

VARNER



NORDIC SPIRIT GLOBAL IMPACT

Sustainability Report 2020

At the core of our entire
business, we have a
strong focus on
sustainable principles.

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Marius Varner

CEO, Varner AS

Foreword from the CEO

We are proud to present the first Varner sustainability report. We have for many years reported about our work on sustainability to organizations such as Ethical Trading Initiative Norway (our first report being published in 2003). This year is the first time we gather all key aspects of our work on sustainability in one report.

The year of the pandemic was a hard hit on everyone. It brought uncertainty for our customers, our employees, our supply chain partners and workers in our production chain. This challenging year has showed us the importance of our company values. We have held on tight to our value of being *Responsible* in a time where responsible business conduct has been under pressure. In 2020, we reinforced our commitment to tackle systemic challenges by joining and actively engaging with the industry initiatives such as Canopy, Pack4Good, Sustainable Apparel Coalition and The Swedish Textile Initiative for Climate Action. In many ways, the results in this report reflect a year in crisis, but it has also been a year of renewed commitment to change.

We have always set ambitious goals for our business, and our sustainability goals are no different:

- 100% preferred fibers by the end of 2025
- Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year

There is a significant ongoing shift in sustainability, a shift that we welcome. There is a movement in the EU where an increasing number of laws and regulations on sustainability and responsible business practice are being developed. Varner has endorsed the Norwegian Coalition for Responsible Business (KAN). This organization is supported by businesses, labour unions and civil society organizations who believe responsible business conduct is integral for the global enforcement of human rights and environmental protection. We believe regulations along with governmental support are important steps to ensure a level playing field for all businesses where human rights due diligence and responsible business practice are the norms.

We are currently in the process of launching our updated sustainability strategy 'Nordic Spirit Global Impact'. The strategy has three pillars that promote our consideration for people, the planet, and a sustainable business. This framework will guide us into the future and integrates our core business with our sustainability efforts. In 2021 we will roll out and further develop this framework. This report will give a first taste of where we are headed.

02.

OUR COVID RESPONSE



2020 was a year unlike any other due to the global Covid-19 pandemic, which impacted our industry in many ways. Varner's business was greatly affected in our sales markets, resulting in a reduction in the number of shops, as well as a reduction of employees in our shops and in our main office in Norway.

Although we as a company have been hit hard by the pandemic, we see that our production partners and their employees, especially in Asia, have been hit even harder than us.

One of our six core values at Varner is "Responsible", and we have worked closely with our manufacturers to maintain responsible purchasing practices in this difficult situation. We have focused on avoiding order cancellations, and taken responsibility for what we had committed to before the pandemic struck.

Our aim is to be a steady and predictable trading partner in a situation where many manufacturers are struggling. We have also assisted locally in the countries in various ways, including helping our manufacturers set up robust systems for a responsible and safe re-opening of production. We have had a close dialogue with all our producers to ensure that all workers are paid, and that no one is subject to improper redundancies.

As we enter into 2021, the pandemic is not over yet, though there is hope on the horizon in the form of vaccines. Whatever the new normal will be, Varner plans to continue with responsible purchasing practices, and to be a partner for our suppliers.

03.

ABOUT US

VARNER

OUR HISTORY

Frank Varner opened his first store in Oslo in 1962. The store was named “Frank Varner” and became a huge success. Three years later, yet another store opened in Oslo and another in Trondheim. In 1967, the name Dressmann was launched in connection with a new store opening. During the ensuing years Varner sought further growth, opening the first Carlings store in 1985 and acquiring the family concept Cubus in 1989.

Today, Varner is one of Scandinavia’s leading textile companies, comprised of 8 concept stores. It’s a privately owned family business led by the second generation Petter, Marius, and Joakim Varner. Along with the continual establishment of new chains and stores, Varner has become increasingly international. The largest markets outside of Norway are Sweden and Finland.

OUR CULTURE

Our core values - Passion, Friendship, Happiness, Business-minded, Make it Easy and Responsible - are the essence of our identity and shape our company’s culture and business practices. We believe they are fundamental to the success of our business.

Our company’s culture is extremely important, and people are always at the center of our attention. As a Scandinavian family business, we believe in having a positive impact on the people we depend on to achieve our success: our colleagues, our business partners, the employees and wider workforce involved in our value chain. This is the core of our Friendship and Happiness values.

We are passionate about what we do. We make it our priority to continuously improve our products and offer our customers more sustainable products in terms of product safety, product quality and product durability.

Reducing our environmental impact is also an essential part of our sustainable commitment. This translates into working for environment-friendly products, but also for a more sustainable production respecting the local environment and using natural resources with care. Ensuring our products are produced in a socially accountable manner is a driving force.

We believe that responsibility in business is fundamental to the success of our company.

BUSINESSMINDED

PASSION

MAKE IT EASY

FRIENDSHIP

HAPPINESS

RESPONSIBLE

OUR CONCEPTS

BIKBOK

CARLINGS

Cubus

Dressmann®

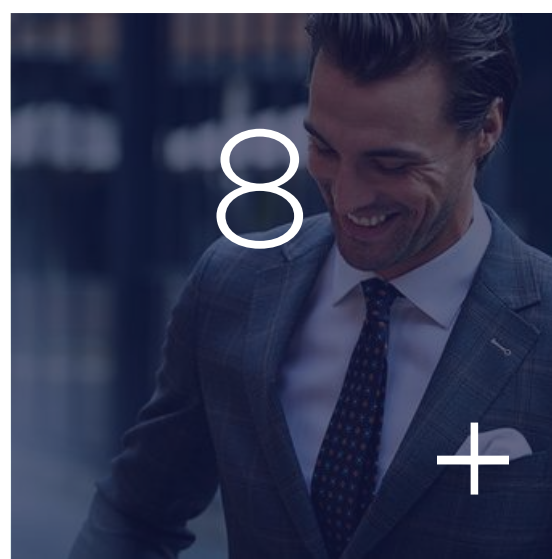
VOLT

JUNKYARD.

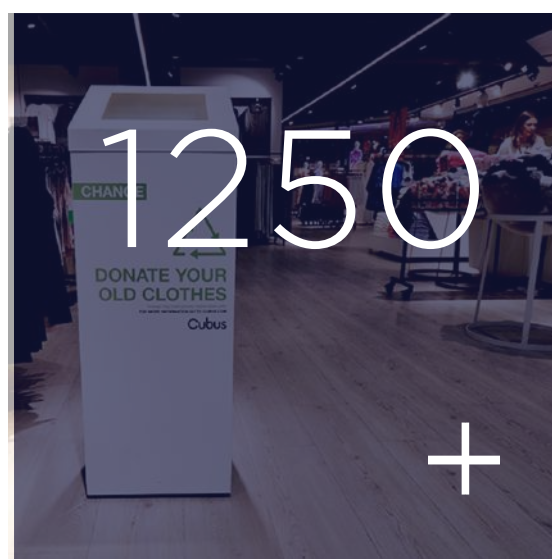
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U R B A N

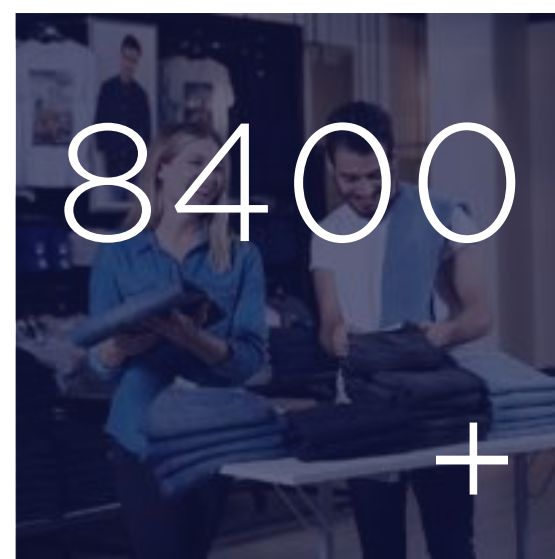
VARNER AT A GLANCE



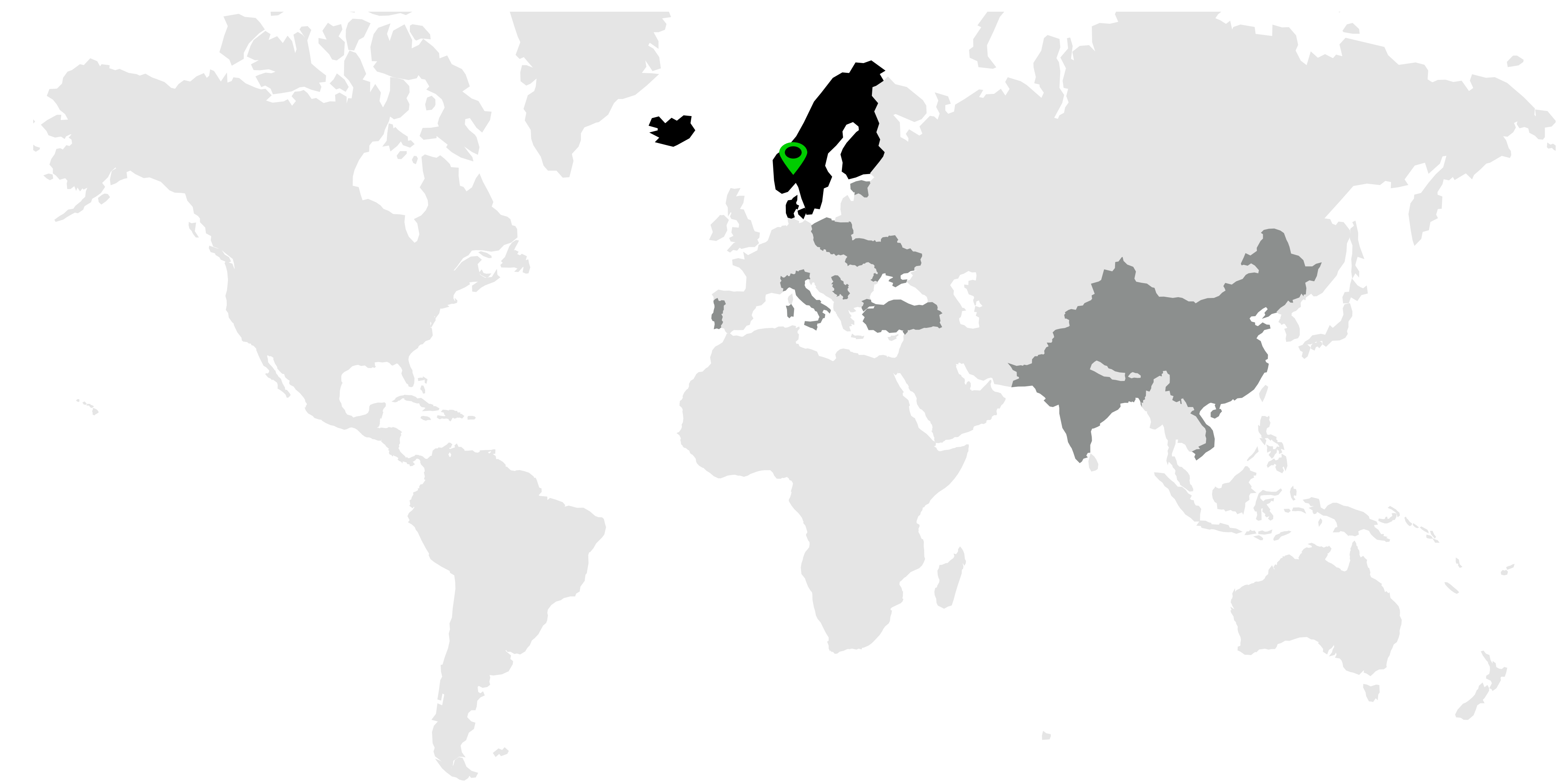
Concepts



Stores



Employees



Company Name:

Varner AS

-  Sales & Store Operations
-  Production Countries

Head Office Address:

Nesøyveien 4, 1396 Billingstad, Norway

Main brands, products and services offered by the company:

Brands : Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Junkyard, Urban, Volt and Wow

Products : Apparel & Footwear

Our Presence:

Sales & Store Operations : Norway, Sweden, Finland, Denmark & Iceland

Production Countries : Bangladesh, China, Turkey, India, Pakistan, Italy, Portugal, Serbia, Ukraine, Poland, Estonia, Sweden & Vietnam

OUR COMPANY STRUCTURE

VARNER is one of the largest fashion retailers in the Nordic countries, with nearly 8400 employees and around 1300 stores across 5 countries. We are a family owned Norwegian company with a revenue of NOK 8.7 billion in 2020. This is down from NOK 10.4 billion in 2019, mainly due to Covid-19.

The Varner brands consists of Cubus, Dressmann, Bik Bok, Carlings, Volt, Urban, Junkyard, WOW, Levi's Store (franchise) and Nike Store (franchise). Our main business (80%) is private brand sold within stores that are fully owned by Varner. Approximately 20% of our business is external brands sold within multibrand stores that are fully owned by Varner. We are operating franchise stores as a minor business representing two major international brands in the Nordic countries.

VARNER is a progressive company. We thrive on innovative business development with the customer in constant focus. We will strive to be at the forefront of the ever-changing business opportunities of our industry. By combining the best of online and offline worlds, we are creating a truly seamless experience for the consumer through our innovative omni-channel retailing strategy. Our goal is to become the leading data and tech-driven fashion company in the Nordic countries, with a strong focus on sustainable principles.

REPORTING SCOPE AS PER COMPANY STRUCTURE

In this report we include Varner AS and 100% owned subsidiary companies as listed below. Unless explicitly mentioned, the policies, procedures, strategies, and goals mentioned in this report will be applicable for Varner AS and the entities listed below.

Norway: Varner AS, Cubus AS, Dressmann AS, Carlings AS, BikBok AS, Urban Sport AS, Junkyard AS, TPT AS, Varner Brand Stores AS, Wow AS

Sweden: Varner Retail AB, Cubus AB, Dressmann AB, PocoLoco AB, BikBok AB, Come Play With Us AB, Junkyard AB, Varner Brand Stores AB, Wow and Me AB, Varner Supply AB

Finland: Varner OY, Cubus OY AB, Dressmann OY AB, Carlings OY AB, BikBok OY AB, Volt Fashion OY AB, Varner Brand Stores OY AB

Denmark: Dressmann AS (DK)

Iceland: DM à Islandi EHF

MAJOR ORGANIZATIONAL CHANGES IN 2020

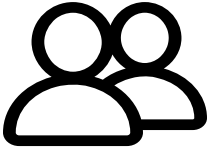
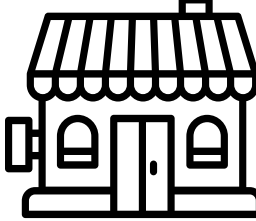
Varner has discontinued all sales operations in Austria and Germany. In Austria this affects the brands Dressmann, Bikbok and Carlings. In Germany this affects the brands Cubus, Dressmann and BikBok (online only).

Varner has decided to incorporate Wow as a private label within the children's department in the Cubus brand and will close down Wow stores during 2021.

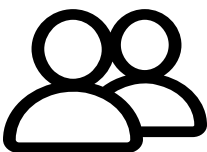

Varner made an acquisition of Chris Hollywood Konfektions AB through Junkyard AB. This company has been integrated with Junkyard AB. Varner has decided to merge the two brands Junkyard and Urban into one brand named Junkyard. This will be implemented Q1-2021.

OUR SALES & STORE OPERATIONS

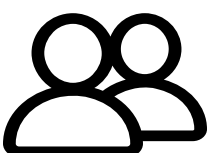

FINLAND

 1343
 197

NORWAY

 4267
 624

ICELAND

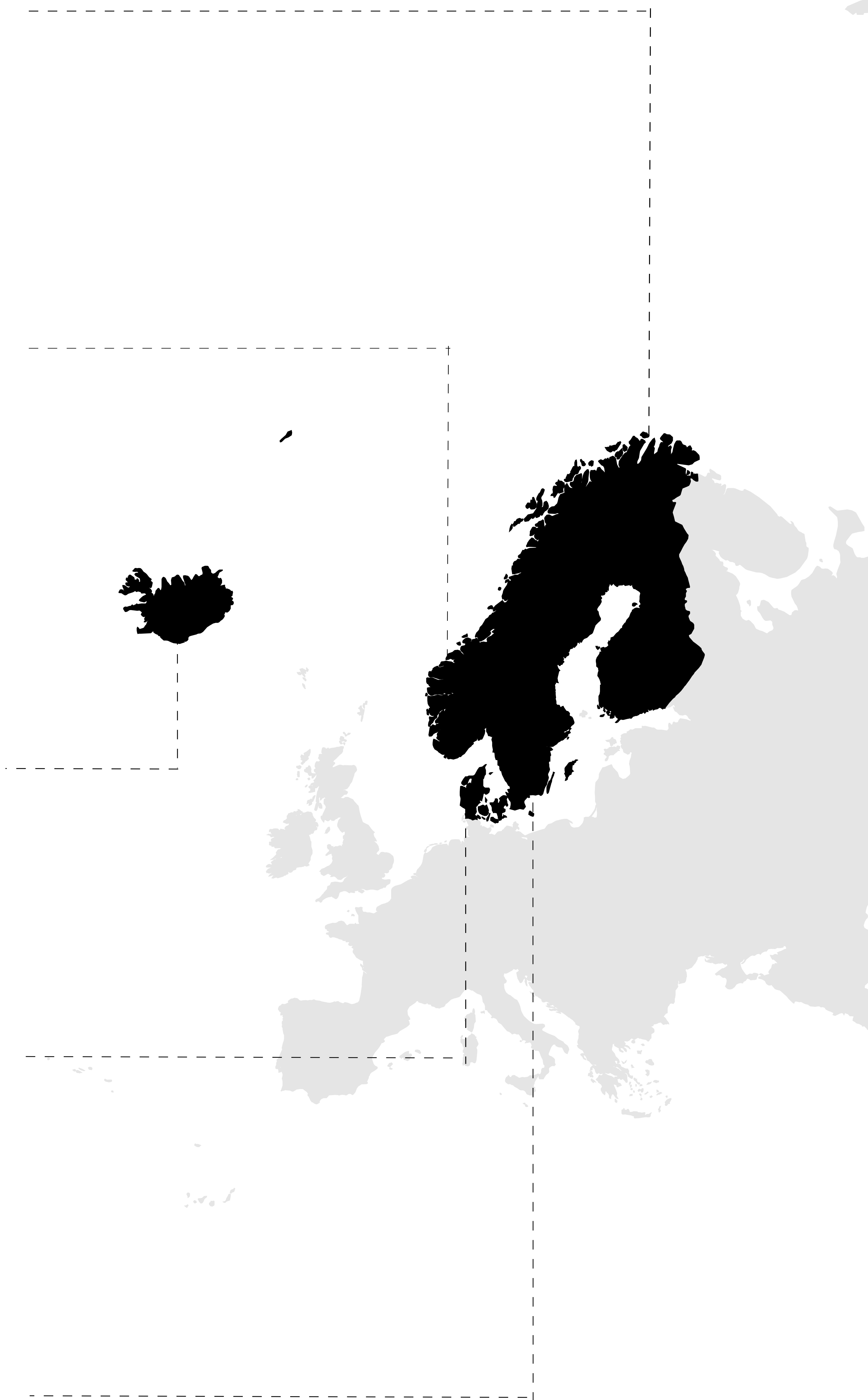
 39
 03

DENMARK

 06
 01

SWEDEN

 2658
 466




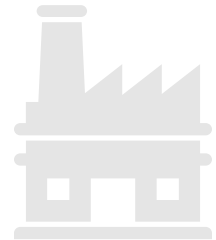




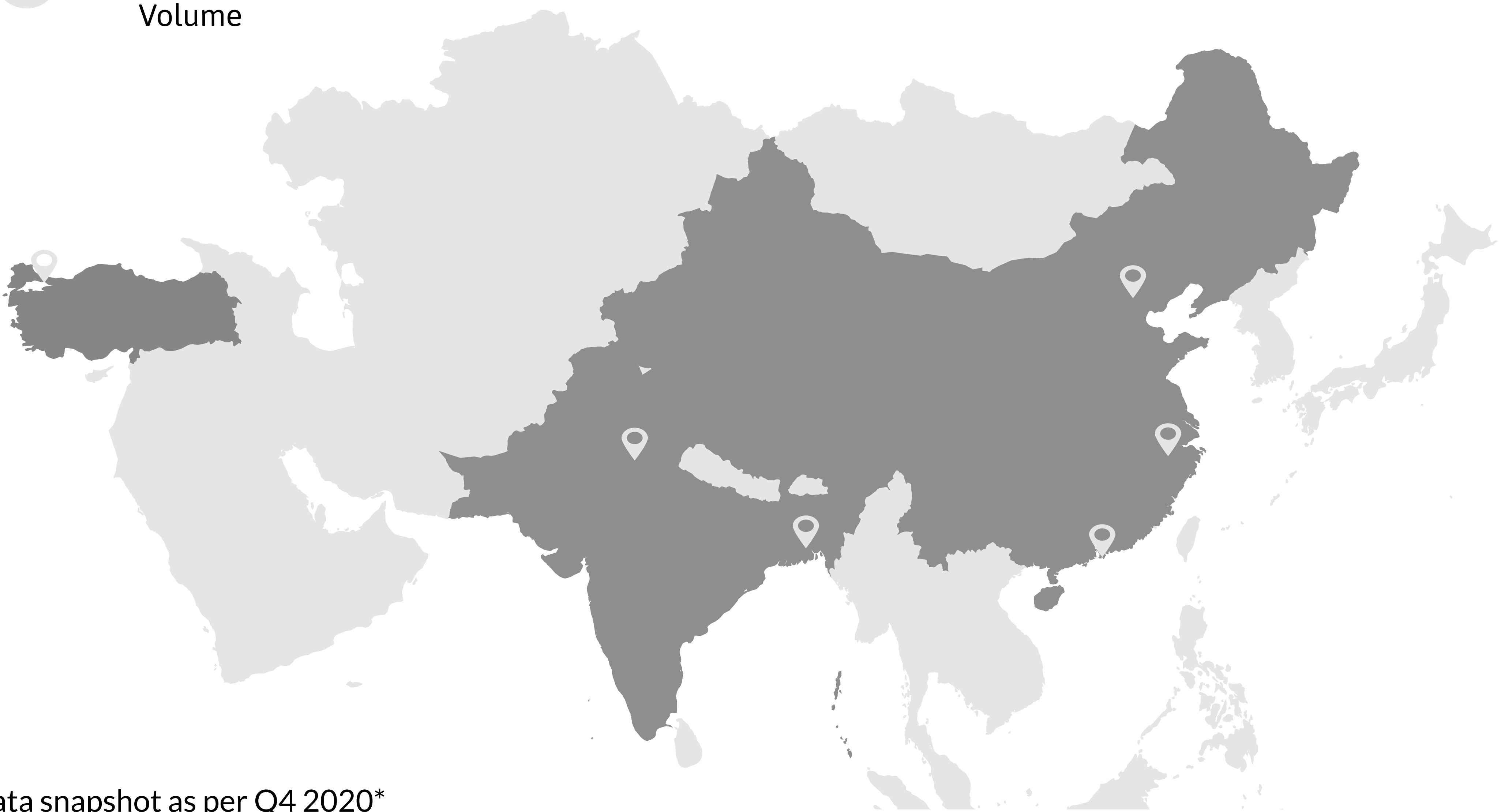
* Data snapshot as per Q4 2020*

OUR GLOBAL PRESENCE

Varner does not own any factories, but sources from 13 countries in Asia and Europe, and cooperates with approximately 335 factories for the manufacturing of our products.

Varner has established regional production offices in our four major sourcing and production countries: China, Bangladesh, India and Turkey. Our local presence in these markets enables us to cooperate on improvements with our suppliers and their factories, both on the ground and on-site.

Global Production Offices		Turkey	South Asia	Bangladesh	Far East
	Location	Istanbul	New Delhi	Dhaka	Hong Kong Hangzhou, Beijing
	Established	2002	2011	2012	2014
	Employees	18	14	27	28
	Suppliers	33	12	29	65
	Factories	102	46	74	113
	Sourcing Countries	Turkey, Pakistan and Europe	India and Sri Lanka	Bangladesh	China and South East Asia
	% of Global Production Volume	19%	06%	47%	28%



* Data snapshot as per Q4 2020*

04.

NORDIC SPIRIT GLOBAL IMPACT



OUR SUSTAINABILITY MISSION

INTRODUCING NORDIC SPIRIT, GLOBAL IMPACT

At the core of our business, we have a strong focus on sustainable development. This means that we must make conscious choices in every step of the product lifecycle from design and development to customer usage that make the footprint a little smaller. To strengthen and gather our sustainable initiatives, we are introducing our strategic theme for sustainability - **Nordic Spirit, Global Impact**. This will be launched internally during 2021 and made available to all Varner employees.

“We believe Nordic Spirit, Global Impact reflects our values and way of thinking with a strong and responsible Nordic heritage. It will first of all work as a compass in our day-to-day business and increase our impact, but also connect with all employees of Varner in a more clear and inspiring way.”

Magnus Gjerde, Director of Buying & Production, Varner AS

Sustainability to us means taking mutual responsibility for our environmental footprint and our social impact. We have aligned all sustainability material topics under the umbrella of our three strategic pillars. We are fair and responsible to all people, we are climate conscious and think circular, and we want to involve and engage the consumer in sustainable development.

FAIR FOR ALL

We care about people. Our aim is to be a preferred and responsible employer and to create an inclusive and inspiring workplace for all employees. We want to contribute to fair conditions for people connected with our business, in particular workers in our supply chain.

CIRCULAR & CLIMATE CONSCIOUS

Circularity is the future of fashion, and we will actively work toward implementing circular strategies into our choice of materials and designs. We take responsibility for our climate impact, and are working to both document and reduce it in all areas of our business.

ENGAGE THE CONSUMER

We see connecting with our consumers as a vital element towards delivering on our sustainability ambitions. With transparency at the core of our communication, we aim to help consumers make informed choices and engage them to reduce environmental impacts.

