

REGION OF HEIGHTENED
HUMAN RIGHTS DUE DILIGENCE REPORT

MYANMAR



November 2023

BESTSELLER

CONTENTS

INTRODUCTION	2
BESTSELLER's history in Myanmar	2
DETERMINATION OF HEIGHTENED DUE DILIGENCE	2
BESTSELLER'S HEIGHTENED DUE DILIGENCE IN MYANMAR	3
BESTSELLER's approach to due diligence globally	3
BESTSELLER's approach to heightened due diligence in Myanmar	3
BESTSELLER's stakeholder engagement regarding Myanmar	4
Myanmar-specific human rights risks	4
Myanmar-specific requirements and processes to address identified risks	5
Supplier set-up	6
Factory Management and Transparency	6
Materials Management	6
Health & Safety and Labour Rights	6
Military Affiliation	6
Factory monitoring	6
Grievance mechanisms	7
Data on investigated incidents	7

INTRODUCTION

Myanmar is a region marked by human rights risks. As part of our commitment to responsible business conduct, this report offers transparency into BESTSELLER's comprehension and approach to heightened due diligence in Myanmar. The report's aim is to provide clarity on the measures undertaken to promote, protect, and remedy human rights concerns in this context.

BESTSELLER'S HISTORY IN MYANMAR

BESTSELLER began sourcing products from Myanmar in 2014. At the time, the country was transitioning from martial law to quasi-civilian government, and under the EU's Everything But Arms (EBA) scheme, European businesses could and continue to engage in duty free trade with Myanmar businesses. The objective of the benefits offered by the EBA is to foster development through international trade, and as per expectations of Responsible Business Conduct, BESTSELLER engaged in thorough due diligence on our Myanmar business partners and invested in schemes and programmes to promote human rights in the workplace, as we do with all businesses we partner with. For more information about these programmes, please refer to previous Sustainability Report's descriptions of the MYPOD, EuroCham, MADE and Action, Collaboration, Transformation (ACT).

In 2020, following the findings of an independent expert's report on alleged human rights violations by the military and security forces against the Rohingya population, BESTSELLER increased its due diligence on business partners in Myanmar to ensure that BESTSELLER's business was not related to any gross human rights violations.

We mandated all existing and any new business partners, as a prerequisite for doing business with BESTSELLER, provide evidence that their business is in no way connected to the military regime.

In April 2021, as BESTSELLER faced allegations from a Danish media outlet regarding insufficient due diligence on three business partners accused of military affiliation, BESTSELLER commissioned an independent investigation. This was carried out by a recognized human rights expert, which found the allegations to be unfounded and affirmed the effectiveness of the screening processes by BESTSELLER. Following media coverage, the OECD's National Contact Point in Denmark also reviewed BESTSELLER's business practices in Myanmar from 2014 to 2022 and concluded that "BESTSELLER conducted a thorough, systematic and continuous risk-based human rights due diligence in the time periods reviewed".

You can find the NCP verdict [here](#)

DETERMINATION OF HEIGHTENED DUE DILIGENCE

BESTSELLER has determined Myanmar a sourcing country requiring heightened due diligence as a fundamental pillar of the UNGPs (UN Guiding Principles) 'Protect, Respect and Remedy' Framework is not being fulfilled by the government of Myanmar.

In Myanmar, there is a significant risk that, without adequate due diligence, BESTSELLER could inadvertently financially support the military, thus implicating the company in human rights violations. Furthermore, there is an escalated risk of labour rights violations at our suppliers' factories, as highlighted by the Ethical Trading Initiative-commissioned assessment in 2022 and the recent Commission of Inquiry by the International Labour Organisation, both of which underscore the need for heightened due diligence.

BESTSELLER'S HEIGHTENED DUE DILIGENCE IN MYANMAR

BESTSELLER continues to place orders with business partners in Myanmar. As of this report, BESTSELLER has business relationships with **23 factories in Myanmar (compared to 36 prior to the coup)**, which collectively employ 32,000 people, 89% of whom are women. A list of these factories is published every two months in BESTSELLER's Public Factory List.

