



BRAND PERFORMANCE CHECK

Continental Clothing Company Ltd

PUBLICATION DATE: JULY 2017

this report covers the evaluation period 01-01-2016 to 31-12-2016

ABOUT THE BRAND PERFORMANCE CHECK

Fair Wear Foundation believes that improving conditions for apparel product location workers requires change at many levels. Traditional efforts to improve conditions focus primarily on the product location. FWF, however, believes that the management decisions of clothing brands have an enormous influence for good or ill on product location conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's member companies. The Checks examine how member company management systems support FWF's Code of Labour Practices. They evaluate the parts of member company supply chains where clothing is assembled. This is the most labour intensive part of garment supply chains, and where brands can have the most influence over working conditions.

In most apparel supply chains, clothing brands do not own product locations, and most product locations work for many different brands. This means that in most cases FWF member companies have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of member companies. Outcomes at the product location level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF member companies cannot guarantee results.

Even if outcomes at the product location level cannot be guaranteed, the importance of good management practices by member companies cannot be understated. Even one concerned customer at a product location can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a product location can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

The Brand Performance Check system is designed to accommodate the range of structures and strengths that different companies have, and reflects the different ways that brands can support better working conditions.

This report is based on interviews with member company employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records, supplier data. The findings from the Brand Performance Check are summarized and published at www.fairwear.org. The online [Brand Performance Check Guide](#) provides more information about the indicators.

BRAND PERFORMANCE CHECK OVERVIEW

Continental Clothing Company Ltd

Evaluation Period: 01-01-2016 to 31-12-2016

| MEMBER COMPANY INFORMATION | |
|--|---|
| Headquarters: | London, United Kingdom |
| Member since: | 02-10-2006 |
| Product types: | Fashion, Promotional, Private label, Bags & Accessories |
| Production in countries where FWF is active: | Bangladesh, China, India, Turkey |
| Production in other countries: | |
| BASIC REQUIREMENTS | |
| Workplan and projected production location data for upcoming year have been submitted? | Yes |
| Actual production location data for evaluation period was submitted? | Yes |
| Membership fee has been paid? | Yes |
| SCORING OVERVIEW | |
| % of own production under monitoring | 100% |
| Benchmarking score | 80 |
| Category | Leader |

Summary:

Continental Clothing Ltd. (Continental) has shown shown progress and met most of FWFs' performance requirements. Continental has a relatively small number of suppliers. It sources from five suppliers in India, China, Bangladesh and Turkey. High leverage and long-term relationships with suppliers give the company a strong basis for effectively improving working conditions.

During the previous financial year, Continental managed to convince its supplier in China, which hitherto was uncooperative, to be audited by FWF and follow-up the corrective actions. This brings Continental monitoring percentage to 100%. This, in addition to a benchmarking score of 80, places Continental in the Leader category.

Continental is implementing a living wage project at its main supplier in India for which it has won the FWF 2016 Best Practice Award. Continental is piloting the approach with 2 so called 'fair-share' collections, accounting for 5-10 % of the factory's production capacity. When the pilot is successful, Continental plans to expand the living wage project to a higher percentage of the factory's production capacity, which would allow the factory to make further steps towards improving wages for workers in dyeing and spinning facilities.

Continental systematically works towards resolution of corrective actions with all of its suppliers. After audits, remediation steps were taken and follow up is closely monitored. However, at its supplier in China the worker information sheet was still not posted during 2016. FWF expects Continental to effectively address this during 2017. In addition, FWF expects Continental to enroll more suppliers in FWF's Workplace Education Programme. Finally, Continental is expected to engage in more transparency, e.g. by posting the most recent social report and brand performance check report on its website.

PERFORMANCE CATEGORY OVERVIEW

Leader: This category is for member companies who are doing exceptionally well, and are operating at an advanced level. Leaders show best practices in complex areas such as living wages and freedom of association.

Good: It is FWF's belief that member companies who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF member companies—are 'doing good' and deserve to be recognized as such. They are also doing more than the average clothing company, and have allowed their internal processes to be examined and publicly reported on by an independent NGO. The majority of member companies will receive a 'Good' rating.

