



# Social Report 2015



# Contents

The Star Sock Spirit

Sourcing Strategy

**About the Company**

**Sourcing and Buying**

**Supplier Relations**

**Production Countries**

**New Factories**

**Production Cycle**

Monitoring Program

**Monitoring System**

**Integration of Monitoring and Sourcing**

**Annual Evaluation**

Supplier Overview

**China**

**Turkey**

**Portugal**

**Other Countries**

Ambitions 2016

## 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 very first Social Report. Here we will share with you our progress and the steps we took along our journey over the past year.

### 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

## Sourcing Strategy

### About the company

As a family company Star Sock was established in 1996 by Eric and Angelie Roosen. We focus on sports socks, socks for the outdoors, and work socks, and we are a licensee for several well-known labels. Each year we sell over 20 million pairs of socks to mass merchants and retailers in Europe. Our goal is to take a leading role in the European socks market through a combination of innovation, brands, and technical expertise.

Our head office is located in Oisterwijk where we currently work with twelve people in our green office.

### Sourcing and Buying

During 2015 buying and sourcing have been two separate positions at Star Sock. As we felt this was not an ideal situation, we have decided to merge this into one function profile. From early 2016 on a new Sourcing / Purchasing manager is responsible for the entire sourcing policy and the relationships with the factories. It will be his responsibility to integrate our ambitions towards 2020 into our supply chain, and he will be supported by our merchandisers and Chinese buying office.

### Supplier Relations

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. This means we buy all our products directly with the factory, and at this moment we choose not to use any agents/ intermediaries.

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. Even though we are always on the lookout for new possibilities, more than half of our entire production in 2015 has been produced at suppliers we are already working with for more than 10 years. Co-funding their investments by strategic order placement is an important part of how we work, as this grows both our businesses.

### Production Countries

Our main production takes place in three countries which each have their own specialisation:

*Portugal:* Thick and heavy sport socks from recycled cotton yarn

*Turkey:* High quality fashion and technical socks (sports, walking etc)

*China:* Day-by-day and sneaker socks

In China we have our own local buying office, Star Sock Asia. On average we visit our factories personally two to three times per year, and in China our manager and QC's visit our factories every single week. In 2015 we have visited all our factories at least two times.

### New Factories

Even though we are very satisfied with our current supply-base, we believe it is important to stay on the lookout for new opportunities. Therefore in 2015 we have investigated new factories in India and Bangladesh via our network, and made a sourcing trip to Poland.

Up to now we are not convinced of the added value of India and Bangladesh, also considering the difficulty of knowing our production compared to China. Compared to CMT, socks production requires less labour. This makes that we have less difficulty working in countries with 'medium' salaries, which is a big advantage considering our social ambitions.

The first impression of Poland has been positive: we believe it is an interesting country with potential for the future, with the benefit of its close location and regulation under the EU law. We have placed a first trial order by the end of 2015 which will be evaluated in 2016.

### Production Cycle

As an intermediary we do not work with collections, but on a make-per-order basis. This means we cannot plan our yearly production such as most fashion brands, but that we are dependent on our clients orders. This bears the inherent risk there will be peaks in production with our suppliers, especially in the months before Chinese New Year. These are especially the times that issues such excessive overtime pop-up. This has also been the case for us in the last few years, so we find it very important to further tackle this issue

in cooperation with Fair Wear. Transparent capacity assessment and good production planning together with our factories will be at the root of this, from where we can divide our orders to avoid overproduction.

## Monitoring Program

### Monitoring System

As 2015 has been our first year with Fair Wear, we have set-up our monitoring system along the FWF guidelines. This monitoring system helps us to check if our suppliers are indeed producing in line with our requirements and the code of labour practice.

The first step is the **self-assessment questionnaire** that we send to our suppliers. This is in the FWF-format, and is a nice extension to our own format in which we keep all the key data from a factory.

At the same time we require that the factory puts the **Code of Labour Practice** in a clear place in the factory, visible for all workers, in the local language. These are the two steps that we take for all suppliers, not only for those in the high-risk countries.

As a next step, when focusing on the high-risk countries (China in our case), we perform a **baseline audit** at the selected factory. During this two-day audit, a team from Fair Wear will not only check the entire factory and the way they work, but will also conduct off- and on-site worker interviews. This combination presents us with a clear and realistic view of the situation in case.

From this point on we will receive a **CAP (Corrective Action Plan)** which will point out all the points for improvement. Together with the factory we will take care of the follow-up, and see where the factory may need (external) help.

Where we believe there is a gap between the actual situation and how we would like to see it, we can choose to do a FWF **WEP-Training** (workplace education program). Further explanation can be found in the China-section of this report.

### Integration of monitoring and sourcing

Our Sourcing and Purchasing manager is the key person in the follow-up of our ambitions with the factories. As we see our social and environmental policy as key ingredients of our quality policy, this

is integrated in the daily operations, not in a separate CSR position.

### Annual Evaluation

To monitor our annual progress Fair Wear will do a **BPC (Brand Performance Check)** every year at our office where they will check our progress.

Internally we have our own CRM system in which we track all important steps and actions we take, which in total adds up to a clear view of everything that we have done over the past year.

At the beginning of each new year we will have an **Internal Evaluation** with the key stakeholders in our company, being the management team and the owners, to evaluate our progress and the focus for the new year.

All this will come together in the yearly **Action Plan**, which will lay out the activities for the upcoming year, and the **Annual Social Report**, that are you are reading at this very moment.

