



Social annual report 2012

Mayerline
BRUSSELS

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Mayerline. A made in Belgium story, for over 50 years.

Mayerline lives and breathes fashion. Like no other, this fashion house manages to strike a balance between the latest fashion dictates and clothing that women love to wear. Today, a committed and enthusiastic team forms the basis for our collections, which attest to their dedication, talent and love of the craft, time and again.

1957-1987 | From atelier to fashion brand

1957: In their modest atelier in Brussels, Joseph Meyer and his wife Jeanne Vrijdags design their first clothing line consisting of jackets and coats. This is soon followed by women's suits and other garments. Jeanne's elegant creations gain them an enthusiastic following of customers. Initially sold at outdoor markets, the collections quickly find their way to better multibrand shops. After a while, Joseph and Jeanne take over several shops of their own. It is in one of these that their son Maurice begins working at the age of 14. He meets his wife Frieda Zegers and, thanks in part to her creative input, the shops grow into well-known fashion concerns.

1965: Pierre Fogiel takes the helm and brings further structure to the company, resulting in brisk growth.

1980: Maurice Meyer becomes Managing Director of Mayerline. The focus is on developing the collection and in 1986 Mayerline is launched as a brand. The first catalogue is published.

1987- 1997 | Mayerline invests in its own strengths. The Belgian retail market forms the basic outlet for the collection and this proves such a success that in 1995 they are able to open their own shops. In 1996 the first "shop in shop" is opened at a branch of the Galeria Inno department stores. All the while, Mayerline remains a fixture in multibrand shops as well.

1997-2007 | The expansion: Belgian roots & international production.

In 1999 Mayerline opens its foreign production site in Lithuania. Shortly afterwards, the shop concept is updated as well. Maurice Meyer, now assisted by his son Christophe, his daughter Annick and a team of loyal and competent employees, aims to expand further.

In 2006 Mayerline has 25 shops of its own and the brand is also distributed in all 15 branches of the Galeria Inno department stores. One year later, boutiques are opened in Mol, Lommel, De Panne, Ieper, Mortsel and Waregem. In the meantime, the line of clothing has become available in 165 multibrand shops. There are also over 20 shops in the Netherlands.

2009 - ... | A look ahead to the future

The expansion within Belgium progresses with the opening of new shops in locations such as Beveren, Waterloo, Halle, Sint-Truiden, Genk ... Mayerline is looking to continue its growth internationally.

2010 March 19 | In cooperation with the Fair Wear Foundation Mayerline NV signs the Code of Labour Practices

Furthermore Mayerline introduced company values to align expectations and way of working of all stakeholders: customers, coworkers, owners and the general public.

Family spirit

Together we are strong

We are enthusiastic and proud to work for Mayerline. We work constructively together with others, actively participate and recognise the interests of Mayerline as an entity over and above his/her own interests. We actively help others to achieve the best results.

Ownership

We think and act as owners

We take responsibility for what we do and stick to agreements. We take decisions based upon specific facts and an honest and informed opinion.

Positive attitude

We are motivated to do this, every day anew

We inspire confidence and act with respect in an open, warm and authentic manner. We think and act with a WIN-WIN mentality. We come out as a winner with an open spirit and a "can do" mentality.



Mayerline values

Wants to excel

Just that little bit more

We strive to excel in all that we do. We have a focused approach to our work until results are achieved. We work on the basis of Mayerline's strength and unique approach in order to make a difference over and over again: the highest product and service quality for our customers.

Continuous development

We want to make progress

We have a passion for the subject, don't stand still and always want to be learning something new. We are open to the changing image of the company and adapt Mayerline's working practices to strengthen its unique position.

Sustainable Company

For now and in the future

We are striving to achieve sustainable development with healthy returns in the long term. We are building a win-win relationship with all of our stakeholders and partners. Respect for our planet is an important precondition and one in which we have more and more opportunity to fulfil our responsibilities.

Corporate Responsibility

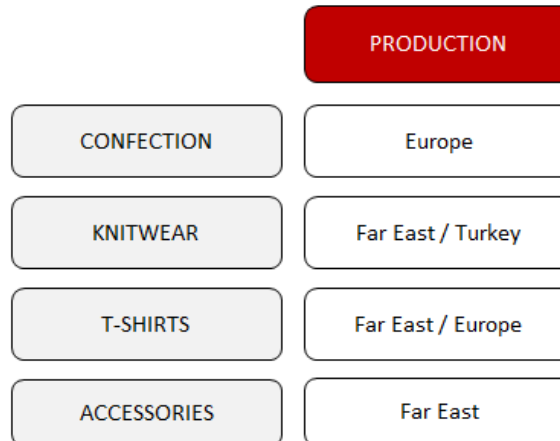
Mayerline always paid great attention for having high quality products and to ensure that garments are produced under good labor conditions. Since 2010 it was decided to make it more structured, continues and formal process by applying for the membership of the Fair Wear Foundation.

