



THE NETHERLANDS · HANGZHOU CHINA · HONG KONG

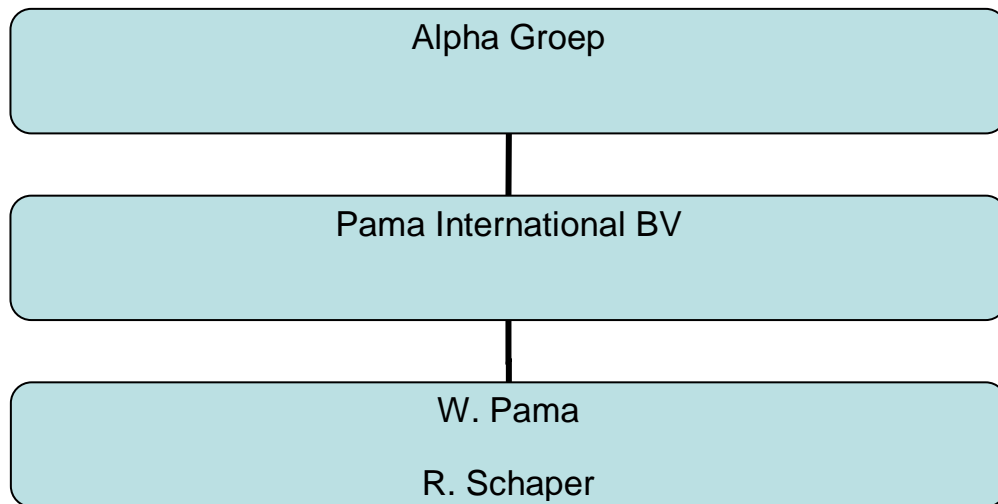


www.pama.nl

www.dipama.eu

Start date membership: November 2004

Organizational chart:



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1. Summary: goals & achievements 2009

China:

The main change in the Chinese factory has been that the factory moved to another location. As a result it was not sustainable to invest too much to take corrective action plans of the initial audit conducted by FWF team in year 2005 at the old site, especially for non-compliance of health and safety.

In order to gain sustainable competitive advantage and largely be in compliance with the requirements of FWF, from July 2009, the Chinese producer moved to its own newly built production building at the current site.

The new factory has better facilities than the old production site. The working conditions have improved regarding health and safety. Also there is a proper dining room at the factory's grounds. The canteen's hygiene certificate has been applied for.

At the factory's site there are workers dormitories. Hot water is provided by solar heating and the rooms are clean and tidy.

Because of the moving of the factory Pama International BV has asked FWF to conduct a new factory audit. The previous audit was dated five years earlier and the corrective action plan was probably out-dated. The new factory audit took place at October 15 – 16th, 2009.

The main focus in 2009 regarding improvements on the corrective action plan has been on moving the factory. As mentioned above not too much has been invested at the old site for non-compliance of health and safety. After moving the general idea has been to await the new FWF factory audit. After this audit the factory was able to work with an actual corrective action plan. Therefore more improvements that are of importance to be compliant with the FWF Code of Labour Practices are to be expected.

Bangladesh:

See detailed update on Findings and Improvement plan in Annex I.

This update is dated August 8, 2010. Part of these improvements have taken place in 2009, but also a part in 2010.

During the year 2009 Pama International BV has placed no orders with this factory and there has been no physical audit. The only monitoring is done by telephone and e-mail, but not very extensively, because the contact has not been very intense in this year.

Also this factory has moved. It has moved to a building together with some sister-factories, which belong to the same holding. A big operational advantage is that several specialty's are brought together under one roof.

Another advantage of moving the factory is that the new building is more modern and more compliant regarding health and safety issues, according to the factory general manager, although it is not physically audited yet by FWF or Pama International. According to the general manager some standards had to be re-fixed, but in general a lot of changes have been made after moving the factory.

2. Sourcing strategy

2.1. Sourcing strategy & pricing

There is a dual sourcing-/ purchase strategy in the case of Pama International BV. On one side there is private label production, which is by far the biggest part of the production and on the other side there is production of Pama International's brand DI PAMA.

- Private label: the requirements of the customers are varied. An inquiry can vary from one certain article to a complete collection. Depending on the type of product and the quantity W. Pama and/ or R. Schaper will decide where the production will take place.
- DI PAMA: the DI PAMA brand is solely produced in the Chinese factory. Quantities of the DI PAMA production are still small and in this joint venture factory there are the best options to produce these items.

Pricing: price levels of both private label and DI PAMA must be in conformance with market price levels. Pama International BV is not in a position to determine its own price level.

