



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 2011





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 40-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 our factory in Vientiane, Laos as well as a secondary school close by.

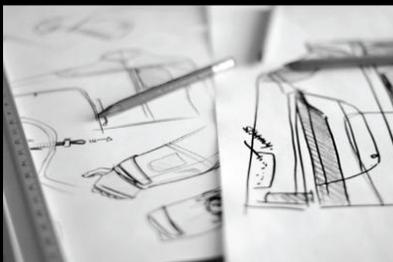
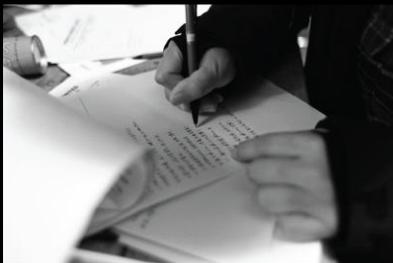


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ART OF PERFORMANCE MANUFACTURE

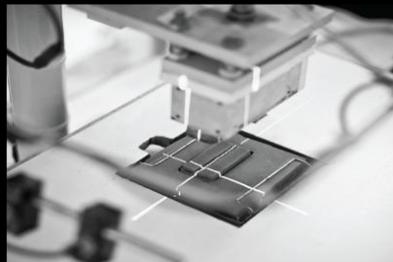
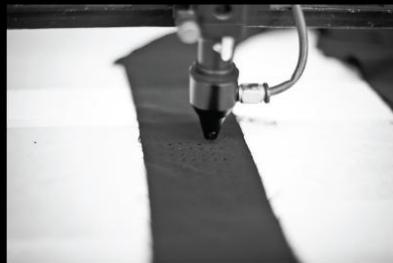
KTC aims are simple, to invest in knowledge, technology and craft, and define the “Art of Performance Manufacture.”

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 combination of the finest technology and craftsmanship is what make our garments special. The aim at KTC is to grow with it’s brand partners who also strive for perfection in performance manufacture.



KTC's Commitment to Transparency and Social Responsibility

Possibly the greatest achievement 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. On 1st May 2011 KTC accepted 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.

In 2011 and 2012 KTC passed many milestones and set many future goals

In 2011 we made many physical improvements to our facilities in both China and Laos. In China we performed various general maintenance and cleanup activities and constructed a multi level sports facility that includes Basketball & Badminton courts, a large karaoke area, table tennis tables and open space for various activities. In Laos we built a new 9,000-sqm-factory extension that not only increased the amount of sewing lines but also allowed us to create a more efficient workflow.

In 2012 we have several plans to improve facilities and reduce our environmental impact both in China and Laos:

The biggest of these 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. In China we plan on converting an existing storage area in the factory to a creative development center for our customers. This space will be ergonomically designed to inspire our brand partners and ignite their creativity during their frequent visits to our factory. We expect both of these major projects to be completed in late 2012

To help the environment we are in the process of purchasing and installing a system designed to recycle energy from spent air from our Air conditioning system at our factory in China. This is expected to reduce the energy consumption of our air-conditioning system by at least 20%. In addition we have also created an experimental rooftop garden on one of our dormitories. The production is currently very small however we plan on converting all of our dormitory & production rooftops to gardens allowing us to produce a sustainable amount of healthy vegetables in the future.



Production capacity

In 2011, we increased production capacity in China by 6 lines without having to expand our footprint. This was the result of our Director's of Operations being able to identify opportunities in unused space and using that space to rearrange two production floors. 3 new woven jacket lines and 3 new knitwear lines were added to increase our production capacity, something that was desired by our brand partners. Many new sewing machines were also purchased for our Manufacturing operation in China and 1 new Automatic cutting machine was bought to increase the capacity of our cutting room and alleviate loss of downtime during maintenance. This brings our total number of auto-cutters to 9.

In Laos we completed a Factory Extension in April 2011, which allowed us to increase our capacity by 50% and as well increased the number of employees and the economic contribution we are making for the Lao people.

Social Audits

In 2011 three independent social compliance audits were completed at our factory in China, all of which showed favorable results. All three audits were able to help us identify areas to work on and provided us with goals to reach in 2012, these issues falling mainly in the area of overtime management. KTC is confident that these issues have been rectified but knows that Social Compliance is an evolutionary process and we are looking forward to future audits. The annual FWF audit of our China factory is scheduled for 19th April. As a member factory, annual audits are required to ensure we are maintaining our compliance levels.

