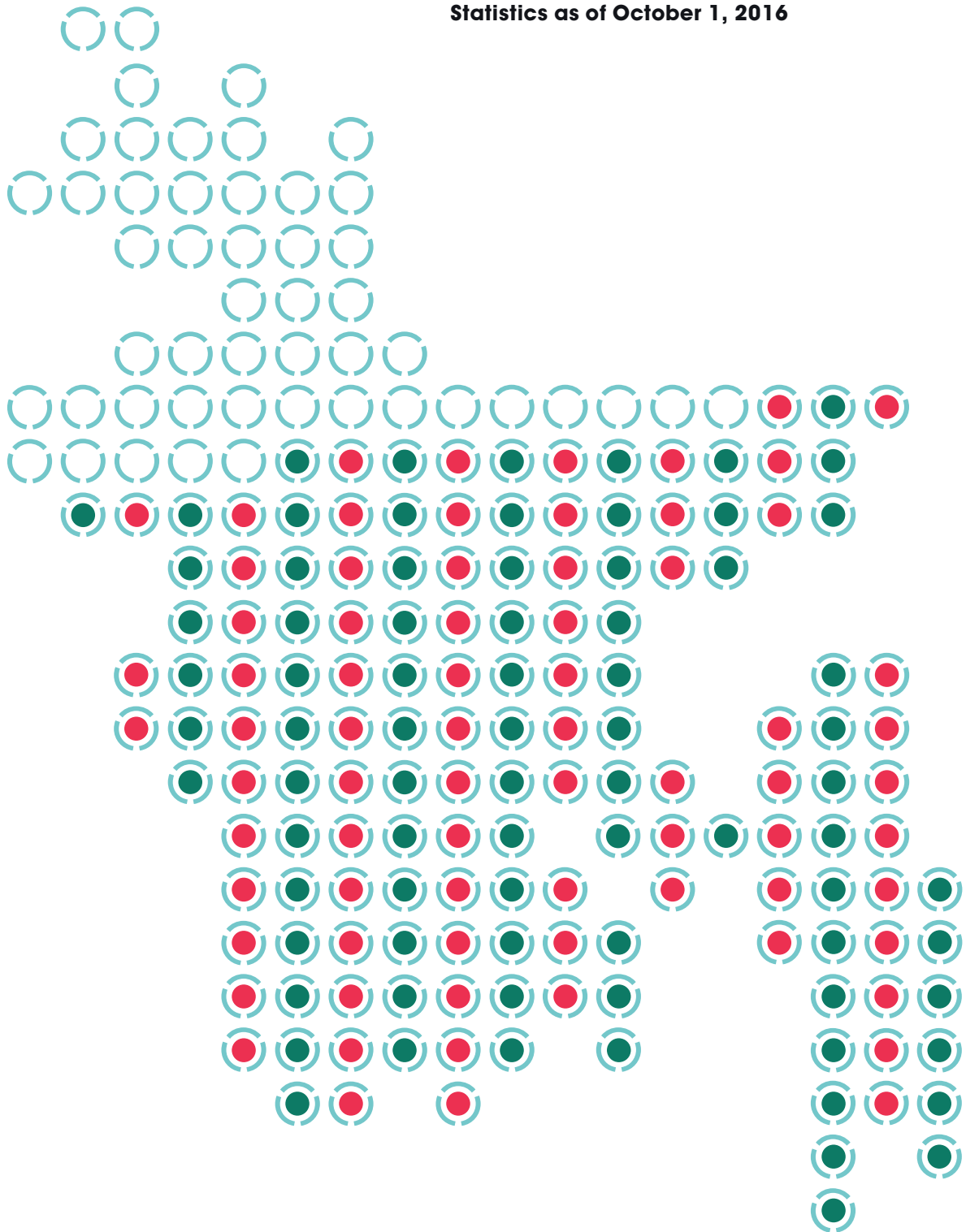


QUARTERLY AGGREGATE REPORT

1 2 3 4 2016 • October 31

on remediation progress at RMG
factories covered by the Accord

Statistics as of October 1, 2016



● **TABLE OF CONTENT**

SUMMARY 4

INSPECTIONS UPDATE 5

INSPECTION REPORTS & CORRECTIVE ACTION PLANS 6

REVIEW OF FINDINGS 6

REMEDIATION PROGRESS 10

FACTORIES BEHIND SCHEDULE 14



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 implementation progress of remedial measures in the Ready-Made Garment (RMG) factories covered by the Accord.

The pace of remediation at Accord covered factories has further increased over the last months. 69 percent of all safety issues identified in initial inspections are now reported or verified as fixed. While marking this progress, the Accord remains concerned with the slow pace of completing remediation. The majority of factories covered by the Accord are behind schedule with remediation. Many factories have completed some remediation work but have also missed timelines on critical safety issues such as those related to safe exits.

