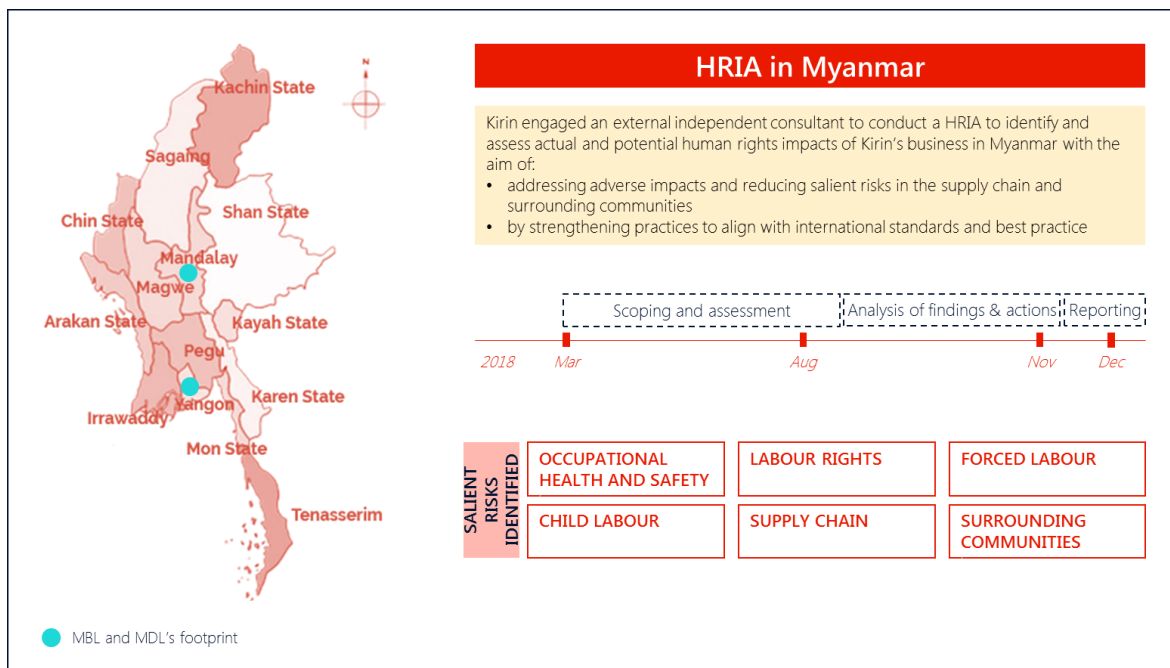


# Human rights impact assessment in Myanmar

## Executive Summary

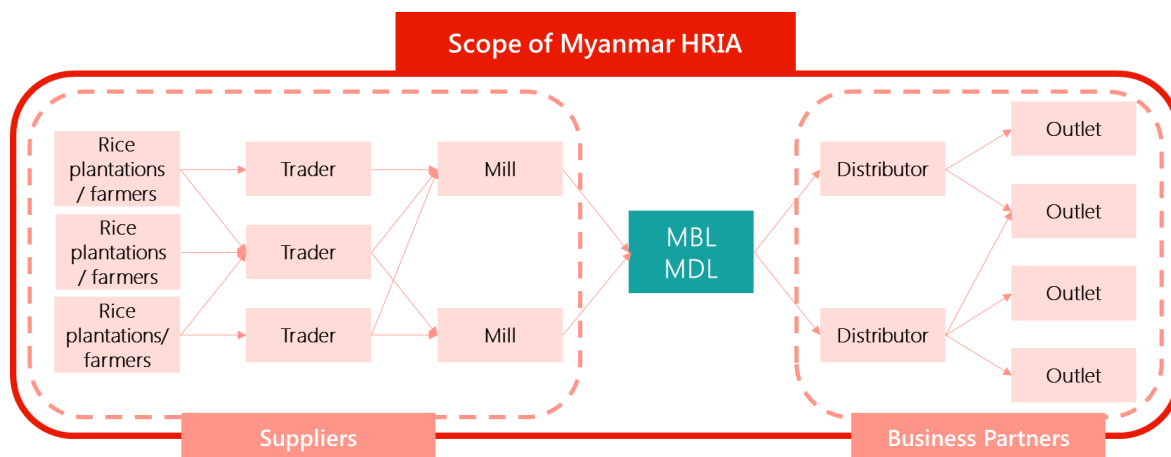
Since the launch of the Kirin Group Human Rights Policy in February 2018, Kirin Group has been strengthening our approach to identifying, preventing and mitigating adverse human rights impacts related to our business activities. As a starting point, we worked with an independent external consultant to define the scope of the Human Rights Impact Assessment (“HRIA”) in Myanmar and, in May 2018, conducted the first of these assessments referring to International Labour Organization (“ILO”) Conventions, as well as local laws and regulations in Myanmar.

