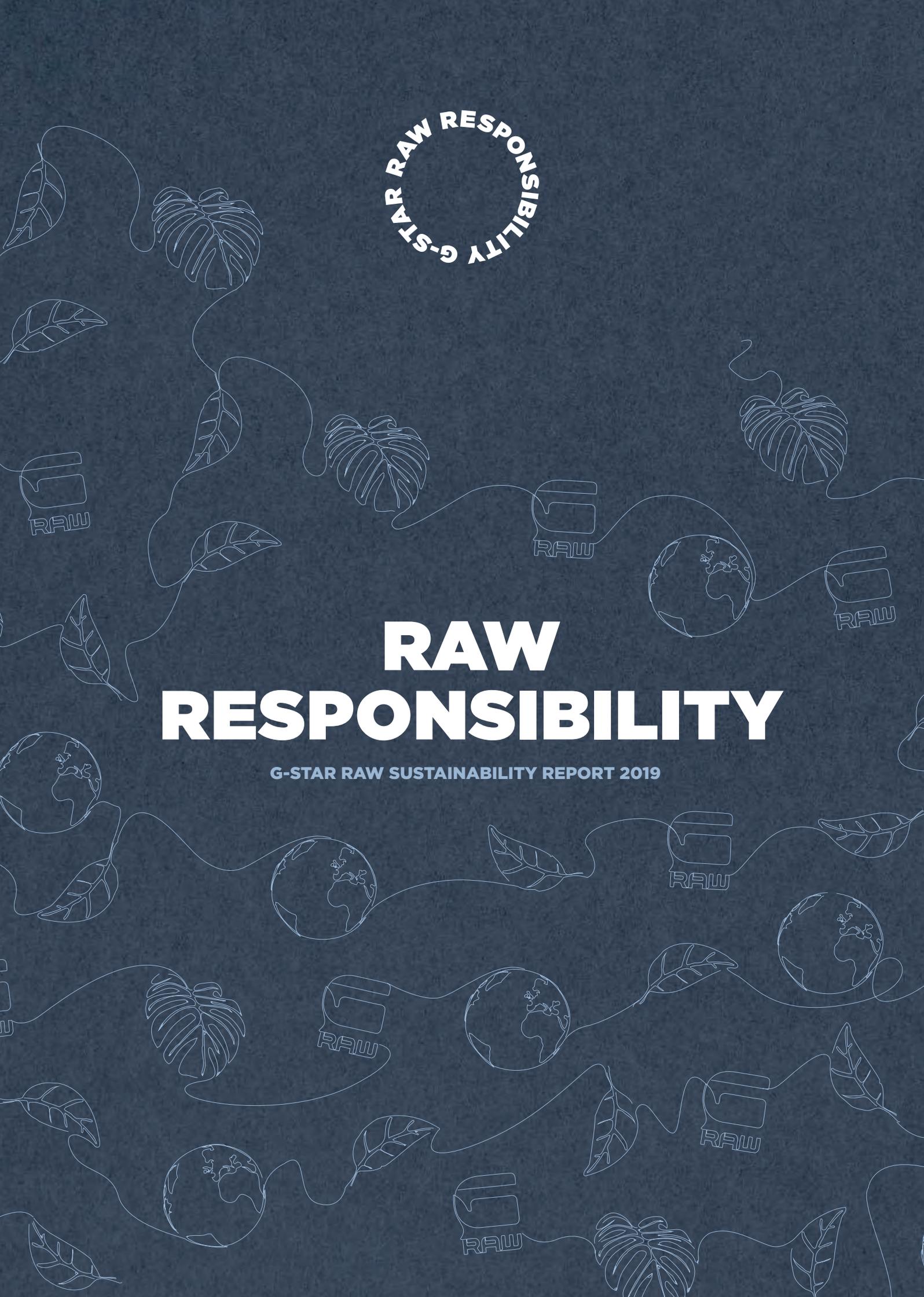


G-STAR RAW RESPONSIBILITY

RAW RESPONSIBILITY

G-STAR RAW SUSTAINABILITY REPORT 2019



WELCOME

THIS SUSTAINABILITY REPORT DETAILS OUR PERFORMANCE AGAINST OUR 2020 STRATEGY, WITH A FOCUS ON 2019. IT ALSO GIVES AN OVERVIEW OF OUR STRATEGY TO DATE.

Reflecting our strategic priority of full transparency, this disclosure seeks to meet requirements of the Dutch Agreement on a Sustainable Garments and Textiles, and to follow [Organisation for Economic Co-operation and Development](#) (OECD), and the Global Fashion Agenda's [CEO Agenda](#). It uses the Sustainable Apparel Coalition's [Higg Index](#) as the main reporting framework.

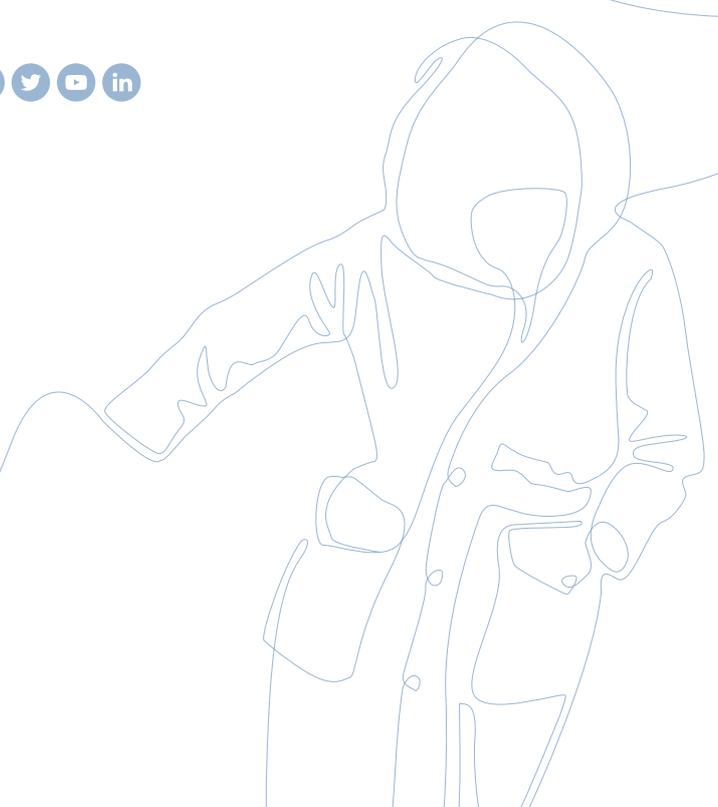
Data disclosed in this report has not been externally verified, unless explicitly stated.

For further information on RAW Responsibility, please visit our [website](#) or contact us:



WHAT'S INSIDE?

- 05** Transparency and Traceability
- 09** Value chain responsibility
- 16** Circularity
- 20** Empowering communities
- 23** OECD Risk Assessment
- 31** Partnerships



OVERVIEW - THE JOURNEY SO FAR

Since launching our Supplier Code of Conduct back in 2006, we have come a long way. Measurable progress has been made across Value chain responsibility, Circularity, and Transparency/Traceability.

Sustainability milestones



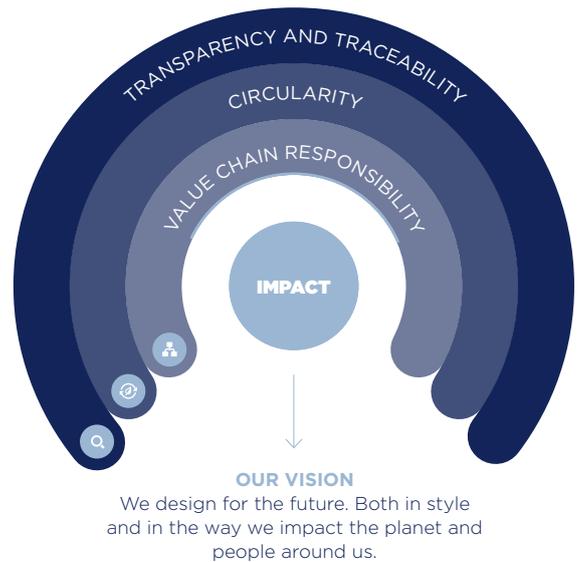
See our full milestones [online](#).

