

BUTTONBOSS™

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Start date membership
January 2006

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1. Summary: goals & achievements 2012

2012 has been a very difficult year. Again, the development of wages has been one of the reasons to further exploit potential new suppliers. Apart from that, we have seen negative developments in our leverage of our main suppliers.

The new suppliers we added in 2011 have developed to such an extent that they have become our main suppliers in 2012. We have put a lot of effort in gaining more experience with these 2 suppliers and focus has been put on further improving our working and daily relationship.

Due to various negative developments, we have visited our suppliers not only in April, but again in July. During these visits we extensively discussed working relationships, process efficiency and Fair Wear related matters.

Sourcing goals for 2012

Already in 2011 and continuing in the early start of 2012 we have identified the need to further diversify our supplier base. Especially with one of new (2011) suppliers (supplier C), we see that their success and focus is shifting more and more to the US market where they have 2 fairly large customers that make out the bulk of their production volume. This year they introduced a customer segmentation, which resulted in a negative development in their performance towards us and on our business relationship. One of the results for us from this segmentation is that both our sampling as our production time has increased and has a tendency of being unstable.

For the above reasons we have executed a detailed benchmark among a large number of suppliers in various provinces and included FWF related matters. Based on the outcome of this benchmark, we visited 6 potential new suppliers in April of this year. The goal was to select at least 3 new suppliers. In this we succeeded and are placing small orders with them since May onwards. The performance of these suppliers is worse than we expected. We ended the relationship with 2 of these 3 new suppliers.

Apart from visiting potential new suppliers, we have visited all 3 base suppliers where running business and Fair Wear related matters were discussed.

Audits and actions on CAP(s)

This year audits have been performed at our 3 main suppliers. It still is our policy to first gain experience with a new supplier before we perform an audit. The new suppliers we selected this year have therefore not been audited. Which make sense, as mentioned above.

With all 3 suppliers the corrective action plan has been discussed. The situation however is difficult and a lot of energy and time has been put in explaining and convincing the Fair Wear principles and importance.

Communication goals for 2012:

In 2011 we have taken some very positive steps towards increasing the internal knowledge of FWF and our membership. Our communication with our customers on FWF has increased and improved a lot. For 2012 we have continued this:

- Keep on making our customers aware of FWF and our membership.
- FWF remains a fixed part of our communication during visits to (potential) customers.
- Clear communication of FWF at the exhibitions we attend.
- Since end of 2011 all Kingcap ® stock items are equipped with a FWF woven label. We have continued to do so in 2012.
- Already in 2011 a goal was set to do a direct mailing were we would send out FWF's new flyer that is aiming at communicating with the end user. Unfortunately this flyer is still in development at FWF and not ready to use. We believe this is matter where FWF must improve.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

In 2010 we have changed our purchasing policy. Last year, but also this year we further work on this. As explained earlier we see a number of negative developments at current suppliers. These developments lead to price increases, uncertainties in delivery time and quality, but also in a decreased leverage from our side.

Compared to last year we see an even higher pressure on prices from the market. Also, the market pressure on shorter delivery times is still ongoing and increasing. Already in 2011 we have seen that budget approvals are more and more postponed to the last minute. On this matter we see no improvements this year. We might even conclude that it has gotten even far worse.

This results in again an even higher need on flexibility, capacity and low pricing at our suppliers. Adding the very poor economic outlook in Europe and suppliers focussing more on the (more prosperous) US market, we do not foresee improvements in the near future.

We keep on benchmarking continuously between current suppliers. This means that we always sent out our inquiries to multiple suppliers. This is a tool of increasing our leverage.

2.2. Organisation of the sourcing department

A number of employees at the sales department also act as purchaser. They only purchase at the selected factories. Buttonboss has no separate purchasing department. Sourcing and selection of suppliers, as well as the implementation of FWF is not part of their responsibilities. Management performs this task.

2.3. Production cycle

Stock articles: we produce a number of items that we keep on stock in our warehouse. It is our target to keep this in our collection for at least 2 years. Our purchasing is done through forecasts to give the supplier enough space and time for planning its capacity and the purchase of raw materials. Buttonboss and its suppliers commonly aim at a production time of 30 – 40 working days.

Custom-made orders: these orders have a constant flow throughout the year and are sent to our suppliers on a weekly/daily basis.

2.4. Selection of new factories

Our selection process is as follows:

- Sourcing is done through the internet and exhibitions.
- A basic inquiry is sent out per mail. Here we measure the response time and response quality.
- We send the “supplier information form”. Here we ask some basic questions like: company information: address, ownership, management, number of workers employed, minimum wage workers, factory facilities, response time inquiries, standard sampling time and standard production time.
- The next step is sending out the “questionnaire for suppliers of own production”. Here we also give an extensive explanation of the Fair Wear Foundation. With this document the new supplier agrees to co-operate with the process of monitoring and improvement of labour conditions.
- Before placing any order, we visit the factory.
- If the factory visit is to our (and the suppliers) satisfaction, we will start placing orders.
- During the first period of cooperation we evaluate on a regular basis. We evaluate internally as well as with the supplier.
- At the moment the relationship gets a structural character, an FWF audit is planned.
- The audit and the corrective action plan is the start of the continuous process of working together with the supplier to improve working conditions.