At the end of the additional assessment in August 2018 and in consultation with an independent external consultant, experts and local stakeholders, we identified six salient risks for our business in Myanmar – (1) occupational health and safety, (2) labour rights, (3) forced labour, (4) child labour, (5) supply chain, and (6) surrounding communities – and designed an action plan to strengthen existing practices and put in place new ones to address those risks in line with international standards and best practice.



## Scope and Methodology

The HRIA covered the value chain of Myanmar Brewery Limited (“MBL”) and Mandalay Brewery Limited (“MDL”)<sup>1</sup>, including the upstream suppliers and downstream business partners. As part of the preparation for the assessment, Kirin Holdings held meetings with the MBL and MDL management teams to explain and align on the purpose, process and scope. We also communicated with our business partners and suppliers prior to the start of the assessment to increase their understanding of Kirin Group’s overall commitment to respecting human rights and conducting due diligence on human rights impacts, as well as to encourage their participation in this exercise.



The assessment was carried out in the form of:

- Site visits and inspections at MBL brewery site, MDL brewery site, two of MBL’s key distributors, a restaurant, two rice mills and plantations;
- Interviews with MBL and MDL’s management teams and managers from Production, Human Resources and Purchasing;
- Interviews with employees and subcontractors at MBL and MDL;
- Management teams and workers in distributors, rice mills, plantation and rice traders;
- Review of existing systems and protocols at MBL and MDL.


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<sup>1</sup> Kirin Group invested in MBL in 2015, and in MDL in 2017.

## Summary of key findings and commitments

### Occupational Health and Safety

Kirin Group is committed to building and maintaining a safe and productive working environment for all of our workers and subcontractors. Through this assessment, we seek to evaluate the effectiveness of the current practices at MBL, MDL and their business partners, in protecting the well-being of the workers, and to further reduce the risk of accidents, injuries and exposure to health hazards by improving the existing policies to meet international standards.

Existing practices and policies	Areas of risk / need for improvement
<ul style="list-style-type: none"> <li>At both MBL and MDL, there are measures and procedures established to prevent major OHS (Occupational Health and Safety) risks, including firefighting facilities and drills.</li> <li>MBL has in place a preparation and response protocol for OHS and disaster risks</li> </ul> 	<ul style="list-style-type: none"> <li>Adequate protective gear and equipment are not provided for all personnel including subcontractors or workers employed by the local business partners when carrying out manual work such as transporting heavy loads or working at height.</li> <li>The subcontractors lack an awareness of OHS risks and hence are more vulnerable to them. Education or training on relevant hazards that could occur during their work, as well as preventive measures is insufficient/inadequate. Effective training is difficult to conduct due to the frequent replacement of personnel.</li> </ul>

### Short to mid-term (2019-2021) actions

- MBL has been engaging with independent external consultants to review and enhance its existing health and safety systems with the aim of certifying to ISO45001 by July 2019.
- MDL will continuously improve its current standards through knowledge sharing from MBL.
- Through education and training to increase awareness of potential risks and behaviours that contribute to serious hazards. Workshops on OHS risks and prevention will be conducted for subcontractors who work on the premises as well as business partners who are vulnerable to OHS risks.
- MBL is launching a culture change program aimed at fostering a “safety first” culture. The company is engaging with Kirin and Lion (a Kirin Group Company in Australia and New Zealand) to learn from their best practices.
- To develop and implement a monitoring system for risks and breaches, including an accident and near miss reporting mechanism.

### Monitoring

- Setting KPIs for key OHS metrics such as Total Recordable Incident Frequency Rate which includes

- subcontractors as well.
- Record-keeping of OHS accidents and near misses. Analysis of contributing factors to serious injuries and incidents.
- Annual ISO45001 certification audit.
- MBL and MDL to provide progress updates on a quarterly basis to Kirin Holdings in business monitoring.

## Labour Rights

Protecting the rights and wellbeing of our employees as well as building strong relationships with them are crucial to us. Kirin Group is committed to ensuring that labour rights are upheld in line with international standards across our business operations, while requiring our subcontractors to demonstrate progress towards adopting best practices. In this assessment, we examined respect for labour rights across our operations in four major areas including (1) working hours, (2) compensation and benefits, (3) discrimination and harassment, as well as (4) freedom of association.

