



CONTINENTAL
CLOTHING CO.

Continental Clothing Company Ltd

SOCIAL REPORT 2015



FWF MEMBERSHIP START DATE: 2. October 2006

REPORTING YEAR: 1. January – 31. December 2015

Table of Contents

INTRODUCTION	3
1. SUMMARY OF SOCIAL ACTIVITIES IN 2015	4
2. SOURCING STRATEGY	4
Pricing.....	5
Sourcing organisation.....	6
Production cycle	6
3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION	6
India 1.....	6
Bangladesh.....	7
Turkey.....	8
India 2.....	9
China	9
External production.....	10
4. TRAINING AND CAPACITY BUILDING	10
5. TRANSPARENCY AND COMMUNICATION.....	10
6. STAKEHOLDER ENGAGEMENT	11

This report has been produced in accordance with the requirements and guidelines of Fair Wear Foundation.

INTRODUCTION

Continental Clothing Company Limited is a multi-award winning manufacturer and direct wholesale distributor of ready-to-print T-shirts, sweatshirts, young fashion and childrenswear since 1994. It became incorporated in England and Wales in 1998. The Company was the innovator of the fitted T-shirt for the European music industry, and from those roots it 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, leisure and corporate promotions.

The Company owns three unique brands – Continental®, EarthPositive® and Salvage® – 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.

Continental Clothing takes particular care with regard to the social, economic and environmental impacts of its production, throughout the supply chain – from the cotton field and raw materials through to final delivery. The Company publishes annually a detailed social report accounting for all its activities in the supply chain. It places great value on its relations with the suppliers, and works closely with them to ensure good, mutually beneficial, long-term cooperation.

Over the last 10 years, Continental Clothing Co. acquired a reputation for its pioneering work in the field of sustainable clothing manufacture, covering the work on traceability, advocating the banning of child labour in the Uzbekistani cotton industry, supporting organic cotton farming, reducing the carbon footprint of its products by 90%, the development of a state-of-the-art clothing factory in India, and others.

The Fair Share living wage project, initiated in 2015, is the latest addition to this list.



EarthPositive® Continental® and Salvage® are registered trademarks of Continental Clothing Co. Ltd

CONTACT:

Mariusz Stochaj

mjs@continentalclothing.com

+44 20 76042200

1. SUMMARY OF SOCIAL ACTIVITIES IN 2015

The year 2014 was marked by consolidating the re-structured supply base around the newly opened factory in Bangladesh and working towards rooting it in the principles of social and environmental responsibility with the aim of creating “the best factory in the country”. In the aftermath of the tragic Rana Plaza factory building collapse, a significant number of brands decided to move out of Bangladesh rather than invest in improving the working conditions in the industry. Continental Clothing Co. took the contrasting view that the country remained a valuable manufacturing base and the correct strategy was to show a long-term commitment by setting the highest standards with regard to the safety and wellbeing of the workforce. The new factory was audited by Fair Wear Foundation after opening, and underwent various audits and inspections for building and fire safety, achieving highest standards and appraisals.

The Company's supply base centered around three principal factories, in Bangladesh, India and Turkey, which together represented 88% 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 3,800 persons. There were no new suppliers.

Continental Clothing Co. continued to communicate its social responsibility and the membership of Fair Wear Foundation in a variety 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 Co. 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.