OVERVIEW - THE JOURNEY SO FAR CONTINUED

Materiality

Apparel supply chains are extensive, with complex social and environmental issues from cotton field to fashion house. For this reason, over the years we have had to prioritise our efforts on where we can make the greatest positive impact. Identifying our most material issues in 2019 involved rigorous consultation internally. Both in the materiality process and the list of topics itself, we have gained vital insight to assess our 2018-20 Sustainability Strategy, and our new strategy to 2030, launching later this year. For example, we have learned that we need to restructure our environmental priorities, from a focus on pollution and hazardous chemicals, to addressing climate change through GHG emission reduction across the value chain.

Going forward, we will look to integrate more information about the impact assessment for each issue to understand whether, based on risk or potential benefits, we need to reallocate resources.



OVERVIEW - TRANSPARENCY AND TRACEABILITY

To deliver on our strategy, we want to enable stakeholders to hold us to account when it comes to comparable, trusted processes and data-backed performance. This starts with reporting with rigor and openness, and demonstrating full product traceability.

From our first sustainability scorecard with MADE-BY in 2013, to MODE tracker disclosure in 2015, since 2018 we have reported using the [Higg Index Brand and Retail 'Beta' Module](#)¹. This is the most commonly used tool in the apparel sector to measure the environmental and social impacts, enabling meaningful improvements. It also helps companies like us share sustainability information with key stakeholders, including supply chain partners.

Our reporting also follows industry guidelines set by the Global Fashion Agenda, the Fashion

Transparency Index and other partners (see [our Partners](#)).

As well as ensuring transparency in our own reporting, we are working to support transparency in the wider apparel sector. As a member of the Higg Transparency Steering Team, we are co-developing tools to collectively realize the SAC's Roadmap to Transparency. In 2019, alongside other fashion brands, we contributed to SAC's report "Empowering Consumers through Transparency" to encourage the sector to more readily and consistently share information about social and environmental sustainability efforts and performance².

¹ Since Higg BRM was not operational in 2019, we were unable to report using this framework to date.

² The report is available to download from [SAC's](#) website.

Product traceability

Having oversight of the supply chain is part of our commitment to the apparel sector's Transparency Pledge. For five years, we have made our [Manufacturing Map](#) public – so anyone can trace the origin of a G-Star RAW product (including, most recently footwear). Now covering approximately 95% of our production volume (with slight variations by season), it shows what was made in 33 factories, by 27 direct suppliers across 12 countries. It can also show the number of workers at each site, the gender balance and sustainability initiatives or certifications that are in place. All direct suppliers with more than a two years' relationship with us are included.

In addition to the map, we publish further detail on our direct suppliers, processing facilities and nominated fabric mills in our [Manufacturing List](#), which is available on the Open Apparel Registry, an open source tool, which maps garment factories worldwide.

Our interactive Manufacturing Map



TRACKING SUPPLY CHAIN RISKS

Navigating the vast and complex risks within the textile value chain requires highly rigorous systems of due diligence and monitoring, alongside strong partnerships with suppliers and expert organizations.

We track and address these supply chain risks. All due diligence processes are explained in detail in our [Risk Assessment disclosure](#), and our [Sustainable Supply Chain Handbook](#). Further detail is also given in the relevant sections of this report. The Risk Assessment explains the robust methodology of assessing risks by sector, supply chain phase and country.



EMBEDDING SUSTAINABILITY

For G-Star RAW, sustainability means taking responsibility for people and planet through continuously improving our impacts across our value chain. Working with expert partner organizations, our dedicated Sustainability Department implements its strategy within our operations, and across the value chain.

As shown in the diagram, the Sustainability Department reports directly to the Chief Executive. It has six full-time staff, with a presence across the Netherlands, China and Bangladesh. These employees have their own sustainability specialisms, and they work closely with Product Development and other departments, as well as the GSRD Foundation to deliver our strategy.

Internal engagement

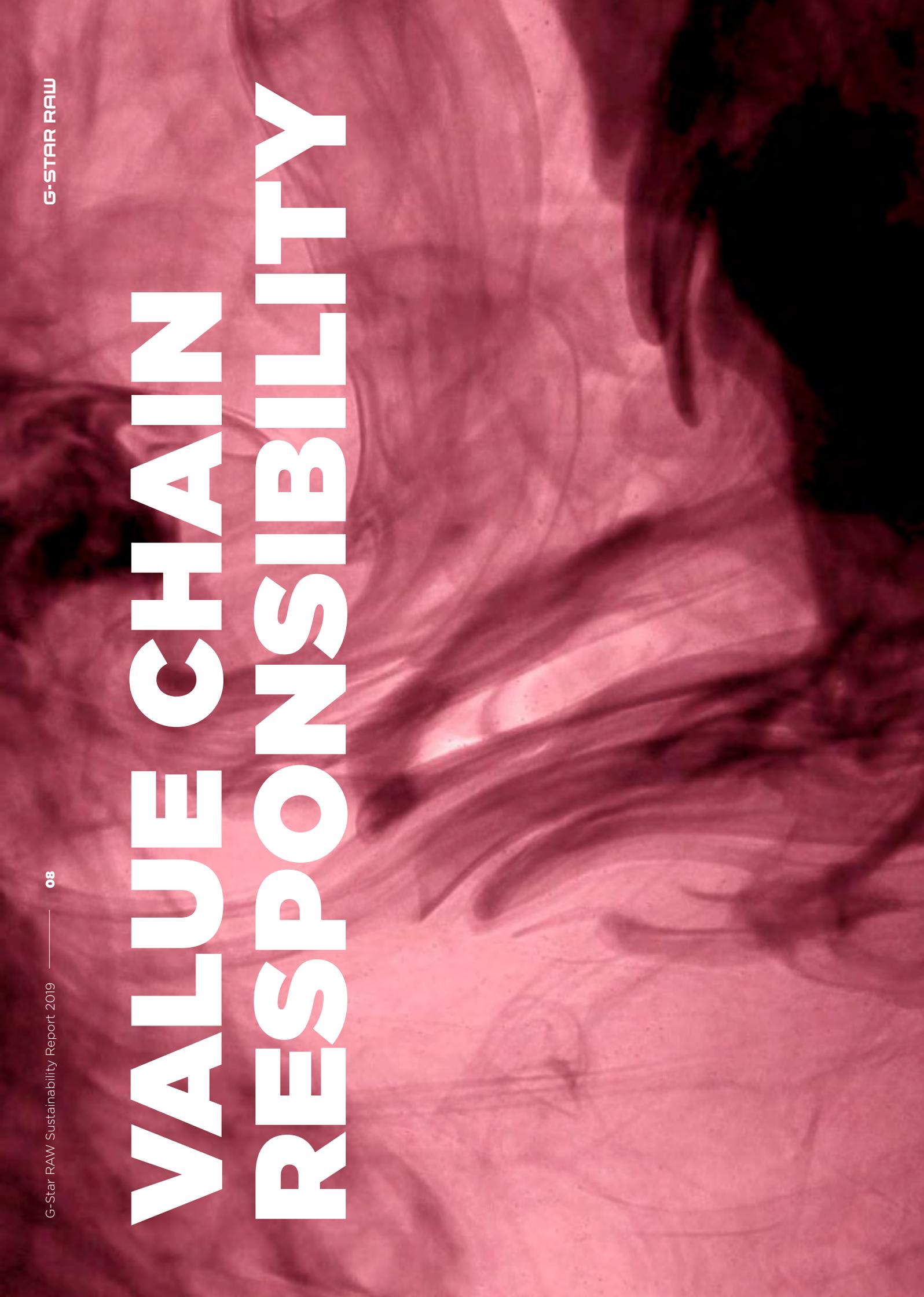
Sustainability priorities are cascaded to G-Star RAW managers via sustainability-linked objectives and key performance indicators - for example, senior category managers have personal targets to contribute to 100% sustainable cotton and 90% sustainable materials by 2020. For new staff, the Sustainability Department runs onboarding sessions to introduce our sustainability goals and vision.

