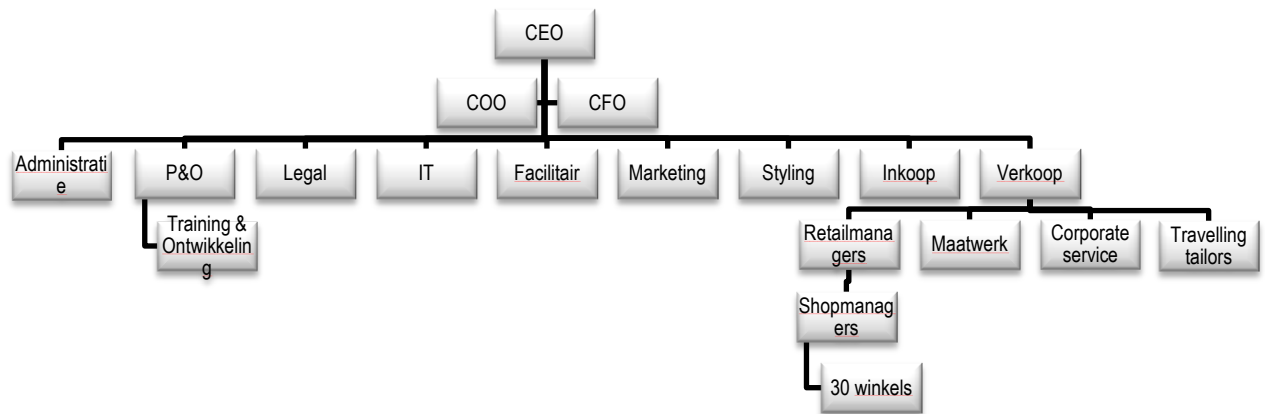




www.suitsupply.com

Member of FWF since May, 2007



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1. Summary: goals & achievements 2010

The year 2010 showed a clear picture to Suitsupply of her membership at FWF. Following the good work started in 2009 Suitsupply carried out two (2) audits at important suppliers (Ceyadi, China and Albatros, Macedonia). Furthermore FWF carried out a management system audit at Suitsupply. In some of the audits a Corrective Action Plan (CAP) was drafted with the purpose to establish a step-by-step improvement of the working conditions at the concerning suppliers.

Within Suitsupply Mr Eric van Dam was been appointed as the Central Coordinator for FWF in which he is responsible for the coordination of the activities of FWF at Suitsupply.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

The Product Managers at Suitsupply are responsible for the acquisition of suppliers. Contrary to several other fashion companies Suitsupply only has a limited number of suppliers. The Product Managers visit the suppliers in China and new suppliers four times per year, the other suppliers twice a year. If applicable, parties discuss the CAP of the audit carried out by Suitsupply.

The overviews below show the location of the suppliers per product category and the percentage of production per country.

Overview 1

PRODUCT(S) GROUP	COUNTRIES
Suits, jackets, pants	China, Italy, Portugal, Turkey
Shirts, ties	China, Macedonia, Portugal, Italy
Shoes	Portugal, Italy, Spain

Overview 2

Sum of Amount	Type					
C.O.O.	CMT	Stoffen	Transport CMT	Transport Stoffen	Grand Total	Total %
Belgium		29.791,93			29.791,93	0,16%
CHINA	6.967.585,31	2.430,00	25.543,53		6.995.558,84	37,80%
Czech		9.446,19			9.446,19	0,05%
Germany	12.483,47	27.290,81	23.850,00		63.624,28	0,34%
Italy	1.825.714,51	3.645.200,51	1.333,11	2.857,06	5.475.105,19	29,58%
Macadonia	1.870.908,57		4.210,00		1.875.118,57	10,13%
NL	589.362,60	22.118,56	1.058.838,09		1.670.319,25	9,02%
Portugal	976.394,10		3.655,71		980.049,81	5,30%
Spain	531.151,51				531.151,51	2,87%
Thailand	56.092,25		1.364,98		57.457,23	0,31%
Turkey	615.979,66	27.172,51			643.152,17	3,47%
UK	147.505,86	7.740,70	550,00		155.796,56	0,84%
US	22.299,63				22.299,63	0,12%
Grand Total	13.615.477,47	3.771.191,21	1.119.345,42	2.857,06	18.508.871,16	100,00%

It is the aim of Suitsupply to build long-term relationships with suppliers, in which she has been successful in the past. These long-term relationships with suppliers give a solid platform on which Suitsupply is able to implement and monitor the FWF Code of Conduct. Sometimes Suitsupply engages a supplier once-only in the event it has to comply with demands related to for example trends or enlarging of the collection.

