Beckmann AS social report

Reporting period (Financial year: January, 2021 – December, 2021)

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Organizational chart

Beckmann organization chart

Summary: goals & achievements 2021

During 2021 we had to move large order volumes from our main supplier to others due to unforeseen circumstances. Although, this was challenging, it has not changed our sourcing strategy of relatively few suppliers with whom we seek long term cooperation in order to carry on the FWF code of labour practices.

We selected one of our long-term suppliers for a Fair Wear Foundation audit. The results gave good insight in the working conditions. Based on the findings we identified improvement areas and made a corrective action plan, which we focused our work around.

In 2021, Beckmann was acquired by a large well-known Chinese stationary group company. This gives us potential further local insight and access to additional local support resources. Travelling possibilities to production sites were also in 2021 highly limited due to Covid-19. To secure and assist a closer follow up of our suppliers, Beckmann, by the end of the year hired one Chinese based employee for supply chain management support.
Sourcing strategy

SOURCING STRATEGY & PRICING

Beckmann has implemented a focused sourcing approach where the company works with a very narrow selected number of suppliers over long term in partnership cooperation’s. Due to growing volume and demand for Beckmann products the company has prepared for onboarding new suppliers for 2021 to increase total capacity. The need for additional suppliers became increasingly apparent when our main bag supplier breached the cooperation agreement and stopped producing for us in the middle of the main order season. This impacted our sourcing decisions dramatically and we moved large volumes to our new supplier.

Almost all backpacks and related accessories are produced in China. China is selected due to competence, experience and raw materials supply. In addition, some small quantities of leather products are produced in India.

Beckmann has selected our supplier partners based on the following criteria’s:

- **Quality**: Physical quality, capabilities
- **Chemical compliance** and sustainable materials
- **Social and work ethics**: adherence to legal requirements and Code of Labour practices
- **Development and design capabilities**: Sampling, new materials, new designs
- **Partnership candidates**: Long-term supplier, working mode, references
- **Price and competitiveness**: Unit price, MOQ, lead time, capacity

The responsibility for the sourcing strategy is managed by the Head of Sourcing, Quality and CSR. In addition, the design/product development department plays a key role in the process for developing samples and new products. Furthermore, the Head of Customer and Sales Support is a key stakeholder due to order planning, order placement and logistic planning. The CEO of Beckmann is also involved in key decisions related to supplier management.

It is challenging to have a close follow-up of suppliers and production facilities from Norway - especially during Covid-19. In addition, our Fair Wear membership combined with our social

responsibility requires a close follow up. We, therefore, by the end of 2021 decided to hire a local Chinese employee in the sourcing and CSR department to assist us in this regard and expect this to take full effect in 2022.

**PRODUCTION CYCLE**

Beckmann’s target is to provide high quality standard and appealing original design products to all our valuable customers. Beckmann operates with one yearly collection, for sell in with first deliveries for November and following deliveries into the main selling year. The collection will consist of both new models and continuing models from previous year. We start collection planning roughly one year ahead of launch, in August to give plenty of time to work out satisfied products and support a healthy internal process at Beckmann and our suppliers. The development and sampling continue until May the following year, whereby Beckmann and suppliers cooperate through our design management interphase system.

Each year there will be 2-3 main orders from Beckmann to our suppliers for the respective styles. The first one of these are placed already in June, to utilize the low season at the main bag supplier to balance and maximize the utilization of the capacity during the low season. Lead time will be agreed between suppliers and Beckmann based on annual order volume forecast provided by Beckmann during yearly order / price negotiation meeting before order placement starts. Furthermore, shipping plans are established to the supplier after order placed, for partial shipments throughout the full year, to allow the supplier to adjust the production schedule.

Price negotiations are performed yearly and are based on detailed cost build up sheets in order to maintain details of each cost components, including wages/salary to workers. Beckmann has an ambition to support living wage standards.

**FACTORY RELATIONS**

Our long-term supply chain strategy is to have a good balance of production capacity allocation between a few major suppliers. We spent significant time on developing, training and onboarding one new major supplier in 2021.
We value the recommendation of new potential suppliers from companies or resources who has business experience with the supplier. This is a valuable insight into gaining firsthand experience feedback. Once the sourcing process starts for new suppliers, we request documentations from the supplier inclusive but not limited to: Company introduction, valid 3rd party audit report reg. social responsibilities, reference brands/customers that the supplier is working with, financial reports to get the insight of the suppliers. This combined with introductory meetings between suppliers’ key stakeholders and Beckmann team. We will continue with sampling if supplier pass the verification of this initial screening and evaluation. After samples are approved, we normally book the factory visit for business discussion and onsite verification as the final step before the process starts to onboard new suppliers. We focus on building capabilities at the new supplier through trainings, visits, information sharing regarding product quality, chemical compliance, social responsibility, and sustainability.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS
In 2021, we onboarded one new supplier after 3 years of dialogue and evaluation. This process was performed through a thorough evaluation according to our sourcing strategy targets and also taking into account the Code of Labour Practices from our Fair Wear membership. All existing and new suppliers filled in the Fair Wear Questionnaires. The evaluations are based on compliance with labour standards, product quality and price etc., which is connected to the sourcing decisions.

