



Continental Clothing Company Ltd

Member of Fair Wear Foundation since 2006

SOCIAL REPORT 2011



Table of Contents

INTRODUCTION.....	3
1. SUMMARY OF SOCIAL ACTIVITIES IN 2011	4
2. SOURCING STRATEGY	4
Pricing.....	6
Sourcing organisation	6
Production cycle	6
3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION.....	6
Turkey.....	6
India 1	7
India 2.....	7
China	8
4. TRAINING AND CAPACITY BUILDING	8
5. TRANSPARENCY AND COMMUNICATION.....	8
6. STAKEHOLDER ENGAGEMENT	9

INTRODUCTION

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

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

1. SUMMARY OF SOCIAL ACTIVITIES IN 2011

In the context of the continued adverse economic conditions across the globe, 2011 has proven a very successful year for Continental Clothing Co. Ltd. The Company registered growth in sales, consolidated and extended its product offering and begun the implementation of new business strategies.

The UK operations underwent a fundamental re-organisation; the warehousing and distribution were re-located to much larger premises 60 miles north of London, gaining almost 300% in storage capacity, whilst the head office and sales showroom moved to a more appropriate location in central London.

There was no change in the structure of the Company's supply base, which continued to center around two principal production facilities, which together represented 92% 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 3,500 persons.

With regards to Continental Clothing's social compliance, 2011 was not a very eventful year. There were no major issues reported or discovered, no complaints have been received and no new supplier relations were entered into. The Company focused on the day-to-day management of the internal compliance systems, reviewing and implementing points of action, and re-enforcing the implementation of the Fair Wear Foundation's Code of Labour Practices throughout the supply base.

The two Indian factories were enrolled in the special project lead by FWF to inform about and alleviate the prevalence of the so-called Sumangali scheme, a form of bonded labour in lieu of dowry payments by the newly-wed women.

In addition, the Company was approached by FWF to participate in two significant projects to be run in 2012 in India: anti harassment committees and violence prevention systems program supported by the UN Trust Fund to End Violence Against Women; and in Turkey: a dialogue project for factories supplying FWF affiliates. Both factories in India and the Turkish factory were committed to the full participation in those projects.

Continental Clothing continued to communicate the membership of Fair Wear Foundation in a range 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

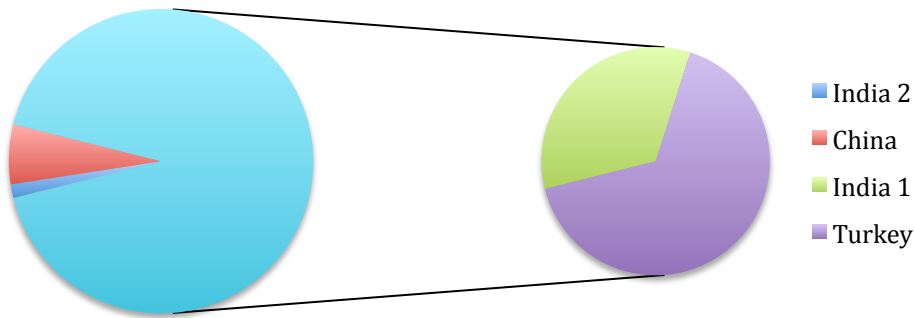
From the outset, the sourcing strategy of Continental Clothing has been characterized by very close and long-term relationships with a small number of suppliers, whereby both sides would be in a position to acquire knowledge, understanding and genuine trust, commit to mutual long-term planning, evolve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

The signature **Continental**[®] range – premium fashion-oriented T-shirts and jersey tops – has been manufactured, in the vast majority, at the Company's principal factory in Turkey since the brand's

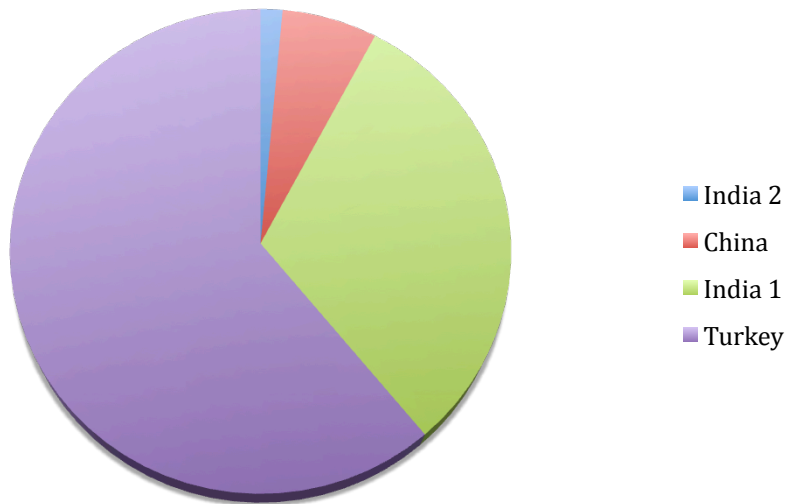
establishment in 1998.