Needs Improvement: Member companies are most likely to find themselves in this category when major unexpected problems have arisen, or if they are unable or unwilling to seriously work towards CoLP implementation. Member companies may be in this category for one year only after which they should either move up to Good, or will be moved to suspended.

Suspended: Member companies who either fail to meet one of the Basic Requirements, have had major internal changes which means membership must be put on hold for a maximum of one year, or have been in Needs Improvement for more than one year. Member companies may remain in this category for one year maximum, after which termination proceedings will come into force.

Categories are calculated based on a combination of benchmarking score and the percentage of own production under monitoring. The specific requirements for each category are outlined in the Brand Performance Check Guide.

1. PURCHASING PRACTICES

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 1.1a Percentage of production volume from production locations where member company buys at least 10% of production capacity. | 82% | Member companies with less than 10% of a production location's production capacity generally have limited influence on production location managers to make changes. | Supplier information provided by member company. | 4 | 4 | 0 |

Comment: Continental has a limited (5) number of suppliers. In 2016, 82 % of Continental's purchasing volume came from 3 suppliers where Continental is responsible for more than 10 % of the respective suppliers' production capacity.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 1.1b Percentage of production volume from production locations where member company buys less than 2% of its total FOB. | 0% | FWF provides incentives to clothing brands to consolidate their supplier base, especially at the tail end, as much as possible, and rewards those members who have a small tail end. Shortening the tail end reduces social compliance risks and enhances the impact of efficient use of capital and remediation efforts. | Production location information as provided to FWF. | 4 | 4 | 0 |

Comment: None of Continental's production volume comes from production locations where it buys less than 2% of its total FOB, meaning that Continental has a relatively compact and consolidated supply chain.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 1.2 Percentage of production volume from production locations where a business relationship has existed for at least five years. | 63% | Stable business relationships support most aspects of the Code of Labour Practices, and give production locations a reason to invest in improving working conditions. | Supplier information provided by member company. | 3 | 4 | 0 |

Comment: Continental enjoys a long-term business relations exceeding five years with 4 (out of 5) suppliers. Combined these suppliers account for 63 % of Continental's purchasing volume.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--|--|---------------------------|-------|-----|-----|
| 1.3 All new production locations are required to sign and return the questionnaire with the Code of Labour Practices before first bulk orders are placed. | No new production locations added in past financial year | The CoLP is the foundation of all work between production locations and brands, and the first step in developing a commitment to improvements. | Signed CoLPs are on file. | N/A | 2 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--|---|---|-------|-----|-----|
| 1.4 Member company conducts human rights due diligence at all new production locations before placing orders. | No new production locations added in past financial year | Due diligence helps to identify, prevent and mitigate potential human rights problems at new suppliers. | Documentation may include pre-audits, existing audits, other types of risk assessments. | N/A | 4 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--|--|---|-------|-----|-----|
| 1.5 Production location compliance with Code of Labour Practices is evaluated in a systematic manner. | Yes, and leads to production decisions | A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking. | Documentation of systemic approach: rating systems, checklists, databases, etc. | 2 | 2 | 0 |

Comment: Continental's supplier base consists of five main suppliers. These suppliers are monitored systematically on quality, price and lead times. All suppliers diligently follow-up on social compliance issues. The only exception was a supplier in China, which was less cooperative and interested to improve working conditions. Continental then took a decision to gradually phase this supplier out. This led to change in mindset of the factory management, which is more cooperative now. The supplier agreed to a FWF audit, and is follow-up seriously on the corrective actions. This prompted Continental to reconsider and it has decided to continue its business relation.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------------------------------|---|---|-------|-----|-----|
| 1.6 The member company's production planning systems support reasonable working hours. | Strong, integrated systems in place. | Member company production planning systems can have a significant impact on the levels of excessive overtime at production locations. | Documentation of robust planning systems. | 4 | 4 | 0 |

Comment: Generally Continental guarantees to fill a certain production capacity at its suppliers. It does not push its suppliers when they are not able to meet the production deadline and does not impose pressure to do overtime. Continental aims to maintain a continuous production output throughout the year at its 3 principal factories and produce 3-4 times a year at the other 2 factories. Suppliers sometimes are for more orders in order to fill the available production capacity and Continental generally tries to accommodate.

