

Moving towards our 2018 Sustainability Report
Update Report July 2019

INNOVATING
FOR THE
FUTURE



WELCOME

THIS 2018 UPDATE REPORT IS A SNEAK PREVIEW OF OUR FIRST SUSTAINABILITY REPORT, FOCUSED ON VALUE CHAIN RESPONSIBILITY.

As a teaser to our first full sustainability report (to be published in Autumn 2019), this update gives an insight into our core value chain activities up to and in 2018. These insights are shared as part of our commitment to the Dutch Agreement on a Sustainable Garment and Textile Sector. It also introduces our new sustainability strategy, with a focus on value chain responsibility.

At G-Star RAW, when we design, we design for the future; not only in how our products look, but also the wider impact they have. If we want to be here as a denim brand in 20, 50 or even 100 years from now, it's crucial for us to think innovatively about the impact we have on people and the planet. Today, we strive for 90% sustainable materials in our collection by 2020, we share our production locations online, and our circular fashion fabrics can be worn, recycled and re-used.

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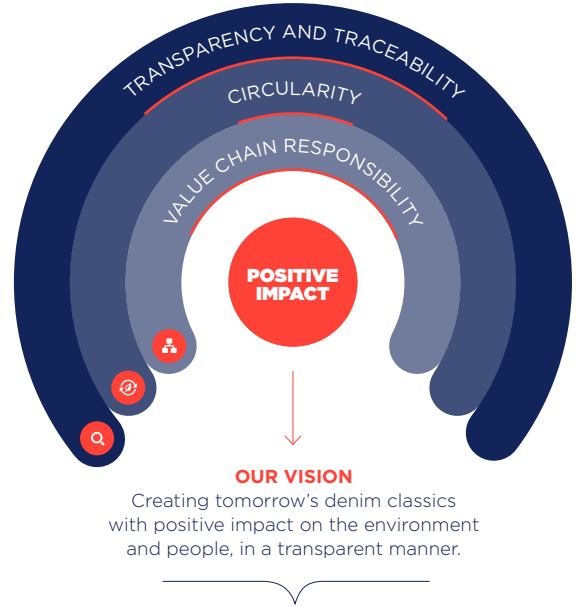


OUR 2020 SUSTAINABILITY MODEL

Since launching our [Supplier Code of Conduct](#) back in 2006, we've come a long way. Our 2018 sustainability strategy was a key milestone and the outcome of extensive consultation with stakeholders, including employees, suppliers and industry experts. Together, we systematically assessed sustainability issues against our strategy, (public) commitments and partner expectations. A gap analysis was conducted to determine where we stand in relation to achieving our 2020 goals and commitments. We included an issue assessment and the focus of our various partners and sustainability initiatives. These initiatives and multi-stakeholder efforts include the Global Fashion Agenda, Transparency Pledge, Zero Discharge of Hazardous Chemicals initiative (ZDHC) and the Sustainable Apparel Coalition (SAC), among others. This builds on our ongoing engagement with industry peers and organizations.

The new strategy sets three key priorities to achieving our vision:

- ▶ do the right thing in how we operate responsibly across the **value chain**;
- ▶ create **circular denim** and processes that help build circular economies; and
- ▶ ensure full **transparency** by sharing performance progress and impacts and achieve complete traceability for every item.



VALUE CHAIN RESPONSIBILITY

-  ENVIRONMENTAL GOAL – Eliminate harmful environmental practices in the supply chain, particularly hazardous chemicals, and continuously improve our factories' environmental performance.
-  SOCIAL GOAL – Ensure the livelihood of workers and communities in G-Star RAW's value chain are continuously improved.
-  OPERATIONS GOAL – Continuously assess and improve our own operations and performance.
-  SUSTAINABLE PRODUCT GOAL – Be recognized as a leader in sustainable product innovation.
-  COMMUNITY ENGAGEMENT GOAL – Ensure internal and external stakeholders are aware of, committed to and excited about, our sustainability efforts.

CIRCULARITY

Identify circularity opportunities at product, process, use and end-of-life level. Create a 2020-2030 Circularity Roadmap.

