



# SUITSUPPLY

Website:

[www.suitsupply.com](http://www.suitsupply.com)

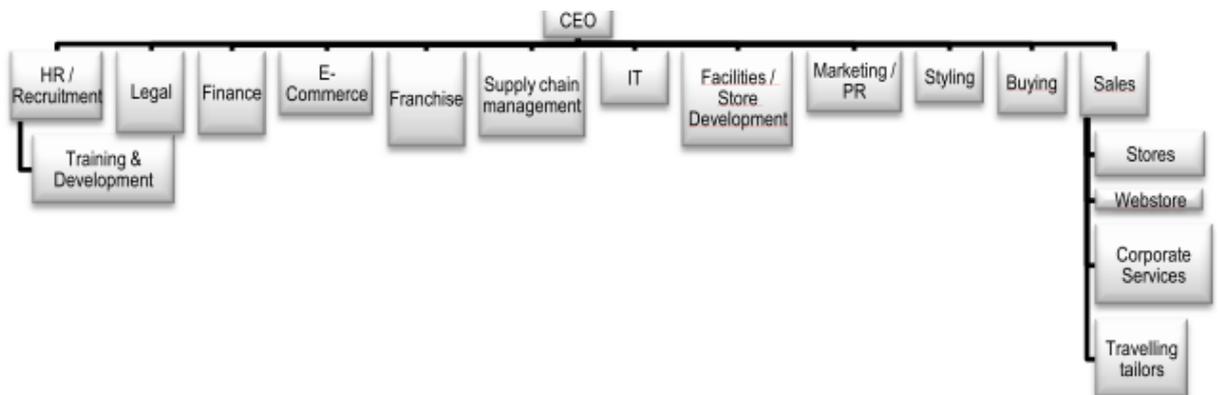
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## Summary: goals & achievements 2014

Because of the long term relationship and good collaboration with a select number of suppliers, Suitsupply succeeds in having a high quality collection for a reasonable price. The Product Managers of the Buying Department (H.Q. in the Netherlands) are in close contact with the suppliers and are monitoring the production process closely. Furthermore, we have two Product Managers based in China, monitoring the production process locally. It is of great importance for Suitsupply to maintain and strengthen the business relationship with its suppliers in order to have a solid base for its production.

By implementing the FWF Code of labour Practices, we achieved the following;

- Audits with new/ more suppliers;
- Improving working conditions;
- Improving wages; and
- Solving worker complaints.

In 2014 Suitsupply has carried out various audits on its following important suppliers: JYY, Ceyadi, Smart Creations, Springair and Asoni.

Furthermore, FWF has carried out a Brand Performance Check at the office of Suitsupply (Headquarters, Amsterdam, the Netherlands) in May of 2014.

In addition, the Product Managers of the Buying Department have continued to visit the suppliers on a regular basis during the last year. During these visits the Product Managers fine-tune the products for the relevant collection, discuss the prices of the products and check the overall well being of the workers and the conditions under which they produce the Suitsupply products.

In order to monitor the performance of the suppliers in a constructive way, the Product Managers have drafted an evaluation report after each visit in which they have included the main points of the Corrective Action Plan (“**CAP**”) of FWF accordingly. Our goal is to have similar conventions with our Chinese suppliers at least twice a year (in order to, *inter alia*, 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 FWF. Besides monitoring our Chinese suppliers, we also apply a similar approach and evaluation to our factories in Italy, Turkey and Macedonia.

Statement Roos Fleuren (Head of Buying):

*“At this time you can’t get away with only improving the circumstances in the factories, you really need to be there for the workers, improve their whole living situations. That’s our goal.*”

*The organization’s sustainability strategy helps us towards the banks as well, everybody is busy with it, from design to finance which makes it a company strategy instead of only buying.”*

## 1. Buying strategy

### 1.1. *Buying strategy & pricing*

Suitsupply provides the highest level of tailoring in an affordable price range. We buy our fabrics from the best know mills in the history of menswear and have the highest standards in terms of production quality. We believe that good quality can only be delivered when the quality of the workers are 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. We will not compromise for lesser quality; we are only producing in well organized and well maintained factories. This does not automatically mean that all workers rights are being kept safe and protected, but it is something that we are keen on and demand from all of our suppliers.

