



K T C

K N O W L E D G E
T E C H N O L O G Y
C R A F T

KTC Limited
THE BEST MADE BETTER

Social Annual Report 2012





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COMPANY OVERVIEW

KTC Limited (KTC) was incorporated in Hong Kong in June of 1971. The idea was to source garments in the Far East made at the same quality level as the European manufacturers at that time.

In 1975 we were one of three companies given the opportunity to source garments in Asia for adidas and within one year we were given the exclusive sourcing contract for their garments to be produced in Hong Kong, Macau, China and Thailand.

When China opened its doors to foreign enterprise in 1978 we were quick to react. At that time we had already been doing business in Asia for a number of years and immediately began working on plans to open our own manufacturing facility in Mainland China. A suitable Location was selected just north of Hong Kong on the Pearl River Delta in Heshan, Guangdong Province. Heshan Rondor Garment Limited opened in 1981 producing the first all weather suits in China for adidas. KTC then gradually expanded into the manufacture of skiwear, outerwear and performance sportswear.

In the 1990's KTC was sourcing high quantities of garments out of Laos and Thailand for European customers and were presented with a great opportunity to build a manufacturing operation in Vientiane, Laos. Named Trio Lao, this facility was built for the production of woven performance apparel.

It has been a 41-year adventure, where KTC has always invested in knowledge, technology and craft. We constantly strive to lead our industry in the "Art of Performance Manufacture". At KTC we know that we are only as good as the people who work for us, we will only be the best if we employ the finest talent, and our people make us what we are. This is the reason why KTC is a member of the internationally recognized Fair Wear Foundation, and is committed to Fair Wear Foundation's mission of improving labor conditions across our industry. To this end, KTC invests in the education of our workforce and their children. For many years we have supported local schools and paid the tuitions for many pupils and students in Heshan. KTC is one of the donators of a privately funded however public primary school located opposite to our factory in Vientiane, Laos and a secondary school close by as well.



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ART OF PERFORMANCE MANUFACTURE

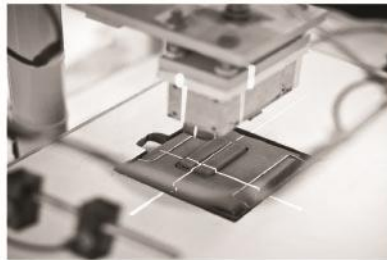
KTC's aims are simple: to invest in knowledge, technology and craft, and define the "Art of Performance Manufacture."

Knowledge



'Business is People' and it is the combined knowledge of our customers, suppliers and the people working in our company that makes the difference.

Technology



We use technically advanced machinery and equipment to achieve the ultimate performance of our garments.

Craft



Our craftsmanship is based on the vast experience of our long serving staff and is expressed in the utmost attention to minute details. We often use additional costly working steps to ensure the best possible performance, look and comfort.

The aim at KTC is to grow with its brand partners who also strive for perfection in performance manufacture.



KTC's Commitment to Transparency and Social Responsibility

It is possibly one of the greatest achievements that in our commitment to social responsibility and sustainable manufacturing was being accepted as the first performance technical garment manufacturer to become a member of the internationally recognized Fair Wear Foundation. since 1st May 2011 KTC accepts and continues sustaining its responsibilities with regard to labour rights and occupational safety and confirmed it is committed to meeting international social compliance standards. Over the years KTC has learned that compliance is an evolving process. By implementing the FWF Code of Labour Practices, KTC aims to continually improve the compliance process, provide fair labour conditions to all the workers and enhance transparency to the general public.

The improvements of working and living environments in China and Trio for 2012 and 2013

We target to keep improving the factory environment and facilities. In 2012 and 2013, the factory in China will continue renovating the production floor by extending the sewing machines in order to hire more sewing workers as a result of reducing overtime working hours. We also improved the fabric store room by extending the area of loading platform, this eases the forklift trucks and fabric staffs to have more space to facilitate the loading of incoming fabrics to our storeroom, an industrious safety measure to improve the factory working environment. In our workers' canteen, we extended the canteen by renovating the kitchen for not only improving the working space but also a very much better hygienic environment, the project is almost complete at the time of writing this report. In 2012, we were aware of the growing demand of workers using the motor bike parking lot; we rebuilt it with concrete shelter for both our company's automobiles and employees' motor bikes.

