ANNUAL SOCIAL YEAR REPORT 2013

suitsupply

MEMBER OF FWF SINCE 2008
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GOALS & ACHIEVEMENTS 2013

In 2013 our supply chain has taken renewed measures to maintain standards set by the International Labour Organisation. We’ve set sail to ensure all rights of workers are maintained and protected. We ensure these standards by having our buying office representatives on-site on a daily basis at our production plants in China. While they go there regularly for our quality assurance, they also check the workers’ circumstances in the factories.

Besides being present to monitor the processes, we’ve also implemented a schedule to assure that all factories have timetables at least six months in advance. We take a close look at local peak and off-seasons so that we can make schedules that are beneficial to them. For example, due to production for local markets and other customers, they have peak-season in July, so, to relieve demand, we produce only to a maximum capacity agreed upon with them to ensure workers aren’t pressured. This way we can ensure standards set by ILO are kept.

While signing a new commitment with a new supplier, we were also greatly involved in building a new factory. Since we are their biggest purchaser, we were able to demand certain standards being implemented in the plant building.

In Q3 of 2013 we invited our Chinese suppliers to our New York flagship store. This entire trip was organized so our Chinese buying office, our Head of Buying, and our CEO could discuss CSR related items. Due to our growth and the prospect of our future business, we have succeeded in agreeing upon a sustainable direction we want to go as a socially responsible company.

Our goal is to have similar conventions with our Chinese suppliers at least twice a year, to discuss the next season’s capacity planning. We will continue to monitor standards while being on-site and will react to any issues being addressed by workers to Fairwear. Besides monitoring our Chinese suppliers, we also focus similar measures to our factories in Italy, Turkey and Macedonia.
BUYING STRATEGY

BUYING STRATEGY & PRICING

Suitsupply provides the highest level of tailoring in an affordable price range. We buy our fabrics from the best known mills in the history of menswear and we have the highest standard in terms of production quality. We believe that good quality can only be delivered when the quality of the workers is also good. To ensure this, we always check our production facilities before and during production.

Since we are a for-profit organization, we are always looking for the best price and the best quality. Since we won’t compromise for lesser quality we are only producing in well organized and well maintained factories. In almost all cases we work directly with our suppliers, and when not, we only work with FWF member companies. The reason we prefer to work with the suppliers directly is easily explained; we are more involved and better informed about the situation at the factory.

We are always looking for new suppliers to work with, and in the end we would like to have a supplier base that can meet all our different criteria of delivering the highest quality products while providing the best possible working conditions for the workers.

ORGANISATION OF THE BUYING DEPARTMENT

The Buying Department is organized in several sub-groups: Design & Development, Suits, Shirts & Shoes. Design, sampling and ordering involves roughly six employees, which consist of Head of Buying, design and the product managers. One of the responsibilities of the Product Managers is the sourcing of fabrics and garment suppliers.

PRODUCTION CYCLE

Each year, Suitsupply creates two collections, winter and summer. Aside from these collections, we stick to a basic business and never out of stock (NOOS) collection. The production lead times are usually between six and eight weeks upon receipt of the fabric, but please note that timetables are sent ahead at least six months.

Besides the aforementioned, we periodically produce a collection in collaboration with Dutch celebrity Jort Kelder. Emphasis in this collection is on craftsmanship and luxury.
SUPPLIER RELATIONS

Throughout the year we are approached by new suppliers. Our growth is well observed amongst garment suppliers. When we start working with new suppliers we always start with a sample and a prototype. Whilst working on this together, we also inform our suppliers about our FWF membership and the Code of Labour Practices. When we inform the potential suppliers, we also ask them to send us any historical correspondence or audits regarding CSR.

Apart from being approached, we also seek out new production facilities. Our buying office in Wenzhou takes care of all the sourcing in Asia, and, before starting negotiation, we inform the prospects about the FWF membership and Code of Labour Practices.

