

BUTTONBOSS™

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www.kingcap.nl

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1. Summary: goals & achievements 2011

Wages, personnel and material prices, have developed in such a manner, that we have reviewed and changed our purchasing policy last year. A number of negative developments at one of our main suppliers have added up to this decision.

In the past our main supplier (A) provided for by far the biggest part of our production. Last year we have started to work with 2 new suppliers. At one supplier (B) we purchase standard stock items. At the other (C) we purchased stock items as well as custom-made items. This year, it has been our aim to gain more experience in working together with these new suppliers and further built on the (working) relationship with them.

Sourcing goals for 2011:

In April we have visited China. Apart from visiting the factories of our 3 current suppliers we have visited potential new suppliers. A goal was set to hold a detailed benchmark that forms the basis for selecting these potential new suppliers. We have benchmarked a large number of suppliers in various provinces and included FWF related matters. Based on the results from this benchmark we visited 4 new potential suppliers, from which we at least wanted to select 1 as a new supplier. In this we succeeded very positively and we are placing orders with a new supplier (D) them from May onwards.

Audits and actions on CAP(s):

An audit has been carried out at the supplier we have started to work with in 2010 (supplier B). It is our policy to first gain experience with a new supplier before we have them audited. This factory has produced on a satisfactory quality level in the first period of our corporation. Beginning of 2011 we were faced with a lot of quality and logistical problems that they were unable to solve in a proper manner or give us a confident outlook for a future corporation.

The discussions that were held with the supplier's management have led them to implement a number of things almost immediately. This resulted in non-proportional price increases. Apart from these price increases, the quality of the products and the uncertainty on logistics and delivery times has made us stop working with this supplier. However, we have indicated to them that in case they can prove considerable improvements on these subjects, we will consider placing orders with them again.

Communication goals for 2011:

Our goal for 2011 is to increase the internal knowledge of FWF and our membership and communicate more intensively with our customers on these topics.

This has led to:

- In 2011 we have used FWF support hours for a FWF presentation at our offices.
- Together with FWF we have given a presentation at one of our most important customers to increase their awareness on the subject of social responsibility and FWF,

- In our customer contacts we have increased our level of communication on this topic that FWF and our membership has become a fixed part of the communication during (potential) customer visits.
- Clear communication of FWF at the exhibitions we attend.
- The new Kingcap® stock collection for 2012, which was ordered and supplied in 2011 are all equipped with a FWF woven label to our stock caps. This will also be done for future stock orders.
- A goal was set to do a direct mailing were we would send out FWF's new flyer that is aiming at communicating with the end user. Unfortunately this flyer is still in development and not ready to use.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

Resulting from the developments in China in 2010 regarding wages, personnel and material prices, we have reviewed and changed our purchasing policy. This we implemented in 2010 already. 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.

Comparing to 2010 we still see a continuous high pressure on prices. Furthermore we see that the market demands shorter delivery times, due to the fact that budget approvals are postponed to the last minute. This implements the need for more flexibility (and capacity) at our suppliers. This results in more stringent demands on our supplier base and has become an integral part of how we select and work with our suppliers.

Even more than before, we continuously benchmark between current suppliers. This means that we always send out our inquiries to multiple 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 send 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, or that we feel there is not enough capacity to produce our orders 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

Just like 2010, 2011 also has been a year of change. With 1 supplier (B) we started to work within 2010, carried out an audit in 2011, but due to quality problems also had to stop cooperating with them

The other new supplier (C) with whom we started to work with end of 2010, has turned out to be delivering a substantial part of our volume. An FWF audit for 2012 has been planned.

During our sourcing trip in April, we have found 1 new supplier (D), with whom we have started to place orders with since May. During 2011 things have developed in such a way that they have become our major supplier for custom-made articles. Also for this supplier we have planned an FWF audit in 2012.

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.

We have also visited them in April 2011. The situation is still very dynamic factory wise, but in 2011 we have also seen a very big drop in orders they are producing for us. Our request to them to setup a new factory has not been implemented in 2011, and the outlook is that this will be done early 2012. If this will be the case, we will audit them again in 2012.

Existing factory B;

We have visited this factory in April and discussed arisen quality and delivery problems. An audit has been carried out in May 2011.

The discussions that were held with the management during the FWF audit, has led the to implement a number of things almost immediately. This has led to non-proportional price increases. In the meanwhile they have not been able to solve the quality and delivery problems.

