ENVIRONMENTAL MANAGEMENT REQUIREMENTS

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INTRODUCTION

Strong environmental management is critical to manage risks in our supply chain. The level of transparency required by stakeholders (government, key accounts, consumers) is constantly increasing and it is essential that factories are meeting requirements.

In 2019, BESTSELLER launched its sustainability strategy, Fashion FWD, which is our commitment to speed up our transition to a more sustainable value chain. As part of this strategy we have an ambition to continuously improve the environmental footprint of our products, operations and supply chain until they are in line with the needs of our planet.

Our supply chain is where we have the biggest environmental impact, therefore, strong cooperation with our suppliers and incentivising them to reduce the consumption of water, chemicals, energy and the production of waste, is vital to our success.

To meet our targets on climate, water, and circularity our products need to be consolidated in suppliers that are willing to move forwards with us on this journey. By 2025, we have committed in our Fashion FWD strategy that 75% of all product orders will be placed with suppliers that are highly rated in our Sustainability Evaluation. A supplier's environmental performance is a very important part of this criteria.

This manual outlines standards and expectations on chemical and environmental management in the supply chain and is directed at all factories that supply BESTSELLER orders. These expectations are the basis for the environmental rating applied to each supplier.

1. LEGAL COMPLIANCE

The factories that produce BESTSELLER products must comply with all applicable environment and chemical laws in their jurisdiction. This includes adherence to the permits, authorizations, licenses, registrations, certificates, waste/effluent treatment contracts, and other compliance requirements. Examples of non-permit requirements to include are mandatory annual government reports and registration of specific chemicals.

Below chart is an example template for tracking local regulations

LIST OF PERMITS FOR [Company Name]

Ref: [Document Reference Number]

Corrupted by: [Department/Personnel]

Last updated reviewed date: [Date]

Environmental sub-aspect (e.g., groundwater, hazardous) meterials, etc.)

Water use

Water discharge

Water discharge

Water discharge

Ar emissions

Solid wasted discharge

Other environmental

Defending the person local p

ermits

Factories with confirmed environmental violations must correct the issue immediately.

1.1 IPE Requirements (relevant for factories in China only)

- All factories in China must operate in accordance with BESTSELLER's IPE Requirements (see the separate document 'BESTSELLER IPE Requirements'.
- Factories producing BESTSELLER products who have existing Environmental Supervision Records on the IPE Pollution Map Database, are requested to make remediation within a set timeframe.
- Factories with records that show serious environmental pollution, for example untreated wastewater discharged into the environment will not be accepted for BESTSELLER production.
- Current factories must remediate immediately and must apply for an on-site GCA and get the records removed from IPE website within a maximum period of 6 months.
- For any other type of record, factories should disclose remediation actions online and in a timely manner. The minimum requirement is to contact IPE within 10 working days. If the records can be removed by off-site document review, the factory should contact IPE within 1 month to submit the required action plans and remediation proofs. Completion information disclosure and off-site GCA removal on IPE website should be done within 3 months.

IPE Database: http://www.ipe.org.cn/IndustryRecord/Regulatory.aspx
How to do Public feedback and GCA audit on IPE website: http://wwwen.ipe.org.cn/GreenSupplyChain/GCA_Audit.html

2. SUPPLY CHAIN TRANSPARENCY AND INDUSTRY COLLABORATION

BESTSELLER must have full knowledge of the supply chain, and we are working towards full transparency with our stakeholders. We will work with manufacturers who are able to be fully transparent and have an open flow of information. Supplier and production transparency is the basis for taking action and improving environment and chemical management.

2.1 Higg Facility Environmental Module (FEM)

The Higg Index is a set of tools that enables brands, retailers and facilities measure and score a company or product's sustainably performance. Developed by the Sustainable Apparel Coalition (SAC). The Higg Index plays an important role in the apparel and textile industry in helping businesses understand the environmental and social impact of their operations, providing crucial information that empowers them to make changes that better protect factory workers, their local communities and the environment.

BESTSELLER uses the Higg Facility Environment Module (FEM) tool as one part of its environmental performance evaluation for factories in our supply chain.