In response the Accord now has more than 100 engineers on staff, and conducts up to 500 follow-up inspections each month. This means each factory covered by the Accord will be inspected approximately once in every three to four months.

The Accord notice and warning procedure under Article 21 has led to escalation measures at 472 suppliers and termination of business with 41 suppliers to Accord signatory companies. The Accord secretariat is further conducting targeted remediation review meetings with individual signatory companies to identify high priority factories struggling with remediation and support signatories in accelerating remediation approach with their supplier factories.



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. The Accord updates the publicly available factory list on a monthly basis.¹

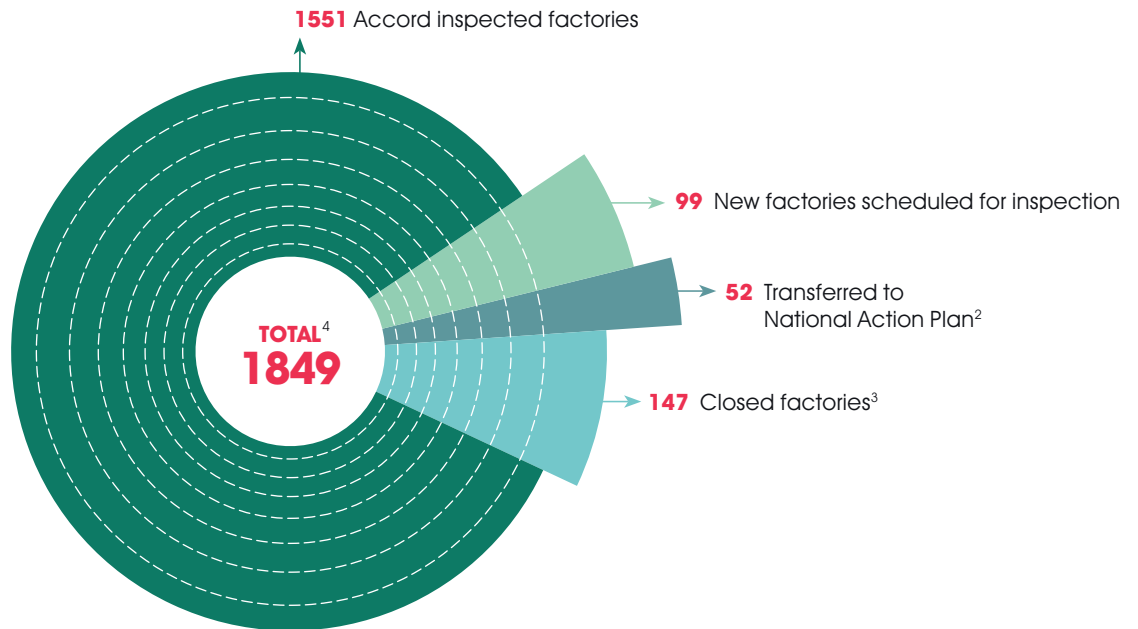
1
<http://bangladeshaccord.org/factories/list-factories/>
Key information on each factory on the disclosure list includes: factory name and address, the number of stories of each structure, whether a building includes multiple apparel factories, whether it houses other types of businesses, the number of workers in the factory, and the number of Accord signatories with production at each factory.

