

G-STAR RAW

SUSTAINABLE SUPPLY CHAIN HANDBOOK

(VERSION 2019/2020)

ABBREVIATIONS

BSCI	The Business Social Compliance Initiative (third-party monitoring tool)
CMT	Cut-Made-Trim
S&ESH	Social and Environmental, Safety and Health
FEM	Facility Environmental Module (Higg Index tool)
FSLM	Facility Social & Labor Module (Higg Index tool)
FWF	Fair Wear Foundation
IIP	Impact Improvement Plan (Supplier monitoring)
ILO	International Labor Organization
SAC	Sustainable Apparel Coalition
SMETA	SEDEX Members Ethical Trade Audit (third-party monitoring tool)
ZDHC	Zero Discharge of Hazardous Chemicals
ZT	Zero Tolerance (G-Star RAW RAW minimum requirement baseline)
WRAP	Worldwide Responsible Accredited Production (third-party monitoring tool)

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1 INTRODUCTION TO SUSTAINABLE SUPPLY CHAIN HANDBOOK

G-Star RAW products are manufactured in factories all over the world. G-Star RAW does not own any factories but purchases ready-made garments from its suppliers. Although the factories are owned and run by others, G-Star RAW feels responsible to positively contribute to the labor and environmental conditions on site. We are committed to ensure that our products are manufactured in a responsible and sustainable way.

Therefore, all the suppliers G-Star RAW collaborates with are required to be compliant with the G-Star RAW Code of Conduct and the underlying Social and Environmental, Safety and Health (S&ESH) standards. G-Star RAW's Sustainable Supply Chain Strategy is leading in our efforts to achieve our goals. The goal of this Handbook is to explain the steps that G-Star RAW takes in order to responsibly conduct its business throughout its supply chain.

An important part of ensuring a sustainable supply chain is the way G-Star RAW selects and monitors the suppliers and factories it works with. Through monitoring we are aware of the issues occurring at a factory; however we do acknowledge the fact that monitoring in itself does not bring us answers to solve these issues. We first need to identify the issues and then dive deeper to find the root causes behind them before they can be solved. Although we feel responsible for positively contributing to the working conditions in the factories where our products are made, we do believe that the factory itself needs to embrace and take ownership of the necessary changes. Only then sustainable improvements can be made. G-Star RAW is there to help and support suppliers in their development towards full compliance of the Code of Conduct.

This Handbook starts with explaining the G-Star RAW's due diligence process that identifies (potential) risks in the supply chain in Chapter 2. This is followed by G-Star RAW's Compliance Policy in Chapter 3. Thereafter, Chapter 4 will focus on the breakdown of G-Star RAW's supply chain and detailed explanations of different supplier categories. Chapter 5 will elaborate on the sustainability monitoring tools G-Star RAW uses to ensure compliance and performance improvement. This is all necessary information in order to explain what G-Star RAW's supplier and factory onboarding process (Chapter 6) and the continuous monitoring process (Chapter 7) look like. Chapter 8 discusses G-Star RAW's Supplier Development Program and Chapters 9 & 10 focus on specific G-Star RAW policies on subcontracting and homeworkers. Finally, chapter 11 discusses the requirements and cooperation with licensee partners.

2 DUE DILIGENCE

In order to identify the most significant risk factors in our supply chain G-Star RAW conducts due diligence checks based on the [OECD Due diligence guidance for Responsible Supply Chains in the Garment and Footwear Sector](#).

When performing due diligence G-Star RAW takes several risk categories into account. The categories are divided into sector, product, country and business & sourcing model risks. These categories are explained in more detail below. This chapter explains the most significant risks G-Star RAW has identified in its supply chain.

2.1 SECTOR RISKS IN THE GARMENT AND FOOTWEAR INDUSTRY

The OECD categorizes three sorts of sector risks for the garment and footwear industry: human rights & labor, environmental and integrity risks.

Human rights & labor risks	Environmental risks	Integrity risks
Child labor	Hazardous chemicals	Bribery and corruption
Discrimination & gender-based violence	Water consumption	
Forced labor	Water pollution	
Working time (excessive working hours)	Greenhouse gas emissions	
Occupational health and safety (e.g. worker related injury and ill health)		
Violations of the right of workers to establish or join a trade union and to bargain collectively		
Non-compliance with minimum wage laws		
Wages do not meet basic needs of workers and their families		

Table 1. OECD sector risks for garment and footwear

All listed human rights & labor risks and environmental risks are addressed in the G-Star RAW Supplier Code of Conduct. The Integrity Risks are addressed in the G-Star RAW, RAW Ethics (available at the HR Department and on the G-Star RAW website).

2.2 CRITICAL RISKS IN G-STAR RAW SUPPLY CHAIN

The identified risks by the OECD can potentially occur in G-Star RAW's supply chain. In Chapter 4, G-Star RAW shows the breakdown of its supply chain and associated production processes per tier. Depending on these production processes, certain risks might be higher. G-Star RAW's sustainability requirements and monitoring processes are designed in such a way that they focus on key potential risk per factory. For example, factories that have wet processing (laundries) require extensive monitoring efforts on environmental impact, compared to more labor-intensive factories and production processes. Please see Chapter 4.1 for more detailed explanation.

2.3 PRODUCT RISK FACTORS

G-Star RAW distinguishes six product groups: denim, woven, knits, tees, accessories and footwear. Every product group team knows its challenges that are associated with the raw materials used and the desired look of the product. The most significant risks are shortly listed below.

2.3.1 Raw materials

G-Star RAW's collection consists approximately for 80% of cotton, 10% of polyester and 10% of other materials. The materials that are used in the production of G-Star RAW items are listed and benchmarked in the G-Star RAW Fiber Map which is based on the Made-By Fiber Benchmark, The Higg Materials Sustainability Index (MSI), and benchmarks created by industry peers. G-Star RAW is constantly exploring options for more sustainable materials and aims to expand by setting ambitious goals for product development teams to make the right choices.

2.3.2 Processing techniques

The processing techniques used to create a certain look must be executed properly in order to avoid human and/or environmental risks. As a denim brand we are aware of those risks and train our suppliers how to mitigate those risks. Please refer to the Environmental Guidelines (Appendix 3) for more information. Next to that, our technical sourcing teams are continuously searching for the most sustainable wet processing techniques available in the industry.

2.4 COUNTRY RISK FACTORS

When it comes to supplier monitoring and development G-Star RAW follows a country specific approach. Every country has its own characteristics with regards to governance, socio-economic and industry factors. G-Star RAW makes use of several analyses, such as the Fair Wear Foundation (FWF) Country Risk profiles, GoBlu's Country Risk Reports as well as documentation from the ILO and the ministry of Foreign Affairs of the Dutch Government, in order to classify the risks per sourcing country. Furthermore, the Sustainability team stays up to date with the relevant local laws.

2.4.1 Assessing country risk factors for new factories

There are two scenarios when working with new factories.

Existing sourcing countries:

The Sustainability team regularly reviews country updates from our local team, as well as information from organisations such as GoBlu's Country Risk Reports and the Fair Wear Foundation. These updates give a good summary and overview of the country laws applied to our field of work with the factories. The Country Risk reports are updated every 2 years. However, updates on laws are continuously monitored. The latest status on G-Star RAW's sourcing countries is available in our public [G-Star RAW Manufacturing list](#). Based on up to date country information, laws and our experience with countries and factories, we perform a risk-assessment per country.

New sourcing country:

The Sustainability Department will analyse the human rights' and ESH' risks associated with sourcing from a specific country on a case by case basis. G-Star RAW makes use of various information sources to determine risk factors, such as GoBlu's Country Risk Reports and Fair Wear Foundation (FWF) Country Risk profiles as well as International Labor Organization (ILO) documents and the country risks identified by the ministry of Foreign Affairs of the Dutch Government, which serve as a guideline to determine high or low risk countries. G-Star RAW also uses its extensive network to gather all relevant information.

2.4.2 Mitigating country risks

G-Star RAW has production offices in China and Bangladesh. When considering working with a new supplier, the Sustainability team can conduct a proper due diligence check by visiting the factory as part of the Sustainability Review. If G-Star RAW does not have staff on the ground we make use of accredited external parties and available reports.

As part of the Sustainability Review the Sustainability Department makes a country risk analysis. This policy lists the risks with regards to a potential breaches with the local labor law and the G-Star RAW Supplier Code of Conduct. Thereafter, risk mitigating actions are formulated and incorporated into G-Star RAW's Social Sustainability Strategy.

