BESTSELLER 2022 — 2023

UK Modern Slavery Act & Forced Labour in Canadian Supply Chains Act

BESTSELLER



Table of content

3 — 5
Introduction: Respect human rights across our value chains

6 — 7
Due diligence policies and procedures

8 — 13
Due diligence in the supply chain

14
Internal due diligence

15 — 17
Due diligence effectiveness

Respect human rights across our value chains

BESTSELLER is committed to respecting and promoting human rights across its multiple value chains. This commitment is one of the core pillars of our sustainability strategy, Fashion FWD, and it is part of BESTSELLER's North Star Ambition to "Bring Fashion FWD until we are climate positive, fair for all and circular by design."

This report was prepared on behalf of BESTSELLER A/S and its subsidiaries (collectively, "BESTSELLER") in accordance with the reporting requirements under the Modern Slavery Act (UK) and the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada).

BESTSELLER commits to respecting all human rights as defined in the International Bill of Human Rights and ILO's core conventions. We commit to the United Nation's Guiding Principles on Business and Human Rights and the OECD Guideline for Multinational Enterprises as the authoritative frameworks for our efforts to respect and promote human rights. In practical terms, our pledge to respect and promote human rights covers all dealings by our more than 20,000 people working for BESTSELLER in more than 100 countries as well as those of our business partners around the world. Where our influence on business partners and other stakeholders are limited, we seek to increase our leverage by engaging in initiatives that aim to develop and implement joint sustainable solutions.

While we consider human rights as being equal and non-discriminatory, universal and inalienable as well as indivisible and interdependent, we pay special attention to specific human rights issues where the risk for adverse impact is highest. This counts for BESTSELLER's own operations as well as for the operations of our business partners. To this end, we work with partners, peers, experts, rights holders, their representatives and other relevant parties to continuously assess actual and potential human rights impacts in our value chain. Recent developments have shown that while this approach delivers the best results in terms of respecting and promoting human rights, we need to be vigilant and flexible in our approach when met by unforeseeable events, such as global diseases or political turmoil in and between nations.

Unavoidably, operating extensive and complex value chains will lead to situations where people's rights are either violated or perceived to be violated. In such instances, BESTSELLER commits to enter into dialogue with rights holders or their representatives to provide remedy commensurable with BESTSELLER's responsibility.

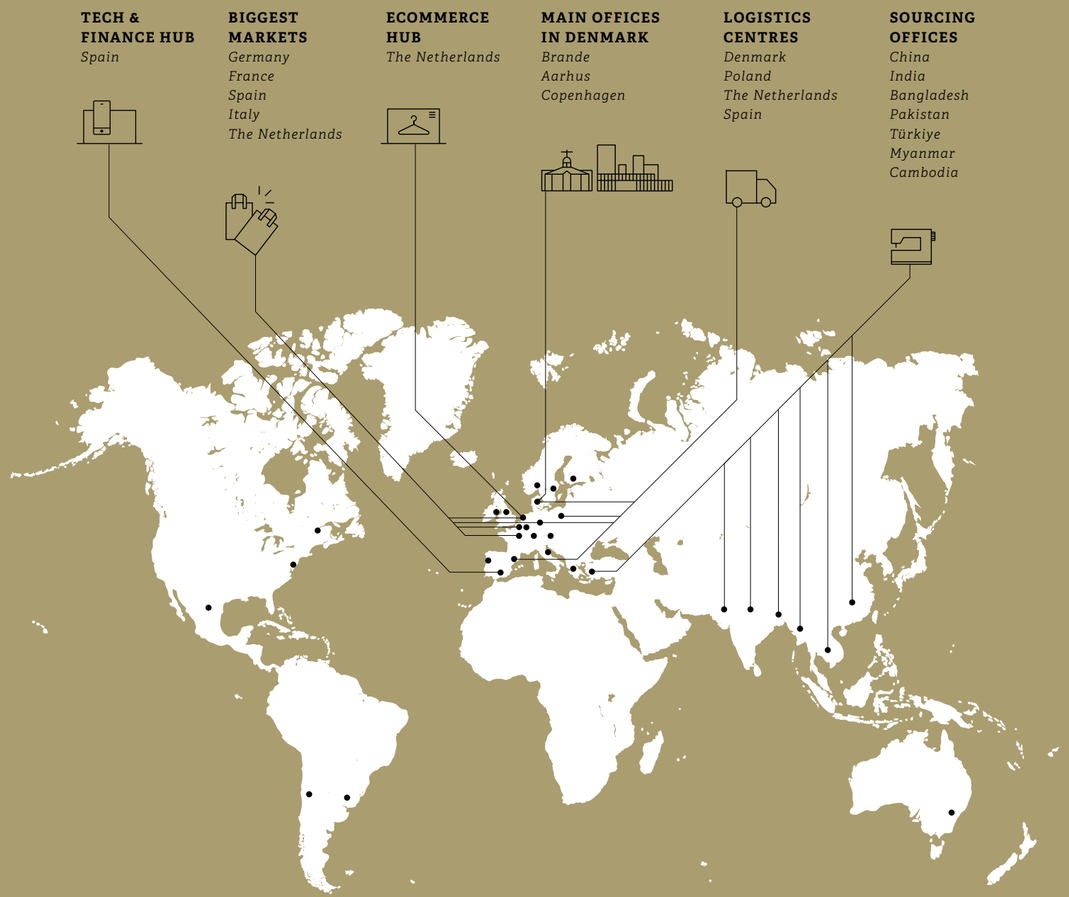
Having the authority to bind all BESTSELLER entities, and in accordance with requirements of the UK Modern Slavery Act and the Forced Labour in Canadian Supply Chain Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the two acts, for the financial year 2022-2023.

