

The background of the cover features a close-up, black and white photograph of a textured surface, possibly a metal mesh or a fine fabric, with a strong diagonal orientation. The texture is composed of many fine, parallel lines. A bright, curved highlight is visible on the left side, and another horizontal highlight is at the bottom. A solid green rectangular area is positioned on the right side of the cover, containing the title and the company name.

Sustainability  
Report 2024

**VARNER**

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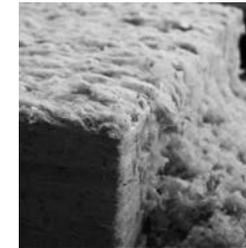
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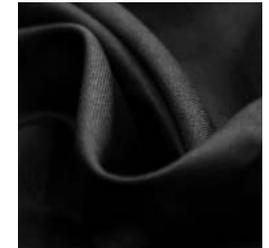
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The founder of Varner  
opened his first store  
in Oslo in **1962**

**6**

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**1 113**

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**9 106**

Employees

**11.4 B**

2024 Sales turnover

About us

## Letter from the CEO

As the CEO of Varner, I am pleased to present our Sustainability Report for 2024. Entering 2025 marks the beginning of a significant transition as we prepare for the upcoming Corporate Sustainability Reporting Directive (CSRD) and the new reporting requirements that will shape our future disclosures and strategy.

In 2024, our efforts have focused on laying the foundation for these new regulations while continuing to advance our sustainability initiatives. This year's report is written with 'Reference to the GRI Standard' without the previous independent moderate assurance, allowing us to allocate resources towards preparing for the upcoming transition.

Although this year's report may be more concise than previous reports, it underscores our unwavering commitment to sustainability by integrating responsible business conduct into every aspect of our operations, maintaining transparency, and striving for continuous improvement.

Reflecting on 2024, we are proud of several significant achievements that have set the stage for our future endeavours. Notable progress includes steady advancements toward our 2025 goal of using '100 % preferred fibres' and enhancing supply chain transparency.

There have been some challenges during the year. The situation in the Red Sea has caused delays in delivery, increased transit times, and higher costs. This has also resulted in an increase in transport-related climate emissions.

Our dedication to responsible business conduct and safety standards remains steadfast, evident through our ongoing partnerships and initiatives. We are particularly proud of our collaboration with industry partners to promote safer working conditions and environmental stewardship.

Thank you to our dedicated team, partners, and stakeholders for your unwavering support and commitment to our sustainability journey.



Marius Varner, CEO

## Our history

Frank Varner, the founder of Varner, 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 continued growth, opening the first Carlings store in 1985 and acquiring the family concept Cubus in 1989.

With Petter, Marius, and Joakim Varner taking over, the development reached new heights. As of December 2024, Varner consists of six brands selling in four markets through 1113 stores and six online stores and is one of Scandinavia's leading fashion retailers. Along with the continual focus on physical stores, Varner is constantly developing its digital solutions, with the goal of giving customers the ultimate shopping experience. The next generation is also contributing to this progress, ensuring continued innovation and growth for the future.



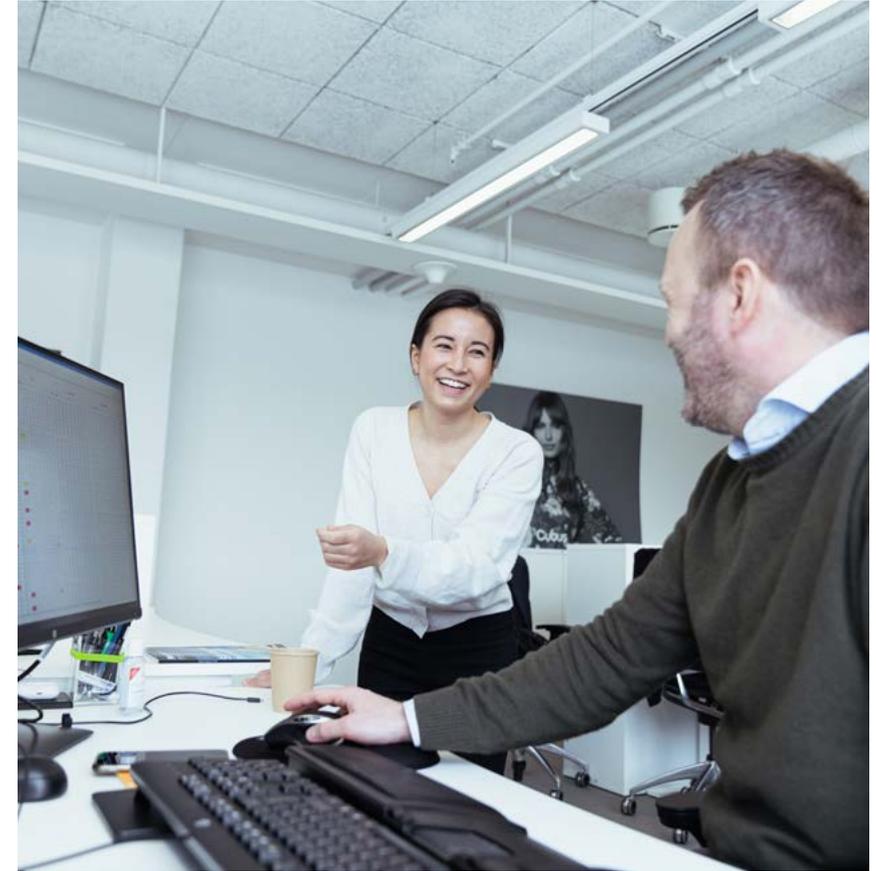
“ As of December 2024, Varner consists of six brands selling in four markets through 1113 stores and six online stores and is one of Scandinavia's leading fashion retailers.

## 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-owned business, we believe in having a positive impact on the people we depend on to achieve our success: our colleagues, our business partners, and the 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 safety, quality, and durability.



Reducing our environmental impact is also an essential part of our sustainability commitment. This translates into working for more sustainable products, but also towards production with less of a negative footprint on the environment and natural resources. 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.

## Varner at a glance

**Company Name:**

Varner AS

**Head Office Address:**

Nesøyveien 4, 1396 Billingstad, Norway

**Main brands, products and services offered by the company:**

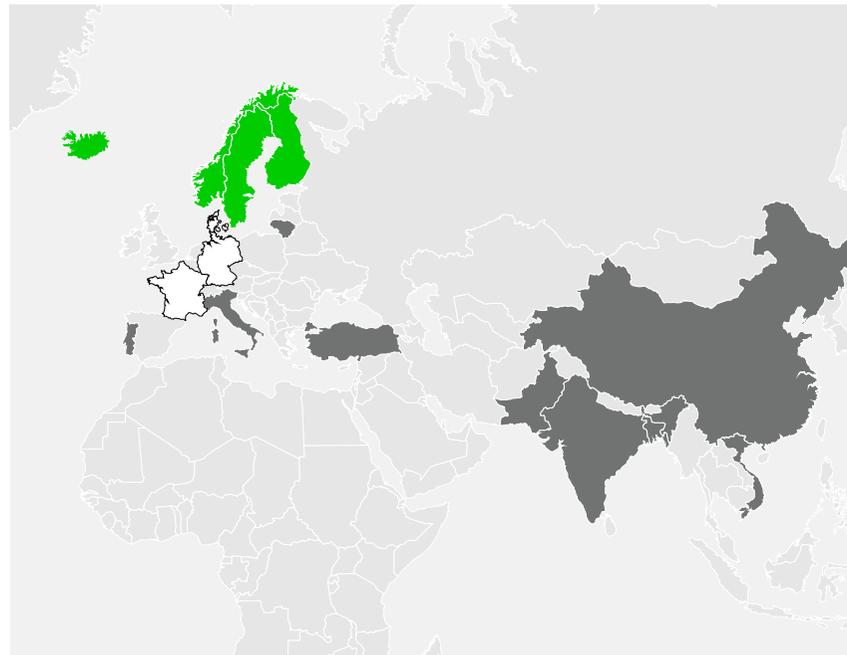
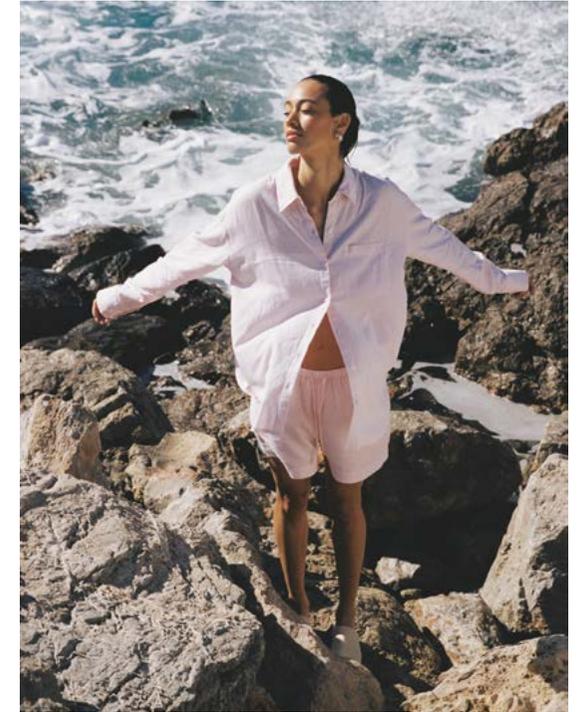
BRANDS: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Junkyard, Volt and Beyond Medals

PRODUCTS: Apparel and Footwear

**Our Presence:**

E-COMMERCE AND PHYSICAL STORES: Norway, Sweden, Finland, Iceland

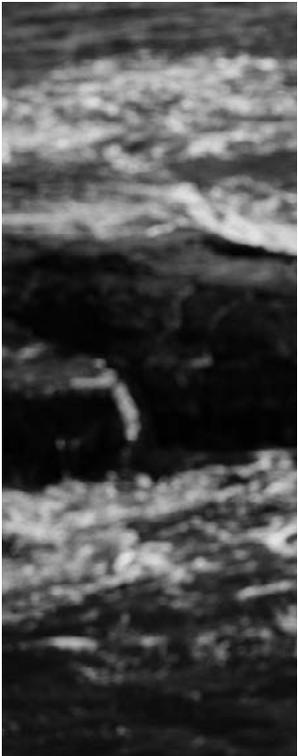
E-COMMERCE MARKET: Junkyard, Europe and Beyond Medals, worldwide



- Sales and Store Operations
- E-commerce only Markets
- Production Countries

## Key achievements in 2024

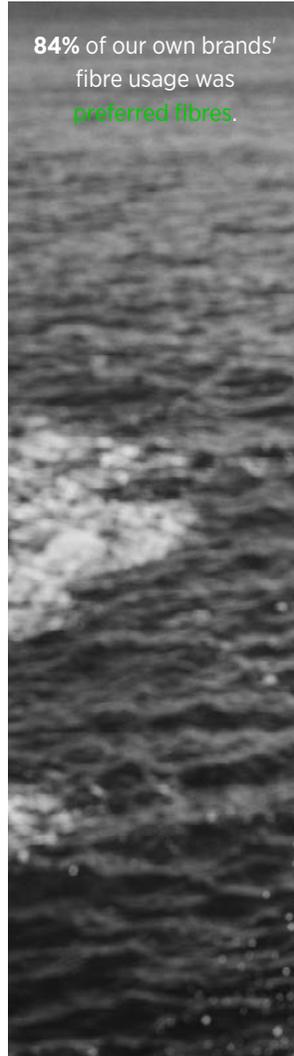
Tier 1 factories accounting for **98%** of our business volume, reported **environmental sustainability data** through the Higg Facility Environmental Module (Higg FEM) in 2024.



Tier 1 factories accounting for **80%** of our **business volume** have also completed 3rd party verification of Higg FEM in the same year.



**84%** of our own brands' fibre usage was **preferred fibres**.



**85%** of the polyester used was **recycled polyester**.



Completed **77%** of critical improvements and **65%** of high priority improvements identified during annual factory **environmental** assessments.



**3 444 workers** in Varner's Tier 1 factories **received training** in gender related issues.



## Our company structure

Varner is one of the largest fashion retailers in the Nordic countries, with 9 106 employees and approximately 1 113 stores across four countries and an online presence in more than eight countries. We are a family-owned Norwegian company with a revenue of NOK 11.4 billion in 2024. The Varner brands consist of Cubus, Dressmann, Bik Bok, Carlings, Volt, Junkyard, Beyond Medals, and Levi's Store (franchise). In addition, we also have ownership of the web-only shop YME. Our main business (82%) is private brands sold within stores that Varner fully owns. Approximately 18% of our business is external brands sold within multi-brand stores that are fully owned by Varner. We operate 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, with a strong focus on sustainable principles.

### Reporting scope according to the company structure

In this report, we include Varner AS and 100% owned subsidiary companies, as listed below. All sections in the report include reporting on our own private brands sold. External brands (including franchise) are reported on in the chapter [Responsible Employer](#) and [External brands](#). Unless explicitly mentioned, the policies, procedures, strategies, and goals mentioned in this report will be applicable to Varner private brands.

The report covers Varner AS and the entities listed below.

**Norway:** Varner AS, Cubus AS, Dressmann AS, Carlings AS, Bik Bok AS, Junkyard AS, Varner Brand Stores AS.

**Sweden:** Varner Retail AB, Cubus AB, Dressmann AB, Poco Loco AB, Bik Bok AB, Volt Fashion AB, Junkyard AB, Beyond Medals AB, Varner Brand Stores AB, Varner Supply AB.

**Finland:** Varner OY, Cubus OY AB, Dressmann OY AB, Carlings OY AB, Bik Bok OY AB, Volt Fashion OY AB, Varner Brand Stores OY AB.

