

Beckmann AS

Social Report

Reporting period (Financial year: January,2022 – December,2022)



BECKMANN

NORWAY 1946

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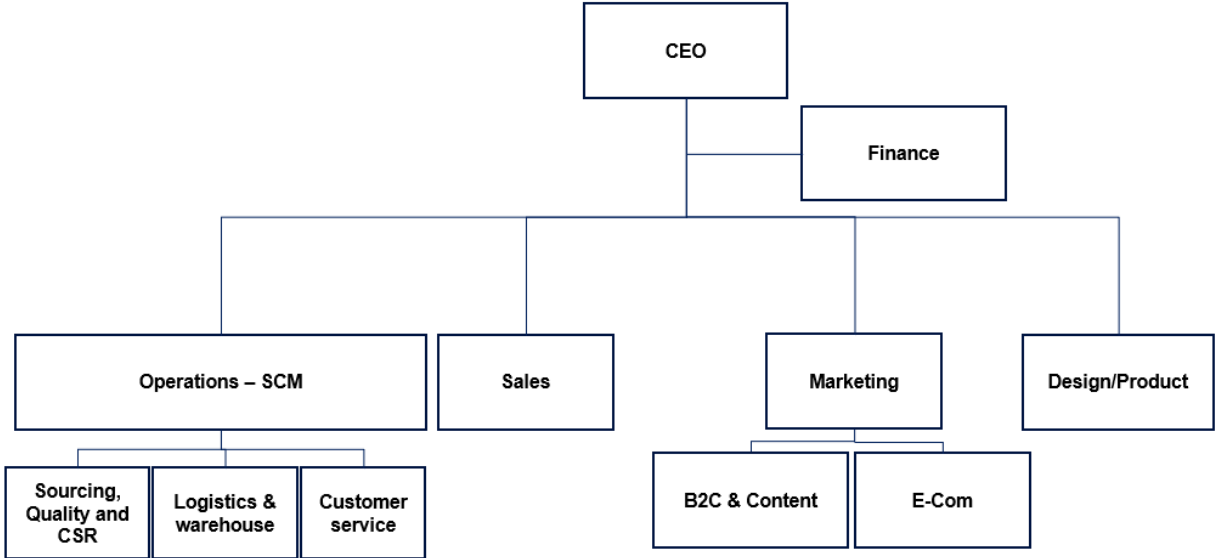
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Organisational chart

Beckmann organization chart



Summary: [2022] goals & achievements

At Beckmann AS, our commitment to human rights is deeply embedded in our ethos. As Norway's leading backpack brand with a rich history dating back to 1946, we've always prioritized the well-being of our stakeholders, from our employees to the communities we touch. We recognize the importance of ensuring that our operations and supply chains respect and promote human rights, and we have taken steps to ensure that our practices reflect this commitment.

We developed the Responsible Business Conduct (RBC) with Human Right Due Diligence (HRDD) integrated in it, according to the OECD guidelines and Fair Wear's Code of Labor Practices as well as the manufacture country risks in the 2022 financial year.

Our HRDD Process and Steps:

1. **Risk Identification:** Our global presence means a diverse supply chain. We consistently review potential human rights risks, considering factors like geopolitical changes, local labour laws, and socio-economic conditions. Our Norwegian heritage, known for its strong emphasis on human rights and sustainability, guides our approach.
 - **Geopolitical Analysis:** Given our global footprint, we regularly analyse geopolitical shifts and local labour laws in countries we operate in. This ensures we're always ahead of potential challenges.
 - **Supplier Audits:** Regular audits of our suppliers by 3rd party, besides the Fair Wear Foundation's requirements, help us identify potential risks at the grassroots level.
 - **Feedback Mechanisms:** We've established feedback channels for our workers and suppliers, ensuring we're in the loop about on-ground realities.

Our acquisition by a Chinese group company provided us with an opportunity to gain deeper insights into the local supply chain landscape, enabling us to better assess and address potential risks. Our engagement with the Fair Wear Foundation and the subsequent audit also played a pivotal role in our risk assessment efforts in 2022.

