



2007 Annual Report

*Cultivating Responsibility
Inside and Out*

**Responsible
Sourcing Solutions**

www.cscconline.com
<http://cscconline.com/responsiblesourcing>



CSCC is a leading provider of responsible sourcing services, specializing in monitoring, remediation, program management, and education. We have developed and implemented responsible sourcing programs for numerous brands, retailers, and manufacturers, across a variety of industries including apparel, footwear, home furnishings, agriculture/food processing, consumer electronics, cosmetics, and toys. CSCC currently has offices and staffed locations in over 28 countries.

CSCC has been in operation since 1991, and has been a wholly owned subsidiary of Specialized Technology Resources, Inc. (STR) since 1999. STR is the largest US-owned provider of consumer product quality assurance testing, inspection, and factory assessment services.

Our Mission:

We are dedicated to helping our clients build secure and socially responsible relationships with their supply chain partners.

Our Values:

We operate in an interdependent environment where our products and services, operational ideals, and our employees are intrinsically linked.



CEO Statement

The year 2007 was a great year for CSCC. We conducted over 15,000 assessments in 140+ countries. We now employ more people than we ever have; we expanded our services to Egypt and South Africa; we are servicing an ever-increasing variety of industries; we produced more research publications than ever before, and held more training seminars than we have in the past. Most importantly, we have helped to improve working conditions for over 5 million workers and helped global brands and small businesses manage their supply chain risk.

This year, instead of creating a report specific to the United Nations Global Compact principles, we have decided to present our achievements in an annual report, in much the same way that other corporations do. However, since we are a privately-held company, this annual report will not contain financial results but will focus on how we performed in 2007 vis-à-vis our corporate mission and values.

At CSCC, we have always believed that our products and services, operational ideals, and our employees are intrinsically linked. That means, for example, that we cannot analyze the quality of our services without looking at the way we operate and how our employees feel about working at the company. In 2007, we launched Project Sunshine, a company-wide initiative that analyzes how to streamline our operations and improve employee well-being without sacrificing service integrity. We discuss this project and numerous other systems-oriented initiatives in this report.

What you will see in this report is not only reaffirmation of our commitment to UNGC principles and good corporate citizenship, but also concrete examples and continued internal emphasis on four themes: work-life balance, strengthening our team, collaboration, and growth. We have put considerable focus over the last few years on things like providing our employees with a flexible work environment, increased professional development opportunities for our staff, developing strategic partnerships and participating in multi-stakeholder initiatives, and building our capacity to offer our clients full responsible sourcing service offerings that not only push the boundaries of our company, but those of our clients and of the industry.

I proudly invite you to read through this report and to share with us your feedback through our online survey:

[www.surveymonkey.com/s.aspx?
sm=elyq8PrUjqOXoUzOzArZag_3d_3d](http://www.surveymonkey.com/s.aspx?sm=elyq8PrUjqOXoUzOzArZag_3d_3d)

Sincerely,



Greg Gardner
President and CEO



Greg awarding Becky Palacios, Senior Auditor in the US, her Auditor Award for Outstanding Auditor in her region.

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Principle 1. Support and respect the protection of human rights

As an independent monitor of working conditions worldwide, CSCC provides all employees with training on human rights as part of their normal internal training. Our role as an independent monitor is to assist our clients in ensuring the respect and protection of human rights in the supply chain (see pages 5-16).

Principle 2. Ensure non-complicity in human rights abuses

CSCC follows strict protocols of confidentiality in our assessments in order to protect workers to the greatest extent possible. We also offer a hotline in the US for workers to contact us in case of retaliation or further infringements on their rights. We are looking into how we can expand this service to China (see page 20).

Principle 3. Uphold freedom of association and recognition of the right to collective bargaining

CSCC will respect the rights of employees to associate, organize, and bargain collectively in accordance with applicable local laws and regulations without penalty or interference. CSCC is also working to improve its internal training on freedom of association to improve our detection rates and in 2007, we have provided deeper assessments of freedom of association issues for our clients (see page 7).

Principle 4. Elimination of forced and compulsory labour

CSCC does not use or condone the use of any forced or compulsory labor. All employees agree to work for CSCC voluntarily and their original documents are not retained by the company. CSCC assists our clients in finding such cases of forced labor in their supply chains (see page 7 for a brief description of a client project involving an assessment of a prison labor facility).

Principle 5. Abolition of child labour

CSCC does not use or condone the use of any child labor. All employees are above the minimum working age and copies of age documentation are maintained on file for all employees. The youngest person working in the company in 2007 was 20 years old. CSCC assists our clients in identifying cases or potential cases of child labor and ensuring the



THE GLOBAL
COMPACT

Looking to see how we measure up to the UN Global Compact principles?

Use this page reference guide to read the sections of the report that relate to the UNGC principles.

remediation of the issue in their supply chains (see page 12 for an example of a client project involving child labor remediation).

Principle 6. Elimination of discrimination

CSCC is a place where individuality is respected and where people can perform to their highest potential. Promotion and compensation decisions are made based upon individual performance to expectations regardless of sex, religion, race, color, age, national origin, disability, veteran status, or any other characteristic or status protected by law. Discriminatory practices are strictly prohibited. It is CSCC's policy to provide all employees with an environment of mutual respect free from any form of harassment or abuse. See page 22 for information on CSCC's diversity statistics.

Principle 7. Support a precautionary approach to environmental challenges

Principle 8. Promote greater environmental responsibility

Principle 9. Encourage the development of environmentally friendly technologies

CSCC is committed to operating in an environmentally friendly manner. For more information on CSCC's environmental programs, see pages 20-21. CSCC is also increasing its environmental service offerings to assist clients in promoting environmental responsibility in their supply chains.

Principle 10. Work against all forms of corruption

CSCC employees receive, sign and get training on a global code of conduct that includes provisions on improper payments, conflicts of interest, confidentiality, bribes, gifts, entertainment, favors, and gratuities; reporting transaction and payments; and purchasing integrity as well as reporting mechanisms and a strict policy of non-retaliation. CSCC policy prohibits any employee or representative from making or receiving any inappropriate monetary payments to or from any governmental, political, business, or labor organization or individual. For more information on our ethics program, see page 17.

Our Products and Services

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

Reading this Section of the Report

The “Products and Services” section of the report is organized into subsections corresponding with our 7 main service lines: **Program Development and Management, Monitoring, Training and Education, Consultation and Stakeholder Engagement, Expanded Services, Publications, and Region-Specific Products and Services.**

It is important to note that while we talk extensively about the company’s capabilities and services in this section, it is not meant to be a sales document. Since our core business involves helping our clients promote corporate responsibility and human rights, it is sometimes difficult to distinguish our internal efforts towards operating more responsibly from our work with companies.

Our goal with this section of the report is to demonstrate CSCC’s continued efforts to not only keep up with the evolving needs of our clients, but to forge a path towards real and measurable supply chain improvements for our clients and their supply chain partners.

CSCC helped to shape the responsible sourcing industry over a decade ago and we will maintain this leadership position through our ability to innovate and our passion for bringing awareness and change to worker welfare, environmental health, and safety and security issues at all levels of the supply chain.



We are pleased to share some of the most recent of these achievements in this report.

A Sample of the New Products and Services CSCC Launched in 2007

- Food safety assessments for QSRs (Quick Service Restaurants) and grocery retailers
- GMP/HAACP audits for food manufacturers
- CAPA tool for remediation tracking
- Enhanced “soft issues” detection methods
- Community impact assessments
- Wastewater management systems assessments

“A common problem for companies is dealing with the corrective action process. In response, we developed the CAPA system, which is an online tracking system that facilitates dialogue between our clients and their suppliers on root causes and preventative measures for non-compliances rather than short-term fixes that are not integrated into the ongoing management of the business.”

Ryan Lynch

Regional Manager, East Coast USA

The Corrective Action and Preventative Action (CAPA) Tool

The CAPA system is an online workflow management tool that:

- Focuses responsible sourcing program resources towards improving issues, not simply identifying them
- Minimizes administrative effort managing the corrective action process
- Tracks and documents the closure of Code of Conduct findings
- Manages the communication and follow up process between brand and supplier

Program Development and Management

CSCC believes that building solid program foundations goes a long way in determining the success of a responsible sourcing program.

