

## Myanmar | Responsible Disengagement

### Update 26<sup>th</sup> February 2024 (First Published 31st March 2023)

Despite Equip's plans to remain in Myanmar to support its suppliers and create stability for many workers, it became clear that was becoming untenable. Since the military coup on 1st February 2021, the Myanmar military regime has violently cracked down on any form of opposition, including peaceful protests. Credible reports indicate that thousands of civilians, including children, have been jailed, tortured, and killed.

Equip's priority is always to support the welfare and safety of the factory workers in Myanmar. Equip has worked closely with all its manufacturing partners to conduct enhanced due diligence processes throughout its time operating in the country. All factories where it has operations are foreign-owned with no business relationships with Myanmar military entities.

Since the military coup, Equip received guidance from a range of stakeholders to inform due diligence and commercial decisions including:

- Industry and country experts, including Fair Wear's Myanmar Country Team and a human rights impact assessment commissioned by the Ethical Trading Initiative
- Smart Myanmar through MADE in Myanmar, an EU-funded project.
- The Myanmar factory owners
- Other Fair Wear and non-member brands sourcing from Myanmar
- Industrial Workers Federation of Myanmar (IWFMM), via an event coordinated by Fair Wear

Equip also sent a Senior Manager and a Board Member to Myanmar twice in 2022 to assess the situation and evaluate the impact of continuing to manufacture in the country. Due to military persecution, unions and NGOs have largely ceased operations or left Myanmar, making it difficult to consult in-country worker organisations during due diligence.

The conclusion based on these assessments, and in line with Fair Wear's expectation, was that Equip started responsible disengagement from Myanmar.

Equip stopped production from three previous Myanmar production facilities in 2022. Equip's one remaining partner facility in Myanmar has other production locations outside of the country.

A formal responsible disengagement process started in October 2022. Equip confirmed with its remaining Myanmar facility owner that it would commence responsible disengagement and move production to one of the partner's other owned sites outside of Myanmar, ensuring that this would be a gradual process. This phased production move to the factory owner's partner facility was always intended as part of Equip's long-term sourcing plans.

Equip's commitment to the welfare and safety of the factory workers remains a priority. So, using the 'Fair Wear Responsible Exit Strategy Guidelines' (published February 2018), 'Fair Wear's Policy on Business in Myanmar' (published October 2022) and the 'Fair Wear Brand Guidance for Responsible Disengagement from Myanmar' (published March 2023) Equip has:

- Worked closely with the factory owner who confirmed:
  - The production volume gap created by Equip's exit has been filled.
  - There have been no layoffs resulting directly from Equip's exit.
- Communicated regularly with the factory owner to manage production to ensure:
  - A time-bound action plan for volumes that are decreasing, with final shipments extended to April 2024, from an original schedule of Jan 2024.
  - Production volume will be managed and slow run down in volumes to limit the impact.
  - Production moved to the alternative factory is in a controlled timely manner and communicated transparently.

- Built a long-term commercial relationship with the factory owner to ensure:
  - Feedback around the impact of responsible disengagement from Myanmar has been considered during the production run down.
  - Any impact on the workforce will be understood even after production has moved.

Throughout the disengagement process from Myanmar, Equip has continued to follow and implement human rights due diligence procedures. Equip's CSR team has communicated with the factory management regularly. The Buying team has monitored the production volumes to ensure a smooth transition.

The impact on the livelihoods and safety of the workers is a priority concern in Equip's decision. It is a difficult situation for all, but Equip is in the fortunate position to have robust and honest ongoing relationships with the remaining factory owners. This allows Equip the ability to act with confidence knowing that it can monitor and support the factory throughout and follow up any impact after responsible disengagement.

## **Responsible Disengagement Progress Update (29 February 2024)**

As agreed in the Responsible Disengagement Plan, SS24 will be the final season Equip will place orders in their remaining Myanmar factory. Equip will not place any AW24 orders at the factory.

Equip had originally planned to complete all production in the Myanmar factory by January 2024. However, due to production delays and after consultation with factory management, Equip has extended the deadline to April 2024. These additional three months will be used to finish SS24 orders and manufacture 'Fabric Use Up' orders (approximately 750 pieces). This decision will enable the factory to further minimise the impact on workers as well as minimising fabric waste.

Equip has used third-party amfori BSCI audits, data provided by the factory, and internal production reports, to measure the impact of the Responsible Disengagement Plan on the workers since October 2022. As of November 2023, the following has been confirmed:

- The lowest-paid wage increased in line with the new Myanmar minimum wage in October 2023
- Existing customers have remained in the factory and have backfilled the production volume left by Equip's Responsible Disengagement Plan.

Equip is aware of a one-day strike held by the workers at our remaining Myanmar factory in June 2023. The striking workers were calling for a wage rise, increased bonuses, and additional water facilities. Equip has confirmed that the factory reached a settlement with the workers through negotiation the following day – agreeing to increase wages and bonuses and install new water facilities. Equip has seen evidence of the settlement, that the agreements have been implemented, and that no workers were dismissed or penalised for the strike.

## **Ongoing**

Equip will continue to monitor its remaining factory in Myanmar and continue to communicate closely with the team and other key stakeholders. Equip commits to publish another after all production has ceased.