To further galvanize momentum internally, there is also a Sustainability Ambassador Group made up of enthusiastic expert employees. These ambassadors engage colleagues to drive forward our sustainability strategy - creative ideas in 2019 included “meatless Mondays”, ocean cleanups in South Africa, clothes swaps and Friday sustainability talks.

Sustainability governance at G-Star RAW



VALUE CHAIN RESPONSIBILITY



VALUE CHAIN RESPONSIBILITY

Whether it is in our factories or logistics, our offices or stores – our strategic priority is to operate and produce responsibly. We do so by

measuring and improving social and environmental performance impacts throughout the value chain.

How we are doing

Material issue	2018-19 highlights	2018-20 goal
<p>Workers' rights</p> <p>See page 10</p>	<p>Almost 70% of tier 1³ cut-make-trim factories completed the Higg Facility Social & Labor Module (Higg FSLM) self-assessment.</p> <p>18 direct suppliers were trained in social dialogue, grievances and worker committees.</p> <p>Continued our work as signatory of the Social and Labor Convergence Project (SLCP) to implement a common assessment framework.</p> <p>Conducted country-level assessments to understand specific risk exposures.</p>	<p>Ensure continuous improvement of the working conditions in our supply chain by focusing on fair wages, social dialogue and workers' rights.</p>
<p>Fair wages and Equal supplier partnerships</p> <p>See page 11</p>	<p>Joined ACT (Action, Collaboration, Transformation) to support living wages through collective bargaining.</p> <p>Utilized Better Buying initiative research to improve our purchasing practices.</p>	
<p>Pollution</p> <p>See page 12</p>	<p>95% average supplier compliance to the G-Star RAW DETOX program.</p> <p>Wet processing factories responsible for 85% of production volume included in G-Star RAW DETOX Program.</p>	<p>Eliminate harmful environmental practices in the supply chain, particularly hazardous chemicals, and continuously improve our factories' environmental performance.</p>
<p>Climate change</p> <p>See page 12-13</p>	<p>Deployed the Higg Facility Environmental Module (Higg FEM) tool to understand our carbon impact in the supply chain.</p> <p>Signed up to the UN Fashion Charter for Climate Action.</p> <p>Built an inventory of scope 1 and 2 emissions.</p>	
<p>Sustainable materials</p> <p>See page 14</p>	<p>97% sustainable cotton, on track for 100% by end of 2020.</p> <p>86% sustainable materials across all products, on track for 90% by end of 2020.</p> <p>Benchmarked materials for sustainability in our Fiber Map.</p>	<p>Being a frontrunner in using more sustainable materials in our collections.</p> <p>Make and share progress on our 2020 sustainable materials goals and the Detox Commitment.</p>
<p>Animal welfare</p> <p>See page 14</p>	<p>Continued to implement our Animal Welfare policy in our supply chain.</p>	<p>Zero harm to animals, including use of safe leather alternatives, and zero use of mohair, angora or down. Responsible Wool Standard or recycled wool only.</p>

³ For definitions of supply chain tiers, please see our Supply Chain Handbook

VALUE CHAIN RESPONSIBILITY CONTINUED

Protecting worker rights

Whoever they are, and wherever they work, anyone involved in creating G-Star RAW garments has a right to decent work and to be treated with respect and dignity. We will always aim to uphold the human rights and the right to speak up – for all workers.

As outlined in our [OECD Risk Assessment](#), human rights and labor risks are diverse and complex. We stringently apply guidance from the OECD, Dutch Textile Agreement, [International Labor Organization](#) (ILO), SLCP and Higg FSLM. This is reflected in our Supplier Code of Conduct, Sustainable Supply Chain Handbook, Social and Labor Guidelines and our UK Modern Slavery Act Statement (see [downloads](#)).

A social framework to support suppliers

Our Supplier Development Program includes a social framework to help tier 1 cut-make-trim suppliers consistently apply high labor standards, based on best practice guidance above. In 2019, we delivered training to 70% of these suppliers, and we will continue to follow up on their progress in 2020. We are also developing an external grievance system for key sourcing countries, which we will report back on in the next disclosure.

Given the scale and nuances around labor rights, change can only be realized through concerted action from the whole apparel sector. According to SLCP, almost two thirds of social audits in the apparel sector are unnecessary duplications. By working together and sharing data, we can accelerate positive change in worker rights. It is one of the reasons why we continue to support the implementation of the SLCP common assessment framework as brand signatory.

Almost

70%

of tier 1 cut-make-trim factories completed the Higg FSLM self-assessment⁴

Upholding human rights

Our Supplier Code of Conduct and Social and Labor Guidelines incorporate the [Universal Declaration of Human Rights](#), the [ILO Conventions](#), and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. They include zero tolerances to child or forced labor, and to any form of discrimination or gender-based violence.

They also make clear provisions for fair working hours, collective bargaining and trade union rights. As mentioned in the risk assessment chapter, human rights due diligence covers our production and manufacturing, and is based on country-level assessments.

Country-based approaches

We engage with national and local government to uphold safe and fair working conditions for those working in our supply chain. In Bangladesh for example, having been an advocate for the [Accord on Fire and Building Safety](#) as a signatory brand, we continue to support its evolution in the formation of the [Ready-Made Garments Sustainability Council](#).

In Myanmar, where the garment sector is rapidly growing, we partner with the [SMART Textile & Garments](#) project, one of the first initiatives to protect textile workers in this young sector.

⁴ Our Sustainable Supply Chain Handbook explains how this information was used and incorporated in our supplier monitoring system.

VALUE CHAIN RESPONSIBILITY CONTINUED

Fair wages

We believe that people should be paid fairly and transparently for the job they do. They should also be free to speak up if they feel they are discriminated against through their pay. By developing a fair wage methodology and moving towards a living wage, we are taking action.

So far, we have completed a Fair Wage pilot initiative with the support of [Solidaridad](#) and the [Fair Wage Network](#). From this, we discovered that the main way to scale up our impact was through a collective approach that includes social dialogue - involving workers in wage negotiations. Our new membership of ACT will be a key step in creating a fair wage roadmap that delivers on this (see below).

CASE STUDY

PARTNERING WITH ACT FOR THE LIVING WAGE

In 2019, we joined ACT, a ground-breaking agreement between global apparel brands, retailers and the IndustriALL Global Union. Its aim is to achieve a living wage for all textile workers through collective bargaining at an industry level.

In 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.

Equal supplier partnerships

Mutually-beneficial supplier relationships depend on two-way dialogue, the right to speak freely without retribution, and regular partnership appraisal between supplier and customer.

We have been progressing from auditing suppliers for compliance, to offering self-assessments and supporting supplier partners to improve their practices, while also committing to improving our own buying regimes. Each year, our Sustainability Department experts deliver in-country training on our Supplier Code of Conduct and Higg FSLM and FEM expectations. They also assess factory-level risk exposure and, where non-compliances are identified, they find ways to reduce risks. Higg self-assessments can be verified by an SAC-approved third-party.