Developing the Right Tools for the Job

CSCC believes that building solid program foundations goes a long way in ensuring the success of a responsible sourcing program. In 2007, we completed a number of high-profile projects that helped our clients make informed program development and management decisions. This is a sampling of what we worked on:

- Developed guidance documents for the Council for Responsible Jewelry Practices around Health and Safety and Disciplinary and Grievance Procedures
- Completed an assessment benchmarking study comparing a sample of country specific audit findings from the CSCC database with the results of the client’s audits in the same country. CSCC provided a report and analysis of this data for five countries and the client used it to discuss performance with suppliers in those countries and to show the suppliers how they compared to other companies in their own country.
- Prepared a benchmarking report of responsible sourcing programs involving an in-depth assessment of the client’s internal CSR program and then compared them to available data from 16 companies.

“Program expectations have really evolved. This change in expectation translates into changes in how the responsible sourcing program functions. Now companies have realized that every supplier has challenges. Companies are more willing to help their suppliers evolve into good business partners, giving them guidance, opportunities and sometimes even resources to build better practices into their operations. We’re seeing a trend among our clients for more data-driven programs that help them to benchmark their programs and strategically focus their resources for greater impact.”

Rachelle Jackson

Director of Research and Development

Accreditations and Memberships

CSCC is an accredited monitor for or a member to major industry initiatives and certifications:

- SA8000
- Worldwide Responsible Apparel Production (WRAP)
- Fair Labor Association (FLA)
- International Council of Toy Industries (ICTI)
- Electronic Industry Code of Conduct (EICC)
- Supplier Ethical Data EXchange (SEDEX)
- Business Social Compliance Initiative (BSCI)
- Initiative Clause Social (ICS)
- AccountAbility
- Responsible Entrepreneurs Achievement Program (REAP)
- Joint Initiative on Corporate Accountability and Workers Rights (Jo-In)
- IACET Approved Provider of CEUs (see page 10)

“When I started 11 years ago, only a few companies were looking at their supply chains. Now, more companies are getting in there to find out what is going on. In addition to our traditional client base, we are seeing interest in our services from SMEs, NGOs, governments, and even venture capitalists. The breadth of our monitoring services have had to adapt as a result.”

Rachelle Jackson

Director of Research and Development

Monitoring

Despite the recent industry buzz on “going beyond audits”, monitoring remains one of the most effective ways for organizations to understand their supply chain risks. CSCC recommends using varied assessment models, where in-depth monitoring is focused on highest risk suppliers.

Moving Towards Joint Assessments

The forefront of the responsible sourcing debate of late revolves around calls for increased collaboration among companies to reduce audit fatigue among suppliers, increase efficiency of report-sharing initiatives, and stretch the CSR budgets of brands and retailers to allow for more investment in training and remediation. In 2007, CSCC initiated discussion among some of our clients about joint assessments, analyzing feasibility and how best to work around the logistical challenges that the idea poses. In 2008, we will continue to engage our clients as we formalize our offerings in this area.

NPO and NGO Audits

CSCC has been involved with the InterAction Child Sponsorship Certification program since its inception in 2004 and is an accredited certification body for the program. InterAction is a US-based membership organization with over 160 international NGOs as members. The program aims to assess the extent to which centralized governance, financial, and child protection controls exist and are being applied at the field level. Our auditors visited program sites that provide benefits to sponsored children, families, and/or and their communities and evaluated the country and field offices' compliance

with InterAction's Child Sponsorship standards as part of the bi-annual surveillance process.

Handling Freedom of Association Concerns

In 2007, CSCC enhanced our training and assessment tools for detecting and handling issues related to freedom of association. We had the opportunity to test these tools when a client was contacted by an NGO informing them that workers at a factory they sourced from had been fired for trying to unionize. CSCC conducted an intensive multi-day investigation that included interviews with workers, local unions, NGOs and community members to verify the allegations. In the end, we encouraged the client to work with other brands in the facility to leverage an appropriate remedy to the issue.

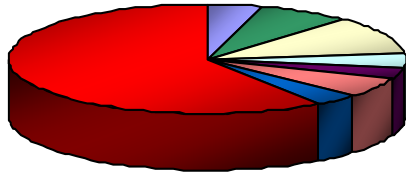
Assessing Prison Labor

We had the unique opportunity to conduct an assessment of a prison facility in Eastern Europe that produced goods for a client. It was certainly an interesting experience. In fact, interesting enough for us to share on our corporate blog, *Perspectives in Responsible Sourcing*. The entry is appropriately titled, “The Day I Spent in Jail”.

In 2007, we conducted over 15,500 assessments in 103 countries

- Europe / Africa
- Southeast Asia
- India Subcontinent
- Latin America
- Vietnam
- North America
- Northeast Asia
- China / Hong Kong

2007 Assessments By Country



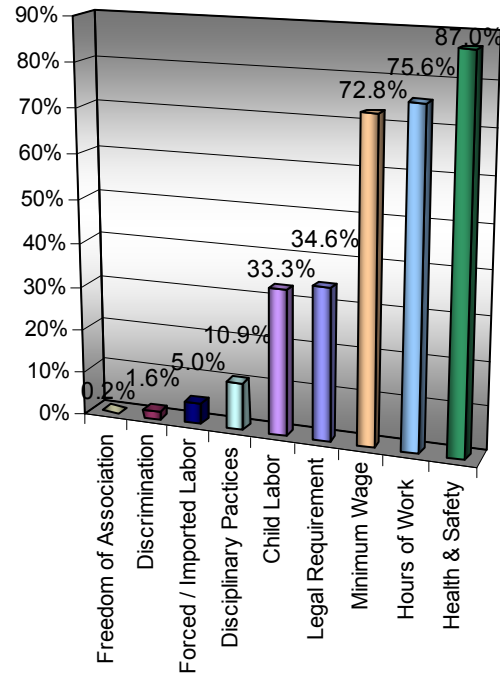
Explanation of Data:

The findings represent our data from assessments conducted in 2007. Data was compiled from our centralized database where we collect information on all the assessments we conduct. Clients have access to this data through an online portal and they can run reports for their own assessments. CSCC also provides clients with annual or quarterly aggregated reports based on client specifications.

The findings are categorized by type of concern and are recorded based on one occurrence in each assessment (so, for example, in one assessment we may have found blocked fire extinguishers and missing first aid kits but this would be counted as one occurrence of concerns under 'Health and Safety' for the purposes of this chart). The most common findings included health and safety related concerns which we observed in approximately

Our assessments revealed thousands of labor concerns

% Findings per Category - 2007



87% of our assessments, followed by wage and working hours-related concerns, which we found in over 70% of our assessments. Note that 'Child Labor' includes findings of missing age documents, lack of permits for juvenile workers, historical child labor and unrestricted work hours for minors.



Expert Insights

CSCC has conducted over 5,000 security inspections in over 50 countries, and, in 2007, was chosen as one of the approved Third Party Monitors for the C-TPAT Validation pilot project in the People's Republic of China. Nick Allen, our Supply Chain Security Manager, tells us a bit about a similar initiative emerging in Europe.

What is the Authorised Economic Operator (AEO) Program?

As part of a coordinated effort to secure international trade from threats to public security, the European Union has introduced the AEO program. This EU-wide accreditation regime encourages companies to adapt their security measures in accordance with the international standards of the World Customs Organization (WCO) and the International Organization for Standardization (ISO). The launch of the AEO program parallels, in many ways, the C-TPAT security requirements. The program will be operational beginning January 1st, 2008. US Customs and the European Commission have agreed in principle to work towards mutual recognition of the C-TPAT and AEO systems.

What are the benefits of achieving AEO status?

Benefits of AEO status for all member categories include faster border crossings, resulting from fewer physical and document-based controls thanks to a lower risk score. Priority will also be given to AEOs at the time of examination of cargo.

What is CSCC's role in the AEO program?

Since the inception of the Customs-Trade Partnership Against Terrorism (C-TPAT) in 2002, CSCC has been providing monitoring and consultation services to our clients to meet these security requirements, and is now able to leverage this expertise to serve our European clients in developing AEO compliant supply chain security programs.

PROJECT SPOTLIGHT

Improving labor standards in sugar production through a multi-stakeholder initiative



Since 2005 we have been working on the development and roll out of the CSR program for the Asociación Azucarera El Salvador (Sugar Association of El Salvador). The program started in 2004 with the development of a project to strengthen CSR in the supply chain, specifically with sugar cane producers.

CSCC has participated in the project since 2005 by providing CSR know-how, creating a code of conduct, providing training and education at the different levels of the supply chain, as well as monitoring at the supply chain level. In 2006 and 2007, the program kicked off through engagements with the AAS internal monitoring team in training on CSR issues specific to their industry. Sugar mills and plantations went through initial assessments and were given feedback on corrective actions that would help improve their management practices.