INTEGRATION AND MONITORING CSR ACTIVITIES

The Buying Department is well aware of standard the company follows in regard to the Code of Labour Practices. While making business choices, we hold joint responsibility to maintain and keep standards set by ILO. The CSR responsible will organize meetings with Product Managers at the start of each season to review the Code of Labour Practices, and discuss any improvements that need to be made.

Every season, Product Managers will visit the garment suppliers. While there, they will also verify that factories keep to what they filled out in the questionnaire. Possible violations will be reported and dealt with in the quickest way possible.

This hands-on approach, alongside the criteria we set for current and future suppliers, will help ensure that all parties benefit from the standards set by ILO.
COHERENT SYSTEM FOR MONITORING AND REMEDIATION

New suppliers are checked on previous CSR audits or reports to give us a better view of whom we are dealing with. We also inform suppliers about our FWF membership and that we follow the Code of Labour Practices set by ILO. Questionnaires are filled out on request and we’ll only do business if they accept our Code of Labour Practices.

As you’ll see in the chart below, our production sites are located in both high and low risk countries. We do, however, keep very strict schedules in terms of monitoring the production sites. For our monitoring audit, we send out representatives of the Buying Department to the factories on a regular basis.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>32.19%</td>
</tr>
<tr>
<td>Italy</td>
<td>29.27%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>24.36%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.37%</td>
</tr>
<tr>
<td>Peru</td>
<td>0.02%</td>
</tr>
<tr>
<td>Portugal</td>
<td>9.01%</td>
</tr>
<tr>
<td>Spain</td>
<td>1.82%</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.91%</td>
</tr>
<tr>
<td>UK</td>
<td>0.05%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

After each visit, whether for quality or audit purposes, all findings are documented. When issues need to be addressed, a corrective action plan (CAP) will be generated. The timescale to improve the issues is, in most cases, discussed directly onsite with factory management. There is a follow-up then scheduled which will go through CAP documents via e-mail or follow-up visits.

In addition, a very important way of monitoring the production facilities is by having the Code of Conduct visible onsite in the correct language and with the right contact details to register the complaints. These procedures are set to ensure and protect workers’ rights.

As previously mentioned, our garment suppliers are experiencing growth through our growth. Indirectly, this means that we are gaining more influence since we are an important purchaser of their product. That being said, we are working to get our suppliers involved in Fair Wear trainings and we got the first one scheduled for 2014.
CHINA

China is not only one of our most important production countries, but also contains a number of our longest relations, some of which have worked with us for almost the entire existence of the company. Due to the importance of the relationship with our Chinese factories, we have set up a buying office in Wenzhou, which takes care of all buying office-related duties. They are present on-site almost daily to ensure our high quality and our set labour practices are maintained. Our buying office looks after the day-to-day activities, and, at least twice a year, employees of our HQ buying office visit the factories to conduct audits.

In China, FWF performed an audit with one of our factories. Several findings were communicated to us regarding salary, hours, safety and rights. Simple actions, like informing workers about the Code of Labour practices, informing the workers about their rights, and unblocking exits were dealt with right away. We’re still pushing all other points of action to be implemented, but we trust it to be solved. There are several points which were up for discussion like ‘not having a complaint box’; the factory actually told us that they do have it, but that the workers rather not complain. With the contact details of the FWF complaint handler visible onsite, we trust that workers are more easily able to bring up issues to our attention.

TURKEY

Turkey was an important country for bags and leather goods production. We developed most of our styles in a factory based in Istanbul. Due to production quality issue and delivery problems, we decided to gradually cease our business with the coming collections, (from 2014 on).

We visited the factory once in 2013 without conducting an audit. The work conditions and safety standards were good but there was no collaboration from the owner/management to discuss potential improvements.

One concern in Turkey is the use of unapproved and unregistered subcontractors. This has been looked into through our agent in Turkey, but a clear report could not be conducted due to the lack of transparency of the factory itself.

A small part of our shirt production is also based in Turkey; we started this collaboration at the end of 2013. Based on the performance (quality/production/delivery) we will decide if we will proceed for a longer term partnership.

