

A woman with long, wavy brown hair is standing in front of a dark blue backdrop. She is wearing a white sleeveless top and light blue jeans. She is holding a black pot containing a green plant with large leaves. To her left is a living wall covered in various green plants. The overall scene is well-lit, with the woman and the plant she is holding being the central focus.

VARNER

Sustainability Report 2021

**NORDIC SPIRIT
GLOBAL IMPACT**

**AT THE CORE OF OUR ENTIRE
BUSINESS, WE HAVE A STRONG
FOCUS ON
SUSTAINABLE PRINCIPLES**

TABLE OF CONTENTS

01	Foreword from the CEO	4
02	Leader insights	6
03	About us	8
04	Nordic spirit, global impact	15
05	Fair for all	31
06	Circular & climate conscious	73
07	Engage the consumer	113
08	How we report	126
09	Appendix	129

FOREWORD FROM THE CEO



This year, our fantastic employees in Varner have really shown that anything can be accomplished if we set our minds to it. Despite starting the year with closed stores and restrictions due to covid-19, we ended this year on a high note.

The results for 2021 put us in a good position to continue to meet our customers' and employees' expectations. We have the resources and determination to offer great products made under safe conditions. We are looking forward to continue our sustainability journey with full speed ahead in 2022.

Guided by our values

The drivers behind our work are our values. We are *passionate* and *business minded*, and always strive to ensure *responsible* business conduct. Even when it appears to be difficult, we *make it easy*. When we had to keep our distance, we focused on the important *friendships* we have at work. We have seen that motivation and positivity are key to our final value, *happiness*.

Positive impact of 2021

This year has had some truly positive events that will have an impact on both people and the planet going forward.

First, we welcomed the Norwegian Government's passing of the Norwegian Transparency Act. This regulation is an historic step towards protecting human rights far beyond our country's borders and will require that Norwegian companies will continue to implement human rights due diligence in their supply chains.

The law will also give our customers and stakeholders the right to information and insight into how we work. We are continuously working towards greater transparency, and in 2021 we therefore committed to the [Transparency Pledge](#). ►



We further signed the new [International Accord for Health and Safety in the Textile and Garment Industry](#), a legally binding agreement building on the Accord agreement originating from 2013.

We can proudly share that we became a main partner of Doctors Without Borders, and this first year, we raised 2,5 MNOK together with our generous customers. We cannot wait to see what we can achieve for this great cause in the years to come.

Our commitment to reducing our climate footprint is as central as ever before. This year we have mapped our baseline CO₂ emissions for all scopes (1, 2 and 3) and set an ambitious climate commitment. To further reduce our footprint, we joined the [2025 Recycled Polyester Challenge](#), an initiative started to spur a shift towards uptake of recycled polyester and reduction in emissions linked to textile production.

This year's sustainability report will show you our development, efforts, and accomplishments of 2021. I am so proud of the effort that is behind this and promise that we will continue to dedicate the resources needed to keep Varner in the frontline of the sustainability field. ■

LEADER INSIGHTS FROM A GLOBAL PANDEMIC



In a turbulent and disruptive market, the need to contribute to sustainable development is an ever-present and intricate task. Varner, as many other companies, has had to navigate several production markets each impacted by the pandemic in their own way. They have faced unique challenges encompassing not only people's personal health, but labor markets, logistics, political and business environments.

The year 2021 has been about maintaining responsible business practice while negotiating supply chain hurdles during a global pandemic.

Pandemic, price surges and delays

The role of being a robust entity and a safe guarder of ethical business conduct is perhaps more necessary, and more challenging, now than ever before.

This is the second year where the world has been seriously impacted by Covid-19, with many challenges in the textile sector such as factory shut-downs and lack of staff. There has been a shortage of certain raw materials, in combination with extreme price increases on raw materials, trims, and other product inputs. Shipping and transportation costs have sky-rocketed, with lack of containers and long delays at container ports. Finished goods have been waiting to be shipped for weeks at a time.

Varner officially endorsed the *COVID-19: Action in the Global Garment Industry* coordinated by ILO last year and have continued to respect the commitments of the initiative in 2021. The aim is to support manufacturers to survive economic challenges, protect garment workers' income, their health and secure employment.

With Global Production Offices located centrally in their main production markets, Varner has been able to collaborate closely with suppliers, finding solutions together. ►

Our CSR team has continued to focus on the critical topics of human rights and labor due diligence work. Pandemic related travel restrictions have limited the team's ability to perform physical audits, and in some cases regular audits have been replaced with digital audits. Our Global Production department has kept a close dialogue with our suppliers, to ensure adequate support as they have had to adapt to strict restrictions at different times throughout the year.

Data insights for sustainable development

In addition to the protection of social rights, more sustainable fibers and materials are central to Varner's sustainability goals. As the prices for more sustainable fibers such as organic cotton and other certified materials are increasing rapidly, companies must work smarter to reach their sustainable development goals.

We are building and investing in competence and advancing our tech solutions for better sourcing and traceability. Becoming more data driven is key, and we need to ensure we have systems and competence that allow us to use this data for better insight. With the right insight, we can better meet customer demand, be transparent and succeed in this constantly evolving industry in a sustainable way. ■

ABOUT US



OUR HISTORY

Frank Varner, the founder, opened his first store in Oslo in 1962. The store was named "Frank Varner" and became an immediate success.

In 1967, the brand Dressmann was launched. During the following years Varner sought further growth, opening the first Carlings store in 1985 and acquiring the family concept Cubus in 1989.

Led by the second-generation Petter, Marius, and Joakim Varner, the development continued. As of December 2021, Varner consists of seven brands selling in five markets through 1200 stores, and six online stores, and has become one of Scandinavia's leading fashion retailers.

Along with the continual focus on physical stores, Varner is becoming increasingly digital with the goal to give the customers the ultimate shopping experience.

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 centre 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 sustainability commitment. This translates into working for more environmental friendly products, but also for a more sustainable production respecting local environments 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.

**BUSINESS-
MINDED**

PASSION

MAKE IT EASY

FRIENDSHIP

HAPPINESS

RESPONSIBLE

OUR CONCEPTS

BIKBOK

CARLINGS

Cubus

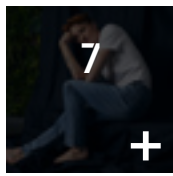
Dressmann®

VOLT

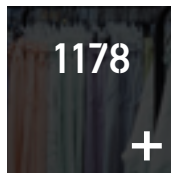
JUNKYARD.

U R B A N

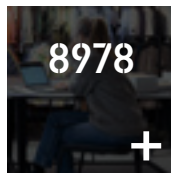
VARNER AT A GLANCE



Concepts



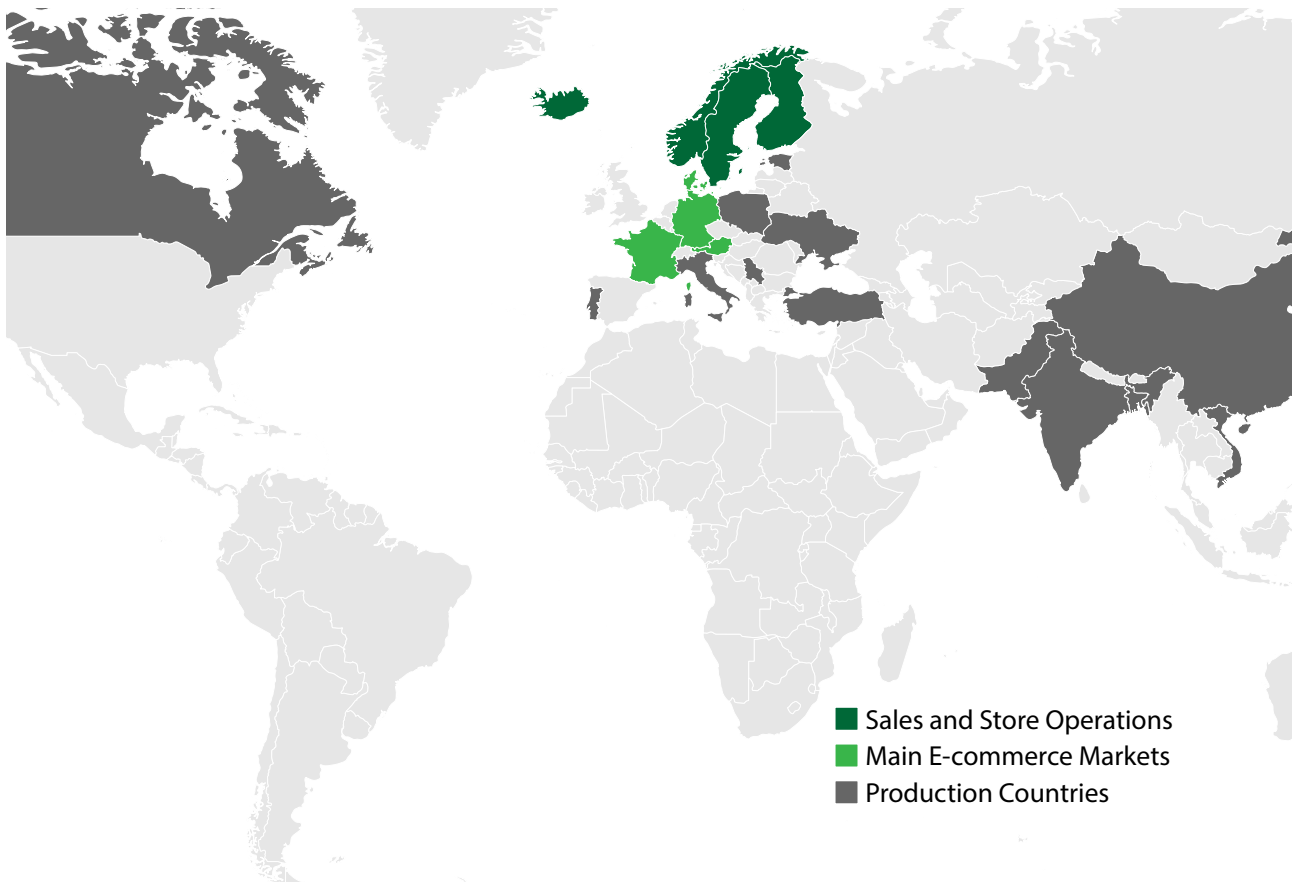
Stores



Employees

2021 Sales
Turnover

NOK 9.4 B



Company Name:

Varner AS

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 and Volt

Products: Apparel & Footwear

Our Presence:

Sales and Store Operations: Norway, Sweden, Finland, Denmark and Iceland.

Main e-commerce markets: Denmark, Germany and France

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

OUR COMPANY STRUCTURE

Varner is one of the largest fashion retailers in the Nordic countries, with nearly 9000 employees and around 1200 stores across 5 countries and online presence in more than 8 countries. We are a family-owned Norwegian company with a revenue of NOK 9.4 billion in 2021. This is up from NOK 8.7 billion in 2020, mainly due to our stronger presence online and improved sales in stores.

The Varner brands consist of Cubus, Dressmann, Bik Bok, Carlings, Volt, Urban, Junkyard and Levi's Store (franchise). Our main business (65%) are private brands sold within stores that are fully owned by Varner. Approximately 35% of our business is external brands sold within multi-brand stores that are fully owned by Varner. We are operating franchise stores as a minor business representing a major international brand, Levi's, 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 omnichannel 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, Varner Brand Stores AS

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

Iceland: DM à Islandi EHF

Denmark: Dressmann AS (DK)

Major organisational changes in 2021

Varner incorporated Wow as a private label within the children's department in the Cubus brand and closed down Wow stores during 2021. Varner is no longer a Nike Store franchisee as of 2021.

Varner merged the two brands Junkyard and Urban into one brand named Junkyard in 2021.

OUR SALES & STORE OPERATIONS

FINLAND



1793



195

NORWAY



4367



543

ICELAND



28



4

DENMARK



9



2

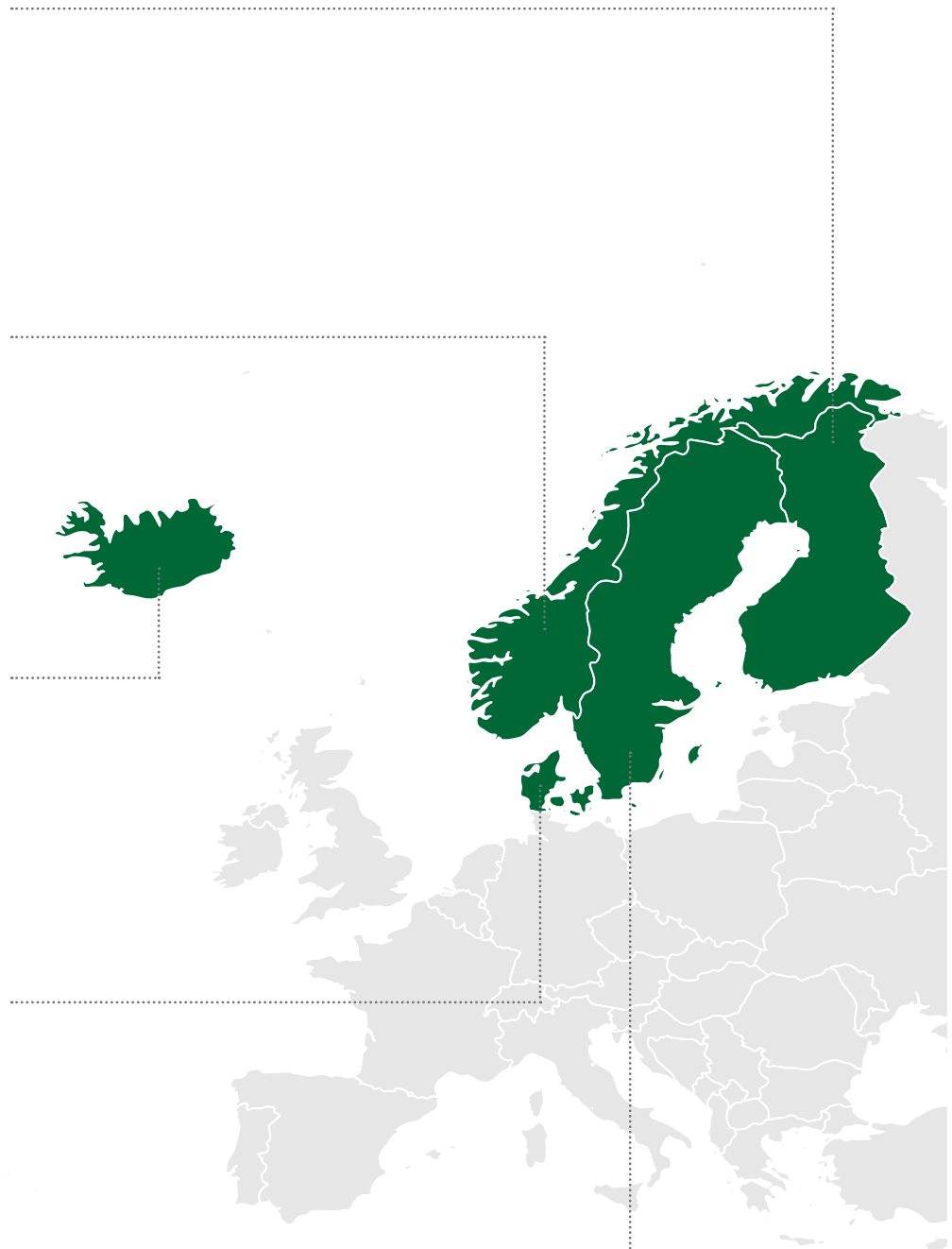
SWEDEN



3174









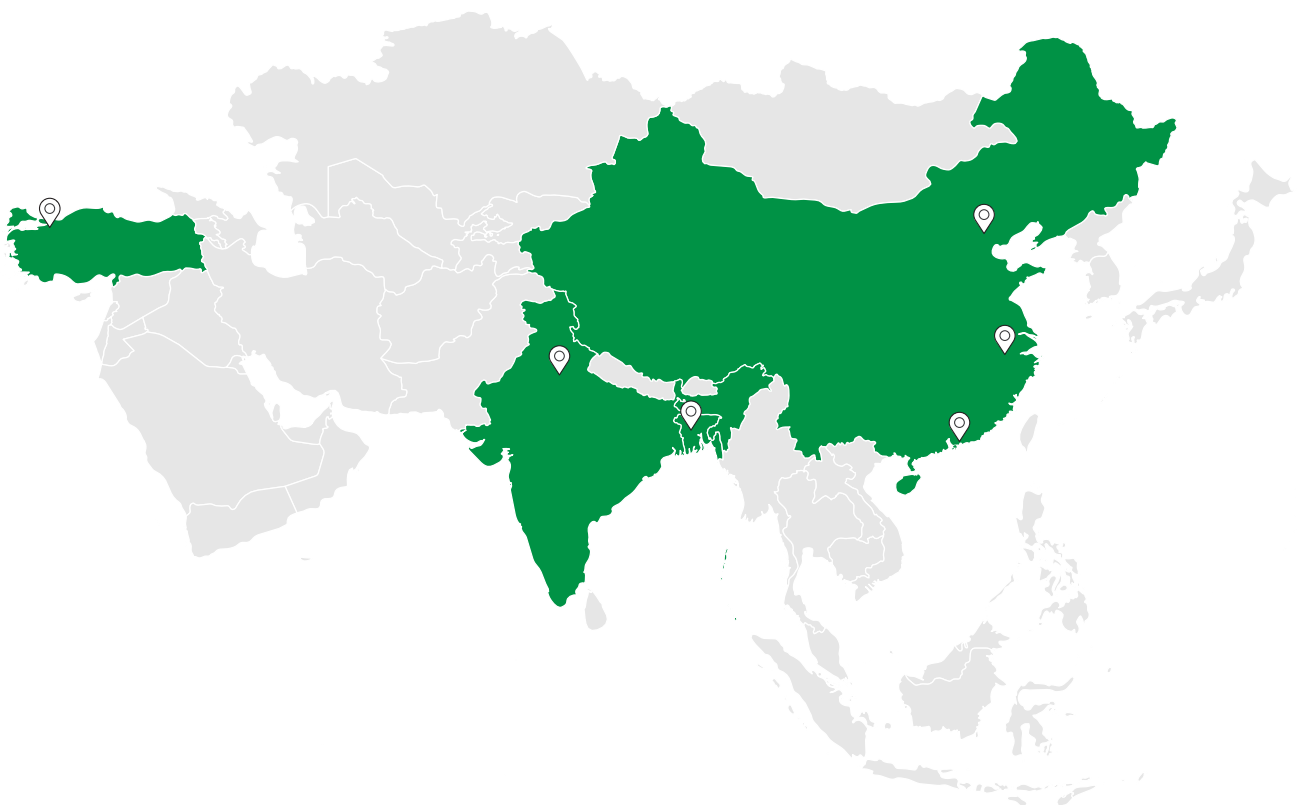
434



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 products. We have 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 Office	Turkey	South Asia	Bangladesh	Far East
 Location	Istanbul	New Delhi	Dhaka	Hong Kong, Hangzhou, Beijing
 Established	2002	2011	2012	2014
 Employees	20	15	32	33
 Suppliers Factories	33 106	12 43	29 66	65 112
 Sourcing Countries	Turkey, Pakistan & Europe	India	Bangladesh	China and South East Asia
 % of Global Production Volume	21%	08%	43%	28%



NORDIC SPIRIT, GLOBAL IMPACT



OUR SUSTAINABILITY MISSION

At the core of our business, we have a strong focus on sustainable principles. This means that we must make conscious choices in every step of the product life-cycle from design and development to customer usage that make the footprint smaller. To strengthen and gather our sustainable initiatives, we have our strategic theme for sustainability - Nordic Spirit, Global Impact.

This was launched internally during 2021 and together with the first Sustainability Report it created interest and pride amongst our employees. The strategic theme is becoming our base and way to connect the dots when we communicate our sustainability work and impact to employees in all parts of our organization. We have used the theme and our three sustainability pillars actively in trainings, surveys and internal communication in 2021.

“With our second Sustainability Report at hand, we can truly say that we are well on our way when it comes to documenting our sustainability work, and that we have achieved a great deal of transparency. The report provides us with a solid basis for communicating our efforts to our many employees and stakeholders throughout our value chain. I am happy to say that this will be a big focus for 2022.”

Julie Bragli Eckhardt,
Head of Communications, Varner AS

To us, sustainability 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.

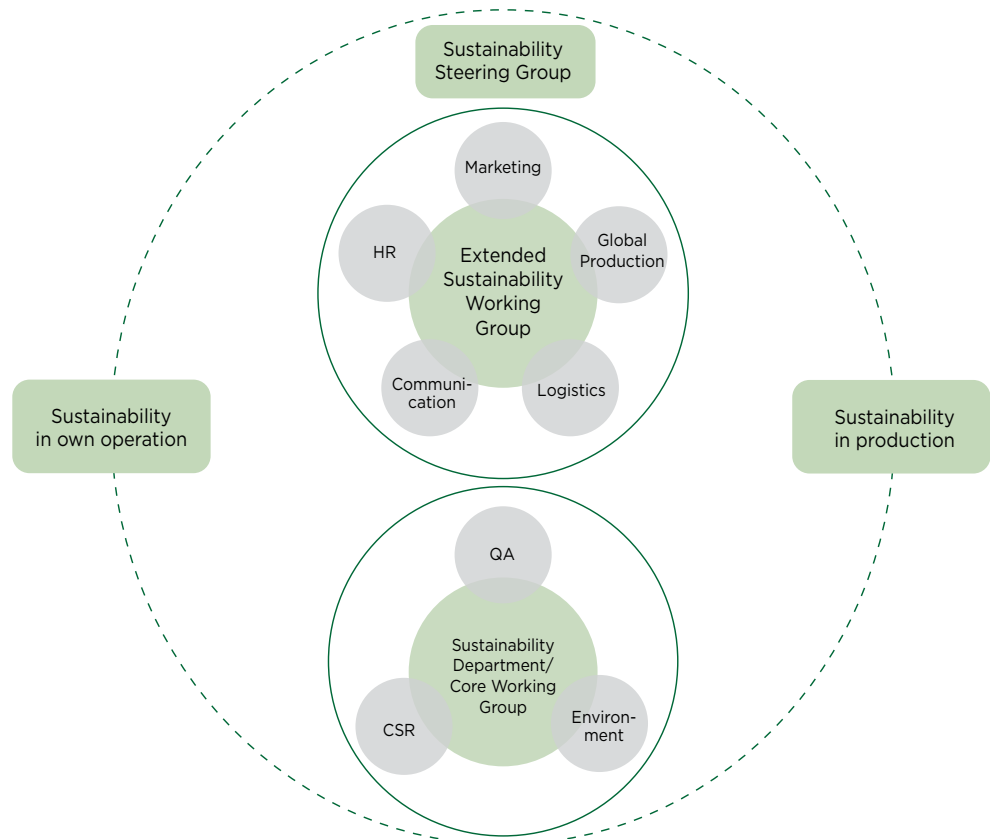
OUR JOURNEY SO FAR

Key highlights of our sustainability journey so far.

Became member of Ethical Trade Initiative Norway and established a Code of Conduct	2003		
Implemented operative system for factory inspections	2005	2004	Established dedicated Corporate Social Responsibility (CSR) function
Implemented ban on mulesing, developed tool for chemical handling together with Teknologisk Institutt, the Enterprise Federation of Norway and the Norwegian Environmental Agency	2008	2007	CSR screening and approval made mandatory prior to initiation of business cooperation
Started collaborating 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
Implemented animal fiber policy, participated in wage mapping project with Fair Wage Network	2014	2013	Published factory list, 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
Dressmann became the world's largest retailer of Fairtrade certified cotton products	2018	2017	Launched first Fairtrade certified products
Launched pilot collection of Cradle to Cradle certified products, joined STICA, became members of SAC to accelerate sustainability in production, joined the CanopyStyle Initiative	2020	2019	Group level sustainability plan revised and launched with reinforced strategy & goals
		2021	Signed the International Accord for Health and Safety in the Textile and Garment Industry, signed the Transparency Pledge, signed the Recycled Polyester Pledge, partnered with Doctors Without Borders, established GHG emission baseline for scope 3, finalized scope 3 emission reduction goals

SUSTAINABILITY GOVERNANCE

We are fortunate to have so many dedicated people taking part of our journey. To implement our sustainability ambition, responsibilities are integrated in key roles of the organization 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 for advising the steering group on targets and strategies, to analyse 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. See [Reporting Team on page 127](#) for more information about the different groups.