2.5. Integration monitoring activities and sourcing decisions

We will not place orders with factories that are not clean, or don't have decent work areas. Also, if there is the slightest presumption of child labour, or that we feel there is not enough capacity to produce our orders we will not start any cooperation. With our factory selection process we have a good first tool for making the correct sourcing decisions.

3. Coherent system for monitoring and remediation

3.1. China

Just like last year, 2012 has also been a year of change. We see negative developments both in our market as well as at our suppliers. Due to the economic developments, Europe has become less and less interesting for suppliers and we still face ongoing increases in wages and therefore our costs.

Existing factory A:

Factory and organization-wise, the situation is still very dynamic. The management structure and lack of flexibility within management has not increased their competitiveness. This year we again see a drop in orders they are producing for us. Our request to set up a new factory has partially been implemented, but not to the extent that we foresee an increase in our business with them. We have met with them early 2012 and during our visit in April. A FWF audit was performed in March of this year. The corrective action plan has been discussed, but the situation with this supplier is very unstable regarding factory locations and setups. This has to become more stable before we can further put pressure on FWF related matters.

Factory B;

Terminated corporation in 2011.

Existing factory C;

The focus with this supplier is on custom-made orders and stock orders. We have visited them in April and July and intensively discussed FWF and the corrective action plan. Also here we see an increased focus on the US market and difficulties regarding flexibility, quality and pricing.

Existing factory D;

We started purchasing from this supplier since mid 2011. Our purchasing volume has increased since then in such a way that they now are our largest supplier. We have visited them in April and July and an audit was performed in March 2012.

Especially during our visit in July a lot of energy was spent on FWF and the corrective action plan. But the situation is difficult with respect to Fair Wear and the corrective action plans. They are audited on a very regular basis by other compliance institutes like SA8000. These are requested by their main (US) suppliers and leave little room to implement a different compliance method like Fair Wear.

New factory E, F and G;

Started to work with them since May of this year on a small basis. It is our policy to first gain enough experience with new suppliers before planning an audit. As stated before, 2 of these 3 suppliers do not produce for us any longer.

3.2. Country B

N/A

3.3. External production

N/A

4. Training and capacity building

4.1. Activities to inform staff members

The complete sales department is aware of our membership and of the Fair Wear Foundation. We have made good progress in this awareness and every day communication about our membership of the Fair Wear Foundation. However, this is an on-going topic and we keep on improving and increasing our internal activities on this matter.

At every customer visit we spent time to explain our FWF membership.

4.2. Activities to inform agents

N/A

4.3. Activities to inform manufacturers and workers

We inform the manufacturers. They inform the workers.

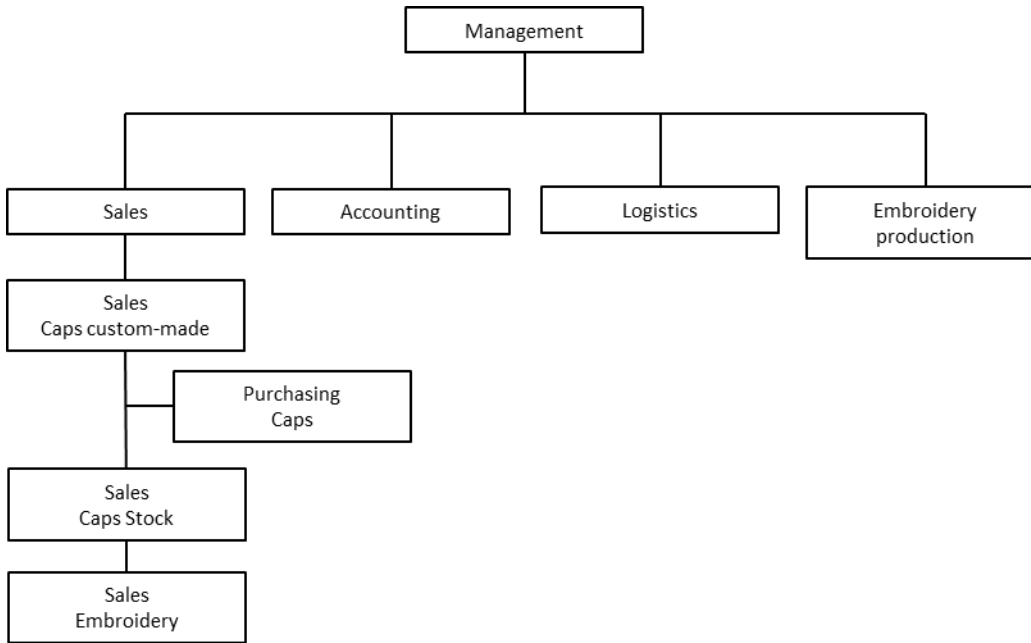
5. Transparency & communication

In our communication we use the Fair Wear logo:

- On all our printed stationary
- In all emails
- In our Kingcap Brochures
- On our website
- In our stock collection caps

At every customer visit we spent time to explain the FWF code of conduct and our membership.

ANNEX 1; Organizational chart



Annex 2; Corrective action plan factory A

In March this year an FWF audit was performed. The corrective action plan has been discussed, but the situation at this factory is so dynamic, that we first need to see this calming down before working on making practical improvements.