On 17th February 2012 Juliette Li of FWF visited our factory in Laos and gave a brief introduction about FWF to our management staff. In addition an audit with FWFs local audit team will be carried out at Trio (Lao) on behalf of KTC as a part of its activities to monitor working conditions. The audit date is tentatively planned in May 2012.



Best Practices in 2011

Our Best Practice for 2011 was to conduct a survey of our worker's overall satisfaction with the factory and its internal operations. The data was then combined and correlated to help us identify our strengths and weakness', as seen from the eyes of our most important asset, our workers.

The survey was completed in October 2011 and the results were surprising. Overall our factory received a worker satisfaction score of 3.22 out of 5, which was a positive reassurance that our efforts over the last 30 years have been felt by our workers. One of the most interesting revelations included in the survey results was the difference in satisfaction between the different age groups. For example our younger workers (21-25) showed the most dissatisfaction with our factory, while the 31-40 demographic were the most satisfied. Although this younger demographic only accounted for 20% of the overall survey they consistently showed the most dissatisfaction among all major categories including living conditions, working hour management, and production management. On the other hand this age group also showed the highest ambition to become line leaders and line supervisors and showed a strong sense of knowing their rights when it came to working hours and overtime. This age group reflects one child per family generation that grew up with an ever-increasing western influence. KTC knows that these younger workers are the key to our success in the future and this survey has made it clear we need to "focus on attracting, managing and retaining the younger workforce in China¹."

Upon completion of the survey, a 12 month action plan was prepared that includes training designed improve the managerial behavior of supervisors, the development of unified disciplinary measures and a proper grievance procedure. These issues were a common cause of decreased satisfaction across all demographics. The first management training is scheduled for April 2012 and includes extensive middle management training focusing on communication, conflict management, employee retention and cooperation. A further follow up survey is scheduled after the implementation of the action plan to mark our progress.

We realize that maintaining our workers satisfaction will be an ongoing process but it is the number one factor in the areas of job retention and recruiting experienced and talented labor. Our goal is to gain a reputation as one of the premier employers in China and we are currently working on a PR and marketing Campaign to spread the values of KTC, our Fair Wear membership and our Commitment to our employee's satisfaction. We know that we are only as good as the people who work for us, which is why it is now more crucial than ever to show our commitment to our workers satisfaction.

¹ P.33 pp4 [Timeline Consultancy](#) *Employee Satisfaction Survey Study Report for Heshan Rondor Garments Ltd.* October, 2011



Production and Social Compliance

Our Company works on a made-to-order strategy for both our China and Laos operations. This means we produce goods after receiving a firm order from our customer. During the production-planning process, we require our customers to reserve forecasts based on estimated quantities 6 months in advance. These forecast are compared to our production capabilities enabling us to properly plan our workforce needs and budget needs in advance. We also use these estimated forecasts to reserve production capacity from our raw material partners, this is a vital part of the success of our supply chain management.

When firm orders are placed, raw material requirements are calculated and purchased. Labor needs are also calculated to determine whether overtime or temporary help will be needed. In normal situation we are working from Monday to Saturday, 8:30 am to 5:30 pm. During peak seasons, the factory may require arranging overtime work or hire additional workforce to fulfil higher production levels. When overtime work is required, it is voluntary at worker's will and workers will be paid with overtime premium according to the local labour law.

KTC is focused on our fulfilment of social compliance standards, for that reason, 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 8.8% (2010: about 56% and 2011: about 64.8%) of our employees newly joined the Social insurance Scheme in 2011. We have put notices up on all of our message boards to encourage our piece rate workers to take part. All monthly paid staff had joined the scheme already. We are working together with the Chinese labor department toward the goal to encourage all of our employees about the benefits of this system that we achieve a full coverage in the next two years.



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'.

Gerhard Flatz, Managing Director
30th March 2012



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APPENDIX

As part of the Social Report 2011, 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.



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



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 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 carnival 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. During the Union Committee meeting, the secretary will record the present and propaganda in minutes and those committee members will sign for record.

