



Continental Clothing Company Ltd

Member of Fair Wear Foundation since 2006

SOCIAL REPORT 2012



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INTRODUCTION

Continental Clothing Company Limited, incorporated in England in 1998, is a manufacturer and direct wholesale distributor of ready-to-print T-shirts, sweatshirts, young fashion and childrenswear since 1994. The Company was the innovator of the wholesale fitted T-shirt in Europe, and continues to lead the way in terms of innovation and design. The focus has always been and will continue to be on creating high quality, expertly styled garments for markets such as fashion retail, music merchandise, corporate promotions and leisure.

The Company owns two unique brands – Continental® and EarthPositive® – that are among the most up-to-date wholesale blank T-shirt brands in the world. The Company strives to provide the consumer with stylish, quality and value products that are fit for purpose.

The Company takes particular care with regard to the social, economic and environmental impacts of its production, throughout the supply chain – from the cotton field through to final delivery.

Continental Clothing Co. places great value on its relations with the suppliers, and works closely to ensure good long-term cooperation.

1. SUMMARY OF SOCIAL ACTIVITIES IN 2012

In the context of the continued adverse economic conditions across the globe, 2012 has proven a very successful year for Continental Clothing Co. Ltd. The Company registered growth in sales, consolidated and extended its product offering and begun the implementation of new business strategies.

There was no change in the structure of the Company's supply base, which continued to center around two principal production facilities, which together represented 94% of the output, complimented by two additional factories. The overall number of workers directly engaged in the Company's manufacturing operations was in the region of 3,500 persons.

In 2012 two of our factories were audited by FWF.

Both our Indian factories took part in the 'anti harassment committees and violence prevention systems program' supported by the UN Trust Fund to End Violence Against Women.

The Turkish factory joined the dialogue project for factories supplying FWF affiliates.

Both Indian factories and the Turkish factory were committed to the full participation in those projects.

Continental Clothing continued to communicate the membership of Fair Wear Foundation in a range of ways, including garment labeling, printed and electronic product catalogues, websites and press releases, and carrying the FWF logo on company materials.

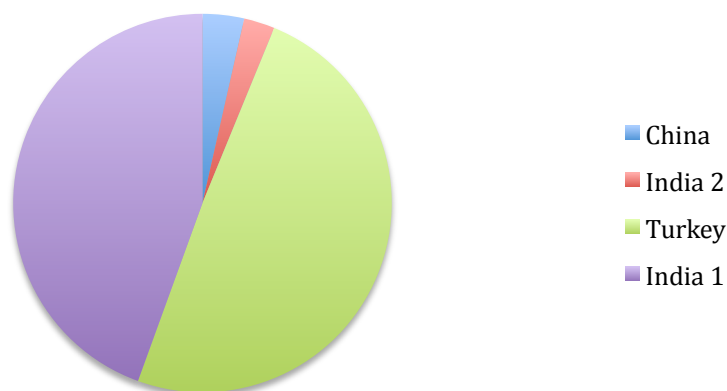
2. SOURCING STRATEGY

From the outset, the sourcing strategy of Continental Clothing has been characterized by very close and long-term relationships with a small number of suppliers, whereby both sides would be in a position to acquire knowledge, understanding and genuine trust, commit to mutual long-term planning, evolve and develop in synergy.

The signature **Continental**[®] range – premium fashion-oriented T-shirts and jersey tops – has been manufactured, in the vast majority, at the Company's principal factory in Turkey since the brand's establishment in 1998.

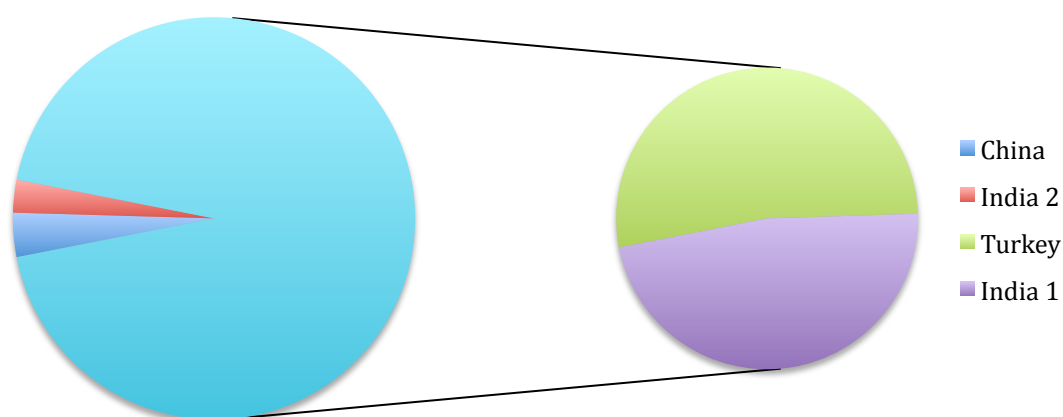
The **EarthPositive**[®] range of mainstream organic products is wholly sourced from within India, predominantly manufactured at the Continental Clothing's principal vertically-integrated factory in Tamil Nadu since the brand's inception in 2007.

