

FASHION FWD

SUSTAINABILITY
REPORT 2019

BESTSELLER



A MESSAGE FROM OUR CEO & OWNER

The COVID-19 pandemic has had a devasting global impact both in terms of health and economics. It has left lasting scars on our entire industry, our business and our partners throughout the entire value chain.

The fashion business is in 'reset' mode. In BESTSELLER we have endured severe losses, and have had to say goodbye to many dear colleagues. However, more than ever it is evident to us that sustainability is an absolute basic principle for creating a resilient world with thriving businesses, and we must provide products to our customers with a continuously increasing inherent value.

The ongoing crisis has emphasised that our strategic partnerships are crucial. The importance of strong relationships with our partners and suppliers, through which we have grown our common business over the years, really show their value during these uncertain times. We are grateful for all these relationships.

Through responsible business practices, we aim to retain as many jobs as possible throughout the value chain, where continuous improvements on safety, health, and labour rights remain a core focus. We have seen, and will unfortunately continue to see, job losses throughout the value chain due to this crisis. In the coming years, we must do our utmost to regain what is lost. With a long-term approach we can work with our partners to build a more resilient business, and contribute to the positive development of our industry. We, as well as our trusted partners, must continue to invest in sustainability to overcome the crisis.

We cannot lose momentum on the progress and the important initiatives we have worked hard for in recent years. Some things might take longer, and some must be accelerated. Working towards achieving true sustainability will always be a work in progress.

"We need to adapt to the reality we act in – and act to achieve the reality we wish to be a part of."

Achieving true sustainability as a business is a complex matter. We need to be able to think fast, align and adapt internal company processes and ways of working to ever-changing market needs, meeting the demands of the future within planetary boundaries, and bringing positive impact to people and local communities.

While this remains a big challenge, it also opens up new territory where we can explore how innovation can counterbalance and bring positive environmental and social impacts to the fashion industry.

There is a compelling business case for those who apply systems thinking to embed sustainability into their operations to achieve long-term environmental, financial and social value.

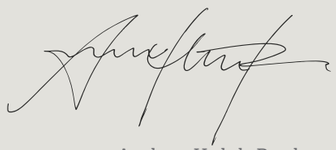
The widescale shutdown of offices, production, transport and so much more because of COVID-19, and the ingenuity of our colleagues in finding new ways of working in the midst of this, has also stressed the absolute necessity for us to embrace a digital future. Through our app-based B2B platform, we have now developed livestreamed sales events, we have put focus on 3D design, digital samples, digital showrooms, digital wages and more. All this will not only strengthen our business, but also significantly affect our environmental footprint.

Since we launched our sustainability strategy, Fashion FWD, we have taken some important steps in building a foundation that will enable us to address some of the fashion industry's key sustainability challenges.

2019 was an activity-filled year for us. Notable highlights included becoming a signatory of the G7 Fashion Pact, an industry-wide movement focusing on climate, biodiversity and oceans, with the aim of aligning the fashion industry with the UN Sustainable Development Goals.

As we continue our work with HERproject™, we are pleased to have intensified our partnership with BSR to become a Catalyst Member and a long-term partner of HERproject™, further accelerating our goal of supporting 100,000 women in tier 1 factories. At the end of 2019, we have sourced a combined total of over 74 percent of more sustainable cotton and we see promising progress on the use of other more sustainable materials across our brands.

We understand that even with a solid and ambitious strategy in place, it remains important to seek support in this transformation. The task at hand is a great one. It is only through collaborations with industry-wide stakeholders and initiatives that we can begin to tackle these challenges, such as climate change, loss of biodiversity, human rights issues and circularity. As a company with a wide reach, we know we have a large responsibility and sustainability is increasingly embedded in our culture and in everything we do.



Anders Holch Povlsen
Owner & Chief Executive Officer

"Since we launched our sustainability strategy, Fashion FWD, we have taken some important steps in building a foundation that will enable us to address some of the fashion industry's key sustainability challenges."

Anders Holch Povlsen,
Owner & Chief Executive Officer

2019 SUSTAINABILITY **HIGHLIGHTS**

FROM OUR BRANDS

SELECTED has increased its **organic cotton sourcing to 65%** of its overall supply.

4,5 million styles of ONLY LIFE have been sold in 2019.

VERO MODA's use of more **sustainable man-made cellulosic** fibres has reached **22%** of its overall supply.

JACK & JONES has sold more than 100,000 jeans with **post-consumer waste cotton.**

We have launched our first Digital Showroom with VERO MODA in Hamburg, Germany, and **decreased the number of sales samples used in the showroom by 35%.**

VERO MODA joined The Jeans Redesign project in collaboration with Ellen MacArthur Foundation's Make Fashion Circular initiative.

AT BESTSELLER

BESTSELLER has **become a Catalyst Member and strategic partner of BSR HERproject™**, accelerating our journey to supporting 100,000 women in garment factories.

We have engaged 227 factories in the adoption and utilisation of the Higg Facility Environmental Module (Higg FEM)

74% **of our total cotton consumption in 2019 was sourced more sustainably,** in which 14% of that was from an organic source.

We have **become signatory of the G7 Fashion Pact** to show our support to a series of commitments based on Science-Based Targets (SBTs).

We have formed a new partnership with BHive and piloted their chemical management tool with **18 facilities** in Bangladesh, India, Pakistan and Turkey.

TABLE OF **CONTENTS**

06 ABOUT BESTSELLER

10 FASHION FWD

11 OUR SUPPLY CHAIN

15 ENGAGING FWD

26 MAKING FWD

36 CREATING FWD

46 DELIVERING FWD

54 INVEST FWD

56 OUR PEOPLE

60 SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

61 MULTI-STAKEHOLDER PARTNERSHIPS AND COLLABORATIONS

In this report, we will share our progress on how and what we are doing to manage our growth responsibly and in a way that creates value for our stakeholders. All information and data covered in this report concern activities undertaken from 1 January 2019 to 31 December 2019. The report covers all brands under BESTSELLER, including JACK & JONES, VERO MODA, ONLY, SELECTED, MAMALICIOUS, VILA, OBJECT, JUNAROSE, Y.A.S, NOISY MAY, PIECES and NAME IT.

COVID-19

The sustainability report covers the year 2019. However, it is impossible not to view things in the light of the ongoing COVID-19 pandemic and the health and economic crisis it has brought upon us all in 2020.

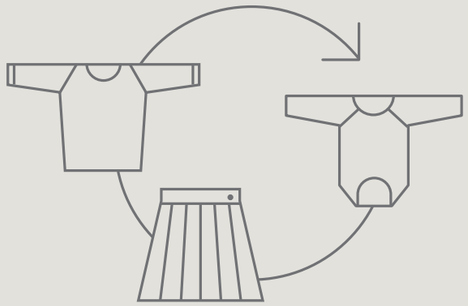
ABOUT BESTSELLER

BESTSELLER is an international, family-owned fashion company with a strong and distinct character.

BRINGING PEOPLE AND FASHION TOGETHER

We are a family company founded by the Holch Povlsen family in 1975. With a strong and distinct character, BESTSELLER has remained true to what we have always believed in, bringing people and fashion together in a way that brings out the best in everyone.

BESTSELLER has a global reach, with products for men and women of all ages. From clothes to accessories, BESTSELLER brings fashion to our customers across Europe, Asia and America. Our brands include JACK & JONES, VERO MODA, ONLY, MAMALICIOUS, VILA, SELECTED, JUNAROSE, Y.A.S, NOISY MAY, PIECES and NAME IT.



BESTSELLER AT A GLANCE

4 *continents*

70 *markets*

2,750 *branded chain stores*

about ***17,000*** *people*

20,000 *multi-brand and department stores*

3.5 *billion EUR net turnover*

"Our goal is to bring quality fashion to everyone, made in a responsible way that takes into consideration the impact we have on our environment and our people for generations to come."

Dorte Rye Olsen,
Sustainability Manager



SUSTAINABILITY AT BESTSELLER

As a fashion company of about 17,000 people, we want to leverage our size to contribute to a better and safer future for generations to come. To do this, we take a holistic approach to ensure the impact we have in our value chain will be a positive one for both our people and our environment.

Sustainability is increasingly embedded throughout BESTSELLER and is a part of BESTSELLER's identity. By helping tackle global sustainability challenges, we have learned that sustainability can drive business success. Our ability to be a good business ultimately depends on how we integrate sustainability within our business. This includes operating our business ethically, producing our products responsibly, valuing our people greatly, building a resilient supply chain and providing value to our stakeholders. Sustainability to BESTSELLER means creating long-term value.

"Through our business operations, we hope to make a positive impact socially, economically and environmentally."

To BESTSELLER, sustainability means embracing innovation and mitigating risks. Not only to future-proof our company but also for the benefit of future generations. We want to create a breeding ground that produces positive impact.

In recent decades, BESTSELLER has evolved in its sustainability journey from focusing on supplier compliance to implementing sustainability-led systems thinking across the entire value chain – from raw materials, to human rights, to product sustainability, to end-of-use. We are on a continuous journey, improving our business to become a purpose and value-driven company, all the while increasing our transparency to further build trust with our stakeholders.

STAKEHOLDER ENGAGEMENT

Understanding and engaging with our stakeholders is important to us. It helps address the most relevant issues and identify how we can create value to our communities. Through internal efforts and industry-wide initiatives, we engage with our stakeholders on a continual basis where we seek their feedback on material issues that are relevant to BESTSELLER and have the greatest economic, environmental and social impact.

In BESTSELLER, we identify stakeholders based on who we have an impact on and how they influence our business. Our stakeholders include colleagues, suppliers, workers, NGOs, industry associations, customers/wholesalers, retailers, end-consumers, policy makers and media. We engage with our stakeholders on a regular basis through various means such as workshops, events, interviews, meetings, surveys and initiative engagements.

We engage with our stakeholders through our industry-wide collaborations with international organisations including the Sustainable Apparel Coalition (SAC) and the Apparel & Footwear International RSL Management Working Group (AFIRM), the Better Cotton Initiative (BCI), Ethical Trade Initiative (ETI) and Textile Exchange (TE), the Bangladesh Accord on Fire and Building Safety (ACCORD) and Action Collaboration Transformation (ACT). See page 61.



FASHION **FWD**

At the end of 2018, we launched our Fashion FWD strategy and the message was clear, we want to accelerate fashion's journey towards a sustainable reality.

Fashion FWD emphasises the immediate need for inclusive and holistic action on sustainability across the value chain from raw materials, production, and own operations to customers and end-of-use.

Our North Star is our ultimate ambition and commits us to bring Fashion FWD until we are climate positive, fair for all and circular by design.

Our Fashion FWD strategy, running from 2019 to 2025, will turn ambition into action and launch us towards our North Star. Our strategy is based on becoming as sustainable as possible, as soon as possible, across four focus areas covering our value chain.

In 2019, we have taken some foundational and significant steps towards reaching our Fashion FWD goals. We have taken many steps behind-the-scenes in building roadmaps and setting baselines to help launch us towards our Fashion FWD goals, in addition to many adaptations and pilot projects around our business processes, product design and material sourcing.



Bringing Fashion FWD until we are climate positive, fair for all and circular by design

Our ultimate ambition. As a shared goal for our colleagues and partners, guiding our strategy and actions to doing good business.

Climate Positive
Our business will have a positive impact on our planet's climate across our value chain by removing more greenhouse gasses than we emit.

Fair for All
Everyone working in our value chain will be equally empowered by jobs that are safe, that protect human rights and provide fair incomes and opportunities for everyone to reach their personal potential.

Circular by design
Our business model will be based on design principles that prioritise efficiency and the reuse of resources at every level, from fibres to water and chemicals to post-consumer, in order to minimise water and keep resources in use.

