



Star Sock Social Report

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Member since 2015

Inhoudsopgave

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Summary: goals & achievements 2016

Introduction

As Star Sock we are passionate about socks, about the people who wear them, and the people who make them. We believe that success is not measured solely in money, but also in the positive impact we have on those around us and our planet. As of January 2015 Star Sock is affiliated to Fair Wear Foundation (FWF), who helps us to monitor and improve labour conditions at the factories that manufacture our socks.

As member of Fair Wear Foundation, we pledge to only deal with suppliers that manufacture under humane working conditions. The ‘code of labor practices’ Fair Wear has developed, sets out the guiding principles and we need our suppliers to understand, agree and feel the need to work towards these principles. This is a continuous journey. This social report covers our work for the financial year starting from February 2016 to the end of February 2017.

Star Sock / FWW Code of Labour Practice

1. Employment is freely chosen
2. No discrimination in employment
3. No exploitation of child labour
4. Freedom of association and the right to collective bargaining
5. Payment of a living wage
6. No excessive working hours
7. Safe and healthy working conditions
8. Legally binding employment relationship

In numbers



Achievements

This will be our second Social Report, where we share with you our journey over the past year. This report is followed by Fair Wear’s annual Brand Performance Check (BPC). Last year we received a good score with 57 out of 98 points for our achievements. We thought this grade was very fair to the performance we delivered and are hoping to improve this result step by step.

In April 2016 we were able to arrange a WEP training – Workplace Education Programme – at our Chinese supplier Yijia, which is also the largest supplier for Star Sock. Initially the supplier did not see the beneficial aspect of the training for his facility, but afterwards the management was happy to have received tools such as the Excel Wage Sheet that could help with the implementation of the improvements. Another large supplier of ours in China is being approached for a WEP training also.

This year we have created a vendor rating system that makes sure information is up to date and progress is being made with our suppliers. Filing information and making it accessible to everybody in the organisation has always been a struggle for us.

Based on visits and findings we have motivated Yijia, Chinese supplier, to re-decorate his facility. The building is a rented building, therefore the management was hesitant, but we were able to get the management to understand why this is important. The atmosphere and the people working are the face of the facility and a “clean and fresh” environment projects the ambition of a facility.

We started doing business with a new supplier in Turkey. After a careful selection, where we looked at several possibilities, KGB was selected and a trial order was placed. This trial order did not run smoothly, as communication was quite rigid (locked in the Turkish culture). Besides, in May 2016, when the trial order was in full swing, things began to heat up in Turkey. Despite the bumpy road, we decided to invest more energy in this relationship and put on new orders. On a monthly basis our buyer travelled to KGB and spoke to all departments, to get everybody in line and working towards to same goal. As we potentially want to expand our business in Turkey, we would like to invest in this relationship by helping them to reach Fair Wear standards.

Trends

As already predicted in the Social Report of 2015, 2016 was going to be a very challenging year for Star Sock with some mayor changes on the roll. A two-person working management team was given the responsibility to implemented a more structured and guided working method and create more independency in a slimming market. As an intermediary Star Sock is constantly adapting to new market circumstances and proving to be worthy of its position in the supply chain. A daily struggle which was hampered by the fact that we lost the European licensee agreement for the sport brand Lotto, an agreement that we had since 2009.

Due to the circumstances mentioned, we had to let go of Erik Rozen, our innovation and sustainability manager, who we would like to thank for his great work over the last three years. Erik was able to transform the ambition of the owner of Star Sock (name sake Eric Roosen) into operational processes; which took Star Sock to a higher level.

Failures

During the Brand Performance Check in 2016, Star Sock was required to investigate to what extent our current buying practises has an effect on the working hours at supplier level. A root cause analysis of excessive overtime should be done to investigate which steps can be most effective to reduce overtime. This root cause analysis has not been executed yet.

We have not been able to implement serious steps in the payment of living wages. We have had several conversations with our main two Chinese suppliers about an open pricing strategy and about living wages versus overtime (these two are very much connected) but this turned out to be a very difficult conversation. The willingness to give such insight information and to change the shift schedules have big consequences, both factories are not willing to take. We keep the conversations in these directions going but so far without concrete results.

The Star Sock Spirit

At Star Sock we are passionate about socks, about the people who wear them, and the people who make them. We believe that success is not measured solely in money, but also in the positive impact we have on those around us and our planet. We want to be successful as a company, and our core values pleasure, professional, passionate and pure are at the heart of everything that we do. Together we go the extra mile.

Therefore it is our mission to take work of our clients hands by providing surprisingly sustainable socks. We offer tailor-made solutions, bestsellers, competitive advantage and we help our clients to build a business case for sustainable, good quality products through their sock shelves.