Continental announced production plans at the beginning of the year and communicated with suppliers regularly to update itself on the status of production (planning). Suppliers always have at least 2 months leadtime before production starts and volume is known well in advance. As Continental's products are not so much influenced by seasons, Continental does not place rush orders.

Nonetheless, overtime (OT) does occur at Continental's suppliers in different countries. Some suppliers consistently plan some 2 hours of OT per day, or up to 60 hours per week. This means that when unexpected things happen, e.g. fabric arrives late or (other) customers put pressure on delivery deadlines, factories are easily doing excessive overtime. FWF audit reports, however, confirm that overtime is voluntary, e.g. at Continental's supplier in India 60% of workers do not perform OT and at a supplier in Bangladesh one production line is reserved for workers that want to conduct OT.

Continental is of the opinion that excessive overtime is mostly caused by other customers which apply penalties for late delivery or even cancel orders altogether if the supplier is unable to complete production before the delivery deadline.

Recommendation: A good production planning system needs to be established based on the production capacity of the factory for regular working hours.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|----------------------|--|--|-------|-----|-----|
| 1.7 Degree to which member company mitigates root causes of excessive overtime. | Intermediate efforts | Some production delays are outside of the control of member companies; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime. | Evidence of how member responds to excessive overtime and strategies that help reduce the risk of excessive overtime, such as: root cause analysis, reports, correspondence with factories, etc. | 3 | 6 | 0 |

Comment: Continental has strong relations with its suppliers, which enabled it to verify the clock cards when visiting suppliers. Also, it frequently visits its suppliers and has a stable working relation with them based on trust. It therefore has a good understanding of the working hours at its suppliers, other than only from FWF audit reports.

Nonetheless, a 2016 audit in China indicated that OT records at Continental's supplier were not kept properly. Generally, according to Continental, suppliers in China that have a lot of migrant workers, excessive overtime is a common problem. Factory managers indicated that they must offer overtime because workers want to work as much as possible in order to send money back home.

Continental is of the opinion that other brands, sourcing at Continental's suppliers, being strict on deadlines is the primary reason for factories to perform overtime. Another reason is that suppliers systematically plan production capacity based on a 60-hours workweek.

Continental mitigates against these risk by having stable business relations, advance production planning, and working with its suppliers to ensure that overtime is voluntary and low wages are addressed. With one of its suppliers it started a living wage project. Better wages reduces pressure for workers to do overtime.

Recommendation: Continental could discuss with factory management on the causes of excessive overtime and provide support to manage overtime.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------------------|--|--|-------|-----|-----|
| 1.8 Member company's pricing policy allows for payment of at least the legal minimum wages in production countries. | Style-level policy | The first step towards ensuring the payment of minimum wages - and towards implementation of living wages - is to know the labour costs of garments. | Formal systems to calculate labour costs on per-product or country/city level. | 4 | 4 | 0 |

Comment: Continental does not put pressure on its suppliers regarding prices. It applies open book costing with the majority of its suppliers. At its main supplier in India, it calculated in detail what premium on the FOB price levels is required to enable this supplier to pay living wages to its workers (provided 100% of the production capacity is covered). However, despite the fact that Continental enjoys open book costing, as CM costs include overhead and worker output is unclear, it is still not able to calculate exactly whether the prices effectively suffice to pay legal minimum wages.