All key factories of BESTSELLER need to adopt the Higg FEM so we can align with the industry on how to measure environment performance across seven impact areas; environmental management systems, water use, wastewater, chemical use, waste management, energy use and greenhouse gas emissions.

Further information on the SAC: https://apparelcoalition.org/

Higg FEM online platform where you can register pay the fees and complete the assessment: https://portal.higg.org Please contact our regional sourcing office environment team for further support on how to access, register and complete your Higg FEM.

Detailed guidelines on how to complete the assessment: https://howtohigg.org/fem-landing/

Higg FEM evaluates factory's environment performance once a calendar year. There are two modules, the first is a self-assessment module called -FEM, the second is the verification module called -vFEM.

All factories should have their data verified by an SAC-approved verifier to ensure accurate data and a good baseline to work from.

We request that BESTSELLER-approved verifiers are used to ensure data-quality and focus – for us data validity and accuracy is far more important that the final score.

2.2 IPE Green Supply Chain Map (relevant for factories in China only)

BESTSELLER chose to join the Green Supply Chain Map of IPE in China, where leading brands provide data on their supply chain's environmental performance. Suppliers with high environmental impacts, are required by BESTSELLER to publish PRTR data on the IPE platform yearly to enable greater transparency and accountability for our supply chain impacts and risks.

PRTR stands for 'Pollutant Release and Transfer Register' which is broadly defined as a system or platform to collect and disseminate information on environmental releases, and transfers of toxic chemicals from industrial facilities. On the IPE website, PRTR consists of an Excel spreadsheet that facilities complete and includes annual environmental data such as supplier energy consumption, wastewater quality tests, air emissions, and waste information. For detailed information please refer to 'BESTSELLER IPE Requirements' – 'Disclose factories' PRTR data on IPE platform.'

3. ENVIRONMENTAL MANAGEMENT SYSTEMS

An Environmental Management System (EMS) is a holistic strategy and process to identify, track and manage the environmental impacts of your facility over time. An effective EMS is essential in order to understand and address potential risks and impacts, to achieve legal compliance, and to work towards continuous environmental improvement.

BESTSELLER requires all factories involved in the creation of our products to have a clearly defined and effectively implemented EMS.

Basic requirements

- All factories must have designated personnel for environmental management, with clearly defined roles
 and responsibilities for those staff responsible for coordinating environmental management activities at
 the factories.
- Identify significant environmental impacts associated with current operations and respect local government's legal requirements. Factories should follow all locally mandated procedures, for example performing an Environmental Impact Assessment.

Further expectations

- Set a long-term environmental management strategy. Once a factory has identified its significant environmental impacts, a medium and long-term (at least 3 years) environmental strategy and measurable environmental targets should be made.
 - ✓ For Cut, Make and Trim factories (CMTs), strategy and target on energy and waste management are expected, as well as water use for factories with a large workforce (more than 1,500)
 - ✓ For Wet Process factories, strategy and target setting on water use, wastewater, energy and chemical management are expected
- Develop a system to ensure compliance with all laws, regulations, standards, codes and other legislative
 and regulatory requirements. As a minimum it is advised to create a regularly updated document that
 tracks environmental permit review and update approach on a set schedule.
- Continuously maintain all factory equipment to ensure emissions to air, energy efficiency, water efficiency, and other environmental impacts are mitigated.

Leading EMS implementation

Engage facility leadership and workers on environmental strategy and performance.

For example:

- Support (financially or otherwise) conservation or improvement projects for environmental issues (e.g. preserving wetlands).
- Work with other similar businesses to share best practices for environmental management.
- Engage in dialogue with local communities to understand their views on how as a company
 you should manage your environmental impacts.
- Work within a group of local stakeholders, including government and communities, to understand and address local environmental issues together.

Work together in a group with other local stakeholders, to engage with local or national governance bodies on environmental regulation or management issues.

4. ENERGY USE AND GHG EMISSIONS

Climate change is one of the biggest threats our world faces right now. Energy production and energy use are the largest man-made sources of air pollution and greenhouse-gas (GHG) emissions. BESTSELLER has a public target to reduce our energy consumption in our owned and operated buildings (stores, warehouses, offices) by 30 percent by 2025. We also have a target that by 2021 we will power our own and operated buildings globally with 100 percent renewable energy.