To achieve this we intend to work with like-minded partners that share our focus, and establish long-term partnerships. We are committed to deliver quality products made under fair conditions for workers and the environment, a focus that should lead to stepwise and continuous improvements in our supply chain.

To guarantee that our products are made under fair conditions, as of January 2015 Star Sock is affiliated to Fair Wear Foundation (FWF). As an independent non-profit organisation, FWF helps us to further improve labour conditions and advance the welfare of the workers in our production facilities. We use the FWF Code of Labour Practices as our Social Code of Conduct.

Where we strive to minimize our environmental impact, compliance with local environmental law is mandatory. From this baseline we are committed to collaborate with our partners to further minimize our ecological footprint through e.g. energy reduction, increased use of sustainable raw materials, minimal use of harmful chemicals, and reducing emissions. Not only will this benefit the environment, but also result in a leaner, greener, and more equitable supply chain.

Through this continuous improvement of social and environmental conditions, in which we build and expand each other's knowledge and skills, we aim to make our suppliers the leaders of their industry. An open and respectful collaboration that leads to better quality and a healthy and profitable way of doing business, for everyone involved.

This will be a continuous journey, as every challenge starts with one first step. In this journey we expect our existing and new partners to share our core values, which form the basis for our course over the coming years.

As a follow-up to Fair Wear's annual Brand Performance Check (BPC) this is our second Social Report. Here we will share with you our progress and the steps we took along our journey over the past year.

1. Sourcing Strategy

We do not have our own production facilities, but we choose to work with dedicated suppliers. With our focus on quality and sustainability we want to know the entire supply-chain from A to Z. In 2020 we aim to produce over ninety percent of our socks in the most sustainable way. To make this happen, intensive cooperation and building knowledge and skills together with our suppliers is key. As this requires investments from both sides, we consciously strive for long-term cooperation with our suppliers. In 2016 we started to work closer together with our current factories to develop much more new items and more important innovative yarns (in every country we have a preferred supplier, where we have a very close cooperation with). When you develop together it is all based on trust and cooperation. The same trust and cooperation is necessary when you are pushing for better working circumstances and start the discussions on fair living wages.

Especially in China we discussed the fair living wages within our suppliers. All our suppliers face the same problem. They get some response from auditors, because all the knitting workers are working 12 hours per shift. This is common in the whole area and the workers get paid according their workmanship. So if our factories would say you can only work for 8 hours all the workers are going to leave, or we overpay them saying that they have to work only 8 hours for the 12 hours salary. Which is higher than the calculated fair living wage salary in their living area. At the moment we don't have an solution to this subject and unfortunately not enough leverage to change a complete industry.

1.1 Sourcing strategy

Star Sock follows a traditional approach regarding our sourcing strategy and management of suppliers. Long-term partnerships with our suppliers enjoy the highest priority as this helps us achieve and maintain a consistent quality level and is allows us to implement social responsibility standards, even when our leverage it very little. For us, continuity is more important than short-term financial success. Star Sock cannot predict volumes (we work on order base, see 1.3) and therefore trust and understanding the process is very important, this is long term investment.

If the development of new suppliers or production country becomes necessary, this is a time consuming effort from both sides; getting to understand each other's processes, finding out the right communication, getting to know all details inside and out, travelling regularly to see what is happening. But as a product leader (focus on socks only) we need to be on top of market and examine new possibilities. How do we proceed?

The buyer examines countries very thoroughly, by finding persons/ organisations that already have established an business and by reading country studies (also of FWF if available).

We plan a visit, where the buyer (sometimes accompanied by the owner of Star Sock) will investigate the country and supplier.

This is done by a checklist, where social compliance aspects are an integral part of the selection and decision making process. Important factors are the capacity, manufacturing abilities as well as quality and pricing of the products. A side from that we examine all production sites and steps. Among other aspects, we check general workplace safety, work force atmosphere and working conditions and basics services as water supply, toilet access, cafeteria and dormitory.

These findings will be presented to the management and next steps are determined.

The next step could be placing a trial order, where both parties can experience a real case. Prior to the trial order we normally ask the supplier to fill in our Form Factory, available audit reports, self assessment questionnaire of FWF and a copy of the FWF Colp.

Example: In 2016 we have evaluated Poland and placed a trial order at the supplier we found, Stopex. The trial order was good learning case but from Star Sock's point of view there were too many uncertainties, why we could not proceed. Plus side, mentality of the management was great, high understanding of European market and standards, also many investments in machinery/ work force was implemented at the time and the size of the factory matched with the size and volumes of Star Sock. Down side, management was involved on an operational level (back office did not speak Business English), prices were slightly higher than Turkey, processes over the two companies did not match.

