

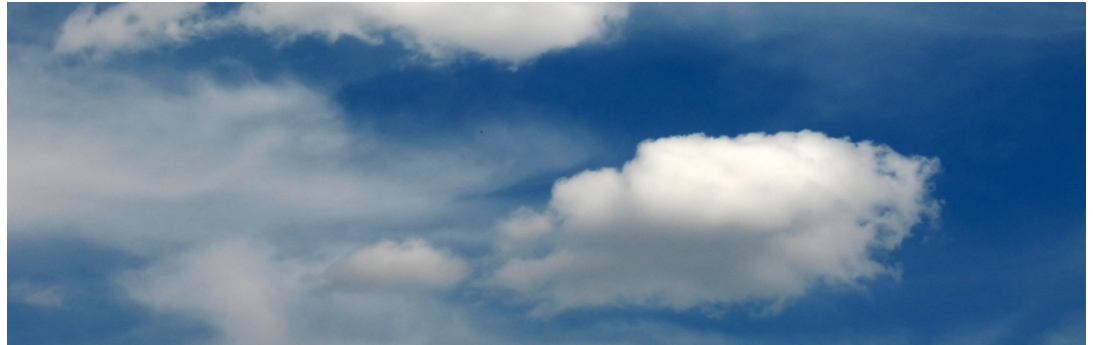
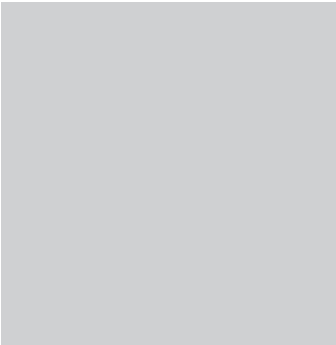


UN GLOBAL COMPACT COMMUNICATION ON PROGRESS



## Contents

- 1** Management Message
- 2** UN Global Compact Communication on Progress
- 3** Product and Services
- 10** Our Operational Ideals
- 15** Our Employees
- 19** Responsible Sourcing Expert Insights
- 20** Goals for 2011
- 21** Report Dissemination & Feedback



Even after 15 years, I continue to be amazed by the interest and passion our clients, employees, and other stakeholders have for corporate responsibility.

This enthusiasm continues to grow, even in the face of an economic collapse and slow recovery. New industries are evaluating their supply chains and corporate structures from a CSR perspective. Companies that are under no obligation to devote time and money to CSR issues remain engaged, even when profits fall short. It is great to see businesses of all sizes “walk the talk.” And new regulations and legislations, such as the California Senate Bill 657 and the federal conflict mineral requirements, are moving our industry faster and further than I would have ever thought possible two decades ago.

We’ve participated in the continued growth of CSR by increasing our engagement in the food and agriculture industry and in the extractive and energy sectors. In 2010, we also partnered with a Cornell University researcher studying the links between working conditions and economic development.

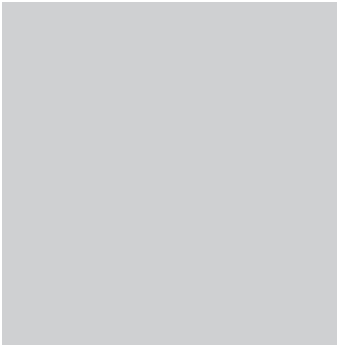
Internally, STR Responsible Sourcing (STR RS) continues to invest heavily in training our staff. This past year, staff logged 9,628 hours of internal and external training. We’ve also implemented a new quality manual, and boosted our communication efforts, with several of our senior staff joining the twittersphere. In November, 2010 we rang the bell at the NYSE on our one-year anniversary of the IPO of STR Holdings, Inc., our parent company.

In 2011, we will begin the process of assessing (and eventually reducing) our carbon footprint. We will also continue to monitor the sustainable allocation of staff, conduct a survey on employee satisfaction, and dedicate resources to further educate our clients on regulatory developments.

I invite you to read through this report and I welcome feedback, which you can send to [annualreport@strrs.com](mailto:annualreport@strrs.com).

Sincerely,

Greg Gardner, General Manager  
STR Responsible Sourcing



## Human Rights (Principles 1-2)

STR RS requires all new hires to receive training on human rights issues within the first several months of employment. The company encourages employees to attend training and educational activities related to human rights as part of their professional development. In addition, STR RS provides clients and their suppliers with information and training on how they can uphold human rights in their supply chains.

STR RS strictly enforces confidentiality in our assessments, which helps to protect workers from potential human rights abuses. Additionally, the company continues to provide a hotline for US employees to report any infringements of their rights. As part of STR RS' services, we work with our clients to minimize the risk that they might be complicit to human rights abuses in their supply chains.



## Labor Standards (Principles 3-6)

STR RS consistently respects the rights of its employees to associate, organize and collectively bargain as required by local laws.

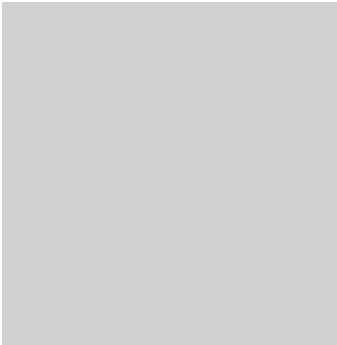
STR RS does not use or condone the use of forced or compulsory labor. All employees work voluntarily and can leave at their will. Staff's original identity documents are not retained.

