocols, procedures, processes, implementation details and decisions related to operations and implementation.

A complete list of the Accord protocols and associated operational and implementation documents is provided in **Appendix B**.

The types / categories of factories covered under the RSC shall remain as those covered under the Accord meaning RMG related industries; including: RMG factories, integrated RMG factories, and, on a voluntary basis by brands requirement, also home textiles factories and fabric and knit accessory factories.

A list of the types of products considered to be RMG products is provided in **Appendix C.**

Transfer of assets

The Accord Foundation plans without accepting a legal duty and by its own discretion to transfer certain assets of its Bangladesh Liaison Office to RSC. The Accord Foundation liaison office will cease all operations in Bangladesh and no non-agreed legal obligation of the foundation will be transferred to RSC, The assets and their value, inclusive any potential remaining cash balance, will be inventoried, evaluated and documented by the Accord with help of a chartered accountant. Any tax liabilities arising from such transfers of assets which will be assumed by RSC.

The RSC will decide on a sustainable and robust funding structure which will foresee all kind of contributions by different parties.

Engagement with DiFE

The RSC is a private initiative of the Bangladesh industry, global brands, and global and local labour unions.

The RSC will coordinate with and complement the regulatory role of Ministry of Labour, Department of Inspections of Factories and Establishments (MoLE-DIFE)

The RSC recognizes and respects that the MoLE-DIFE has the official Government of Bangladesh mandate to regulate safety in all Bangladesh workplaces; including all RMG factories.

The RSC shall provide support to the ~~development~~ work of the DIFE and its capacity to effectively regulate safety and health in the RMG industry. This RSC support will be provided in coordination with the "RMG Project" being implemented by the International Labour Organization (ILO) with the MoLE .

Other

This transition Agreement is an integral part of the whole transition process and of the RSC's Articles of Association and together with the MOU dated 09.05.2019 forms the understanding of respective parties. BGMEA acts also in the name of other RSC involved national associations.

Signed by

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Dr. Rubana Huq

President, BGMEA

Signed By

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Mr. Santiago Martinez-Lage Sobredo

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Jenny Holdcroft

For Accord Foundation, Netherlands

Witnesses

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witnesses

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