In almost all cases we work directly with our suppliers, and when not, we only work with partners who can provide local support on the daily business and are aware of the FWF Code of Conduct. The reason that we prefer to work with the suppliers directly is explained easily: we are more involved and have better awareness about the actual situation at and conditions in the factories.

### 1.2. *Organisation of the buying department*

Next to being approached by potential new suppliers, our Product Managers are also always looking for new production facilities themselves. We have a local buying office in Wenzhou which takes care of all the sourcing in Asia.

Suitsupply has the following main processes in developing its collections:

**Development process → Purchase process → Production process → Distribution process**

The Suitsupply Buying Department is responsible for the purchase policy including the corresponding administration (such as process and follow-up of orders). There are three (3) Product Managers and six (6) Junior Buyers working at the Product Management Department. The Suitsupply products are divided in the categories 'hanging', 'lying' and 'shoes'. Every Product Manager is responsible for one of the categories. The Junior Buyers give their assistance to the Product Managers.

The Product Managers together with Fokke de Jong (CEO) are taking care of the purchase policy and are responsible for taking the final decisions regarding these matters. By the selection of suppliers, the Product Managers take the requirements as set out in the FWF Code of Conduct into consideration accordingly.

Suitsupply purchases its products directly from manufacturers and suppliers (cut make trimming ("CMT") and full product ("FP")). Sometimes an agent is engaged to assist Suit Supply in the purchase of products and accessories that are susceptible for trends. Suitsupply informs these agents about its membership at FWF and the (necessity to comply with the) FWF Code of Conduct.

The (financial) administration inserts possible new suppliers in the management information systems;

- Account view (bookkeeping system);
- Swift Invoice (invoice system).

The main processes and the most important duties and responsibilities of the Styling, department and Production Management departments are:

- Product Development;

- Purchase;
- Production Distribution/Warehousing; and
- Retail.

### **1.3. Production cycle**

Suitsupply has two (2) collection seasons:

- Spring Summer collection (1 February until 31 July); and
- Autumn Winter collection (1 August until 31 January).

Every season starts with the research and identification of trends followed by the design of the collection. Thereupon prototypes and samples are drafted and the purchase is initiated. Upon agreement of the price, quality and delivery dates the production of the products is started. After their production, the products are being transported and shipped to the stores. The development of the collection has a tight timetable. The time lines of development, sales, purchase, transport and delivery are therefore set out in clear overviews. Encountered problems in the production planning can influence the working conditions of suppliers. Therefore, Suit Supply addresses potential problems immediately with the respective supply and are, if necessary, adopted in the CAP.

### **1.4. Supplier relations.**

Our growth is well observed amongst garment suppliers. New suppliers who wish to work with Suitsupply approach us throughout the entire year. When we decide to start working with new suppliers we always start with a sample and a prototype for them to manufacture. Whilst working on this together, we also advise our suppliers about our FWF membership and the Code of Labour Practices. When we advise the potential new suppliers, we also ask them to send us any historical correspondence or audits regarding CSR.

Note that our local buying office in Wenzhou takes care of all the sourcing in Asia. Next to being approached by potential new suppliers for other countries, we also look for new production facilities ourselves. Before starting negotiations with potential new suppliers we always advise them about the requirements we do business by according to the FWF membership and Code of Labour Practices.

In the past year we have done some sample rounds and meetings with potential new suppliers. However, at this point we did not yet added a new supplier to our supplier's list. The reason for not adding new suppliers to our supplier's list in the past year is for various reasons, but mainly due to bad communication, high prices or lack of quality.

### **1.5. Integration monitoring activities and sourcing decisions**

Our sourcing strategy has not really been changed, but has been influenced for the past couple of years by factors such as the development of countries with low duty tariffs. Examples of such countries are Indonesia and Jordan. These countries are interesting for us as we mainly export to Europe and the US and could help to lower our cost prices and to increase the margins in the future.

Our Buying Department is well aware of the requirements Suitsupply has to meet and the approach it has to take in order to be compliant with the Code of Labour Practices. While making business decisions, the Buying Department jointly holds the responsibility to maintain and keep the standards as set by the International Labour Organisation ("ILO"). The employee responsible for CSR within Suitsupply will organize meetings with Product Mangers at the start of each season to review the Code of Labour Practices, and discuss any of the improvements that need to be done.