In addition, BESTSELLER has set science-based targets to reduce our climate impact across our entire operations. Our biggest impacts come from the supply chain, so in addition to our targets of switching to a more-sustainable materials portfolio, we also are committed to reducing our impacts across the manufacturing of garments and materials in our supply chain.

Our supply chain target is to reduce climate impact across tiers 1 to 3 by 50% by 2030, from a 2018 baseline. This will be achieved by suppliers committing with us to reduce energy use and to switch to renewable energy sources. By 2025, 75 percent of all product orders will be consolidated in suppliers scoring highly on our Sustainability Evaluation, which will reflect supplier performance in GHG emissions and reductions. BESTSELLER will work with and incentivize suppliers that are reducing their energy consumption as well as using renewable energy for the manufacturing of our products.

BESTSELLER requires our factories to reduce greenhouse gas emissions <u>by reducing the total amount of energy used</u> at their facility and/or <u>by switching to cleaner fuel sources</u>.

4.1 Tracking energy sources and setting an accurate baseline

To achieve the goal, all factories should identify and track all sources of energy that are used and set a normalized baseline for energy use.

All sources of energy can be classified into two "scopes".

- Scope 1 is for energy production that is owned or controlled by your facility, like coal and biomass for the boiler, petrol for vehicles, diesel for engine/ forklift, solar photovoltaic for electricity supply (not heating systems), and so on.
- Scope 2 is the use of sources of energy for your operations that are owned or controlled by another entity, for example purchased electricity, purchased chilled water, purchased steam.

All sources of energy should be recorded on a calendar year basis (an annual summary of the energy consumption for each type of energy sources is required). The supporting documents, for example invoices and monthly records of energy meters, should also be kept.

BESTSELLER expects factories to meet the below requirements:

Basic requirements

Set a normalized baseline for energy use, such as "80 MJ per unit of production in 2016". And identify
which factors (which processes, machines or operations) contribute most to energy use on site

Baseline data should be accurate and verifiable which means it has been verified by Higg FEM qualified verifier or audit by qualified personnel according to ISO 50002:2014 standard

✓ Factory should track energy use on a process and/or individual machine level to better understand energy efficiency

4.2 Setting targets with accompanying action plans, and demonstrating progress

Further expectations

- Factories set normalized targets and an action plan with specific actions and strategies for energy reduction, such as "Reduce energy used per unit of production by 70% in 2021.
- Factories should set targets for energy sources that make up 80% or more of their total energy use.
- Factories demonstrate energy reductions against the baseline, such as "Last year we used 60 MJ per unit of production which is a 25% annual reduction."

Detail actions include:

- Evidence of new equipment purchases or efficiency improvements that demonstrate energy reductions
- 2. Energy recovery (or reusing waste heat)
- 3. Reduce GHG Emissions by switching to lower carbon energy sources or renewable sources.

5. WASTEWATER

The treatment and disposal of wastewater must comply with local laws and meet industry standards. BESTSELLER requires all regional legal standards be met as well as compliance with ZDHC Wastewater Guidelines as the aligned industry standard.

All wastewater from both industrial processes and domestic processes must be treated onsite before being pumped out of the facility – or it must be sent to an approved and licensed treatment centre. There must be no uncontrolled discharge of untreated wastewater. Physical, chemical, and biological processes are required for the appropriate treatment of wastewater.

Uncontrolled discharge of untreated wastewater is a zero-tolerance issue for BETSELLER and will result in a RED rating and halt on orders.

BESTSELLER require 3rd party testing of wastewater in regions and production sites where it consider risk to be high – and where we have concerns about ETP operation and/ or input chemicals used in production. This testing will be handled through our regional teams.

