

## FWF Position paper on Myanmar – update December 2013

### **Introduction**

In May 2010 the FWF board adopted a formal position on Myanmar (Burma). A description of the position as it was then adopted can be found [here](#). At that time FWF required (prospect) affiliate members to phase out production at factories in Myanmar, as a way to support the policies of national governments of EU states as well as the positions of international and local stakeholders that had been consulted by FWF staff.

In June 2012 the position on Myanmar was revised by the FWF board, following the suspension of economic sanctions by the EU, US and other Western countries. The board decided to suspend the requirement for new companies to phase out production in Myanmar factories for a period of 12 months. Simultaneously the FWF board committed to re-evaluate its position in June 2013. A description of the position update 2012 and the underlying rationale can be found [here](#).

In June 2013, FWF staff prepared a discussion paper supporting the board in the evaluation process. This paper was mostly based on stakeholder consultation and review of order volumes and existing audit reports which were obtained from FWF affiliate members. As part of the discussion process, several meetings took place between FWF staff and the stakeholders in the board and Committee of Experts (CoE) between June and August 2013. Below position paper incorporates the views of FWF's stakeholders.

Listed below are the main points resulting from this discussion process (each is described in detail further down in this document):

1. FWF will actively inform companies why production in Myanmar carries a high risk<sup>1</sup>.
2. For those FWF affiliates that will be producing at factories in Myanmar, FWF will implement additional, country specific requirements that must be followed by the affiliates and will be verified by FWF.
3. Until November 2014, FWF commits to a number of steps to take to set up activities in Myanmar to be able to verify improvements in working conditions in factories and to promote social dialogue and effective grievance mechanisms. Because of the high risks associated with sourcing in Myanmar, companies will be advised not to move production into Myanmar until November 2014, to ensure that they can build on FWF's resources once these are in place.

### **Considerations: Why is Myanmar a high risk country?**

FWF puts forward the following considerations towards companies which are considering the possibility of moving production into Myanmar.

Whereas Myanmar has demonstrated progress on civil and political rights, FWF continues to regard it as a high risk country with regard to implementation of labour standards:

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<sup>1</sup> Position Clean Clothes Campaign: FWF should discourage its affiliates to source in Myanmar at this moment.

- Despite steps taken in the reform process, Myanmar still lacks a proper legislative framework for minimum wages and implementation of labour standards in general;
- At present there is limited ground for FWF to work with local partners on verification activities.
- The ILO and multilateral organisations acknowledge that Myanmar still lacks the capacity to ensure proper due diligence and implement international standards on working conditions. These points form part of a longer list of risks (low wages, corruption, land grabbing, ethnic discrimination, military/crony involvement in local business, long working hours, repression of FoA and strike leaders, arrests of workers, minimum wage bill concerns).

By November 2014 FWF expects to have laid the groundwork to carry out local verification activities. In addition, FWF will have been able to prepare for factory trainings promoting social dialogue and strengthening access of workers to grievance handling mechanisms (where possible in cooperation with local stakeholders and other organisations). Having made these arrangements in November 2014, FWF expects to be well positioned to support its affiliates in factory improvement processes, in cooperation with their local suppliers.

### ***Requirements for FWF affiliates working with factories in Myanmar***

FWF affiliates that do decide to start production in Myanmar are required to implement additional, country-specific measures. These country specific requirements for Myanmar are an addition to FWF's general requirements for its affiliates and the United Nations Guiding Principles on Business and Human Rights (the 'Ruggie Guidelines'). Detailed information on FWF's general requirements can be found in the FWF performance benchmarking guide<sup>2</sup>, and in [policy documents](#) on the FWF labour standards.

FWF adopted below requirements for affiliates with production in Myanmar to support the wider momentum towards implementation of decent labour conditions in Myanmar.

For each point, the *text in italics* specifies how it will be integrated into FWF's existing practices.

1. Avoid production at factories linked to the military and/or implicated in known cases of forced labour and/or built on land where ownership may be implicated in land grabbing practices.