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.

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 initial fire, electrical and structural inspections of 1100 factories in September 2014. Since then, the Accord has conducted additional batch of 300 newly listed factories in 2015. A third batch of initial inspections commenced in April 2016 and are ongoing.



DIAGRAM 1: ACCORD INSPECTIONS UPDATE



2
<http://bangladeshaccord.org/factories-transferred-to-government-inspection-program/>

3
Approximately 30 of these factories have relocated and the new premises have either been inspected or are scheduled for inspection.

4
This number is higher than the total number of factories listed on the Accord public factory list, because it includes factories that have been closed, and factories transferred to the inspection program under the Government of Bangladesh National Tripartite Action Plan for Fire and Building Safety.



INSPECTION REPORTS & CORRECTIVE ACTIONS PLANS



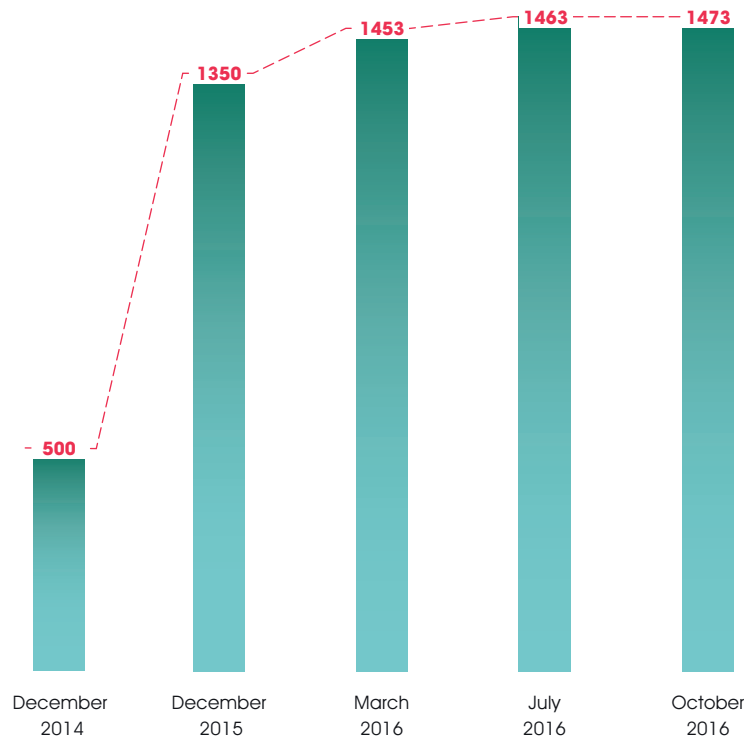
After each factory has been inspected for fire, electrical and structural safety, the inspection reports are shared with factory owners, the related Accord signatory companies and worker representatives.

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 regularly 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: **INSPECTION REPORTS AND CAP DEVELOPMENT**⁵

⁵
This figure is the number of publically available inspection reports and CAPs on the Accord website. It does not include factories that are closed, transferred to the National Action Plan or terminated. Details on terminated factories can be found here: <http://bangladeshaccord.org/terminated-suppliers/>.



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 the 1473 published CAPs.