CEO & Owner



27 May 2024

BESTSELLER at a glance



BESTSELLER is a family-owned company consisting of a group of brands designing fashion for all ages, genders and occasions. Our company was established by the Holch Povlsen family in Denmark in 1975, and the Founding Principles defined then still guide our approach.

Our products are based on the concept of good quality at competitive prices and are sold in more than 75 countries across Europe, Asia, North America, South America, Oceania and the Middle East.

Through our wholesale business, we sell our products to more than 16,000 multi-brand, department stores and online retailers worldwide. There are approximately 2,700 branded BESTSELLER retail stores in 38 countries globally. We own approximately 2,100 of these stores, while the other stores are operated by partners.

We are more than 20,000 colleagues working across design, logistics, sales, technology and other functions. We employ committed and ambitious colleagues with a positive mindset.

Our global supply chain partners include more than 400 suppliers, with products being manufactured at more than 800 partner factories, employing over 700,000 people across 29 countries.

ANNUAL REPORT 2022/23

— MATERIALS

We are working with suppliers to ensure future products are made using certified and branded materials.

— DESIGN

We work closely with suppliers on trends and provide inspiration for the right styles.

— BUYING

Buyers interact with design to evaluate trends, input from suppliers and our existing successful styles.

— SALES

The sales teams are introduced to the collections and are ready to interact with wholesale and retail partners.

— PRODUCTION

We work closely with our suppliers who manufacture the styles using defined materials.

— LOGISTICS

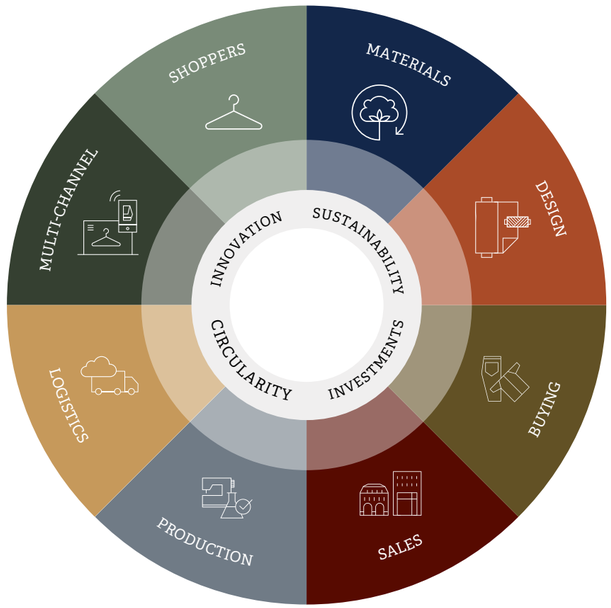
We work with logistics partners to transport products from suppliers to our network of owned and third-party operated distribution centres.

— MULTI-CHANNEL

We sell products across retail, wholesale and ecommerce channels.

— SHOPPERS

We believe better informed shoppers will make better choices and become active partners in the development of a more sustainable fashion industry.



