



**CSCC**

*An STR Company*

**CSCC UN GLOBAL COMPACT  
COMMUNICATION ON PROGRESS  
2006**

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## UN Global Compact Principles:

### **Human Rights**

*Principle 1:* Businesses should support and respect the protection of internationally proclaimed human rights; and

*Principle 2:* make sure that they are not complicit in human rights abuses.

### **Labour Standards**

*Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

*Principle 4:* the elimination of all forms of forced and compulsory labour;

*Principle 5:* the effective abolition of child labour; and

*Principle 6:* the elimination of discrimination in respect of employment and occupation.

### **Environment**

*Principle 7:* Businesses should support a precautionary approach to environmental challenges;

*Principle 8:* undertake initiatives to promote greater environmental responsibility; and

*Principle 9:* encourage the development and diffusion of environmentally friendly technologies

### **Anti-Corruption**

*Principle 10:* Businesses should work against all forms of corruption, including extortion and bribery.



THE GLOBAL  
COMPACT

## CEO Statement

It has been a little over a year since our last UNGC Communication on Progress and I am proud to report that the company has either completed or has made significant progress on a majority of the ambitious targets we set last year. Throughout 2006, our CSR committee diligently oversaw the development and implementation of many of these initiatives, while our regions and departments worked hard to implement them and also developed many of their own solutions for the targets. Therefore, CSCC's global workforce must be commended for its efforts in ensuring the company continues to strive to be a good corporate citizen.

This year's report highlights achievements in stakeholder engagement, environmental protection, and workplace health and wellness, among other important issues. However, due to their place within CSCC's direct sphere of influence, I feel that the most significant of our achievements have to do with protecting human rights and enhancing the company's already-stringent anti-corruption policies and practices.

As a leader in the industry, CSCC has a responsibility to continually raise the bar with regards to standards in the detection and reporting of human rights abuses in the workplace, as well as rigorously enforce objectivity throughout the monitoring process. Thus, I am pleased to report on these achievements, which include:

- Increased training and enhanced tools to improve violation detection rates, with particular emphasis on the "soft issues" of discrimination and freedom of association
- Increased training and enhanced tools to thwart attempts by factories to hide violations
- The development of a statement, to be communicated to all new clients, regarding the acceptable uses of assessment data and reports collected and issued by CSCC, the inclusion of confidential employee interviews for all initial onsite assessments, and the minimum standards to which assessments will be conducted
- The planned expansion of our worker hotline program to China
- The prominent role the company has taken in exploring options for the establishment of a professional organization for social auditors, to include accreditation standards for individuals performing social assessments

Looking ahead to 2007, we hope to keep pace with the achievements of 2006 with another set of ambitious targets recommended by our CSR Committee. We welcome your feedback through our online survey:  
<http://www.surveymonkey.com/s.asp?u=35483241127>

Sincerely,



Greg Gardner  
President and CEO  
CSCC



## CSCC Overview

### **MISSION**

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

### **VALUES**

#### ***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. We are an integral part of a client's supply chain management program and are active partners in helping our clients achieve their responsible sourcing goals.

#### ***Operational Ideals:***

We strive for objectivity, thoroughness, accountability, and quality in all that we do. We use innovative tools and methodologies and forward-thinking risk management strategies to uphold the integrity of our clients' supply chains and promote improved labor and security standards worldwide. We aim to operate in an environmentally friendly manner and participate in recycling and conservation programs where available.

#### ***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. 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.

### **COMPANY PROFILE**

Originally named Cal Safety Compliance Corporation, we pioneered the concept of safety compliance inspections in the California apparel community. Today, CSCC operates in over 135 countries and is a global provider of responsible sourcing consulting services, which include monitoring, training and education, program development and management, and research capabilities. We have developed and implemented social compliance monitoring programs for some of the world's most recognized brands and retailers, many of whom are part of the Fortune 500 and listed in FTSE4Good. Our clients come from a variety of industries such as garments and textiles, home furnishings, hard-lines, technology, cosmetics, toys, food processing, and agriculture. CSCC is widely regarded as a source for social compliance industry best practices, conducting over 12,000 social assessments and a multitude of training seminars annually. CSCC is a member of, or an accredited monitor for, numerous industry associations, including the UN Global Compact, SAI, FLA, WRAP, BSR, ICTI, BSCI, Sedex, and AccountAbility.

**Our offices<sup>1</sup>:****North America:** USA-LA (Headquarters), USA-NJ, USA-SF, USA-Atlanta, Canada**Latin America:** Mexico, Guatemala, Brazil, Peru, El Salvador**Europe:** UK, Italy, Spain, Turkey, Poland, Bulgaria, Russia**South Asia:** Pakistan, Bangladesh, India, Sri Lanka**Southeast Asia:** Philippines Thailand, Vietnam, Indonesia**East Asia:** China-Shanghai, China-Shenzhen, China-Xiamen, China-Ningbo, China-Qingdao, China-Hong Kong, Taiwan, Korea, Japan**Middle East:** UAE

## Report Methodology

This report was prepared using a variety of tools including the GRI Guidelines, the UN Global Compact's Practical Guide to Communication on Progress, and the AccountAbility 1000 Assurance Standard. The report was researched and drafted by our Communications Department in conjunction with the CSR Committee. Data was gathered using surveys, survey results from past years, interviews, and by reviewing company operating procedures and human resources policies.