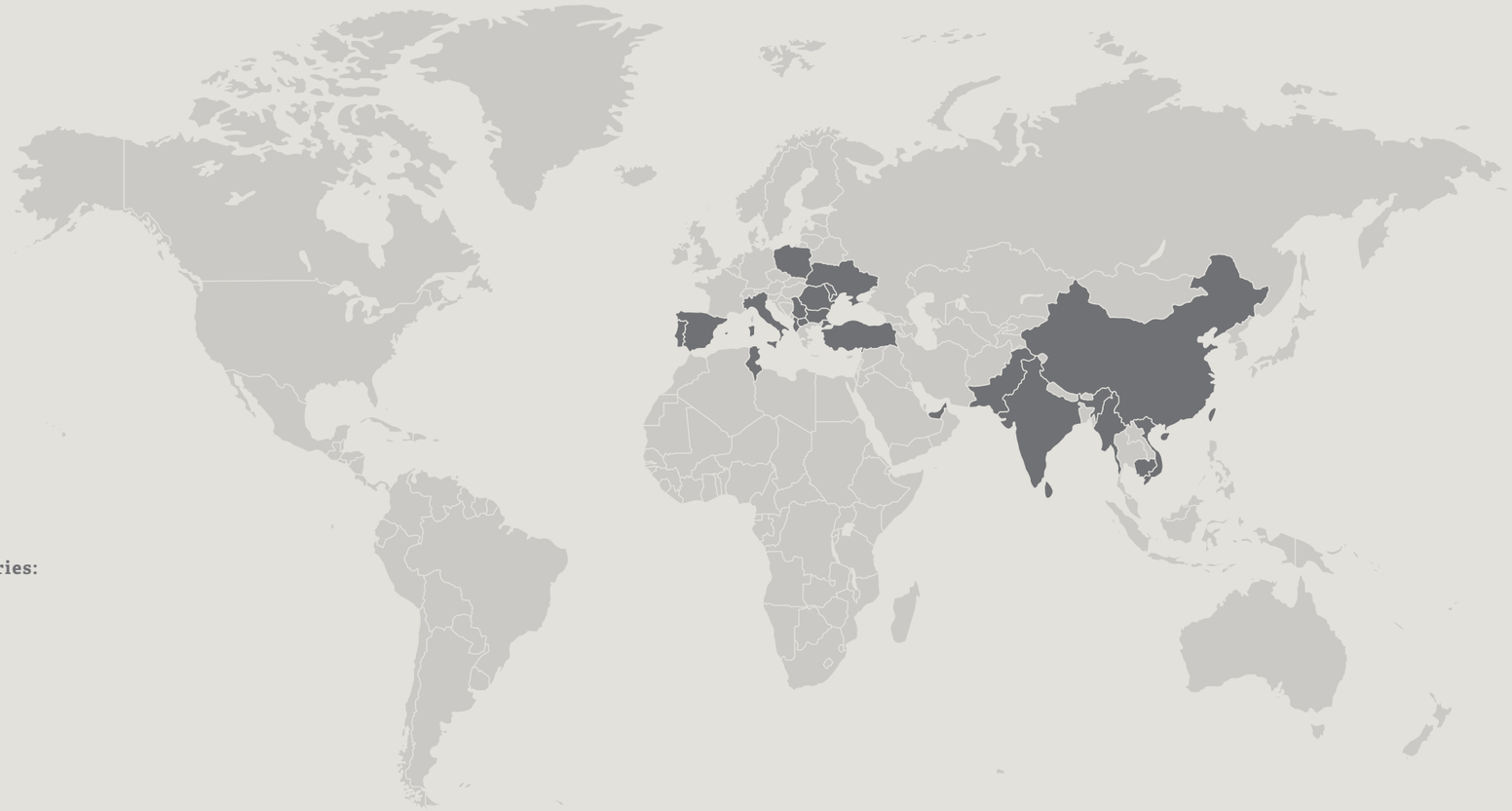
OUR SUPPLY CHAIN

Our business activities involve thousands of workers across the world and influence a range of issues from workers' rights, decent working conditions and the environment. We continuously work to improve our supply chain management to address these issues and partner with suppliers to identify and track salient labour rights issues and environmental risks, and to find long-term sustainable solutions.

Suppliers:
444

Number of factories:
755

Number of onsite factory visits:
1,017
839 performed by local teams
178 performed by third party



Tier 1 Factories:
China
India
Bangladesh
Turkey
Albania
Bulgaria
Cambodia
Macedonia
Italy
Moldova
Mauritius
Myanmar
Pakistan
Poland
Portugal
Romania
Serbia
Spain
Sri Lanka
Tunisia
Turkey
Ukraine
UAE
Vietnam

BESTSELLER's Responsible Sourcing team counts 35 global colleagues distributed across our head offices and local sourcing offices. In each sourcing office, the teams are divided into Social & Labour Teams and Chemical & Environment Teams. Together, the teams monitor and assist factories producing for BESTSELLER to ensure they comply with our Code of Conduct and local laws within labour and human rights, health and safety, and protection of the environment.

Our local teams also play an important role by engaging in various training and capacity building programmes with our suppliers, motivating and enabling them to improve their performance on social and environmental sustainability.



FACTORY STANDARDS PROGRAMME

Through our factory standards programme, we identify and address issues within labour and human rights, health and safety concerns and environmental risks.

The programme is managed by our Responsible Sourcing Team and it is an integral part of our business and sourcing practices. The objective of the programme is to ensure that all applicable human and labour rights are protected for workers in our supply chain, that decent working conditions prevail, and that BESTSELLER's production does not have a negative impact on the environment.

One key feature of the Factory Standards Programme is to uphold basic compliance requirements among the factories producing for BESTSELLER. These requirements can be found in local labour and environmental laws and in the BESTSELLER Code of Conduct and related sustainability policies, which are available on our website.

Another equally important element of the programme is the various capacity building and training activities that we undertake with our suppliers. These activities assist our suppliers' ongoing development within social and environmental sustainability, and thus raise the bar well beyond compliance.

Our factory list can be found on our webpage about.bestseller.com. This list is updated twice per year.

UPHOLDING BASIC COMPLIANCE REQUIREMENTS

At BESTSELLER, we do not own any factories, but collaborate with several suppliers and factories to produce our products. This setup sets the conditions for how we can work with our suppliers.

All factories must go through a comprehensive onsite social & labour and chemical & environment assessment from one of our local Responsible Sourcing teams – or from a third party appointed by BESTSELLER – to be approved for BESTSELLER

production. Following these assessments, the factory must be approved by BESTSELLER's Head Office. If the factory is not approved, it will either go through a remediation process, or it will not be opened for BESTSELLER production.

If the factory goes through remediation, clear deadlines must be followed, and our local teams will support the factory in the remediation process. Hence, the Factory Standards Programme is not only monitoring basic compliance; it also helps our suppliers improve their working conditions. In cases where there is a lack of commitment from management or improvements are inadequate, the factory will not be opened for production for BESTSELLER.

Once factories are approved, they are subject to a routine procedure where we check and assist social and environmental performance and continuous improvements.

Our local teams also hold regular seminars and training sessions with our suppliers, to regularly update and train them on our requirements, and to ensure that they are up to date with the latest industry knowledge.

A large part of our production is placed in factories that have been producing for us for 20 years or more, and over the years we have developed our respective businesses together in close partnerships based on mutual respect, trust and transparency. Such partnerships provide us with a good opportunity to develop and implement our sustainability efforts together.

With factories where our partnership is still relatively new, we focus on building trust and transparency, so we can mutually improve on sustainability.

COVID-19

The benefits of having a strong global team has been apparent during the COVID-19 pandemic. Our local Responsible Sourcing teams are in close dialogue with suppliers to assist them and to monitor conditions.

- **Dialogue with our suppliers:** We have maintained an even closer dialogue with our suppliers since the global outbreak of COVID-19, increasing our level of information and ability to assist factories in a challenging time.

- **Focus on risk areas:** We have especially focused on preventive measures, wage payments and that any dismissals adhered to all legal requirements, as we see these as the main labour and health risks caused by COVID-19.

- **Status tracking:** We have specifically tracked temporary and permanent factory closures, layoffs and wage payments on a monthly basis for all risk regions, enabling us to act preventively on critical risks.

- **COVID-19 guidance material:** We have developed and distributed COVID-19 guidance material for factories on financial support opportunities, which may help factories get through the financial squeeze most actors in the garment sector are facing. The guidance also includes health and safety and preventive measures to avoid uncontrolled spreading of the virus.

- **Online training with factories:** Since travel restrictions have prevented us from visiting factories, we have scaled up online training (e.g. how to reopen production in a safe manner, how to restart effluent treatment plants, what preventive measures to take).

OCCUPATIONAL HEALTH AND SAFETY

Our work is to ensure that health and safety is embedded within all our sourcing processes, including supplier onboarding and relationship development. Our standards and requirements around occupational health and safety in the supply chain are included and well-represented in BESTSELLER's Factory Standards Programme that is being closely monitored by our compliance teams. To help our suppliers meet higher standards for occupational health and safety and encourage them to invest in developing those standards, we have decided to invest in developing a business case that links occupational health and safety and productivity in the factories. Having a strong business case helps us and our suppliers to further build internal and external awareness and interest for sustainable supply chain objectives, thus promoting sustainability of the supply chain as a business enabling platform.

In 2015, BESTSELLER joined the Productivity and Occupational Health and Safety project (POSH), designed by the University of Aalborg (Denmark) in collaboration with Ahsanullah University of Science and Technology (Bangladesh), and funded by Danish Development Agency (DANIDA). The project aimed to provide proof of synergies between productivity, quality and occupational health and safety (OHS).

The project has been successfully completed in 2019 within seven factories from BESTSELLER's supply chain. As per project outcomes, factories that participated in the project benefited from increasing average score of 5S audit, increased target achievement and decreased DHU (number of defective garments found in inspected garments).

COVID-19

The global pandemic has once again underlined the importance of occupational health and safety (OHS). We are glad that our POSH project in Bangladesh helped our participating suppliers to develop OHS tools that help design production outlines in a way that help prevent the spread of the virus.

5S audit score increased by
15%

Target achievement increased by
9%
(actual sewing output items compared to set output target)

DHU decreased by
5-15%
depending on complexity of the style

RAISING THE BAR BEYOND COMPLIANCE

In addition to the compliance part of the Factory Standards Programme, we are also engaging in a range of activities with our suppliers to raise the bar well beyond compliance.

A big challenge in the global garment industry, is that many production workers in popular global sourcing regions are not very aware of their basic rights or how to ensure their rights are protected in an employee-employer relationship. Likewise, middle management may not always know how to best engage in constructive social dialogue. Hence, training and capacity building is critical at different management levels in many factories. However, the practical task is immense as the number of employees requiring training is extensive.

Introducing a digital solution

As a response, BESTSELLER has teamed up with QuizRR – a growing global organisation providing digital training solutions for the education of workers and mid-level managers in various labour-related subjects. Workers are trained via short educational real-life situation videos and questionnaires, which provide both them and BESTSELLER with important feedback. The solution is easily scalable and enables factories to implement training of an extensive number of workers. In 2019, we have initiated a pilot with QuizRR and factories in Bangladesh and China. The pilot will continue and be evaluated during 2020.

SMART TAG Myanmar

Over the years, BESTSELLER has had a strong focus on human rights due diligence in Myanmar and has supported the reform process. In December 2019, we became inaugural members of the SMART Textile & Garments (SMART TAG) programme in Myanmar together with two other global brands.

SMART TAG is an EU co-funded programme supporting the sustainable development of the Myanmar textile and garment industry. Through SMART TAG, factories producing for BESTSELLER will join training workshops and participate in customised onsite management training programmes related to health and safety, workplace dialogue, chemical risk management, child labour prevention etc.

Additionally, SMART TAG is training and educating local sustainability experts, who will be able to support the sustainable development of the local garment industry on a broader level moving forward. Implementation of SMART TAG activities in BESTSELLER factories will begin during 2020.

Being a region of particular human rights risks, we are taking additional steps to avoid causing or contributing to human rights violations in Myanmar. Read our policy on Sourcing Regions of Particular Human Rights Focus on our website (about.bestseller.com).

Read more about our engagement in Myanmar on page 21.

COVID-19

Due to the impact of COVID-19, SMART TAG has currently redirected their efforts into the Myan Ku Fund. The Myan Ku Fund has obtained funding from the EU and financially supports vulnerable garment workers in Myanmar who have lost their job and source of income due to the COVID-19 economic downturn. BESTELLER is supporting this change of focus during the COVID-19 situation.

4

factories joined the QuizRR pilot: 2 in China and 2 in Bangladesh

4,162

workers and managers trained through QuizRR





ENGAGING FWD

Our vision

We will promote dignity, equality and safe working conditions for all people across our value chain until fair incomes and respect for human rights are the norm.

ENGAGING FWD

GOALS

BY 2025

through industry collaboration, we will implement mechanisms to promote fair living wages.

BY 2025

workers and managers in all factories in our Productivity and Social Dialogue programme will engage in social dialogue, driving productivity improvements and greater shared social value.

BY 2025

we will support 100,000 women in tier 1 factories to achieve workplace empowerment and improved life-skills.

BY 2025

all suppliers will have invested in fire, electrical and building safety and show continuous improvement.

WE ARE **ENGAGING FWD** BY WORKING BETTER

As a large fashion company, we are touching the lives of millions of workers in our supply chain every day. This also means we have enormous opportunities and responsibilities to promote the wellbeing of the workers in our supply chain and support national stakeholders in driving the garment and footwear industry forward.

By building strong, mutual and trusting relationships with our suppliers, unions, employer associations and other related national stakeholders in the countries where our goods are being produced, we seek to develop a value chain where fair incomes and respect for human rights are the norm.

Protecting the human rights of the workers in our supply chain is integral to BESTSELLER's values. We want to contribute to a better tomorrow by using business as a force for good.

In 2019, we created a framework of action that is focused around making an impact in our supply chain depending on the regional context where our clothes are being produced.

Five main impact areas were identified and prioritised to be included in the framework of action:

Fire, electrical and building safety

Promoting social dialogue to improve worker's lives

Payment of wages

Women's empowerment

Social dialogue and productivity

ENGAGING WITH FACTORIES AND SUPPLIERS

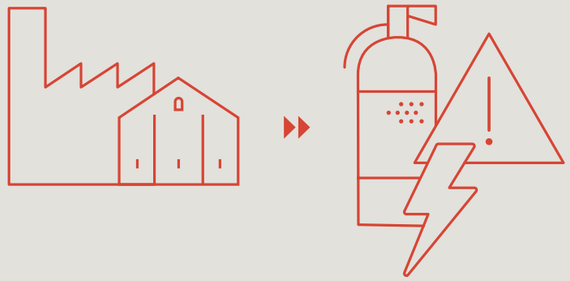
Working in a healthy and safe workplace is a fundamental right for all workers regardless of country of origin, occupation, gender or religion. Our approach towards health and safety in manufacturing facilities has been based on two main objectives that we have been developing over the past few years: Occupational Health and Safety (OHS) and fire and building safety. See page 13.

FIRE AND BUILDING SAFETY

In order to increase productivity, job performance and job satisfaction levels, we need to provide workers with safe and good physical working conditions, fire and building safety being one of them. It is absolutely paramount that workers are safe from fire and electrical risks, and are able to work in safe, structurally sound buildings. We are a signatory to the Bangladesh Accord on Fire and Building Safety (the Accord), an independent agreement designed to make all garment factories in Bangladesh safe workplaces. We have worked with the Accord to make significant improvements at the factories in Bangladesh that manufacture our products. These include independent safety inspections at factories and public reporting of the results of these inspections. To measure and transparently report on our progress under the Accord, we have included a dedicated goal in our Fashion FWD Strategy: **By 2021, we will achieve 100% remediation and safety training under the Bangladesh Accord.**

The Accord will from June 2020 be replaced by RMG Sustainability Council (RSC), a sustainable solution to carry forward the accomplishments already made on workplace safety in Bangladesh.