STR RS does not use or condone the use of child labor. Furthermore, all employees are above the local legal age limit and age documentation is kept for all employees. As part of its services, STR RS works with clients to identify cases of child labor and develops strategies to reduce instances of child employment in supply chains.

STR RS is a company that respects all employees and encourages professional development, regardless of sex, religion, race, color age, national origin, disability or any other status protected by law. Similarly, promotions and compensation are based solely on performance. STR RS provides its employees with environment free of harassment or abuse. See pages 15-18 for further information on diversity at STR RS.

## Environmental Responsibility (Principles 7-9)

STR RS is committed to operating in an environmentally friendly manner. For general information on our environmental initiatives, see pages 14. In 2008, STR RS conducted an extensive carbon footprint assessment of its US operations and committed to doing this every three years. In 2010, STR RS also continued to expand its environmental service offerings to assist clients in promoting environmental responsibility in their supply chains (see page 14).



**Anti-Corruption (Principle 10)**

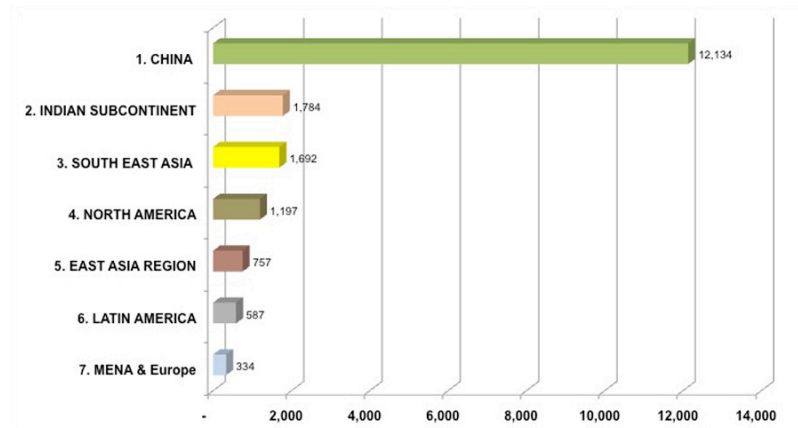
STR RS is committed to conducting business in an ethical manner, and requires that all employees uphold the STR Code of Business Conduct and Ethics, which includes provisions on improper payments, conflicts of interest, confidentiality, bribes, gifts, entertainment, favors and gratuities. The code also includes guidelines on reporting transactions and payments, as well as purchasing integrity and reporting mechanisms. STR RS prohibits employees from making or receiving any inappropriate monetary payments from any individual or from any public, private or civil sector organization. For information on STR RS' ethics program see page 10.

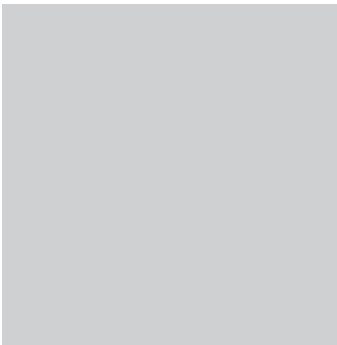
Assessment Data

**We are a leading global provider of independent assessment, education, and risk management services for supply chain compliance with worker welfare, environmental health and safety, and security standards.**

**Assessments by Region**

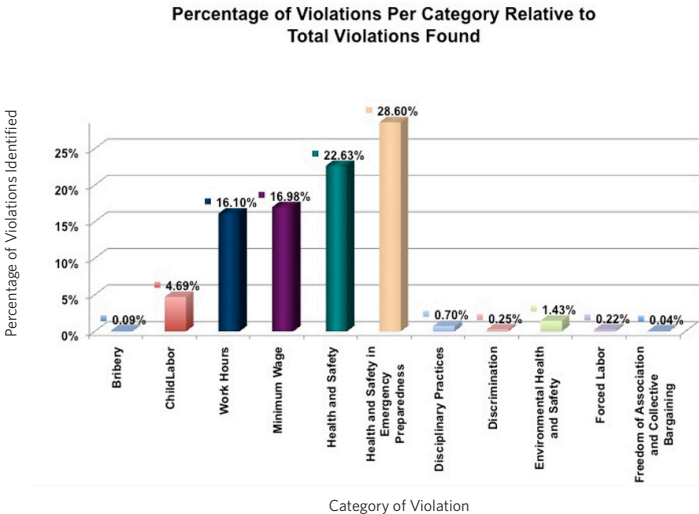
The graph below shows regional trends in our assessment work. While China remained the primary country of operation in terms of assessments, we began to see a trend towards other countries and regions, including Vietnam and Latin America as sourcing patterns shifted with the global economic trends of rising production and transportation costs. Increasing demand for responsible sourcing practices in the agricultural sector also resulted in a spike in assessments conducted in the US.





**Categories of Violations**

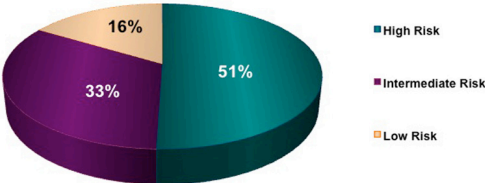
The following graph shows generic violations by category from a sample of assessments conducted in 2010. The numbers reflect the percentage of violations found for each of these main categories as they relate to all the violations found in 2010. For the purposes of clarity, not all categories are reflected in the graph.