OUR BUSINESS MODEL

BESTSELLER is a global fashion company. Our success is dependent on developing and maintaining strong partnerships throughout the value chain. We want to be the best supplier for our customers and the best customer for our suppliers.

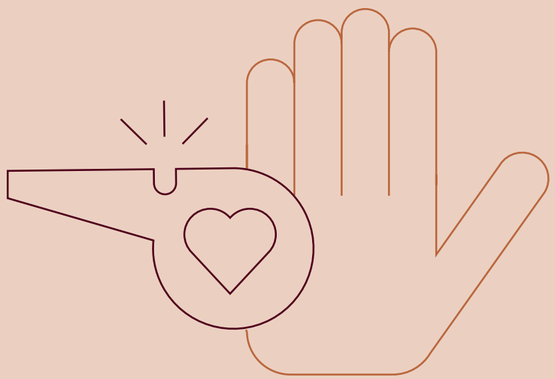
Our business model is based on multi-channel retailing, which sets us apart from other players in the fashion industry. We sell our products at our own retail stores, through partner retail stores and through to multi-brand retailers as well as online on our own branded ecommerce platforms and through multiple online partners.

As a multi-channel retailer, we must deeply understand the businesses of our key retail customers as well as be able to deliver inspiring fashion directly to shoppers in our own stores. Each of our physical and digital channels supports the others, creating synergies and mutual benefits.

Our goal is to infuse sustainability into every aspect of our value chain, and we plan to increase our investment to ensure we achieve this objective moving forward.

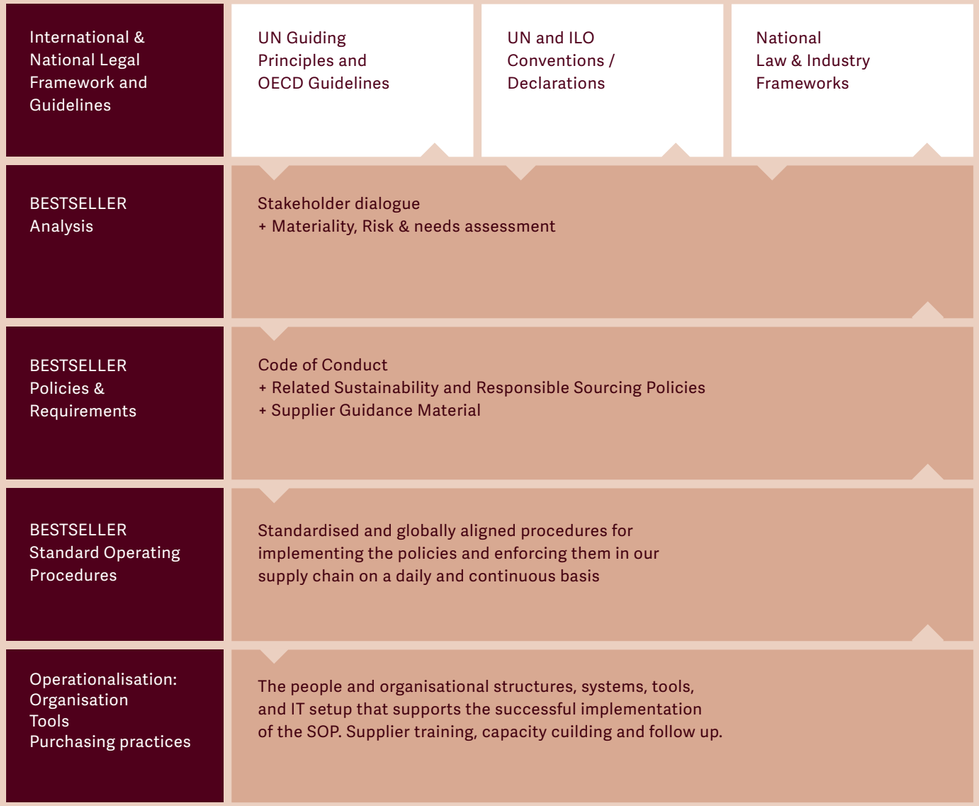
Due diligence policies and procedures

Modern slavery is an umbrella term used to cover slavery, servitude, forced or compulsory labour, and human trafficking. Estimated 50 million people were living in modern slavery in 2021, of which 27.6 million people found themselves in situations of forced labour on any given day. While we acknowledge our responsibility to combat incidents of actual and potential modern slavery in our entire value chain, our efforts are especially focused towards forced labour risks in our supply chain.





