

**G-STAR RAW**

**SUSTAINABLE SUPPLY CHAIN  
HANDBOOK**

VERSION 2021

## ABBREVIATIONS

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

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# 1 INTRODUCTION TO SUSTAINABLE SUPPLY CHAIN HANDBOOK

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G-Star products are manufactured in factories all over the world. G-Star does not own any factories but purchases ready-made garments from its suppliers. Although the factories are owned and run by others, G-Star 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 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. The goal of this Handbook is to explain the steps that G-Star 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 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 is there to help and support suppliers in their development towards full compliance of the Code of Conduct.

## 1.1 SUSTAINABILITY COLLABORATION AND INTEGRATION IN OTHER DEPARTMENTS

G-Star's sustainability team works together with various departments that are jointly responsible for achieving G-Star's sustainability goals. Besides the sustainability team, the departments involved in implementing G-Star's sustainability strategy are Design, Product Development, Merchandise, Purchasing & Pricing, Quality Assurance, Sourcing, Logistics, Marketing and Communications.

When working on improving the sustainability performance in our supply chain there are different levels of shared responsibilities and collaboration amongst the sustainability team and other departments involved. For example, Planning managers and Product Developers both ensure that product certification for sustainable fibers and materials are collected. Moreover, the Sourcing and Quality Assurance department are working together to monitor suppliers' factory allocation and subcontractors used for G-Star production. In addition, there is close collaboration with the Sourcing Director to communicate G-Star's minimum requirements on social and environmental standards. For the complete overview of sustainability integration in all involved departments, see annex A9.

## 1.2 CONTENT

This Handbook starts with explaining G-Star's due diligence process that identifies (potential) risks in the supply chain in Chapter 2. This is followed by G-Star's Compliance Policy in Chapter 3. Thereafter, Chapter 4 will focus on the breakdown of G-Star's supply chain and Chapter 5 will elaborate on the sustainability monitoring tools G-Star uses to ensure compliance and performance improvement. This is all necessary information in order to explain what G-Star's supplier and factory onboarding process (Chapter 6) and the continuous monitoring process (Chapter 7) look like. Chapter 8 discusses G-Star's Supplier Development Programs. Finally, Chapter 9 describes our requirements for 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](#). This guidance defines due diligence as “the process through which enterprises can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts”. When performing due diligence G-Star RAW builds upon a risk assessment that provides the foundation and justification for our actions and goals. This chapter explains the methodology of our risks assessment and the most significant risks G-Star RAW has identified in its supply chain.

## 2.1 SECTOR RISKS IN THE GARMENT AND FOOTWEAR INDUSTRY

When performing our risk assessment, we took several risk categories into account. The categories have been identified on a sector level by the OECD and are divided into three categories: Human Rights & Labor, Environment and Integrity. These categories are explained in more detail in the table below. All listed Human Rights & Labor risks and Environmental risks are addressed in the G-Star RAW Supplier Code of Conduct

Risk categories			
	Human Rights & Labor risks	Environmental risks	Integrity risks
<b>Risk factors</b>	Child labor	Hazardous chemicals	Bribery and corruption
	Discrimination & gender-based violence	Water consumption	
	Forced labor	Water pollution	
	(Excessive) Working Hours	Greenhouse Gas (GHG) emissions	
	Occupational Health & Safety		
	Freedom of Association (FOA)		
	Minimum Wages		
	Living Wages		

Table 1. OECD sector risks for garment and footwear

**Animal Welfare**

The OECD does not identify Animal Welfare as a risk category but G-Star RAW acknowledges potential risks involved when using animal origin materials.

Being a denim brand, the majority of our products (80%) is made from cotton or includes cotton. About 1 to 2% of our products is made from animal fibers such as wool or leather. To ensure that these fibers come from safe and ethical circumstances, we have an [Animal Welfare policy](#)

To be able to assess the risk factors in these categories and determine the most salient risks in our supply chain, we approached the three categories from the OECD on two different levels: country and tier<sup>1</sup>. However, before we were able to assess potential risk factors and identify salient risks, we had to breakdown our value chain, business-model and sourcing-model to set the scope of our risk assessment.

<sup>1</sup> We follow the definition of the four tiers as defined by the SAC on their [How to Higg website](#). Tier 1: Final product manufacturing and assembly, Tier 2: Material or Finished Component Manufacturing, Tier 3: Raw material processing, and Tier 4: Agriculture and extraction.

## 2.2 G-STAR RAW VALUE CHAIN RISK FACTORS

The identified risks by the OECD can potentially occur in G-Star RAW's value chain. In Chapter 4, G-Star RAW shows the breakdown of its value chain and associated production processes per tier. Our value chain is mainly defined by the fact that G-Star's Hardcore Denim philosophy is at the core of our business. Because of this, cotton makes up approximately 80% of our material use and denim processing techniques play an important role in manufacturing our denim products. Therefore, certain sector risks might be higher.

Our value chain is also defined by the countries that we source from. We monitor all of the countries in our supply chain to make sure we are aware of country-specific risks. Currently, around 80-85% of our total production volume comes from the following core countries: China, Vietnam, India and Bangladesh. G-Star RAW's sustainability requirements and monitoring processes are designed in such a way that they focus on measuring and monitoring risks per factory. Please see Chapter 5 for a more detailed explanation.

## 2.3 PRODUCT RISK FACTORS

G-Star RAW distinguishes six product groups: denim, woven, knits, tees, accessories and footwear. Challenges that are associated with the raw materials and desired look of the product are listed below.

### 2.3.1 Raw materials

G-Star RAW's collection consists for approximately 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 Ranking](#) 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. Our goal for 2025 is that 75% of our collection will be made from recycled, organic, bio-based or compostable materials.

### 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 related 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. This is supported with our work on achieving Cradle to Cradle Certified® fabrics and products in our collection. Our goal for 2025 is that 20% of the entire G-Star RAW collection will be made from Cradle to Cradle Certified® fabrics.