5.1 Track and document wastewater quantity and quality

Basic requirements

- Factory must effectively track quantity of wastewater generated from industrial and/or domestic operations
 - ✓ For industrial wastewater tracking should include water that is either discharged, reclaimed/recycled or reused at your site. An annual wastewater discharge monitoring record is mandatory
 - ✓ For domestic wastewater if there is no wastewater meter, a factory could consider estimating wastewater discharge based on actual freshwater purchase

• Factory must secure and document an effective backup process and operating procedure if regular treatment fails (if applicable)

- Ensure proper sludge disposal (if applicable)
 - ✓ For some regions BESTSELLER specifies sludge disposal companies to ensure effective treatment and disposal of sludge
 - ✓ In Bangladesh suppliers are asked to set up an agreement with 'GeoCycle' for sludge disposal. Please contact regional sourcing office in Dhaka for details.

Additional Expectations

- Report all wastewater quality parameters that were found to not meet permits or industry (ZDHC
 Wastewater Guidelines) standards during testing, in the most recent water quality test to BESTSELLER
 team
- stest results from offsite wastewater treatment plant (if applicable)
- 5.2 Report reuse and recycling of wastewater increase reuse and recycling in regions of water-stress
 - Report whether your site reuses and/or recycles process wastewater as process water (if applicable)
 - ✓ The actual treatment technologies may include chemical or biological treatment plants such as membrane filtration or Zero Liquid Discharge.
 - ✓ Factories investing in water recycling receive additional points in the evaluation criteria:

 Reuse/Recycle 50% or more = full points

 Reuse/Recycle 10-50% = partial points

 None or unknown = zero points

6. CHEMICAL MANAGEMENT

6.1 Product Chemical Testing Programme

BESTSELLER has been working to reduce the use of hazardous chemicals as a core part of our sustainability work for many years, so we can deliver safe products to consumers, safeguard workers and support the preservation of the environment. BESTSELLER is a member of AFIRM group, we align with the industry on test methods and we cooperate on chemical investigations, legislative updates, and more. Our Restricted Substances List (RSL) is updated annually and is based on the latest legislation as well as precautionary principles and industry best practice.

To ensure our products are meeting the standard set in the RSL, we have a Chemical Testing Programme, which must be followed by all manufacturers. Testing is performed based on risk, suppliers that are unable to meet the Chemical Restrictions are placed under 'observation', and a high level of product chemical testing is required.

BESTSELLER has global contracts with many trims, accessories and fabric suppliers, where these suppliers take full responsibility to ensure the products meet BESTSELLER's Restricted Substances List (RSL). These suppliers and the products covered by this agreement are preferred suppliers and provide products that do not need to be tested by the garment supplier.

6.2 Manufacturing Chemical Management

We focus on monitoring and improving chemical management in wet processing facilities and work with our manufacturers to address the root cause of chemical challenges. As part of BESTSELLER's Fashion FWD commitment,

we aim to have 100 percent approved and traceable chemistry in our core products by 2025 - to continue our journey on responsible chemical management and support safer input chemistry we have adopted the Manufacturing Restricted Substances List (MRSL) developed by ZDHC Group – and accept all well-known industry standards and certifications as approved chemicals, such as Bluesign, GOTS and Oeko-Tex Eco Passport.

We use Higg FEM and BESTSELLER Form B chemical section to evaluate our key wet process chemical performance. The Higg FEM Chemicals Management section is the result of a collaboration between Sustainable Apparel Coalition, Outdoor Industry Association, and Zero Discharge of Hazardous Chemicals.

We are focussed on bringing <u>transparency</u> to the chemicals used in production – and then to work with suppliers to phase out the use of unapproved chemicals. BESTSELLER has started a cooperation with The BHive which is an online tool (app) to support manufacturers to develop accurate chemical inventories and showcase chemical compliance. For further information you can read more on The BHive here https://www.thebhive.net/ or contact our regional chemical managers. Factories working with BESTSELLER have access to this tool cost-free for a period of time.

We expect factories with wet process to improve chemical management performance according to below categories:

• Chemical inventory management

Maintaining a chemicals inventory is an important part of good record-keeping and confirms a facility's understanding of which chemical products are used on-site. Inventories are also important to identify the source of a product failure in the case of a non-compliance.