The analysis will result in an advice from the Sustainability Department for the CEO and Sourcing Department on the resources needed to minimize the identified risks. This country analysis and advice should be finalized before any sourcing activity can take place in a new sourcing country for G-Star RAW. An example of a due diligence process that is country specific can be taken from Myanmar.

Sourcing from any new supplier or factory in Myanmar requires an additional land report check (due to the risk of land grabbing and military influence).

2.5 BUSINESS AND SOURCING MODEL RISK FACTORS

G-Star RAW has its own Sourcing Department and does generally not make use of agents. G-Star RAW has a manageable supply chain with 28 direct apparel and footwear suppliers over 12 countries (dated November 2019). G-Star RAW strives to work with suppliers on a long term basis. 50% of our collection is produced at supplier where G-Star RAW works with for more than 10 years.

2.5.1 G-Star RAW Purchasing Practices

Purchasing practices are the way that retailers & brands interact and do business with the suppliers that produce their products such as strategic planning, sourcing, pricing, development and buying. The way we buy and work with our suppliers can have an impact on the working conditions at their factories. For example, if a last-minute order is given or the forecast numbers are incorrect it is difficult for a supplier to plan their workforce, production capacity and the involved costs accordingly. Consequently this can influence working hours and the payment of wages for workers.

Good purchasing practices are therefore essential to promote better working conditions. Poor purchasing practices can have a negative impact on suppliers and workers in the global supply chain and can contribute to poor working conditions, unauthorized subcontracting, labor disputes and strikes and wages which do not cover the basic needs of workers and their families in garment producing countries.

2.5.2 ACT

G-Star RAW joined the initiative [ACT](#) (Action, Collaboration, Transformation). ACT is a groundbreaking agreement between global brands/retailers and IndustriALL Global Union (the global trade union federation). The mission of this group is to transform the garment, textile and footwear sector and achieve [living wages](#) for workers through collective bargaining at industry level.

All ACT member brands, including G-Star RAW have adopted [commitments on purchasing practices](#) that will guide relationships with suppliers worldwide. These commitments include five essential areas: fair terms of payment, full coverage of wage increase in FOB prices, better forecasting and planning, training and responsible exit. [The ACT accountability and monitoring framework](#) includes the purchasing practices indicators and is a monitoring instrument that can measure progress towards full implementation of the commitments of all ACT member brands.

2.5.3 Better Buying

In 2018, G-Star RAW started to collaborate with the Better Buying Initiative. This initiative is a rating platform that allows suppliers to anonymously rate the purchasing practices of the brands and retailers that produce in their factories. The platform allows suppliers to advice brands and retailers specifically about the areas in which they should improve.

G-Star RAW values the equal partnerships with suppliers and encourages them to share their feedback. This feedback helps us to get a better understanding of the purchasing practices that G-Star RAW should improve to build on the partnership with our suppliers and to focus on those practices that have an impact on the working conditions at their factories. Every year G-Star RAW receives a Better Buying scorecard and report. We use this information to analyze our current performance and set priorities for improvements together with the involved and responsible departments (e.g. purchasing, product development, design, finance, corporate strategy, sourcing and supply chain management).

2.5.4 Purchasing Practices commitments

Together with the involved and responsible departments (purchasing, product development, design, finance, corporate strategy, sourcing, sustainability and supply chain management), G-Star RAW analyzes its current performance. This is done through Better Buying and the ACT Purchasing Practices surveys. With this data each responsible department will set target to improve its purchasing practices that are in line with the ACT purchasing practices commitments.

A clear of example of one of the focus points is improving G-Star RAW's planning & forecasting in which G-Star RAW aims to improve its practices in providing the forecast more in advance, update the forecast more regularly and making sure the data has a higher accuracy rate.

By booking the capacity at the supplier beforehand and communicating with a detailed production planning multiple positive effects for both G-Star RAW and the supplier will be reached:

- Order security for the supplier which results in more job security for the workforce;
- Less pressure on the workforce at the supplier to reach delivery deadlines;
- Reduced risk of (excessive) overtime working hours at the supplier;
- Improvements in on-time deliveries by the supplier and therefore more security for G-Star RAW in shop date;
- Increase in product quality due to better planning of the quality inspections by the Quality Assurance team.

2.5.5 Special Marketing Units Suppliers (SMU)

Special Marketing Unit (SMU) products are additions to the general G-Star RAW collections. These products can only follow one of the current designs and will therefore follow the normal workflow of the G-Star RAW collections (e.g. a color addition). As there is no development phase needed for these products these extra units can be added easily to the running production orders. The products are sourced within the current supply chain of G-Star RAW.

2.5.6 Fast Track and Outlet

Fast track process

Global or regional fast track requests occur in case of an unexpected gap in the full price collection offer, for example a missed trend – or a responding to a regional festive or event. Development time is not desirable, but in some cases possible when time allows. To minimize risks, taking into account that these items are only offered in full price stores or online – we work with existing G-Star RAW suppliers only. Fabrics, trims and labels are also ordered via nominated suppliers to also guarantee G-Star RAW's quality standards.

Outlet process

Global or regional outlet requests occur when there is unexpected shortage of a certain product group, which we could not foresee. To fulfil these within a short time frame it needs to concern repeat styles, as there is no development time possible. In order to guarantee the G-Star RAW quality and DNA, these styles run at our existing suppliers. Fabrics used for these items are from leftover stock liability or running fabrics – which will be always compliant with our sustainable materials goals.

2.5.7 Agents

Agents do not own factories but work as an intermediary between suppliers and brands. In general, G-Star RAW prefers to work directly with suppliers, but in some rare occasions this form of cooperation is used. If so, G-Star RAW has business relationships with the agent and demands direct contact with its factories. Consequently, the factories where the agent works with are classified as first tier.

2.5.8 Licensees

Currently, G-Star RAW only makes use of one licensee for G-Star RAW's Kidswear line. The licensee manages and works directly with its respective supply chain. The responsibility of the compliance monitoring activities lies with the licensee partner. They are responsible for implementing the Sustainability Compliance Policy at their suppliers. More information on Licensees can be found in Chapter 11.

3 G-STAR RAW COMPLIANCE POLICY

3.1 SUSTAINABILITY REQUIREMENTS FOR SUPPLIERS

Driving sustainability in G-Star RAW's supply chain starts with communicating clear expectations and requirements to our supply chain partners. To that end, G-Star RAW has developed three separate standards that address particular sustainability topics and risks as identified through our due diligence processes (see Chapter 2). Together, these three standards form the G-Star RAW Compliance Policy. The separate standards are explained in detail below.

- A. G-Star RAW Supplier Code of Conduct
- B. G-Star RAW (Manufacturing) Restricted Substances List
- C. G-Star RAW Materials Policy

3.1.1 Supplier Code of Conduct

The G-Star RAW Supplier Code of Conduct (CoC) was first developed in November 2006 and is updated periodically. The current version is of 2014 and is available in several languages and is publicly available on G-Star RAW's website. The CoC represents the basis of G-Star RAW's compliance strategy. When developing the CoC it was based on the following:

- The United Nations Universal Declaration of Human Rights (<http://www.un.org/Overview/rights.html>)
- The International Labor Organisation Core Conventions and their relevant Recommendations (http://www.ilo.org/dyn/natlex/natlex_browse.home)
- The Ethical Trading Initiative Base Code (<http://www.ethicaltrade.org>)
- International norms and standards (e.g. ISO 14001), ZDHC, GSCP and SMETA environmental criteria.

The CoC defines G-Star RAW's minimum requirements with regards to Social and Environmental, Safety and Health (S&ESH) standards. The latest version is shared with all supply chain partners and is embedded in the G-Star RAW Supplier Agreement. This Agreement is the contractual framework document between G-Star RAW and its direct suppliers.

3.1.2 (Manufacturing) Restricted Substances List

The G-Star RAW Restricted Substance List (RSL) lists all chemical substances that are banned or restricted in use for G-Star RAW products. The RSL applies to all materials such as textiles, metals trims and leather. G-Star RAW's standards follow and/or exceed international laws and regulations (REACH legislation). The G-Star RAW RSL is updated annually. Compliance with this RSL is a mandatory condition for all products which are delivered to G-Star RAW and are placed on the market. Therefore G-Star RAW has a RSL Testing Policy that entails finished articles testing by a third party laboratory on a seasonal basis. The RSL Testing Policy and handling is under the responsibility of the Quality Assurance team. This process is not further explained in this Handbook.