Further did we investigate some suppliers in Bulgaria and Pakistan. We didn't start working with them on price, quality and logistical reasons. In 2017 we will do an sourcing trip to Ethiopia to see what the possibilities are. This is an emerging country and we think it is important to be immediately involved in the start up process of an economy. In this case we can learn from the past and begin on an European Standard.

1.2 Pricing Strategy

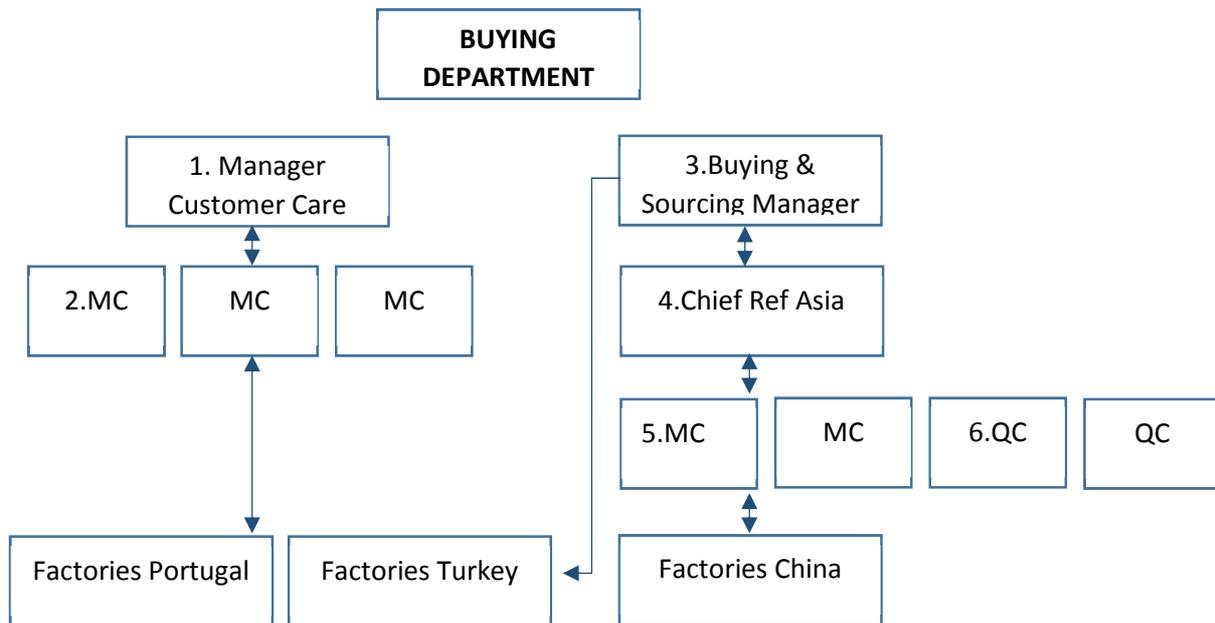
Our orders are placed on full price terms. Price negotiations are undertaken both at an early development stage and later on again with order figures in hand. The time between these phases is often between 3 to 6 months; in that period a lot can change both from the suppliers perspective (raw materials pricing, timing and capacity etc.) as also from Star Sock's perspective (volumes, exchange rates etc.). Star Sock is operating in the lower retail segment and honestly price is essential and leading. Negotiations start with the supplier that is responsible for the product development. When negotiations fail or targets are not reached, we investigate other suppliers but we do not play suppliers against each other. When pricings deviates strongly, we need to examine the reason and we openly discuss pricings with different suppliers. With basic items (repeats), where prices are stable, we divide orders equally between suppliers. As mentioned, price is very important but we will not compromise on quality nor on sustainability and looking for the cheapest solution out there is not in our DNA. The reason why we never actively sourced in Cambodia, Myanmar and Bangladesh.

Open cost calculation and price transparency is communicated with suppliers but still in a very cautious way. At this point we can say, we have a good insight in the cost price of a sock, which enables us to value a price (developed a cost price calculation tool). The impact of social changes such a living wage/ production shifts on the cost price are being discussed on management level. Understanding the pain of the supplier is key, if you want to make changes. Nevertheless margins and finding out exactly what suppliers are putting on top, of a product is a grey area, where we feel we need to give suppliers some wiggle room. Western companies tend to control their supply base in every aspect of the business, but we think it is more constructive when both parties take control of their own businesses and communicate transparent about it. In countries as China and Turkey transparent communication needs to be enforced, as it does not come naturally.