A fourth year of program assessment is set to start in 2008 to monitor improvements in the supply chain and plan for the inclusion of additional providers to the CSR program. We look forward to continue our work with the AAES team.



Expert Insights

George Tu was awarded the inaugural Outstanding Global Auditor award. He beat out over 170 other auditors for the honor. He has been with CSCC since 2004 and shares his experiences with us.

What do you like most about your job?

The job provides me with a flexible work arrangement. In my

travels, I've visited factories in different industries and have observed different management systems. I also get to see different landscapes and taste different flavors.

How do you maintain the quality of your work?

To maintain good audit quality, I always uphold CSCC standards strictly and follow client procedures closely. My wealth of experience also makes my work more efficient and accurate. Most important is the support from our office, which includes information on laws and client requirements, training, equipment, scheduling, and management. This support is the basis of quality work.

How do you handle situations when factory managers try to bribe you?

We sign a statement of integrity with facility management at the beginning of each assessment. Despite this, we still get about one

bribery attempt per month. In such a situation, we immediately reject the money and we will re-state our integrity policy. The facility management is warned and we will report the issue to our office and the client services manager as soon as possible.

What feedback have you heard from factory managers about CSCC's reputation in the field?

Generally, the feedback from factory managers is that CSCC has strict standards and procedures in the social compliance field. Unlike other monitoring firms, CSCC auditors do not have personal contact with facilities. CSCC auditors do not accept food, gifts, money, travel arrangements or accommodation from facilities.

What advice do you have for new auditors or people who are interested in becoming an auditor?

Auditing is a good experience for people to learn about the commercial production world. It will be difficult at first, but it is also very interesting work. And finally, you will find that your work is helping people and making our world better.

“Corrective actions are not equivalent to solutions...we need to find out what the facility needs in order to improve. This involves looking beyond the compliance issue to the source of the problem and identifying the location of that source within the overall management systems of the facility. Trainings can then be targeted to address the specific systems deficiencies through ongoing engagements and capacity-building.”

Kelvin Ho
HK-Asia Regional Manager

IACET Accreditation

In 2007, CSCC was approved as an Authorized Provider by the International Association for Continuing Education and Training (IACET).



With our ability to offer trainings that are IACET approved, . As an Authorized Provider of IACET, learners will have the added confidence that they are receiving a high quality educational product that emphasizes effective adult learning. In addition, CSCC can issue “Continuing Education Units” or CEUs to learners who successfully complete trainings delivered in accordance to IACET’s strict guidelines. These CEUs are recognized by a vast number of global educational institutions.

Training and Education

No responsible sourcing program is complete without training and education for supply chain partners. Teaching suppliers how to recognize and manage supply chain risk is the key to achieving sustained improvements.

Training and Education Services

Our trainings are conducted through instructor-led seminars; distance learning through e-learning, webinars, and videos; or a combination of both. We specialize in trainings for companies (executives, internal CSR staff and auditors, purchasers, QC, production staff), manufacturers, vendors, agents and suppliers/factories.

Seminars:

In 2007, we conducted more training seminars than ever before, reflecting a growing industry movement towards education and capacity-building that seeks to assist suppliers in meeting the requirements of local labor laws and responsible sourcing programs.

Topics for our seminars in 2007 included:

- China Labor Laws
- Environment, Health and Safety (EHS)
- Safety Meetings
- Sexual Harassment
- Wages, Hours and Benefits
- Hiring Practices
- New China Labor Contract Law
- C-TPAT
- Customized seminars based on client requirements

Webinars

To increase the reach of our training and education services, CSCC began offering online seminars (webinars) in 2007. We presented a total of 10 external webinars, on topics ranging from the Business Case for Social Responsibility to China’s New Labor Contract Law.

E-Learning

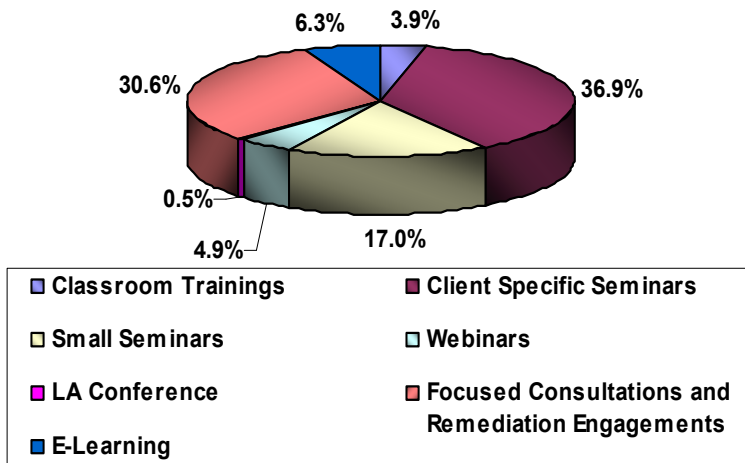
Our e-learning tool for social compliance helps our clients to reach far-flung, low volume, or subcontracted supplier audiences who might otherwise fall outside the scope of a client’s responsible sourcing program. Offered in English and Chinese, the e-learning course provides interactive, online modules on how to protect and respect human rights in the workplace.

Academic Collaboration

2007 also marked the year that two of our staff became faculty at the University of California at Los Angeles (UCLA) Extension School. Moving forward, CSCC and the school will collaborate to create courses and materials that will provide students with in-depth understanding and real world examples of supply chain compliance issues.

2007 External Training Events

In 2007, CSCC provided over 200 external training events to our clients and our clients' vendors and suppliers.



“In order to get buy-in from factory managers running their businesses on slim profit margins and tight deadlines, we not only have to make the business case for social compliance but we also have to assist them in identifying key performance indicators that can be used to track improvements over time and those improvements either need to be quantified as cost savings or linked to operational efficiencies in order to ensure a sustainable internal program.”

Soledad Mills
Special Programs Manager

Responsible sourcing programs shouldn't stop at monitoring. Suppliers can benefit from receiving guidance on implementing corrective actions and identifying the root causes of their social compliance challenges.

Focus on Remediation

Findings from our monitoring efforts are only the tip of the iceberg. We can find out that a factory has excessive overtime hours and the factory can write a corrective action plan committing to reducing those hours. Depending on the consequences of not meeting the clients' requirements, this can provide a strong incentive for factories to 'cheat' or hide their true working hour records from auditors. While we have numerous investigative techniques to find out if that is the case, the excessive hours are usually merely a symptom of a deeper problem within the management systems of the factory.

Remediation engagements aim to identify root causes and develop solutions that address those root causes. We provide facilities with tools for managing implementation of these solutions with the intended result of empowering managers and workers to take a proactive role in social compliance. In 2007, our Hong Kong team began developing guidelines, based on root cause analysis, for a factory to manage compliance issues. For example, the guidelines on excessive working hours provide recommendations on systems for improving factory productivity, product quality, worker-

manager relations, workforce capacity, and occupational health and safety, all of which can have an impact on working hours. Depending on the depth of the engagement, we provide the facility with ongoing guidance and track key performance indicators to measure progress.

Root Cause Analysis Case Study

In one of our focused consultations in Vietnam, we looked at the issue of work hours and interviewed workers and supervisors to find out in which department the overtime was occurring. Within that department we conducted a process-mapping exercise to establish the workflow and identify the gaps. We found that the problem could be traced back to the raw materials and that the factory did not have adequate Quality Control systems in place to identify defects in the materials before they were placed into the product resulting in the defects not being discovered until they were further down the line. Consequently, our consultants' recommendation to the facility was to implement a more robust quality control system within their raw material supplier selection process.

“Some companies have recognized that the one-day audit model serves a specific purpose and companies that want to have a deeper understanding of conditions might use a two-day engagement or a week-long consultation or even a 6 to 12 month program to help key suppliers make long term improvements. This yields the sustained results that companies want and don’t get with one-day audits.”

Rachelle Jackson
Director of Research and Development

A Holistic Approach

The success of a responsible sourcing program can be greatly hindered if there is not adequate stakeholder support. Stakeholders are often considered to be workers and communities, but in responsible sourcing it’s also important to recognize that buying teams and even executives can be stakeholders in the process. Without the support of the buyers, decisions to source ethically may not be acted upon. Without backing from the executive team, the mandate to take the ethical and social issues to the next level may be lacking, including support for a budget or for new procedures that could improve working conditions down the supply chain. During 2007, CSCC spoke with numerous clients with an increasing interest in responsible purchasing practices and internal corporate education. CSCC conducted in-house educational sessions that focused on the implementation of responsible purchasing standards throughout the organization, as well as executive level education on corporate social responsibility trends.