## 2.4 BUSINESS AND SOURCING MODEL RISK FACTORS

G-Star RAW is a privately-owned denim brand founded in 1989. Over time we have changed from a wholesale to a retail model, now focusing mostly on our online business. Every collection is designed at the G-Star RAW Headquarters in The Netherlands. Our materials and designs are manufactured in factories all over the world. G-Star RAW does not own any factories but purchases ready-made garments from its suppliers. To minimize risk factors G-Star RAW has its own Sourcing Department and does generally not make use of agents.

### 2.4.1 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 that the agent works with are classified as first tier.



## **2.4.2 Sourcing strategy**

Our own Sourcing Department at our headquarters in The Netherlands and our supporting office in Dhaka and China source directly from Tier 1 suppliers. They form the bridge between our Design and Product Development Department and our suppliers. Together they develop and manufacture our collections.

To be able to present pioneering styles every year, G-Star RAW deliberately works with a small and durable supply chain. A long-term business relationship between buyer and supplier means that there is more trust, transparency and commitment from both sides to move towards a more sustainable and innovative supply chain and product. Therefore, good purchasing practices are an essential part of our sourcing strategy.

## **2.4.3 Purchasing practices**

Purchasing practices are the way that retailers and 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 from and work with our suppliers can have an impact on the working conditions at their factories. Good purchasing practices are therefore essential to promote better working conditions. Therefore, we work on improving our purchasing practices, we do this mainly through our commitment and work within ACT. See chapter 8.7 for more information on this initiative.

## **2.4.4 Unforeseen product orders**

Even though most of our collections are ordered within set timeframes, exceptions do occur. These could pose risk factors, how these are minimized is explained in the following paragraphs.

### *2.4.4.1 Special Marketing Units (SMU)*

Special Marketing Units (SMU) are additions to the general G-Star RAW collections. Normally, the development phase between Design, Product Development, and Sourcing and G-Star's supplier requires time and planning. SMU products do not require a development phase because these products follow a current design and will therefore follow the standard planning and workflow of the G-Star RAW collections (e.g. a color addition). That is why these extra units can be added easily to running production orders. The products are sourced within the current supply chain of G-Star RAW.

### *2.4.4.2 Fast track process*

Global or regional fast track requests occur in case of an unexpected gap in the full-price collection that is offered – for example, a missed trend or a response to a regional festivity 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 only work with existing G-Star RAW suppliers to fill the gap. Fabrics, trims and labels are ordered via nominated suppliers to guarantee G-Star RAW's quality standards.

### *2.4.4.3 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.

## **2.4.5 Licensees**

Currently, G-Star RAW only makes use of one licensee for G-Star RAW's Footwear 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 9.

## 2.5 COUNTRY AND TIER RISK FACTORS

We monitor the developments in G-Star's production countries in our supply chain to make sure we are aware of country-specific risks. In Chapter 2.6.1 data and sources used are further described.

G-Star has production offices in China and Bangladesh. When considering working with a new supplier, the Sustainability Department conducts a 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 we also conduct a country risk analysis. This policy lists the risks with regards to 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 to 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. This also applies for starting any new supplier business relationship, this process is further explained in Chapter 6.

## 2.6 RISK ASSESSMENT

Our risk assessment approach consists of a two-step methodology that first includes the assessment of the potential risk factors on a general industry level and then zooms in on our own supply chain. These potential risk factors have been described in the scope setting above.

The risk assessment results are published in our annual [Sustainability Report](#). The following chapter contains an extensive explanation on the methodology and approach.

### 2.6.1 Initial country and tier assessment

As a first step we derived information from external sources. Initially, our social risk assessment focuses more on the country perspective of potential risk factors, while the environmental risk assessment focuses more on the tier-level perspective. For instance, risks related to Freedom of Association are connected to national or local labor laws, which are very country-specific. Meanwhile, environmental risks, like the use of chemicals, are more dependent on the production stage of the process. Dyeing and finishing a fabric is more chemical intensive than weaving or knitting a fabric. With this initial focus in mind, we then extended the risk assessment within country (for social risks) and tier (for environmental risks) along the process.

External sources used for the environmental risk assessment were derived from:

- The Higg Materials Sustainability Index (MSI)
- WWF Water Risk Filter Tool
- Quantis
- Zero Discharge of Hazardous Chemicals (ZDHC)
- McKinsey & Company

External sources used for the social risk assessment were derived from:

- GoBlu
- International Labor Organization (ILO)
- Fair Labor Association (FLA)
- Fair Wear Foundation (FWF)
- CNV
- Global Slavery Index
- Clean Clothes Campaign (CCC)
- Human Rights Watch
- Global Living Wage Coalition
- Corruption Perception Index

### **2.6.2 In-depth supply chain assessment**

To link the initial-scoping assessment regarding social and environmental factors in our main production countries to our own supply chain and zoom in on regional level, we included supplier assessment findings in our risk assessment. These findings came from the Higg Facility Environmental Module and Higg Facility Social & Labor Module or from other third-party social assessment reports and created a more accurate perspective on potential risks in context of G-Star RAW's value chain.

To gain an even better perspective on local scale we consulted our Tier 1 and 2 suppliers in China, Vietnam, India and Bangladesh beginning of 2021 through a survey in which they were asked to identify challenges in their operations. During this survey we considered the risk factors identified by the OECD. Per risk factor we asked our suppliers to scale social and environmental risk factors from 0 (no risk) to 5 (very high risk). We also asked our suppliers how they would improve these challenges per risk factor. The final question focused on the role of G-Star within improving these challenges.

In general, the respondents recognized the following social and environmental risk factors that we identified as salient: Working hours, Freedom of Association, Living Wage, Water consumption and Water pollution. However, they indicated lower risk levels than reported in our assessment. Our suppliers also identified Bribery and Corruption as a potential high risk. Because of this outcome we will investigate this risk factor more deeply.

Before continuing to determine the most salient risks in the context of G-Star RAW's supply chain, we discussed our risk assessment methodology with two external parties. Firstly, we consulted an AGT signatory retailer to compare their methodology and approach towards identifying salient risks with ours. Secondly, during the annual due diligence assessment from the AGT we also discussed our risk assessment methodology.

