WFSGI COMMUNICATION ON ACTION

Reporting Template

Company Name: KTC Limited
Type of Company: Supplier
Number of Employees: 4,000
Country: Hong Kong; China; Laos

Filled in by:
Name: Karl-Martin Schmull
Position: Head of CSR
Email: Martin@KTCQuality.com
Phone number: +86 750 882 3888
Date: 21st of December, 2017
Reporting period: January 2017 to December 2017

After you complete this document, please send a copy to WFSGI (preferably by email) to:

Karolina Brazyte
Email: kbrazyte@wfsgi.org

or

Marc-Ivar Magnus
Email: mmagnus@wfsgi.org

WFSGI – World Federation of Sporting Goods Industry
Obere Zollgasse 75,
P.O. Box 1664,
3072 Ostermundigen/Bern
Switzerland

Fax: +41 31 939 60 69
Part A
Commitment to the WFSGI Code of Conduct: Statement by Senior Decision-Maker

Provide a statement from a senior decision-maker of the organization (e.g. CEO, Chair, Senior Corporate Responsibility Manager, etc.) that expresses continued support for the WFSGI Code of Conduct and ongoing commitment to its provisions. Please include the individual’s name and job title at the bottom of the statement. The statement could include:

- The importance of commitment to the principles of the WFSGI Code of Conduct
- Key corporate responsibility issues for the company
- An outlook on the organization’s main challenges
- An overview of CR governance at the company
- Broader trends (i.e. political or economic) that affect the company and its corporate responsibility performance, etc.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

Our company was founded on the principle "Business is People" and fair and transparent conditions have always been the foundation and indisputable essence of our work. Naturally KTC invests into its assets, and our employees, their skills and their knowledge are our most valuable asset. Becoming a member of the World Federation of the Sporting Goods Industry was a logical step for us; the Code of Conduct of the WFSGI states and emphasizes our own believes.

Being a manufacturer for premium apparel, our daily operation is highly labour intensive craftsmanship, making social aspects and the related challenges common in China our focus. In modern China, regulations and requirements get stricter in a fast pace. This trend requires employers to not only always be on their toes and quickly adapt to new and tightened regulations, but also and most importantly to cater for rising and changing expectations and requirements of the workforce.

KTC strives to be a pioneer in regard to value that employees gain from their employment at our company and we consider this work a top priority in our company's future.

Gerhard Flatz, Managing Director

Part B
Description of Actions Taken during the Reporting Year to Implement the WFSGI Code of Conduct

B.1 Programs and Actions

Provide a description of practical actions that the company has taken (or plans to undertake) to implement the WFSGI Code of Conduct. This includes programs or activities that address specific areas such as human rights, decent working conditions, community involvement, the environment, etc. For example:

- Operating programs to implement own or other Codes of Conduct
- Operating environmental programs (including waste reduction, responsible usage of water and energy resources, recycling practices, hazardous waste management policies, fuel reduction, etc.)
- Employee education and training programs
- Supplier capacity building and training programs (including human resources management, health, safety & environment)
- Community Affairs programs (including charities, sponsorships, corporate volunteering, corporate giving, etc.)

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

In addition to the Code of Conduct of the WFSGI that KTC committed to, KTC has an own Code of Conduct in place that is aiming to guarantee for a solid foundation for good and safe working conditions of our employees. The Code of Conduct has been created with international guidelines in mind and with an eye on the situation and challenges in our own company.

KTC is working on implementing documented internal monitoring systems in its factories to make internal monitoring, compliance and remediation work more standardized as well as reliable throughout the company. Part of this goal, besides of guaranteeing for a safe and healthy working environment, is to make our progress more transparent and measurable.

Regarding the human talent we employ KTC heavily focuses on employee training and education. In respect to our products requirements and our company’s culture, the highly skilled, stable and motivated workforce is a fundamental requirement of our business. Since the year of 2013 we cooperate with the German professor Dr. Lin-Hi to examine and proof the relation between good corporate responsibility and workers’ commitment and motivation. In the coming year 2018 this project will amongst others include extended training on human management for department leaders and supervisors.