In 2012-13, one of the biggest projects is the renovation and updating of the workers dormitories at Trio. This extensive project is expected to modernize the facility to align with the increasing needs of our workers. The dormitory is still being renovated by phases.

Production capacity

In 2012 we did not increase any sewing production capacity due to the reduced forecasted demand from our customers. In 2011, we had added 6 sewing lines to accommodate the increase in demand and that increase flattened out in 2012. Currently, we are under construction for 4 additional knitwear lines due to a projected increase in demand during the second half of 2013.



In 2012, we saw a dramatic increase in the incorporation of specialty production process in our customers' garments. These garments were to be produced in Bulk Orders late in 2012 and through 2013. For this reason we increased the production capacity of both our seam taping and bonding departments to cope with this increase in demand.

Social Audits

At the time of writing this report, we have received a notice letter from FWF, knowing that they will be conducting the social audit on 28th and 29th March 2013. In 2012, we did provide monthly living wage breakdown for the past few months and an updated breakdown of the yearly figures for 2012 recently. This is one of the items we expect FWF audit staff should verify our figures in the forthcoming audit.

There had been one audit carried out by FWF's local team at KTC Trio (Lao) in 2012. We found no critical point and are closely monitoring the CAP's outstanding points. Most of them have been cleared.

Best Practices in 2012

In order to understand the employees' satisfaction level of our factory, Timeline consultancy was commissioned to conduct an employee satisfaction survey study at our Heshan Factory in 2011. Following the study results, a continuous improvement project of employee relations management is proposed by Timeline Consultancy. In 2012, we had hired the Timeline to carry out on site training on inter department communication. About 50 mid level management staff were invited to take part the training. The training is considered successful based on the survey report.

For the sewing workers, we also worked in collaboration with Guangdong Heshan Shuren Technical School; they sent the teachers to train our workers on the theory and technical skills of garments making for almost four months from September to December 2012. The training was carried out in the evening hours. Management is proud of their efforts and achievements as 388 sewing workers who joined the training could obtain the pass certificates after having taken the school's examination. We did hold a certificates conferring ceremony for them in January 2013.

Another best practice in 2012 is the payment if a living wage, which is illustrated in details in Appendix 1 (FWF CoLP No. 5). As introduced by FWF on the wage ladder tool, it shows how paid wages relate to several benchmarks. In addition to providing decent working conditions to our workers, management strives to pay at least the best practice wage or the legal minimum wage, whichever is higher, as the regular wage. In doing that, we base on the given criteria that the Asia Floor Wage @RMB2,244 to analyze the average wage level for 2012 and regularly provided



the monthly result to FWF in order that they are aware of our improvement on our wage level. The calculation of the average wages is based on 40 hours a week and 4.3 weeks in a month. The result indicated almost all departments could achieve to the given amount RMB2,244.

In 2013, Management continues to earmark a special budget to invest on our employees in different capacities. We would certainly keep you informed once is plan is clear and concrete.

Production and Social Compliance

Our Company adopts Make-to-order strategy that means we produce goods after receiving an order from customer. During the production-planning process, we compare between sales requirements and production capacities, so that we can plan for our materials and workforce needs 9-12 months in advance.

Currently 70% of our customers are able to provide us with balanced bulk production orders every 4 to 6 weeks throughout the entire year. This strategy was implemented in 2011 and has taken over 18 months to come to a point where both KTC and our customers can see real benefit. The benefit for our customers is a more competitive manufacturing cost (labor-per-garment) due to lesser need for overtime and timely delivery of finished goods as well.

For every order, we check materials that we require and calculate labor needs and determine whether overtime is temporary help will be needed. In normal situation, workers need to work from Monday to Saturday, 8:30 am to 5:30 pm. During peak seasons, the factory may require the arrangement of overtime or the need for hiring additional workforce to fulfil production demand from season to season. When overtime is required, it is voluntary at worker's will and workers will be paid with overtime premium according to the local labor law.

KTC is focused on our fulfilment of social compliance standards, because of that, when a decision is made on factory policies; we always consider the rules and regulations of social responsibility in order to meet the wishes of our diverse partners. For instance, the minimization of overtime and maximization of efficiency during normal working hours for cost saving. The elements of no forced labor, no discrimination, no child labor, freedom of association, fulfilment of minimum wages, premium payments of overtimes, work safety and environmentally friendly policies are all factored into our commercial decision making process.