As a next step, we started a dialogue with local trade unions in India and our aim is to continue and expand this throughout 2021-2022. This way we aim to include even more local perspectives into our current risk assessment to be able to determine more specific actions in certain areas. Besides that, we will zoom in on our direct Tier 1 and 2 supplier base to increase the visibility of supplier-specific risks even further.

### **2.6.3 Identify likelihood and severity**

The goal of a risk assessment is to identify both the likelihood and the severity of potential and/or actual risks within the value chain. Severity is based on the scale, scope and remediable character of the risk factor. We identified the likelihood of the risk factor with the help of our own supply chain-specific information.

On top of that, it should also be highlighted that many risks are interconnected with others. This interconnection is very important when it comes to the severity of risks. High risks are usually connected to multiple other factors, which increases the importance of the risk even more. For example, Freedom of Association is one of the building blocks towards a Living Wage. Meanwhile, the lack of earning a Living Wage can lead to excessive working hours because workers are not able to make a living within normal working hours with a minimum wage salary. Therefore, G-Star RAW identifies risks as salient when they are severe, likely to occur and interconnected.

Whenever the risk assessment is updated (annually or every 2 years) we also publicly communicate this through our [annual sustainability report](#).

## 3 G-STAR COMPLIANCE POLICY

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### 3.1 SUSTAINABILITY REQUIREMENTS FOR SUPPLIERS

Driving sustainability in G-Star's supply chain starts with communicating clear expectations and requirements to our supply chain partners. To that end, G-Star has developed four 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 Compliance Policy. The separate standards are explained in detail below.

- A. G-Star Supplier Code of Conduct
- B. G-Star Restricted Substances List (RSL)
- C. ZDHC Manufacturing Restricted Substances List (MRSL)
- D. G-Star RAW Materials Policy & Animal Welfare Policy
- E. G-Star Sub-Contracting Policy

#### 3.1.1 Supplier Code of Conduct

The G-Star Supplier Code of Conduct (CoC) was first developed in November 2006 and is updated periodically with a current version of 2021. The CoC represents the basis of G-Star'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](http://www.ilo.org/dyn/natlex/natlex_browse.home)
- The Ethical Trading Initiative Base Code: <http://www.ethicaltrade.org>
- ISO14000: [https://www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/theiso14000family\\_2009.pdf](https://www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/theiso14000family_2009.pdf)
- ZDHC: <https://www.roadmaptozero.com/?locale=en>
- Organisation for Economic Cooperation and Development (OECD) Guidelines: <https://www.oecd.org/corporate/mne/due-diligence-guidance-for-responsible-business-conduct.htm>

The CoC defines G-Star's minimum requirements with regards to Social and Environmental, Safety and Health (S&ESH) standards. The latest version (see annex A2) is shared with all supply chain partners and is embedded in the G-Star Supplier Agreement. This Agreement is the contractual framework document between G-Star and its direct suppliers.

#### 3.1.2 (Manufacturing) Restricted Substances List

The G-Star Restricted Substance List (RSL) lists all chemical substances that are banned or restricted in use for G-Star products. The RSL applies to all materials such as textiles, metals, trims and leather. G-Star's standards follow and/or exceed international laws and regulations (REACH legislation). The G-Star RSL is updated annually. Compliance with this RSL is a mandatory condition for all products which are delivered to G-Star and are placed on the market. Therefore G-Star 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 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 G-Star RAW Materials Policy & Animal Welfare Policy

The G-Star RAW Materials Policy & Animal Welfare Policy (see Annex A5) lists our restrictions and requirements for ethical sourcing of raw materials (specifically for down and feathers, fur, leather, angora, wool, cotton and wood). By 2025, the goal is to make 75% of our collection from recycled materials and/or organic, bio-based or compostable materials and by 2030 this will apply for our full collection.

As a result of this commitment, G-Star 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 both the Product Intelligence Centre (PIC) and Product Development are 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 has to sign the Supplier Declaration. By doing so, the supplier acknowledges the standards mentioned in the G-Star 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. 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 production.

#### **3.1.5 G-Star Subcontracting (& Homeworkers) 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 defines a subcontractor as “a company that does part of a job that another company is contracted for.”

G-Star’s 1st tier suppliers might subcontract work to complete the order placed by G-Star 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’s prior approval and full knowledge of the locations. Although there is no direct contractual relationship between the subcontractor and G-Star, we do require the subcontracting facility to be compliant with the G-Star Compliance Policy. A detailed explanation of the G-Star Subcontracting Policy can be consulted in Annex 6.

As a general rule, G-Star prohibits subcontracting to homeworkers, because of limited resources to monitor homeworkers. G-Star feels that it is not able to responsibly source from homeworkers on a structural basis. For more information about the G-Star homemaker policy, see Annex 7.

## 4 G-STAR SUPPLY CHAIN

In general, G-Star buys ready-made garments from its suppliers. G-Star aims to establish long-term relationships with its suppliers to ensure transparency of the supply chain. G-Star'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 of the Sustainability Department in close collaboration with the Sourcing Department.

. Evidently, G-Star's supply chain is changing over time, with new suppliers being added in line with our growth, and some suppliers being removed. This fluctuation is more noticeable deeper in the supply chain, as there is no contractual relationship with parties beyond the ready-made garment suppliers. Regardless, the goal is to maintain long-term relationships with suppliers in order to keep a sustainable business for both parties.

G-Star works towards full supply chain transparency. Currently, G-Star has mapped its supply chain up until Tier 1 and nominated Tier 2 suppliers, as explained below. Section 4.1 explains the breakdown and definition of the different parties in G-Star's supply chain, while section 4.2 explains the extent to which G-Star's compliance policy is rolled out per supplier category.