As said Suitsupply has only a limited amount of suppliers for the realisation of her collections. The selection of suppliers is primary based on the product offered by the supplier. Important criteria in this selection are price, quality and deliver conditions. In addition to this Suitsupply enquires information if manufacturers of suppliers have been audited in the past by other compliance-organisations. These audits could correspond with the terms and conditions of FWF.

Furthermore it has to be taken into consideration if it is realistic for a supplier to comply with the FWF Code of Conduct. Based on the results of this screening Suitsupply has to decide if a collaboration with the concerning supplier (i) is interesting from a commercial point of view; and (ii) fits in with the requirements of social compliance. By creating the best price-quality balance Suitsupply seeks to achieve an optimal feasible commercial retail price.

2.2. Organisation of the sourcing department

Suitsupply has the following main processes in developing her collections:

- development process;
- purchase process;
- production process; and
- distribution process.

The Suitsupply Product Management Department is responsible for the purchase policy including the corresponding administration (such as process and follow-up of orders). There are three (3) Product Managers and two (2) Junior Product Managers working at the Product Management Department. The Suitsupply products are divided in the categories 'hanging', 'lying' and 'shoes'. Every Product Manager is responsible for one of the categories. The Buying Support Team gives assistance to the Product Managers.

The Product Managers together with the CEO are taking care of the purchase policy. In the selection of suppliers, the Product Managers have to take into consideration the requirements as set out in the FWF Code of Conduct. As said, the Product Managers are responsible for the purchase policy and take the final decisions in this.

For Suitsupply it is important to create the right prices, retail margins, delivery in time and high quality of suppliers. In addition to this, it is important for Suitsupply that the supplier complies with the FWF terms and conditions.

Suitsupply purchases its products directly from manufacturers and suppliers (CMT and FB). Sometimes an agent is engaged to assist Suitsupply in the purchase of products and accessories that are susceptible for trends. Suitsupply informs these agents about her membership at FWF and the FWF Code of Conduct.

The (financial) administration inserts possible new suppliers in the management information systems Accountview (bookkeeping system) and Swift Invoice (invoice system).

The main processes and the most important duties and responsibilities of the Styling, Product Management and Production Management departments are set out below:

- Steps: product development → purchase → production → distribution/warehousing → retail

Step 1 Product Development

Design:

- research and identification of trends and developments;
- design of the collection; and
- specification of the fit.

Product Management:

- assistance of Styling with product technical aspects of the designs;
- monitoring of the quality;
- monitoring of delivery in time of prototypes and samples;
- administration of product information; and
- buying support carried out by the Junior Product Management.

Production Management:

- sourcing of new suppliers;
- FWF (follow-up, monitoring CAP's, managing of manufacturers / suppliers information);
- monitoring the fit; and
- monitoring the quality of suppliers.

Step 2 Purchase

Product Management

- responsible for purchase/quality/delivery time and retail margins;
- administration of purchase orders and product information;
- monitoring delivery dates; and

- buying support, managing, check of (amendments in) purchase orders of the Junior Product Management.

Production Management

- sourcing of new suppliers; and
- FWF (follow-up, monitoring CAP's, managing of manufacturers / suppliers information.

Step 3 Production

Production by external manufacturers and suppliers

Product Management:

- monitoring of completion time and quality.

Production Management:

- *product assistance; and*
- *monitoring of order confirmations.*

Step 4 Distribution / Warehousing

For so-called inbound transport Suitsupply engages forwarders like DHL or Kuehne Nagel

Product Management:

- monitoring and, if necessary, adjusting the process of delivery of the products at the warehouse in Helmond; and
- correct distribution to the stores.