As part of new national regulations in China, a growing number of our employees are joining the Social Insurance Scheme. When compared year over year, roughly about an increase of 7.4% (2011: about 64.82% and 2012: about 72.72%) of our employees newly joined the Social insurance Scheme in 2011. We have put notices up on all of our notice boards to encourage our long service but not buying social insurance piece rate workers to take part. All monthly paid staff had joined the scheme already. We are working together with the Chinese labor



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department toward the goal to encourage all of our employees about the benefits of this system that we achieve a full coverage gradually

Internal Monitoring System

Our factory envisages continuously improving working conditions by knowing all applicable legal requirements. By tracking legal and regulatory changes specifically relating to minimum wage, working hours, health and safety, child labour, forced labour, harassment, discrimination or abuse, working hours, benefits, environment and factory security we are able to ensure that the factory operates in compliance with the law

The guidelines for the internal monitoring system include the identification and maintenance of all copies or summaries of applicable local laws. We maintain all necessary records and required permits related to the operation of the factory. By designating management representatives to have responsibility we are able to ensure that the factory complies with its legal obligations. Our social compliance manager cooperates with enforcement officials responsible for reviewing compliance practices. KTC constantly reviews the work rules and our employment handbook to ensure that they comply with current law. We also perform monthly internal compliance audits, which allow us to identify any issues and take immediate action.

Besides that, the factory uses the results from the annual social audits by our partners as a benchmark in order to ensure the quality of our internal monitoring program. If there are any noncompliance issues raised, the factory will take immediate action to improve the situation within the requested time schedule.

Social Compliance

By implementing the FWF Code of Labour Practices, KTC will continue to take the responsibility to meet international social compliance standards, provide fair labour conditions and enhance transparency to the general public.

A handwritten signature in black ink, appearing to read 'Gerhard Flatz', written in a cursive style.

Gerhard Flatz, Managing Director

___ March 2013



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APPENDIX

As part of the Social Report 2012, we also include the following appendices for interested parties.

- Appendix 1: FWF Code of Labour Practices
- Appendix 2: Grievance Procedure
- Appendix 3: Training and Capacity Building
- Appendix 4: Transparency
- Appendix 5: Other activities on Corporate Social Responsibility



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APPENDIX 1

FWF CODE OF LABOUR PRACTICES



FWF Code of Labour Practices

All of our stakeholders including workers, subcontractors and customers are well informed about KTC's commitment to the FWF Code of Labour Practices.

Our Workers are informed about the FWF Code of Labour Practices by having this information along with FWF contact information printed in local language and posted in prominent places at our factories. If there is any complaint received by FWF, we can provide our employee list to FWF for verification of the identity.

A copy of FWF Code of Labour Practices was e-mailed to our subcontractor for their awareness, and they are requested to meet all applicable standards and requirements. In order to monitor the working conditions, we inspect that nearby factory once every few months.

Our customers are well informed by our Company News with a copy of FWFs Code of Labour Practices for their kind attention.

Implementation of the FWF Code of Labour Practices

FWF CoLPs No. 1: Employment is freely chosen

Our factories always ensure a consistent, fair and merit based approach in accordance with relevant employment legislation, which includes:

- No child labour is allowed to work in our factory. All the workers must be above the age of sixteen
- Workers shall not be discriminated in aspects of nationality, race, sex and religious beliefs
- Women enjoy the equal rights of employment as men. In providing employment, it is not allowed to refuse employment based on gender or raise the employment standards for women, except when the jobs or work posts are not suitable for women as provided for by the State
- If a worker wants to dissolve his labour contract, a notification in written form should be given to the employer concerned 30 days in advance
- During the probation period, worker may notify the employer of his decision to dissolve the labour contract at any time

In addition, all related documents submitted by applicants need to be verified to avoid any fraud prior to employment. Also, updated personnel files are maintained for each worker. Such files have copies of basic worker information such as an identification card, birth certificate, school leaving certificate or other documentation.



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Our factories do not allow forced labour whether in the form of prison labour, indentured labour, or bonded labour.

The following is the guideline on preventing forced labour:

- Overtime hours must be voluntary
- Workers are not disciplined for refusing to work overtime
- All workers are voluntarily present. No workers are imprisoned or locked in the factory
- No locked gates or doors are used which prevent workers from exiting

FWF CoLPs No. 2: No discrimination in employment

Our factories employ, pay, promote, and terminate workers on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs.