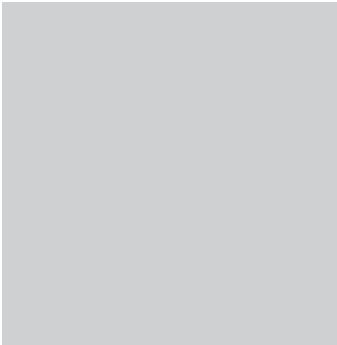
**STR RS' Independent Assessments Identify Supply Chain Risks for Client's Responsible Sourcing Programs**

The following graph depicts the average grade of a facility STR RS has assessed according to STR RS' Standard Grade classification. The majority of assessments result in medium to high risk grades\*. The data are based on a sample representing approximately 25% of assessments conducted in 2010.

Audit Results by Grade Classification



\* High risk grades are given to facilities that present illegal alterations to employee and facility records and that violate basic workers' rights (i.e. not meeting minimum wage requirements, not respecting legally mandated rest days, employing child labor, denying workers the right of freedom of association, etc.). A facility receives a high risk grade if one or more than one of these violations is found during an audit.



## Project Highlights

### **Tackling Conflict Minerals in the Supply Chain**

The Conflict Free Smelter (CFS) Program is a voluntary initiative of the Electronic Industry Citizenship Coalition (EICC) to assess sourcing practices of smelters that could be using minerals (tantalum, tin, tungsten and gold) that are funding armed conflict. To attain compliance, smelters must be able to prove by means of origin and chain of custody documentation that the minerals sourced did not originate from the Democratic Republic of the Congo or any of its adjoining countries. Smelters that wish to continue sourcing from the African Great Lakes region have to implement the OECD Due Diligence Guidance in addition to being able to demonstrate full traceability of the mineral from mine to export station. STR RS has been working with the EICC since the beginning of the CFS Program, established in 2009, assessing compliance of participating smelters.

### **Supporting Good Agriculture Practices (GAP)**

In 2010, STR RS worked with Altria to promote agriculture practices that are environmentally, socially and economically sustainable. STR RS conducted on-site surveys of over 500 tobacco farms in the US. The survey covered labor management, crop integrity, pest management, resource management, nutrient management and crop protection. The program aims to help farmers reduce environmental impacts, to establish good labor management practices, including on-farm safety and migrant labor housing, and to promote operational efficiencies.

### **Supply Chain Due Diligence in Extractives**

In 2010, STR RS conducted a CSR assessment of one of the largest mining facilities in Latin America. It is the most extensive mining assessment STR RS has conducted to date. STR RS partnered with subject matter experts in Community Issues and Resettlement and in Safety, Health & Environmental issues in mining to undertake a broad-based assessment of the operations that included meeting with local stakeholders and visits to project-affected communities in addition to our standard practices of employee and management interviews, documentation review, and site walk-through (or "drive"-through in some areas).



### Assessing Human Trafficking Risks

STR RS is continuously seeking out ways to improve working conditions for the most vulnerable workers, especially migrant workers. The International Labour Organization (ILO) estimates that there are 90 million migrant workers in the world, attributing economic need as the most common reason that people migrate.

Migrant workers are often recruited to work in another country and may be vulnerable to exploitation by recruiters in both their home country and the country that receives them.

Over the years, STR RS has found migrant workers in diverse places from Belize to Zambia, including Chinese workers in Jamaica and Kenya, Thai workers in the US and Taiwan, Vietnamese workers in China and Jordan, and Nepalese workers in Malaysia and Egypt. From the beginning, STR RS' social audits were adapted to the migrant worker context to look at issues such as passport retention, restricted liberties, wage deductions, duplicate work contracts, and other migrant worker-related issues. However, we realized that without visiting the actual recruiting agency, the picture was incomplete.

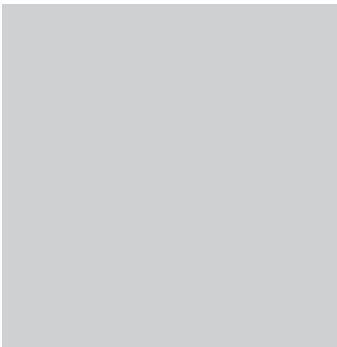
In 2010, STR RS began working with some progressive clients who wanted to identify possible debt bondage and human trafficking issues related to the recruitment process. STR RS conducted assessments of hiring practices at facilities in receiving countries of the Middle-East in order to understand how they recruit workers from other countries. We also visited recruiting agencies in sending countries, such as Malaysia and Nepal, in order to understand how they recruit workers, the terms of the original work contracts, how workers borrow money to cover recruitment fees, what rate of interest is applied, etc. This work greatly expanded visibility into the recruitment process and when and how workers become vulnerable to exploitation, including from traffickers, recruiters and even employers.

In 2011, we will build upon this research as we work with our clients to eliminate slavery and human trafficking from their supply chains.

### Training of Unions - Fairfood Project

Fairfood is a non-profit organization based in the Netherlands that advocates ethical production standards in the food industry. STR RS first began working with Fairfood in 2008, when it participated in a project to train food unions in six countries on social compliance assessment methodology. In 2010, STR RS was asked to expand this training to several new countries including Honduras, Colombia and Nepal, as well as conduct follow-up sessions with unions we had worked with before. STR RS conducted the training sessions with the goal of providing the local trade unions the necessary tools to find and report objective evidence of labor conditions. ►





**(cont.)** The training covered the essentials of social compliance assessments in agriculture such as living wages, child labor, working hours, payroll assessments, interviewing techniques, forced labor, freedom of association, health and safety, and discrimination. In addition, we reviewed research reports produced by the unions on local agricultural commodities and the conditions in which they are produced. We were able to provide input to the unions on how to improve their research reports and their assessment activities.