The worker representative(s) call for meeting when there is a need. They would approach our Personnel manager so that the meeting can be fixed together with production managers and the key staff of worker representatives. For instance, about the arrangement of jobs to be done during the Chinese New Year. Each member in the meeting could express their views and all issues in the meeting are recorded in minutes. All the present have to 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. As per our payroll records, majority of our workers are paid more than the living wages every month and on average, the take home wages are about RMB2,000 per month. In case our workers are paid less than the living wages, we could try to find out the reasons behind that. Also, we are truly aware that the buying company has the responsibility to pay a price that gives the supplier a possibility to provide a living wage. In other words, if we could prove the productivities of buyer’s products in term of time cost versus our costing of that particular order, which the labour cost is lower than the living wage, we would bring this out to the buyer when they place orders.

Rondor Garments in Heshan, PRC

The average 2011 monthly wages in RMB are shown as below:

	Average wage for normal working hours	Additional overtime compensation	Legal minimum wage	Asia Floor Wage
Piece rate worker	2,158	343	950	1,842



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

The average 2011 monthly wages in KIPS are shown as below:

	Average wage for normal working hours	Additional overtime compensation	Legal minimum wage	Asia Floor Wage
Piece rate worker	886,589	85,067	569,000	N/A

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 customer and try to reach a workable solution together.

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 plannin e.g. no rush for any productions if lead time is sufficient.



Rondor Garments in Heshan, PRC

The overall average weekly overtime in 2011 is 9 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 2011, we installed a sprinkler system in our warehouse and packing room which will help us to enhance the fire suppression.

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 encourage more workers to join social insurance, we plan to conduct a briefing for our workers, especially for new workers, on the importance and benefits of joining social insurance and their rights after retirement or when they are sick and cannot attend to work etc.



Execution of Corrective Action Plans

If there is any non-compliance issues found during a internal audit third party audit or at anytime inbetween, 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.

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.



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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 2011, the factory received only a handful of complaints, the total is less than ten. Here below are some of the complaints that management had settled.

Complaint examples:

Workers suggested installing the projector and screening with hi-fi system so every night our security guards would release the DVD movies for workers to watch, it is now being shown at eight o'clock every night. We changed all sport facilities by building one extra storey for setting up one basket ball full playground and two badminton courts, on the ground floor; we also installed three brand new table tennis tables. We acquired new bats, rackets and basket balls etc. Those consumables on sports are changed from time to time because of wear and tear. We also improved the frequencies of shuttle bus for workers going out shopping or their needs at night. We also listened when our workers complained that certain piece rate prices were too low on specific orders; we investigated and adjusted the rates if their voices proved to be substantiated.



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APPENDIX 3

TRAINING AND CAPACITY BUILDING



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.

Besides, following the results of the Employee Satisfaction Survey Study in 2011, Timeline Consultancy has been commissioned to conduct the following trainings for our mid-level management staff in 2012:

- Disciplinary punishment
- Conflict management and employee seeking for help
- Interdepartmental communication
- Employee communication
- Employee retention promotion
- Creation positive work environment
- Cooperation at workplace

Through the series of trainings and coaching, it will help to facilitate the factory to establish a harmonious labour relation, enhance employee retention and be more competitive.



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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 2011 we redesigned our Company Website and included a new section called Social Responsibility for posting any CSR related information, such as the announcement of our FWF membership, FWF annual social reports or any updated CSR news for the general public. For 2012 we plan to translate our entire website in Chinese and provide our employees with a steady source of Information.

In celebration of our 40th Anniversary, our Company published an Image Book in November 2011, to capture the passion that KTC community brings to “The Art of Performance Manufacture”. The book also included two pages of FWF CoLPs and our membership of FWF for public awareness.



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APPENDIX 4

OTHER ACTIVITIES ON CORPORATE SOCIAL RESPONSIBILITY



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Other activities on Corporate Social Responsibility

Environmental Protection

At present, we are using diesel oil for cooking meals for our employee canteen and are in the process of changing to biodiesel, which is an environmentally friendly fuel. This helps reduce negative impact on air pollution. In 2012 we also plan on installing an energy recycling system for our air conditioning unit that is projected to save our electricity consumption from air conditioning by at least 20%.



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O F
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