Recommendation: Increased transparency in costing and productivity gives insight in the labour costs per product. This forms the basis for ensuring enough is paid to cover at least minimum wage and for making steps towards living wages.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|---|-------|-----|-----|
| 1.9 Member company actively responds if suppliers fail to pay legal minimum wages. | Yes | If a supplier fails to pay minimum wage, FWF member companies are expected to hold management of the supplier accountable for respecting local labour law. | Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved. | 1 | 2 | -2 |

Comment: In India the government has set different legal minimum wage levels for the Tailoring and Hoisery subsectors. A supplier of Continental applied the (lower) legal minimum wage for the Hoisery subsector at one production unit and the (higher) minimum wage for Tailoring at another production unit. The resulting wage differences were considered unfair and not justified. Continental has followed up on this issue. The supplier has since confirmed that it is now applying the higher legal minimum wage (for Tailoring) at both production units. The factory indicated that it has off-set the additional labour cost by removing all overtime (max. 8 hour shifts) and increasing productivity through skills training and increased efficiencies. This needs to be verified.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|---|-------|-----|-----|
| 1.10 Evidence of late payments to suppliers by member company. | No | Late payments to suppliers can have a negative impact on production locations and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems. | Based on a complaint or audit report; review of production location and member company financial documents. | 0 | 0 | -1 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|-------------------|---|--|-------|-----|-----|
| 1.11 Degree to which member company assesses root causes of wages lower than living wages with suppliers and takes steps towards the implementation of living wages. | Advanced approach | Sustained progress towards living wages requires adjustments to member companies' policies. | Documentation of policy assessments and/or concrete progress towards living wages. | 8 | 8 | 0 |

Comment: Continental is implementing a living wage project as its main supplier in India for which it won the FWF Best Practice Award in 2016. As part of the approach, Continental investigated the cost of living and family situation of workers and used this to establish a living wage benchmark. It then calculated what the lowest-earning worker would need to receive additional to reach the benchmark living wage. Following consultation with workers, it was decided that all the workers would receive the same nominal wage increase. Continental is piloting the approach with 2 collections, accounting for 5-10 % of the factory's production capacity. Depending on the commercial success of the 2 collections (which looks promising), Continental plans to expand the living wage project to also include workers at the supplier's dyeing and knitting facilities.

It has not joined a living wage project, piloted by other FWF member companies, at another of Continental's suppliers in India, as it feels other brands (FWF and non-FWF) would need to get involved in order for it to have sufficient substance. It is willing to work with the other FWF member brands to try to involve the other (non-FWF) customers.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 1.12 Percentage of production volume from factories owned by the member company (bonus indicator). | None | Owning a supplier increases the accountability and reduces the risk of unexpected CoLP violations. Given these advantages, this is a bonus indicator. Extra points are possible, but the indicator will not negatively affect a member company's score. | Supplier information provided by member company. | N/A | 2 | 0 |

PURCHASING PRACTICES

Possible Points: 38

Earned Points: 33

2. MONITORING AND REMEDIATION

| BASIC MEASUREMENTS | RESULT | COMMENTS |
|---|--------|--|
| % of own production under standard monitoring (excluding low-risk countries) | 100% | |
| % of production volume where monitoring requirements for low-risk countries are fulfilled | | FWF low risk policy should be implemented. 0 = policy is not implemented correctly. N/A = no production in low risk countries. |
| Meets monitoring requirements for tail-end production locations. | Yes | |
| Total of own production under monitoring | 100% | Minimums: 1 year: 40%; 2 years 60%; 3 years+: 80-100% Measured as a percentage of turnover. |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 2.1 Specific staff person is designated to follow up on problems identified by monitoring system | Yes | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 2 | 2 | -2 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--|---|-----------------------------------|-------|-----|-----|
| 2.2 Quality of own auditing system meets FWF standards. | Member makes use of FWF audits and/or external audits only | In case FWF teams cannot be used, the member companies' own auditing system must ensure sufficient quality in order for FWF to approve the auditing system. | Information on audit methodology. | N/A | 0 | -1 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 2.3 Audit Report and Corrective Action Plan (CAP) findings are shared with factory and worker representation where applicable. Improvement timelines are established in a timely manner. | Yes | 2 part indicator: FWF audit reports were shared and discussed with suppliers within two months of audit receipt AND a reasonable time frame was specified for resolving findings. | Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc. | 2 | 2 | -1 |

Comment: Continental shared the audit report in a timely manner; set deadlines for remediation of specific CAPs and follows up diligently by sending reminders ahead of the deadlines concerned.