The hierarchy of our commitments, tools and systems to combat modern slavery in the supply chain:



BESTSELLER's Human Rights Policy and our Supplier's Code of Conduct and related Responsible Sourcing policies define our commitment to combat forced labour and child labour in our value chain with a special focus on own operations and our supply chain. While our policies directly ban forced labour in any form, our actual effort to combat forced labour is guided by issue-specific policies and standard operation procedures (SOP). Some of our most relevant policies can be found here:

- **HUMAN RIGHTS POLICY**
- **SUPPLIER'S CODE OF CONDUCT**
- **FORCED LABOUR POLICY**
- **MIGRANT LABOUR POLICY**
- **CHILD LABOUR POLICY**
- **HOMEWORKING POLICY**
- **UNAUTHORISED SUBCONTRACTING POLICY**
- **SOURCING REGIONS OF PARTICULAR HUMAN RIGHTS FOCUS**

GO TO POLICIES

While most of our policies are publicly available, we keep our numerous supporting standard operation procedures (SOP) confidential. Partly because SOPs are highly dynamic documents that constantly evolve, partly because the effectiveness of our due diligence procedures, ethical thresholds and escalation protocols depend on external stakeholders not being incentivised to think strategically on how to meet our requirements. Finally, our SOPs are internal guidelines for operations and include names and emails of specific colleagues which should not be made publicly available.

Due diligence in the supply chain

IDENTIFYING SALIENT HUMAN RIGHTS RISKS

In line with UN/OECD guidance we identify and pay special attention to those human rights issues where BESTSELLER and our partners have the most severe actual or potential adverse impacts.

BESTSELLER conducts annual risk assessments of human rights risks in our value chain in general and in particular in our supply chain where we assess the risk of adverse human rights impacts to be highest.



We consider the severity and likelihood of all issues identified as well as our leverage to counter each specific risk. To this end, we draw on a range of sources, such as data from our Factory Standards Programme (described in detail below), dialogues with rightsholders, multistakeholder initiatives, local/international civil society organisations and trade union perspectives as well as desktop research. We regularly review our policies, assessment methodology, remediation and mitigation and remediation efforts to ensure they meet guidance on best practice. For example, in some areas we have developed issue-specific policies (including forced labour and child labour) and supporting standard operating procedures. Where issues – and solutions – are systemic, we engage in multi-stakeholder initiatives (e.g. materials traceability) to raise our leverage beyond our own value chains. Finally, we enrol suppliers and their employees in a range of extended workplace programmes. These programmes target industry-specific challenges, such as women empowerment, workers' rights and workplace health and safety.

BESTSELLER's salient human rights issues 2022-2023

- **CHILD LABOUR**
- **FORCED LABOUR**
- **FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**
- **SEXUAL HARASSMENT AND GENDER-BASED VIOLENCE**
- **OCCUPATIONAL HEALTH & SAFETY**
- **WAGES**
- **WORKING TIMES**

READ MORE ABOUT OUR SOCIAL IMPACT INITIATIVES

Risks to human and labour rights are not static, and advice and legislative requirements on how to address them are constantly evolving. We regularly review our human rights risks, our accompanying policies, assessment methodology as well as the impact of our mitigation and worker empowerment efforts.

Factory Standards Programme

BESTSELLER's Factory Standards Programme (FSP) is our main vehicle for holding our tier 0, tier 1 and selected tier 2 suppliers and factories accountable to BESTSELLER's environmental and social standards. The programme identifies and addresses environmental, labour and human rights concerns, and is designed to ensure both compliance with our ethical sourcing standards and to promote positive change in partnership with our suppliers. Our bi-monthly updated list of approximately 800 approved manufacturing facilities as well as our preferred materials suppliers can be found here:

FULL UPDATED LIST

Before being approved for production, each factory must fulfil BESTSELLER's Basic Requirements within social & labour and chemical & environmental performance. Factories must pass a comprehensive onsite assessment, which is conducted by a member of the BESTSELLER in-country Social & Labour and Environment team in countries where we have sourcing offices (China, India, Bangladesh, Pakistan, Türkiye, Myanmar and Cambodia). These countries account for more than 90 percent of factories producing for BESTSELLER and more than 98 percent of garments sourced. In countries where BESTSELLER has no sourcing offices, onsite assessments will be conducted by a third-party auditor with specialist knowledge into local salient issues, language, culture and context.