### 4.1 DEFINITION OF SUPPLIER CATEGORIES

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

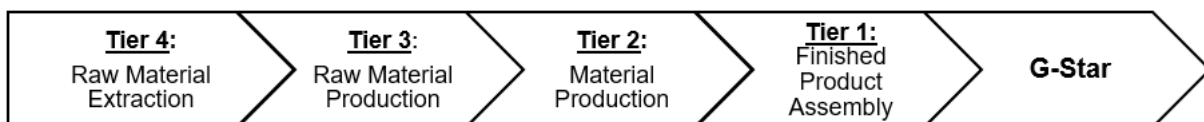


Figure 1. G-Star supply chain tier structure

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 buys the ready-made products directly from the supplier. These suppliers are the direct contact point for the different G-Star teams (PIC, Product Development, Sourcing 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. 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 Annex 6). The main outsourced processes include Printing, Embroidery, Dyeing & finishing, Washing & laundry. Subcontracting can only be allowed with G-Star's full knowledge of the locations and prior written approval. Although there is no direct

contractual relationship with G-Star, we do require these suppliers to be compliant with our standards before authorizing them as “subcontractors”.

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

	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, table 6 explains the sustainability scope per tier in the Apparel supplier category.

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

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

G-Star is continuously working towards increased transparency and visibility over the whole supply chain. The sustainability scope will be expanded in 2022 to include also Tier 2 trims suppliers. G-Star has the objective of mapping out its apparel supply chain further to include Tier 3 in 2025.



## 5 SUPPLY CHAIN MONITORING TOOLS

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

The Sustainable Apparel Coalition's Higg Facility Environmental Module (FEM) the Facility Social & Labor Module (FSLM) and the ZDHC tools are the main assessment frameworks for G-Star's supply chain monitoring on environmental and social risks.<sup>2</sup>

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

G-Star 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 became a member of the Sustainable Apparel Coalition (SAC) in 2017. The Sustainable Apparel Coalition (SAC) is an industry-wide 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 manufacturers can use to assess social and environmental performance, identify hotspots, and drive lasting change.

G-Star uses the SAC Higg Facility Environmental Module (FEM) for tracking environmental sustainability performance (see section 5.1.4) and the SAC Higg Facility Social & Labor Module (FSLM) for tracking social sustainability performance (see section 5.1.1). Higg FEM and Higg FSLM modules include both self-assessed and verified scores.

A Higg self-assessment means the facility 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 facility 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 asks suppliers to go for on-site verification and have the verified module posted and shared with G-Star in the Higg portal.<sup>3</sup>

#### 5.1.1 Higg Facility Social & Labor Module (FSLM)

The Higg Facility Social & Labor Module (FSLM) allows manufacturing facilities to measure their social & labor performance, benchmark against peers, and identify areas to make meaningful improvements. 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). Therefore, the first step for a facility to take is to purchase a Higg FSLM self-assessment on higg.org.

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<sup>2</sup> However, in a transition period towards full adoption of Higg tools in the industry, G-Star accepts certain third-party verification mechanisms as a part of the supplier onboarding process (see section 5.1.3)

<sup>3</sup> In countries where the verification is not yet available, suppliers should provide the self-assessment report as a minimum requirement, alongside other accepted audit reports

### **5.1.3 Other social compliance audit mechanisms in the transition phase**

G-Star requires all suppliers to implement the Higg monitoring system. If available, suppliers need to provide verified Higg FEM & FSLM assessments. Where the verification is not yet available, <sup>4</sup>G-Star accepts the self-assessed FSLM together with another accepted third-party audit report.

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

### **5.1.4 Higg Facility Environmental Module (FEM)**

The Higg Facility Environmental Module (FEM) allows manufacturing facilities to measure their environmental performance, benchmark against peers, and identify areas to make meaningful improvements. 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 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'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). The results of these reports are combined in a template of G-Star supplier Detox program (explained in chapter 8.5).

### **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 facilities 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, 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

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<sup>4</sup> 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 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).

of a valid wastewater test to ZDHC Wastewater Guidelines. The ClearStream report is a scorecard that shows wastewater performance to Conventional, Heavy Metals and ZDHC MRSLS parameters.

### 5.3 SUSTAINABILITY MONITORING FOCUS AS PER TYPE OF FACTORY

The extent to which production facilities 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 2022, Tier 2 suppliers will also be required to provide Higg FSLM scores for tracking social sustainability performance.

	Social Sustainability Monitoring	Environmental Sustainability Monitoring
<b>Tier 1</b>	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)		
<b>Tier 2</b>	From 2022	Denim Mills
		Fabric Mills
		Tanneries

Table 5. Sustainability Monitoring focus as per type of factory (2019-2020)

#### 5.3.1 Supplier Sustainability Requirements

The tables below display the required monitoring tools per type of factory and/or processes.

##### REQUIREMENTS 2021 & 2022 – Tier 1 Suppliers

Type of Factory and/or processes	Higg FEM Self-Assessment	Higg verified FEM	ZDHC - ClearStream Waste Water	ZDHC-Chemical InCheck	Higg FSLM Self-Assessment	Higg verified FSLM	Valid Third Party audit report
CMT – Direct	V	2022	n/a	n/a	V	V	n/a
CMT – <a href="#">Subcontract</a>	2022	2022	n/a	n/a	V	V	n/a
Non-wet processing (e.g. embroidery) - direct	V	2023	n/a	n/a	V	V	n/a
Non wet processing (e.g. embroidery) - <a href="#">Subcontract</a>	2022	2022	n/a	n/a	V	2022	V
Wet processing (e.g. printing, washing/laundry) – direct	V	2023	V	V	V	2022	V
Wet processing (e.g. printing, washing/laundry) – <a href="#">Subcontract</a>	V	V	V	V	V	2022	V

Table 6. Supplier Sustainability Requirements Tier 1 Suppliers

**REQUIREMENTS 2021 & 2022 Tier 2 Suppliers (Fabric & Denim Mills)**

Type of factory and/or processes	Higg FEM Self-Assessment	Higg verified FEM	ZDHC - ClearStream Waste Water	ZDHC-Chemical InCheck	Higg FSLM Self-Assessment	Higg verified FSLM	Valid Third Party audit report
Weaving	V	V	V	V	V	2022	V
Knitting	V	V	V	V	V	2022	V
Chemical finishing	V	V	V	V	V	2022	V
Dyeing	V	V	V	V	V	2022	V
Tanning	V	V	V	V	V	2022	V

Table 7. Supplier Sustainability Requirements Tier 2 Suppliers

# 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’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 supplier entry system which each supplier needs to go through before becoming part of the supply chain is depicted below.