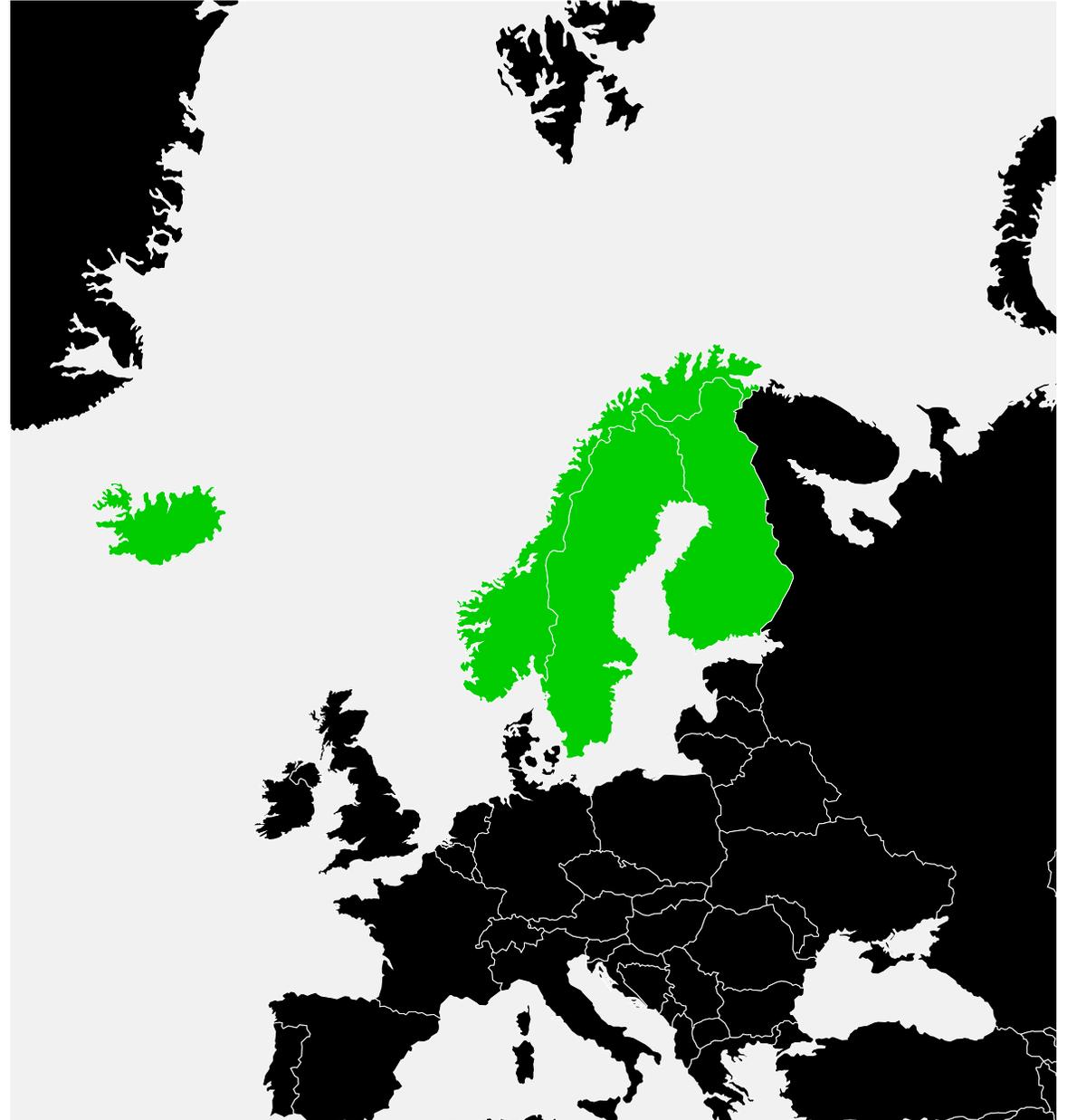
**Iceland:** DM à Islandi EHF.

### Major organisational changes

Varner has not undergone significant organisational changes in 2024. However, one adjustment was made: the private brand Beyond Medals was established as a separate brand and is no longer part of Junkyard.



# Our sales and store operations



## Our global presence

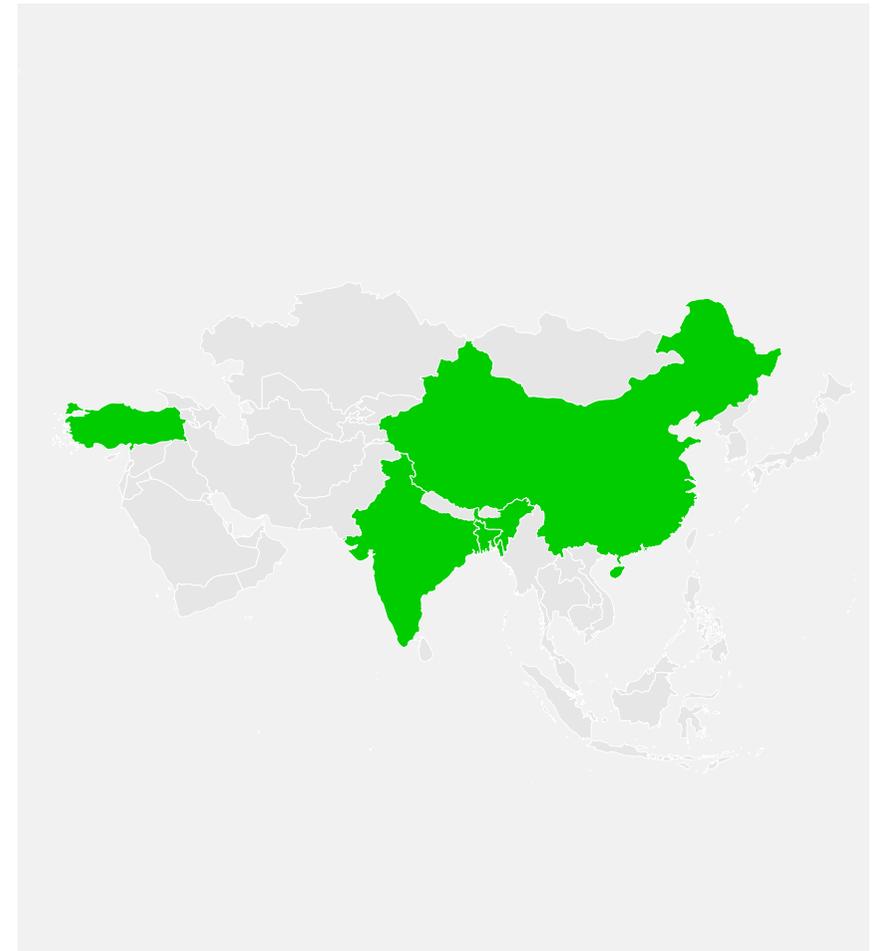
Varner does not own any factories but sources directly from 12 countries in Asia and Europe and cooperates with approximately 228 factories for the manufacturing of our products.

We have established regional production offices in our four major sourcing and production countries: China, Bangladesh, India, and Türkiye. 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	Türkiye (Est. 2002)	South Asia (Est. 2011)	Bangladesh (Est. 2012)	Far East (Est. 2014)
<b>Location</b>	Istanbul	New Delhi	Dhaka	Hong Kong, Hangzhou, Beijing
<b>Employees</b>	18	16	31	30
<b>Suppliers<sup>1</sup></b>	21	13	27	49
<b>Factories<sup>2</sup></b>	57	32	54	85
<b>Production countries</b>	Türkiye, Pakistan, and Europe	India and Sri Lanka	Bangladesh	China, Vietnam
<b>% of Varner production volume by cost</b>	17.5%	11.5%	41.4%	30%

<sup>1</sup> In addition to the listed numbers for suppliers, 3 are managed from Norway.

<sup>2</sup> The listed numbers are tier 1 factories. This includes tier 1A being direct producers and tier 1B being processors doing processes such as washing, printing and embroidery.



# Supply chain definition



THESE GLORY DAYS  
LARGE

**Our presence** is distinctly characterised by our position in the Nordic market, yet we are very aware of our global impact

# Nordic Spirit, Global Impact

## 2003

Varner became a member of the Ethical Trade Initiative Norway

## 2024

Varner became a ZDHC Signatory brand member

## Our sustainability mission

At Varner, we focus on sustainable solutions. This means that we aim to make conscious choices and be responsible towards society and the environment by taking the whole product lifecycle into consideration, from design, development, and production to customer usage. To strengthen and consolidate our sustainable initiatives, we have our strategic theme for sustainability – Nordic Spirit, Global Impact. Our presence is distinctly characterised by our position in the Nordic market, yet with our global value chain, we are very aware of our global impact.

The direction of our strategy is set by the three main pillars: Fair for All, Circular and Climate Conscious, and Engage the Consumer.

Being ‘responsible’ is one of the core values at Varner. To us, this signifies taking the necessary steps to understand our responsibility towards our consumers as well as towards society and the environment. We are committed to taking the necessary steps to do as much as we can. Historically, Varner has participated in various voluntary commitments to drive sustainable development within our industry.

Fair for all	Circular and climate conscious	Engage the consumer
<p>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.</p>	<p>Circularity is the future of fashion, and we will actively work towards 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.</p>	<p>We see connecting with our consumers as a vital element towards delivering on our sustainability ambitions. With transparency as an important factor in our communication we aim to help consumers make informed choices.</p>



“ Being ‘responsible’ is one of the core values at Varner.”

# Our journey



**2003 Became** a member of the Ethical Trade Initiative Norway and established a Code of Conduct.

**2004 Established** a dedicated Corporate Social Responsibility (CSR) function.

**2005 Implemented** an operative system for factory inspections.

**2007 CSR** screening and approval were made mandatory prior to the initiation of any business cooperation.

**2008 Implemented** a ban on mulesing, developed a tool for chemical handling together with Teknologisk Institutt, the Enterprise Federation of Norway, and the Norwegian Environmental Agency.



**2010 Implemented** a ban on sandblasting.

**2012 Started** collaborating with Fretex to take back unsold goods and became a member of Kemikaliegruppen by Swerea (now RISE) to focus on chemical handling.

**2013 Published** our factory list, became a signatory to Bangladesh Accord.

**2014 Implemented** an animal fibre policy and participated in a wage mapping project with The Fair Wage Network.

**2015 Launched** first collection with Nordic Swan certification.

**2016 Joined** Better Cotton to minimise risk on cotton farming and became a member of Textile Exchange.

**2017 Launched** our first Fairtrade-certified products, Dressmann became the world's largest retailer of Fairtrade certified cotton products the year after.

**2019 Group** level sustainability plan was revised and launched with a reinforced strategy and goals.



**2020 Became** members of STICA and Cascale (formerly SAC) to accelerate sustainability in production. Joined the CanopyStyle Initiative. Launched a pilot collection of Cradle-to-Cradle certified products.

**2021 Signed** the Transparency Pledge, signed the Recycled Polyester Pledge, partnered with Doctors Without Borders, established a GHG emission baseline for Scope 3, and finalised Scope 3 emission reduction goals.

**2022 Joined** the ZDHC Roadmap to Zero program as 'Friends of ZDHC'. Signed a commitment letter to the Science Based Target Initiative. Varner became certified to Textile Exchange standards and GOTS.

**2023 Signed** the Pakistan Accord agreement and recommitted to the International Accord and its implementation in Bangladesh by re-signing the agreements.

**2024 Became** a ZDHC Signatory brand member.

## Varner’s corporate governance structure

Varner’s corporate governance body reflects the ownership and management structure of the company, and encompasses the Board of Directors, Executive Directors / Senior Executives, Brand Directors, and Business Area Leaders.

The shareholders consist of members of the Varner family. The Board of Directors is responsible for ensuring that the company is run in a way that is fair and beneficial to all members of the family. Members of the Board of Directors, including the chair, are also Senior Executives in the company.

The Highest Governance Body has defined that there is no risk of conflicts of interest because the chair is a significant shareholder in the company and is therefore considered to always act in the best interest of the company.

The Board of Directors is the Highest Governance Body. The Highest Governance Body is responsible for making decisions concerning the direction of the company and overseeing the management of the organisation’s impact. This includes establishing goals and objectives for the company and approving policies, practices, and procedures.

Top Management, including Brand Directors and the Business Area Leaders, are part of the company’s governance body. The members are all Senior Executives and Managers of our different professional areas or one of our brands. Hence,

the selection of members is based on their position in the organisation. By ensuring that many disciplines are represented in the company’s Governance Body, we ensure diverse involvement and influence before decisions are made.

Due to all the members’ positions in the company, they are all obliged to inform the Highest Governance Body of any potential conflicts of interest in compliance with their employment, also referring to the Varner Code of Conduct. Because trust and transparency are important values for the organisation, including for the members of the Governance Body, further measures or monitoring have not been implemented. A formal process for evaluation of the performance of the Highest Governance Body has not been introduced.

Members of the Board of Directors, Varner AS		
<p><b>PETTER VARNER</b> Chair of the Board <b>Born</b> 1962 <b>Primary Occupation</b> Chief Brand Director</p>	<p><b>MARIUS VARNER</b> Managing Director <b>Born</b> 1965 <b>Primary Occupation</b> CEO</p>	<p><b>JOAKIM VARNER</b> Board Member <b>Born</b> 1973 <b>Primary Occupation</b> Chief Concept Designer</p>

## Sustainability governance

The Sustainability Steering Group, comprised of representatives from the Top Management, has the overall responsibility for the sustainability strategy as well as due diligence and material topics for approving group-level guidelines and decision-making. This group is the Highest Governance Body within the organisation in a sustainability context. Members of this group are nominated from the Top Management based on the sustainability context of their role and overall experience. The Steering Group meets twice a year, the Sustainability Working Group. The Chair of the Steering Group and the Head of Sustainability, leader of the Sustainable Working Group, meet weekly to address and oversee the work.

The Sustainability Working Group, formed by selected representatives of relevant departments, has been delegated the responsibility to analyse the organisation's impacts on the economy, environment, and people, including responsible business conduct and due diligence. Together with the Sustainability Working Group, the Sustainability Department is responsible for advising the Steering Group on targets and strategies, analysing risks and opportunities, coordinating the implementation of goals, and communicating results internally and externally. They meet with the Steering Group at least quarterly to make sure that important issues are brought up and discussed. They work closely with the entire organisation on the implementation of our strategy.

The Sustainability Department has the main responsibility for setting good practices for responsible business conduct and due diligence. This is then brought and discussed together with the Sustainability Steering Group and approved by the Chair of the Sustainability Steering Group. The final procedure will be signed by the Board of Directors and implemented through the Top Management.