First

Higg verified FSLM self assessments at our strategic factories in China and India

For two years, we have been part of the [Better Buying initiative](#), a system for suppliers to anonymously share their experiences of their buyers' purchasing practices. In line with our philosophy of partnership, we fully encourage suppliers to participate. Their feedback is highly valuable in providing a transparent picture of how our buying practices impact at factory-level, and what we can do to improve, particularly regarding the practices that most deeply impact working conditions.

VALUE CHAIN RESPONSIBILITY CONTINUED

We use the Better Buying scorecard and report to analyze our current performance, and set priorities for improvements from relevant G-Star RAW departments. These span purchasing, product development, design, finance, corporate strategy, sourcing and supply chain management. One priority identified through the Better Buying results was planning and forecasting. We are now working to share our forecasts with suppliers further in advance, with more regular updates and better data accuracy. This means factories can plan and manage the pipeline of work more effectively, thus reducing unexpected pressure points that can impact working conditions.

Detoxing the supply chain

Pollution and the environmental impacts of hazardous chemicals have been front and center of our work on environmental sustainability since signing the DETOX Commitment with Greenpeace in 2013.

We continue to work with the Zero Discharge of Hazardous Chemicals initiative (ZDHC) and to apply Higg FEM standards and tools to monitor the performance in the production and manufacturing of our garments. All G-Star RAW supply chain partners are required to follow ZDHC's Manufacturing Restricted Substances List, and we encourage them to make use of the ZDHC Gateway to identify safer and more sustainable alternatives, and to test wastewater to ZDHC Wastewater Guidelines. Our DETOX program now covers 85% of our annual production volume (including tier 1 and 2 wet processing facilities), and we have seen 95% compliance in the last year.

95%

average supplier compliance to our DETOX program

>90%

of in-scope manufacturers submitted InCheck and ClearStream wastewater reports

It includes Higg-verified disclosures from 97% of manufacturers in the program, as well as ZDHC InCheck and ClearStream wastewater reports from more than 90%. While we have made excellent progress in eliminating chemical use and pollution of waterways, until we achieve zero toxics everywhere in the supply chain, there is always work to do. In 2020, we will continue to engage suppliers to further strengthen sustainable chemical management practices, for example by requesting suppliers to purchase safer and more sustainable (ZDHC MRSL conformant) chemical products.

A smaller fashion footprint

In the fashion value chain, the majority of greenhouse gas (GHG) emissions are created in manufacturing and consumer use. We therefore focus our climate impact work on our supply chain and customer engagement, while also taking steps in our own offices and stores.

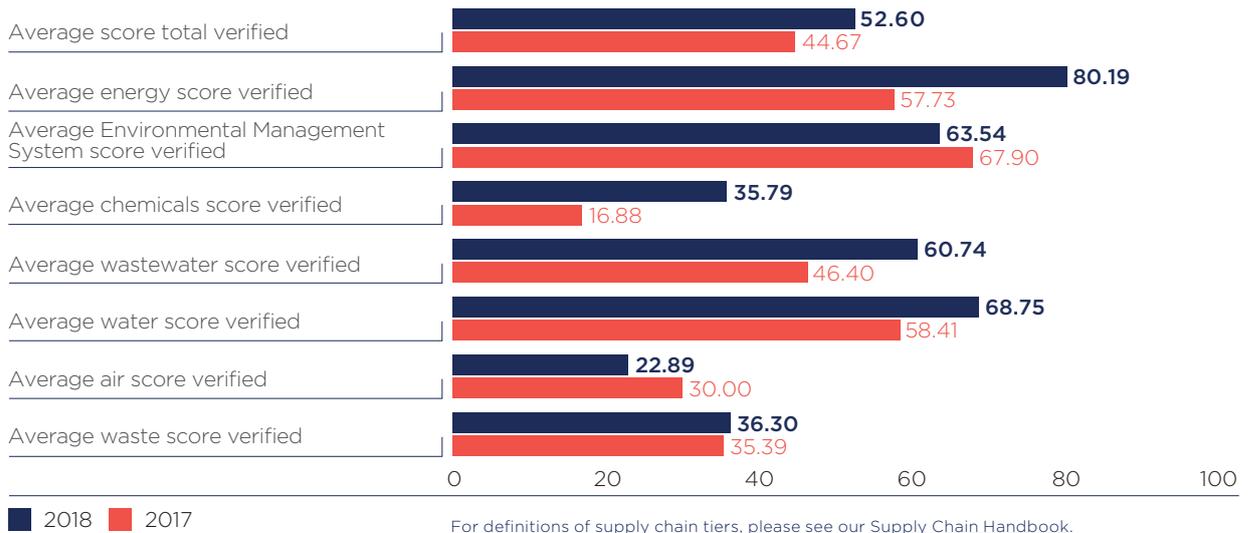
As disclosed in our OECD Risk Assessment, we use the Higg FEM tool to understand the climate impact of our factories through their energy use and emissions. The graph on the following page shows that since 2017, we have seen a five-fold increase in FEM self assessments among our wet processing partners (from 9 factories in 2017 to 48 in 2018). Across all environmental impacts, you can also see improvements, especially energy and chemicals scores.

In 2019, we signed up to the UN Fashion Charter for Climate Action. We will deliver climate action through our supplier partnerships, and through our Circularity agenda.

We disclose all data in our annual [DETOX Report](#).

VALUE CHAIN RESPONSIBILITY CONTINUED

Verified FEM assessments of G-Star RAW tier 1 and tier 2 factories



For definitions of supply chain tiers, please see our [Supply Chain Handbook](#).

Climate impact and our own operations

Although the majority of our GHG footprint lies in production and consumer use, we continue to take steps to drive down carbon and energy use in our stores, fashion houses and distribution centers. Designing our distribution centers and warehouses to be flexible, scalable and automated requires high levels of optimization, and in turn energy efficiency is just one area in which we are making a difference.

Recognizing that we need to go beyond resource efficiencies, we are working with outbound logistics partners in our E-Commerce function to support carbon offsetting. We are also partnering with an external consultant to set a strategy to more robustly understand our GHG footprint, and to systematically implement energy efficiency programs. Towards the end of 2019, we began building an inventory of our scope 1 and 2 emissions, with a view to assessing Scope 3 emissions in 2020. We have not yet been able to consistently measure our progress towards our target of 20% carbon reduction by 2020 in our own operations. However, with signing the UN Fashion Charter, we have made a new commitment and going forward, we are fully dedicated to succeed.

IMPROVEMENTS

in Higg verified FEM scores for tier 1 and 2 factories (2017-18)

VALUE CHAIN RESPONSIBILITY CONTINUED

Sustainable RAW materials

Denim is made of cotton, a crop that has historically been associated with high water and pesticide use. Today, 97% of the cotton we use is sustainably sourced, and we are on track for 100% by the end of 2020.

Our sustainably sourced cotton is organic, recycled or [Better Cotton Initiative \(BCI\)](#) sourced. As a partner of the BCI, our aim is to increase the uptake of Better Cotton throughout our supply chain. BCI promotes good farming practices and helps farmers to make global cotton production better for the welfare of farming communities, for the environment, and for the sector’s future. Once we have reached our 2020 goal, we will apply further standards by adding more recycled and organic cotton to our collections.

Beyond cotton, the remaining 20% of our RAW materials include 10% polyester and 10% other materials. Our goal is to use 90% sustainable materials by 2020; so far we are at 86%, having consistently improved since 2017, as shown in the graph below. Other sustainable materials we use include Lycra®T400® EcoMade, Roica(TM) V550, Lenzing® EcoVero Viscose, Lycra® 166L, hemp, linen, recycled elastane, recycled polyester and TENCEL™ branded Lyocell fibers.