1.3 Organisation of the sourcing department

In 2016 an new buying/sourcing manager started within Star Sock. In his first year he got to know the various countries from the current suppliers as well as sourcing for new opportunities. He is currently working on an adjusted sourcing and buying strategy which should be launched middle of 2017. Main focus of this strategy will be, how can we integrate our ambitions towards 2020 in our supply chain. Our added value will be in developing new countries and creating together with sustainable partners, new materials.

We have to build an knowledge network, to be less depending on suppliers, and that we can take an leading role and get enough leverage to increase the working circumstances for the workers. Currently he is the only person working directly on this field within Star Sock.



1.3.1 Explanation of the Buying Department

1. Manager Customer Care (MCC)
 - Coordination of merchandising department
 - Developing the implementation of CR activities
 - Monitoring FWF membership
 - Coordination of CR communication (internal and external)
 - Reporting to management on CR status

2. Merchandiser (MC)
 - Communication (on order basis) with our Chinese colleagues and factories
 - Observing “critical” issues and activities
 - Monitoring the CR targets

3. Buying & Sourcing Manager (BSM)
 - Monitoring and implementing the CR targets
 - Identifying targets for CR action
 - Contributing new impulses from analysing the market
 - Supporting the implementation of CR actions

4. Chief Ref Asia
 - Price negotiations in Asia
 - Managing Merchandisers en QC's in Zhuji Star Sock office
 - "Supporting and monitoring the implementation of CR actions"
Quotation marks, as this needs to be pushed continuously from our side. Not in their DNA.
 - Factory visits
5. MC
 - Order follow up (lead times, quality, processes and communication intermediary between Star Sock NL and factories)
6. QC
 - Eyes and ears in the factory
 - Quality control (in line inspections and final inspections)
 - Self assessments in factories

All strategic goals and activities are determined by the Management of Star Sock existing of the director/owner, the financial manager/ owner, manager Customer Care and Buying/ sourcing manager. Defining and acting on these goals is the responsibility of the Manager Customer Care (MCC), in close collaboration with the buying/ sourcing Manager (BSM). Approximately every other week there is a meeting planned where, among other things, social compliance and the supply chain is discussed and plans are forged to reach our goals. Given the multiple activities and responsibilities of the MCC and BSM, the measured progress is slower in comparison to 2015, where Star Sock had an independent CR coordinator, who monitored all actions.

1.4 Production Cycle

At the moment we work mostly according the Make and Ship principle. This means that we place the order once we receive it from our client and ship on the requested date. Before confirming this date we calculate the critical path and ask for an confirmation from the factory. This calculation is done per order and includes the time of production to avoid causing overtime in the production facility.

Each year we produce two "main collections", several in between collections and every month we present our clients and potential clients, the STAR of the month (a specially developed and aggressively priced product). This approach makes sure we create sufficient buy-in moment with our customers. The production orders are based on the client orders, we have very little influence on that process. All lead times are dependent on clients demand, internal planning, capacity of our suppliers and material lead times. The critical path we draw up together with our suppliers.

1.5 Supplier relations

Our goal is to have a stable supplier base what can meet the different product requirements for our various clients. Our main production takes place in three countries which each have their own specialisation:

- Portugal: Thick and heavy sport socks mostly from recycled cotton yarn
- Turkey: High quality fashion and technical socks (sports, walking etc)
- China: Everyday socks

We do not work with any agents or intermediaries. In Turkey and Portugal we work directly with factories and in China we have our own local buying office, Star Sock Asia. On average we visit our factories personally at least three times per year (once a year the owner of Star Sock will visit the factories to discuss the previous year and look into the next year and twice a year the buyer of Star Sock is present). In China our manager (Chief Ref) and QC's visit our factories every other week. In 2015 we have invited the managing director of our preferred supplier (Yijia) and our Chief Ref to the Netherlands. A decision made to strengthen the relationship, to create awareness and understanding for the European market and standards and create a strong foundation for future collaboration.

This year we started mapping our complete supply chain by visiting all the subcontractors and log them. We start to train our QC's with some general safety basics. Whenever they are going to visit one of the subcontractors they are going to check on these subjects. When our sourcing/buying manager visits the other production locations he is doing the same. In 2016 we have visited all our factories at least two times. And especially for Turkey, we explicitly discussed the Syrian refugee situation every time when we are there. Unfortunately we know that this illegal labour still occurs and we check our production ourselves. To avoid any subcontracting to these terrible facilities. Further did we investigate some suppliers in Poland, Bulgaria and Pakistan. We didn't start working with them on price and quality reasons. In 2017 we will do a sourcing trip to Ethiopia to see what the possibilities are. This is an emerging country and we think it is important to be immediately involved in the start up process of an economy. In this case we can learn from the past and begin on an European Standard.