The Sustainability Department is led by the Head of Sustainability and consists of the functions Corporate Social Responsibility, Quality Assurance, and Environment and is organised under the Director of Global Production and Sustainability. Varner has a presence in the core production markets with our own production offices with local staff. The roles in our production offices include CSR, QA, and Environment functions that have the operational responsibility of on-the-ground activities and report back to their respective manager at the Service Office on a weekly basis. The Sustainability Department collaborates closely with the Global Production Offices and the Sourcing Department on implementing due diligence processes and responsible business conduct in daily processes in our own organisation and in our value chain. They also provide sustainability-related training to the Top Management. There was no new training done for Top Management in 2024.



## Details of the reporting team

### Sustainability Steering Group

**Director of Global Production and Sustainability,  
Chair of Sustainability Steering Group**  
Chessa Nilsen

**Head of Sustainability**  
Christiane Fagertun

**Owner, Creative Director Bik Bok**  
Julie Tingulstad Varner

**VP, Finance Director**  
Øyvind Bustnes

**Brand Director Bik Bok**  
Nina Ruud

**Design and Buying Manager Cubus**  
Martine Florival

### Sustainability Working Group

**Head of Sustainability**  
Christiane Fagertun

**Head of HR**  
Trude Brøndelsbo

**HR Compliance Manager**  
Madeleine Kåsa

**Head of Communications**  
Julie Bragli Eckhardt

**Marketing Manager Bik Bok**  
Alise Traheim

**Import and Distribution Manager**  
Anna Sahlén

**Warehouse Facility Manager**  
Örjan Nilsson

### Sustainability Department

**Head of Sustainability**  
Christiane Fagertun

**Global CSR**  
Vegard Neverlien, Ditte Steen, Kaja Elise Gresko

**Global QA**  
Nils Thomas, Lena Erdnüss

**Global Environment**  
Dipankar Bose, Nathalie To

**Project Manager**  
Heidi D. Haldorsen



## Varner Compliance Group

The Compliance Group has assessed incidents that have come to light throughout the year. None of these have been defined as critical concerns in 2024.

In years with critical concerns, the Compliance Group will provide a compliance report and present it to the Highest Governance Body. The work of this group is further discussed in this report at Varner's corporate governance structure.

## Remuneration

Salaries for Senior Executives are determined based on market salary benchmarks, responsibility, competence, education, and seniority. The Board of Directors and Chief Financial Officer, with input from Human Resources, set salaries in accordance with the internal salary matrix and remuneration policy.

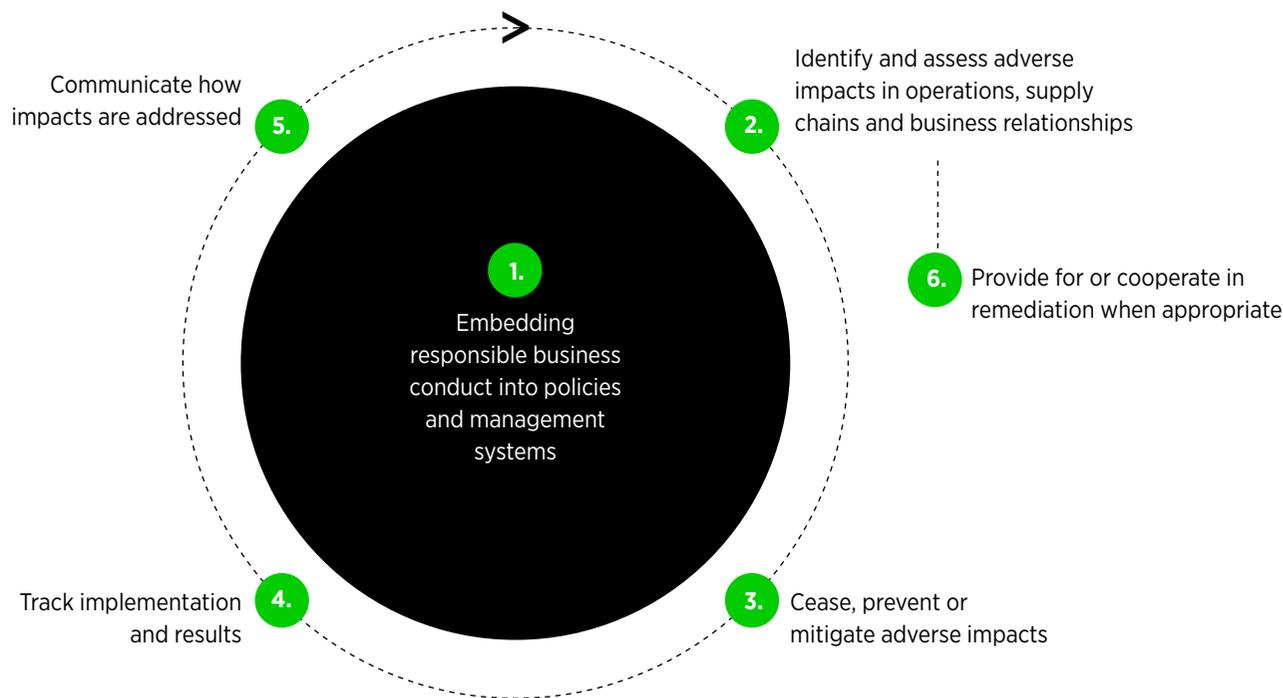
We do not provide additional incentives. We have a defined policy of providing supplementary incentives to Senior Executives beyond salary, the company's defined bonus scheme, and fixed employee benefits. Reward mechanisms such as salary evaluation and bonuses are directly linked to individual and financial performance. The bonus scheme for the group is linked to bottom-line growth and follows fixed principles that are evaluated annually. The assessment of the annual compensation ratio has been made in the parent company, Varner AS. Total salary growth includes real salary growth for all employees in the period, not total compensation.

The pension schemes are in accordance with local legislation in each country and do not differentiate between employee groups. The pension schemes are purely deposit schemes and entail no major risk. There is a commitment to safeguard a few agreements from previous acquisitions. These agreements are closed and do not provide an opportunity for others to join. The HR function manages this.

## Due diligence for responsible business conduct

Varner is an organisation rooted in the Nordics, yet our influence extends across continents due to our global value chains. Acknowledging the global reach of our business impacts, we recognise that we have an opportunity and a responsibility to contribute to social, environmental, and economic progress.

Guided by the due diligence process, we aim to identify, prevent, or mitigate our actual and potential adverse impacts, and account for how these have been addressed. Our approach to due diligence for responsible business conduct (RBC) is guided by the [OECD Guidelines for Multinational Enterprises, Guidance for Responsible Business Conduct and the Garment and Footwear Sector Guidance](#).



The OECD Guidelines for Multinational Enterprises cover a wide range of areas related to responsible business conduct, such as human rights, labour rights, environment, bribery, consumer interests, and disclosure. The Guidelines aim to encourage positive contributions to economic, environmental, and social progress while minimising adverse impacts associated with business operations. They also include implementation guidelines to ensure effective adherence.

As a company obligated by the Norwegian Transparency Act, we are legally required to conduct risk based due diligence assessments for human rights and decent work, adhering to the six steps of the OECD due diligence model. Varner will strategically enhance efforts to align with relevant sections of the updated guidance.

The due diligence framework has been strategically applied, placing a primary emphasis on preventing and mitigating actual and potential adverse impacts associated with our product value chain. This aligns with our recognition that this is the area where the risk of such impacts is most significant. A routine for the integration of due diligence within our organisation has been established. The Sustainability Steering Group, and particularly the Sustainability Department holds a key responsibility for applying this framework. Additionally, this approach guides and directs the efforts of both our Sustainability Steering Group and Sustainability Working Group when analysing impacts and setting strategies.

For a detailed insight into how human rights due diligence (HRDD) is applied in Varner and within our product value chain, see chapter Fair for All. Additionally, see chapter Circular and Climate conscious for in-depth information regarding our climate and environmental approach.

#### **The Norwegian Transparency Act**

In July 2022, the act came into force, mandating companies to conduct due diligence on human rights and decent work and subsequently publish an annual account of their assessments. This report serves as our account to the act, specifically detailed in chapter [Fair for all](#), providing insights about our due diligence assessments within the supply chain<sup>3</sup>.

3 Suppliers and upwards.

“ The due diligence framework has been strategically applied, placing a primary emphasis on preventing and mitigating actual and potential adverse impacts associated with our product value chain.



## Frameworks and commitments

Policies and guidelines play a pivotal role in shaping Varner’s dedication to responsible conduct. Our commitments to responsibility are embedded in a series of policy documents and guidelines, which are operationalised through a risk identification and management approach.

Members of the Sustainability Department are responsible for the development, maintenance, and implementation of policies on human rights, decent work, chemicals, environment, and climate. The policy development process involves consultation with both internal stakeholders and external specialists. Continuous evaluations for new policies or updates are drawn from due diligence assessments, industry insights, and evolving legal expectations. The Varner Top Management approves all policies.

### Social responsibility

Varner is committed to being a responsible employer, adhering to national and regional laws in operational and sourcing countries, and safeguarding human rights, including the right to decent work, for employees and workers in our supply chain. Central to this approach is the concept of due diligence for responsible business conduct, particularly focusing on human rights due diligence (HRDD).

#### Key policy documents<sup>4</sup>

- **Varner Code of Conduct:**  
The foundation for combining 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:**  
Sets out human rights due diligence as a key part of sourcing new business partners and markets for production.

<sup>4</sup> Find all public policies and statements [here](#).

Our HRDD approach is also informed by international frameworks such as:

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

While no new public policies relating to human rights and decent work were developed in 2024, the Supplier Code of Conduct underwent revision. Read more about how our policy commitments are communicated to our employees [here](#), and to business partners [here](#).

### Climate and environmental responsibility

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

With this ambition in mind, our climate and environmental commitments are aligned with our core values, future ambitions, internal and

external risk assessment, feedback from key stakeholders, as well as global industry action. In 2024, we launched a public environmental policy. It can be read in full [here](#).

Some of the key global standards 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](#)
- [Cascale's Higg Index](#)
- [WRI Aqueduct Water Risk Atlas](#)
- [WWF Water Risk Filter](#)
- [ZDHC Manufacturing Restricted Substances List and Wastewater Guidelines](#)

## Leveraging the Higg BRM for sustainability assessment

The Higg Brand & Retail Module (Higg BRM) serves as a valuable tool for assessing the overall sustainability performance of brands and retailers within the apparel, footwear, and textile industry. This standardized assessment methodology guides our sustainability journey by identifying key environmental, social, and governance (ESG) hotspots and opportunities for improvement across our global value chains.

## 2024 Higg BRM self-assessment and future engagement

In 2024, we actively participated in the Higg BRM process by completing a self-assessment for Varner based on the revised questionnaire published by Cascale, formerly the Sustainable Apparel Coalition. While we did not participate in the verification for the revised Higg BRM in 2024. The Higg BRM's well-designed ESG framework continues to provide us with valuable insights into key areas for improvement for our future sustainability work.

## Stakeholder engagement

We define our stakeholders as groups, entities, or individuals (internal and external) that may have a reasonable capacity to influence and impact Varner, or those who may be directly or indirectly affected by Varner. In 2022, our Sustainability Department identified and mapped these stakeholders, considering relevant arenas of interactions and key topics. The Sustainability Working Group and the Extended Sustainability Working Group were consulted in this process. There were no alterations made to this mapping in 2024.

We seek to cultivate meaningful stakeholder engagement by facilitating feedback and reporting team fostering two-way communication with relevant parties. This engagement focuses on our activities and their direct or indirect impacts on people, planet, and society. In these interactions, we aim to be transparent and to consider and incorporate the diverse perspectives of our stakeholders in our decisions and strategies. Throughout the year, these engagements occur in various arenas.

Stakeholder groups	
<p><b>Customers and consumers</b> Product safety and quality, workers’ rights and human rights, traceability, climate action, material sustainability, circular economy, and sustainable supply chain.</p> <p><b>Arena of interaction</b> Physical and online stores, customer service and social media channels.</p>	<p><b>Governmental authorities</b> Workers’ rights and human rights, climate.</p> <p><b>Arena of interaction</b> Meetings, information requests, annual reporting, and public efforts.</p>
<p><b>Non-governmental organisations (NGOs), advocacy, and interest groups</b> Transparency, traceability, workers’ rights and human rights, diversity and equal opportunity, material sustainability, circular economy, and climate action.</p> <p><b>Arena of interaction</b> Multi-stakeholder platforms, conferences, and seminars.</p>	<p><b>Owners and Top Management</b> Workers’ rights and human rights, traceability, transparency, sustainable supply chain, climate action, material sustainability and traceability.</p> <p><b>Arena of interaction</b> Board of Directors, meetings, and annual reporting.</p>
<p><b>Suppliers</b> Workers’ rights and human rights, traceability, transparency, material sustainability, product quality and safety, supply chain sustainability, climate action, chemical and pollution management, diversity, and equal opportunity.</p> <p><b>Arena of interaction</b> Meetings, trainings, annual supplier survey, letters, audits, and assessment activities.</p>	<p><b>Varner employees</b> Transparency, product safety and quality, workers’ rights and human rights, community engagement, responsible employer, employee competence building, climate action, material sustainability, traceability, chemical and pollution management, anti-corruption, and anti-bribery.</p> <p><b>Arena of interaction</b> Trainings, newsletters, employee surveys, working environment and committee meetings.</p>
<p><b>Supply chain workers</b> Workers’ rights and human rights, diversity and equal opportunity and climate action.</p> <p><b>Arena of interaction</b> Interviews, audits, trainings, grievance channels and programs.</p>	<p><b>Media</b> Workers’ rights and human rights, traceability and transparency.</p> <p><b>Arena of interaction</b> Press contact, customer service and sustainability email.</p>
<p><b>Research communities and academia</b> Workers’ rights and human rights, chemical and pollution management.</p> <p><b>Arena of interaction</b> Interviews Seminars Meetings.</p>	<p><b>Local communities</b> Community engagement, circular economy and equal opportunities.</p> <p><b>Arena of interaction</b> Charity organisations, sponsorships, donations and programs.</p>
<p><b>Business peers and industry organisations</b> Climate action, sustainable supply chain, industry collaboration, traceability, circular economy, workers’ rights and human rights, biodiversity, chemical and pollution, diversity and equal opportunities, anti-corruption and anti-bribery, transparency, material sustainability and industry collaboration.</p> <p><b>Arena of interaction</b> Multi-stakeholder platforms, sustainability forums, projects, partnerships and network organisations, meetings, seminars and conferences.</p>	

## Risk assessment

Annual risk assessment is an integral part of Varner’s due diligence process, and it is guided by the OECD Due Diligence Guidance. This assessment provides insights into actual and potential risks related to human rights, decent work and environmental impacts associated with Varner’s value chain. The findings form the basis for our continued due diligence efforts. In-depth assessments are conducted throughout the year for prioritized areas, with findings contributing to the annual cycle. Additional risk assessments are performed under specific circumstances:

- Significant changes occur in the risk profile of countries, raw materials, products, or other relevant aspects of our operations and supply chain.
- Varner enters a new market for operation or production not covered by the annual risk assessment.
- New materials, product categories or production methods are introduced.