## Supplier Overview

As we are specialized in only socks we have a relatively small supply base. In 2015 our main production took place in nine factories, divided over three countries: China (4), Portugal (3), Turkey (2). Besides our main production we have placed two small trial orders at new factories, one in Turkey and one in Poland.

At three out of four Chinese suppliers more than 25% of the total order volume is from Star Sock, which is important as it gives us the leverage to go for the necessary improvements.

In Portugal we have seen the total order volume go down due to a lower demand for crew-socks, however we are still well above 10% of the total order volume with each factory.

In Turkey our cooperation over the last years has been merely strategic and volumes have been low. However as we believe Turkey is a good match with our ambitions, both in respect of social as well as environmental demands, in 2015 we have invested much effort to develop new (sustainable) products and collaborations. We expect that for the coming years volumes in Turkey will gradually increase.

In its monitoring program Fair Wear makes a distinction between low- and high-risk countries. Where Portugal is classified as low-risk, both Turkey and China can be classified as high-risk countries. Therefore we have chosen to focus our CSR efforts this year first towards our largest producer in China.

### China

- *Percentage of order value ~60%*
- *Number of factories: 4*

All our factories are located in Zhujia, China, where we also have our own buying office with local Chinese people. Our manager, two merchandisers, and two QC's (quality control) take care of the entire process in cooperation with our Dutch office. The simple fact that we are located right in the middle of where our main production takes place has proven to be a great asset. As we visit the factories almost every week

when production is being made, we know exactly what is going on.

In the past five years we have already introduced BSCI at all of our factories. Most of them have seen their business grow because of this, which makes that they have been mainly positive towards this new step with Fair Wear.

As a first step this year we have informed all our factories personally on our membership of FWF, and introduced them to the FWF code of labour practice. As a next step we have also done our first so called 'baseline audit' with FWF at our largest Chinese producer. The results were very interesting as it showed us in a structured way what will be the main areas for improvement, and added to our own insights. Working hours, administration and workers knowledge about their rights showed to be the central issues. Also sub-contracting of (parts of the) production remains a constant struggle. As a follow up to the CAP (Corrective Action Plan) we have therefore scheduled a WEP-Training (Workplace Education Program) for Q2 2016. Here the workers will be informed on their rights and duties, but also the management will be trained and engage in an open conversation on how to structurally improve the observed issues. Important is that the local Chinese circumstances will be taken in consideration, so that a sustainable plan for structural improvement can be made.

In 2016 we will do the same with our second-largest factory, which we believe is already a few steps ahead in terms of CSR practices. By comparing the results between these two factories we strive to create a blueprint for best practices that we want our factories to work with.

### Turkey

- *Percentage of order value ~5%*
- *Number of factories: 2*

In Turkey the epicentre of socks production is in Istanbul, where all our factories are located. With so many factories, it is easier for us to select those who are already working at a high level. During 2015 we informed them on the code of labour practices, but did not yet make further steps. As we expect that volumes will grow in Turkey for

the coming years, next to China in 2016 we will also focus on Turkey. Due to the Syrian Refugee problem and the enhanced political turmoil, we will focus here on the enhanced monitoring requirements for Turkey. As our manufacturers are already heavily audited by other clients, we will take the results of these audits and evaluate them with the 'Audit Quality Assessment Tool' from FWF. On the basis of these results we will decide if there is information missing, for example worker interviews, and if we have to do this yes or no. Due to our long history of working in Turkey, and the fact that we visit Istanbul a minimum of three times per year, we do feel we have a good insight into our production here. With the focus on social and green production with our suppliers, we feel positive towards the potential of Turkey for the near future.

#### **Portugal**

- *Percentage of order value ~35%*
- *Number of factories: 3*

With two factories we already work for more than ten years, already from the start of Star Sock. Just as in Turkey and China we have informed our Portuguese producers on the FWF code of labour practices, which they have put on their message boards in the factories so that it is clear for all the factory workers. Portugal is considered as a low-risk country due to the government regulations and sufficient level of labour inspection systems, which means that labour conditions are considered to be less at risk. In 2015 we have made two visits to our factories here, and we are very satisfied with their operations and performance. As we are always looking for synergies, in March 2015 we have visited our Chinese factories together with one of our Portuguese producers. This was extremely valuable for both parties, and it helps to further strengthen our cooperation.

#### **Other Countries**

End of 2015 we placed a trial order in Poland, which is considered a low-risk country by FWF. The first experiences are positive, so during 2016 we will decide if this factory will become part of our supply base and thus further integrate it into our monitoring activities.

## Ambitions 2016

The year 2016 will mark a new period for Star Sock. With a new three-person working management we are now positioned to integrate our social and sustainable ambitions further along our supply chain. The key person here will be our buying and sourcing manager, Willem Schilders, which will visit all our factories personally during the first half of the year.

These staff member visits are important as it will present us with the opportunity to discuss the experiences of the past year, and clearly outline the next steps for 2016 and 2017 together with the factory management.

The key emphasis will be on China, and with two factories audited by Q2 we will be able to get a clear picture of the current situation, define a plan for improvement, and allocate the necessary resources towards this goal.

In Turkey we will evaluate the available audits, in which way we will quickly know in what areas we need to put in extra effort.

Not only do we want to strengthen our supply base, we also want to extend it with manufacturers that have a green heart, and are aligned with our ambitions as a company. Together with them we want to make more and more truly green products, and show that sustainability is not only an option, but simply the way to go.

To be continued in our report for 2017.