1.6 Integration monitoring activities and sourcing decisions

Follow up on the improvements is conducted via email or through monitoring onsite. Every year FWF conducts so-called 'verification audits' at different suppliers to verify our follow up results. The outcome of these verification audits are then one part of FWF's annual performance check on us.

An important support in our monitoring system is the 'complaints mechanism'. All suppliers need to post the code visibly in the factories and this document includes a phone number and email address to a local FWF complaints handler. Through this channel, workers can anonymously inform us of work-related problems in the factory that they have not been able to solve with their managers or local authorities.

Last year we encountered an situation that the code was presented in the office of the director. Proudly he showed it to us but we told him that this is not very convenient for the workers that when they had complaints about their circumstances that they have to come in his office and write down this number. He laughed and immediately admitted this, together we have made place in the canteen so that everybody could read it at their convenience.

What above example also shows is that the monitoring is continuously and should be in the people itself. It is almost impossible to make an water tight system where everything is documented properly and no mistakes can occur. It is in the interest of Star Sock and all its employees to make better circumstances in all our production locations.

2. Coherent system for monitoring and remediation

We are following the FWF guidelines on monitoring our suppliers, to confirm our socks are made in line with our FWF Code of Labour Practices and the Star Sock Spirit. It's a continuous search and we regularly evaluate the improvements made. The main question always, is how Star Sock can contribute to improvements needed in the supply chain and especially at the supplier. Leverage, running orders and long term partnerships are key elements which we struggle with.

In China we work with small/ medium sized factories (approximately between 50 and 100 employees), that matches the purchasing volume of Star Sock. In 2016 our leverage in China has been significant, which makes it easier to request improvements. In Portugal we work with larger factories and our leverage is instantly smaller, however long term partnerships make it possible to request the necessary changes. In Turkey our leverage is nihil, because the purchasing volume is small. In Turkey we struggle with establishing a consistent supply base. The order stream is capricious and our demand fragile and thus building a relationship difficult. With KGB we started working in 2016 and although the first orders were bumpy (especially in terms of communication and process understanding), we feel this could be the partner for the long run. In 2017 we will involve them more into our CR plans and activities.

Fair wear Foundation makes country studies on labour right violations and consequently classifies countries as 'high risk' or 'low risk' countries. According to their monitoring requirements, suppliers in high risk countries should be audited by external auditors at least every third year and supplier in low risk countries need to at least be evaluated by a self assessment questionnaire and confirm posting the FWF code. The countries we use that are classified as high risk are China and Turkey. Countries used that are classified as low risks are Portugal (and trial order in Poland).

- Production value in low risk countries; approx. 78%
- Production value in high risk countries; approx. 22%

Supplier overview

Country	Factory name	FWF factory number	Leverage	Share of Star Sock purchasing volume	1.Free Employment	2.No Discrimination	3.No Child Labour	4.Freedom of association	5.Living Wages	6.No excessive overtime	7.Safety & Health	8.Working Contracts
China	Yijia	6427	35%	28%	Green	Green	Green	Green	Red	Red	Green	Green
	Sanfei	7741	35%	20%	Green	Green	Green	Green	Red	Red	Green	Green
	Boahe	11448	15%	7%	Green	Green	Green	Yellow	Red	Red	Green	Green
	Goldenkey	7743	40%	17%	Green	Green	Green	Yellow	Red	Red	Green	Green
Turkey	KGB	11449	2%	2%	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green
	Bogazici	11450	1%	1%	Green	Green	Green	Green	Green	Green	Green	Green
	Gelal	7747	1%	1%	Green	Green	Green	Green	Green	Green	Green	Green
	Simsek	9709	1%	2%	Green	Green	Green	Green	Green	Green	Green	Green
Portugal	MC Socks	7745	5%	4%	Green	Green	Green	Green	Green	Green	Green	Green
	PCM	7744	5%	9%	Green	Green	Green	Green	Green	Green	Green	Green
	Estrada	7746	15%	9%	Green	Green	Green	Green	Green	Green	Green	Green

	Minor non-compliance found and quickly resolved, or no problem found
	Major non-compliance found and quickly resolved. No recurrence.
	Major or critical non-compliance found.

2.1 High Risk Country CHINA

- Percentage of order value → 72%
- Partnerships for more than five years → 45%
- Number of factories → 4
- Number of FWF audits → 1 (Sanfei)
- Number of trainings → 1 (Yijia)

The share of total production value has increased in 2016, the number of suppliers remain the same. We are working with four stable suppliers, that we are already working with for some years. In times were our business is growing they benefit from it, in times were we are struggling (supposedly 2017) they are also hit. Suppliers are not depending on Star Sock, although most do suffer a little from our weak years. Its give and take in these situations and in times were we are struggling, we need our partners to go the extra mile with us. Two out of four have been audited by FWF and they are continuously audited by other clients/ brands they produce for. As mentioned we visit the factories personally and on a regular base, we are starting to capture the summary of these meetings in notes and a actions plans. This makes the follow up more definite. One of the four suppliers participated in a WEP training, mentioned earlier. We are currently in dialogue with another supplier of Star Sock, to set a date for their WEP training, which we hope will take place this summer.