The Sustainability Department coordinates the assessment across six risk streams: sector risk, geographic risk (environmental and social), business and sourcing model risk, product use and end-of-life risk. Various sources, such as the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, the ETI (Ethical Trading Initiative) Norway Salient Risk Tool, the Environmental Performance Index (EPI), Cascale’s Higg Facility Environmental Module (Higg FEM), and the Textile Exchange Material Summaries, among other sources, are used for these assessments.

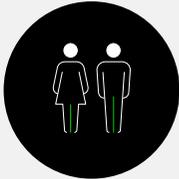
The output is a comprehensive list with actual and potential adverse impacts, grouped into broader impact categories.

The next step involves evaluating the significance of each impact group by assessing severity and likelihood. The severity considers the scale (how grave the impact is), scope (how widespread the impact is), and the irremediability (how challenging it is to counteract) of the impact, guided by the UN Guiding Principles for Reporting and the concept of saliency. Likelihood is assessed based on existing Varner policies, protocols, and business practices. Each impact group is scored on a scale from 1–5 for both severity and likelihood separately, with the scores multiplied to calculate the final risk score. A higher score indicates greater significance. Additionally, Varner’s level of involvement in each impact group is determined, assessing whether Varner could or has caused, contributed, or is directly linked to the impact through operations, products, or business relationships.

The level of involvement determines the appropriate response or action.

Stakeholder engagement is integral to this process. Internal stakeholders participating include representatives from Quality Assurance, Environment, CSR, Sourcing, Global Production, the Global Production Offices, and the Sustainability Working Group. External stakeholders consulted includesuppliers, representatives from multistakeholder initiatives, and membership organisations.

**Prioritised impacts for continued due diligence efforts**

 <p>Greenhouse Gas Emissions and Global Warming</p> <p>Water Pollution</p> <p>Hazardous Chemicals</p> <p>Water Consumption and Water Stress</p> <p>Soil Health</p> <p>Deforestation</p>	 <p>Child Labour</p> <p>Health and Safety</p> <p>Freedom of Association and Collective Bargaining</p> <p>Forced Labour</p> <p>Discrimination and Gender</p> <p>Wages and Benefits</p> <p>Government Influence</p> <p>Harassment</p> <p>Conflicts and Security</p>
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In addition to the prioritised impacts, the assessment also identified the following impact areas: microplastic pollution, corruption, regular work, species biodiversity loss, working time, land conversion, non-compliance with laws and regulations, animal cruelty, air pollution, land and property rights and taxation.

Further information on how the identified impacts is managed can be found in chapters Fair for All and Circular and Climate conscious.

Read more about our external brand and indirect spend risk assessments [here](#).



## Materiality

Understanding the sustainability topics most pertinent both to our stakeholders and our business constitutes a fundamental aspect of our sustainability journey. Through our annual materiality assessment, we identify and prioritise our most significant impacts on the economy, environment, and people, including human rights. This comprehensive materiality assessment aligns with the GRI standard and is guided by relevant frameworks and sustainability topics associated with our industry. The assessment builds on three key activities: Our annual risk assessment, stakeholder engagement and continuous due diligence processes. These enable us to assess and prioritise our most significant impacts, ensuring that our sustainability efforts are well-informed and targeted.

Our approach to determine material topics:

- 1. Risk assessment and identification of impacts** The mapping of actual and potential impacts draws input from various sources and processes, encompassing different streams of economic, social, and environmental risk. Identified impacts are categorised into broader impact groups.
- 2. Assessment of significance of impacts** Assessing the significance of each identified material topic involves evaluating both its severity and likelihood of occurrence. Based on these indicators, each impact group is assigned a score, with a higher score indicating a greater significance.
- 3. Prioritisation** Material topics are prioritised in our materiality matrix. In this matrix, the Y axis signifies stakeholder expectations, while the X axis represents significant impacts on the planet and society. The placement of each material topic results from step one and two, during which relevant internal and external stakeholders are consulted for feedback. Topics positioned in the boxes reflecting high expectations and impacts are deemed material for reporting. The list of material topics undergoes review and approval by the Sustainability Steering Group.

For our stakeholder engagement, Varner sought feedback from both internal and external stakeholders. Internally, Top Management provided input. Externally, we engaged with suppliers, multistakeholder initiatives, and gathered insights from customer queries.

There were no changes made to the materiality matrix for 2024.





## Transparency and communication

Engaging with customers and stakeholders has always been important for Varner. In the evolving landscape of business, transparency is becoming increasingly vital and the demands for public disclosure are on the rise. Our commitment is to foster openness and communicate our sustainability journey, including the risks and opportunities linked to our actual and potential impacts on the planet and the society.

Our primary platform for public communication is Varner.com, where policies, statements, and Varner’s Sustainability Reports are available. Through our annual Sustainability Reporting, we aim to maintain transparency about our due diligence assessments, progress, accomplishments, and the challenges we face. In 2023 we reported in accordance with GRI standards, and it had an independent moderate assurance. The 2024 report is prepared with reference to GRI standards. The lighter reporting requirements will allow us time necessary to transition towards an expanded scope of reporting as per CSRD in the coming reporting cycles.

As a member of Ethical Trade Norway (ETN) Varner reports annually about Responsible Business Practice, which we have done since 2003<sup>5</sup>. Ethical Trade Norway reviews the reporting annually, offering valuable feedback and suggestions for continuous improvements. In a commitment to transparency, Varner aligns with the Transparency Pledge and publishes our factory list twice per year at [Varner.com](https://www.varner.com) and [Opensupplyhub.com](https://www.opensupplyhub.com).

We actively interact with stakeholders across various platforms, including industry forums, seminars, roundtables, and other arenas to share experiences and insights related to sustainability and due diligence. For instance, in 2024, members from our Sustainability Department actively engaged in a working

group hosted by the Scandinavian Initiative for Climate Action (STICA). This collaborative effort involved 40 other textile brands and aimed to enhance transparency and credibility in climate reporting within the industry.

Our local presence in our key production markets further enhances our ability to connect with various stakeholders on the ground, especially factory workers and management. We also actively seek advice and feedback from our supply chain partners through our annual supplier survey.

Beyond the customer service channels for each of our brands, individuals with inquiries about sustainability and responsible business conduct can contact our Sustainability Department at [sustainability@varner.com](mailto:sustainability@varner.com). Since the Norwegian Transparency Act took effect in July 2022, we are legally obligated to address questions regarding our human rights and decent work due diligence activities. This includes general information about our company or specific details regarding a product or service offered by Varner.

In 2024, we received 1623 queries to our sustainability email related to sustainability or due diligence. 1459 of them were related to the Fossil Fashion Campaign, which aims to highlight and address the fashion industry’s heavy reliance on fossil fuels.

5 Since 2020, our Sustainability Reports have been used for this purpose.



The campaign included a feature that allowed people to easily engage and sign a petition. Varner was one of the brands in the campaign that automatically received these queries.

The 164 other questions came from customers, students, NGOs, journalists, and others. Topics covered circularity, human rights, workers' rights, chemicals, environment and climate, transparency, traceability, certifications, product quality and animal welfare. Additionally, both employees and suppliers can raise concerns about our business conduct at [whistlesystem](#).

## Main goals and status

28

The [United Nations Sustainable Development Goals](#) (SDGs) offer a comprehensive framework for collaborative efforts to address global challenges. As an integral part of our sustainability journey, we have established 17 sustainability goals across our three sustainability pillars. These goals direct our focus toward key sustainability issues and contribute to the aspirations of the SDGs: 5. Gender equality, 8. Decent work and economic growth, 10. Reduced inequalities, Responsible consumption and production, Climate action and 17. Partnership for the goals.

## Sustainability goals

### Fair for all



**Goal** Human Rights Due Diligence for Responsible Business Conduct is carried out actively on an ongoing basis in accordance with recognized frameworks.

**Timeframe** Continuous

**Status** Human Rights Due Diligence (HRDD) in Varner has been further developed with particular focus on meeting requirements of the Norwegian Transparency Act.

**Goal** The Varner Supplier Code of Conduct is a part of all product supplier agreements.

**Timeframe** Continuous

**Status** Own production: 100%.

**Goal** Protect and promote decent work and human rights in the supply chain, with particular focus on those facing barriers in accessing their rights.

**Timeframe** Continuous

**Status** See [Responsible supply chain management](#) for information about activities and efforts in the reporting year.

**Goal** All workers at approved factories have access to effective complaint and grievance channels.

**Timeframe** 2030

**Status** All factories are required to establish internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly. Four breaches to these requirements were unresolved by the end of 2024. 1,5% of all approved factories were identified to have one or more breaches related to improper implementation of grievance mechanisms (down from 2% in 2023).

We have continued our support for alternate channels for grievances in 2024. See more under the [Grievances and remediation in the supply chain chapter](#).

**Goal** Fair worker representation at all key suppliers enabling workers to take an active part in workplace processes.

**Timeframe** 2025

**Status** All direct partner factories are required to ensure fair worker representation. As per end of 2024 we had identified breaches or gaps in fair worker representation in 6% of factories in the Varner product supply chain (down from 13% in 2023).

By the end of 2024 trade unions were established at 23% of factories in the product supply chain (up from 20% in 2023).

See more under the [Worker representation and freedom of association chapter](#).

## Sustainability goals

### Circular and Climate Conscious



**Goal** 100% of all textiles are made with Preferred Fibres.

**Status** 84% in 2024.

**Timeframe** 2025

**Goal** 100% certified and traceable animal fibres by 2030.

**Status** 100% of down is certified to the Responsible Down Standard. 73% of wool is certified to the Responsible Wool Standard.

**Timeframe** 2030

**Goal** All products are fully traceable by 2030. Main materials shall have a known and verified origin, all supply chains shall be transparent and identified.

**Status** 63% of produced pieces and 63% of all styles contain traceable fibres but are not yet fully transparent to us.

**Timeframe** 2030

**Goal** Establish an environmental performance management system for all product suppliers of own brands.

**Status**

1) In 2024, direct tier 1 factories representing 98% of our total order value completed the Higg Facility Environmental Module (FEM2023) self-assessment.  
2) Factories within the same scope, representing 80% of our order value, completed third-party verification of FEM2023.

See [Evaluating supply chain performance chapter](#) for more information.

**Timeframe** 2025

**Goal** 50% absolute reduction in Scope 1 and 2 emissions by 2030 from 2019 levels.

**Status**

1) Our absolute Scope 1 and 2 emissions increased by 20.64% in 2024 compared to 2019.  
2) In 2024, we completed our energy efficiency project in 85 stores across Norway, Sweden, and Finland.

See [Overview of our footprint chapter](#) for more information.

**Timeframe** 2030

**Goal** 55% reduction in Scope 3 emissions per million NOK annual revenue by 2030 from 2019 levels.

**Status**

1) Our Scope 3 emissions per million NOK revenue reduced by 5% in 2024 compared to 2019 levels.  
2) Our absolute Scope 3 emissions increased by 1.57% during the same period.  
See [Climate action chapter](#) for more information.

**Timeframe** 2030

## Sustainability goals

**Goal** Enable beyond compliance chemical management practices in our apparel and footwear manufacturing.

**Timeframe** 2030

**Status**

- 1) To protect the environment and human health, we have implemented a general ban on chemical substances in production that are proven to be hazardous and difficult to manage properly, including fluor-chemicals, biocides, and flame retardants.
- 2) 68% tier1 and tier2 wet-processing factories conducted wastewater test as per ZDHC guidelines.
- 3) 63% tier1 and tier2 wet-processing factories assessed their chemical inventory through ZDHC InCheck assessment.

See [Chemical management chapter](#) for more information.

**Goal** 100% of unsold and unsellable products are put into channels for reuse/recycling/upcycling/repurposing.

**Timeframe** 2030

**Status** 99.49% were put into channels for reuse/recycling/upcycling/repurposing.

**Goal** 100% Preferred product packaging.

**Timeframe** 2030

**Status** Labels and tags: 100% of paper materials are FSC certified, including 27% of FSC recycled material. 95% of all woven labels were made with recycled materials. 100% of our paper shopping bags are FSC certified. 100% of our plastic shopping bags are made from post-consumer recycled plastic.

**Goal** 30% of textile waste from production facilities is put into channels for recycling or repurposing.

**Timeframe** 2030

**Status** Conducted a pilot project. See the [Textiles and textile waste section](#) for more details.

### Engage the consumer



**Goal** Actively and correctly mention sustainable attributes of products in-store, online and in various media channels.

**Timeframe** 2030

**Status** On-track.

### Across all pillars



**Goal** 100% of our external brand suppliers are assessed and evaluated on their sustainability performance.

**Timeframe** 2030

**Status** 97% of our portfolio has been assessed and evaluated.

# Initiatives at a glance



# Fair for all

**People are our most important asset.** We are committed to being a responsible employer and business actor. This involves striving to be a preferred employer, fostering an inclusive and inspiring workplace for all employees, and respecting and promoting human rights and decent work across our value chain

**84%**

Of Varner leaders are female

**51%**

Of all Varner employees are under 25 years old

**3 223**

Workers in the supply chain were interviewed about their conditions at work

## Responsible supply chain management

Varner acknowledges both an opportunity and a responsibility to respect and promote human rights and decent work across our supply chain. While not owning production facilities, Varner collaborates with selected suppliers and factories. Given that several of our production countries pose high risks of human rights and decent work violations, we are committed to maintaining a consistent approach to assess, address, and remedy our impact on people, prioritising the most significant issues. Varner employees in our Global Production Offices work closely with our suppliers, providing support for improvements through diverse activities and programs. Emphasizing transparency and fostering collaboration in our supplier relationships is essential, as it forms the foundation for creating positive impacts.