Since 2019, G-Star RAW follows the ZDHC Manufacturing Restricted Substance List (MRSL) to manage hazardous substances used and discharged during manufacturing processes. The MRSL is managed by the Sustainability team and is further explained in Chapter 5.

3.1.3 Materials Policy

The G-Star RAW Materials Policy lists our restrictions and requirements for ethical sourcing of raw materials (specifically for down and feathers, fur, leather, angora, wool, cotton and wood). G-Star RAW has the ambition to replace 90% conventional materials with sustainable alternatives by 2020. As a result of this commitment, G-Star RAW asks certifications for the use of sustainable materials such as organic cotton, recycled cotton, recycled polyester; a Lenzing number for Tencel and BCCU units for Better Cotton (BCI).

It is the responsibility of the Sustainability Department to update and maintain the policy, but the Product Intelligence Centre (PIC) is responsible for collecting the certificates. This process is not part of the compliance Handbook.

3.1.4 Supplier Declaration

Every direct supplier of G-Star RAW has to sign the Supplier Declaration. By doing so, the supplier acknowledges the standards mentioned in the G-Star RAW Corporate Responsibility Compliance Policy (CoC, RSL, MRSL and Materials Policy) and commits towards compliance with these standards, if not immediately, in a timeframe discussed and agreed with G-Star RAW. Also, the supplier is responsible to ensure that all parts of the policy are implemented and adhered to by the factories, sub-contractors and business partners it uses for G-Star RAW production.

4 G-STAR RAW SUPPLY CHAIN

In general, G-Star RAW buys ready-made garments from its suppliers. G-Star RAW aims to establish long-term relationships with its suppliers to ensure transparency of the supply chain. G-Star RAW's suppliers are predominantly located in Asia, but there are also suppliers based in Europe and North and East Africa. The mapping of the supply chain is a continuous work for the Sustainability Department in close collaboration with the Sourcing department.

G-Star RAW works towards full supply chain transparency. Currently, G-Star RAW has mapped its supply chain up until Tier 1 and nominated Tier 2 suppliers, as explained below. As of 2015, G-Star RAW set up a Footwear Sourcing Department taking ownership of its footwear supply chain from a licensee partner. Section 4.1 explains the breakdown and definition of the different parties in G-Star RAW's supply chain, while section 4.2 explains the extent to which G-Star RAW's compliance policy is rolled out per supplier category.

4.1 DEFINITION OF SUPPLIER CATEGORIES

G-Star RAW divides its suppliers into different product categories: apparel, footwear and licensed products.

In order to be able to mitigate any potential risks in its supply chain as identified in the due diligence process, G-Star RAW divides the G-Star RAW supply chain into four tiers (aligned with the Sustainable Apparel Coalition's definition). As potential risks differ per factory and production processes involved, this tiering methodology allows G-Star RAW to focus resources within the monitoring process appropriately.

- **Tier 1** are all processes related to **finished product assembly** such as cutting, panel screen printing, embroidery, sewing, washing, pressing, garment dyeing, packing etc.
- **Tier 2** includes all processes related to **material production** such as weaving, knitting, fabric dyeing/printing, chemical/mechanical finishing, tanning etc.
- **Tier 3** includes all processes related to **raw material production** such as stock dyeing, yarn spinning/dyeing, fleshing, liming etc.
- **Tier 4** relates to all processes of **raw material extraction** such as growing and harvesting of plants, raising and slaughtering of animals and extraction and processing of oils, minerals and chemicals.

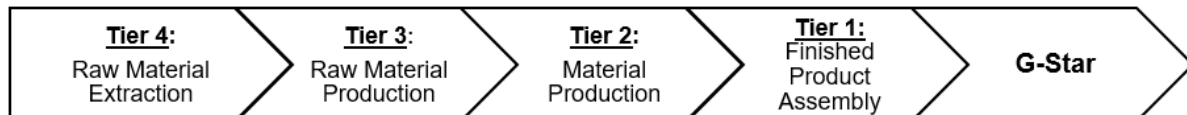


Figure 1. G-Star RAW supply chain tier structure

If a supplier has both Tier 1, 2 and 3 production processes under its own control, we define this as a vertically integrated supplier.

4.1.1 Tier 1 suppliers

G-Star RAW buys the ready-made products directly from the supplier. These suppliers are the direct contact point for the different G-Star RAW teams (PIC, Product Development and Sustainability). Usually the supplier has one or multiple offices which are not always located at the same premises as the production location (factory) where the supplier produces for G-Star RAW. While the supplier signs the Supplier Agreement and Supplier Declaration, the actual sustainability monitoring extends to the factory/ies.

As not every supplier is able to fulfil the product specificities at its own site(s) of production - because of the type of process required or the high volume - subcontracting part of the order is accepted under certain conditions (see chapter 9). The main outsourced processes include Printing, Embroidery, Dyeing & finishing, Washing & laundry). Subcontracting can only be allowed with G-Star RAW's full knowledge of the locations and prior written approval. Although there is no direct contractual relationship with G-Star RAW, we do require these suppliers to be compliant with our standards before authorising them as "subcontractors".

Most of the tier 1 suppliers in the G-Star RAW supply chain own at least one production factory. These direct factories usually are Cut Make Trim (CMT) or Cut Make Trim + processing, or Vertically Integrated. Accordingly, G-Star RAW divides tier 1 factories into four categories: 1) Direct Cut-Make-Trim factories; 2) Subcontracted Cut-Make-Trim factories; 3) Direct processing factories; and 4) Subcontracted processing factories.

	Direct CMT	Direct Processing	Subcontracted CMT	Subcontracted processing
Cut-Make-Trim	X		X	
Printing		X		X
Embroidery		X		X
Dyeing & finishing		X		X
Washing & laundry		X		X

Table 2. Tier 1 processes and types of factories

4.1.2 Tier 2 suppliers

Tier 2 suppliers produce fabrics and trims that tier 1 suppliers use to produce the final product. G-Star RAW nominates tier 2 suppliers for trims and fabric to ensure the product is produced as envisioned. G-Star RAW does not have a contractual business relationship with these suppliers. G-Star RAW does have direct contact with these suppliers for development, but there is no financial stream between G-Star RAW and its second tier suppliers. The exception is when there is a surplus of an order; G-Star RAW will buy the overstock from the second tier supplier in special circumstances.

The tier 2 suppliers can be divided into three types of factories: 1) Denim mills; 2) Fabric mills; and 3) Tanneries.

	Denim Mill	Fabric Mill	Tannery
Weaving	X	X	
Knitting		X	
Chemical finishing	X	X	
Dyeing	X	X	
Tanning			X

Table 3. Tier 2 processes and types of factories

4.2 SUSTAINABILITY SCOPE

Afterwards, Tables 2 and 3 zoom in the Apparel and Footwear supplier categories. The below Table 4 explains the sustainability scope per tier in the Apparel supplier category, and Table 5 breaks down the sustainability scope per tier in the Footwear supplier category.

Apparel	Tier 1					Tier 2		Tier 3
	CMT/VIS	CMT subcontractors	Printers Embroidery	Laundry	Nominated Fabrics	Nominated Trims		
- Sustainability Review	X	X	X	X	X	2022		
- Supplier declaration signed	X	X	X	X	X	2022		
- Sustainability Assessment	X	X	X	X	X	2022		
- Supplier Development	X	X	X	X	X	2023		
- Publication manufacturing map	X	X	X	X	X	2023	2025	

Table 4. Sustainability scope per tier in the apparel supplier category

Footwear	Tier 1	Tier 2	Tier 3
	Finished products	Components	Raw Materials
- Sustainability Review	X	2020	
- Supplier declaration signed	X	2020	
- Sustainability Assessment	X	2020	
- Supplier Development	X		
- Publication manufacturing map	X		

Table 5. Sustainability scope per tier in the footwear supplier category

G-Star RAW is continuously working towards increased transparency and visibility over the whole supply chain. The complete monitoring process including the publication of the manufacturing list was expanded from apparel to also Footwear operations in 2018. The sustainability scope will be expanded in 2022 and 2023 to include also Tier 2 trims suppliers. G-Star RAW has the objective of mapping out its apparel supply chain further to include Tier 3 in 2025.

5 SUPPLY CHAIN MONITORING TOOLS

In order to measure the sustainability performance of its supply chain partners, G-Star RAW makes use of external, industry-approved third-party verified assessment methodologies.