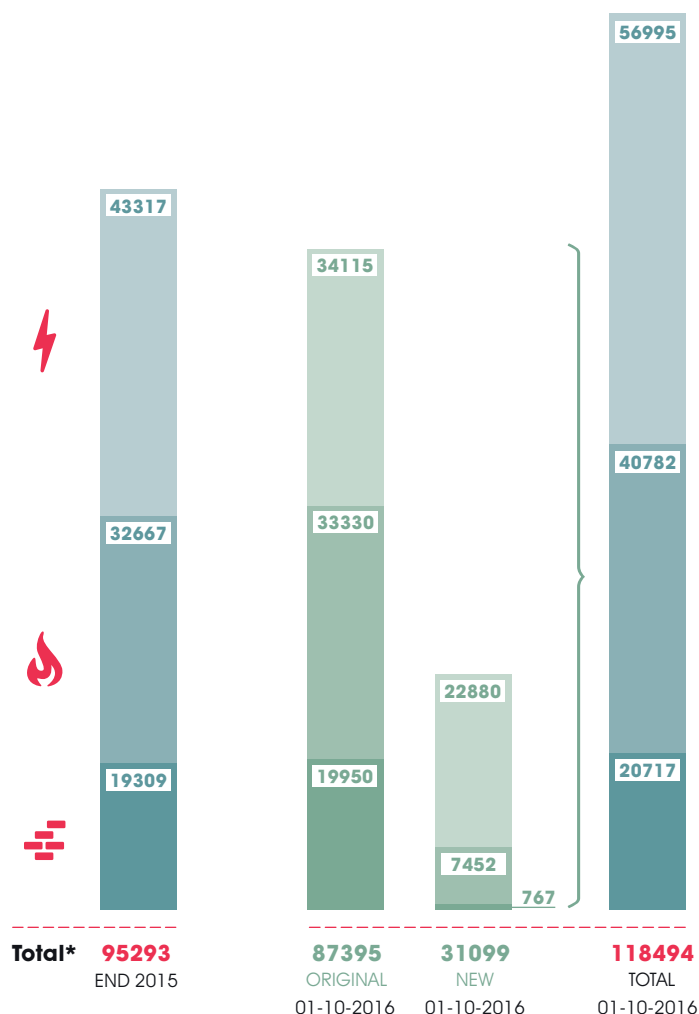
The total number of findings increase for two reasons:

1. New factories continue to be listed by Accord signatories. The Accord conducts initial inspections at these factories and the findings from the initial inspections are added to the total findings as soon as the CAP is published and finalized.
2. Follow up inspections often 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.

The diagrams below show the total original and new findings and as well as all findings combined.

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 are common to many factories, such as unsafe means of egress, unsafe electrical installations and weak structures. Lack of fire separations between floors and lack of 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:⁶

- 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 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

⁶ 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)