**Integrating Responsible Sourcing**

STR RS engaged in consultative projects for two clients who underwent an acquisition and had to consolidate their CSR programs. Our responsible sourcing experts assisted with a smooth transition by identifying common ground, priorities, and standards and took this opportunity to introduce changes to enhance their CSR programs.

**Labor & Employment Standards Library (LESLi)**

In February 2010, STR RS launched the most comprehensive and up-to-date online reference tool for labor laws and employment standards. STR RS's new Labor & Employment Standards Library (LESLi) provides full-text English translation of labor laws for over 140 countries including analysis tools that allow users to make country-to-country comparisons of different labor laws, including wages, hours, hiring and termination, forced labor, and collective bargaining.

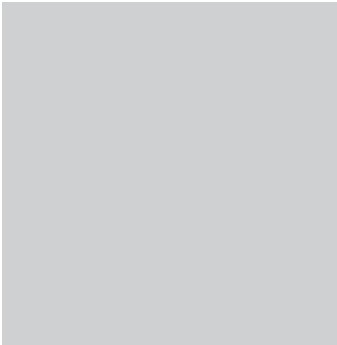
Until now, it was cumbersome to gather actual full-text laws since different countries - not to mention the states and provinces within them - offer different access levels to their laws. We talked to many clients and industry partners about their challenges, and then spent two years making LESLi a reality.

The database was initially developed for STR RS field staff so they could quickly reference the laws that were applicable to the assessments they were doing. Auditors cannot do a good job of assessing workplace conditions without access to up-to-date labor laws, so STR RS undertakes regular reviews of the laws in the database to make sure they are all current. For more information, please visit <http://LESLi.strrs.com>

**STR RS Annual Responsible Sourcing Summit**

STR RS held its 5th Responsible Sourcing Summit in 2010 that provided attendees with practical strategies for enhancing supply chain responsibility and the opportunity to network and exchange ideas and best practices with other CSR thought leaders. Starbucks, Timberland and TransFair USA were among some of the organizations who presented at the event, which drew senior compliance and ethical trading experts from diverse industries and representatives from the U.S. Department of Labor's International Labor Affairs Bureau and the US Immigration and Customs Enforcement.

Launch of New  
Online Library of  
Labor Laws from  
Over 140 Countries



Educating Companies on Labor Standards and Supply Chain Responsibility

**Educating Suppliers on Human Rights and Labor Standards**

STR RS held over 50 seminars for suppliers in China, USA, Canada, Philippines, India, Indonesia Kenya, and France. Seminars provided practical information to suppliers on managing social compliance issues including wages, hours, Health & Safety, and hiring practices.

**Educating Clients on Emerging Human Rights Legislation**

In 2010, STR RS held a webinar on US Regulatory Updates that covered The California in Supply Chains Supply Chains Act (SB 657), the Alien Tort Statute and the Conflict Minerals provisions of the Dodd-Frank bill. Webinars helped clients understand how new regulations might affect their responsible sourcing programs as well as provided guidance for potential improvements in response to the changes. STR RS strive to continuously keep clients abreast of regulatory developments that may affect their supply chain responsibility.

**Collaboration and Continuous Improvement**

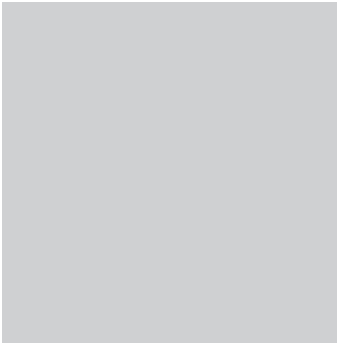
In 2010, STR RS conducted over 100 continuous improvement engagements to assist factories in achieving sustainable compliance in a number of countries including China, Vietnam, India, Philippines, Cambodia and Thailand. STR RS provides customized training and capacity-building programs with the goal of building the capacity of suppliers to implement management systems that address the root causes of endemic non-compliance issues.

One of the endemic issues workers in the supply chain face is excessive working hours. In 2010, STR RS announced a strategic partnership with TriVista, a supply chain operations consulting firm specialized in lean manufacturing and productivity improvement, to better assist suppliers in reducing work hours through smarter production techniques.

We recognize that auditing alone cannot change working conditions and that we need to reduce audit fatigue. We are committed to working with our clients to increase collaboration and to maximize positive impacts of responsible sourcing programs.

**Assessing Supply Chain Risk**

STR RS' Sourcing Risk and Data Services continue to be improved and innovated. In 2010 STR RS launched Customized Country Scorecards that contain social, political, and economic risk metrics that can better inform companies about the strengths and challenges facing the countries where their suppliers are located. STR RS also built numerous Risk Calculators to determine when suppliers need further due-diligence and attention from the company. We believe that by helping clients better understand the risks imbedded in their operations, they can take proactive steps to mitigate these risks and continuously engage in responsible business practices.



Enhancing STR RS' Social Media Presence

In 2010 STR RS boosted its communications efforts. The company continued the distribution of its weekly newsletter, the "Responsible Source," which includes summaries of current news on topics such as labor issues, legal updates and environmental sustainability. STR RS also regularly published blog articles on its site, "Perspectives in Responsible Sourcing" (URL: <http://csc.typepad.com/>). The topics of articles were quite varied, but included information on new legislation such as The California Transparency in Supply Chains Act and updates from the field on social compliance issues.