The Sustainable Apparel Coalition's Higg Facility Environmental Module (FEM) and Facility Social & Labor Module (FSLM) modules and the ZDHC tools are the main assessment frameworks for G-Star RAW's supply chain monitoring on environmental and social risks.¹

5.1 SUSTAINABLE APPAREL COALITION (SAC) AND THE HIGG INDEX TOOLS

G-Star RAW considers the development of one unified and effective industry-wide standard framework for measuring supply chain performance an important goal for the industry. To support this objective, G-Star RAW became a member of the Sustainable Apparel Coalition (SAC) in 2017. The Sustainable Apparel Coalition (SAC) is an industry collaboration aiming to collaboratively transform the apparel, footwear, and textile industry through standardized measurement. SAC has developed the Higg Index suite of tools that brands, retailers, and suppliers can use to assess social and environmental performance, identify hotspots, and drive lasting change.

G-Star RAW uses the SAC Higg Facility Environmental Module (Higg FEM) for tracking environmental sustainability performance and the SAC Higg Facility Social & Labor Module (Higg FSLM) for tracking social sustainability performance. The Higg FEM and Higg FSLM modules include both self-assessed and verified scores.

A Higg self-assessment means the factory has evaluated its performance according to the Higg parameters and uploaded the necessary documentation on the Higg.org portal, but the scores have not (yet) been verified by an external auditor.

A factory can choose to have its self-assessment verified by an SAC-approved third-party verifier. The verifier reviews the Higg self-assessment submitted by the factories either on-site or through desktop review. G-Star RAW asks suppliers to go for on-site verification and have the verified module posted and shared with G-Star RAW in the Higg portal.²

5.1.1 Higg Facility Social & Labor Module (FSLM)

The Higg Facility Social & Labor Module (FSLM) allows manufacturing factories to measure their social & labor performance, benchmark against peers, and identify areas to make meaningful improvements. The FSLM guides a factory site through a step-wise approach to social & labor management:

- Level 1: foundational practices and basic awareness
- Level 2: setting targets and making reduction
- Level 3: aspirational practices and demonstrating sustained performance.

The Higg FSLM assessment covers the following topics: recruitment and hiring, working hours, wages and benefits, employee treatment, employee involvement, health and safety and termination.

5.1.2 Social & Labor Convergence Program (SLCP)

The SLCP is an independent multi-stakeholder program which has developed the Converged Assessment Framework (CAF) (this includes a Data Collection Tool and verification methodology) as well as data hosting and sharing process. The objective of SLCP is to improve social and labor conditions by reducing the number of social and labor audits. This eliminates audit fatigue, enables data comparison, and frees up resources for improvement programs.

The Social & Labor Convergence Program question sets are incorporated into the updated Higg FSLM. SLCP data can be completed as a self-assessment and verified on an accredited host platform (e.g. higg.org).

¹ However, in the transition period 2019/2020 towards full adoption of Higg tools in the industry, G-Star RAW accepts certain third-party verification mechanisms as a part of the supplier onboarding process (see section 5.1.3)

² In countries where the verification is not yet available, suppliers should provide the self-assessment report as a minimum requirement, alongside and other accepted third party audit report.

As of autumn 2019, SLCP is currently offering verification in 9 countries/areas: China; Hong Kong; India; Macau; Mauritius; Sri Lanka; Taiwan; Turkey; United States.

As SLCP expands the coverage of their verification program throughout 2019/2020 more countries will be added.

5.1.3 Other social compliance audit mechanism in the transition phase

G-Star RAW requires all suppliers to implement the Higg monitoring system. If available, suppliers need to provide verified Higg FSLM assessments. Where the verification is not yet available,³G-Star RAW accepts the self-assessed FSLM together with another accepted third-party audit report.

In the transition phase towards full Higg FSLM implementation, G-Star RAW recognizes certain other compliance assessment mechanisms for the purposes of new supplier onboarding process (see Annex A1). This audit report should not be more than one year old.

5.1.4 Higg Facility Environmental Module (FEM)

The Higg Facility Environmental Module (FEM) allows manufacturing factories to measure their environmental performance, benchmark against peers, and identify areas to make meaningful improvements. The FEM guides a factory site through a step-wise approach to environmental management:

Level 1: foundational practices and basic awareness

Level 2: setting targets and making reduction

Level 3: aspirational practices and demonstrating sustained performance.

The Higg FEM assessment focuses on: environmental management systems, energy use and greenhouse gas emissions, water use, wastewater, air emissions, waste management and chemical management. The Higg FEM report includes detailed scores for each subsection as well as options for additional information, such as uploading relevant documents and verifier comments.

5.2 THE ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC) ROADMAP TO ZERO

The ZDHC Roadmap to Zero Program is a coalition of fashion brands, value chain affiliates and associates, aiming to transform the global textile, leather, apparel and footwear value chain to substitute hazardous chemicals for safer ones in the production process. In 2012, G-Star RAW became part of the coalition and committed to eliminate industrial releases of hazardous chemicals into the environment, setting the target to reach zero discharge of hazardous chemicals (ZDHC) from all G-Star RAW's products and production processes by 2020. The ZDHC performance of the suppliers are monitored through ZDHC InCheck and ZDHC ClearStream reports, which are based on the ZDHC Manufacturing Restricted Substance List (MRSL).

5.2.1 ZDHC Manufacturing Restricted Substances List (MRSL)

The ZDHC MRSL is a list of chemical substances used in the manufacturing process that are subject to a usage ban. The MRSL applies to chemicals used in factories that process materials and trim parts for use in apparel and footwear. Chemicals in the ZDHC MRSL include solvents, cleaners, adhesives, paints, inks, detergents, dyes, colorants, auxiliaries, coatings and finishing agents used during raw material production, wet processing, maintenance, wastewater treatment, sanitation and pest control.

5.2.2 ZDHC InCheck

The ZDHC InCheck report, a universally accepted chemical inventory standard for input management, is an easy to read report of a factory's chemical inventory list. The InCheck report reviews the extent to which the chemical products of a factory conform to the ZDHC MRSL. The ZDHC Gateway contains a database of ZDHC MRSL conformant chemicals, as uploaded by chemical formulators. Subsequently,

³ Following the Social and Labor Convergence Program (SLCP) roll-out program, the verification process for Higg FSLM is not yet available in all countries. The requests for Higg FSLM verification are therefore depended on the SLCP country roll-out program. Where verification is not possible yet G-Star RAW will request suppliers to fill in the Higg FSLM Self-assessment and asks for an additional third party audit report (as per the accepted standards mentioned in Annex 1).

a factory can source and select more MRSL conformant chemicals to increase its performance on its InCheck report.

5.2.3 ZDHC ClearStream

The ZDHC ClearStream report, a global uniform wastewater reporting standard for output control. A ZDHC ClearStream report can be generated from the ZDHC Gateway by uploading the results of a valid wastewater test to ZDHC Wastewater Guidelines (version 1.1). The ClearStream report is a scorecard that shows wastewater performance to Conventional, Heavy Metals and ZDHC MRSL parameters.

6 SUPPLIER ONBOARDING PROCESS

The onboarding process for new suppliers and factories is a crucial part of creating and maintaining a responsible supply chain. It is important to ensure that the new suppliers meet G-Star RAW's standards and are committed to monitoring and improving their sustainability performance. Therefore, all new suppliers and factories are assessed as a part of the onboarding process before any orders are placed, to ensure that the factory is committed to ensure good working conditions and meeting environmental standards as well as providing price, quality and on-time delivery. The G-Star RAW supplier entry system which each supplier needs to through go before becoming part of the supply chain is depicted below.