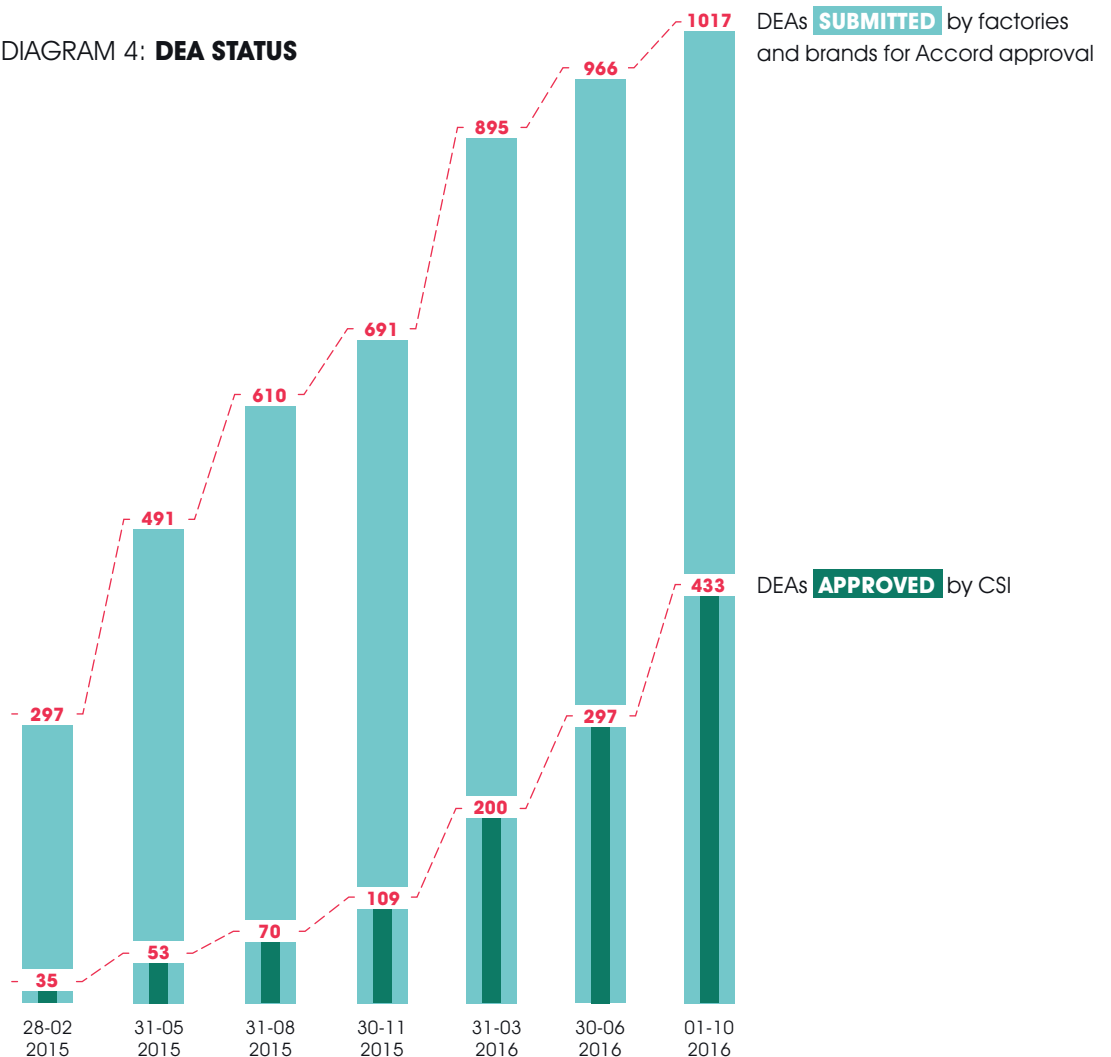
The initial structural inspection is not comprehensive and is limited to what can be observed during a 1-day visual inspection of the building. If the initial inspection indicates potential structural weakness this requires in-depth investigation and therefore many factories are required to undertake 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 conduct⁷ 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. 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**