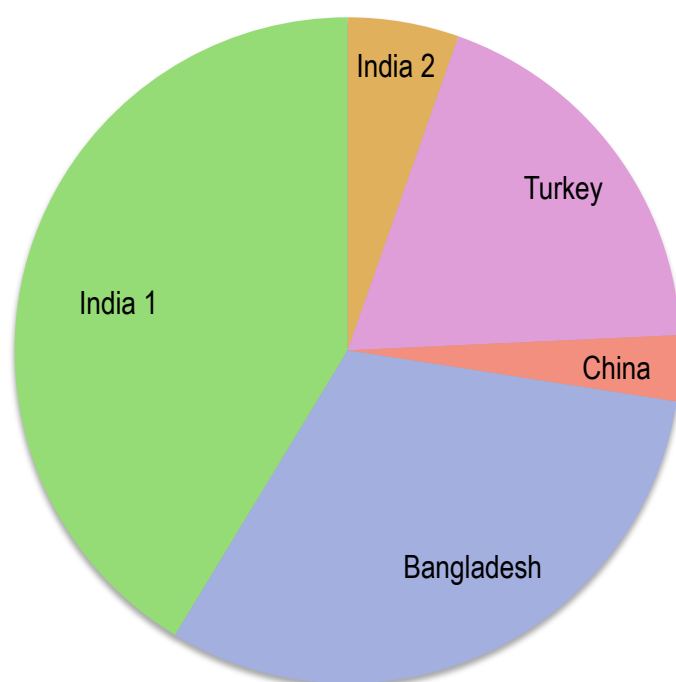
The signature Continental® range – premium fashion-oriented T-shirts and jersey tops – had been manufactured, in the vast majority, at the Company's factory in Turkey since the brand's establishment in 1998. In 2013 a newly-built factory in Bangladesh became operational, and part of the collection was placed there for bulk production. In 2015 this factory became the second largest production facility by number of units produced.

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.

The Salvage® range was launched in the market in the autumn of 2013. It is a capsule collection of key products manufactured at our secondary vertically-integrated factory in India from 100% certified recycled materials.

In addition, the Company uses one other factory in China, which amounted in total to 3.2% of the output in the year (by number of units produced).

There was no sourcing of new manufacturing suppliers carried out in 2015 as the existing production base was proven sufficient and effective for current needs and the immediate future growth.



Production output per factory in 2015 by number of units (previous year's figures in brackets):

India 1	41.32%	(35.52)
Bangladesh	31.21%	(38.02)
Turkey	18.87%	(14.97)
India 2	5.40%	(7.25)
China	3.20%	(4.20)

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 for it. The Company never puts production orders out to tender.

Forward purchasing of raw materials ensures the stability of prices and allows 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 staff members deal with orders, technical, quality, CSR, logistic and financial matters.

Production cycle

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

The main annual collection was finalized in the autumn of the previous year and put into production in time to achieve initial deliveries in the first quarter of 2015. Repeat and continuity orders, and mid-season additions were manufactured on an on-going basis throughout the year.

Production planning (capacity planning) was done, as always, through discussions with the suppliers early in the annual cycle, and further throughout the year. There were very slight variations in the daily production output throughout the year but overall the daily volumes remained constant at the main sites.

Lead times varied between factories and, depending on styles, were between 6 and 20 weeks.

3. COHERENT SYSTEM FOR MONITORING AND REMEDiation

Continental Clothing's 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.

India 1

Continental Clothing is the sole FWF member sourcing from this factory.

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

Continental Clothing's staff made four visits at senior management level, and three quality control visits. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. Senior managers visited the Company's offices in the U.K. The factory produced 41.32% of the Company's annual manufacturing volume in number of units. The Company's leverage* at the factory was 70% with a leverage within the manufacturing group of 31.07%

The most recent full FWF audit was carried out at the factory on 19-20th November 2014. There were

no issues requiring corrective action. There was also an audit for WRAP on 17-19th July 2014 and a gold certificate of compliance was awarded to the factory. An audit for SA8000 was carried out on 30th March 2015 by SGS, which did not identify any non-conformities, whether major or minor, and a continued compliance certification was granted.

The factory participated in the internationally-recognised Workplace Education Programme, which provides training to improve communication and dialogue between workers and factory management in general, and on topics of harassment prevention and handling especially.

The factory has successfully established an anti-harassment committee and violence prevention management program.

There is an active workers' committee.

There were no complaints registered at the factory.

Continental Clothing carried out a living wage implementation project, with living wage premium payments to all the workers starting in January 2016 through the monthly payroll.