At routine intervals, each supplier must conduct a self-assessment covering 16 social/labour, chemical safety and environmental areas. After reviewing the self-assessment, our local teams of specialists verify the suppliers' answers during on-site performance evaluations.



BESTSELLER HAS LOCAL SOURCING OFFICES IN SEVEN MAJOR SOURCING COUNTRIES:

Approximately 45 labour/human rights and environmental experts work full time to uphold our ethical sourcing standards.

1. China
2. India
3. Bangladesh
4. Pakistan
5. Türkiye
6. Myanmar
7. Cambodia



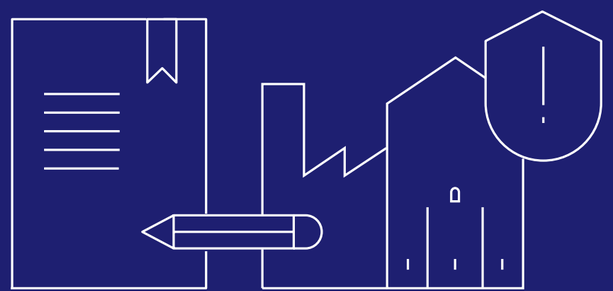
These visits can be announced, semi-announced or un-announced, depending on the situation, and follow clearly defined methodologies, protocols and performance indicators, which are aligned across BESTSELLER's brands and sourcing offices. Our 45 in-country Social & Labour and Chemical & Environment Specialists conduct follow-up visits to advise and check on remediation progresses in person. During the reporting period BESTSELLER's FSP teams and external auditors conducted more than 700 such onsite assessments/follow-up visits.

As part of onsite assessments, our responsible sourcing teams conduct confidential interviews with workers through which workers can raise grievances without their management being present. An on-site visit concludes with a weighted rating of the supplier's performance up against approximately 150 graded indicators. The rating prioritises important key areas, such as the supplier's management systems, to ensure a continued high performance and risk management on social, labour/human rights, chemical and environmental issues. When a supplier performs beyond our expectations it will be rewarded in the performance rating. Examples include strong management systems within social & labour and environmental management, and strong social dialogue/worker representation. Beyond expectations also count if the factory offers free lunch, housing, transportation or extended medical services for its staff and their families, and a range of other parameters. The individual performance ratings are not only used in the social & labour and environment teams dialogue with the factory management but are also part of a dashboard available to our purchasing teams, when working towards our strategic Fashion Forward Goals, which include a goal that by 2025, 75 percent of BESTSELLER's product sourcing must be placed at high performing suppliers. In the reporting period 48% of our product were placed with highly rated suppliers. Thus BESTSELLER is on track to reaching this fundamental strategic goal within the given timeframe.

READ MORE

MAIN ISSUES COVERED BY BESTSELLER'S FACTORY STANDARDS PROGRAMME

1. Management Systems & Licenses
2. Ethics & Transparency
3. Child Labour
4. Young Workers
5. Forced Labour
6. Discrimination
7. Employment Practices
8. Working Hours
9. Wages and Benefits
10. Employee Treatment
11. Employee Involvement (including Freedom of Association and Collective bargaining)
12. Health & Safety (including dormitories)
13. Environment
14. Wastewater Management
15. Water Management
16. Region-specific BESTSELLER requirements



The more than 124 graded performance indicators and the 25 additional "above & beyond" compliance indicators are structured under various headings. With both forced labour and child labour having been identified as a salient risks for BESTSELLER's supply chain, each of the two risks has a its own section of issue-specific indicators.

As modern slavery exists in multiple forms, it is important not only to focus due diligence efforts to the most obvious proof of forced labour (e.g. whether workers are victims of trafficking, if employment and overtime is voluntary, whether staff can terminate their employment at reasonable notice, if wages and papers are withheld by the employer, etc.).

The International Labour Organisation (ILO) has defined 11 indicators of forced labour covering the main possible elements of a forced labour situation. BESTSELLER's Factory Standards Programme investigates supplier performance within all 11 ILO indicators as well as region specific indicators (e.g. Public Labour Transfer Programs or specific indicators for conflict affected areas).

11 INDICATORS OF FORCED LABOUR

These efforts provide us with a comprehensive picture of how the individual factories producing our garments approach the challenge of preventing forced labour in their operations.



CASE

Stakeholder Engagement in policy development

Coordinating with the relevant stakeholders and rightsholders is an essential part of effective risk assessments, policy development and due diligence. We coordinate employer associations, labour rights organisations, factory level unions, federation level unions and global unions, ethical trade and human rights consultancy organisations in resolution of these cases.