STR RS was also excited to join the social media space in 2010, with several senior staff members establishing Twitter accounts and actively tweeting about social compliance and labor issues (@csrmaaven, @csrexecutive, @spplychain, @FrauleinCSR). Rachelle Jackson, Director of R&D, was named one of the most influential people tweeting in the CSR space on Ethical Corp's blog. Similarly, STR RS also increased its online presence by creating a company profile on LinkedIn: <http://www.linkedin.com/company/str-responsible-sourcing>

STR RS will continue its efforts to increase its online presence in 2011.

Accreditations and Memberships

STR RS continued its accreditations and memberships in the following certifications and initiatives:

- Worldwide Responsible Apparel Production (WRAP)
- International Council of Toy Industries (ICTI)
- Electronic Industry Code of Conduct (EICC)
- Supplier Ethical Data Exchange (SEDEX)
- Business Social Compliance Initiative (BSCI)
- Initiative Clause Sociale (ICS)
- IACET Approved Provider of CEUs

In 2010, STR became one of the first monitoring companies for the Electronics Industry Citizenship Coalition (EICC) Conflict Free Smelter (CFS) Program. As a monitoring body for the CFS program, STR RS participated in the development of the assessment protocol and verified the source and conflict-free status of tantalum, tin, tungsten or gold sourced by smelters and refineries. The EICC CFS program is a validation program for smelters exercising their due diligence in the sourcing of minerals from the African Great Lakes region.



**We strive for objectivity, thoroughness, accountability, and quality in all that we do.**

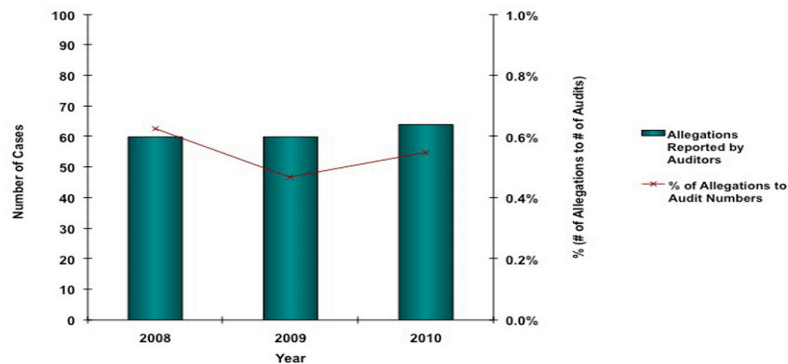
### Anti-Bribery and Anti-Corruption

All STR RS staff are required to adhere to a strict Code of Business Conduct and Ethics. At no time is an employee or any other person or entity representing STR to engage in acts of bribery, fraud, extortion, coercion or solicitation. STR RS has developed an ethics management program in order to communicate core organizational values to employees and stakeholders, and to integrate these values into everyday business activity. STR RS maintains a zero tolerance policy with respect to unethical conduct including bribery, and STR RS has put in place an objective process and procedure to aggressively investigate any and all such allegations.

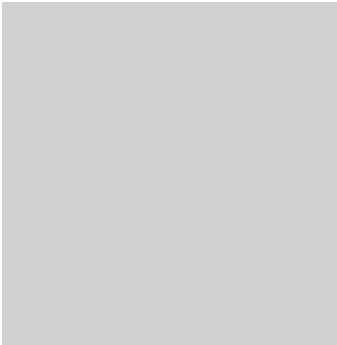
For STR RS field personnel, it is regularly communicated that there is no permissible circumstance in which an auditor can offer or accept (directly or indirectly) any payment, loan, service, advantage, entertainment, meal, travel or gifts from any individual or any business either conducting business with STR RS or seeking such business with the Company.

All employees, auditors, and any other person or entity representing STR RS are aware of the Ethics Policy and proactively apply it from commencement of every assessment or inspection to conclusion. In practical application, during the opening meeting with facility management, the STR RS representative explains the STR Ethics policy and each party signs a "Statement of Integrity". Auditors are instructed to follow the Bribery Notification Procedure and to immediately inform the STR RS Ethics Director, based in Hong Kong, if the facility management attempts to bribe them.

The following are the figures of reported bribery attempts from auditors over the last three years:



In 2010, all STR RS staff undertook an online training on the US Foreign Corrupt Practices Act that provided the participant with a summary of the provision of the Act, outlined what is considered a FCPA violation, described the penalties associated with violations and provided guidance on how to report such a violation at STR.



## Assuring Quality in Our Work

In order to better serve clients' auditing needs, STR RS is committed to continuously improving the quality of its services and strives to maintain a high-level of consistency.

In 2010, STR RS implemented a new quality manual. STR RS' Quality Department is mainly concerned with:

- Monitoring and tracking of quality measures
- Monitoring and tracking of regional performance in regards to turn-around-time
- Facilitation and investigation of stakeholder complaints in regards to quality
- Creation, implementation and monitoring of standard procedures
- Facilitation of Quality Management Systems audits
- Specialized client quality analysis

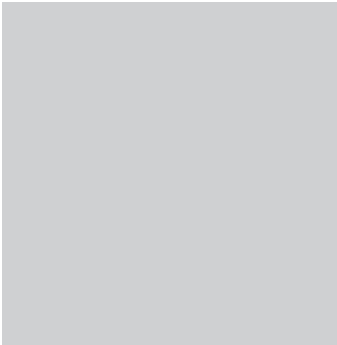
## Internal Training

STR RS continued to invest heavily in the training and professional development of its employees. In 2010, STR RS employees participated in 1,490 internal trainings and attended 167 external training courses totaling 9,628 hours of training.