MATERIALITY

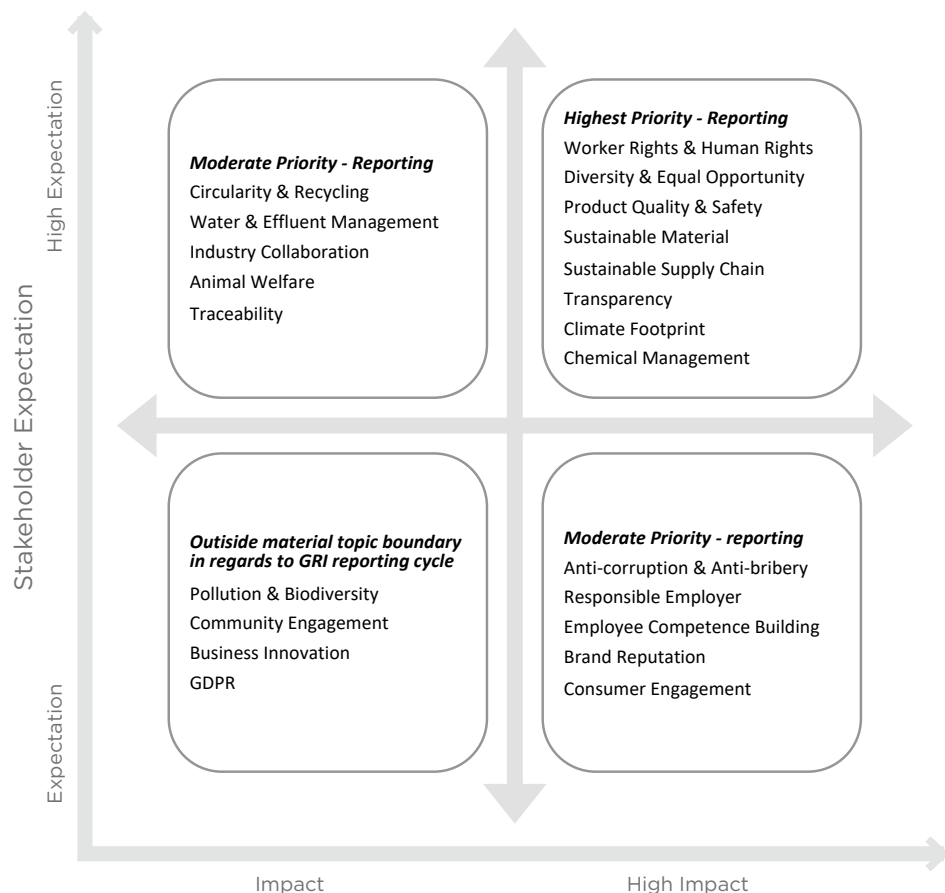
Our comprehensive materiality assessment to align ourselves with the requirements provided in international standards relating to sustainability reporting were done in two phases.

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

- Mapping stakeholders and analysing 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 Global Reporting Initiative (GRI).

Materiality Matrix



Significance to Varner (Management, Employees, Sustainability Department)

Prioritization: The materiality matrix is a visualization of how we have prioritized our most significant areas of impact. Along the Y-axis, you will find the topics recognized as most material by stakeholders, the top left square representing those of highest importance. Along the X-axis, «Significance to Varner» refers to the material topics considered as those with the most significance on economic, social and environmental impacts by internal Varner bodies, such as employees, management and the sustainability department.

In 2021 we have strengthened our stakeholder engagement through materiality surveys with key stakeholders such as owners and top management, our store employees, and our suppliers. We have also analyzed feedback from our customers through our dedicated communication channel for sustainability, as well as considered feedback from various initiatives that we are part of. Based on the survey and feedbacks some materiality topics were reorganized within our materiality matrix.



STAKEHOLDER ENGAGEMENT

We define our stakeholders as those groups, entities or individuals that can reasonably influence and impact our company or can be impacted and influenced by it.

The groups of stakeholders were defined by the Sustainability Department/ Core Working Group in an inclusive process whereby relevant stakeholders as well as arenas of interaction have been mapped. The Extended Sustainability Working Group and the Sustainability Steering Group were consulted as a part of the process. The groups, topics and arenas of interaction have been reviewed as a part of the preparation for the 2021 Sustainability Report.

Stakeholder Group	Key Sustainability Topics	Arena of Interaction
Customers & Consumers	Workers' Rights & Human Rights Sustainable supply chain Climate Footprint Transparency Product Quality & Safety	Physical and online stores Customer service Social media Customer surveys News press Social media Online Televised marketing
Governmental Authorities	Workers' Rights & Human Rights Sustainable supply chain Product Quality & Safety Transparency Diversity & Equal Opportunity Occupational Health & Safety Responsible Employer Climate Footprint Product Safety	Public Hearings Public Reports Audits Annual Reports Letters
NGOs, Advocacy, Interest Groups	Workers' Rights & Human Rights, Industry Collaboration, Transparency Animal Welfare Climate Footprint Pollution & Biodiversity	Multi-Stakeholder Platforms Conferences Seminars
Media	Workers' Rights & Human Rights Over production Climate Footprint Pollution & Biodiversity Circularity & Recycling Transparency Traceability	Press contact Customer Service Public sustainability email
Suppliers	Workers' Rights & Human Rights Transparency Chemical Management Water & Effluent Management Sustainable Materials Sustainable Supply Chain	Meetings Training Annual Supplier Survey Letters Audits External brand assessments

Stakeholder Group	Key Sustainability Topics	Arena of Interaction
Supply Chain Workers	Workers' Rights & Human Rights Diversity & Equal Opportunity	Interviews Audits Training Grievance Channels
Partnerships & Network Organizations	Workers' Rights & Human Rights Climate Footprint Sustainable Supply Chain	Meetings Seminars
Research Communities & Academia	Workers' Rights & Human Rights Climate Footprint Sustainable Supply Chain Circularity & Recycling Transparency Pollution & Biodiversity Sustainable Materials Chemical Management	Interviews Seminars Public sustainability email
Varner Employees	Product Quality & Safety Circularity & Recycling Consumer Engagement Water & Effluent Management Workers' Rights & Human Rights Business Innovation Sustainable Materials Responsible Employer	Internal training Digital training Digital newsletters Social media Media/press Employee surveys Working Environment Committee meetings
Owners & Top Management	Worker Rights & Human Rights Diversity & Equal Opportunity Product Quality & Safety Sustainable Material Sustainable Supply Chain Transparency Chemical Management Climate Action	Board of Directors Reporting Survey
Local Communities	Circularity & Recycling Consumer Engagement	Charity organizations Sponsorship
Businesses (competitors, industry organizations)	Workers' Rights & Human Rights Industry Collaboration Diversity & Equal Opportunity	Multi-stakeholder platforms Sustainability Forums Projects



Transparency and Communication

Our aim is to communicate openly and be transparent about our work on sustainability (including risks and strategies to address negative impact). Our main channel for public communication about sustainability is our website. 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 part 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 our [policy site](#). We keep open factory lists both on our [website](#) and on the [Open Apparel Registry platform](#). We have chosen to align with the [Transparency Pledge](#), and our factory list is updated at least twice annually.

We have been member of Ethical Trade Norway since 2003 and have 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. The consolidated sustainability report has an important function as a base for information and data on our sustainability work, both externally and internally.

We have a public email address (sustainability@varner.com) where anyone can contact us with questions about our sustainability work. In 2021 we received around 80 sustainability related enquiries through this channel.

In 2021, we conducted a survey for all store employees, to gain a better picture of which aspects of our sustainability work needs to be better communicated in our organization. This also gave us a better idea of what type of information our customers would like for us to share.





Our retail brand Dressmann is evaluated on an annual basis in the [Fashion Transparency Index](#), comparing 250 global garment brands on their level of transparency. In the latest index, Dressmann received a total transparency score of 48%. The top scoring brand received 78%.




As one of Norway's biggest textile companies, we have a responsibility to communicate and share our experiences so that we can contribute to other companies' and professionals' success in implementing responsible business practices. In 2021, we have contributed to Amnesty International Due Diligence Training Course for Businesses. We also contributed to the Norwegian OECD Contact Point's course on Human Rights Due Diligence. We shared experiences about grievance channels and remediation in

seminars organized by Ethical Trade Norway and Ethical Trading Initiative Sweden. We also contributed to a study on workers' rights by Centre for Responsible Business India (CRB) and continued to endorse the Garment Industry Call to Action.

Varner became a part of the [Coalition for Responsible Business](#) (KAN) in 2020. The coalition was comprised of civil society organizations, trade unions and businesses advocating for legal frameworks for responsible business. We joined the coalition because we 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. The purpose of the coalition was fulfilled in 2021 when the [Norwegian Transparency Act](#) was passed with implementation of the law from July 1st 2022.

MAIN GOALS & STATUS

Sustainability Pillar	Goal	Timeframe	Status 2021
Fair For All    	Human Rights Due Diligence for Responsible Business Conduct is carried out actively on an ongoing basis in accordance with recognized frameworks.	Continuous	The framework for Human Rights Due Diligence in Varner has been further developed in 2021 with particular focus on meeting requirements in the Norwegian Transparency Act that is coming into force in 2022.
	The Varner Supplier Code of Conduct is a part of all product supplier agreements.	Continuous	Own production: 100%
	Protect and promote labour rights and safe working conditions for workers in the supply chain, with particular focus on those facing barriers in accessing their rights.	Continuous	See pages 45-72 for information about activities and efforts in the reporting year.
	All workers in the supply chain have access to effective complaint and grievance channels by 2030.	2030	As of 2021 we require that all direct partner factories have established internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly. We are working to develop a framework to measure effectiveness of such channel. Read about our support of independent grievance channels on page 54.
	Fair worker representation at all key suppliers enabling workers to take an active part in workplace processes.	2025	<p>Continuing to support social dialogue in the supply chain, especially in Bangladesh, and we will continue to develop and improve our approach to assess and advance fair representation in the supply chain.</p> <p>During 2021 we identified breaches or gaps in fair worker representation in 7% of factories we cooperate with.</p> <p>As of end 2021 Labour Unions were established at 11% of tier 1 factories in the product supply chain.</p> <p>See more on the subject on pages 57-58.</p>
	All Varner employees have completed sustainability training relevant to their function.	Continuous	76 % of employees have completed sustainability training relevant to their function.

Sustainability Pillar	Goal	Timeframe	Status 2021
Circular & Climate Conscious   	100 % of all textiles are made with Preferred Fibers.	2025	69% in 2021
	100% certified and traceable animal fibers by 2030.	2030	100% of down is certified to Responsible Down Standard. 37% of wool is certified to Responsible Wool 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	4% of all pieces corresponding to 1,7% of all styles, are fully traceable and transparent. 27% of pieces corresponding to 21% all styles are traceable, but not yet transparent. See page 83 for more information.
	Establish environmental performance management system for all product suppliers of own brands.	2025	<p>(1) Adopted Higg Facility Environmental Module as main tool for environmental performance management within own value chain.</p> <p>(2) In scope tier1 factories representing 91% of total order value have completed Higg Facility Environmental Module (FEM2020) self-assessment within 2021.</p> <p>(3) 3rd party verification of FEM2020 was completed by factories within same scope representing more than 50% of order value.</p> <p>(4) 'Environmental Performance Dashboard' has been developed based on FEM performance data to track and further develop key environmental performance indicators.</p>
	50% absolute reduction in scope 1&2 emissions by 2030 from 2019 levels.	2030	<p>(1) Absolute reduction of 4.47% in 2020 scope1&2 from 2019 levels</p> <p>(2) Energy efficiency project rolled out in 42 stores in Norway, Sweden and Finland.</p> <p>(3) Calculation ongoing for 2021.</p>
	55% reduction in scope 3 emission per million NOK annual revenue by 2030 from 2019 levels.	2030	<p>(1) Completed Scope 3 emission calculation for baseyear 2019 and year 2020.</p> <p>(2) Recorded 5,11% reduction in intensity values in 2020 compared to 2019 levels..</p> <p>(3) Calculation ongoing for 2021.</p>
	Enable beyond compliance chemical management practices in our apparel and footwear manufacturing.	Continuous	<p>(1) We have a general ban of chemical substances in production 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.</p> <p>(2) Mapped beyond legal compliance chemical management practices within in scope tier 1.</p>

Sustainability Pillar	Goal	Timeframe	Status 2021
	100 % of unsold & unsellable products are put into channels for reuse/recycling/upcycling/repurposing.	2025	99,8% of unsellable products are put into channels for reuse/recycling/upcycling/repurposing.
	100% Preferred Product Packaging.	2030	New goal. Transferring from plastic bags to FSC certified paper bags. Integrated preferred materials into labels and hangtags. Mapping supplier base and volumes.
	30% of textile waste from production facilities is put into channels for recycling or repurposing.	2030	New goal. Mapping and setting baseline in 2022.
Engage The Consumer 	Actively & correctly mention sustainable attributes of products in-store, online and in various media channels.	Continuous	On track. Brands' marketing departments are establishing common and brand specific goals to be rolled out in 2022.
Across All Pillars   	100 % of our external brand suppliers are assessed and evaluated on sustainability performance.	Continuous	Status end 2021: 90%. Total brand portfolio increase by 64%, with 34 of purchased external brands not yet assessed by end 2021.

INITIATIVES AT A GLANCE



THE SOUTH AFRICAN WOOL PROJECT

Nordic Spirit, Global Impact reflects our responsibility: At our head office in the Nordics, we make decisions that will impact a supply chain stretching across the globe.

The project 'Wool & Mohair Industries in South Africa: a due diligence study on labor practices and sustainability issues' is a good exemplification of our sustainability theme. We collaborated with Ethical Trade Norway, several other Norwegian brands and parts of the South African wool industry. The aim was to understand the socioeconomic impacts of the wool and mohair industry in South Africa. From farm to processing, we wanted to learn about how the industry complies with animal welfare, and its environmental impacts.

The core project team in Norway and South Africa conducted initial desktop due diligence studies. The second step was to visit a selection of farmers in Eastern Cape in South Africa in the end of 2019. This resulted in a list of challenges and actions for how to address these, including capacity building in the industry. Funds from the Norwegian Agency for Development Cooperation ([NORAD](#)) were to be used in the improvement activities.

The second part of the project, which would include addressing challenges and setting improvement activities into action barely got started before the pandemic caused a full lockdown. However, the project team in South Africa continued with the work and managed to achieve good results even under challenging conditions.



Photo: Hanne Haslum

Photo: Hanne Haslum

The project fostered awareness and knowledge for everyone involved, in addition to these highlights:

- Four emerging farmers were trained in sustainable farming and prepared for and certified under the Responsible Mohair Standard – the first emerging farmers to be accredited in South Africa.
- 11 farm workers from the pilot farms were trained in sustainable farming practice, conducted by specialists from the National Wool Growers Association (NWGA) and Mohair SA Empowerment Trust.
- Material to assist emerging farmers to become Responsible Mohair Standard and Responsible Wool Standard certified was developed. These included the “Greening” Sustainability Preparation Kit with 17 elements, training visuals and an animation video.
- 16 agricultural extension officers and management of Eastern Cape Rural Development Agency (ECRDA) have been trained on sustainability standards within wool and mohair. The training was made mainstream and they committed to establish a sustainability hub for emerging farmers.
- Material for training of workers in processing factories was developed in collaboration with [Siyawela](#) and their support network.

05.

FAIR FOR ALL



Photo: Jibon Mridha

RESPONSIBLE EMPLOYER

Our employees, thousands of committed people, are Varner's strength and most important resource to succeed with sustainable development and economic growth. We see that gathering people with different backgrounds and viewpoints, enriches Varner as a company and its products, and strengthens our brands and business strategies. Half of our employees are under 25 years old. For many of these, Varner is a first encounter with working life, and often they combine this job with studies. Other employees have a lifelong working relationship with Varner. Our goal is to ensure a safe and stable workplace for everyone, with room for personal development and progress. We aim to have a positive influence on the lives we touch.

Varner Internal Code of Conduct

We have established a guiding document called the Varner Internal Code of Conduct, to embed fair work and responsible business practice in all Key parts of this code are included in the document Good Business Practice, an addendum to our employment contracts.

The full code is available for all employees on the Varner intranet and our website. It 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 code 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 covers 17 areas including sections about laws, regulations and internal rules, conflicts of interest, corruption and bribery and legal opportunities. It also covers diversity, labor rights, rights to privacy, working environment and risk management.

Grievances and Whistleblowing

The code highlights the right and responsibility to report on issues of concern and breaches of the code. It also includes information about our grievance/whistleblowing channel and how issues raised will be managed.

It is important for us that all employees can speak up and report on issues of concern. Our primary focus is to work proactively, by providing training, awareness, and solid management with proper feedback systems in place. Regardless, we still need a formal whistleblowing channel in case breaches occur. The formal channel for this is concern@varner.com and is communicated to all employees through the Internal Code of Conduct and Good Business Practice document mentioned above, in addition to The Whistleblower policy.

Employee Turnover in 2021

This year has been impacted by the Covid-19 pandemic and the company has been heavily affected by these measures set by the government throughout the year. This has caused several rounds of temporary leave, as well as redundancies.

During 2021, Varner ended two chain concepts: Wow and one of our franchise concepts in Varner Brand Store, Nike. Wow is now a private label integrated in Cubus, and Varner is no longer a Nike Store franchisee. In total, 51 stores were permanently closed in Norway. In Finland a total of 10 stores and 24 in Sweden. This has impacted the turnover, which has been on average 41 percent throughout the year. Turnover is the share of employees who has left the company. This excludes employees who have changed position internally. The number of reported staff are permanent and temporary, part- or fulltime employees and includes employees absent due to illness or temporary leave. See our overview of new hires and turnover in 2021 in the appendix on page 134.

Freedom to organize and bargain collectively

Our employees have the right to freely join a trade union and apply for collective bargaining, in accordance with local laws. In Norway, close to half of all store and administrative employees are covered by a collective bargaining agreement. In Sweden, all store- and logistics employees and employees with administrative roles, excluding employees in top management positions, are covered by collective bargaining agreements. In Finland and Iceland, all store employees are covered by a collective bargaining agreement.

In line with the agreement structure, these agreements are negotiated annually by the employers' and employees' organizations. An example of such organizations in Norway are Virke and LO. Employees at our Global Production Offices and in Denmark are not formally covered by collective bargaining agreements. Employees can voluntarily choose to join a union, however personal union memberships are not monitored or tracked due to our Privacy Policy. Percentage of employees covered by bargaining agreements are 42 (Norway), 99,7 (Sweden), 96,7 (Finland) and 100 (Iceland).

Employee benefits

Our common employee benefits are the same independently of position type and full-time and part-time positions. The employee benefits are in line with legal requirements set by the government in the countries in which we operate.

In Norway, there is a minimum position percentage and employment period requirement for employees to receive life insurance. In addition, Norway and Turkey both have minimum age and position percentage requirements for employees to receive retirement provision.

Labor and management relations

With a turnover over 40 percent average, it is pivotal to ensure smooth transitions and proper transfer of competence. The notice period in the local laws where our staff are employed contributes to ensure enough time to recruit successors, time for training and competence transfer between the new employee and the employee leaving the company. In addition to the minimum notice period set by Varner, we follow the local legislation in terms of notice period due to age and seniority. In situations where an employee is made redundant, and do not resign themselves, the notice period helps give the employee time to find new work and avoid period unemployment. For specific roles with especially crucial competence, the notice period is longer than what is required by law.

For operational changes, we follow the local laws in the countries where we operate. In addition, we cooperate with trade union representatives and notify employees in line with the legally set notification deadlines. In cases of temporary leave, we always follow the applicable legislation.



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. 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 with diversity and equal opportunities is integrated in strategies, tools and policies. Employees and managers work continuously in close cooperation to develop our working environment.

Anti-discrimination and reports of concern

The equality and anti-discrimination work are a natural part of the daily leadership and management systems. Varner has zero tolerance for harassment, and our whistleblower policy refers to how employees proceed if situations arise where notification is required.

We follow local requirements and regulations for employee representative involvement in all countries where we operate. Regular meetings are held when required. In 2021, there has been a major focus on the Covid-19 pandemic and no breaches have been reported in these meetings. Inquiries and reports of concern have been assessed and handled in accordance with the company routines. For privacy reasons, we do not specify the exact number as fewer than 5 of these have been received during 2021.

Diversity of governance bodies and employees

In 2021, Varner had over 80.000 applicants through our electronic recruitment system in Norway, Sweden and Finland. 71,3 % of these stated to be female, 24,5 % stated to be male and 4,1 % did not state their gender. The applicant base represents the employee demographics in the organization, where the overall proportion of women is dominant. As an effort towards avoiding gender bias in recruitment processes, we will remove the option for applicants to state their gender in our application system in 2022.

These above figures are reflected in the overall gender balance of recruited staff, as well as the gender balance within the company. See page 131 in the appendix for an overview of our employees.

Figure 1:
Gender distribution top management:

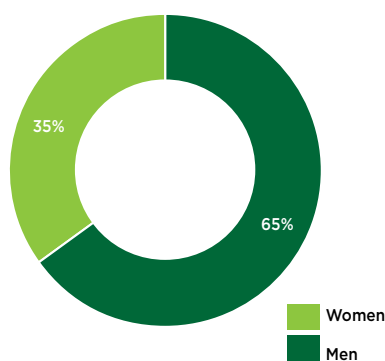


Figure 2:
Management positions per gender

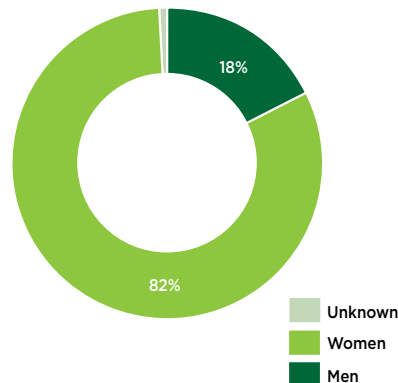
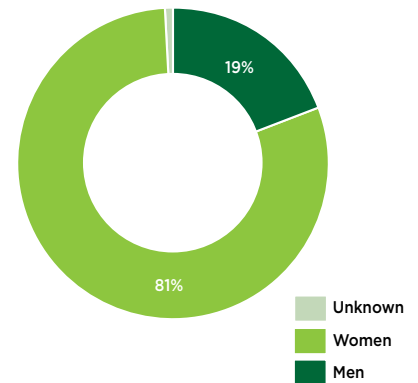


Figure 3:
Employees per gender



A SAFE AND HEALTHY WORKPLACE

We have a clear and distinct perspective that a safe, secure, and healthy workplace will benefit everyone. Our continuous work to improve working conditions with focus on both physical working environment and psycho-social aspects is part of this. This applies to all employees in all countries of operations. Furthermore, we are committed to respect and follow the applicable rules and regulations related to Occupational Health and Safety in the same countries.

We believe that the development of a safe and sound working environment must happen in a close cooperation between employees and management. Working environment councils are established at all offices and stores where this is required. The councils are important entities to ensure and monitor applicable regulations related to the work environment are implemented. 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. Work related injuries are recorded and addressed by the working environment councils. The councils are comprised by equal number of members from employee and management level. The worker representatives are normally elected for 2-year periods.

Work-related injuries

Due to the pandemic, the worker representatives have met more frequently in 2021 to monitor the interests of the employees. 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. There has been identified some issues with consolidation of health and safety related data (such as workplace injuries) for 2021 and will aim to standardize the collection and reporting process for this in 2022.

Work-related injuries & hours worked

	Norway	Sweden	Finland	Denmark	Iceland	Turkey	Bangladesh	India	China	Hong Kong
The number and rate of fatalities as a result of work-related injury	0	0	0	0	0	0	0	0	0	0
The number and rate of high-consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0	0
The number and rate of recordable work-related injuries	6	27	21	0	0	0	0	0	0	0
Number of hours worked	3214811,75	2498748,42	978576,25	6467	24041	34808	54480	26040	30080	30080

In 2021, in total 51 recordable work-related injuries have been reported throughout Varner. The main types of work-related injury or hazard that pose a risk to employees in our countries with store operations are falling, cuts, goods falling, and sudden physical exertion while for example lifting goods. In our global production offices, the main types of work-related risks are relating to travelling to factories and lifting heavy boxes.