In providing employment, we will not refuse employment of women on sex grounds or raise the employment standards for women, except when the jobs or work posts are not suitable for women as provided for by the State.

FWF CoLPs No. 3: No exploitation of child labour

Our factories work actively to prevent child labour and we do comply with all applicable laws governing minimum working age as stated in the local Labour Law. Also, our factories take all necessary precautions to ensure that workers under the age of 18 are protected from working conditions likely to endanger their health, safety or welfare.

The following are the guidelines on preventing child labour:

- The factory has hiring policies and procedures that ensure that the minimum age of workers corresponds to all local laws
- The age of each worker is verified prior to his or her employment
- Updated personnel files are maintained for each worker. Such files have copies of basic worker information such as an identification card, birth certificate, school leaving certificate or other documentation
- Factory maintains a list of workers who by age are restricted to certain hours and operations. The factory ensures that these workers are not working beyond the restricted hours or in hazardous positions
- If we discover workers below legal age, we will follow FWFs child labour policy notwithstanding if workers have provided incorrect information about their age, the employer bears responsibility for their well being. Therefore, we will help them either go back to school or provide the minimum wage for a standard working week



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FWF CoLPs No. 4: Freedom of association and the right to collective bargaining

Our factory has a written policy, which states that workers are free to organize and join legal workers' organization (unions or similar organizations) without discrimination. Also, we will not discriminate, penalize, threaten, restrict or interfere with workers choosing to lawfully form or join unions or associations. We have formal communication channels such as suggestion boxes so that workers have opportunities to raise issues of concern and to have those issues addressed by management.

With regard to worker representation, it takes place among workers to elect representatives and we would post the announcement about election of the working committee, usually between September and November in a year. If any workers who are interested in to be the committee, they are encouraged to submit their names to the personnel department for the Union's meeting. Nevertheless, such announcement received lukewarm responses from employees. The Union usually discusses the issues like date and programs of annual dinner party event, Chinese New Year holiday and job arrangements, arrangement of coaches for workers to and fro of their far-flung home towns, pay advances for workers to have more money to spend in Chinese New Year etc. During the Union Committee meeting, the secretary will record the present and propaganda in minutes and those committee members will sign for record.

Our Company understands that a sound social dialogue between management and worker representatives is very important. In order to improve the situation and attain a sustainable progress, we will try to facilitate training for management staff and worker representatives with regard to the right of freedom of association, collective bargaining, China Labour Law, FWF's Code of Labour Practices and representative skills, so that they will have at least some basic knowledge and information on this subject.

**FWF CoLPs No. 5: Payment of a living wage**

Our Company has two types of salaries and wages – monthly paid salary and piece rate wages.

First and foremost – all payments must be fulfilled the minimum wages in normal working hours in our province irrespective of the payments are in monthly paid salary or piece rate wages.

- 1) Monthly paid salary – covered at least the minimum wages in a month plus overtime pay and special allowances when working on Saturday.
- 2) Piece rate wages – included the accumulated piece wages in a monthly, plus overtime premium, special allowances when working on Saturday, hardship allowance and transportation allowance.

Besides that, we will also consider the living wages for workers. As introduced by FWF on the wage ladder tool, it shows how paid wages relate to several benchmarks. Since we envisage providing decent working conditions to our workers, we will try to pay at least the best practice wage or the legal minimum wage – whichever is higher – as the regular wage. For the past one year, we regularly emailed the living wage schedules to Ivo in an attempt to ensure what we paid to workers are very much closed or exceeded the required standard, Here below is the summary for 2012 which had been submitted to him separately in January 2013.

Monthly Wages plus Monthly Meal Cost between Jan 2012 and Dec 2012

Department	Monthly Wages + Meal Cost	No. of Working Years					
		< 1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Sewing	Highest	5,537.30	5,007.42	5,154.51	4,553.27	5,607.35	5,581.09
	Average	2,237.69	2,284.63	2,479.70	2,510.35	2,586.22	2,592.36
	Lowest	1,225.12	1,185.61	1,279.69	1,401.39	1,390.19	1,222.07
Packing	Highest		3,308.95	3,308.95		3,288.52	4,916.04
	Average		2,535.56	2,546.11		2,540.63	3,143.18
	Lowest		1,837.06	2,087.27		1,837.06	1,837.06
Ironing	Highest	5,098.91	3,452.80	4,662.14	4,233.49	5,065.78	4,157.40
	Average	1,967.15	2,001.93	2,132.46	2,332.96	3,481.71	2,540.32
	Lowest	1,274.51	1,170.22	1,236.06	1,223.42	2,249.30	1,211.75
Inspection	Highest	2,761.24	2,918.02	3,761.57	3,410.27	3,799.37	4,785.76
	Average	2,091.15	2,043.02	2,339.38	2,164.54	2,275.45	2,436.41