CASE STUDY

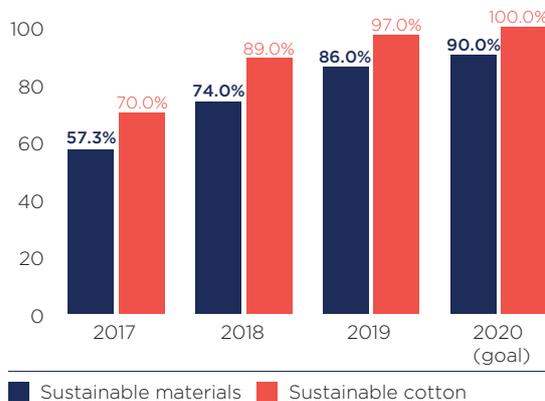
PROTECTING FLORA AND FAUNA IN THE SUPPLY CHAIN

We are committed to ensuring that all raw materials used in our products are grown and manufactured in a responsible way that preserves resources and respects human and animal rights.

Our [Animal Welfare Policy](#) explains our zero tolerance approach to any kind of ill treatment of animals associated with the manufacturing of our products. Therefore, suppliers should implement international industry best practices for animal welfare on the farm, in transit, at the market or at a place of slaughter, based on “The Five Freedoms For Animal Welfare”, as defined by the Farm Animal Welfare Council in 2006.

Acknowledging that many materials we use may be connected with forests, as well as prioritizing recycled and Forestry Stewardship Council (FSC) certified pulp products, we have joined forces with Canopy and the wider fashion industry, to avoid sourcing from ancient and endangered forests. This includes avoiding man-made cellulosic fabrics made from dissolving pulp (rayon, viscose, lyocell and modal).

G-Star RAW Sustainable Materials and Sustainable Cotton



CIRCULARITY



CIRCULARITY

If we want to be here as a denim brand in 20, 50 or even 100 years from now, we need to be designing in “closed loops” today. By this we mean using only sustainable materials, clean chemistry, turning waste back into resource, and ensuring garments are designed for reuse.

How we are doing

Material issue

Circular design & products, and waste as a resource

• See page 17-18

2019 progress

Sustainable fibers: e.g. organic cotton, recycled cotton, recycled polyester, TENCEL™ branded Lyocell fibers, Lycra®T400® EcoMade, Roica(TM) V550, Lenzing® EcoVero Viscose, Lycra® 166L, hemp, linen and recycled elastane.

Clean chemistry: circular dyes e.g. EarthColors® and Recycrom™, pre-reduced and Hydrosulphite free indigo technology, Aniline Free indigo and other ZDHC/bluesign®/Cradle to Cradle Gold Material Health chemistries.

Responsible manufacturing: ozone and laser technologies, wash techniques that waste zero water, partial air drying of garments to save up to 85% energy.

Launched 4th generations of Cradle to Cradle Certified™ Gold denim Fabric, with the World's 1st stretch.

Worked with Fashion Positive to define and promote safe and circular materials.

Set a new circular roadmap for packaging, with goals to 2023.

Became the first clothing brand to support PlanetCare to remove micro-fibers from laundry wastewater.

Created a 2020-30 Circularity Roadmap, with goals to be published late 2020.

2018-20 goal

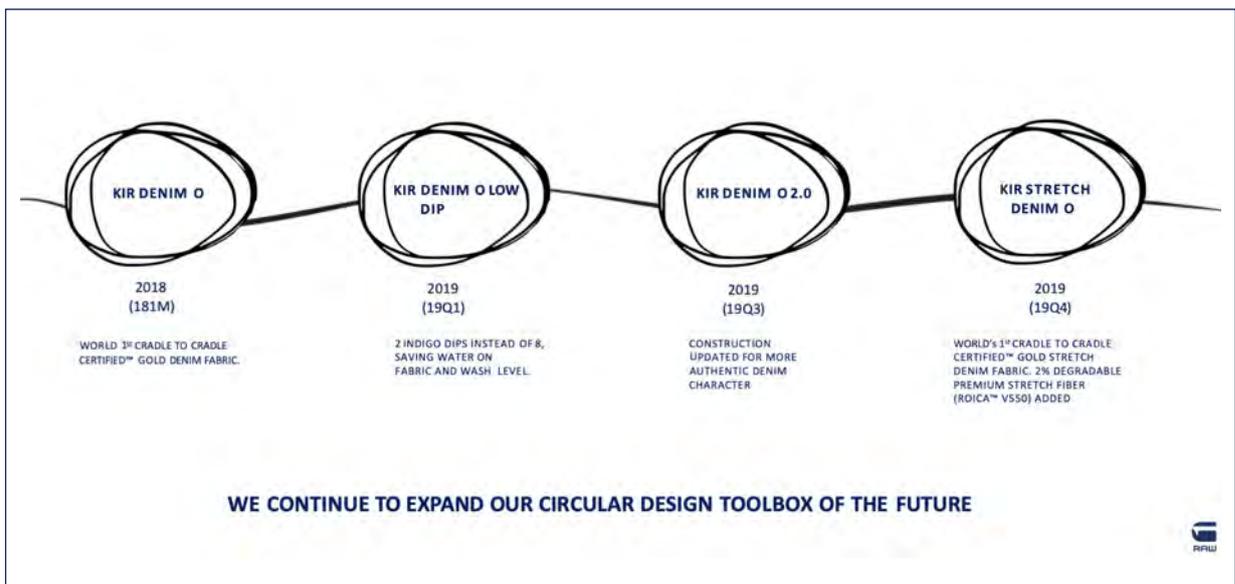
Identify circularity opportunities at product, process, use and end-of-life level.

CIRCULARITY CONTINUED

Fashion innovation

We have an ambitious program of sustainable innovation in design, manufacturing and customer use. Ultimately, we want to see apparel reflecting a wider circular economy where waste becomes a resource and where materials and products are designed for continuous reuse.

It is very important to ensure that the RAW materials in our products are grown and processed responsibly to preserve resources, and respect people and planet. This sections shows just a few of our 2018-2019 circular product innovations.



CASE STUDY

CRADLE TO CRADLE CERTIFIED™ GOLD DENIM STRETCH FABRIC

The Cradle to Cradle philosophy is inspired by nature. In nature, there is no concept of waste; everything effectively becomes food for another organism or a system, and all materials are reutilized in safe cycles. In our designs, we strive to mimic these natural principles because wasteful “cradle to grave” design methods inherited from the last industrial revolution are no longer working, as evident in the current problems facing the planet.

Cradle to Cradle™ Certification is the only certification in the world designed for a circular product economy. It is the most rigorous because it requires unparalleled levels of transparency across the supply chain and because it looks at design from five perspectives: material health, water stewardship, social fairness, material reutilization and renewable energy.

Having created the world’s first Cradle to Cradle Certified™ Gold Denim Fabric in 2018, we have been building on this innovation. In 2019, we introduced the low dip version of the same design for spring/summer styling with additional 75% water savings in both fabric make and garment wash processes.

To meet market demand for comfort, in the fall of 2019 we introduced the world’s first Cradle to Cradle Certified™ Gold Stretch Denim Fabric. In terms of fiber, this fabric merges organic cotton with two percent degradable stretch fiber, Roica™ V550, which holds a Gold Material Health Certificate from the Cradle to Cradle Products Innovation Institute.

Like its three other predecessors, this fabric features the world’s first hydrosulphite indigo technology, which we formulated with our partners. This dyeing process uses 15% less indigo, 70% less chemicals, no salts, and produces no salt by-product during reduction and dyeing, consequently saving water and leaving clean and recyclable water effluent. Finally, all Cradle to Cradle Certified™ Gold Denim Fabrics feature chemistry that presents zero risk for people and planet.

