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1. Summary: goals & achievements 2010

In 2009 a factory audit was carried out at our main supplier. One of the goals for 2010 was to discuss the corrective action plan with this supplier. We have visited this supplier in April 2010 and held the necessary discussions on all subjects. Several issues listed on the corrective action plan have been solved and / or progress has been booked. Detailed findings are listed in annex 2.

Overtime remains a big problem. In general the factory is not well organized. Structurally the output is not efficient and at this moment the number of staff is the same as the number of factory workers. The root cause is the traditional Chinese management style of the factory manager. All this has resulted in price increases. We are not willing to accept this and will start placing orders at new suppliers.

In the meantime we are pushing the mother company to start up a new separate cap department for low – medium volume orders. This department will be part of the same mother company, but will be led by the contact person we have been dealing with for over the years. He has a much better understanding on how to effectively set-up and run a factory. Our expectation is that this will be implemented in 2011.

Apart from the above mentioned issues, the price development is such that we have started to place orders at 2 new suppliers.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

Resulting from the developments in China regarding wages, personnel and material prices, we have reviewed and changed our purchasing policy. A number of negative developments at our current supplier add up to this decision. All these developments lead to price increases and uncertainties in delivery time and quality. In the market we operate in, we see a continuous high pressure on the prices. That is why we are taking these steps.

In the past 1 factory provided for more than 95% of our purchasing volume. In 2010 we have started to work with 2 new suppliers. At both suppliers we purchase standard stock as well as custom-made items. This means that we always sent out our inquiries to multiple suppliers. Herewith we have a continuous benchmark system in place for our current suppliers.

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 sent 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, 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

2010 has been a year of change. We switched from basically 1 supplier to 3 suppliers. For the 2 new suppliers 2010 has been the first year of supplying to Buttonboss. No audits have been carried out at the new suppliers. However, we have planned an audit at 1 of the new factories in May 2011.

Existing factory A:

The last audit was carried out in 2009 at our (at that time) main supplier. The corrective action plan has been discussed during a factory visit in April 2010. Although a lot of items on the corrective action plan have been implemented, we are basically dealing with a complete new supplier as a result of the constant changes in management, organization and location.

New factory B;

We have visited this factory in August and the first orders have been placed and delivered to our satisfaction. An audit is planned in May 2011. The Fair Wear Foundation has been discussed during this visit. The focus with this supplier will be on stock orders.

New factory C;

This factory is not completely new to us as we have placed orders here before. The volume has always been very limited. The Fair Wear Foundation has been discussed during this visit. The focus with this supplier will be on custom-made orders and too a small extend on stock orders.

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 need to step up our internal activities to increase knowledge and awareness of our membership and the FWF code of conduct.

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.

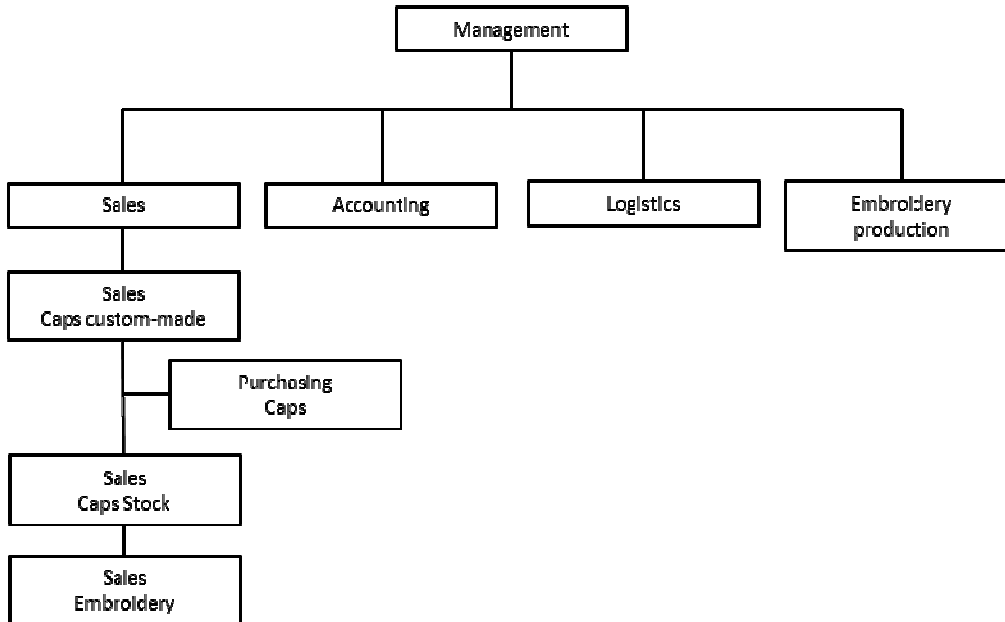
5. Transparency & communication

In our communication we use the Fair Wear logo:

- On all our printed stationary
- In all emails
- In our Kingcap Brochures
- On our website

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

Items of the corrective action plan where we have booked progress / solved the issue:

- Not all overtime work (especially in the evening) are recorded in time records: partially implemented.
- Most workers are not aware of the FWF code of labour practices: workers have been informed.
- The results of workers complaints are not published: done. These are put up on the notice board.
- Documents reflected that some workers took 40 days to leave the factory after they resign. This is not according to the law. Result: everybody can leave within 30 days. Some workers gave notice earlier but they were not forced to stay longer than they wanted.
- Recruitment notice specified that workers should be aged under 36. This is not according to the law and should be removed. Result: the age limit on recruitment notice has been removed.
- The registration form requires male workers to have a signature of a guarantee to assure his conduct and behaviour. Result: the request has been removed from the form and the recruitment procedure.
- Workers are not aware of the existence of a worker's representative committee. Result: a new representative of the workers has been appointed in March.
- Names of worker representatives are not published in the factory, and no minutes or notices from the workers representative committee are found posted publicly in the factory. Result: Notice board is set up.
- No fire extinguishers in the dormitory. Result: fire extinguishers are placed in the dormitory.
- The belts on some sewing machines are not covered. Result: most of them are covered now. The rest will be done within the next months.
- No protective shields on all high speed machines Result: most of them are covered now. The rest will be done within the next months.
- No 'exit' signs on one of the exits of the shop floor. Result: this has been realized.
- Improper installation of the exit sign on the G/F of the dormitory. Result: has been fixed.
- The factory has no trained persons on first aid. The legal standard is 1 per 100 persons. Result: will be arranged this year.
- Some workers who are willing to join social insurance are denied. Result: basically all workers can join now. Some workers don't want to join social security because they find it to expensive or want the insurance to be applicable in the province they originate from.