✓ By 2021, Factories with wet process should have chemical inventory management system onsite by using BHive - or through providing a chemical inventory list in a format agreed with our chemical team.

• Employee training and communication

For chemicals to be managed responsibly, all workers that come into contact with chemicals must be aware of responsible management practices and guidelines.

• Emergency Response Plan (ERP), accidents, incidents and spills remediation plan

To protect workers and/or responders from inadvertent exposure, it is critical to have a plan for managing an emergency chemical incident that all workers are prepared to implement.

• Chemical storage, transportation, handling and use practices

Once chemicals are brought onto the premises, workers must be prepared to properly store, transport, handle and use them responsibly to prevent environmental contamination and/or worker exposure.

• Chemical management policies, compliance procedures, and commitments

It is important for facilities to have strong policies and procedures in place as a first step to proper chemical management. These policies demonstrate management support and comprehensive planning for chemical management. While this documentation does not guarantee responsible behaviour, it is an important precursor to responsible, systematic chemicals management.

• Chemical selection, procurement, & purchasing practices

In order to meet basic chemical requirements, a critical first step is to understand which chemicals are coming into the facility, and whether or not they are approved chemicals. Once you know what is coming in, you are

better equipped to make responsible decisions about what is purchased and how those purchased chemicals are managed.

· Product traceability, quality and integrity

To ensure product quality, it is important for your facility site to confirm the quality of a chemical ordered matches the quality of the chemical received, especially related to environmental criteria and document full traceability. This enables a facility to prevent an unintentional non-compliance or worker/environmental chemical exposure.

· Chemicals and process innovation

Chemicals management is a complex area where we currently have more environmental challenges than solutions. It is critical that value chain partners work together to innovate and shift away from managing contaminants and towards replacing contaminants with better alternatives that reduce environmental impacts.

7. WATER USE

Basic Requirements

- Factories with wet process should identify and track the quantity of water your facility withdraws from
 all sources. This includes municipal or city water (drinking water), water from ground water wells, surface waters (lakes, rivers, and streams), rain water, and even condensation collected from steam which is
 supplied to the business from an external source.
 - ✓ The quantity of water used must be measured by a reliable method. For example;
 - Water meter calibration and meter reading records for direct withdrawal from the environment (well)
 - Billing records for purchased water
 - An annual summary of water consumption for each water source is required
- Set a normalized baseline for water use and identify which factors (processes, machines or operations) contribute most to water use on site.
 - ✓ Baseline data should be accurate and verifiable which means it has been verified by a Higg FEM qualified verifier.
 - ✓ Factory should track water use on process and/or individual machine level to better understand water efficiency.

Additional requirements (especially applicable for high water-use manufacturing processes in water stressed regions)

- Factories create normalized targets and action plans with specific actions and strategies to improve water use
- Factory must reduce water withdrawal compared with the baseline
 The factory should employ various water saving techniques and initiatives, including:
 - Collecting and reusing condensate
 - o Collecting and reusing cooling water
 - Recycling and reusing water by more than 80% by employing Zero Liquid Discharge (ZLD) water treatment technologies.
 - o Collecting and reusing process or rinsing water (at least 30% recommend)

- Using low liquor dyeing machines
- Showing liquor ratio in each individual process recipe
- o Using batch rinsing instead of continuous flow washes
- Automatic dispenser system for dyes and auxiliaries (chemical including salt)
- Factory should create a full-facility water balance, which allows facilities to identify unaccounted-for
 water and provides insight into areas where there is opportunity to improve efficiency.

7.1 Holistic Water Strategy

Alliance for Water Stewardship (AWS) has developed a standard framework for major water-users, such as textile factories, to understand their water use and impacts – and then to work collaboratively and transparently with other water users and civil society within the region to achieve sustainable water management within a river catchment area. This standard, when applied, is intended to drive social, environmental and economic benefits within a river catchment area. BESTSELLER became a member in 2019 and is working with suppliers in water-stressed catchments to understand and apply this standard.

We currently follow the progress of a few leading suppliers in Pakistan.

