

Van Lier Shoes

VAN LIER

Van Lier Shoes B.V.

Breda

The Netherlands

Contact person

Mrs. R. van Spaendonck

codeofconduct@vanlier.nl

Start date membership

1 April 2015

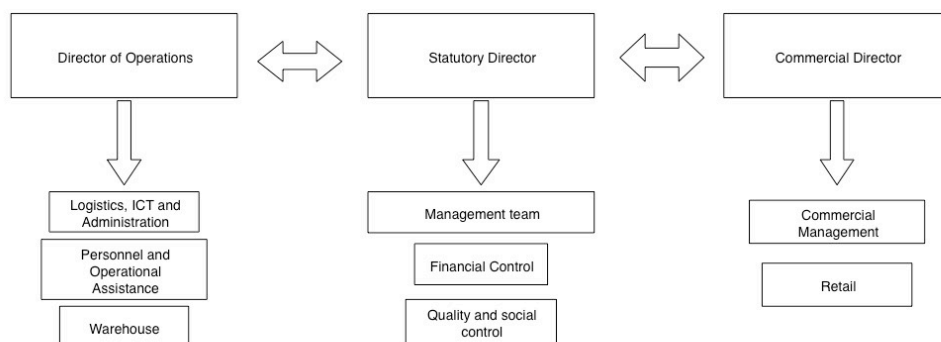
Financial year

Start 1 April 2016 **End** 31 March 2017

Annual Turnover

VAN LIER

Organization Chart



Contents

1. Summary: Achievements April 2016/March 2017 *page 3*
2. Sourcing Strategy 2016/2017 *page 4*
 - I. Responsibility *page 4*
 - II. Production per country *page 4*
 - III. Years of relationship with factory *page 4*
 - IV. Factories per country *page 5*
 - a) Portugal *page 5*
 - b) India *page 6,7*
 - c) China *page 8*
 - d) Bangladesh *page 9*
 - V. Factories register & information management *page 9*
3. Pricing and production strategy *page*
 - I. Pricing *page 10*
 - II. Production strategy *page 10*
 - III. Criteria for new suppliers *page 11*
4. Coherent system for Monitoring *page 12*
 - I. Responsibility *12*
 - II. Monitoring process *page 13*
5. Complaints handling *page 13,14*
6. Training and capacity building *page 15*
 - I. Responsibility *page 15*
 - II. Activities to inform Van Lier personnel and management *page 15*
7. Corporate social responsibility 2016 *16*

1. Summary: Achievements April 2016/ March 2017

Supplier audit and change of supplier

Our main objective for this year was to ask a Fair Wear Foundation local audit team to audit the factory we work with in India.

The factory in India is owned and run by the second generation of an experienced and knowledgeable German/Indian family and Van Lier has been working with this factory producing varying amounts of production volumes over many years. The factory produces not only for their own shops but for other well known brands as well.

They have built a new factory, which was ready for production in April 2016 and the Van Lier production team has visited the factory several times, reviewing it for several CSR issues provided by the Van Lier CSR officer.

The factory is a very modern and well built building with all the major necessary health and safety features and contains modern technological equipment and up to date and efficient production processes. Every effort has gone into making it a modern facility following all the features and aspects necessary for a successful shoe-manufacturing factory.

CSR was very clearly discussed with the management team and, as with every factory that Van Lier works with, the importance of the CSR standards was explained thoroughly.

The results of the audit have been discussed with the owner on his visit to the Van Lier headquarters, and a meeting was set up a few months later between the Van Lier Operations Director, the Factory management and a member of the local FWF audit team, to discuss the audit and request further recommendations.

Van Lier has stopped production in Bangladesh completely as of Winter 2016.

There were several reasons for this:

1. Many changes to management over several months.
2. Problems with orders and quality issues
3. Lack of transparency
4. Sudden increase in product price without any explanation
5. Unstable political situation resulting in violence in the country bringing with it a risk to foreigners. Van Lier team were unable to visit the factory anymore, with the increased risk of bombing of places frequented by foreigners.