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 national regulatory duties related to supervisory responsibility as a purchaser of cleaning services.

Occupational health and safety management system

The health and safety management systems implemented and followed:

Norway, Denmark, Iceland: Requirements and regulations of the Working Environment Act.

Sweden: Governmental Standard AFS 2001:1.

Finland: Requirements and regulations of the Finnish Acts on: Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health at Workplaces, Occupational Safety and Health, Occupational Health care act.

Global Production Offices: All offices follow country specific requirements for fire safety, and the process for management of work-related injuries is that they must be reported to immediate manager for further follow-up.

All brands under Varner go through an annual risk assessment, including an action plan to manage health & safety.

Identification, assessment and incident investigation

To identify hazards, assess risk and investigate incidents, we carry out safety patrols at minimum once per year. These patrols are done at all workplaces, and these create the basis for maintenance plans, which are drawn based on any deficiencies found. In our stores, the store managers are responsible for the daily prevention and identification of potential risks. All stores also have a regional safety representative responsible for ensuring a safe work environment. These representatives are available to be contacted by all employees in said region. Our country managers and HR are responsible for ensuring that all brands have safety representatives in each region, and that they receive proper training. The training follows legal guidelines.



All accidents and incidents are reported according to internal routines, this includes reporting to the Work Environment Committees. At our distribution center in Sweden, there is a safety committee meeting on a regular basis. We follow fire safety regulations, have clearly marked exit signs and extinguishers which are refilled at periodic intervals as required, have fire drills and training. Training includes onboarding, drills and statutory HSE courses.

For any deviations found in the safety rounds, managers have the responsibility to establish a risk assessment and action plan for those deviations that are not immediately remediated. The manager forwards this risk assessment and action plan to their nearest leader, and together all deviations will be sorted out and followed up in collaboration.

Employees can report work-related hazards and hazardous situations through a form. The form will be forwarded to their nearest manager, our Project Department and the Human Resources Department. The HR department has the top responsibility to ensure safe workplaces and that no reprisals take place in case of reports of hazardous situations.

If a job poses a serious danger to the life or health of the employee or other employees, the employee has the right to refuse to perform the work in accordance with the local legislation on Safety and Health. For Global Production Offices with employees travelling to factories for inspections, a process for how to be protected from Covid-19 when visiting factories has been established. Several times throughout 2021, our Global Production staff working primarily with inspections and factory visits, have not been travelling due to infection control measures.

Employee participation, consultation, and communication

Safety representatives participate in the work environment committee at least twice a year and monitor the interests of the employees. Under the pandemic period in 2020-2021 some of the appointed safety representatives have participated in work environment meetings every month to monitor the interests of the employees because of the special circumstances. In Sweden, Finland and Denmark, safety representatives are appointed by the union to participate in the work environment work and monitor the interests of the employees.

The safety committee is convened by the company. Safety representatives have the legal right to complain about deficiencies and report if it is deemed as needed to stop any type of operations until deficiencies have been remediated.

Promotion of worker health

In Norway, Sweden, Denmark and Finland, all direct employees and workers hired by temporary-work agencies, are covered by the countries' welfare schemes, including health services. In Finland, employees are also offered general practitioner-level healthcare services. In Turkey, all employees have access to Doctor for Workplace Health & Safety services, accessible to all employees during work hours, in addition to the Turkish healthcare system. In Bangladesh, all permanent employees

receive medical insurance, in India, all employees and immediate family members receive medical insurance. For Hong Kong and China, all employees receive medical insurance.

Health and safety training

To ensure competency on health and safety, trainings are done during onboarding, but also periodically for relevant staff. This includes fire drills and training on how to operate fire extinguishers.

We offer training for employees and leaders in our digital communication platform Motimate. Safety representatives are legally obligated to partake in health and safety courses as well. In 2021, new safety representatives had their obligatory courses in September. Some health and safety trainings as required by law are carried out through certified outsourced training partners, in addition to internal trainings on health and safety offered by Varner staff.

In 2020, we rolled out adapted health and safety training in response to the pandemic, including training on face masks and disease prevention. New guidelines on personnel and customer safety aligned with governmental requirements have been introduced. This has been continued in 2021.



AWARENESS AND TRAINING

With almost 10,000 employees, Varner regards training and education an important factor in retaining and developing our workforce. Varner is proud of its large share of longtime associates and recognizes the need to keep these valued associates up-to-date and motivated in terms of their knowledge and abilities. Varner also has a large share of young first-time workers who need basic training. The purpose of our training is to secure business goals, a healthy bottom line and a strong, positive company culture based on our common values.

In a normal year the average training per employee is estimated to be approximately 10 hours per person. The estimated time in a normal year for managers is approximately 20 hours per person.

During the pandemic, most of the face-to-face training activities have been set on hold due to restrictions set by the authorities.

Our digital platform, Motimate, has been our main source for basic training during 2021 in combination with digital live-events, kick-offs and external webinars.

Our training programs in 2021 were mainly divided into 3 groups:

- 1. Onboarding** with focus on strengthening culture and values.
- 2. Basic Job Knowledge/skills** - Digital training in combination with on-the-job training.
- 3. Management Training** - Digital training in combination with face-to-face training and individual development plans/activities, limited due to pandemic/restrictions.

Hours of general training 2021

Approximate hours of onboarding, basic job knowledge/skills, and management training

	Male	Female
Managers	299,25	980,75
Employees		468,5*

*Employee training data not available divided per gender.

Career development and transition

In 2021, specific assessments were made for positions that were suitable for outplacements or similar transitional arrangements. In addition, specific assessments were made to facilitate or possibly adjust the work situation where no relocation opportunities or outplacement was suitable. Approximately 5% of Varner's employees are in management and/

or office functions and receive regular performance and career development reviews in dialog with their manager. In addition, our permanent store employees have regular feedback and performance talks and there are multiple internal career opportunities within the company which leads to internal mobility.

Motimate – our digital learning platform

Training for the employees in our stores is primarily provided digitally through the learning and communication tool, Motimate. The platform is available both through smartphones and online computers. The platform offers a wide array of trainings developed by Varner for Varner staff.

Motimate training

Motimate Trainings 2021:

Employees completed one or more trainings 2021:	8612
Total number of courses completed 2021:	111 304*
Average number of courses in 2021	13 courses per employee
Average time 2021: (25 minutes per course)	5,4 hours per employee
Average rating all courses 2021:	4,5 out of 5

*approximately 24% of these are leaders (Country managers, country visual managers, regional managers, store managers)

The trainings contribute to managers and employees ability to acquire the competence they need to get into a new job, work tasks and systems quickly and efficiently. All trainings are available for all employees even though they are not mandatory for all groups. All trainings in Motimate are divided into learning paths and categories, that makes it easy to navigate and find necessary trainings.

Employees have the possibility to rate and evaluate the trainings after completion. Average rating on all courses is 4,5 (of 5).

All trainings can be conducted in the store within working hours, but since the trainings are available on smart phones, the employees can complete the trainings at home if wanted.

Sustainability training

One of Varner's main goals is for all employees to have relevant sustainability training. Our employees have access to a wide specter of sustainability training types, including in-person and online courses held by Varner staff, external trainings and webinars, and short, digital trainings on our platform Motimate. In 2021, 76 percent of all Varner employees have partaken in a course related to sustainability.

Approximate number of training hours on sustainability provided to employees in 2021: 3224,5.

Approximate number of employees participated in any form of sustainability training in 2021: 6806.

Varner conducts regular introduction courses on sustainability for all new office employees. In 2021, 201 office employees have partaken in an introduction course on sustainability. Total hours spent on a sustainability introductory course was 337 hours throughout the year.

Employees in our offices also receive more in-depth training on subjects such as sustainable materials, health and safety, human rights, child labor, animal welfare, correct labelling, marketing and more. These are especially relevant for the employees responsible for due diligence in the value chain such as Corporate Social Responsibility Specialists, Environmental Specialists and Quality Assurance Specialists. In 2021, we have started planning a course on responsible purchasing for all employees in design and buying roles. Employees at our global production offices receives additional training on anti-corruption, 95 employees have participated in anti-corruption workshops in 2021.

All store employees have access to, and must take, courses on corporate social responsibility, sustainable materials and health and safety. In 2021, we have also created a separate course on health and safety on Motimate.

Sustainability training

Training type	Number of employees taken course	Total hours (approx)
Sustainability themed trainings on Motimate	6179	2574
Sustainability intro courses	146	219
Quality Assurance related courses	315	73
Sustainability courses HK and China	89	187
Sustainability courses Turkey	29	78
Sustainability courses India	13	24
Sustainability courses Bangladesh	20	54,5
Sustainability courses for external brands buyers	15	15
SUM	6806 (of 8978 employees)	3224,5 hours
Average hours sustainability training per Varner employee		0,36 hours

Sustainability themed Motimate trainings:

Motimate course title		Total Motis completed 2021	Leader training 2021	Employees 2021	Average rating (highest possible score 5)
Basic material training	Norway	1266	65	1201	5
Basic material training	Sweden	830	85	749	5
Basic material training	Finland	385	29	356	4,5
Sustainability – Environment and CSR	Norway	1304	64	1240	4,5
Sustainability – Environment and CSR	Sweden	818	75	743	5
Sustainability – Environment and CSR	Finland	398	27	371	4,5
Health & safety	Sweden	923	539	384	5
Health & safety	Norway	254	96	161	5
Guidelines Business & Travel – Production office	Global Production Office	1			5

FRAMEWORKS AND COMMITMENTS

Varner's commitment to be a responsible employer and to respect workers' and human rights is embedded in steering documents and guidelines. These are made operational through an approach based on identification and management of risk and the concept of due diligence. The following key steering documents guide our work:

- **Varner Code of Conduct:** The foundation for how we want to combine sound business practice with responsible and ethical business conduct.
- **Supplier Code of Conduct:** Outlines our expectations and requirements for business partners such as suppliers, sub-suppliers and factories.
- **Responsible Sourcing Policy:** Set out human rights due diligence as a key part of sourcing of new business partners and markets for production.

A list of all publicly available policies and steering documents can be found in the appendix and on our [website](#).

The Varner Supplier Code of Conduct and all relating human rights and sustainability policies are embedded in the organization and approved by the top management.

We have not added or developed any new policies in 2021. The Supplier Code of Conduct has been reviewed and revised during the year. As 2021 was declared the International Year for the Elimination of Child Labour, we have had special focus on this important topic. Among other initiatives, we have reviewed the Child Labor Policy. Changes have not been made to the policy document, however the implementation guidelines and supporting measures have been updated and adjusted. See more about this in the section about child labor on page 67.



We respect and follow national and regional laws and regulations in countries of operation and sourcing. A noteworthy event in 2021 was the announcement that The Norwegian Transparency Act will come into force from 1st July 2022. We have started preparing to ensure that we are aligned with the new legal provisions. The law requires us to conduct human rights due diligence, and to be transparent to all stakeholders on these processes.

Our approach to human rights due diligence is informed by a set of recognized international frameworks:

- [Universal Declaration of Human Rights](#)
- [International Labour Organization \(ILO\) International Labour Standards](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector](#)



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Respect for human rights and fair and decent work extends beyond our own organization. Varner does not own any production facilities but cooperates with a range of selected suppliers and factories. Protecting workers' and human rights is especially important in the countries where our products are made, where workers are likely to face higher risks than in our own organization.

We have a total of 139 approved suppliers for our private label products, and 329 approved factories and subcontractors, employing a total of 290 448 persons (51% women, 49% men)¹. Key production markets are Bangladesh, China, Turkey, India, Pakistan, Italy and Serbia. No new sourcing markets have been entered in terms of direct production in 2021. The full list of approved factories used for production can be found on our [website](#) and on the [Open Apparel Registry](#).

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

- **Supplier qualification criteria and contract terms** that include human rights and labor conditions.
- **Screening and assessment** of performance for all suppliers before initiation of cooperation.
- **Improvement work and remediation activities** to close gaps towards requirements and capacity building activities to facilitate sustained improvements.
- Continuous **tracking of activities and impact**.
- **Communication and dialogue** with relevant stakeholders on identified risk, measures taken and strategies to address them jointly.

In addition to own private label products, we have suppliers for external branded products and indirect spend. The following sections mainly concerns the supply chain and production partners for own brand products. For more information about due diligence for external brand suppliers see section *External Brands and Indirect Suppliers* on pages 49-50.

Supplier Code of Conduct

Our Supplier Code of Conduct sets out expectations and requirements related to responsible business conduct, labor conditions and human rights. Some key principles included in the Code of Conduct are the right

¹ Number of employees at each site as well as gender breakdown is mapped at every factory assessment.

to organize, no child labor, safety at work, working time and wages and benefits. The Code was reviewed and revised in 2021 with key amendments related to:

- Scope of responsibility.
- How we respond to breaches of the Code as a result of Varner purchasing practice.
- Remediation practice.

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 every product supplier. 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 channel that should be used if there is any misconduct or breach of terms. All new, 11 in 2021, and existing product suppliers for our private label production have signed the Code of Conduct.

Capacity Building and Training

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. In 2021, we had 28 on-boarding training sessions on the content of the Code of Conduct. Our approach to due diligence in the supply chain were completed for all new suppliers and factories.

Training on issues related to labor 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 consultants.

We believe all workers should be aware of their rights and responsibilities, particularly the right to organize and be represented at the workplace. We have continued our program in Bangladesh where our partner factories' training systems are evaluated. This is to ensure that workers receive sufficient training on labor rights. Eight new factories were included in the program in 2021 with a total of 20 factories taking part. The evaluation is comprised of a combination of review of training materials, trainer competence, observation of training execution and interviews with workers. Improvement plans are developed and followed-up with the aim to strengthen internal training systems and making sure that workers are properly made aware of rights at work.

Starting in September 2021 we offered training in a wide range of topics to our suppliers in Turkey. Trainings were done in the areas *risk management* (ISO 31000), *occupational health & safety* (ISO 45001), *social accountability* (SA800), *business continuity management* (ISO 22301), and *energy and environmental management* (ISO 14000 and ISO 50001). Each of the given trainings were executed by qualified experts and generally consisted of one day of introduction and two days focusing on implementation. There were 240 participants from the Varner supplier base partaking in the training with a total of 4080 training days completed under the program in 2021.



Workers' Awareness Training at one of our collaboration factories in Bangladesh.

Purchasing Practice

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

Our strategy

We have an established policy for responsible sourcing that highlights how labor and human rights due diligence 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.

A key strategy to enable positive impact is long term cooperation. A cooperation with a supplier is always initiated with an intention to establish long term partnerships and short period cooperation is avoided. We have had at least 3 years of cooperation with 77% of all current suppliers. Our standard payment terms for suppliers are 30 days net, from Bill of Lading (B/L) when the goods are shipped.

We are working to consolidate our supplier portfolio, as this can increase our general leverage and enhance the ability to contribute to positive change. An integrated part of this strategy is to avoid trade with intermediaries 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.

Local presence

We have established production offices in all major markets to be able to address issues in the supply chain more effectively and forcefully.

Specialized staff with expertise on social and labor conditions are present at all offices, responding to any issues related to these topics. Locally based staff enables us to circumvent barriers of language and culture, it also allows us to be onsite in the factories on a frequent basis, and have direct dialogue with people involved in production, from management to workers. Varner allows the use of approved subcontractors, however there is a targeted focus on prevention of unauthorized outsourcing (production in facilities that have not been approved by Varner). Our local presence is integral to this work. Eight cases of unauthorized outsourcing were identified and handled in 2021.

Training – responsible purchasing

We aim to ensure that positions key to our purchasing (such as designers and buyers) receive training in responsible purchasing practices. This includes information on how lead times, price negotiations, capacity booking, and other elements may impact decent labor conditions in the supply chain. All buyers and designers were invited to such trainings in 2019 and 2020 (with 63 persons receiving training in 2020). There was no training on the topic in 2021.

Supplier surveys

In order to collect feedback on our purchasing practices and way of conducting business we invite all product suppliers to participate in an anonymous survey. They rate our performance as a buyer on various metrics such as negotiations, pricing, lead times and sustainability. This year, 75% of all own product suppliers responded. The response was generally positive in terms of purchasing practices but highlighted some areas of potential improvement in areas such as booking procedures and critical path management. The result of the survey has been presented to top management and relevant departments. Selected areas of improvement have been selected for targeted action such as strengthening booking procedures for raw materials and fabrics, and improved tools for critical path management.

We perform an integrated supplier evaluation on an annual basis. Code of Conduct performance is equally weighted alongside quality, business and environmental criteria. Suppliers and factories with high level of performance on social and environmental aspects are highlighted for internal business teams.

The Code of Conduct for suppliers was reviewed and revised in 2021 with new elements added. A section related to purchasing practices was added highlighting that breaches of Code of Conduct as a consequence of Varner purchasing practice and business decisions can and should be raised and will be responded to constructively.

We have endorsed the [COVID-19: Action in the Global Garment Industry](#). A part of this 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 contin-



ue 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 related to wages during this period.

External brands and indirect spend suppliers

In addition to Varner's own production, several of the Varner brands sell products purchased from external brand suppliers. The brands are supplied by a varied portfolio of companies, from small, independent companies to multinational corporations. They provide apparel, footwear, skateboard and snowboard equipment, accessories and cosmetic products. The brand stores with external brands in their portfolio in 2021 were Carlings, Cubus, Dressmann, Junkyard and Volt. These external brands account for approximately 35 percent of all purchases of retail items. In 2021, we had 333 external brand suppliers.

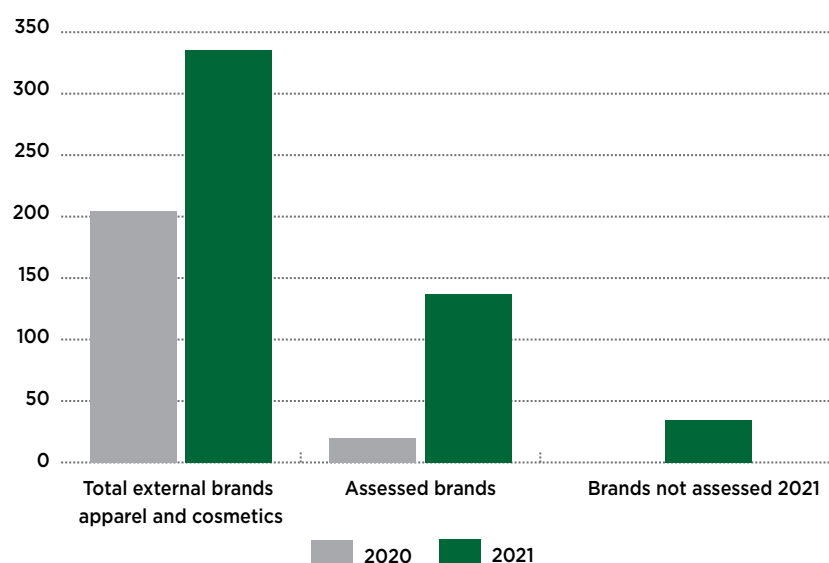
For all external brands, we evaluate and assess each supplier against our corporate social responsibility and product safety requirements. They must meet these before we start collaborating. Some brands need more time and advice than others, and our goal is to support suppliers to meet our requirements to help drive improvement in the industry. However, all external brands must commit to meeting our requirements within a set timeline. Lack of cooperation with respect to implementation of responsible business practices will result in us not starting a collaboration or postponing the collaboration until the brand has committed to meet CSR and product safety requirements. In 2021, we revised our brand assessment tool, and had meetings with 18 brands to discuss and give advice on how to meet our requirements. We ended cooperation with one supplier that did not deliver on product safety requirements as required.



At the end of 2021, we had almost met our goal of assessing and evaluating all external brands on sustainability performance. We reached 90%, where out of the 333 brands, 34 purchased brands were not yet assessed at the end of the year.

In 2021, more screenings than normal were done due to the new multi-brand concept Junkyard. A total of 136 new external brand suppliers were assessed, and 129 of these were assessed on behalf of Junkyard. We have had a portfolio increase of 64% from 2020. We also conducted an overarching risk assessment of the complete portfolio, which will be conducted on a yearly basis going forward.

External brands development



We had a portfolio increase of 64% from 2020, assessing 136 brands in total.

Indirect spend

Indirect spend suppliers are companies providing products and services for our stores, offices and operations. The suppliers are, as external brands, expected to meet our requirements on social responsibility and product safety. In 2021, the strategy for indirect spend CSR assessments has been revised, and the portfolio has been updated. More suppliers will be assessed during 2022, with a clearer priority on product and service type, and we will conduct broader risk assessments to gain a clearer picture of the most pressing risks in the portfolio. As with external brands, this risk assessment will be conducted on an annual basis. In 2021, we had a portfolio of approximately 60 long-term indirect spend suppliers. These suppliers provide products and services in construction, office supplies, marketing, facility management and more.

SUPPLY CHAIN RISK

We work continuously to understand and identify where in our supply chain the workers are at risk of having their human rights or worker's rights breached. This risk assessment is an important part of our due diligence process. We assess and map with a special focus on our supply chains, considering regional and country risk, and risk related to specific factories, manufacturing processes or raw materials.

Mapping Risk on Country and Region Level

We perform continuous and annual assessments of social risk related to labor 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 country and regional risks. We participate in meetings and consultations with NGOs and MSIs, participate on industry platforms, monitor updates in legislation and regulations, maintain dialogue with business partners and workers, and review reports. On a periodical basis we review indexes such as the Human Development Index (HDI), Transparency International Corruption Index, ITUC Global Rights Index, and UNDP Gender Inequality Index. Ratification status of key ILO conventions is also being tracked.

Key identified changes and updates in regional risks in 2021:

- Continued and new challenges related to the pandemic and its impact on social and labor conditions in all sourcing regions.
- Financial instability and inflation in Turkey.
- Pending payments of Variable Dearness Allowance (VDA) in the textile sector in Karnataka State, India.

We have established a procedure for evaluation of *new* sourcing markets, that includes assessments of labor 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 direct sourcing were reviewed or entered in 2021.

Mapping Risk 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 audits, visits, self-assessments, dialogue with key stakeholders (such as suppliers, worker representatives, other employees) and consultation with expert organizations.

All new production factories for own products 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. Entities with a higher identified risk of breach with our requirements will have follow-up assessments more urgently and frequently than units with a lower risk of breaches.

Table 8: New suppliers and factories screened against Varner requirements for labor conditions

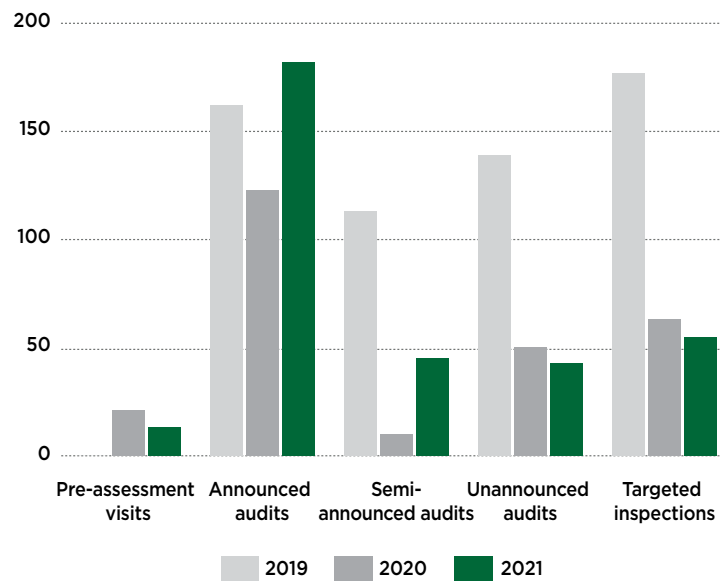
Year	% of new suppliers and factories screened as per Varner labor requirements	% of screened factories not traded with as a result of the screening
2021	100%	23%
2020	100%	23%
2019	100%	24%

The assessments are 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 or expert organizations for specific issues or areas (targeted inspections). Review of existing audit documentation, certifications, permits and licenses and other relevant documentation is also part of the assessment process. Assessments are done both in production factories (where products are put together and finished) and processing factories (where materials that will go into the end product is being produced).



