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1. SUMMARY

2021 was still very much affected by the pandemic. In Portugal: several restrictions were still in place. In Biscana we try to understand what was the real costs of the pandemic after all the lockdowns and limitations.

It was important for us to get the real picture of all the chain: from the supplier to our customers taking into account the overall prices of raw materials, shipping, and delays on deliveries and so on.

During 2020, we saw a drastic reduction in the cotton demand as the brands were afraid of buying not taking the risks of having the warehouses full of unsold garments. In 2021, all the brands start to buy again to fill all the empty shelves in their stores but the farmers weren't prepared as they were also afraid. When the demand increases and there is low production the prices rise and that's what happened. Regarding the containers, due to shortage, the prices also rose leading to an overall increase in all of the supply chain.

As defined in our work plan, the yearly order plan was only maintained for our 2 biggest suppliers, having all of the other orders placed as needed. This was, for us, the best way to ensure the respect for our suppliers as well as maintain a good grip on the financial health of our brand. We also placed orders with the smaller suppliers respecting the good relationship that we look for when working with a supplier.

Despite all of the obstacles we made sure, all of our suppliers had the Fair Wear Foundation (FWF)'s Code of Labour Practices (CoLP) as a guide they should follow to safeguard the conditions of the workers and their families.

2. SOURCING STRATEGY



2.1. Sourcing Strategy & Pricing

Biscana's strategy of establishing long-term relationships was not changed even though we deviated a little from last year's plan: we left Myanmar. Leaving the country was not an easy decision and was made only because of the unstable situation in the country. The military seized control on 1 February 2021 after a general election which was not enough to ensure all the human rights were being respected. Therefore we decided, internally, that the conditions to continue business were not gathered. We are still a part of all the FWF's communications regarding the Myanmar situation where we confirmed some factories were being burned down and some problems with the workers were happening. We are still in contact with our supplier who granted us, there were no major incidents.

Our biggest supplier is also our oldest supplier, having worked with us for over a decade, as we believe that's the best way to ensure product quality, mutual respect, growth for both parties, and guarantee of good working conditions. This is our biggest in volume and it is our favourable supplier for knitted jersey and piquet.

Our second-biggest supplier, our Pakistani fleece supplier, is someone who is becoming a cornerstone in Biscana's overall strategy. We have placed a trial order in 2019 and it was the right time to give it another shot. They are familiarized from the beginning with our compliance standards and the CoLP was also implemented. Working with Pakistan was the solution that we found to beat the cotton and containers shortage in Bangladesh and to gain some time on the shipping, being the traffic time smaller when coming from Pakistan.

With this in mind, we also have smaller suppliers with whom we follow the method as the previous. In China, we produce specific products, more technical, usually containing polyester as this raw material is produced mainly in this country like padded jackets, High-visibility jackets or sneakers.

2. SOURCING STRATEGY



2.2. Organisation of the Sourcing Department

Our sourcing department is a four people team composed of a quality controller, designer, purchasing manager and a logistics' manager. This team oversees inquiries, back-office work and on-field meetings and workers' conditions assurance. We evaluate our suppliers based on their compliance with CoLP (with frequent visits to factories by our quality team), their commitment to the scheduled dates and the quality of their production. With these data in hand, the supplier is chosen by this team and eventually validated by the management.

Our supply chain has some agents involved with whom we keep conversations regarding the respect for CoLP. All the agents have to sign the questionnaire of FWF before working with us, and we always need to know from where they are sourcing from, having the factories inspected by our team and signing the questionnaire.

2.3 Production Cycle

We sell by catalogue having consistency in our articles as we have in the choice of the suppliers making them. Usually we make an order plan based mostly on predictions founded in last years' sales. This strategy allows suppliers to organize their production time and to have the deliveries scheduled by them and us together (they can use low seasons for our production). Having our biggest suppliers booking large quantities at the end of the previous year avoids "surprise orders" which would have a toll on the suppliers' production plan.

If some article is selling more than predicted, we place an extra order to the supplier, asking them which would be the best date for them to finish it. At the beginning of the year, Biscana launches a new collection following the same logic as the articles already in the catalog.

2. SOURCING STRATEGY

2.4 Supplier Relations

The standard process of selecting new suppliers remained the same as in the previous years with the inspection performed by our team and the talks with the counterpart before placing a trial order but we took some extra care when selecting this year's new supplier. The potential supplier is also informed about Fair Wear Foundation and the Code of Labour Practices and is sent the questionnaire for filling. We weren't able to go to China because they had really tough restrictions, including 15 days of quarantine and lockdowns, and even though it was not feasible for us we talked with this new supplier via an online platform and presented the CoLP and sent the questionnaire. Only after analyzing the questionnaire and making sure they understood what our requirements were, did we place the order. Having all of these figured out we eventually added this new supplier because he is making sneakers – an article none of our suppliers was making.

We stopped working with Myanmar due to the complications explained on 2.1.