Existing practices and policies	Areas of risk / need for improvement
<p><i>Working hours</i></p> <ul style="list-style-type: none"> <li>At both MBL and MDL factories, there was no excessive overtime.</li> </ul>	<ul style="list-style-type: none"> <li>There may be a risk of long and irregular working hours in sales and marketing teams in MBL, distributors, restaurants and a subcontractor who provides repair and maintenance services after-hours.</li> </ul>
<p><i>Compensation and benefits</i></p> <ul style="list-style-type: none"> <li>Wages for employees hired directly by MBL far exceed the minimum wage level.</li> <li>There are contracts with clear employment terms in place for all employees at MBL.</li> <li>MBL has established systematic human resource management practices regarding recruitment, working hours, holiday and maternity leave.</li> </ul>	<ul style="list-style-type: none"> <li>There currently exists a practice of 'pricing' benefits (such as free meals) and factoring in this 'price' into workers' wages at MBL and by a subcontractor which operates a cafeteria in an attempt to meet the new Myanmar Minimum Wage Law 2018.</li> </ul>
<p><i>Discrimination and harassment</i></p> <ul style="list-style-type: none"> <li>There was no evidence to suggest the existence of discriminatory hiring practices based on religion or ethnic minorities.</li> <li>At MBL, there is a whistle-blowing system in place to address discrimination and harassment issues.</li> </ul>	<ul style="list-style-type: none"> <li>There is a risk of using National Registration Cards (NRC) prior to employment which might lead to discrimination in the hiring process due to personal background information available on the cards.</li> <li>The current grievance system in MDL is unable to process complaints of harassment by an immediate supervisor. It is also not available for use by subcontractors.</li> <li>A whistle-blowing system is still in the planning phase at MDL.</li> </ul>

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***Freedom of association***

- MBL established the Workplace Coordinate Committee (WCC) with representatives from both employees and management. The representatives were selected at various committees and there has been constructive dialogue between the two groups.
- Employee representatives are appointed by MBL management, instead of a more democratic way such as an election.
- There is a lack of a formal channel for employee-management dialogues at MDL.



**Short to mid-term (2019-2021) actions**

- To review current hiring process and employment practices, and work with independent external experts to align them with new local labour laws and international labour standards.
- To build a transparent and collaborative culture by encouraging open and honest two-way dialogues between employees and the management.
- To organize workshops and training for subcontractors to raise awareness on ILO international standards and recent changes in Myanmar labour laws, as well as to promote best practices in employment and recruitment.

**Monitoring**

- Employee surveys to understand employees' feedback and engagement level.
- MBL and MDL to provide progress updates on a quarterly basis to Kirin Holdings in business monitoring.

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**Forced Labour**

Kirin Group is committed to protecting and promoting workers' rights and benefits, and strongly object to any form of forced labour in our supply chain. Employment practices by MBL, MDL as well as their subcontractors and business partners are examined to identify any risks of work or debt obligations that employees may feel coerced into. Forced labour may be in the form of debt servitude, retention of identity papers or other threats. It also includes unreasonable restrictions on time outside of work hours and forced overtime work. No particular issues regarding forced labour were identified with employees at MBL and MDL, but through this human rights due diligence process, we aim to enhance the employment practices of our subcontractors and business partners to eliminate forced labour in our supply chain.

**Existing practices and policies**

**Areas of risk / need for improvement**

- All employees hired directly by MBL have employment contracts which are prepared and reviewed by internal and external legal experts.
- We are unable to eliminate the possibility of some subcontractors and business partners imposing excessive on-boarding fees or placement fees on their workers.

#### Short to mid-term (2019-2021) actions

- To conduct a further assessment of the subcontractors and business partners on their employment practices in collaboration with independent external experts to identify risks of forced labour and areas for improvement.
- To develop guidelines on employment best practices based on ILO international labour standards that clearly sets out workers' rights and prohibits forced labour.
- To organize workshops and training for subcontractors and business partners to raise awareness on forms and consequences of forced labour, as well as to promote best practices in employment and recruitment.
- To include a clause on anti-forced labour in contractual agreements with subcontractors and business partners.

#### Monitoring

- Annual review of employment practices by subcontractors and business partners.
- MBL and MDL to provide progress updates to Kirin Holdings in business monitoring.

### Child Labour

Kirin Group strongly opposes any form of child labour. We acknowledge that this issue is a serious concern in our extended supply chain, such as upstream farms, and will require long-term commitment and effort to resolve. This is an initial assessment and more will be done as we work towards our goal of eradicating child labour across all of our operations and supply chain in Myanmar.

#### Existing practices and policies

- Employment contracts reviewed at MBL, MDL, subcontractors and business partners state that the minimum age for employees is 18.

#### Areas of risk / need for improvement

- There is a need to investigate further the possibility that children may be employed to work at small scale retail stores and within the upstream suppliers who produce agricultural raw materials.

#### Short to mid-term (2019-2021) actions

- To conduct a follow-up in-depth assessment to understand the risk and potential location child labour in MBL and MDL's upstream supply chain.
- To develop a guideline based on ILO international labour standards that determinedly prohibits child labour.
- To organize workshops and training for subcontractors and business partners to raise awareness on forms and consequences of child labour, as well as to promote best practices in employment

and recruitment. This will be combined with training on forced labour.