Photo: Jibon Mridha

Onsite assessment activities at factories



In addition to regular assessment activities onsite visits are done on announced and unannounced basis to monitor specific concerns or to follow-up on issues apart from regular assessment routines. 13 announced and 8 unannounced visits were done at factories for social due diligence purposes. Self-assessments have also been used increasingly as a tool during the pandemic with 135 self-assessments conducted by supply chain partners related to private label production in 2021. As a member of Sustainable Apparel Coalition (SAC) we have access to the use of common industry tools for assessment of supply chain partners with the HIGG Facility Social and Labour Module (FSLM) tool. This tool is focused on mapping and assessment of social and labor conditions. The tool is based on the Social and Labour Convergence Program (SLCP) tool. A selection of supply chain partners has adapted the tool and use it to assess own performance on social and labor aspects.

Through assessment activities we have identified a total of 3655 issues in need of improvement in factories we cooperate with (including issues from factories in all tiers of the supply chain). We categorize findings based on their severity and perceived impact. The issues range from minor issues of limited impact and severity to issues that are significant in scale and severity. 2% of the issues are categorized as issues of critical concern, 29% are issues of high concern, 56% are issues of medium concern, and 11% are issues of low concern. The remaining issues are categorized as observations with no rating.

Interviews with workers are an important part of our assessments. In 2021 we interviewed 1892 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 certain

cases, the interviews are done offsite, and the formal interviews onsite may be followed up by phone calls. Interviews with workers are done both individually and in groups.

Most of our assessment activities take place onsite at the factories and include visual observations, interviews, dialogue with managers supervisors and workers, as well as system and document reviews. During the pandemic we have followed advice from WHO and respected 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 caution. In extended periods in 2021, as in 2020, 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.
- Check of status and document verification for employment status for employees and payment of wages.
- Remote assessments using virtual tools.
- An internal protocol for restarting onsite assessment activities in a safe way where this has been possible has been established.

The pandemic has continued to impact our ability to execute activities onsite in our supply chains. Under normal circumstances, onsite assessments are often done in an unannounced manner, however in 2021 (as in 2020), most assessment activities have been done in an announced manner to be able to take appropriate safety and disease prevention measures.

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

Grievance Channels

We aim to contribute to ensure that all workers in the supply chain have access to effective complaint and grievance channels by 2030. As of 2021 we require that all direct partner factories have established proper internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly. 13 factories were found to have breaches against these requirements at assessments in 2021 with four of the factories having resolved the issues in the reporting year.

Even with functioning internal channels there may be boundaries of submitting complaints and grievances. Therefore, we do acknowledge that external grievance channels may be needed as an addition to internal channels. Through partnerships we have ensured availability to externally managed and independent grievance channels available for workers at factories we cooperate with in Turkey (see section *Migrant Workers* for more information about this channel) and in Bangladesh (see section *Health and Safety* for more information about this channel). In 2021 we also introduced an independently handled grievance mechanism through the cooperation with Save in Tamil Nadu. This channel was set up in connection with the ongoing Spinning Mill project that has been running since 2019 (see section *Modern Slavery* for information about grievances through this channel). Such channels are an important source for us to identify issues in our supply chain. In 2021, a total of 34 grievances have been raised through these channels in Turkey, Bangladesh and India in connection with factories used by Varner.

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 despite active efforts from us are not willing to cooperate to enable the necessary improvements, we are committed to cease the cooperation. In 2021 we ended cooperation with one supplier and 3 manufacturing units due to lack of improvements related to labor conditions. Information about our efforts to improve conditions in our supply chain is covered in the sections in the report.



Photo: Shubham Thakur

Salient Risk

We use the UN Guiding Principles Reporting Framework concept of *salient risk* to steer our focus, priorities and efforts related to social and labor aspects. 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](#).

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. Risks have 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 multistakeholder organizations (globally and on local level).

Salient Issues

Salient issue	Where the risk has been identified	Our response
Worker Representation & Freedom of Association <i>ILO Conventions 87, 98, 135 and 154</i>	Production supply chain in Bangladesh, China, India, Pakistan & Turkey	Page 57-58
Health & Safety <i>ILO Convention 155 and ILO Recommendation 164</i>	Production supply chain in Bangladesh, China, India, Pakistan & Turkey	Page 59-61
Wages and Overtime <i>ILO Conventions 1, 14, 95, 131</i>	Production supply chain in Bangladesh, China, India, Pakistan, Turkey & Europe, raw material production	Page 62-63
Migrant Labor <i>ILO Convention 97</i>	Production supply chain in India & Turkey	Page 64
Modern Slavery <i>ILO Conventions 29, 105</i>	Production supply chain in China & India, raw material production	Page 65-66
Child Labor <i>UN Convention on the Rights of the Child, ILO Conventions 138, 182, 79</i>	Production supply chain in Bangladesh, India, Pakistan, Turkey, raw material production	Page 67-68
Discrimination & Women Empowerment <i>ILO Conventions 100, 111, 183, 190, Convention on the Elimination of All Forms of Discrimination against Women</i>	Production supply chain in Bangladesh, India, Pakistan, Turkey	Page 69-70

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 convinced 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.

The right to representation, freedom of association and collective bargaining is under pressure in many countries. The ITUC Global Rights Index highlights that this is also the case in countries where we have supply chain partners. We have in particular identified significant risk of infringement of workers' rights to freedom of association in the production supply chain in Bangladesh, China, India, Pakistan and Turkey.

Our goal is that fair worker representation is established at all key suppliers enabling workers to take an active part in workplace processes. 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.

During 2021 we have identified 22 factories we cooperate with having breaches to our requirement of worker representation. Breaches are either concerning lack of policies and procedures relating to freedom of association and right to representation, worker representatives having been selected by management rather than through appropriate election process from workers, lack of information provided to workers about the role of worker representatives, or regular meetings between worker representatives and management not taking place. It has been verified that four of the factories have resolved in full or in part the identified issues during the reporting year.

Our goal is that proper mechanisms for fair worker representation is established at the facilities of all our supply chain partners. In 2021 we made public the trade union status of cooperating factories in our public factory list that is available on our website. As per end 2021 11% of factories we cooperate with have established trade unions¹.

¹ Where labor unions are registered in factories located in China, it refers to a local labor union under legally mandated All-China Federation of Trade Unions (ACFTU).



Social Dialogue and Worker 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 focus on social dialogue at factories we cooperate with. In 2021 nine factories in Bangladesh have continued and completed social dialogue programmes executed by Joint Ethical Trading Initiatives Bangladesh (JETI). 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 the same way as in 2020 the programme was highly affected by the pandemic and many activities were postponed or had to be done virtually. In normal circumstances the training is done both onsite at the workplace and offsite on neutral ground. 11 classroom sessions were completed during the year while 2488 persons were trained using digital tools where solutions were being provided by Quizrr. In total 54 of Varner's supply chain partners in Bangladesh have received social dialogue training (either facilitated by Varner in cooperation with JETI or by other companies or organizations).

In 2021 we initiated a cooperation with [KNO Global](#) who provides a 2-way communication platform for interaction and communication among workers and managers in two factories Varner cooperate with in China. The intention is to promote workplace dialogue allowing all voices to be heard, and also to encourage a sharing of workplace issues and facilitate effective responses to raised issues.

Engagement with worker representatives (both representatives from trade unions and from worker committees) is an important part of our due diligence work. Such engagement takes place both during audits and assessment activities, in relation with specific cases or concerns, and in project activities addressing particular topics. This 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.

HEALTH AND SAFETY

Health and safety (Occupational 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.

Audits and inspections are a key measure to identify hazards as well as verifying that improvements on identified issues have been completed where necessary. Varner has four sections in social audits concerning health and safety. Reviewing identified issues in social audits for the last three years, we see that 24% of all findings fall into the Occupational Health & Safety section, 25% fall into the Building and Fire Safety section, below 1% falls into the Accommodation section, and 5% falls into the Chemical Handling section. 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 2021 have been:

- Insufficient space provided for operation of certain production processes.
- Inappropriate safety sensors on machinery.
- Exit routes being blocked.
- Appropriate training not completed by management representative for health and safety.
- Broken push bars on doors in exit route.
- Insufficient smoke detection systems.
- Chemical containers without sufficient labelling and MSDS.
- Insufficient use of PPE (Personal Protective Equipment).

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. One measure in the reporting year was inviting suppliers in Turkey to take part in a 2-day training focusing on fire safety and building safety.

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 sand-blasting for our products (and will not cooperate with factories that do



sandblasting for other clients or have the equipment to do so available). The policy is public and available on our website. We have banned the use of leather tanneries in Bangladesh. We have also banned the use of electroplating for all trims on jeans.

Continuing on from 2020 we have continued to work closely with manufacturers, industry associations and organizations to ensure safe conditions in factories during the pandemic.

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.

The Accord agreement expired on 31. May 2021. Varner signed an extension agreement which gave all parties more time for negotiation. Varner, as one of the first companies, signed the new [International Accord](#) agreement in August 2021. The agreement will continue the work to ensure safe workplaces in the Bangladesh textile industry. The safety work in Bangladesh is implemented by the [RMG Sustainability Council](#) (RSC), which is an independent national tri-partite consisting of brands, unions and textile industry in Bangladesh. Varner will be part of the [Brands Association](#) which represents the textile companies in the RSC. In addition, the new agreement includes elements such as a commitment to take part in feasibility studies to identify if this safety work can be expanded to other countries. Initially the current agreement continues until October 2023.

All factories we cooperate with 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 96% progress on initial issues and 95% 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, with only 55 inspections completed at our partner factories in 2021 (compared with 63 in 2020 and 177 in 2019). The program also includes training for all employees as well as in-depth training for safety committee members.

An independent complaints mechanism continues to be a part of the RSC safety programme in Bangladesh. Information about all submitted complaints can be accessed in the complaint mechanism [web portal](#). The complaints are described as well as which factory is linked (though this information is in some cases anonymized) and that status of the handling process. 12 complaints in connection with factories Varner cooperate with were submitted through the channel in 2021.



Photo: Jibon Mridha

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

Regular employment is the foundation for proper work that can facilitate a sustained and predictable income. This means that the working relationship is formalized in a contract which stipulates information such as the terms for the employment (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 continued 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. We have identified 17 breaches to this in factories we are cooperating with. This includes findings such as delay in issuing appointment letter and required elements not included in contracts.

Wages and 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 ensuring that wages are paid according to what is stipulated in the labor 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](#). 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.

For 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". We have identified seven issues related to minimum wages in factories we are cooperating with, in most cases relating to a subsection of workers or single workers having not received wages as per minimum requirements, while 28 issues related to compensation of overtime according to premium wage levels, this being specifically identified in connection with factories in China.

We see that minimum wage levels in certain countries are not sufficiently supporting decent living standards. 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 minimum wage levels that are too low. Lastly, we do acknowledge that our purchasing practices can affect pay and working hours in our supply chains. See the section about purchasing practices for more information about how we approach this.

In 2021 we co-signed a letter coordinated by ETI to members of the Minimum Wages Committee for Textile Industry in Tamil Nadu in February 2021. The letter signified support to the committee as well as a recommendation that the minimum wage setting was being aligned with international standards set by ILO taking into consideration the needs of workers and their families, the general level of wages in India, the cost of living and inflation, social security benefits, the relative living standards of other social groups and economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.



MIGRANT LABOR

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 Labor Policy, 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. Updated numbers from UNHCR estimate that there are 3,7 million Syrian refugees in Turkey under temporary protection at the end of 2021. As the access to formal work still is limited for this group, there is a risk of informal work with poor labor conditions and increased potential for 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. Active cooperation with organizations [Stitching United Work](#), [ASAM](#) (Association for Solidarity with Asylum Seekers) and [MUDEM](#) (Refugee Support Center - RSC) has continued in 2021. These organizations aim to support and assist refugees and asylum seekers in Turkey. Together with these partners we are able to offer training and assistance for refugees at work in our supply chain with focus on rights at work in Turkey. 13 persons took part in such trainings in 2021. As per the end of 2021 in total 93 refugees or international migrants are employed at our direct factory partners in Turkey.

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. We identified one case of employment without valid working permit in 2021 (in Turkey) and have ensured assistance and were able to safeguard and fulfill remediation in the case, in cooperation with partner organizations.

MUDEM (Refugee Support Center - RSC) is host to the [Garment Worker Support Center](#) web portal. This is a grievance channel where especially refugees and migrant workers can access information about their rights at work and also can submit grievances. In cooperation with our factory partners, we have ensured that information about the channel is posted in the workshops of all factories. A cooperation protocol has been established for cases where remediation support is needed in relation with factories Varner cooperate with. No cases related to Varner or factories cooperating with Varner have been raised through this channel in 2021.



MODERN SLAVERY

[The Global Slavery Index](#) has reported 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 labor 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.

We have identified the Tirupur and Tamil Nadu State in India as particularly exposed to the risk of exploitative labor practices related to forms of bonded labor. Research and reports have highlighted severe labor rights violations connected with the employment of young women workers in spinning mills in Tamil Nadu. Against this backdrop a project to address these issues in Tamil Nadu was initiated in 2018 by the companies Next, The Very Group and Varner in cooperation with the Indian based NGO Save.

The first phase of the project (2018-2019) approached the challenges through an intervention model with focus on bringing awareness and build mechanisms that could bring positive change. The intervention was targeted along three lines where selected communities, agents and spinning mills were approached. The second phase (2020-2021) has built on the learning from the first and have further strengthened the community centers that were established. Five community centers have been operated with various activities having been executed in the centers such as **Pre-employment Knowledge & Labour Rights Training**. Including elements such as salary and overtime pay, grievance mechanisms, holidays and leaves. 3097 persons completed this training. **Legal Awareness Camp** with 213 completing this training. Establishment of **Adolescent Parliamentary Groups** with focus on preventing child labor (161 groups formed with 1610 adolescents involved).

A new element was the introduction of an independent worker voice and grievance channel. The aim of the channel was to give opportunity for current and former employees in the spinning mill and garment sector in Tamil Nadu to raise employment related grievances. Such grievances could be submitted to employees at the community centers or through an digital application (Timby). Processes for handling different types of grievances were established with the aim to ensure appropriate responses and remediation. An important milestone was the establishment of cooperation with industry associations Tamil Nadu Spinning Mill Association (TASMA) and Tirupur Exporters Association (TEA) related to grievance redressal. In total 276 grievances were received through the mechanism, with 103 having been addressed by the end of 2021 and 173 being in process. The most common grievances coming in through the mechanism were related to forced and excessive overtime, insufficient social security coverage, hygiene of sanitary facilities, and food related concerns.

The community centers established in the project were also utilized as community hubs for health-related issues with medical camps (basic health checks for 6199 persons), health awareness for girls (1088 persons), and during the pandemic the centers were reorganized and utilized for vaccination of the local communities (4187 persons).

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 labor and child labor 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 labor and child labor have been effectively addressed on a structural level.

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. These efforts have been continued in 2021. The policy is publicly available on our website.

CHILD LABOR PREVENTION AND REMEDIATION

2021 was The International Year For The Elimination Of Child Labour. At the same time, in June 2021 ILO and UNICEF reported that the number of children in child labor had risen to 160 million worldwide, and increase 8,4 million children in the last four years. The report *Child Labour: Global estimates 2020, trends and the road forward* highlights that progress to end child labor has stalled for the first time in 20 years, reversing the downward trend that saw child labor fall by 94 million between 2000 and 2016. The report also warns that globally 9 million additional children are at risk of being pushed into child labor by the end of 2022 as a result of the pandemic. We are aware that child labor also remains a relevant issue in garment supply chains, in particular related to agriculture and raw material production, and especially in the cotton sector.

We are committed to ensure that child labor does not take place in our supply chains, and we shall work to prevent and address child labor in all forms. Our requirements related to child labor and young workers are included in our Code of Conduct. In addition, we have developed a Child Labor Policy to highlight our approach to addressing these issues. The policy is available on our website. Child labor continues to be a focus in all assessments and audits carried out.

Varner is cooperating with several expert organizations in order to work proactively with risk of child labor. One of these organizations is [The Centre of Child Rights and Business](#) (The Centre). With 2021 being the UN International Year for the Elimination of Child Labour we joined The Centre's Joint Action Pledge Towards the Elimination of Child Labour. This pledge supports the UN and [Alliance 8.7's](#) drive to get stakeholders from across society to pledge actions related to child labor elimination that can be completed in 2021. Supporting measured planned and carried out were:

- **Review policies and management systems on child labor prevention and remediation.** Policies, procedures and management systems concerning child labor were reviewed during 2021. Clauses in the Varner Code of Conduct related to child labor and young workers were reviewed and some minor updates will be done in the planned update in 2022. The internal procedure for child labor and young worker remediation was revised and updated, with particular added focus to requirements related to remediation for young workers / juvenile workers. An internal tool kit for child labor has been developed.
- **Conduct child rights risk assessment.** Developed a high-level child risk assessment based on supplier base, geographical locations and seasonal factors to identify risk in Varner supply chain. The tool was trialed in all key sourcing markets. Targeted monitoring has been initiated where previously unidentified hotspots have been found.

- **Ensure staff is equipped and qualified to address cases where child labor is identified.** All staff involved in social assessments and audits were trained in child labor prevention and remediation by The Centre. Representatives from quality assurance, merchandising, communication, and buying also participated in the training.
- **Build child labor prevention and remediation capabilities and cascade measures in the supply chain.** Training and awareness on the topic was provided for suppliers in Turkey and China in 2021. A supplier survey was done with suppliers in China related to visiting children of migrant parents during the summer holidays followed up by visits and interviews.

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 labor occurs in our supply chain. We have partnered with several organizations to tackle issues related to child labor. [The Centre for Child Rights and Business](#) (previously CCR CSR) is our remediation partner for child labor 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](#) 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) is our remediation partner in Turkey. No cases of child labor have been identified in the Varner supply chain in 2021 and thus no remediation processes have been initiated.

Child labor 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 labor as well as forced labor. In 2019 we established a Homeworker Policy 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 labor in our collaboration with influencers related to marketing of products. As a response to this we established routines to check and verify that influencers we are collaborating with are at least 15 years of age, and that parents are actively involved in the terms of the cooperation. A routine has been established where persons below 18 (with additional requirements where below 15) are working as models for product fitting and in advisements. The routines includes applications to the Labour Inspection Authority, individual risk assessments and formal consent from parents. This focus has continued in 2021.

EQUAL RIGHTS AND OPPORTUNITIES

25th June 2021 was a landmark day in work against violence at work when ILO's Violence and Harassment Convention, 2019 (No. 190) came into force. It is the first global treaty on violence and harassment in the workplace. The convention states clearly that violence and harassment at work, in all forms, is unacceptable. We know that workplace violence is a continuing issue in textile supply chains and in countries and regions where we have direct or indirect supply chain links. These matters can affect persons in all groups, but we recognize that women in particular are exposed to workplace violence and discriminatory practice. The matter is highly linked to discrimination of all forms. We are committed to work to prevent and address these matters in cooperation with our supply chain partners.

In cooperation with organizations in Turkey, Varner initiated training in 2021 to raise awareness about what violence at work constitutes. The training started at selected factories in Turkey at the end of 2021. 24 workers in 2 factories piloted the training in 2021. The program will be continued and scaled up in 2022.

Our Supplier Code of Conduct set our requirements and expectations to supply chain partners on anti-discrimination related to aspects such as 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. Non-discrimination policies must be clearly defined and communicated by our suppliers to the employees. 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.

In cooperation with 6 of our factories in Bangladesh we are participating in a programme organized by JETI Bangladesh with a focus on creating gender friendly workplaces. The objectives in this programme is to empower female workers through increased knowledge and awareness, to promote female representation in different leadership positions through capacity building, and to increase the capacity of factories to establish safeguarding mechanisms against gender-based violence. The programme includes training for management, supervisors, Sexual Harassment Complaint Committee members, Worker Participation Committee members, as well as awareness work towards all workers. For Sexual Harassment Complaint Committee members and Worker Participation Committee members the training is done offsite in a neutral space to allow for open and unbiased discussions and exchanges of experience.

We recognize that many of the same issues identified in Bangladesh are also applicable in India. Related to this we were proud to see recognition of our project in the spinning mill sector in Tamil Nadu, India in the UN

Women Empowerment Principles Award 2021 for Asia Pacific, winning the category for “Community, Engagement & Partnerships”. See more about this project under the section Modern Slavery.

We contributed at the [2021 SHE conference](#) in the session “What can we do from Norway to make a global impact?” alongside Virke and Care Norway to share our experiences of how Norwegian companies can contribute to improve gender based equality in other parts of the world. The conversation continued on from the findings and identified issues in the report *Gender Equality in Supply Chains*.

ANTI-CORRUPTION

We aim to build our business culture on responsible principles that include concerns for integrity and ethically sound business decisions. Certain markets where we have operations are highlighted by the [Transparency International's Corruption Perceptions Index](#) (CPI) as having significant risk of corruption. This applies to countries where we have most of our production, and countries where we have established production offices.

We have zero tolerance for corruption and bribery and have continued preventive and controlling routines internally and externally to prevent and identify risk of corruption and bribery. Efforts include policies and training for direct employees and supply chain partners. Established channels to report incidents related to corruption or integrity have been sustained in 2021.

All employment contracts include a document explaining the requirements and expectations for good business practice. The document has information about employees' responsibilities to follow laws and regulations, and how each employee can contribute to meet the company's goals and values in an ethical manner. It also explains how and when to use the channel concern@varner.com to report incidents. The document is available for employees through our internal communication channels. There has been no identified or reported incidents of corruption in the organization in 2021.

Integrity and anti-corruption workshops have been held at all Varner production offices with aim to reinforce Varner policies on the subject. 95 persons took part in the workshops in 2021. The workshops have focus on arenas where there could be risk related to corruption, bribery, integrity and conflict of interest and utilize situational dilemmas and examples that are related to our industry and the regional contexts.

Efforts in the Supply Chain

The Varner Supplier Code of Conduct and *Anti-Bribery and Anti-Corruption Policy* set out expectations and requirements related to integrity to all suppliers and business partners working with Varner. The documents states 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 and are required to develop own policies for anti-corruption. The requirements are also included in contracts with all suppliers of own branded products. The channel concern@varner.com is available to all suppliers to raise concerns about Varner business conduct including incidents related to corruption and integrity.

A section on anti-corruption and bribery is included in all audits on suppliers and factories. 270 audits were carried out in 2021. In total 14 issues related to anti-corruption were identified with active supply chain partners during the reporting year. Out of the identified issues seven were related to missing or insufficient policies for anti-corruption and seven were related to insufficient communication of the anti-corruption policies to employees. Four supply chain partners resolved identified issues related to anti-corruption policies during 2021.

REVIEWING IMPACT

Activity plans for efforts related to human rights and labor due diligence are established on an annual basis. Overarching focus areas are set on a global level while implementation plans are established on a regional level. Internal review of progress on plans and included activities is done quarterly. Reviews entail taking status of established key performance indicators and progress of planned activities. Year by year progress is reviewed on an annual basis.

The effectiveness of the ongoing regional programs is monitored continuously and reviewed on an annual basis. We 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 general performance from Ethical Trading Initiative Norway based on set criteria. We strive to update and adjust our efforts as appropriate based on such feedback.

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. Many activities to verify progress (which are usually carried out on-site at factories) have been suspended due to the pandemic also in 2021 (as in 2020). The measurement of impact of the programme has been more difficult due to this.

For 2021 we have only been able to verify that 15% of social and labor related issues we have identified in need of improvement in our supply chain in 2021 have been fully resolved, while 7% have been verified to have been improved but not fully resolved. In general, we only consider issues to have been resolved or improved after onsite verification has been done by one of our CSR specialists. The number of onsite-follow up assessments have been greatly reduced this year. Based on previous years progress it is assumed that the rate of improvement is considerably higher, but the limited possibility to verify the progress in a reliable way results in a low improvement figure. Out of the verified issues that have been resolved or improved we see that 15% are related to wages and benefits, 17% are related to working hours, 24% are related to occupational health and safety, 26% are related to fire and building safety.

As referred to also in 2020 an external impact evaluation was done of the JETI Social Dialogue program where Varner and partner factories in Bangladesh take part. 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 labor law has increased among workers in general.

CIRCULAR & CLIMATE CONSCIOUS



Photo: Jibon Mridha

Solar panels at one of our collaboration factories in Bangladesh.