Surveys used included:

- Global Employee Survey: Oct. 2005
- Annual Client Survey: Oct. 2005

**Scope:**

The reporting period is October 2005 to December 2006. Since the last report, CSCC has undergone a global regionalization plan to decentralize our operations. Therefore, this has affected the way we implement global initiatives. For that reason, not all of our social and environmental policies and practices are uniformly applied around the world. Where this is the case, it is noted in the report. Specifically, our environmental data is limited to our North America operations.

**Changes:**

We are pleased to be able to provide additional quantitative data in this report. It is our goal to continuously work towards reporting on the GRI indicators relevant for our company. This year, we have also restructured the report by topic rather than by UNGC principle. We decided to do this to help the flow of the report and also so we could include information beyond the scope of the UNGC principles (for example, our new section on Stakeholder Engagement).

**Dissemination:**

To announce the publication of our first UN Global Compact Communication on Progress, we included a link to the report on our website, we sent an email to all staff, we set up regional meetings to present the report and we solicited feedback through our employee and client surveys. Throughout the year we also sent the report to various clients and stakeholders. This year we will do all of the above as well as announce it in our weekly industry news update. We invite all stakeholders to submit their feedback on the report through our online survey: <http://www.surveymonkey.com/s.asp?u=35483241127>.

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<sup>1</sup> These include satellite offices of one or two staff. Office data is accurate as of December, 2006.

## Human Rights (UNGC Principles 1 & 2)

OUR 2005 COMMITMENTS	OUR 2006 ACTIONS	STATUS
<i>Regularly host the Global Conference Series in our worldwide locations</i>	This year we focused on holding small seminars in various locations around the world on compliance and CSR topics. We held over 25 seminars in 2006. The small seminar model proved more accessible for suppliers, especially in China, who were able to get information and guidance on best practices for social and security compliance in a convenient location at a low cost.	●
<i>Implement NJ best practice of incorporating the Industry Update into office meetings</i>	For 2007 we are discussing various ways to increase awareness of human rights and CSR issues among our staff, although the NJ best practice may not be suitable for all offices. Our employee newsletter often includes information about CSR topics as well as stories from the field.	●
<i>Draw up a policy on ethical purchasing (add to Internal Audit System) and implement human rights monitoring of major suppliers and contractors of our North America offices</i>	While we had identified a best practice of monitoring our suppliers for garments bearing the CSCC logo, this was not a formalized policy. We have since drafted the policy and it is under executive review and will be implemented in 2007. However, we did not source any CSCC logo garments or supplies in 2005 or 2006.	●
<i>Add a policy with minimum standards on client selection in which CSCC refuses to work with a client that requests sub-par social compliance assessments</i>	We have drafted a statement that is currently under review by executive management (see summary below on pg. 9 under 'CSCC/Client Principles of Integrity').	●

### Increasing Human Rights Awareness:

As a company that works to monitor human rights, we have undertaken various initiatives to improve human rights awareness at all levels of our organization.

- **CSCC Industry News Update**

Our weekly industry news update (sent to all of our employees, clients, and other partners) has received positive feedback from recipients. It covers international and local supply chain issues with sections focusing on trade unions and the environment among other topics.

- **CSCC Responsible Sourcing Blog**

In August 2006, we launched our company blog on responsible sourcing:

<http://csc.typepad.com/responsiblesourcing/>

The blog is designed to stimulate debate around responsible sourcing and general corporate social responsibility (CSR) issues. Since its launch it has received over 2,000 hits.

- **E-Learning**

Our newest product for social compliance at the factory level is designed to maximize the impact of our clients' supply chain programs through the use of internet technology. While few clients can reach one hundred percent of their facilities in compliance-related engagement, CSCC's e-learning programs can reach some of the most remote facilities within a supply chain with web-based social compliance training. In addition, companies can use the e-learning module to educate internal stakeholders in other departments about responsible sourcing issues. Module content covers the definition and history of social compliance, risks of non-compliance, human rights compliance, wage & hours compliance, environmental health & safety, and building a successful social compliance program. In December 2006, we launched the Chinese version of the e-learning module on social compliance and we are working on increasing access to this program by translating the program into other global languages.

- **Hong Kong CSR Lab**

As an arm's-length division of CSCC, The CSR Lab will promote research and engage in projects that contribute to solutions for responsible sourcing and broader CSR issues. As one of the first projects for the CSR Lab, our Hong Kong team is currently working on a root cause mapping analysis of working hours. The team is now looking for brands and factories who would like to participate in the pilot project to reduce excessive overtime and build capacity within factory management systems. In addition, the CSR Lab will hold regular gatherings with CSR practitioners in the region to promote best practices in responsible sourcing.