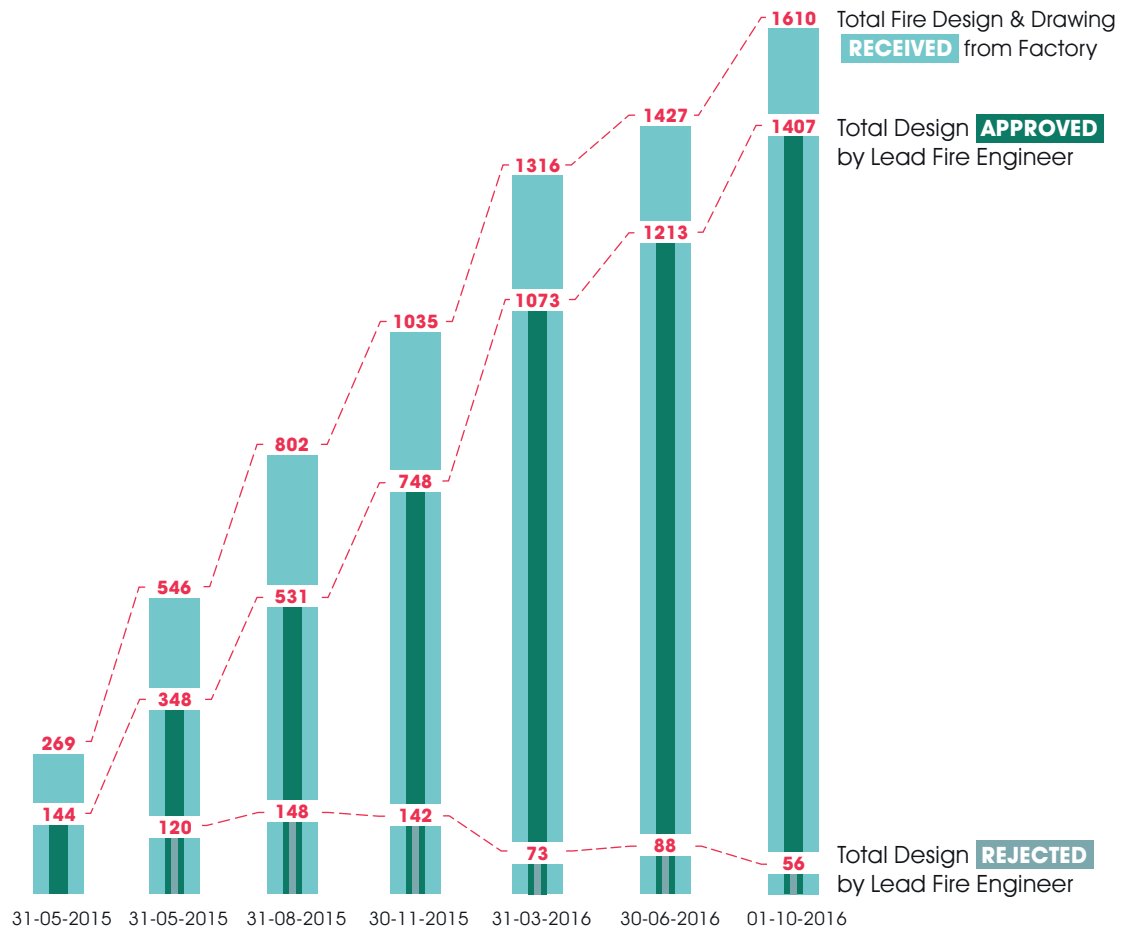


⁷ In many cases, the DEA requirement from the initial structural inspection is not for a complete DEA but rather involves further assessment on a finite number of specific items of concern. In such cases, the time for performing the DEA should be accordingly less.

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 38 building structure inspections, the Accord found that the structural integrity of the building fell below the acceptable level of safety and 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 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, and information about the status of employment of the affected workers.⁸

⁸ <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 is the default status for an inspection finding. It means that remediation of the inspection finding is underway.
- **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 as corrected by the Accord engineers 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 23 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 corrected.

The Accord uses an average progress rate metric to monitor remediation progress fairly across all factories. The metric is the percentage of original issues reported and verified as fixed out of the total number of original issues. As shown in the diagram below, the Accord average initial CAP progress rate (percentage of issues pending verification and corrected) is currently 69%.