During next financial year we will perform at least one full FWF audit, followed by one shorter monitoring audits to verify the status of improvements of the last audit CAP and FWF will conduct a verification audit with one of our suppliers in China. The most critical issues for us are wages and working hours. In China, 'standard' working hours tend to be up to 60h per weak and sometimes even more; this is also related to the working shifts of 12 hours they make. Due to labour shortage in China we have also realised that wages in China have increased in the areas where we produce.

1. **Free Employment** → no breaches regarding forced employment is found during audits or other activities on Star Sock suppliers.
2. **No Discrimination** → No audit at a Star Sock supplier identified any discrimination issues.
3. **No child labour** → All audited Star Sock suppliers were completely free of child labour. In tier 1, it is rare to find issues of forced labour, child labour or discrimination. That is why we go deeper into the supply chain. First step, is an open and transparent attitude towards subcontracting but in an authorised way. This means the QC's of Star Sock should be welcome to visit and check production at any given time or execute a self assessment and on request our buyer should be granted access (also un-announced) if this feels necessary. Tier 1 took time to convince improvements were necessary and we need to raise awareness in the rest of the supply chain. We do not immediately terminate business relationships with a supplier on audit findings or self assessment findings that are in conflict with our code. We do however expect immediate improvements in case of unapproved subcontracting, failure to pay minimum wages and critical health and safety findings.
4. **Freedom of association** → we require all workers in factories that supply Star Sock to be free to join a union and engage in collective bargaining. The reality is that local laws not always contribute or promote this matter. Every factory should have a confidential person, where issues can be addressed. During the audit, it was mentioned that our factories have this person in place. Question is do workers now what their rights are? WEB trainings contribute to this knowledge.
5. **Living wages** → Legal minimum wage is established in China. By referring to FWF audits and third party audits, Star Sock is confident that their suppliers pay their workers in accordance with legal requirements. We put effort in building our knowledge and know-how concerning living wages. Several webinars and seminars have been visited. Unfortunately, there are still a lot of obstacles

to be overcome until a credible payment of living wages can be implemented. At all times we keep the dialogue with our suppliers open but so far we have failed to make progress. We did not make use of the FWF wage ladder yet. The bonus system is something we would like focus on and especially for what reasons bonuses are paid and when?

6. **Working hours** → Another huge topic in China. Overtime is a complex problem for the apparel industry and socks are no different. The reason for this is that you often see factories overbooking their capacity, other customers raising order volumes on short notice, infrastructural problems, suppliers struggling to recruit enough workers and the ‘fixed’ collection timings of the whole fashion industry. With all the in between collections, this last point is slightly improving. Excessive overtime is found in all factories Star Sock is working with. To tackle this problem we create critical paths with our supplier, where a realistic estimation of the lead time is made with always a safety margin. All parties (client, Star Sock and supplier) need to stick to this planning. Star Sock cannot forecast and therefore we cannot share detailed information beforehand. We are very dependent on the cooperation of our clients; when do they raise orders, how fast to they communicate details or give approvals etc. We do whatever we can to guarantee a smooth process. This means “not” allowing clients to make major changes during the process, or letting clients advance shipments or undermining the approval process/ timing. This is the part where Star Sock balances between commercially serving the client or protecting the supplier and stay true to our beliefs. We often choose the difficult road and open the dialogue with our clients. Despite measures, overtime is a reoccurring problem, especially in China. FWF already requested Star Sock to look into the root cause and invest substantial effort in in-depth discussions. So far, we have not put effort in these analysis.
7. **Safety & Health** → during self assessment audits we strongly focus on this aspect. Poor electricity wiring, locked fire exits, blocked escape routes, incomplete firefighting equipment, as also the way the workspace looks. This last aspect may seem irrelevant but it says a lot about the mentality of the factory. Based on visits and findings we have motivated Yijia, to re-decorate his facility. The building is a rented building, therefore the management was hesitant, but we were able to get the management to understand why this is important. The atmosphere and the people working are the face of the facility and a “clean and fresh” environment projects the ambition.
8. **Working contracts** → As far as we can judge, all procedures comply with local laws and ILO standards.