To ensure the protection of human rights and effective mechanisms for redress at these businesses, BESTSELLER has imposed additional requirements on these business partners, aligning with the UN Guiding Principles for Business and Human Rights Framework.

This includes a series of additional requirements and expectations BESTSELLER places on its business partners to ensure human rights are protected and respected at our business partners operating in Myanmar.

BESTSELLER'S APPROACH TO DUE DILIGENCE GLOBALLY

BESTSELLER employs a risk-based approach to human rights due diligence, maintaining an ongoing, proactive, and reactive process for identifying, monitoring, and mitigating human and labour rights risks, along with remediating actual adverse impacts.

All suppliers and their contracted factories adhere to BESTSELLER's supply chain policies and Factory Standards Programme, which serves as the primary tool for monitoring production site conditions. BESTSELLER addresses specific human rights risks through various social impact and industry initiatives, tailored to the industry-specific risks.

When risks or instances of violations necessitating remediation are identified at factories, BESTSELLER employs clearly defined escalation and remediation protocols, universally applicable across all markets in its supply chain. Detailed information on these standard human rights due diligence processes is available on the company's website and in its latest Annual Report.

While these due diligence processes are universally applied across all sourcing markets, in Myanmar, additional requirements are in place.

BESTSELLER'S APPROACH TO HEIGHTENED DUE DILIGENCE IN MYANMAR

BESTSELLER operates a sourcing office in Yangon, employing 11 people, including 4 social & labour specialists (against a total of four people and 1 social & labour specialist prior to the coup). This physical presence enables on-the-ground investigations into allegations of misconduct that are brought to our attention and in-person remediation where necessary.

Both local and head office employees engage in regular consultation with a range of local and international rightsholders, stakeholders, and experts. Where necessary BESTSELLER updates its due diligence practices and communicates concerns and/or changes to its sourcing partners in the country.

BESTSELLER's Responsible Sourcing department is responsible for managing and executing due diligence processes in Myanmar. These processes undergo regular reviews and updates,

Commercial decisions related to BESTSELLER's actions in Myanmar are endorsed at relevant management levels, including BESTSELLER's Myanmar Task Force, consisting of top management representatives. Furthermore, all significant business decisions require approval and endorsement by the executive management team.

With this current set-up, BESTSELLER can reasonably assure that the rights of employees at sourcing partners are respected.

BESTSELLER'S STAKEHOLDER ENGAGEMENT REGARDING MYANMAR

In the face of elevated human rights risks, BESTSELLER must maintain consistent engagement with a diverse spectrum of stakeholders. These interactions are key to gaining a comprehensive understanding of supply chain-related risks, which can then be used to inform and update the company's due diligence processes.

BESTSELLER engages with the following stakeholders as part of its due diligence processes in Myanmar:

- Workers
- Workplace Coordinating Committees
- Local Trade Unions
- Global Union Federations (e.g., IndustriALL Global Union)
- Myanmar Centre for Responsible Business
- European Chamber of Commerce Myanmar (EuroCham)
- Danish and EU Embassy Representatives
- International and Burmese human rights expertise and legal service providers
- BESTSELLER suppliers and their factory management teams

Based on these interactions and dialogues, which can be formal and informal, BESTSELLER's Responsible Sourcing team develops and enforces standards of conduct and standard operating procedures to ensure that suppliers and their factories operate in accordance with the evolving human rights landscape. Local teams also engage with a variety of stakeholders on monitoring, mitigating, and remediating any cases of rights violations.

MYANMAR-SPECIFIC HUMAN RIGHTS RISKS

The assessment of risks in Myanmar draws from multiple sources, including but not limited to the following:

- Our on-the-ground team of labour rights experts' experience
- Data from due diligence process (please see below)
- Stake- and rightsholder engagement
- Public reports and local news channels
- Independent 3rd party auditing organisations

BESTSELLER has identified the following issues as the four most salient human rights risks in its supply chain in Myanmar.