PORTUGAL

We’ve produce in Portugal for many years, in particular garment washed items. We have not yet planned any audits in Portugal due to the low risks involved in this country and to the long-term business relationship. We visit the factories regularly with a main focus on checking working hours and subcontractors, especially in the high season.

Our partners are very flexible in producing higher quantity; therefore we want to be sure this is not done using unauthorized or illegal subcontracting.
We collaborate with the factory to find the best solution between our commercial needs and the production capacity, avoiding any risk of excessive hours for the workers.

**ITALY**

Italy is a key country for shoes production. 90% of our shoes are produced in Italy due to the know-how of the factories and higher leather quality.

As it is classified as a low risk-country, we are not conducting any social audits there. However, we visit our manufacturers twice a year to check the production quality and the production lane.

We carefully check the supply chain in order to avoid the use of unapproved and unregistered subcontractors and keep the entire production in the same factory. The Italian production costs rose in the last 2 years due to the increased cost of petrol, energy and local government taxes, therefore the use of illegal subcontractor could be a potential risk.

We have an established relationship with all our suppliers, which are very transparent in showing and explaining the complete production/sourcing/development process.

**MACEDONIA**

The biggest part of our shirt production takes place in Macedonia. This country is responsible for almost 25% of our total production. Since Macedonia is appointed a high risk country, we execute audits and visits on a regular basis. Since 2011 the wages have been rising significant. There’s currently a national minimum wage, which is the first in the history of the Republic of Macedonia.

In September 2013 FWF conducted an audit in our factory in Macedonia. Below, you’ll find the findings. The current situation is that we stress our contact person with the factory to encourage or set in place all mentioned points below. Since we are an important buyer, and they understand our importance of our FWF membership, and have already shown efforts to make changes as needed. Once fully satisfied, we will follow up with our FWF contact person.

Suggestions made by auditors have been followed up on. One of the findings in regard of freedom of association was that the workers weren’t organized. In the meantime, a spokesperson for the workers has been elected. However, the collective bargain still needs to be signed. Safety-related findings like protective work wear were provided immediately by the factory. Obstacles have been removed and fire detection has been installed. We stressed the importance of health and safety regarded issues with our contacts, and, rather than only following up on the findings, they will maintain to improve on safety. Findings regarding physical measurements and parameters have been addressed and are still being worked on.
COMPLAINTS PROCEDURE

When a complaint is brought to our attention we will take immediate action. In 2013 we encountered a complaint from one of our garment suppliers in China. We, along with the local complaint handler, investigated the case to the fullest extent of our ability. Firstly we ensured that the complaint was well-grounded. For what was well-grounded, we arranged immediate corrective measures and compensation. For what was not well-grounded, we discussed with Fair Wear representative to drop the case partially.
TRAINING AND CAPACITY BUILDING

ACTIVITIES TO INFORM STAFF MEMBERS

All staff is informed about CSR-related matters during their general training at “Suit School”; all staff, whether IT, salespersons or executive, attend this training. In this training we go through working conditions in high-risk countries, and how we, as a CSR oriented company, try to make a change in the textile industry.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

We ensure that the contact details of the local complaints-handler, as well as the Code of Conduct in the correct language is clearly visible. As of 2013, we’ve started to motivate factories to participate in FWF organized trainings.

TRANSPARENCY & COMMUNICATION

In regards to our CSR activities, we are totally transparent. We would like to be recognized not only for maintaining and protecting the Code of Labour Practices, but also for addressing issues and providing solutions where needed.

While we communicate our FWF membership on our website, we are also looking to print it on our newspaper, which is released biannually.

CORPORATE SOCIAL RESPONSIBILITY

Suitsupply is committed to doing business in a sustainable manner. That’s why we only work with workshops that meet the internationally recognised standards of the International Labour Organization:

- No forced labour
- No discrimination
- No child labour
- Freedom to unionise, right to collective bargaining
- A salary that covers basic family needs
- No excessive overtime
• Healthy and safe working environment
• Legal employment contract

In addition, Suitsupply frequently inspects its suppliers, and, where necessary, implements improvements. We believe that quality is not only limited to the actual garment, but also includes the manner in which it was produced.