### **Protecting Human Rights:**

As part of our commitment to not be complicit in human rights violations, we have an obligation to the workers we interview to make sure that their safety and well-being is not jeopardized as a result of our assessments. To that end we have various worker protection procedures in place, with a vision to do even more:

- **Worker hotlines**

In the US, we have toll free numbers where workers can confidentially report any infringements on their legal rights. Workers are provided this information during the interview portion of an assessment. We are currently studying the possibility of establishing a worker hotline accessible to workers in China. Globally, our field assessors provide their business cards with their contact information in situations where they feel the worker may want to report additional problems.

- **Training**

Our field assessors are trained in human rights awareness and detection. They are also trained to identify situations where certain lines of investigation or disclosure of findings to the factory management may endanger the workers and are instructed to protect their own and the workers' safety first and foremost. In any case, all information gathered in worker interviews is confidential and is not provided to the factory management.

To further bolster our commitment to protect human rights, one of our goals for 2007, based on a recommendation from the socially responsible investment groups we have engaged with, is to encourage our clients to include a non-retaliation clause in their supplier

codes of conduct. This will help to ensure workers are not fired or otherwise punished for reporting abuses or irregularities to us.

### **Service Responsibility:**

As a service provider of social compliance monitoring for human rights and labor rights abuses, we have an added responsibility to continuously improve our ability to detect these violations, not only in order to provide a superior service to our clients, but also to ensure the betterment of working conditions for the factory and farm workers around the world with whom we interact on a daily basis. Additionally, as industry leaders, we are aware that we have a considerable amount of influence in how a client goes forward with a responsible sourcing program. As part of our commitment to not be complicit in human rights abuses, we acknowledge our responsibility to ensure that clients are fully aware of their program options and program best practices.

Findings of discrimination, freedom of association, and incidents of harassment and abuse are more difficult to detect than wage, hour, and health & safety violations. There are many reasons for this including the assessment model, lack of substantiating evidence, and cultural factors. CSCC's standard procedures include unannounced assessments, employee interviews that address the "soft issues", and intense document reviews. Should clients wish to customize a responsible sourcing program, it is standard practice that we recommend they conduct unannounced assessments and incorporate other methodologies such as off-hours surveillance, multi-day assessments, and off-site interviews to address particularly high risk areas or issues.

The following training improvements were implemented in 2006:

- **International Standards training** – This training is developed to raise awareness of International Standards, such as the ILO Conventions and the Human Rights Covenants, that we use to ensure consistent recommendations are provided to suppliers in areas where domestic laws are silent. This training was conducted globally in Q2 and Q3 of 2006.
- **Auditor Alerts** – Auditors receive immediate and up-to-date news on the latest manipulation techniques, updated procedures, new laws, tips on detecting certain types of violations, and other important information relevant to ensuring assessments are conducted thoroughly at all times.
- **Manipulation Training** – This training helps auditors detect and determine the manipulation of payroll and other documents. It was provided to all auditors globally throughout 2006 and has now been incorporated into the new module training system.
- **NGO Report Training** – NGO report training was done globally in Q2 and Q3 this year and focused on making auditors aware of the violations NGO groups were finding compared to CSCC. Each trainer is assigned a geographic region for which they are responsible for tracking available NGO reports on compliance issues. The trainer is also responsible for training the auditors in the region on the reports.
- **CSCC Standard Grading Matrix** - Our CSCC Standard Grading Matrix has been greatly expanded to include over 100 new risks and now includes a dedicated section on imported worker concerns. The matrix is used to help auditors assess high, intermediate or low risk grades in assessments where the client uses the CSCC standard assessment tools and procedures.



For 2007, the Training & Education Department plans to roll out additional initiatives to improve the quality of our work:

- **New Module System** – The Department is in the process of renewing and revamping a new-hire training program. The new system incorporates a dedicated module on human rights and document manipulation detection.
- **Discrimination and Freedom of Association Detection Training** – We are developing regional training to cover discrimination and freedom of association issues in a local context. We have conducted these trainings with our Latin America auditors where freedom of association issues are complex and vary from country to country. The trainings addresses interpretations of what situations constitute discriminatory practices, and provide techniques for how to find such violations during the assessment process.
- **Imported Workers** - The Department has revised and expanded its training in detecting and assessing risk with regards to imported worker issues. The new training will be included in the new module on 'Human Rights' and will highlight scenarios, laws, and best practices in both the home and host countries. Global training for current auditors will roll out in Q2 2007.
- **IACET** – CSCC is currently pursuing accreditation by IACET, which requires a third party audit of our Training Department. The International Association for Continuing Education and Training is a non-profit association dedicated to quality continuing education and training programs. IACET authorizes education providers that meet strict continuing education guidelines. As a result, a number of CSCC's internal and external trainings will be planned and executed under IACET Standards, including the new auditor training.