To build up on our efforts around fire and building safety, BESTSELLER has joined and become a steering committee member of the Life and Building Safety (LABS) initiative that is facilitated by the Sustainable Trade Initiative (IDH). Working with LABS, we help improve the working conditions of garment workers – especially in India – by addressing risks related to fire and electrical hazards, structural building safety and providing proper safety training for workers. Under the LABS initiative, we are joined by our peers in an industry-wide program that works to effectively mitigate risks related to building safety.



In 2019, 10 of the suppliers and 11 of the factories we work with have participated in the pilot assessments where LABS reviewed their structural, fire and electrical safety issues.

PROMOTING SOCIAL DIALOGUE TO IMPROVE WORKERS LIVELIHOODS

Empowering workers to engage in constructive social dialogue – meaningful discussion between employers, workers and their representatives on social and labour issues – is vital to enabling workers to understand their rights, voice their needs and negotiate improvements.

This is a long-term process and, in production countries where the workplace social dialogue model is not yet established, we collaborate with suppliers and national stakeholders (trade unions, employer associations, governments, etc.) in discussing key labour rights challenges. These challenges include decent wages, collective bargaining, freedom of association, and health and safety. Thus, one of our top priorities is to promote social dialogue in our supply chain.

Our approach towards promoting bi-or-tripartite social dialogue has been based on two main objectives that we have been developed over the past few years:

- Development of workplace social dialogue in factories
- Development of social dialogue on sectoral/ industrial level



DEVELOPMENT OF WORKPLACE SOCIAL DIALOGUE IN FACTORIES

We believe that by engaging in interdependent meaningful social dialogue and productivity, we create value for workers, suppliers and our company by creating a more stable supply chain and addressing sustainability needs of our consumers.

Since 2015, we have engaged with five factories and ***16,834*** *workers in our social dialogue programme in Bangladesh.*

Since 2015, we have engaged with five factories and 16,834 workers in our social dialogue programme in Bangladesh. The same year, we also joined the Productivity and Occupational Health and Safety Project designed by University of Aalborg (Denmark) in collaboration with Ahsanullah University of Science and Technology (Bangladesh), and funded by DANIDA. Based on what we have learned from both projects in Bangladesh and understanding the complexities of labour right framework in countries without established social dialogue, we have joined forces with the Danish Ethical Trade Initiative, Danish labour union 3F and Aalborg University in co-designing the Productivity, Occupational Health and Safety and Social Dialogue Project in Myanmar – called MYPOD. We started a three-year long project in 2017 with the overall objective of enabling Myanmar's garment industry to generate better jobs, improve worker satisfaction, boost productivity and help position Myanmar as a significant contributor to the global apparel industry.

From the beginning of MYPOD, one main strategic aim of the project was to produce a micro-level business case involving seven factories, looking at productivity improvements through LEAN interventions integrating social dialogue.

However, social dialogue baseline studies and further engagement in the project have shown that before focusing on micro-level interventions there is an urgent need to first create an environment in the country that enables factory-level social dialogue. Currently, the MYPOD project is undergoing a revision and re-design phase that will enable it to play a more integral role in supporting national stakeholders during and post-COVID-19's spread.

BUILDING THE BUSINESS CASE

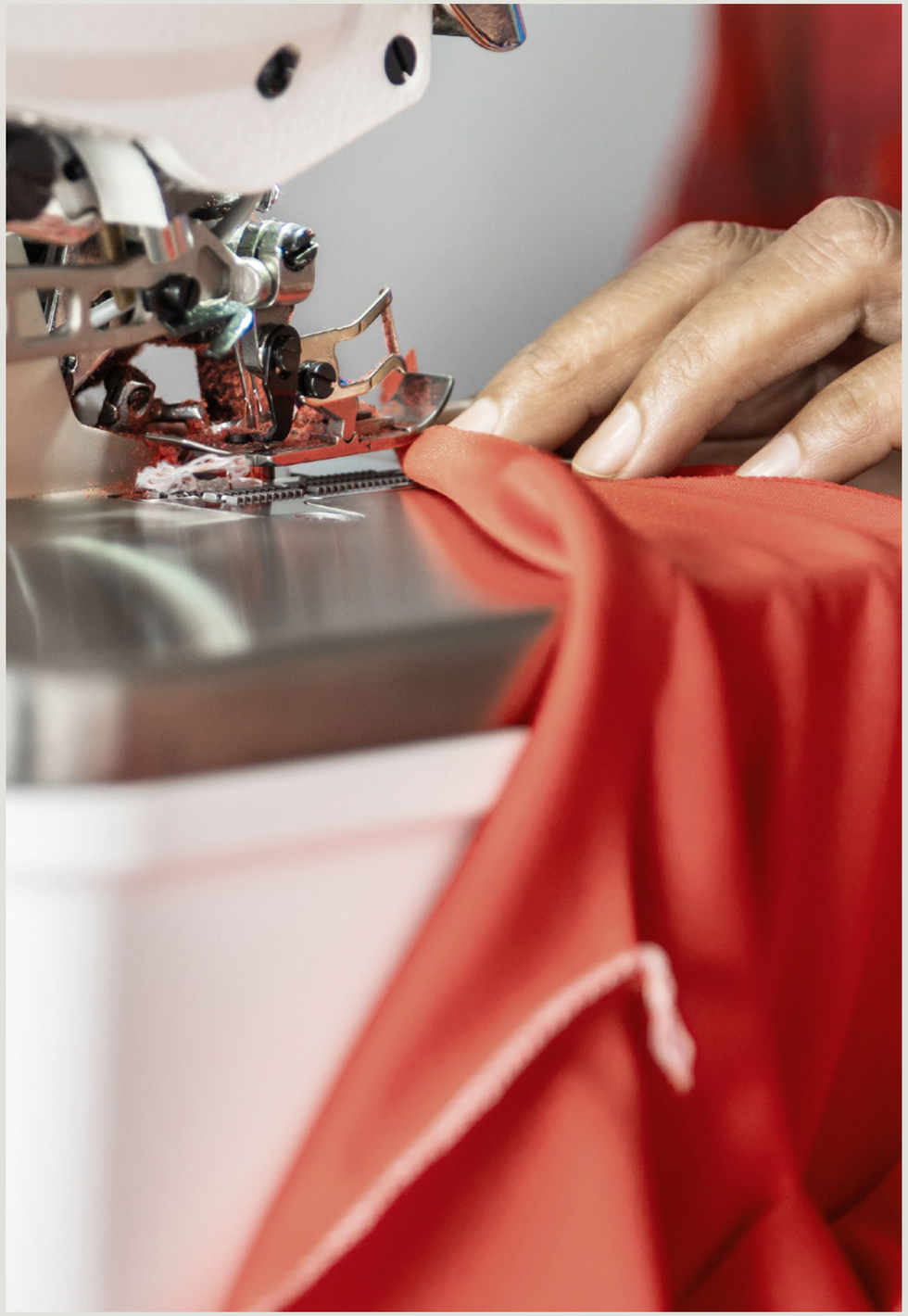
In order to scale up our efforts to support social dialogue and productivity in our supply chain, we have re-designed BESTSELLER's Productivity and Social Dialogue Programme based on lessons learned from our projects in Bangladesh and Myanmar, thus taking a big step forward towards achieving one of our Fashion FWD goals: **By 2021, we will have evaluated and redesigned our Productivity & Social Dialogue programme based on learnings from Myanmar and Bangladesh and further implemented improvements for management and workers in partnership with our key suppliers across key sourcing countries.**



In order to pilot the project, BESTSELLER has joined forces with one of our key long-term suppliers in Turkey, Deniz Tekstil, which has nominated one of their factories for the pilot, and Pamukkale Technical University, which will provide productivity and social dialogue-related training/intervention. While initially expected to last 12 months, the project is likely to experience delays due to COVID-19.

The productivity component of the project will focus on: production processes, sample room, pattern and marker making, warehousing, inspection processes, pressing, product safety and satisfaction, etc. The social dialogue component of the project will focus on: labour rights and responsibilities, worker representation committee, dispute settlement mechanism, dialogue and reporting lines within an organisation, worker wellbeing, occupational health and safety, etc.

Upon completion of the pilot, we will use the experience and outcomes we have gained from the project to present a business case to other suppliers, and promote social dialogue and productivity in our supply chain, thus working towards to yet another Fashion FWD Goal: **By 2025, workers and management in all factories in our Productivity & Social Dialogue programme will engage in social dialogue driving productivity improvements and greater shared social value.**



FREEDOM OF ASSOCIATION GUIDELINE IN MYANMAR

To achieve a better balance between business needs and worker expectations and to address the need of creating an environment in Myanmar that enables tripartite social dialogue, BESTSELLER together with two other global fashion retail brands has engaged with local labour unions and suppliers' representatives in establishing the Freedom of Association (FOA) Guideline.

The process has been managed and further developed by the ACT (Action, Collaboration, Transformation on Living Wages) initiative, which BESTSELLER is a member of. Along with other brand representatives, ACT secretariat, a local labour union (affiliate of IndustriALL) and employer representatives, BESTSELLER contributed to establishing the FOA Guideline that has been approved by ILO. As a next step, BESTSELLER – together with other partners – will support local unions and employer representatives to engage in negotiating a dispute settlement mechanism in March 2020.

For more information on Myanmar FOA Guideline, please visit www.actonlivingwages.com/myanmar

COVID-19

Myanmar during the COVID-19 crisis

The dialogue platform that has has been created by ACT, global brands, local trade unions and employer representatives proved crucial in supporting the country during the COVID-19 pandemic. As a response to financial and social challenges caused by the global spread of COVID-19, global ACT brands sourcing from Myanmar, suppliers and national and global trade unions have established a brand-employer-trade union dialogue to work towards protecting factories and workers from the worst impacts of the COVID-19 pandemic and effective implementation of freedom of association in Myanmar's garment and footwear industry.

A joint statement has been endorsed by all the participants and officially published on 12 May 2020. The parties that endorsed this statement commit to work together to effectively operationalise the COVID-19 Call to Action in the Global Garment Industry agreed by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union.

SETTING THE PACE FOR ACHIEVING **LIVING WAGES**

As a fashion company, we have a shared responsibility to increase the income of garment workers to the minimum income necessary for them to meet their basic needs and the needs of their families, with a percentage of additional income for saving and spending.



The topic of living wage is an industry-wide and complex matter and needs to be addressed by the industry as a whole to work towards linking purchasing practices to the payment of a living wage for garment workers.

BESTSELLER is a member of Action Collaboration Transformation (ACT) – an agreement between global brands and retailers and trade unions to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining between workers, employers and their representatives at industry level that is linked to purchasing practices.

*BESTSELLER has signed a **Memorandum Of Understanding** (MoU) with IndustriALL and agreed to respect and deliver on five ACT Purchasing Practices commitments in a progressive manner.*

Since joining ACT initiative in 2018, BESTSELLER has taken an active role in moving the initiative forward in Myanmar, Cambodia, Turkey and Bangladesh. Being an ACT member, BESTSELLER has signed a Memorandum Of Understanding (MoU) with IndustriALL and agreed to respect and deliver on five ACT Purchasing Practices commitments in a progressive manner.

Furthermore, we have also allocated resources from head and local offices to drive the ACT initiative in related countries. ACT has various working groups that we are an active member of, including Turkey Country Working Group, Myanmar Country Working Group, Bangladesh Country Working Group, Cambodia Country Working Group, Purchasing Practices Working Group, Freedom of Association Guideline Training in Myanmar Working Group, Training on Responsible Sourcing and Buying Working Group.

Having the resources, the right and power to organise and bargain collectively in accordance with ILO Conventions at an industry level is an important and fundamental step to enabling the garment industry to achieve a living wage. Linking to purchasing practices means that payment of the negotiated wage can be implemented by legal terms of contracts.

As one of the important actors in the garment industry, who has the ability to influence and steer the industry landscape, we must exercise our responsibility and role in achieving living wages for apparel workers in the global supply chain. The matter is urgent and we must act to close the living wage gap in a reasonable timeframe.

COVID-19

ACT

Our membership with ACT enables us to collaborate closely with global brands, national and global trade unions, and employer associations to closely monitor the labour situation during COVID-19 in countries like Bangladesh, Myanmar, Cambodia and Turkey. We work closely with all involved national and global stakeholders to monitor and improve the wage situation in factories supplying for ACT brands, implementation of health and safety regulations set by national governments, and respect of freedom of association during and after COVID-19.

DRIVING **WOMEN'S EMPOWERMENT** IN THE GLOBAL GARMENT SUPPLY CHAIN

For almost a decade, we have been working with Business for Social Responsibility (BSR) and its local partners on creating an environment that enables women to develop and access resources for continuous personal development. To achieve this and increase our impact, BESTSELLER has proudly become a catalyst member of HERproject™ in the beginning of 2019. By the end of 2019, we had intensified our partnership with BSR and formed a five-year strategic partnership with the initiative. The new strategic partnership will help BESTSELLER accelerate towards one of our Fashion FWD goals: **By 2025, we will have improved work and life skills for female workers in key sourcing communities through industry collaboration, partnering with HERproject™, and in accordance with the UNGC's women's empowerment principles.**

For us, the benefits of empowering women are very clear: factories that invest in women's empowerment experience reduced worker turnover, reduced absenteeism related to health problems, improved communication and social dialogue between workers and management, and higher productivity. Women who have access to information regarding their health and personal development can make better decisions for themselves and their families. The effects of empowering women go beyond the workplace, as we have witnessed numerous cases of knowledge being disseminated amongst family and friends, which creates a positive impact for the entire community. Through our collaboration with HERproject™, we have been able to see that factories, which adopt women's empowerment practices, become more inclusive, productive and profitable workplaces. Empowering women in our supply chain is essential to strengthening our supplier base, achieving a more stable and sustainable value chain and satisfying the needs of end-consumers.