	Lowest	1,536.57	1,165.25	1,525.99	1,368.73	1,342.90	1,133.68
Cutting	Highest	3,323.08	2,742.63	2,898.91	2,880.66		2,988.61
	Average	2,059.09	2,033.27	2,094.10	2,213.75		2,205.23
	Lowest	1,503.11	1,452.81	1,586.41	1,640.34		1,452.81
Bonding and others	Highest	4,787.89	4,304.54	4,290.24	5,043.41	4,447.84	4,571.27
	Average	2,220.64	2,351.17	2,464.21	2,604.66	2,815.69	2,609.34
	Lowest	1,223.42	1,225.12	1,345.77	1,249.32	1,493.85	1,115.20

Notes:

- (1) This summary does not reflect the actual pay; since it contains the meal cost which of RMB505 per month (breakfast RMB4.6, lunch RMB7.8 & dinner RMB7) an employee would have to bear when dining outside the factory premises; however the company provides this for a minimal fee of RMB26 per month. The total difference of RMB479 is added to workers' monthly wages to reflect their living wages.
- (2) After adding the meal cost on the monthly wages, we found that most of our workers meet the Asia Floor Wage @RMB2,244 (shown in green) and the FWF Living Wage @RMB2,500 (shown in blue).
- (3) The calculation of the above average wages is based on 40 hours a week and 4.3 weeks a month.

Trio in Laos

As of December 2012, the general wage levels are shown as below:

Direct workers: Kip1,252,864 / USD157
 Indirect workers: Kip1,349,923 / USD169
 Admin staffs: Kip1,299,145 / USD162

Overall average wage: Kip1,248,270 / USD156

FWF CoLPs No. 6: Reasonable hours of work

The company policies are to maximize the normal working hours and minimize the overtime works. Owing to purchased materials delays, buyers changed shipment dates or unforeseen situations, which are all required working overtimes and it is unavoidable when everything is taken into account in our production scheduling. As advised by FWF, it is important that buyers and suppliers jointly take responsibility in the process of reducing overtime. If there is any overtime work required, we will certainly take initiative to discuss the real situation with our customers and try to reach a workable solution together.



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If overtime work is required, the Director of Operations would decide which period to work overtime for how many hours a day and discuss with production managers about the job arrangements. The production managers will arrange the same with department heads and line supervisors for overtime works. During the overtime period, workers are free to sign on an overtime sheet in the daytime to ensure they are willing to work overtime on that evening.

In case overtime exceeds the requirement, the factory can evaluate the situation and find alternative solutions such as increase workforce or decrease production capacity. Also, the factory can consider adopting higher technology machines to reduce manual productions and avoiding any excessive overtime work. Besides that, we can try to find some ways to improve workplace productivity e.g. limit waste and inefficiencies in workplaces; reduce unnecessary production time or procedures, increase efficiency on production capabilities, better production schedule planning e.g. no rush for any productions if lead time is sufficient.

Rondor Garments in Heshan, PRC

The overall average weekly overtime in 2012 is 10.7 hours.

Trio (Lao) in Vientiane, Lao P.D.R

The total number of working hours per week is 58, 10 hours a day on every Monday to Friday and 8 hours on every Saturday.

FWF CoLPs No. 7: Safe and healthy working conditions

KTC has established labour safety and health care policies at its factories since their inception in 1981. We would like to outline as follows our current policies:

Fire Safety

Emergency exits on all floors must be clearly marked, well lit and unblocked all the way by drawing lines on each sewing floor, godown and all production floors so that no obstacles on paths. Any goods or materials blocked the paths have to be moved away to ensure evacuation through emergency exits must always be possible during working hours.

In 2012, we had checked all fire extinguishers in every corner of the factory complex and rearrange the fabric shelves in order the storeroom to have more walking path from fire safety point of view.