#### **CSCC/Client Principles of Integrity:**

CSCC has always and will continue to operate with integrity and objectivity. Our policies have always reflected these values with some of the strictest and most proactive policies on bribery, reporting, and assessment criteria in the industry. We encourage our clients to engage in in-depth investigations and surveillance in high risk areas or in response to emerging issues. As further proof of our commitment to integrity, we are working to ensure that our clients use the results of any assessment or investigation in a way that will not mislead the public. Through our statement on CSCC/Client Principles of Integrity, we aim to clearly articulate our role in the assessment process, and underline that we cannot, under any circumstance, act in a way that negates our objectivity or the integrity of the assessment process. The statement is currently under review by executive management. Once approved, it will be communicated to all current and future clients.

CSCC reserves the right to end business relationships with clients who fail to adhere to our Principles of Integrity.

## Labor (UNGC Principles 3, 4, 5 & 6)

OUR 2005 COMMITMENTS	OUR 2006 ACTIONS	STATUS
<i>Track equal employment opportunities statistics for all offices</i>	Worldwide employees are asked to submit copies of their IDs or passports. In the US the orientation packet for new hires includes a form that asks about ethnicity for tracking purposes. Our parent company, STR, runs an EEO report on a quarterly basis but this does not include our regional offices as their statistics are not tracked in the database. However, we have gathered some data on diversity for this report (see below section on 'Employee Diversity', pg. 11).	●
<i>Incorporate additional health and safety items into Internal Audit System</i>	We have incorporated health & safety indicators into our internal audit system. Our global offices are audited twice a year internally and our HQ office is audited twice a year by SAI.	●
<i>Re-appoint Safety Committee and resume IIPP tracking in the US and update OSHA logs</i>	<p>OSHA logs are updated for the US. Fire drills are conducted annually in the LA office. There are several people assigned to be the "group leader", and their primary role is to ensure all the members in their groups safely arrived to the designated location in case of an emergency.</p> <p>We surveyed our larger global offices in China, India, and the UK where CSCC employees are covered by STR safety policies and activities:</p> <ul style="list-style-type: none"> <li>○ In China the QA department conducts annual fire drills, provides safety training and is responsible for tracking workplace injuries.</li> <li>○ In India, fire drills are conducted on a quarterly basis and injuries are tracked by the building management company.</li> <li>○ In the UK, the Safety Committee meets every six months, fire drills are conducted at least once a year and all accidents and injuries are recorded by the Operations Manager and retained by the HR Department.</li> </ul>	●
<i>Streamline communications of travel procedures to all employees</i>	See below section on 'Employee Safety', pg. 11	●
<i>Implement a policy on HIV/AIDS and anti-discrimination. Communicate to all offices</i>	STR and CSCC recognize the devastating and global impact that HIV/AIDS has on communities and businesses. The company has reviewed its hiring, termination, and workplace health and wellness policies and has determined that current policies are thorough and adequate to handle any issues involving employees afflicted with HIV/AIDS. Additionally, the company's non-discrimination policies are adequate in ensuring that the above policies are applied uniformly and without judgment to all employees, including those afflicted with HIV/AIDS.	●

**Employee Diversity:**

Overwhelmingly, our regional offices are staffed by country nationals rather than expatriates. We also have minority and female representation at the senior management level.

Composition of CSCC Senior Management	
Male	54%
Female	46%
White	46%
Hispanic	39%
Asian	15%

CSCC Latin America	
Male	64%
Female	36%
Locals	100%
Expats	0%

CSCC USA (incl Canada)	
Male	40%
Female	60%
Hispanic	38%
Asian	31%
White	29%
African American	2%

CSCC Middle East	
Male	83%
Female	17%
Locals	83%
Expats	17%

CSCC China/HK/Taiwan/Japan	
Male	29%
Female	71%
Locals	99%
Expats	1%

CSCC South East Asia	
Male	47%
Female	53%
Locals	100%
Expats	0%

CSCC Europe (incl. Russia)	
Male	40%
Female	60%
Locals	80%
Expats	20%

**Employee Safety:**

In conducting our business around the world, CSCC places the safety of our employees first. In planning trips, regional managers must ensure that safe modes of transportation are utilized, secure hotels are reserved, and countries in strife or upheaval are evaluated prior to an employee's departure. Should employees fear for their safety, employees have the right to turn down an assignment or abort an assignment in progress without any negative consequences. The Training & Education Department developed a specific set of procedures for auditors facing hostile or threatening audit situations. This was distributed to all employees in October 2006.

Any country with a Government Travel advisory requires a Country Risk Summary to be completed and senior management approval prior to employee departure. As a global

company, CSCC recognizes that in different regions of the world some nationalities or genders are less likely to be the targets of criminals than other nationalities or the opposite gender. Whenever possible, regional managers are to give assignments to those individuals that will have less difficulty working in regions deemed "at-risk."