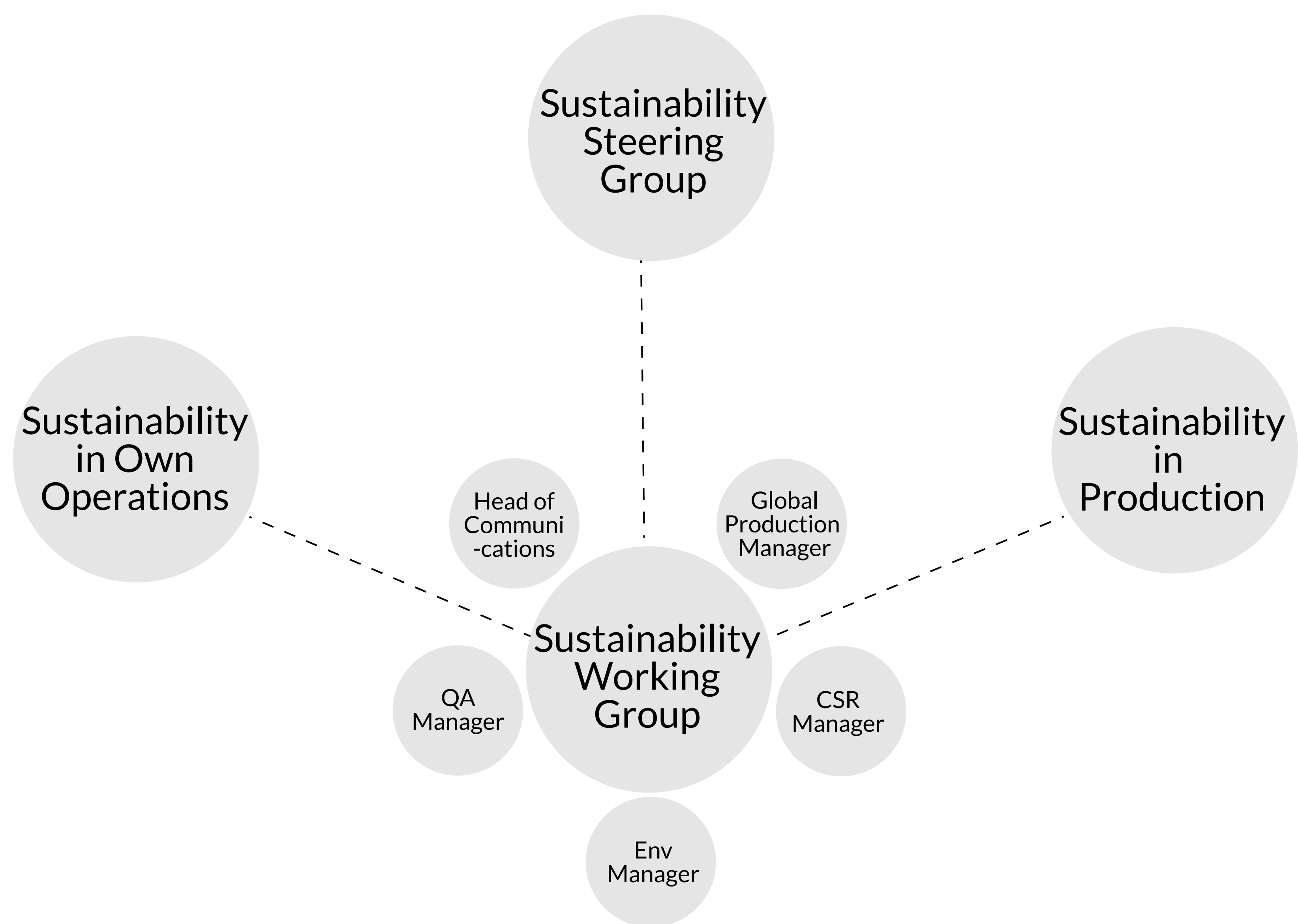
OUR JOURNEY SO FAR

Key highlights of our sustainability journey so far.

We became a member of the Ethical Trade Initiative Norway and established a Code of Conduct	2003		
		2004	Dedicated Corporate Social Responsibility (CSR) function established
An operative system for factory inspections is implemented	2005		
Ban on mulesing implemented, Tool developed for chemical handling together with Teknologisk Institutt, the Enterprise Federation of Norway and the Norwegian Environmental Agency.	2008	2007	CSR screening and approval mandatory prior to initiation of business cooperation.
Collaboration with FRETEx to take back unsold goods, Became member of Kemikaliegruppen by Swerea (now RISE) to focus on chemical handling	2012	2010	Implemented ban on sandblasting
Animal fiber policy implemented, Wage mapping project with Fair Wage Network	2014	2013	Factory list made public Became signatory to Bangladesh Accord
Joined BCI to minimize risk on cotton farming, Became a member of Textile Exchange	2016	2015	Launched first collection with Nordic Swan certification
		2017	Launch of Fairtrade certified products
Dressmann becomes the world's largest retailer of Fairtrade certified cotton products.	2018		
Launched pilot collection of Cradle to Cradle certified products, Joined STICA to tackle climate risk, Became members of SAC to accelerate sustainability in production Joined CanopyStyle Initiative	2020	2019	Group level sustainability plan revised and launched with reinforced strategy & goals

SUSTAINABILITY GOVERNANCE

We are fortunate to be a company filled with and surrounded by dedicated people who are part of our journey. To implement our sustainability ambition, responsibilities are integrated in all roles of the organisation and in our business strategy.



The Sustainability Steering Group, comprised of representatives from our Board of Directors, has the overall responsibility for the sustainability strategy for approving group-level guidelines and decision making.

The Sustainability Working Group, formed by selected members of middle management, is responsible to advise the steering group on targets and strategies, to analyze risks and opportunities, to coordinate the implementation of goals and to communicate results internally and externally. They work closely with the entire organization on the implementation of our strategy.

The Sustainability Working Group also has regular contact with departments such as Marketing, Supply Chain, Finance and Human Resources and country organizations depending on running projects and priorities. Each department and country organization are responsible for reaching their set goals. In our production offices, we have specialists in various area of sustainability that develop and implement the strategy in production.

As of the next financial year, our sustainability targets are also included in our overall business strategy.

MATERIALITY

In 2020, we completed our comprehensive materiality assessment to align ourselves with the requirements provided in international standards relating to sustainability reporting (Global Reporting Initiative). This was done in 2 phases:

Identification of material topics : After a thorough review of all key sustainability challenges & issues relevant to our industry and our company, we have identified more than 50 specific issues by following

- Mapping stakeholders and analyzing their feedback
- Media analysis for public opinion
- Trend analysis of key sustainability issues

These identified sustainability issues were then grouped into 22 potential material topics for sustainability and housed under our three pillars of sustainability, which serve as a guide for all present and future actions as well as set scope of reporting as per GRI.

Prioritization : Based on historical trends and activities by the organisation as well as feedback from the sustainability steering group, a prioritization of materiality topics is perceived through the below materiality matrix.

Table : Materiality matrix	
Stakeholder expectation	<u>Moderate Priority - Reporting</u>
	Diversity & Equal Opportunity
	Circularity & Recycling
	Climate Footprint
High Expectation	Water & Effluent Management
	Industry Collaboration
	Animal Welfare
Expectation	<u>Outside material topic boundary in regards to GRI Reporting in this cycle</u>
	Pollution & Biodiversity
	Responsible Employer
	Community Engagement
	Business Innovation
	Brand Reputation
	<u>Highest Priority - Reporting</u>
	Workers' Rights & Human Rights
	Product Quality & Safety
	Sustainable Material
	Sustainable Supply Chain
	Transparency
	Chemical Management
	Occupational Health & Safety
	<u>Moderate Priority - Reporting</u>
	Anti-corruption & Anti-bribery
	Traceability
	Employee Competence Building
	GDPR
Significance to Varner	
Impact	
High Impact	

STAKEHOLDER ENGAGEMENT

We identify our stakeholders as those groups or individuals that can reasonably influence and impact our company or can be impacted and influenced by it. We have identified multiple arenas of interaction to periodically engage with stakeholders in order to have sincere dialogue and recieve feedback on relevant material topics as a part of our stakeholder engagement process.

Stakeholders	Material Topics 2020	Arena of Interaction
Customers & Consumers	Workers Rights & Human Rights; Transparency; Sustainable Materials; Product Quality & Safety; Sustainable Supply Chain; Animal Welfare; GDPR	Store; Customer Service; Information Requests; Consumer Surveys; Nepa
Governmental Authorities	Workers Rights & Human Rights; Product Quality & Safety; Sustainable Materials; Sustainable Supply Chain; Transparency; Diversity & Equal Opportunity; Circular Economy; Consumer Engagement; Responsible Employer; GDPR	Legislation; Public Hearings; Forums; Governmental Authority Communication; Audits & Reviews; Reporting
NGOs, Advocacy & Interest Groups	Workers Rights & Human Rights; Sustainable Supply Chain; Transparency; Circular Economy; Business Innovation; Industry Collaboration; Climate Footprint; Chemical Management	Forums; Seminars; Partnerships; Information Requests; Campaigns
Suppliers	Sustainable Supply Chain;Workers Rights & Human Rights; Sustainable Materials; Industry Collaboration; Animal Welfare; Water & Effluent Management	Terms of Contracts; Supplier Meetings and Visits; Audits and Inspections; Projects; Surveys
Supply Chain Workers	Workers Rights & Human Rights; Diversity & Equal Opportunity	Interviews; Training Sessions; Projects; Grievance Channels; Audits and Inspections; Surveys
Partnerships and Network Organizations	Workers Rights & Human Rights; Product Quality & Safety; Sustainable Materials; Sustainable Supply Chain; Climate Footprint; Chemical Management; Traceability; Diversity & Equal Opportunity; Circular Economy; Pollution & Biodiversity; Industry Collaboration; Animal Welfare	Projects; Conferences; Forums; Contracts; Meetings
Varner Employees	Responsible Employer; Employee Competence Building; Product Quality & Safety; Sustainable Materials; Animal Welfare; Brand Reputation; Consumer Engagement	Trade Unions; Worker Councils; HR Department; Employee Contracts; Training Sessions; Complaints Channel
Local Communities	Responsible Employer; Business Innovation; Community Engagement	Stores; Sponsors; Charity
Research Communities	Product Quality & Safety; Climate Footprint; Circular Economy; Pollution & Biodiversity; Diversity & Equal Opportunity; Water & Effluent Management	Projects; Meetings; Seminars
Businesses (competitors, industry organizations)	Sustainable Materials; Sustainable Supply Chain; Circular Economy; Industry Collaboration; Workers Rights & Human Rights; Climate Footprint	Industry Forums; Experience Exchange; Meetings; Seminars
Owners	Sustainable Supply Chain; Product Quality & Safety; Sustainable Materials; Consumer Engagement; Responsible Employer	Board of Directors Meetings; Reporting

MAIN GOALS & STATUS

Pillars & SDGs	Goals	Timeframe	Status 2020
Fair For All <div><div><div>5 GENDER EQUALITY</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div></div>	Human Rights Due Diligence is carried out actively on an ongoing basis in accordance with OECD guidelines	Continuous	The framework for Human Rights Due Diligence in Varner has been established and will be further developed in 2021
	The Varner Supplier Code of Conduct is a part of all product supplier agreements	2020	Goal achieved 100%
	Fair worker representation at all key suppliers enabling workers to take an active part in workplace processes	2025	In process of establishing an updated framework to assess fair representation in the supply chain. Continuing to roll out Social Dialogue programmes to suppliers in Bangladesh.
	All Varner employees have completed sustainability training relevant to their function	Continuous	74% of employees have completed sustainability training relevant to their function
Circular & Climate Conscious <div><div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div></div>	100 % of all textiles are made with Preferred Fibers	2025	65% achieved in 2020
	100% certified and traceable animal fibers by 2030	2030	36% of wool certified to Responsible Wool Standard 100% of down certified to Responsible Down Standard
	Products are fully traceable by 2030. Main materials shall have a known and verified origin, all supply chain shall be transparent and identified	2030	Monitoring system not in place, will be defined in 2021. Baseline will be established 2021
	Reduce packaging material use by 50% and increase the use of sustainable materials, and re-use in packaging, labels and marketing materials	2025	Baseline will be set in 2021. Monitor program not implemented yet
	Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year	2030	Baseline report for scope 1 & scope 2 made in 2020; Work on reduction to start from 2021.
	100 % of unsold & unsellable products are put into channels for reuse/recycling/upcycling/repurposing	2025	99.8% of unsold & unsellable products are put into channels for reuse/ recycling/ upcycling/ repurposing.
Engage The Consumer <div><div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div></div>	Actively & correctly mention sustainable attributes of products in-store, online and in various media channels.	Continuous	On track
Accross All Pillars <div><div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div></div>	100 % of our external brand suppliers are assessed and evaluated on sustainability performance	Continuous	100% of external brands assessed and evaluated (excluding external brand suppliers for newly acquired concept Junkyard, where the screening process started end 2020 and will continue in 2021).

INITIATIVES AT A GLANCE





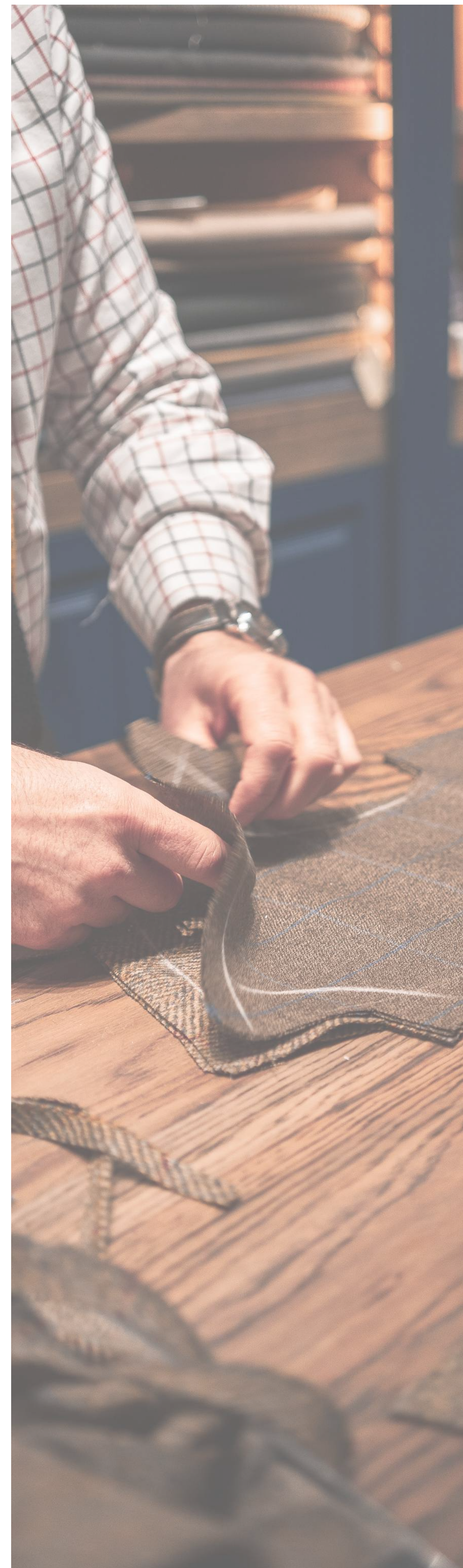
POLICIES & STATEMENTS

We promote transparency and openly publish our key policies on the Varner [website](#).

Per December 2020, we have 16 publicly available documents describing our commitment to respect people, society and the environment: Codes of Conduct (2), policies (9), signed pledges and statements (4) and a Restricted Substances List (RSL).

The organization uses these policies as guiding management documents to set a common standard for what business partners and other stakeholders can expect from us and what we expect from our business partners and suppliers.

1. [Supplier Code of Conduct](#)
2. [Varner Internal Code of Conduct](#)
3. [Responsible Sourcing Policy](#)
4. [Modern Slavery Policy](#)
5. [Child Labor Policy](#)
6. [Migrant labor Policy](#)
7. [Homeworker Policy](#)
8. [Animal Welfare policy](#)
9. [Anti-bribery policy](#)
10. [Sandblasting policy](#)
11. [Sustainable Cotton Communiqué](#)
12. [Turkmen Cotton Pledge](#)
13. [Uzbek Cotton Pledge](#)
14. [Restricted Substances List](#)
15. [Varner Canopy Style Paper Packaging Policy](#)
16. [Statement on XUAR](#)



05.



FAIR FOR ALL



FRAMEWORK & COMMITMENTS



Our commitment to respect human rights and to promote fair and decent work and social responsibility is embedded in a set of policies and codes of conduct. These are made operational through an approach based on identification and management of risk and the concept of due diligence. Our approach to fair work and social responsibility is informed by a set of recognized international frameworks. Some key frameworks utilized in the development of our approach to social responsibility are:

- Universal Declaration of Human Rights[1]
- International Labour Organization (ILO) International labour standards[2]
- UN Guiding Principles on Business and Human Rights[3]
- OECD Due Diligence Guidance for Responsible Business Conduct[4]

The Code of Ethics describes our commitment to perform due diligence assessments in our supply chain, a commitment to responsible purchasing and a commitment to a worker engagement approach in the supply chain. Our Supplier Code of Conduct describes what we expect from suppliers and factories. The policies and statements cover salient issues and focus areas such as responsible sourcing, modern slavery, child labour, migrant workers and animal welfare. Our Statement on Xinjiang Uighur Autonomous Region (XUAR) was published in 2020 and describes Varner's commitment to suspend all use of raw materials, processing, and any other input materials from this region. This is due to the identified risk of forced labour and breach of human rights and labour conditions.

All policies are revised regularly, and we consult external expert organizations and stakeholders in the development of our policies in order to align with international standards and expectations. The Varner Supplier Code of Conduct and all relating human rights policies and sustainability policies are embedded in the organization and approved by the top management. This is important for the integrity and accountability of the company.

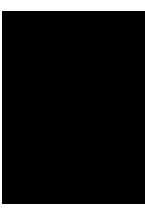
[1] The Universal Declaration of Human rights: <https://www.un.org/en/universal-declaration-human-rights/index.html>

[2] International Labour Organization (ILO) International labour standards:

<https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

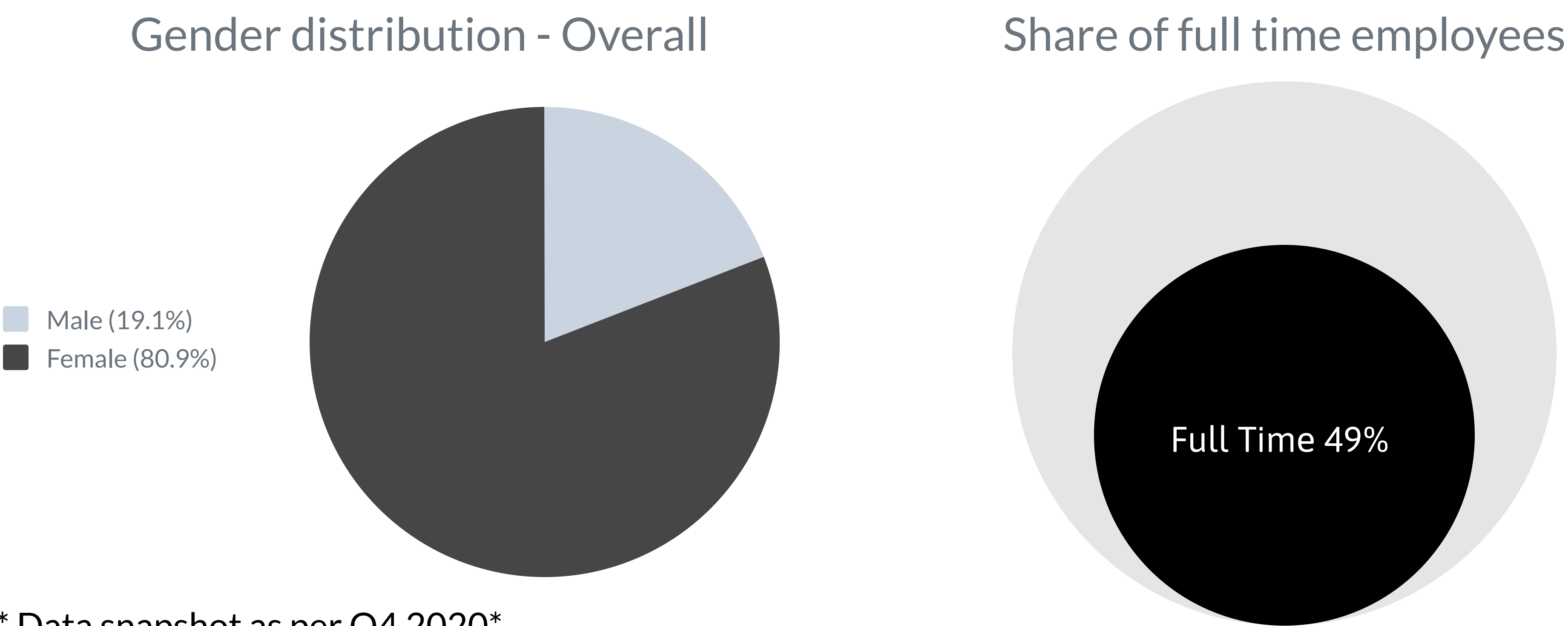
[3] The UN Guiding Principles on Business and Human Rights: <https://www.unglobalcompact.org/library/2>

[4] The OECD Due Diligence Guidance for Responsible Business Conduct: [Due Diligence - Organisation for Economic Co-operation and Development \(oecd.org\)](https://www.oecd.org/due-diligence/)



RESPONSIBLE EMPLOYER

Our aim is to be a responsible and preferred employer and to create an inclusive and inspiring workplace for all employees. In this work it is important for us to have each person’s individual aspirations and abilities in focus. We want to have a positive influence on the people involved in our business. Cooperation, honesty, and diversity are important factors in our culture at work.



* Data snapshot as per Q4 2020*

Some concepts have only female employees or a large proportion of female employees.

VARNER INTERNAL CODE OF CONDUCT

Our internal Code of Conduct has been established to embed sustainability and fair work in all parts of our company. The Varner Code of Conduct is based on legal requirements and international standards such as the UN’s Universal Declaration of Human Rights, The United Nations Global Compact, The UN Guiding Principles on Business and Human Rights and the International Labour Organization’s Conventions. The policy has been developed in line with Ethical Trade Norway’s Declaration of Principles. The Code of Conduct also sets specific expectations and guidelines for how we do business and how we behave. It applies to everyone who works for Varner, including all levels of management, permanent and temporary employees, subcontractors, volunteers, and consultants, in all countries where we operate.

The Code of Conduct covers 17 areas including sections about laws, regulations and internal rules, conflicts of interest, corruption and bribery, equal opportunities and a diverse workplace, labour rights, privacy rights, environment, and risk management. The Code highlights the right and responsibility to speak up about issues of concern and breaches to the Code of Conduct. It includes information about the formal notification channel where issues can be raised. The Code also describes how it is put into practice and implemented in the organization.

AWARENESS & TRAINING

Key parts of the Code of Conduct are included in the contracts for all employees in a document called *Good Business Practice*. The full Code is available for all employees on the Varner intranet, and publicly on the Varner website.

All office employees partake in a mandatory on-boarding session about sustainability. In depth training on Varner’s commitments and responsibilities, and how to effectively work towards more sustainable solutions is provided for employees in specific functions, such as designers and buyers.

Training for employees in shops is primarily provided digitally through the tool Motimate. Relevant training courses on a wide array of topics are available on this platform. Two training courses have been developed and made developed to increase awareness about social and environmental sustainability. The course on sustainability has been completed by 5600 current employees in total. The course on fibers and material knowledge and their sustainability features has been completed by 5576 current employees.

Employees responsible for due diligence in the supply chain (such as dedicated Corporate Social Responsibility and Environmental employees) are trained in their area of expertise on a continuous basis, both through training programs and participation on sustainability platforms and industry forums.



TABLE : Motimate training statistics (2017-2020)

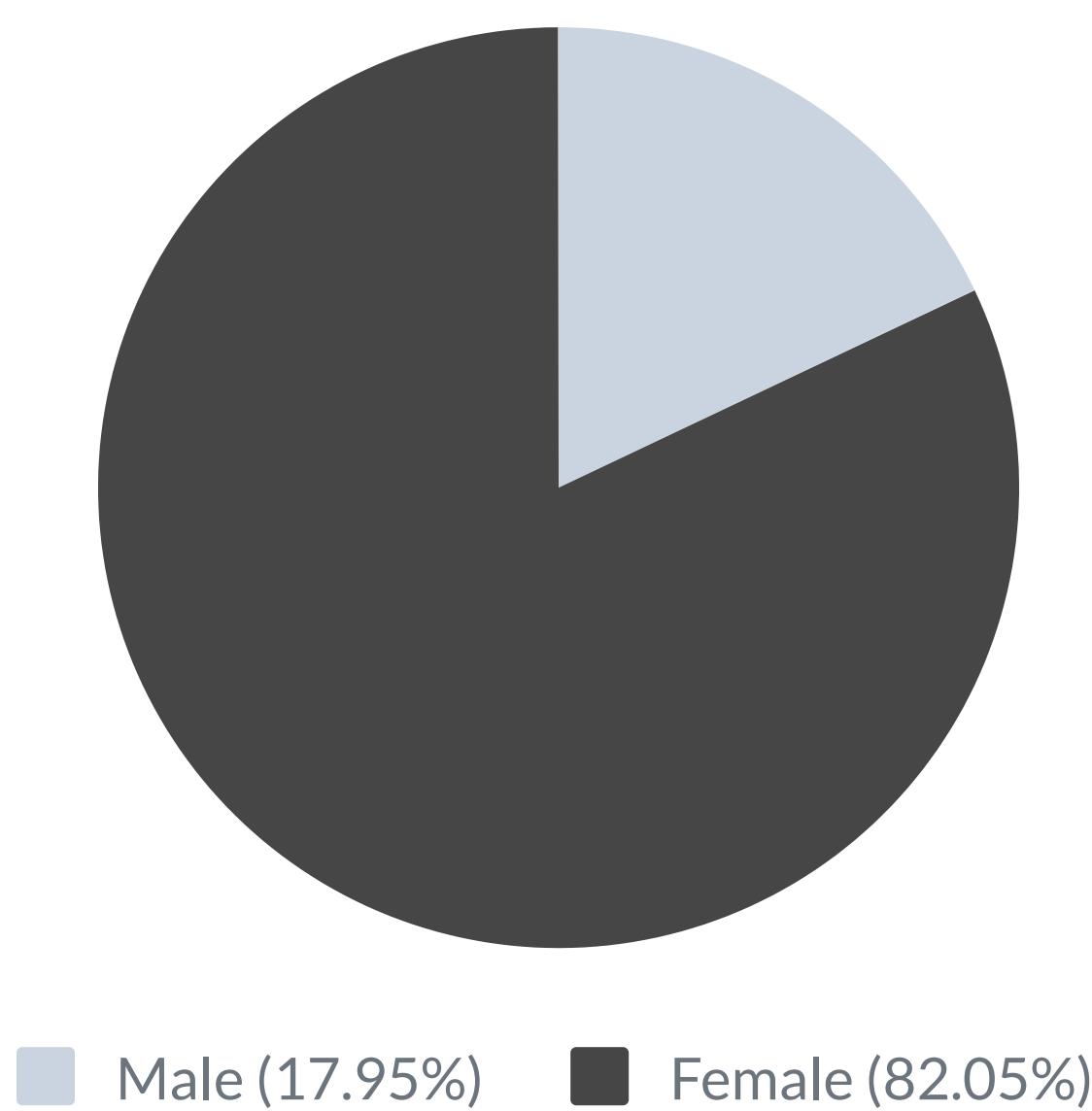
7,214	Number of employees completed one or more trainings
71,269	Number of total courses completed

EQUALITY AT WORK

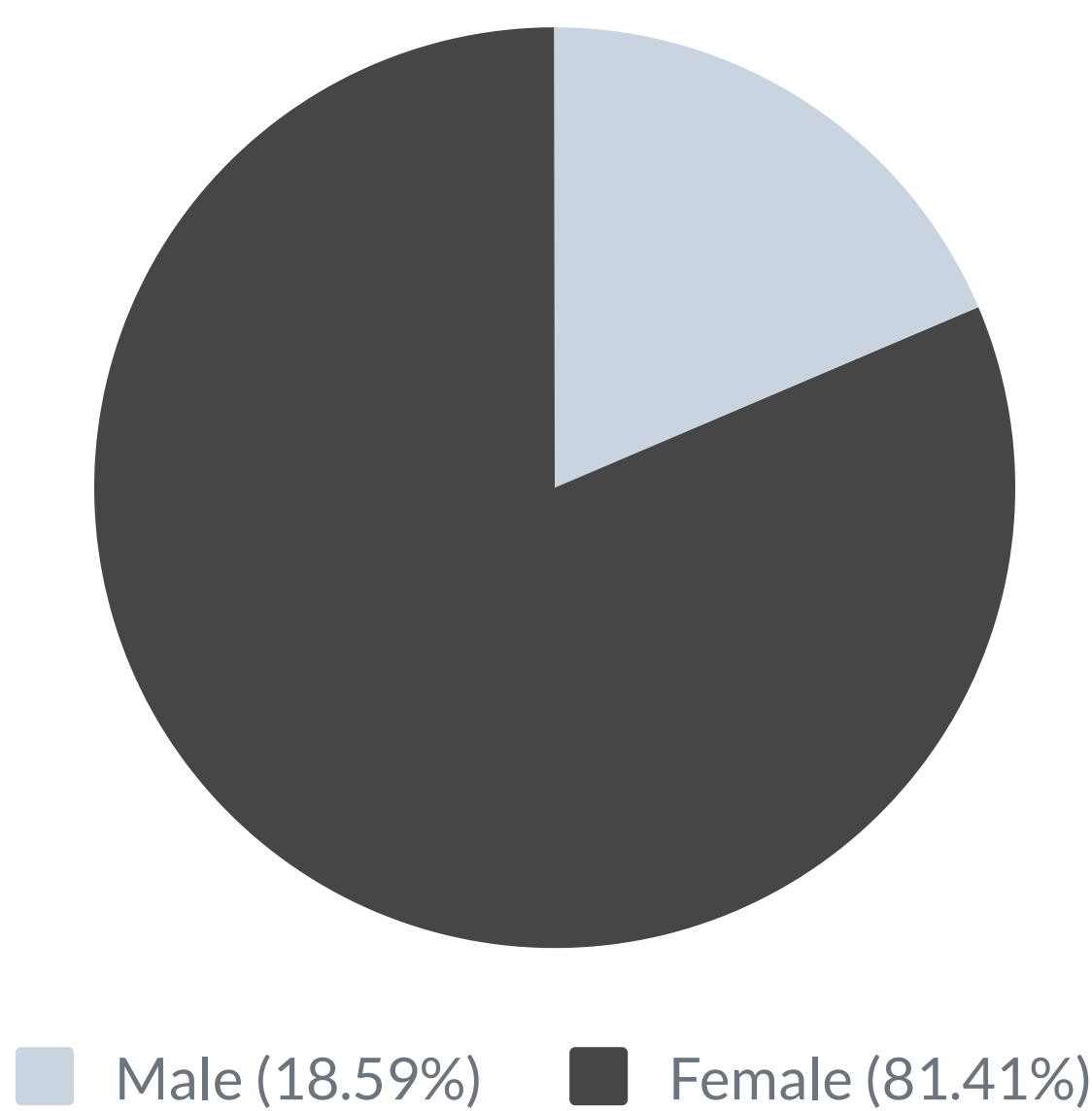
Diversity of people benefits our development and contributes to improve our brands and products. Varner promotes equal opportunities and a diverse workplace. This is highlighted in our Code of Conduct. We recruit, promote and compensate based on responsibilities, competencies, performance and values. We do not tolerate any form of discrimination based on e.g., ethnicity, parenthood, age, (dis)ability, religion, unionization, political affiliation, sexual orientation, gender or gender identity. Our work on diversity and equal opportunities is integrated in strategies, tools and policies. Work to develop our working environment is continuously ongoing in close cooperation between employees and management.