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Everyone working on the premises, including managers and guards, must be regularly trained in how to act in case of fire or other emergency. Regular evacuation drills for all employees are required; evacuation plans and firefighting equipment must be in place.

Chemical Safety

The factory has only one chemical material, which is cleaning detergent in liquid form. As it is easily evaporated, we do store those in plastic tanks with properly labelled and safely stored in a hut within our factory compound.

Electrical Safety

The persons in charged of boilers, lifts, compressor room, generator and special electrical equipment have to be qualified persons by obtaining recognized certificates. The Electricity and water department's staffs are well trained and they have to conduct routine checking of every electrical plants and equipment because of wear and tear causing fire or accidents.

Machine Safety

All sewing machines, button and special machineries have all been installed protection guards. Workers are provided gloves when operating cutting machines. Before new machineries are put into operations, workers are trained how to use and put alert of the steps to be done in case of accidents. Also, safety check is conducted for every machine on a regular basis.

Noise

In the garment industry, we provide earplugs when workers starting the machines in Embroidery Department (EMB). When staff entering such department, they are also required to wear earplug. In the Finishing Department, workers using the pressure guns to clean the dirt of garments have also to wear earplugs. In fact, we use one noise barometer to detect if sound decibel exceeds to an alarming level then workers have to compulsory wear earplugs during working hours.

Dust

The factory has a large team of cleaners to work continuously to ensure to cleanliness of the factory complex. Masks are provided when they do their jobs. In certain departments like workers in kitchen and cooks have to get health certificates from recognised medical centres.

Ergonomics

Workers are trained when they arrived our factory, included how to sit when sewing the garments. They are advised to change the sitting gestures after an interval of time.



FWF CoLPs No. 8: A legally binding employment relationship

The factory uses the original Heshan province employment contract (鶴山市勞動合同), which covered all the requirements stated in the local Labour Law.

All employment contracts are required to be signed on the first working day; one copy is kept by the Company and one copy is kept by worker.

In order to abide by the labour law that all employees are required to buy social insurance, we have mandatory require all monthly staff to join the scheme and we also put posters to encourage those exiting workers to take part buying social insurance. Those new coming workers, we also adopted a policy to request workers to buy social insurance starting from our notice letter dated 8/1/2013. As a result, the year to year comparison 6.8% was increased and about 72% employees have joined the scheme already.

Execution of Corrective Action Plans

If any non-compliance issue was found during an internal audit third party audit or at anytime in between, the factory will take necessary action as quickly as possible and make sure assigned responsibilities for actions and schedules are clear so that correction occurs in a timely manner. Also, we will communicate any findings to employees, and provide any follow-up training for changes in the procedures that may result.

The following is a checklist to help complete corrective action:

- Identified the problem(s)
- Identified the cause(s)
- Come up with a solution for each
- Implemented the solution(s)
- Documented the solution(s)
- Communicated the solution(s)
- Documented the action(s)

In case we have questions that need advice from buyers, we would explain our problems and ask for alternative solutions. In most of the cases, the customers' social compliance departments could provide practical methods so that we could follow and clear the outstanding points.



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Involvement of workers

Our Company understands that a sound social dialogue between management and workers is very important especially in the process of improving working conditions. We have formal communication channels such as suggestion boxes, worker committee etc. so that workers have the opportunity to raise issues of concern and to have those issues addressed by management. In addition, FWFs Code of Labour Practices including the contact information of FWF's local complaints handler is posted in prominent places at our factory. Therefore, our workers are able to learn more about their right and the social standard of the working conditions.

Role of agents

Our Company works with brand clients only and has no work with agents.

Social audits are conducted regularly in our factory. Our customer will raise to our awareness of any non-compliance issues that are found and they will provide us with a Corrective Action Plan to respond on every issue. When we receive the CAPs, we will adjust our process and procedure accordingly to best to improve the situation and fulfil the requirement within the time schedule.



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APPENDIX 2

GRIEVANCE PROCEDURE



Grievance Procedure

If there is any worker's grievance occurred, our workers are encouraged to contact our personnel manager and the factory will deal with the issue as rapidly as possible and at the lowest possible level within the organization. Such grievances may be resolved by an informal discussion between the workers and the line manager or supervisor. If the grievance cannot be dealt with by informal discussion, then it can go to a more formal procedure through workers committee, general meetings or suggestion box.