Most of the new factories that Van Lier has started working with are based in Portugal and the importance of CSR is discussed with the new suppliers on the visits carried out by the Van Lier supply chain team. Every time Van Lier starts working with a new factory, they have to fill out the FWF questionnaire and sign the FWF Code of Labour Practices, which is kept on file by the Van Lier CSR officer. They are also requested to hang the Code of labour practices in the local language up in a public area in the factory.

The Van Lier CSR officer also keeps all records of the tanneries that supply the leather for the shoes, and the certificates of safety on the tests carried out on the leather.

Sourcing Strategy 2016/2017

I. Responsibility for sourcing

Operations Director, Statutory Director and Quality Control Manager

II. Production per country

Table of countries Van Lier sourced from for the Winter 2016 and Spring/Summer 2017 seasons:

Country	Winter 2016	Spring/Summer 2017
Portugal	83.21% (7 factories)	72.71% (6 factories)
India	5.82% (1 factory)	24.97%(1 factory)
China	0%	2.32% (only canvas shoes) (1 factory)
Bangladesh	10.93%(1 factory)	0%

III. Years of relationship with factory

Average duration of business relations with suppliers Van Lier has worked with:

- 2 factories in Portugal since 2009, 1 since 2012, 1 since 2013 and 3 since 2015
- One factory in Bangladesh since January 2011 in one factory, which also produces for other major brands.
- One factory for canvas shoes in the summer season only, since end 2014.
- Germany/India factory; Van Lier has a long-term relationship working with them for certain types of shoes. They built a new factory and moved in since April 2016. This factory was audited by the Fair Wear Foundation local audit team in December 2016, on the request of Van Lier.

Van Lier has direct contact with the management in all the factories it works with, and strives to build long-term relationships with its suppliers. Good communication with the supplier as well as working together to both produce the high quality shoes as well as to solve problems if and when they arise make the relationship between Van Lier and its suppliers a strong one. This long-term relationship ensures understanding and trust, which contributes toward more efficiency throughout the whole production process.

IV. Factories per Country

a) Portugal

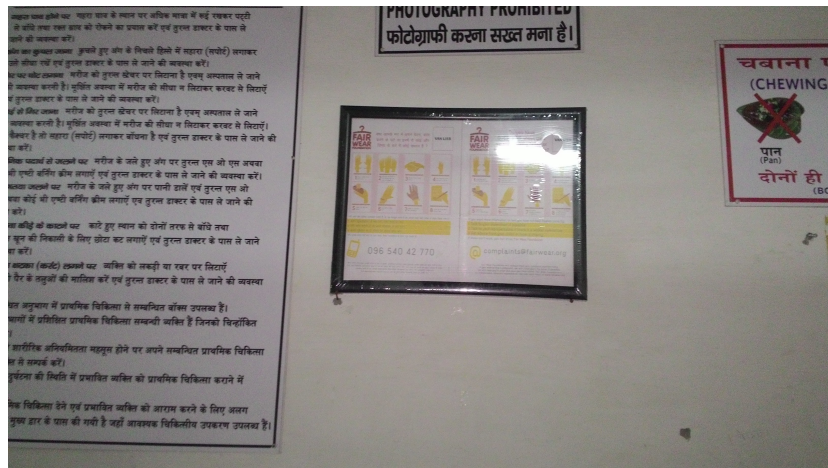


Van Lier worked with 7/8 factories in Portugal, depending on what types of shoes are being produced and during which season. Each factory has its specialty in shoes from Classic to Sneakers, and production orders to each factory are based on the collection.