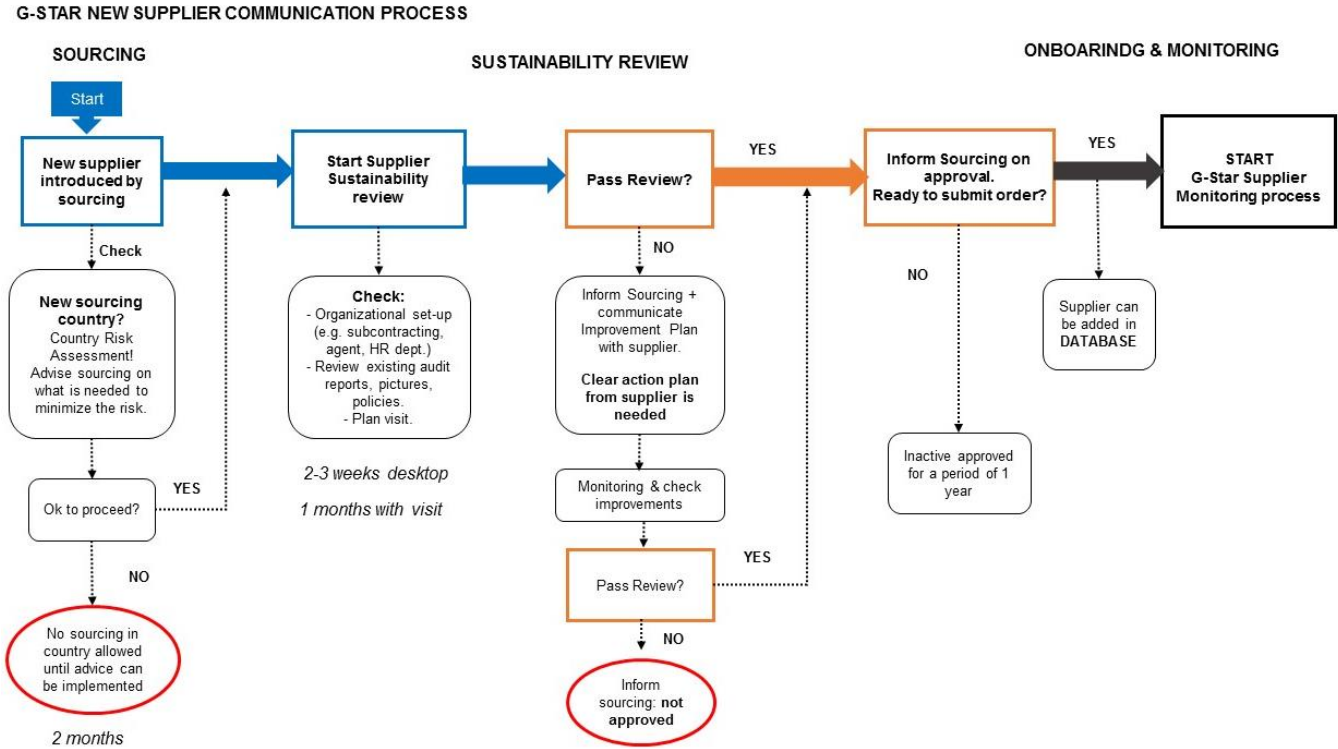


Figure 2. New supplier communication process from introduction to onboarding

The supplier onboarding process consists of three steps: The preliminary country risk assessment (as explained in Chapter 2.4), the social and environmental sustainability review (using the data of the tools explained in the previous chapter), the supplier onboarding and entry into G-Star RAW monitoring process.

During the review process the sustainability will review the required documentation from the supplier and plans a visit to the factories that are potentially used for G-Star RAW productions (including tier 1 subcontractors).

A pass in the review only allows the sourcing department to go ahead with proceeding a business relationship with the supplier and its factories. Without the final “go” from the sustainability department, placing orders (this includes salesman samples) are not allowed.

6.1 SUPPLIER ONBOARDING

Based on the Sustainability Review process, the supplier and its factories are either approved or rejected. When the supplier has been approved, an order can be placed immediately and up till one year after the review has been performed. If the order is placed after 1 year, the Sustainability Performance Review process will be repeated.

If the supplier is accepted the supplier has to sign the G-Star RAW Supplier Declaration stating compliance with the G-Star RAW Corporate Responsibility Compliance Policy (CoC, RSL, MRSL and

Materials Policy). After signing the declaration, the supplier is added to the G-Star RAW database. As a supplier to G-Star RAW, the supplier will be part of the G-Star RAW monitoring system. In the next chapter (Chapter 7), the supplier monitoring system will be explained.

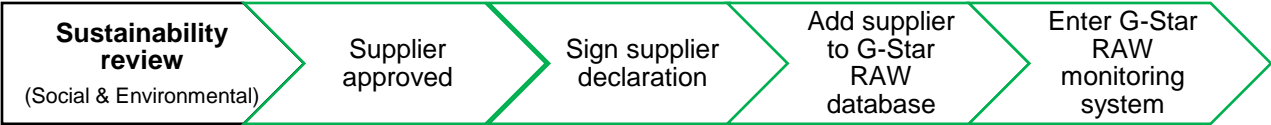


Figure 3..Process of Accepted Supplier after Sustainability Review

6.2 SUPPLIER ONBOARDING FOLLOW-UP PROCESS

On the day of the visit (during which the data from all the supplier monitoring tools are being reviewed and discussed), the supplier receives its first feedback on the improvement points needed.

Within 10-15 workings days the suppliers will receive an Impact Improvement Plan (IIP) This information is in English and in the local language (where possible).

The supplier is required to give feedback on this plan within 10-15 working days.

7 SUPPLIER MONITORING PROCESS

After the formal approval during the onboarding process and signing the supplier declaration, the supplier and its factories will enter the G-Star RAW supplier sustainability monitoring process. This chapter will explain the supplier monitoring process more in detail.

The supplier monitoring process is a continuation of the onboarding process and uses the same monitoring tools.

The extent to which production factories are monitored on both social and environmental sustainability performance depends largely on the type of factory and associated production processes. In general, all Tier 1 suppliers are monitored for both their social and environmental sustainability performance. For Tier 2 suppliers, the monitoring process is focused on environmental sustainability performance. As of 2021, Tier 2 suppliers will be also required to provide Higg FSLM scores for tracking social sustainability performance. For a more detailed explanation of the monitoring process per type of factory, a breakdown between social and environmental requirements is provided below in sections 7.2. and 7.3.

	Social Sustainability Monitoring	Environmental Sustainability Monitoring
Tier 1	Vertically integrated suppliers	Vertically integrated suppliers
	Direct Cut-Make-Trim	Direct wet-processing (dyeing, printing, washing, finishing)
	Subcontract Cut-Make-Trim	
	Direct processing (embroidery)	Subcontract wet-processing (dyeing, printing, washing, finishing)
	Subcontract processing (embroidery)	
Tier 2	From 2021	Denim Mills
		Fabric Mills
		Tanneries

Table 6. Sustainability Monitoring focus as per type of factory (2019-2020)

7.1 ANNUAL SUPPLIER MONITORING AND ENGAGEMENT CYCLE

The way G-Star RAW interacts with its suppliers and factories throughout the year is shown in the graph below.

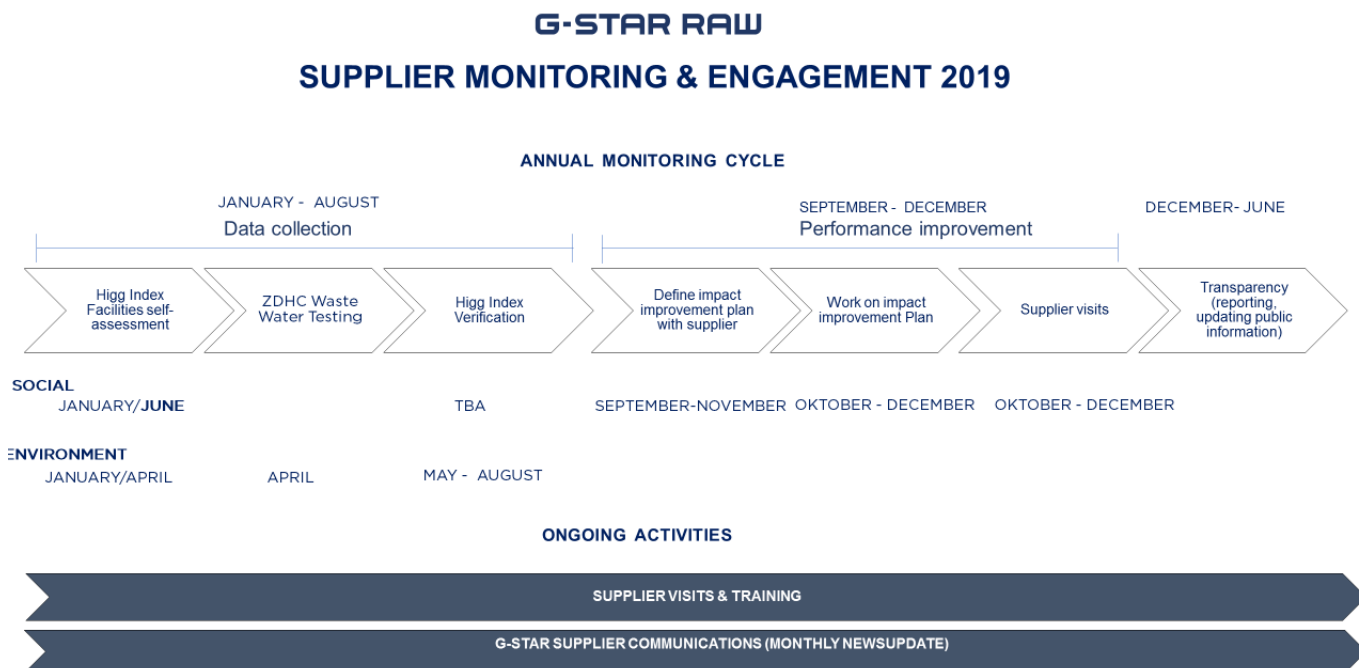


Figure 4.. Supplier monitoring & engagement process

The Annual Monitoring cycle is divided to two periods. From January to August there is a focus on Data collection. The following period from September to December focusses on improving the supplier performance, based on data collected in the beginning of the year.⁴