"We are delighted that BESTSELLER is deepening its engagement with HERproject™ through a five year strategic partnership and stepping up as Catalyst Member. Having already seen the benefits from BESTSELLER's work with HERproject™, we welcome this new commitment to increase the wellbeing, confidence, and economic potential of even more women workers in its supply chain."

Christine Svarer,
Director at HERproject™.

By the end of 2019, BESTSELLER's work with HERproject™ has reached more than 38,363 women in BESTSELLER's supply chain across Bangladesh, Cambodia, China, India, Pakistan and Vietnam. Factoring in HERproject™ programmes supported by other brands, the total number of women that have benefited from HERproject™ workplace programmes in BESTSELLER's supply chain reached 51,366. Our five-year strategic partnership with BSR's HERproject™ brings us one step closer to achieving yet another of our Fashion FWD goals: **By 2025, we will support 100,000 women in tier 1 factories to achieve workplace empowerment and improved life-skills.**

Empowering women creates social value for the local communities and business value for workplaces and, as a company, we will continue to focus on women's empowerment as one of our main commitments to move our sustainable supply chain practices forward.

COVID-19

HERhealth / COVID-19 Response and Resources

Through our partnership with BSR's HERproject™, HERhealth-specific materials and resources have been repurposed and compiled into locally relevant hygiene resources. All the resources are shared with local and global partners and suppliers, and are disseminated to workers. BSR is also working through the Empower@Work Collaborative to develop publically available digital tools designed to support and empower current and former factory workers impacted by the coronavirus pandemic and resulting economic fallout.

More than
51,000
women in our supply chain have benefitted from the HERproject™



CREATING POSITIVE IMPACTS FOR **WOMEN AND BUSINESS** THROUGH WAGE DIGITALISATION

WAGE DIGITALISATION IN BANGLADESH:

According to recent studies, around 75 percent of garment factories in Bangladesh report paying their workers in cash. Cash payments create some significant challenges for both employers and workers:

- The time that factory managers spend on arranging, preparing and distributing the payments.
- Loss of worker production-time (e.g. recent studies by Better Than Cash Alliance show that workers at a 2,500-employee factory spend 750 minutes each month away from production line merely to receive cash).
- Risk of fraud during transportation/ possessing salary on payday.
- Lack of personal financial visibility in order to save or invest money.

Being paid in cash also creates significant challenges for female workers. In some cultures, women are less likely to wield control over their money, fear loss of theft of cash (especially on payday) or are expected to hand over their salaries to male family members.

In order to contribute to finding a solution to problems related to cash payments and improve economic empowerment of women in our supply chain, we have joined BSR / HERproject™ Wage Digitalisation Project in Bangladesh in August 2019. This engagement saw us take a step towards achieving one of our Fashion FWD goals: **By 2025, we will support all tier 1 factories in implementing digital payment of wages.**

While still being in the process of implementation, some of the results have already shown that:

1 in 8 women *reported increased confidence to meet expected/unexpected expenses*



1 in 10 women *stopped giving their salaries to others*



The worker production-time lost on payday fell by

78%

The time that factory managers spent processing, counting, distributing, and auditing payroll fell by

59%

Moreover, the overall findings reported by BSR/HERproject™ show that the project creates a positive social effect outside the factory. An Intermedia survey showed that the number of non-garment female workers who have mobile money accounts and share the communities with female workers that have participated in BSR/HERproject™ Wage Digitalisation Project has increased to 11 percent from a baseline of 2 percent.

It is evident for us in BESTSELLER that a responsible and carefully planned transition from cash payments to digital wages has the potential to create significant social and business impacts, increasing business efficiency and transparency, while giving low-income workers – especially women – opportunities to improve their lives.

COVID-19

Wage digitalisation as a response to COVID-19

Together with BSR/HERproject™, BESTSELLER is currently working on making sure that wage digitalisation is scaled up, so workers in our supply chain can receive wages during and after the pandemic.

As a response to the economic and social crisis caused by COVID-19, many governments in the countries where our suppliers manufacture goods for BESTSELLER have announced financial help packages. These will be distributed to workers through bank transactions or other digital payment platforms.

BESTSELLER has been working with BSR on wage digitalisation prior to the spread of the COVID-19 virus that helped enable thousands of workers in our supply chain to transition to digital solutions and be able to receive both wages and government support during the pandemic.

In this close collaboration with BSR, a number of resources have been made available by BSR to our suppliers and workers to scale up wage digitalisation as a response to COVID-19.

Currently, we are working with BSR on scaling up our efforts in wage digitalisation and supporting our suppliers and workers through the pandemic, enabling infrastructure for digital solutions and preserving sustainability of the garment industry.

"Empowering women creates social value for local communities and business value for workplaces and, as a company, we will continue to focus on women's empowerment as one of our main commitments to move our sustainable supply chain practices forward."

Dorte Rye Olsen,
Sustainability Manager



MAKING FWD

Our vision

We will continuously improve the environmental footprint of our products, operations and supply chain until they are in line with the needs of our planet.

MAKING FWD

GOALS

BY 2020

we will set science-based goals on greenhouse gas emissions. In 2018, we have officially committed to set these goals through the Science Based Targets initiative.

BY 2021

we will set targets to safeguard future water resources.

BY 2025

the volume of samples we produce will be significantly reduced by investing in digital solutions and collaborating closely with our key suppliers.

BY 2025

75% of all product orders will be consolidated in suppliers that are highly rated in our sustainability evaluation.

BY 2021

our owned and operated buildings globally will be powered by 100% renewable energy.

BY 2025

our energy consumption in our owned and operated buildings globally will be reduced by 30%.

BY 2025

we will have 100% approved and traceable chemistry in our core products.

WE ARE **MAKING FWD** BY PRODUCING LEANER

We believe that by producing leaner, we can safeguard our resources for the future. In Making FWD, we have set some long-term goals that will not only future-proof our business, but significantly and continually reduce the energy, water and chemicals we use and the waste we create. Making FWD is about transforming our business so it has a positive impact on the environment.

With our Fashion FWD strategy, we have officially committed to set our greenhouse gas goals through the Science Based Targets initiative(SBTi), a collaborative partnership between the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF) to help companies set energy goals that will help us protect our 1.5˚C future. Since then, we have been working hard in 2019 to collect data and create a baseline that we can base our action plans and goals on. We have started with conducting screening assessments to understand what is material and relevant as well as peer benchmarking studies. In August 2019, we signed the G7 Fashion Pact together with other leading fashion brands to show further commitment on critical issues such as climate.

CLIMATE

REDUCING ENERGY CONSUMPTION AND CARBON EMISSIONS

Working closely with our colleagues and suppliers, we aim to extend our efforts in providing them the knowledge in energy efficiency and energy reduction. **For our 2025 goal to reduce our energy consumption in our owned and operated buildings by 30 percent,** we have started to research systems and an efficient way to collect and monitor our energy data. **For our 2021 goal of powering our own and operated buildings globally with 100 percent renewable energy,** we are on track and in the planning phase with the Danish company Better Energy of building our own 200 megawatt (MV) capacity solar plant, which will produce the equivalent of BESTSELLER's entire global electricity consumption for owned and operated buildings. The new solar power plant, which will be privately funded with no subsidies, has been made possible by HEARTLAND and Invest FWD, BESTSELLER's investment platform focusing on sustainability. See page 54.

BESTSELLER is a member of RE100 – a coalition of companies committed to ***100%*** *renewable electricity, led by The Climate Group in partnership with CDP.*

As much of the energy is used in the production of materials in the fashion industry, we are also making great progress in growing the volume of our more sustainable fibres and recycled materials across all our brands. These more sustainable fibres and recycled materials are produced with less water and energy compared to their conventional counterparts. See page 38.

TAKING POLLUTION IN CHINA SERIOUSLY

The Institute of Public & Environmental Affairs (IPE) is a non-profit environmental NGO based in Beijing, which was founded in 2006 to address the rising concern surrounding pollution in China. Since its establishment, IPE has dedicated itself to using information disclosure to strengthen environmental governance by unlocking public participation, multi-stakeholder collaboration and market mechanisms.

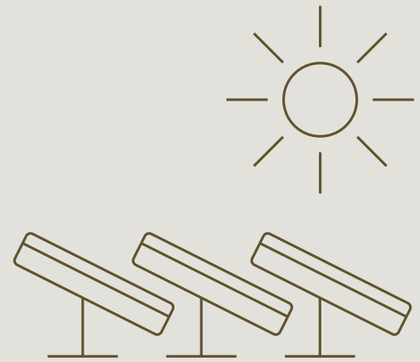
Through various tools, such as the Blue Map Database where pollution records for more than one million factories are shown to the public, IPE uses transparency and access to data to hold factories accountable to reduce their environmental impact, and engage with corporations to use this data to oversee factories that manufacture their goods.

The Green Supply Chain CITI Evaluation is a scoring system on the environmental management systems and engagement of a company's sourcing from China.

At its core, a high CITI score reflects high-functioning environmental oversight that enables a brand to develop a supplier portfolio of strong factories that take their environmental responsibilities – both compliance and beyond compliance – seriously.

In the 2019 CITI evaluation, BESTSELLER was ranked ***39th*** *of 438 companies evaluated.*

On the transparency front, BESTSELLER chose to join the Green Supply Chain Map where top-performing brands provide maximum transparency and accountability of their suppliers. The map displays brand logos on their suppliers' facilities, linking brand reputation to suppliers' environmental performance status. Map users – particularly consumers and investors – can stay updated on brands' supply chain environmental management.





ENVIRONMENTAL **MANAGEMENT**

Environmental standards at production sites are monitored through our Factory Standards Programme where we work to confirm that all minimum standards are met in our supply chain.

Additionally, we use the Higg FEM Tool (Higg Facility Environmental Module) to measure the environmental performance of the facilities. The Higg FEM module measures performance across seven impact areas, environmental management systems, water use, wastewater, chemical use, waste management, energy use and greenhouse gas emissions. The Higg FEM supports us in tracking performance of our supply chain and will be the way we track progress towards targets in chemical management, climate, water and waste.

In 2019, we have engaged 227 factories across seven countries in the adoption and utilisation of the Higg FEM tool. We are covering more than 80 percent of our volumes in the Higg FEM assessment, engagement and roll out. This includes the majority of tier 1 facilities as well as our Preferred Materials Suppliers (tier 2).

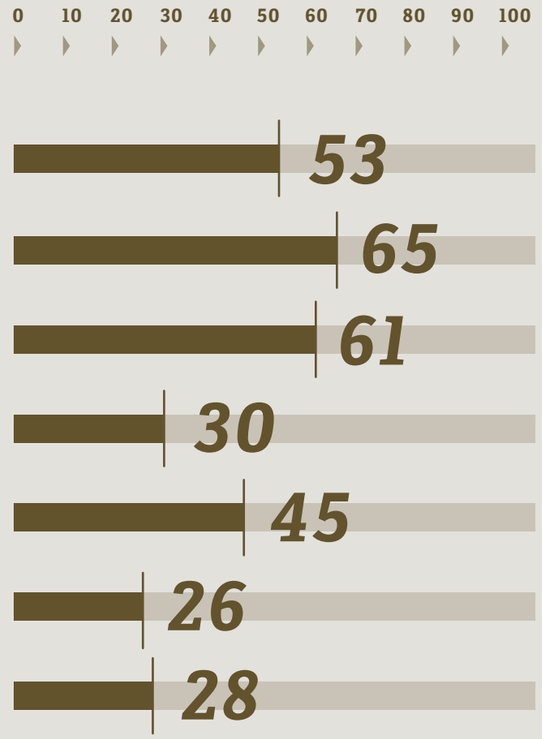
The past two years, we have worked with verification partner SGS to verify the data of these 227 factories, whereas 106 went through an SAC-approved verification. The average Higg Index Facility Environment Module score across these factories was 45 out of 100. In the 2018 roll-out (2017 impact data), we had 35 verifications across seven countries and an average score of 36 out of 100. This total score is based on combined scores out of the seven impact areas.

Factories using Higg FEM for the first time faced challenges in terms of data management and tracking – but we can see that the factories we have been engaging with, training and supporting over the past three years are now relatively comfortable using this tool . We can see that score deviations between self-assessment and verified scores is linked to a factory's experience of using the tool, while the capability of factory teams and management systems is also a factor.

In 2020, we will continue to use Higg FEM as a tool to track and support environmental management improvements across our supply chain. We will continue to work with factories to ensure strong baselines, good data quality and strong comprehension of the Higg FEM tool so it can be used as an enabler of improvement.

We have set year-on-year targets for key suppliers and factories to work towards – this is linked into our Sustainability Evaluation – and **we have committed that by 2025, 75 percent of all our product orders will be placed with suppliers performing highly in sustainability.**

Higg Index ***seven impact areas***



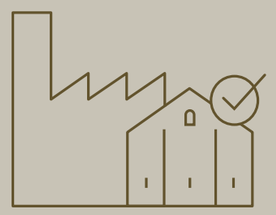
We are covering more than 80 percent of our volumes in the Higg FEM asessment, engagement and roll out.