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

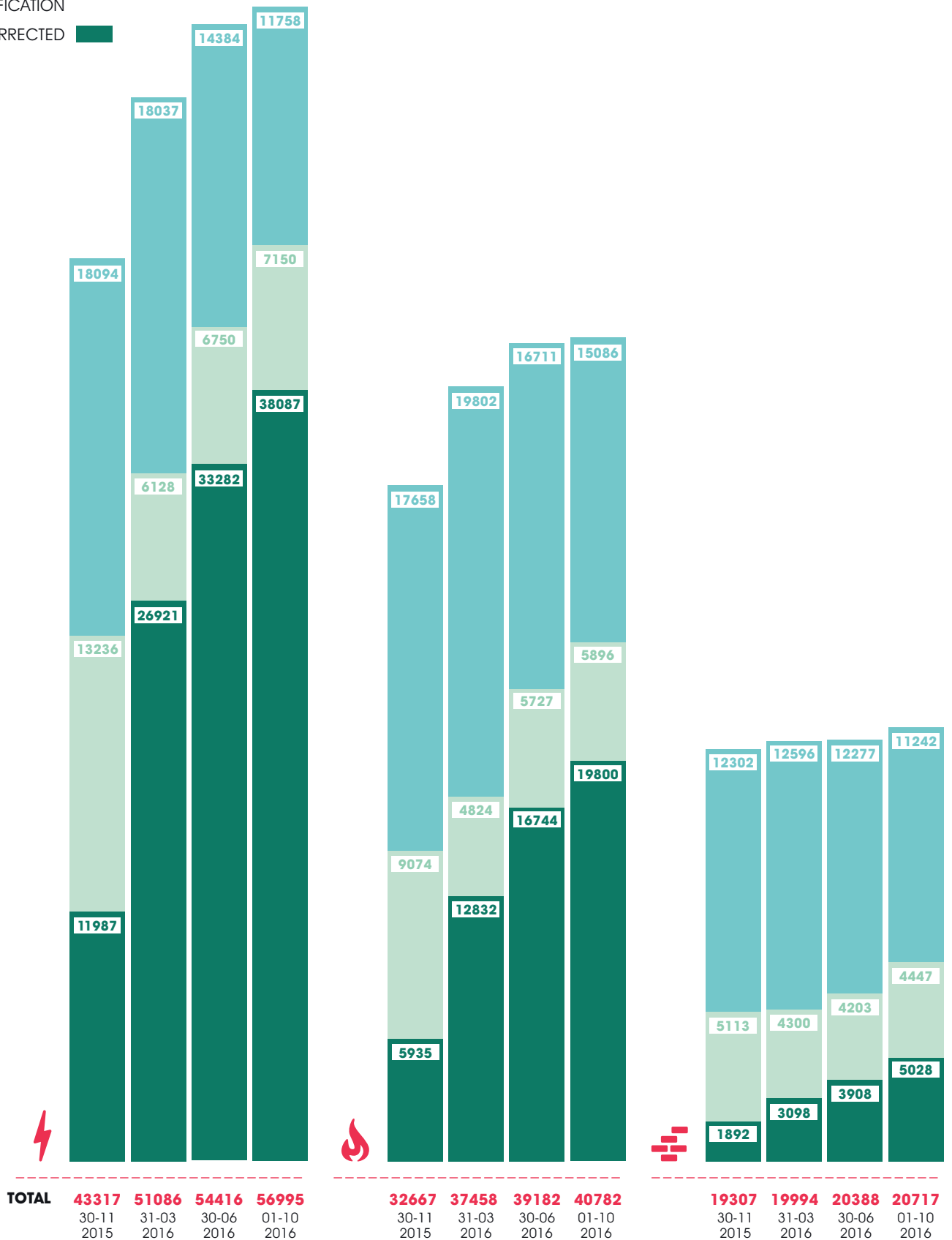
	ORIGINAL ISSUES IN PROGRESS	ORIGINAL ISSUES PENDING VERIFICATION	ORIGINAL ISSUES CORRECTED	TOTAL ORIGINAL
ELECTRICAL ⚡	4986	4055	25074	34115
FIRE 🔥	11674	4800	16856	33330
STRUCTURAL 🏗️	10841	4249	4860	19950
TOTAL	27501	13104	46790	87395
PERCENTAGE	31%	15%	54%	

TABLE 2: **STATUS OF TOTAL NEW FINDINGS** (In published CAPs)

	NEW ISSUES IN PROGRESS	NEW ISSUES PENDING VERIFICATION	NEW ISSUES CORRECTED	TOTAL NEW
ELECTRICAL ⚡	6772	3095	13013	22880
FIRE 🔥	3412	1096	2944	7452
STRUCTURAL 🏗️	401	198	168	767
TOTAL	10585	4389	16125	31099
PERCENTAGE	34%	14%	52%	

DIAGRAM 6: STATUS OF TOTAL ORIGINAL AND NEW FIRE, ELECTRICAL AND STRUCTURAL FINDINGS COMBINED

IN PROGRESS
 PENDING
 VERIFICATION
 CORRECTED





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.