1.0 CONTRIBUTING TO THE MILITARY THROUGH BENEFICIAL OWNERSHIP

Since 2020, BESTSELLER has implemented a continuous "know your client" (KYC)-level requirement to safeguard its supply chain from inadvertently supporting gross human rights violations by contributing to the military. Please see section 5 of BESTSELLER's Additional Requirements for Myanmar Production for a summary of these requirements. These precautions have been assessed by

an independent human rights lawyer and Denmark's national contact point for the OECD (NCP Denmark). Both found BESTSELLER carried out thorough, systematic and ongoing risk-based human rights due diligence.

2.0 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

BESTSELLER understands that when Freedom of Association is compromised there is an increased risk of general labour rights violations. It is a key mechanism for empowering workers to address a wider range of human and labour rights risk including but not limited to discrimination, occupational health and safety, sexual harassment and gender-based violence, as well as wages and working time.

BESTSELLER's Code of Conduct mandates the presence of workplace coordination committees at all factories in Myanmar and all suppliers and factories are required to respect freedom of association, freedom of opinion and expression, the right to organise and collective bargaining.

Nonetheless, BESTSELLER recognises that the existence of such committees does not necessarily guarantee effective freedom of association and collective bargaining. At the same time, in Myanmar specifically, engaging in organized industrial action carries significant risks.

When worker dissatisfaction is identified, BESTSELLER engages factory management and worker representatives in social dialogue mechanisms in alignment with ACT's 2021 Dispute Resolution Mechanism for Myanmar.

In addition to that, since February 2021, 13 of our partner factories have been enrolled in MADE's Social Compliance Programme, an EU co-funded workplace training on effective social dialogue.

3.0 REASONABLE WAGES

Numerous reports have shown that minimum wages often do not cover the cost of basic needs. Currency devaluations, high inflation, and personal debt resulting from the pandemic have exacerbated this risk. In the context of fewer safe and effective avenues for workers themselves to raise wage-related grievances since the coup, BESTSELLER is taking steps to mitigate the risk of workers receiving wages that don't cover their basic needs.

BESTSELLER has engaged with suppliers and factory management to advocate for higher wages and/or providing relief funds.

4.0 FAIR DISMISSALS

BESTSELLER's supply chain policies stipulate that layoffs – if needed – must be determined fairly, i.e., by the length of time a worker has been employed at the factory and/or related skills. Suppliers in Myanmar are advised to provide BESTSELLER with at least one month's notice of any planned dismissals to allow local teams to verify their fairness before they occur.

For allegations of unfair dismissal, BESTSELLER conducts on-site investigations, involving documentation reviews and worker interviews, to determine fairness and proportionality. In cases of unfair dismissal, BESTSELLER engages factory management and representatives of affected workers in remediation.

MYANMAR-SPECIFIC REQUIREMENTS AND PROCESSES TO ADDRESS IDENTIFIED RISKS

In addition to communicating the specific heightened human rights risks and reporting on what is being done to prevent harm and mitigate those risks, this report shares BESTSELLER's additional Myanmar-specific processes and expectations for suppliers and their factories.

Please note that compliance with these requirements is monitored continuously by BESTSELLER's Responsible Sourcing team. If suppliers and their factories are unable to satisfy these requirements, we do not do business with them.

SUPPLIER SET-UP

- All suppliers operating in Myanmar are required to have a team on the ground in the country to ensure proper management of labour and human rights and cooperation with BESTSELLER's local team.

FACTORY MANAGEMENT AND TRANSPARENCY

- Factories must have no connection with or use services from military-owned companies or sanctioned individuals.
- All factories must have a dedicated compliance colleague on site who has continuous communication with BESTSELLER Myanmar team.
- Any cases that occur in the factory, for example wage disputes, must immediately be reported to BESTSELLER Myanmar team by the factory Production Management.
- Supplier and factory need to confirm the monthly capacity and the number of lines dedicated to BESTSELLER production prior to order placement.
- Supplier and BESTSELLER brands' buying teams must collaborate to ensure agreed capacity is filled monthly with no overbooking or significant under-booking.