Consultation and Stakeholder Engagement

There is no substitute for proper stakeholder engagement. A program that includes stakeholder engagement will ensure program buy-in, systems-oriented solutions, and sustained co-operation.

Community Impact Assessments

In 2007, a European NGO working on fair trade issues commissioned CSCC to conduct a community assessment of a Sri Lankan tea company. The assessment aimed to evaluate working conditions on the company’s plantations and also to investigate some of the challenges and issues related to access to livelihoods in the surrounding communities. Information was gathered through a combination of interviews with management representatives, worker interviews, and meetings with community leaders, local NGOs and trade unions. Following the assessment, the team drafted a comprehensive report that included an analysis of findings from the social compliance and community assessment in the context of national labor laws and regulations, and international human rights standards, as well as recommendations for improving conditions on and around the tea estates in the short and long term.

Child Labor Remediation

In 2007, CSCC had the opportunity to engage in efforts to verify remediation of child laborers in China. Through the Ethical Trading Initiative, some companies have committed to ensuring underage children who are found working in factories or farms are not just removed from the workplace but are

fairly compensated and returned safely to their families. This may involve reviewing payments made to the child to ensure fair compensation has been provided, as well as payment for the trip home, which is required by law in China. CSCC also verified that children were reunited with family members or guardians directly after taking leave of workplace representatives. In some cases, CSCC was invited to accompany the child and their family members to the family’s home village to verify that children would be able to attend school in the future.

Implementing CSR in SMEs

In 2007, two of our Turkey staff completed a training course conducted by UNIDO (United Nations Industrial Development Organization) on UNIDO’s Responsible Entrepreneurs Achievement Programme (REAP). REAP is a comprehensive consultation program to support SMEs in implementing CSR (corporate social responsibility) by measuring and tracking the economic, social and environmental performance of their business. Our Turkey staff are now licensed by UNIDO to provide consulting services to SMEs in Central and Eastern Europe as well as Turkey, using REAP’s proprietary software.

“We know that the industry is moving towards becoming more data-driven. Clients are analyzing what they get from the field and trying to understand how it all relates to the big picture. The Research and Development Department at CSCC is good at helping them do that — to put a clients’ own observations into the context of current events, industry trends, or even their own program history.”

Rachelle Jackson

Director of Research and Development

Labor Law Database

CSCC is currently preparing to launch our extensive labor law database as an internet subscription service. Over the last 10 years, CSCC has compiled an unparalleled library of labor and safety legislation for 150 countries around the world. Translated into English, this legislation is currently housed in an internal database used by our social auditors to conduct their social assessments. The CSCC on-line law database will make this information available to all interested parties via an easy to use, searchable interface. This is in contrast to the PDF version of CSCC Country Law Profiles currently available. Data sets will include thousands of minimum wage rates, converted to USD and EUR hourly rates, as well as minimum ages for employment, work hour and overtime limits, rest day requirements, benefits, and worker safety requirements. Twenty core countries are updated on a quarterly basis, while others are updated annually by a global team of researchers. The actual text of the legislation is used to ensure that social auditors and suppliers can review the exact requirements of the law together during the assessment process.

Publications

We have had the unique opportunity to conduct studies, observe best practices, and gather data at the factory level. So it’s only natural that we share what we know about worker welfare and supply chain conditions.

Continuing to Blog

Since 2006, CSCC specialists have shared their opinions, viewpoints and experiences on the corporate blog, *Perspectives in Responsible Sourcing* (<http://csc.typepad.com/responsiblesourcing>). The blog has been attracting audiences from a variety of places like the UK, New Zealand, Poland, US, China and Zambia, and appeals not only to our clients, but also to ethical consumers, academics and investors that want to stay abreast of the latest news in responsible sourcing. In 2007, we saw our daily average visitors to the site increase from 17 to 22. While it is obvious the blog will not break any records just yet, the most interesting trend has been that many of our referrals now come from internet searches and not from our homepage, signaling to us that the public is more actively seeking this information. So to increase the reach of our blog and to sate the public appetite for responsible sourcing news, CSCC plans to start podcasting in 2008.

Simplifying the Law and Rights

In 2007, we had the opportunity to play a role in a client’s worker rights awareness campaign. CSCC created labor law posters that were written in the workers’ local language, and in a way that made the information easy for them to understand. In addition to explaining the applicable laws, the posters also described their rights and the labor conditions of key non-compliance issues in their country to give workers context with which they could analyze their own situation. The posters were handed out to factories at supplemental training seminars.

Bangladesh Living Wage Project

A number of multi-stakeholder initiatives have been looking at the meaning and implications of a living wage. For retailers trying to promote living wages in their supply chain, it can be difficult to know where to start, namely, what is the appropriate living wage for a given country or region? CSCC partnered with the Center for Reflection, Education, and Action (CREA) to answer this question in Bangladesh. CREA pioneered a Sustainable Living Wage Purchasing Power Index over a decade ago. Their Purchasing Power Index draws from a series of standards whose inputs combine to indicate a Sustainable Living Wage for a given community. These standards are centered around issues including housing, nutrition, water, basic health care, clothing, transportation and more. CSCC

invited CREA to work with our local team to carry out the study in Bangladesh. CREA also brought in local NGO groups to aid in establishing pricing of local goods. CSCC conducted interviews with approximately 175 factory workers in Dhaka and Chittagong in order to gather data about affordability of goods and services related to these issues. The outcome of the project allowed CREA to estimate a Sustainable Living Wage for Bangladesh that was reflective of the socioeconomic realities of that country. By identifying the gap between the legislated minimum wage and the estimated Sustainable Living Wage, this project helped CSCC retail clients to understand the impact a living wage could have both on workers and in transforming the industry they are part of.

We have a diverse global research staff with backgrounds and experience ranging from international human rights law, labor law, and NGO research and advocacy, to business, statistics, and environmental management.

A Study for the UN Global Compact

In 2007, CSCC contributed pro bono research to the UN Global Compact publication, Embedding Human Rights in Business Practices II. CSCC's Latin America Research Associate, Tamar Benzaken, prepared a case study of Starbucks' responsible sourcing program, CAFÉ Practices. The purpose of the case study was to show how Starbucks promotes human rights through this initiative where they pay higher prices for coffee grown and harvested in accordance with specific social and environmental standards. In addition, CSCC had the opportunity to interview a Starbucks coffee farmer in Guatemala who had benefited from this increased pricing. Linking social and environmental performance to the purchasing price of the goods is still considered to be a groundbreaking practice today. Tamar's research into the Starbucks program reveals a model for many companies who are looking for ways to reward good labor practices. The publication will be available on the UNGC website: www.unglobalcompact.org/NewsAndEvents/recent_publications.html

Code of Conduct Guidebook

During our initial contact with clients, we are often told that while they are interested in starting a responsible sourcing program, they are at a loss as to where to start. So to help companies in a similar situation, CSCC has started the development of a Code of Conduct Guidebook. We are working with Professor Emre Veral, Deputy Chair of the Department of Management at Baruch College, who provided some valuable feedback on the publication. We are in the process of internal review and hope to pilot it with some companies this year.

Contributing to Industry Publications

Rachelle Jackson, Director of Research and Development, had been an occasional guest contributor to Ethical Corp, the leading publication on emerging themes, trends and best practice in the field of CSR (Corporate Social Responsibility). In January 2007, Rachelle was invited to contribute a monthly column on labor standards and responsible sourcing.

“CSR programs in the food industry are mainly focused on ethical purchasing, labor conditions and environmental issues. As an STR company we have helped our food clients further enhance their sourcing programs through our Shuster center of expertise, launching the Global Sourcing Quality Management (GSQM) program for companies that source ingredients products in China or other offshore locations.”

Wendy Barahona

Global Program Manager, Food and Agriculture

One-stop Shopping

Over the last few years, CSCC has been actively leveraging our relationship with our parent and sister companies, as well as outside consultants and partner companies, to bring clients seamless solutions that address the full gamut of supply chain challenges, from product safety to quality systems registration. The impetus for this focus is not only to streamline resource use and increase convenience for clients, but we also recognize the intrinsic links that exist between some supply chain issues. For example, tired, overworked, and unhappy workers will ultimately affect the quality of the goods produced. So to the extent that we can address responsible sourcing issues through a systems-oriented business case, we will continue to explore these collaborative opportunities.

Expanded Services

Responsible sourcing is not just about sweatshops anymore. Companies must now look at their supply chain holistically to balance product safety, quality, social compliance, and environmental sustainability.