CIRCULAR & CLIMATE CONSCIOUS

We live in a world with limited resources where human impact is causing tremendous stress on the planetary boundaries. Our ambition with 'Circular and Climate conscious' is to move towards a future where we, together with our stakeholders have contributed towards reducing the stress on planetary boundaries impacted by our business.

The focus of 'Circular & Climate Conscious' for Varner is to transition from linearity to circularity, to contribute towards limiting global warming to 1.5 °C, to shift from conventional to preferred fiber, to produce with less impact on the environment and to manage waste.

The transition from linearity to circularity is a complex process and requires a multifaceted approach which includes material choices, production, product design, new circular business models and product end-of-life. Circular models are an opportunity to reduce impact on climate change by reducing the dependency on raw virgin materials and by keeping products in use for longer time.

Circular products should be safe for the planet and the people and that is what we want to ensure with our products through our Preferred fiber policy and Hazardous Chemical policies. Setting quality requirements help to keep product in the loop as long as possible by improving durability.

Varner contributes to closing the loop by increasing the quantity of recycled materials in our products. We're also contributing to eliminating waste through our partnership with Fretex by allowing second use or recycling for our products.

Being 'Circular and Climate Conscious' is at the center of our approach towards climate action and environmental sustainability. We are focusing on measuring and reducing climate footprint in our own organization, transport and in our supply chain.

Our work on environmental sustainability means that we are committed to monitor use of energy, water and chemicals as well as tracking management of waste, wastewater, and air-emission in our production.

We closely work with our supply chain and collaborate with multistakeholder initiatives to move together on our climate action and towards a circular future. We aim to achieve this in our production through efficient use of resources, shift towards more renewable sources, circular production models, scaling up recycling and upcycling in production, phasing out hazardous chemicals, proper management of waste and bringing innovative solutions.

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 impact.

As a member of Textile Exchange, we are committed to participate in their Climate plus strategy towards 2030, with the goal of 45% reduced CO₂ emissions from textile fiber and material production in the pre-spinning phase by changing to preferred fibers.

By changing to materials produced more sustainably, we can reduce the carbon emissions and the use of water, energy, and chemicals, as well as creating better conditions for farmers and others who produce fibers.

Our definition of preferred fibers is guided by the lead of Textile Exchange, third-party verified lifecycle assessment (LCA) data and 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 are considered preferred fibers.

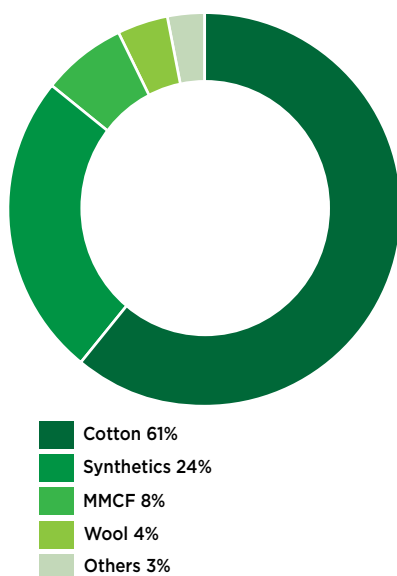


Our use of fibers

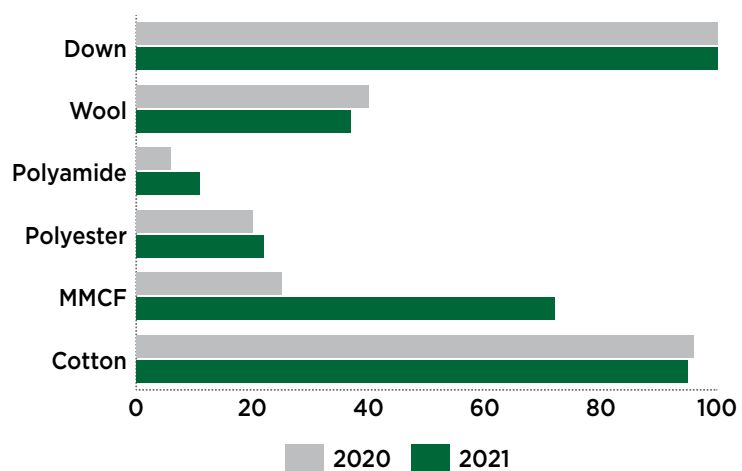
The distribution of fibers for 2021 shows that cotton is still our main and most important fiber with 61% of the total share. Polyester follows as the second largest fiber group with 15%.

We see a slight increase from 2020 in the use of preferred fibers with a growth of 3% in total. The biggest shift in 2021 we see in Man Made Cellulosic Fibers (MMCF), with a significant increase in the use of preferred fibers from 25% in 2020 to almost 72% in 2021, which reflects the focus we have had this year.

Fibers we used in 2021



Sustainable fiber share per fiber group



Cotton

Cotton is our largest fiber group by usage, comprising a stable 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, which takes both biodiversity and the working conditions for the farmers into consideration.

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](#)

A statement on the situation in the XUAR region and how we have worked on stopping the cotton sourcing from Xinjiang can be found [here](#).



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 Better Cotton, certified organic cotton through the certification schemes GOTS and OCS, and certified Fairtrade cotton. Recycled cotton is also a part of the preferred fibers strategy, we have increased from 1% to 4%, volumes are still small. Low availability and limits in use are two reasons for this.

About 5% of our cotton is still considered conventional cotton.

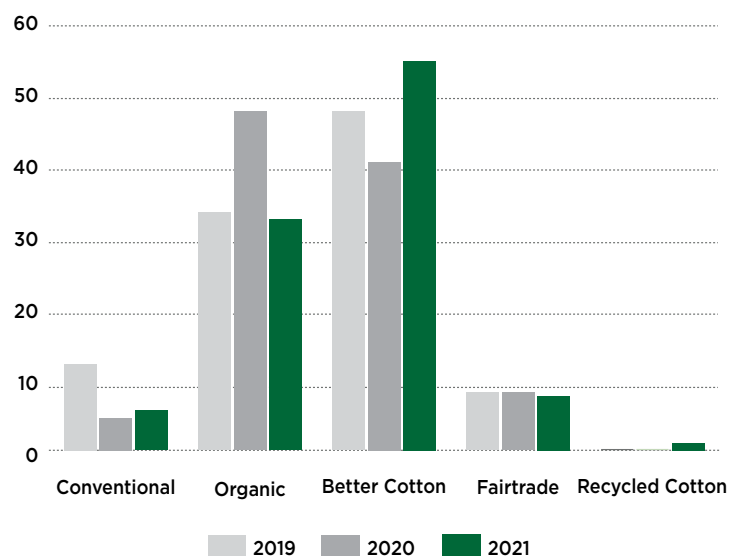
Supima branded cotton is a part of this portion. Supima is an American-grown, extra-long staple cotton. It is a high-quality cotton fiber that will ensure that the final product will have a longer lifetime and less pilling. For some of the Varner brands it is important to be able to offer a more luxury and high-quality products in cotton, and that is why we have chosen Supima.

Even though Supima branded cotton in full has not yet been defined as preferred cotton by Textile Exchange, there are Better Cotton Supima farmers, Cotton Trust Protocol (CTP) Supima farmers and Supima farmers undertaking Regenerative and “organic” pilot studies.

As Supima cotton is grown only in the west and southwest states of California, Arizona, Texas and New Mexico we have control of the country of origin of the cotton. This can also be physical identified in a Supima product by sending it to Supima for testing.

According to Supima, the Supima cotton is farmed using state-of-the-art technology and processes. This ranges from GPS navigation used on tractors to plant and harvest the cotton, to satellite technology water management and soil monitoring. Supima farmers ensure high quality cotton with as little impact on the environment as possible.

Distribution of cotton 2019 to 2021





Certified Organic Cotton represented 32% of the total cotton sourced by Varner in 2021, that is a decrease from 2020 numbers. Challenges with availability, a severe price increase on the organic cotton market and the ongoing pandemic in the world have made us shift some portion of organic cotton to Better Cotton.

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.

Better Cotton is a global not-for-profit organization and the largest cotton sustainability program in the world. Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment. As the 2020-21 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's achievements on their [website](#).

Varner has been a Better Cotton member since 2016. In 2021 Varner sourced 6370 MT of cotton through Better Cotton, an increase from 2020, and the below impacts were made thanks to our sourcing of Better Cotton:

- An estimated 2,967,345 liters of water were saved
- An estimated 1887 kgs of pesticides were avoided
- Better Cotton Farmers benefited from an estimated 1,445,496 USD additional profit*

*Better Cotton Farmers experience profit increases for a variety of reasons, most commonly due to increased yields and/or optimized use of inputs (such as irrigation water, pesticides, or synthetic fertilizers).

Better Cotton is based on a mass-balance system and is not physical traceable to the end product. Better Cotton is working with how they can provide a better traceability and transparency to fulfil the demand for full traceability from origin of raw material to finished product.

Fairtrade cotton accounts for 7% of Varner's total cotton consumption and Varner has a long-term commitment of sourcing Fairtrade cotton. In 2021 3 Varner brands could offer Fairtrade certified products, Dressmann being the biggest brand.

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 measurable impact at farmer level and has a positive contribution on the biodiversity in the regions where Fairtrade cotton is produced.

Synthetic fibers

Synthetic fibers represent our second largest fiber group in volume, counting for 25% of our total fiber consumption.

We have just started our journey to replace virgin synthetics with recycled options. In 2020 the use of recycled synthetics was 14% of the total. In 2021 we have slightly increased to 16% recycled synthetics. The increase mainly comes from the increase in the use of recycled polyamide from 6% to 11%. Recycled polyester use in 2021 is stable at 22% compared with 20% in 2020.

Cubus has continued with its collection of swimwear for women made from ECONYL® recycled polyamide fibers. ECONYL® is a brand of regenerated polyamide fibers made from 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.

Both Cubus and Dressmann also offers swim shorts for men made with Repreve® recycled polyester made from recycled materials including plastic bottles.

The recycled Polyester Challenge

In 2021 Textile Exchange and the United Nations Framework Convention on Climate Change's Fashion Industry Charter for Climate Action launched a joint initiative to further spur a shift in the market towards the uptake of recycled polyester (rPET) and the associated reduction in greenhouse gases (GHGs).



The 2025 Recycled Polyester Challenge will serve as an important catalyst for change in the apparel and textile industry. Varner has signed the challenge and together with the apparel industry we commit to bringing the percentage of recycled polyester up from 14% to 45% at 17.1 million metric tons by 2025 at a global level.

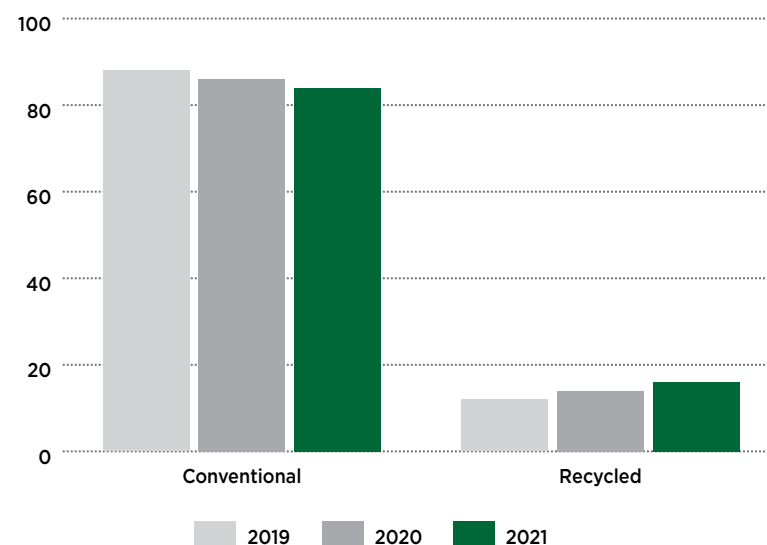
Even if we make progress in the use of recycled synthetics fibers that will decrease the environmental impact of synthetics, there are more challenges connected with this fiber group.

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 was in 2021 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, ending in 2021, with the overall goal to create knowledge and guidelines that will help the textile industry to design and create clothes made of synthetic fabrics which do not emit microplastics. The project will also investigate how washing machines are designed and whether they can be equipped with a filter that can reduce the emissions of microplastics.

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. This project came to an end in 2021.

Distribution of synthetics 2019 to 2021



Man-made cellulosic fibers

Man-made cellulosic and wood-based materials make up 7% 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 and biodiversity, are threatened and need to be conserved for coming generations. 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](#).

For 2021 we launched an internal policy of only sourcing MMCF fibers from suppliers that are rated with a green shirt in Canopy Styles' Hot Button report, ensuring that the fiber companies that we source from, are working with protecting the endangered forests and biodiversity.

We have also 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 fibers are traceable and sourced from FSC certified forests in accordance with our Canopy Commitment. 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](#).

This effort has led to an increase in use of preferred MMCF fibers from 25% in 2020 to 72% in 2021.

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

Viscose distribution 2021



- Preferred FSC viscose (2,6%)
- Preferred Viscose(Livaeco)(7,5%)
- Preferred Viscose (Ecovero)(60%)
- Conventional Viscose (2,5%)

Modal distribution 2021



- Preferred Modal (75%)
- Conventional Modal (25%)

Lyocell distribution 2021



- Lyocell (Tencel) (66%)
- Lyocell (34%)

Animal fibers

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.

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.

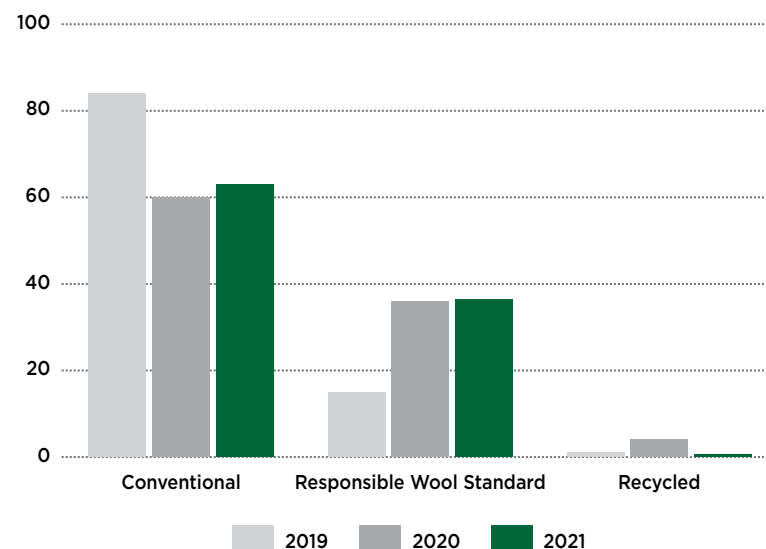
Varner uses several of Textile Exchange certifications for responsible animal materials, such as Responsible Down and Responsible Wool and has also been participating in the international working groups for revising RWS and developing Responsible Mohair Standard and Responsible Alpaca Standard (released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

Cashmere was banned by Varner Animal Welfare Policy in 2021. There were several issues linked to animal welfare, traceability, environmental or social reasons that led to the ban. However, Varner have been following new sustainable standards for cashmere, after investigations new options are emerging and offer solutions to the previously identified risks. As a consequence, the Animal Welfare policy will be updated in 2022 to reflect the new founding on Cashmere.

Our Animal welfare policy is public and available [here](#).

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.

Distribution of wool 2019 to 2021



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 focus on animal welfare and we have 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 and we have stayed at this percentage also for 2021.

You can read about the standards visit [here](#).

Recycled materials

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

In 2021, 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 see that the progress has been challenging due to both availability and limits of use. By signing the 2025 Recycled Polyester Challenge we wish to drive the demand and contribute to capacity scaling of recycling facilities.

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.

Product traceability

Varner has a goal that our products should be fully traceable in 2030, meaning that main materials shall have a known and verified origin, all supply chain shall be transparent and identified. Varner purchase a lot of 3rd party certified products, these products are fully traceable according to the certification, but at present the supply chain information is not transparent for brands. Textile Exchange and GOTS are working with systems to provide this information to brands, but as for 2021 we only have theoretically traceability for these orders. 27% of produced pcs and 21% of styles were 3rd party certified and traceable, but not transparent to us. Fairtrade, C2C certification and the Livaeco cellulosic orders are the only certifications that is proving full traceability and transparency as per current. 4% of produced pcs and 1,7% of styles were produced according to these certifications in 2021.



PREFERRED PRODUCT PACKAGING

Varner 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, FSC certified paper and materials from alternative feedstock and to reduce the amount of packaging used in our operations.

Actions we have taken in 2021 to achieve this is mapping and limiting our supplier base for labels and hangtags, shifting most label & tags production to one nominated partner. The full transfer is to be made early 2022, and for next year will have data to monitor progress. Even though the shift is not fully implemented yet we can already see that most of the articles planned for production will be made with preferred materials such as recycled materials and/or FSC certified materials. An estimation of 80% of planned labels and tags will be made with fully or partially preferable materials going forward.

We have also shifted from selling plastic bags to end consumer, to sell mainly paper bags. 98,5% of bags are paper bags, and 100% of these are made from FSC certified material. For the remaining 1,5% of plastic bags, 54% are made from post-consumer recycled plastic and the remaining 46% is made from bio-based renewable plastic material made from sugar cane.

Varner has also set a new goal to drive this shift, aspiring of 100% preferred product packaging goal by 2030.

WASTE

Key requirement for the scaling of circularity is improving textile waste collection and ensuring waste is given a new value. This includes both goods that we are not able to sell through our own channel, but also textile waste from the production of our garments.

A policy for unsold goods was implemented in 2012. In 2021 we have set a new goal addressing textile waste from tier 1 production. In 2030 30% of Varner's textile waste from tier 1 production facilities will be put into channels for recycling or repurposing. This is dependent on a close cooperation with our supply chain. The more waste is being used as a resource the less we are dependent on virgin materials which helps reduce impact on the planet.

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. As a circular model aims to eliminate waste 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 2021, 365 tons of Varner surplus or defective goods were diverted to recycling and reuse, this is an increase from 198 tons last year and unsold goods from previous seasons were a main part of this.

Any surplus and/or defective goods are donated to Fretex and their partners to be re-utilized as re-used 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 2021, 563 kg of goods were sent to destruction as a result of mold, which poses a potential health risk for the user. This is also an increase of 20% from the year before and is due to increased cases of goods with mold, which cannot legally be put on the market as it causes a risk towards consumer.

Partnership with Fretex

Varner has been in partnership with Fretex since 2012. This partnership entails 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. Their 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 profit 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.



PRODUCTS & QUALITY

With our quality requirements in our Varner Supplier Manual, we communicate the quality level we want our products to meet. We believe that clear quality requirement improves the durability of our products, which allows them to be used longer and stay in the circular loop.

We perform quality tests both in-house and in 3rd party labs to check if the expected quality level is achieved. In 2021 we performed 37809 individual quality tests in 3rd party labs and issued 231 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 similar issues is reduced and may be avoided in the future.



Photo: Shubham Thakur

SAFE PRODUCTS & CHEMICALS

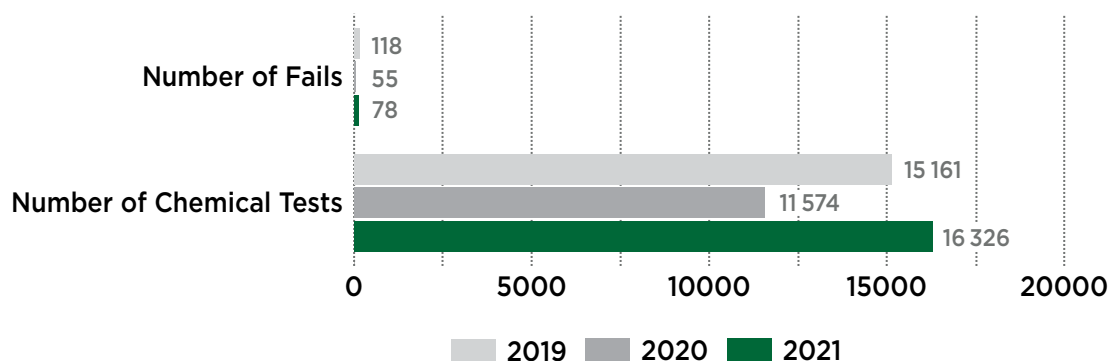
Varner focuses on offering safe products to our customers and works systematically to secure this. For us, a safe product fulfills both legal requirements, best practices, and voluntary standards. It covers not only the use of chemicals in products or production, but also the design of children's products. 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 a substantial amount 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 would need to sign upon cooperation. A part of the supplier manual is the chemical requirements, stated in our RSL (Restricted Substances List), that fulfills the legal requirements, and our own stricter requirements.

Chemical Test Statistics



We have a testing system that applies to all products that we make. Test are selected based on potential risks of that certain product or material. In 2021 we performed 16326 individual tests on chemicals, with a failure percentage of 0,48%. The failure rate is stable from 2020. Number of chemical tests has slightly increased from last year. This is connected to the increase of orders placed.

Failed chemical tests are rejected and those products will not be placed on the market. By doing chemical testing with a systematic approach, we can identify risk and preventing products that do not live up to our standard for entering the market.

In 2021 Cubus' cosmetic products produced by external brands were audited by the Norwegian Food Safety Authority. The audit focused on internal routines established to ensure the safe sale of cosmetics, routines for traceability of cosmetics, employee training and marking of products according to the cosmetic regulation, in addition to established routines for product withdrawal in case of hazardous products being discovered. The authority concluded with that good internal system and knowledge were in place. Two points were mentioned with potential of improvements from the authorities. We improved these points and new routines were implemented immediately.

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.



PRINCIPLES AND FRAME- WORK FOR ENVIRONMEN- TAL SUSTAINABILITY AND CLIMATE ACTION

We acknowledge the need to be capable of creating a model that replenishes what it consumes and can therefore sustain over time without accruing damage to the future generations.

Environmental compliance and best practices were always one of the key elements of our sustainability strategy and screening process. Varner complies with all applicable environmental legislations and mandates the same from our partners. What began more than a decade ago as environmental compliance under the umbrella of sustainability and CSR, 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 circularity and climate goals.

Our ambition for environmental and climate responsibility is to monitor, measure, and minimize the use of natural resources, chemical risk, and climate footprint within the boundary of Varner global production, as well as for our own operations and logistics.

With this ambition in mind, our environmental and climate commitments are aligned with our core values, future ambitions, internal & external risk assessment, feedback from key stakeholders as well as global industry action.

Some of the key global frameworks and guidelines from industry initiatives that we considered while developing the environmental sustainability and climate action strategy, framework and roadmap are as follows:

- [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector](#)
- [UN Global Sustainable Development Goals](#)
- [Greenhouse Gas Protocol by WRI & WBCSD](#)
- [Science Based Target Initiative](#)
- [Sustainable Apparel Coalition's Higg Index](#)
- [WRI Aqueduct Water Risk Atlas](#)
- [WWF Water Risk Filter](#)
- [ZDHC Manufacturing Restricted Substances List](#)



In 2021, we developed ambitious goals in several focus areas (see page 25-27) related to this strategic plan, as well as made progress in our action roadmap by strengthening and implementing our environmental performance management and climate action framework.

ENVIRONMENTAL SUSTAINABILITY

Our ambition on environmental sustainability is developed with the purpose to measure, monitor and minimize impact on environment from our business in addition to complying with the applicable environmental laws and regulations. We acknowledge the need to focus both deeper and more broadly on environmental performance where our products are manufactured. We strive to continuously improve systems that can effectively assess impact, to identify hotspots within focus areas, develop roadmap for priority focus areas and to reduce impact. Our focus areas include supplier's environmental management system, energy use and GHG emission, chemical management, water use and wastewater management. We are aligned with multiple leading industry initiatives and engage actively with our suppliers and other key stakeholders to implement measurable progress towards our ambition.



Photo: Shubham Thakur

Collaborating & aligning with industry initiatives

We became members of the Sustainable Apparel Coalition (SAC) in 2020 to drive a collaborative approach and environmental performance management in our product value chain as well as operations. 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.

What we started in 2020 as a reinforced commitment towards environmental and climate actions matured further in 2021 after strengthening the roadmap by clearly defining impact areas, developing practical framework for implementation, and anchoring the same within the organization.

Our approach

As a part of our reinforced strategic plan, we have bridged over to new tools to monitor environmental practices in our supply chain. Our membership in Sustainable Apparel Coalition and support from the HIGG tools have been important in this respect.