The STR RS International New Auditor Training Program combines a comprehensive 11-Module classroom curriculum with field training and hands-on learning. STR RS' auditor training program was developed under IACET (International Association for Continuing Education and Training) benchmark standards for effective adult learning, and in alignment with ISO 19011 guidelines. The modules are specially enhanced per region to include country and industry specific issues and laws, and different levels of auditing experience. Each module is highly interactive and utilizes various training techniques requiring a high level of participation by the learners.

The goal of the Training Program is to equip auditors with the knowledge and technical skills to conduct thorough, accurate and objective assessments in a wide range of industries. All auditors receive continuous education for the duration of their career through individual mentoring, monthly refresher or new courses, and "Auditor Alerts" on emerging issues.



## Industry-Wide Engagement & Knowledge Sharing

Recognized as a source of leading practices and insights, STR RS' expertise is often sought after for corporate responsibility events and conferences. In 2010, STR RS staff spoke at the following events:

- 'Achieving Sustainability Through Responsible Business Practices: The Global Compact Way', a UN Global Compact event hosted by YES Bank in New Delhi, India
- 'Annual International Supply Management Conference', hosted by the Institute for Supply Chain Management in San Diego, CA, USA. STR RS presented on 'Managing Human Rights Risks in the Supply Chain'
- 'Towards Corporate Sustainability—Opportunities Through Best Practice', a CSR Link event hosted by STR RS Hong Kong
- Guest Lecture in a class at the National University of Singapore Business School
- 'Managing Employee Relations—the Psychological Approach', a CSR Link event hosted by STR RS Hong Kong
- 'The New Unavoidable Challenges of Low Carbon Manufacturing', a CSR Link event hosted by STR RS Hong Kong

In addition, STR RS is involved in the following initiatives on a pro bono basis:

### **Public Sector Engagement on Child and Forced Labor**

In 2010, STR RS' Director of Research & Development, Rachele Jackson, continued to serve as a member in the US Department of Agriculture's Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products. Established by the 2008 Farm Bill, the Consultative Group will develop guidelines and make recommendations to the Secretary of Agriculture to reduce the likelihood that agricultural products imported into the US are produced with the use of child or forced labor.

### **Supplier Ethical Data Exchange (SEDEX) Auditor's Group**

STR RS is a member of the SEDEX Associate Auditor Group (AAG), which is a steering committee that oversees improvements of the SEDEX Members Ethical Trade Audit (SMETA) protocols, reporting tools and the SEDEX database. STR RS remained a member of this group in 2010, contributing to work streams responsible for changes in the SMETA Best Practice Guidance Document that outlines audit methodology, and in the formatting of the SMETA Audit Report template. STR RS also provided feedback on the SEDEX database and non-compliance tracking. The overall goal of STR RS' contribution is to improve the methodology used to gather data during a SMETA audit and improve the clarity with which this information is displayed to clients using the SEDEX database to track audit findings and respective corrective actions.



### **Business Social Compliance Initiative (BSCI) Agriculture Working Group**

In 2010, STR RS was invited to participate in the BSCI's Agriculture Working Group. The Group's purpose was to share ideas regarding BSCI's approach to agricultural assessments, to analyze the existing BSCI self-assessment questionnaires, and to provide feedback and recommendations on improvements to the documents. STR RS will continue to be involved in this group in 2011.

### **Promoting Federal Contractor Responsibility**

STR RS is a member of the Steering Committee of ResponsibilityWorks, which is charged with creating a more responsible public procurement process within the US Federal Government. The mission of the Roundtable is to foster and evolve corporate responsibility practices, measures, and disclosure in the US government contractor community. In terms of the current focus, the roundtable is communicating with federal agencies to identify pilots that would match STR RS' responsibility data with contract-performance data, and seeking firms and agencies to participate in corporate responsibility pilots. STR RS has provided insight into the array of programs and examples used by governments at all levels to take action. STR RS will continue to be part of this initiative as it further develops throughout 2011.

### **UN Global Compact**

In 2010, STR RS continued to participate actively in several UNGC working groups. During this time, the Supply Chain Sustainability Working Group produced a guidebook for companies entitled "Supply Chain Sustainability: A Practical Guide for Continuous Improvement." This guidebook can be referenced here: [http://www.unglobalcompact.org/docs/news\\_events/8.1/Supply\\_Chain\\_Sustainability.pdf](http://www.unglobalcompact.org/docs/news_events/8.1/Supply_Chain_Sustainability.pdf)

Next steps for this working group include development of a self-assessment for companies to benchmark their performance to the guidance provided in the handbook.

### **Industry Association Advancing Social Responsibility**

STR RS is a member of the American Apparel & Footwear Association (AAFA) Social Responsibility Committee to help identify and discuss global social responsibility issues and trends that affect the apparel and footwear industries.

### **Global Monitoring Institute**

STR RS continued to support the Global Monitoring Institute (GMI) in 2010. The aim of the GMI is to enhance the credibility and professionalism of the individuals and organizations performing CSR monitoring. The GMI aspires to advance workplace conditions for workers globally, improve services for the companies engaging CSR monitors, and support the individuals and organizations carrying out these services.



### Academic Research

In 2010, STR RS engaged with a researcher at Cornell University who will be studying the links between working conditions, reflected by our audit data, and economic development. Using geographic clusters, the research sets out to assess whether improved working conditions spill over from the factory walls and drive economic improvements in the surrounding communities.