TRANSPARENCY

Make and share progress on our 2020 sustainable materials and the Detox Commitment. Implement the Higg Index Roadmap to Transparency and share Higg Index scores publicly when allowed.

PERFORMANCE UPDATE

How are we doing?

G-Star RAW became a partner brand of MADE-BY in 2011 to help verify our progress towards increasing the use of sustainable materials in our collections and improving the social and environmental conditions in factories. MADE-BY published the first G-Star RAW Scorecard in 2012. It showed year-on-year progress on the working conditions in the factories that manufacture our products and the use of sustainable materials in our collections. In 2016 the MADE-BY Mode-Tracker replaced the scorecard and enabled G-Star RAW to share more specified performance progress publicly.

Before we go into where we are now and future ambitions, we first want to reflect on our previous progress through Mode-Tracker. Our most recent Mode-Tracker (2017) performance scorecard shows excellent progress being made in the categories of People, Product and Manufacturing, with best practice standards being achieved in many areas. Below are our highlights from 2017:

People

- ▶ Maintained a system to monitor labor rights risks within the supply base
- ▶ Undertook activities to calculate living wages for workers
- ▶ Conducted systematic studies on human rights risks relevant to our supply chain

Product

- ▶ Maintained a robust sustainable product strategy
- ▶ 57.3% of our collections contain sustainable materials
- ▶ Continued trainings for relevant teams on sustainable products

Manufacturing

- ▶ Maintained a detailed strategy to improve the environmental impact of our suppliers based on ZDHC requirements
- ▶ Developed a supplier onboarding and sustainability ranking system, including performance assessments on social and environmental impacts

- ▶ Sustainability performance is included in periodic evaluation of supplier ratings by G-Star sourcing department

Transparency

- ▶ Publicly acknowledged the social and environmental impacts of our supply chain and the impacts of our own operations
- ▶ Published a 'manufacturing map' with detailed supplier information since 2014
- ▶ Started to communicate ambitions to implement circular economy principles

Operations

- ▶ Set a strategy and senior level accountability to reduce our operational impacts
- ▶ Set targets to reduce greenhouse gas emissions and waste

Use and durability

- ▶ Set a clear strategy and targets to address the impacts of use and durability of products
- ▶ Started to encourage customers to minimize the environmental impact of laundry during the use phase
- ▶ Adopted closed-loop principles in designing products

Packaging and transport

- ▶ Updated our Packaging and Sustainable Operations strategy, with targets to reduce impact from transport
- ▶ Worked to quantify the overall use of sustainable transport and product packaging
- ▶ Investigated innovative packaging options such as RePack and micropack stickers

Waste

- ▶ Established a comprehensive strategy to reduce the environmental impact of product waste
- ▶ Set ambitious closed loop targets Established Raw for the Planet closed-loop products



Transitioning to more holistic reporting

In 2018, we started the transition from reporting through Mode-Tracker to using the SAC's Higg Index Brand and Retail Beta Module, as a pilot reporting tool to the Dutch Textile Agreement. This alignment was piloted by the Dutch Textile Agreement in 2018 so 2017 Higg Index BRM Beta data was populated in the Dutch Textile Agreement Questionnaire. The Dutch Textiles Agreement have now committed to provide official alignment between their reporting requirements, as of next year we will use the Higg Index BRM data and our Sustainability Report to meet the Dutch Textile Agreement requirements. Unfortunately, there is no Higg Index BRM this year for 2018 performance. Therefore, we have used the Dutch Textile Agreement Questionnaire to report on our 2018 performance, progress and action plans.

Alongside other apparel brands and with guidance from the SAC, we have now completed a test pilot phase. Once the transition is complete, we will report our Higg Index scores in our 2020 full report.

The Higg Index Brand and Retail Module enables global brands and retailers to assess the sustainability of product lifecycles, environmental performance and the social and environmental performance of their operations. While it is highly comprehensive, we will need to do more to proactively report on fair wages, workers' rights and ensuring effective grievance systems and procedures are set up for workers. This will all be aligned with OECD guidelines and our due diligence processes.