Our key production markets are Bangladesh, China, Türkiye, India, Pakistan, Vietnam and Italy. Access the complete list of factories used for our production [here](#).

### Key measures to identify and address the risk of negative impacts.

- Supplier qualification criteria, screening and assessment of performance related to human rights and decent work before initiation of cooperation.
- Contract terms including human rights and labour conditions.
- Improvement and remediation activities to close gaps towards our requirements and capacity building activities to facilitate further improvements.
- Continuous tracking and follow-up of activities and actions, monitoring their impacts.
- Communication and dialogue with relevant stakeholders on identified risk, measures taken and strategies to address them jointly.

<b>Approved direct suppliers</b>	113
<b>Approved tier 1 factories<sup>6</sup></b>	228
<b>Approved tier 2 factories<sup>7</sup></b>	45
<b>Number of workers<sup>8</sup></b>	302 901 <sup>9</sup>

6 Includes both tier 1A (176) with processes such as cutting, sewing, finishing, and packaging and tier 1B (52) factories with processes such as printing and embroidery.

7 Tier 2 includes processes such as knitting, weaving, fabric dyeing and washing.

8 The number is 273885 for tier 1 factories (1A and 1B).

9 45,19% men and 54,81% women.



“ Specialized local staff enable us to cultivate stronger partnership with our suppliers and address issues more effectively.

The following sections primarily cover the supply chain and production partners for Varner’s own products. Read more about external brands and indirect spend due diligence [here](#).

### Supplier Code of Conduct

The [Supplier Code of Conduct](#) outlines our expectations of ethical and compliant business practices, including labour conditions and human rights. The code is an integral part of the Varner Supplier Manual, which is included in the contractual terms signed by all suppliers. Within the manual, specific guidelines cover different areas, including chemicals, product testing, product safety, labelling, certifications, environmental management, animal welfare and traceability. Additionally, it informs about the grievance channel providing a mechanism

to address issues of misconduct or breaches of terms. The document is revised annually in May, with last revision May 2024, with updates on the topic of safety in chemical handling as well as on topics related to environmental management.

In 2024, eight new suppliers were approved, and all of them (100%) have signed and committed to adhere to the Varner Supplier Manual, including the Code of Conduct.

### Local presence

Varner has six production offices in our primary sourcing markets. Specialized local staff enable us to cultivate stronger partnerships with our suppliers and address issues more effectively. Each office has human rights and labour condition specialists (CSR Specialists) who closely collaborate with

our suppliers and factories, promptly responding to any emerging concerns. Local staff help overcome potential language and cultural barriers and facilitate regular on-site visits to factories, fostering direct communication with both managers and workers. While Varner allows the use of approved subcontractors<sup>10</sup>, our focus is on preventing unauthorized outsourcing to non-approved factories. For this, our local presence plays a pivotal role. In 2024, we identified two cases of unauthorized subcontracting. Both cases were handled in accordance with established procedures.

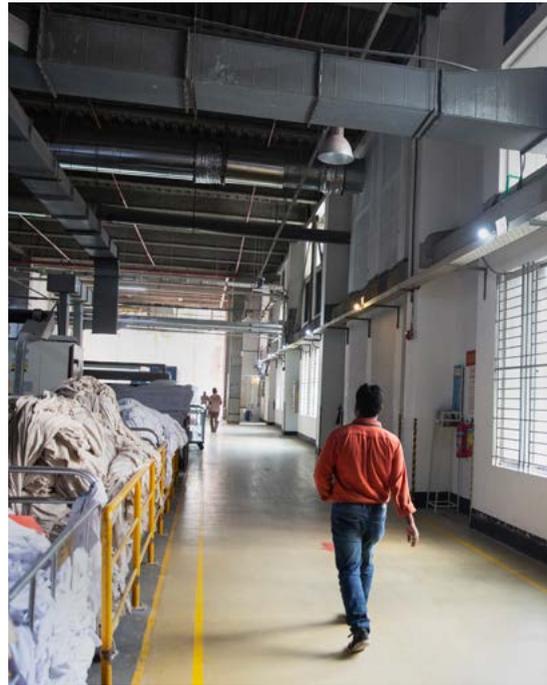
<sup>10</sup> Approved subcontractors have been screened and are followed-up in the same way as our other factories. Where number of factories used is mentioned in the report, these are included.

Having local expert staff in areas of social sustainability and due diligence is crucial for Varner. All new hires in such positions are required to have previous experience and competence in this field. All team members have completed the trainings "Due Diligence for Responsible Business Conduct" and "Responsible Supply Chains in the Textile and Footwear Sector". Both trainings are under the OECD Academy. Training and experience sharing sessions and workshops are conducted regularly to enhance and update the internal knowledge about decent work and human rights.

### Capacity building and training

As part of our onboarding process, our local CSR Specialists conduct meetings with all new suppliers to review the contents of the Code of Conduct and expectations outlined in the Supplier Manual. They also cover expectations for the implementation and how to cooperate on potential issues related to decent work and human rights. The advantage of having local representatives is that these sessions are customised to the local context and specific challenges of the country. While both documents are in English, our specialists are well equipped to assist suppliers in need of clarification or translations. In 2024, we had 29 onboarding sessions for new suppliers and factories.

Capacity building and training are key measures for fostering development and maintaining effective due diligence systems. Therefore, we regularly provide training on labour conditions and human rights issues to suppliers and factories. These sessions are primarily facilitated by our local CSR Specialists, occasionally with input



and participation from external experts and partner organisations. The focus of the training is tailored to meet the needs and identified risks at the specific suppliers or factories in question.

We completed seminars for suppliers on CSR related topics in China, India, and Türkiye with a total of 237 participants in 2024. These seminars are held on a regular basis in the key production countries. The focus of the seminars are issues and impact areas of relevance in the given country, information about updates in Varner requirements or routines, and updates about national and international laws, regulations and guidelines relating to decent work and human rights.

Several other trainings for suppliers and factories have also been held throughout the year on various topics related to decent work. Raising awareness among workers about their rights and responsibilities, and in particular, the right to organise and worker representation at the workplace, is an essential part of our approach. We have maintained our program to evaluate training systems at factories used by Varner in Bangladesh. The program was initiated in 2021 and implemented by our local CSR Specialists. The purpose is to ensure that all workers receive sufficient training on decent work and rights at work. The evaluations are based on reviews of training materials, assessments of trainer competence, conducting interviews with workers and observations of trainings being held. For factories where gaps are identified, improvement plans are established and followed up by the CSR Specialists. Initial assessments were conducted at two factories in 2024, and follow-up assessments were conducted at nine factories where gaps had previously been identified in the training systems. In total, 42 factories (Tier 1A) have gone through the program.

The training system evaluation program (mentioned above) has revealed that many factories face challenges such as having insufficient internal systems to track training, inadequate trainer competence, and a varying quality of training material. To address these issues, we organised a series of Train the Trainer (TOT) workshops with relevant factories, aiming to strengthen training capabilities in the factories, give guidance on effective ways of cascading training through a TOT approach, and share knowledge and experience about how workers

can be equipped with knowledge about rights at work. Ethical Trading Initiative Bangladesh was commissioned to execute the workshops. Course material and a TOT handbook was provided to all participants. Three batches of training were completed in 2024 with 60 attendees from 24 different factories. In 2025, a refresher session will be organised for 60 participants to revisit key learnings from the previous workshop and assess their implementation at the factory level. This session will provide an opportunity for participants to share their experiences, challenges, and best practices. Additionally, further follow-ups will be conducted to ensure continuous improvement and effective application of the guidance provided.

In Bangladesh, we also implemented targeted capacity-building initiatives with two key suppliers based on gaps identified in our internal assessments, related to awareness of legal rights, wages and benefits and inappropriate behavior by mid-level management. A total of 1,225 workers and 43 mid-level managers participated. Other examples of capacity building and training in the supply chain in 2024 include training on grievance management systems in Bangladesh (3 suppliers, 225 participants), social security awareness training in Pakistan (1 supplier, 773 participants) and supervisor training in India (6 suppliers, 210 participants).

### **Purchasing practice**

Varner takes pride in designing and developing our products in-house. However, as we cooperate with selected suppliers for the manufacturing of these, our role is a buyer of ready-made

“ We recognise our sourcing and purchasing practices can significantly impact.

garments. We recognise our sourcing and purchasing practices can significantly impact the environment, society, and people, especially concerning wages and working hours for factory workers. To prevent negative impacts, we prioritize fostering strong relationships with our business partners, incorporating more responsible sourcing, and purchasing practices, and enhancing awareness within our organisation. Our ambition is to be a responsible business actor and to not impede the ability of our suppliers to fulfil the contents of our Supplier Code of Conduct.

### **Our approach**

Human and labour rights due diligence is an integral part of our sourcing strategy and is embedded in Varner’s Responsible Sourcing Policy. This policy outlines our approach to assessing new potential suppliers, factories, or markets, as well as our procedure for phasing out suppliers.

We aim to establish stable and long-term partnerships and avoid short term cooperation, to foster positive impacts and incentivize developments in our suppliers. On average, we have cooperated with our suppliers for 8 years. Our Supplier Code of Conduct includes

a section on purchasing practices, detailing how suppliers can reach out to Varner and raise issues about breaches of the code due to our purchasing practices or business decisions. All issues raised will be responded to and followed up in a constructive manner. Consolidating our supplier portfolio is a key measure to increase our leverage and ability to facilitate developments. Integral to this strategy is the ambition to collaborate directly with producers and factories rather than intermediaries. This enables stronger collaborations for more responsible business practices and improvements for identified issues.

In 2023, we launched internal pilot training programs to raise awareness among relevant employees regarding more responsible purchasing practices, and open costing workshops were completed for all Buying Departments. These trainings continued in 2024 and are conducted by representatives of our Sourcing and Sustainability Department. Five sessions of Responsible Purchasing Practices trainings took place, covering 106 employees from the Buying Departments. Open costing workshops were also continued in 2024.

Our purchasing process is formalized in the internal Varner Production Guideline, serving as a structured guide for all steps from order planning to production and order delivery. While not directly designed as a tool to ensure responsible purchasing practices, it provides clarity on the steps to be taken, by whom, and when, ensuring good communication and a more predictable process. Varner payment terms are standardized at 30 days net from Bill of Lading (B/L).

## Supplier surveys and evaluation of the supplier portfolio

Varner invites all suppliers to participate in an annual (anonymous) supplier survey. The purpose is to encourage open and honest feedback regarding our purchasing practices and business conduct. The survey covers various metrics, including purchasing planning, forecasting, order specifications, negotiations, pricing, lead times, order changes, cancellations, and other sustainability factors. The development of the survey was guided by The Better Buying Purchasing Index<sup>11</sup>, with most questions aligned with their questionnaire.

In 2024 79% of our suppliers actively participated in the survey giving us positive feedback on most aspects and helping us identifying improvements areas. We have continued working on the identified improvement areas from 2023; the need for better communication regarding changes to the purchasing plan, tech packs and product specification, as we see that the score from the Supplier survey for 2024 has not improved. After the survey was conducted in May, we have had meetings with all buyers to present the feedback from suppliers. We have focused on conducting the Responsible Purchasing Practise training and open costing workshops during autumn to target these specific areas.

Additionally, we conduct an annual integrated supplier evaluation, assessing suppliers based

“ We use a wide selection of tools and resources to stay updated on country and regional risks.

on Code of Conduct performance along with other quality, business, and environmental criteria. The outcomes inform our supplier strategy, highlighting preferred suppliers and influencing order distribution. We share these results with suppliers, to encourage further improvements and direct orders towards high-performing suppliers. New for 2024 was the supplier award ceremony that was held during one of the supplier weeks at the Service Office. In this ceremony we awarded the suppliers with the best performance in our annual supplier evaluation, including best CSR score, best Environment score in addition to more business-related categories. With this approach, we aim to incentivise lower-scoring suppliers to prioritise improvements.

## Supply chain risk

Risk assessment is an important part of our due diligence process. In the following sections risk assessment with a focus on decent work and human rights<sup>12</sup> in the product supply chain will be in focus. This is a part of and an extension of the risk assessment process.

Risk is being mapped with a special focus on our supply chain, considering regional and country risk, risk related to supply chain partners and their subsidiaries and subcontractors, and with a focus on the different types of raw materials and manufacturing processes. The risk assessment activities in the following sections are focused both on actual adverse impacts and the risks of adverse impacts.

## Mapping risk on country and region level

All countries and regions used for production are assessed for the risk of adverse impact on decent work and human rights. These risk assessments inform the approach we adopt towards our supply chain partners in the various regions and our measures to prevent and mitigate identified potential and actual risks.

We use a wide selection of tools and resources to stay updated on country and regional risks. In addition, we participate in meetings and consultations with NGOs and multi-stakeholder initiatives (MSIs) as well as industry platforms to stay up to date on trends and movements related to the different markets and risk areas. National legislation and regulations in production countries are continuously monitored for changes that could impact decent work and human rights. There is also a continuous dialogue with business partners and workers to understand the situation on the ground and in each company. 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. In

<sup>11</sup> Though using the index as an inspiration, Varner has not participated in the actual Better Buying Purchasing Index.

<sup>12</sup> Termed worker's rights and human rights in the materiality index.

In addition, we utilize the Ethical Trade Norway Salient Risk Tool and the MVO Risk Checker to identify risk related to social aspects.

