

SKIMS Response to BHRRC on Human Rights Due Diligence in Myanmar

We are writing in response to the BHRRC article from September 14, 2022, to provide context regarding SKIMS' decision to exit *Bogart Lingerie Myanmar* and the circumstances surrounding this decision.

SKIMS began sourcing from the mentioned factory in June 2021 but subsequently ceased operations on April 23, 2022, after being made aware of allegations of the factory forcing employees to work overtime without pay. During our engagement with our supplier, *Delta Galil USA*, our sourcing team became aware of allegations concerning unpaid overtime to workers. This issue arose during the period when *Delta* acquired *Bogart Companies* in 2020. It is important to note that the exit of SKIMS from the factory did not result in the retrenchment of workers. This stability was achieved through *Bogart Myanmar's* swift response to fill the gap.

Furthermore, *Delta* and *Bogart Myanmar* took action by participating in the MADE in Myanmar project and initiated several projects, including:

- Implementation of improved and additional bonuses.
- Provision of 10 Kg. of rice per worker monthly and subsidies for coffee and tea.
- Establishment of a dedicated room for milk feeding for mothers.
- Expansion of the company clinic, with a doctor and nurse on-site permanently.

In addition to these measures, a *Delta* Corporate Compliance Manager has been appointed to oversee compliance in *Bogart* factories. We have engaged the services of Elevate to conduct third-party internal compliance audits, with *Delta* actively collaborating on remediation efforts based on audit findings.

While SKIMS does not currently source in Myanmar, we uphold a robust onboarding and auditing process for all current and prospective manufacturing partners. This includes initial and annual third-party audits, with additional assessments and remediation efforts conducted in response to substandard findings. Our approach encompasses a range of protocols, such as worker interviews, document reviews, and a pre-sourcing SAQ.

In the event of any allegations, we promptly seek clarification from the auditing firm and work with them to determine if further investigation is warranted. Depending on the nature of the issue, we engage in a collaborative process with the Supplier/Agent, which may involve a remediation CAP process guided by the audit firm. In cases where factory exit is deemed necessary, we develop a plan to minimize the impact on workers and the factory.

SKIMS remains dedicated to transparency and open communication with stakeholders, NGOs, and industry organizations. As part of our commitment to accountability, QIMA, our trusted third-party auditing firm, ensures that its anonymous grievance hotline sign is prominently displayed in all partner factories. In addition, we have established a dedicated internal compliance email for stakeholders and workers to report any concerns. We are actively expanding our compliance programming and fostering partnerships with industry-leading organizations, including the Fair Labor Association, to strengthen our long-term ESG (Environmental, Social, and Governance) efforts focused on labor rights and ethical sourcing. We are committed to upholding the highest standards of ethical and responsible business practices, and we thank you for your attention to this matter. Should you require any further information, please do not hesitate to contact us.

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