- To include a clause on anti-child labour in contractual agreements with subcontractors and business partners.

### Monitoring

- Annual review of employment practices by subcontractors and business partners.
- MBL and MDL to provide progress updates on a quarterly basis to Kirin Holdings in business monitoring.

## Supply Chain

As part of our commitment to respecting human rights across our supply chain, Kirin Group is committed to strengthening supply chain transparency and management, particularly within our rice supply chain in Myanmar. This initial assessment is intended to enhance our understanding of practices across our supply chain, and to identify the risks and opportunities.

MBL currently sources mainly from a few rice mills in the West Bago region where it has established long-term supplier relationships. These rice mills are identified as having good work environments and effective quality control above Myanmar standards. There is the potential to adopt better traceability and supply chain management given that the number of rice suppliers are relatively limited.

MDL is enhancing its existing procurement processes and criteria by adopting MBL's practices.

Existing practices and policies	Areas of risk / need for improvement
<ul style="list-style-type: none"> <li>• ISO 9001 has been adopted at MBL.</li> <li>• Major suppliers for MBL must sign letters acknowledging MBL's purchasing policy, including statements on workplace safety, child labour, forced labour and proper waste disposal.</li> <li>• MBL also sends Requests for Information (RFI) to overseas suppliers to gather information on procurement practices and sustainability efforts.</li> <li>• MBL conducts regular visits to its suppliers primarily to ascertain quality compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a need for further study on upstream suppliers i.e. rice plantations/farmers, to obtain a more comprehensive understanding of issues and risks.</li> <li>• The assessment identified areas for improvement in MDL's existing procurement processes and criteria, including more formal contracts with suppliers and a move away from a selection criterion based solely on price.</li> </ul>

### Short to mid-term (2019-2021) actions

- To enhance Sourcing Policy and Guidelines at MBL and MDL.
  - To ensure existing Sourcing Policy and Guidelines align with international best practice and Kirin Human Rights Policy, and to revise supplier acknowledgment letters as necessary

- To extend the practice of acknowledgment letters to all suppliers in Myanmar
- To conduct further study of upstream rice supply chain, in association with experts as necessary.
- MBL to develop plan for conducting workshops with suppliers on expectations on adherence to MBL Corporate Philosophy (as outlined in acknowledgment letter) and Kirin Human Rights Policy.
- To develop the “Support Rice Farmers Initiative” with the aim of improving the standard of living of farmers, in consultation with Japan International Cooperation Agency.



### Monitoring

- Regular audit and review of suppliers practices.
- MBL and MDL to provide progress updates on a quarterly basis to Kirin Holdings in business monitoring.

## Surrounding Communities

Kirin Group is committed to making sure our business operations in Myanmar do not create any negative impacts on surrounding communities, with a particular focus on the environment, as well as right of access to land and water given the nature of MBL and MDL’s business. Further assessment is necessary to determine the salient issues and risks in surrounding communities, and this will serve as a basis to develop remedial actions and community initiatives as necessary.

Existing practices and policies	Areas of risk / need for improvement
<ul style="list-style-type: none"> <li>● MBL has in place Myanmar Care Program which aims to improve the living standards of communities where it operates and has for more than a decade supported health, education, sport and disaster recovery throughout the nation.</li> </ul>	<ul style="list-style-type: none"> <li>● The assessment identified a lack of formal channels of communication with communities surrounding MBL and MDL’s operations.</li> <li>● It also pointed to the need for further research to obtain a more complete understanding of the impact of MBL and MDL’s operations on surrounding communities.</li> <li>● On land rights in particular, the initial</li> </ul>



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assessment noted the complexity of land-related laws and jurisdictions in Myanmar, and the risk of disputes with surrounding communities on land titles.

- On water rights, the initial assessment noted that well water was used as an input for MBL and MDL, but further study is required to understand the impact on the surrounding communities.

#### Short to mid-term (2019-2021) actions

- To engage independent external experts to conduct an in-depth assessment of the impact of MBL and MDL's operations on surrounding communities, including on land and water rights, and the environment.
- To engage a land rights expert to review existing land titles and use by MBL and MDL, and develop policy and guidelines around land use.
- Kirin Group to set up a grievance mechanism to ensure feedback received is recorded, tracked and acted on.

#### Measurement

- MBL and MDL to provide progress updates on a quarterly basis to Kirin Holdings in business monitoring.

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## Conclusion

Kirin Group sees this HRIA as an important step in enhancing our efforts to respect human rights across our business operations in Myanmar, and bringing our business partners and suppliers along with us. We are committed to seeing these actions through and to reporting on our progress at least on an annual basis. Along the way, we will continue our dialogue with local stakeholders and experts whom we have been engaging, revisit our action plan, as well as seek to play a more active role in driving more responsible business in Myanmar.