Key identified changes and updates in regional risks in 2024:

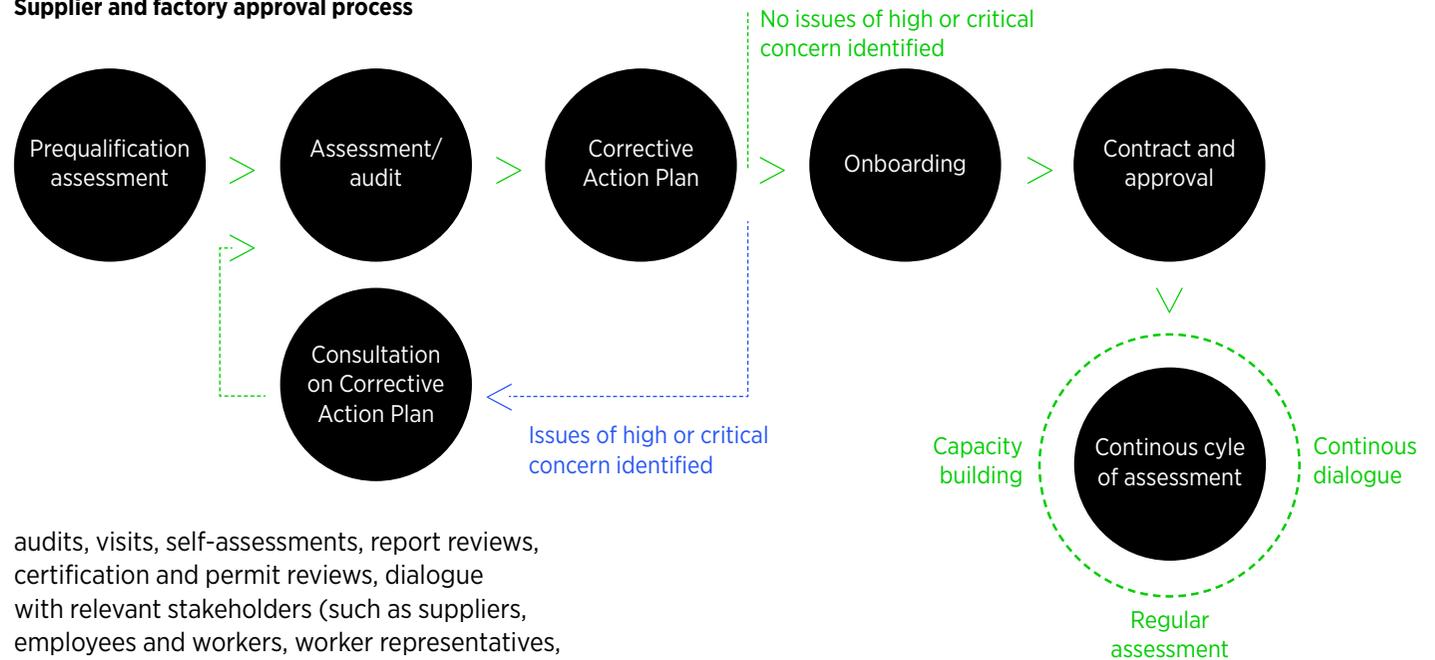
- Continued inflation and financial instability in Türkiye, Bangladesh, and other countries.
- Political instability in Bangladesh.
- New minimum wage with an updated wage structure in the readymade garment sector in Bangladesh and Türkiye.
- The war in Ukraine and its continued direct and indirect impacts.
- Increase in migrant workers in Tamil Nadu, India.

We have an established procedure for the evaluation of new sourcing markets (markets for production), which includes assessments of labour and human rights risk alongside assessments of environmental aspects and business elements. The assessments include analysis of legal/regulatory frameworks against the Varner Supplier Code of Conduct, consultation with relevant stakeholders, and research on sectoral risks in the country. One new market for direct sourcing was assessed in 2024, Romania.

### Mapping risks in the supply chain

The process to assess and map risk in the product supply chain includes various activities, measures, tools, and resources. These include

### Supplier and factory approval process

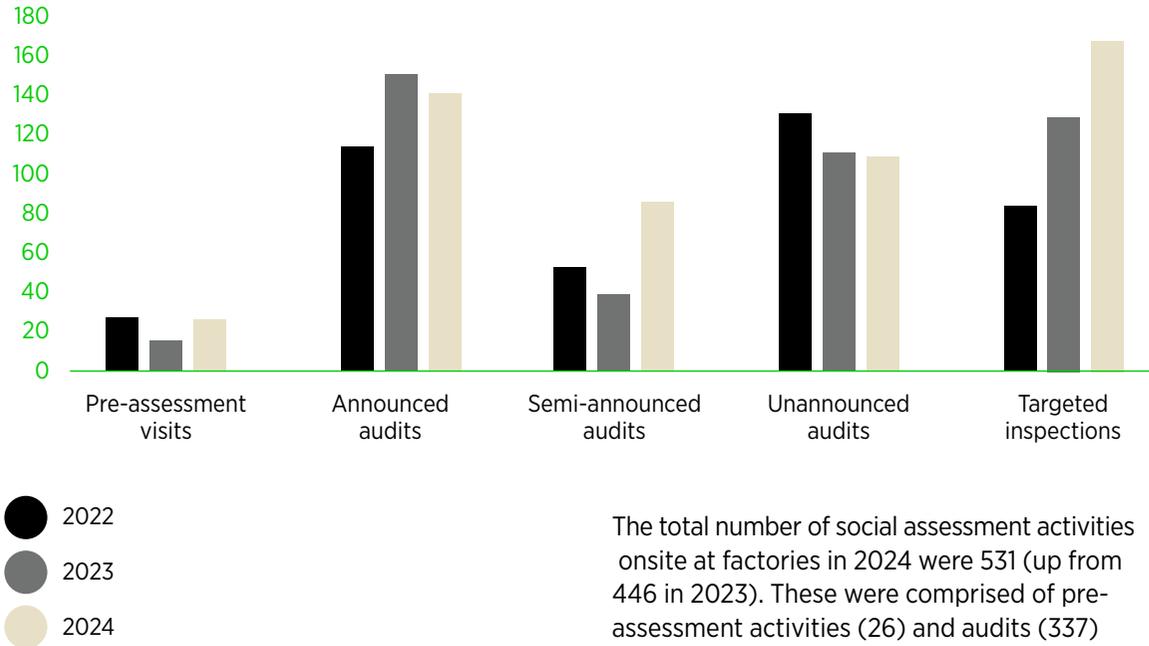


audits, visits, self-assessments, report reviews, certification and permit reviews, dialogue with relevant stakeholders (such as suppliers, employees and workers, worker representatives, NGOs) and consultation with expert organisations.

All new factories are assessed and audited before business can be started or any orders can be placed. Where significant issues of non-compliance are identified with regards to Varner requirements and expectations, these must be resolved before approval is granted. Once approved, the factory unit will be established and opened in our purchasing system, allowing the factory to be used for production. For existing factories audits are carried out in cycles where initial audits are done once per every two years and follow up assessments done based on the identified risk profile for each individual manufacturing unit. Factories with a higher risk of breaches to our requirements will have follow-up assessments more frequently than those with a lower risk of breaches. Read more about assessments done related to environment and climate [here](#).

New suppliers and factories screened		
Year	% of new suppliers and factories screened as per Varner social requirements	% of screened factories not traded with because of the screening
2022	100%	12%
2023	100%	8%
2024	100%	12%

**Onsite assessment activities at factories**



“ The total number of social assessment activities onsite at factories in 2024 were 531.

The total number of social assessment activities onsite at factories in 2024 were 531 (up from 446 in 2023). These were comprised of pre-assessment activities (26) and audits (337) by Varner CSR Specialists, while the targeted inspections (168) which relate to engineering inspections of the structural, electrical and fire safety under the Accord programme are performed by engineers from RSC<sup>13</sup>. No full assessments were made off-site from factory premises, but seven off-site interviews were conducted. This approach is used when, for various reasons, the information obtained at the factory premises is not sufficient to uncover or understand challenges related to the factory.

The assessments generally include the following elements:

- An opening meeting is used to obtain important information and updates about the factory and to set out the scope and expectations for the assessment.
- A factory tour includes review and observation of all parts of the facility, its layout, machinery, equipment, exteriors, and interiors.
- Interviews are held with both workers and management. A sample of the workforce is selected for interviews based on occupation, type of employment, length of employment, and other information obtained through the factory tour and the document review. An elected worker representative or member of the labour union is always interviewed as a part of the assessment.
- Documents such as official approvals, certificates, and permits, and those relating to the workplace practices are reviewed.
- A closing meeting is held to go through the findings of the assessment and to establish a common understanding of identified gaps or issues in need of improvement.

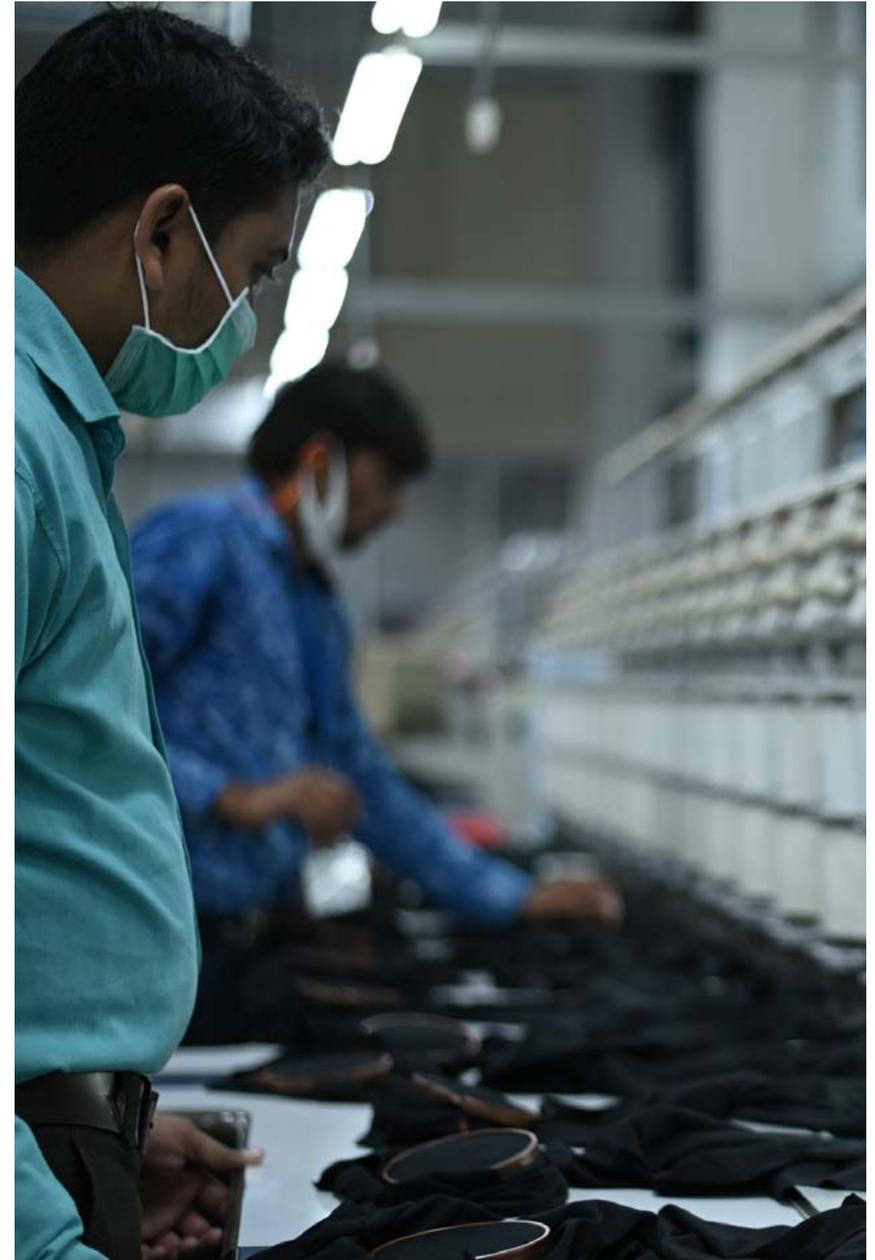
13 More information about these inspections in the section about fire and building safety.

Dialogue with workers and management at the factories is an important part of the assessment process. In 2024 we interviewed 3223 workers about their situation at the workplace. This is up from 3027 interviews in 2023. In general, the interviews take place in an isolated space on-site at the factory. On-site interviews are occasionally followed up with phone calls. Interviews with workers are held both individually and in groups.

In addition to regular assessment activities, CSR Specialists conduct both announced and unannounced onsite visits. Such visits are conducted to monitor specific concerns or to follow-up on issues outside the context of a full (and more formalized) assessment activity. 64 announced and 11 unannounced visits were made at factories for purposes related to decent work and human rights. Furthermore, 4 nighttime visits to factories were conducted in 2024.

Self-assessments were an important tool during the pandemic period and were used extensively to replace or compensate for the inability to be onsite at the facilities. This method has largely been replaced by onsite activities since 2022, and during 2024 the number of self-assessments was limited to 23 (down from 28 in 2023). Self-assessments are primarily used to obtain basic information (and updates) from factories.

Our own assessments remain our primary tool to assess social elements and labour conditions at partner factories, but as a member of Cascale, we also encourage our suppliers to complete the Higg Facility Social and Labour Module (FSLM)<sup>14</sup>. The Higg FSLM is based on the Social and Labour Convergence Program (SLCP) assessment tool and the same Converged Assessment Framework (CAF) is being used.<sup>15</sup> The CAF includes a Data Collection Tool, a verification methodology, and a series of guidance documents. The framework is based on an approach where the factory does a comprehensive self-assessment against specific requirements and can then also get the assessment verified by an independent and approved verifier. 74 of Varner's approved factories have been assessed by using the Higg FSLM during 2024. 70 of these assessments have been verified by an accredited third-party organisation.



<sup>14</sup> <https://howtohigg.org/fslm-user-selection/fslm-facility-users-landing/an-introduction-to-fslm/>

<sup>15</sup> [SAC-SLCP-FSLM-Comparison-FINAL.pdf](#)

To complement the regular assessment activities, and the ongoing supplier and worker dialogue, we engage actively with stakeholders such as industry associations, expert organisations, labour representatives, NGOs, multi-stakeholder platforms, brand and retailer representatives and other relevant stakeholders. The purpose of these interactions is to share and obtain information, explore joint focus and cooperation, and to increase knowledge and insight into relevant aspects of business and human rights.