Harvard and Georgetown University professors continued to analyze STR RS generic violations data. The objective of the research is to identify the causal relationships among consumer expectations, stakeholder initiatives, and brand programs with better working conditions. Using thousands of data points, the study will provide insight into which approaches are successful in driving compliance at the factory level. The findings should facilitate a more strategic allocation of monitoring resources enabling our own operations and our clients' programs to become more effective.

### Contributing to International Finance Corporation (IFC), Equator Principles and Overseas Private Investment Corporation (OPIC) Standards Revisions

In 2010, STR RS provided input on the review of the IFC's Environmental and Sustainability Standards in the area of labor and working conditions. STR RS also provided feedback on the Equator Principles Strategic Review and on the development of OPIC's Labor and Human Rights Statement.

STR RS did not launch any new internal environmental initiatives in 2010 but continues to practice recycling, re-using and reducing resource (paper and energy) use in our offices. STR RS' main environmental impact is through travel and we continue to use computer technologies to reduce travel. We also allow flexible working options for employees with long commutes and we deliver the majority of information to our clients and to our employees electronically.

STR RS offices around the world (USA, Mexico, UK, China, Hong Kong, India, Vietnam, and Indonesia) continue to implement a variety of environmental initiatives, including:

- Using non-disposable dishware and cutlery.
- Printing only when necessary and using double-sided printing as the default printer setting.
- Paper recycling (and the recycling of other materials where available).
- Switching off lights and electronics at the end of the working day.

In 2011, STR RS will measure its carbon footprint, as reported on in our 2008 report.

Environmental  
Responsibility



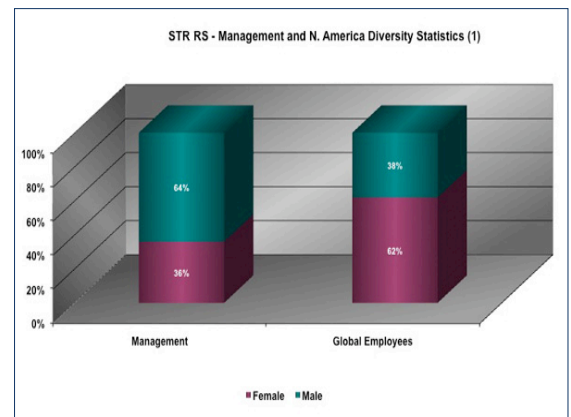


## Our Team

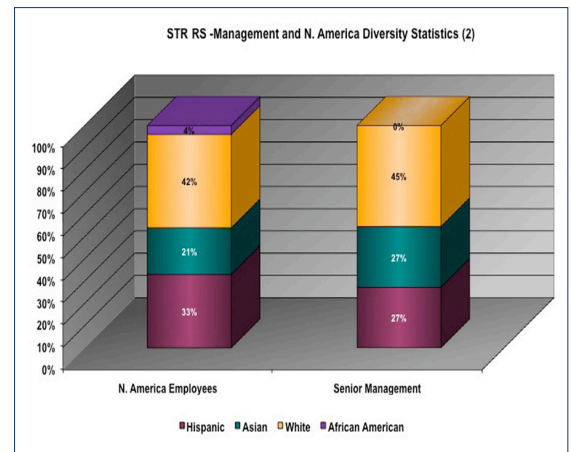
**Our employees are the industry's most passionate, skilled, and dedicated. They exhibit humility, adaptability, and quick problem-solving abilities in their personal and professional achievements.**

As a global company, STR RS values the diverse background of its employees. While respecting each individual, we encourage our offices around the world to employ qualified individuals with various backgrounds. We are proud of our diversity and will continue to seek talented staff based on their qualifications and unique backgrounds.

STR RS' team includes over 310 employees in 32 countries with 24 diverse nationalities who speak 20 languages. Women are represented at all levels of the company.



In North America, minorities are a prominent part of our staff, making up 58%. Globally, STR RS invests in developing local talent in the regions where we operate to harness their knowledge and reduce the need for expatriates. In 2010, 97% of global employees were local and 3% were expatriates.





Employee Spotlights

**RIKE ANGGRAENI**

**Office:** Jakarta, Indonesia

**Title:** Social Compliance Auditor

**What about your work inspires you?**

Working at STR has made me more confident in declaring that there is always room for improvement.

**What inspires your work?**

The fact that I'm the support for myself and that social compliance offers constructive contribution to global industries.

**Personal mission:**

Participating in building responsible and reliable work environments and supply chains.





Employee Spotlights

**LORETTA WANG**

**Office:** Office: Shenzhen, People’s Republic of China

**Title:** Report Reviewer

**Length of service with the company:** Approximately 4 years

**What do you like most about your job?**

At STR RS, I value the opportunities for growth by working with diverse people and sharing knowledge from a world-wide network. It is enjoyable to work at STR RS because I can work with people who are supportive, professional and of strong integrity. Moreover, the flexible working time provides me with a balance between work and my personal life. I do not have to give up my job when caring for my new-born baby.



**How did the company support you through your pregnancy?**

During my pregnancy, I was unable to continue working as an auditor because of severe sickness, especially during the third month. My doctor asked me to stay at home to rest and during this month, my company offered me a whole month’s paid sick leave. After that, the management provided me with a chance to work as a home-based report reviewer. After working in different companies and organizations, I have to say this is the friendliest offer I have ever received during my eight years of professional experience.