Incidents of discrimination or unequal treatment can be reported through established grievance channels. Such cases are handled in accordance with applicable guidelines and regulations. There were no reported cases in 2020

Gender distribution at Varner stores :
managerial roles



Gender distribution at Varner stores :
non-managerial roles



GRIEVANCES

We put emphasis on the right and opportunity to *speak up* about issues of concern. Our primary focus is to prevent problems at the workplace by providing training, awareness and having solid management and feedback systems in place, however, we realize that breaches may still occur. The formal grievance channel is concern@varner.com. The e-mail is administrated by the Head of HR and Head of Security.

All employees have access to the grievance channel. Information about the channel and how grievances are handled is available on the Varner intranet. Information about the channel is also attached with all employee contracts in the document *Good Business Practice*. Concerns and issues can also be raised directly to personnel in the HR department, or to the Security department. No formal grievances have been received in 2020. Two internal grievances related to management practice received in 2018 and 2019 were processed and resolved in 2020.



A SAFE AND HEALTHY WORKPLACE

A safe and healthy workplace will benefit everyone. We continuously work to improve working conditions with focus on both physical working environment and psycho-social aspects. We are committed to respect and follow the applicable rules and regulations related to Occupational Health and Safety in all counties of operation.

We believe that the development of a safe and sound working environment must happen in a close cooperation between employees/workers and management. Working environment councils are established at all offices and stores[1]. The councils are important entities to ensure and monitor that applicable regulations related to the work environment are implemented. They are comprised by equal number of members from workers/employees and management. The worker representatives are elected for 2-year periods. Leadership of the council is shifted between workers and management on a yearly basis. The councils plan and carry out risk assessments as well as efforts to address and prevent risk at the workplace. Training is normally provided for committee members on an annual basis, however, due to the pandemic no training was completed in 2020. Work related injuries are recorded and addressed by the working environment councils. . We have identified issues with consolidation of health and safety related data (such as workplace injuries) for 2020 and will aim to standardize the collection and reporting process for this in 2021.

Adapted health and safety training in response to the pandemic has been developed and rolled out in 2020, including training on face masks and disease prevention (completed by 5245 employees). New guidelines on personnel and customer safety aligned with governmental requirements have been introduced. Health and safety risk related to the pandemic has been assessed and measures have been taken to respond to new areas of risk.

General terms for providers of leased personnel include clauses related to working conditions aligned with applicable regulations, including requirements related to social security, health and safety, wages and working time. The terms are agreed and signed before the initiation of a contract. We follow our regulatory duties related to supervisory responsibility[2] as a purchaser of cleaning services. Routines have been established to carry out reviews of documentation for providers of such services in accordance with regulatory requirements.

FREEDOM TO ORGANIZE AND BARGAIN COLLECTIVELY

We respect and recognize, in accordance with the laws of the country in which employees are employed, the right to freedom of association and collective bargaining. Employees in Sweden, Norway and Finland, excluding employees in senior positions, are covered by collective bargaining agreements. The collective agreements are generally negotiated and renewed on an annual basis.

Personal union membership is not monitored or tracked. Number of stores with a trade union are 225 in Norway, 215 in Finland (all stores in Finland), and 444 in Sweden (all stores in Sweden).

[1]Excluding production offices in Turkey, India, Bangladesh and China

[2]Norwegian Påseplikt



RESPONSIBLE SUPPLY CHAIN MANAGEMENT



Respect for human rights and fair and decent work extend beyond our own organization. This is equally important in the supply chain where our products are made. Varner does not own any production facilities, but instead cooperates with a range of selected suppliers and factories. We have 139 approved suppliers for our private label products, and 335 approved factories, employing 265 780 persons (47% being women, 53% men). Key production markets are Bangladesh, China, Turkey, India, Pakistan, Italy and Serbia. The full list of factories used for production can be found on our website.

Key steps to identify and address social risk in the supply chain are:

Supplier qualification criteria that include human rights and labour conditions and guide sourcing activities

Screening and assessment of performance for all suppliers before initiation of cooperation

Improvement work to close gaps towards requirements and capacity building activities to facilitate sustained improvements

Contract terms that highlight expectations, requirements and responsibility to respect human rights and labour conditions

Continuous improvements in collaboration with relevant stakeholders throughout the cooperation

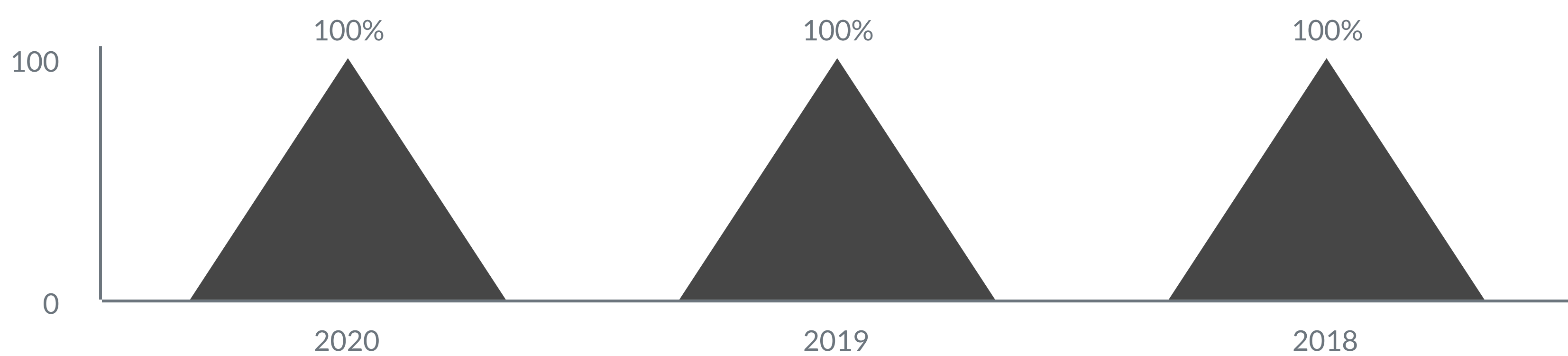
RESPONSIBLE SOURCING POLICY

We have established a policy for responsible sourcing that highlights how due diligence on labour conditions and human rights is an integrated part of our sourcing strategy. The policy includes information about the due diligence process, approval process, as well as procedure for phasing out suppliers. The policy is publicly available on the Varner website.

SUPPLIER CODE OF CONDUCT

Our Code of Conduct for suppliers makes clear our expectations and requirements related to responsible business conduct, labour conditions and human rights. Some key principles included in the Code of Conduct are the right to organize, no child labour, safety at work, working time and wages and benefits. The Code was revised in 2020 with amendments to the clause of Regular Employment adding a requirement that workers shall not bear the cost of recruitment fees with reference to Employer Pays Principle (EPP).

The Supplier Code of Conduct is a part of the Varner Supplier Manual as well as a mandatory part of the contract that is signed with all suppliers. The supplier manual also includes requirements related to chemical content and product testing, products safety, labelling and certification, traceability, and includes information about the grievance and complaints channel that could be used if there is any misconduct or breach of terms.

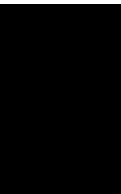


Suppliers that have signed and accepted the Varner code of conduct

All new suppliers are required to meet with Varner local CSR representatives to review the content of the Code of Conduct and expectations described in the supplier manual. Seventeen on-boarding training sessions on the content of the Code of Conduct and our approach to due diligence in the supply chain were completed for new suppliers and factories in 2020.

Training on issues related to labour conditions and human rights is provided on a regular basis for suppliers and factories we cooperate with. The focus of such training will differ based on the regional context and will target identified areas where we have identified risk of breach with our requirements. Training is hosted and performed both by Varner CSR representatives and external trainers. Managers or seniors from 74 suppliers and 75 factories have taken part in recorded training in 2020, with a total of 898 individual participants. Some key topics of training in 2020 have been implementation support for elements of the Code of Conduct, responsible recruitment, and responsible employment of migrant labour. In addition, we offer voluntary training for suppliers and factories provided by partner organizations. The number of participants from our supplier base is not tracked for this.

We also facilitate training for workers employed in factories we cooperate with. 739 workers employed at 21 different factories took part in training facilitated by Varner in 2020. Key topics of training were social dialogue, legal rights for refugee workers, discrimination, and health and safety.



PURCHASING PRACTICE

We realize that our way of doing business has an impact on human rights and labour conditions in our supply chain. Our focus is to conduct business in a manner that enables the realization of the requirements that we put towards our suppliers and does not hinder this work.

A key strategy to enable us to have a positive impact in our supply chains is the focus on long term cooperation. A cooperation with a supplier is always initiated with an intention to establish long term partnerships and “one season cooperations” are avoided. Our standard payment terms for suppliers are 30 days net, from Bill of Lading (B/L) when the goods are shipped.

We have had at least 3 years of cooperation with 88% of all current suppliers.

It is a focus to consolidate our supplier portfolio to increase our general leverage and by that increase the impact that we can have to enable positive change. An integrated part of this strategy is to avoid trade with intermediaries where possible and work directly with producers and factories. This enables a more direct dialogue and collaboration on how responsible business practices can be advanced and issues in need of improvement can be solved.

We have established production offices in all major markets to be able to address issues, including issues related to human rights and labour conditions, effectively and efficiently. This enables us to circumvent barriers of language and culture, it also allows us to be onsite in the factories on a frequent basis. We have a high focus on prevention of unauthorized outsourcing (production in facilities that have not been approved by Varner). Our local presence is integral to this work. Two cases of unauthorized outsourcing were identified in 2020.

New employees in our offices (including production offices) are trained in the Varner approach to responsible business conduct and refresher training is done on a regular basis. 50 employees were trained in 2020. In addition, positions key to our purchasing (such as designers and buyers) have received training in responsible purchasing practices. This includes information on how lead times, price negotiations, capacity booking and other elements may impact decent labour conditions in the supply chain. 63 people received this training in 2020.





SUPPLIER EVALUATION

We perform an integrated supplier evaluation on an annual basis. Code of Conduct performance is equally weighted alongside quality and business criteria. Suppliers and factories with high level of performance on social and environmental aspects are highlighted for internal business teams. Dialogue is initiated with suppliers and factories that fall below expected performance levels.

EXTERNAL BRANDS AND INDIRECT SPEND SUPPLIERS

In addition to Varner's own production, several of the Varner brand stores sell products purchased from external brand suppliers. These are apparel, footwear, accessories and cosmetic products that are developed and branded by other companies. The brand stores with external brands in their portfolio in 2020 were Carlings, Cubus & Wow, Dressmann, Urban and Volt. These external brands account for approximately 20 percent of all purchases of retail items. In 2020, we had 77 external brand suppliers.

We had a total of 82 steady indirect spend suppliers providing interiors for stores, office supplies, and services in sales markets. This figure excludes indirect spend suppliers with one-off purchases and accounts for approximately 80 percent of all indirect spend purchases.

Procedure for new external brands and indirect spend suppliers

For external brands and indirect spend suppliers, we screen and map each supplier against our requirements for collaboration. The suppliers must meet certain requirements on CSR and chemical compliance before we start the collaboration.

We focus on transparency and dialogue with all suppliers and believe this is key to enable improvements. We support suppliers to meet our requirements when necessary. Suppliers that are not willing to engage in improvements will be informed that improvement measures are necessary for a continued cooperation. Lack of cooperation with respect to implementation of responsible business practices will result in us not starting a collaboration. If there are issues related to an existing suppliers' responsible business practices and a continuous lack of cooperation to solve these, it will result in the termination of business cooperation with said supplier.

In 2020, we screened a total of 22 new external brands. Of these, 20 brands were approved and accepted into our portfolio. The remaining 2 external brands were rejected after their screening process. No existing external brand collaborations were ended due to CSR compliance reasons.

In 2020, the online retail store Junkyard was acquired by Varner. Junkyard brings in an extensive portfolio consisting of approximately 250 brands. The CSR screening of these brands started in December 2020, and will continue into 2021.



IDENTIFYING RISK

Identifying risk of breaches with decent work and human rights is an important part of our due diligence process. Assessment and mapping is done with special focus on our supply chains, and is done both with focus on regional and country risk and on risk related to specific factories, manufacturing processes or raw materials.

REGIONAL AND COUNTRY RISK

We perform continuous and annual assessments of social risk related to labour conditions and human rights in the countries and regions where we are established with suppliers and factories. Based on these risk assessments we aim to take measures to address and mitigate the identified risks in our supply chains.

We draw on a wide array of tools and stakeholder consultations to keep updated on risks. We participate in meetings and consultations with NGOs and MSI's, participate on industry platforms, monitor updates in legislation and regulations, maintain dialogue with business partners and workers, and review reports. In addition, we review indexes such as the Human Development Index (HDI), Transparency International, Corruption Index, ITUC Global Rights Index, and UNDP Gender Inequality Index.

Key changes in regional risks in 2020:

- The pandemic and it's impacts on social conditions in all sourcing regions
- Labour law amendments in India with increased risk of infringement of worker rights
- Increased risk of forced labour in and connected with the Xinjiang province in China

We have established a procedure for evaluation of new sourcing markets, that includes assessments of labour and human rights risk alongside assessments of environmental aspects and business elements. The assessments include analysis of legal/regulatory framework against the Varner Code of Conduct, consultation with relevant stakeholders (such as employers' organizations, trade unions, NGOs), and research on sectoral risks in the country. No new markets for sourcing were reviewed or entered in 2020.



RISK ASSESSMENT IN THE SUPPLY CHAIN

The process to assess and map risk in our supply chains and individual entities/factories is done with a series of tools. These include self-assessments, audits, visits, dialogue with key stakeholders (such as suppliers, worker representatives, other employees) and consultation with expert organizations.

All new factories are required to be assessed and audited before any business can be started and orders can be placed. For existing factories audits are done in cycles where initial audits are done once per every two years, with follow up assessments being done based on the identified risk profile for each individual manufacturing unit. Units with a higher risk of breach with our requirements will have follow-up assessments more urgently and frequently than units with a lower risk of breaches. The categories of risk are Low Risk, Medium Risk, High Risk and Critical Risk. The form of assessments is either announced, semi-announced or unannounced. Factories are rated according to the identified issues that are discovered through assessments and stakeholder dialogue. The audits are predominantly executed by Varner local CSR Specialists, a limited number are performed by appointed auditor companies. Review of existing audit documentation, certifications, permits and licenses and other relevant documentation is also part of the assessment process.

Table: New suppliers and factories screened against Varner requirements for labour conditions.

Year	% of new suppliers and factories screened as per Varner requirement	% of screened factories not traded with as a result of the screening
2020	100%	23%
2019	100%	24%
2018	100%	23%



RISK ASSESSMENT IN THE SUPPLY CHAIN

TABLE : Factory assessment activities in 2020

21	Pre-assessment visits	
183	Audits	123 Announced audits 10 Semi-announced audits 50 Unannounced audits
29	Factory Visits	
377	Self-assessments	222 Labour condition related 131 Disease prevention & handling of Covid-19 situation 24 Exclusively related to wages & payment
63	Targeted Inspections [#]	

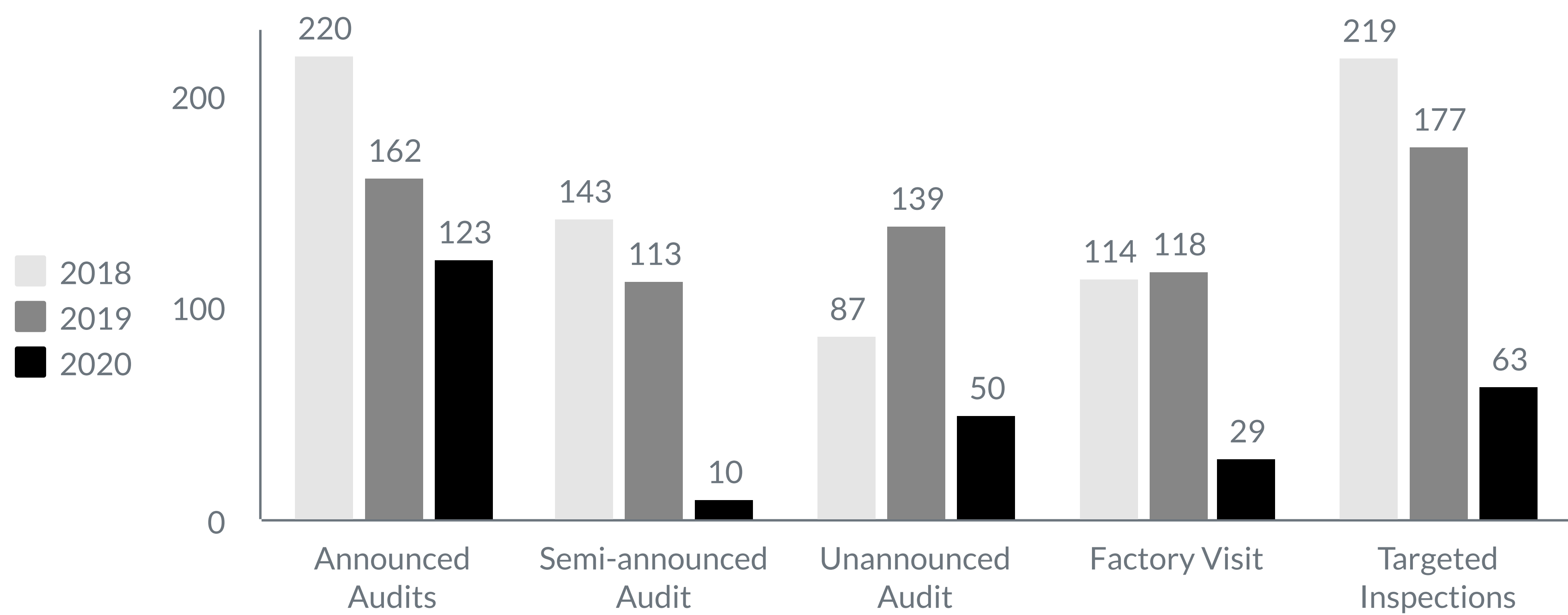
Interviews with workers are an important part of our assessments. In 2020 we interviewed 1554 workers about their situation at work in a formal setting (while having informal dialogue with many more). In general, the interviews take place in an isolated space onsite at the factory. In some cases the interviews are done offsite, and sometimes they are followed up by phone calls. Interviews with workers are done both individually and in groups.

Apart from regular assessment activities and ongoing supplier and worker dialogue we have engaged actively with stakeholders such as governments, ILO, NGOs, industry associations, other companies or other stakeholders. The purpose of such interactions are generally to share information, explore joint focus or cooperation or increase our understanding of relevant aspects related to business and human rights.

[#]Targeted inspections are in 2020 exclusive inspections on building, fire and structural safety in Bangladesh executed by engineers from the Accord Bangladesh/RSC.

RISK ASSESSMENT IN THE SUPPLY CHAIN

Onsite factory assessments in the past 3 years

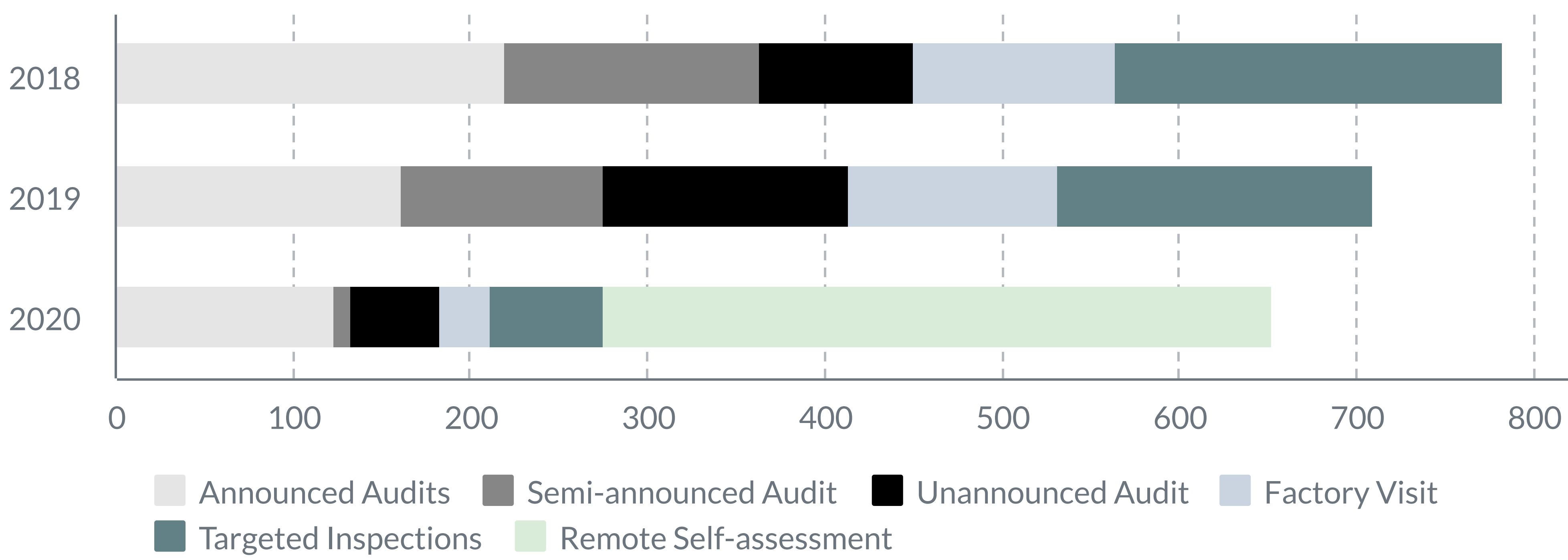


An integral part of our due diligence process is having a local presence where our products are produced and having dedicated employees working with labour conditions and human rights in our supply chain.

The pandemic has greatly impacted our ability to execute assessment activities onsite in our supply chains. In normal circumstances onsite assessments are often done in an unannounced manner, in 2020 however, most assessment activities have been done in an announced manner to be able to prepare and respect appropriate safety and disease prevention measures.

We have sought to replace our normal onsite assessment and support activities with other ways of working so that we can support responsible business practice also during the pandemic. Partly we have switched to virtual/remote assessment and in part we have utilized self-assessment forms.

Factory assessments including remote self assessments





GRIEVANCE CHANNELS

We require that all partner factories have established proper internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly. We do however acknowledge that external grievance channels may be needed as an addition to internal channels where there may be boundaries of submitting sensitive complaints and grievances. Through partnerships we have established availability to externally managed and independent grievance channels available for workers at all factories we cooperate with in Turkey and Bangladesh. Such channels are an important source for us to identify issues in our supply chain. In 2020 a total of 15 grievances have been raised through these channels that have been connected with factories used by Varner.

SUPPLY CHAIN ASSESSMENT DURING THE PANDEMIC

Most of our assessment activities take place onsite at the factories and include visual observations, interviews, informal talks, and document reviews. During the pandemic we have followed advice from WHO and restrictions from national and local authorities. To safeguard our own staff as well as employees in our supply chains we have approached the situation with a high degree of caution. In extended periods of the year we have therefore not been able to execute activities onsite. We have taken a series of steps to be able to continue to monitor and support our supply chain partners during this period. Some key measures have been:

- Information and guidelines to all supply chain partners on preventive measures, law adjustments, regional risk levels and best practice.
- Phone support for supply chain partners.
- In cooperation with a group of other companies we have developed a self-assessment tool specially equipped to address the additional risks during the pandemic.
- Check of status and document verification for employment status for employees and payment of wages.
- Remote assessments using virtual tools.
- Established an internal protocol for restarting onsite assessment activities in a safe way for all involved in regions where the restart has been possible.

FOCUS ON IMPROVEMENTS

When issues are identified in our supply chain our focus is to ensure that the issues are addressed and handled in an appropriate and responsible manner, and where necessary ensure that harm is remediated. However, in cases where we are unable to influence or contribute to improvements or where our business partners are not willing to cooperate to enable the necessary improvements, we sometimes are required to cease the cooperation with suppliers and factories. In 2020 we ended cooperation with one supplier and with seven manufacturing units due to lack of improvements related to labour conditions.

We identified 1793 issues in our assessments in 2020. The issues range from minor issues of limited concern and or issues that can be resolved easily, to major issues of high complexity and critical concern.

SALIENT ISSUES

Varner uses the concept of salient risk to inform priorities and efforts related to labour and human risks in our supply chains. The concept has been established by the UN related to the UN Guiding Principles Reporting Framework. This concept of salience uses the lens of risk to people, not the business, as the starting point. Salient human rights issues stand out because they are at risk of the most severe negative impact through the company’s activities or business relationships. We put emphasis on the concept and approach of saliency when focusing our efforts to identify, assess and address risk. More about the concept here: <https://www.ungpreporting.org/resources/salient-human-rights-issues/>

IDENTIFIED SALIENT ISSUES

The geographies linked to our identified salient issues are based on our supply chain and factory portfolio. There may be prevailing risks in a market that we are present in that is not considered a risk for our specific supply chain. This may be because of measures to actively avoid the risk in our supply chain, or that we have taken active measures to mitigate the risk. This risk has been identified through a combination of onsite assessments, interviews and dialogue with workers, feedback in grievance/complaints channels, worker representatives and union representatives, dialogue with unions, NGOs and multi-stakeholder organizations (globally and on local level).