CIRCULARITY CONTINUED



CASE STUDY

CIRCULAR DYES IN OUR DYED BY NATURE COLLECTION

EarthColors® by Archroma (dyes derived from upcycled plant waste)

In 2017, we became the world's first denim brand to incorporate EarthColors® by Archroma in a capsule of colored jeans. These jeans were colored using upcycled plant waste, which is traceable from earth to product. In 2019 we expanded this range to more jeans, as well as jackets, shirts, t-shirts and sweatshirts for both men and women, under the umbrella Dyed by Nature.

In creating these styles, we took on a holistic design approach where we merged sustainable fibers (e.g. organic cotton, recycled cotton and Lycra 166L®, which holds a gold material health certificate from the Cradle to Cradle Products Innovation Institute) with circular EarthColors® dyes, eco finish metal buttons (made without electroplating) and washing techniques that waste zero water. Furthermore, denim styles were partially air dried to save 80% energy.

“The beauty of this project is the big potential to reuse waste from other industries to help create a circular economy.”

Nuria Estape,

Head of Marketing and Promotion at Archroma's brand and performance textile specialties business

One of our biggest challenges is how to scale and accelerate innovation. As a single brand, we can't change the entire industry. This is why we made our Cradle to Cradle™ denim fabric and the hydrosulphite free indigo technology openly accessible within the [Cradle to Cradle™ library](#), so others can improve their design, manufacturing practices and further build on this work. We also work. Finally, we work together with other brands through [Fashion Positive](#), an organization that leads a vision and definition for the use of safe and circular materials in the fashion industry.

PHILANTHROPY



EMPOWERING COMMUNITIES

The [GSRD Foundation's](#) mission is to create a positive impact on the lives of the people and communities in the countries where G-Star RAW products are made. It does so by supporting young people, together with its 22 partners, through education, training and coaching.

The GSRD Foundation works very closely with G-Star RAW. Its ethos is that knowledge, an entrepreneurial mindset and self-empowerment are key to economic independence and social development. To facilitate this, the Foundation supports projects that focus on education and entrepreneurship.

- Education: Vocational training and education for young people, focusing on knowledge and skills that will help them improve their prospects of learning a trade or a profession and thus of having a better future.
- Entrepreneurship: Life-skills training and coaching for young people, to help them to become independent, seize the initiative where they can, and leverage opportunities to become more self-sufficient, either as proactive employees or through self-employment.

Material issue

2019 progress

Community empowerment and engagement

10 new commitments
25 projects
7 long-term partners
2 strategic partners

PROJECT INSIGHTS

In 2019 GSRD operated 25 projects across China, India, Bangladesh and Vietnam. All projects seek to help people leverage opportunities to become more self-sufficient, either as proactive employees or through self-employment. Below is a brief insight into recent work.



CASE STUDY

Vietnam: Skills and Employment for Disadvantaged Youth

The GSRD Foundation has been supporting the Skills Development and Employment for Disadvantaged Youth project in Vietnam since 2014. It provides life skills, formal education, work readiness training, individual counselling and mentoring to disadvantaged young people in Hanoi and Hue.

The objective is to enable disadvantaged youth, especially adolescent girls and young women in Vietnam, to transform their lives by offering them employable (soft) skills development training and employment programs. The project also focuses on the provision of work skills and helps disadvantaged young people to find jobs by providing vocational training in a range of sectors. All the students follow an English language course and undergo life skills training to build their confidence, self-esteem and manage their day-to-day activities, with the goal of becoming self-sufficient, confident and valuable members of the wider community.



CASE STUDY

India: Support for the Rainbow Homes Program

Since 2009, the GSRD Foundation has been supporting Rainbow Homes, a program that helps improve the living conditions of Indian street girls and to secure a brighter future for them. By the end of 2018, the project accommodated 2,902 girls in 32 Rainbow Homes in nine cities. The total number of children reached since the start is 12,237 children.

In 2016, the GSRD Foundation and the Partnership Foundation strengthened the structural partnership supporting the Rainbow Homes project by introducing rolling-commitment funding, whereby the GSRD Foundation decides each year how to support the organization over the coming three years. The goal is to scale up the Rainbow Home model in a sustainable way, and to maximize its social impact, in part through the efforts of the project's local partner, the Rainbow Foundation India, but also through the adoption of the Rainbow Homes model by other organisations.

RISK DISCLOSURE



OECD RISK ASSESSMENT

In order to identify the most significant risk factors in our supply chain, we conduct 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”. Adverse impacts can also be referred to as “harm”.

In addition, we take into account the eight core sustainability priorities identified by the Global Fashion Agenda’s CEO Agenda. These priorities are set by fashion industry leaders and experts and include a holistic assessment of social and environmental impacts along the value chain. The identified significant risks, as well as the priorities as identified by the CEO agenda, form the basis of our sustainability strategy.

Although we have a due diligence process in place for managing supply chain risk, as described in our [Sustainable Supply Handbook](#), we welcome OECD guidance as we develop our approach. In this assessment, we have identified the most significant risks based on sector, product and country. For each, we explain the scope of risks and our assessments based on their severity and likelihood in a matrix. For all assessments included in this report we recognized that the severity of harm of the identified risks are all high. The main shifting factor is the likelihood that the harm can occur in our garment and footwear value chain.

Since this is our first OECD risk assessment, we continue to investigate the most accurate and efficient methodologies. We will review and update our approach alongside our stakeholders on an ongoing basis.

Sector risks

Sector risks as defined by OECD Guidance and focus on human rights, labor, environment and integrity.

Table 1. OECD sector risks for garment and footwear

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

OECD RISK ASSESSMENT CONTINUED

All risks above are addressed in the G-Star RAW [Supplier Code of Conduct](#), and RAW Ethics (see opposite). We have applied OECD guidance to conduct a more in-depth sector assessment since we recognize that the potential severity of harm is high in the garment and footwear sector. Figure 1 below compares this severity with the likelihood of harm in our own garment and footwear value chain. Our assessment is based on:

- historical data from our sustainability assessments of manufacturing partners across our supply chain, and experiences of colleagues in quality control and sourcing departments;
- partnerships with organizations such as the Sustainable Apparel Coalition (SAC), ACT (Action, Collaboration, Transformation), the Bangladesh Accord, the Social and Labor Convergence Project, and the Zero Discharge of Hazardous Chemicals initiative (ZDHC); and
- strategic industry guidance, such as the CEO agenda.

Figure 1 – Sector risk matrix

Sector risks (identified by OECD, assessed by G-Star RAW)



- Child labour ● Forced labour ● Minimum wage ● Health & Safety
- Freedom of Association ● Discrimination / (sexual) harassment
- Working time ● Living wage ● Bribery / corruption ● Chemicals
- Water consumption ● Water pollution ● Greenhouse gases

RAW Ethics explained

Whilst focusing on supply chain risks it is relevant to include reference to own ethical conduct within our organisation.

We require all employees and temporary colleagues to respect our RAW Ethics and act in the best interests of G-Star RAW at any time. The guidelines set out our requirements around legal compliance, gifts and entertainment, bribery and improper payments, conflicts of interests, social media, discrimination, health and safety, alcohol and drugs, company and intellectual property, confidentiality, trade, competition and antitrust laws and ancillary activities.

Product risks along the value chain

To better understand the impact of sector risks, we assess them across the lifecycle stages of our garments: design, make, move, wear/care and reuse, as shown in the diagram below.



Design and material use

Our materials consist of 80% cotton, 10% polyester and 10% other materials. By the end of 2020 our goal is to use 100% sustainable cotton and 90% sustainable materials.