Every season the Product Mangers will be visiting the garment suppliers. While visiting there they will also check if the factories keep to what they filled out in the questionnaire. Possible violations will be reported and dealt with in the quickest way possible.

Together with the criteria we set for current and future suppliers this will ensure that all parties benefit from the standards set by ILO.

## 2. 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 actually dealing with. We also advise the suppliers about our FWF membership and emphasize that we follow the requirements set out in the Code of Labour Practices set by the ILO. Questionnaires are filled out on request and we will only do business if the potential new suppliers accept our Code of Labour Practices.

As you will see in the chart below, our production sites are located in 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 our Buying Department to the factories on a regular base.

Country	Total
China	32,19%
Italy	29,27%
Macedonia	24,36%
Netherlands	1,37%
Peru	0,02%
Portugal	9,01%
Spain	1,82%
Turkey	1,91%
UK	0,05%
Grand Total	100%

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

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

As discussed earlier, our garment suppliers are experiencing growth through our growth. Indirectly this means that we are having more influence in respect of such supplier since we are an important purchaser of their products. This being said we are trying to get our suppliers involved in Fair Wear trainings. JYY (China) will be participating in 2015's training. We also did request if there are trainings available for our factory in Macedonia, but unfortunately that's not available yet.

## **2.1. China**

- Ceyadi
- JYY
- Smart Creations
- Springair
- Cortex

China is one of our most important production countries. In China we also have our oldest business relations. Some factories we work with for almost the whole existence of Suitsupply. Due to the importance of the relationship with our Chinese factories, we have set up a buying office in Wenzhou accordingly, which takes care of all buying office related duties and inquiries. Wenzhou is present onsite almost daily to ensure our high quality and our set labour practices. Our buying office looks after the day-to-day activities. At least twice a year employees of our HQ Buying Department visit the factories to conduct audits.

In April 2014 an audit took place at Ceyadi and JYY. The overall results were good, but improvements needed to be done for both factories regarding the minimum wages (which did not meet the local standards). The FWF Code of Conduct was not posted and there was no effective internal grievance mechanism in place. These points have been discussed with Ceyadi's and JYY's management and are being closely monitored by Suitsupply, so they will be improved on short notice.

## **2.2. Turkey**

A small part of our shirt production is based in Turkey. We started this collaboration with Entari at the end of 2013. Because of the good results they deliver in 2013, during 2014 and up and until today, we will continue working with them. They are producing shirts from all fabrics we order at Sektas, a well known Turkish fabric supplier that only uses Egyptian cotton for their collections. We specifically have chosen to keep the line between fabric and shirt supplier very short for reasons such as communication, price and the environmental benefits (less transportation, less CO<sub>2</sub>). Entari has been checked (audited) before and is aware of FWF and the FWF Code of Conduct. The first upcoming audit is planned for late 2015.

## **2.3. Portugal**

- Acorfato
- Sindutex

We produce in Portugal since many years, in particular garment washed items. We did not plan any audits yet in Portugal due to the low risks involved in this country and to the long term business relationship. We visit the factories regularly and our main focus is to check 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 subcontractors or black work.

We collaborate to the factory to find the best solution between our commercial needs and the production capacity avoiding any risk of extra hours for the workers.

## **2.4. Italy**

- Maurizi
- Madaf

Italy is a key country for our shoes production. 95% of our entire shoes production is done 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 check 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 became higher in the past three (3) years due to the increase costs of raw materials, petrol, energy and local government taxes therefore the use of illegal subcontractor could be a potential risk.

We have an established business with all our suppliers that are really transparent to show and explain the complete production/sourcing/development process.

We are currently sampling with some new Italian suppliers. Due to our growth and increasing orders, we are required to spread our order quantities and not to bet on one horse. Instead of having one or two nominated suppliers, it's better to produce in several facilities and therewith lower the risk of for example bankruptcy, faulty productions and long lead-times. Furthermore we would like to add a higher level to our collection, which is why we look at other potential suppliers as well.

## **2.5. Macedonia**

- Asoni

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 significantly. There is currently a national minimum wage, which is the first since the history of the Republic of Macedonia.