Salient Issue	Where Risk has Been Identified	Our Response
Worker Representation & Freedom of Association ILO Conventions 87, 98, 135 and 154	Manufacturing in Bangladesh, China, India, Pakistan & Turkey	Page 38-39
Health & Safety ILO Convention 155 and ILO Recommendation 164	Manufacturing in Bangladesh, China, India, Pakistan, Turkey & Europe	Page 40-41
Wages and Overtime ILO Conventions 1, 14, 95, 131	Manufacturing in Bangladesh, China, India, Pakistan, Turkey & Europe and raw material production	Page 42-43
Migrant Labour ILO Convention 97	Manufacturing in India & Turkey	Page 44
Modern Slavery ILO Conventions 29, 105	Manufacturing in China & India	Page 45-46
Child Labour UN Convention on the Rights of the Child, ILO Conventions 138, 182, 79	Manufacturing and in Bangladesh, India, Pakistan, Turkey, raw material production	Page 47
Discrimination & Women Empowerment ILO Conventions 100, 111, 183, 190, Convention on the Elimination of All Forms of Discrimination against Women	Manufacturing in Bangladesh, India, Pakistan, Turkey	Page 48



WORKER REPRESENTATION AND FREEDOM OF ASSOCIATION

We are committed to safeguard decent conditions in our value chains, and to contribute to improvements where infringements on workers' rights are identified. Ultimately, however, we are certain that it is employees and workers themselves that are in the best position to improve their own conditions at work and to keep such conditions sustained. This is only possible if there is a fair and balanced cooperation and dialogue between workers and management. We see that the right to representation, freedom of association and collective bargaining is under pressure in many countries, including in countries where our products are being manufactured, such as Bangladesh, Turkey, India and China.

Respect for worker representation and freedom of association in accordance with our Code of Conduct is a basic requirement for all factories we cooperate with. The implementation of these requirements is also being assessed at all factories prior to any cooperation as well regularly during the cooperation. In addition to this we have engaged in supportive measures to facilitate the fulfillment of our requirements. The focus of these measures has been on workers awareness of rights to representation and to organize, on the ability to be represented fairly, and on social dialogue as a means to improve working conditions.

AWARENESS OF RIGHTS

We believe all workers should be aware of their rights (and responsibilities) and particularly the rights to organize and be represented at the workplace. We have initiated a programme where the training that our partner factories are giving to their own employees and workers is being evaluated. In particular the content, form and execution of training related to workplace rights is being evaluated. The programme is currently being rolled-out in Bangladesh. The evaluation is comprised of a combination of review of training materials, review of trainers competence, observation of the execution of the training and interviews with workers. Meanwhile, factories in China and Bangladesh have also been offering training to workers through tablet-based video training provided by Quizrr[1]. In 2020 331 workers have received training in Rights and responsibilities, and 303 have completed training in worker engagement.

[1] [Quizrr - Digital training](#).



SOCIAL DIALOGUE AND FAIR REPRESENTATION



Social Dialogue is the concept of constructive and action-oriented dialogue at the workplace between workers and management. This dialogue is focused on improvements at the workplace to the benefit of all parties, in particular workers.

We have continued to roll out social dialogue training for factories we cooperate with. In 2020 we have involved seven factories in Bangladesh in the Joint Ethical Trading Initiatives (JETI) social dialogue programme^[1]. Key focus areas in the programme are fair election of worker representatives, training for management and worker representatives (individually and jointly in a series of sessions), training of supervisors, and awareness training for workers in general. There are two streams of the programme, one for factories with established trade unions and one for factories with no established union.

In 2020, 31 worker representative members (21 elected worker representatives and 10 trade union representatives), and 12 management representatives in Worker Participation Committees (WPCs) were trained. In addition, 485 supervisors were trained. A total of 66 training sessions were done. Due to constraints during the pandemic the activities were not completed as planned. Most training was done virtually, and the number of people trained was significantly lower than originally planned. In normal circumstances the training is done both onsite at the workplace and offsite on neutral ground.

Engagement with worker representatives (both representatives from trade unions and from worker committees) is an important part of our due diligence work. Such engagement both enables us to get important information about the situation at the workplace and gives us an opportunity to understand boundaries for improving matters of importance to workers.

Our goal is that proper mechanisms for fair worker representation is established at the facilities of all our supply chain partners. We are in the process of assessing the level of fair representation in our supply chain and will establish time-bound targets for progress during 2021.

[1] <https://www.ethicaltrade.org/programmes/garments-bangladesh>



HEALTH AND SAFETY

Health and safety has been identified as an important topic wherein there are risks of breaches related to our supply chains. The risk has been identified by a combination of stakeholder consultations, supply chain audits and other assessment activities, feedback in complaint mechanisms, and dialogue with experts in the field of health and safety. The risk has been identified as being prevalent in all production markets.

MAPPING

Audits and inspections are a key measure to identify hazards as well as verifying that improvements on identified issues have been completed where necessary. In total 49% of issues identified through audits are related to occupational health and safety or building and fire risk. The issues identified range from issues related to the general management of safety, to issues concerning specific safety features. Some examples of identified issues in 2020 have been:

- Insufficient management systems to effectively address health and safety.
- Occupational Health and Safety Committee not formed or not functioning according to requirements.
- First-aid or medical personnel not sufficiently trained or having the required qualifications.
- Insufficient use of PPE (Personal Protective Equipment)
- Periodical inspections of machinery and pressure vessels not completed according to requirements.

MEASURES TO ADDRESS RISKS AND GAPS

We actively work to prevent and address risks related to health and safety in our supply chains. All identified issues related to health and safety are included in Corrective Action Plans (CAPs). Individual suppliers and factories are responsible for the improvement actions in the plan. We will verify that required actions have been taken through follow-up assessments.

Some factories may need assistance to be able to address certain issues in the CAP. In such cases we offer support either from our internal CSR Specialists or by involving external expert organizations. During 2020 we conducted training in general health and safety measures directly for 24 suppliers in Turkey with 48 people attending. We have continued our support program for factories in China that are falling below expected levels of performance. Six factories received training and support in establishing internal control systems related to health and safety (and also other relevant areas).

We have implemented a series of bans on production related methods to prevent or limit excessive risk for negative health effects related to our products.

- Effective since 2010 we have banned the use of sandblasting for our products (and will not cooperate with factories that do sandblasting for other clients or have the equipment to do so available)[1].
- We have banned the use of leather tanneries in Bangladesh.
- We have banned the use of electroplating for all trims on jeans.

[1] [sandblasting-policy-original_20190313084737_861525.pdf\(varner.com\)](#).

IMPROVING FIRE AND BUILDING SAFETY

Significant effort has been focused on prevention and mitigation of building and fire safety risk in Bangladesh. We started the journey to improve fire and building standards in our supply chain in Bangladesh in early 2013 when we commissioned DNV-GL to complete engineering inspections at all factories used by Varner in the country. Later that same year the catastrophic Rana Plaza collapse happened. In the aftermath of Rana Plaza the coalition The Accord on Fire and Building Safety in Bangladesh (“the Accord”) was formed. Varner joined this coalition to join forces with other companies and global trade unions to make garment factories in Bangladesh safe. The Accord has from 2013-2020 been an independent, legally binding agreement between brands and trade unions to work towards a safe and healthy garment and textile industry in Bangladesh. In 2020 the Accord was transferred into The Ready-Made-Garments Sustainability Council (RSC), taking over the same framework, but with more direct involvement from the Bangladeshi garment industry.

All our factories in Bangladesh are required to take part in the full scope of the RSC programme, including regular inspections from independent and qualified engineers, following the remediation plans that are based on identified issues. Factories are rated for progress to solve issues that have been identified by RSC engineering teams. The overall progress rating for factories Varner cooperate with in Bangladesh is 97% progress on initial issues and 94% of all issues (includes issues that have been identified in follow-up inspections). Due to the pandemic the number of onsite engineering inspections have been scaled down in 2020, with only 63 inspections completed at our partner factories in 2020 (compared with 177 in 2019).

All our factories are participating in the RSC safety training program. The program includes training for all employees as well as in-depth training for safety committee members. 277 safety committee members have received training in 2020.

HEALTH AND SAFETY IN THE SUPPLY CHAIN DURING THE PANDEMIC

2020 was greatly impacted by the global pandemic, bringing biological safety hazards at home and at work to the forefront. We have closely monitored the pandemic situation in all production markets. Most factories did close down for periods of time during 2020, either due to restrictions and requirements enforced by authorities or to be able to establish disease prevention measures. Our focus during this period has been to support and monitor safe re-opening of production where applicable precautions and restrictions are followed to ensure a safe working environment. We have been able to guide and share good practice for implementation of safety measures with our supply chain partners





REGULAR EMPLOYMENT AND WAGES

Our Supplier Code of Conduct emphasizes our requirements for wages, regular employment and working hours and overtime. We see that there is a risk of breach with these requirements, separately or in combination, in several of the countries where we have supply chains, in particular in China, Bangladesh and India. The risk of breaches are projected to be especially located in lower tiers of the chain, such as in cotton farming and raw material production and processing.

REGULAR EMPLOYMENT

The foundation for proper work that can facilitate a sustained and predictable income is 'regular employment'. This means that the working relationship is formalized work in a work contract that stipulates information such as the terms for the contract (wages, hours of work, resignation period and other aspects that needs to be regulated) and that the length of the contract is clearly defined (whether it is permanent or temporary for a fixed period). We have a key focus to ensure that all workers in our supply chain have working relationships that are regulated by a formal contract. The status of this is assessed on an ongoing basis at all factories used for Varner.

WAGES & BENEFITS

Having production in countries where wages and decent working hours are salient issues, means that we have a responsibility to ensure that our suppliers are aware of and follow requirements to ensure decent wages and working hours for the workers in our supply chain. Through collaboration and continuous dialogue and factory visits and document reviews, we work to ensure that all suppliers are able to meet prevailing requirements on wages and working hours.

We focus both on *wage practice* and on *wage levels*. Wage practice means the ensuring that wages are paid according to what is stipulated in the labour contract, related to the work that is being done, timely, in full, includes relevant premium payments, with clear and comprehensive wage slips, and are being raised according to relevant increment requirements. We encourage the transfer from in cash payment to digital payment of wages (such as bank transfers) in our supply chain, in line with recommendations from ILO and Better Than Cash Alliance[1]. In addition, we monitor benefits such as maternity pay, premium pay for overtime, appropriate contribution to social security schemes, and proper pay if the working relationship is ended.

When it comes to wage levels the base line is that relevant minimum wage levels are being respected. At the core of this is ILO Convention C131 (Minimum Wage Fixing Convention), where section 3 highlights the following for what minimum wages should cover: “.. the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups[2]. We see that minimum wage levels in certain countries are not sufficiently supporting decent living standards.

[1] [Better Than Cash Alliance](#)

[2] [Convention C131 - Minimum Wage Fixing Convention, 1970 \(No. 131\) \(ilo.org\)](#)



Although many of our supply chain partners have wages that surpass minimum levels we do see that further focus needs to be given to raising those levels. Wages are closely connected with hours of work and overtime. We are closely monitoring working hours and overtime use at factories we are working with, and work to prevent use of excessive working hours. We also see that there is a risk that overtime is being used to compensate for a minimum wage levels that are too low.

These are complex issues that need a long-term approach. We acknowledge that our purchasing practices do link with issues related to pay and working hours in our supply chains. In 2020 we held 3 training sessions on responsible purchasing practices with designers and buyers at Varner. A total of 63 people completed the training in 2020. This includes information on how lead times, price negotiations, capacity booking and other elements can impact decent labour conditions in the supply chain. Some training has also been performed in the supply chain with certain factories in China, utilizing the Quizrr platform for training, where 273 workers and managers have completed training in wage management systems in 2020.

FAIRTRADE

The issue of decent wages are perceived to be pressing in the lower tiers of supply chains, and we see particular risk of wages below decent levels in the cotton farming sector. We have been working with Fairtrade certified cotton since 2017. We recognize the certification as an important tool to work toward improving working conditions in the cotton sector (along with other initiatives in the sector that we are working with, see more on page 55). Fairtrade has an approach that is particularly relevant when it comes to wages as it is providing not only prices that aim to cover the average costs of producing their crop sustainably, but also a premium (an extra sum of money paid on top of the selling price) enabling farmers to invest in business or community projects of their choice.

WAGES AND BENEFITS DURING THE PANDEMIC

When the pandemic hit, it became apparent that it could have a critical impact on the garment industry and consequently decent work in the industry. To address this jointly with other stakeholders we endorsed the *COVID-19: Action in the Global Garment Industry*^[1] on the ILO platform in April 2020. This “Call to Action” is an initiative joined by trade unions, businesses and governments aimed to protect garment workers’ income, health and employment. This global action also calls for work on sustainable systems of social protection for a more just and resilient garment industry.

A part of the endorsement is a commitment to continue under the pandemic to paying manufacturers for finished goods and goods in production, to maintain quick and effective open lines of communication with supply chain partners about the status of business operations and future planning, and to extend support for supply chain partners where needed and possible. We have been consistent with this and will continue to focus on responsible purchasing practices. During the pandemic we have also provided guidelines for appropriate handling of wages in our supply chain and have monitored that wages have been issued according to requirements throughout the period. Established grievance channels have been important as a way to identify issues and related to wages during this period.

[1] [Call to Action: COVID-19: Action in the Global Garment Industry \(ilo.org\)](https://www.ilo.org/global/publications/new/publications/lang-en/index.htm).



MIGRANT LABOUR

We know that the textile industry and garment sector is reliant on migrant workers, and that migrant workers can be vulnerable to exploitation, discrimination and poor human rights protection. In our Migrant Labour Policy[1], we commit to work to protect migrant workers in our supply chain and protect their human rights and worker rights. We require that suppliers respect our ethical requirements and we follow up on this through factory audits, worker interviews and stakeholder consultations. Having a local presence in our production countries enables us to closely follow up on our suppliers, and we constantly monitor suppliers to properly address this issue.

Though our main focus is to prevent exploitation and discrimination of migrant workers we have also established remediation measures to be prepared to handle cases where breaches of our requirements for migrant workers are identified.

A key focus for us has been on Turkey. According to UNHCR there were 3,6 million Syrian refugees in Turkey under temporary protection in 2020. As the access to formal work is limited for this population, many resort to informal work often with poor labour conditions and risk of exploitation. In cooperation with NGO partners in Turkey we have worked to assist refugees (and other migrant workers) to find formal and decent work and have provided help to those needing help to obtain working permits.

Our NGO partners are:

United Work[2]: An NGO funded by the Dutch Government aiming to support Syrian refugees being employed in Turkey. Varner has cooperated with United Work since 2018 to support refugees finding formal work in the garment sector.

ASAM (Association for Solidarity with Asylum Seekers) and **MUDEM** (Refugee Support Center-RSC) are Turkish organizations providing solutions for problems encountered by refugees and asylum seekers. We have cooperated with these organizations since 2015.

In cooperation with our partners we have provided training for all refugees and migrant workers employed in our Turkey supply chain (in total 125 people). Seven training sessions were completed (key topics were health & safety, communication, refugee rights and labour law).

MUDEM (RSC) have established a website with a series of awareness tools including a grievance channel primarily for refugees and migrants (but is also open for Turkish workers) [3]. All factories used for Varner in Turkey have posters in the workshops promoting this channel.

[1] Migrant labor policy: [the-varner-group-migrant-labor-policy_20190313084737_830142.pdf](#)

[2] United Work: [United Work](#)

[3] Worker Support Center: [İşçi Destek Merkezi - \(iscidestekmerkezi.org\)](#)

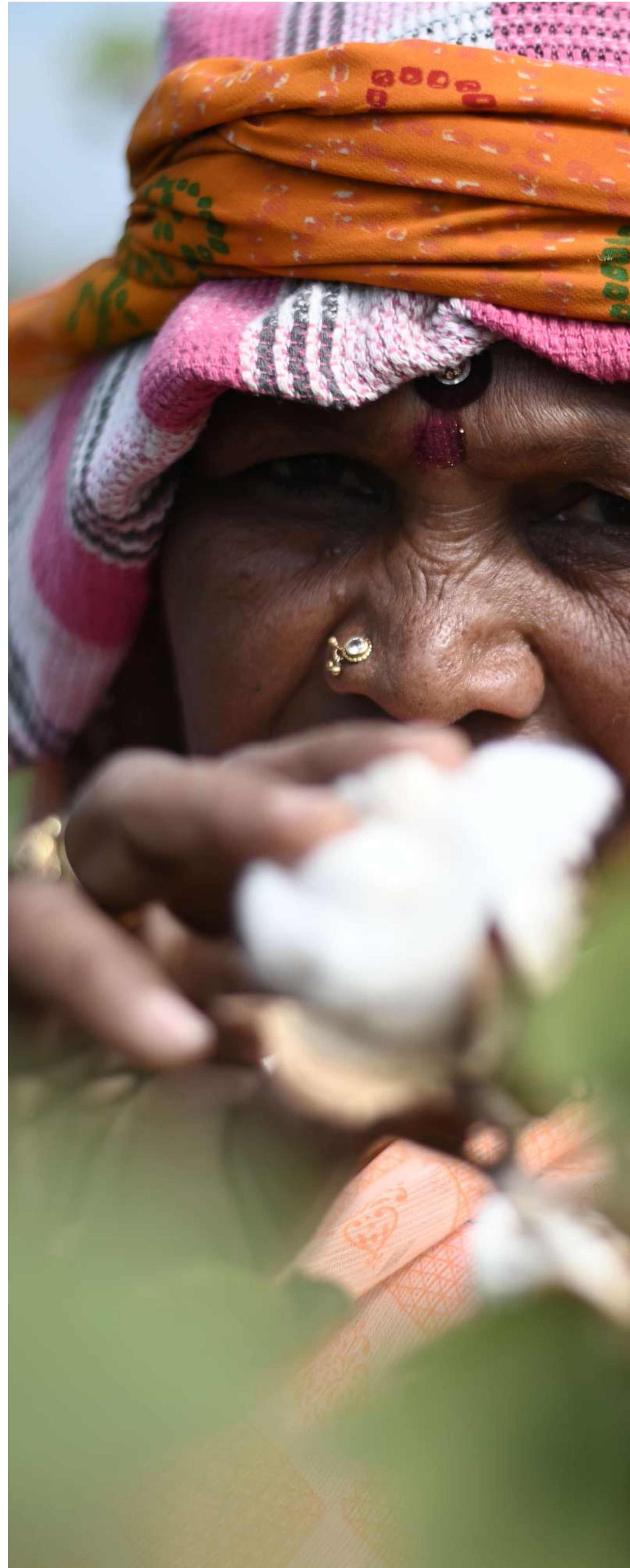


MODERN SLAVERY

The Global Slavery Index[1] reports that 40 million people globally are victims of modern slavery, and identify garments as a top 5 product category at risk of having modern slavery in its supply chain. We are committed to work to ensure that forced labour and modern slavery does not occur in our supply chains and have established a Modern Slavery Policy that defines our approach to prevent, identify and mitigate risk the risk of Modern Slavery in our business and our value chains.

In 2019 we identified an increased risk of modern slavery related to cotton farming and processing as well as yarn and fabric production in the Xinjiang Uighur Autonomous Region of China (XUAR). We consequently took steps to prevent this risk from occurring in our supply chain by imposing restrictions on sourcing from the region. In 2020 we updated our policy ("Statement on XUAR") and took further actions to map, prevent and reduce risk. The policy is publicly available on our website[2]. We have also participated along with 2 factories in a pilot training programme targeting involuntary work (41 workers in factories in China have been trained in 2020).

We have signed the *Pledge Against Forced Labour in the Turkmen Cotton Sector* and *Pledge Against Forced Child and Adult Labor in Uzbek Cotton*. Both pledges are aimed to avoid occurrence of forced labour and child labour in the supply chain. Cotton from Turkmenistan and Uzbekistan is consequently banned from Varner products. Re-opening sourcing from these regions would require reports from independent and trusted sources that the issues related to forced labour and child labour have been effectively addressed on a structural level.



[1] Global Slavery Index: [Highlights | Global Slavery Index](#)

[2] Statement on Xinjiang Uighur Autonomous Region (XUAR): [Microsoft Word - Statement on XUAR \(varner.com\)](#)



We have identified the Tirupur/Tamil Nadu region in India as particularly exposed to the risk of use of child labour and exploitative labour practices related to forms of bonded labour. The risk is in particular identified in the spinning mill sector where yarn is being processed. In 2018 we established a project to address these issues in Tamil Nadu in cooperation with the local NGO and implementation partner Save and UK based companies Next and The Very Group. The first phase of the project (2018-2019) has been completed with the second phase (2020) ongoing.

The key focus areas in the project are:

- Increase awareness of employment conditions and employee rights in communities where workers are recruited. The first phase of the village-based outreach is estimated to have reached approximately 8500 potential employees, their families and local communities.
- Map out recruitment practices among labour agents and provide guidelines and training to the agents about ethical recruitment practices. In total 60 agents took part in the activities in the first phase.
- Create better worker-management relationships in selected factories and establish proper grievance redressal mechanisms. Two factories took part in the project in the first phase, including one factory in the Varner supply chain.

The second phase of the project is now ongoing with six community centers having been established. The focus on grievance mechanisms have been strengthened with focus both on governmental helplines, as well as the grievance channel especially established in the program (where grievances can be submitted both through a digital app, and community centers).



CHILD LABOUR

We are committed to ensure that child labour does not take place in our value chains. UNICEF reports that nearly 1 in 10 children (152 million) globally are involved in child labour, almost half of whom work in hazardous conditions, and the issue remains widespread in garment supply chains. Our requirements related to child labour and young workers are included in our Code of Conduct. We have developed a Child Labour Policy to highlight our approach to addressing these issues. The policy is available on our website[1].

We have partnered with several NGO's to tackle issues related to child labour. The Centre for Child Rights and Business (previously CCR CSR)[2] is our remediation partner for child labour cases in China and Bangladesh, and is also hosting a platform for discussions and experience exchange on the topics such as migrant parenting, and family-friendly workplaces. Aider[3] is our remediation partner in India, and we have also cooperated with them throughout the pandemic to provide support to local communities. CYDD (Association for Supporting Contemporary Life)[4] is our remediation partner in Turkey. Our primary focus is on preventive measures, however we have established procedures where our nominated remediation partners are ready to engage in intervention and remediation if any breach in our requirements for child labour occurs in our supply chain. No cases of child labour have been identified in the supply chain in 2020 and thus no remediation processes have been initiated.

Child labour is a particular risk in the lower tiers of garment supply chains, in particular in agriculture and farming. We see the need to address this in cooperation with others and we cooperate with organizations that actively seek to address this risk in the cotton sector, such as Fairtrade and The Better Cotton Initiative (BCI). Meanwhile our ban against sourcing cotton from Uzbekistan and Turkmenistan have been initiated to prevent the risk of use of child labour as well as forced labour. In 2019 we established a Homeworker Policy[5] to ensure that homework is not hidden and – if used – is based on decent terms. A key focus in this policy is to ensure that home based work does not impact negatively on children.

In 2020 we identified a risk of child labour in our collaboration with influencers related to marketing of products. In 2020 we have established routines to check and verify that influencers we are collaborating with are at least 15 years old, and that parents are actively involved in the terms of the cooperation.



[1] Child Labour Policy: [the-varner-group-child-labor-policy_20190313084737_776967.pdf](#)

[2] THE CENTRE ([childrights-business.org](#)).

[3] <https://www.aiderngo.org/>

[4] Çağdaş Yaşamı Destekleme Derneği ([cydd.org.tr](#)).

[5] [varner_homeworker-policy.pdf](#)



ANTI-DISCRIMINATION AND FEMALE EMPOWERMENT

Our Supplier Code of Conduct is based on the ILO Conventions No 100 and 111, and the UN Convention on Discrimination against Women. Our Non-discrimination requirements state that there shall be no discrimination in the workplace in hiring, compensation, access to training, promotion, termination or retirement based on ethnic background, skin colour, caste, nationality, religion, age, health-related issues, disability, gender, marital status, sexual orientation, union membership or political affiliation.

The non-discrimination policies must be clearly defined and communicated by our suppliers to the employees. In the records of terminated contracts which shall be kept for at least 24 months after termination, the reason for termination should be clearly stated. It is stated clearly in our Code of Conduct that female workers shall be given equal opportunities and be entitled to the same benefits as men in the workplace. There shall be no distinction, exclusion or restriction based on gender.

Our Code is also based on the UN Covenant on Civil and Political Rights Art. 7, and states that all employees shall be treated with respect and dignity, that physical abuse or discipline, harsh or inhumane treatment, sexual or other harassment, verbal or mental abuse of workers, threat of such treatments or other forms of intimidation are strictly prohibited. The suppliers must establish measures to protect workers from all forms of harassment and gender-based violence. The policies and procedures in support of these requirements must be clearly defined and communicated to all workers.

We collaborate with various NGOs and organizations working for the empowerment of women in the textile sector. Social Awareness and Voluntary Education (SAVE) works to abolish child labour and discrimination. We started our collaboration with SAVE in 2018.

In our cooperation with Joint Ethical Trading Initiatives (JETI) in Bangladesh we are participating in a programme that aims to address the gender gap and female participation in social dialogue. An offshoot of the programme is also in the starting phase with a focus on creating gender friendly workplaces. The objectives in this programme are to empower female workers through increased knowledge, awareness and leadership skills, and to establish effective mechanisms at factories to prevent and mitigate gender-based violence.

In 2020, a report commissioned by CARE, an organization working for female empowerment, and Virke, the Federation of Norwegian Enterprise, and developed by PwC, highlighted Varner's work to ensure women's rights and gender equality in the supply chain. This was partially based on our Supplier Code of Conduct, as it publicly discloses the most complete list of requirements to ensure women's rights and gender equality in the supply chain, compared with other companies analyzed for the report.[1]

[1] Gender equality in supply chains, by Virke, Care, PwC: [likestilling-verdikjeden\(virke.no\)](https://likestilling-verdikjeden.virke.no).



ANTI-CORRUPTION

We have established routines both internally and externally to ensure that no corruption or bribery takes place in our operations. This is anchored within the company through policies and training, encompassing all direct employees and our suppliers. We have a zero-tolerance for corruption and bribery, and have established channels to report incidents related to corruption or integrity.

INTERNAL EFFORTS AGAINST CORRUPTION

Our internal efforts against corruption and bribery include an attachment to our employment contract, a document explaining the requirements and expectations for good business practice. All employees either sign the document directly or receive it as an attachment to their signed employment contract. The document includes information about employees' responsibilities to follow laws and regulations, and how each employee can contribute to meet the company's goals and values and in an ethical manner. All employees must avoid situations that may lead to conflict between the company and their own interest. No form of corruption or bribery may occur. Employees shall not receive gifts or personal advantages that can effect or influence negotiations or any business situation. Confidential information must be respected and not used for personal gain. The document also explains how and when to use the channel concern@varner.com to report incidents. Per 2020, all employees at Varner offices both in Scandinavia and in our production offices have received the Good Business Practice document. The Good Business Practice document is available to all employees on the Varner intranet.

There are two courses on anti-corruption available for Varner employees. One is for employees at the service offices, which is currently not published, but will be updated and available for the service office employees in Norway, Finland and Sweden. The other course is for employees at the production offices in India, Bangladesh, Turkey, China and Hong Kong. This course has a completion rate of 67 percent, with 57 employees having currently completed the course.

EXTERNAL EFFORTS AGAINST CORRUPTION

The Varner Supplier Code of Conduct states to all suppliers working with Varner, that corruption in any form is unacceptable, including bribery, extortion, kickbacks and improper private or professional benefits, gifts, loans, fees or rewards to customers, agents, contractors, laboratories, suppliers in all tiers, Varner production offices, or employees of any such party or government officials.

All business partners must comply with our expectations and applicable laws on anti-bribery and corruption listed in our Anti-bribery Policy. The Zero Tolerance Policy on corruption and bribery states what is meant by corruption or bribery, our expectation that this policy is to be respected and that our partners should have internal policies for anti-bribery and corruption. Varner reserves the right to take disciplinary action if a breach of the anti-bribery policy is discovered. We perform social audits of all suppliers and sub-contractors to make sure this policy is not violated. No internal incidents of corruption have been reported in 2020. Four cases of violation of Varner requirements related to anti-corruption have been identified in the Varner supply chain. All cases have been related to a supply chain partner having either an insufficient or non-existent internal policy for anti-corruption.