OECD RISK ASSESSMENT CONTINUED

Figure 2 below shows that raw material risks are high and likely when it comes to water consumption and pollution. Since the majority of the raw materials we use is cotton, the use of chemicals is high. Cotton needs to be grown and requires vast amounts of water and pesticides and insecticides for production. Man-made materials, such as polyester, require less water, but do hold higher risks of contributing to greenhouse gas emissions.

Through this process, we identified certain sources of information were missing, hence they are not included in this assessment. The exercise will therefore be repeated once more information is available. Overall, assessing risks through the design and material use phase was valuable as it revealed that we needed to do more research to understand issues deeper within the supply chain.

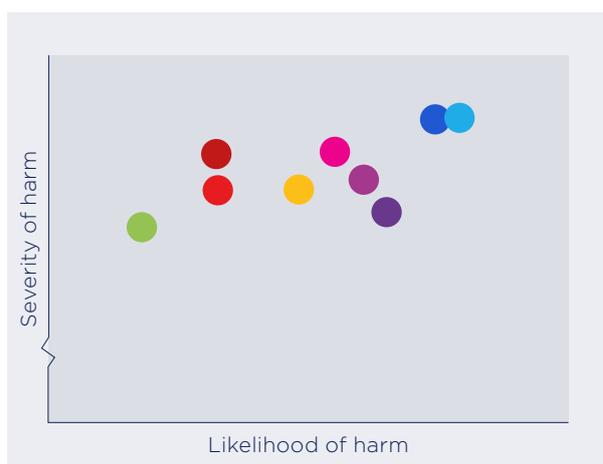
Make: Material manufacturing

During the material manufacturing phase, raw material is woven or knitted into a cloth and then dyed. These tier 2 suppliers produce fabrics and trims that our tier 1 suppliers use to produce our garments. Nominated fabrics and trims suppliers are reviewed and assessed on their sustainability performance.

Fabric manufacturing is resource-intensive and water pollution is an ongoing risk. These risks are less pronounced in the garment manufacturing phase. We use data and information from tier 2 supplier environmental assessments to complete this part of the risk assessment.

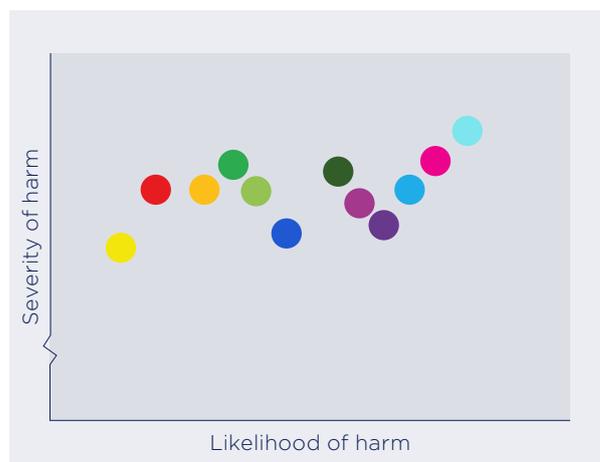
With regard to social and labor risk, the skill level required is higher due to the technical and mechanical nature of the production processes. However, this does not exclude social risks, especially when the processes of material manufacturing are more fragmented and therefore less visible.

Figure 2 - Product risks - Raw material matrix



- Child labor ● Forced labor ● Minimum wage ● Health & Safety
- Freedom of Association ● Discrimination/(sexual) harassment
- Working time ● Living wage ● Bribery/corruption ● Chemicals
- Water consumption ● Water pollution ● Greenhouse gases

Figure 3 - Product risks - Material manufacturing matrix



OECD RISK ASSESSMENT CONTINUED

Make: Garment manufacturing

Once a product has been designed and the materials have been chosen, we enter the cut-make-trim stage where garments are made and assembled. Since this stage is manual labor-intensive, the way we work with our suppliers can have a direct impact on factory working conditions. Compared with the materials phase, environmental risks are lower. However, environmental issues are evident during the finishing phase, where the product is washed, laundered or printed.

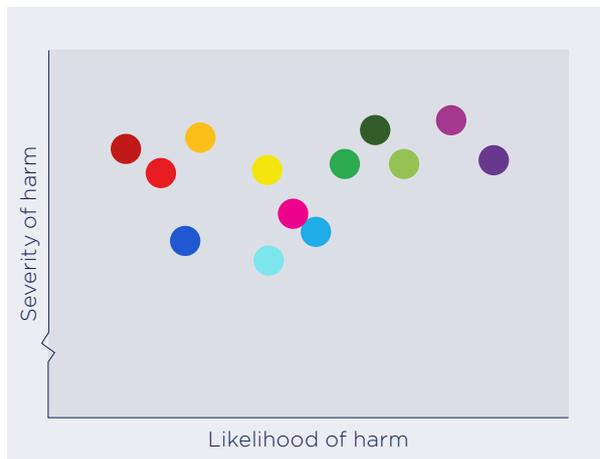
As explained in our Sustainable Supply Chain handbook, we monitor tier 1 suppliers closely and we use this information to understand the future likelihood of harm.

Move, wear and reuse

Our packaging and transportation creates impacts in terms of GHG emissions, chemicals and water. We currently do not have enough data to assess the social impacts of the move phase.

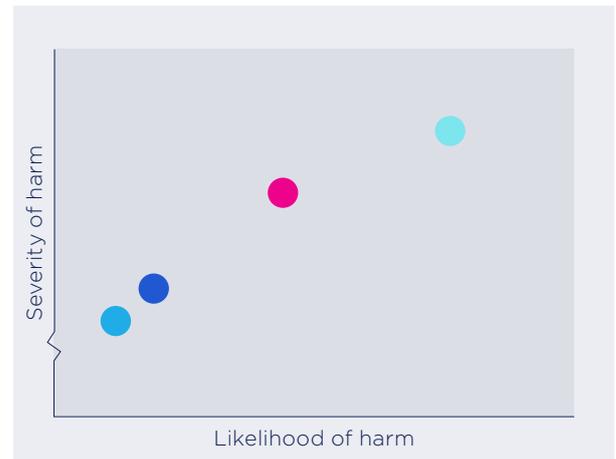
The OECD is currently looking to include the afterlife cycle into the due diligence guidance. The CEO Agenda and the Transparency Index also mark this as an important priority. Therefore, we consider how circular solutions can help us mitigate risks of resource depletion. We will aim to add this to our risk assessments when we can further understand the methodology to access the afterlife cycle.

Figure 4 - Product risks - Garment manufacturing matrix



- Child labor ● Forced labor ● Minimum wage ● Health & Safety
- Freedom of Association ● Discrimination/(sexual) harassment
- Working time ● Living wage ● Bribery/corruption ● Chemicals
- Water consumption ● Water pollution ● Greenhouse gases

Figure 5 - Product risks - Packing and Logistics matrix



OECD RISK ASSESSMENT CONTINUED

Country risks

Every country we source from has its own governance, socio-economic and industry challenges. This is why we make assessments based on country-based reports from the [Fair Wear Foundation](#) and [GoBlu](#), as well as the latest advice from the International Labor Organization and Dutch Government. Furthermore, the Sustainability Department stays up to date with local legislation through close contact with country-level sustainability, quality, product development and sourcing teams. The latest status on sourcing countries is available in our public [Manufacturing Map](#).

We focused our risk assessments on the four countries that produce over 90% of our garments⁵: China, Bangladesh, India and Vietnam.