Resulting from the above we have decided to stop our corporation with this factory.

Existing factory C;

The focus with this supplier is on custom-made orders and stock orders. In 2011 they have delivered a considerable volume of our purchases, stock and custom-made combined. We had the intention to plan an audit in 2011, but there have been some developments that made us decide to postpone this audit to 2012.

New factory D;

Visited them during our sourcing trip in April. They have given us a very professional impression on most levels. From the moment we have started to place orders with them in May, we have seen a continuous increase in the number of orders they receive, in favour over the other suppliers. During the FWF Management System Audit we have discussed this new supplier. We have received SA8000 audit results from this supplier and handed them over to FWF. We believe that 2011 has given us enough practical experience with them to plan a FWF audit in 2012.

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 have made progress in this awareness and every day communication about our membership

of the Fair Wear Foundation. However, this is an on-going topic and we need to keep on improving and increasing our internal activities on this matter.

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.

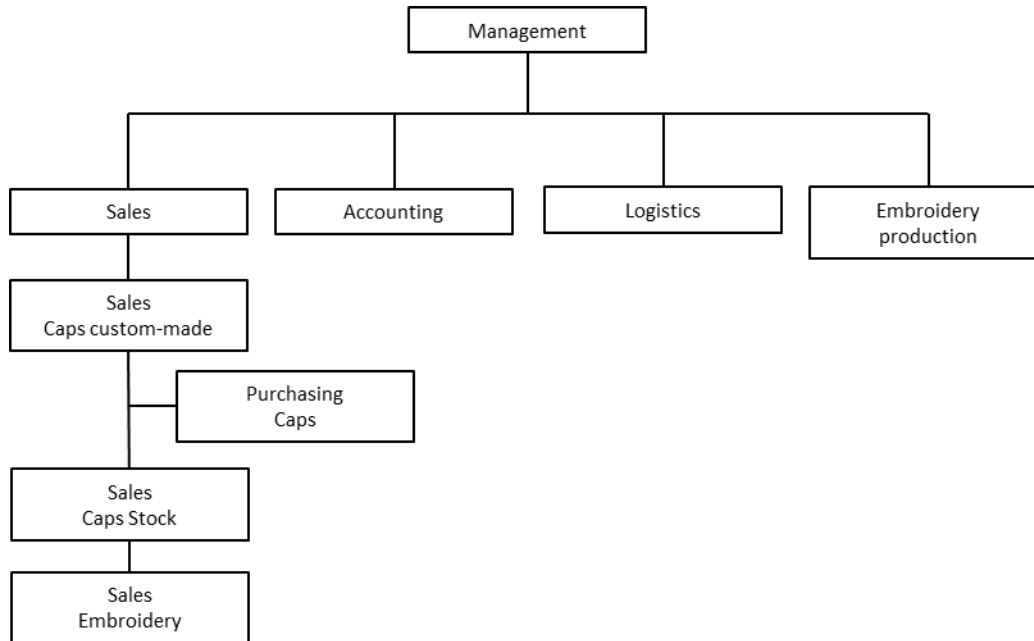
5. Transparency & communication

In our communication we use the FWF logo:

- On all our printed stationary
- In all emails
- In our Kingcap Brochures
- On our website
- In our stock collection caps

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

In 2009 this factory has been audited. Due to all the (organizational) changes, we are basically dealing with a new factory. The corrective action plan has therefore become irrelevant. We plan an audit with them in 2012.

Annex 3; Corrective action plan factory B

Below you will find the corrective action plan that has been drawn up after the audit that was held in May 2011. Due to the fact that we have stopped cooperating with this factory, no efforts have been undertaken to further discuss this. However, there have been taken action on some items. Please see below table.