80%

In 2019, we have **engaged 227 factories across seven countries in the adoption and utilisation of the Higg FEM tool.**

227 *factories engaged*



Average Higg Index Facility Environment Module ***score***

2018 = ***36/100***

2019 = ***45/100***

Higg Index
The Higg Index is a set of tools that enables brands, retailers and facilities measure and score a company or product's sustainably performance. Developed by the Sustainable Apparel Coalition (SAC), The Higg Index plays an important role in the apparel and textile industry in helping businesses understand the environmental and social impact of their operations, providing crucial information that empowers them to make changes that better protect factory workers, their local communities and the environment.

SAFE-GUARDING OUR WATER

Water is a precious natural resource. In the fashion industry, water is used in almost every step of the textile production and garment manufacturing process, from crop irrigation to the washing of garments.

As a fashion company, we believe we have a shared responsibility to protect water sources and safe-guard its use.

Over the years we have steadily increased the sourcing of more sustainable materials that involve more efficient water use in their production, such as more sustainable cotton. Furthermore, we have worked with suppliers to encourage more responsible water management in wet processing units. With our current tools such as the Higg Index, we have undertaken a more strategic mapping of water use in our supply chain, so we can set more tangible targets on water stewardship.

On a product level, we are continuously working to research and embed innovative technologies and processes such as water-less dyeing and using more energy and water-efficient laundry machineries to reduce our water footprint.

SUPPORTING THE SEARCH FOR EFFECTIVE WASTEWATER TREATMENT SOLUTIONS

Wastewater treatment poses a significant challenge to manufacturers, both in terms of the level of effectiveness of water treatment, as well as the significant cost involved in running treatment plants. Some innovative manufacturers in high-risk regions are searching for solutions to enable higher levels of post-production water recycling, whilst still maintaining efficient operational costs.

Through our partnership with Fashion for Good, we were introduced to the game-changing wastewater treatment system developed by start-up SeaChange Technologies. When Fashion for Good initiated a pilot project to assess the feasibility of the solution at scale, with the support of manufacturing partner Arvind Limited, BESTSELLER supported the pilot. There have been encouraging results for future implementation in the supply chain. Through our innovation platform Invest FWD, we are committed to supporting the development of solutions to improve standard practices.

LOOKING AT WATER RISKS THROUGH A SCIENCE-BASED, CATCHMENT-LEVEL APPROACH – ALLIANCE FOR WATER STEWARDSHIP

Alliance for Water Stewardship (AWS) has developed a standard framework for major water users, such as textile factories, to understand their water use and impacts – and then to work collaboratively and transparently with other water users and civil society to achieve sustainable water management within a river catchment context.

The standard, when applied, is intended to drive social, environmental and economic benefits within a river catchment area. In 2019, BESTSELLER became a member of AWS and in 2020 we are focusing on working with suppliers in water-stressed catchments to understand and apply this standard. Three of our suppliers in Karachi, Pakistan, have been working within AWS on implementation of the standard. We are applying lessons from these factories to other water-stressed regions in our supply chain and will develop this further in 2020.

WASHING OUR JEANS A BETTER WAY

Responsibly washed with SELECTED
An interview with Louise Lund, Product Manager at SELECTED Denim Division

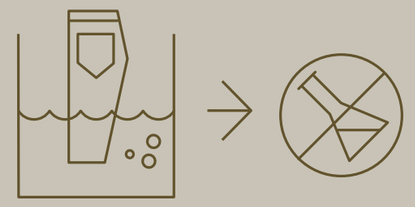
What is Responsibly Washed?
Responsibly Washed is an initiative that started at the beginning of 2019. Our aim was to develop a more sustainable way of making our jeans, focusing on the washing process. By using more efficient machines and more sustainable treatments such as ozone and laser, we can minimise the need for water, energy and chemicals. Making SELECTED jeans the better choice.

Tell us about the development of the Responsibly Washed initiative.
As we already started the transition from conventional cotton to organic cotton for our jeans on our Autumn 2019 collection, the next step was to create something in the washing process, where we can see with data, where savings and reductions are made.

What challenges did you come across?
Some suppliers did not have the right machines to achieve environmental savings. We needed to build a business case and explain the benefits of investing in such machines. We also needed to work closely with our suppliers to find the right methods in the washing process, without compromising on the look of the product. It was a learning experience for all of us and we are very pleased with the outcome.

What role does Responsibly Washed play in helping bring Fashion FWD?
We want to contribute to a more sustainable fashion industry and Responsibly Washed is a step in the right direction. We have looked at more sustainable materials in our garments, and now the washing process. We are continuously looking for innovative ways to incorporate sustainability in the making of our products.

SELECTED Responsibly Washed jeans arrived in stores in Spring 2020 for both HOMME and FEMME.





MANAGING CHEMICALS **RESPONSIBLY**

Chemical use is an integral part of the garment and footwear industry, with chemicals being used in all stages in production. We have a strong focus on chemical management to verify that our finished products are meeting our stringent requirements, and to protect workers in the supply chain from hazardous chemicals.

MANAGING CHEMICALS IN PRODUCTS AND MATERIALS

Our Restricted Substances List (RSL) and Packaging Restricted Substances List (pRSL) catalogue chemicals that are banned and restricted in our final products. Through our Chemical Testing Programme, we regularly test our products and materials at certified independent laboratories to ensure full compliance with our requirements, and reject products that do not meet these requirements. Our RSL has been developed by our internal chemical specialists, is updated yearly and is fully in-line with all global legislation.

BESTSELLER is a member of AFIRM group, whose mission is to reduce the use and impact of harmful substances in the apparel and footwear supply chain. By our engagement in AFIRM, we align with the industry on test methods and we cooperate on chemical investigations, legislative updates etc. In 2019, we started an alignment process for our chemical testing. In 2020, we are focusing on structured data, process optimisation and automation. Chemically, we will work on VOC (Volatile Organic Compounds), material/chemical origin, levels and alternatives.

MANAGING CHEMICALS IN PRODUCTION

Our Factory Standards Programme and the regular onsite visits by our chemical specialist team show clearly that one of our suppliers' biggest challenges – and an area where strong improvement is needed – is chemical management. Higg FEM data from our manufacturers shows that the average score for chemical management across all factories in our supply chain is 28/100.

We have year-on-year targets for all key suppliers to improve Chemical Management performance of Higg FEM, and we work closely with our manufacturers to support progress towards these targets. Our suppliers are trained by our technical colleagues to ensure their understanding of our requirements and to engage them in the continuous improvement process of working with chemicals.

BESTSELLER has committed to remove the use of hazardous chemicals from manufacturing sites during production, and **we have a commitment that by 2025 all our core products (core products represent 75% of our products by value) will have been produced using approved and traceable chemistry.** This is an ambitious goal for an industry that is historically non-transparent and complex, with tens of thousands of chemicals being used across the various product groups and at different stages in production. We have adopted the Manufacturing Restricted Substances List (MRSL) developed by ZDHC Group – and accept all well-known industry standards and certifications on approved chemicals.

We have specific focus on the chemical inventory, gathering accurate information to the chemicals used in the factory, and working with manufacturers to identify chemicals that should be substituted or phased out.

TRACKING CHEMICALS DIGITALLY

In the last quarter of 2018, BESTSELLER joined a pilot for a digital chemical inventory tool called The BHive, which was developed and launched by one of our trusted sustainability service providers, GoBlu.

The tool's primary goal is to increase transparency and communication among brands, their suppliers, and the wider industry. OCR (Optical Character Recognition) technology allows users to scan or photograph chemical containers with a mobile app, and upload the results to create an instant chemical inventory. The tool then connects into the BHive's chemical database of over 65,000 individual chemical products, and data such as environmental credentials, certifications and approvals are automatically displayed. We can also include specific BESTSELLER requirements in order to clearly see the current status and challenges that need to be addressed.

The integration and uptake of BHive will enable BESTSELLER's supply chain partners to easily identify the existence of potentially hazardous chemicals, enabling phase-out from production, and increasing the transparency of chemical use throughout the supply chain.

In 2019, 18 of our factories piloted the tool across Bangladesh, India, Pakistan and Turkey, and 1,150 individual chemicals were uploaded onto chemical inventory lists. Sixty-seven percent of all chemicals uploaded during this pilot period were meeting industry-standard requirements on approved and certified chemicals.

We plan to roll this tool out further in 2020, which will play a role in our progress towards our chemical target: **By 2025 we will have 100 percent approved and traceable chemicals in all our core products.**

"The elimination of hazardous chemicals from the supply chain is a complex endeavour. GoBlu believes it requires radical transparency, collective force and commitment to achieve a cleaner textile industry. BESTSELLER has shown it shares the same dedication and vision on how chemical management can be achieved. As an early adopter of The BHive, BESTSELLER has contributed to the growing success of the chemical management tool in the industry. GoBlu is proud to partner with BESTSELLER and to provide The BHive as a solution that supports them in achieving their ambitious chemical management goals."

Lars Doemer, Director at GoBlu

"We are happy to be part of the BHive community. BHive saved us time, so we could properly create our Chemical Inventory List and track our performance. It helps us to be transparent about our Chemical Inventory List towards our customers."

Özge Akgün, Environmental Engineer and OHS Specialist at Realkom Düzce Factory. Turkish Supplier

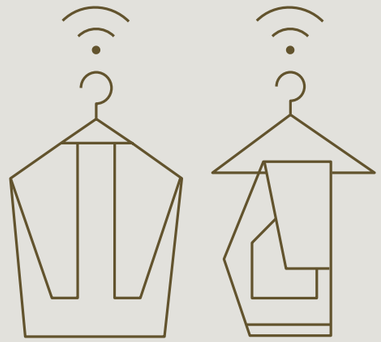


ADVANCING **DIGITAL SOLUTIONS**

There are many steps and processes involved in the production of a final garment. According to a 2017 report from Reverse Resources, it is estimated that as much as one-quarter of the materials purchased by garment-related manufacturers are thrown away and never used each year.

Consumers are becoming increasingly aware of the amount of textile waste that occurs in the garment production industry. The amount of attention sustainable production in the fashion industry has received has provided us with a breeding ground for innovations, technologies and new processes that will help us find ways to minimise production in the design and purchasing process wherever possible. In our Fashion FWD strategy, **we have set a goal that by 2025, the volume of samples we produce will be significantly reduced by investing in digital solutions and collaborating closely with our key suppliers.**

We want to change the way we work and think about our purchasing processes and embed more sustainable practices to minimising samples and garments that are made. We gathered our sales teams together from five different countries, as well as buying, design, marketing, IT and logistics, and put on our thinking caps. In 2019, we launched our first Digital Showroom, with the aim to improve the buying process that will also help minimise the number of samples we need for the showroom. Our Digital Showroom has helped us decrease the number of sales samples bought for the showroom and improved our wholesale customers' experience by digitalising their buying journey.



A ONE-TOUCH ORDERING SYSTEM

Digital showroom with BESTSELLER
An interview with Nicklas Pilgaard Nielsen, Special Project Manager at BESTSELLER

What is the Digital Showroom?
The Digital Showroom is a project we developed that turns a traditional B2B showroom into a showroom with only a limited number of physical samples in the showroom for our wholesale customers to make purchasing decisions. The wholesale customers are able to see the full range of styles and collection split down on prices, colours and categories on a 42-inch monitor, which features videos and visual aids, and make purchasing decisions accordingly.

How did you create this Digital Showroom?
The first phase was talking to our sales team and wholesale customers to understand the process and difficulties they encounter in the buying process. It has been a collaborative project across departments and functions in BESTSELLER. Then, working with a Swedish start-up called Touchtech, we developed software that improves the buying process and minimises the number of physical samples we need for the showroom.

What challenges did you come across?
I would say the most challenging element was identifying where the bottlenecks are in a traditional showroom and how we could improve the sales experience for our customers; also, making a smooth transition for our teams from non-digital to digital. We wanted to build something that works and will add value to everyone who uses it. It is hard work, but we were pleased to launch our first Digital Showroom in November 2019 in Hamburg, Germany. Through the Digital Showroom, we were able to decrease the number of sales samples in the showroom by 35 percent.

What is the next step?
We have rolled this project out to our VERO MODA showroom in Germany and received initial feedback from more than 50 customers. In 2020, we plan to roll out improved software to all our German showrooms and embed remote selling into the digital journey, as a consequence of the expected changes in buying behaviour post-COVID-19. This is a very exciting time for us.





CREATING FWD

Our vision

We will increase the use of more sustainable materials year-on-year until all our products are circular by design.

CREATING FWD

GOALS

BY 2022

100% of our man-made cellulosic fibres will be sourced responsibly in line with industry best practice, such as the Forest Stewardship Council (FSC).

BY 2025

100% of our wool will be sourced in line with industry best practice, such as the Responsible Wool Standard (RWS).

BY 2025

we will facilitate the development of more sustainable fibres and materials at market scale through innovation and industry collaborations.

BY 2022

we will source 100% of our cotton from more sustainable alternatives.

BY 2025

within our 100% more sustainable cotton supply, we will source 30% from organic cotton.

BY 2025

we will source 50% of our polyester from recycled polyester or other more sustainable alternatives.

WE ARE **CREATING FWD** BY DESIGNING RESPONSIBLY

As a fashion company, we rely on raw materials to make our products. There is a huge opportunity in this area to make an overall positive impact. It is our goal to reduce our environmental footprint from the sourcing of raw materials to end of product use.

Collaborating with major sustainable textile initiatives, such as Fashion for Good, Textile Exchange and the Better Cotton Initiative (BCI), we are working with industry peers in putting action plans in place to increase the availability, and our own sourcing, of fibres and materials that are produced with a smaller environmental footprint. We require our garment suppliers to follow our Code of Conduct and Animal Welfare Policy, as well as to follow guidelines of globally recognised sustainability certifications and standards.