Van Lier has been increasing production in Portugal over the last few years for several reasons:

- Reducing and phasing out production in Bangladesh due to safety, transparency and quality issues
- Long term sustainability of production of high quality shoes.
- Factories have to adhere to EU environmental and CSR issues, thereby lowering the risk of violations of what?
- Quicker reaction possibilities if changes or correction is needed to the products
- The Van Lier team can visit the factories multiple times a year
- Transport is faster and more environmentally responsible due to closer proximity of production sites.

b) India



Van Lier has been working with this factory for many years. It was set up and owned and run by a German/Indian family for two generations, and they produce shoes for their own brand which is sold in Germany, as well as for other brands.

They are well aware of the CSR regulations expected in Europe and are both open and willing to improve their CSR standards in any way they can.

There are however, some local cultural and social ways in which things take place in all factories in India, which should be taken into account when looking at factories that produce there and changes and improvements to how things are done can only take place step by step over a period of time, ensuring that it is beneficial for all local parties involved.

The production was moved into a brand new factory in April 2016 and this has also meant that there has been a period of change and organization, which has to be taken into account in all areas.

For Van Lier two of the most critical labor standards of the FWF Code of Labour Practices are the physical safety of the workers and zero tolerance for child labour.

One of the main goals that Van Lier had for last year, was to have the factory audited by Fair Wear Foundation and this took place in the middle of December 2016.

The results from this audit were discussed first of all, with the owner of the factory when he came over to visit the headquarters of Van Lier in Breda, and again with the owner, the management of the factory, a member of the local FWF audit team and the Operations

Director during her visit to the factory itself in May 2017.

All points of the audit were discussed and further recommendations were made, deadlines were set and the local audit team member promised further workable advice for areas which the management had questions on how to deal with them.

The management was very open and willing to work on making improvements and were ready to listen and learn from the local FWF audit staff.

The factory is a very modern, clean and well run factory and an example to many others in the region.

The management knows what it is doing and the workers were clearly free to participate openly with the audit team, therefore all interviews took place freely and honestly.

The workers have a very positive attitude toward the owners and the management as far as employer/employee relationship and working environment was concerned.

The most important primary points that have to be worked upon are as follows.

- Informing and training workers about their rights
- Complete documentation of all workers, both full time and seasonal.
Completing and keeping on file all records of registration of identity, attendance, wage and overtime and bonuses of the workers.
- Setting up a formal grievance system.
- Formalizing some relevant health and safety aspects.

The Van Lier CSR officer will follow up on the FWF audit CAP report with the owner of the factory and suggest improvements and request feedback.

The Van Lier CSR officer will also send a Powerpoint of Van Liers membership of FWF to the owner, to be shared with the management.

If there are any FWF information and training possibilities, Van Lier will request that the supplier management take part and send us feedback.

c) China



Van Lier produces a small line of canvas shoes for the spring/summer seasons in one factory in China.

The supply chain team has visited this factory, has contact with the management and has photos on file of the factory and its production.

Since China's legal situation has put restriction on the work of FWF within the country, we could not have a local team auditing the factory.

The factory has promised to send us audit reports done by other brands, for our inspection.

d) Bangladesh



Van Lier had worked with the production management team since 2011. They were initially producing in China and then moved to a factory in Bangladesh due to the government induced changes to the Chinese shoe industry landscape.

Several known brands produced shoes in this factory and the Van Lier team had visited this factory several times.

Van Lier had 10% leverage at the factory 2 years ago and that was reduced to 3% in 2015. The prices for the shoes produced at this factory was one of highest compared to the shoes produced in the other factories, since Van Lier had chosen on the basis of quality rather than low price.

The factory had been audited by another major brand, which used a majority of its production, and Van Lier followed up on the CAP reports to make sure there was improvement to the relevant areas.