The factory is certified under the Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Oeko-Tex 100 Class 1 Standard, BSCI, SA8000 and ISO9001, and is registered by the Fairtrade Labelling Organisation (FLO).

In November 2013 the factory received a Platinum LEED (Leadership in Energy and Environmental Design) award for Green Factory Building from the Indian Green Building Council as the first textile factory in the sub-continent.

*) Leverage is the total monetary value of the Company's production as a percentage of the factory's total annual turnover.

Bangladesh

Continental Clothing is the sole FWF member sourcing from this factory.

This is the principal manufacturing facility for the Continental® collection. It was constructed in the autumn of 2012 and started bulk production early in 2013. The senior management was particularly keen to introduce and implement the most sophisticated systems for labour standards, social welfare and environmental protection, with an ambition to become a beacon of responsible manufacturing, especially in the aftermath of the Rana Plaza disaster. The factory was newly built to the highest design specification, constructed as single storey buildings in an open rural location, with an outlook for future enlargement. It draws its workforce from the surrounding villages.

Continental Clothing's staff made three visits at senior management level, and three quality control visits. Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year, and senior personnel visited the Company's offices in the UK. The factory produced 31.21% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 12%.

The initial FWF verification audit was carried out in September 2013. A full FWF audit took place on 27-28th June 2015. A Corrective Action Plan (CAP) was put in place address minor issues, which have been given strict timeline for resolution and followed up to achieve final implementation.

The factory participated in FWF's workshop on safety principles. It also embarked on setting up an

anti-harassment committee. A process was initiated to enter the Workplace Education Programme and the management expressed a desire for closer links with FWF's local office to assist the progress.

The factory underwent and passed Tier 1 structural inspections by the Dept. of Civil Engineering of the Bangladesh University of Engineering and Technology (BUET) in Dhaka, it was issued with an approval from Dept. of Inspection for Factories and Establishments in Chittagong. The factory received a Social and Environmental Excellence Award for the best factory in health & safety, and a Silver LEED award for Green Factory Building from the U.S. Green Building Council.

One complaint was registered in relation to the factory, ex-officio by Fair Wear Foundation:

During a documentary programme in The Netherlands, the 'Slag om de Klerewereld', an apparently underaged boy was shown in a label workshop. One of the labels showed the Fair Wear Foundation logo and it could be identified as a Continental Clothing label. FWF decided to treat the media report as a formal complaint.

Upon investigation – and owing to the cooperation of Continental Clothing and its Bangladesh supplier – the workshop was found. In the same label workshop, labels of one other FWF-member brand were also found on display, along with labels from many other global brands. Continental's Bangladesh supplier had not commissioned the labels directly from this workshop but, since illegal subcontracting is common in Bangladesh, a link between the factory and the workshop could not be ruled out, even though there was no evidence of any production actually taking place.

Though no longer working at the label workshop shown in the documentary, the boy, aged 13 at the time, was identified. Local staff engaged with him and his family to ensure that the boy would no longer work until he was of legal working age. Instead, he was enrolled on to a training programme of his choice while still being paid the equivalent of his salary. Despite the lack of proof that would link the boy with Continental Clothing's production, the Company offered to pay for the training course and the equivalent lost earnings.

FWF's local team is closely monitoring the implementation of the remediation, which is in accordance with FWF's Child Labour Policy.

Turkey

Continental Clothing is the sole FWF member sourcing from this factory.

This is the original manufacturing facility for the signature Continental® collection, and has been used continuously since 1998. The factory was very collaborative and was readily willing to take part in the various FWF programs offered. The first FWF full verification audit was carried out in 2006. A SMETA 4-pillar audit was carried out satisfactorily in February 2014. The most recent full FWF audit was carried out on 28th January 2015.