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Sourcing practices of Buttonboss 1	All workers are paid no less than RMB 1100 as the local minimum wage standard after providing full attendance for all normal working hours, which is below RMB 2244 as the Wage level defined by the Asia Floor Wage Campaign and RMB 2500 as the living wage standard estimated by local stakeholders.	N/A	Requirement: Buyers to discuss how wage levels can be increased with the factory. <i>Recommendation: FWF expects Buttonboss to take measures to facilitate that the factory works towards payment of living wages for a regular working week. On request, FWF could provide support for the process of establishing a framework for improved wages.</i>	N/A
Sourcing practices of Buttonboss 2	Normally the lead time for Buttonboss' products is only around 20 days for the factory, which is not sufficient enough for factory to arrange production schedule and factory management inform this may have contributed to the workers' overtime to some extent.	N/A	<i>Recommendation: The Buttonboss should allow more lead time for its suppliers to properly arrange the production schedule.</i>	N/A
Sourcing practices of Buttonboss 3	The unit price from Buttonboss is relatively low in comparison with other clients of the factory.	N/A	<i>Recommendation: The Buttonboss should allow more reasonable unit price for its suppliers to properly improve workers' living wage standard.</i>	N/A

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Monitoring system of Buttonboss	Buttonboss has not provided the Code of Labour Practices to the factory or made sure that its agent company provided the Code of Labour Practices to the factory. Furthermore, Buttonboss has not checked by means of a visit in the factory if the Code of Labour Practices was posted in the workplace at a location accessible to workers.	N/A	<i>Recommendation: The FWF affiliate should provide the FWF Code of Labour Practices to the factory for all workers awareness or make sure that its agent has provided the FWF Code of Labour Practices to the factory. The FWF affiliate should also check by means of a visit in the factory if the Code of Labour Practices was posted in the workplace at a location accessible to workers.</i>	N/A
Management system to improve labour standards 1	Workers have no idea who is the responsible person for factory social compliance system.	Management inform that they will designate a person responsible for factory social compliance system and have his name and contact information publicized for workers' references.	Requirement: The factory should have a formally designated person in charge of the social compliance program. This responsible person should ensure the internal social compliance system is adequately communicated to all workers in the factory, and the name and contact information for this person should be posted for all employees' references.	3 Months
Management system to improve labour standards 2	Factory never reports their current practice or progress on social compliance status to Buttonboss .	Management inform that they will report their progress on social compliance to Buttonboss from now on.	Requirement: Factory should report their current practice or progress on social compliance status to Buttonboss on a regular basis.	3 Months

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Management system to improve labour standards 3	Factory subcontracts its printing and embroidering processes to other factories. However, these subcontractors are not informed of FWF Code of Labour Practices and factory does not set up a system to monitor the compliance status of its subcontractors.	Management inform they will provide the FWF Code of Labour Practices to their subcontractors as the first step to compliance, after the factory has properly set up the social compliance system they will communicate and require them to incorporate the code elements into their business practices step by step by means of regular visit to their subcontractors.	Requirement: The company shall provide a list of all subcontractors, including a description of their activities and (roughly) the share of the orders for the FWF Affiliate done by this subcontractor. If subcontractors are used in those phases of production where garments are actually produced (cutting, sewing, embroidering, knitting, ironing, finishing, marking, packing, or other preparation of finished garments) the company should inform this subcontractors about the Code and make clear in what way the company monitors the labour conditions in these subcontractors. On-site audits/visits should be conducted in these subcontractors on the regular basis, and at least quarterly. Records of on-site audits/visits should be maintained including the dates, detailed findings and corrective action plans.	3 Months
Communication and consultation	Factory does not post the information about the FWF Code of Labour Practices and workers are not informed or consulted about such information.	Management confirm they will post the information about FWF Code of Labour Practices in a prominent place for all workers to review, and they will organize the training to workers on such information.	Requirement: Information about the FWF Code of Labour Practices, PRC Labour Law and Code of Conduct of other clients should be posted in a place that is easily accessible for workers. Workers should be informed and consulted about PRC Labour Law and Code of Conduct of other clients. Workers should receive training on PRC Labour Law and Code of Conduct of other clients.	3 Months
Communication and consultation	Factory had properly publicized workers' complaints including the factory's response and related actions on the notice board for review of all workers.			

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
No forced Labour	All workers are required to submit resignation letter and notice the factory 30 days in advance before they quit as legally required or workers.			
No discrimination in employment 1	The recruitment notice does not show any information regarding age discrimination.			
No discrimination in employment 2	The registration form does not show any information requires male workers to have a signature of a guarantee to assure his conduct and behaviour.			
No exploitation of child labour	None			
Freedom of association and the right to collective bargaining 1	The workers are aware of the 3 worker representatives in the factory, who are democratically elected among the production workforce.			
Freedom of association and the right to collective bargaining 2	Names of worker representatives are properly publicized in the factory and meeting minutes and notices from the worker representative committee are posted in the notice board for review of all workers.			
Payment of a living wage 1	All workers are paid no less than RMB 1100 as the local minimum wage standard after providing full attendance for all normal working hours, which is below RMB 2244 as the Wage level defined by the Asia Floor Wage Campaign and RMB 2500 as the living wage standard estimated by local stakeholders.	Management inform they need to discuss internally about how to meet this requirement.	Requirement: Factory should discuss about how wage levels can be increased with the factory.	Need Further Discussion