As part of our more recent salient human rights risk assessment, one of the identified risks showed that migrant workers face heightened risk of discrimination in the global apparel supply chain.

This discrimination can take many forms, such as pay discrimination and deductions, poor working conditions, and forced labour. In the reporting period, BESTSELLER, in consultation with the UN's International Organization for Migration (IOM), developed a Migrant Worker Policy which specifies that migrant workers should be subject to all applicable human and labour rights on equal terms as non-migrants.

Materials Traceability and transparency to combat forced labour

BESTSELLER is constantly exploring new ways to improve our efforts to combat and prevent human rights abuses – including forced labour and child labour - at the factories crafting our garments as well as further up the materials supply chain. BESTSELLER has issued special guidance on "Sourcing Regions of Particular Human Rights Focus", just as our materials teams work dedicatedly to understand and improve traceability of each of the materials used.

READ MORE

As it is the case for other commodity dependent industries, materials traceability has traditionally not been prioritised by the textile and garment industry to the same extent as end-products. There are multiple reasons for this, including extensive blending of fibres, business confidentiality (blending formulas/techniques) and not least a focus on securing uptake of responsible farming practices through mass balancing systems. During the past decade, however, forced labour has become an ever more salient issue in the garment industry and has thus accelerated the need to enhance traceability – not least within the cotton supply chain.

Various BESTSELLER teams work diligently with our materials suppliers to increase transparency and to test and scale transparency and traceability solutions and technology which will help BESTSELLER – and in turn the industry – to better its performance. Read more about this pilot and learn more about how we work to scale up the promising result here:

READ MORE

BESTSELLER also engages in multistakeholder initiatives, such as Better Cotton, to develop joint solutions for the benefit of the entire supply chain. Better Cotton accounts for 22 percent of the world's cotton production. Within the reporting period, BESTSELLER was one of ten brands engaging in and financing Better Cotton's development project which aims to provide traceability for the entire cotton supply chain. Read more about these efforts and BESTSELLER's role here:

READ MORE

Despite engaging in these activities, ensuring full transparency and traceability in global supply chains is an endeavour that transcends the individual brand and in many cases the industry. Increasingly, the ability to build and operate forced labour free supply chains and efficient due diligence systems is influenced by host country specificities, regional regulation and even-geopolitics.

BESTSELLER welcomes new and upcoming regulation that aims to raise the bar and create a levelled and harmonised playing field for responsible business practices practices - not least related to forced labour. It is of vital importance that such legislation is harmonised across countries, recognises the risk-based approach to due diligence and is aligned with the "United Nations Guiding Principles on Business and Human Rights" and the "OECD Due Diligence Guidance for Responsible Business Conduct", which are already accepted by responsible businesses as the authoritative due diligence frameworks. Further, BESTSELLER firmly believes that national and international regulators must acknowledge that the required conditions for efficient due diligence and transparency into global supply chains are not always present.

It can only become a reality with active collaboration between affected industries, nation states and international bodies, and will require both public and private support, financing as well as adequate regulation. In the reporting period, BESTSELLER has publicly supported and actively engaged in the debates shaping two upcoming key EU legislations, namely the Corporate Sustainability Due Diligence Directive and the EU Forced Labour Ban.

READ MORE

Internal due diligence

BESTSELLER's Material Impact Assessment considers the risk of forced labour at our owned and operated entities as being low. Freedom from slavery, forced labour and child labour are fundamental human rights and are governed internally via BESTSELLER's Code of Ethics.

The Code is introduced to all BESTSELLER staff as part of their induction programme just as all BESTSELLER employees are eligible to undergo mandatory training every second year. Our latest global mandatory training was launched in May 2024, and the next training round is expected to be launched within 2026. While never becoming complacent, we strive to always operate ethically following established staff rules and procedures that counter the risk of causing forced labour situations within the company.

Our People's Voice (OPV) global employee engagement survey invites all colleagues across BESTSELLER globally to provide anonymous feedback on our PEOPLE practices and to raise concerns on all aspects of their employment. The survey is conducted twice a year. Managers are responsible for facilitating team check-ins and taking actions on OPV findings locally. The global OPV survey was launched in 2020 as part of our Fashion FWD sustainability strategy. Open ended questions enable colleagues to raise any concerns about – or ideas to improve – our PEOPLE practices. Naturally this opportunity includes Forced labour and child labour concerns. Read more about our OPV, staff training and efforts within Diversity, equity and inclusion in BESTSELLER's Annual Report 2022-2023 (page 165 onwards).