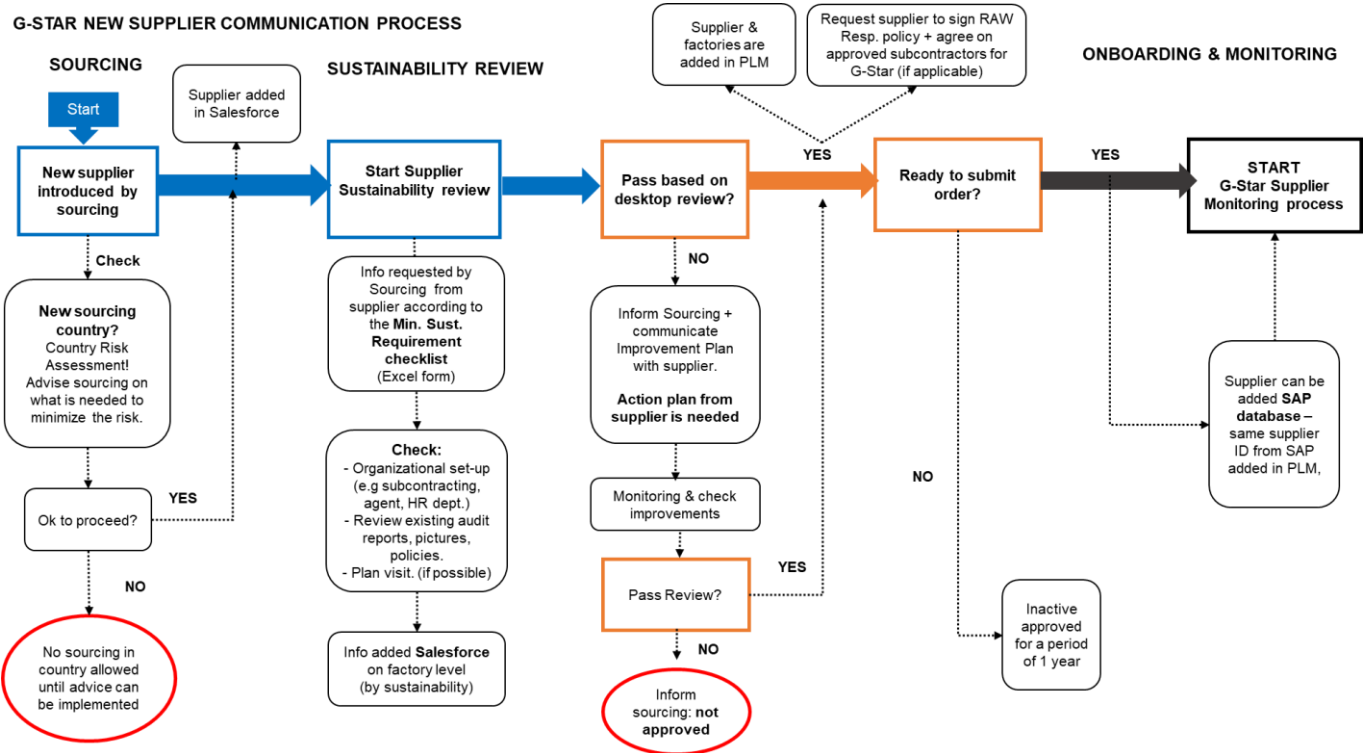


Figure 2. New supplier communication process from introduction to onboarding

The supplier onboarding process consists of three steps:

1. Sourcing notification of the new supplier through the Sourcing Director – that includes a preliminary country risk assessment;
2. The sustainability desktop review (social & environmental) – that includes a decision on approval from the sustainability dept.
3. The supplier onboarding and entry into G-Star monitoring process.

During the review process the sustainability team will review the required documentation from the supplier and plans a visit (if circumstances allow) to the factories that are potentially used for G-Star 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.

In case a supplier uses subcontractors it can be decided that only approved subcontracted factories by G-Star can be used for production. This decision is based on the outcomes of the sustainability review and is communicated and agreed upon with the supplier and the Sourcing Director.

## 6.1 COUNTRY RISK ASSESSMENT

Before the Sustainability Review takes place, the country-specific risks will be analyzed. If G-Star does not yet source from the specific country, the country-specific risks will firstly be analyzed based on a due diligence check (see chapter 3). Based on the country risk-assessment profile, G-Star will decide whether to begin the onboarding process with the new supplier.

## 6.2 SUSTAINABILITY REVIEW

The Supplier Sustainability review is based on the information collected through G-Star's "sustainability minimum requirements for new suppliers" checklist.

The Sourcing department shares this checklist with the suppliers and at the same time introduces the contact person of the Sustainability team. The checklist informs the supplier on G-Star's sustainability requirement and standards and serves as a request to provide the required documentations.

The figure below demonstrates the step-by-step process of performing a sustainability review as a part of the supplier onboarding process.

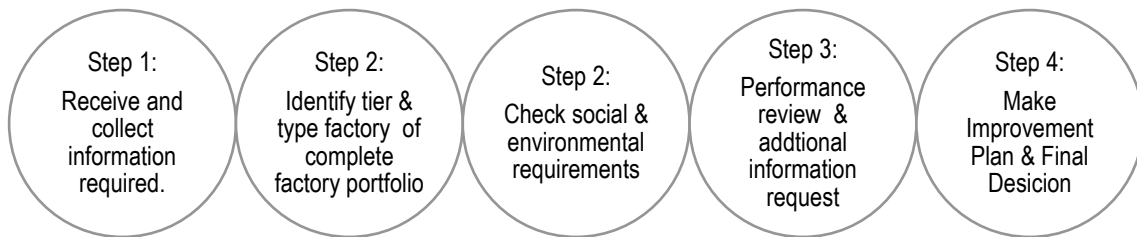


Figure 3. Sustainability Review process step-by-step

Based on the supplier category and processes, the Sustainability Performance Review will focus on the risks associated with the specific supplier and factory category. For new Tier 1 suppliers, both social and environmental performance is assessed during the onboarding process. For Tier 2 suppliers, G-Star reviews their environmental performance. In general, the review process is based on the verified scores for the SAC Higg tools, and the performance of ZDHC Clear stream report/wastewater test result, when applicable.

