



# Principles of Responsible Sourcing in Myanmar's Garment Sector

July 2014

## About BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit [www.bsr.org](http://www.bsr.org) for more information about BSR's more than 20 years of leadership in sustainability.

## Vision: Sourcing Garments Responsibly in Myanmar

**Responsible** sourcing means aligning business goals with the long-term interests of Myanmar and all stakeholders within the garment sector. **Now** is the time to embrace the challenges and seize the opportunities offered by this crucial juncture in the country's history to proactively position the garment industry as a catalyst for sustainable development.

In order to produce and source garments responsibly, the whole industry in Myanmar, including suppliers, buyers, and other industry stakeholders, needs to expand its focus both inside and outside factory walls. It must proactively seek solutions through partnerships informed by wide stakeholder engagement and continued social dialogue. Responsible sourcing in Myanmar requires enhanced due diligence on human rights and key environmental, social, and governance (ESG) issues with the aim that the garment industry become a long-term positive contributor to the country's economic growth and to society more broadly.

Responsible sourcing represents an opportunity to act on this perspective by building on the potential of Myanmar's people while working alongside local and international institutions. Responsible sourcing is an approach that integrates globally accepted standards,<sup>1</sup> prevailing laws, and core company values, aiming to contribute to positive industry impacts that enable safe, decent working conditions and the inclusion of local communities.



<sup>1</sup> We uphold the UN Guiding Principles on Business and Human Rights and all ILO (International Labour Organization) Conventions as the basis of responsible garment sourcing policies and practices, and we encourage all stakeholders in Myanmar to adopt them.

## Statement of Purpose

These principles represent a first step toward advancing a sustainable garment manufacturing sector in Myanmar by stimulating an environment for **responsible sourcing** through industry-wide dialogue, multistakeholder engagement, and transparency.

We envision a future where Myanmar becomes a long-term preferred option for responsible sourcing. We intend to support this vision by boosting the industry's long-term competitiveness through strong ESG standards, which could, in turn, enable greater value-creation, higher product quality, and more efficient, sustainable production. Through partnerships among buyers, suppliers, and other stakeholders, we believe that the garment sector can harness collective lessons learned and experiences to build a better future for the industry and its people in Myanmar.

We wish to look beyond the garment industry's predominant social audit and compliance approach and work toward the formation of long-term engagements to address some of Myanmar's most pressing issues, both within the garment sector and at a more systemic level. Dialogue among buyers, suppliers, and stakeholders has already provided an effective platform to share viewpoints and best practices to formulate these principles. They are intended to pave the way for the development of practical, localized strategies and mechanisms for the benefit of all stakeholders in the garment sector and Myanmar's society more broadly.

**We encourage others to adopt these principles and invite all interested stakeholders to contribute with their feedback about and further collaboration on our work in Myanmar.**



## Preamble: Focus on Myanmar

Myanmar's recent history has isolated its garment sector, preventing it from participating in the industry's globally accepted ESG standards. We appreciate the current government's efforts to undertake reforms at all levels; however, in-country due diligence has revealed that labor, health, safety, and environmental standards do not yet consistently meet the levels expected by responsible buyers, local and international civil society, and an increasingly sustainability-conscious global consumer base. Therefore, we see a need to consult with and support local stakeholders, including relevant authorities, to upgrade Myanmar's garment sector and seek shared benefits from continuously improving industry policies and practices.

The private sector's ability to contribute to the country's development is predicated upon political stability and the upholding of the rule of law. To this end, we recognize that respecting and obeying the prevailing domestic laws remains the first priority. Additionally, we recommend that the UN Guiding Principles on Business and Human Rights and the ILO Conventions are adopted and considered in the drafting and revision of frameworks, laws, and regulations relevant to Myanmar's garment sector.

## The Four Principles of Responsible Sourcing

### 1. SUSTAINABILITY LEADERSHIP: CONTINUOUS IMPROVEMENT

We recognize the opportunity for the garment industry to generate positive impacts for the wider benefit of society in Myanmar. All garment sector stakeholders therefore need proactive leadership to help ensure that the industry becomes sustainable in the long term, as characterized by safe working environments; fair, respectful, and dignified treatment of workers; protection of the environment; and the ethical conduct of business.