“As a fashion company, we can contribute to making a great positive impact by the way we source raw materials. Collaborating with our suppliers and partners, we want to take this opportunity to upscale innovation and to accelerate the transitioning of the fashion industry into a circular one.”

Camilla Skjønning Jørgensen, Materials & Innovation Manager

MORE SUSTAINABLE COTTON

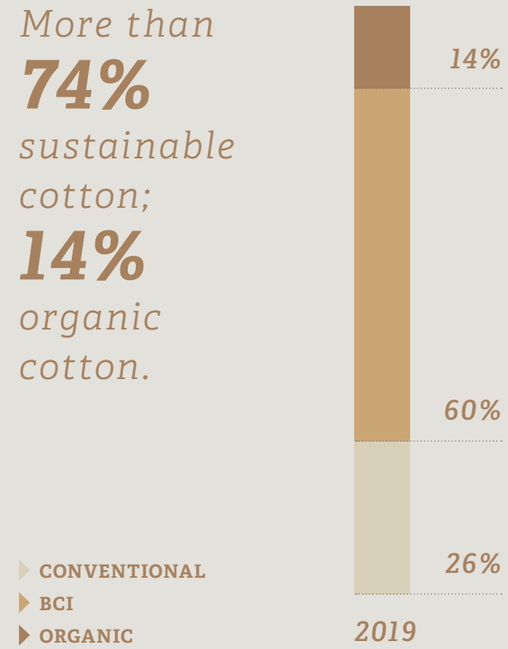


Cotton is one of the most-used materials in the production of textiles and garments. Each year, the cotton production industry provides employment and income to millions of cotton farmers worldwide. Currently, India is the world’s largest producer of cotton, followed by the United States and China.

With cotton being one of our most important raw materials by volume, we are continuously working to increase the sourcing and use of more sustainable cotton. In our Fashion FWD strategy, we have a set a goal **to source 100 percent of our cotton from more sustainable alternatives by 2022; and within our 100 percent more sustainable cotton supply, we will source 30 percent from organic cotton by 2025.** At the end of 2019, we have sourced a combined total of over 74 percent of more sustainable cotton, primarily from BCI and organic cotton.

Organic cotton farming practices protect biodiversity due to the absence of toxic chemicals and synthetic fertilisers used, as well as providing a better working environment for the cotton farmers. In order to get a better and deeper understanding of the impact organic cotton has at farm level and to ensure the traceability and

More than **74%** *sustainable cotton;* **14%** *organic cotton.*





integrity of the organic cotton we source, we have begun working on a plan to integrate a Direct-To-Farm approach in our cotton sourcing strategy.

We are pleased to announce that in January 2020, we have become a ***partner of the Organic Cotton Accelerator***

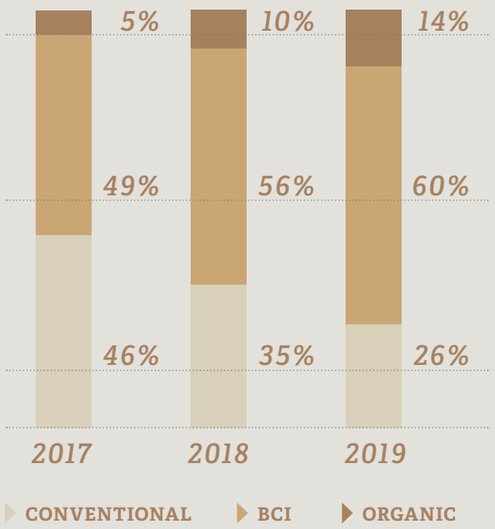
Organic Cotton Accelerator (OCA) acts as a catalyst for change by investing in farm-level programmes, which enable farmer education and support, develop new cotton cultivars and facilitate sourcing models linking brands, retailers and suppliers directly to the farm. These programmes bring additional transparency, integrity, supply security and measurable social and environmental impacts to the organic cotton sector.

Moreover, as sustainability in cotton farming is a complex subject, including environmental, social and socioeconomic aspects, we want to contribute to bringing positive change to the environment and the cotton farming community and have this be reflected in our cotton sourcing strategy and our portfolio approach to sustainable cotton.

Our sustainable cotton includes sourcing our cotton through globally recognised standards such as the Better Cotton Initiative (BCI) and Cotton Made in Africa (CmiA) and certified organic cotton. BESTSELLER has been an active member of the BCI since 2012. BCI supports cotton farmers worldwide in adopting more sustainable practices and improving their livelihoods.

The more Better Cotton we source, the greater impact we can achieve. By actively contributing to the BCI Growth and Innovation Fund, we are also helping the organisation expand its work through strategic investments in farmer training and supporting activities.

Our Progress
Towards More Sustainable Cotton



Top 3 Brands
Sourcing ***Organic Cotton*** *by % of their Total Cotton Consumption for 2019*

- *SELECTED* ***65%***
- *NAME IT* ***50%***
- *MAMALICIOUS* ***45%***

Top 6 Brands
Sourcing ***More Sustainable Cotton*** *(BCI, organic cotton and recycled cotton) in Total Cotton Consumption for 2019*

- *JUNAROSE* ***100%***
- *SELECTED* ***95%***
- *VILA* ***95%***
- *JACK & JONES* ***80%***
- *OBJECT* ***76%***
- *MAMALICIOUS* ***75%***



INCORPORATING MORE SUSTAINABLE MATERIALS IN YOUR EVERYDAY DENIM

Better Denim with NAME IT
An interview with Joan Søndergaard Nielsen, Sustainability Manager at NAME IT

What is Better Denim?
Better Denim is a sustainability concept we have developed where more sustainable materials and processes are considered in all parts of our denim garments.

How is Better Denim 'better'?
We use a blend of organic cotton and recycled polyester to produce our Better Denim. Advanced technologies such as Waste-Heat-Recovery boilers are used and water in the washing process is recycled. In addition, zippers and buttons used on our Better Denim are also produced with documented lower environmental impact – the metal trims are made with 65 percent less water, 16 percent less electricity and 98 percent fewer chemicals in its finishing processes than traditional manufacturing. Lastly, hangtags, elastic, pocket lining and threads used on our Better Denim are made with organic or recycled materials.

What challenges did you come across?
We have come across a few challenges in the process of making Better Denim a reality. Firstly, we had to educate ourselves with regards to sustainable denim production – what is possible versus what is not possible; secondly, it has been challenging for us to obtain the correct and credible documents that show the environmental benefits of certain processes/materials. But we got there in the end, which is something we are very proud of.

What can we expect from NAME IT in the future?
In the future, we would like to focus on increasing our consumption of more sustainable materials, including organic cotton and recycled polyester to a wider spread of products – not only of our garments but packaging, care labels and denim patches as well.

... the metal trims are made with ***65 percent less water, 16 percent less electricity and 98 percent fewer chemicals*** *in its finishing processes than traditional manufacturing.*

RECYCLED MATERIALS

Recycled materials are made from pre- or post-consumer virgin materials that are recycled through mechanical or chemical means and spun into new fibres.

They contribute to a reduced environmental footprint as the chemicals, raw materials and natural resources used in the production of virgin materials are not needed for its production. The use of recycled materials also helps us divert waste from landfill.

The majority of recycled material used in the fashion industry is recycled polyester. Recycled polyester is mainly made from post-consumer discarded plastic bottles and polyester fabrics. Incorporating recycled polyester into our products and design not only reduces the use of natural resources but reduces our dependence on petroleum, which is used to make polyester.

In our Fashion FWD strategy, we have set a goal **to source 50 percent of our polyester from recycled polyester or other more sustainable alternatives by 2025.** Working with our suppliers and design teams, we are able to consider and increase our use of recycled polyester in our collections across our brands.

In 2019, 36 percent of SELECTED's total polyester consumption consisted of recycled polyester. Three percent of BESTSELLER's total polyester consumption was sourced from recycled polyester, coming mostly from our dresses and tops from SELECTED and VERO MODA. In the coming year, we will be increasing our efforts and work towards reaching our 50 percent target by 2025.

We have also started focusing on sourcing recycled cotton as a more sustainable alternative to conventional cotton. This aligns with our commitment to increase the use of more recycled fibres in our cotton fibre portfolio and to bring Fashion FWD until we are circular by design.

*In 2019, **36 percent** of SELECTED's total polyester consumption consisted of recycled polyester.*



TAKING TAILORING TO THE NEXT LEVEL

Look Good Feel Good Tailoring with SELECTED
An interview with Flemming Thorbøll Andreasen, Category Manager at SELECTED

What is Look Good Feel Good Tailoring?
We wanted to change the way suits are made and see if we can make our tailoring garments more sustainable. In December 2018, we took 130,000 of our best-selling suits and started our journey of making them more sustainable – replacing 65 percent of polyester used in the suits with plastic waste. Since SELECTED launched this for the SPRING20 season, 68,354 of our Look Good Feel Good suits have been sold. This adds up to the plastic waste equivalent of 1,503,788 discarded 500ml plastic bottles being used. On top of that, we have created something called the Black Lab, suits that are made exclusively with more sustainable materials: 100 percent organic cotton or 100 percent organic wool; corozo buttons that are made with tagua nut and its threads and interlining made with 100 percent recycled polyester.

What challenges did you come across?
The challenge is achieving the right aesthetic. Working with our suppliers, we have eventually reached the sweet spot of incorporating 65 percent of recycled polyester into the making of each suit. The result is that each of our Look Good Feel Good suits consists of 22 recycled 500 ml plastic bottles – a big undertaking in the history of tailoring and we are very proud of the product that we have come up with at the end.

What can we expect from SELECTED in the future?
We will continue working with our partners in the supply chain to increase our intake of more sustainable fibres and steadily include them across all of our product categories. 'Responsibly Crafted' is our brand statement, where each collection is made more sustainably than the last.



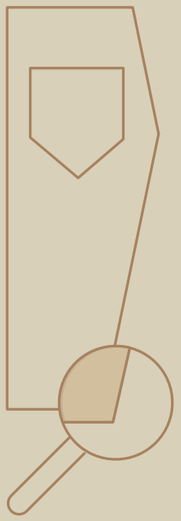
MAKING IT A TREND WITH PCW COTTON

Post-consumer waste (PCW) cotton jeans with JACK & JONES
An interview with Nicolai Ulrik Thorup, Brand Buying Manager at JACK & JONES

What was the process like from concept to finish in creating these PCW jeans?
We have a continuous goal to reduce the amount of virgin cotton used in our jeans. A few years back, we started having a dialogue with one of our manufacturers in Pakistan on the possibility of incorporating post-consumer waste cotton into production. We then decided which type of style and design we wanted and, after this, started the close dialogue with the manufacturer in order to find the most suitable fabrics and shades to create the best PCW cotton styles for JACK & JONES.

What challenges did you come across?
The major challenge has been getting the right balance between the colour of the fabric and the quality. PCW cotton offers a different level of tear-strength compared to virgin cotton due to its fibre length. As PCW cotton is greyer in colour, you need to select the fabrics carefully. We needed to take these factors into consideration when designing our PCW cotton styles. Working with our manufacturer, we believed that we found the right balance. Each of our PCW cotton styles is blended with up to 20 percent PCW cotton. Since 2017, we have used a total of 65,000 kg PCW cotton when making our jeans.

What can we expect from JACK & JONES in the future?
In 2018/19, we have produced two styles made with PCW cotton. One of the styles being a "Never Out Of Stock" (NOOS) style where we have now sold more than 100,000 pieces. We will be producing approx. 13 styles made with PCW cotton in 2019/20, some of them NOOS as well. Our goal is to increase our use of more sustainable fibres such as recycled polyester and Lenzing TENCEL™ fibres, and minimise our use of virgin cotton. We are also looking into the possibility of using hemp as a material. So, watch this space – there will be more to come.



MAN-MADE CELLULOSIC FIBRES

Man-made cellulosic (MMC) fibres include fibres such as viscose, lyocell and modal. They are fibres made from cellulosic feedstock, most commonly from wood pulp of pine, beach or eucalyptus trees. Protecting ancient and endangered forests is an important factor in the global effort to promote biodiversity, secure eco-systems and safeguard the world's limited forest resource and wildlife. This is why we are engaging with Canopy to progress on the important target of sourcing our MMC fibres from responsible sources – from sustainably managed forests or alternative feedstock like cotton waste. Through our preferred supplier programme, we will be engaging our supply chain in working to eliminate sourcing wood pulp from ancient and endangered forests, as well as verify that production processes follow the latest available processing guidelines and BESTSELLER requirements.

Additionally, we are increasing the sourcing of more sustainable MMC fibres. Fibres such as LENZING™ ECOVERO™, TENCEL™ lyocell, TENCEL™ modal and Livaeco by Birla Cellulosics™ are considered more sustainable compared to conventional MMC fibres due to the reduced environmental impact and closed-loop production processes where water and chemical solvents are recycled.

As a member of Textile Exchange (TE), we are also involved in discussions with industry stakeholders to explore market opportunities and innovations around MMC fibres and ways to minimise issues and risks associated with MMC fibre production.

BESTSELLER's more sustainable man-made cellulosic consumption in 2019 is 11 percent of our overall MMC use and increasing rapidly. VERO MODA has reached 22 percent. We have a goal that **by 2022, 100 percent of our MMC fibres will be sourced responsibly in line with industry best practice, such as the Forest Stewardship Council (FSC).**

BESTSELLER
11%

VERO MODA
22%

ONLY LIFE

In May 2019, ONLY kicked off the campaign 'We Care About The Future', communicating the brand's steps towards a more sustainable approach to fashion, while also providing consumers with wear and care guidance of products on social media channels.