Step 5 Retail

Product Management:

- provision of the stores with (financial) sales information, price lists and amendments in the selection of articles for the stores; and
- update of the stock list.

2.3. Production cycle

Suitsupply has two (2) seasons for her collection:

- summer collection (1 February up to 31 July); and
- winter collection (1 August up to 31 January).

Every season starts with the research and identification of trends followed by the design of the collection. Thereupon prototypes and samples are drafted and the purchase is initiated. Upon agreement of the price, quality and delivery dates the production of the products is started. The final products are being transported and shipped to the stores. The development of the collection has a tight timetable. The time lines of development, sales, purchase, transport and delivery are set out in clear overviews. Problems in the production planning can influence the working conditions of suppliers. In problems occur these problems are being discussed with the suppliers and, if necessary, adopted in the CAP.

2.4. Selection of new factories

See point 2.1

2.5. Integration monitoring activities and sourcing decisions

In the event of new suppliers the Product Managers have to check if audits have been carried out at the concerning supplier which could be relevant for the compliance with the FWF Code of Conduct. If the supplier refuses to complete a questionnaire or cooperate in an audit, a decision have to been made in respect of (the continuation of) the business relationship with the supplier.

3. Coherent system for monitoring and remediation

3.1. Macedonia (Albatros)

The audit carried out in October 2010 at Albatros showed that the supplier complies with most of the FWF terms and conditions. The CAP of the audit at Albatros gives the following focussing points, which have to be improved in a reasonable period after the audit has been carried out.

- CAP – focussing points
 - Safe and healthy working environment:
 - according to the OSH law, each employer has to produce Safety Statement based upon performed Risk Assessment of each work post;
 - OSH law: Basis for risk assessment are continuous measurement of the microclimate and physical parameters in the working environment;

- employees must wear appropriate personal protective equipment, provided by the employer;
- fire safety law: Employer must define fire hazard areas and take all measures to decrease potential fire occurrence and
- access areas must be cleared of any obstacles, especially ones that can lead to accidents

3.2. China (Ceyadi)

The audit carried out in May 2010 at Ceyadi gave a good impression of the compliance with the FWF terms and conditions. The CAP of the audit at Ceyadi gives the following focussing points, which have to be improved in a reasonable period after the audit has been carried out.

- CAP – focussing points
 - Documentation: factory should keep specific documentation and have it available for inspection.
 - Living wage:
 - article 44 of the Labour Law of the PRC Requirement, factory should pay the legally required OT rate at 150%, 200% & 300% of normal wage rate for regular OT, weekend OT, and statutory holiday OT respectively; and
 - in accordance with Article 2 of the Regulations on Annual Leave for Employees, employees who have worked consecutively for more than one year in the state organs, social communities, enterprises, institutional organizations, private non-enterprise units, individual commercial and industrial households with employees, etc. are entitled to the paid annual leave. Article 3 of the Regulations on Annual Leave for employees, employees who have served for one to less than ten years are entitled to 5 days. Employees who have served for 10 to less than 20 years are entitled to 10 days. Employees who have served for 20 years are entitled to 15 days. Statutory holidays and rest days shall not be regarded as annual leave.
 - Excessive overtime:
 - article 41 of the Labor 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;
 - factory should maintain its weekly working hours to be less than 60 hours as required by the FWF Code of Labour Practices;
 - 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; and