IMPACT OF OUR EFFORTS

Although impact related to human rights and labour conditions can be hard to measure, we strive to evaluate the effect and impact of our own efforts as well as efforts taken by supply chain partners and factories. All approved suppliers and factories have been enrolled in the Varner assessment program. An essential part of this program is the follow-up and verification carried out to assess whether the identified issues have been improved and that required implementations have been done based on the improvement plans. Activities to verify progress (which are usually carried out on-site at factories) have been partly suspended due to the pandemic in 2020. The standard activities have been partly replaced by virtual assessments using digital tools, or by self-assessments in combination with phone calls or digital meetings.

“We've had a very difficult time to carry out our regular activities in 2020. Due to the restrictions, we had to work remotely to assess the impact of this period on workers and our business partners and to support them to do improvements.”

Murat Akçay, Senior CSR Specialist, Varner Turkey

We have only been able to verify that 16% of issues we have identified in need of improvement in our supply chain in 2020 have been fully resolved or been in progress to be resolved. Based on previous years progress it is assumed that the figure is considerably higher, but the limited possibility to verify the progress in a reliable way results in a low improvement figure.

An external impact evaluation was done of the JETI Social Dialogue programme where Varner and partner factories in Bangladesh take part[1]. Some key findings in the evaluation were that the program and its training created a ground of frequent workplace communication and dialogue, it brings the worker's voice to management attention, and basic knowledge of labour law has increased among workers in general. In addition, it was found that the training was catalytic in transforming supervisor's conventional management style, and that female workers courage improved in seeking remedy when rights are denied. Still, room for improvement was found in further capacity enhancement by ensuring more important and deep rooted issues are being discussed between workers and management, and a need was identified to ensure a more consistent top management commitment to sustain the program's good practices.

We evaluate our activities and performance with respect to human rights and labour due diligence on a quarterly basis. The effectiveness of the ongoing regional programs is monitored continuously and reviewed on an annual basis. We also collect feedback on our efforts from relevant external stakeholders such as supply chain partners, NGOs we cooperate with, multi-stakeholder initiatives, and we welcome feedback from civil society. We receive feedback on an annual basis on our performance from Ethical Trading Initiative Norway. We strive to update and adjust our efforts as appropriate based on such feedback. Input on human rights and labour issues identified as salient are also reviewed on an annual basis with input collected from relevant internal and external stakeholders.

[1] Impact assessment done by ProActive Engineering Ltd.



TRANSPARENCY AND COMMUNICATION

Our aim is to communicate openly and transparently about our work on sustainability (including risks and strategies to address negative impact). Our main channel for communication publicly is our website[1]. In addition, we share our knowledge and experiences in exchange with relevant stakeholders on various platforms, such as industry forums, seminars, round-tables, or events on specific topics related to sustainability. Our local presence in production countries enables us to engage with stakeholders on the ground quickly and directly.

As a result of our work with due diligence over several years, we have developed policies and procedures for salient issues. The policy documents as well as information on how we work with people, the environment, materials and animal welfare are publicly available on Varner.com[2].

We keep open factory lists both on our website[3] and on the Open Apparel Registry platform[4]. We have chosen to align with the Transparency Pledge[5] criteria, and our factory list is updated at least twice annually.

We have been member of Ethical Trade Norway since 2003, and published a yearly report on Responsible Business Practice, as required by all members. The reports are reviewed by Ethical Trade Norway, and in turn we receive feedback on suggestions for improvement on our sustainability work and reporting practices. Reports for the last 3 years are available publicly on our website. This year's report and the reports from previous years give us the opportunity to be transparent about our challenges as well as our accomplishments. We believe it is important to share knowledge and experiences with everyone who shows interest in our work. We have a public email address (sustainability@varner.com) where anyone can contact us with questions about our sustainability work.

Our retail brand Dressmann is evaluated on an annual basis on their level of transparency in the Fashion Transparency Index[6], comparing 250 global garment brands on level of transparency. In the latest index, Dressmann was ranked as the 27th most transparent garment company globally, and was highlighted as one of the "top movers" on transparency.

In 2020 Varner became a part of the Coalition for Responsible Business (KAN)[7]. The coalition is advocating legal frameworks for responsible business. We firmly believe the time has come for legal requirements for responsible business practice with respect for human rights and the environment, and that such requirements should apply equally to all businesses. We are joined in the coalition by a wide array of stakeholders including civil society organizations, trade unions and businesses.

[1]Varner Website : <https://varner.com/en/sustainability/>

[2]Policies and statements, Varner.com: https://varner.com/en/sustainability/policies_and_statements/

[3] Public factory list, Varner.com: [Varner Factory List May 2020.xlsx](#)

[4] Open Apparel registry: [Open Apparel Registry](#)

[5] Transparency Pledge: [What is the Transparency Pledge?](#)

[6] The Fashion Transparency Index: [FASHION TRANSPARENCY INDEX 2020 - Fashion Revolution : Fashion Revolution](#)

[7][Koalisjonen for Ansvarlig Næringsliv \(koalisjonenkan.no\)](#).

CHANGE

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CIRCULAR AND CLIMATE CONSCIOUS

SUSTAINABLE MATERIALS & PREFERRED FIBERS

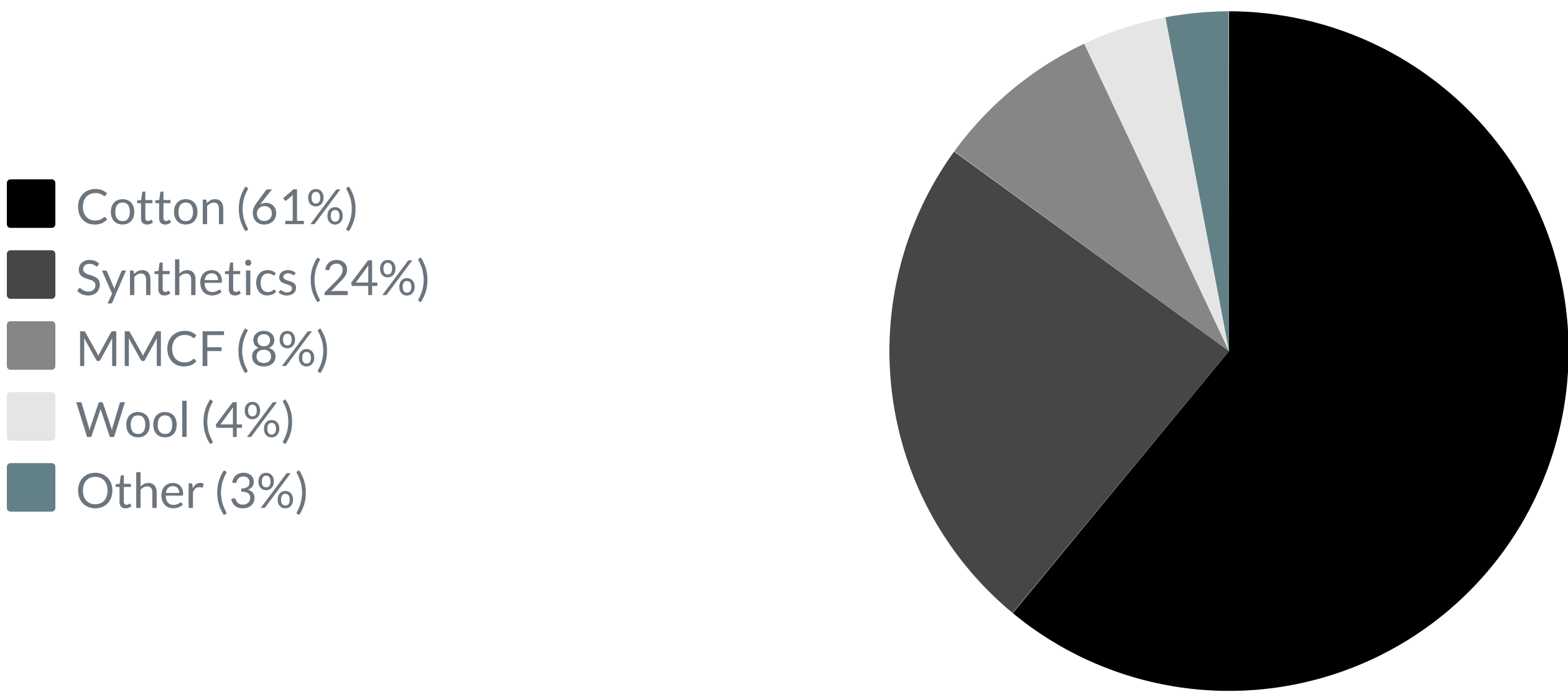
Varner has an important role to play in the transition to a more resilient, regenerative and circular economy. Moving towards a preferred fiber and materials portfolio is one part of that transition and is a significant way for Varner to improve our impact. By changing to materials produced more sustainably, we can reduce the use of water, energy, and chemicals, as well as create better conditions for farmers and others who produce fibers.

Through our membership in Textile Exchange, our engagement in CanopyStyle and our commitment to “The 2025 Sustainable Cotton Pledge”, we work towards continuously increasing the portion of preferred fibers in our portfolio. Our definition of preferred fibers is guided by the lead of Textile Exchange, third-party verified lifecycle assessment (LCA) data and the Sustainable Apparel Coalition’s Material Sustainability Index which offers external material benchmarks based on LCA data.

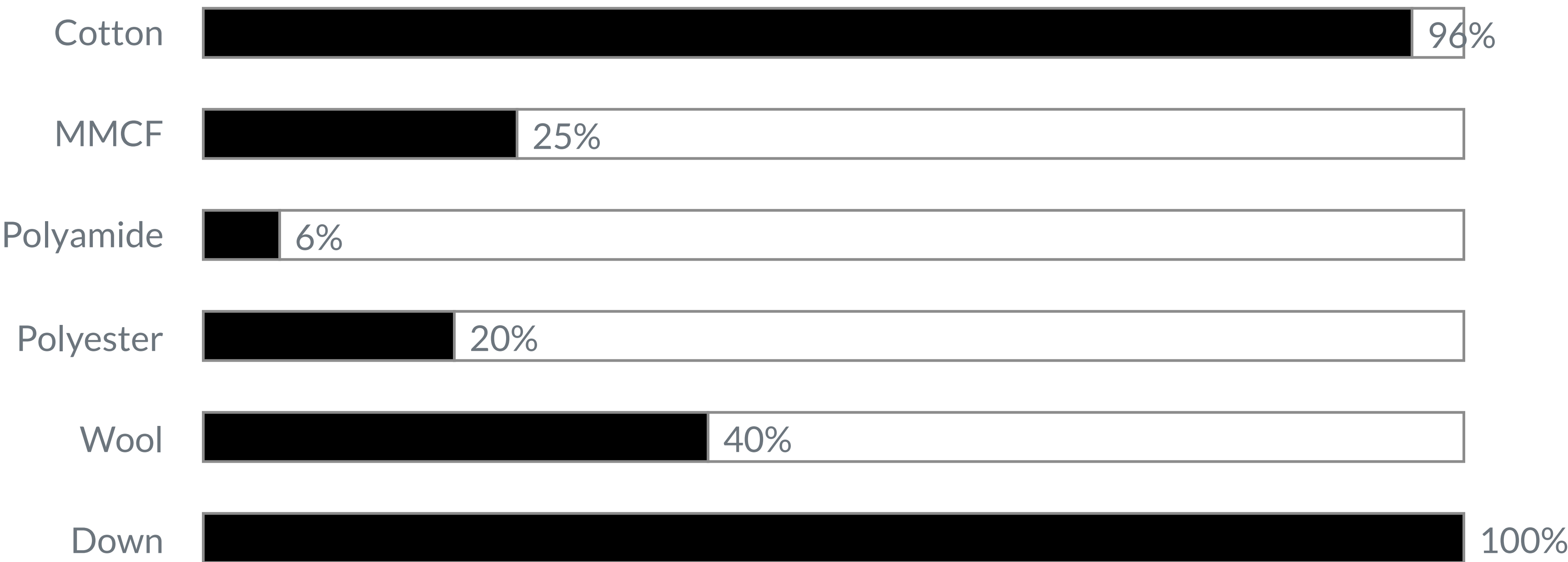
The Material Change Index (MCI) is a key component of Textile Exchange’s Corporate Fiber & Materials Benchmark (CFMB) program which Varner voluntarily reports through. MCI enables participating companies to measure, manage and integrate a preferred fiber and materials strategy into their business and benchmark them up against peers in the industry.

Our goal is that by the end of 2025, 100% of our sourced fibers will be preferred fibers.

Fibers we used in 2020



Total sustainable share per fiber in 2020



COTTON

Cotton is our largest fiber group by usage, comprising 61% of our total fiber consumption. As cotton is our main fiber, we are continuing to work toward using cotton with less impact on the environment and which takes into consideration the working conditions for the farmers.

Although cotton is of immense commercial importance globally, it is a sector that faces many social, economic and environmental challenges.

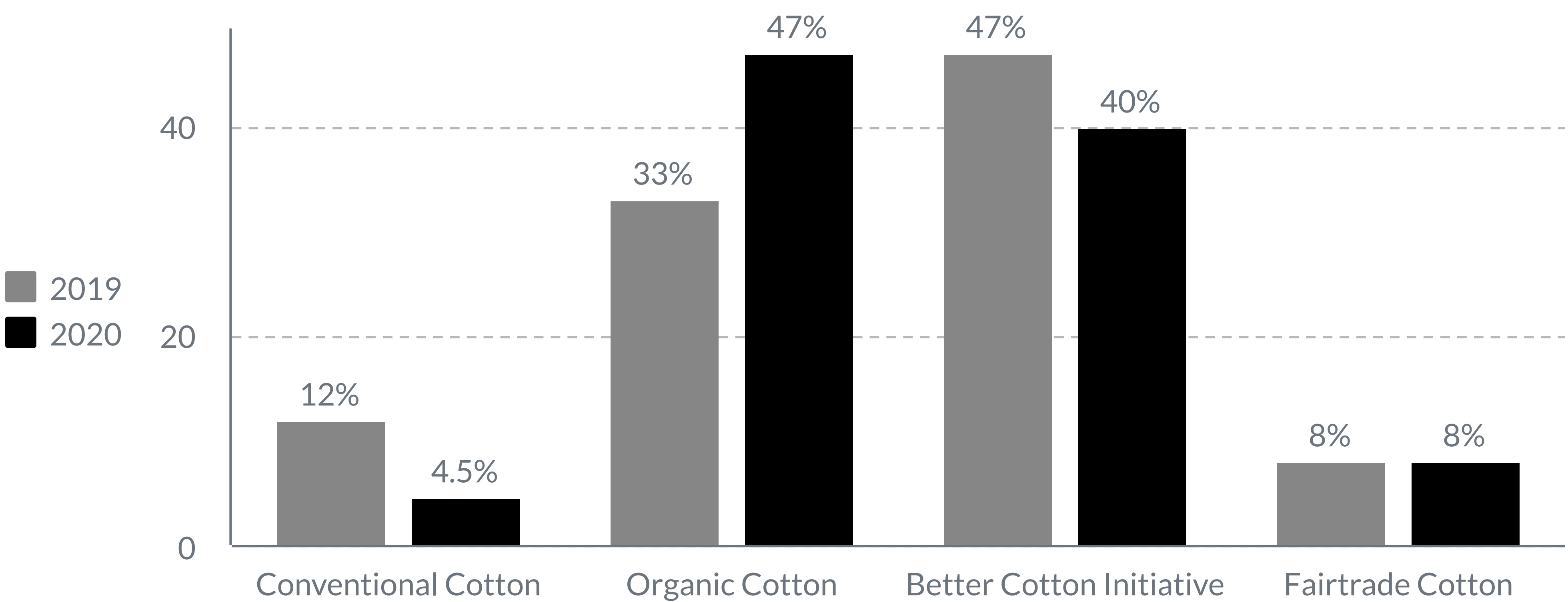
We have a clear policy of where we would like our cotton not to be sourced from, banning cotton from Uzbekistan, Turkmenistan and the Xinjiang region due to the proven violation of human rights in the cotton sector in these regions. All Varner brands have signed both the Turkmen and the Uzbek cotton pledge:

[Turkmen Cotton Pledge](#)

[Uzbek Cotton Pledge](#)

To achieve the goal of 100% more sustainable cotton in 2025, and to mitigate some of the challenges in the supply chain, we focus on sourcing cotton from the Better Cotton Initiative, certified organic cotton through the certification schemes GOTS and OCS, and certified Fairtrade cotton. For 2021 we aim to start sourcing more recycled cotton.

Distribution of cotton in 2020 compared to 2019



Certified Organic Cotton represented 47% of the total cotton sourced by Varner in 2019. GOTS (Global Organic Textile Standard) and the Organic Content Standard (OCS) are the two certification schemes that we commit to.

The Global Organic Textile Standard (GOTS) is recognized as the world's leading processing standard for textiles made from organic fibers. It defines high-level environmental criteria along the entire organic textiles supply chain and requires compliance with social criteria as well.



The Better Cotton Initiative (BCI) is a global not-for-profit organization and the largest cotton sustainability program in the world. BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. As the 2019-20 Better Cotton season comes to a close, Better Cotton production is expected to exceed 6 million MT, equivalent to almost 24% of the world's cotton production. You can read more about the Better Cotton Initiative's achievements on <https://bettercotton.org/>. Varner joined BCI in 2016.

Varner has been a BCI member since 2016. In 2020 Varner sourced 2800MT of cotton through BCI and the below impacts were made thanks to our sourcing of Better Cotton :

- An estimated 1,270,650,878 litres of water were saved
- An estimated 820 kgs of pesticides were avoided
- BCI Farmers benefited from an estimated 655,993 USD additional profit*

Fairtrade cotton accounts for 8% of Varner's total cotton consumption.

Our brand Dressmann became the fashion brand using the most Fairtrade cotton in the world in 2018 when they launched t-shirts, underwear and socks in Fairtrade certified cotton in 500 stores across six markets.

Millions of small-scale farmers in developing countries depend on cotton for their livelihoods. Fairtrade is an international organization that enables farmers and workers to have more control over their lives and decide how to invest in their future through better prices, decent working conditions and a fairer deal for farmers and workers in developing countries. Cotton production is linked to environmental issues such as extensive usage of agro-chemicals and water. Unpredictable weather conditions also endanger the livelihoods of small-scale farmers. Fairtrade works with farmers to stop or reduce the usage of agro-chemicals and supports them to adapt to changing climate patterns. Fairtrade cotton fields in Western Africa and India are mainly rain-fed, reducing the region's water footprint, when compared with production in other countries. Requirements in the Fairtrade Standards also protect farmers' health and safety, and ban genetically modified cotton seeds. Varner buys Fairtrade cotton, which means empowering small-scale farmers, pushing the industry to become sustainable and that the cooperatives receive a Premium which provides additional funds for farmers and workers to invest as they see fit.

Varner mainly buys Fairtrade certified cotton from the Noble Ecotech cooperative in India, where the Premium received has been invested in agricultural implements, water containers and school equipment for the children. The cooperative has also installed drip irrigation systems in some fields, reducing water consumption up to 30 percent. Working with Fairtrade provides a real and measureable impact at farmer level.

Varner has a long-term commitment of sourcing Fairtrade cotton and will aim to increase the use of Fairtrade in the years to come.

[*]BCI Farmers experience profit increases for a variety of reasons, most commonly due to increased yields and/or optimised use of inputs (such as irrigation water, pesticides or synthetic fertiliser).

SYNTHETIC FIBERS

Synthetic fibers represent our second largest fiber group in volume, counting for 24% of our total fiber consumption.

We have just started our journey to replace virgin synthetics with recycled options. In 2020 14% are recycled synthetics, a slight increase in the total from 2019. 20% of the total polyester used was recycled.

Several of our brands have chosen to cooperate with ECONYL®, a brand of regenerated polyamide fibers made out of waste, using fish nets and industry waste. According to ECONYL®, as well as being a solution for waste reduction, ECONYL® regenerated nylon is also better when it comes to climate change. It reduces the global warming impact of nylon compared with the material from oil.

In 2020 Cubus launched a swimsuit collection made in ECONYL® fibers and Dressmann chose to make all their swim shorts in GRS certified recycled polyester.

Even though we have made some progress in the use of recycled synthetics fibers that will decrease the environmental impact of synthetics, there are more challenges connected with this fiber group.

Microfiber pollution on land and in our waters is a challenge that needs to be addressed in the years to come. There is still a lack of verified knowledge in this field, but there is a lot of research going on. Hopefully this will give us knowledge to how to address this problem in the future.

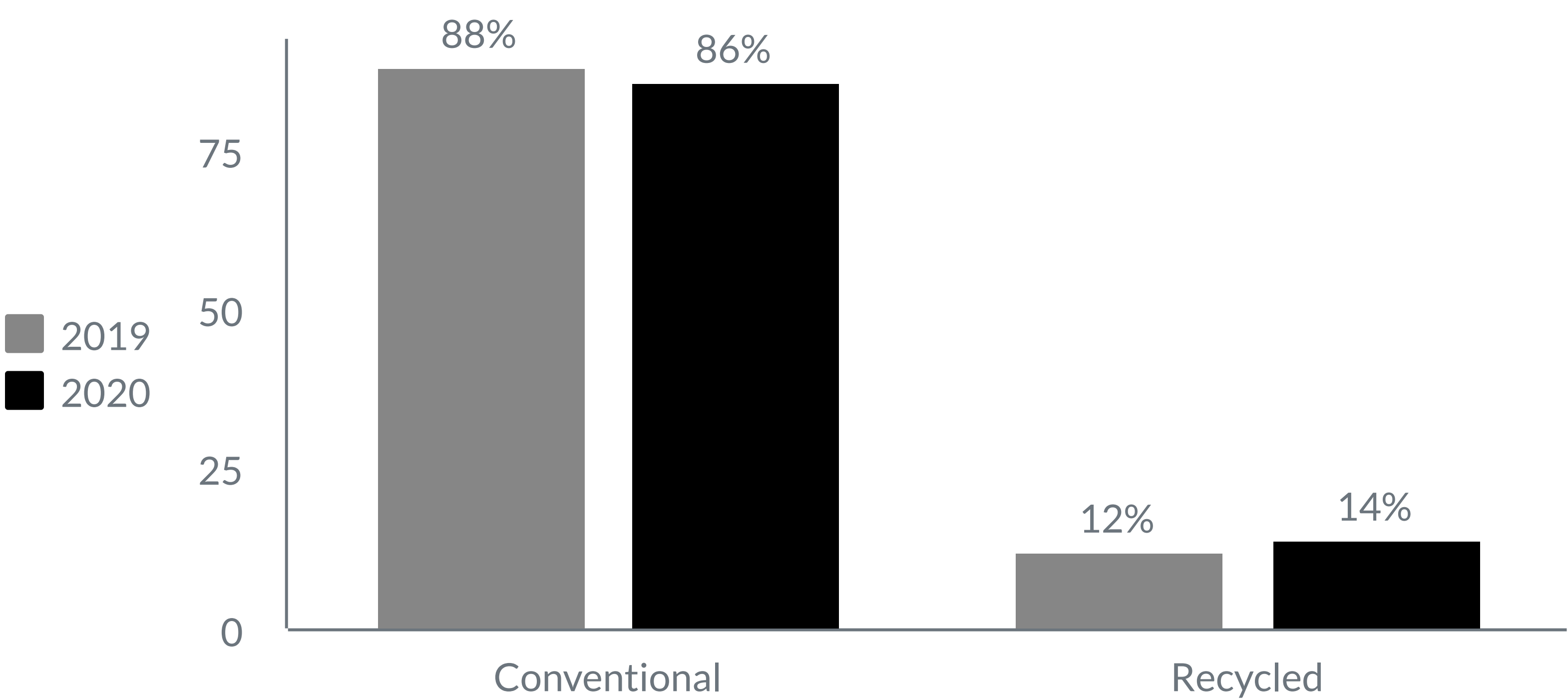
Varner is participating in two research projects on microfibers, which give us valuable insights into the causes and effects of microfiber shedding. The project MinShed is a three-year research project with the overall goal of creating knowledge that will help the textile industry to design clothes made of synthetic fabrics which do not emit micro-plastics.

<https://www.swerea.se/en/MinShed>

The **Microfiber** project lead by the research organization SINTEF focuses on understanding the environmental behavior and impacts of micro-plastic fibers (MPFs) in the aquatic environment, in order to develop a decision support framework that enables garment manufacturers to make environmentally informed choices in their material selection.

<https://www.sintef.no/microfibre/>

Distribution of synthetics in 2020 compared to 2019



MAN-MADE CELLULOSIC FIBERS

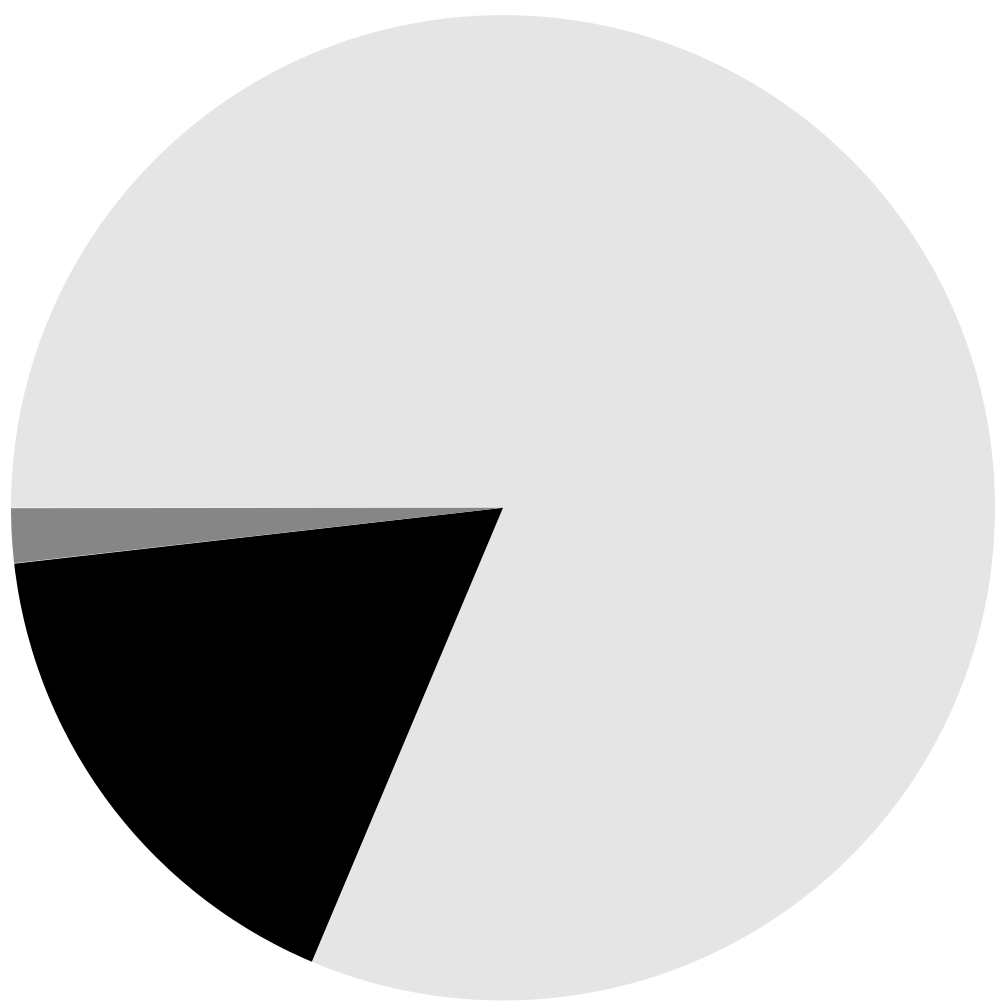
Man-made cellulosic and wood-based materials make up 8% of Varner's total fiber consumption. Even though wood is a renewable source, there are risks connected to this material. The world's ancient and endangered forests, which are an important habitat for several endangered species, are threatened and need to be conserved for coming generations. In order to manage the risks in the man-made cellulosic fiber supply chain, and protect biodiversity, Varner has teamed up with CanopyStyle.