Together with the campaign, ONLY LIFE was launched, offering a range of products either made from more sustainable fibres like organic cotton and recycled polyester, as well as branded fibres like LENZING™ ECOVERO™, TENCEL™ lyocell and TENCEL™ modal.

ONLY LIFE has been very well received by customers and ONLY sold more than 4,5 million LIFE products during the first year. ONLY set a target that a minimum of 50 percent of all collections should be more sustainably sourced, which has already been achieved.



ANIMAL **WELFARE**

Materials derived from animals are commonly used in the fashion industry and the topic of animal welfare deserves our utmost attention. As a fashion company, we believe we have a responsibility to protect animals. As the topic of animal welfare continues to be a crucial part of our business, we take a holistic and transparent approach towards our stakeholders. We work with industry partners and initiatives to look for and become a part of the solution that addresses animal cruelty cases and unethical treatment of animals and animal farming practices.

At BESTSELLER, we have a policy that no animals should be harmed during the manufacturing of our products. The policy also outlines our position on using materials derived from animals. This includes, for example, no wool used from sheep that have been exposed to mulesing practices. We are in the last stage of phasing out mohair across our brands until a credible standard is available that addresses concerns in mohair farming related to animal welfare and the environment.

To ensure the welfare of ducks and geese in our down and feather supply chain has been respected, we will only source down from suppliers that are certified to a particular standard that includes no live-plucking or forced feeding as one of the key requirements. BESTSELLER is also a fur-free company and we do not accept the use of materials derived from endangered species.



DELIVERING FWD

Our vision

We will engage consumers and partner across the industry to develop solutions until circularity and transparency is a mindset and consumers are empowered to act sustainably.

DELIVERING FWD

GOALS

BY 2021

we will publish a list of our key material suppliers.

BY 2023

we will provide our customers and consumers with information on the environmental impacts of our core products, and we will show year-on-year improvements.

BY 2025

we will have tested and implemented circular business models in selected key markets with relevant partners.

BY 2025

we will drive forward post-consumer waste and circular infrastructure solutions, engaging in collaborative initiatives to turn waste into valuable resources.

BY 2025

all consumer-facing packaging will be 100% reusable, recyclable or compostable.

BY 2025

we will have phased out single-use virgin plastic, wherever possible.

WE ARE **DELIVERING FWD** BY CONSUMING BETTER

Fashion production has reached a new high, both in its pace and size. We want to instil a circular and transparent mindset in the fashion industry until it is the norm. We want to deepen our dialogue with our business partners and consumers, and – through collaboration – rethink the value we are creating to our communities as a fashion company.

We have created a Wear & Care guide, which is accessible for consumers, that educates and explains how to take care of garments, so that the environmental impact will be reduced during the product-use phase.

We are also developing an internal packaging policy that will help advance our goal of making **all our consumer-facing packaging 100 percent reusable, recyclable or compostable by 2025, as well as phasing out single-use virgin plastic wherever possible.**

We are slowly transitioning and preparing our business into one that can meet the demands of our future. We want to lead the way, set an example and show consumers the direction we want to take them.

MAKING OUR FACTORY LIST PUBLICLY AVAILABLE

Transparency enables BESTSELLER to address risks, promote positive change and build further trust with our stakeholders.

We believe in increased transparency to the public and we believe that by opening up our factory list, we can encourage everyone to take steps towards continuous improvements in the supply chain. As such, we make available an updated list of our on-boarded tier 1 garment manufacturing factories. This list is published twice a year on our website.

We will continue to increase our transparency around our supply chain and products, and we have a target to **publish our key materials suppliers in 2021.** And we are well on the way, as all Chinese material suppliers, who represent the majority, are published through the IPE. See page 29.

MAKING FASHION **CIRCULAR**

To realise our ultimate ambition of making fashion circular, we need to drive collaborative efforts between our peers, national and international law makers, innovators, industry leaders, material and design experts and our textile partners

But it doesn't end there. We also need the help of consumers to drive market needs and provide constructive feedback so we can provide what they need in order for them to make more sustainable fashion choices.

To that end, we have committed to **providing our customers and consumers with information on the environmental impacts of our core products, and we will show year-on-year improvements by 2023.**

The ultimate goal is to strike the perfect balance between circular design and product production that makes use of more sustainable and safer materials, a business model that promotes garment longevity, the transition of the new mindset of garment reuse and repurposing, and a new garment supply chain eco-system that is transparent and beneficial to both the textile economy and the planet.

BESTSELLER is a strategic partner of the Global Fashion Agenda (GFA), Fashion for Good, the Ellen MacArthur Foundation's Circular Economy 100 Group, and the Make Fashion Circular initiative. We understand that in order to solve the challenges we face, a systemic change based on collaboration with other industries and companies is needed. To help drive this transition, **we will test and implement circular business models in selected key markets with relevant partners by 2025.**



MAKE FASHION CIRCULAR BY ELLEN MACARTHUR FOUNDATION

The Jeans Redesign with VERO MODA
An interview with Maria Højholt Jensen, Sustainability Responsible at VERO MODA

What is The Jeans Redesign?
The Jeans Redesign is a project developed under the Ellen MacArthur Foundation's Make Fashion Circular initiative. It focuses on brainstorming what fashion's future should look like; in particular, designing and producing jeans at scale in accordance with the principles of a circular economy. Along with other brands, VERO MODA signed up to the project in July 2019.

What was the motivation behind joining the Jeans Redesign project?
For VERO MODA, this project is the start of our circular journey, where we will learn and contribute to making fashion circular. A circular mindset is very important for our industry and we are aware that we all need to actively embrace more sustainable and responsible behaviour. The Jeans Redesign project has a clear purpose and structured guidelines under the circular concept, therefore the decision to be part of the project was easy.

Can you describe the jeans VERO MODA made in the Jeans Redesign project?
Under the Jeans Redesign project, VERO MODA has made three styles following the four specific design guidelines of the Jeans Redesign: durability, material health, recyclability and traceability and they will be in the stores in July 2020.

What challenges did you come across?
What we found the most difficult was finding the right balance between quality and composition as recycled and innovative materials offer a different kind of quality, feel and texture. Luckily, through our collaboration with other brands, and with our research, we found fabric mills who have the knowledge to match the Jeans Redesign criteria on quality, helping us to find that magic formula.

"Changes need to be made. We have decided to join the Make Fashion Circular/ Jeans Redesign project as it is important to us that we do our part, protecting and preserving the environment for future generations. Jeans are durable, so let's design for longevity and make our jeans with a circular mindset."

RUNE GADE,
VERO MODA Denim Concept & Product Responsible



SHARE THE WARMTH CAMPAIGN WITH VERO MODA

Collaborating with The Salvation Army in Denmark, Finland, Norway and Sweden, VERO MODA 'Shared The Warmth' with over 5,000 homeless people and others in need.

A campaign that started in August 2019, the message was simple: bring any winter jackets that you no longer use to a VERO MODA location and receive a 20 percent discount on your next VERO MODA jacket.

A total of 5,350 jackets were collected at 263 of VERO MODA's stores in Denmark, Finland, Norway and Sweden, before being distributed to various drop-in centres managed by the Salvation Army across the four countries. Those who are homeless and in need could come in and grab a coffee and a winter jacket. Jackets were also distributed at one of the women's crisis centres in Copenhagen.

"We want to encourage everyone to make use of their garments as much and as long as possible. By passing on clothing that you no longer wear to others, you are able to prolong the life of the garment while bringing something new to another person's closet. Although a small initiative, we are pleased with the result of our 'Share The Warmth' campaign, which helped so many people have a warmer winter."

Maria Højholt Jensen,
Sustainability Responsible at VERO MODA

A total of
5,350
jackets were collected at
263
of VERO MODA's stores



CREATING A RETURN REVOLUTION

Interview with Jordan Burke, Head of Customer, E-Commerce

What is the Return Revolution?
In August 2019, we started a programme to ignite and inspire our e-commerce business to create a return revolution. We recognised that we must shift the perception of returns, so we can reduce the environmental footprint and business costs. We brought together a cross-functional project team and engaged with expertise around our online business to identify in excess of 100 initiatives that we could drive over the course of one year.

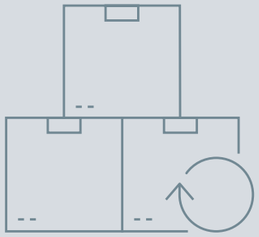
What initiatives were taken?
Initiatives have included looking into what drives our customers to return, reducing the environmental footprint of processing returns and minimising the frequency and volume of returns. Some highlights over the course of this year were:

- **Improved return centre practices**
  We've implemented new in-house environmental-friendly cleaning options and processes at our return centre. These additions enable us to repurpose more items and minimise our water, paper, CO_2 emissions and energy usage.

- **Extended return policy for customers**
  Although it might seem counter-intuitive, after extensive research and analysis, we found that a longer return window is likely to decrease the stress of buying and the likelihood that customers make an undesirable purchase and return it later. Because of this, we have extended our return policy to 100 days and have since seen a drop in the amount customers return.

- **Online return portal**
  Customers can now register their returns online with all brands in our key markets. This portal offers customers another return option and enhances the return communication they receive throughout their return journey. It will also give us better data on why our products are being returned so we can continue to optimise and reduce returns.

What can we expect from the Return Revolution in the future?
We're looking forward to this final quarter as we close out the year-long project. Despite the current global events, we're keeping a clear focus on sustaining a low return rate and doing our bit to help the environment. The principles behind the Return Revolution have become part of how we work, so we will continue to innovate and minimise the environmental footprint and business cost of returns in our online business well into the future.



*The goal is to **reduce the environmental footprint from shipping** through reducing the amount of returns we receive, while not compromising the online shopping experience of our shoppers*

BESTSELLER WINS RECYCLING AWARD AT LABELEXPO EUROPE 2019

Collaborating with the Finnish company "UPM Raflatac" and their recycling solution RafMore, Stefan Bach Olesen, Logistics Project Coordinator at BESTSELLER won the RafCycle® Award at Labelexpo Europe 2019.

Looking to find a more sustainable solution than incineration to handle labelling waste, Stefan worked with UPM to collect used label release liners and recycle them into new graphic printing paper.

Since BESTSELLER teamed up with UPM Raflatac, BESTSELLER has recycled 25 tons of label paper.

*We have recycled **25 tons** of label paper*



REDUCING PLASTIC USE

As signatory of the Fashion Pact, we have committed to reduce the negative impacts we have on the ocean environment including eliminating single-use plastics in packaging.

At BESTSELLER, we are moving away from how we currently use plastic. In our Fashion FWD strategy, we have set out two goals in this specific area: **by 2025, we will phase out single-use virgin plastic wherever possible and by 2025, all consumer-facing packaging will be 100 percent reusable, recyclable or compostable.**

As a part of the journey, we have started mapping our plastic and packaging footprint to ensure we take action in impactful areas, all the while taking quick action to reduce the use of plastic wherever and whenever possible. We understand that the use of plastic is a growing global concern and we are continuously trying to find ways to minimise our use of plastic bags. For example, we have stopped the use of virgin plastic bags in our stores and replaced them with paper bags that are sourced from responsibly managed forests. In addition, we are working on motivating consumers to use fewer plastic bags.

In 2019, our brand PIECES has partnered with Plastic Change, an organisation striving to reduce plastic pollution through their knowledge centre, which educates the public in an effort to raise awareness of plastic use on a global level. In this campaign, PIECES charged its customers for their paper bags (which normally would be given for free) and donated the proceeds to Plastic Change.

We will support high quality recycling via sorting, collecting and recovery of plastic packaging material used in our distribution, e-commerce and retail operations. We will do so by collaborating on recycling infrastructure across all of our markets and with external experts, stakeholders and competitors. We will continue our efforts to reduce our use of plastic by choosing packaging made with recycled and more sustainable alternatives as much as possible, wherever possible.

Through BESTSELLER's investment platform Invest FWD, we are also investing in finding new innovations in plastic and replacing fossil fuel-based solutions with renewable bio-based solutions. See page 55.

In the coming years, we will work to reduce our consumption of plastics and packaging; replace virgin plastic with lower impact alternatives and support the innovation of new materials.

INVEST FWD

Invest FWD is our investment platform. It reflects our commitment to finding, funding and supporting innovative, disruptive, scalable and commercially viable solutions to help us push the sustainable fashion agenda forward.

ACCELERATING **SUSTAINABLE CHANGE**

We believe that in order to influence and create industry-wide sustainable change at the scale that we want, and that the industry requires, we need to invest in solutions that are built for lasting return on investment, taking into consideration environmental, social and economic aspects.
Our investment within innovation includes low-impact materials and production processes, technologies that help reduce environmental footprint, and renewable energy.



INNOVATION THAT ADDS NEW VALUE

After commencing our partnership with Fashion for Good in 2018, we have taken a more active role in 2019. We have attended topical workshops that give us better insight into market trends and the different innovative technologies and processes used in the apparel, garment and textile industries.

We have been engaging with innovators and brainstorming on the applicability and scalability of some of the innovations.

THE JOURNEY TO BIO-BASED MATERIALS

As we continue our partnership with *pond*, a Denmark-based biotech company known for their disruptive bio-based resin systems, we have begun the testing stage of a renewable, bio-based alternative to conventional oil-based polyester across all major parameters such as texture and tear-strength.

The goal is to help us move away from virgin fossil fuel-based materials by replacing them wherever possible with more sustainable materials from more sustainable feedstock sources, with potential for circularity. Our investment in *pond* will support our journey to substitute virgin polyester.