There were several reasons for phasing out and stopping Van Lier production in this factory:

- Due to political instability and an increasing number of attacks on foreigners in the country, the Van Lier sourcing team was reluctant to visit the country to oversee the production. This meant that Van Lier could not personally control what was going on in the factory and oversee if CSR rules were being followed. This made the company less transparent.
- Management also changed over a short period of time, and each time the new management had to settle in and find its feet before the important task of CSR was being looked at. This also made the situation less transparent as Van Lier could not verify ensure how the management was following the FWF code of labour practices.
- There was a sudden and large increase to the offers of shoes to be produced in the factory that meant that they would surpass all other factories and considering Van Lier also pays for the transportation of all its shoes separately, this would mean that the price of the shoes would increase dramatically. The reasons for the increase were not explained, adding to the lack of transparency of the factory.

- The quality of the shoes produced in the factory was unstable and this caused several problems, which could not be solved by Van Lier personnel visits due to political situation and the time constraints due to the distance to the factory.

Van Lier did not develop any new shoes at this factory, and the last shoes produced at this factory was a repeat order for the Autumn /Winter 2016 collection.

v. Factories register and Information management

The Operations Director and Product Quality manager update the CSR officer on the list of suppliers for each season as well as any new suppliers that are being approached, and they send the FWF questionnaire and Code of Labour practices to the new factories requesting to be filled out and returned asap.

The CSR officer keeps everything on record and updates them whenever needed. The CSR officer also requests any certificates and audits reports and keeps them on file.

3. Pricing and production strategy

1. Pricing

Each season, the prices of the shoes are set by the Statutory, Operations and Commercial directors, taking into account the cost price of the product set by the supplier and overhead costs in combination with a competitive pricing strategy. The materials used and type of leather, pay a major part in the price per product. Van Lier also adds packaging costs and transport costs and a 2.27% margin towards the price of the shoes.

When labour costs or inflation increases within the suppliers' countries, Van Lier accepts the price increase when buying the shoes.

Van Lier is aware of the breakdown of the cost of the shoes due to having its own production in the past. Van Lier is also aware of the minimum wage and living wage per country and always makes sure that the price they pay per pair is above the price it would take to make the shoes per country. This way the company ensures that it pays a fair price for its product, one that ensures fair and living wages to the employees, the sustainability of the company as well as sustainability of the supply chain into the future.

2. Production strategy

Product development is initiated by the Statutory Director and developed together with the Director of Operations and Product and Quality Control Manager. A lot of research, time and energy go into the development of Van Lier shoes and much thought goes into the styling, comfort and quality of the shoes. This is a very hands-on process.

The coordination of samples and production falls under the responsibility of the Director of Operations. The process of designing and ordering of samples takes time and therefore starts early, to ensure adequate lead times preventing excess pressure on factories to supply quickly. Unrealistically short lead times leads to the risk of overtime in production

lines and higher risk of CSR violations. Orders are given to factories depending on their speciality of production: sneakers, canvas shoes, dressed shoes and boots.

Three points that Van Lier keeps in mind when dealing with the suppliers is to build towards a long term relationship with the suppliers (having direct contact with factory management), setting realistic lead times and paying a realistic and fair price for the product. By doing this, Van Lier hopes to reduce the chances of CSR violations within its production lines and to have a better control over solving problems when they occur.

The Van Lier sourcing team visits each factory at least once or twice a year and more often if any production problems arise.

Quality testing is done by the Product and Quality Control Manager, who also coordinates the leather testing certificates from suppliers and tanneries and sends them to the CSR officer

The production planning and implementation is done in close communication with the supplier. Van Lier blocks production slots per season in each factory well in advance, and they work with and ensure that there is more than adequate lead time depending on the time needed for development and capacity needed. Orders placed and delivery times, take into account many different production factors and no major style changes take place after the order is given.

Smaller changes may be requested, but always in discussions with supplier regarding realistic possibilities.

The factories from farther afield were given ample and realistic times for delivery and the models are basic and tried and tested ones, which do not need major development.

3. Criteria for new suppliers

The main criteria for new suppliers include the type of modern technology that they use, the quality of the samples they make, creativity in following the Van Lier designs and solving problems, reasonable delivery times, reliability of the supplier and pricing (not too low and not too high; should reflect the quality).