Varner is committed to protecting the world's forests through our approach to procurement of pulp, paper, packaging and fabrics. This includes materials such as viscose, modal, Tencel, Lyocell, Ecovero and Livaeco, in addition to paper packaging materials. The policy is publicly available on the Varner website[1].

For 2020 we increased our focus on preferred MMCF fibers and increased the use of preferred MMCF fibers such as Ecovero from Lenzing and Livaeco from Birla Cellulosic. These two suppliers are rated as dark green shirt suppliers and ranked as the top two suppliers in the Canopy style Hot button report 2020[2].

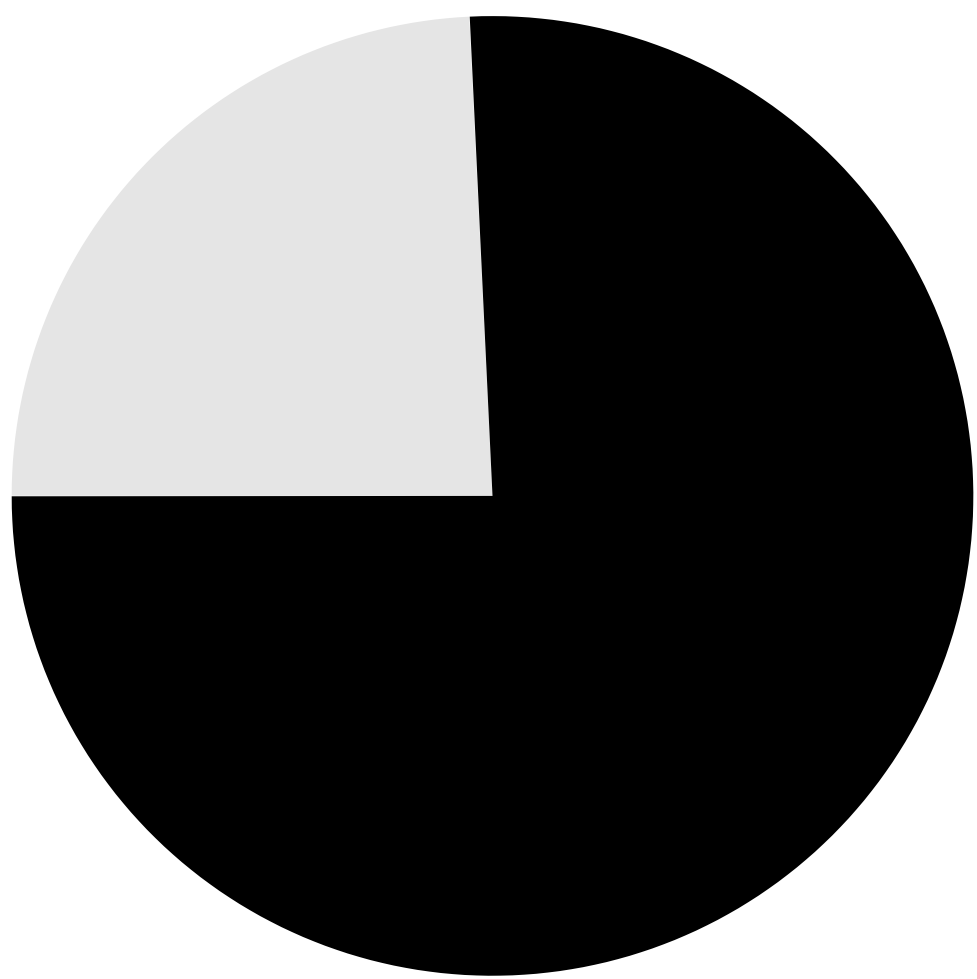
25% of Varner's MMCF was sourced as preferred MMCF in 2020, an increase of 4% from 2019.

Our ambition going forward is to start to incorporate cellulosic fibers and materials from next-generation feedstock such as recycled content and agricultural waste.



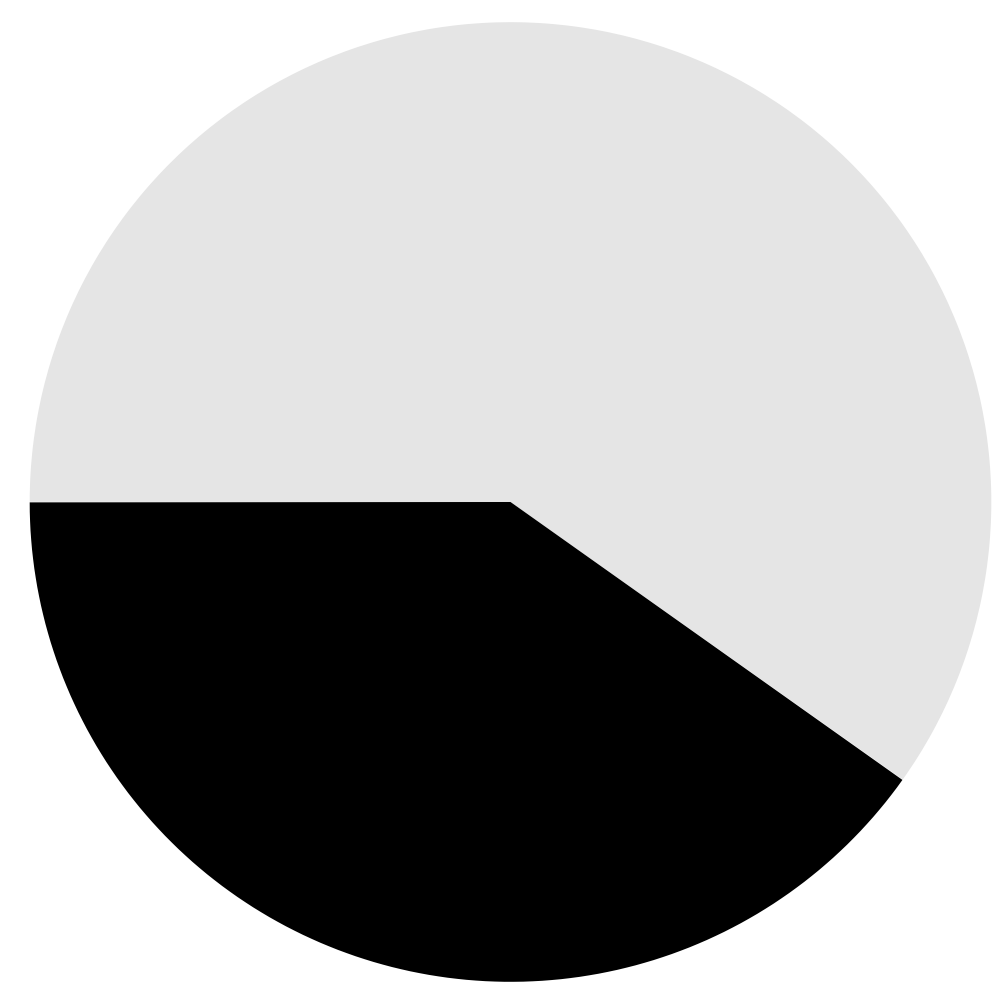
Conventional Viscose (81.35%)
Preferred Viscose (Ecovero) (16.85%)
Preferred Viscose (Livaeco) (1.8%)

Viscose distribution in 2020



Lyocell (24.24%)
Lyocell (Tencel) (75.76%)

Lyocell distribution in 2020



Conventional Modal (59.84%)
Preferred Modal (Tencel) (40.16%)

Modal distribution in 2020

[1]https://varner.com/globalassets/sustainability/policies-and-statements/canopystyle_paperpackagingpolicy_varner_april2020.pdf
[2]<https://hotbutton.canopyplanet.org/>

ANIMAL FIBERS

Wool is a natural fiber with unique properties. The fiber is lightweight and at the same time warm and is the only fiber that still heats in a wet state. It is versatile and can be used for everything from underwear to suits and outer coats. Wool material represents only 4% of our total fiber consumption, but as animal fibers are connected to risks associated with animal welfare and the health of grazing land, we have had a continuous focus on animal fibers for many years.

Animal Welfare Policy

Varner established an Animal Welfare Policy in 2008 and has since worked with continuously developing the requirements based on the latest reports and research into the status of each material we use, and the potential risks related to these.

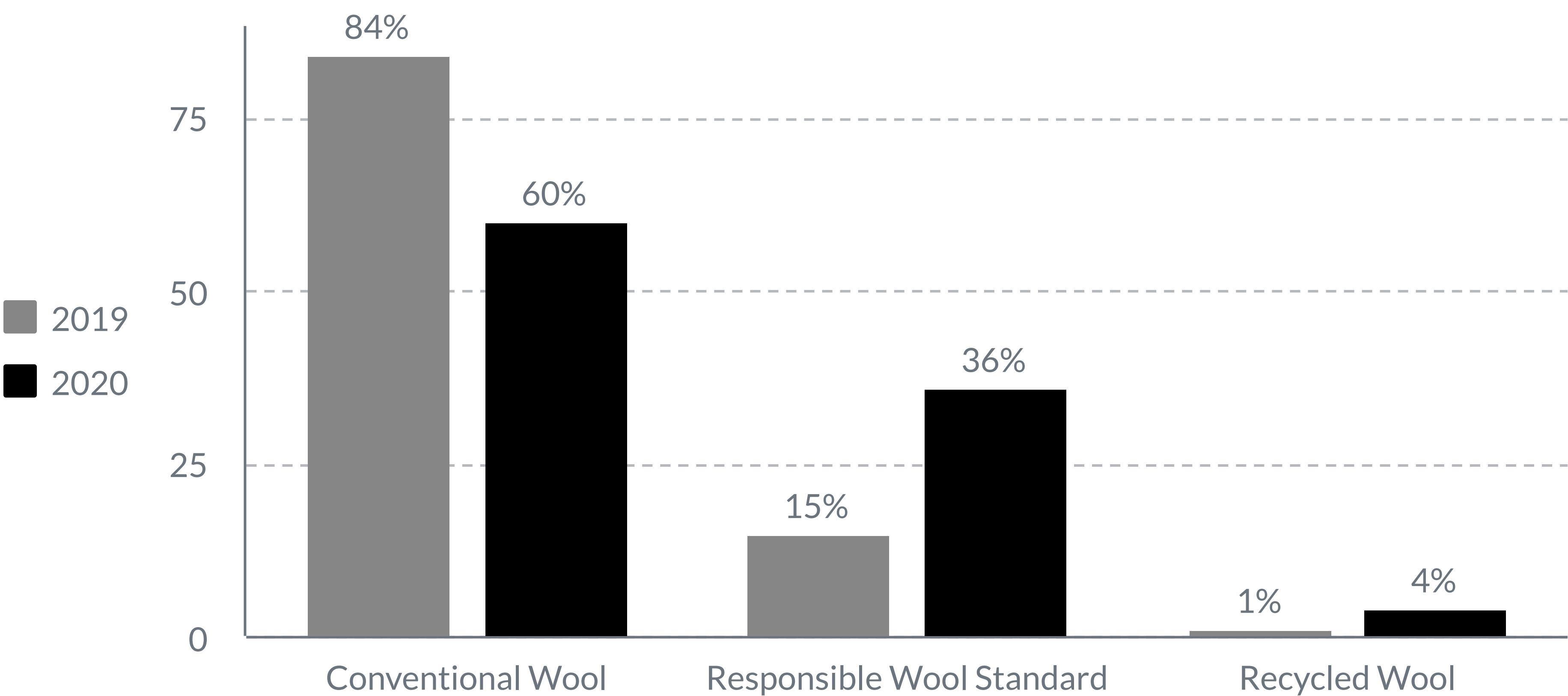
The latest version of our policy came out in 2019 and includes a ban on yak and cashmere fiber, as well as leather from the Amazon region.

To stay up to date on developments of animal welfare topics around the world, we participate in global meetings and maintain close relations to organizations such as Textile Exchange, to ensure animal materials are responsibly sourced.

Varner uses several of Textile Exchange certifications for responsible animal materials, such as Responsible Down and Responsible Wool and has also been participating in the international working groups for revising RWS and developing Responsible Mohair Standard and Responsible Alpaca Standard (aimed to be released in 2021).

Our Animal welfare policy is public and available at https://varner.com/globalassets/sustainability/policies-and-statements/2018---varner-animal-welfare-policy_20190313084737_807226.pdf

Distribution of wool in 2020 compared to 2019





Responsible Down Standard

The Responsible Down Standard (RDS) describes and independently certifies animal welfare practices in down and feather production from the farm to the final product. The RDS requires animal welfare practices to be in place at the duck and goose farms in the down and feather supply chain.

Varner has a strong belief in animal welfare and has achieved our goal of sourcing 100% of our down from Responsible Down Standard certified sources since 2015.

Responsible Wool Standard

The Responsible Wool Standard (RWS) describes and certifies animal welfare practices in wool production from the farm to the final product. The RWS verifies animal welfare and land management requirements at the sheep farm and tracks it to the finished product.

Varner has been committed to the Responsible Wool Standard from its launch. 2019 was our first RWS sourcing year and during that year we purchased 15% of our wool from Responsible Wool Standard certified sources, this increased to 36% in 2020. With more farms certified to the standard and the launch of the Responsible Mohair Standard, we are dedicated to increasing the percentage of certified wool we source.

To read more about the standards visit:
<https://textileexchange.org/responsible-wool/>

Varner's animal welfare policy can be found here:
[Animal Welfare policy](#)

SUSTAINABLE PRODUCT PACKAGING

By signing Canopy's pack4good policy and commitment in 2020, Varner will in the years to come work toward setting a baseline and implement good practices in accordance with our policy commitment. We will start transferring to more sustainable materials with a main focus on recycled materials, and materials from alternative feedstock and to reduce the amount of packaging used in our operations.

CIRCULARITY

The transition from linearity to circularity is a huge process and requires a multifaceted approach which includes material choices, production, product design, new circular business models and product end-of-life. Varner started with a circular approach by gradually introducing recycled materials into our products.

Dressmann and Cubus have piloted a few Cradle2Cradle certified products in-store in 2020. The products are Gold level certified and are biodegradable. Cradle2Cradle is a holistic certification scheme with a circular approach to all aspects of a product's life, from fiber production, manufacturing and end-of-life. The certification is based on a continuous improvement approach and the circular and sustainable performance of the product is assessed according to several levels, where platinum level is the best. The product must be as circular as possible and this means that fiber, chemicals, energy consumption, carbon dioxide management, water management and social aspects must be considered together with the possibility to recycle or biodegrade the product.

Varner has been involved in work for scaling up textile-to-textile recycling and has during 2020 monitoring the developments of the industry closely.

Varner is part of a research project called WargoTex Development where several parts of the industry and institutions are looking at opportunities to scale up textile recycling in a good way.



RECYCLED MATERIALS

Varner uses a wide variety of recycled fibers, such as recycled polyester, polyamide, wool and cotton, and recycled branded fibers such as Repreve and ECONYL®.

In 2020, 4% of our fiber use was recycled, and we will have a focus on increasing this percentage in the years to come, as a part of our circular approach.

We consider the amounts of recycled materials in a product compared to the durability and quality needed for a long and useful life for the customer. We look for recycled materials that are certified according to the Global Recycled Standard or Recycled Content Standard.

For paper and packaging, a policy for our suppliers was issued where recycled materials are one of the priorities going forward. In 2021 further requirements on the use of recycled materials in packaging and shipping materials will be implemented, in addition to volume tracking.



POLICY FOR UNSOLD GOODS

Varner does not wish to contribute to growth of landfill or incineration of surplus goods that could be of use elsewhere. Our policy is that no garment should be incinerated, but donated, if the product does not pose any hazard to human beings or the environment.

In 2020, 198 tonnes of Varner surplus or defective goods were diverted to recycling and reuse.

Any surplus and/or defective goods are donated to Fretex and their partners to be re-utilized as re-use or as feedstock for recycled materials. As a last resort, garments are used for energy production.

Whenever the situation arises where products cannot be sold due to not meeting safety requirements and potentially posing a risk to health or the environment, the goods are destroyed. In 2020, 476kg of goods were sent to destruction as a result of mould, which poses a potential health risk for the user.

PRODUCTS & QUALITY

With our quality requirements in our Varner Supplier Manual we communicate the quality level we want our products to meet.

We perform quality tests both in-house and in 3rd party labs to check if the expected quality level is achieved. In 2020 we performed 28,191 individual quality tests in 3rd party labs and issued 280 in-house full test reports in our own facilities.

Based on risk assessment and customer expectations we aim to elevate the durability and quality of our products to minimize the risk of claims and potential waste.

We also work proactively by monitoring feedback on current styles to see what can be improved for upcoming ones.

Whenever a claim comes to our attention, we investigate the issue thoroughly, so that the risk of additional customer complaints for the same reason can be mitigated and avoided in the future.

PARTNERSHIP WITH FRETEX

Varner has been in partnership with Fretex since 2012. This partnership entails that excess goods are donated to Fretex. We also give the customer the possibility to give back old garments in textile collection boxes in stores, that again will be donated to Fretex. The agreement applies to all Varner brands in all markets.

Fretex is an organization that is part of the Norwegian Salvation Army. The main purpose is to re-utilize pre-loved clothes and textiles in order to be able to give clothes to those in need and also sell to consumers so that 10% of the yearly proceedings can go to the Salvation Army's work. All textiles are sorted and assessed according to the waste hierarchy where the priorities lie in reuse, repair, recycle and as a final resort go to energy production. A major part of the textiles Varner donates are exported to international markets such as Asia and Eastern Europe.



ENVIRONMENTAL SUSTAINABILITY

We acknowledge the need to be capable of creating a model that replenishes what it consumes and can therefore sustain over time without damage accruing to future generations. Our global strategy on environmental sustainability sets out our approach to managing environmental & climate impacts in our value chain as well as in our own operations.

From the early days of sustainability at Varner, environmental compliance and best practices were always one of the key elements of our CSR strategy and screening process. Varner complies with valid environmental legislation and requires the same from our partners.

What began more than a decade ago as environmental compliance under the umbrella of sustainability, has naturally evolved into a focused movement with the intent to establish a robust framework and a practical action roadmap to effectively manage our increasingly ambitious environmental and climate goals.

Despite the challenges, the last year saw a reinforced commitment towards environmental and climate actions, with the formation of dedicated resources as well as of new collaborations for better industry alignment and accelerating action within the organization.

MONITORING ENVIRONMENTAL PRACTICES IN SUPPLY CHAIN

Our CSR audits and assessments have been the foundation of monitoring environmental compliance and practices in our supply chain historically. The environment section in the CSR assessment framework has baseline performance checks that cover key areas of a supplier's environmental management system, chemical management, water use, waste water management and hazardous waste management.

All approved factories are assessed accordingly prior to the initiation of business as well as during cooperation. Improvement plans are being developed on identified gaps and issues, and improvements on those issues are being checked and verified in follow-up assessments. Similar to our social assessments the focus on environment in audits has been strongly impacted by the pandemic. Just 11% of issues related to environment identified in 2020 have been verified as fully resolved or in progress to being resolved. It is expected that more issues have been resolved and improved but the final verification of this has not been completed.

Though we will continue to use our regular assessments to monitor environmental compliance we have realized a need to focus both deeper and more broadly on environmental performance where our products are manufactured. This has lead us to explore platforms where industry wide cooperation is in focus and where environmental assessment and measurement is done through standardized and well tested tools. Thus 2020 has been a year where we have bridged over to new tools to monitor environmental practices in our supply chain. In particular the new membership in Sustainable Apparel Coalition and the HIGG tools have been important in this respect (see more on p. 64).



ENVIRONMENTAL SUSTAINABILITY FRAMEWORK

In 2019, we reassessed and renewed our commitment towards environmental sustainability. In 2020, we established a new role within our organization to address this topic for Varner.

The foundation of the reinforced environment and climate action framework started with the commitment to monitor, measure and minimize **use of natural resources, chemical risk and climate footprint** within the boundary of Varner global production as well as our own operations.

With this aim in mind, the environmental strategy in 2020 consolidated all ongoing activities and projects under the newly formed and dedicated environment function as well as aligned itself to global industry action. We set priorities & KPIs through risk assessment & analyzing feedback from key stakeholders.

Some key globally aligned framework & initiatives that we considered while developing the revised environmental strategy are as below -

- UN Global Sustainable Development Goals [1]
- Greenhouse Gas Protocol by WRI & WBCSD [2]
- Science Based Target Initiative [3]
- WRI Aqueduct Water Risk Atlas [4]
- Industry Collaboration & Sectoral Initiatives

"Environmental sustainability is an important topic for us, and in order to address it properly, we needed to establish a dedicated role within our organization. As the majority of our impact is made in the manufacturing processes, we felt it was most appropriate that this role should be a part of our Global Production department. In 2020 we welcomed our first Global Environmental Manager, and we are adding additional resources to our global production offices in 2021 to support and build this important function in Varner."

Chessa Nilsen, Global Production Manager, Varner AS

In 2020 we have completed the internal risk assessment and extensive baseline study related to our ambition towards as per the new strategic plan and revised performance indicators.

While we still have a way to go to be able to publish the revised targets and KPIs, we commit to make industry aligned targets and action roadmap in our focus areas of environmental sustainability i.e. climate footprint, chemical hazard reduction & increased water efficiency.

[1]UN Global Sustainable Development Goals : <https://sdgs.un.org/goals>

[2]Greenhouse Gas Protocol: <https://ghgprotocol.org/about-us>

[3]Science Based Target Initiative: <https://sciencebasedtargets.org/>

[4]WRI Aqueduct Water Risk Atlas: <https://www.wri.org/aqueduct#aqueduct-tools>

ENVIRONMENTAL PERFORMANCE MANAGEMENT

We became members of The Sustainable Apparel Coalition (SAC) in 2020 to drive a collaborative approach and environmental performance management in our operations and product value chain. The power of collaboration and the effectiveness of the Higg tools are what brought us to partner with SAC with the goal to learn, improve and contribute simultaneously to the cause that is sustainability.

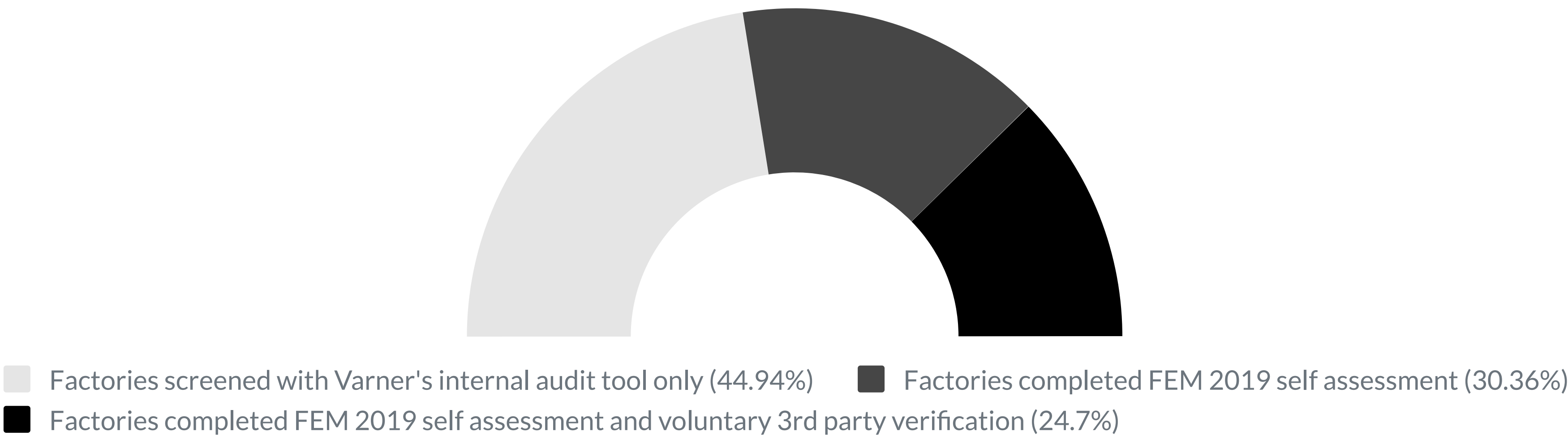


The Sustainable Apparel Coalition (SAC) is an industry-wide group of more than 250 leading apparel, footwear and textile brands, retailers, suppliers, service providers, trade associations, nonprofits, NGOs and academic institutions working to reduce environmental impact and promote social justice throughout the global value chain. Leveraging the Higg Index suite of tools for the standardized measurement of value chain sustainability, the SAC is working to transform business for exponential impact. The SAC was incorporated as a 501(c)6 nonprofit organization and launched the groundbreaking Higg Index suite of tools in 2011.

The Higg Facility Environmental Module (FEM) is one of the industry’s most trusted and commonly adopted tools to measure a facility’s environmental performance in the value chain. The tool assesses seven environmental impacts, including environmental management systems, energy use, and wastewater, empowering facilities to scale sustainability improvements.

Since becoming a member of SAC in 2020, we have started adopting the Higg Facility Environmental Module (FEM), developed by the SAC, as our primary tool to assess environmental performance of supplier facilities parallel to environmental compliance monitoring through our CSR audit. The Higg FEM tool provided us & our supplier partners with the context to identify priorities, gaps and to make strategic decisions.

Throughout 2020, we encouraged our supplier factories to complete the FEM 2019 self-assessment. At the end of the year, we observed that despite 2020 being a very challenging year, more than 50% of supplier factories completed self-assessment and approximately 25% of supplier factories completed 3rd party verification as well.





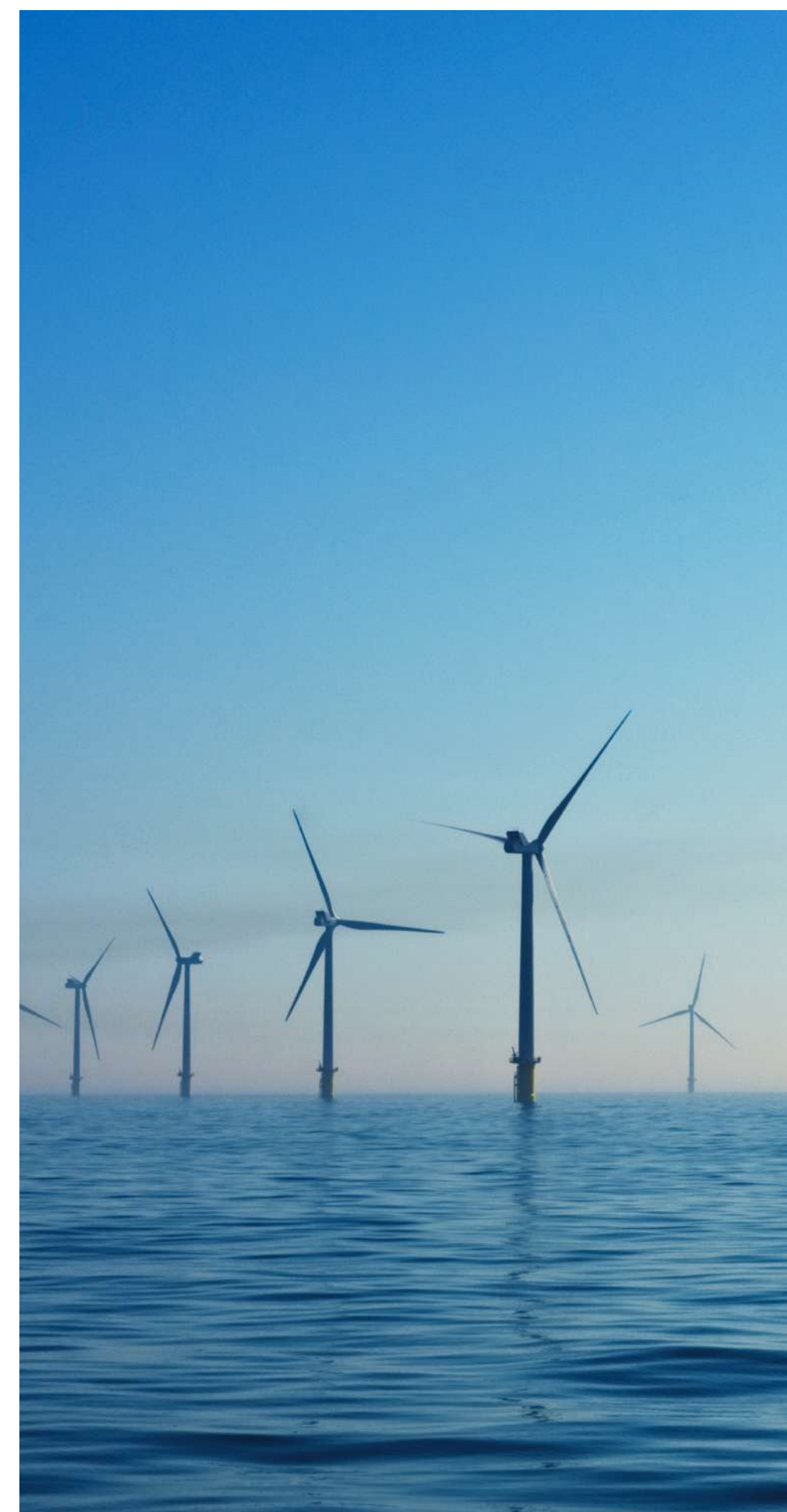
CLIMATE ACTION

Varner acknowledges that the climate is changing, that our industry is contributing to that change, and that our supply chain, operations, and customers will continue to be impacted by the effects of climate change. We are committed to reducing our greenhouse gas (GHG) footprint and to engaging constructively with industry peers, value chain partners, external stakeholders, and policymakers to help accelerate the transition to a low-carbon economy.