2.2 High Risk Country TURKEY

The data mentioned is from the last financial year 2016. We have very little business in Turkey, which is divided over four suppliers. In Turkey every factory we work with has a very distinct specialism. KGB and Simsek are similar supplier, KGB being the better match. This means we will most likely have limited business for Simsek in the future. Until now, our focus has mainly been on China but where prices in China increase, Turkey becomes more and more interesting. The recent developments in the political situation could strongly interfere. We put a lot of effort in building our knowledge and know-how concerning the political instability in Turkey and the refugees situation in Turkey. Publications, reports and findings concerning these topics are studied. In February we facilitated an in-company training, where a co-worker of the Dutch Embassy in Istanbul came to Star Sock for one week, to experience an MKB company up close. This person learned us so much, as she was responsible for the organisation of the round table meetings with all stakeholders (presumably also FWF).

Child labour was almost banned from Turkey but with the current refugees development, we are taken back in time. By visiting Turkey on a weekly basis, during production, we keep a close look on what is actually happening. So far, no factory of Star Sock has enrolled Syrian workers but they cannot guarantee,

they won't in the future. The problem is not the Syrian workers but the terms and conditions they have to work in. We will have to focus our effort more on Turkey in the future, even though our volume is little.

- Percentage of order value → 6%
- Partnerships for more than five years → 25%
- Number of factories → 4
- Number of FWF audits → 0
- Number of trainings → 0

2.3 *Low Risk Country PORTUGAL*

- Percentage of order value → %
- Partnerships for more than five years → 66%
- Number of factories → 3
- Number of FWF audits → 0
- Number of trainings → 0

The main monitoring activity is to update Star Socks Form Factory questionnaire, the FWF self assessment questionnaire, a photo of the code of labour practices and review BSCI (or other) audit results.

Unauthorized subcontracting is the main concern in Portugal and we tackle this by:

- Semi un-announced visits (we announce them a few days in advance). Travelling to Portugal is very easy and we often organise these trips in a short period of time. Our factories are used to this. During every visit we check running production.
- We regularly (at least three times a year) visit our suppliers in Portugal and since the product locations are centralized, the gossip circuit, often provides us with valuable information that we track.
- We check the quality of the socks thoroughly upon arrival in the Netherlands (subcontracting is often revealed by inconsistent quality). Over the years the production in Portugal has decreased significantly; heavy socks handed in on popularity.

As we highly value the collaboration with our Portuguese suppliers, we keep searching for ways to work together.

Supplier register

Factory Data				Monitoring Activities							
Production country	FWF factory number	Factory	Partnership since	Share of Star Sock purchasing volume	FWF COLP signed	Star Sock self assessment questionnaire	Audit date	Auditor	Status CAP	New audit planned	Training planned
China	11448	Boahe	2015	7%	Yes	Yes	3-2017	BSCI/ TUV	Follow up C status	3-2018 + FWF audit	No
China	7743	Goldenkey	2011	17%	Yes	Yes	11-2016	BSC/ BSI	Follow up C status	11-2017 + FWF audit	No
China	7741	San Fei	2013	20%	Yes	Yes	5-2016 11-2016	FWF BSCI/ ITS	Follow up Follow up C status	2018 Verification 11-2017	Yes
China	6427	Yijia	2004	28%	Yes	Yes	8-2015 11-2016	FWF BSCI/ TUV	Follow up Follow up C status	6-2017 Verification 11-2017	No
Turkey	11450	Bogazici	2011	1%	No	No	12-2016	BSCI/ ITS	No action C status	12-2017	No
Turkey	7747	Gelal	2004	1%	Yes	Yes	6-2016	BSCI/ ITS	No action C status	6-2017	No
Turkey	9709	Simsek	2015	2%	Yes	Yes	11-2016	BSCI/ UL-RS	No action B Status	11-2018	No
Turkey	11449	KGB	2016	2%	Yes	Yes	2-2016	BSCI/ ITS	No action B Status	2-2018 + FWF audit	Yes
Portugal	7745	MC Socks	2004	4%	Yes	Yes	3-2017	BSCI/ Apcer	No action B Status	3-2018	No
Portugal	7744	PCM	2004	9%	Yes	Yes	2-2017	BSCI/ ITS	No action A Status	2-2019	No
Portugal	7746	Estrada	2012	9%	Yes	Yes	4-2016	BSCI/ SGS	No action B Status	4-2018	No
Poland	9933	Stopex	2016	0%	Yes	Yes			No action, no orders	No	No
Total				70% FWF						3 Audits	2 Trainings