Recommendation: It advised to systematically share the CAPs with worker representative as well as involved these in setting the timeframe for realising improvements.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|----------|---|--|-------|-----|-----|
| 2.4 Degree of progress towards resolution of existing Corrective Action Plans and remediation of identified problems. | Advanced | FWF considers efforts to resolve CAPs to be one of the most important things that member companies can do towards improving working conditions. | CAP-related documentation including status of findings, documentation of remediation and follow up actions taken by member. Reports of quality assessments. Evidence of understanding relevant issues. | 8 | 8 | -2 |

Comment: Continental tracks progress on all CAPs from all audits, including FWF audits and audits by other initiatives, such as BSCI. The product and sustainability manager of Continental visits factories several times a year to raise awareness, discuss implementation and encourage factories to make improvements. The status of findings is monitored in a systematic approach and status updates are requested every month. Efforts are coordinated between different staff that have influence over supply chain conditions. Proof of remediation work is collected. Documents and pictures are filed in the CAP and the status of findings is monitored during visits. Continental's suppliers had made significant improvements on occupational health and safety and other issues. Though improvements were observed during re-audits, issues regarding overtime and wages are more persistent and require more time.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|---|-------|-----|-----|
| 2.5 Percentage of production volume from production locations that have been visited by the member company in the previous financial year. | 100% | Formal audits should be augmented by annual visits by member company staff or local representatives. They reinforce to production location managers that member companies are serious about implementing the Code of Labour Practices. | Member companies should document all production location visits with at least the date and name of the visitor. | 4 | 4 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------------------|---|--|-------|-----|-----|
| 2.6 Existing audit reports from other sources are collected. | Yes and quality assessed | Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work. | Audit reports are on file; evidence of followup on prior CAPs. Reports of quality assessments. | 2 | 3 | 0 |

Comment: Continental has one supplier in China, which has thus far refused to be audited by FWF. Continental received a BSCI audit from this supplier and follow-up on the corrective actions. When Continental expressed that it was considering reducing orders at this supplier, the factory management changed its opinion, allowed an audit by FWF and is following up seriously on CAPs.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|---|---|---|-------|-----|-----|
| 2.7 Compliance with FWF risk policies. | Advanced result on all relevant policies | Aside from regular monitoring and remediation requirements under FWF membership, countries, specific areas within countries or specific product groups may pose specific risks that require additional steps to address and remediate those risks. FWF requires member companies to be aware of those risks and implement policy requirements as prescribed by FWF. | Policy documents, inspection reports, evidence of cooperation with other customers sourcing at the same factories, reports of meetings with suppliers, reports of additional activities and/or attendance lists as mentioned in policy documents. | 6 | 6 | -2 |
| Compliance with FWF enhanced monitoring programme Bangladesh | Advanced | | | 6 | 6 | -2 |
| Compliance with FWF Myanmar policy | Policies are not relevant to the company's supply chain | | | N/A | 6 | -2 |
| Compliance with FWF guidance on abrasive blasting | Policies are not relevant to the company's supply chain | | | N/A | 6 | -2 |

Comment: Continental has one supplier in Bangladesh. Continental is aware of the specific risks in Bangladesh related to building safety, excessive overtime, lack of effective grievance mechanisms, unauthorized subcontracting and child labour. Continental's supplier in Bangladesh has been inspected by FWF, as well as the Accord on fire and building safety with remediation ongoing. Continental has detailed knowledge on the status of implementation of the Accord CAPs. It has also participated in FWF safety workshops, and has been enrolled in the Workplace Education Programme.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------------|---|--|-------|-----|-----|
| 2.8 Member company cooperates with other FWF member companies in resolving corrective actions at shared suppliers. | Active cooperation | Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the chances of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers. | Shared CAPs, evidence of cooperation with other customers. | 2 | 2 | -1 |

Comment: At a factory in India, Continental has actively engaged with FWF and other members to handle the high risk issue of freedom of movement, which is a typical issue for migrant workers in Tirupur. Consistent follow-up has resulted in significant improvements.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|-------------------------------------|---|---|-------|-----|-----|
| 2.9 Percentage of production volume where monitoring requirements for low-risk countries are fulfilled. | No production in low-risk countries | Low-risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with national and international standards and laws. | Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires. | N/A | 2 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 2.10 Extra bonus indicator: in case FWF member company conducts full audits above the minimum required monitoring threshold. | 90%+ | FWF encourages all of its members to audit/monitor 100% of its production locations and rewards those members who conduct full audits above the minimum required monitoring threshold. | Production location information as provided to FWF and recent Audit Reports. | 3 | 3 | 0 |