In late 2015 and early 2016, the Accord increased the number of staff engineers to be able to conduct a target of 500 follow-up inspections per month. This means each factory covered by the Accord will be inspected approximately once every three months.

After the Accord engineers have undertaken a follow-up inspection, they generate a detailed report and update the CAPs. The detailed report is sent to the factory, related company signatories and union signatories. This report includes an explanation of any new findings and pictorial evidence of remediation. The updated CAP is published on the Accord website and shows the progress status of each finding and includes any new findings.

TABLE 3: **ACCORD FOLLOW-UP INSPECTIONS**

TOTAL FOLLOW-UP INSPECTIONS UNTIL END JUNE 2016	JULY 2016	AUGUST 2016	SEPTEMBER 2016	TOTAL FOLLOW-UP INSPECTIONS
4098	276 ⁹	470	270 ¹⁰	5017
	SPECIAL INSPECTIONS			290

9
This number is lower due to the break for Eid al-Fitr.

10
This number is lower due to the break for Eid ul-Adha.

Escalations due to failure to implement workplace safety measures

Suppliers 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 1 October, the Accord has issued 530 stage 1 warning letters to 458 suppliers. 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 137 cases, the Accord has informed the signatories companies to give notice and warning to their suppliers. In 41 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.¹¹

11
<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 twenty three Accord listed factories and seven factories have completed all the remediation.

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.

TABLE 4: **CAP STATUS**

FACTORY STATUS	NUMBER OF FACTORIES	EXPLANATION
• CAP completed	7	All issues identified in the Accord CAP (original and new findings) have been resolved and verified by the Accord engineering team.
• Initial CAP completed	23	All issues identified in the Accord initial CAP have been resolved and verified by the Accord engineering team.
• CAP on track	26	The CAP is in implementation and all timelines have so far been met.
• CAP behind schedule	1388	The CAP is in implementation but some timelines have not been met.
• CAP not implemented	41	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	157	The CAP is either incomplete, absent or not yet approved by the Accord.

FACTORIES BEHIND SCHEDULE

The vast majority 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 5: **PROGRESS LEVELS OF FACTORIES BEHIND SCHEDULE**

• % of issues fixed (reported and verified combined)	> 75%	50-75%	25-50%	< 25%
• No of factories	563	620	161	44
• % of factories	40%	45%	12%	3%

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

TIME SINCE INITIAL INSPECTION	NUMBER OF FACTORIES BEHIND SCHEDULE
• More than 1,5 years	1 1268
• Between 1,5 and 1 year	19
• Between 1 and 0,5 year	87
• Less than 0,5 year	14
• Total factories behind schedule	1388

● **Factories with no CAP**

Another category of factories that need attention is factories with no Accord approved CAP. The Accord case handlers are prioritizing these factories and working with the signatories to require the factories to develop a CAP. The majority of these factories, in particular those inspected more than a year ago, have been escalated through the Accord notice and warning procedure under Article 21.

TABLE 7: **BREAKDOWN OF INSPECTED FACTORIES WITH NO CAP**

	30 June 2016	1 October 2016
• Factories inspected in 2013 with no CAP	4	0
• Factories inspected in 2014 with no CAP	49	27
• Factories inspected in 2015 with no CAP	26	9
• Factories inspected in 2016 with no CAP	23	28
• Total inspected factories with no CAP	102	64

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 1 October 2016, 1361 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 55 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**

TITLE Quarterly Aggregate Report -
on remediation progress at RGM factories covered by the Accord

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