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, water use, chemical management 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 factories parallel to environmental compliance monitoring through our CSR audit.

“On our sustainability journey, Higg FEM is a significant tool for monitoring the environmental performance of our supply chain. We learn and improve together with our supply chain partners while integrating into the Higg FEM system.”

Kursun Kara, CSR Specialist and Environmental Coordinator,
Varner Turkey, Europe & Pakistan.

In addition to Higg FEM as our primary tool for environmental performance assessment we continue to monitor environmental compliance and practices through our CSR audits and online assessments. 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, wastewater management and hazardous waste management. All approved factories are screened accordingly prior to the initiation of business as well as during cooperation. Improvement plans are developed on identified gaps and issues, and improvements on those issues are being checked and verified in followup assessments.

Evaluating supply chain performance through Higg FEM

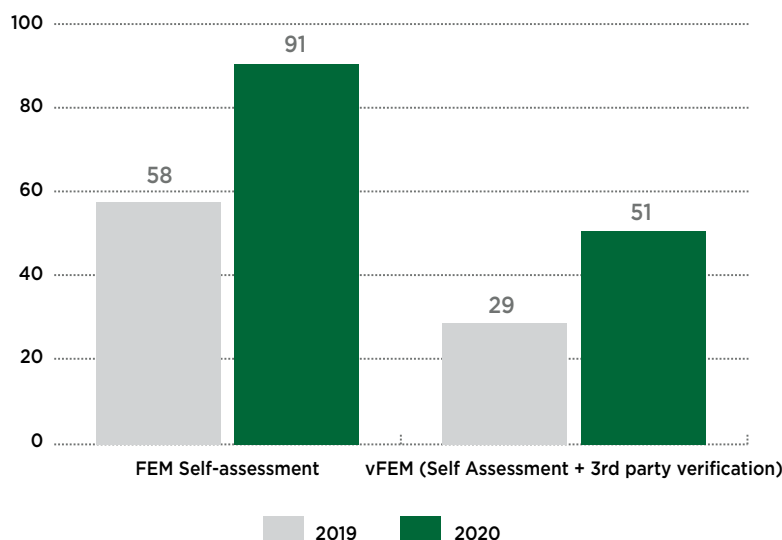
The Higg FEM tool provides us as well as our supplier partners with the context to identify priorities, gaps and to make strategic decisions.

Higg FEM (Facility Environmental Module) allows us to evaluate performance of the facilities and provides benchmarks that allow facilities to identify weaknesses and possible corrective actions to undertake. The Higg FEM includes seven sections organized as a supplier self-assessment to monitor several activities (e.g., the adoption of environmental management systems, the use of water and energy, waste management, emissions into the atmosphere and the use of chemicals) and can also be validated by a third-party entity approved by SAC. The supplier is then engaged in an ongoing improvement and transparency process subject to assessment year by year.

Suppliers are requested to submit a Higg FEM survey of their factories to provide an assessment and disclosure of potential negative environmental impacts in the supply chain. Suppliers are expected to make sustainable improvements in environmental performance and require the same of their suppliers and sub-contractors.

Our scope of FEM adoption includes Tier 1 supplier factories that are finished goods manufacturers of owned brands of Varner. In 2021 we requested our in-scope Tier 1 factories to complete FEM2020 (FEM 2020 indicates the reporting period as the year 2020 which suppliers reported in the year 2021). As demonstrated in the graph below, we have achieved significant increase in adoption of Higg FEM within our scope of adoption since last 2 years.

Adoption of FEM within direct tier1 factories (% Business Value)



ENVIRONMENTAL MANAGEMENT SYSTEM

We believe that a good environmental management system is the foundation for environmental sustainability in any facility with processes involving consumption of energy, water and chemicals and generation of waste and effluents. Key areas that we include in our scope for assessing environmental management system are below:

- Establish an EMS strategy that guides long-term decision making.
- Ability to identify significant environmental impacts of the facility.
- Establish a program or system to review and monitor environmental permit statuses and renewal dates. Monitor local laws, regulations, and standards.
- Promote awareness of environmental strategies to all employees.
- Engage with local organizations and stakeholders in environmental improvement.

With the help of our CSR audits, we continue to engage with suppliers to monitor and improve basic environmental management systems.

Since 2020, we have strengthened monitoring of supplier practices in this area to ensure foundational infrastructure and capability to support our growing ambition pertaining to strengthening environmental sustainability in our supply chain through Higg FEM assessments.

“Currently both Varner and legal requirements already supports a thorough monitoring on factories EMS status, also most of our factories are up to those levels; but still, there are some challenges for separate lower tiers setups like small and old printing/ washing units. For next step, we are going to deepen our monitoring to these factories and help them build up their systems.”

Kenneth Hui, Regional CSR Manager, Varner Far East.
Relevant photo can be added here if space permits.

WATER USE AND EFFLUENT MANAGEMENT

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.

Our approach

We utilize the WRI Aqueduct Water Risk Atlas 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 as our main supply chain environmental performance assessment tool, 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 area based water scarcity in our production regions.
- Identify water intensive processes and respective facilities.

The risk mapping helps us to identify suppliers with intensive water use located in areas with high water stress.

Baseline performance monitoring and improvement: 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:

- Effluent Treatment Plants 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 our supplier factories.

Water efficiency

We work with our supply chain to improve water efficiency in manufacturing processes. Key elements of our water efficiency roadmap for suppliers includes:

- Identify and track the facility's water sources, quantities and unit of measure.
- Set a normalized baseline for water use.
- Identify processes which require the most water use.
- Establish normalized targets for annualized water reduction. Develop an action plan to achieve these targets.
- Show water reductions against a baseline year-over-year.

We use the Higg FEM to collect information on facility-level water usage and promote water efficiency. In 2021, we have started mapping performance of our core tier 1 suppliers regarding practices related to water use and water efficiency.



Water treatment plant at one of our collaborating factories.

As per our initial 2021 mapping of 111 in scope tier 1 factories with heavy water use, we have received response from 92 factories stating they have set baselines for water use, 71 have set plans to improve water usage and 54 have started achieving some reduction in freshwater usage. Our goal is to continuously engage with factories with heavy water use to ensure they have water use baseline, plan to improve water usage and achieve improvement.

Wastewater treatment

We require our suppliers to treat wastewater before discharging it back to the environment or reusing. If there is no public treatment facility available, a treatment system should be installed on-site. Business for Social Responsibility (BSR) Water Quality Guidelines are used as standards to maintain wastewater quality. 19 parameters are measured that include temperature, pH, suspended solids, Biological and Chemical Oxygen Demand (BOD and COD) and a range of potentially harmful chemicals. The Guidelines provide a Limit Value for each parameter. Below these values and/or the local legal values (whichever is more stringent), a facility can be considered 'In Compliance' with the guidelines.

Some of the key aspects that makes our roadmap for our suppliers regarding our wastewater treatment are as below:

- Track the facility's wastewater volume.
- Establish emergency plans related to wastewater.
- Proper disposal of hazardous and non-hazardous sludge.
- Treat septic wastewater before discharge.
- Disclose any alignment with verified wastewater standards (Zero Discharge of Hazardous. Chemicals (ZDHC), Business for Social Responsibility, etc.).
- Request wastewater quality test from the off-site wastewater treatment plant.

We use the insights from internal CSR audits and FEM assessment to understand supplier practices regarding treatment of wastewater.

31 issues of non-compliance related to wastewater treatment systems were identified at onsite assessments in 2021, out of which 8 of the issues have been verified to have been resolved during the reporting year.



Photo: Kursun Kara

Water treatment plant at one of our collaborating factories in Pakistan.

CHEMICAL MANAGEMENT

As a part of its circular approach Varner is committed to working towards identifying and phasing out hazardous chemicals from our value chain, whether they are chemicals potentially hazardous to humans, or to the environment.

Collaborating & alginig with industry initiatives

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. This membership gives us access to external monitoring and networks, practical tools, updates on relevant legislation as well as news in the domain 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.

Higg FEM assessment tool has helped us to start mapping chemical management practices in the supply chain with respect to chemical storage and handling, and practices of screening chemicals as per RSL/MRSL.

Our approach

Our approach is chemical management in production includes ensuring safe handling, storage and disposal of chemicals as well as actively identifying and phasing out hazardous chemicals from our production.

- **Chemical storage & handling**
- **Detoxing from hazardous chemicals**

Chemical storage and handling

Safe handling, storage and disposal of chemicals ensure occupational hazards are minimized in our supply chain. This aspect is focused on the goal of safeguarding worker health as well as prevention of chemical contamination of land or water.

Ensuring safe practices in chemical storage, handling and disposal in supply chain are part of our periodic monitoring through CSR audits. Some of the criteria involved in our assessment of chemical storage and handling include the following:

- Appoint responsible person to handle hazardous chemicals.
- Keep a full chemical inventory list including the supplier's name.
- Have safety data sheets (SDS) available for all chemicals.

- Properly label and store chemical containers.
- Establish proper emergency plans in case of hazards/risk.
- Provide appropriate and operable safety equipment to employees.
- Have visible and proper hazard signage.
- Establish awareness program about chemical hazard and proper storage & handling of chemicals.
- Provide well-marked and properly designed, designated chemical storage areas.

56 issues related to storing and handling of chemicals were identified during 2021, out of which eight issues have been verified as fully or partly resolved during the reporting year.

“During our audits at supplier factories, we found multiple challenges related to chemical storage and handling practices. The findings included improper stacking of chemical containers, chemical contamination of the floor in storage area, torn chemical bags of dry chemicals, improper segregation of chemicals due to lack of awareness among chemical loaders and handlers. Through our CSR audits and follow ups, we, together with the factory management started renovating the chemical storage area and started appropriate trainings for the authorized chemical loaders and handlers through our Capacity building program”.

Sumia Shuchi, Senior CSR Specialist, Varner Bangladesh.

Detoxing from hazardous chemicals

There are chemical substances that are harmful to nature, biodiversity, and human health over exposure. Some hazards are physically detectable while others need a more diligent approach even for identification. Our detox approach focuses on a due diligence system that helps screening of chemicals in production and prevent the use of such hazardous chemicals in our production.

We have a general ban for some chemical substances that have been proved 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 fluorochemicals, biocides, and flame retardants.

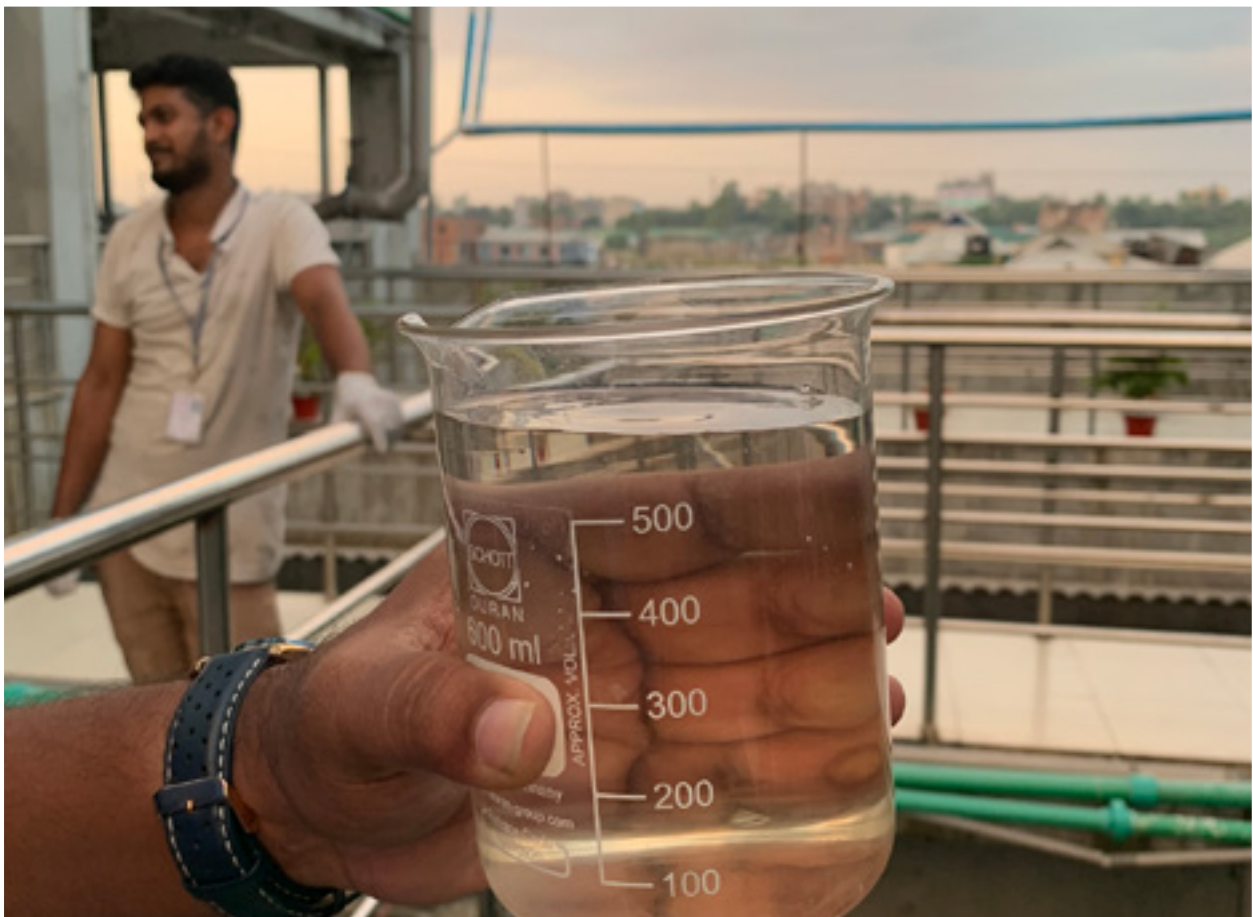
In order to identify and prevent other hazardous chemicals from being used in our production, we acknowledge ZDHC Manufacturing Restricted Substances List (ZDHC MRSL) as a global industry standard which we encourage our suppliers to adopt.

[The ZDHC Manufacturing Restricted Substances List](#) (ZDHC MRSL) is a list of chemical substances. These substances are banned from intentional use in facilities processing textile materials, leather, rubber, foam, adhesives and trim parts in textiles, apparel, and footwear. Using chemical formulations that conform to the ZDHC MRSL allows suppliers to assure themselves and their customers that banned chemical substances are not intentionally used during production and manufacturing processes.

Some of the key aspects that we have included in our detox roadmap include the below:

- Train all employees in case of hazards/risk and train employees in Manufacturing Restricted Substance List (MRSL) and Varner Restricted Substances List (RSL).
- Communicate requirements on chemicals purchased in compliance with RSLs with upstream supplier.
- Document processes to identify, monitor and verify compliance with all RSL/MRSLs.
- Establish an implementation plan to improve chemical management. Establish an implementation plan to reduce use of hazardous chemicals beyond regulations or as per MRSL/RSLs.

As per our initial mapping done in 2021 for 175 in scope tier 1 factories, 82 factories are using chemicals in their production process and 56 of them reported having documented purchasing practices that considers MRSL and other chemical hazards while purchasing chemicals. Our ambition related to this area includes actively working with supplier partners to implement proper due diligence in chemical purchasing practice and usage to ensure beyond compliance monitoring and prevention of hazardous chemical in our production process.



PREFERRED PRODUCTION

The term 'preferred production' is widely used in the present scenario of the textile and apparel industry. Our interpretation of this term is synonymous with holding ourselves accountable for the health of the product, the people and the processes involved in the production, whether directly or indirectly. We strive to move gradually from the phase of 'doing less bad' to 'doing more good'. It is this outlook that we try to imbibe into the daily working habits of each of our stakeholders. We try to look at sustainability more from a personal aspect than professional and believe that this is the shift in outlook that our industry needs to ensure a better living space for our future.

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 colour authenticity and quality.

Cubus placed approx 4.3 million pcs of Nordic Ecolabel certified products on the market in 2021. 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 2021, 3 of our brands used the certification scheme, most of the certified volume produced by Cubus.



We produced just above 4.3 million certified garments and had 11 certified suppliers situated in India, Turkey, and Bangladesh in our portfolio. Swan products account for 8% of our total products produced, a slight decrease from last year. For Cubus Nordic Ecolabel certified product accounted for 14% of their total products produced.

“The Nordic Swan is an eco-label with a very comprehensive approach, ranging across all layers of the supply chain. It forces us to reflect on what and how we are manufacturing our products covering the tiers right from fibre to garments. It also lets us have complete visibility of the chain of custody and provides a sanctity for the data which is an excellent point of reference for production tiers.”

Shubham Thakur, Quality Assurance Specialist
and Environmental Coordinator, Varner India.

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.



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.

Collaboration and aligning with industry action

We are members of *The Swedish Textiles Initiative for Climate Action* (STICA) since 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 a 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. STICA's aim is to ensure that 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. You can read more on [STICA's website](#).

Our approach & commitments

We are committed to reduce impact on climate from our business. As per our renewed strategic plan, we have been actively working towards defining our scope, mapping our emissions, setting reduction targets, identifying hotspots, and working on solutions for emission reduction.

Defining scope: We use the Greenhouse Gas (GHG) Protocol to calculate and report our emissions in each source category, with the best available data. The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes':

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from the generation of purchased energy.
- Scope 3 emissions are all indirect emissions that occur in the value chain of the company, including both upstream (supply chain) and downstream (consumer use) emissions.

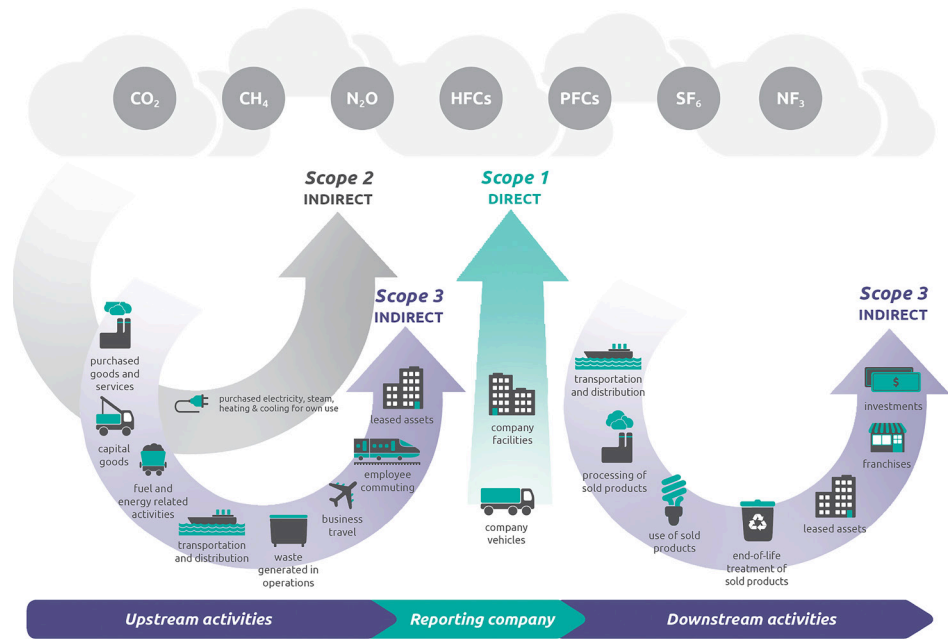


Image: Envisioning Scope 1, 2 and 3 emissions as per Greenhouse gas protocol.
Source: [Greenhouse Gas protocol](#).

Mapping our footprint: In the past two years, we have carefully analyzed energy consumption levels of our own operations (including offices, stores, distribution centers and car fleet) as well as collected primary activity data from transport (inbound and outbound) and product value chain (purchased goods and production). With support from STICA action learning group and our consultants '2050', we mapped, quality checked and analyzed the Scope 1, 2 and 3 emissions for Varner AS and all 100% subsidiary companies based on 2019-2020 data. See page 12 for more information about our organizational scope.

Setting Reduction Target: As part of our commitment to climate, we have set ambitious reduction targets informed by Science Based Targets methodology. In 2020, we published our scope 1 and scope 2 reduction targets. In 2021, we defined our scope 3 emission reduction targets as well. Our ambition is to achieve the following by 2030 (compared to a 2019 base year).

50% absolute reduction in scope 1 & scope 2 emissions.

55% reduction in scope 3 emissions per million NOK annual revenue.

Working on emission reduction: We now have a primary overview of major hotspots within our emission footprint. Based on the overview, we have drafted our reduction roadmap in 2021. Strengthening the uptake of preferred fibres with lower footprint, working to increase energy efficiency in stores, working with transport partners and manufacturers to address emission reduction are some examples of initiatives undertaken to drive our action towards climate responsibility.

Overview of our footprint

Based on our mapping exercise of baseline emissions and initial reduction target setting below table shows overview of our footprint, our target and progress in 2020 compared to 2019. At the time of publishing this report, the emission calculation for year 2021 was ongoing.

	2019 Baseline	2020	Progress (2020-2019)	2030 Target
Scope 1 & 2 emission (tCO ₂ e)	23360	22315	4.47% reduction	11680
Scope 3 emission (tCO ₂ e/ MNOK annual revenue)	37.32	35.41	5.11% reduction	16.79

Footprint from own operations

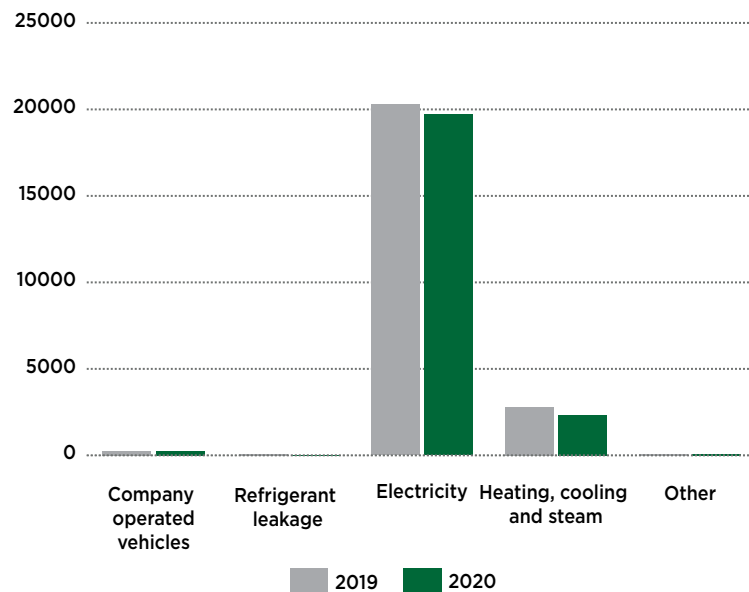
In 2021, we concluded calculation of our emission footprint from own operations for reporting year 2020. Our own operations include owned and operated stores, offices, and central warehouse.

Most emission within this scope comes from electricity used in owned and operated facilities. Our primary focus for emission reduction in this category includes increasing energy efficiency in own operations and increasing use of renewable energy.



Varner's warehouse and outlet in Vänersborg, Sweden.

Emission from own operations (tCO₂e)



Improving energy efficiency in stores

It is evident from our mapping that major emissions within our operation comes from electricity usage in our owned and operated buildings. As a measure of improving energy efficiency in our stores, we have identified several measures to work with and some of them have great business case. We have started a central movement to identify stores where we need to change lighting and shift from 70Watt bulbs to 30Watt LED lights. In the year 2021, we have rolled out this initiative in 42 stores in total. This initiative managed to setup optimum lighting conditions in 16 stores in Finland, 16 stores in Norway and 10 stores in Sweden while ensuring efficient use of electricity per square meter. Comparing the electricity consumption data in these stores between December 2020 and same period in 2021, We have observed on average approximately 30% reduced electricity demand per stores at same level of luminosity.

Our plans for 2022 include identifying more stores with opportunity to reduce electricity consumption while ensuring optimum lighting conditions.

“When we are working with improving lighting systems in stores, we believe that we are addressing more than one challenges. We are working towards reducing electricity consumption as well as reduction of electronic waste (e.g. used metal halogen bulb) while ensuring our stores have sufficient light. Reaching a balance between correct lighting conditions and energy efficiency can be tricky but we have successfully tackled the challenge in several of our stores. Now we are looking forward to roll this out to other stores that we have identified in a phased manner. It will be a continuous improvement cycle”

Martin Gabrielsen, Maintenance Coordinator, Varner AS.