Our ambition is to move towards full supply chain transparency and traceability by 2025. This will require us to build on our manufacturing map to reach more suppliers and continue work with the SAC on Higg Index consumer communications. Our aim is to issue an online-only Sustainability Report that addresses the interests of key stakeholders. This will involve continued engagement with the communications requirements of the Dutch Agreement on a Sustainable Garment and Textile Sector, the Transparency Pledge, the Higg Index Roadmap to Transparency and Fashion Revolution's Fashion Transparency Index.



VALUE CHAIN RESPONSIBILITY

From compliance to impact

Our compressed and optimized supply chain enables close and lasting relationships with manufacturers. This supports our Supplier Code of Conduct and commitment to the sector's [Transparency Pledge](#), which involves publication of a full manufacturer list. We publish a list and a map, which meets the requirements of the Pledge, the map includes suppliers we work with for a minimum of 2 years.

Currently covering approximately 95% of our production volume (with slight variations by season), our interactive [manufacturing map](#) shows what was made in 32 factories, by 24 manufacturers across nine countries (including our strategic sourcing locations of Bangladesh, Vietnam, China and India).

The map even has the functionality to show the number of workers at each site, the gender balance and any available sustainability initiatives or certifications that are in place. All direct suppliers with more than a two years' relationship with us are included.

Supplier partnerships for continual improvement

As well as publishing where and how our garments are made, we also work closely with individual factories, manufacturers and expert partners to help measure and improve our social and environmental performance. This reflects our wider strategic transition from auditing suppliers for compliance, to partnering with them for sustained and mutual improvement, using the Higg Index Modules and other tools that can be used to support these mutual efforts.

In 2018, we ran two-day **training events for tier 1 and 2** suppliers in Shanghai and Bangalore. Some factories also joined a pilot project with the [Social and Labor Convergence Project \(SLCP\)](#).

To help identify and monitor key issues in our supply chain, we conduct country level studies each year, drawing on the findings to pinpoint common risks. We align the country based risk assessment with our own internal assessments. In addition we incorporate industry priorities as defined by the Global Fashion Agenda's [CEO Agenda](#) and our own due diligence processes. These are not currently public but we aim to share relevant information relating to these going forward.

WHERE IT IS MADE



Positive social impact

Our sustainability team delivers annual training on sustainability performance measurement and improvement and our [Social and Labor Guidelines](#). It also steps in to support individual suppliers in the event of non-compliances and to tackle regionally-relevant topics (e.g. fire, electrical and building safety in Bangladesh where high rise factories are the norm).

Towards a universal methodology in apparel

The shared vision in our sector is for a universal framework to monitor, report and improve social impact. We are collectively working towards this with the Social and Labor Convergence Project (SLCP).

Almost **two thirds** of social audits in the apparel sector are unnecessary duplications.

By working together and sharing supply chain data, we envision accelerated supply chain sustainability.

Fair Wage & Workers' rights

We apply the Higg Facility Social & Labour module (of which the content is directly informed by the work of SLCP) as a measuring and performance improvement tool for our supply chain partners.

Our [Supplier Development Program](#) includes projects on worker wellbeing. In 2018, we established a social framework for our tier 1 suppliers to support workers' rights and to train 80% of tier 1 suppliers by the end of 2019 (expanding to new and tier 2 suppliers in 2020). We are now developing a Fair Wage Methodology to reinforce our purchasing practices and the importance of dialogue in wage negotiations. In addition, we aim for an external grievance system to operate in key supplier sourcing countries.

Our goal is to improve G-Star's Purchasing Practices as part of our Fair Wage Methodology

Protecting the planet

Our 2020 goal is to eliminate harmful environmental practices in our supply chain, especially when it comes to hazardous chemicals. We firmly endorse ZDHC, adopting its brand leadership requirements in 2018 and now developing key performance indicators (KPIs) to take this forward. We are also committed to Greenpeace's [Detox 2020](#) campaign. Our own DETOX program tracks chemical purchases, on-site management of and wastewater treatment, in line with ZDHC and Higg Facilities Environmental Module (FEM) 3.0 modules and tools (we aim for all strategic wet processing facilities to adopt these in the next year).