While the ultimate responsibility to achieve these goals lies with factory owners and the Myanmar government, we recognize the significant contribution that buyers and other stakeholders can provide in enabling the continuous improvement of ESG standards, both within factories and at a systemic level. Collaboration among stakeholders will be crucial to this end.

### 2. ENHANCED DUE DILIGENCE

We recognize that identifying challenges and opportunities specific to Myanmar's garment sector requires enhanced due diligence to understand the local context. We believe that this due diligence would be best supported by maintaining a process for Myanmar-focused dialogue among a wide range of buyers and suppliers. Enhanced due diligence grounded in industry-wide dialogue includes the exchange of viewpoints, lessons learned, and best practices<sup>2</sup> that inform and supplement existing ESG auditing and compliance procedures.

### 3. WIDE STAKEHOLDER ENGAGEMENT

We believe that existing garment sector businesses and prospective investors have a responsibility to engage and cooperate with a wide range of stakeholders to—at minimum—ensure that garment sourcing activities in Myanmar do not directly or indirectly contribute to human rights abuses or environmental degradation. We further recognize the need to foster proactive engagement on issues crucial to the sector's development through collaborative, multistakeholder mechanisms to facilitate the garment sector's position as an increasingly valuable contributor to Myanmar's sustainable growth.

We believe that social dialogue and wide stakeholder engagement will be instrumental in stimulating action to build capacity within—and in cooperation with—the government, local and international institutions, and garment manufacturing facilities. Maintaining dialogue and engagement will encourage all stakeholders to look beyond basic legal compliance and seek complementary, innovative opportunities for partnership as part of overall efforts to advance the sector's sustainable growth.

### 4. ACCOUNTABILITY THROUGH TRANSPARENCY

Accountability to these principles will be fundamental to generate a positive impact. We therefore advocate for greater levels of transparency within the garment sector to enable fair and clear accountability mechanisms. Transparency within the sector will help to develop and strengthen mutual trust and promote opportunities for further cooperation to realize our vision for responsible sourcing.

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<sup>2</sup> We summarized the initial outputs of this work in the first edition of a white paper we published. See the box on the next page for a brief summary. To access the white paper "Shaping a Sustainable Garment Sector in Myanmar: Key Opportunities Built on Local Context," please visit: <http://www.bsr.org/en/our-insights/report-view/shaping-a-sustainable-garment-sector-in-myanmar>.

Through this sector's transparent reporting and sharing of findings and lessons learned, other industries and an even wider range of stakeholders will be able to gain insights on the transformative change needed to foster sustainable development in Myanmar.

### **Illustrating the Work behind the Principles: A Summary of Our White Paper “Shaping a Sustainable Garment Sector in Myanmar: Key Opportunities Built on Local Context”<sup>3</sup>**

Following our initial research and in-country consultations, BSR identified five broad target areas: labor, industrial relations, health and safety, community, and environment. More specifically, the following four goals stand out as key opportunities for building a more sustainable garment sector in Myanmar:

1. **Strengthen industrial relations.**
2. **Develop modern human resources practices.**
3. **Eradicate child labor.**
4. **Secure land rights.**

In the white paper, we provide a nonexhaustive list of opportunities aimed at addressing some of the ESG challenges in Myanmar's garment sector, taking into account internationally accepted industry standards, as well as the rapidly evolving regulatory and sociopolitical context in Myanmar.<sup>4</sup> We have also highlighted opportunities for implementation and donor **partners** to support action on these topics.

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<sup>3</sup> Ibid.

<sup>4</sup> Please see the appendix for more details on methodology, stakeholders consulted, and a history of documents and events.