The requirements are aligned and analyzed according to the sustainability requirements as described in chapter 5.3, meaning depended on the type of factory and processes taking place it is determined to focus on the Higg performance for social and/or environmental. The minimum requirements are also updated and adjusted according the industry benchmarking. Currently this is available for Higg FEM performance and Higg FSLM is expected to be included as of 2022.

All the information collected and reviewed is saved and stored by the Sustainability department in the Salesforce database system. The supplier and their approved factories basic details (e.g. name and country) are also added in the PLM system.

## 6.3 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 Review process will be repeated.

If the supplier is accepted the supplier has to sign the G-Star Supplier Declaration stating compliance with the G-Star Corporate Responsibility Compliance Policy (CoC, RSL, ZDHC MRSL and Materials Policy). The Purchasing Department will add the supplier to SAP. As a supplier to G-Star, the supplier will be part of the G-Star sustainability monitoring system. In the next chapter (Chapter 7), the supplier monitoring system will be explained.



Figure 4. Process of Accepted Supplier after Sustainability Review

**6.4 SUPPLIER ONBOARDING FOLLOW-UP PROCESS**

Based on the outcome of the sustainability review the supplier will receive feedback on improvements needed, this is through a Corrective Action Plan (CAP). In addition, additional agreements can be made on the implementation of required monitoring tools or improvement of scoring on certain sections of the Higg Index tools. The CAP might also include suggestions or further advises on policies or organization structures based on the documents reviewed.

## 7 SUPPLIER MONITORING PROCESS

The social and environmental sustainability requirements for each supplier category are explained in detail in Chapter 5. The sections in this chapter show the monitoring processes on both social (7.1) and environmental (7.2) performance and the corresponding timelines.

### 7.1 SUPPLIER MONITORING FOR SOCIAL SUSTAINABILITY PERFORMANCE (HIGG FSLM)

G-Star monitors the social sustainability performance based on the Higg Facility Social & Labor Module tools. The work flow for monitoring social sustainability performance is pictured in the flow chart below.

#### G-Star RAW - Higg FSLM 2021

*Min. requirement for CMT factories, incl. subcontractors*



In general, the monitoring process is based on verified Higg FSLM reports. The specific requirements for monitoring the supplier sustainability performance depend on the category of the supplier (strategic CMT/direct CMT/sub-processing).

*All direct 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, facilities must provide verified Higg FSLM results.*

*Figure 5. Supplier monitoring workflow - social*

#### If Higg FSLM verification is not yet available

In case the supplier cannot provide a verification for Higg FSLM for its Cut-Make-Trim (CMT) factories, G-Star still requests them to complete the self-assessment and upload it to Higg.org portal. In addition, the CMT facilities will still be required to provide an accepted third-party audit report (as explained in 5.1.3).

Alongside the Higg FSLM self-assessment and the third party audit report, G-Star will review the supplier performance and check the data of the provided reports. G-Star will follow up with all CMT suppliers with a Corrective Action Plan (CAP).

### 7.2 ENVIRONMENTAL SUSTAINABILITY PERFORMANCE (HIGG FEM & ZDHC)

G-Star monitors the environmental sustainability performance of both Tier 1 and Tier 2 suppliers. The work flow for monitoring environmental sustainability performance is pictured in the flow chart below.



## G-Star RAW - Detox program: Higg FEM & ZDHC 2021

ZDHC = min. requirement for all wet-processing factories

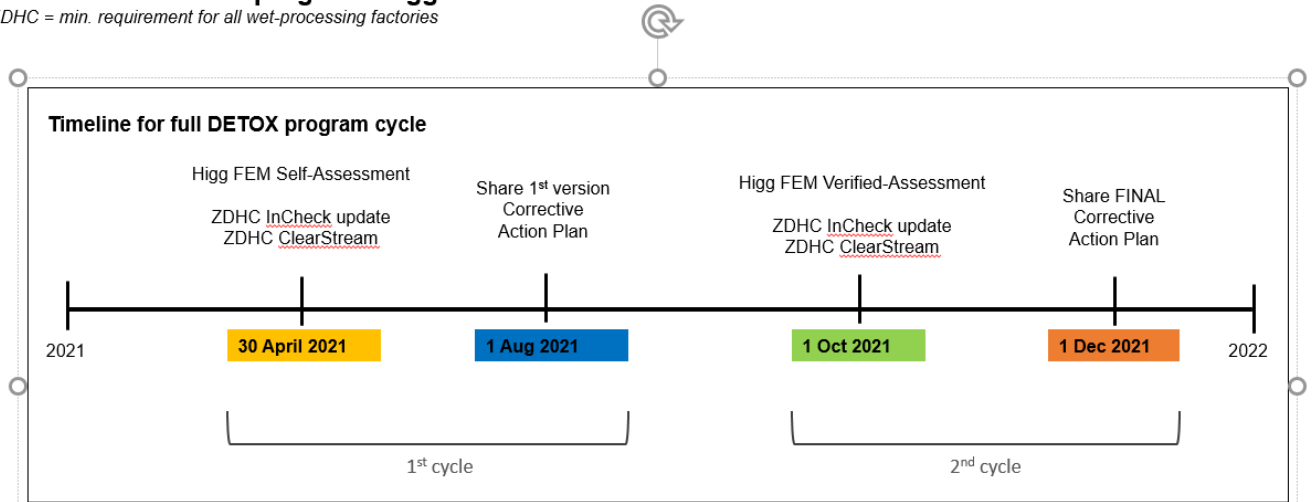


Figure 6. Supplier monitoring workflow - environment

In general, all suppliers should report their performance with Higg FEM tools. Additionally, wet-processing facilities need to also use ZDHC InCheck reports and conduct ZDHC wastewater tests bi-annually, as per the requirements of G-Star Detox Program (see Chapter 8.5). 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).