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Actions
Sourcing practices of Buttonboss BV	In April 2011 an order was shipped to Buttonboss by air-delivery. Factory management reported that the requirement on numerous varieties of cloth material and too many different colours was one of the reasons that lead to a prolongation of the production period.	N/A	<i>It is recommended to Buttonboss and the factory to review order placement practices to ensure that air-deliveries and additional working hours could be avoided. This could include a pre-notification on usage of materials and an early warning system for placement of large orders.</i>	Quality problems in the purchasing of this supplier led to delays in the orders. Due to these delays it was decided to ship these items by air-delivery. Discussion have been held to avoid such problems in the future. Apart from the above we had introduced a forecasting system for future stock orders. With the intention to even the flow of orders and to give the factory more room for advanced planning.
Sourcing practices of Buttonboss BV	There are some workers in the sewing, packing and embroidery department which are paid less than the local minimum wage for a regular working week of 40 hours. Most workers in the sewing, cutting, packing and embroidery department are paid less than the amounts believed to constitute a living wage by Chinese NGOs that were consulted by FWF.	N/A	<i>Although Buttonboss' purchasing orders did not take up a high proportion of the factory's total annual production volume in 2010 FWF recommends Buttonboss and the factory to jointly discuss if and how they could jointly work towards improvements in wages, with the ultimate goal to make payment of living wages possible.</i>	The factory did implement the minimum wages for all workers after the audit. They have indicated that they were unaware with the level of the minimum wages.
Monitoring system of Buttonboss BV	The factory management had not explained clearly of FWF / Buttonboss Code of Labour Practices to the workers. The factory management did not have the basic knowledge and understandings of the Code.		<i>It is recommended that the buyer should initiate trainings on the knowledge of the basic social compliance requirements for the factory management.</i>	It has been agreed with the factory to clearly place the FWF code of conduct on the various notice boards.

Labour standard / management system requirement	Conclusion	Management response to findings	Requirements/ Recommendations	Actions
Management system of the factory to improve labour standards	The factory had not established documentation systems on its daily management of occupational health and safety.	Agreed	<i>Study the standers and requirement from any possible sources. Establish documentation system on daily management of occupational health and safety.</i>	<i>The factory has started to implement OHSA matters. This is started on a very minimum level by e.g. making sure first aid kits are readily available.</i>
Communication and consultation 1	Workers interviewed were not aware of the content of the FWF / Buttonboss Code of Labour Practices posted in the workshops.	Agreed	<i>Conduct regular trainings to improve workers' awareness of the client's social compliance requirements.</i>	<i>It has been agreed with the factory to clearly place the FWF code of conduct on the various notice boards.</i>

Communication and consultation 2	The factory had not established formal grievance procedures. Suggestions and complaints from the workers were not recorded.	Agreed	Establish written policy on grievance procedures that clearly stated that whom could the workers reported to if any complaints or suggestions. All suggestions and complaints reported by workers should be recorded and well documented.	
No forced Labour 1	The factory had not established written policy on no forced labour.	Agreed	Establish written policy on no forced labour.	
No discrimination in employment	The factory had not established written policy on non-discrimination.	Agreed	Establish written policy on non-discrimination.	
No exploitation of child labour 1	The factory had not established written policy on no-child labour and special protections for juvenile workers.	Agreed	Establish policy on no child labour and special protections for juvenile workers.	
No exploitation of child labour 2	The factory did not keep copies of the employees ID cards. Employees registration forms, that contain the basic information of the workers, were not kept.	Agreed	Establish personnel file for each employee. Keep photocopies of personal ID documents on file.	

Freedom of association and the right to collective bargaining 1	The factory had not established written policy on protection of workers' right to freedom of association and collective bargaining.	Agreed	Establish written policy on protection of workers' right to freedom of association and collective bargaining. Ensure that workers' right to freedom of association and collective bargaining should not be restricted. <i>To work toward a long-term solution, and to ensure dialogue between the management and the workers, we recommend: Establish effective communication channels between workers and the management. Pragmatic attempts may include: have the workers' representatives selected openly, set up suggestion boxes, train management on the grievance procedures, establish proper documentation system, etc.</i>	3 months
Payment of a living wage 1	15 workers were not guaranteed the local legal minimum wage for March 2011.	Agreed	All employees should be guaranteed the local legal minimum wage, which is RMB 950 per month, for work rendered in regular working hours.	3 months
Payment of a living wage 2	Roughly 70% workers were not paid at the legal overtime rates.	Agreed	All employees should be paid by the legal overtime rates, which is 1.5 times of the base wage for overtime work on weekday evenings, 2 times of the base wage for overtime work on weekends and 3 times of the base wage for overtime on national holidays.	12 months
Payment of a living wage 3	The payroll documents did not contain the legally mandated wage items.	Agreed	Workers should be provided with the payroll records that clearly indicate the legally mandated items, include regular working hours and wages, overtime hours and wages and reasonable deductions.	6 months
Payment of a living wage 4	The workers, who did not have social insurances, were not provided with commercial accidental injury insurance.	Agreed	Workers, who did not have social insurances, should be provided with commercial accidental injury insurance.	6 months
No excessive working hours 1	The factory did not record workers' working hours.	Agreed	All employees should be responsible for recording their own work hours. <i>Install automated time recording system. In the case that the working hours were recorded manually, the factory must establish procedures for the workers to verify their own hours.</i>	6 months