Sourcing strategy

HUMAN RIGHTS DUE DILIGENCE

Our RBC policy has evolved since early 2022, with a keen focus on ensuring that our business operations align with our commitment to human rights. In 2022, our efforts to maintain our sourcing strategy amidst challenges and our proactive approach to supplier relations underscored our dedication to responsible business conduct. As we move forward, we will continue to integrate the insights and learnings from our HRDD process into our responsible purchasing practice.

We implemented the risk scoping at all the bag product suppliers based in China, where most of our products are produced.

In the future, we continuously monitor global events, industry shifts, and feedback from our stakeholders to update our risk matrices.

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 2022 to increase total capacity. Along with the change of the main supplier in the supply chain since 2021. We keep taking solid step in growing new suppliers by educating them and place test orders to give the supplier opportunity to gain the experience of cooperation and cost level with Beckmann in real practice. It supports the pricing to be accurate on the labour cost from the supplier, which is a good foundation for working on finding out the living wages.

The sourcing strategy is well connected to the HRDD approach. We implemented the Fair Wear's Code of Labour Practices into our Supplier Agreement. All the Chinese suppliers committed to it before starting cooperation with Beckmann.

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Traditionally, 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 Logistics is a key stakeholder due to order planning, order placement and logistic planning. The Head of Operation has the overview across different relevant departments and plays a key role in connecting all the internal teams in the respect of maintaining our responsible sourcing strategy balance.

The CEO of Beckmann is also involved in key decisions related to supplier management.

We experienced it made the work more efficient and transparent by having the local employee in China.

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 2022, the order started even earlier to serve the market, and at same time avoid the peak season at the manufacturer by the end of May to give plenty of time to work out satisfied products and support a healthy internal process at Beckmann and our suppliers. The development

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and sampling continue until April 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 May 2022, 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 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 bag supplier in 2022.

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,

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information sharing regarding product quality, chemical compliance, social responsibility, and sustainability.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

We onboarded one new supplier after the process of dialogue and evaluation as mentioned. This process was performed through a thorough evaluation according to our sourcing strategy targets and considering 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

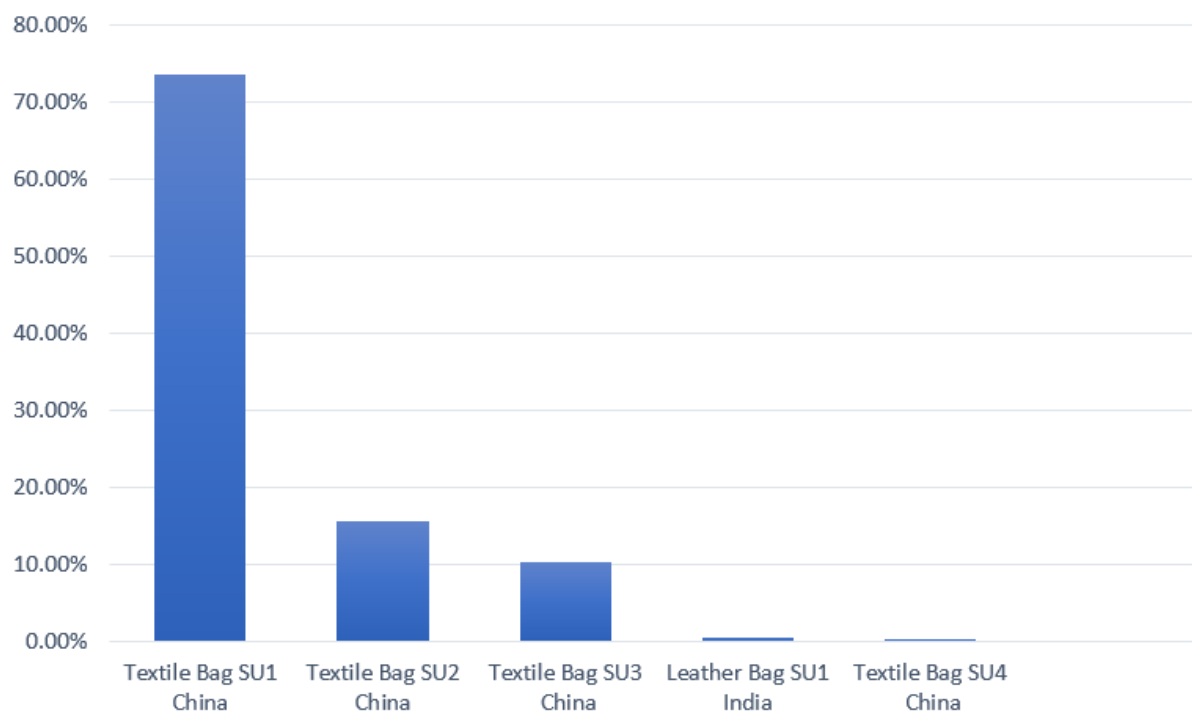
After 2 years of being a Fair Wear Member we gradually embedded the human rights in both Beckmann internally and our supply chain. We started from sharing Fair wear Code of Labour Practices and the hotline for workers to reach out, in case of any human right violation & providing the WEP training to build better awareness for the workers, to implement audit at the selected major suppliers by Fair Wear. Remediation was carried out according to the findings from the audit to be transparent in the social dialogue.