In addition, the Company uses one other factory in India and one in China – the two amounting in total to 6.2% of the output in the year (by number of pieces produced).



Production output in 2012 (by no. of units)

Turkey	49.35%
India 1	44.46%
China	3.55%
India 2	2.64%



Production output in 2012 (by no. of units)

Turkey + India 1 = 93.81%

Pricing

Continental Clothing does not use agents or intermediaries. The overriding principle guarding the setting of prices is to ensure that all parties are content with the contracted price, and that the profit margins allow for stable and sustained growth throughout the supply chain while maintaining the products'

commercial viability. The Company does not 'sell on price' and does not look for the cheapest product, but requires a quality product, and is prepared to pay an equitable price. The Company never puts production orders out to tender.

Forward purchasing of raw materials ensures the stability of prices and allows planning of required production capacity; this results in optimized and controlled production costs.

Sourcing organisation

The sourcing decision-making rests with three senior managers within the Company. Daily sourcing and production management is led by two people, each responsible for two factories, but overall control is carried out collectively. Five more staff members deal with orders, technical, quality, CSR, logistic and financial matters.

Production cycle

The Company aims to maintain a steady, continuous production output throughout the year at the two principal factories, and produces 3-4 times a year at the supplementary factories.

The main annual collection was finalized early in the autumn of the previous year and put into production in time to achieve initial deliveries early in 2012. Repeat and continuity orders, and mid-season additions were manufactured on an on-going basis throughout the year.

Production planning (capacity planning) was done, as always, through discussions with the suppliers early in the annual cycle.

Lead times varied between factories and, depending on styles, were between 2 and 15 weeks.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

All the Continental Clothing factories undergo periodic independent audits, execute corrective action plans, conduct self-assessments and inform their employees about the Code of Labour Practices and complaints procedure in the native local languages. Continental Clothing's representatives make regularly visits to all the production sites. FWF's country studies, topical reports and other publications are reviewed by the Company in order to ensure knowledge of and relevance to current social and labour issues.

Turkey

This is the main manufacturing facility for the signature **Continental**[®] collection, and has been used continuously since 1998. The factory is very collaborative and is readily willing to take part in the various FWF programs offered. The first FWF full verification audit was carried out in 2006.

A full FWF audit was carried out at the factory in January 2012. The management and staff welcomed the auditors and gave full co-operation.

In the course of the audit, the following issues were noted for further action:

- overtime should not be offered to young or pregnant workers
- the number of workers' representatives on the management committee should be increased
- the management should adopt the "real wages" indicator
- the FWF Code of Conduct should be distributed more widely
- payment for overtime worked on 28th October 2011 was challenged

A follow-up corrective action plan was agreed by all parties (the factory, Continental Clothing and FWF). In response to the issues raised during the audit was as follows:

- the factory abolished overtime for young and pregnant workers
- 15 worker representatives were elected in July
- the Code of Conduct was posted in the local language in highly visible areas by the workers' entrance, in all the work departments and in the cafeteria
- the query about the payment for overtime for 28th October 2011 has not been resolved
- the recommendation to adopt the "real wages" indicator has not been implemented as yet

In February 2012 Continental Clothing received a complaint through the FWF workers' complaint system. A pregnant woman alleged she had been unfairly dismissed after refusing to work overtime on the grounds that on a previous occasion she had not received extra payment for overtime. The management supplied us with the working hours' records. Whilst we were conducting an investigation, the complaint was withdrawn voluntarily by the worker. We were not asked to take any further action or provide any further assistance.

In October 2012 the factory successfully took part in the Social Dialogue Programme to improve the dialogue at factory level and to contribute to a better social compliance.

Continental Clothing's staff made one visit at senior management level and one at technical level. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 49.35% of the annual manufacturing output in number of units.

The factory has been certified under the Global Organic Textile Standard (GOTS) and Oeko-Tex 100 Class 1 Standard for over 6 years.

India 1

This is the principal manufacturing facility for the **EarthPositive**[®] range of organic certified products. It is considered an exemplary garment factory in India in terms of the environmental impacts and working conditions. The management is very co-operative and pro-active in ensuring continuous improvements and embracing the evolving social and environmental agenda.

