



CONTINENTAL
CLOTHING CO.

Continental Clothing Company Ltd

SOCIAL REPORT 2014



Member of Fair Wear Foundation since 2006

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INTRODUCTION

Continental Clothing Company Limited is a manufacturer and direct wholesale distributor of ready-to-print T-shirts, sweatshirts, young fashion and childrenswear since 1994. It became incorporated in England and Wales in 1998. 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 three unique brands – Continental®, EarthPositive® and Salvage® – 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 and raw materials through to final delivery.

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



EarthPositive® Continental® and Salvage® are registered trademarks of Continental Clothing Co. Ltd

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FWF MEMBERSHIP START DATE:

2. October 2006

REPORTING YEAR:

1. January – 31. December 2014

1. SUMMARY OF SOCIAL ACTIVITIES IN 2014

The year 2014 was marked by consolidating the re-structured supply base around the newly opened factory in Bangladesh and working towards rooting it in the principles of social and environmental responsibility with the aim of creating “the best factory in the country”. In the aftermath of the tragic Rana Plaza factory building collapse, a significant number of brands decided to move out of Bangladesh rather than invest in improving the working conditions in the industry. Continental Clothing Co. took the contrasting view that the country remained a valuable manufacturing base and the correct strategy was to show a long-term commitment by setting the highest standards with regard to the safety and wellbeing of the workforce. The new factory was audited by Fair Wear Foundation after opening, and underwent various audits and inspections for building and fire safety, achieving highest standards and appraisals.

The Company's supply base centered around three principal factories, in Bangladesh, India and Turkey, which together represented 88% 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 3,800 persons. There were no new suppliers.

Continental Clothing Co. continued to communicate its social responsibility and the membership of Fair Wear Foundation in a variety 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

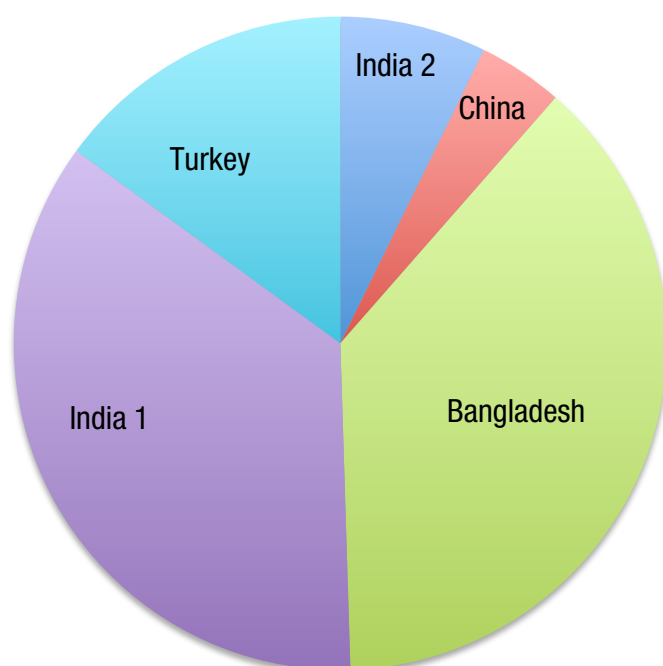
From the outset, the sourcing strategy of Continental Clothing Co. has been characterized by very close and long-term relationships with a small number of suppliers, whereby both sides would be in a position to acquire knowledge, understanding and genuine trust, commit to mutual long-term planning, evolve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

The signature Continental® range – premium fashion-oriented T-shirts and jersey tops – had been manufactured, in the vast majority, at the Company's factory in Turkey since the brand's establishment in 1998. In 2013 a newly-built factory in Bangladesh became operational, and part of the collection was placed there for bulk production. In 2014 this factory became the largest production facility by number of units produced.

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.

The Salvage® range was launched in the market in the autumn of 2013. It is a capsule collection of key products manufactured at our secondary vertically-integrated factory in India from 100% certified recycled materials.

In addition, the Company uses one other factory in China amounting in total to 4.2% of the output in the year (by number of units produced).



Production output in 2014 by number of units (previous year's figures in brackets):

Bangladesh	38.02%	(23.03)
India 1	35.52%	(27.40)
Turkey	14.97%	(39.01)
India 2	7.25%	(7.06)
China	4.20%	(3.50)

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 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 four principal factories, and produces 3-4 times a year at the supplementary factory.

The main annual collection was finalized in the autumn of the previous year and put into production in time to achieve initial deliveries early in 2014. 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, and further throughout the year.

Lead times varied between factories and, also depending on styles, were between 6 and 20 weeks.

3. COHERENT SYSTEM FOR MONITORING AND REMEDiation

Continental Clothing's 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.

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 are 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 visits. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 35.52% of the Company's annual manufacturing volume in number of units. The Company's leverage* at the factory unit was 90% with a leverage within the manufacturing group of 31.07%

The most recent full FWF audit was carried out at the factory on 19-20 November 2014. There were no issues requiring corrective action. There was also an audit for WRAP on 17-19 August 2014 and a gold certificate of compliance was received by the factory. An audit for SA8000 is scheduled for Spring 2015.

