

THClothes' Social Report - 2020

Summary

For obvious reasons, 2020 was a troublesome year all over the world. New challenges arose throughout our supply chain: yarn supply shortage, raw materials and trims prices rising, factories closing, scarce containers, cargo ships renting becoming more expensive every week, quarantine in Portugal, and finally our clients shutting their doors for a huge period.

With this in mind, we tried our best to keep our head high and respect our clients and our suppliers. Fair Wear Foundation stands as our social responsibility most treasured feature and we cling to them as our way to ensure the basic conditions are met in our production locations. On top of that, we kept close contact during the pandemic since the person assigned to check on the workers' conditions was not able to travel that much to Bangladesh this year because of the flight restrictions.

We informed the suppliers about rules they should follow to avoid factories' outbursts. Asked them how they were dealing with the pandemic and even sent them government legislation they were obliged to adopt. Most of them were already aware of these rules and were following them thoroughly which took them time to adjust. We obviously understood their timings and adjusted our delivery schedules according to that. We did not cancel any order and kept a responsible dialogue with our partners reminding them about the respect they need to keep for the Code of Labour Practices because we believe that the only warranty we are really making a change in the places we produce at not only placing orders and guarantee employment but also improving the conditions of the people who work and grow with us.

Sourcing strategy

Like previous years, we keep the premise of the "long term relationship" with our suppliers. A long-lasting relationship means two things: the supplier trusts us and the quality of the products is not compromised.

This year, we tried to make a trial production in Myanmar due to the fact the supplier can control the fabric from the very beginning because he produces it and then cuts and sews. Following the logic of quality maintenance, it is better for us if the color and overall characteristics of the woven fabric are kept since its manufacturing.

Myanmar is beginning to be well known for their woven items' quality and, even though we have this policy of maintaining a supplier for as long as we can, we decided to try it without compromising the already existing suppliers.

As usual, the 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.



We organize our production schedules considering 3 key aspects:

- The high and low seasons of the factories. Having a year-plan production and a fixed catalog (not releasing 2-4 collections a year) allows us to not overwhelm our suppliers when they have the most work. This is important for avoiding extra hours and overwork. When they have little work for other customers, they can have our orders done.
- Booked large quantities from our main customers. Before the year ends, we inquiry our European distributors on how much are they planning to buy for the upcoming year allowing us to guarantee these quantities for the year order planning.
- The suppliers proposed dates. We always ask the suppliers when they are planning to deliver a determined order. We take that date into account and we accept any justified delays.

The process of selecting new suppliers remained the same as 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.

Working with Myanmar is particularly challenging especially if we take into account the most recent events. So, we considered all the information provided by Fair Wear Foundation in their Country Study and identified the main risks. We also visited other sources of information like the International Labour Organization, Clean Clothes Campaign, the UN-ACT, etc.

After getting in touch with the supplier and having these threats identified we performed the first inspection in 2019 taking into account our regular workers' conditions' assurance checklist, plus a closer control on potential child labour, misogyny, union or overtime.

We want to diminish our tail but the only way to start a good relationship is to place a smaller order and then, day by day, increasing the orders until the supplier leaves the "tail" category, and we thought it would be a good opportunity to add a competitive and good quality supplier.

If the supplier maintains respect for the Code of Labour Practices and the scheduled dates for delivering the order it should not have any penalty in their evaluation as a supplier. Of course, the price and goods' quality are also considered. All the criteria are controlled by the purchasing department, as well as logistics, product development and quality departments both by talks with the suppliers and inspections *in loco*.

Coherent system for monitoring and remediation

The system for monitoring the factories is based on the regular visits to the factories themselves 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 in order 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 make them understand the importance of improving workers' conditions and safety at the sites where the garments are actually cut and made.

Factory A/Country A

This is our biggest supplier counting for more than 50% of our production. The relation with this supplier, like in previous years, is based on trust and we try to manage every problem they have by talking to them and make them understand our point of view trying to reach a common solution.

This supplier is audited by Sedex, BSCI and they have other customers' certificates of compliance with security and working conditions. On top of that one of our members spends there a lot of time every year making sure everything is ok.

Being such an old supplier without having any complaint to Fair Wear Foundation's line, sends the message they are complying with the Code of Labour Practices even though our inspector keeps on doing regular checks at the factory level.

Factory B/Country A

Having grown a lot in last year, this year Supplier B is responsible for more than 10% of our FOB. We are also relying on trust to maintain this relationship.

They are Bangladesh Accord members and were audited by Fair Wear Foundation re responsible for a great part of our woven items.

We do not have any complaint on them regarding working conditions but only on delays. Last year's delays were justified by having a lot of new articles to work on, but this year's had to do with the pandemic situation. We did not cancel any order.

Factory C/Country A

This factory is producing fleece items accounting for more than 20% of our FOB and it had some problems regarding not being committed with the scheduled dates suggested by themselves. We had this problem again this year but we blamed the pandemic for it.

They were audited by Fair Wear Foundation and are a member of Accord, BSCI, Sedex, Wrap, among others.

We are distributors of Solo Group, also a member of Fair Wear Foundation and we believe their labour standards are similar to ours.

Complaints procedure

N/A - We haven't got any.



Training & Capacity Building

Our staff receives the information on Fair Wear Foundation as previous years. We prefer to inform everyone joining Biscana and gradually informing about Fair Wear Foundation's events and decisions. We also promote informal communication whenever someone wants to know more about the activities undertaken by us or FWF.

We inform every supplier about CoLP and we use our presence *in loco* to maintain the conditions and raise awareness on new challenges and threats lurking.

This dialogue is maintained by the person in charge of going to factories and checking on workers' conditions. The recommendations and warnings from FWF are also transmitted by him.

Transparency & communication

About the transparency, Biscana has chosen to not disclose its suppliers' names. This is mainly due to competitive reasons rather than trying to hide anything related to our commitment with FWF. We still stand by that trying to find other ways to cooperate has proven to be very difficult.

We inform all our customers about the FWF membership on the catalog and website and published the BPC online.

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 about the threats and we are also searching more about these topics: ILO, UN, UNESCO, Clean Clothes Campaign.

Corporate Social Responsibility

We are now fully running our Less Plastic program with approximately 90% of plastic reducing and we are still reusing the cardboard as last year and are aware of planet damaging RMG business can cause.

We try our best to have our products under Oeko-Tex and are thinking about going recycled and organic.