RENEWABLE ENERGY POWER PLANT IN PROGRESS

The partnership between Danish company Better Energy and BESTSELLER has reached the next level. The blueprint and development plans of the 200 megawatt (MW) solar power plant developed by Better Energy have been completed and it is on-track to be operational in 2021.

The idea of a BESTSELLER renewable energy plant was developed with the goal to producing enough clean energy needed to power all of our global operations, which would see us achieve **our 2021 goal of powering our owned and operated buildings globally with 100 percent renewable energy.**

OUR PEOPLE

OUR **PEOPLE**

GOALS

BY 2020

we will analyse and strengthen our leadership pipeline and initiate implementation of training for all manager roles.

BY 2021

we will complete the global rollout of our online engagement surveys and define common metrics to benchmark engagement across our markets.

BY 2021

we will complete the global rollout of our diversity and inclusion policy and the accompanying awareness programme.

BY 2025

we will train 4,000 people through our internal Academy to further develop and enhance their skills.

VALUING **OUR COLLEAGUES**

Our colleagues are the BESTSELLER family. The expertise, knowledge and creativity our colleagues provide is paramount to our success as a company. We empower our colleagues through active dialogue and by providing a safe, diverse and inclusive workplace for them. Because as they thrive, we also thrive as a business.

TALENT MANAGEMENT

When we recruit talent, we look for colleagues who are proactive, adaptable, open-minded and loyal. We value our people and believe in continuously developing the skillsets that they need to succeed. We do this through various talent management initiatives and programmes:

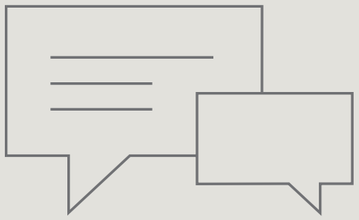
International Business Trainee Programme
We offer an International Business Trainee (IBT) Programme that gives graduates from all over the world the chance to explore the core business areas of an international fashion company. The IBT Programme allows the graduates to gain valuable work experience in one of seven specialist fields at our headquarters in Denmark, and potentially at one of our offices elsewhere around the globe. These specialist fields include buying, retail management, sales management, e-commerce, design, IT business & technology development and finance. Throughout the two-year programme, the graduates gain experience across our entire value chain, supported by school periods including skill training and business trips related to their specific area (e.g. working in retail, stationed abroad working on projects, supplier visits).

Local Talent Programmes
We have an ambitious growth plan and to reach the defined targets, growing our people is key. To ensure continuous development, we run local talent programmes where our colleagues receive additional training to develop their skills and deliver better results that will help support our business growth. An example of this can be found in Group Finance, NAME IT and PEOPLE where colleagues will be trained by our BESTSELLER Academy within process optimisation, presentation techniques, project management, driving results through networking, and business finance. During the programme, they will be assigned a mentor and solve business critical, cross-functional group assignments. These local talent programmes are great examples of how we work locally with talent development across our value chain.

GROWTH MANAGEMENT PROCESS

At BESTSELLER, we believe it is essential to grow our business and our people, and we do this through what we have chosen to name Growth Management. In 2019, we set a goal **to implement our Growth Management Process in our various business units.**

Our Growth Management Process provides meaningful and real-time feedback, ensuring clear expectations, achieving maximum performance and ensuring our values and culture come alive. It is focused around setting goals for the brand/corporate function and cascading these down to individual goals for each employee. We ensure the individual goals through My Goals meetings, which are 1:1 dialogues between managers and their direct reports. Based on those meetings, further career development and growth opportunities are presented and discussed with our colleagues. These opportunities are tailored to each individual's needs and are not set out in a structured manner. The world of BESTSELLER is up to the individual to explore.



DIVERSITY AND INCLUSIVENESS

At BESTSELLER, we provide equal opportunities for everyone, irrespective of gender, age, ethnicity, national origin, sexual orientation, disability or religious background. We define an inclusive workplace as a place where we treat each other with respect and utilise our differences in a positive way. In our Diversity & Inclusiveness policy, we state that we recruit talents on the basis of their personality, skills and experience. Our diverse workforce is an important factor in competing globally and bringing sustainable fashion forward. We aim to have a workforce that is truly representative of all sections of society and our customers. Fairness, opportunities and a sense of responsibility is part of our vision at BESTSELLER. We treat each other as family, which means that we take each other's differences into account, while creating an empowering environment where people can thrive and develop. We always put our family first and this is what unites us and makes us stronger together.

WHISTLEBLOWER SYSTEM

BESTSELLER has implemented a whistleblower system that safeguards our company from unethical and unlawful conduct. At BESTSELLER, we base all relations on trust, respect and honesty. As a colleague, you are encouraged to speak up if there is anything you are concerned about. Using this program, colleagues can report suspicions or knowledge of serious breaches of BESTSELLER's Code of Ethics or violations of laws within certain areas, such as fraud, competition law, human rights and child labour. All colleagues are to complete our e-learning course on the Code of Ethics to equip them with the knowledge of BESTSELLER's guiding principles on conducting business in an honest manner. Reports can be submitted in both Danish and English and can be submitted anonymously.



EMPLOYEE ENGAGEMENT

Employee engagement continued to be a key focus for BESTSELLER in 2019. We have been measuring engagement in many parts of our company, but in various systems without any way of communicating across programme analytics and benchmarks. In March 2020, we were planning to launch a global framework for our engagement surveys. Due to the COVID-19 situation this has had to be postponed. We will continue the work in 2020/21. The surveys will gather feedback from 3000 of our colleagues based in locations such as Denmark, Canada, UK, France, the Netherlands, Belgium, Austria, Turkey and Greece. The new system will capture feedback on what is most important to our colleagues, with periodic surveys being sent out asking questions regarding workplace satisfaction, growth opportunities, inclusion, leadership and job content. With plans to roll out to all global offices at BESTSELLER, this centralised feedback gathering system will serve to inform strategic actions that will help improve BESTSELLER's employee engagement and consequently our colleagues' productivity and performance.

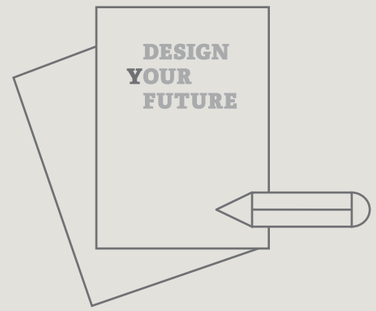
LEADERSHIP DEVELOPMENT

One of the initiatives that we have undertaken is our leadership programme with Leadership Pipeline Institute. The Leadership Pipeline initiative has been established to strengthen the leadership capabilities within BESTSELLER by ensuring that all managers work according to their specific leadership role. In August 2019, we started our first training with Leadership Pipeline Institute where leaders in BESTSELLER at different organisational levels were trained in transitioning fully into their leadership role with focus on work values, time application and skills. This leadership programme takes on a train-the-trainer model where our leaders are then able to train our colleagues in new capabilities whenever they enter into a new role. Continuously developing our leaders is important to us because it motivates our colleagues, while also building business resilience.

BESTSELLER PEOPLE trained 84 managers by the end of 2019 as part of our new leadership framework, which will be embedded in the way we attract, recruit, develop and assess leadership.

"Considering we have great ambitions for BESTSELLER, we require a strong approach for developing and maturing leaders, so they can keep delivering top performance."

Louise Sylvest,
PEOPLE Director, BESTSELLER



SUPPORTING THE **SUSTAINABLE DEVELOPMENT GOALS**

The Sustainable Development Goals (SDGs) from the United Nations define the 17 global development priorities that will help make the world a better place by 2030. These goals reflect a list of comprehensive interconnecting challenges that must be addressed across topics within the economic, social and environmental aspects of sustainable development.

BESTSELLER's Fashion FWD strategy supports and aligns with a number of SDGs in the regions where we operate and where our products are manufactured. These SDGs include:



SDG 3 *Good Health and Well-being*

SDG 5 *Gender Equality*

SDG 6 *Clean Water and Sanitation*

SDG 7 *Affordable and Clean Energy*

SDG 8 *Decent Work and Economic Growth*

SDG 10 *Reduced Inequalities*

SDG 12 *Responsible Consumption and Production*

SDG 13 *Climate Action*

SDG 17 *Partnerships to Achieve the Goal*

MULTI-STAKEHOLDER **PARTNERSHIPS AND COLLABORATIONS**



FASHION FOR GOOD

Fashion for Good is a global community of brands, producers, retailers, suppliers, NGOs, innovators and funders united around shared ambitions of positively transforming the fashion industry. With our partnership, we aim to identify and grow new sustainable innovations and solutions through Fashion for Good's Innovation Platform.

SUSTAINABLE APPAREL COALITION (SAC)

The Sustainable Apparel Coalition (SAC) is a trade organisation comprised of brands, retailers, manufacturers, government, NGOs and academic experts, representing more than 40 percent of the global apparel and footwear market. SAC is working to reduce the environmental and social impacts of apparel and footwear products around the world.

MAKE FASHION CIRCULAR

Since 2016, we have been a member of the Ellen MacArthur Foundation, and in 2018 we became a participant in its Make Fashion Circular initiative. Make Fashion Circular drives collaboration between industry leaders and other key stakeholders to create a textiles economy fit for the 21st century. Its ambition is to ensure clothes are made from safe and renewable materials, new business models increase their use, and old clothes are turned into new. The new textiles economy will benefit business, society, and the environment.

TEXTILE EXCHANGE

Textile Exchange is a global non-profit that works closely with its members to drive industry transformation in preferred fibres, integrity and standards, and responsible supply networks. Through Textile Exchange, it is possible to identify and share best practices regarding farming, materials, processing, traceability and product end-of-life, reducing the textile industry's impact on the world's water, soil and air, and – by extension – the human population.

GLOBAL FASHION AGENDA (GFA)

BESTSELLER is a Strategic Partner in the Global Fashion Agenda (GFA), which aims to mobilise the global fashion industry to change the way we produce, market and consume fashion. As a Strategic Partner, we contribute to the development of the CEO Agenda, which spells out the eight most crucial sustainability priorities for CEOs on an annual basis. As part of the GFA, we have signed the Call to Action for a circular fashion system and with this commitment, we will work to advocate that used clothes are not waste, but important resources for making fashion sustainable.

ELLEN MACCARTHUR FOUNDATION CE100

The Ellen MacArthur Foundation works with businesses, governments and academic institutions to build a framework for an economy that is restorative and regenerative by design. In 2016, BESTSELLER became a member of the Circular Economy (CE) 100 group with the aim of getting a better understanding of the challenges and opportunities of circular economy in practice and ultimately to bring it into a BESTSELLER business context.

THE BANGLADESH ACCORD ON FIRE AND BUILDING SAFETY

The Bangladesh Accord on Fire and Building Safety is an independent agreement designed to make all garment factories in Bangladesh safe workplaces. It includes independent safety inspections at factories and public reporting of the results of these inspections. BESTSELLER signed up on 24 June 2013.

THE FASHION PACT G7

The Fashion Pact is a global coalition of companies who will collectively work to reduce our impact on climate, oceans and biodiversity. The coalition will promote existing programmes – some of which BESTSELLER is already involved with, such as the Science Based Targets Initiative on climate – to get more companies on board. The Pact will also work to further the global biodiversity conversation in order to identify a collective strategy in this space.

THE ETHICAL TRADING INITIATIVE (ETI)

The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. ETI's vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. BESTSELLER was accepted as a Foundation Stage Member on 10 March 2016.

THE APPAREL AND FOOTWEAR INTERNATIONAL RSL MANAGEMENT GROUP (AFIRM)

The Apparel and Footwear International RSL Management Group (AFIRM) is an international group constituted by a number of apparel and footwear companies, which have a common mission to reduce the use and impact of harmful substances in the apparel and footwear supply chain.

RE100

Led by The Climate Group in partnership with CDP, RE100 is a collaborative initiative bringing together the world's most influential businesses committed to 100 percent renewable power.

SCIENCE BASED TARGETS INITIATIVE (SBTI)

SBTi is a collaborative initiative organised by Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi is also one of the We Mean Business Coalition commitments. BESTSELLER has committed to setting science-based goals on greenhouse gases. We have officially committed to set these targets through the Science Based Targets initiative (SBTi), which has an overall aim of making science-based target setting standard business practice by 2020.

ACTION COLLABORATION TRANSFORMATION (ACT)

As a member of ACT – Action Collaboration Transformation – we are part of a global agreement to use our influence as brands to promote and work towards living wages for apparel workers at industry level through collective bargaining.

THE BETTER COTTON INITIATIVE (BCI)

The Better Cotton Initiative (BCI) is a global not-for-profit organisation and the largest cotton sustainability programme in the world. BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BESTSELLER has been a member of BCI since 2012.

ORGANIC COTTON ACCELERATOR (OCA)

The Organic Cotton Accelerator (OCA) acts as a catalyst for change by investing in farm-level programmes, which enable farmer education and support, develop new cotton cultivars and facilitate sourcing models linking brands, retailers and suppliers directly to the farm. These programmes bring additional transparency, integrity, supply security and measurable social and environmental impact to organic cotton. BESTSELLER became a member in January 2020.

BSR HERPROJECT™

BSR's HERproject™ is a collaborative initiative that strives to empower low-income women working in global supply chains. Bringing together global brands, their suppliers, and local NGOs, HERproject™ drives impact for women and business via workplace-based interventions on health, financial inclusion, and gender equality. BESTSELLER has been a member of BSR HERproject™ since 2012 and became a Catalyst member in 2018. In 2019, BESTSELLER has also established a five-year partnership with BSR's HERproject™ to further its goal of supporting 100,000 women in tier 1 factories in achieving workplace empowerment and improved life-skills by 2025.



BESTSELLER