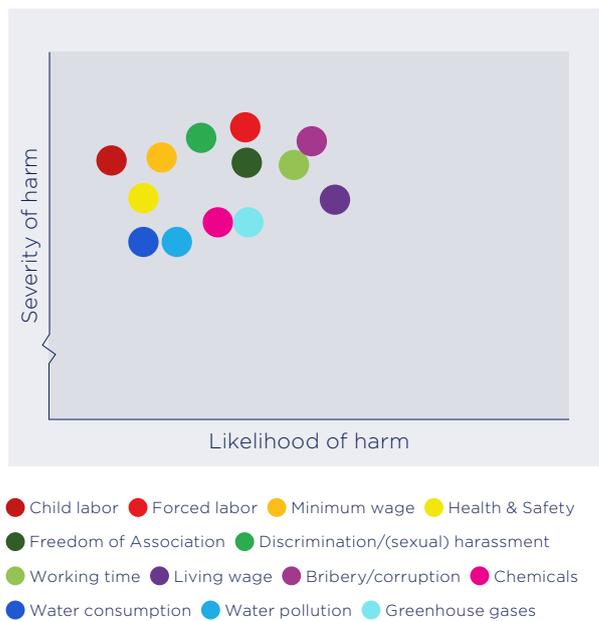
Risk assessments in our top four production countries by volume

China

In December 2019 around 35% of the total production volume of our garments and footwear was handled in Chinese facilities. Recent country studies show that China is improving its health and safety standards, and that it has comprehensive labor laws and takes governmental action regarding environmental issues. However, there are still many risks that require attention. Notably, the lack of freedom of association, excessive overtime and insufficient overtime premium. There are also concerns around the “re-education” of Uyghurs and recent media publications have revealed garment factories exhibiting “conditions that strongly suggest forced labor”.

In recent years, the Chinese government has introduced more stringent laws on environmental protection, particularly with regard to water pollution where textile factories are monitored very closely. The Chinese government has introduced real time monitoring of discharged wastewater and we use this information from the [IPE platform](#) to keep up to date on acute risks.

Figure 6 - China matrix



5 As at Dec 2019

OECD RISK ASSESSMENT CONTINUED

Bangladesh

Around 27% of our production volume was manufactured in Bangladesh in December 2019. Since the Rana Plaza disaster in 2013, Bangladesh’s garment industry has shown improvements but there are still key risks. Notably, the position of women and the exploitation of child labor in the informal sector. Also, low minimum wages, cause worker unrest, while high production demands lead to excessive and non-voluntarily working hours.

One of Bangladesh’s most pressing issues is the pressure on water resources with minimal legislation in place, water consumption will be a growing risk unless conservation technologies are implemented.

India

Production facilities in India produced 14% of our production volume in December 2019. The most significant risks in India relate to workplace practices. Gender-based violence against women, sexual harassment and workplace abuse remain risks. Reports of child labor indicate that there is still a very high risk of children under the age of 14 working in cotton fields, ginning and spinning production.

Excessive overtime is also very common. Minimum wages, although not sufficient to make an adequate living, are usually met. However, illegitimate deductions can be a problem.

Environmental risks differ across the country. The use and pollution of water is high, but the government is stepping in to address the issues. Chemical management in factories still requires a lot of attention

Figure 7 - Bangladesh matrix

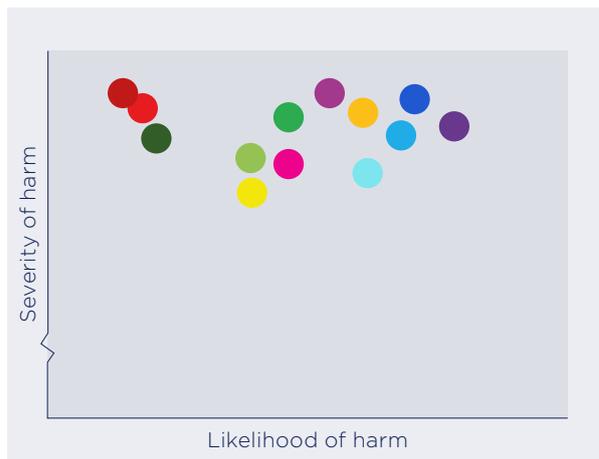
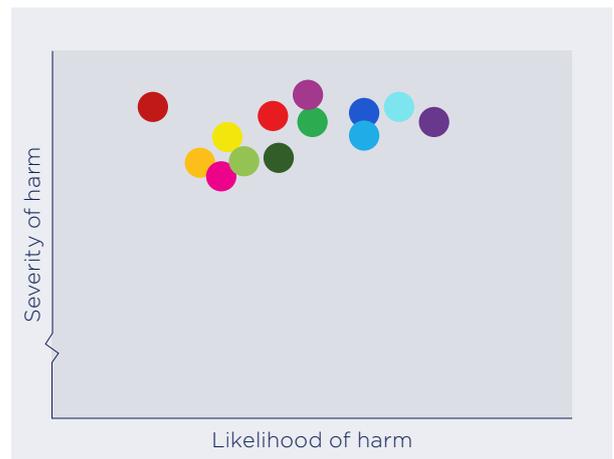


Figure 8 - India matrix



- Child labour ● Forced labour ● Minimum wage ● Health & Safety
- Freedom of Association ● Discrimination / (sexual) harassment
- Working time ● Living wage ● Bribery / corruption ● Chemicals
- Water consumption ● Water pollution ● Greenhouse gases

OECD RISK ASSESSMENT CONTINUED

Vietnam

In December 2019 around 14% of the total production volume was produced in Vietnamese facilities. Recently, the government has started to improve legislation around freedom of association and raised minimum wage levels. Still concerns remain on the actual implementation of the CBA and if real negation is actual taking place. The current minimum wage level does not match the standard for a living wage yet, but there is improvement. Major risks that still remain include excessive overtime, and discrimination and harassment against women, and internal migrants. These risks are also a concern for the EU as it considers a Free-Trade Agreement with Vietnam.

The discharge of chemicals is high on the government’s agenda. Water consumption and pollution are also attracting awareness but require more attention.

The remaining countries⁵ where our garments and footwear are manufactured have not been assessed yet, as per OECD guidance. They will be included in the in the next G-Star RAW Sustainability report. Moreover, as a next step we will further link these country risks’ to the scope and scale of our supply chain efforts.

Figure 9 – Vietnam matrix



- Child labour ● Forced labour ● Minimum wage ● Health & Safety
- Freedom of Association ● Discrimination / (sexual) harassment
- Working time ● Living wage ● Bribery / corruption ● Chemicals
- Water consumption ● Water pollution ● Greenhouse gases

⁵ Remaining production countries: Indonesia, Myanmar, Tunisia, Turkey, Italy, Morocco, UAE, Mauritius

PARTNERSHIPS



2019 PARTNERSHIPS



ACT (Action, Collaboration, Transformation)



Plastic Soup Foundation



Bangladesh Fire and Building Safety Accord



Social & Labor Convergence Project



Better Buying



Sustainable Apparel Coalition

Sustainable Apparel Coalition (SAC)



Better Cotton Initiative (BCI)



TextileExchange
Creating Material Change

Textile Exchange



Dutch Agreement on Sustainable Garments and Textiles (AGT)



UN Fashion Charter



Fashion +



Zero Discharge of Hazardous Chemicals initiative (ZDHC)



Global Fashion Agenda

FIND OUT MORE

Further information on our approach, policies and commitments can be found on [our website](#). You can also download the following documents.

[Better Buying Benchmark Report](#)

[DETOX Commitment](#)

[DETOX report 2019](#)

[Environmental Guidelines](#)

[Manufacturing List](#)

[Modern Slavery Act Statement](#)

[Raw Materials and Animal Welfare Policy](#)

[Social and Labor Guidelines](#)

[Supplier Code of Conduct](#)

[Sustainable Supply Chain Handbook](#)

[Transparency Pledge](#)