Continental Clothing's staff made three visits at senior management level, and three quality control visit. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 44.46% of the annual manufacturing output in number of units.

A full FWF audit was carried out at the factory in October 2012. The management and staff welcomed the auditors and gave full co-operation.

In the course of the audit, the following issues were noted for further action:

- instances of involuntary and/or unrecorded overtime
- the FWF Code of Conduct should be clearly displayed in all languages relevant to the workforce
- some health & safety provisions should be updated
- the system of 'laying off' workers should be made transparent

A follow-up corrective action plan was agreed by all parties (the factory, Continental Clothing and

FWF). In response to the issues raised during the audit was as follows:

- overtime is now strictly voluntary and all hours of work are recorded
- the Code of Conduct was posted in all the relevant local languages in highly visible areas in all the work departments, in the canteen and on the workers' notice board
- all health & safety provisions have been updated
- the system of 'laying off' was explained to all workers

In November 2012 the factory successfully took part in the "anti-harassment committees and violence prevention management" program organised by FWF.

The factory is certified under the Global Organic Textile Standard (GOTS), the Oeko-Tex 100 Class 1 Standard, SA8000 and ISO9001, and is registered by the Fairtrade Labelling Organisation (FLO).

India 2

This is the supplementary factory for the organic certified products; the relationship goes back to 2009 and the volume of production has been steadily increasing over time. The factory has been working with organic cotton for nearly two decades, and the management is well conversant with issues relating to environmental impacts and ethical labour standards.

Continental Clothing's staff made two visits at senior management level, and two quality control visits. Telephone and email communication was maintained with the factory on a regular basis throughout the year. The factory produced 2.64% of the annual manufacturing output in number of units.

As a continuation of the follow-up work on the corrective action plan arising from the full FWF audit in the previous year, Continental Clothing developed a co-operation with another member of FWF sourcing from this factory to ensure satisfactory progress and achievement of agreed targets.

- the spinning mill now arranges regular trips for workers to visit temples, to go shopping, etc
- more and more workers are opening personal bank accounts

On the whole, the feedback from the workers has been positive. However, more time is needed to achieve a full implementation across the entire workforce.

The factory also participated in the "anti-harassment committees and violence prevention management" program organised by FWF.

China 1

This is the supplementary factory for a small number of styles of the conventional range; the relationship goes back to 2004 but the production volumes have been declining in recent years. Following a change in the top level management, the factory has been increasingly uninterested in environmental and labour issues, and unwilling to engage in new sustainability projects.

The contacts with the factory are mainly by email during production periods (2-3 times a year); there was one factory visit - at senior level - during the year. The factory produced 3.55% of the annual manufacturing output in number of units.

4. TRAINING AND CAPACITY BUILDING

Continental Clothing's staff are fully informed about the merits of the Company's membership of FWF through the Company's Employee's Manual and by periodical staff briefings. Further training is provided to members of staff involved directly in the monitoring activities.

A senior manager attended the FWF annual conference in April 2012, and reported back to general staff.

The management and workers of the manufacturing facilities are informed about the Company's membership and the Code of Conduct through the model letters, original leaflets, questionnaires in their native languages, and direct contact. In accordance with FWF procedures, information sheets for workers, including the Code, complaints procedures and contact details of the complaints handlers, are posted in English and native languages in appropriate locations of the communal areas. Specific workers' training sessions were organised during the year under the Workplace Education Program (WEP).

5. TRANSPARENCY AND COMMUNICATION

Continental Clothing has been actively communicating their membership of FWF since 2006. The logo is prominently displayed, as and when appropriate, on marketing and communication materials, on displays at trade fairs, product catalogues, websites and garment labels.

Full information about the Foundation, its code of conduct and activities is prominently presented within dedicated pages of the product catalogues, websites and other publications. Links to the FWF website and other third-party sources are included wherever appropriate.

FWF's information booklets and videos and other materials are made available through different channels including the Company's Facebook pages, LinkedIn groups and Twitter.

References and links to the social report will be provided for all customers and the general public.

6. STAKEHOLDER ENGAGEMENT

Continental Clothing was actively engaging in matters of sustainability and social responsibility with staff, suppliers, customers, NGOs, parliamentary groups and governmental departments, including:

- the Fair Wear Foundation (FWF), affiliate since 2006
- the International Working Group on the Global Standard (IWG-GOTS)
- the Sustainable Clothing Action Plan (SCAP)
- the UK All-Party Parliamentary Group on Ethics and Sustainability in Fashion (APPG)
- the UK Department of the Environment (Defra)
- the Carbon Trust

and others.