Assessing the Quality of Food Ingredients in the Global Supply Chain

In 2007, corporate responsibility took on a new dimension with a series of enormous product recalls. Brands scrambled to assess the strength of their quality systems and reassure consumers of the safety of their products. In response, CSCC in conjunction with our sister company, Shuster Laboratories, launched the Global Sourcing Quality Management Program (GSQM) for food manufacturers and ingredients suppliers. The program assists brands in assessing their sourcing risk through a series of factory audits, analytical product testing, systems gap analyses, and food safety program development and implementation.

Environmental Health and Safety Audit

The CSCC Environmental Health and Safety Audit is a comprehensive in-depth review of environmental management systems and practices. Through a three-tiered approach that includes management and employee interviews; document and record review; and site observation and inspection we verify supplier compliance to environmental laws and regulations as well as health and safety standards. Other issues covered in the audit include, but are not limited to, aspects of chemical and hazardous materials management, emergency and accidental response preparedness and waste emissions and discharge.



Wastewater Management Systems

Increasingly, our clients are concerned about effluent from the production process entering local streams and waterways unchecked. In response, CSCC developed and launched its focused Wastewater Management Systems Audit. The audit ensures that factories have the appropriate effluent handling and treatment systems in place. The assessment focuses on four main points: Water sources, Wastewater destination, hazardous inputs and Wastewater monitoring, which involves reviewing systems in place to sample the water effluent from each discharge point and ensure the results are within country's environmental standards.

Hong Kong's CSR Lab

The CSR Lab is a new initiative that our Hong Kong office launched to nurture ideas and create solutions in response to the mounting responsible sourcing challenges faced by business leaders. The CSR Lab acts as a regional support center for suppliers, companies, academics and NGOs seeking information on labor laws, codes of conduct, common violations, and for sharing ideas on how to tackle some of the more intractable issues in responsible sourcing such as excessive hours and fake books. Four project initiatives are underway in the lab:

- Training Center
- Resource Center
- CSR Link
- Pilot Projects

Through CSR Lab, CSCC has connected numerous industry professionals with academics, NGOs, and

each other. In 2007, guest speakers at The Lab included Mr. Victor Kan, World Vision China, and Dr. Raymond Ngan from City University of Hong Kong, both of whom spoke on the topic of migrant workers, and Professor Pun Ngai, from the University of Science and Technology who spoke about the empowerment of women workers in China. More information about CSR Lab and its activities can be found on CSCC's homepage.

New China Labor Law

In July, China's lawmakers passed a new law governing the terms and conditions under which contract labor could be employed. In 2007, we offered training seminars for suppliers in China covering the essential questions surrounding the impact the new law will have on responsible sourcing programs and supplier requirements.

Region-Specific Products and Services

CSCC recognizes that one size does not fit all. Our regional offices help clients develop solutions to region-specific challenges in supply chains.



Expert Insights

Michaela Reisinger, our Regional Client Services Manager for Europe, provides her perspective on what is happening in CSR on "the other side of the pond."

What CSR trends do you see coming down the pipe for businesses in Europe in the next few years?

First of all, CSR means something different in Europe than in the US. Even within the EU you cannot summarize CSR with one definition. German, Scandinavian and BeNeLux companies might look into more collaboration and partnership building. Danish companies, especially those that have developed from family business and maintain strong family values, don't see assessments as "policing" but as a starting point to further developed CSR policies. German companies are keen to develop partnerships, rather than dependencies, and are open to multi-stakeholder engagements and training.

All of our EU clients place a heavy emphasis on environmental practices both internally - reduce, reuse, recycle - and externally - ISO audits, strict environmental requirements on products etc.

What has changed the most about the CSR industry in Europe since you first started with the company?

Companies are trying to incorporate CSR into their already existing agendas, however the term is still not widely used - it may be a language issue. EU clients have always cared for their own employees - Germany with dual boards, France with strong unionization, Scandinavia with their social system. EU clients have also always cared for the environment and UK companies, in particular, were always very philanthropic. So in a sense, with the new concept of CSR, clients are now trying to move everything under one role.

Responsible sourcing practices, and our work in particular, has grown in importance now. The expansion of the global supply chain came a bit later for European companies than for US companies but it's commonly accepted that the rapid global expansion, from an EU perspective, was triggered by the fall of the iron curtain.

Our Operational Ideals

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

Emphasizing Ethical Integrity with our Own Staff

We have long had a zero tolerance attitude towards unethical behavior. In 2007, we reinforced our stance in ethical behavior through:

- STR's annual distribution of our Code of Ethics. All 1,800 employees worldwide received a copy of The Code and submitted their signed understanding of The Code, its implications to our business, and their pledge to abide by it.
- We launched www.strethics.com, a website where clients, employees or others can anonymously submit an ethical concern that is reviewed and handled by our Global Ethics Director.
- At the end of 2007, we launched an online ethics training course that all employees are required to complete by January 31, 2008. The training will also be built into new employee orientation procedures.

Emphasizing Ethical Integrity with Clients and Factories

In 2007, we finalized the CSCC/Client Statement of Integrity, which was a proactive initiative of the CSR Committee to ensure that CSCC and its clients maintain a mutual understanding of what it means to have an objective assessment of labor standards.

The Statement outlines our position in this regard:

- CSCC staff may not alter audit reports in a way that would change the understanding of onsite observations
- A complete workplace assessment will include a review of applicable documentation, visual inspection of health and safety conditions and employee interviews
- All initial onsite workplace assessments will be considered incomplete without confidential employee interviews
- Local management of the workplace that is being assessed cannot be present during employee interviews and are required to respect the confidentiality of this process. CSCC staff cannot reveal the identity of interview employees or their sources to our clients or to facility management
- Local management cannot offer, and CSCC staff may not accept, gifts or gratuities in any form.
- Clients commit to not using CSCC's name in a misleading or non-representative account/ statement of the overall working conditions in the Client's supply chain.

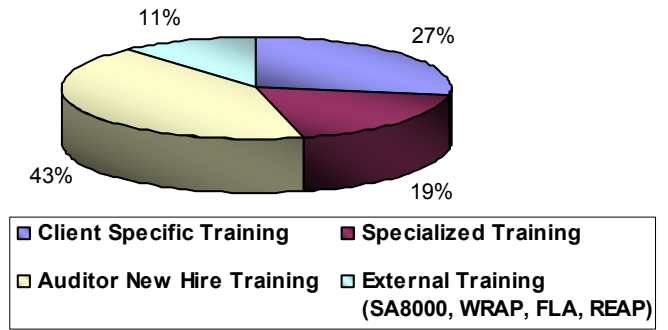
In 2008, CSCC will incorporate the document in our new client on-boarding process and it will be rolled out to our existing clients gradually.

Tracking Quality

We recognize that important sourcing decisions are made based on our reports. Therefore, we are constantly looking for new ways to improve the accuracy and thoroughness of our services, as well as provide clients with the information they need in a timely manner. Our audits are tracked from the time the work order is entered into our global database to the time they reach the client. We regularly measure defects and turnaround time, running analyses on a weekly basis and also for each auditor to track their performance. We are proud to report that in 2007, we made a significant improvement in almost every region in reducing quality defects related to delayed reports. Company-wide, we had a 20% performance improvement in timeliness, meaning our clients are able to react faster to supply chain risks.

Fostering Quality

Our employees participated in 625 training events in 2007, representing over 6,300 hours of training.



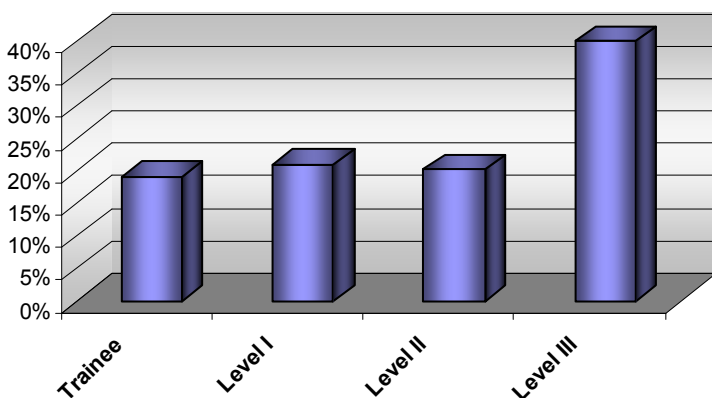
We track our quality on a continual basis and we invest heavily in our internal quality and training systems to ensure we are providing a consistent and accurate service.