Suppliers who are not part of the G-Star Detox Program but do have wet-processing factories in their portfolio, will still have to share their CAP based on their Higg FEM verified results in November.

## **8 SUPPLIER IMPROVEMENT AND DEVELOPMENT**

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### **8.1 MANUALS**

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

The Social & Labor Standards Guideline helps suppliers to clearly understand the G-Star 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 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 wants to promote a standard of environmental management that ensures safe and responsible production of G-Star products. The guiding manual helps suppliers to manage the environmental standards as set forth in our Code of Conduct.

### **8.2 SUPPLIER TRAINING**

On an annual basis the Sustainability team organizes a sustainability supplier conference, this can either be digitally or in-person. During this event, G-Star invites all tier 1 and tier 2 suppliers with the objective to provide updates on G-Star'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).

G-Star gives these trainings mainly to supplier management level but will also request Human Resources and Environmental management related roles to this trainings. In addition, G-Star monitors (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 suppliers to improve their social and environmental performance G-Star also offers Supply Chain Development projects and programs. G-Star 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 Annual Supplier Sustainability Training	ACT Purchasing Practices Survey	ZDHC Academy
Higg Facility Tools Trainings (SAC)	Fair Wear Complaint System (Country specific)	DETOX supplier reports
	Bangladesh ACCORD (country specific)	

Table 8. Overview of Supplier Sustainability development programs & trainings 2021-2022

## 8.4 CORRECTIVE ACTION PLAN (CAP)

G-Star adopted the Higg Index tools within G-Star'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 and its suppliers) that can be used for performance improvement.

Based on the results of the verified Higg results, G-Star's Sustainability team develops a Corrective Action Plan (CAP) with each supplier. With this data suppliers are monitored on their sustainability performance progress. The CAP is shared and communicated to the supplier around the end of the year, after they completed their annual verified Higg FEM and FSLM module (see chapter 7).

In case High Risks are identified we expect an update and or an improvement plan within 3-6 months. In case we identify immediate concerns (Zero Tolerances) we will follow-up with the suppliers immediately and ask support from our Sourcing director in communication to the supplier with the request to work on an immediate remediation. This data of the Higg Index also serves to identify the focus of G-Star's Supplier Sustainability programs and trainings.

## 8.5 SUPPLIER DETOX PROGRAM AND REPORTS

Back in 2012, environmental NGO Greenpeace launched its Dirty Laundry campaign that exposed the use of hazardous chemicals in the fashion industry. The use of these hazardous chemicals may harm the workers and the environment if discharged into waterways untreated. Many apparel and footwear brands were requested by Greenpeace to clean up their supply chains by banning the use of these hazardous chemicals. G-Star signed a so-called Detox commitment with Greenpeace in 2013, and has worked on phasing out hazardous chemicals from its products and supply chains ever since. To monitor the performance of its supply chain, G-Star has been running its Detox Program since early 2018.

In this Detox program, G-Star requests its suppliers to ensure that all wet-processing facilities used for G-Star production improve their performance on the input, process, and output areas of chemicals management. The information is collected through the tools of ZDHC as described in chapter 5.2 and the Higg Facility Environmental Module (FEM), as described in chapter 5.1.4. The suppliers and its facilities (Tier 1 and Tier 2) that are actively monitored and selected for this program represent a min. of 80% of the production volume of G-Star.

Each supplier included in the program receives a Supplier Detox Report (annual or bi-annual) that reflects the results of the above performance tools and test results. The information considers the complete wet-processing facilities, including subcontractors involved.

The report also includes a complete analysis of the requested test -and verified reports to give the supplier full transparency on its performance against our Detox program. This also serves as a guide to identify where corrective actions are needed in case medium risk or high risk substances were detected.

## 8.6 COMPLAINT MECHANISM

### 8.6.1 Social Dialogue & Factory Complaints System

In 2019 and 2020 we focused on training our suppliers about the concept of a social dialogue and how this could benefit them. During these trainings we also informed and gave guidance on key improvement points for their workers' committee and factory complaint system, aiming to increase functionality and effectiveness.

Starting 2021, we will participate in a cooperation program together with Fair Wear Foundation (FWF) and the Dutch Agreement on Sustainable Garments and Textile (AGT) that will allow us to have access to the independent complaint system of FWF. This system will be introduced at our suppliers in India. And if this program is successful, we plan to roll this out in other key production countries as well. The goal of this program is to enhance access to remedy for garment workers and to collaboratively work on and learn about the remediation processes.

### 8.6.2 AGT Complaints and Disputes Committee

As part of our signatory to the AGT, we participate in an independent Complaints and Disputes Committee that allows for organizations and individuals to submit complaints or disputes. The AGT then tries to mitigate the problem with the help of its signatories.

## 8.7 ACT

[ACT](#) is a ground-breaking agreement between 22 global brands and retailers and the IndustriALL Global Union, a global trade union fighting for better working conditions and trade union rights around the world. It aims to achieve a [living wage](#) for all textile workers through collective bargaining at an industry level. By joining, we have committed to [purchasing practices](#) with our suppliers that will ensure fair terms of payment, full coverage of wage increases, better forecasting and planning, training and responsible exit strategies. With sector common indicators, the ACT accountability and monitoring framework will help us measure progress towards more equal supplier partnerships.

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 the ACT Purchasing Practices surveys. With this data each responsible department will set targets to improve its purchasing practices that are in line with the ACT purchasing practices commitments.

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.

## 8.8 NON-PERFORMING SUPPLIERS

If during an assessment High Risks or Zero-Tolerances are found G-Star 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 two levels of escalation:

- Sourcing Director
- CEO

First the Sustainability Department will inform the Sourcing Director of the unwillingness of the supplier to improve the identified issues/non-compliances. They 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. If, the supplier is still unresponsive to the CEO, and if the supplier is still important to G-Star 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 can lead to discontinuation of the business relationship with the supplier and G-Star will start an exit procedure.