Working transparently with sector peers and non-governmental organizations in this way supports our Higg Index leadership level goals for 2020, as well as upholding our own Code of Conduct. We disclose all data in our annual [Detox Report](#) and, from 2019, we will do so in our first Sustainability Report.

To galvanize momentum internally, the G-Star RAW Sustainability Ambassador Group will develop monitoring systems, determine key actions and advise on strategy interventions in partnership with NGOs such as the Plastic Soup Foundation, Canopy and Sympany/Humana. We are engaging with our most passionate and expert employees when it comes to sustainability and responsibility at G-Star RAW. These individuals will help accelerate change through projects that encourage other employees and customers to drive impact across our operations.

Working with the [Climate Neutral Group](#), we're measuring our greenhouse gas emissions and establishing energy efficiency programs. In 2019 we will create our long-term carbon strategy.

2018 PARTNERSHIPS AND AFFILIATIONS

Doing the right thing - together

We can't design a sustainable industry alone. Over the years, we've built close partnerships with expert organizations and joined forces with our sector peers to help accelerate positive change across the apparel industry.



Bangladesh Fire and Building Safety Accord

We signed the Accord on Fire and Building Safety in Bangladesh in 2014 and its extension in 2018. We work together in a multi-stakeholder partnership structural improvement of the safety in the Bangladeshi garment sector.



Climate Neutral group

Working together to measure our greenhouse gas emissions and establish energy efficiency programs.



Better Buying Initiative

A rating platform that allows manufacturers to anonymously rate the purchasing practices of the brands and retailers that produce in their factories.



Dutch Agreement on a Sustainable Garment and Textile Sector

In mid 2016 we signed the Agreement on a Sustainable Garment and Textile Sector to make the international textile industry more sustainable, fair, environmentally friendly, animal friendly and safe.



Bluesign

In 2013, we committed to implement this independent standard that guarantees that products are free of hazardous chemicals.



Fair Wage Foundation

Fair Wage Network is primarily a role for the government; however, we believe that we have the ability to contribute to a positive change. We participated in a pilot facilitated by the Fair Wage Network, in collaboration with Solidaridad.

GREENPEACE

Greenpeace (DETOX 2020)

We align to the campaign and have our own DETOX program to eliminate chemicals in our supply chain.

The Apparel and Footwear Supply Chain Transparency Pledge

An initiative to help the garment industry reach a common minimum standard for supply chain disclosures by getting companies to publish standardized, meaningful information on all factories in the manufacturing phase of their supply chains.

SOCIAL & LABOR CONVERGENCE

Social and Labour Convergence Project

Working together for supply chain collaboration beyond factory audits.

Ø ZDHC

ZDHC

We joined the Zero Discharge of Hazardous Chemicals (ZDHC) program in 2012 for its holistic approach to tackling the issue of hazardous chemicals in the global textile, leather and footwear value chain.



Sustainable
Apparel Coalition

SAC

We joined the Sustainable Apparel Coalition in 2017. This is the apparel, footwear and textile industry's alliance for sustainable production. The main focus is on building the Higg Index, a standardized supply chain measurement tool.

