

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:

- Empower workers to be able to speak out about unsafe conditions without any risk of retaliation;
- 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. Among other matters, the Alliance will work with these groups to coordinate this program with the implementation of the “National Tripartite Plan of Action on Fire Safety for the Ready-Made Garment Sector in Bangladesh” (“NAP”), which the Alliance supports.

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.