During the **Data collection** period, the necessary data is acquired from the suppliers. In the beginning of the period from January to April, the suppliers will complete self-assessment of their performance, according to the Higg Index FEM and FSLM tools and upload it to the Higg.com portal. In the end of the data collection period between May and August, the self-assessed data is verified by a certified third-party verifier and the verified report will be uploaded to the Higg.com portal. Additionally, during April the wastewater will be tested according to the ZDHC protocol.

During the **Performance improvement** period, Annual supplier evaluations (KPIs) are defined. Based on the verified Higg FEM and FSLM results completed in the first half of the year, reflecting the supplier performance, an Impact Improvement Plan (IIP) will be designed. Based on supplier ratings and order volumes, G-Star RAW plans supplier visits to relevant factories.

7.2 SUPPLIER MONITORING FOR SOCIAL SUSTAINABILITY PERFORMANCE (HIGG FSLM)

G-Star RAW monitors the social sustainability performance based on the Higg Facility Social & Labor Module tools. In general, the monitoring process is based on verified Higg FSLM reports. The specific requirements for monitoring the supplier sustainability performance depend on category of the supplier (strategic CMT/direct CMT/sub-processing).

7.2.1 Strategic Cut-Make-Trim (CMT) suppliers

All strategic Cut-Make-Trim (CMT) suppliers are required to register through the Higg.com portal for the Facility Social & Labor Module (FSLM). Where verification is available, factories must provide verified Higg FSLM results. G-Star RAW will provide all Tier 1 CMT suppliers with the support and guidance needed to complete the FSLM Self-Assessment in the Higg.org Portal by June 30 of that year.

If Higg FSLM verification is available

In accordance with the SLCP roll-outs (see section 5.1.3), in countries where verification for Higg FSLM is available, strategic CMT suppliers must request FSLM verification and provide verified FSLM results when available. Currently, verification is available for suppliers located in China, India, Mauritius and Turkey. G-Star RAW will send a request for the verified FSLM assessment to be completed by August 30 of that year. Based on the verified Higg FSLM report, G-Star RAW will follow up with an improvement plan before December 30 of that year.

If Higg FSLM verification is not yet available

In case verification for Higg FSLM is not yet available (see section 5.1.3-5.1.4), all strategic Cut-Make-Trim (CMT) must complete the self-assessment for Higg FSLM and upload it to Higg.org portal before June 30 of that year. In addition, the strategic CMT factories will still be required to provide and accepted third-party audit report.

Alongside the Higg FSLM self-assessment and the third party audit report, G-Star RAW will review the supplier performance and check the data by visiting the factory between June and November of that year. G-Star RAW will follow up with all Strategic CMT suppliers with an improvement plan before December 30 of that year.

7.2.2 Other CMT suppliers

Other direct Cut-Make-Trim suppliers need to complete self-assessment according to the Higg FSLM guidelines on Higg.com portal. The factory will be requested to complete Step 1 and Step 2 of the FSLM self-assessment. G-Star RAW will give guidance and support to complete the self-assessment FSLM report in either Higg.com portal before June 30 of that year.

In addition to self-assessed Higg FSLM, the suppliers must also provide another verified third-party audit report (see Appendix A1). G-Star RAW will follow up with the CMT suppliers with an improvement plan before December 30 of that year.

⁴ Notable exception is the ZDHC Wastewater tests that will take place two times during the year, in April and October

7.2.3 Other sub-processing factories

Other sub-processing factories are required to provide at least verified third-party audit report (see section 5.1.4.) and whenever possible also Higg FSLM self-assessment. For suppliers providing FSLM self-assessment report through Higg.org, the monitoring process is the same as for other CMT suppliers (see section 7.1.2. above).

For suppliers submitting another Social Compliance audit report, the monitoring process is based on the requirements of that specific audit system. The performance monitoring will be done by the G-Star RAW Sustainability team and will be based on review of the compliance data available.

7.3 ENVIRONMENTAL SUSTAINABILITY PERFORMANCE (HIGG FEM & ZDHC)

G-Star RAW monitors the environmental sustainability performance of both Tier 1 and Tier 2 suppliers.

In general, all suppliers should report their performance with Higg FEM tools. Additionally, wet-processing factories need to also use ZDHC InCheck reports and conduct ZDHC wastewater tests twice annually. The specific requirements for monitoring the supplier sustainability performance depends on the category of the supplier (strategic wet-processing/other wet-processing/ non-wet processing).

7.3.1 Strategic wet-processing factories

All wet-processing factories are required to disclose up to date ZDHC InCheck reports (4x annually), ZDHC wastewater tests (2x annually) and a verified Higg FEM module. Only Strategic wet-processing factories are monitored based on ZDHC and Higg vFEM scores. G-Star RAW's Sustainability team decides at the start of each year (January) which wet-processing factories are in scope of the monitoring program.

ZDHC InCheck reports are required to measure ZDHC MRSL compliance rates of production locations chemical inventory lists (CIL). The production location purchases the InCheck report at the start of the year and is required to disclose an up to date CIL to the ZDHC Gateway for review. The resulting InCheck report should be disclosed to G-Star RAW by April 30th, August 31st, October 31st and December 31st.

ZDHC wastewater testing takes place twice annually. Strategic wet-processing factories must upload the ZDHC wastewater testing scores in Gateway by April 30 of that year. Based on the scores and when applicable, for under-performing factories G-Star RAW will request a Root Cause Analysis (RCA), and/or Corrective Action Plan (CAP).

Strategic wet-processing factories need to complete verified Higg FEM assessment. G-Star RAW will provide them with support and guidance to complete the Higg FEM self-assessment. Strategic wet-processing factories need to complete and upload the FEM Self-Assessment in the Higg Portal by April 30 of that year. G-Star RAW will request the strategic wet-processing factories to complete the verified FEM by August 31st of that year. Based on the scoring, the supplier needs to follow up with an improvement plan before December 31 of that year.

7.3.2 Other wet-processing factories

All wet-processing factories are required to disclose ZDHC InCheck reports, ZDHC wastewater tests and verified Higg FEM modules. However, for non-strategic wet processing factories there is currently no monitoring process after the completion of the assessment tools. At the end of each year the G-Star RAW team may decide to collect all necessary info from the past year – to measure compliance.

7.3.3 Non wet-processing factories

Non-wet processing factories in both Tier 1 and Tier 2 must complete the Higg FEM self-assessment. However, there is yet no monitoring process beyond the completion of the module regarding their environmental performance.

8 SUPPLIER IMPROVEMENT AND DEVELOPMENT

8.1 MANUALS

Next to the Supplier Compliance Policy G-Star RAW provides its suppliers with a Social & Labor Standards Guidelines (Annex A4) and Environmental Guidelines (Annex A3) that explain G-Star RAW's expectations in detail to the suppliers.

The Social & Labor Standards Guideline helps suppliers to clearly understand the G-Star RAW Code of Conduct and its definitions, regulations and requirements. Each article in the Code of Conduct is explained further, along with the expectations of remedial to the supplier's recommendations, so that suppliers can develop a remediation plan that is effective and durable. This manual will support suppliers to understand how to reach compliancy to the G-Star RAW Code of Conduct, but also helps in developing and establishing clear policies, procedures, and strengthen interaction to build an own Corporate Responsibility/Sustainability management system in the factory.

With the Environmental Guidelines G-Star RAW wants to promote a standard of environmental management that ensures safe and responsible production of G-Star RAW products. The guiding manual help suppliers to manage the environmental standards as set forth in our Code of Conduct.