Van Lier buys and supplies the leather needed for its shoes from high quality, certified tanneries. Van Lier also requests and keeps the test results of the leather it uses.

The supplier's dedication to CSR and health and safety issues is important. The Director of Operations discusses the importance that Van Lier puts on CSR issues with the supplier and sends them or hands them the FWF Code of Labour Practices to sign and the FWF questionnaire to fill in at the start of any long term business. The FWF Code of labour practices in the local language, with the contact information for the FWF complaints line is also sent to them, and Van Lier asks them to hang it up and send a picture as proof.

Van Lier also repeatedly stresses its policy of zero tolerance toward child labour and health and safety to all the suppliers it does business with.

Recommendations for reliable and suitable factories are made by word of mouth in the market by European leather and shoe supply contacts, by colleagues in the European factories, as well as information gathered at shoe and leather fairs.

Decisions are also based on the other bigger high quality brands the factory works with. Van Lier requires smaller quantities than bigger brands and therefore works with factories that

work with other brands and are willing to provide the smaller production lines that Van Lier needs.

The Van Lier sourcing team tries to visit the new factory at the beginning of the working relationship to observe the factory, evaluate management working practices and labour conditions of the workers and after that the Van Lier supply team visits the factory several times a year.

Eye-witness visits by the Director of Operations and the Product and Quality Control Manager who form the Van Lier sourcing team is an important deciding factor in choosing suppliers.

In last years report, FWF recommended making a risk analysis of new suppliers, and keeping documentation per factory including the outcomes of the personal visits. FWF also recommended using country studies, wage ladders and health and safety guidelines.

Van Lier already follows most of these tips, such as discussing fair prices, and being aware of the points on a list of CSR issues to watch out for when the Supply teams visits the factory. These points are also discussed by the Operations director with the management of the factory on the visits.

The new factory has to fill out the FWF code of labour practices and the FWF questionnaire and return it to Van Lier and the CSR keeps them all on file.

FWF has also requested that Van Lier keeps photos on file of the Code of labour practices hanging in a public place, both for factories situated in countries with high risk and low risk countries and this has been followed and improved upon over the last few month by sending the factories the newest Code of labour practices and asking them for photos as proof.

4. Coherent system for Monitoring

I. Responsibility

The Director of Operations and the Van Lier CSR officer do the monitoring of the factories. The required improvements are carried out and reported back to Van Lier by the CSR officer of the factory.

//. Monitoring process

The Director of Operations and the Product and Quality Control Manager regularly visit the factories and request either independent audit reports and/or internationally recognised CSR certification from the supplier to ensure that the supplier follows the principles set out by the FWF Code of Labour Practices.

Some factories have sent them and other factories have promised to do so

The CSR officer has on file the filled out FWF questionnaires and signed code of conduct sheets from all the supplier factories.

The CSR officer also has on file photos of the Code of Labour practices in the local languages, hanging in a public place in the factories with the FWF contact details written on them.

We do ask suppliers in high risk counties to attend any FWF training sessions happening in the area and give us feedback. Van Lier pays for the training sessions as discussed. By attending these training sessions, the management learns about their responsibilities regarding health, safety and labour rights, which help them improve their CSR strategy within the factory.

Even if Van Lier is ending a relationship as happened with Bangladesh, Van Lier did follow that CAP reports carried out on the company, paid for the management of the company to attend a CSR conference run by the FWF and phased out production after leaving adequate withdrawal time.

Most factories that Van Lier works with have been supplying the company for several years, therefore a personal relationship and a mutual trust has been built up between the company and the supplier.

Van Lier works with the factories that supply for us in a more personal and positive manner, encouraging and promoting good CSR practice while ensuring that improvements are made into the future.

Van Lier has a minority leverage with most of the factories it works with and has found that the best approach for both parties involved is to encourage and ensure good practice.