The factory participated in the internationally-recognised Workplace Education Programme, which provides training to improve communication and dialogue between workers and factory management in

general, and on topics of harassment prevention and handling especially.

The factory has successfully established an anti-harassment committee and violence prevention management program.

There were no complaints registered at the factory.

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

In November 2013 the factory received a Platinum award for Green Factory Building from the Indian Green Building Council as the first textile factory in the country.

*) Leverage is the total monetary value of the Company's production as a percentage of the factory's total annual turnover.

Bangladesh

This is the principal manufacturing facility for the Continental® collection. It was constructed in the autumn of 2012 and started bulk production early in 2013. The senior management was particularly keen to introduce and implement the most sophisticated systems for labour standards, social welfare and environmental protection. The factory was newly built to the highest design specification, constructed as a single storey building in an open rural location, with an outlook for future enlargement. It draws its workforce from the surrounding villages.

Continental Clothing's staff made three visits at senior management level, and three quality control visits. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 38.06% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 12.90%.

The initial FWF verification audit was carried out over a few days in September 2013 and a corrective action plan for a number of minor issues was put into place. During a follow up meeting in November most of the outstanding matters had been confirmed as resolved and corrected. The next full FWF audit is scheduled to take place in the Spring of 2015.

The factory participated in FWF's workshop on safety principles. It also embarked on setting up an anti-harassment committee. As it was a new supplier, it was not yet in the Workplace Education Programme but the management expressed a desire for closer links with FWF's local office.

There were no complaints registered at the factory.

The factory underwent and passed Tier 1 structural inspections by the Dept. of Civil Engineering of the Bangladesh University of Engineering and Technology (BUET) in Dhaka, it was issued with an approval from Dept. of Inspection for Factories and Establishments in Chittagong. The factory received a Social and Environmental Excellence Award for the best factory in health & safety.

Turkey

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

recent in January 2012. A SMETA 4-pillar audit was carried out satisfactorily in February 2014. The next full FWF audit is scheduled to take place in the Spring of 2015.

Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 14.97% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 57.45%

The factory completed a training program by FWF on social dialogue in a workplace. The workers in the factory elected their representatives and set up a workers' committee. The factory was praised by the FWF country manager for the progress it had made over the years in addressing the issue of freedom of association, which is one of the most prevalent problems in the Turkish textile industry.

There were no complaints registered at the factory.

The factory has been certified under the Global Organic Textile Standard (GOTS) and Oeko-Tex 100 Class 1 Standard for over 9 years.

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 steady 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. In 2013, Continental Clothing developed jointly with the factory, and put into bulk production, a new product range – under the brand name SALVAGE® – made from 60% pre-consumer recycled organic cotton and 40% post-consumer recycled polyester, making it the first brand in the sector to be made from 100% recycled certified materials. Both, the factory and the Company are committed to a long-term development of the brand.

Continental Clothing's staff made three 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 7.25% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 8.75%.

As a continuation of the follow-up work on the corrective action plan arising from the full FWF audit in December 2013, Continental Clothing Co. developed a co-operation with four other members of FWF sourcing from this factory, to ensure satisfactory progress and achievement of agreed targets. The main focus was placed on the issue of freedom of movement for young adult female workers living in dormitories, where their movement had been restricted in accordance with the local cultural practices. On the whole, the feedback from the workers has been positive. However, more time is needed to achieve a full implementation across the goals and will require discussions with the workers' families to obtain their consent to the changes in practices. There is some dissatisfaction with the length of time it is taking to bring about required changes.

The factory also took part in the 'anti-harassment committees and violence prevention management' program organised by FWF.

Continental Clothing initiated a project to achieve 'living wages' for all the workers in the factory, as the local minimum legal wage levels are deemed too low for a decent standard of living for the poorest. The work towards implementing the scheme is continuing.

A complaint was registered against the factory on 27 February 2014. Two workers complained about several issues relating to an accident that resulted in injuries. The Company investigated the complaint jointly with another brand and FWF. As a result of a fall both workers required immediate treatment and underwent several operations. In conclusion the workers were paid compensation of 25% of the monthly salary for 16 days or 50% for one month, the factory covered the cost of medical treatment of the workers. Other remediation included the payment of a due bonus, issuing contribution cards for the payment into the provident fund. Both workers fully recovered and on doctor's advice no partial or total disability certificates had to be issued. The workers expressed thanks for the assistance given by the brands and FWF. The registered complaint was closed.

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

China

This is the supplementary factory for a small number of styles of the conventional range; the relationship goes back to 2004. Following a change in the top-level management, the factory has been increasingly unenthusiastic about 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 3.50% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 1.99%.

The factory underwent a full social audit by BSCI in its sewing unit on 27 May 2014. The overall score was "Improvements Needed" which is one grade down from "Good" with an overall fulfillment score of 89.74%. The areas identified for improvement comprised excessive overtime (although voluntary), lack of workers' representation, inadequate control of chemical substances and inadequate marking of escape routes. A corrective action plan was initiated with named persons assigned responsibility and target dates for completion. By October 2014 most points have been corrected.

External production

Continental Clothing does not use any external production.

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 2014, 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:

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

and others.