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Payment of a living wage 2	All production workers are not sufficiently compensated for overtime hours worked. Per workers interview, all workers are paid by piece rate for all overtime hours worked, thus, they are only paid 100% of their normal wages for all regular overtime hours, weekend overtime hours and statutory holidays' overtime hours, which is below the statutory requirement of 150%, 200% and 300% respectively.	Management inform they need to discuss internally about how to meet this requirement.	Requirement: Article 44 of the Labor Law of the PRC the employer shall, according to the following standards, pay employees remuneration higher than those for statutory working hours under any of the following circumstances. (1) To pay no less than 150% of the wages when extended working hours are assigned to employees; (2) To pay no less than 200% of the wages when employees are assigned to work on rest days and no deferred rest can be taken; and (3) To pay no less than 300% of the wages when employees are assigned to work on statutory holidays.	Need Further Discussion
Payment of a living wage 3	All production workers are not paid for statutory holidays (i.e. 11 days per year in China).	Management inform they need to discuss internally about how to meet this requirement.	Requirement: Article 51 of the Labor Law of the PRC an employer shall, according to law, pay wages to employees for statutory holidays, marriage leave, bereavement leave and the time of participation in community activities according to law.	Need Further Discussion
Payment of a living wage 4	The factory does not distinguish wages for regular working hours and overtime work.	Management inform that they will improve the wages calculation scheme and distinguish the regular working hours and overtime hours wages clearly.	Requirement: The factory shall distinguish wages for regular working hours and overtime work.	3 Months
No excessive working hours 1	Work time are not accurately recorded. Monthly overtime hours exceed the limit of 36 hours up to 106 hours per month.	Management inform they will discuss internally about how to meet this requirement.	Requirement: Article 41 of the labour Law of the People's Republic of China, under the precondition that the physical health of employees is ensured, overtime shall not exceed 3 hours per day and 36 hours per month.	Need Further Discussion
No excessive working hours 2	Total weekly working hours exceed 60 hours up to 68 hours per month.	Management inform they will discuss internally about how to meet this requirement.	Requirement: Factory should maintain its weekly working hours to be less than 60 hours as required by the FWF Code of Labour Practices.	Need Further Discussion

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
No excessive working hours 3	Workers do not receive at least one day off in a 7-day period.	Management inform they will discuss internally about how to meet this requirement.	Requirement: Factory should ensure workers receive at least one day off in a 7-day period as required by the FWF Code of Labour Practices.	Need Further Discussion
Safe and healthy working environment 1	All 84 sewing machines in the sewing workshop on the 3rd floor of the production building are not equipped with needles guards.	Management inform they will improve this issue within one month.	Requirement: In accordance with Safety Manufacturing Law article 29, The design, manufacture, installation, application, inspection, maintenance, repair of and safety facilities shall comply with the national or industrial standards. Manufacturing units shall maintain and inspect the safety facilities regularly to ensure they are in good working conditions. Maintenance and inspection records should be properly maintained and assigned to relevant staff.	1 Month
Safe and healthy working environment 2	All 4 zipper-welding workers in the assembly workshop in the 3rd floor of the production building are not wearing masks; All 2 workers in the cutting workshop on the 1st floor of the production building are not wearing earplugs; 1 worker handling glue in the sample room on the 3rd floor of the production building is not wearing rubber gloves.	Management inform they will improve this issue within one month.	Requirement: In accordance with the Safety Manufacturing Law article 37, manufacturing units shall provide personal protective equipment to employees. Manufacturing units shall supervise and train employees to ensure they properly wear and use the personal protective equipment.	1 Month
Safe and healthy working environment 3	No safety exit sign is installed on the top of 1 out of 2 main safety exits on the 3rd floor of the production building.	Management inform they will improve this issue within one month.	Requirement: In accordance with the Fire Safety of Building Design Regulation GB50016-2006 article 11.3.4.1, Evacuation lighting signs should be set along the evacuation passages and above the safety exits of public buildings, high-rise plants (warehouses) and A, B, C-type plants, and above the evacuation doors in sites of dense population; and the following provisions should be followed: "Safety Exits" should be used as the sign above safety exits and evacuation doors.	1 Month

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 4	No emergency light is installed on the top of 1 out of 2 main safety exits on the 3rd floor of the production building.	Management inform they will improve this issue within one month.	Requirement: In accordance with Fire Safety of Building Design Regulation (GB50016-2006) article 11.3.3, lamps for emergency shall be installed on the upper part of walls, the ceilings or the top of exits. It was noted that no emergency light was installed at 1 out of 2 exits/evacuation passages/stairwells in the sewing workshop.	1 Month
Safe and healthy working environment 5	1 out of 3 evacuation passages in the raw material warehouse on the 1st floor of the production building is blocked by production material.	Management inform they will improve this issue immediately.	Requirement: In accordance with the PRC Fire Prevention Law article 16 (4), Government offices, social groups, enterprises, public institutions and other entities shall take the following fire safety precautions: Ensure that evacuation passages, safety exits and fire truck passages are clear, and the fire and smoke compartmentalization and fire protection spacing meet applicable technical standards.	Immediately
Safe and healthy working environment 6	Combustible material is stored at 1 out of 2 stairwells on the 1st and 3rd floor respectively of the production building.	Management inform they will improve this issue immediately.	Requirement: In accordance with the Fire Safety of Building Design Regulation (GB50016-2006) article 7.4.1, evacuation staircases shall conform to the following requirements: A. Natural light should be used for lighting the staircase and natural ventilation shall be used for ventilating, and the staircase may be set up adjacent to the outer wall. B. Rooms for boiling water, storage-rooms for combustible materials and rubbish passage shall not be attached in the staircases. C. There shall be no projections that affect evacuation or other impediment in a staircase; D. Class A, B, C liquid pipelines shall not be attached in the staircase. E. Combustible gas pipelines shall not be attached in the staircase of a public building. F. Combustible gas pipelines and combustible gas gauges shall not be attached in the staircase of a residential building. When they must be set up in a residential building, protection measures shall be taken like adopting metal casings or setting up facilities to cut off the power.	Immediately