FWF has recommended that Van Lier set up a evaluation/grading system for suppliers and use it as a basis for increasing or decreasing orders place depending on CSR compliance. Since Van Lier does not have a large number of suppliers and has a very personal relationship with the suppliers, this does not work for us to the extent that it works for larger companies with many suppliers.

As far as we know, Van Lier does not have any suppliers that overlap with other FWF members.

Van Lier does not accept subcontracting in high-risk countries.

4. Complaints handling

The Fair Wear Foundation complaints procedure is as follows (taken from the FWF recourses section)

1. **Making the procedure operational in the countries** - this is done through the distribution of information sheets and during worker interviews. The FWF Code of Labour Practices is already hanging in public areas in the factories.
2. **Receiving a complaint** - The complaint can be made through the local complaints handler (who will verify if the complaint is justified) or by word, email, letter or telephone. This will be passed on to the FWF as soon as possible.
3. **Establishing the admissibility of the complaint** – the complaint will be verified to see if it is a FWF Code related complaint and if it involving Van Lier business. Van Lier will also be informed about the complaint.
4. **Investigating the complaint** – FWF will draw up an investigation plan, receiving input from the complainant, the factory and Van Lier. After investigation, a corrective plan will be set up.
5. **The corrective action** – Once a plan is agreed upon by FWF, the complainant, the factory and Van Lier and this will be carried out as soon as possible on the factory level.
6. **Monitoring the implementation of the corrective action plan** - Van Lier will be responsible for the follow up on the complaint and for monitoring that the agreed improvements take place and will report regularly on this to FWF.
7. **Verification and public reporting by FWF** -The final report on the complaint and the implementation of the corrective action plan will be reported in the Annual Report and published.
8. **The appeal procedure** – An appeal procedure is in place in case member companies do not agree with the procedure or the outcome.

When FWF receives a complaint from one of the factories regarding CSR violations, they contact Van Lier's CSR officer and the Director of Operations contacts the management and asks them to look into the complaint and send a response.

Then FWF looks into the complaint and the response and looks into the situation to see if the complaint is viable and if the response addresses the issue. If there is an issue which management has not handled correctly, FWF will let Van Lier know and Van Lier has to take it up with the management and set up a CAP to address the issue and to solve it.

Van Lier follows if the CAP is being carried out correctly and monitors the progress to make sure that improvements are made according to the agreements discussed.

6. Training and capacity building

I. Responsibility

Van Lier CSR officer

II. Internal and external activities to inform about membership of FWF

The information about Fair Wear Foundation and Van Lier's membership is on the CSR page of the Van Lier webshop.

Whenever Van Lier starts a new business relationship, FWF and Van Lier's membership is explained and discussed.

When Van Lier starts working with a new supplier, the membership of FWF is discussed and the importance of the Code of Labour practices is stressed.

The membership is seen as a positive step toward awareness of CSR issues in production and Van Lier's commitment to sharing and improving CSR together with its suppliers.

Since several new people have joined the Van Lier team, the CSR officer will give a power point presentation to the Van Lier team in the year 2016/2017.

The Commercial team speak about the membership of FWF when visiting shops and dealers, making them aware of the commitment.

The 2015 Social report was on the Van Lier webshop CSR site, but due to some changes, the link does not seem to work. This will be corrected as soon as possible.

The CSR officer will ensure that the Social reports for 2015 and 2016 will be uploaded onto the Van Lier webshop CSR site.

7. Corporate social responsibility 2016

Van Lier continues to support the KNSRB (Koninklijke Nederlandse Studenten Roeibond knsrb.nl) with whom the company has been partnering since November 2006.

This included setting up a new contract to sponsor the KNSRB for two years, and working together to improve the external communication aspect of the relationship.

Temporarily employed elderly as well as disabled people for several projects.

Van Lier also contributed towards various smaller fundraising projects, raising money for good causes for projects initiated by, or involving work done by Van Lier personnel and their families as well as global human rights initiatives.