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.

In addition, the Company uses one other factory in India and one in China – amounting in total to 8% of the output in the year (by number of pieces produced).



Production output in 2011 (by no. of units)
 Turkey + India 1 = 92%



Production output in 2011 (by no. of units)

Turkey	61.04%
India 1	31.16%
China	6.34%
India 2	1.46%

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 (cotton) allows the stability of prices and forward 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 more staff members deal with orders, technical, quality, logistic and financial matters.

Production cycle

The Company aims to maintain a steady, continuous production output throughout the year at the two principal factories, and produces 3-4 times a year at the supplementary factories.

The main annual collection was finalized early in the autumn of the previous year and put into production in time to achieve deliveries early in 2011. Repeat orders and mid-season additions are manufactured on an on-going basis throughout the year.

Production planning (capacity planning) is done through discussions with the suppliers early in the cycle. The long-term relationship with the suppliers meant there was a good understanding on both sides about the nature and characteristics of the particular business, and what is required to achieve the best outcome.

Lead times varied between factories and, depending on styles, are between 4 and 15 weeks.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

All the Continental Clothing 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.

Turkey

This is the main manufacturing facility for the signature **Continental**[®] collection, and has been used continuously since 1998. The factory is very collaborative and is readily willing to take part in the various

FWF programs offered. The first FWF full verification audit was carried out in 2006. In 2011 the factory took part in the 'Dialogue project for factories supplying Fair Wear Foundation affiliates'. In eight sessions the program informed them how to strengthen the factories' ability to handle improvements in working conditions through dialogue between workers and management.

Continental Clothing's staff made two visits at senior management level. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 61% of the annual manufacturing output in number of units.

The factory has been certified under organic textile standards for over 6 years.

The next full verification audit by FWF was scheduled for January 2012.

India 1

This is the principal manufacturing facility for the **EarthPositive®** range of organic certified products. It is considered the exemplary garment factory in India in terms of the environmental impacts and working conditions. The management is very co-operative and pro-active in ensuring continuous improvements and embracing the evolving social and environmental agenda.

Continental Clothing's staff made two visits at senior management level, and one quality control visit. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 31% of the annual manufacturing output in number of units.

In June 2011 the factory was re-certified under ISO9001, in September underwent the renewal audit for SA8000, and in October had the annual inspection for GOTS. Furthermore, the factory continued to progress towards LEED platinum status "based on the potential environmental impacts and human benefits".

In 2012 the factory will participate in the UN sponsored anti-harassment project in collaboration with FWF and SAVE. The next full verification audit by FWF has been scheduled for September 2012.

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 steadily increasing 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.

Continental Clothing's staff made two visits at senior management level, and one quality control visits. Telephone and email communication was maintained with the factory on a regular basis throughout the year. The factory produced 1.5% of the annual manufacturing output in number of units.

In August 2011 FWF carried out a full verification audit of which the outcome was shared with another FWF member. The following issues were noted at major/minor level:

- some restricted freedom of movement at the spinning mill
- no established workers' union
- wages not paid directly to workers
- juveniles working beyond the recommended hours
- occupational health and safety

In follow-up corrective action, staff training was organised to inform workers about collective bargaining rights and to raise awareness about workers' unions; juveniles no longer work night shifts or beyond their legally allowed maximum number of hours; the health and safety issues have been rectified. A member of Continental Clothing's staff was scheduled to carry out face-to-face interviews with female workers regarding freedom of movement and payment of wages; weekly trips to a temple and for shopping to be organised to give workers the opportunity to leave the factory premises and/or the dormitories; payment of wages to be made directly to all workers; workers to be offered assistance with opening bank accounts and managing their finances; the next corrective action follow-up is to take place in February 2012.

The annual inspection for GOTS was carried out in October 2011.

China

This is the supplementary factory for a small number of styles of the conventional range; the relationship goes back to 2004 but the production volumes have been declining in recent years. Following a change in the top level management, the factory has been increasingly uninterested in 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 6% of the annual manufacturing output in number of units.

There were no social audits carried out during the year but a Sedex 2-pillar audit has been scheduled for August 2012.

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 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, questionnaires 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.

5. TRANSPARENCY AND COMMUNICATION

Continental Clothing has been actively communicating their membership of FWF since 2006. The logo is prominently displayed on all marketing and communication materials, on trade fair stands, product catalogues, websites and garment labels (where appropriate).

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 booklet 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 the Fair Wear Foundation (FWF), the International Working Group on the Global Standard (GOTS), the Sustainable Clothing Action Plan (SCAP), the UK All Party Parliamentary Group on Ethics and Sustainability in Fashion (APPG), the UK Department of Environment (Defra), the Carbon Trust and others.