8.2 SUPPLIER TRAINING

On an annual or bi-annual basis the Sustainability team organises a sustainability supplier conference. During this event G-Star RAW invites all tier 1 and tier 2 suppliers with the objective to provide updates on G-Star RAW's sustainability strategy and supplier sustainability requirements. In addition, external relevant stakeholders are invited (e.g. Sustainable Apparel Coalition or chemical specialists) to provide additional training on topics that were identified by the sustainability team (topics are selected based on supplier Higg index scoring or are based on the experiences during supplier engagement).

The Sustainability team also provides group trainings on the Supplier Compliance Policy and the Social & Labor Guidelines to its suppliers on a yearly basis. In general those trainings are given to Compliance & Human Resource management of the suppliers. Topics for these trainings are selected based on the supplier performances (non-compliances) as well as key challenges and issues within the industry that were identified through risk assessment (human risk on country level).

Depended on the no. of suppliers in a country these trainings are given on an individual supplier level or in small groups per country.

G-Star RAW gives these trainings mainly to supplier management level but will also request supervisors or representatives from the workers/participation committee to be included (depended on the training topic). In addition, G-Star RAW monitors closely (as part of the supplier monitoring performance) if suppliers train their own workers' and staff sufficiently and effectively.

If our internal team is not knowledgeable on a topic that is relevant to a supplier, the services of an external trainer could always be requested.

8.3 SUPPLY CHAIN DEVELOPMENT PROGRAM

To support G-Star RAW suppliers to improve their social and environmental performance G-Star RAW also offers Supply Chain Development projects and programs. G-Star RAW distinguishes these programs in social and environmental. As indicated before, some improvement points can be country specific. Development Programs like the Bangladesh Accord on Fire, Electrical and Building Safety are therefore regionally focused.

General Sustainability	Social	Environmental
G-Star RAW Supplier Sustainability Conference	Workers' Rights trainings	ZDHC Academy
	Better Buying survey/ feedback loop program	DETOX supplier reports
	Higg FSLM joint-assessments trainings	
	Bangladesh ACCORD (country specific)	
	SMART Myanmar (country specific)	

Table 7. Supplier Sustainability development programs & trainings 2019-2020

8.4 PERFORMANCE IMPROVEMENT

G-Star RAW adopted the Higg Index tools as G-Star RAW's supplier monitoring tools to support one unified and effective industry-wide standard framework to measure social and environmental supply chain performance. With this approach we aim to reduce the number of assessment and audits for suppliers, in order to save resources (both for G-Star RAW and its suppliers) that can be used for performance improvement.

Based on the results of the verified Higg results G-Star RAW Sustainability teams develops a Performance Improvement Plan for each supplier. With this data suppliers are monitored to see if progress is made and to improve supplier performance.

This data also serves to identify the focus of G-Star RAW's Supplier Sustainability programs and trainings.

8.5 NON-PERFORMING SUPPLIERS

If during an assessment zero-tolerance or critical non-compliances are found G-Star RAW is committed to work with and support these suppliers to solve the non-compliance(s). The supplier will be offered the abovementioned activities of the Supplier Development Program or Trainings. However, if a supplier repeatedly does not take any action to follow the remediation plan, the Sustainability Department will escalate the unwillingness of the supplier to improve to the next level. We distinguish three levels of escalation:

- Sourcing Director
- CEO
- Chairman

First the Sustainability Department will inform the Sourcing Director of the unwillingness of the supplier to improve the identified issues/non-compliances. (S)he will stimulate the suppliers to improve the situation. If the supplier is still unresponsive or if there is conflict of interest for the Sourcing Director the CEO will talk with the supplier to emphasize the importance of improving its compliance status in order to remain its business relationship with G-Star RAW. If, the supplier is still unresponsive to the CEO, and if the supplier is still important to G-Star RAW for other reasons, the chairman can intervene as a last resort.

If the supplier is still unresponsive after going through the levels of Escalation it will lead to discontinuation of the business relationship with the supplier. In this case G-Star RAW will start its Exit Procedure.

9 SUBCONTRACTING POLICY

Subcontracting orders to third parties is a fairly common practice in the garment and footwear supply chain. Companies outsource orders to subcontractors if they cannot fulfil its agreement with regards to capacity or capabilities. As a result, transparency often decreases down the supply chain and therefore monitoring labor and environmental conditions is more challenging.

G-Star RAW defines a subcontractor as a **company that does part of a job that another company is contracted for.**

G-Star RAW's 1st tier suppliers might subcontract work to complete the order placed by G-Star RAW in compliance with the product specificities, timeframe and agreed quantities. Not every supplier is able to fulfil the product specificities at its own site(s) of production mainly because of the type of process required or the volume of the order. In these cases subcontracting part of the order (e.g. printing, embroidery, dyeing and finishing and laundry) is accepted only with G-Star RAW's prior approval and full knowledge of the locations. Although there is no direct contractual relationship between the subcontractor and G-Star RAW, we do require the subcontracting factory to be compliant with the G-Star RAW Compliance Policy (see Chapter 3).

As a general rule, G-Star RAW prohibits subcontracting to homeworkers, because of limited resources to monitor homeworkers. G-Star RAW feels that it is not be able to responsibly source from homeworkers on a structural basis. For more information about the G-Star RAW homemaker policy, see chapter 10.

9.1 ROLE OF G-STAR RAW

G-Star RAW is aware that its behaviour has influence on the extent of subcontracting. However, G-Star RAW tries to actively mitigate subcontracting risk by allocating orders following the Vendor Capacity Plan (ownership with Sourcing Department), booking capacity six months ahead as well as accepting later ex-factory dates whenever G-Star RAW orders are delayed because of G-Star RAW's own doing (responsibility of the Purchasing Department).

In some cases subcontracting is unavoidable due to lack of specific processes or capacity at the supplier. Therefore, Product Development, Sourcing, PIC and the Quality Assurance Departments can estimate whether subcontracting will be the case when placing an order at a specific supplier (given their insight in the available processes in the factory and the factory's capacity). The Sustainability Department will subsequently anticipate and (pre-) approve the subcontractors in order to speed up the process.

Additionally, the Sustainability Department performs a check twice annually that follows from its obligations under the Transparency Pledge. G-Star RAW requests all tier 1 and 2 suppliers to confirm which factories have been used (including subcontractors) in the past six months for G-Star RAW production. After the information has been received, the accumulated list of factories is published on the G-Star RAW sustainability webpage.

9.2 ROLE OF THE 1ST TIER SUPPLIER

G-Star RAW encourages its suppliers to source responsibly. This means that G-Star RAW expect its suppliers to select responsible partners who comply with the local laws and regulations and G-Star RAW requirements.

The 1st tier supplier is leading in the provision of information to G-Star RAW. G-Star RAW expect at least the below form the 1st tier supplier.

1. **Pre-approve before placing an order:** Specify to G-Star RAW that subcontracting is necessary before placing the order. The supplier is encouraged to work with G-Star RAW to pre-approve subcontractors before they are needed.
2. **Compliance:** The 1st tier supplier makes sure the subcontractor is at least legally compliant and compliant with the G-Star RAW Code of Conduct
3. **Transparent:** The 1st tier supplier discloses the subcontractor's name, location and contact details.
4. **Data provision:** The 1st tier supplier collects all relevant data (third party audit reports, organogram, pictures etc.) for the Sustainability Department and PIC in order to make an assessment of the subcontractor. PIC and the Sustainability department preferably visit the subcontractor. A Sustainability Review will be performed by G-Star RAW.

5. **Long term partnership:** G-Star RAW encourages suppliers to build a long term relationships with their subcontractors.
6. **Communication:** After approval of the quality and compliance status of the subcontractor, G-Star RAW will also have direct contact with the subcontractor. The 1st tier supplier will remain to be the main contact.

9.3 ONBOARDING & MONITORING PROCESS FOR SUBCONTRACTORS

The entry process of subcontractors follows the process as explained in chapter 6. Pre-approved subcontractors are valid for 1 year. After 1 year a new Sustainability Review must take place.

The monitoring process and the rating system of subcontractors is the same as the monitoring process and rating system of our 1st tier suppliers (see chapter 7 for explanation G-Star RAW monitoring process).

9.4 UNAUTHORIZED SUBCONTRACTING

If G-Star RAW encounters unauthorized subcontracting in its supply chain meaningful engagement will be provided to the affected stakeholders through the course of due diligence. Furthermore, training will be provided to the 1st supplier(s) to explain the importance of supply chain transparency and the labor risks associated with unauthorized subcontracting.