**What did STR RS do to help you take care of your new family?**

After approximately six months of paid maternity leave, I am still breast feeding my baby. Seeing this, the management permits me to continue working at home. The flexible working time allows me to modify where, when and how long the work is performed. I do not have to sit in front of a computer working for 8 hours and I can also work at nights. Because of this, I can enjoy my role as a professional woman and a new mummy.



Employee Spotlights

**CAROL LAM**

**Office:** Hong Kong  
**Title:** Client Services Manager, Asia  
**Length of service with the company:** 10 years

**What do you like most about your job?**

Flexibility, travel opportunities, and the relationships with my colleagues. STR RS is a global company that gives me opportunities to meet lots of people all over the world and understand different cultures, customs, races, Religions, etc.



**How did the company support you through your pregnancy?**

I needed to stay in the hospital for 8 days for observation when I was at about seven months pregnant; it was an emergency case, and I was not prepared for this. I worried about my body and my baby at that time a lot. My colleagues not only showed their care and concerns for me, but also helped me cover my desk for this urgent situation so I could focus on myself and baby during that period. During my pregnancy, the company didn't expect me to travel a lot, but still I traveled to China and went to Australia for client meetings at my own will.

**What did STR RS do to help you take care of your new family?**

After having a baby, I needed to take leave. I am allowed to work from home when necessary as long as I get my work done which allows me to breast feed my baby. I get full support from my supervisors and the company provides me a lot of flexibility so I can have a balance between work and family.



### **The California Transparency in Supply Chains Act 2010 (SB657)**

*Susanne Gebauer, USA, Canada, Pacific Research Associate, STR RS (Los Angeles)*

An Act that requires public disclosure on efforts retailers and manufacturers doing business in California are undertaking to address slavery and human trafficking in their supply chains - will not only empower consumers but also raise awareness about the real risks of slavery and human trafficking in supply chains all over the world and force brands and their suppliers to take steps to mitigate these risks.

### **A Year of Changing Labor Trends in China**

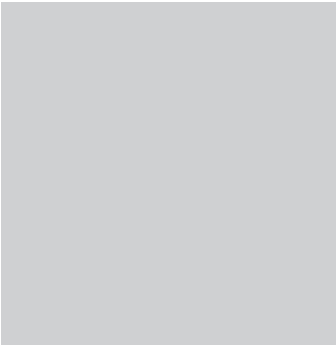
*George Hou, China Research Associate, STR RS (Shenzhen)*

In 2010, several key events in China shaped the responsible sourcing debate. Companies in the Pearl River Delta region, one of the world's largest manufacturing bases, faced a serious shortage of migrant workers after the Spring Festival, while 30 provinces throughout the country increased the minimum wage. As a result, China saw a rise in the use of low cost labor from Southeast Asia to fill the gap in its manufacturing industry. Suicides at the electronics behemoth, Foxconn, were covered extensively in both domestic and Western media, once again linking poor working conditions to major brand names. Meanwhile, Toyota, the world's biggest automaker, and Honda were forced to stop production at several of their plants in southern China after workers at supplier factories went on strike, in part, facilitated by social media, triggering fears of a domino effect.

### **US Dodd-Frank Financial Reform Bill and Conflict Minerals**

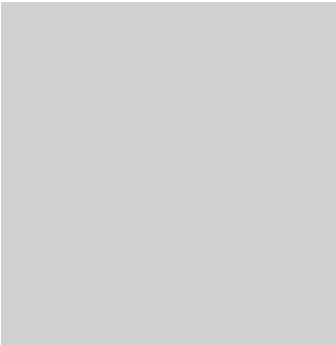
*Michèle Brühlhart, Global Traceability Manager, STR RS (Burundi)*

The Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502, requires companies to disclose the origin of any of the four conflict minerals (tin, tantalum, tungsten or gold) contained in their products. After 15 years of civil war, the legislation will allow consumers to have reasonable levels of assurance that their electronic gadget, car or jewelry does not directly or indirectly contribute to armed conflict and widespread sexual based violence in the Democratic Republic of Congo.



**"In 2011, We plan to continually improve reporting and implement new programs that support our dedication to Corporate Responsibility.**

- Sustainable Allocation of Staff: STR RS is committed to ensuring that our employees are working sustainable hours. In 2010, we measured our progress and achieved our internal goal. In 2011, STR RS will continue to monitor our operations in our busiest regions to ensure employees are working at a sustainable rate.
- Employee Feedback: In 2011, STR RS will conduct a survey to measure employee satisfaction and gather feedback for improvements.
- Carbon Footprint: As promised in 2008, we will assess STR RS' carbon footprint in 2011 with the aim of identifying areas where we can reduce our travel and energy use.
- STR Sustainability Initiative: In 2010, STR RS began a process for designing a company-wide sustainability program and will be further involved in the implementation phase with STR Executive Management in 2011.
- Helping Clients Adapt to Regulatory Developments in Responsible Sourcing: In 2011, STR RS is committed to dedicating resources to further educate clients on regulatory developments and support them in modifying their responsible sourcing programs accordingly.



### Communication

We will communicate our report through the following means:

- Press releases sent internally and to STR RS's mailing list of approximately 2,000 companies.
- E-mails to employees with report highlights
- Internal meetings
- Links to the report on the STR Quality website
- Social Media via STR RS' Twitter feed, our Blog, Perspectives in Responsible Sourcing, and STR RS' LinkedIn Company Profile
- Stakeholder meetings

### Feedback

Readers of STR RS's report are invited to submit feedback to [annualreport@strrs.com](mailto:annualreport@strrs.com). In addition, we will incorporate questions about the report into our next employee and client surveys, respectively.