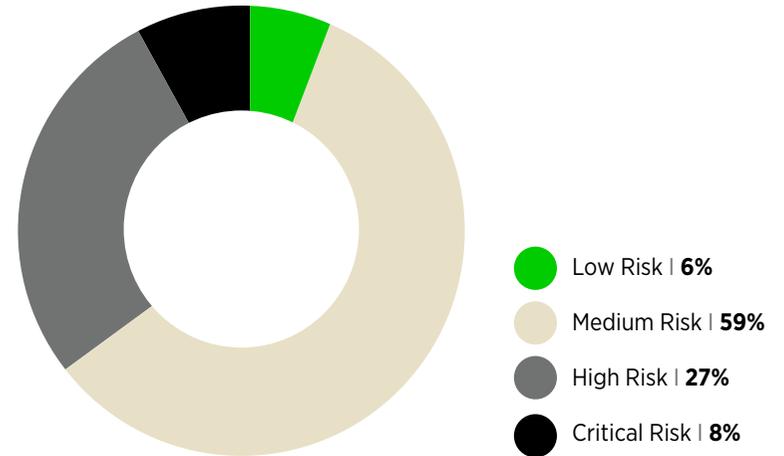
Risk levels at suppliers and factories are evaluated on a four-point scale with categories being: low risk (few or no points of concern related to decent work and human rights identified), medium risk (some areas of concern identified), high risk (significant concerns identified), and critical risk (critical concerns identified). The risk level is determined through a combination of results from assessment activities, evaluation of cases or occurrences, and stakeholder input and dialogue.

At the end of 2024, 6% of suppliers (7% in 2023) and 11% of factories in all supply chain tiers (11% in 2023) fell into the low risk category, 59% of suppliers (58% in 2023) and 56% of factories (58% in 2023) fell into the medium risk category, 27% of suppliers (26% in 2023) and 27% factories (29% in 2023) fell into the high risk category, 8% of suppliers (9% in 2023) and 4% of factories (4% in 2023) fall into the critical risk category. The risk level has been stable through 2024.

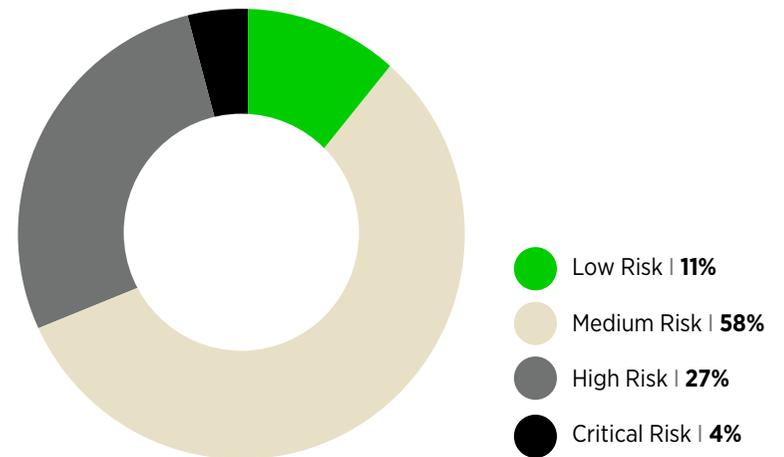
Through our assessment activities (from 2024 and previous years) we had by the end of 2024 identified 1695 findings (referred to as issues) in need of improvement. These include findings from facilities in all tiers of the supply chain, and that have not yet been verified to be resolved. This is down from 1961 findings at the end of 2023.<sup>16</sup> In total 1546 new findings were identified in 2024. Read more about issues that have been resolved and improved [here](#).

The checklist for our own assessments includes 154 main checkpoints, with numerous subareas to be investigated for each checkpoint. See below an overview of findings with distribution on the various sections in our assessments.

**Supplier risk levels**

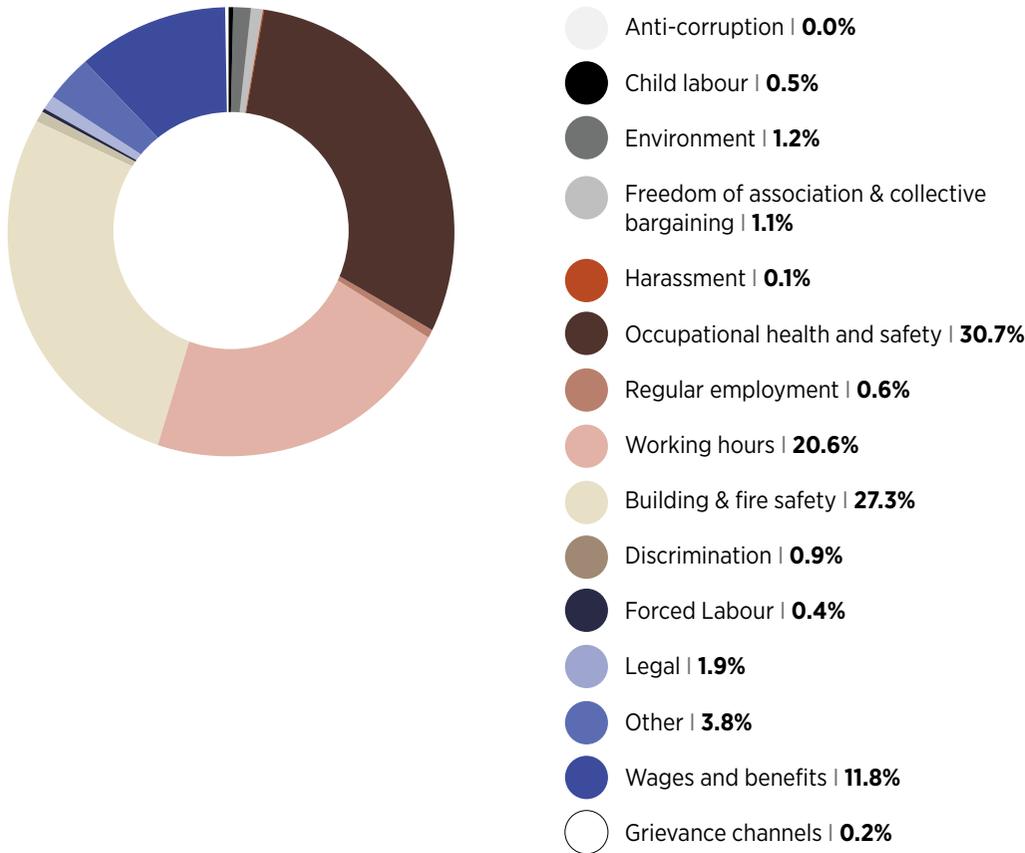


**Factory risk levels**



<sup>16</sup> The number of factories Varner cooperates with have been reduced from 2023.

**Findings at factories by topic**



We categorize findings based on their severity and perceived impact. The findings range from minor issues of limited impact and severity to issues that are significant in scale and severity. For 2024, 2% of the issues were categorised as issues of critical concern (1% in 2023), 29% were issues of high concern (26% in 2023), 61% were issues of medium concern (62% in 2023), and 8% were issues of low concern (9% in 2023). A subset of issues was categorized as observations with no rating.

### Emphasis on improvements

When actual or potential issues related to human rights and decent work are identified in the supply chain our aim is to ensure that such issues are addressed and handled in an appropriate and responsible manner, and where necessary, ensure that adverse impact is remediated. The process for handling identified issues and breaches can include various elements. The following being strategies frequently used to address identified issues and breaches.

- **Corrective action plans (CAPs):** CAPs are overviews of identified issues of concern that are established after assessments have been done. Including information about the areas of concern, planned activities to address the identified issues, timelines, and responsible persons.
- **Training activities:** Various types of training activities are often suitable to close gaps in knowledge or awareness or to raise competence.
- **Programs or projects:** Programs are established to address systemic or common challenges. Project activities are often more limited in scope and coverage compared to programs and are usually aimed towards specific challenges shared by several entities, often sharing a regional context.
- **Alignment and joint effort:** There will be cases where our leverage to influence proper handling of issues is limited. In such cases, a key strategy is to increase the leverage through cooperation with other companies and relevant stakeholders. This is usually an element in a program or project activities.
- **Remediation:** The process of remediating actual adverse impacts. Often (but not always) connected with a specific grievance or case.



Description and examples of implementation of the above strategies will be covered in the next sections of the report.

There will be situations where we are unable to influence or contribute to improvements, or where suppliers despite active efforts from us are not willing to cooperate to enable the necessary improvements. In these situations, a last resort is to cease the cooperation with the supplier. In 2024, we ended cooperation with 1 manufacturing unit due to lack of willingness to cooperate for improvements related to decent work.

## Salient risk

We use the UN Guiding Principles Reporting Framework concept of salient risk to steer our focus, priorities and efforts related to adverse impacts on decent work, human rights, and labour aspects in the supply chain<sup>17</sup>. The 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. 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 where we are present, but which is not considered a risk for our specific supply chain due to measures taken to actively avoid or to mitigate the risk. More information about the process to identify salient risk can be found [here](#).

In addition to the risk identified as salient, risk has also been identified related to corruption, governmental influence, regular work, harassment, conflicts and security, non-compliance with laws and regulations, working time, land, and property rights, and to a lesser degree taxation.

<sup>17</sup> <https://www.ungpreporting.org/resources/salient-human-rights-issues/>

Salient issue (risk)
<p><b>Child labour</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Health and safety</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Freedom of association and collective bargaining</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Forced labour</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Discrimination and gender</b>  <b>Risk identified in</b> Bangladesh, China, India, Italy, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Harassment</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Wages and benefits</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Government influence</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Türkiye, Vietnam and in raw material production. Read more <a href="#">here</a>.</p>
<p><b>Conflicts and security</b>  <b>Risk identified in</b> Bangladesh, China, India, Pakistan, Türkiye and in raw material production. Read more <a href="#">here</a>.</p>

## Worker representation and freedom of association

In 2024, there have been signs of growing tensions regarding freedom of association in several countries where we operate. This issue was also underscored in the 11<sup>th</sup> edition of the International Trade Union Confederation (ITUC) Global Rights Index for 2024. Concerns have been raised about the diminishing space for legitimate worker representation through trade unions. We have identified risks to the rights of representation, freedom of association, and collective bargaining in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam and in raw material production.

Our goal is that fair worker representation should be established at all key suppliers<sup>18</sup> enabling workers to take an active part in workplace processes. Respect for worker representation and freedom of association in accordance with our Supplier Code of Conduct is a baseline requirement for all factories we cooperate with. A key measure to support the right to exercise freedom of association and collective bargaining is to monitor the implementation of these requirements. This is assessed at all factories prior to initiating cooperation as well as regularly during the cooperation.

## “ The trade union status of factories that we work with has been made public since 2021 in our public factory list.

In addition to this we are engaging in supportive measures to facilitate the fulfilment of our requirements. The focus of these measures has been on worker awareness of their rights to representation and to organise, on the ability to be represented fairly, and on social dialogue to improve working conditions. We recognise that freedom of association is restricted in some of the countries where production for Varner is taking place, such as in China and Vietnam. We have established approaches where we seek to ensure that the ability to be represented at the workplace is maintained in factories we work in these markets as well.

By the end of 2024, a total of 19 identified breaches with our requirements of freedom of association and worker representation in our supply chain were not yet verified as resolved.<sup>19</sup>

10 new breaches were identified during 2024 (down from 18 in 2023). Examples of identified breaches from our assessments are:

- Factories without elected worker representatives.
- Lack of awareness among workers or management about the role of worker representatives.
- Meetings between worker representatives and management not being conducted regularly.

23 breaches related to freedom of association and worker representation were verified as resolved in part or in full during 2024.<sup>20</sup> By the end of 2024, 17 factories (6% of the total number) were identified as having one or more breaches related to freedom of association and collective bargaining (this is down from 13% in 2023).

The trade union status of factories that we work with has been made public since 2021 in our public factory list. At the end of 2024, 23% of the factories we cooperate with had established trade unions (this is up from 20% in 2023, 15% in 2022, and 11% in 2021), employing 23% of workers in tier and 2 factories (22% if restricting the scope to tier 1 factories only). During the year we were informed about two specific cases of alleged violations against the right to organise in our supply chain in Türkiye. In both cases, we have initiated investigations together with other brands to assess the claims and have not found evidence of violations that require remediation.

18 Our focus has been on tier 1 factories, but we are working to include an increasing number of factories beyond tier 1.

19 These breaches include all breaches from 2024 and previous years that have not yet been verified to be resolved.

20 This figure includes identified breaches from 2024 and previous years that have been resolved in 2024.

Engagement with worker representatives (both representatives from trade unions and from worker committees) remains 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. Worker representatives, and, where available, trade union representatives, are always interviewed as a part of audits. 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. It also provides an opportunity to understand the impact of improvement measures. To highlight the importance of worker representation we strive to attend and observe election procedures at factories on a regular basis. In 2024 we attended elections at two factories.

In addition to tracking the implementation of freedom of association and collective bargaining in our supply chain, we also track factories that have established collective bargaining agreements and the validity of such agreements, and factories that have elected worker representatives. The intention is that we will be able to use these indicators to inform and target our efforts on worker representation and freedom of association, and that this will allow us to track and report on progress on these matters in a more robust manner.

### Social dialogue in Bangladesh

A key measure to support worker representation has been our continued emphasis on social dialogue. Social dialogue is the concept of constructive and action-oriented dialogue at the workplace between workers and management and focuses on improvements at the workplace to the benefit of all parties, in particular workers.

In 2024, we facilitated a social dialogue refresher training at five factories in Bangladesh<sup>21</sup>. Throughout the year, 59 elected worker representatives and trade union representatives participated in the training, which was conducted by Ethical

<sup>21</sup> Refresher training is done at factories that have previously gone through the full and comprehensive social dialogue program but where for various reasons (such as new persons in the management or newly elected worker representatives) a need has been identified for updated awareness and understanding of effective implementations of social dialogue. For more information about social dialogue programs, see previous sustainability reports.



Trading Initiative Bangladesh. The primary goal of these activities was to enhance knowledge about social dialogue and its implementation within factory management and among Participation Committee or Trade Union members. Additionally, the training aimed to boost the knowledge and confidence of elected female worker representatives. Our observations indicate that worker representatives have gained a better understanding of their roles and responsibilities and are more capable of communicating and raising issues on behalf of workers. Furthermore, we see that management becomes more receptive to the concerns raised by workers. We plan to continue this program in 2025.