## **8.9 RESPONSIBLE EXIT STRATEGY**

As a member of ACT, G-Star is committed to improving purchasing practices, including a commitment to practice responsible exit strategies with suppliers. Together with the Sourcing department, G-Star's sustainability team implements this exit strategy when exiting a factory for commercial business reasons.

The aim of having a responsible exit commitment is to manage supplier expectations, mitigate productivity issues, reduce legal and reputation risks, and reduce an adverse impact on workers.

The responsible exit strategy consists of three phases and follows the [ACT Responsible Exit Policy and Checklist](#):

- A. Prior to exiting: Internally communicate and perform an initial risk assessment.
- B. Exiting factories: Communicate with suppliers on the ongoing risk assessment.
- C. Immediately after exiting: Assess adverse impact on workers.

## 9 LICENSEE REQUIREMENTS

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G-Star currently works with licensee partners for footwear. They have the responsibility of their respective supply chains to comply with the G-Star Supplier Compliance Policy (Code of Conduct, (M)RSL, and 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 reserves the right to visit licensees' suppliers' factories and this is agreed upon by the licensees.

# ANNEX

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## **A1. OTHER ACCEPTED THIRD-PARTY AUDIT MECHANISMS**

In the transitioning phase, in order to avoid assessment fatigue, G-Star 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'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/Amfori 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/>

### **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 facility'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.

### **<https://sa-intl.org/> 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 SUPPLIER CODE OF CONDUCT**

[https://www.g-star.com/nl\\_nl/raw-responsibility-sustainability/strategy-and-reporting](https://www.g-star.com/nl_nl/raw-responsibility-sustainability/strategy-and-reporting)

## **A3. G-STAR ENVIRONMENTAL GUIDELINES**

[https://img2.g-star.com/image/upload/v01/raw-responsibility/downloads/planet/polution/G-Star\\_Environmental\\_Guidelines\\_v4.0\\_Final\\_Version.pdf](https://img2.g-star.com/image/upload/v01/raw-responsibility/downloads/planet/polution/G-Star_Environmental_Guidelines_v4.0_Final_Version.pdf)

## **A4. G-STAR SOCIAL & LABOR GUIDELINES**

[https://www.g-star.com/nl\\_nl/raw-responsibility-sustainability/strategy-and-reporting](https://www.g-star.com/nl_nl/raw-responsibility-sustainability/strategy-and-reporting)

## **A5. G-STAR MATERIALS POLICY & ANIMAL WELFARE POLICY**

[https://img2.g-star.com/image/upload/v01/raw-responsibility/downloads/planet/sustainable-materials/G-Star\\_RAW\\_Materials\\_Animal\\_Welfare\\_Policy\\_-\\_Version\\_2.1\\_March\\_2021.pdf](https://img2.g-star.com/image/upload/v01/raw-responsibility/downloads/planet/sustainable-materials/G-Star_RAW_Materials_Animal_Welfare_Policy_-_Version_2.1_March_2021.pdf)

## **A6. G-STAR 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 defines a subcontractor as a company that does part of a job that another company is contracted for.

G-Star's 1st tier suppliers might subcontract work to complete the order placed by G-Star 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's prior approval and full knowledge of the locations. Although there is no direct contractual relationship between the subcontractor and G-Star, we do require the subcontracting facility to be compliant with the G-Star Compliance Policy (see Chapter 3).

As a general rule, G-Star prohibits subcontracting to homeworkers, because of limited resources to monitor homeworkers. G-Star feels that it is not be able to responsibly source from homeworkers on a structural basis. For more information about the G-Star homemaker policy, see chapter 9.

### **1.1 ROLE OF G-STAR**

G-Star is aware that its behavior has influence on the extent of subcontracting. However, G-Star 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 orders are delayed because of G-Star'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 bi-annually that follows from its obligations under the Transparency Pledge. G-Star requests all tier 1 and 2 suppliers to confirm which factories have been used (including subcontractors) in the past six months for G-Star production. After the information has been received, the accumulated list of factories is published on the G-Star sustainability webpage.

## 1.2 ROLE OF THE 1ST TIER SUPPLIER

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

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

1. Pre-approve before placing an order: Specify to G-Star that subcontracting is necessary before placing the order. The supplier is encouraged to work with G-Star 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 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 (Product Intelligence Center) 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.
5. Long term partnership: G-Star 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 will also have direct contact with the subcontractor. The 1st tier supplier will remain to be the main contact.

## 1.3 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 monitoring process).

## 1.4 UNAUTHORIZED SUBCONTRACTING

If G-Star 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.

# **A7. G-STAR HOMEWORKER'S 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 prohibits subcontracting to homeworkers, because of its limited resources to be able to responsibly source from homeworkers on a structural basis. G-Star only allows homeworkers in its supply chain if this is pre-approved by the Sustainability Department.

## 1.1 DUE DILIGENCE

G-Star is aware that it is not uncommon in the garment industry that factories (partly) outsource their orders to homeworkers. In general, G-Star does not allow homeworking. Several measures are taken to ensure the 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 design. If a certain design cannot be made by one of our suppliers a new supplier will be found following the steps described in the Responsible Sourcing Manual and the Supplier onboarding process as described in chapter 6.

**Due diligence check:** However, G-Star 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 sources.

**Partnership with the supplier:** G-Star is aware of the capacity and capabilities of the supplier. Furthermore, G-Star books capacity at the factories ahead in order to reduce the chance of subcontracting. Next to that, the Subcontracting Policy (chapter 8) describes that G-Star 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.

## 1.2 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.

## 1.3 ENTRY PROCESS

The process described in chapter 6 of this Handbook will be followed for homeworkers too. G-Star will support its supplier to source responsibly. G-Star 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.

## 1.4 MONITORING PROCESS AND RATING SYSTEM

Since G-Star's inception homework was not identified in G-Star 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.

The costs of the third party assessments and follow-up assessment(s) will be borne by the subcontractor / 2nd Tier supplier.

#### 1.5 UNAUTHORIZED HOMEWORK

If G-Star 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.