Comment: Continental has monitored 100% of its supply chains.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|---------------------------|--|-----------------------------|-------|-----|-----|
| 2.11 Questionnaire is sent and information is collected from external brands resold by the member company. | No external brands resold | FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. | Questionnaires are on file. | N/A | 2 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|---------------------------|--|---|-------|-----|-----|
| 2.12 External brands resold by member companies that are members of another credible initiative (% of external sales volume). | No external brands resold | FWF believes members who resell products should be rewarded for choosing to sell external brands who also take their supply chain responsibilities seriously and are open about in which countries they produce goods. | External production data in FWF's information management system. Documentation of sales volumes of products made by FWF or FLA members. | N/A | 3 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------------|---|---|-------|-----|-----|
| 2.13 Questionnaire is sent and information is collected from licensees. | No licensees | FWF believes it is important for member companies to know if the licensee is committed to the implementation of the same labour standards and has a monitoring system in place. | Questionnaires are on file. Contracts with licensees. | N/A | 1 | 0 |

MONITORING AND REMEDIATION

Possible Points: 30

Earned Points: 29

3. COMPLAINTS HANDLING

| BASIC MEASUREMENTS | RESULT | COMMENTS |
|--|--------|--|
| Number of worker complaints received since last check | 1 | At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system. |
| Number of worker complaints in process of being resolved | 0 | |
| Number of worker complaints resolved since last check | 1 | |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 3.1 A specific employee has been designated to address worker complaints | Yes | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 1 | 1 | -1 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 3.2 System is in place to check that the Worker Information Sheet is posted in factories. | No | The Worker Information Sheet is a key first step in alerting workers to their rights. | Photos by company staff, audit reports, checklists from production location visits, etc. | 0 | 2 | 0 |

Comment: Continental visits all of its suppliers regularly and checks whether the worker information sheets are posted. It could also show photographic evidence.

However, one factory in China, with which it has a business relation exceeding 10 years and which accounts for 11% of Continental's purchasing volume, has not posted the Worker Information Sheet. A FWF audit showed that the factory management had only receive an English version of the FWF Code of Labour Practices from Continental and so far, they have not received a version with local language. As a result, they did not have the working information sheet posted in view of workers. This has been corrected in 2017.

Requirement: The member company must ensure that the Worker Information Sheet, including contact information of the local complaints handler of FWF, is posted in factories in a location that is accessible to all workers.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 3.3 Percentage of FWF-audited production locations where at least half of workers are aware of the FWF worker helpline. | 40% | The FWF complaints procedure is a crucial element of verification. If production location based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints. Production location participation in the Workplace Education Programme also count towards this indicator. | Percentage of audited production locations where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism + percentage of production locations in WEP programme. | 2 | 4 | 0 |

Comment: Continental's suppliers in India participate in the FWF Workplace Education Programme.

Recommendation: Continental is recommended to work with its suppliers to provide awareness raising training to workers in the factories concerned.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|------------------------------|--|--|-------|-----|-----|
| 3.4 All complaints received from production location workers are addressed in accordance with the FWF Complaints Procedure | Yes + Preventive steps taken | Providing access to remedy when problems arise is a key element of responsible supply chain management. Member company involvement is often essential to resolving issues. | Documentation that member company has completed all required steps in the complaints handling process. | 6 | 6 | -2 |

Comment: Continental received one complaint of a worker at a supplier in India that was injured when falling from a chair doing repair work. As a result, he was partly disabled. The complaint took place at a shared supplier and was properly addressed. Systems were also proposed to improve the handling of similar situations in the future.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------------|--|--|-------|-----|-----|
| 3.5 Cooperation with other customers in addressing worker complaints at shared suppliers | Active cooperation | Because most production locations supply several customers with products, involvement of other customers by the FWF member company can be critical in resolving a complaint at a supplier. | Documentation of joint efforts, e.g. emails, sharing of complaint data, etc. | 2 | 2 | 0 |

Comment: Active cooperation took place with other FWF member companies on the aforementioned complaint at a shared supplier in India.