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.

We are glad it was possible to visit the suppliers in China in the early 2023, to address all the findings face to face and agreed on the next step of action.

It's a continues journey we will work on together with our valuable partners.

Beckmann 2022 Sourcing FOB%



TEXTILE BAG SU1, SU2, SU3 AND SU4 CHINA

In 2022 Beckmann increased our total purchases from our suppliers and, therefore, onboarded Textile Bag SU4. This has led to the fact that the FOB percentage of SU1 is lower than in 2021 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.

Excessive overtime working and Living wages are 2 important topics in the textile manufacture industry in China. 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 our suppliers' 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.

We always plan the full year forecast with supplier before order placement at the beginning of the year. In 2022, we tried to adjust the order placement time by placing the 1st order in the new collection year even earlier to avoid the peak season. This was done to help production planning and to avoid excessive overtime working.

We always work on detailed cost break down with our suppliers. It's a great tool for having transparent communication on the level of labour cost per product.

Fair price app training has been conducted at our Chinese suppliers to show the supplier correct way of calculating the reasonable payment, reflecting the normal working hours and overtime working hours. Currently, the suppliers are paying the national minimum wages. There is a gap between the national minimum wages and living wages. To merge the gap will take some time, but with our improved focus and requests of documentation we believe this will gradually be improved.

LEATHER BAG SU1 INDIA

Historically, Beckmann had a larger leather bag and accessory product collection, however, this is not the key focus in the current collections. We gradually reduce the purchasing on the leather products. There has been only reordered from 1 supplier in India this year. The annual purchasing FOB share is further reduced this year.

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

Complaints handling

In 2022 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 bi-weekly meeting with internal colleagues and refreshed Fair Wear code of labour practices at the annual kick off meeting too with all employees.

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 by visiting the suppliers upon request.

Information management

During 2022 the follow up with the suppliers were performed through regular digital meetings reviewing the CAP status, progress and follow ups. We planned visit to China all main suppliers and major raw material suppliers in the beginning of 2023 when the travelling restrictions is easier. It will be regular visit again every year after the pandemic to verify the progress and follow up closely with our supply chain.

The nominated more material suppliers also helps with a more stable supply for production and to identify the production locations.

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. As we are in the good category, the Fair Wear marking will present on our product hangtag in 2022 production, to share we are a proud member at Fair Wear Foundation.

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 has own supplier agreement and its appendixes which broadly covers the responsibilities and obligations as for both sides of the business partners. That we agreed with suppliers covers business conduct, Anti-Corruption and Anti-Bribery and gender equality as well. Furthermore, Beckmann is a partner to UNICEF in Norway with focus on children rights and living standards.