CSCC monitors the FAA announcements on unsafe airlines and airports around the world. The Research & Development Department and the regional offices monitor travel warnings and advisories from all major countries, including those from the US State Department. Employees have the right to decline travel to countries where they feel threatened or unsafe. Safe business travel guidelines are provided to all traveling employees, as suggested by the US State Dept, the British Foreign Office, and the governments of other developed countries.

All employees complete a "trip debrief" upon returning from any travel assignments. Any concerns or new first-hand information is then distributed to the regional offices.

### **Improving Our Industry: Monitoring Standards Project**

In an effort to turn social auditing into a profession, a group of major brands and the largest monitoring firms have undertaken a collaborative effort to explore the development of a professional association and related accreditation for the individuals performing assessments. The overall objective of this effort will be to establish standards or qualifications and an oversight entity for individuals engaged in the performance of code of conduct compliance monitoring visits. CSCC has taken an active role in this initiative and in April 2006, hosted the second meeting for the project. We are now working with our industry peers to establish an association that will continue the work.

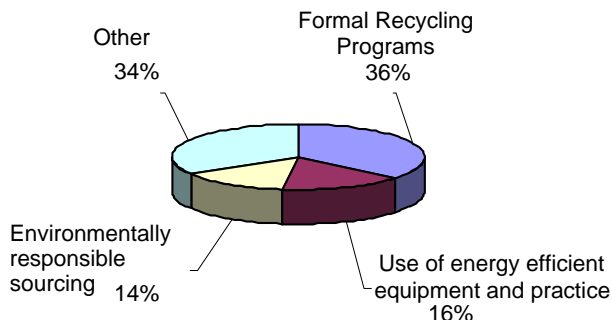
## Environment (UNGC Principles 7, 8 & 9)

OUR 2005 COMMITMENTS	OUR 2006 ACTIONS	STATUS
<i>Develop an environmental management program</i>	See description below of CSCC's Environmental Management Program (pg. 13)	●
<i>Develop an environmentally-friendly sourcing policy for office products</i>	This has been adopted for all North America offices and is incorporated into our Environmental Management Program	●
<i>Ask employees for their input in how to become a more environmentally-friendly company in the employee survey</i>	The employee survey results are graphed below. The most popular response was developing formal recycling programs wherever we operate.	●
<i>Use recycled paper in all offices by 2006</i>	For North America, this has been adopted as part of our Environmental Management Program. For our global offices, this has been communicated as a strong recommendation and will be included in the Internal Audit System in 2007.	●
<i>Implement recycling programs in all offices worldwide and track through Internal Audit System</i>	For North America, this has been adopted as part of our Environmental Management Program. For our global offices, this has been communicated as a strong recommendation and will be included in the Internal Audit System in 2007.	●
<i>Track number of miles flown (or yearly average) and calculate CO2 emissions</i>	Total number of miles flown for our US employees in 2006 were approximately 261,576 miles. For road travel this figure was 72,144 miles (see below for more information on how this was calculated and for the CO <sub>2</sub> emissions).	●
<i>Track water and energy usage metrics for North American operations (worldwide by 2008)</i>	Our energy usage for our US offices was approximately 45,780 kwh (see below for detailed information on how this was calculated).	●

### **CSCC Environmental Management Program**

For our North America offices, we have adopted and implemented new initiatives in line with environmentally-friendly best practices. Based on their successful implementation, we plan to expand the initiatives globally to all CSCC offices, where possible. Some of the new best practices adopted include resource and energy conservation measures stressing waste reduction through increased reuse of paper, elimination of hard-copy editing, setting power management options on computers and switching off computers and monitors at night. Furthermore, CSCC has adopted environmental policies and guidelines on purchasing office supplies and electronic equipment, and on business travel options that will reduce our environmental impact. CSCC and its parent company, STR, have included options for

We asked employees: “How can CSCC become more environmentally friendly?”



recycled and sustainably-harvested papers on the approved list of papers for marketing materials.

While already in place in our Los Angeles office, since July 2006 we have implemented a formal large-scale recycling program in our New Jersey office requiring employees to separate trash into plastic, aluminum cans, bottles, paper-cardboard and garbage. Responsibility of removal is shared among staff. CSCC-NJ has also started using the company *Shred-It* to shred and recycle

paper. CSCC-NJ invested in ceramic dishes and silverware to encourage employees to use those instead of disposable plates and cutlery.