BESTSELLER'S ANNUAL REPORT 2022-2023

In addition to the normal channels of employee dialogue, BESTSELLER's whistleblower system (provided through our parent company, HEARTLAND) offers an alternative route for the reporting of suspicions or knowledge of serious breaches of BESTSELLER's Code of Ethics or violations of laws within areas such as fraud, competition law, human rights, etc. This system is open to concerns from all BESTSELLER employees and business partners.

Due diligence effectiveness

As mentioned above, forced labour and child labour in the supply chain – alongside ILO's Forced labour Indicators – are among BESTSELLER's most salient human rights risks.

At factory and supplier level, these risks are primarily prevented, mitigated and remediated through our Factory Standards Programme (FSP). Where a FSP assessment report shows room for improvements, a Corrective Action Plan (CAP) is created, and our local experts visit the factory to provide guidance and training to make sure the necessary improvements are made and implemented within a given timeframe. In this way, we solve numerous minor issues, including issues pertaining to ILO's forced labour indicators.

Read more about how we enrol our suppliers and their staff in Social Impact Initiatives here:

READ MORE

Examples include joint industry efforts to improve factory performance within forced labour indicators, such as occupational health and safety, freedom of association and woman empowerment. Read more about our women empowerment project where we have reached more than 130,000 women working at BESTSELLER's suppliers here:

READ MORE

Forced labour incidents

Any non-compliances identified that are directly related to BESTSELLER's specific forced labour and child labour indicators will automatically be regarded 'Major' or 'Critical' and escalated instantly. Here it is worth noting that no factory is onboarded or activated for BESTSELLER production before all concerns rated as 'Major' or 'Critical' have been remediated.

In cases where we find that factories are not capable or willing to meet our minimum social or environmental requirements, we have SOPs that clearly define our escalation protocols. In the rare case that a factory or supplier is not sufficiently committed to remediating critical issues we will – as a last resort – offboard the factory.

BESTSELLER's escalation protocols apply universally across all markets in our supply chain. Alignment of escalation protocols provides more reliable data on concerns in our supply chain and helps us share these concerns with our stakeholders and develop stronger business practices. This data also plays a role in our engagement at the industry level to address and mitigate these issues before they arise.

Incident Log

During the financial year 2022-2023, we identified and solved hundreds of minor non-compliances at factory level and conducted 88 in-depth investigations into allegations of critical non-compliance with our supply chain requirements. The corresponding number for the previous financial year was 52. BESTSELLER assess that the rise in the number of investigations as a result of increased transparency, stricter enforcement as well as a natural fluctuation in the number of cases. BESTSELLER continues to scrutinise these statistics as part of our ongoing efforts to detect trends in supplier compliance and development and in turn to optimise our due diligence programme.

The 88 cases refer to allegations of critical Code of Conduct non-compliance, as well as escalation procedures for factories that did not meet Corrective Action Plans timelines for less critical Code of Conduct violations.

The largest critical case categories which occurred were: unauthorised subcontracting (25 percent), wages and benefits (12 percent), and occupational health and safety (11 percent). While a range of these critical cases relate to ILO's 11 forced labour indicators, none of our investigations into allegations of critical non-compliance related directly to incidents – or perceived incidents – of neither forced labour or child labour.

The cases were raised via the following channels: 32 percent from BESTSELLER's Factory Standards Programme, 20 percent from media, 17 percent from Accord/RSC, five percent from 3rd party audit companies, five percent from international NGOs, three percent from local NGOs, five percent from local unions, three percent from international unions and 10 percent from alternative channels.

The case resolution data is as follows: 6,8 percent critical cases were dismissed after investigation found no evidence of violation. 66 percent were closed – meaning required action has been taken and remediation is either completed or on track for completion within stakeholder agreed timelines. The remaining 27 percent were still under remediation at the end of the reporting period.

In one case, the unsatisfactory resolution process led us to reevaluate our relationship with the supplier, and we decided to offboard them from our supply chain.

Grievance Mechanisms

As mentioned above, 17 percent of the 88 incidents escalated in 2022-2023 were raised through on-site grievance mechanisms as part of the Bangladesh ACCORD.