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 7	The supply in the first aid kit on the 3rd floor of the production building is insufficient.	Management inform they will improve this issue immediately.	Requirement: In accordance with Article 54 of Labor Law of the People's Republic of China, an employer shall provide employees with occupational health and safety conditions and necessary personal protective equipment conforming to the state stipulations and provide regular physical examinations to employees engaging in the operations with occupational hazards.	Immediately
Safe and healthy working environment 8	The warning sign on 1 electrical panel in the sewing workshop on the 3rd floor of the production building is not in compliance with legal requirement.	Management inform they will improve this issue immediately.	Requirement: In accordance with Article 2-7 of Warning Sign in the Guidelines for Safety Signs and Usage GB 2894-2008, the electric shock warning sign should be marked on electricity devices and circuit where electric shock may happen. 6.2 The material of signs: Safety signs should be made of durable material. The materials which will be deformed or deteriorated when wet and flammable material are generally should not be used. The insulation material should be used at workplace where there is risk of electric shock.	Immediately
Safe and healthy working environment 9	Some electrical wires are exposed without any cover in the sewing workshop on the 3rd floor of the production building.	Management inform they will improve this issue immediately.	Requirement: In accordance with Article 6.7 of the General Guide for Safety of Electric User, electric circuit in use must have sufficient insulation strength, mechanical strength and conductive capability and shall be checked regularly.	Immediately
Safe and healthy working environment 10	No ergonomic program is established in the factory.	Management inform that they need to discuss internally about how to meet this requirement.	Recommendation: Factory is recommended to build up an ergonomic program, provide chairs with back support to the workers who have to sit for long periods of time. factory should also provide information on proper working positions.	1 Month

Labour standard / management system requirement	Conclusions (March 2012)	Management's response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 11	N/A. (The factory does not provide dormitory service to the workers)			
Safe and healthy working environment 12	There are 2 first aid responders in the factory and all of them are properly trained by local hospital.			
Legally binding employment relationship 1	According to the social insurance payment receipt provided by factory management, 92 out of 154 employees are provided with accident, medical and maternity insurance, 45 out of 154 employees are provided with unemployment and pension insurance in January 2012. Further, this factory has bought a commercial accident insurance with a valid period from November 25, 2011 to November 25, 2012 for all 154 employees in the factory.	Management confirm they will try to take corrective actions step by step to ensure that employees receive all of their statutory welfare entitlements.	Requirement: Article 73 of the labour Law of the People's Republic of China, employees shall, in accordance with the law, be entitled to social insurance benefits under the following circumstances: (1) retirements; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) maternity.	Need Further Discussion
Legally binding employment relationship 2	All workers have a copy of the contract for his/her references.			

Annex 3; Corrective action plan factory C

Below you will find the corrective action plan that has been drawn up after the audit was held in March 2012. The corrective action plan has been discussed on numerous occasions during visits, Skype calls and email. Please see below table. On some items action has been taken.

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Sourcing practices of Buttonboss 1	Wages for a regular working week are below the Asia Floor Wage of 2244 RMB per month.	N/A	Requirement: Buyers to discuss how wage levels can be increased with the factory. <i>Recommendation: FWF expects Buttonboss to take measures to facilitate that Buttonboss works towards payment of Asia Floor Wage for a regular working week. On request, FWF could provide support for the process of establishing a framework for improved wages.</i>	N/A
Monitoring system of Buttonboss 1	FWF Code of Labour Practices is not posted in the factory.	N/A	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	N/A
Management system of the factory to improve labour standards 1	Factory has never reported their current practice or progress on social compliance status to Buttonboss.	Management inform that they will report their progress on social compliance to Buttonboss from now on.	Requirement: Factory should establish a system in place to timely report their current practice or progress on social compliance status to FWF affiliate.	1 month

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Communication and consultation 1	Workers are not informed and consulted about FWF Code of Labour Practices. Information about FWF Code of Labour Practices are not posted in the factory.	Management confirm they will organize the training to workers on FWF Code of Labour Practices and have the Code of Labour Practices posted.	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	1 month
Communication and consultation 2	Factory does not keep a register of complaints and suggestions of workers and of the factory's response.	Management confirm they will keep a register of complaints & suggestion from workers and response from factory.	Requirement: Factory should keep a register of complaints and suggestions of workers and of the factory's response.	1 month
Communication and consultation 3	Some workers complaint about the excessive overtime hours and low payment, however, factory does not take effective action to solve these complaints.	Management state further discuss this with upper management and the feasible solution for low payment might be review of the payment system by providing workers with performance bonus and setting a certain percentage of piece wage as incentive bonus. For over hours, it is the long term plan and factory is working towards the standard of 60 hours a week.	Requirement: Factory shall properly and patiently communicate with workers on their complaints and take action to gradually reduce excessive overtime hours and raise workers payment.	Need Further Discussion
No forced Labour 1	No areas for improvement found	N/A	N/A	N/A
No discrimination in employment 1	No areas for improvement found	N/A	N/A	N/A
No exploitation of child labour 1	No areas for improvement found	N/A	N/A	N/A