We became members of **The Swedish Textiles Initiative for Climate Action (STICA)** in 2020 to learn from and contribute to the collective effort of the Nordic textile industry towards climate action.

The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with the 1.5° C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. Ultimately STICA's aim is to ensure the Swedish and Nordic textiles industry do more than their share well before 2050.

STICA is coordinated by The Sustainability Fashion Academy, a non-profit independent organization. SFA's mission is to accelerate progress towards science-based sustainability targets and the Sustainable Development Goals (SDGs) by harnessing the power of the apparel industry. For more information visit : <https://www.sustainablefashionacademy.org/STICA>



OUR COMMITMENT FOR CLIMATE

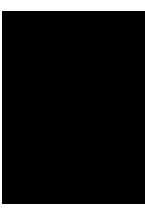
Our climate commitment is to Reduce 50% net emissions by 2030 from 2019 levels for Scopes 1, 2 & 3.

This means we have actively worked to set targets, measure, and report in accordance with STICA guidelines, which are informed by the Science Based Targets methodology.

Hence we are working towards setting targets in line with what it will take to limit warming to no more than 1.5° C, which in practice means absolute reductions, nearing or exceeding 50% by 2030.

With support from STICA action learning group and our consultants 2050, we were able to accelerate our climate action significantly in 2020. We now have an established system for scope 1 & scope 2 emission reporting across Varner AS and all subsidiaries owned by Varner.

We are committed to regularly monitor our scope 1, 2 & 3 emissions and communicate the progress we make in reduction annually. While we have managed to establish the procedure and systems to calculate our scope 1 & scope 2 emissions within our organisation, we are working towards the same goals with reporting scope 3 in 2021.

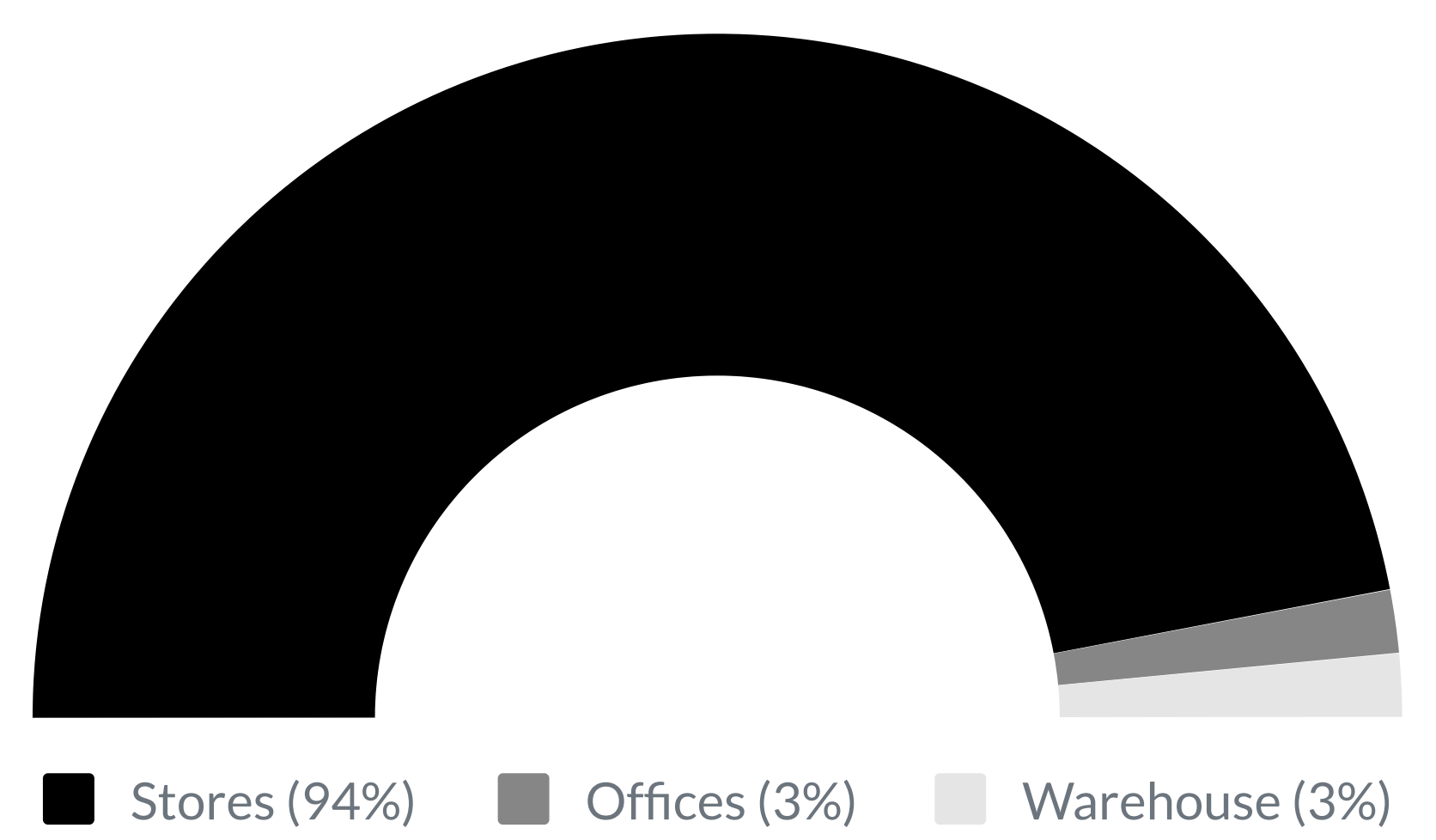


FOOTPRINT IN OWN OPERATIONS

In 2020, we were able to align all our various activities related to climate action within Varner centrally under the framework of greenhouse gas protocol[1].

Last year we completed, our first 3rd party reviewed scope 1 & scope 2 emission baseline report for the base year 2019. This report includes emission from all stores, offices and our central warehouse owned by Varner AS and 100% owned subsidiary companies. (For more on reporting boundaries please refer page 10).

Scope 1 &2 emission distribution by facility type



Scope 1 & Scope 2 emissions (base year 2019)

Category	Scope 1, ton CO2e	Scope 2, ton CO2e	Total, ton CO2e	Share of Total
Company Operated Vehicles	245	-	245	1%
Refrigerant Leakage	10	-	10	0.04%
Electricity	-	20281	20281	87%
Heating, Cooling & Steam	-	2798	2798	12%
Other	25	-	25	0.1%
Total	280	23079	23360	100%

Owing to the situation in 2020, collecting activity data for 2019 has proven to be a challenge, especially for the stores closed in 2019. We managed to collect 52% actual data for scope 1 & scope 2 and estimated the rest with the help of the consulting company 2050. We now aim to increase the share of actual data by establishing better systems and working towards target setting & a reduction action plan in 2021.

FOOTPRINT IN TRANSPORT

We are committed to regularly monitor our emissions from transportation as well as take steps to reduce the same. We divide our transport mapping in 2 parts :

- Import :** Upstream transport i.e. from production countries to our central warehouse.
- Distribution :** Downstream transport i.e central warehouse to our stores & online delivery.

In 2019, we developed tools and implemented systems in our central warehouse to keep track of emissions related to transportation for Varner. We worked actively with all our transport partners to ensure emission data for all our shipments are collected and maintained air freight to a minimum of less than 1% of total import (by weight) in 2020.

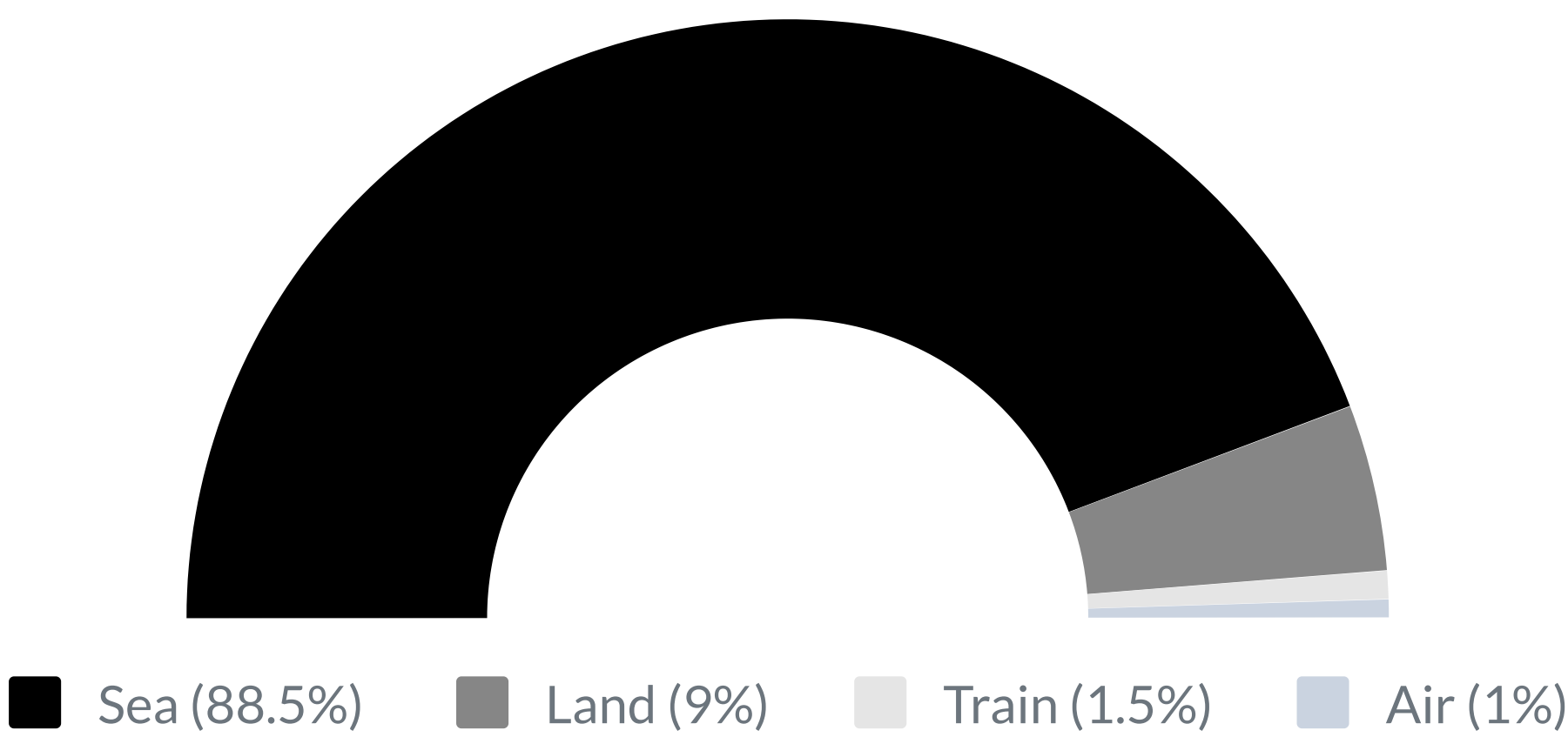
“We wanted to have more options of how we can import goods from Asia, so in 2019 we started to look at trains and made tests. Due to Corona, this has been a great option instead of air. In 2020 we had more than 40 shipments, and we are aiming even higher in 2021 to reduce flights and send more by train.”

Anders Vessby, Logistics Developer, Varner

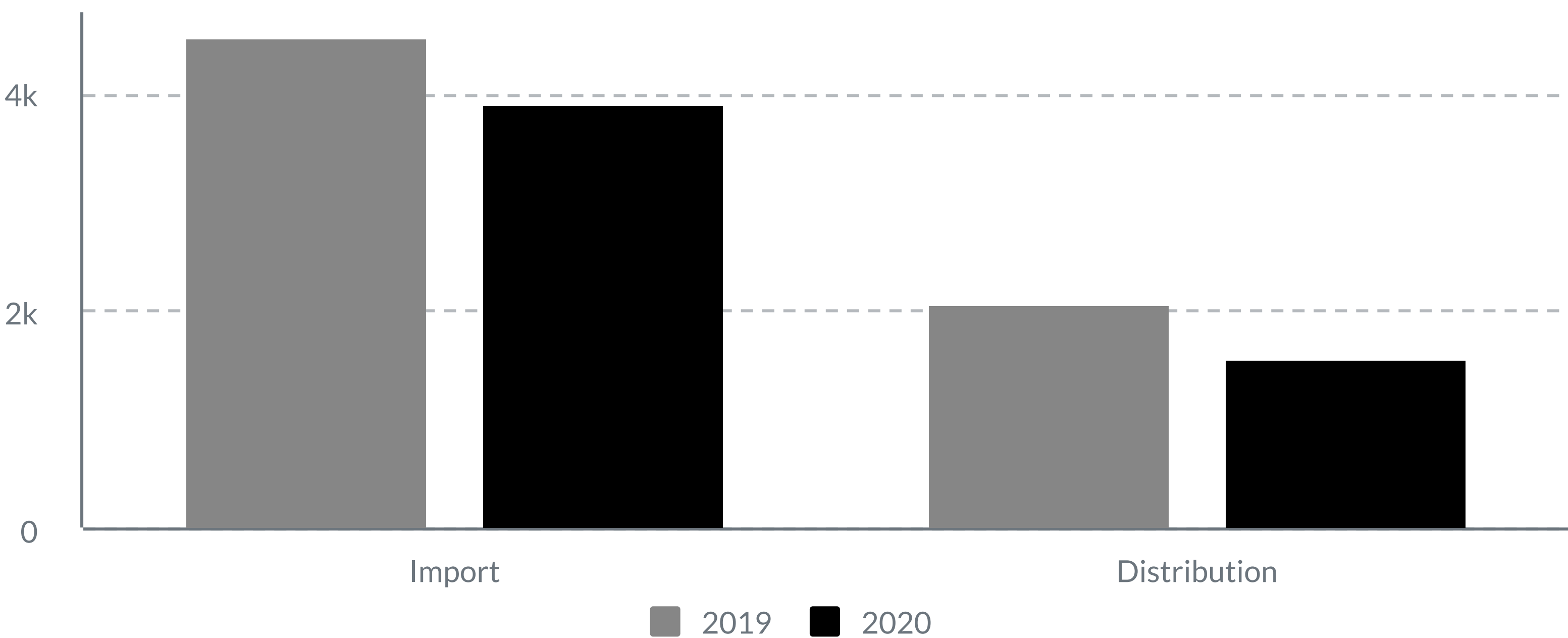
Apart from making conscious efforts to keep air freight at a minimum, we are also actively partnering with distributors who are working towards reducing their own environmental footprint. Some examples of initiatives undertaken towards reduction of emission include Schenker distributing more and more of our deliveries in Oslo fossil free; PostNord using electrical vehicles for some of their inner city deliveries; and that we have installed vibrating plates that shake the cages with packages, increasing the amount of packages and decreasing the amount of air shipped.

Our plans for 2021 include integrating transport emissions under the common group level emission reduction initiative and framework, as well as developing an effective reduction strategy to meet our climate goals.

Freight used for Import (by weight) in 2020



Emission from transport (ton CO2e) in 2020 compared to 2019





MANAGING WATER RISK

Water is one of the most important resources for our industry. In almost all stages of production, water in significant amounts is used directly or indirectly. We are very conscious about the need of safeguarding this resource as a natural capital. Our actions towards managing risk around water use and discharge include mapping of water stress, monitoring of water use and maintaining proper treatment of effluent prior discharge in each partner facility.

WATER USE & EFFLUENT TREATMENT

We utilize the WRI Aqueduct Water Risk Atlas[1] tool for mapping and screening of water stress in regions and assessing the cumulative risk of location water stress and process water requirement. Previously this work was attempted manually for high water risk regions. With the adoption of Higg FEM in 2020, we are now able to manage the same at a large scale and in a more efficient and accurate way.



Risk mapping: Mapping of water risk is done through a combination of 2 steps:

- Identify the water scarcity area based on our production regions.
- Identify water intensive processes and respective facilities.

As per the water risk mapping, we have identified selected partner facilities in India as high risk and implemented a fast-track project & regular follow-up to address the issues.

Baseline performance monitoring : During our factory CSR audits, we verify baseline performance of partner factories on a range of checks to ensure that expected standards are met related to water use and effluent treatment. Some examples include:

- ETP are installed and functional in the relevant facilities.
- Water meters are installed in relevant areas in the factory. If not, it must at least be installed at the Inlet and Outlet of the ETP.
- Regular awareness training and follow up with ETP personnel.

We are also working towards increasing water use efficiency and effluent treatment effectiveness in partner facilities through capability building and process optimization initiatives.

"Due to the positive attitude of our suppliers and our supply chain we managed the above regularly. Challenges we faced were in the old ETP set-ups in which there were no scope of installing the water meters, but we managed to overcome this because of our suppliers who slowly managed to set up new ETP in their factories."

Stephen Meston, Senior CSR Specialist, Varner South Asia

[1] <https://www.wri.org/aqueduct#aqueduct-tools>

CAPABILITY BUILDING INITIATIVE : STWI

Varner has, as the only Norwegian company, been a part of the Sustainable Textiles Water Initiative (previous Sweden Textile Water Initiative). STWI is a members’ network with an historic participation of 30 plus member brands, which started in 2014 and has been supported by SIDA until 2018. From 2018 onward, the network continued to expand globally and strives to empower sustainability champions. STWI is collaborating to drive global change towards sustainable textile and leather production. The vision is to contribute to a wiser water management from thread and raw hide to the end product.

Varner became a member in 2017 and has had several suppliers participate in the STWI program. For the 2019/2020 cycle we have two suppliers in Bangladesh in the project cycle. This is our first time to do a water improvement project in Bangladesh.

The projects initiated at factories focus on reducing water, energy and greenhouse gas emissions, and chemicals used in the production. The projects aim to build the environmental performance capacities of suppliers and sub-suppliers in the areas of sustainable water used for textile and leather manufacturing processes.

The core of STWI is to cooperate with brands, technical experts and relevant stakeholders to support factories on their journey.

We experienced a strong engagement and cooperation from our suppliers who have made numerous investments and improvement plans. The project highlighted several examples of best practice.

Table : STWI mid-term progress summary- supplier 1

Category	Proposed	Agreed	Achieved	Available Opportunity
Total Projects	25	18	2	13 In Progress 3 Planning
Water Saving	42%	15%	11%	4%
Chemical Saving	27.7%	27.7%	7%	20.7%
Electricity Saving	22%	12%	8%	3.5%
Thermal Energy Saving	11%	9%	2%	7%

Table : STWI mid-term progress summary- supplier 2

Category	Proposed	Agreed	Achieved	Available Opportunity
Total Projects	21	18	5	8 In Progress 5 Planning
Water Saving	39%	34%	10%	24%
Chemical Saving	39.3%	39.3%	10.6%	28.5%
Electricity Saving	9%	6%	5%	1%
Thermal Energy Saving	16.6%	16.6%	7%	9.6%

Saving numbers are based on information collected during mid term visit till 30 th Nov 2020. It is subject to change based on further implemented projects and actual data collected during final assessment.

The project cycle has been delayed due to the Covid 19 pandemic and will terminate in 2021. We look forward to receiving the data of the final results. In the mid-term report, 36 improvement projects for two suppliers were agreed upon, with estimated potential savings.

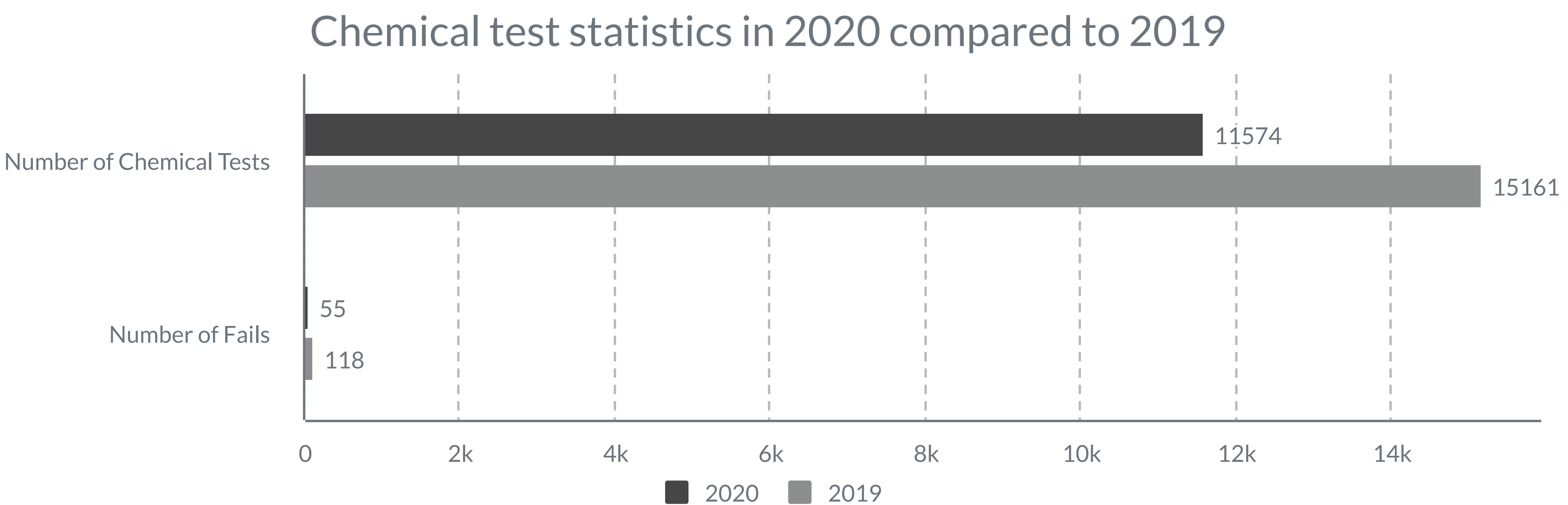
SAFE PRODUCTS & CHEMICALS

Varner focuses on offering safe products to our customers, and works systematically to secure this. For us, a safe product fulfills both legal requirements, best practices and voluntary standards. It covers not only the use of chemicals in products or production, but also the design of children’s products. To us safe products means all products that are placed in stores are tested and have passed applicable chemical & safety tests. We are also continuously striving to make the production process safer by continuously pursuing to increase the share of production through reliable certifications that we call preferred production.

CHEMICAL TESTING & RESTRICTED SUBSTANCES LIST

Each year we do thousands of quality and chemical tests through accredited 3rd party labs that we cooperate with, this to ensure conformity both with legal requirements and with Varner’s quality and chemical requirements.

All requirements are stated in our Supplier manual, which suppliers must sign upon initiation of a new cooperation. One part of the supplier manual is the chemical requirements, as stated in our RSL (Restricted Substances List), that fulfills the legal requirements, and our own stricter requirements. Chemical requirements are updated annually to cover any regulatory changes.



We have a testing system that applies to all products that we make. Test are selected based on potential risks of certain products or materials. In 2020 we performed 11,574 individual tests on chemicals, with a failure percentage of 0,48%. Failed chemical tests are rejected and those products will not be placed on the market. By doing chemical testing with a systematic approach, we are able to identify risk and prevent products that do not live up to our standard to enter the market.

CHILD SAFETY

We take extra consideration when we develop children’s clothing. We design and develop children’s clothing with children’s way of playing in mind. The products should never pose a safety concern, and to ensure that, we follow the European Standards and guidelines such as EN14682 and common commercial standards in addition to general risk assessments regarding children’s safety and risks.



DETOXING FROM HAZARDOUS CHEMICALS

Varner is committed to working towards identifying & phasing out hazardous chemicals from our value chain, either it is chemicals that may be hazardous to humans or to the environment. We have a general ban of some legal substances that have been proven to be a great hazard for either the environment or humans, and which are not easy to manage well in production. The ban includes all fluoro-chemicals, biocides and flame retardants.

We are members of the Swedish Chemical group led by RISE. The Swedish Chemicals Group spreads the latest knowledge in chemical and environmental issues to member companies in the textile and electronics industry. The membership gives us access to external monitoring and networks, practical tools, updates on relevant legislation as well as news in the area of chemicals in articles and substitution. Together we prevent the occurrence of unwanted chemicals in products such as textiles and footwear.

We also cooperate closely with accredited testing laboratories in each of our main production markets.

In 2020 Varner became a member of the Sustainable Apparel Coalition, this membership will help us assess and improve chemical management in the supply chain .

PREFERRED PRODUCTION

The Nordic Ecolabel, also known as The Nordic Swan, is the Nordic region's official eco-label. The Nordic Ecolabel requirements apply to all stages of textile production, including fiber production, spinning, weaving, knitting, bleaching, dyeing and finishing. There are also requirements for color authenticity and quality.

Cubus placed 5,3 million pcs of Nordic Ecolabel certified products on the market in 2020. The Nordic Ecolabel certification sets strict requirements both to the usage and handling of chemicals in the production and the chemical content in the final products. We use Nordic Ecolabel certification as one of the tools to manage chemicals in our supply chain. In 2020, 3 of our brands used the certification scheme, we produced 5,6 million certified garments and had 8 certified suppliers situated in India, Turkey and Bangladesh in our portfolio. Swan products account for 10,5% of our total production. For Cubus Nordic Ecolabel certified product accounted for 23% of our total production.

GOTS (Global Organic Content Standard) is another certification that Varner brands use in addition to our own chemical management system to mitigate chemical risks and develop our suppliers. For GOTS certified products all chemical inputs such as dyestuffs and auxiliaries used must meet certain environmental and toxicological criteria. The choice of accessories is limited in accordance with ecological aspects as well. A functional wastewater treatment plant is mandatory for any wet-processing unit involved and all processors must comply with social criteria.

ENGAGE THE CONSUMER

VARVE
BREAKING WAVES
Committed to keeping the
environment a top priority



MARKETING & AWARENESS

Varner aims to present our products in the best possible way toward the customer. We respect consumer's rights and are committed to responsible marketing. Product information shall comply with The Marketing Act and Consumer Protection Act in all relevant markets. In Norway we also market in accordance with The Norwegian Consumer Authority's guideline for marketing of sustainable products.

CONSUMER MARKETING

In our communication towards the customer, we aim to be transparent and to avoid all misleading practices such as false or deceptive messages and omission of important information. These practices are anchored in our company's values and implemented in all brand's marketing departments. All new employees will receive training in these practices. In 2020 there were no incidents of non-compliance with marketing communication legislation.