Coherent system for monitoring and remediation
During our first membership year in 2020 we focused on bringing our suppliers “up to speed” on our reasons for joining FWF and the requirements to be followed. This was only a start as we know that this needs to be gradually embedded into the culture at both Beckmann’s side as well as at supplier’s side. We implemented the FWF auditing in 2021 for the new long term cooperation partner. The audit showed improvement areas on working hour registration and a gap between minimum wage and living wage. With the support of FWF our follow up meeting with supplier management team resulted in an action plan involving the Fair Wear WEP training during 2022, in order to increase

Awareness on the FWF Code of Labour Practices. Since the action plan was agreed upon, we have also employed a local employee in China who will visit the supplier in 2022 to check the status and emphasize the importance of correct documentation and registration.

We have had periodic meetings following up with the supplier regarding the Corrective Action Plan (CAP) based on either Fair Wear Foundation audit or BSCI 3rd party audit result.

Due to the COVID situation, physical visit at the suppliers were also not possible last year. Therefore, we have continued follow up through digital channels in 2021.

**Beckmann 2021 Sourcing FOB%**

**TEXTILE BAG SU1, SU2 AND SU3 CHINA**

In 2021 Beckmann increased our total purchases from our suppliers and, therefore, onboarded Textile Bag SU3. This has led to the fact that the FOB percentage of SU1 is lower than in 2020 but our actual purchase value has increased. By onboarding a new supplier we’ve managed to increase capacity and flexibility and still increase actual purchase volumes at our main supplier.

In order to get the transparent information from the supplier we collected the Fair Wear questionnaire with the supplier information filled in. To provide the sufficient contact information for

handling the worker’s complaints the Fair Wear worker information sheet are hanging on the wall at the factories.

Since 2020 we have had the ambition to go into the living wage discussion with the suppliers by collecting the labour minute costing. However, it is closely connected to the working hours and reasonable overtime working payment. Based on both country reports from FWF and the 3rd party audit report findings we see a general issue in China regarding excessive overtime working that can be a potential risk in the peak production season.

On the labour minute fill in the FWF’s Labour Minute Costing, which explains the practical approach to calculate brands’ share of living wage costs per factory. This, combined with our cost build up pricing, gives us good transparency in costing between us and the suppliers. It did take us some time with the process to collect as well as analyse the data received with the support from FW team to get the more accurate insights. From the 3rd party audit, we see for example that there is a gap between the national minimum wages and living wages. Currently, the suppliers are paying the national minimum wages. To merge the gap will take some time, but with our improved focus and requests of documentation we believe this will gradually improve.

Excessive overtime hours shall be closely monitored specially during the peak season. During 2021 the FWF audit showed discrepancies between working hour registration and actual working hours. In addition to the action plan agreed with supplier management we also plan to arrange random visits during the peak season by our local colleague.

**LEATHER BAG SU1 AND SU2 INDIA**

Historically, Beckmann had a larger leather bag and accessory product collection, however, this is not the key focus in the current collections. We only reordered from 2 suppliers in India this year. The annual purchasing FOB share is further reduced this year down at about 0.5% for both.

We collected the Fair Wear Questionnaire and posted the worker information sheet on the wall in each one of the factories.

**Complaints handling**

In 2021 no complaints were received related to our suppliers.
Training and capacity building

ACTIVITIES TO INFORM STAFF MEMBERS

All our employees understand our membership at Fair Wear and our objectives for social responsibility. We share the information and activities we do with Fair Wear Foundation at the suppliers in the weekly meeting with internal colleagues.

ACTIVITIES TO INFORM AGENTS

No agents are used by Beckmann.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

We see a positive result of the WEP training by Global Services (GS) at the main supplier in 2020. We will continue to apply and cover the supply chain with this training to help both the management and the workers to understand the Code of Labour practices.

In terms of the communication to inform the suppliers, our CSR manager speaks the local language which helps to give the explanation and support to the best we can towards the suppliers. Additionally, our newly hired local employee in China, naturally, also speak the local language and can ease our local support.

Information management

During 2021 the follow up with the suppliers were performed through regular digital meetings reviewing the CAP status, progress and follow ups. When it is possible to visit the factories again, we plan to do site verifications and in-person meetings.

We used to visit the tier 1 supplier and the supporting process supplier (silk screen print and embroidery suppliers) as well as fabric mill every year before COVID-19. We will continue when it is

possible to travel again. Our locally based Chinese employee will also assist in local supply chain follow up.

We request our suppliers to provide the materials sourcing information for monitoring the source of supply. At the same time, we agreed with suppliers not to use subcontractor unless approved by Beckmann.

**Transparency & communication**

We posted the Fair Wear Foundation membership on our official website. Our sales team also share the information with both existing and the new customers. The social report is a good way to communicate with the public about our efforts and progress in social responsibility. Finally, we look forward to a potential product marking of the membership when we are eligible to do so.

**Stakeholder engagement**

The country study provided by Fair Wear for China gave us good understanding of key challenges and focus areas.

**Corporate Social Responsibility**

Beckmann’s Code of Conduct, that we agreed with suppliers covers business conduct, Anti-Corruption and Anti-Bribery as well. Furthermore, Beckmann is a partner to UNICEF in Norway with focus on children rights and living standards.

Since year 2020, Beckmann gradually replaced the textile materials on our bag with the recycle polyester (rPET) made from plastic bottles. Our goal will be to change out all the products materials with rPET or ocean waste materials that will be suitable for our products, to persevere the sustainable journey.