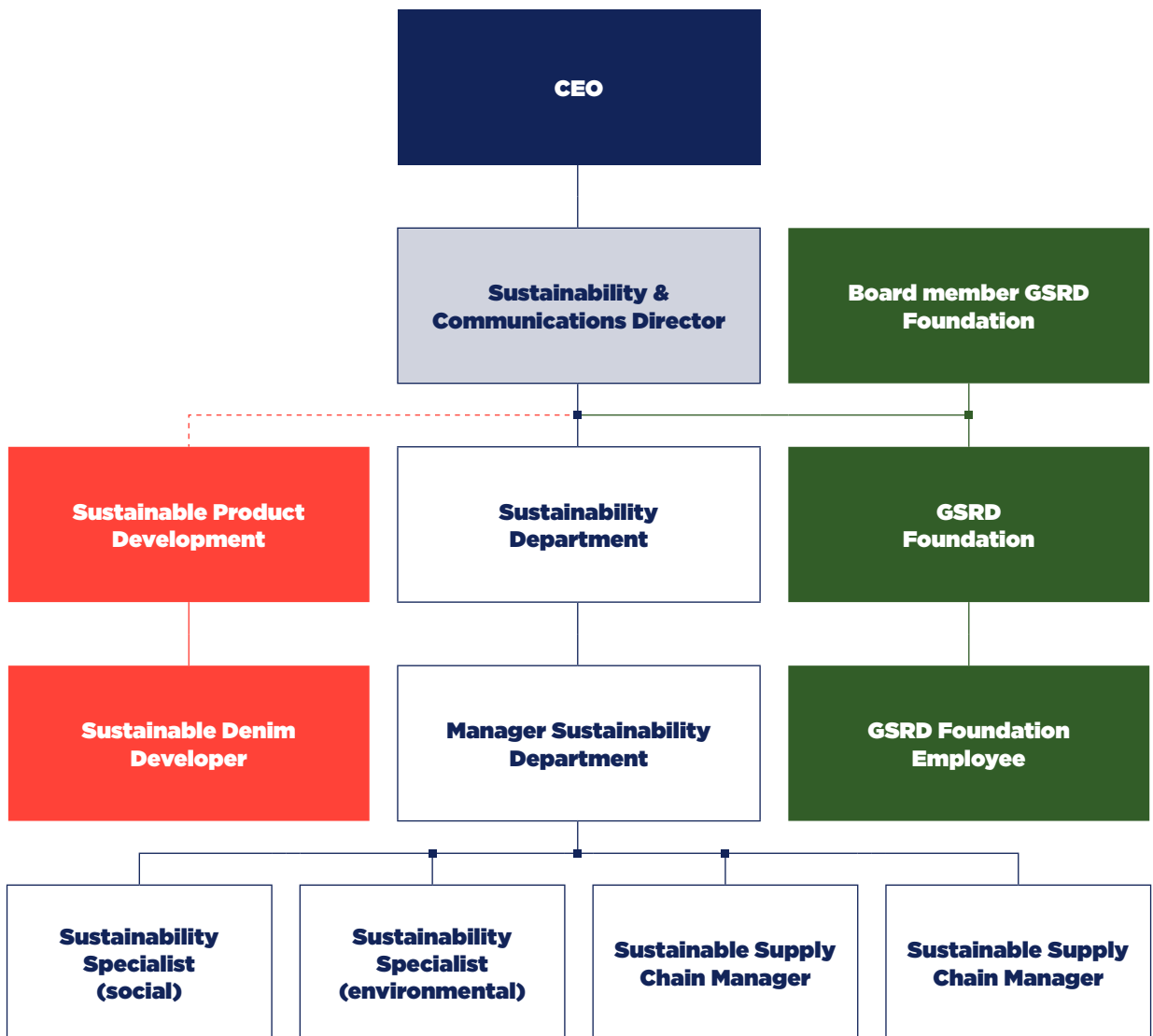
MANAGING SUSTAINABILITY

Governance update

Reporting directly to the G-Star RAW Chief Executive, our eight-strong sustainability team are all located in the Netherlands, except for two staff in Shanghai and Dhaka. The team ensures that social and environmental responsibility is integrated across the business, within our supply chain and in the wider value chain.

Accountability

Sustainability performance and progress is embedded within manager objectives and KPIs. For example, senior category managers have personal targets to contribute to our goal of 100% sustainable cotton and 90% sustainable materials by 2020.



FURTHER INFORMATION

This report includes key information to align with the Dutch Agreement on a Sustainable Garment and Textile Sector. For further details please go to our website's [sustainability section](#).

Below are some particularly relevant, publicly available, documents.

SUPPLIER CODE OF CONDUCT

SOCIAL & LABOR GUIDELINES

SUPPLIER MONITORING & DEVELOPMENT PROCESS

MODERN SLAVERY ACT STATEMENT

MANUFACTURING LIST

ENVIRONMENTAL GUIDELINES

ZERO DISCHARGE OF HAZARDOUS CHEMICALS PROGRESS REPORT 2017

FAIR WAGE PILOT