Investing In Quality

The CSCC Global Auditor Training Program combines a comprehensive 11-Module classroom curriculum with field instruction and hands-on learning covering human rights, assessment tools and protocols, interview techniques, and report-writing. At least two weeks of classroom training is provided by an experienced trainer, after which, new auditors are partnered with senior Level III auditors for field training and skills development for approximately six months or until they possess the level of competency required to conduct assessments alone.

Auditors pass through four levels of training from trainee to Level III and must meet certain requirements before advancing to the next level. Competency is measured through successful completion of 11 module exams that correspond with each module of the program; continuous performance evaluations; and quality reports. No matter what their skill level, all auditors receive continuous education for the duration of their career through field assessments, monthly refresher and/or new courses, "Auditor Alerts" and individual training.

Auditor Levels



Rewarding Quality

In 2007, we launched the first-ever set of global awards for our auditors. In the past, recognition was awarded regionally, but given the global nature of our business we thought it made sense to reward the work of our auditors on a global basis. Award categories included Outstanding Global Auditor, Outstanding Regional Auditor, Best Reports, Best Turnaround Time, Rookie of the Year, and others. The award criteria emphasized ethical behavior, professionalism, job knowledge, peer respect, and quality work. Winners were presented with certificates of achievement and a small gift as a token of our appreciation.



Expert Insights

Sinan Doven is the Country Manager for Turkey and a Senior Consultant with the company. He was invited to participate as an auditor for the Joint Initiative for Corporate Accountability and Workers' Rights (Jo-In).

What is Jo-In?

It's a reputable and well-known initiative that involves the Turkish government, academics, a group of brands and retailers, and NGOs. The brands and retailers are very high-profile brands like Adidas, Marks and Spencer, Nike, and Puma. The NGOs include: Clean Clothes Campaign, Social Accountability International, Fair Labor Association, Fair Wear Foundation, Ethical Trading Initiative and the Worker's Rights Consortium.

Why was CSCC chosen to participate?

The Jo-In team chose to use CSCC for the project because of the work our Turkey staff conducted during an SA8000 certification audit that SAI witnessed first hand. We're very proud to be a part of the initiative.

What do the Jo-In assessments focus on?

The main problems they concentrate on during the assessments are Freedom of Association and Wages and Hours since they are the most problematic areas. For example, in one facility, I found three sets of payroll and it was confirmed that the facility had been providing the Jo-In Committee with fake information to hide the actual salaries and overtime payments paid to workers.

What challenges does a program like Jo-In face?

The factories that participate can benefit from the kind of consulting expertise that would usually be too expensive for them to afford. But the factory has to be transparent and they have to be serious about implementing the changes the consultants advise them of. It is obvious when a factory is participating in the program only because they think it will lead to more work orders from brands and retailers, not because they want to learn a better way to do business.

We recognize we do not operate in a vacuum. In addition to helping our clients engage their stakeholders, we aim to engage our stakeholders in constructive dialogue on how we can improve our services and move the industry forward.

Sharing and Dialoguing

We believe in sharing our expertise and knowledge, and participating in dialogue with stakeholders in a variety of forums. In 2007, 10 CSCC staff accepted 15 invitations to speak on topics related to their areas of expertise at conferences, events and academic institutions including Cornell's School of Industrial Relations, Columbia University, the Asian Forum on CSR, the International Textiles and Apparel Association, the World Customs Organization SAFE Framework, and the UN Global Compact Communication on Progress Workshop.

In addition to participating in conferences, CSCC also holds an annual conference in Los Angeles where we invite clients, industry experts, NGOs and others to share ideas on responsible sourcing. Last year's conference featured speakers from Starbucks, Timberland, Hewlett-Packard, and the As You Sow Foundation, among others.

Inviting External Opinions

We were pleased to host the opinions of two guest

bloggers on our *Perspectives on Responsible Sourcing* blog. Timothy Smith of Walden Asset Management and Donald Dowling Jr. at White & Case LLC both agreed to publish their opinions as Special Contributors. We will continue to invite Special Contributors to share their views on our blog and as we experiment with podcasting, we hope that some of our contacts may even be willing to be recorded in an interview.

Clients and Employees

Like other organizations, we continually prompt feedback from clients and employees. We conduct annual surveys with our clients that help to gauge their satisfaction with our services. In 2007, we launched ResourceNet, an online employee engagement tool where we constantly provide employees with the opportunity to express their opinions and access important company and industry announcements. More information about ResourceNet can be found in the "Employees" section of this report.

Keeping in Touch

Since 1991, CSCC has developed numerous industry contacts. We stay in touch with these industry contacts with special events like our Annual Mixer, appointed meetings, and newsletters. Additionally, CSCC keeps in touch with its former employees through the Alumni Club.

Worker Hotlines

CSCC has established toll free numbers in the US that workers can use to get in touch with us if they want to provide us additional information after we have interviewed them or if workers want to report any retaliation that they experienced as a result of our assessment. In 2007, we reinforced and re-communicated our procedures for receiving and responding to those calls.

Globally, CSCC has been looking into the possibility of establishing a similar hotline in China. We explored several options including using a virtual number, a third party hotline provider, and working with an NGO, however, numerous logistical, financial and legal constraints, we have not found an effective way to provide this service. In the meantime, we are putting clients in touch with other organizations that have set up hotlines and we will continue to consider our options.

Charitable Giving and Volunteering

While helping our clients attain their corporate responsibility goals, CSCC must also consider its own responsibilities to promote the social and economic well-being of those less fortunate than ourselves. To this end, CSCC is implementing a charitable giving and corporate volunteering policy that will provide guidance to our globally-dispersed network of regional and satellite offices.

Through its charitable activities, CSCC aims to help the people we interact with in our work: women, child, and migrant and immigrant workers in countries around the world. In 2007, we identified the following causes where we believe we can have the greatest positive and sustainable impact:

- Basic Education
- Skills Training
- Microfinance
- Community Development

In 2008, we will seek approval of this policy and implement it globally. In addition, our CEO has encouraged all employees to make volunteering part of their business objectives for 2008. Corporate volunteering will be organized on an office-by-office basis through the establishment of volunteer coordination committees. Participation will be voluntary but employees will be allotted working hours with which to volunteer if they choose.

In order to encourage our clients to promote corporate responsibility, we have to embody the concept ourselves.

Environmental Purchasing Policy

CSCC has drafted an environmental purchasing policy for its US offices. Although the policy has not yet been formalized, our US offices already practice environmentally responsible purchasing (see next page). Our environmental policies will be rolled out globally in 2008, as per our commitment in our 2005 UN Global Compact report.

Proposal to Purchase Renewable Energy

We are still in the process of drafting a proposal for our US offices to support investments in renewable energy through their energy providers. In 2007, both our US offices moved locations in shared buildings so we are looking into the options with our new landlords.

Carbon Footprint Office Audit

In 2007, we drafted a detailed Carbon Footprint Tool for our US offices. We have allocated resources in Q108 to gather the data necessary for providing us with a more accurate picture of our emissions which we'll report on next year.

Factors included in tool:

- Energy consumed at office location
- Materials consumed at office location
- Staff business travel (air/road/rail)
- Benchmarking data on other facilities where available

“Reducing our environmental footprint is important to us, both professionally and personally.”

Greg Gardner
President and CEO

Environmental Performance of Our Regional Offices

In 2007, we surveyed our regional offices to find out what environmental practices they currently had in place. We also included recycling and the use of recycled paper in our internal audit system.

We aim to operate in an environmentally friendly manner and participate in recycling and conservation programs where available.