2.5 Integration Monitoring Activities and Sourcing Decisions

The monitoring of the activities and overall social and economic conditions of the country are all taken into account. As a practical case, we have Myanmar's: because of the social insecurity and having the basic requirements no guaranteed we decided to stop working in that country never losing the contact with the supplier to which we consider going back as soon as the overall situation improves.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION



The system for monitoring the factories starts with the regular visits to the factories by us. It is important to guarantee the factory is not only safe during a third party's inspection but with this regular analysis on the factory level, we have the full scope of their commitment to the Code of Labour Practices (CoLP). For establishing this monitoring program, we took into account the country studies made by Fair Wear Foundation (FWF) especially to identify the major threats and to be more aware and how to avoid them. We also ask for audits from other sources like Amfori, Accord, BSCI, Sedex or others to get the maximum information on the supplier's compliance. If we are to receive any complaints or CAPS, we deal with that by maintaining a coherent dialogue with the partners and making them understand the importance of improving workers' conditions and safety at the sites where the garments are actually cut and made.

3.1 Factory A/Bangladesh 3.2 Factory B/Bangladesh 3.3 Factory C/Pakistan

This is our oldest supplier that has grown with us since the beginning of the brand. We have a family relationship: like every family there are some problems that we solve and we try our best to find the best solution for both ends. This supplier is not a member of the Accord and we realized, as a brand, we should also be responsible for solving this problem so we became members of the International Accord this year granting the supplier the access to the assistance of the organization. Factory A, was also the chosen one to be audited by FWF this year.

Regarding the respect for the CoLP, it is a work in progress. The company is very much aware of the 8 pillars and it puts a great effort into putting them in practice. During 2021, the company had some struggles related to wages. When Biscana was told about this, we helped them by meeting with the management board and finding solutions for the problem: we rose the price for some articles in order to mitigate these difficulties. This is how we usually deal with the problems with this supplier, by speaking and trying to reach a better solution.

This supplier is gaining a lot of importance in our supply chain as it is very much concerned about our quality and compliance requirements. This year, for the first order placed, the agent chose a factory not covered by International Accord. It is a preferential requirement that all of the new suppliers are under this organization and the agent immediately shifted all the production to a factory, already producing for us, a member of the Accord.

We are having some problems with the deliveries from this supplier and even though we are taking the orders with no penalty, we've been speaking with them for improving this feature. Which they are, guaranteeing no excessive overtime is taking place.

After having placed a trial order with this supplier in 2019, we decided the overall quality had some space to improve but the factory was willing to work with us in these mistakes and adjustments that needed to be done. With the pandemic the order didn't come as soon as we have hoped but eventually, it was placed.

The shortage of raw materials, shortage of containers and the longer transit time from Bangladesh offered us the opportunity to place bigger orders, which we did. Now the supplier is one of the biggest and we want it to grow with us.

4. COMPLAINTS PROCEDURE



Complaints are taken really seriously by Biscana's team. In a yearly stage, the CoLP is always presented to our suppliers and to which we ask for the information leaflets to be posted in employees' factory floor so that they know what their rights are. Another important tool is the FWF Hotline. This tool is synonymous of safety, as it assures that all the complaints are being listened and are being handled with care.

Any complaints can also be dealt with by the sourcing department. Biscana also tries to raise awareness about good practices at work.

In case of any complaint, the complaint is immediately dealt with, starting by having a meeting with the supplier to ensure that we are following the case. The supplier tries to fix it internally, but in case he is not able to, we provide the necessary follow-up to resolve the complaint.

5. TRAINING AND CAPACITY BUILDING



5.1 Activities to inform staff members

FWF documentation is available for all the workers at Biscana. In case of any doubt, workers can always turn into the sourcing team, composed of 4 elements described in 2.2. It is always reported to the entire team, either online or physically, whenever there is an “event” related to the FWF. Every year, in Biscana there is a small meeting about FWF status shared with the workers who come to contact with the foundation as soon as they join through a manual for newcomers.

5.2 Activities to inform agents

Our agents are informed about Biscana's internal policy regarding work the same as our suppliers: they also need to have the CoLP displayed in their offices and sign the Questionnaire.

5.3 Activities to inform manufacturers and workers

All the manufacturers and suppliers are equally presented about the Fair Wear Foundation (FWF). Biscana is in charge of presenting the CoLP and making sure it is fixed in the factories so every worker has easy access to it.

A lot of communication is given in person by the quality team in loco and by phone conversation regularly maintained between Biscana and our suppliers.

6. TRANSPARENCY AND COMMUNICATION



Since we become a member of the Fair Wear Foundation (in 2018), Biscana has been communicating about being a FWF member in the following tools:

- Online: Biscana's website
- In communications and marketing tools
- Fair Wear Foundation logo is placed on our cartoon boxes so our customers know we are a member of;

7. STAKEHOLDER ENGAGEMENT



We are using all the resources we can, available on FWF's platforms. We attended some webinars on different topics and are intending to do so in the future. We are more aware than last year of the threats and we are also searching more about these topics: ILO, UN, UNESCO, Clean Clothes Campaign.

8. CORPORATE SOCIAL RESPONSIBILITY

Besides Fair Wear Foundation, Biscana supports and is part of other initiatives, listed below:

- Oeko-tex;
- THC Less Plastic, an internal initiative to reduce the plastic consumption;
- Accord;

We are starting to contact the suppliers for going organic and recycled.