COMPLAINTS HANDLING

Possible Points: 15

Earned Points: 11

4. TRAINING AND CAPACITY BUILDING

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 4.1 All staff at member company are made aware of FWF membership. | Yes | Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed. | Emails, trainings, presentation, newsletters, etc. | 1 | 1 | -1 |

Comment: The second day of employment of all new staff focuses on sustainability, including FWF membership requirements.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|--|---|-------|-----|-----|
| 4.2 All staff in direct contact with suppliers are informed of FWF requirements. | Yes | Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations. | FWF Seminars or equivalent trainings provided; presentations, curricula, etc. | 2 | 2 | -1 |

Comment: The head of product and sustainability is in frequent contact with the suppliers. He is at the same time responsible for compliance. The production manager is aware and following up on FWF membership requirements and CAPs when visiting the suppliers.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--|--|---|-------|-----|-----|
| 4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices. | Member does not use agents/contractors | Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of member company to ensure agents actively support the implementation of the CoLP. | Correspondence with agents, trainings for agents, FWF audit findings. | N/A | 2 | 0 |

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 4.4 Production location participation in Workplace Education Programme (where WEP is offered; by production volume) | 44% | Lack of knowledge and skills on best practices related to labour standards is a common issue in production locations. Good quality training of workers and managers is a key step towards sustainable improvements. | Documentation of relevant trainings; participation in Workplace Education Programme. | 4 | 6 | 0 |

Comment: One supplier in India participated in the WEP during the past 3 years. A supplier in Bangladesh was enrolled by Continental but FWF was not able to commence the training as yet.

Recommendation: In order to ensure awareness and enhance understanding of the relevant labour standards, grievance mechanisms and the importance of a good mechanism for communication between employers and workers in the workplace, FWF developed the Workplace Education Programme. FWF currently offers the following training modules for the WEP: Basic, Communication, Gender Based Violence, Supervisor and the Factory Guide. More info on availability in countries can be found on the FWF website. The member company should motivate all of its main supplier(s) to join WEP trainings.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|---------------------------------|--|---|-------|-----|-----|
| 4.5 Production location participation in trainings (where WEP is not offered; by production volume) | All production is in WEP areas. | In areas where the Workplace Education Programme is not yet offered, member companies may arrange trainings on their own or work with other training-partners. Trainings must meet FWF quality standards to receive credit for this indicator. | Curricula, other documentation of training content, participation and outcomes. | N/A | 4 | 0 |

TRAINING AND CAPACITY BUILDING

Possible Points: 9

Earned Points: 7

5. INFORMATION MANAGEMENT

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------|---|--|-------|-----|-----|
| 5.1 Level of effort to identify all production locations | Intermediate | Any improvements to supply chains require member companies to first know all of their production locations. | Supplier information provided by member company. Financial records of previous financial year. Documented efforts by member company to update supplier information from its monitoring activities. | 3 | 6 | -2 |

Comment: Continental has a very limited number of suppliers. Agreements are made which guarantee suppliers that Continental fills the capacity of a certain number of production lines. It therefore knows fairly accurately which production lines focus on Continental production. It also has long-term relations with most suppliers based on trust and transparency. Based on this, Continental is aware of any subcontractors that are being used and has visited these regularly. Based on this, it has a good understanding of the potential risk of subcontracting. However, as it only visits the suppliers 2-3 times per year, Continental cannot rule out that unauthorized subcontracting does occur.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|--|---|-------|-----|-----|
| 5.2 CSR and other relevant staff actively share information with each other about working conditions at production locations. | Yes | CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements. | Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information. | 1 | 1 | -1 |

Comment: Information about suppliers, including audits and CAP status updates, is shared between all staff responsible for product development, sustainability, quality control and production.