2.2. Organisation of the sourcing department

The sourcing department of Pama International BV consists of Wim Pama and Remco Schaper

2.3. Production cycle

There is a clear difference between the production cycle of private label production and the production of DI PAMA clothing.

- Private label: most of the time the delivery times are tight and determined by the customer. Already for several years Pama International BV tries to make the customers aware of this fact, but it doesn't seem to have any effect so far. To save time in the process of approving samples, which often takes a couple of weeks, Pama International BV is working very closely with the Chinese producer to be more efficient in the process of sample making. If it can be managed to save a few weeks, there is more time for the mass production, so less need for overtime.
- DI PAMA: the brand DI PAMA is owned by Pama International BV and is being sold from stock. Pama International BV can control the planning of the total purchase, sampling and production cycle, together with the Chinese producer. This takes the pressure away from the production and enables the factory to make a planning, which is satisfactory to all parties.

2.4. Selection of new factories

N/a.

2.5. Integration monitoring activities and sourcing decisions

Since there is a very tight business, but also friendship, relationship between the Chinese producer and Pama International BV, all monitoring activities and outcomes of these activities, are discussed together in an open conversation. Outcomes which need improvement, but also the outcomes which comply to the FWF standards, are discussed on a regular basis.

For the producer in Bangladesh it is more or less in the same way, although there is less personal contact. This producer does have a very professional attitude towards the improvement of labour conditions, so a few words are often enough, even though Pama International BV is just a small customer.

Both production partners do not give Pama International BV any reason to change producer. The sourcing decision is to stay with the actual producers.

In the past Pama International BV had another Bengalese producer, but since this producer did not give full cooperation on improving the labour standards, Pama International BV changed to another. At that time the sourcing decisions were influenced by the desire to implement the FWF Code of Labour Practices.

3. Coherent system for monitoring and remediation

3.1. Country A

China:

There have been two important monitoring activities in 2009. On October 15th and 16th there has been a FWF audit team in the (new) factory. As usual Pama International has received a written audit report. This audit report is being used as a new guideline for a new corrective action plan.

The second important monitoring activity has been the visit of Pama International BV to the factory early December. During this audit the FWF audit report has been thoroughly discussed and the working conditions have been inspected.

As written before not only the physical audits are important. Because of the tight relationship with this Chinese producer there is a lot of e-mail traffic and almost daily there is also communication by telephone/ Skype. During these conversations, besides the regular business, also the implementation of the FWF Code of Labour Practices is being discussed.

3.2. Country B

Bangladesh:

As written before Pama International BV has not placed any orders in Bangladesh in 2009. This has nothing to do with the producer himself, but purely with economic circumstances. Due to this fact the communication between the Bengalese producer and Pama International BV has been on a low level.

Since the factory has moved, Pama International BV hasn't pushed the producer much about implementation of the corrective action plan. The producer has assured that after moving the factory changed would be made. Pama International BV has awaited further updates. For these updates see Annex I.

In year 2010 the monitoring activities will be intensified again.

3.3. External production

N/a.

4. Training and capacity building

4.1. Activities to inform staff members

Because of the limited number of employees, training and capacity building is not an issue within Pama International BV.

Pama International BV consists of two fulltime employees and both of them have been involved with becoming a member of FWF. Both know from the start what the FWF membership means.

4.2. Activities to inform agents

N/a.

4.3. Activities to inform manufacturers and workers

There has been no need to inform new manufacturers, because Pama International BV has not sourced any new manufacturers in 2009.

The Chinese factory has moved. Some workers have moved to the new site, but many employees have left the company and others have taken their places. This means the workers have to be informed again. Also the factory labour union, as set up in the old factories' site didn't function anymore. During the FWF audit in October 2009 the new labour union was not operational yet and the right procedures for informing new workers were not implemented yet. However, these procedures were in the process of re-establishment again. In 2010 Pama International BV will check if this has been taken care of.

5. Transparency & communication

The FWF membership of Pama International BV is mentioned on website www.pama.nl and also on www.dipama.eu. With the next update of the website the most recent annual report will be updated as well.

Also in DI PAMA catalogues the FWF membership of Pama International BV is mentioned.

Once a year Pama International BV takes part of the ISPO Trade Show in Munich with its brand DI PAMA. During this Trade Show the FWF membership is communicated by placing the FWF logo in a visible spot, together with the text 'Fair labour conditions in the garment industry'. More information is also always available by FWF leaflets, which Pama International BV brings to the stand.

6. Annex I: detailed update on Findings and Improvement plan Bangladesh

Dated: August 8, 2010