In order to measure our carbon footprint, we took an average month in 2005 and calculated the carbon emissions generated through the air and road travel of our US employees. We added data on our electricity usage using the same method.<sup>2</sup> Extrapolating that data, and using the Carbon Fund’s carbon calculator ([www.carbonfund.org](http://www.carbonfund.org)) we estimated that in 2005, our US offices generated approximately 120.8 metric tons of CO<sub>2</sub> (or roughly 2.7 metric tons of CO<sub>2</sub> per US employee) to be released into the atmosphere. Our goal in 2007 is to more accurately measure our carbon emissions generated by our US operations and consider off-set options. In addition, we want to track miles flown by our global employees and non-field staff in order to be able to include them in the calculation.



Inauguration of New Jersey Recycling Program

**Top Ten Employee Environmental Tips**

We developed and communicated the following environmental tips for employees:

1. TURN OFF Computers & Monitors at the end of workday
2. SWITCH OFF lights & equipment when exiting rooms
3. RECYCLE – Use the Recycling Bins as much as possible
4. REUSE PAPER as notepads and fax cover sheets
5. PRINT DOUBLE-SIDED ... & only when absolutely necessary
6. GREEN your work environment with potted plants
7. CLOSE TAPS TIGHTLY after use and alert building supervisors to fix leaky faucets
8. USE NON-DISPOSABLE UTENSILS e.g. mugs, plates, silverware, etc.
9. TURN AC THERMOSTAT DOWN by 2°F
10. REPLACE all incandescent office lighting bulbs with Energy Efficient bulbs

<sup>2</sup> However, we did not have data for our Los Angeles office as the building is shared and utilities are included. Therefore, we used the New Jersey office total kwh and multiplied by 1.5 (since the LA office has roughly 50% more staff than the NJ office) to get the figure for LA.

## Anti- Corruption (UNGC Principle 10)

OUR 2005 COMMITMENT	OUR 2006 ACTIONS	STATUS
<i>Communicate updated mission and values to all employees. Evaluate effectiveness of this through the annual employee survey</i>	This was completed by the end of 2005. Employees were sent the updated mission and values by email, posters were distributed to all offices, and wallet-sized cards were given out to employees. In our 2005 employee survey we asked employees if they thought the new mission and values statements accurately describe CSCC as a company and 90% said, 'Yes'.	●
<i>Clarify the applicable ethics policies with clear instructions on who to go to when faced with an ethical dilemma. Communicate to all employees. Evaluate effectiveness of this through the annual employee survey</i>	CSCC was actively involved in the review and revision of our parent company's corporate ethics program. To that end, all employees were surveyed on their understanding of current ethics policies. In addition, STR will shortly launch the revised Code of Business Ethics, which applies to CSCC staff, accompanied by a mandatory global ethics training program for all employees that CSCC helped to develop. Employees will be surveyed again in 2007 to assess the effectiveness of the training.	●
<i>Clarify grievance procedures for all employees</i>	CSCC helped to set up and train a regional structure of ethics personnel who will serve as neutral ombudspople for all STR employees in their regions, including CSCC employees. While the new STR Ethics Program is still in the process of being rolled out, all STR and CSCC staff can now use the STREthics.com website to make confidential inquiries related to ethics.	●
<i>Encourage use of suggestion boxes (or develop regional alternatives) and ensure management responds to every suggestion in a specified amount of time. Track effectiveness through Internal Audit System</i>	Monitoring, responding, and tracking complaints raised through suggestion boxes in our global offices is tracked through the Internal Audit System. However, for our small offices or our satellite offices where employees are working from home, suggestion boxes are not accessible. Therefore, while promoting an open door policy, we also provide employees the opportunity to raise confidential complaints through our parent company's online form (as mentioned above) and through annual anonymous employee surveys.	●

### CSCC Ethics Management Program:

CSCC has developed an Ethics Management Program in order to communicate organizational values to employees and stakeholders, and to integrate these values into business activity. These systems have been developed to proactively assess employees' compliance with the standards, and also to aggressively investigate allegations of bribery and/or unethical conduct. CSCC maintains a zero tolerance policy with respect to bribery, and has terminated all employees who have been found to violate this standard.

**CSCC Code of Business Ethics**

The CSCC Code of Business Ethics is contained in the Employee Manual, distributed to employees upon employment, and affirmed by all employees.

- Conduct business in an ethical, lawful, and socially responsible manner.
- Perform all services in a careful and highly accurate manner, and with the utmost respect for the Company's reputation for integrity.
- Resolve any potential conflict of interest immediately with a supervisor or the Human Resources Office.
- Uphold the Employee Secrecy and Invention Agreement covering confidential and patent information for our clients.
- Relinquish any gifts received from clients, vendors, or any other party to the Human Resources Office, to be made available by raffle to employees.
- Provide accurate and true recordings of all Company transactions in study/testing records, accounts, or any other records.
- Purchase supplies, equipment, etc. on behalf of the Company in an ethical manner so as to maintain objectivity and to avoid any personal preferential treatment.
- Follow the principles of equal employment opportunity, and do not discriminate against any person due to their sex, religion, race color, age, national origin, marital status or physical disability.