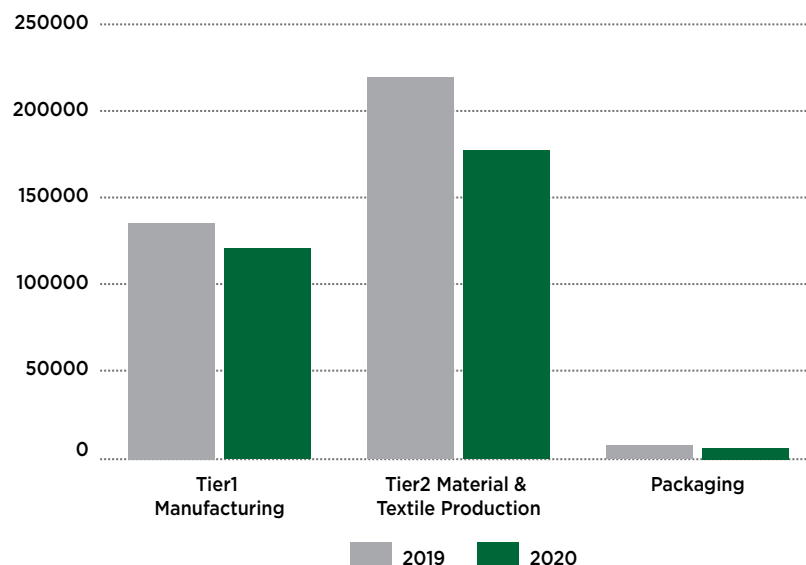
Footprint from purchased materials and manufacturing

In 2021, we mapped and analyzed our emission footprint from purchased materials and manufacturing for the base year 2019 as well as reporting year 2020. This mapping helped us to identify hotspots, set our scope 3 reduction targets and develop a roadmap for reduction.

We see reduction in overall emissions in 2020 compared to 2019 mainly owing to reduced business activity in 2020. Increased uptake of preferred materials with lower footprint have also contributed to lower emissions in 2020 compared to 2019.

Strengthening our uptake of preferred fibers and materials as well as keep working with our supply chain partners towards energy use optimization, innovation and shift towards more sustainable energy sources remains our primary focus areas to reduce emissions in this category. Other focus areas include scaling up use of preferred packaging materials with lower footprint, working with innovative solutions in upstream supply chain and chemical inputs as well as aligning with industry action.

Emission from purchased materials & manufacturing (tCO₂e)



Improving energy use and ghg emission in production

Reducing emissions from production processes is linked to energy use efficiency, transition towards cleaner energy sources and using inputs with lower footprints. To know more about our work on sustainable fibres please refer to the section 'Sustainable Materials & Preferred Fibres' in this report on page 75-81. We are also engaging with our supply chain partners to map energy use and GHG emissions from processes and work on solution to reduce the same. Key aspects that form our supply chain energy and GHG management roadmap include the following:

- Identify and disclose all energy sources, energy use, unit of measure, and tracking methods.
- Establish baselines for energy use.
- Understand processes and operations which consume the most energy.
- Set targets for improving energy use or GHG emissions.
- Develop an implementation plan to improve energy use or GHG emissions.
- Compare against its baseline year-over-year.

During 2020 we started mapping energy use and GHG emission data from factories through internal surveys. The challenges remain in actual data collection, ensuring good data quality and verifying each data point. In 2021, we were able to develop estimated average emission values for 'Tier 1 manufacturing'. Products we categorized as apparel, footwear or nontextile accessories. For each product category a general emission factor representing CO₂e emissions per kg product has been adopted. Our focus now is to collect good quality actual data from Tier 1 manufacturing as well as monitor change over time. We also plan to monitor change in total energy consumption as well as monitor change in energy consumption from renewable vs nonrenewable energy sources. Our reduction initiatives in Tier1 manufacturing has focus on process optimization and innovation for energy efficiency,

We have mapped emission from 'Tier2-4 Materials & Textile Production' by sharing total weight of different materials (fibres, plastic, paper & metal etc) weight from our production. Emission factors were applied on each type of material by our 3rd party consultants. The emission factors were adapted to account for not only different type of fibres and other raw materials but also if the material is for example recycled or organic as well as if the fabric is woven or knit. Increased uptake of preferred fibres with lower emission value is our focus at present to reduce emission in this category. To know more about our work on sustainable fibres please refer to the section 'Sustainable Materials & Preferred Fibres' on page 75-81 in this report.

For 'Packaging', calculations were done by using the total weight of packaging materials. Estimations were made where actual data was not available as per best available knowledge. Emission factors were adapted to account for if material is recycled. All packaging material from tier 1 suppliers to end customer are included in this mapping.

Plan for 2022 include addressing the emission hotspots in production, engage with the suppliers to ensure development of emission reduction targets, has proper baseline and roadmap as well as gradual implementation of the same, develop internal systems to make climate impact more visible at the design stage and anchoring the reduction measures within our supply chain and purchasing practices.

Footprint in transport

We monitor the emissions we emit through the transport going upstream and downstream from our operations and are committed to work with transporters who are sincere about reducing their climate footprint and strive to limit the global warming to 1.5 °C. We are also working actively to move to more environment friendly transport modes, e.g., from air to sea, or from road to rail. When the transport mode shift is not possible, we try to change to more environment friendly fuel, e.g., from petrol/diesel to electricity/biogas.

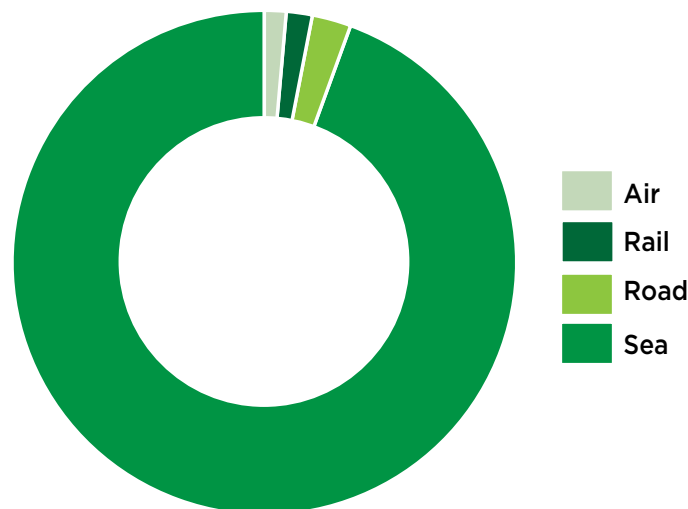
We divide our transport mapping into two parts:

Import: Upstream transport from production countries to our central warehouse.

Distribution: Downstream transport from central warehouse to our stores and online customers.

Last year we reported our Import transport modes in Weight. This year we report in tonne-kilometre (tkm) because it gives a fairer picture of reality. The graph below shows percentage of modes of transportation in 2021, measured in in tkm.

Tkm by transport made in Import



During 2021 we have worked to improve our data collection and structuring of the data to better understand where the transport emissions originate. We are working actively with our transport partners to improve this, while being simultaneously involved in transport related work group within STICA. This work group's main task is to simplify data collection for all STICA members, but also give them a structured way to push their transport partners to improve and reduce their emissions.

It has been a very challenging year to get the goods shipped in time from our production sites in Asia to our warehouse. In periods this has resulted in more air freights. But when it was urgent to get the goods delivered fast, we could ship it by rail on some occasions. This resulted in the division between transport modes.

Our distributing transport partners, that deliver to our stores and customers, are doing some great work and sets some ambitious goals. Here are some examples:

- We have switched over to reusable postal cages instead of disposable cardboard pallet boxes with Helthjem, giving us better filling grade in the trucks and less material consumption.
- PostNord pledge to be fossil free no later than 2030.
- Schenker AS pledge to be fossil free no later than 2027.

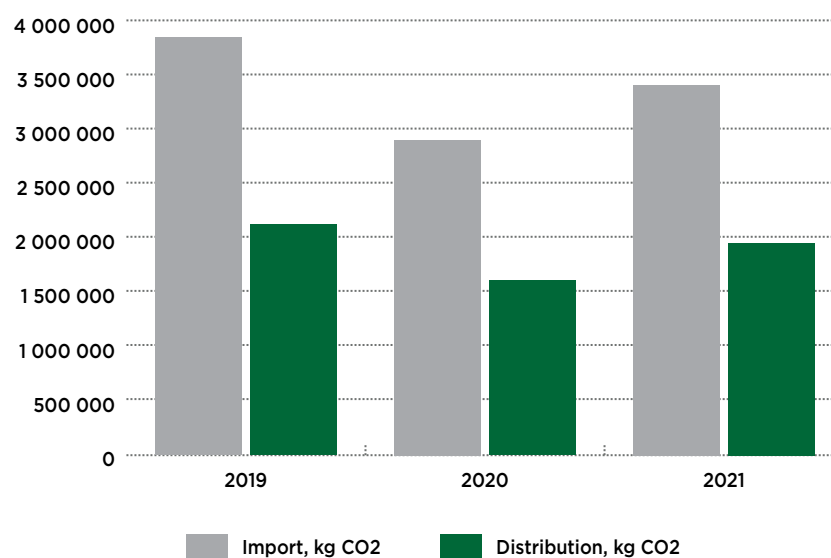
And here are some quotes from some of our transporters:

- "In October 2021, Posti was awarded as the winner in the carbon reduction category of the World Sustainability Awards 2021" - Posti
- "Instabox has been driving almost completely fossil-free during 2021 (98%) throughout the whole logistics chain, including line haul" - Instabox

The plans for 2022 includes mapping and analyze where the big emissions are and where we have the most potential to make changes to the better. We will also take an active role in our internal environment work-group for Supply Chain to help raise the awareness and commitment within the organization.

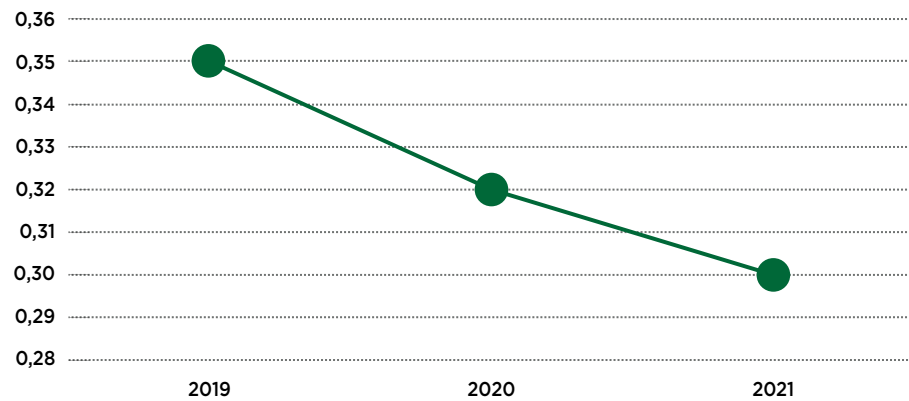
In the graph below are the kgCO₂-emissions over the last three years shown. In Import, the dip in 2020 mostly depends on reduction in air transports due to the pandemic. In 2021 the air transport increased again due to the problems in the sea freight world, and we needed to get some prioritized goods delivered fast. The same kind of pandemic effect is shown in distribution, where we sent much less goods to our stores in 2020 when a lot of the stores were temporarily closed down. In 2021, we were still in the middle of the pandemic, but the stores where open most of the time, resulting in comparatively higher emissions than 2020.

Emission from Transport in kgCO₂



In the period from 2019 to 2021, we had sent a greater number of Distribution packages in total, but still reduced the emissions. This is partly because we started to work with several new transporters during this time, and partly because the transporters we work with have reduced their emissions in their operations. This has resulted in reduced emissions per package over the years, and this is shown in the graph below.

kgCO₂/package in Distribution



VARNER'S WAREHOUSE IN VÄNERSBORG

Our central warehouse is located in Vänersborg in Sweden. This warehouse replaced six other warehouses. The operation started up in 2016 and we now have more than 250 people working in the building. From the warehouse we distribute all our own products and some external brands to our stores. We also handle a big online business from the warehouse. The building is about 50 000 sqm, but it will be expanded even further in 2022 with additional 20 000 sqm.

Interview with supply chain director

In this section, we asked Anders Eriksson, Supply Chain Director of Varner, his perspective and vision for the central warehouse of Varner. Anders Eriksson has been with Varner since 2003 and is responsible for transportation, distribution, and the central warehouse in addition to the planning and allocation function.



What was the key motivator to build a warehouse in Vänersborg (in 2015)?

– Vänersborg is well located in the middle of our main market and just a short distance from the harbor in Gothenburg. Centralizing from multiple warehouses to one also gives a lot of benefits, such as centralized knowledge, better control, better quality, more efficient transport network and it prevents overbooking of purchased goods. This gives us both lower costs and lower climate impact.

Can you explain how it helped by preventing overbooking?

– With one warehouse that supplies all our stores and customers instead of many warehouses supplying fractions of the market, we have a better opportunity to distribute our products to the places where they are needed the most. Because of this we can reduce our initial purchase and prevent overbooking.

What is the climate action undertaken since moving into the warehouse in Vänersborg?

– Since 2019 we started collecting activity data for transport and consumption/activity in the warehouse. In 2020 we aligned with the group level initiative in climate action and completed emission reporting.

In 2021, Vänersborg has undertaken some ambitious activities focused on sustainability. Can you tell us more about the initiatives?

– In 2021 we took a decision and started to build an extension of the warehouse. The already existing warehouse is BREEAM certified, and so will the extension be as well. We are extra proud to present that the roof on the extension part will be covered with solar panels.

Why did you choose to include installation of solar panels in the extension project?

– We see it as a great investment, both financially and for the environment. Over time we will get low-cost electricity and on sunny days we expect to be self-sufficient. This will be a great way for us to cut our own emissions from electricity use.

What are your plans towards 2022 related to sustainability?

– In 2022 we look forward to establishing our Sustainability Policy for Supply Chain in Vänersborg that will help ourselves to make more sustainable decisions going forward. We will also start an Environmental Working Group that will help the rest of the organization in Vänersborg to prioritize the right projects and activities, but also increase the awareness and the commitment related to sustainability. Within this we will create reduction roadmaps for the activities that the organization in Vänersborg is responsible for, e.g., a Transport Roadmap to reduce our emissions connected to import and distribution transports.

07.

ENGAGE THE CONSUMER



MARKETING AND 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 2021 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.

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.

Bik Bok, Dressmann and Cubus have in 2021 implemented first tier supplier information on product level in their webshops, giving the information to consumer where the product has been produced. They are some of the early adopters of this level of transparency in the industry, disclosing the full production facility names.

We aim to make it easy 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 their websites. 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 often be marked with a label marked 'premium', to communicate a better quality of wool, cotton, or silk.

DOCTORS WITHOUT BORDERS



In January 2021, Varner signed a main collaboration agreement with Doctors Without Borders. The agreement as a main partner is the most significant form of partnership Doctors Without Borders enters into with business companies in Norway.

We plan for a long-term collaboration and wish to include both employees and customers on this journey. Our main aim is to create a commitment and drive towards a bigger goal: To contribute to life-saving treatment for people affected by war, disasters, and conflicts. We at Varner are proud to be a contributor to the important work that they do.

2021 is still a year colored by the ongoing pandemic and conflicts around the world. Doctors Without Borders are an important contributor in given needed health care in these challenging times.

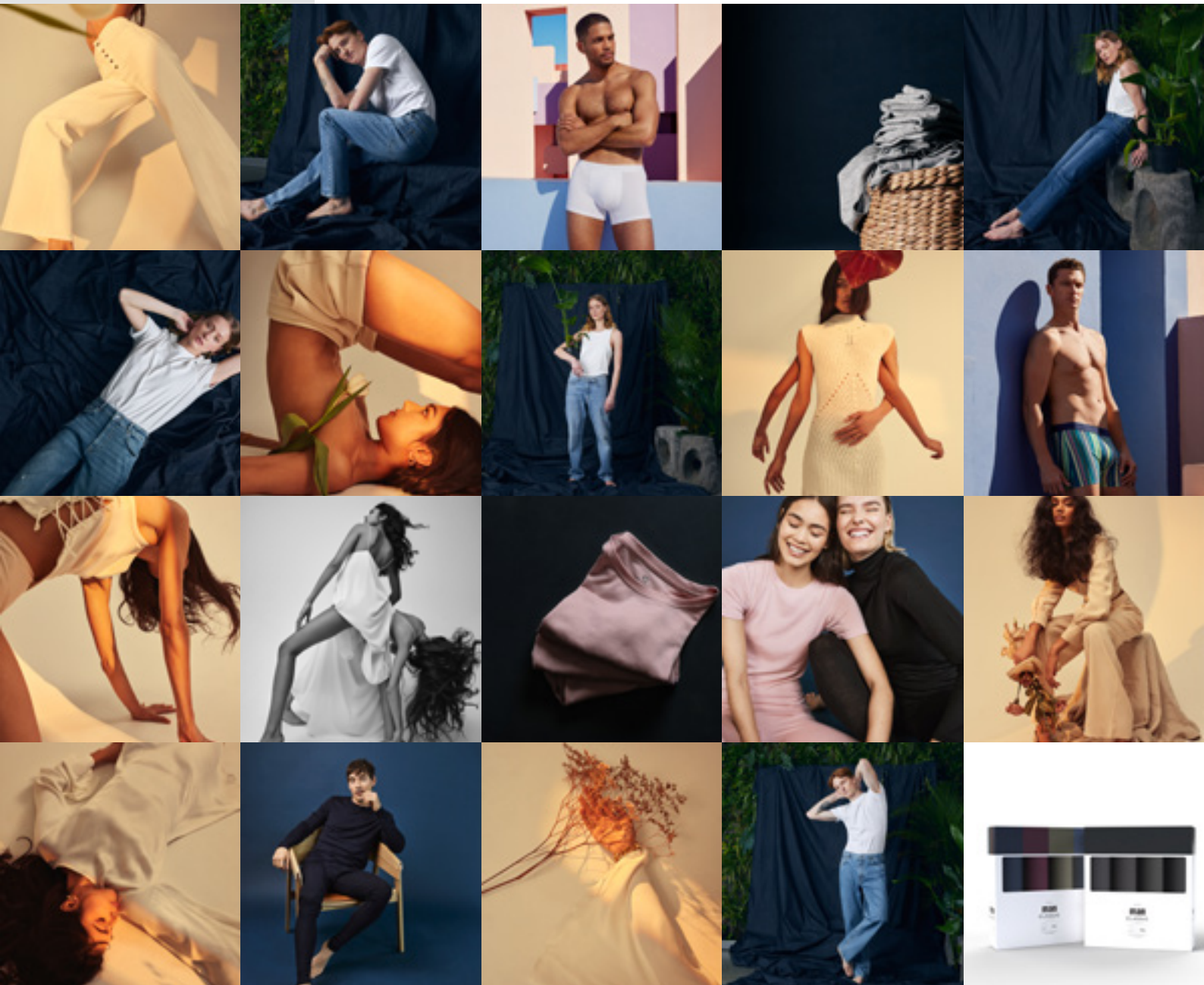
In December 2021, Varner brands had campaigns in the stores, giving the customers the opportunity to contribute Doctors Without Borders' important work. With the huge effort from all our store employees and our customer we managed to raise over 2.4 million NOK.

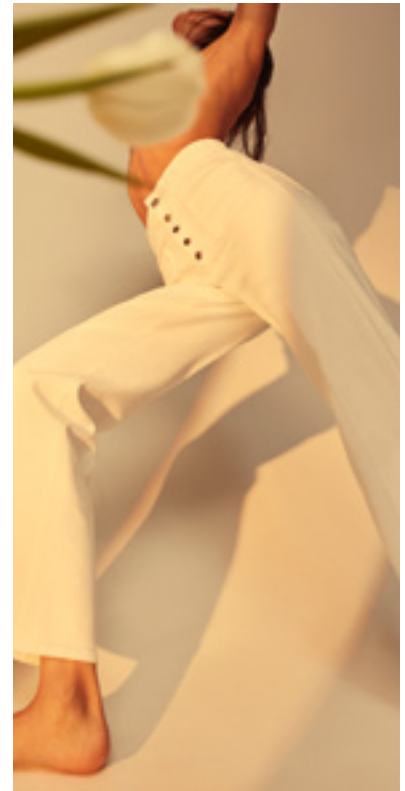
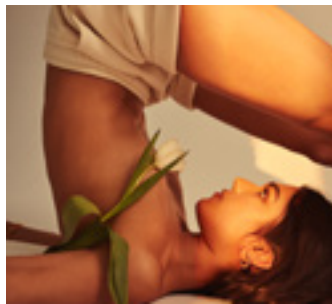
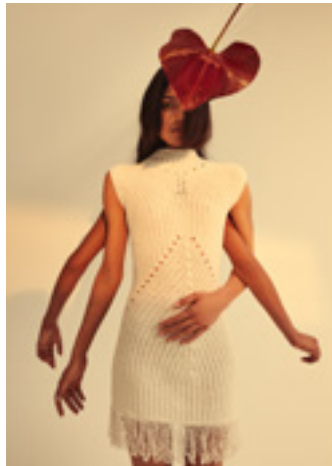


BRAND PERSPECTIVE

The Varner brands all have their unique style and develop their own roadmap to best engage our consumers. The brands have the insight to ensure we meet our customers in the best possible way, to raise awareness on sustainability issues and create positive impact.

The approach of each brand is as different as their personalities, but united under the umbrella of the Varner sustainability plan. Let's explore some key projects from 2021.





BIK BOK 2021: QUALITY, VALUES, AND TRANSPARENCY

When it comes to sustainability, Bik Bok works with a three-part focus, which is about qualities of the garments, transparency, values, and role models.

- We want to use more sustainable materials in the garments we produce, be more open about the process and life cycle of a product, and inform our customers about how much water, energy, and CO₂ that goes into producing the products. When it comes to values and role models, it's about the people Bik Bok works with. We are in a position where we are role models for many young girls and want to make sure we promote good role models and healthy ideals, says Julie Varner, Concept and Collaboration Manager at Bik Bok.

Her [impact]

On 6 May 2021, Bik Bok launched the capsule collection Her [impact]. The collection consisted of products made from more sustainable materials such as organic cotton, recycled polyester and ECOVERO™ viscose from Lenzing.

- We are pleased to be able to offer a capsule collection that offers a combination of seasonal key garments and wardrobe classics in more sustainable materials. All garments can be combined and used together. Everything harmonizes - just as nature should do. There will be more of this, says Marte Brauter, Design Manager at Bik Bok.

The collection was launched in collaboration with Costume Magazine and received a lot of positive feedback.

Role models

Bik Bok does not retouch images, other than on light and color. They want to appear genuine in their communication and be relatable to their customers. In 2021, Bik Bok received a lot of attention for promoting “real” bodies with both diabetes meters and stretch marks. Bik Bok also did a live shopping together with Janka Polliani where girls were encouraged to be less concerned about clothing sizes, and to have fun with clothes. They also did a stunt on Women’s Day 2021, focusing on encouraging all girls to be proud of their bodies.

In June 2021 Bik Bok launched a swimwear campaign together with influencer Jamie Salmen, who is size XL. The campaign received a lot of positive feedback from customers.

Transparency

In August 2021, in connection with the re-launch of Bik Bok’s denim brand Never Denim, they strengthened the communication around transparency in production. On the Never Denim website, you will now find energy, water, and chemical use per jeans model.

In 2022, Bik Bok will launch a Premium collection, with even better qualities. The collection will be launched as an influencer collaboration in the autumn of 2022, and this marks the start of a further focus on Premium qualities at Bik Bok.



CARLINGS' KARVE JEANS

Carlings is a Scandinavian retail brand and market leader in denim - aimed at everyone who prefers high-quality branded jeans, in Norway, Sweden and Finland. For decades, Carlings has been open to new ideas and ways of living. They are not afraid of standing out, speaking up, or making an influence. A vision they share with the brands they sell, which include Levis, Lee, Karve, Dickies, Diesel, Stay, Vailent and many others. In this report, we feature one of Carlings' most noteworthy initiatives towards their mission of reducing the environmental impact of their in-house brands.

Karve is a cutting-edge jeans brand from Carlings that prides itself on attention to fit and detail. The supreme quality and design pay 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 Carlings work towards a product that lasts longer.