10 HOMEWORKERS POLICY

Homeworkers are defined by the International Labor Organization as: **people working from their homes or from other premises of their choosing other than the workplace, for payment, which results of a product or service specified by the employer.** Homeworkers are often employed in piece work. Homeworkers are considered a high risk as they are often outside of a controlled workplace. Monitoring the labor conditions is therefore more difficult.

Homework Policy: as a general rule, G-Star RAW prohibits subcontracting to homeworkers, because of its limited resources to be able to responsibly source from homeworkers on a structural basis. G-Star RAW only allows homeworkers in its supply chain if this is pre-approved by the Sustainability Department.

10.1 DUE DILIGENCE

G-Star RAW is aware that it is not uncommon in the garment industry that factories (partly) outsource their orders to homeworkers. In general, G-Star RAW does not allow homeworking. Several measures are taken to ensure no homeworkers policy:

Product design: Designers and Product Developers are trained to flag designs where outsourcing to homeworkers can be more common, such as hand embroidery. Therefore, these techniques are not used in our collection. Next to that, our Product Intelligence Teams carefully check if (one of our) suppliers has the capabilities and capacity to produce the G-Star RAW design. If a certain design cannot be made by one of our suppliers a new supplier will be found following the steps described the Responsible Sourcing Manual and the Supplier onboarding process as described in chapter 6.

Due diligence check: However, G-Star RAW includes homeworkers in the due diligence check (see chapter 3). This check is performed on a seasonal basis, based on the products that G-Star RAW sources

Partnership with the supplier: G-Star RAW is aware of the capacity and capabilities of the supplier. Furthermore, G-Star RAW books capacity at the factories ahead in order to reduce the chance of subcontracting. Next to that, in the Subcontracting Policy describes that G-Star RAW promotes responsible sourcing from its suppliers too.

Monitoring the supplier: The Product Intelligence Centers, specifically QA and Sustainability team are in close contact with the factory. Therefore, they can closely monitor and track the production of the orders that are placed at the supplier.

10.2 AUTHORIZATION PROCESS

If there is a valid reason in which capabilities of homeworkers are needed to realize a certain design the Sustainability Department will first perform a Sustainability Performance Review. Please note that homeworker as a result of under capacity at a direct supplier can never be a reason for working with homeworkers.

10.3 ENTRY PROCESS

The process described in chapter 6 of this Handbook will be followed for homeworkers too. G-Star RAW will support its supplier to source responsibly. G-Star RAW advises its suppliers to work with acknowledged intermediaries that are experienced in the contracting of work to homeworkers. Those intermediaries should at least be compliant with the law.

10.4 MONITORING PROCESS

Since G-Star RAW's inception homework was not identified in G-Star RAW supply chain nor was it needed to create a certain design. In general, the monitoring system will be set up following the monitoring process and rating system as described in chapter 7. However, requirements for responsibly monitoring homeworkers will be added. The monitor will differ from case to case depending on the organization of the homeworkers, the process outsourced to the homeworkers, volume, country, etc. The [ETI Homeworker Guidelines \(2010\)](#) and the International Labor Organization [Good practice guidelines for](#)

[the employment of homeworkers\) Jakarta, International Labor Organization](#), 2013 will be taken into account when monitoring homeworkers.

The Quality Assurance (QA) team plays an important role in identifying (unauthorized) subcontracting to homeworkers during their seasonal quality inspections. The QA team and the Sustainability team therefore work closely together.

10.5 UNAUTHORIZED HOMEWORK

If G-Star RAW encounters unauthorized homework in its supply chain meaningful engagement will be provided to the affected stakeholders through the course of due diligence. Furthermore, training will be provided to the 1st supplier(s) to explain the importance of supply chain transparency and the labor risks associated with subcontracting and homework.

11 LICENSEE REQUIREMENTS

For some product groups, G-Star RAW works with licensee partners. They have the responsibility of their respective supply chains to comply with the G-Star RAW Supplier Compliance Policy (Code of Conduct, (M)RSL, Materials Policy). Following the Licensee Contract, the partners are responsible for:

- Appointing at least one employee within the company as a contact person to the Sustainability Department. This person needs to have demonstrable management-level knowledge and experience on social and labor and environmental compliance issues.
- Applying the same monitoring processes as mentioned in chapter 7 with their respective suppliers based on the same supplier categories as mentioned in chapter 4.
- Informing the Sustainability department about any new suppliers before start of each season and sending in a signed declaration per supplier.
- Quarterly reporting to the Sustainability Department monitoring activities per supplier following the Licensee Contract.

G-Star RAW reserves the right to visit licensees' suppliers' factories and this is agreed upon by the licensees.

ANNEX

A1. OTHER ACCEPTED THIRD-PARTY AUDIT MECHANISMS

In the transitioning phase, in order to avoid assessment fatigue, G-Star RAW recognizes certain other compliance assessment mechanisms for the purposes of new supplier onboarding process (see Annex for detailed information). In any case, the certification should not be more than one year old and be in line with G-Star RAW's Code of Conduct, which include:

A1.1. BSCI/ Amfori

BSCI = The Business Social Compliance Initiative (BSCI) is a supply chain management system that supports companies to drive social compliance and improvements within the factories and farms in their global supply chains. BSCI implements the principle international labor standards protecting workers' rights such as International Labor Organization (ILO) conventions and declarations, the United Nations (UN) Guiding Principles on Business and Human Rights and guidelines for multinational enterprises of the Organization for Economic Co-operation and Development (OECD).
<https://www.amfori.org/content/what-we-do-0>

A1.2. WRAP

WRAP = Worldwide Responsible Accredited Production (WRAP) is an independent certification program mainly focused on the apparel, footwear, and sewn products sectors. WRAP issues three levels of certification that are valid from six months to two years based on a factory's compliance with specific principles, based on the rule of law within each individual country and include the spirit or language of the relevant conventions of the International Labor Organization (ILO).
<http://www.wrapcompliance.org/>

A1.3. SMETA

SMETA = Sedex Members Ethical Trade Audit (SMETA) is an audit methodology, providing a compilation of best practice ethical audit techniques. It is designed to help auditors conduct high quality audits that encompass all aspects of responsible business practice, covering Sedex's four pillars of Labor, Health and Safety, Environment and Business Ethics.
<https://www.sedexglobal.com/smeta-audit/>

A1.4. SA8000

SA8000 = The SA8000® Standard is a social certification standard established by Social Accountability International. SA8000 measures social performance of factories and organizations in eight areas important to social accountability in workplaces, anchored by a management system element that drives continuous improvement in all areas of the Standard. The Standard reflects labor provisions contained within the Universal Declaration of Human Rights and International Labor Organization (ILO) conventions. It also respects, complements and supports national labor laws around the world and helps to secure ethical working conditions.
<http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1689>

A1.5. FWF

FWF = Fair Wear Foundation (FWF) is a non-profit organisation that works with garment brands, factories, trade unions, NGOs and governments to improve working conditions for garment workers. They conduct a Brand Performance Check at all FWF member companies annually. They also conduct audits in garment factories if they meet FWF labor standards. The FWF labor standards derived from ILO Conventions and the UN's Declaration on Human Rights. This means the FWF Code of Labor Practices is based on internationally recognised standards which have been set through tripartite negotiation.
<https://www.fairwear.org/labor-standards/>

A2. G-STAR RAW SUPPLIER CODE OF CONDUCT

https://img2.G-Star RAW.com/image/upload/v1483974907/CSR/PDF/140402_Code_of_conduct_March_2014_Final_EN.pdf

A3. G-STAR RAW ENVIRONMENTAL GUIDELINES

[https://img2.G-Star RAW.com/image/upload/v01/CSR/PDF/Environmental_Guideline_G-Star RAW Raw C V Version 3.0.pdf](https://img2.G-Star RAW.com/image/upload/v01/CSR/PDF/Environmental_Guideline_G-Star_RAW_Raw_C_V_Version_3.0.pdf)

A4. G-STAR RAW SOCIAL & LABOR GUIDELINES

[https://img2.G-Star RAW.com/image/upload/v01/CSR/PDF/G-Star RAW Social and Labour Guideline version 2.0 January 2019 - online.pdf](https://img2.G-Star RAW.com/image/upload/v01/CSR/PDF/G-Star RAW_Social_and_Labour_Guideline_version_2.0_January_2019_-_online.pdf)