Telephone, skype and email communication was maintained with the factory's different departments on a daily basis throughout the year. The factory produced 18.87% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 70%

The factory completed a training program by FWF on social dialogue in a workplace. The workers in the factory elected their representatives and set up a workers' committee. The factory was praised by the FWF

country manager for the progress it had made over the years in addressing the issue of freedom of association, which is one of the most prevalent problems in the Turkish textile industry.

There were no complaints registered at the factory.

The factory has been certified under the Global Organic Textile Standard (GOTS) and Oeko-Tex 100 Class 1 Standard for over 9 years.

India 2

Continental Clothing is one of several FWF members sourcing from this factory.

This is the supplementary factory for the organic certified products; the relationship goes back to 2009 and the volume of production has been steady 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. In 2013, Continental Clothing developed jointly with the factory, and put into bulk production, a new product range – under the brand name SALVAGE® – made from 60% pre-consumer recycled organic cotton and 40% post-consumer recycled polyester, making it the first brand in the sector to be made from 100% recycled certified materials. Both, the factory and the Company are committed to a long-term development of the brand.

Continental Clothing's staff made three visits at senior management level, and two quality control visits. Telephone and email communication was maintained with the factory on a regular basis throughout the year. The factory produced 5.40% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 5%.

As a continuation of the follow-up work on the corrective action plan arising from the full FWF audit in December 2013, Continental Clothing Co. developed a co-operation with four other members of FWF sourcing from this factory, to ensure satisfactory progress and achievement of agreed targets. The main focus was placed on the issue of freedom of movement for young adult female workers living in dormitories, where their movement had been restricted in accordance with the local customs. On the whole, the feedback from the workers has been positive. However, more time is needed to achieve a full implementation across the goals and will require discussions with the workers' families to obtain their consent to the changes in practices. There is some dissatisfaction with the length of time it is taking to bring about required changes.

The factory also took part in the 'anti-harassment committees and violence prevention management' program and training sessions organised by FWF.

A full FWF audit is scheduled for April 2016.

The factory is certified under the Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Oeko-Tex 100 Class 1 Standard and BSCI, and is registered by the Fairtrade Labelling Organisation (FLO).

China

Continental Clothing is the sole FWF member sourcing from this factory.

This is the supplementary factory for a small number of styles of the conventional range; the relationship goes back to 2004.

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 3.20% of the Company's annual manufacturing volume in number of units. The Company's leverage at the factory was 7%.

The factory underwent a full social audit by BSCI in its sewing unit on 17th June 2015. The overall score was "Improvements Needed" which is one grade down from "Good" with an overall fulfillment score of 91.06%. The areas identified for improvement comprised excessive overtime (although voluntary), inadequate protection of electrical installations and inadequate health and safety signage. A corrective action plan was initiated with named persons assigned responsibility and target dates for completion. The implementation of corrective action was assessed on 30th September 2015.

A full FWF audit is scheduled for 2016.

External production

Continental Clothing does not use any external production.

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 in April 2014, 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, original leaflets, questionnaires in their native languages, 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 under the Workplace Education Program (WEP).

5. TRANSPARENCY AND COMMUNICATION

Continental Clothing has been actively communicating its membership of FWF since 2006. The logo is prominently displayed, as and when appropriate, on marketing and communication materials, on displays at trade fairs, product catalogues, websites and garment labels.

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 booklets, videos and other materials are made available through different channels including the Company's Facebook pages, LinkedIn groups and Twitter.

References and links to this 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:

- Fair Wear Foundation (FWF)
- International Working Group on the Global Standard (IWG-GOTS)
- Sustainable Clothing Action Plan (SCAP)
- UK All-Party Parliamentary Group on Ethics and Sustainability in Fashion (APPG)
- UK Department of the Environment (Defra)
- The Carbon Trust
- The Fairtrade Foundation
- The Soil Association
- Waste & Resources Action Programme
- Fashion Revolution Day
- Love Your Clothes
- Social Awareness and Voluntary Education (SAVE) India
- Fair Fashion Network

and others.