✓ Please go to https://a4ws.org/the-aws-standard-2-0/ for further details - or reach out to BEST-SELLER chemical and environment team for further information

8. WASTE MANAGEMENT

Factories who fulfil BESTSELLER orders should, at minimum, follow the legal waste requirements as well as the basic requirements listed below.

Basic Requirements

- Understand and track all hazardous and non-hazardous waste streams
- Record and report the volume generated and disposal method for all hazardous and non-hazardous waste streams
- Segregate, properly store, and train workers in the handling of all hazardous and non-hazardous waste streams
- Forbid open burning and dumping of waste on-site and properly control any onsite incineration
- Set normalized baselines for waste generated (e.g., generated 20 Kgs of domestic waste per production unit in 2018) and percentage of waste to disposal methods (e.g., 80% of domestic waste went to landfill in 2018)

Extended requirements

- · Set normalized targets for waste reduction and improvements to preferred disposal methods
- Set an action plan with specific actions and strategies to achieve waste reduction targets
- Demonstrate waste reductions against the baseline; such as "Last year we generated 16 Kgs of domestic waste per unit of production which is a 20% annual reduction since 2016"

Leading practice

Divert at least 90 percent of all discarded materials from landfills or incinerators without energy recovery

• Upcycle waste by transforming waste materials into new materials, or products of better quality or for better environmental value

9. AIR EMISIONS

Factories must know sources of air emissions from operations and onsite processes. Examples of air emissions from operations include boilers, generators, industrial ovens (for heating/drying/curing), and air conditioning units (Cooling). Examples of production processes producing air emissions include solvents or adhesives use (for example in shoe factories).

Extended Requirements

- Track quantity of emissions from facility operations and refrigeration, if applicable
- Track quantity of emissions from production processes, if applicable.
- List control devices / abatement processes and monitoring frequency for operating and refrigeration
- List control devices / abatement processes and monitoring frequency for production

Leading practice

- Specify achievements of advanced performance in Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matter (PM), if applicable
- Specify whether your facility has a process for modernizing equipment to improve air emissions, if applicable

10. YEAR ON YEAR TARGETS FOR HIGG FEM LEVELS (THIS WILL CONTRIBUTE TO THE ENVIRONMENTAL RATING)

We have set year-on-year targets for the minimum level factories should be meeting. This is based on performance in each of the 7 areas of Higg Facility Environment Module (FEM). The FEM should be verified by an approved 3rd party verifier – we request suppliers to use our preferred verification partner to ensure data quality and enable accurate baselines on all required data.

		Minimum required score on each Higg FEM for each year (linked to overall evaluation)						
Factory Type	Year	Environmental Management Systems	Energy Use	Water Use	Waste	Air-Emissions	Wastewater	Chemical Management
Non-Wet Processing	2021		Level 1		Level 1			
E.g. CMT (Tier 1) or fabric weaving	2023	Level 1	Level 2	Level 1	Level 2	Level 1	Level 1	Level 1
(tier 2)	2025	Level 2-3	Level 2-3	Level 2-3 (if appli-	Level 3	Level 2-3		Level 2-3
				cable)				
Wet-processing	2021		Level 1	Level 1			Level 1	Level l
E.g. Laundry (tier 1) or fabric dyeing	2023	Level l	Level 2	Level 2	Level 1	Level l	Level 2	Level 2
(tier 2)	2025	Level 2-3	Level 2-3	Level 3	Level 2-3	Level 2-3	Level 2-3	Level 3
Integrated Factories	2021		Level 1	Level 1	Level 1		Level 1	Level 1
E.g. CMT with laundry (tier 1) or	2023	Level l	Level 2	Level 2	Level 2	Level l	Level 2	Level 2
fabric weaving with dyeing (tier 2)	2025	Level 2-3	Level 2-3	Level 3	Level 3	Level 2-3	Level 2-3	Level 3
– or vertically integrated factories								
(covering Tier 1 and Tier 2)								

We will work with our partner suppliers to achieve year-on-year improvements and support efforts to achieve these targets (training programmes, access to consultancy, financing agreements, etc.).

These targets and supplier performance will be reflected in the supplier rating system. We also take into account other tracking systems, such as IPE in China and chemical transparency performance.

End.