As more than 75% of Mayerline suppliers are partners for over 5 years, knowing Mayerline culture and product – most of them were familiar with the Corporate Social Responsibility (CSR) policies and had been audited more than once in the past.

Continuous development and work with our long term partners that is a combination of our sourcing strategy - together we are strong.

Sourcing strategy

Mayerline & MLI (Production Company of Mayerline) has two types of products in range: garments/products that are bought from the suppliers and also products that we produce from our materials +CMT (confection). Sourcing strategy of the company stays the same for all products - quality first. Sourcing countries do not change during the years except for introduction of Turkish producers in early 2012. Production geography:



Sourcing & trade department together with MLI (over 30 people) are responsible for collection package presentation in terms of quality, price and selection of the production partner.



Production cycle

Mayerline have two great collections every year: summer & winter. Season schedule is fixed in both cases & it contains stages A-Z: as from collection creation till delivery to shops. Lead times for each process are planned very carefully so that we could assure quality aspect in all the steps. Mayerline practice the rule that suppliers are involved in collection creation stage, so that the styles of future collection are clear for the factories in advance. Production quantities are communicated as prescribed in season schedule. We believe that it was reached a good balance in planning during the years as we have only goods remarks from audited factories concerning the time provided for production (planned individually for each supplier and genre).

Supplier relations

All major partners and sourcing countries remain the same as in the past, except one change. We have stopped cooperation with one of our important, longtime partner in 2012 as the quality level of produced garments was not satisfactory for several seasons. The goal was, of course, to find the way back for quality; in this perspective we audited factory of this supplier together with Fair Wear Foundation audit team in 2011. Despite the fact that the supplier was willing to discuss & look for a solution, the quality could not be assured anymore.

Due to this fact, high level producer in Turkey was sourced and we started cooperation with them in early 2012. Price wise, the switch from Far East to Turkey was not an advantage, but quality standards of Mayerline were adopted as from sample making as also for production quantities.

All the rest countries and main partners remain the same as in 2011.

Integration monitoring activities and sourcing decisions

We know the strengths and capacities at our suppliers and based on that production per genre is split. We do not practice the linking of production quantities (or decision to produce/not) with the findings of the audits of the factories of our suppliers. First of all we do this because the findings were never crucial to take such decisions, on the other hand – this is also related to Mayerline culture. We build up partnership relationship with our suppliers and by dealing the problems (also related to implementation of Code of Labor Practices) by dialog – suppliers do necessary with much more confidence. Even though by discussing “difficult” points we first of all find out the “background information” of the problems and that gives more knowledge on each specific issues and helps to find appropriate solution.

Coherent system for monitoring and remediation

Mayerline produces a big part of confection garments in European Union (Lithuania for over 13 years). It was produced/purchased nearly 35% of total Mayerline production in European Union for 2 collections of 2012. Mayerline started the third year (after signing Code of Labor Practices) with over 76% originated in the factories which have been audited or from factories in "low risk countries". Due to the fact that cooperation was stopped with the supplier that produced over 10%

in 2011 (and was audited already), immediately the focus came on supplier which took over these quantities. Due to that, initial work plan was adopted accordingly. After all, the goal of 81,4% of audited factories by end of 2012 were nearly reached (the fact 79,9%). Target by FWF – 90% + other suppliers producing over 2% of total turnover for the brand. Mayerline with 9-10 key suppliers have nearly 90% of the total turnover. The rest +/-13 (vary per year) have less than 2% of the turnover each. The target for next year is to have another 2 audits in China factories producing over 2% of Mayerline turnover.

Factory	Country of Production	% of total production /purchases for 2012 by Mayerline	2012: % originated in the factories which have been audited or from factories in "low risk countries"	Plan 2013	Corrective Action Plan in progress
Factory A01	China	30,1%	30,1%	30,1%	+
Factory A02	Lithuania	26,3%	26,3%	26,3%	
Factory A03	China	1,2%	1,2%	1,2%	+
Factory A04	Portugal	8,4%	8,4%	8,4%	
Factory A05	China	4,7%	4,7%	4,7%	+
Factory A06	Italy	0,1%	0,1%	0,1%	
Factory A07	China	3,6%			
Factory A08	China	7,8%		7,8%	
Factory A09	Russia	1,6%		1,6%	
Factory A10	Turkey	9,1%	9,1%	9,1%	+
Other 13 with <2% turnover	China, Turkey, India	7,1%			
			79,9%	89,3%	

Currently Mayerline have 3 active Correction Action Plans (CAP) with the suppliers in China and Turkey. One CAP is inactive as it is not produced anymore at one of the factories that were audited in 2011.