*FWF affiliates are required to submit an annual supplier register. Using this information, FWF will publish an aggregate list of factories to make transparent that its members are in compliance with above point. In this list factory names will not be linked to brand names.*

*FWF affiliates (that consider) placing orders in Myanmar are required to share in full their due diligence process to ensure compliance with above points. FWF shares information with affiliates, when available, on factories linked to the military regime and/or forced labour cases and/or questionable land ownership.*

2. Describe reasons for moving production into Myanmar; commit to a responsible exit strategy with existing suppliers in other countries if their orders are diverted to Myanmar.<sup>3</sup> The member should specify how its plan to move production in Myanmar will affect production levels at other

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<sup>2</sup> To be published in first half of 2014 on FWF website.

<sup>3</sup> The leading principle of a responsible exit strategy is that reduction of orders is done in a manner that avoids sudden production disruptions leading to loss of jobs.

suppliers in the region, how the affiliate plans to uphold improvements in working conditions that have previously been realised, and how it intends to counterbalance downward pressure on wages as a result of moving production into Myanmar.

*The affiliate is required to describe above points in its work plan. This document will be kept confidential between FWF staff and the affiliate. The affiliate is expected to discuss with FWF staff how the exit strategy with existing suppliers will be implemented.*

3. Specify how conditions for each labour standard in Myanmar will be improved in practice.

*FWF requires every affiliate to describe activities to monitor and implement labour standards at suppliers in the annual work plan and social report.*

*FWF affiliates sourcing from Myanmar must specifically describe in their annual work plan how each labour standard will be implemented in collaboration with the supplier, and report on this in their social reports. Affiliates will specifically describe how practices of ethnic discrimination in factories in Myanmar are monitored and remediated.<sup>4</sup>*

4. Promote processes that enhance social dialogue in each production factory in the country, preferably select unionised factories.

*FWF affiliates are generally required to contribute to processes that strengthen social dialogue in factories and in production countries in general.*

*FWF will assess opportunities for collaboration with other initiatives such as the International Labour Organization and the Institute for Human Rights and Business to develop a framework for factory trainings that strengthen awareness of labour standards, functioning of grievance mechanisms and social dialogue.*

*FWF affiliates sourcing from Myanmar are required to enroll their suppliers for trainings and or other activities geared towards promoting social dialogue at the factory level.*

5. Publish wage ladders per factory and cross-check with available benchmarks.<sup>5</sup>

*FWF affiliates sourcing in Myanmar are required to develop and publish wage ladders for each factory where production takes place. FWF recommends to include this information in the social report or on the company website. FWF will use this information to assess how each affiliate progresses towards payment of living wages in cooperation with its suppliers. This information will be incorporated in the annual performance check of each member company that is sourcing from Myanmar.*

*Existing wage levels must be cross-checked by the affiliate member against available income/wage benchmarks. As in other production countries, affiliates are expected to implement FWF's [policy on payment of living wages](#).*

### **Steps to be taken by FWF until November 2014**

In support of the above FWF commits to the following:

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<sup>4</sup> Based on available information, discrimination of ethnic minorities is a high risk issue in Myanmar.

<sup>5</sup> Myanmar has not set a minimum wage for industrial workers. There have been political discussions on the proposed level but so far no announcement has been made on a general minimum wage.

- a) FWF will prepare an assessment of working conditions in factories in Myanmar. The assessment will be based on information from existing reports on audits carried out at factories in Myanmar by other initiatives. The assessment is reviewed by the FWF Committee of Experts in September 2013.
- b) FWF will actively inform companies about the risks of producing in Myanmar and the resulting country specific requirements<sup>1</sup>.
- c) FWF will set up a structure in Myanmar to verify improvements in working conditions in Myanmar. FWF will apply its standard verification model consisting of the following elements:
  - a. Factory audits including off-site worker interviews;
  - b. Local complaints helpline for workers;
  - c. Brand performance checks to assess practices of members to realise improvements in factory; followed by public reporting.
- d) FWF will engage with local stakeholders in the activities outlined under c), thus contributing to the process of building civil society in the country.
- e) Within a year after setting up its verification approach in Myanmar, FWF will develop an evaluation of the activities of FWF and its affiliates aimed at improving working conditions in Myanmar. This review will among other issues touch upon the functioning of the audit team, the level of involvement of local stakeholder groups in its work, and steps taken to strengthen grievance handling mechanisms and work towards social dialogue. This evaluation will be prepared for review by the CoE in November 2014.