- OT should be announced clearly and in time so that workers can take measures and organize their private lives accordingly. Workers must have the possibility to refuse OT on urgent individual grounds. These grounds, the ways of refusing and an appeal procedure in case of disagreements, must be part of a written policy.
- Occupational Health and Safety:
 - in accordance with Article 5.1.3 of the Code for Design of Extinguisher Distribution in Buildings, fire extinguishers shall be steadily placed and the nameplate shall be displayed outwardly. Portable fire extinguishers should be mounted on hangers, brackets or in cabinets. The top of the extinguisher shall be less than 1.50m above the floor, and the bottom of the extinguisher should not be less than 0.08m above the floor. Fire extinguisher box must not be locked;
 - in accordance with Article 11.3.3 of the Code of Fire Prevention for Architectural Design, emergency lights should be installed on the upside of wall, the ceiling or the top of exit;
 - in accordance with Article 40 of Fire Prevention Regulation for Government offices, Organizations and Enterprises: The high fire risk entity shall arrange fire drill at least once semi-annually according to fire fighting and emergency evacuation plan. It shall perfect the plan constantly base on the actual conditions. Other units shall constitute corresponding emergency plan base on its actual conditions and arrange fire drill at least once a year. The employer shall set up clear signage and inform all related personnel of the fire drills in advance. (Labour intensive manufactures such as garments, footwear, hats and toys manufacture with more than 100 people in the workshops are pertaining to high fire risk entity.);
 - 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;
 - at least one person on each shift shall be trained on first aid;
 - in accordance with Article 27 of the Regulation For Chemical Usage Safety in Work Place: Staff and workers are entitled to receive: (1) Date and information in description of the specific characteristics, hazardous ingredients, and safety precaution marks of the chemicals to be used in the working premises, and instructions upon safety techniques, etc. (2) Information concerning the probability of occurrence of harm against

safety and health of staff and workers caused by dangerous chemicals in the working process. (3) Trainings upon safety techniques, including trainings with regard to prevention and control, and danger-avoiding methods, handling of emergency cases, or emergency measures. (4) Labor protection articles in conformity to State stipulations;

- In accordance with Article 20 of the Regulation For Chemical Usage Safety in Work Place: Organization that uses chemical materials shall make public the safety and sanitation information concerning dangerous chemicals to its staff and workers, educate its staff and workers to identify the safety precautions marks, understand the Instructions on Safety Techniques, grasp necessary first aid methods and self-rescue measures as well; moreover, it is required to educate and train regularly its staff and workers to make use of chemicals in their working premises in a safe manner; and
 - 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.
- Employment relationship:
 - 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.
 - Communication, consultation and grievance procedure:
 - workers should be informed and consulted about PRC Labour Law and FWF Code of Labour Practices. Workers should receive training on PRC Labour Law and FWF Code elements;
 - information about the PRC Labour Law and FWF Code of Labour Practices should be posted in a place that is easily accessible for workers. Training on the FWF Code of Labour Practices should be provided to workers and management for their awareness;
 - factory should keep a register of complaints and suggestions of workers and of the factory's response; and
 - factory should enact the grievance procedure and has it posted for view of workers.

- Management system of Ceyadi to improve labour standards:
 - factory should have a person in charge of the social compliance program;
 - the company shall provide for a list of all garment-producing 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; and
 - factory should establish a system in place to timely report their current practice or progress on social compliance status to FWF affiliate.

3.3. External production

In 2010 no monitoring activities were conducted at suppliers of "external production".

4. Training and capacity building

4.1. Activities to inform staff members

Suitsupply informed her employees of the Purchase Department about the FWF membership and the FWF Code of Conduct. A selection of these employees is appointed to inform the suppliers about the FWF membership and have to monitor that the supplier is compliant and/or will be compliant with the FWF Code of Conduct.

4.2. Activities to inform agents

New agents engaged by Suitsupply will be informed about the FWF membership of Suitsupply, will receive the FWF Code of Conduct and will receive the FWF questionnaire. It is obligatory for the agents to comply with the terms and conditions of the FWF Code of Conduct.

4.3. Activities to inform manufacturers and workers

When a supplier is starting to work for Suitsupply it will receive the FWF questionnaire in order to get a clear picture if the supplier is already compliant with (most of) the FWF Code of Conduct. Furthermore, if the supplier does not fully comply with the FWF Code of Conduct, he will have to confirm in writing that he is willing to comply with the FWF Code of Conduct and that he will

implement the requirements step-by-step. The Product Managers will have to clarify the FWF Code of Conduct to the supplier if necessary. Furthermore it is obligatory that the FWF Code of Conduct is available to the factory employees at all time in the language of the country where the factory is located by showing the printed document in the factory building.

5. Transparency & communication

The websites of Suitsupply contain the FWF Code of Conduct in order to inform customers and the public in general about the membership of FWF.