	PAPER RECYCLING	GENERAL RECYCLING / OTHER	ENERGY SAVING	PURCHASING
CSCC – LOS ANGELES	<ul style="list-style-type: none"> - All unused paper is placed in the Shred-It recycling bins. In 2007, CSCC LA saved 33 trees by recycling our office paper) - Encourages staff to switch default print settings to 2 pages per page and double sided - Encourages staff to print on used paper 	<ul style="list-style-type: none"> - Has a recycling bin for cans and plastic in the lunch room - Any computer parts that are salvageable are recycled and allocated to schools, etc.; otherwise they are processed at State Certified Recycling facilities (including batteries) - Uses ceramic mugs and reusable, washable cutlery 	<ul style="list-style-type: none"> - Ensures all computers and lights at the office are turned off at the end of the day (signs in English and Spanish – for the cleaners – are placed on light switches as reminders) - 84% of our monitors and 100% of our laptops are energy saving compliant 	<ul style="list-style-type: none"> - Purchases 30% recycled copy paper for printers that do not work well with 100% recycled paper - Purchases 100% recycled paper for all other uses
CSCC-NEW JERSEY	<ul style="list-style-type: none"> - Utilizes a service called Shred It that recycles our paper and only places paper in the recycling bin if both sides have been used. - Re-uses any previously used paper. - No longer purchases paper plates - uses ceramic plates. 	<ul style="list-style-type: none"> - Has recycling bins for plastic and cardboard. A calendar is posted for each employee to take turns on different scheduled days to take out the recycling. - Seldom uses plastic knives or forks - In 2007, moved to an office with more natural light - Set up a battery collection point to ensure safe disposal of non-rechargeable batteries 	<ul style="list-style-type: none"> - Makes sure all the computers are turned off when we leave for the day - Has reminders posted throughout the office and in the bathrooms to shut off the lights when leaving a room - Keeps some office lights off in the course of a day 	<ul style="list-style-type: none"> - Only buys paper supplies (copy paper / paper towels / toilet paper / post-its) with the recyclable logo
CSCC-HONG KONG	<ul style="list-style-type: none"> - Uses recycled paper as scrap paper or for photocopies for internal use. 	<ul style="list-style-type: none"> - Looking into getting additional recycling bins in our building - Returns old laser toner cartridges to the stationery store every other month for recycling 	<ul style="list-style-type: none"> - Turns off the lights and internal air-condition during lunch and after office hours 	
CSCC-CHINA (Shenzhen and Shanghai)	<ul style="list-style-type: none"> - Reuses the paper as notepads and fax cover sheets - Prints double-sided and uses plain paper only when absolutely necessary 	<ul style="list-style-type: none"> - Uses non-disposable mugs in the office - Uses rechargeable batteries instead of disposable batteries. - Encourages staff to green their work environment with potted plants. - Rejects disposable lunchboxes when ordering meals 	<ul style="list-style-type: none"> - Turns off all the electric office appliances such as computers and printers after working hours - Switches off lights when leaving rooms. - Keeps AC Thermostat below 26C in summer. 	<ul style="list-style-type: none"> - Purchases cups made of recycling paper for visitors - Recycles paper bags when purchasing stationery
STR-CSCC INDIA	<ul style="list-style-type: none"> - Encourages employees to use recycled paper for internal printing and as work sheets. 	<ul style="list-style-type: none"> - The office vehicles are maintained and serviced on a regular basis to increase efficiency and reduce pollution. 	<ul style="list-style-type: none"> - IT Dept strictly enforces shutting down of computers at the end of the day. - Lights and AC are switched off at the end of the day. - Glass windows allow penetration of sunlight which reduces the usage of artificial lights during the day 	
STR-CSCC UK	<ul style="list-style-type: none"> - Used paper and cardboard is placed in specialty recycling bins. Shred It picks up the paper bins on a monthly basis for recycling. - Uses re-useable mugs, cups and crockery for all staff and visitors. 	<ul style="list-style-type: none"> - Recycles cartridges and toners through Reclaim It and any money made from this is sent to a charity on STR's behalf. - Recycles plastic cups that are used with the drinks machines through Save A Cup – they turn them into other plastic things. - Returns all used light tubes and bulbs to a nearby electric company for proper disposal 	<ul style="list-style-type: none"> - Turns off all appliances (including Computers) at night - Has identified insulation as a problem area - All unusable IT equipment is collected by a division of Shred It and they re-use or recycle or properly dispose of it. 	

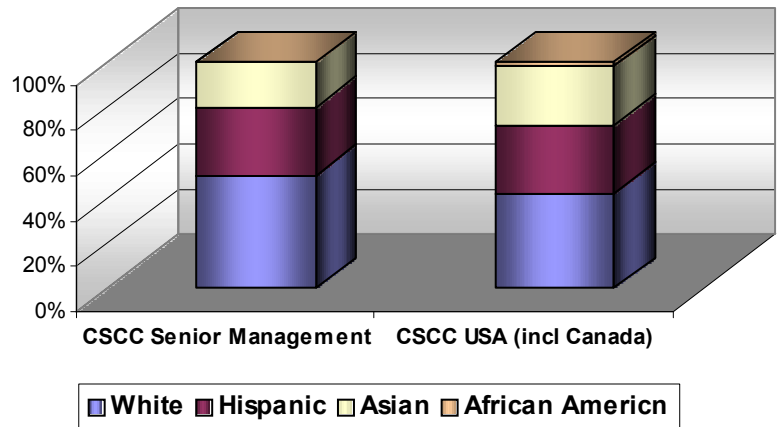
Our Employees

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.

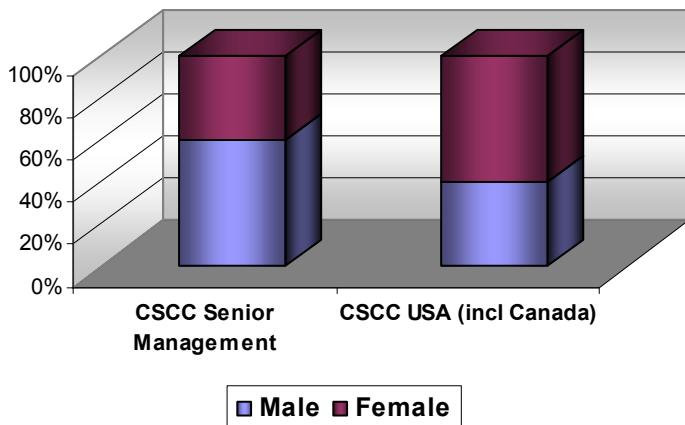
Our Team in a Nutshell

- Over 270 employees in 30 countries (and counting!)
- 27 nationalities (and counting!)
- 30 languages (and counting!)
- Ages 20 to 60
- Strong and ambitious women dominate at all levels of the company (see charts 1 and 3)
- In North America, visible minorities are a prominent part of our staff (see chart 2)
- Elsewhere in the world, we provide job opportunities to locals (see chart 3)

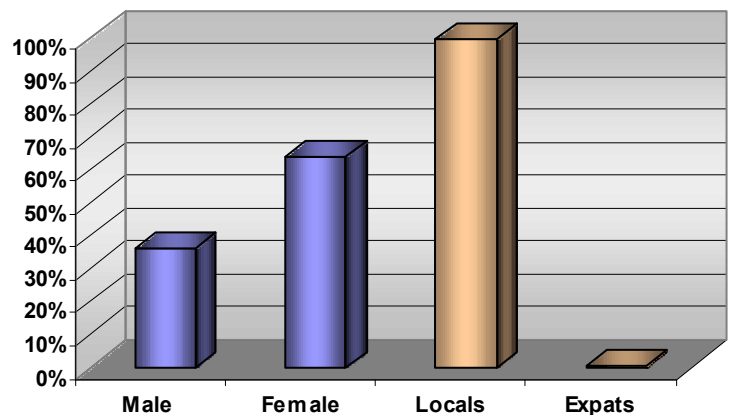
2. CSCC Management and N. America Diversity Statistics



1. CSCC Management and N. America Diversity Statistics



3. CSCC Global Diversity (excluding N. America)



“As a service provider, our employees are the foundation of the company. So things like work-life balance, flexible work hours and professional development are a really important part of our corporate strategy. We do what we can as a boutique firm in a competitive industry and our employees reward us with their dedication and their commitment to our mission and values.”

Greg Gardner
President & CEO

What our Employees Say

Surveys of employees that we have conducted over the last 3 years have all consistently indicated that employees are relatively happy working at CSCC. An overwhelming majority of employees feel they have adequate opportunities to express their opinions, that someone at work cares about their wellbeing, and that they have good relationships with their supervisors. CSCC is also proud to boast a high rate of return of former employees that choose to come back to work for CSCC. Their reasons for returning often center around the flexible work environment, the noble mission and reputation for integrity of the company, opportunities for personal and professional growth, and the collegial and supportive relationship with coworkers and managers.

We are committed to providing our employees with a supportive and constructive working environment where they are empowered to make a difference in the world.

Work-life Balance

CSCC is a relatively young company. The average age of employees is in the late 20s. As well, our roster contains a high female to male ratio. It means there are a lot of mothers with young families on our team. Since 2005, we have granted over 25 special requests for family accommodations that include:

- Reassignment to jobs that require less travel
- Reassignment to part-time positions
- Flexible work hours
- Work-from-home options
- Extended personal leaves
- Access to portable technology

Project Sunshine

In 2007, CSCC launched one of its most ambitious projects related to work-life balance. Over the years, as our clients' assessment scope continued to expand and the methodologies became more complex, we found we had to act to preserve the balance between our clients' needs and our employees' work-life balance. In our surveys, our employees reported they spent many late nights working to complete reports and that was affecting how much they enjoyed their jobs. In response, management set up a committee to analyze a

typical auditor work day, measuring the time it takes an auditor to do each task related to an assessment.