Karve's sustainability focus

Karve's focus is water, and to reduce the water consumption in production, chemical-usage and energy consumption. A lot of work is dedicated to find the correct textiles and most sustainable alternative without compromising on quality. From spring 2020, the threads in all seams, as well as zipper tapes, are made of recycled materials. The buttons have been replaced with the less environmentally harmful alternative, raw

silver button. In addition, Karve has expanded its partnership with Candiani, one of the world's most sustainable denim looms. Their patented technologies such as Indio Juice and Kitotex save significant amounts of water in the weaving, dyeing and production of jeans.

During the last 12 months Karve has been able to lower the water usage with 36% and their producers decreased their water levels with 50%.

Transportation

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

Organic Cotton

The Karve jeans uses organic cotton in all jeans as well as pocket bags. All details are important. Since the start, they has been able to increase the amount of organic cotton with a minimum of 10 % per season. This was also one of the first denim brands to receive the Swan approval. 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 is the first Environmental Impact Measuring software specifically for the garment finishing industry. It is 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 each season.

Vegan

Veganism is a lifestyle choice which is all about protecting animals through avoiding animal products. Karve respects these choices and does not contain any materials of animal origin. Vegan customers can safely use these jeans knowing they are vegan friendly.



CUBUS X MERINO PREMIUM COLLECTION

Cubus aims to cover the Nordic families' basic clothing need, an aim that has stayed unchanged for 40 years. The Nordic roots are important to Cubus, the way of living, the values and needs. The designers are guided by the dramatic and changing seasons, which is reflected in the Cubus range of products. Style meets functionality, and clean qualities of natural fibres encompasses the wardrobe they offer.

We have asked Johan Jakobsson, Marketing Manager at Cubus to give his perspective on their recent Woolmark collaboration on a merino premium collection.

In 2021 Cubus had a great campaign with merino premium products in collaboration with the Woolmark company. Can you tell us more about this campaign?

– 100% merino wool products have always been big in Cubus. Especially the wool underwear for children and ladies. For AW21 we decided to go even bigger. We launched our biggest collections ever on both wool underwear and wool clothing. The Woolmark certification is a stamp of high quality. With a logo recognized around the world. Our merino collection has always been Woolmark certified, but this year we wanted to highlight it. The certification strengthened the quality of our message.

This campaign seems very special to Cubus. What was the main inspiration for this campaign?

– Our inspiration always starts with our products. Our merino wool products are super soft and comfortable. We wanted to create awareness around our great selection and inform our customers on merino wool benefits and how to care for them.

The wool used in this premium collection is as you say made of natural fibres with attention to quality, but how about the aspect of animal welfare?

– The entire collection is certified with the Responsible Wool Standard which is a voluntary standard addressing the welfare of sheep and the land they graze on. The standard ensures that wool comes from farms that have a progressive approach to managing their land, practice holistic respect for animal welfare of the sheep and respect the Five Freedoms of animal welfare. Certification also ensures that the identity of the RWS wool is always maintained: From the farm to the final product. Cubus have since the birth of the Responsible Wool Standard committed to buying certified wool once it is available on the market, and this year the majority (64%) of all wool in Cubus is certified to RWS. We are very happy about this progress, and we believe that the customers really value the use of the standard.

Can you tell us a little about some initiatives taken up by Cubus to engage their customers?

– One purpose of this campaign was to educate our customer on all the benefits of merino wool, how to care for the products, and why merino wool is more sustainable. We created an [informative landing page](#). We linked to this in our marketing material, and used polls in social media where our customers could check their wool knowledge. The awareness activities for this campaign reached incredible engagements.

What kind of challenges do you see when working with preferred materials in 2021 and going forward?

– Price and availability are probably our biggest challenges moving forward, but it forces us to plan even better, buy more precisely, and execute bigger and clearer for our customers.

Can you tell us anything about your plans for future related to working with preferred materials?

– We believe in making it easy for our customer, and we believe in long lasting favourites. Hence, doing more of what the customer already appreciates in terms of preferred fibres, and securing the reliable basic styles and colours, and adding new ones to keep it interesting.

It's all about our customers' favourites – as simple as that.



DRESSMANN 'ALL IN' ON ORGANIC UNDERWEAR

Dressmann has been a part of Varner since 1967 and is today one of Scandinavia's largest clothing brands. With this comes responsibility, which means working continuously to offer products of top quality and more sustainable materials. Through clear communication in-store, on their website and on labels on products, their customers can safely choose the best alternative, a safe product made under proper circumstances.

– In 2021, we decided to relaunch Dressmann's own underwear collection Man Underwear. The products, the packaging, the store interiors, and the communication has been reinvented, giving the collection a new profile. The concept will be launched to our customers in March 2022, says Snorre Vik, Marketing Manager at Dressmann.

In their concept development phase, they have made some major choices for the new collection and products. This gave them some important guidelines for how to develop their products going forward. The principle was simple: The garment we all use every day, which sits closest to our body, will be free from toxic chemicals and allergenic substances. They decided that all the cotton in the Dressmann boxers will be Global Organic Textile Standard (GOTS) certified.

GOTS is the leading certification standard for organically produced textiles. It sets requirements on chemical use, requires that the cotton is grown more energy efficient and with less water. Hazardous chemicals are banned in production and wastewater management is implemented. GOTS also sets social requirements on workers' rights, including health and safety, freedom to organize, minimum wages, overtime, discrimination and more.

– In combination with the right textile composition, it is important that the undergarment fits properly throughout the day. To ensure this, we have developed an optimal fit using 3D technology. By choosing GOTS certified cotton, we can more easily communicate our investment in organic cotton to our customers. The GOTS logo and content can be put on all materials, from posters in our stores to packaging and garments and our websites. This makes it easier to clearly communicate what the garment is made of and lets the customer make an informed choice, says Vik.

Dressmann is excited to see how their customers will react to Dressmann going 'all in' on organic cotton in 2022.



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 5 Loyalty Programs, we have 6,5 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. No queries from customers or other parties have in 2021 been substantiated to highlight breaches in regulations related to customer privacy. There have been no identified leaks, thefts, or losses of customer data in 2021. In 2021 there was no requests from any Data Protection Authority.

08.

HOW WE REPORT

NOTES ON METHODOLOGY

This is the second edition of the combined Sustainability Report of Varner Group. The previous report was released on 18th March 2021. The data and information included relates to the reporting period corresponding to the year 2021 (1. Jan 2021-31. Des 2021), with some advances for projects launched in previous years. 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.

Aligned frameworks & methodology for reporting

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 frameworks 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.

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.

Details of reporting team

Reporting Team	Designation	Name
Sustainability Steering Group	Owner, Concept and Collaboration Manager	Julie Varner
	VP, Finance Director	Øyvind Bustnes
	Supply Chain Director	Anders Eriksson
Extended Sustainability Working Group	HR Director	Trude Brøndelsbo
	Head of Communications	Julie Bragli Eckhardt
	Marketing Manager - Bik Bok	Nina Ruud
	Global Production Manager	Chessa Nilsen
	Logistics Developer	Anders Vessby
Core Sustainability Working Group	Global CSR	Vegard Neverlien Linnea Holter Thompson
	Global QA	Christiane Fagertun Nils Thomas
	Global Environment	Dipankar Bose

Methodological note for reporting regarding climate action

All calculations and reporting conform to the guidelines set out in the Greenhouse Gas (GHG) Protocol. Accordingly, the company's emissions have been divided into three scopes (1-3), where scope 1 includes the direct emissions, scope 2 includes the indirect emissions from purchased energy and scope 3 includes all other indirect emissions including purchased materials, production as well as transport and distribution.

Control approach: For our climate calculations in this report an operational control approach has been used.

Methods for scope 2 accounting: We have used market-based method for our Scope 2 climate accounting.

All calculations are primarily from aggregated activity data from Varner's own operations (stores, offices and warehouse), leased and owned cars, production, main purchased materials, and transport (inbound and outbound). Indirect spend such as office furniture and business travel have not been included in this scope. Data collection and mapping for 2019 and 2020 is done retrospectively based on actual activity data (56.3%) and estimated data (43.7%). Where data gaps have been identified estimations has been made based on best available knowledge. The activity data reported has been reviewed and matched to emission factors by 3rd part consultants to calculate the climate impact. Transportation figures and CO2e emission data were supplied by shipping companies and logistic partners.

Climate data is reported according to the GHG protocol for base year 2019 and year 2020 that was calculated in 2020 and 2021. 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. Emission calculations for the year 2021 are ongoing at the time of publishing this report.

APPENDIX

POLICIES AND STATEMENTS

We promote transparency and openly publish our key policies on the Varner website.

Per December 2021, 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 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](#)

Overview of our employees

Diversity of governance bodies and employees

Top management	Female	Male
i. Gender	7	13
ii. Age group		
Under 25 years		
26-35 years	1	
36-50 years	3	5
over 51 years	3	8

Managers (with personell responsibility)	Norway		Sweden			Finland		Denmark		Island		Turkey		Bangla- desh		India		China		Hong Kong	
	F	M	F	M	NS	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
i. Gender	536	127	443	108	1	215	34			1	4		1		1	1				1	
ii. Age group																					
Under 25 years	77	18	13	50		17	6			1											
26-35 years	254	48	238	47	1	133	19			2											
36-50 years	148	39	125	40		65	7			1		1		1		1				1	
over 51 years	57	22	31	8		0	2			1											

Employees	Norway		Sweden			Finland		Denmark		Island		Turkey		Bangla- desh		India		China		Hong Kong	
	F	M	F	M	NS	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
i. Gender	2930	678	1883	548	1	944	121	4	5	10	18	10	9	15	16	5	9	12	4	15	1
ii. Age group																					
Under 25 years	1744	442	973	277	1	634	76	1	3	22		0		4		0		0		0	
26-35 years	611	144	595	189		259	43	2	1	6		4		21		8		2		2	
36-50 years	322	61	212	71		43	2	1	1			13		6		4		12		12	
over 51 years	253	31	103	11		8	0					2				2		2		2	

Employees 2021. 31.12.2021

	Total Head-count	Total FTE (Full Time Equivalent)	Female Head-count	Female FTE (Full Time Equivalent)	Male Head-count	Male FTE (Full Time Equivalent)
Norway						
Varner AS	374	336,2	237	215,64	137	120,56
Cubus AS	1351	495,71	1310	478,92	41	16,79
Dressmann AS	996	382,02	767	299,76	229	82,26
Carlings AS	456	178,03	293	118,75	163	59,28
BikBok AS	587	207,82	587	207,82	0	0
Volt Fashion AS	261	101,48	127	47,82	134	53,65
Urban Sport AS	25	31,7	16	21,2	9	10,51
Junkyard AS	186	58,22	126	40,38	60	17,84
Varner Brand Stores AS	131	45,42	82	31,48	49	13,94
Sweden						
Varner Retail AB	69	48,94	50	32,87	19	16,07
Cubus AB	524	234,53	512	227,92	12	6,61
Dressmann AB	1084	519,32	873	412,24	211	107,08
PocoLoco AB	327	140,33	235	95,93	92	44,4
BikBok AB	404	162,89	401	162,86	3	0,03
Volt Fashion AB	252	116,72	153	66,03	99	50,69
Come Play with Us AB						
Junkyard AB	106	69,32	61	35,89	45	33,43
Varner Brand Stores AB	166	75,57	125	50,95	41	24,62
Wow and Me AB						
Varner Supply AB	242	157,86	116	70,17	126	87,69
Finland						
Varner OY	12	6,08	10	4,64	2	1,44
Cubus OY	460	136,02	456	135,1	4	0,92
Dressmann OY	587	197,1	475	154,6	112	42,4
Carlings OY	306	86,2	252	74,5	54	11,6
BikBok OY	281	75,8	280	75,7	1	0,05
Volt Fashion OY	117	37,4	76	25,7	41	11,7
Varner Brand Stores OY	30	8,1	18	5,2	12	2,9
Denmark						
Dressmann AS (DK)	9	4,57	4	2,49	5	2,08
Iceland						
DM 'a Islandi EHF	28	12,5	10	4	18	8,5
GPO						
Bangladesh	32	32	15	15	17	17
China	16	16	12	12	4	4
HK	17	17	15	15	1	1
India	15	15	6	6	9	9
Turkey	20	20	10	10	10	10
	9 471	4 026	7 710	3 157	1 760	868

Total number of employees by employment type (full-time and part-time), by gender

	Norway		Sweden		Finland		Denmark		Iceland		Turkey		Bangla- desh		India		China		Hong Kong	
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
Full time	852	250	585	241	250	38	1	1	2	8	10	10	15	17	6	9	12	4	16	1
Part time	1481	319	1365	281	713	80	3	3	12	15	0		0		0		0		0	
Extra personell	1132	245	576	126	196	37	0	1	0		0		0		0		0		0	

The data for fulltime, parttime and seasonal employees was extracted at the end of the year 2021. As Varner experiences seasonal variations, with more customers in certain times of the year, there might be variations in number of employees in the different position categories throughout the year. The employee data is not extracted per employee contract (permanent and temporary) for 2021.

Total number and rate of new employee hires during the reporting period, by age group, gender and region (country)

	NORWAY		SWEDEN		FINLAND		DENMARK		ICELAND		TURKEY		BANGLA-DESH		INDIA		CHINA		HONG KONG	
	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate	New hires	Rate
Total	1564	100 %	1483	100 %	516	100 %	4	100 %	4	100 %	2	100 %	4	100 %	1	100 %	4	100 %	2	100 %
FEMALE	1235	79 %	1073	72 %	368	71 %	2	50 %	2	50 %	1	50 %								
MALE	329	21 %	408	28 %	147	28 %	2	50 %	2	50 %	1	50 %								
UNKNOWN			2	0 %																
Under 25 year	1282	82 %	1016	69 %	422	82 %	4	100 %	4	100 %										
FEMALE	1020	65 %	753	51 %	284	55 %	2	50 %	2	50 %										
MALE	262	17 %	262	18 %	137	27 %	2	50 %	2	50 %										
UNKNOWN			1	0 %																
26-35 year	206	13 %	344	23 %	82	16 %					2	100 %	4	100 %						
FEMALE	153	10 %	233	16 %	73	14 %					1	50 %	2	50 %						
MALE	53	3 %	110	7 %	8	2 %					1	50 %	2	50 %						
UNKNOWN			1	0 %																
36-50 year	54	3 %	91	6 %	10	2 %									1	100 %	3	75 %	2	100 %
FEMALE	42	3 %	60	4 %	9	2 %											2	50 %	2	100 %
MALE	12	1 %	31	2 %	1	0 %									1	100 %	1	25 %		
UNKNOWN																				
over 51 year	22	1 %	32	2 %	0	0 %											1	25 %		
FEMALE	20	1 %	27	2 %													1	25 %		
MALE	2	0 %	5	0 %																
UNKNOWN																				

Total number and rate of employee turnover during the reporting period, by age group, gender and region (country)

	NORWAY		SWEDEN		FINLAND		DENMARK		ICELAND		TURKEY		BANGLA-DESH		INDIA		CHINA		HONG KONG	
	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate
Total	1706	41 %	1005	36 %	280	23 %	3	33 %	4	11 %	1		1	3 %	1	7 %			1	7 %
FEMALE	1351	79 %	764	76 %	216	22 %	2	67 %	3	75 %										
MALE	355	21 %	241	24 %	64	28 %	1	33 %	1	25 %										
UNKNOWN			0	0 %																
Under 25 year	1032	60 %	603	60 %	178	64 %	1	33 %	1	25 %										
FEMALE	801	47 %	455	45 %	122	44 %	1	33 %	1	25 %					1	100 %				
MALE	231	14 %	148	15 %	56	20 %														
UNKNOWN			0	0 %																
26-35 year	494	29 %	314	31 %	89	32 %	2	67 %	1	25 %									1	100 %
FEMALE	390	23 %	236	23 %	82	29 %			1	25 %	1								1	100 %
MALE	104	6 %	78	8 %	7	3 %	2	67 %												
UNKNOWN			0	0 %																
36-50 year	112	7 %	67	7 %	12	4 %			1	25 %										
FEMALE	100	6 %	56	6 %	11	4 %			1	25 %										
MALE	12	1 %	11	1 %	1	0 %														
UNKNOWN			0	0 %																
over 51 year	68	4 %	21	2 %	1	0 %			1	25 %										
FEMALE	60	4 %	17	2 %	1	0 %														
MALE	8	0 %	4	0 %	0	0 %			1	25 %			1	100 %						
UNKNOWN	0	0 %	0	0 %	0	0 %														

GRI INDEX

This report has been prepared in accordance with the GRI Standards:
Core option.

Disclosure number	Disclosure title	Varner response 2021
GRI 102: General Disclosures 2016		
102-1	102-1 Name of the organization	Page 11
102-2	102-2 Activities, brands, products, and services	Page 10-13
102-3	102-3 Location of headquarters	Page 11
102-4	102-4 Location of operations	Page 11-14
102-5	102-5 Ownership and legal form	Page 12
102-6	102-6 Markets served	Page 11-13
102-7	102-7 Scale of the organization	Page 11-14
102-8	102-8 Information on employees and other workers	Page 13-14, Appendix page 132-133
102-9	102-9 Supply chain	Page 14
102-10	102-10 Significant changes to the organization and its supply chain	Page 12
102-11	102-11 Precautionary Principle or approach	Page 87-88
102-12	102-12 External initiatives	Page 28
102-13	102-13 Membership of associations	Page 28
102-14	102-14 Statement from senior decision-maker	Page 4-5
102-15	102-15 Key impacts, risks, and opportunities	Page 19-20;25-27
102-16	102-16 Values, principles, standards, and norms of behavior	Page 9
102-18	102-18 Governance structure	Page 18
102-40	102-40 List of stakeholder groups	Page 21-22
102-41	102-41 Collective bargaining agreements	Page 33
102-42	102-42 Identifying and selecting stakeholders	Page 21-22
102-43	102-43 Approach to stakeholder engagement	Page 21-22
102-44	102-44 Key topics and concerns raised	Page 16-27;114;130
102-45	102-45 Entities included in the consolidated financial statements	Page 12
102-46	102-46 Defining report content and topic Boundaries	Page 127-128
102-47	102-47 List of material topics	Page 19
102-48	102-48 Restatements of information	There was a typing error in page 65 of 2020 sustainability report. Corrected sentence is 'Our climate commitment is to Reduce 50% net emissions by 2030 from 2019 levels for Scopes 1 and 2.'

Disclosure number	Disclosure title	Varner response 2021
102-49	102-49 Changes in reporting	Refer to materiality section, a couple of material topics are now rearranged in the materiality matrix based on stakeholder engagement activities done in 2021. 'Occupational Health and Safety', which was an individual material topic in 2020 reporting, is included in the material topic 'Workers' Rights & Human Rights' in current reporting.
102-50	102-50 Reporting period	Page 127
102-51	102-51 Date of most recent report	Page 127
102-52	102-52 Reporting cycle	Page 127
102-53	102-53 Contact point for questions regarding the report	sustainability@varner.com
102-54	102-54 Claims of reporting in accordance with the GRI Standards	Page 127;135
102-55	102-55 GRI content index	Page 135-139
102-56	102-56 External assurance	Page 127
GRI 103: Management Approach 2016		
103-1	103-1 Explanation of the material topic and its Boundary	Page 19-20, 127
103-2	103-2 The management approach and its components	The management approach is presented in the individual section of report representing each material topic (Pages 29-115). In addition, pages 18-27.
103-3	103-3 Evaluation of the management approach	The management approach is presented in the individual section of report representing each material topic (Pages 29-115). In addition, pages 18-27.
GRI 205: Anti-corruption 2016		
205-1	205-1 Operations assessed for risks related to corruption	100% suppliers/factories for own products have been assessed.
205-2	205-2 Communication and training about anti-corruption policies and procedures	Page 42
205-3	205-3 Confirmed incidents of corruption and actions taken	Page 70-71
GRI 301: Materials 2016		
301-1	301-1 Materials used by weight or volume	Page 75-84
301-2	301-2 Recycled input materials used	Page 77;79-80;82-84
301-3	301-3 Reclaimed products and their packaging materials	Page 75-85

Disclosure number	Disclosure title	Varner response 2021
GRI 302: Energy 2016		
	302-1 Energy consumption within the organization	"Energy consumption in 2021: Stores: 35388712 kWh (Representing data from approx 900 stores where we purchase own electricity, For remaining stores where we purchase electricity through landlord, consumption data was being collected at the time of publishing this report). Offices: 2164033 kWh. Warehouse: 3238083 kWh."
GRI 303: Water and Effluents 2018		
	303-5 Water consumption	"We used 2627 m3 in HQ in 2021. 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 305: Emissions 2016		
305-1	305-1 Direct (Scope 1) GHG emissions	Page 104-105
305-2	305-2 Energy indirect (Scope 2) GHG emissions	Page 104-105
305-3	305-3 Other indirect (Scope 3) GHG emissions	Page 104;106-110
305-4	305-4 GHG emissions intensity	Page 104
305-5	305-5 Reduction of GHG emissions	Page 104-110
GRI 306: Waste 2020		
306-1	306-1 Waste generation and significant waste-related impacts	Boundaries own operation. Category non-hazardous waste. Type unsold goods.
306-2	306-2 Management of significant waste-related impacts	Page 84-85
306-3	306-3 Waste generated	Page 27, 84-85
306-4	306-4 Waste diverted from disposal	Page 27, 84-85
306-5	306-5 Waste directed to disposal	Page 84-85
GRI 307: Environmental Compliance 2016		
307-1	307-1 Non-compliance with environmental laws and regulations	There were no incidents of noncompliance during this reporting period.
GRI 308: Supplier Environmental Assessment 2016		
308-1	308-1 New suppliers that were screened using environmental criteria	Page 92
GRI 401: Employment 2016		
401-1	401-1 New employee hires and employee turnover	Page 32;33; appendix page 134;135.
401-2	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 33

Disclosure number	Disclosure title	Varner response 2021
GRI 402: Labor/Management Relations 2016		
402-1	402-1 Minimum notice periods regarding operational changes	Page 34
GRI 403: Occupational Health and Safety 2018		
403-1	403-1 Occupational health and safety management system	36-38
403-2	403-2 Hazard identification, risk assessment, and incident investigation	Page 36-39
403-3	403-3 Occupational health services	Page 36-39
403-4	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 38-39
403-5	403-5 Worker training on occupational health and safety	Page 39
403-6	403-6 Promotion of worker health	Page 38-39
403-7	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 36-39; 59-61
403-9	403-9 Work-related injuries	Page 36-37
GRI 404: Training and Education 2016		
404-1	404-1 Average hours of training per year per employee	Page 40-42
404-2	404-2 Programs for upgrading employee skills and transition assistance programs	Page 40-42
404-3	404-3 Percentage of employees receiving regular performance and career development reviews	Page 40-41
GRI 405: Diversity and Equal Opportunity 2016		
405-1	405-1 Diversity of governance bodies and employees	Page 34-35; Appendix page 131.
405-2	405-2 Ratio of basic salary and remuneration of women to men	We report this as required by law in Norway.
GRI 406: Non-discrimination 2016		
406-1	406-1 Incidents of discrimination and corrective actions taken	Page 35; 64; 69-70
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 57
GRI 408: Child Labor 2016		
408-1	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 65-66;67-68
GRI 409: Forced or Compulsory Labor 2016		
409-1	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 65-66, 67-68
GRI 412: Human Rights Assessment 2018		
412-2	412-2 Employee training on human rights policies or procedures	Page 41-42;48
412-3	412-3 Significant investment agreements is defined as all contracts with direct suppliers of own products	100% of 139 contracts with these suppliers included human rights clauses. Page 43;51-52.

Disclosure number	Disclosure title	Varner response 2021
GRI 414: Supplier Social Assessment 2016		
414-1	414-1 New suppliers that were screened using social criteria	Page 51-52
414-2	414-2 Negative social impacts in the supply chain and actions taken	Page 45-72
GRI 416: Customer Health and Safety 2017		
416-2	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	"There were no incidents of noncompliance during this reporting period."
GRI 417: Marketing and Labeling 2016		
417-3	417-3 Incidents of non-compliance concerning marketing communications	Page 114
GRI 418: Customer Privacy 2016		
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 125
GRI 419: Socioeconomic Compliance 2016		
419-1	419-1 Non-compliance with laws and regulations in the social and economic area	"There were no incidents of noncompliance during this reporting period."