It is CSCC's policy that all field personnel are prohibited from receiving or soliciting a bribe, gift, entertainment, favor or gratuity of any sort in connection with their representation of CSCC. In this context, a 'gift' includes items with a monetary value such as merchandise, tickets, vouchers, hotel accommodations, after-business-hours meals, free meals, airline upgrades, etc. It is not permissible for any CSCC auditors or consultants to accept a gift of anything, even of minor value. Within the business culture of some companies, it is customary to give visitors small promotional items containing the company name or logo (i.e. pens, mugs, calendars, etc.). These items are intended for visitors. CSCC field personnel providing a service at a factory are not visitors and shall not accept promotional items or gifts, even of minor value

**Field Application and Investigation Process**

Field assessors are aware of the Ethics Policy, and proactively apply this upon the commencement of every assessment that the Company conducts. During the opening meeting with facility management, the CSCC assessment staff explains the CSCC Ethics Policy, and each party signs the CSCC Statement of Integrity, which clearly states that facility management is not to offer any gift or gratuity to the assessment staff, and that assessment staff are not to accept any gift if offered. CSCC field assessors are also strictly forbidden from sharing a meal with factory management.

**Employee reports of bribes:**

Whenever a bribe is offered to CSCC field staff members, they are required to:

1. Refuse the bribe,
2. Notify a supervisor and notify the Client Service Manager,
3. Include the situation into the facility assessment report,
4. Take a picture of the monies/gifts if possible, and



5. Complete the "Notification of Bribe Form" within 24-hours and email the form to Quality and Systems Director

The Quality & Systems Director will inform the Client Service Managers to notify the Client of the attempted bribe. The Quality & Systems Director will inform Senior Management of attempted bribes during the Management Review Meeting. Meeting Reviews are held quarterly.

***Third-party reports of bribes (client, vendor, co-worker, Internal Audit Team, etc.)***

If allegations of bribes or wrong doing are brought against an employee through a third party (client, vendor, co-worker, Internal Audit Team, etc.) the person who receives the initial allegation is to fill out the "Bribery/Ethics Corrective Action Plan" form and submit it to the Quality & Systems Director, the employee's direct supervisor and Senior Management. This will initiate the investigation process. Senior Management will assign a person or contract a third-party organization responsible for the investigation and designate the methods that should be utilized.

***Proactive Investigation***

CSCC has developed a program of proactive investigations into the performance of its assessment staff. This applies to all areas of field staff performance, including quality, professionalism, and ethical compliance.

Regional Managers and also specific senior-level assessment staff are responsible for both the proactive and reactive field investigations of field staff behavior and performance. The internal auditor visits the facility that had been recently assessed by a CSCC staff member, and conducts a brief walk-through of the facility to compare assessment findings. The internal auditor will also interview both management staff and employees to solicit feedback on the previous field assessor's performance, professionalism, and behavior. The results of the internal audit are reported to the Director of Quality & Systems, and kept on file. Any suspicions are investigated further, following the protocol described above.

We are currently in the process of adding additional provisions in our hiring guidelines regarding assessing potential job candidates for ethical integrity. As a global company, we understand that the concept of ethics varies between cultures and that some practices considered normal in some cultures would be considered unethical elsewhere. That is why CSCC places an important emphasis on ethics and integrity in our training and communications to ensure all employees are aware of our ethical values and how important they are to our business.

## Stakeholder Engagement

OUR 2005 COMMITMENTS	OUR 2006 ACTIONS	STATUS
<i>Identify additional strategic partnerships with NGOs</i>	The CSCC Research & Development Department and the Training & Education Department conducted a stakeholder mapping exercise to identify more opportunities for NGO partnerships (see below, pg. 19)	●
<i>Overhaul global guidelines on NGO engagement procedures</i>	We have revised our guidelines on identifying and engaging with NGOs for specialty audits and for client projects.	●
<i>Align charitable causes with business objectives</i>	CSCC has donated \$1,000 to the A&F Challenge that benefits Save the Children. We also purchased our company holiday cards from UNICEF.	●
<i>Formalize company volunteer programs and fundraising</i>	While many CSCC employees donate their personal time to volunteering, CSCC has not yet formalized a corporate volunteer program. Regarding fundraising, we have provided our parent company with a charitable giving proposal and a list of charities that CSCC would like considered in the organization's charitable giving plans.	●
<i>Explore ways to systematically expand public outreach with schools in the North American operations</i>	<p>In 2006, CSCC staff spoke at Columbia University, the Laboratory Institute of Merchandising (speaking to future buyers about responsible sourcing), and the City University in China.</p> <p>In addition, we have an internship program that this year (2005/2006) hosted students from University of Indiana, Columbia University, and the Monterrey Institute of International Studies.</p> <p>Currently, we are in talks with the University of California, Los Angeles, to explore the possibilities of providing adult education courses on responsible sourcing through their extension program. We are also in talks with the University of Nevada, Las Vegas, to develop a CSR curriculum for business school students.</p>	●

### **Clients:**

As a service provider, CSCC's clients are a key stakeholder group for the company. We have dedicated client service representatives to assist clients in developing and implementing their responsible sourcing programs. The client services team is comprised of individuals who are experienced and knowledgeable in industry best practices and can assist clients in understanding and responding to key issues in responsible sourcing. We have client service representatives in the US, the UK, Latin America, India, China, and Hong Kong who are engaged regionally and help communicate effectively among our clients' various business units, languages, and cultures. We regularly host seminars, conferences, and other events to allow clients the opportunity to share ideas and knowledge among peers. Additionally, we survey our clients each year to ensure we continue to provide relevant services to help clients reach their responsible sourcing goals.