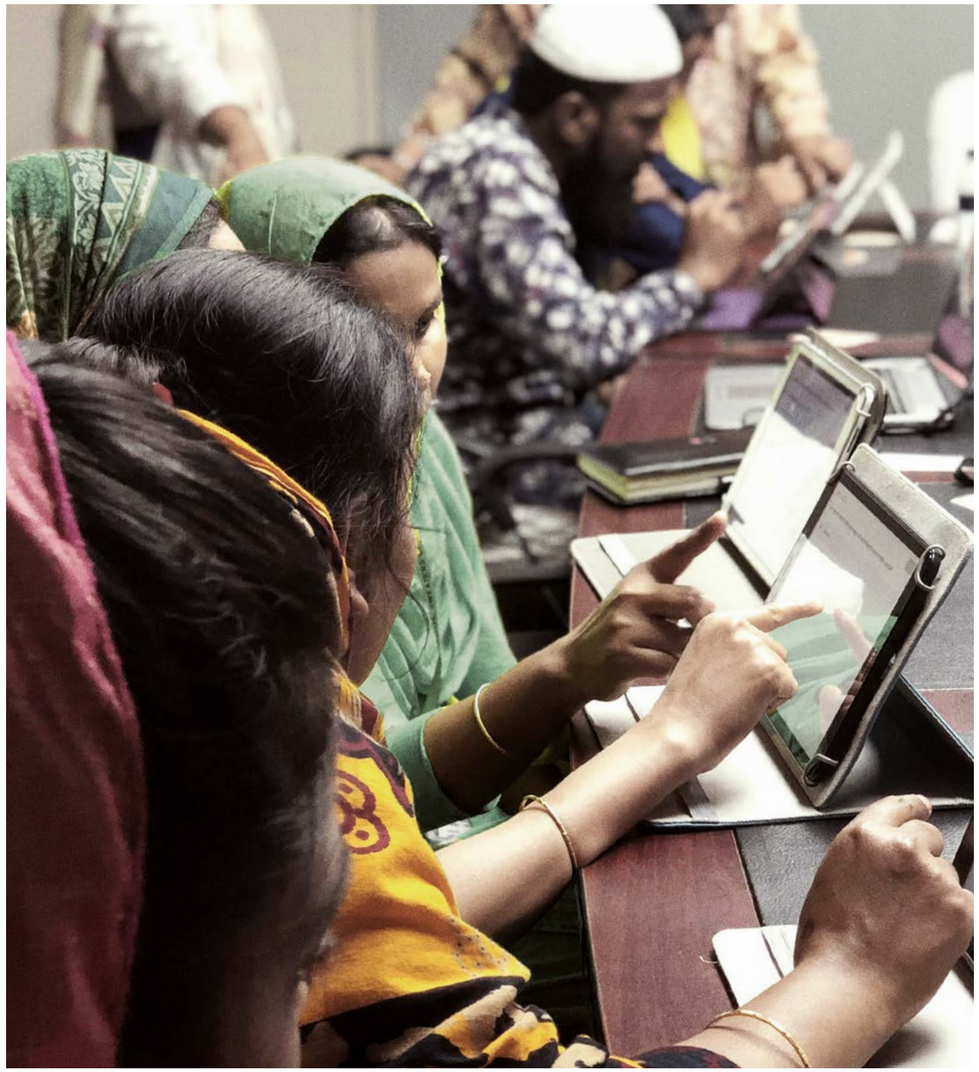
This is well aligned with our strategy of handling complaints as close as possible to the factory level by encouraging unions and factory management to negotiate. BESTSELLER is also a member of ACT (Action, Collaboration, Transformation), a multistakeholder initiative between international brands and retailers, manufacturers, and leading international trade unions to address the issue of living wages in the textile and garment supply chain. As per ACT guidance on industrial relations, BESTSELLER does not adjudicate disputes, but instead encourages, supports and respects the outcome of fair and transparent grievance mechanisms.

BESTSELLER's employees are encouraged to take up any oncerns with their management or our dedicated people function. On top of this our biannual employee engagement survey OPV and our whistleblower system (both described in detail above). In the reporting period our employees provided more than 30.000 free text comments through the OPV channel. None of these comments related to child labour or forced labour. Further none of the cases recieved through our whistleblower system in financial year 2022-2023 related to child labour or forced labour.

READ MORE

ANNUAL REPORT 2022/23

Want to know more?



BESTSELLER

If you have any questions, please reach out to us:
sustainability@bestseller.com