The following steps indicate briefly what is involved in adopting formal grievance procedures:

Stage 1: Worker addresses the grievance, often verbally, to their immediate supervisor or line manager.

If the grievance is against this line manager, then the matter should be brought to the attention of a more senior supervisor.

The worker should have, at any stage of the grievance procedure, the right to be accompanied by a worker committee representative, or even legal counsel if he or she so desires.

Management should respond to the worker within 10 days of the first meeting.

Stage 2: If the issue is not resolved during Stage 1, the worker should be permitted to raise the matter, generally in writing to a more senior level of management.

The manager should then investigate the matter thoroughly, generally by speaking with any possible witnesses and taking statements from anyone else who may have been involved. The manager should respond to the worker within 10 working days.

If the grievance is contested, the worker should be invited to attend a meeting to discuss the grievance.

The meeting will involve a panel made up of equal representation of workers, managers and independent worker committee representatives.

Following the meeting, and incorporating the recommendations of the meeting, the manager should reply to the worker in writing within 10 working days.

Stage 3: At this stage internal procedures have been generally exhausted. The worker generally has formal legal options available by law such as arbitration.



The role of worker committee is also to ensure proper grievance handling. The worker committee should listen to the worker's complaints, keep all notes of investigation and make a collective decision on processing the grievance to the next step. Also, it is very important to note that personal feelings cannot be allowed to interfere with the processing of that worker's grievance. Also, all the related documents must be filed and kept confidential by our Company and the worker committee.

In 2012, the factory received about less than ten complaints from employees. Most of them were settled. Here below are some of the complaints that management had settled.

Complaint examples:

The disputes occurred between senior and her subordinate in sewing floor due to insulting language when assigning job. We investigated and conducted meetings separately between them in order to find out the truth before settling the case. Some workers complained about the broadcasting music was bored and requested for renewing the CDs., we bought new CDs as soon as we got the approval from management. Recently, workers suggested to have one dish out of three dishes to be spiced food, our General Manager personally expects this has to be carried out since many workers came from northern part of China. In our every meal food selections, one dish is spiced food.



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APPENDIX 3

TRAINING AND CAPACITY BUILDING



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Training and Capacity Building

Staffs are well informed about FWF membership through the following channels:

- Notice Board
- Company Website

FWF Code of Labour Practices with FWF contact information is printed in local language and posted in prominent places at our factories.

Internal training will be provided throughout 2012 to staff members who are involved in human resource management and /or other activities to improve working conditions. Through the training, staff will be sufficiently informed about FWF and the implementation of the Code of Labour Practices. Also, in order to effectively implement the FWF Code of Labour Practices, staff will be informed about the implications of the Code for their work.

As mentioned in previous section, we truly appreciate the philosophy of “Business is People” by hiring consultant to have on site training for managerial staff and by working in collaboration with Technical School to teach workers the theory and sewing garment skills.



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APPENDIX 4

TRANSPARENCY



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Transparency

KTC Limited aims to be as transparent as possible in regards to our CSR activities.

In 2012 when there is any big event, we uploaded the happenings in our company's website. The employees and business associates can easily access to the website and get the updated information.

Not only in most of the prominent areas of the factory complex, FWF posters about code of conducts are being displayed to ensure workers know their right and the factory will follow such rules and regulations to operate, workers could complain to us or even directly contact FWF with contact details can be found at the bottom of the poster.

Management is also concerned about workers' right to know company's policies or notices, the factory usually sticks the notice letters in every floor of the factory like changes of piece rates for sewing workers, public holiday announcement, annual dinner party and fire drill etc. Every staff and workers are well notified.



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APPENDIX 4

OTHER ACTIVITIES ON CORPORATE SOCIAL RESPONSIBILITY



Other activities on Corporate Social Responsibility

Environmental Protection

To improve and implement the health and safety environment of our factory is an ongoing process. We renovated the canteen, car park lot and fabric storeroom are the projects that have been done in 2012 and early 2013. In the forthcoming months, we expect a revised of minimum wage rate, which we will definitely adjust the working step prices in ensure all workers get the pays are in compliance with the China Labor Law. We also work with Consulting Company to carry on another on site training course after a through discussion with the outcome of last report. As mentioned in our Annual Dinner Party, Management would continue allowing more workers to take part the garment making training course in the second half of 2013.



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