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Freedom of association and the right to collective bargaining 1	A worker's committee consists of 4 representatives who are elected democratically by the entire workforce is available in the factory. However, pictures and contact information of these 4 representatives are not posted in production floor for workers awareness, which leads to some new workers do not know them. In addition, the worker's committee does not get involved in the establishment of the factory's grievance system.	Management state they will have the information of the representatives posted for view of workers and review the grievance system with the worker's committee and involve the committee into the implementation of the grievance system.	Requirement: Pictures and contact information of all worker's representatives shall be posted in a prominent place in the factory to ensure all workers, especially the new workers are aware of the worker's committee. The workers committee should be involved in the establishment and implementation of grievance procedures.	1 month
Payment of a living wage 1	<p>Overtime premium for some workers are insufficiently paid.</p> <p>5 (selected from cutting, sewing and embroidering department) out of 10 sampled workers are paid 103.6% to 146.8% of their normal wages for regular overtime hours in December 2011, which is below the statutory requirement of 150%.</p> <p>5 (selected from cutting, sewing and embroidering department) out of 10 sampled workers are paid 138.1% to 195.7% of their normal wages for weekend overtime hours in December 2011, which is below the statutory requirement of 200%.</p>	Management state they pay workers' overtime wages by referring to the industry level and they will review the whole payment system to gradually fulfill the requirement of paying workers sufficient overtime wages.	Requirement: In accordance with Article 44 of the Labor Law of the PRC the employer shall, according to the following standards, pay employees remuneration higher than those for statutory working hours under any of the following circumstances. (1) To pay no less than 150% of the wages when extended working hours are assigned to employees; (2) To pay no less than 200% of the wages when employees are assigned to work on rest days and no deferred rest can be taken; and (3) To pay no less than 300% of the wages when employees are assigned to work on statutory holidays.	Need Further Discussion

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Payment of a living wage 2	Wages for a regular working week are below the Asia Floor Wage of 2244 RMB per month.	Management inform it is the future goal for them to meet this requirement.	Requirement: Buyers to discuss how wage levels can be increased with the factory. Recommendation: FWF expects Buttonboss to take measures to facilitate that Buttonboss works towards payment of Asia Floor Wage for a regular working week. On request, FWF could provide support for the process of establishing a framework for improved wages.	Need Further Discussion
No excessive working hours 1	In order to cater for other clients' social audits, some overtime hours are not completely recorded.	Management state they have a lot of other clients who have requirements on social compliance; in order to pass all the audits, factory employ the current working hour system that overtime hours are not completely recorded. They need further discussion on how to accurately present actual working hours of workers.	Requirement: All working hours including OT shall be completely and properly recorded.	Need Further Discussion
No excessive working hours 2	Monthly overtime hours range from 68 hours to 122 hours in January 2012, December and November 2011, which is more than the legal requirement of 36 hours.	Management state they need further discussion on how to reduce the overtime hours by improving the working efficiency and optimizing the production planning.	Requirement: In accordance with Article 41 of the Labor Law of the PRC, after consultation with the trade union and employees, the employer may extend working hours due to its production or business needs, but the extended working hours shall not generally exceed one hour a day; in special circumstances that require an extension of working hours, the extended working hours shall not exceed 3 hours a day and 36 hours a month on condition that the health of employees is guaranteed.	Need Further Discussion
No excessive working hours 3	Weekly working hours exceed 60 hours up to 71 hours in January 2012, December and November 2011.	Management inform they will try to reduce the overtime hours step by step, the weekly working hours can be controlled to be within 60 hours within 1 year.	Requirement: Factory should maintain its weekly working hours to be less than 60 hours as required by the FWF Code of Labour Practices.	1 year

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
No excessive working hours 4	Workers do not receive at least one day off in a 7-day period and the maximum consecutive working days are 13 days in December and November 2011.	Management state they need at least one year to adjust the production planning to allow workers enjoy at least 1 day off in a week.	Requirement: Article 38 of the Labour Law of the People's Republic of China, factory should make sure that the employee can take at least one rest day each week.	1 year
Safe and healthy working environment 1	No fire extinguisher is available at the area between production building 1 and 2, where paper cartons are stored.	Management state the paper cartons are temporarily stored over there, yet, they commit to install a certain number of extinguishers.	Requirement : Fire extinguishers shall be available where combustible materials are stored.	1 month
Safe and healthy working environment 2	No exit sign is installed on the top of 1 out of 2 safety exits on the second floor of the dormitory building.	Management state they will correct this issue within one month.	Requirement: In accordance with Article 11.3.4 of the Code for design of building fire protection and prevention (GB50016-2006): Lighting Evacuation Exit Signs should be placed right on the top of the doors, safety exits and along the evacuation passages of public building, high-rise industrial building (warehouse), Type A, B and C industrial building.	1 month
Safe and healthy working environment 3	Lights in finished-goods warehouse are not explosive-proofed.	Management state they will correct this issue within one month.	Requirement: In accordance with Article 6.4.1 of Code of Design of Manufacturing Equipment Safety and Hygiene, corresponding preventive measures such as supervision alarming system, explosive-proofed and pressure released device and fire-fighting equipment shall be imposed on flammable and explosive substance which is being manufactured, used, stored and transported and manufacturing equipment for flammable substance according to their burning point, flash point and explosion limit.	1 month