3. Complaints handling

An important element of our membership to Fair Wear Foundation is the use of the ‘complaints mechanism’. All suppliers need to post the Colp visibly in the factories and this document includes a phone number and email address to a local FWF complaints handler. The system allows the people employed by our suppliers to report any incidents and grievances that they have not been able to solve with their managers or local authorities; directly and in anonymity. During every visit (also by our QC’s) we will check if the Colp is still clearly visible and accessible. Information of the complaints procedure is also communicated to workers during FWF audits and trainings, where they receive an information card with the FWF contact details and a description of the code. In all honesty, we hardly receive complaints through this procedure. The only complaints we receive, when we visit factories and ask specifically in this area; are complaints on the food quality, canteen services in general, the obligation to wear ear plugs and mouth caps; relatively small issues. These issues arise during conversations we have with the factory or when we walk through the production location. We don’t feel this ‘method’ brings out the actual situation.

In China we always visit the locations with our local staff, they are allowed to talk with the people working in the facility. The question is; will the workers speak freely with our staff members? In Turkey and Portugal this is more difficult as we have nobody accompanying us that speaks the local language. Keeping our eyes and ears open is the only thing we can do.

In Turkey we have cultural and communication issues, that sometimes complicates the fluency in the process. Therefore we are exploring the possibilities to have somebody local helping is during the order flow and during factory visits.

4. Training and capacity building

Keeping our employees up to date about our sustainability efforts matters a lot to us. Our people are the most important ambassadors of our company and the journey to become a leader in our industry. During the quarterly operational meeting with the whole team, the steps made in this journey (both environmental as social) are discussed. For team members who are not familiar with the processes, particular terms and abbreviations; we made a quick scan for their reference. The journey is team effort and for that reason we need everybody on board. The buying team (see 1.3) is educated on a more substantial level. Workshops from BSCI, seminars from FLA, FWF meetings are attended by various Star Sock members. The Dutch employees as also the Chinese employees received detailed information from the Manager Customer Care about the FWF membership, auditing processes and social activities. The CR briefing for new employees is an important subject in the introduction schedule. At least a few times a year, we like to organise a fun activity, where employees get acquainted with difficult issues on social compliance. Watching the film, the true cost during a breakfast session, or an internal workshop organised by our ex-colleague and sustainability manager, where employees are presented with a case and in title to ask all sorts of questions; is where we invest in. Make a tough subject more fun to deal with. With our Chinese colleagues we have tried the same approach but it more difficult; they need more time and education because they are raised in a different way.

The transfer of information between the previous Sustainability Manager and the Manager Customer Care did not go smoothly in June 2016. Star Sock had to let go of the Sustainability Manager (explained in the introduction paragraph) and social compliance activities were supposed to be handled by the Manager Customer Care. Hectic times in combination with maternity leave, did not help the cause in a positive way. Last part of 2016, fewer activities have been unfolded and we were able to manage expectations insufficiently.

Our established supplier network was notified immediately about our decisions to join the Fair Wear Foundation and the duties and obligations that comes with that membership. In 2015 we spent much time in explaining why we did this and for what “beneficial” reasons? In 2016 the acceptance was there, but the understanding to a lesser extent. In April 2016 we were able to arrange a WEP training – Workplace Education Programme – at our preferred Chinese supplier Yijia, which is also the largest supplier for Star Sock. Initially the supplier did not see the beneficial aspect of the training for his facility, but afterwards the management was happy to have received tools such as the Excel Wage Sheet that could help with the implementation of the improvements. Another large supplier of ours in China will be approached for a WEP training in 2017. The investment is quite severe but we believe this is the only way to approach the workers and let them know their rights and obligations.

We regularly invite the management of our factories to trainings and seminars on a range of issues, the response is still very limited but this is slowly changing. More and more questions arise when these invited are sent. Participation is more valuable when management is taking these invites voluntarily. We never force or put pressure on participation.

5. Transparency & communication

More and more retailers are establishing a procurement structure, with a little reliance on importers as possible. Most important reason is price and transparency/ control in the countries/ companies they source from. Star Sock, being an importer, is put heavily to the test and needs to proof their added value in the supply chain on a daily basis. Being transparent about production locations and Corrective Action Plans is a boundary condition to do business. We work business to business and in our company presentation we always pay attention to our membership of Fair Wear and how we live by this membership. On our website we have a special focus on social responsibility, the Fair Wear membership is an important issue. In our social reports, we try to be as transparent as possible; about the achievements but also the failures or subjects that are under developed.

Just recently we were in contacts with the company Engelbert Strauss, as we had a mutual supplier in Turkey; Simsek. We had an open conversation about the type of business we and they had going. And in what way we could work together. We feel it is needed to join forces, in order to make the necessary improvements.

6. Stakeholder Engagement

This subject is under developed at Star Sock and should be investigated in the near future.