In November 2014 FWF conducted an audit in our factory in Macedonia. Overall results were good, improvements were made on many points and the audit people felt very welcomed by the factory.

In general points of improvement are on safety (use of chemicals), and revealing all wages. This point has been mentioned before and we are working with them in order to get all information necessary in the nearby future. However, the factory did give permission for us to take as many samples as needed from all personnel. The outcome of those samples was that all wages are above the minimum and overtime is being paid.

### 3. Complaints handling

An internal grievance system is established in most factories. Workers can use the complaint box for their grievance, but in some cases they are unwilling to complain as they prefer to resign. Suitsupply is guiding the factories to better communicate with their workers, as well as to encourage them to give suggestions and feedback.

When an official complaint is brought to our attention we will take immediate action, like in the case of Smart Creations.

#### Description of the complaint:

In May of 2014, an employee of Smart Creations filed a complaint at FWF. The employee had a one (1) year contract with Smart Creations and indicated Smart Creations wanted to terminate the employment agreement on a notice which was way too short. This would mean they did not follow the law of giving thirty (30) days' notice in respect of termination of the employment agreement.

Smart Creations wanted him to submit a resignation letter on his own initiative and therewith confirm his last working day. This way, Smart Creations would avoid paying the legal required severance pay of one month wage. because it would mean the employee resigned instead of the employment agreement being terminated by the employer.

According to local law, any employer that wishes to terminate an employment agreement within the employment period, that employer must inform the worker thirty (30) days in advance and pay additional one (1) month's salary to the plaintiff as severance (relative to the number of months worked by the employer) plus all due wage and benefits.

The factory confirmed they did not give a thirty (30) days notice. At first the factory did not agree to pay a severance amount, since they encouraged the employee's resign out of own initiative. In addition, the employee has been working at the factory for only three (3) months. With the support and intervention of Suitsupply stimulating the management to properly terminate the employment agreement, they indicated to be willing to find a solution together with the employee.

FWF verified with the employee whether he had received the agreed payment, including the additional half a month salary. The employee was satisfied with this solution and thanked Suitsupply and FWF for solving this and for standing up for the employee's rights.

Furthermore, it has been brought to our attention that although an employment agreement has been signed between the factory and the employees, a copy of such employment agreement is not distributed to the employees. It will be monitored closely by all parties involved that all employees will receive their signed employment agreement accordingly.

## **4. Training and capacity building**

### ***4.1. 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.

### ***4.2. Activities to inform agents***

We work directly with all factories, even if agents are involved. This way of working gives us more direct and shorter communication lines, less trouble and creates a better understanding between SuitSupply and all factories. Because we aim for long-term relationships with all our suppliers this also gives more transparency on all aspects.

The few agents that are involved, work more on the side in a supportive manner (accompany them or us on visits and are included in emails in cc). Because they do not do any direct business for us with the factories, they are not trained for FWF compliance. However, they are all aware of us being a member of the FWF and the Code of Conduct.

### ***4.3. Activities to inform manufacturers and workers***

We ensure that the Code of Conduct is clearly visible in the correct language and contact details of the local complaints-handler. As of 2013 we started to motivate factories to participate in FWF organized trainings. JYY will be anticipating in 2015's training.

We monitor the workspace conditions of our suppliers ourselves. Part of this programme is letting the management of our manufacturers fill in a questionnaire, FWF carries out the audits on behalf of Suitsupply and factory visits are being done by our representatives.

## **5. Information management**

In many cases it will be impossible to require that all our manufacturers achieve immediate compliance with the FWF labour standards. Therefore we start a process of improvements by drawing up a corrective action plan. This means Suitsupply and our factories work effectively together to bring labour conditions up to FWF labour standards.

Intermediate goals set within a specific time frame are specified in all corrective actions plans.

### **5.1.1. Transparency & communication**

In regard 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 provide solutions where needed.

We communicate our FWF membership on our website and we also publish it in our bi-yearly newspaper.



## 6. 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 recognized standards of the ILO:

- No forced labour;
- No discrimination;
- No child labour;
- Freedom to unionize, right to collective bargaining;
- A salary that covers basic family needs;
- No excessive overtime;
- Healthy and safe working environment; and
- 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.