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 4	Standing workers are not provided with floor mat and sewing workers are not provided with chairs with back supports. No exercise is arranged for workers during work intervals to release their body strain.	Management state they need further discussion.	Recommendation: Factory is recommended to build up an ergonomic program, provide chairs with back support to the workers who have to sit for long periods of time. factory should also provide information on proper working positions.	Need Further Discussion
Legally binding employment relationship 1	No areas for improvement found	N/A	N/A	N/A

Annex 4; Corrective action plan factory D

Below you will find the corrective action plan that has been drawn up after the audit was held in March 2012. The corrective action plan has been discussed on numerous occasions during visits, Skype calls and email. Please see below table. On some items action has been taken.

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Monitoring system of Buttonboss 1	FWF Code of Labour Practices is not posted in the factory.	N/A	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	N/A
Management system of the factory to improve labour standards 1	Factory has never reported their current practice or progress on social compliance status to Buttonboss.	Management inform that they will report their progress on social compliance to Buttonboss from now on.	Requirement: Factory should establish a system in place to timely report their current practice or progress on social compliance status to FWF affiliate.	1 month
Communication and consultation 1	Workers are not informed and consulted about FWF Code of Labour Practices. Information about FWF Code of Labour Practices are not posted in the factory.	Management confirm they will organize the training to workers on FWF Code of Labour Practices and have the Code of Labour Practices posted.	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	1 month
Communication and consultation 2	Factory does not keep a register of complaints and suggestions of workers and of the factory's response.	Management confirm they will keep a register of complaints & suggestion from workers and response from factory.	Requirement: Factory should keep a register of complaints and suggestions of workers and of the factory's response.	1 month
No forced Labour 1	No areas for improvement found	N/A	N/A	N/A

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
No discrimination in employment 1	No areas for improvement found	N/A	N/A	N/A
No exploitation of child labour 1	No areas for improvement found	N/A	N/A	N/A
Freedom of association and the right to collective bargaining 1	Factory has a trade union, which is subjected to All-China Federation of Trade Unions (ACFTU), chairman and union committees are recommended by upper management instead of openly democratic election. In addition, chairman of the union is the HR manager and one of the 3 committee members is the office staff, thus, the trade union is not 100% truly and independently represent workers to have dialogues and communications on labour issues with management.	Management state they need to have more discussion on this issue before coming up with a solution.	Requirement: Workers should be allowed to elect their representatives through open democratic elections without any interference. The elections should be announced in time and the election results should be registered. Trade union representatives who are not employed in the factory but whose trade union has members employed therein should be granted access to the factory to educate workers about the role of the trade union. The trade union should be involved in the establishment and implementation of grievance procedures. Recommendation: It is recommended to arrange a training for elected worker representatives to ensure a good dialogue with management. FWF could suggest local experts for such a training.	Need Further Discussion
No excessive working hours 1	No areas for improvement found	N/A	N/A	N/A
Safe and healthy working environment 1	Standing workers are not provided with floor mat and some sitting workers are not provided with chairs with back supports. No exercise is arranged for workers during work intervals to release their body strain.	Management state they need to have more discussion on this issue before coming up with a solution. And they are thinking to provide exercise during work intervals to workers.	Recommendation: Factory is recommended to build up an ergonomic program, provide chairs with back support to the workers who have to sit for long periods of time. factory should also provide information on proper working positions.	Need Further Discussion
Legally binding employment relationship 1	No areas for improvement found	N/A	N/A	N/A

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Monitoring system of Buttonboss 1	FWF Code of Labour Practices is not posted in the factory.	N/A	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	N/A
Management system of J&F Garments to improve labour standards 1	Factory has never reported their current practice or progress on social compliance status to Buttonboss.	Management inform that they will report their progress on social compliance and current compliance status to Buttonboss from now on.	Requirement: Factory should establish a system in place to timely report their current practice or progress on social compliance status to FWF affiliate.	1 month
Communication and consultation 1	Workers are not informed and consulted about PRC Labour Law or FWF Code of Labour Practices. Information about FWF Code of Labour Practices are not posted in the factory.	Management state they will arrange training on key elements of the PRC labour law and FWF Code of Labour Practices to all workers.	Requirement: Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers.	1 month
Communication and consultation 2	Factory does not keep a register of complaints and suggestions of workers and of the factory's response.	Management confirm they will keep a register of complaints & suggestion from workers and response from factory.	Requirement: Factory should keep a register of complaints and suggestions of workers and of the factory's response.	1 month
Communication and consultation 3	Workers are not aware of the formal procedure for their complaints and grievances.	Management state they will establish the grievance mechanism with the involvement of workers representatives and make it understood by all workers via training.	Requirement: A formal procedure to examine grievances should be established and implemented that is uncomplicated, objective and quick. Worker representatives should be involved in its establishment and implementation. In addition, all workers shall be made aware of the grievances procedure. Recommendation: The company should allow training of management, staff and workers about the grievance procedure, the right to freedom of association and collective bargaining and the FWF complaints procedure, in consultation with FWF and its local partners.	1 month