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No excessive working hours 2	The factory had not established any written policy on regular work schedule, day-offs and restriction on overtime hours.	Agreed	The regular work schedule must be clearly stipulated in the factory's written policy.	1 month
No excessive working hours 3	Information gathered through worker and management interviews indicate that the maximum working hours for majority of workers in most of the weeks in March and April 2011 could reached up to 63.5 hours per week; workers had two to three day-offs per month.	Agreed	Implement work hour management system; ensure that the maximum working hours in peak production season do not exceed 60 hour per week. Ensure that workers have at least one day-off in every seven days.	12 months
Safe and healthy working environment 1	[Fire safety] Fire extinguishers were placed directly on the floor and were placed in a closet without any signs and indications.	Agreed	The fire extinguishers should be installed between 0.08 m to 1.5 m from the floor. Ensure that the fire extinguishers are easily accessible and the locations are clearly marked.	1 month
Safe and healthy working environment 2	[Fire safety] Emergency exit door in the sewing workshop was opened inwardly. Emergency exit door on the 1/F of the production building was locked during work hour.	Agreed	Emergency exit doors should be opened toward the evacuation direction. Ensure that all emergency exit doors are unlocked during work hour.	1 month
Safe and healthy working environment 3	[Fire safety] No exit signs and emergency lights installed in new production building.	Agreed	Install internally illuminated exit signs and emergency lights with battery back-up power.	2 months
Safe and healthy working environment 4	[Fire safety] No fire alarms installed in the new factory premises.	Agreed	Install fire alarms in the new production building. Ensure that the alarm can be rung from various locations throughout the factory.	2 months
Safe and healthy working environment 5	[Fire safety] Evacuation routes were not clearly indicated by two prominent lines painted on the floor.	Agreed	Mark aisles with two lines to indicate areas that should be kept clear at all times.	1 month
Safe and healthy working environment 6	[Fire safety] Evacuation maps were not posted in the workshops. Evacuation directions were not indicated by prominent arrows painted along the evacuation routes.	Agreed	Evacuation maps should be posted in all workshops. Indicate direction of emergency exit routes with arrows painted on the floor.	1 month
Safe and healthy working environment 7	[Fire safety] Panel boxes did not have cover doors.	Agreed	Install cover doors, ensure that all junction boxes, distribution panels and similar electrical equipment should be enclosed.	2 months
Safe and healthy working environment 8	[Fire safety] Lights in the raw material warehouse were not explosion-proof type.	Agreed	Install explosion-proof type lights in the raw material warehouse, where combustible cloth materials were stocked.	3 months

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Safe and healthy working environment 9	[Fire safety] Fire drills had not been conducted.	Agreed	Evacuation and fire drills should be conducted at least twice a year and should be well documented.	1 month
Safe and healthy working environment 10	[Machine safety] All sewing machines were not equipped with belt covers. High speed sewing machines were not equipped with eye-guards.	Agreed	Install belt covers to the sewing machines, and eye-guards to the high speed sew machines.	3 months
Safe and healthy working environment 11	[Machine safety] The freight elevator had not obtained safety certificate.	Agreed	Ensure that the elevator is for freight use only. Obtain safety certificate for the elevator used.	6 months
Safe and healthy working environment 12	[Personal protection equipment] Worker working with cutting machines were not provided with mesh glove. Workers working in the embroidering workshop were not provided with ear plugs.	Agreed	Provide mesh gloves for workers working with cutting machines; ear plugs for workers working with embroidering machines. Conduct regular trainings on proper use of PPEs.	3 months
Safe and healthy working environment 13	[First-aid] There were no first-aid kits provided in the workshops. No employees had been formally trained in first aid.	Agreed	Prepare at least two first-aid kits, one in the production building and one in the office. There should be at least two employees formally trained in first aid.	1 month
Legally binding employment relationship 1	The factory did not signed contracts with all workers. Workers were not provided with one copy of the signed contract.	Agreed	Sign contracts with all workers, and provide one copy of the signed contract to the worker. Explain the content of the contract to the workers upon the contracts being signed.	2 months