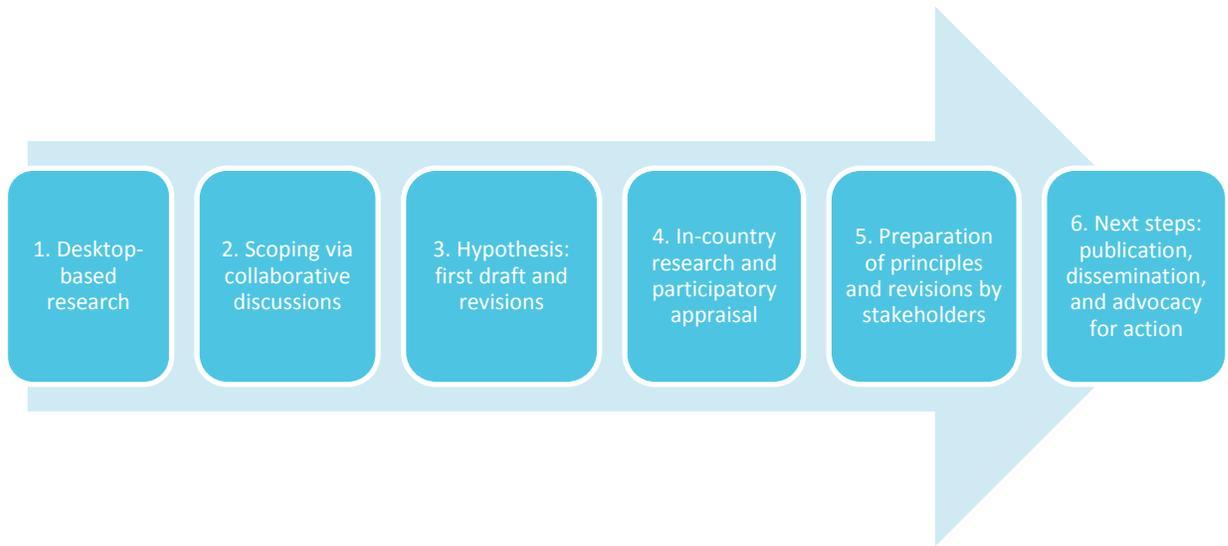
## Appendix

### METHODOLOGY

These principles are based on a literature review and the lessons learned and best practices shared by representatives of garment sector stakeholders during a series of in-person and virtual meetings facilitated by BSR, as well as findings from an in-country consultation with key local stakeholders. See the “Document and Events History” section below for a complete list of these sessions.

We followed the precepts set out in the principles themselves: continuous improvement, dialogue among industry players, stakeholder engagement, and transparency.

This figure illustrates our methodological flow:



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## **LIST OF STAKEHOLDERS CONSULTED**

### **Local Institutions and Organizations**

1. Ministry of Labour: Factories and General Labour Laws Inspection Department (MoL/FGLLID)
2. Myanmar Garment Manufacturers Association (MGMA)
3. Federation of Trade Unions of Myanmar (FTUB/M)
4. Labour Rights Defenders and Promoters Network (LRDP)
5. Action Labour Rights (ALR)
6. 88 Generation Peace and Open Society
7. Pyoe Pin
8. HamsaHub
9. KT Care Foundation

### **Local Factories**

1. Myanmar S.M.C. Garment Limited (Myanmar-Thai joint venture)
2. Maple Trading Company Limited (locally owned)
3. Startex Manufacturing Co. Limited (Taiwanese-owned)

### **International Buyers**

1. Gap, Inc.
2. H&M
3. Marks & Spencer

### **International Organizations**

1. ILO Myanmar Liaison Office
2. Myanmar Centre of Responsible Business (MCRB), Myanmar representative of the Institute of Human Rights and Business (IHRB) and Danish Institute for Human Rights (DIHR)
3. Swedish International Development Cooperation Agency (SIDA)
4. Oxfam Myanmar

## DOCUMENT AND EVENTS HISTORY

No.	Date	Event	Details
1	January 16, 2014	Kick-off	In person in BSR's Hong Kong office
2	January 28, 2014	Follow-up webinar	Assessing materiality of specific issues to Myanmar and the garment sector
3	February 12, 2014	Draft 1.0	Draft submitted by BSR for stakeholder review
4	February 20, 2014	First virtual meeting	Discussion of Draft 1.0
5	March 10–14, 2014	In-country consultation	Meeting with stakeholders, discussions, and alignment
6	March 26, 2014	Draft 2.0	Draft 2.0 submitted by BSR for stakeholder review
7	May 8, 2014	Second virtual meeting	Discussion of Draft 2.0
8	May 30, 2014	Draft 3.0	Draft 3.0 submitted by BSR for stakeholder review
9	June 25, 2013	Third virtual meeting	Finalization of paper
10	July 2014	Publication	Live on BSR's website

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