What we found from this data was interesting. For example, one of the activities that auditors spent the most time on was reviewing client specific assessment procedures. While most clients follow standard audit methodology, it was details like how a finding should be expressed in a report, which varied by client, that would require the auditor to spend an inordinate amount of time studying the procedures prior to an assessment. Armed with this data, we aim to approach some of our clients and work with them to find ways to streamline the audit process so it is less taxing on our auditors.

The project is an ongoing one that will continue through 2008. Additionally, we have already developed a continuous sampling system that will analyze auditor work days beyond the completion of this project. We hope to continue to proactively address workload creep beyond what can be reasonably expected of our employees.

What did CSCC do to help you take care of your new family?

The company arranged for a lighter workload for me so I could spend more time with my family. They also gave me assignments that were close to Ningbo, where I live now, so I wouldn't travel as much. I'm really grateful for the efforts everyone made for me.



How did the company support you through your pregnancy?

They gave me enough rest as soon as they knew I was pregnant. They also changed my job to an office-based one. The most important is that they gave me extra 1.5 months vacation before I gave birth to my baby.

Do you think CSCC is a good company at which people with families can work?

Sure! I really want to thank my supervisors and all the managers for their support. I can stay with my family almost every day due to the flexible system at CSCC.

Expert Insights

Mavis Luo is a CSCC auditor in Shanghai, China. Like many, she decided to start a family and when her husband moved to Ningbo, we made accommodations for her to join him.

Personal Development

We are firm believers that personal and professional success go hand in hand. Since 2005, CSCC has granted over 15 requests for education and training accommodations that include:

- Tuition assistance
- Reassignment to jobs that require less travel
- Reassignment to part-time positions
- Flexible work hours
- Relocation assistance
- Collaborative research projects

In 2007, we are pleased to have played a role in helping our employees achieve their academic goals. One employee was awarded a PhD, one a law degree, and another a Masters degree — all while working at CSCC.

Our employees are an ambitious group. They have pursued their academic goals at such internationally renowned schools as:

- University of Barcelona
- New York University
- Duke Fuqua School of Business
- Universidad Iberoamericana
- University of British Columbia
- King's College London

Professional Development

Along with the extensive training we provide to auditors (see page 18 for more information), CSCC also seeks to provide professional development opportunities to our non-audit and management staff within the company. In 2007, 17 employees took advantage of 31 non-audit related professional

development opportunities for a total of 444 hours of training consisting of workshops, seminars, conferences, and other similar learning events.

EMPLOYEE SPOTLIGHT

Cara Chacon, our Director of Training and Education shares her experience balancing her work-life needs during a personal crisis.



"I was diagnosed with breast cancer in April 2006 at the young age of 37 (at least young for breast cancer!). I underwent five surgeries over an 11-month period in 2006 and 2007 and have been cancer free for over one year. You can imagine the array of worries one has to face when diagnosed. Work was not one of those worries. CSCC supported me entirely with a work from home, part-time schedule with flexible hours while recovering from each surgery—no questions asked. Most valuable, however, was the supportive, understanding demeanor from my supervisor, Greg Gardner. The positive work environment helped enormously with the healing process, both mentally and physically. I am extremely grateful for the compassion and encouragement I received throughout the entire ordeal from all my co-workers in the US and abroad."

“There are a lot of opportunities to learn in our company and industry, so I have learned to ‘connect the dots’ and put employees in positions to learn from one another. I have great respect and admiration for the employees who I manage, and I invest a great deal of myself in their growth.”

Ryan Lynch
Regional Manager, East Coast USA

Face-to-Face Engagement

Due to the amount of travel our employees do, face-to-face engagement time can be hard to come by. However, we do our best to provide all of our staff, field staff included, scheduled time in the office as often as we can, because what good is an open door policy when no one is there to walk through the door?

We hold regular communication meetings to provide employees an opportunity to ask any questions they may have, and to share opinions and ideas. Offices are also given social budgets to plan fun events for employees so they have the chance to meet their colleagues and build camaraderie.

Employee engagement is not just good human resources theory to us. We are proud to be a practical example of that philosophy.

Online Engagement

For some of employees, face-to-face engagements are rare due to their geography or their travel schedules. For these employees, CSCC does at least 2 conference calls per year where Greg Gardner, President and CEO, updates staff on the progress of corporate and regional initiatives, provides an overview of market trends, and answers questions from employees. In 2007, we held 2 such calls, one of which included an online slideshow presentation. The second call was recorded and made available for audio streaming from CSCC’s online corporate information tool, for the convenience of those that were not able to dial in for the call.

ResourceNet

In July 2007, we launched ResourceNet, an online corporate information and employee engagement tool. ResourceNet was created in response to the results of past employee surveys that have asked for better communications tools to connect our global staff. The features of ResourceNet include:

- A discussion board where employees can debate issues the company or industry is facing, and share learnings from conferences or events
- An employee survey tool that allows us to poll employees throughout the year, rather than just

once a year in an employee survey

- A company announcements archive that allows employees to catch up with the latest company news
- An audio download archive featuring interviews done with members of CSCC staff that can be downloaded onto a computer or portable audio player. In 2007, 8 interviews were posted for download, with topics for the interviews ranging from live event updates to analysis of industry news events

Online Workgroups

At the end of 2007, CSCC piloted the idea of ResourceNet workgroups to help drive innovation and collaboration within the company. Employees from around the globe were recruited to participate in developing solutions for challenges the company faces. One of these workgroups is a spin-off of the committee working on Project Sunshine (see page 23 for more information). The spin-off group includes employees that are not necessarily part of the larger initiative, that are tasked with providing popular input and tactical support. We hope to evaluate the success of these workgroups in 2008 and determine how to best leverage ResourceNet as a participatory management tool.

Goals for 2008

We have made a lot of commitments in this report and this section serves as a summary of our 2008 planned activities related to our efforts to further the UN Global Compact principles through increased collaboration and sharing in the coming year.

Products and Services

- **Joint Assessments**

We plan to promote joint approaches among our clients for the purposes of harmonizing procedures and templates, enabling additional resources to be allocated to training and remediation, and reducing audit fatigue and business interruption of suppliers.

- **LA Conference**

We received great feedback on our conference last year and we want to re-create this space for sharing, dialogue, and interaction to occur among our clients and other stakeholders concerned with responsible sourcing.

- **Law Database**

We are planning to offer an online version of our labor law profiles that will be regularly updated and will enable clients to look up laws and summaries of legal requirements worldwide.

- **Regional support centers**

Just as our Hong Kong office has done through the CSR lab, we want to encourage our regional offices to establish platforms for learning and sharing ideas in order to assist local suppliers in their efforts to meet the ever-growing number of social and security requirements.

- **UCLA extension classes**

We will continue to collaborate with UCLA and we plan to develop joint classes and training programs on responsible sourcing, human rights in the workplace, and supply chain security.

Operational Ideals

- **Auditor Awards**

In 2008, we will conduct another auditor award competition. We hope to make this an annual event.

In 2008, we look forward to continuing our efforts to help our clients improve working conditions in their global supply chains and to fostering responsibility within our own sphere of influence.

- **Volunteering**

We plan to formalize and roll out a company-wide charitable and volunteering policy.

- **Carbon footprint audit**

We plan to conduct a comprehensive carbon footprint audit of our US operations.

- **Global Environmental Policies**

We plan to roll out our environmental policies to all our offices.

Employees

- **Project Sunshine**

We will complete our analysis of our assessment processes and identify opportunities for efficiency improvements that will have a positive impact on quality and work-life balance.

- **Resource Net Working Groups**

We will pilot two working groups to enable our employees to share ideas and help to shape policies and decision-making on specific initiatives.

Feedback Survey

Please give us your feedback on this report:

www.surveymonkey.com/s.aspx?sm=elyq8PrUjgOXoUzOzArZag_3d_3d

For 2008, the following themes will guide our internal development:

- **Work-Life Balance:** We want to promote a corporate culture that is family-friendly and we want to continue to provide flexible work hours and locations to all staff.
- **Strengthening the Team:** We want to encourage and support our staff to pursue continuing education and professional development.
- **Collaboration:** We want to increase our partnerships and our work with multi-stakeholder initiatives. We also want to encourage our clients to collaborate to share information, approaches, and resources, and move the industry forwards as a whole.
- **Growth:** We want to grow our business sustainably and provide a full service offering for companies working to be more socially and environmentally responsible.

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