MATERIALS MANAGEMENT

- Materials for Myanmar production must come from BESTSELLER Preferred or Approved materials manufacturers (please see our Public Factory List for details of suppliers on this list).
- Sourcing materials from unapproved suppliers for materials, packaging, or trims is not allowed.

HEALTH & SAFETY AND LABOUR RIGHTS

- Factories must report all compliance, health and safety, and labour rights issues to BESTSELLER directly, not solely through the supplier, and work with BESTSELLER to mitigate issues transparently and diligently.
- The safety of workers at the factory, and during the commute to and from the factory, must be secured and regularly reviewed by the factory management.

MILITARY AFFILIATION

- Factories must annually fill in a Self-Declaration disclosing company ownership and land ownership.
- Ownership structures of all factories and the land they occupy must be investigated by an international law firm with local office in Yangon and nominated by BESTSELLER. The investigation report must conclude there are no connections with the military – or with any companies owned by the military through lease of land and factory ownership.
- BESTSELLER does not onboard new factories in high -risk industrial zones on BESTSELLER's observation list.
- BESTSELLER will not onboard new factories before verifying factory ownership and land ownership to determine no military affiliations.
- If the factory is affiliated with / owned by / leases land from, the military, the factory must disconnect from the military affiliation (if possible). If not possible, it will be offboarded from BESTSELLER production.

FACTORY MONITORING

- All factories are subject to our Factory Standards Programme, which monitors over 200 indicators of human and labour rights risks at each factory to assure full compliance with our Code of Conduct. During these visits, BESTSELLER colleagues provide guidance and support on areas for improvements.
- Due to the heightened risks in Myanmar, all factories are visited and assessed monthly, in order to monitor for actual labour rights violations or risk for emerging labour rights violations. During these site visits, BESTSELLER colleagues assess

documentation and interview workers. All worker interviews are conducted without the presence of factory management/

- In addition to scheduled site visits, BESTSELLER conducts unannounced site visits to further monitor labour and human rights conditions at all factories. The frequency of unannounced site visits is determined based on the efficacy of the factory management's human rights management processes, and if there are any allegations of human rights violations that require immediate investigation.
- In addition to BESTSELLER colleague assessments, all factories must complete a third-party factory audit every 18 months.

GRIEVANCE MECHANISMS

- BESTSELLER requires all factories to establish and maintain effective factory-level grievance mechanisms.
- In case of disputes, dialogue is facilitated through bi-partite mechanisms between factory management and worker representatives, such as Workplace Coordination Committees and external labour rights organizations and trade unions. Resolutions are sought that comply with relevant national law and international guidelines.
- In scenarios where the available dispute resolution mechanisms are challenged, independent legal advice is sought and provided.

DATA ON INVESTIGATED INCIDENTS

In the past twelve months (October 2022 – October 2023), BESTSELLER conducted 17 in-depth investigations into 34 allegations of factory-level non-compliance with our supply chain requirements in Myanmar¹. These cases refer to allegations of critical Code of Conduct non-compliance, as well as escalation procedures for factories that did not meet Corrective Action Plans timelines for less critical Code of Conduct violations.

15 of the cases have been investigated and closed and two are pending. Of the 15 closed cases, five found no evidence of wrongdoing, four were addressed in collaboration with relevant rightsholders, and six were addressed with the relevant rightsholders and were judged serious enough to be escalated to brands and factory owners. Where relevant, we have shared the results of these investigations and steps taken to address root cause and remediate any harm caused with the [Business and Human Rights Resource Centre's public Myanmar allegation tracker](#).

The most common types of cases investigated were: General Employment Practices (18%), Wages and benefits (15%), Working Hours (15%) and Unauthorised subcontracting (9%).

The cases were raised via the following channels: 47% from local media, 18% from BESTSELLER factory monitoring, 18% from local NGOs, and the remaining cases coming from a combination of local and international unions and federations and international NGOs.

¹ Please note that one investigation can be into multiple incidents, for example, our team can investigate allegations that wages and working hours are not compliant with our standards, this would be recorded as one investigation into two allegations.

End

BESTSELLER