

“BESTSELLER’s response”, 2 November 2022

General comments:

We would like to precede our response to the specific allegations with a quick description of BESTSELLER's standard operating procedures for allegations of Code of Conduct (CoC) violations, the resources we dedicate to handling them, as well as an overview of our Myanmar-specific due diligence.

We investigate all allegations of CoC violations in person. We have teams of social and labour specialists based in our main sourcing countries. In cases where we find that factories are not meeting our minimum requirements, we have a clearly defined escalation protocol, which is applied uniformly across all sourcing markets. In the rare case that a factory or supplier is not sufficiently committed to remediating critical issues we will offboard them. We only offboard factories as a last resort in cases when factory management are unwilling and/or unable to engage in remediation.

In cases of labour disputes, our strategy is to handle complaints at the factory level by encouraging unions and factory management to negotiate. As per ACT (ACTION COLLABORATION TRANSFORMATION) guidance on industrial relations, we do not adjudicate disputes, but instead encourage, support, and respect the outcome of fair and transparent grievance mechanisms.

Myanmar-specific due diligence:

Regarding Myanmar specifically, in the aftermath of the coup, we have significantly expanded our country-specific due diligence requirements to mitigate adverse human rights impacts.

We have clear RBC (Responsible Business Conduct) expectations for our suppliers that are integrated into commercial contracts. On top of that we have face-to-face meetings and on-site factory assessments to monitor human rights risks, and where possible we use our leverage-and network of rightsholders to collaborate and cooperate with a smart mix of measures (voluntary and mandatory) to mitigate human rights risks, and in the event of violations – remediation.

Response to allegations:

Tianjin's factory team had informed BESTSELLER's merchandiser team that the factory would be laying off staff, and BESTSELLER's social and labour team followed the proposed layoffs on social media.

Workers were not satisfied with the lay-off criteria which was set by Tianjin, which was initially "under 6 months service time for sewing section and under 1 year service time for other sections". The factory management, WCC members, and workers representatives from finishing, packing, and ironing held a series of nine meetings between 4th and 11th October to negotiate a mutual agreement on the lay-off criteria. The mutual agreement set the layoff selection criteria as: "under 6 months service time for all sections", with provision of October salary and notification money for laid-off workers.

On 12 October, BESTSELLER's social and labour team visited the factory to assess and verify that the lay-off procedure abided by the local laws and regulations. BESTSELLER found that the legal requirements and BESTSELLER's guidance had been met for the to lay-offs. We also observed that the lay-off negotiation process went smoothly after interviewing management and WCC workers. Please note that Tianjin's factory management team received training by BESTSELLER local team on layoff procedures in July,2022.

BESTSELLER introduced Tianjin's factory management with the EU funded "Myan Ku Emergency Cash Fund" to support workers' livelihoods in the first months after lay-off. Based on the latest update from the factory, the Myan Ku project has approved factory's application for the laid-off workers. Workers will be contacted by the Myan Ku Fund coordinators to arrange direct delivery of financial aid.