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
No forced Labour 1	No areas for improvement found	N/A	N/A	N/A
No discrimination in employment 1	No areas for improvement found	N/A	N/A	N/A
No exploitation of child labour 1	No areas for improvement found	N/A	N/A	N/A
Freedom of association and the right to collective bargaining 1	Factory has a trade union, which is subjected to All China Federation of Trade Unions (ACFTU), chairman and union committees are from managerial levels, who are appointed by upper management instead of democratic election; the trade union is not 100% truly and independently represent workers to have dialogues and communications on labour issues with management.	Management state they need to have more discussion on this issue before coming up with a solution. But they will make sure workers be aware of their right of freedom of association.	Requirement: Workers should be allowed to elect their representatives through open democratic elections without any interference. The elections should be announced in time and the election results should be registered. Trade union representatives who are not employed in the factory but whose trade union has members employed therein should be granted access to the factory to educate workers about the role of the trade union. The trade union should be involved in the establishment and implementation of grievance procedures. Recommendation: It is recommended to arrange a training for elected worker representatives to ensure a good dialogue with management. FWF could suggest local experts for such a training.	Need Further Discussion
Safe and healthy working environment 1	No eye washing facilities are available in the printing department and at the chemical warehouse.	Management inform they will install the eye washing facility accordingly.	Requirement: In accordance with Article 23 of Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, for the poisonous and harmful work place where acute occupational injuries are likely to take place, the employing work unit shall set up alarming equipments, allocate on-spot emergent treatment articles, washing equipments, emergent withdrawal passages and necessary danger-releasing zones.	1 month

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 2	Waste water generated from the printing department is not purified before disposal.	Management state they need further discussion on this issue.	Requirement: In accordance with Article 20 of Law of the People's Republic of China on Prevention and Control of Water Pollution, Units directly or indirectly discharging industrial waste water and medical waste water and units that should obtain discharge permit according to legal requirement shall obtain discharge permit before discharging waste water and polluted water. Units without discharge permit or violating the regulations of the discharge permit are prohibited from discharging abovementioned waste water and polluted water.	Need Further Discussion
Safe and healthy working environment 3	Punching machines are operated by workers with only one hand instead of two.	Management state they will adjust the punching machines to make sure it can not be operated with only one hand, meanwhile, training on machinery safety is to be provided to affected workers.	Requirement: Punching machines shall be operated by both hands, to avoid any of the other hand being injured.	1 month
Safe and healthy working environment 4	The transmission belts of 20% sewing machines in the sewing workshop are not equipped with pulley guards. All buttoning machines are not equipped with safety guards.	Management inform they will have the belts installed with pulley guards and install safety guards on the buttoning machines.	Requirement: In accordance with Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, the external part or dangerous part of any transmission belts, rotational axis, transmission chain, coupling, belt wheel, gear, flying wheels, chain wheels and electric saw that is within 2 meters height of the plane where the operator is operating such device shall be equipped with safety devices.	2 months

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Safe and healthy working environment 5	Automatic fire alarm system is not available in dormitory building.	Management state they will install the fire alarm at dormitory area.	Requirement: In accordance with Article 11.4.1 of the Code for design of building fire protection and prevention (GB50016-2006), the following buildings shall be equipped with automatic fire alarm: warehouse storing cotton, feather, silk, hemp, chemical fiber and textile products which is more than 1000 square meters in size; Shoes making factory, garment factory, toys making factory and factories with any of its floor larger than 1500 square meters in architectural size or larger than 3000 square meters in total architectural size.	1 month
Safe and healthy working environment 6	Two exits of the cutting department on the 2nd floor of production building No.3 are not equipped with exit signs.	Management inform they will install lighting exit signs at all safety exits.	Requirement: In accordance with Article 11.3.4 of the Code for design of building fire protection and prevention (GB50016-2006): Lighting Evacuation Exit Signs should be placed right on the top of the doors, safety exits and along the evacuation passages of public building, high-rise industrial building (warehouse), Type A, B and C industrial building.	1 month
Safe and healthy working environment 7	Standing workers are not provided with floor mat and sitting workers are not provided with chairs with back supports. No exercise is arranged for workers during work intervals to release their body strain.	Management state they need further discussion on the ergonomic program.	Recommendation: Factory is recommended to build up an ergonomic program, provide chairs with back support to the workers who have to sit for long periods of time. factory should also provide information on proper working positions.	Need Further Discussion

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Timeframe
Legally binding employment relationship 1	As per review of social insurance receipt of February 2012, 520 out of 850 employees are provided with pension, medical, unemployment, injury and maternity insurance.	Management inform they will gradually increase the insurance coverage rate and discuss with upper management team to buy commercial injury insurance for all workers.	<p>Requirement: In accordance with Article 73 of the Labour Law of the People's Republic of China, employees shall, in accordance with the law, be entitled to social insurance benefits under the following circumstances: (1) retirements; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) maternity.</p> <p>The survivors of the insured labourers shall be entitled to subsidies for survivors in accordance with the law. The conditions and standards for labourers to enjoy social insurance benefits shall be stipulated by laws, rules and regulations. The social insurance amount that labourers and entitled to, must be timely paid in full amount.</p> <p>Recommendation: As a first step, the factory could offer injury commercial insurance to workers that are presently not participating in the social insurance system of the state.</p>	2 years