In 2016 we started cooperation with the company MicroBenefits, establishing a mobile app that enables workers to receive information, training and education on job-related topics as well as other aspects. While we experienced initial challenges in promoting the platform to our employees we are using the insights gained to redesign the content and functionality to provide more relevance towards them in the coming approach.

On education related work on the outside of our actual factories, KTC currently explores options to engage in training and education programs of industry related professions with educational institutions in Austria and the USA. This approach is meant to provide meaningful hands-on experience to future designers, developers and brand professionals in working with and in manufacturing.

**B.2 Policies**

Briefly describe any company policies that are relevant to the WFSGI Code of Conduct. For example:

- Non-discrimination policy
- Environmental policy
- Child labor policy, etc.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

These topics are addressed in KTC’s Code of Conduct. Based on the setup of our company as a family business we presently do not have separately formulated policies as those values are part of KTC’s management style since foundation of the company.

**B.3 Collaborations & Memberships**

List any relevant collaborations and memberships of corporate responsibility initiatives and programs. For example:
- Business Social Compliance Initiative (BSCI)
- Ethical Trading Initiative (ETI)
- Fair Labor Association (FLA)
- Fair Wear Foundation (FWF)
- Social Accountability International (SAI), etc.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

KTC collaborates with Prof. Nick Lin-Hi of University of Vechta, Germany.

B.4 Certifications & Awards

List any relevant corporate responsibility certifications or awards that your company has received. For example:

- OHSAS 18000 certification
- ISO 26000 certification
- SA 8000 certification
- ISO 14000 certification, etc.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

n/a

Part C

Progress against Previously Set Targets

Provide information about the company’s progress against relevant targets or performance, or other qualitative and/or quantitative measurements of results. For example:

- Reduction in the number of accidents at the workplace
- Progress against energy saving targets, water saving targets, emission reduction targets
- Use of more environmentally-sound materials
- Phase-out of critical chemicals, etc.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

While not set as a numeric target to be achieved, monitoring the development of the wage level throughout our workforce is an important measurement for providing for the needs of our employees. During the reporting period the average wage level of our employees increased to an average wage of 3,149 Chinese RMB per month.

The participation in the Social Security Scheme is counted as fully achieved by now and KTC is proud to uphold this essential value in the future.
Regarding working hours and overtime we have been able to achieve a reduction of critical overtime hour count in our factory in China and especially our factory in Laos, eliminating a critical aspect of non-compliance with our social commitment.

Part D
Goals & Targets

List your long-term goals and priority targets for the next reporting period, and highlight priority areas the company intends to focus on in the next planning cycle. This section should illustrate the continuous improvement that the company is striving to achieve.

The statement can include links to the relevant section of the member’s corporate website where more detailed information is available.

Our long-term goals are to take the next step in becoming a premium employer that offers training and education and thus long term perspective and motivation to its employees. We strive to building a meaningful employment opportunity for our employees that enables and encourages workers to consider their work with KTC a valuable career rather than a fill-in job on all levels of our factories.

During the time ahead we plan to strengthen KTC as a best employer brand and as a company that is actively promoting and contributing to training and education within KTC’s own workforce and with industry relevant partner organizations.
Submission Deadlines for the Communication on Action (COA)

All member organizations are asked to submit their COA to the WFSGi by December 31, 2017. This submission should cover one year’s actions and progress and should align with your standard reporting year. Any company wishing to become a member has to submit a COA along with their membership application.

Thereafter, member companies will be asked to report at least every two years. Companies can choose to report annually – this may be easier for those with annual reporting cycles. Each COA will have to cover actions and progress over the previous one or two years and the submission deadline is six months after the end of the company’s reporting period. For example, if you are reporting for the period from April 1, 2016 to March 31, 2018, the COA is due on or before September 30, 2018.

In the event of an anticipated delay in submitting the COA, the organization may request an extension of the deadline by three months, providing a reasonable explanation for the delay and stating the date when the COA will be available. In the event that the member organization is not able to provide the COA, it should explain the reason to the WFSGi (the so-called “Comply or Explain” principle).

For further information on the COA, please contact Mr. Marc Magnus at mmagnus@wfsgi.org or Ms. Karolina Brazyte at kbrazyte@wfsgi.org.