**Employees:**

As a global company with employees all over the world, communication and employee engagement is challenging for an organization like CSCC. However, our Manager of Corporate Communications works to ensure all employees feel like they are part of the CSCC family. Individual employee profiles are featured in the monthly employee newsletter and the CEO answers any questions from any employees in a column called 'Ask Greg'. In November 2006, the Communications Department held its first set of regional conference calls where all employees were given the opportunity to hear the CEO speak about company goals and performance and answer live questions from participants. CSCC has also established an alumni club for former employees as a way for them to keep in touch with us and with each other. Our inaugural alumni dinner event was hosted in Hong Kong in December 2006.

**Factories:**

We engage the factories and suppliers we work with on a daily basis through the assessment process and through our expanded services. Each assessment involves an opening and closing meeting where the procedures are clearly outlined and the findings are communicated along with corrective action plans. Our topic-specific small seminars provide a forum in which a group of factories and suppliers can come together and learn about how to comply with wage and hour laws, health and safety requirements, and about best practices for sustained compliance. Conducted by our experienced, senior-level training and management staff, the seminars provide suppliers with the opportunity to learn from each other and ask questions about laws and requirements that they may not be aware of. We invite participants to give feedback on every seminar we conduct through evaluation forms so that we can continuously improve our educational services to meet their needs.

**Workers:**

Our field assessors interview thousands of workers a month through the assessment process. Participation is entirely voluntary and responses are kept confidential. As mentioned above, we have a worker hotline in the US and we are looking into the possibility of expanding this practice to China where we conduct the majority of our assessments. The hotlines provide workers with an opportunity to get in touch with us to provide additional information if they choose to.

**Non-Governmental Organizations:**

CSCC conducted a stakeholder mapping exercise to identify potential strategic partnerships with NGOs. There are numerous benefits for CSCC in engaging with NGOs, including opportunities for cross-learning, establishing academic relationships, and identifying new business and research opportunities. We identified several areas of our work where engagement of NGOs is imperative:

- Audit and assessment related (such as our work with clients on certification audits like Social Accountability International, Worldwide Responsible Apparel Production, the Fair Labor Association, etc.)
- Pilot projects (such as working with InterAction and SAI on the Child Sponsorship Certification Program)
- Partnering on training and remediation
- Academic engagement (whether as speakers or research partners)
- Research (providing input to research publications or receiving input from NGOs on our research projects)

- Industry learning (meeting with groups like the Interfaith Center on Corporate Responsibility to share knowledge on industry trends and receive recommendations on how we can improve our work)

## Targets for 2007

### **Human and Labor Rights:**

- Develop and deliver a region-specific Discrimination and Freedom of Association Detection Training Plan
- Implement New Module training system with all new hires in 2007
- Provide Imported Worker training for all field assessors in 2007
- Achieve IACET accreditation for CSCC's Training & Education Department
- Encourage clients to adopt 'non-retaliation' clauses to their codes.
- Implement ethical sourcing policy and provide data on social assessments

### **Environmental Responsibility:**

- The CSCC CSR Committee will make a formal proposal to management to adopt a policy that will ensure commitment to buying energy from renewable sources to fulfill its US office electricity needs.
- Report on global implementation of recycling programs and recycled paper purchasing.
- The CSR Committee will work to more accurately measure our carbon emissions generated by our US operations and consider off-set options. In addition, we want to be able to track miles flown by our global employees and non-field staff to include them in the calculation.

### **Anti-Corruption:**

- As our parent company rolls out its Ethics Program globally in 2007, all CSCC employees will receive a revised Code of Business Ethics, contact information for their local Regional Ethics Manager, and a general ethics training in addition to the anti-bribery and fraud detection training we provide our field assessors.
- In 2007, CSCC will implement additional ethical hiring guidelines for all new hires.

### **Stakeholder Engagement:**

- Increase our work with NGOs in the field on investigation and remediation
- Select three to five countries where NGO engagement would augment CSCC's research and assessment activities and reach out to local NGOs who could provide us with more subject matter expertise on the issues and who could serve as potential partners for client projects

## **FEEDBACK:**

Please provide feedback on our report using the following online survey:

<http://www.surveymonkey.com/s.asp?u=35483241127>