PRODUCT INFORMATION

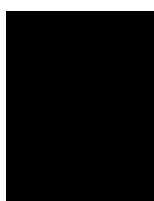
We comply with statutory labeling for all products, in addition to voluntary labels that inform the customer about the product's sustainable attributes.

In 2020 all of Varner's own brands have fully implemented the manufacturing country of origin on all own brand products in order to be transparent towards the customer. In addition, either the web address or physical address of the brand is included on the products to make it easy for the customer to get in contact with the brand in case of any issue. This is now mandatory on all private label products for all brands.

We want to make it easy make for the customer to choose products with less environmental impact and more sustainable fibers. Varner's brands communicate on the garment by using either a certification scheme's logo and claim, or through the brands own sustainability labels. The same information will also be accessible on the brands online stores together with more in-depth information on websites. In this way the customer can easily find the products made with organically grown or Fairtrade certified cotton, that are Nordic Ecolabel certified, or made with recycled polyester.

Products with an enhanced quality will be marked with a label marked 'premium', to communicate a better quality of wool, cotton, or silk.

In 2020 we have had one case of a breach on product information. The brand Junkyard was made aware of this breach by a customer. The customer had purchased a winter hat that claimed to have a pom-pom made of synthetic fur, but it was in fact made of real fur. All Varner brands have a strict ban against using real animal fur. This requirement has been communicated with all suppliers through our written policy. Once we were made aware of this fact, we recalled the product from the market and offered compensation to the customers. We also re-emphasized the ban of the use of real fur towards our suppliers, and implemented an internal procedure for verifying synthetic fur in all samples received.



BRAND PERSPECTIVE

All Varner brands are entrusted with developing their own roadmap of engaging the customer to raise awareness around sustainability issues and positive impact they are making.

The approach of each brand is as different as their personalities but united under the umbrella of the Varner sustainability plan.

The pandemic in this reporting year definitely dealt a blow to the regular interactions with customers due to restrictions and store closures.

Let's explore key efforts made by 3 of our biggest brands Cubus, Dressmann and Carlings, to keep the customers informed and aware, that continued even in 2020.



Cubus aims to meet the basic needs of Nordic families – making it easy to feel great.

With an emphasis on natural fibers and high quality, we offer a wide range of essential garments for every wardrobe – clothes you will return to again and again because they are modern, versatile, durable and comfortable.

By celebrating Nordic basics and offering them at a good price, Cubus is going all-in towards becoming the whole family's favorite clothing store.

CUBUS x MORE SUSTAINABLE PRODUCTS

In this section, we asked Johan Jakobsson, Marketing Manager of Cubus for his perspective on a few questions related to this topic that will share a quick insight from Cubus.

WHAT IS YOUR OPINION ABOUT IMPACT OF PRODUCT DESIGN ON THE TOTAL LIFECYCLE OF A GARMENT?

We believe in long lasting products - your wardrobe favourites. The items you use again and again, that are durable through use and wash. We focus on modern but classic designs within product groups that fit the everyday life of our customers, who mainly are families. Wearing each product longer, and passing it on to siblings, friends or charity when the time is right is the lifecycle we believe in for our garments.

HOW DO YOU ENGAGE WITH YOUR CUSTOMERS IN YOUR SUSTAINABILITY INITIATIVES TO RAISE AWARENESS AND COLLECT FEEDBACK ?

We believe in simple but clear marking in our stores and online directly on each product. You can see eco-labels or content descriptions on posters, labels and product lists and pages at cubus.com. In addition we regularly communicate our initiatives on our social media platforms and our newsletters. We also make broader media campaigns when we launch bigger programs, such as our basic programs, and our Econyl® swimwear collection.

CAN YOU TELL US A LITTLE ABOUT WHY CUBUS CHOSE TO PARTNER WITH THE NORDIC ECOLABEL & HOW IT WAS RECEIVED BY THE CUSTOMERS?

Nordic Swan is the most well-known eco-label in the Nordics. They've got a long history and are highly recognized and trusted by the consumer within many categories.

Our mission in Cubus is to make it easy to feel great – and in this case make it easy for our customer is to find and choose to make a more sustainable choice by clearly marking our swan labelled products in store and online.

We have widened our range continuously for a long time, and today our full basic collection in all our departments is swan labelled, and the feedback from our customers is very positive.

WHY ARE FAIR WORKING CONDITIONS IN PRODUCTION IMPORTANT TO CUBUS AND HOW DO YOU PLAN TO ENSURE THE SAME IN YOUR SUPPLY CHAIN?

Responsible is one of our core values. We want to be a responsible employer and our responsibility also extends to our suppliers and workers involved in the production of our products. Everyone involved in the production of Cubus products shall be safe and be treated fairly. We choose our suppliers carefully and actively use our cooperation to improve working conditions.



WHAT POSITIVE IMPACT WILL YOUR RECENTLY LAUNCHED ECONYL SWIMWEAR COLLECTION HAVE ON THE ENVIRONMENT? HOW CHALLENGING WAS THE JOURNEY OF SHIFTING FROM CONVENTIONAL FIBRES TO ECONYL?

Econyl® is a regenerated nylon yarn from different sources of industrial waste around the world such as fishing nets, fabric scraps and carpet flooring. The regenerated yarn is as strong as virgin nylon and can be renewed indefinitely. Using a regenerative nylon, instead of nylon from virgin sources, has a significantly smaller CO2 footprint during production. Also it's quite cool that we can use what is considered as waste in other industries, to become new yarn and new products.

For us this was a natural step in our more sustainable journey, and regenerated yarns and fabrics are an important part of our future.

Shifts can be challenging at times, but we always find good solutions for our cooperation with our suppliers to give our customer the best possible products.



Since 1962 when Frank Varner started his first clothing store for men in Oslo, Dressmann has become Scandinavia's largest clothing chain within men's fashion. With a large selection of clothing for men of all ages, we offer "value for money" to all our customers.

Ensuring that products are produced in a responsible manner, are safe and do not contain hazardous substances are Dressmann's top priorities. Reducing our environmental impact is also part of our sustainable commitment. Dressmann started our #WECARE initiative in 2017 as a platform on the brand's website to make information related to the sustainability actions readily accessible to the customers.

In this report, we explore Dressmann's collaboration with Fairtrade and how Dressmann plans to engage the customers in their sustainability initiatives such as Fairtrade.

DRESSMANN x FAIRTRADE

Dressmann contributes through its work to a more responsible purchasing practice, and has recently focused on safeguarding its manufacturers in a very difficult time. Fairtrade Norway asked Dressmann's marketing manager, Snorre Vik, some questions about the choice of certification and why Fairtrade is important to them.

CAN YOU TELL US A LITTLE ABOUT HOW THE COLLABORATION WITH FAIRTRADE STARTED?

In 2017, Varner signed the "Sustainable Cotton Communique", in which we committed to ensuring that all cotton we buy is from sustainable sources by 2025. At the same time, we were in discussions with Fairtrade Norway, to assess whether we should invest in Fairtrade cotton. Fairtrade was a very good choice for us, both in terms of our fiber strategy and our focus on responsible purchasing practices. To ensure visibility for Fairtrade products in our shops, we opted to implement Fairtrade cotton in several of our basic products, which we sell in large volumes. This resulted in Dressmann becoming the world's largest fashion player in Fairtrade cotton in 2018.

WHY DID YOU CHOOSE FAIRTRADE AND WHY IS IT IMPORTANT FOR YOU TO WORK WITH FAIRTRADE?

One of Varner's core values is "responsible", and we feel that Fairtrade is in line with this. Both in terms of traceability, the environmental aspect, and especially the social and economic aspects, Fairtrade is a certification that delivers at all levels. Dressmann has stores in several markets, and it is therefore advantageous that Fairtrade is a well-known certification in other markets outside of Norway. By having Fairtrade-certified products in our stores, we also create pride amongst our employees. Together with other focus areas we have in sustainability, Fairtrade contributes to us being perceived as a relevant and attractive workplace.

YOU SHOW GREAT RESPONSIBILITY AND COMMITMENT TO FAIRTRADE, HOW DO YOU INVOLVE YOUR CUSTOMERS IN THIS JOURNEY? WHAT RESPONSE DO YOU GET FROM CUSTOMERS AND OTHER PARTNERS?

We have involved customers through campaigns, articles and stories on our website. The customers, the industry and the press gave us attention in the launch phase, as Dressmann was identified as the world's largest fashion player in Fairtrade cotton. When we replaced the cotton content in several of our large basic programs with Fairtrade-certified cotton, we did not change the retail prices. With this, we have helped make Fairtrade-certified cotton products available to most people. We help to inform and involve the customer in the opportunities they have to choose a more sustainable product. We want a long-term collaboration that builds knowledge and trust with the customer over time.

THERE IS STILL GREAT POTENTIAL FOR FAIRTRADE IN THE NORWEGIAN MARKET. WHY SHOULD OTHERS FOLLOW YOUR EXAMPLE?

The Fairtrade certification is unique in that it covers the three pillars that are essential for responsible trading: socially, economically and environmentally. Norwegian players who think they will expand into new markets will also benefit from working with a brand that is recognizable in several countries.





Carlings is a Scandinavian retail brand and market leader in denim - aimed at the urban-minded youth between 18-25 years old, and everyone who prefers high-quality branded jeans in Norway, Sweden & Finland.

For decades, Carlings has been open to new ideas and ways of living. They aren't afraid of standing out, speaking up, and making an influence. A vision they share with the brands they sell, which include Levis, Lee, Karve, Dickies, Stay, Vailent & many others.

In this report, we feature two of Carling's most noteworthy initiatives towards their mission of reducing the environmental impact of their in-house brands.

KARVE JEANS

KARVE is a cutting edge jeans brand from Carlings that prides itself on attention to fit and detail. The supreme quality and design pays tribute to the world of art, music and street fashion. Sophisticated sustainable fabrics, innovative washing techniques and continuous focus on making every step better helps KARVE work towards a product that lasts longer.

WATER SAVINGS: KARVE's main focus is water and to reduce the water consumption in production. During the last 12 months KARVE have been able to lower the usage with 36% and their producers decreased their levels with 50%.

TRANSPORTATION: 100% of all KARVE jeans are shipped with GreenCarrier with boat from Turkey to Italy and then train to the warehouse in Sweden. GreenCarrier is a company providing the most sustainable transportation alternative.

ORGANIC COTTON: KARVE uses Organic cotton in all jeans as well as pocket bags, all details are important. Since the start, KARVE has been able to increase the amount of organic cotton with a minimum of 10% per season.

KARVE SWAN: The Swan is the official Nordic eco-label, introduced by the Nordic Council of Ministers. The Swan logo demonstrates that a product is a good environmental choice. The products fulfill a range of environmental, health and quality requirements. This means that requirements are set for the production of fibers, to the further treatment of the fiber and onward to the finished textile product.

ENVIROMENTAL IMPACT MEASURING: EIM, the first Environmental Impact Measuring software specifically for the garment finishing industry created to provide the laundries and garment finishers with a tool that helps them build more sustainable processes.

KARVE uses EIM to be able to measure Water, Energy and Chemical impact but also to be able to follow up and make sure we get better for each season.



NORDIC OCEAN WATCH: KARVE and Carlings have chosen to work with Nordic Ocean Watch since they are an environmental collective dedicated to taking care of the ocean. If we want to see a thriving ocean in the future, and secure the very basis of life on this planet – we all have to contribute.

VEGAN: Veganism is a lifestyle choice that's all about protecting animals by avoiding animal products. KARVE respects these choices. KARVE does not contain materials of animal origin. Vegan customers can safely use KARVE jeans knowing they are vegan friendly.

THE LAST STATEMENT T-SHIRT

The World's first augmented reality statement t-shirt was launched by Carlings with an ambition to enable fashion to make statements digitally and tackle over-consumption at the same time.

Carlings believes ever since the beginnings of youth culture, fashion has been a way to make a statement. Today's youth, a generation with the climate crisis looming over their imminent future, have shown the world time and again that they are not afraid of speaking up and making a stand. With the launch of The Last Statement T-shirt (developed by creative agency VIRTUE), Carlings has taken a classic pillar of youth rebellion and reinvented it for the digital age to provide maximum social traction, but minimal environmental impact.



"The Last Statement T-shirt is just the first example of how digital augmentation and alteration will shape tomorrow's fashion industry. Customization and personalization are two of today's biggest trends. We are curious about how this technology could allow us to invite our customers into the design process, giving items a digital afterlife post-purchase"

Ronny Mikalsen, CEO, Carlings

The Last Statement T-shirt features a graphic logo designed to serve as a tracking point for a smartphone. Using Spark AR, the technology behind Instagram's face filters and stickers, the phone can then digitally superimpose new designs on to the T-shirt. It can even adjust the image to align with the movement and drapes of the shirt. Customers can choose between a selection of animated statements, continuously updated to reflect daily news and current topics. So every day, the t-shirt can display a new statement and design to get the message out there on Instagram — without ever having to buy another physical t-shirt. The first installment of the project had featured 4 designs, with 16 new ones added within the next month after the launch.



CUSTOMER PRIVACY

Varner has a high focus on ensuring our customers' privacy and have throughout recent years developed strong competence and routines to comply with the EU General Data Protection Regulation (GDPR), in all parts of our business. All customer data in all Varner Brands is treated according to the applicable Privacy Policy, and all member data in our Loyalty Programs is treated according to the applicable Member Terms and Privacy Policy per Brand. Throughout our 7 Loyalty Programs, we have 7 Million members, which receive benefits and offers on a regular basis based on their consent and behavior.

Varner has an internal working group and a Data Protection Officer (DPO), making sure to always comply with the applicable legislation. We also provide internal training and support when onboarding new employees and making sure our customers' privacy is always ensured. Varner receives queries from customers regarding use of personal data from time to time. All queries are handled case by case, logged internally and evaluated to ensure customer privacy.

In 2020, one request notification was issued from the Finnish data protection authority based on a complaint they had received from a customer. The Finnish Data Protection Authority had no comments after the necessary questions were answered, and no measures were needed.



08.

HOW WE REPORT

NOTES ON METHODOLOGY

This is the first edition of the combined Sustainability Report of Varner Group. The data and information included relates to the reporting period corresponding to the year 2020, with some advances for projects launched during 2019. To facilitate the comparability of data over time, where possible, the Report also provides trends related to the previous years. Reported data relating to the number of employees and gender distribution corresponds to the consolidated financial reporting of Varner.

Our attempt is to report in accordance with the Swedish Statutory Reporting (Företagens rapportering om hållbarhet och mångfaldspolicy) and the GRI (Global Reporting Initiative) Standard : Core option. Any omissions with regards to GRI scope are reported as notes to the individual indicators in GRI Index. We also considered various reporting systems and initiatives such as UN SDGs, OECD due diligence guidelines and ETI Norway reporting, as benchmarks for relevant sections.

This Sustainability Report has been prepared by the sustainability working group and approved by the sustainability steering group at Varner. The preparation of the report entailed the involvement from managers and specialists responsible for various corporate functions in order to determine the contents, the projects carried out and the related performance indicators. The drafting of the Report was inspired by principles including: materiality, stakeholder inclusiveness, and completeness. The relevance of the information and details included were defined taking into consideration the impacts and responsibilities of the Group in the social and environmental spheres, the specificities of the sector in which it operates, as well as the needs and expectations of the stakeholders as referred to in the analysis of materiality.

Climate data is reported according to the GHG protocol for baseyear 2019 that was calculated in 2020 and emission factors that we use are based on information collected from 3rd party consultants. For inadequate data, calculation estimates have been used in compliance with GHG Protocol. Transportation figures and CO2e emission data were supplied by shipping companies and logistic partners. Emissions outside of the group, such as for suppliers, are not included in the report.

Any eventual exceptions with respect to this scope of reporting have been appropriately pointed out. The current document has not been subjected to third party verification.

Reporting Team	Designation	Name
Sustainability Steering Group	Vice President, Finance & HR Director	Øyvind Bustnes
	Supply Chain Director	Anders Eriksson
	Buying and Production Director	Magnus Gjerde
Sustainability Working Group	Head of Communications	Julie Bragli Eckhardt
	Global Production Manager	Chessa Nilsen
	Global QA Manager	Christiane Fagertun
	Global CSR Manager	Vegard Neverlien
	Global Env Manager	Dipankar Bose

GRI INDEX

GRI 102 GENERAL DISCLOSURES

Disclosure Title	Disclosure Number	Varner Response
Name of the organization	102-1	Page 09
Activities, brands, products, and services	102-2	Page 09
Location of headquarters	102-3	Page 09
Location of operations	102-4	Page 09
Ownership and legal form	102-5	Page 10
Markets served	102-6	Page 09-11
Scale of the organization	102-7	Page 09-10
Information on employees and other workers	102-8	Page 09; 11; 12; 24 & 26
Supply Chain	102-9	Page 12
Significant changes to the organization and its supply chain	102-10	Page 10
Precautionary principle or approach	102-11	Page 70-71
External Initiatives	102-12	Page 20

GRI INDEX

GRI 102 GENERAL DISCLOSURES

Disclosure Title	Disclosure Number	Varner Response
Membership of associations	102-13	Page 20
Statement from senior decision-maker	102-14	Page 04
Key impacts, risks, and opportunities	102-15	Page 37-51; 70-71
Values, principles, standards, and norms of behavior	102-16	Page 7 & 21
Governance Structure	102-18	Page 10 & 16
List of stakeholder groups	102-40	Page 18
Collective bargaining agreement	102-41	Page 27
Identifying and selecting stakeholders	102-42	Page 18
Approach to stakeholder engagement	102-43	Page 18
Key topics and concerns raised	102-44	Page 14-21
Entities included in the consolidated financial statements	102-45	Page 10
Defining report content and topic Boundaries	102-46	Page 84

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GRI 102 GENERAL DISCLOSURES

Disclosure Title	Disclosure Number	Varner Response
List of material topics	102-47	Page 17
Restatements of information	102-48	None
Changes in Reporting	102-49	None
Reporting Period	102-50	Page 84
Date of most recent report	102-51	Page 84
Reporting cycle	102-52	Page 84
Contact point for questions regarding the report	102-53	sustainability@varner.com
Claims of reporting in accordance with the GRI Standards	102-54	Page 84
GRI Content Index	102-55	Page 85-95
External assurance	102-56	Page 84

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GRI 103 MANAGEMENT APPROACH

Disclosure Title	Disclosure Number	Varner Response
Explanation of the material topic and its Boundary	103-1	Page 17-18; 84
The management approach and its components	103-2	The management approach is presented in the report with each material topic. In addition, pages 16-23, 50
Evaluation of the management approach	103-3	

GRI 205 ANTI-CORRUPTION

Disclosure Title	Disclosure Number	Varner Response
Operations assessed for risks related to corruption	205-1	100% suppliers/factories for own products have been assessed
Communication and training about anti-corruption policies and procedures	205-2	Page 49
Confirmed incidents of corruption and actions taken	205-3	Page 49

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GRI 301 MATERIALS

Disclosure Title	Disclosure Number	Varner Response
Materials used by weight or volume	301-1	Page 53-59
Recycled input materials used	301-2	Page 60
Reclaimed products and their packaging materials	301-3	Page 53-61

GRI 302 ENERGY

Disclosure Title	Disclosure Number	Varner Response
Energy consumption within the organization	302-1	Base year energy consumption: Stores: 8,00,11,035 kWh Offices: 25,64,901 kWh Warehouse: 29,14,131 kWh

GRI 303: WATER & EFFLUENT

Disclosure Title	Disclosure Number	Varner Response
Water Consumption	303-5	We used 3843 m3 in HQ in 2020. We do not currently report data on a global level, but will use the coming years to set framework to collect this information with the aim to report.

GRI INDEX

GRI 305: EMISSIONS

Disclosure Title	Disclosure Number	Varner Response
Direct (Scope 1) GHG emissions	305-1	Page 66,84
Energy indirect (Scope 2) GHG emissions	305-2	Page 66,84
Other indirect (Scope 3) GHG emissions	305-3	We do not currently report this data at a global level, but we are working to standardize how we collect this information and aim to report it in the future.
Reduction of GHG Emission	305-5	

GRI 306: WASTE

Disclosure Title	Disclosure Number	Varner Response
Waste generation and significant waste-related impacts	306-1	Boundaries own operation. Category non-hazardous waste. Type unsold goods.
Management of significant waste-related impacts	306-2	Page 61
Waste generated	306-4	Page 61
Waste diverted from disposal	306-5	Page 19; 61
Waste directed to disposal	306-6	Page 61

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GRI 307: ENVIRONMENTAL COMPLIANCE

Disclosure Title	Disclosure Number	Varner Response
Non-compliance with environmental laws and regulations	307-1	There were no incidents of non-compliance during this reporting period.

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

Disclosure Title	Disclosure Number	Varner Response
New suppliers that were screened using environmental criteria	403-1	Page 33; 62

GRI INDEX

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

Disclosure Title	Disclosure Number	Varner Response
Occupational health and safety management system	403-1	Page 27
Hazard identification, risk assessment, and incident investigation	403-2	Page 27
Occupational health services	403-3	Page 27
Worker participation, consultation, and communication on occupational health and safety	403-4	Page 27
Worker training on occupational health and safety	403-5	Page 27
Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	403-7	Page 27; 40-41
Promotion of worker health	403-6	We do not currently report this data at a global level, but we are working to standardize how we collect this information and aim to report it in the future.
Workers covered by an occupational health and safety management system	403-8	
Work-related injuries	403-9	
Work-related ill health	403-10	

GRI INDEX

GRI 404: TRAINING AND EDUCATION

Disclosure Title	Disclosure Number	Varner Response
Average hours of training per year per employee	404-1	Our training programs are mostly online self-paced programs. We have reported number of total training conducted on Page 25
Programs for upgrading employee skills and transition assistance programs	404-2	Page 25

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

Disclosure Title	Disclosure Number	Varner Response
Diversity of governance bodies and employees	405-1	Page 24; 26
Ratio of basic salary and remuneration of women to men	405-2	We do not currently report this data at a global level, but we are working to standardize how we collect this information. Data will be reported from 2021

GRI 406 NON-DISCRIMINATION

Disclosure Title	Disclosure Number	Varner Response
Incidents of discrimination and corrective actions taken	406-2	There were no recorded incidents of discrimination during this reporting period.

GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Disclosure Title	Disclosure Number	Varner Response
Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	407-1	Page 27;38-39

GRI INDEX

GRI 408 CHILD LABOR

Disclosure Title	Disclosure Number	Varner Response
Operations and suppliers at significant risk for incidents of child labor	408-1	Page 47

GRI 409 FORCED OR COMPULSORY LABOR

Disclosure Title	Disclosure Number	Varner Response
Operations and suppliers at significant risk for incidents of forced or compulsory labor	409-1	Page 45-46

GRI 412 HUMAN RIGHTS ASSESSMENT

Disclosure Title	Disclosure Number	Varner Response
Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	412-3	Page 28-36

GRI 414 SUPPLIER SOCIAL ASSESSMENT

Disclosure Title	Disclosure Number	Varner Response
New suppliers that were screened using social criteria	414-1	Page 33-35
Negative social impacts in the supply chain and actions taken	414-2	Page 33-35, 38-48

GRI INDEX

GRI 416 CUSTOMER HEALTH AND SAFETY

Disclosure Title	Disclosure Number	Varner Response
Incidents of non-compliance concerning the health and safety impacts of products and services	416-2	There were no incidents of non-compliance during this reporting period.

GRI 417 MARKETING AND LABELING

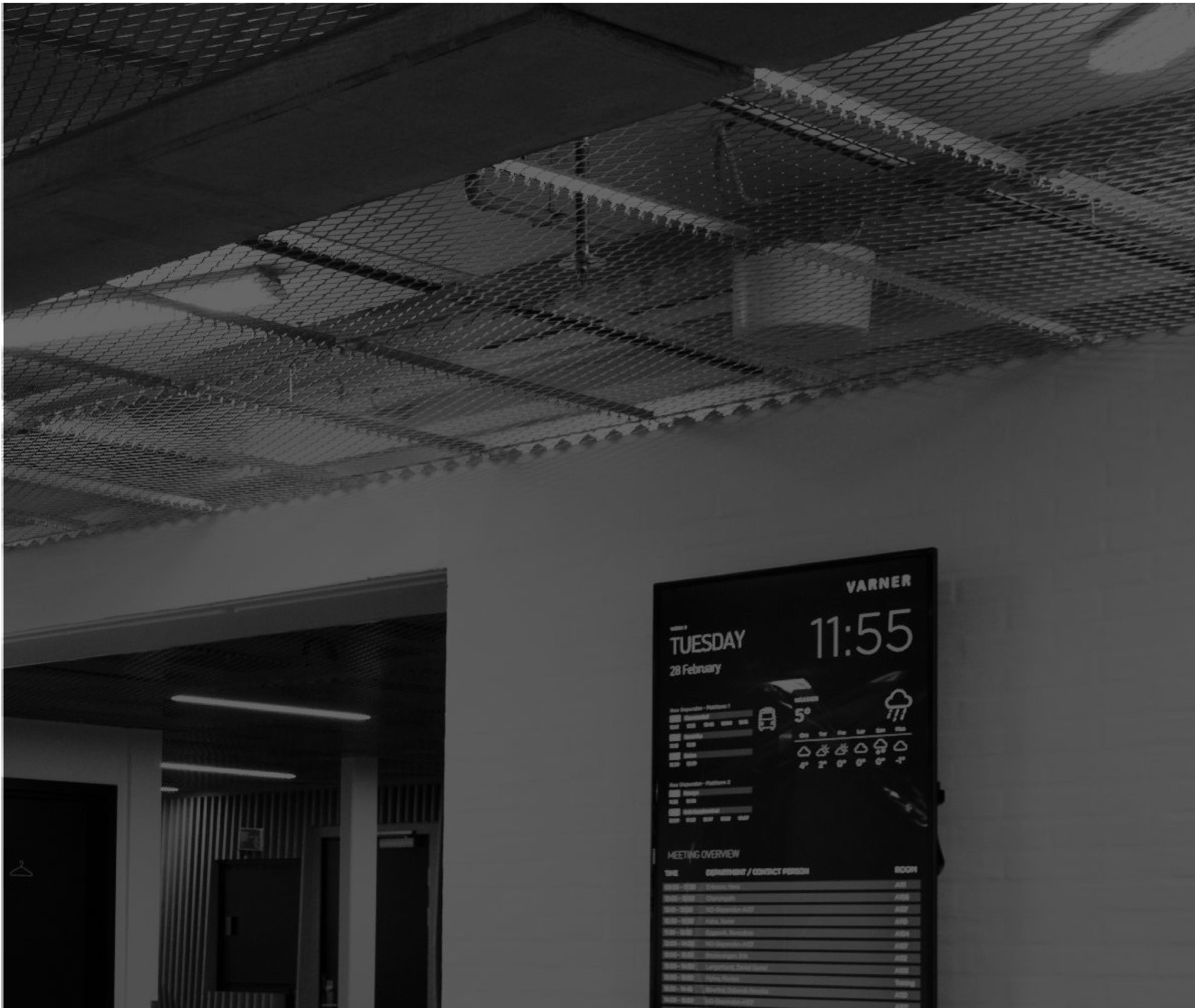
Disclosure Title	Disclosure Number	Varner Response
Incidents of non-compliance concerning marketing communications	417-3	Page 73

GRI 418 CUSTOMER PRIVACY

Disclosure Title	Disclosure Number	Varner Response
Substantiated complaints concerning breaches of customer privacy and losses of customer data	418-1	Page 82

GRI 419 SOCIOECONOMIC COMPLIANCE

Disclosure Title	Disclosure Number	Varner Response
Non-compliance with laws and regulations in the social and economic area	419-1	There were no incidents of non-compliance during this reporting period.



GET IN TOUCH

If you need more information about our sustainability work or this report, please contact:

sustainability@varner.com

We appreciate your feedback.