For the factory in China that Mayerline produce/buy 30,1%, Corrective Action Plan (CAP) is in progress from 2010 together with another two FWF members. The scope of issues to be solved was very wide (as from fixing emergency sign location and size, warning signs, fire hydrants to the points of paying living wage). By communicating and visiting the supplier, the operational and urgent issues were solved and documented. Nevertheless the second audit (re-audit by FWF) indicated (and went even further) and highlighted even more complex. After dealing with the urgent issues – indeed, the focus turns to more complex issues to be solved together with the factory:

- . Wages are below living wage estimated by local stakeholders
- . Workers are not informed and consulted about PRC Labor Law or FWF Code of Labor Practices
- . No democratically elected union. The existing one is not active
- . Overtime issue in combination of errors in recording working hours

Last visit of Mayerline Sourcing and Trade Manager was in September 2012 – working on CAP was one of the points in agenda.

The target for 2013 – to continue on working with the factory by implementing CAP and eventually to have re-audited in second part of the year.

Second audited Chinese factory produced 4,7% in 2012. Last visit of Mayerline Sourcing and Trade Manager was in September 2012. CAP indicates very similar issues that are stated in first audited factory of the same group - starting safe and healthy working environment to over time and payment of a living wage:

- . Not correct working hour's records & over time issue
- . Workers are also not aware of their rights about the freedom of association
- . Workers not always receive at least one day off in a 7-day period
- . Safe and healthy working environment is not assured in some of the cases

CAP was agreed & worked out in several steps:

1. Solving health & safety issues (fixing exit signs, unblock fire extinguishers, chemical containers to be posted with safety labels, publicizing the FWF code etc.)
2. Implementing transparency on documentation related to working hours and assuring one rest day in every week
3. By having transparent documentation on working hours - to focus on paying living wage for workers

Next factory visit will be held in May 2013.

Third active CAP is with factory of a new partner of Mayerline in Turkey (produced 9,1% for two seasons of 2012). After receiving the complaint regarding this factory on issues of freedom of association, Mayerline decided to audit this new factory still in 2012. CAP revealed the following important findings:

- . The FWF Code of Labor Practices is not communicated to the workers
- . Revealed discriminative practices towards workers who were union members
- . Union representatives were not provided free access to workers
- . Wages are higher than legal minimum wage, but do not meet local stakeholders estimate of a living wage
- . Safe and healthy working environment is not assured in some of the cases

There was tight communication with the factory on disclosed problems by audit, but factory finds it difficult to agree with the workers & especially with the union. Recent visit to the factory by Mayerline Sourcing and Trade Manager was in November 2012. Next one is planned in April-May 2013. The goal is to reach the breakthrough in discussion of CAP with the factory by meeting face to face.

Facing all these issues in cooperation with our suppliers and Fair Wear Foundation – we can state, that perfect factory doesn't exist. Only by constant efforts and willingness to solve them together we will stream for a better working conditions in our supply chain.

Having focus on Far East suppliers we encourage our European suppliers to join our initiative to be transparent on all the requirements related to Code of Labor practices too.

Complains procedure

Mayerline received one complaint regarding newly introduced supplier/factory in Turkey. Supplier have signed the questionnaire and confirmed that they comply with Code of Labor Practices at the very beginning of our cooperation. Nevertheless by the end of the year there was complaint received on this factory for dismissing the factory workers due to their involvement with trade union. Management of the factory claimed that people were fired not in relation to membership in trade union, but due to the reorganization they did planned in advance. The step was taken with background research that was made by local university in order to optimize the working process. Nevertheless criteria for firing workers were not absolutely clear. After several weeks of discussions, with the efforts from other brands & FWF, the factory management agreed to accept back half of dismissed workers, for other workers there was paid decant leave-pay.

Due to the fact that Mayerline moved quite important part of production to this factory and due to the fact of received complaint, it was agreed to do an audit at this factory end of 2012. This was not planned in work plan of Mayerline 2012, but the fact that Mayerline did not have experience of producing in Turkey and due to earlier indicated issues, the plan was reviewed. The audit stated that there are several points for improvement, but continuous issue remains of what is related to membership in trade unions (freedom of association). This is the topic stays for close follow up with this factory in 2013.

Communication & Transparency

There are several ways of communicating the Code of Labor practices for the manufacturers and workers:

- . By sending the questionnaire (and the lead letter)
- . By asking to confirm our general cooperation rules (web site www.mli.lt with FWF information in it)
- . By visiting the suppliers and explaining the reasoning of Mayerline to be an affiliate of FWF (at least once a year).

In order to better inform our suppliers we implemented a web site dedicated for our suppliers. The link “login supplier” at www.mayerline.be is the place where all our registered suppliers (including raw materials suppliers) are informed about general conditions, including Code of Labor Practices, anti corruption statement, Environmental Requirements, etc.

Mayerline supplier center is designed as general cooperation contract for all the suppliers and producers.

In order to realize our future goals, and to work according our introduced company values, we need suppliers with whom we can make clear agreements and that are ready to respect these agreements. We believe in an open and transparent communication.