INFORMATION MANAGEMENT

Possible Points: 7

Earned Points: 4

6. TRANSPARENCY

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|---|---|--|-------|-----|-----|
| 6.1 Degree of member company compliance with FWF Communications Policy. | Minimum communications requirements are met AND no significant problems found | FWF's communications policy exists to ensure transparency for consumers and stakeholders, and to ensure that member communications about FWF are accurate. Members will be held accountable for their own communications as well as the communications behaviour of 3rd-party retailers, resellers and customers. | FWF membership is communicated on member's website; other communications in line with FWF communications policy. | 2 | 2 | -3 |

Comment: Continental communicates about FWF through the company website, social report, catalogues and on-garment communication. It also displays the Fair Wear formula animated movie on its website. Membership is described in correct wording. However, it remains a challenge to control how some of its customers communicate about FWF as some promote products with incorrect or misleading statements.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 6.2 Member company engages in advanced reporting activities | No | Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry. | Member company publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List. | 0 | 2 | 0 |

Comment: The brand performance check, information about suppliers or audit results are not posted on Continental's website.

Recommendation: FWF recommends the affiliate to publish one or more of the following reports on its website: brand performance check, audit reports, supplier information. Good reporting by members helps to ensure the transparency of the affiliate and FWF's work

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------------------------|---|--|-------|-----|-----|
| 6.3 Social Report is submitted to FWF and is published on member company's website | For new member companies | The social report is an important tool for members to transparently share their efforts with stakeholders. Member companies should not make any claims in their social report that do not correspond with FWF's communication policy. | Social report that is in line with FWF's communication policy. | -1 | 2 | -1 |

Comment: Continental indicated that it is planning to prepare a comprehensive sustainability report, which also documents Continental's environmental efforts. This, however, has not yet been shared with FWF. On the website of Continental the social report of 2014 is still posted. This was also raised at last year's brand performance check but was not rectified thus far.

Requirement: FWF approach requires transparency on member companies work towards social standards. The social report needs to be submitted to FWF and published on Member company's website.

TRANSPARENCY

Possible Points: 6

Earned Points: 1

7. EVALUATION

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management | Yes | An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company. | Meeting minutes, verbal reporting, Powerpoints, etc. | 2 | 2 | 0 |

Comment: Continental considers FWF membership as part of the company's DNA and sees no other credible alternatives.

| PERFORMANCE INDICATORS | RESULT | RELEVANCE OF INDICATOR | DOCUMENTATION | SCORE | MAX | MIN |
|--|--------|---|---|-------|-----|-----|
| 7.2 Level of action/progress made on required changes from previous Brand Performance Check implemented by member company. | 49% | In each Brand Performance Check report, FWF may include requirements for changes to management practices. Progress on achieving these requirements is an important part of FWF membership and its process approach. | Member company should show documentation related to the specific requirements made in the previous Brand Performance Check. | 2 | 4 | -2 |

Comment: 3.2: The FWF audit at Continental's supplier in China showed that the Worker Information Sheet was still not posted. FWF expects this to be rectified during the current financial year.

5.1: Continental has a good understanding of all of its production locations and has demonstrated a good grasp - and has mitigated against - the potential risk for subcontractors being used by its suppliers.

EVALUATION

Possible Points: 6

Earned Points: 4

RECOMMENDATIONS TO FWF

N/A

SCORING OVERVIEW

| CATEGORY | EARNED | POSSIBLE |
|--------------------------------|--------|----------|
| Purchasing Practices | 33 | 38 |
| Monitoring and Remediation | 29 | 30 |
| Complaints Handling | 11 | 15 |
| Training and Capacity Building | 7 | 9 |
| Information Management | 4 | 7 |
| Transparency | 1 | 6 |
| Evaluation | 4 | 6 |
| Totals: | 89 | 111 |

BENCHMARKING SCORE (EARNED POINTS DIVIDED BY POSSIBLE POINTS)

80

PERFORMANCE BENCHMARKING CATEGORY

Leader

BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

02-06-2017

Conducted by:

Koen Oosterom and Manu Wildschut (Observer)

Interviews with:

Mariusz Stochaj

Karin Gill

Paul Hughes