### Occupational health and safety

Occupational health and safety continues to be an area where the risk of breaches and adverse impact is significant. This is particularly relevant in the product supply chain. We have identified the risk to be present in all production markets with particular significance in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye and Vietnam. We have also identified significant health and safety risks in raw material production. We aim to prevent and mitigate occupational health and safety risks in our supply chain.

Audits and inspections are key measures to identify hazards and to verify improvements related to health and safety. There are four sections in our social audits concerning health and safety<sup>22</sup>. By the end of 2024, a total of 982 issues in need of improvement related to health and safety in our supply chain were not yet verified to have been resolved<sup>23</sup> (this is down from 1183 in 2023). 1097 new issues were identified in 2024. 41% of all findings were related to general health and safety, 46% to building and fire safety, 11% to health and safety in chemical handling, and 1% were related to health and safety connected with accommodation and housing. In total 950 occupational health and safety issues were verified to have been resolved in full or in part during 2024.<sup>24</sup>

Examples of identified issues in 2024 are:

- Lack of health and safety training for workers.
- Insufficient storage and labelling of chemicals.
- Lack of safety features for machinery or installed equipment.
- Insufficient use of Personal Protective Equipment (PPE).
- Insufficient ventilation and air quality on production floor.
- Inadequate worker housing facilities.

In general factories beyond tier 1 are found to be less advanced when it comes health and safety management, and a higher number of issues tend to be raised because of this.

22 A section related to general health and safety, a section on building and fire safety, a section on health and safety related to accommodation and housing, and a section related to safe chemical handling

23 These breaches include all breaches from 2024 and previous years that have not yet been verified to be resolved.

24 This figure includes identified breaches from 2024 and previous years that have been resolved in 2024.

## Fire and building safety

The devastating earthquake in Türkiye in January 2023 had a severe impact on the affected regions, disrupting lives and businesses. Recognizing the ongoing risks in an earthquake-prone country, Varner has continued to prioritize fire and building safety within our supply chain. Throughout 2024, we maintained an open dialogue with our supply chain partners in the affected areas, ensuring continued support and collaboration. Following a series of meetings with the Turkish Chamber of Civil Engineers, we took a further step by joining forces with other brands to establish the Brands Building Safety Requirements working group in Türkiye. This initiative now includes 12 brands collaborating to set clear safety standards for supplier facilities. These requirements have been communicated to our main suppliers and are being implemented in a phased approach.

## Pakistan Accord

Varner signed the "Pakistan Accord on Health and Safety" in the Textile and Garment Industry ('Pakistan Accord') in January 2023, after having participated in the feasibility studies conducted by the Accord secretariat throughout 2022. The Pakistan Accord has initially been signed for a three-year period and will be a Country Specific Safety Program (CSSP) under the International Accord, which was renewed in 2023. The scope of the Pakistan Accord builds on key elements of the International Accord including independent inspections and remediation of fire, electrical, structural and boiler safety hazards, provisions to ensure remediation is financially feasible, safety committee training and safety awareness program, and

an independent worker complaints mechanism. The safety inspections from qualified engineers include the following elements:

- **Fire safety:** Adequacy of fire prevention, fire containment, early warning systems, and safe egress in case of fire.
- **Structural safety:** Adequacy of engineering assessments, comparison of design drawings with the actual building, and adequacy of load management plans.
- **Electrical safety:** Adequacy of cabling and wiring in the factory, capacity of staff to maintain electrical safety, risk or occurrence of hotspots, and fire risk from accumulation of dust and lint around electrical components.
- **Hazardous Materials:** The use, storage, and handling of chemicals or substances that are classified as a physical hazard material or a health hazard material, whether the chemical or substance is in usable or waste condition.
- **Boiler safety:** The external and internal condition, installation configuration, and safety monitoring system of each boiler in the factory. Boiler inspections will begin once adequate local capacity to conduct such inspections is achieved.



## International Accord and RSC

We have also renewed our commitment to the International Accord for Health and Safety in the Textile and Garment Industry<sup>25</sup> and the country specific safety program (CSSP) in Bangladesh<sup>26</sup> where the program is implemented by the RMG Sustainability Council (RSC). Hereby we are effectively extending our commitment to these programs to December 2026 (with option to extend to 2029).

All factories we cooperate with in Bangladesh are required to take part in the full scope of the RSC program, including regular inspections. In 2024, 168 safety inspections conducted by RSC engineers have been done at factories that Varner cooperate with.<sup>27</sup>

Below is a progress overview of the remediation efforts for our partner factories, which highlights that there has been a significant progress to remediate gaps and findings. At the same time, there is still work to be done to resolve all the issues, with more progress needed on concerns related to fire and structural safety.

Read more about the grievance channel operated by RSC in Bangladesh [here](#).

The RSC program includes extensive training for the safety committees in factories as well as training for all workers.

Progress to remediate findings from inspections under the Accord /RSC program			
	Progress rate for remediation of findings related to fire safety <sup>28</sup>	Progress rate for remediation of findings related to electrical safety	Progress rate for remediation of findings related to structural safety
<b>Factories Varner cooperates with</b>	88%	99%	84%
<b>All factories in the Accord</b>	83%	95%	76%

The training is conducted by qualified safety trainers from the RSC. The trainings are completed at all factories and dedicated sessions on the following content are conducted:

- Fundamentals of a Safety Committee.
- Safety Committee role in remediation.
- Safety Committee and safety complaints.
- Workplace hazard identification and control.
- Safety monitoring systems.
- Health hazards and the right to a safe workplace (for all employees).



<sup>25</sup> [https://internationalaccord.org/wp-content/uploads/2023/11/International-Accord-for-Health-and-Safety-in-the-Textile-and-Garment-Industry-1-November-2023\\_Public-Version.pdf](https://internationalaccord.org/wp-content/uploads/2023/11/International-Accord-for-Health-and-Safety-in-the-Textile-and-Garment-Industry-1-November-2023_Public-Version.pdf)

<sup>26</sup> [https://internationalaccord.org/wp-content/uploads/2023/11/CSSP-Bangladesh-Agreement\\_public-version.pdf](https://internationalaccord.org/wp-content/uploads/2023/11/CSSP-Bangladesh-Agreement_public-version.pdf)

<sup>27</sup> These numbers are based on initial findings from the inspections and exclude findings from boiler inspections.

<sup>28</sup> These numbers are based on initial findings from the inspections and exclude findings from boiler inspections.

## Wages and benefits

Our risk assessment identifies that there is risk related to wages and benefits in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, and Vietnam. The risk of breaches is anticipated to be especially located in lower tiers of the chain, such as in cotton farming, raw material production and processing.

## Wages and benefits

With supply chains in countries where wages are a salient issue, we acknowledge a responsibility to ensure that our suppliers are aware of and follow requirements to ensure decent wages for workers. Our requirements for wages are set in our Supplier Code of Conduct, and we provide information about these expectations and requirements during the onboarding of new suppliers and factories, as well as continuously throughout the cooperation. This is done through training activities, during assessment activities and factory visits, and in discussions and consultation with every supplier and factory when risk related to wages is identified.

We continue to focus both on wage practice and on wage levels. We define wage practice as the practice of ensuring that wages are paid according to what is stipulated in the labour contract; wages are paid related to the work that is being done; wages are paid in a timely manner, and in full; wages include relevant premium payments; wages are paid with clear and comprehensive wage slips; wages are being raised according to prevailing 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 benefits and compensation 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."

At the end of 2024 we had identified a total of 200 breaches related to wages and benefits in our supply chain which were not yet verified to have been resolved. Out of these, 53 issues were related to the compensation of overtime wages

“ At the end of 2024 we had identified a total of 200 breaches related to wages and benefits in our supply chain which were not yet verified to have been resolved.

(with 20 issues found during 2024). During the year, 80 issues related to wages and benefits were resolved, of which 10 were related to compensation of overtime.

33 unresolved issues were related to wage practice (with 42 issues having been found during 2024). Identified issues were related to findings such as delayed payment of wages and benefits, insufficient awareness among workers about how wages are calculated, lack of reliable systems for wage registration, and information on wage slips being incomplete. 38 issues in this area were resolved during the year. We identified 1 issue related to minimum wages during the year (unresolved) and resolved 1 related issue (issue carried over from previous years).

113 unresolved issues were related to provided benefits (with 46 issues being found during 2024). These are benefits which are often but not exclusively monetary, such as social security coverage and benefits, maternity benefits, and annual leave benefits. During the year 31 issues were resolved in this area.

There are countries (and regions) where Varner has direct or indirect suppliers where the minimum wage levels are not sufficiently supporting decent living standards. The topic of decent wages has been explored from different perspectives, including through the lens of purchasing practices, regular and formalized work, the compliance perspective, social dialogue, and freedom of association (and collective bargaining).



We continue to track changes in national minimum wage levels and are committed to engage with our suppliers and producers to enable payment of wages accordingly. Following the adjustments to minimum wage levels in Bangladesh which came into effect December 2023, our audits and assessments have focused on the implementation of the new wage structure. We have identified that the new levels have been implemented in all factories. There has however been concerns about the wage levels of senior personnel who receive wages beyond minimum levels. These workers have not consistently been awarded the same increase in wages as new or less experienced workers. In one factory Varner cooperates with this has caused unrest and conflict.

Varner strictly monitored the on-time wage payment of each supplier in Bangladesh for July and August 2024, ensuring compliance despite factory closures due to safety concerns amid political unrest in the country. Any delayed payments were closely followed up, and wage records were verified to confirm full and timely disbursement. We communicated with each supplier regarding this and actively followed up to ensure compliance.

In December 2024, Türkiye announced a minimum wage increase of 30%, in effect from January 1<sup>st</sup> 2025. We will monitor implementation of new wage levels with suppliers in Türkiye in 2025.

In 2023, we identified a gap in knowledge about social security benefits and pension schemes in factories in Pakistan. To address this, training sessions were initiated to raise awareness among workers and training initiatives expanded in 2024, with one supplier completing training for 779 workers on the topic.

Wage levels in the lower tiers of the supply chain has continued to be an area of concern, in particular related with cotton farming and processing. For this our main approach continues to be use of certification schemes that involve elements of decent work and human rights in this sector, such as Fairtrade and Better Cotton. Read more about this [here](#).

### **Regular employment**

We believe that 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 of employment (wages, hours of work, resignation period and other aspects that need 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 identified that there is a risk of breaches of our requirements related to regular work and wages, separately or in combination, in several of the countries where our products are being produced. We have a continued focus to ensure that all workers in our supply chain have working relationships that are regulated by a formal contract. Signed contracts shall be provided to all workers/employees in factories we cooperate with.

This is assessed on an ongoing basis at all factories used for Varner. At the end of 2024 we had identified 11 breaches to regular work (this is up from eight in 2023). This includes findings such as employment contracts not being provided or not containing all required elements. 17 issues related to regular work were identified in 2024, and five issues were verified to be resolved in full or in part during 2024.

We have implemented several measures to prevent and mitigate the risk for suppliers to circumvent obligations as an employer by systematically employing contract workers / temporary workers. One measure is to track the number of temporary workers being employed by factories we cooperate with to identify units that are relying significantly on temporary workers. Although used sparsely we are also doing night visits at factories (especially smaller workshops) to monitor nighttime activities. We conducted four night-visits in 2024. In the context of regular work, such visits are used to identify if there are temporary and unregistered workers employed at night shifts. This practice has been known to be used in Türkiye (especially in smaller factories in urban areas). Beyond this these visits have multiple purposes and are also related to health and safety at nighttime shifts. A Homeworker Policy<sup>29</sup> has been established to address the specific risks related to home-based work in the context of textile production.



29 [varner\\_homeworker-policy.pdf](#)

## Forced labour

Forced labour has in the ILO Forced Labour Convention, 1930 (No. 29) been identified as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”. Varner remains committed to prevent and mitigate the occurrence of forced labour and modern slavery in the supply chain. A Modern Slavery Policy has been established to define our approach. This policy is publicly available on our website. We do, however, have a supply chain including countries and regions where forced labour is a risk. Through our assessments of risk in 2024, we identified risk of forced labour in the product supply chain, and in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, and Vietnam, as well as in cotton farming and processing.

Our ongoing assessment activities continue to focus on forced labour and indicators of forced labour.<sup>30</sup> One section of our onsite assessments is dedicated to forced labour specifically. In 2024, we identified seven unresolved issues related to forced labour. Findings include insufficient policies for freely chosen employment, and incentive structures contradicting principles of voluntary overtime work. In one case we also found that original copies of workers’ identification documents were being kept by factory management. Three issues related to forced

“ Since its inception the South India Textile and Garment Supply Chain Project has focused on intervention with local stakeholders.

labour were resolved in 2023, and seven issues remain unresolved. Meanwhile, we see that indicators of forced labour are also identified in other sections of our assessments and recorded not as findings related to forced labour directly. This is particularly the case for forced labour indicators such as abusive working and living conditions and excessive overtime. Therefore, forced labour should be understood to also be an element of the work we do on other elements of decent work, especially but not exclusively harassment and abuse, working time and overtime, and wages.

Tirupur and Tamil Nadu in India is a region that has been identified as particularly exposed to the risk of exploitative labour practices related to forms of bonded labour. For many years, severe labour rights violations related to the employment of inter-state migrant workers, and especially young women workers in spinning

mills in the region, have been highlighted.<sup>31</sup> These violations often exhibit characteristics of forced labour. As a response to this Varner, alongside five other textile brands and the Indian NGO Save, initiated a project to address these issues in Tamil Nadu in 2018. The project has now been running continuously in five phases.<sup>32</sup> The current phase of the project was started in August 2024 and will run until mid-2025.

Since its inception the South India Textile and Garment Supply Chain Project<sup>33</sup> has focused on intervention with local stakeholders. Key stakeholders are workers in the textile sector (including migrant workers from other states in India), local communities (and potential workers), employment agents, and management in factories and spinning mills. The project also has a focus on risks and obstacles faced by Dalit communities at work in the textile sector. Five community centres have been established and are kept operational in key locations, enabling active interaction with communities and workers. The centres are used for training activities, consultation, and are hubs for information and awareness about rights and responsibilities at work.

30 We use the 11 indicators for forced labour identified by ILO (in the booklet ILO Indicators of Forced Labour) when we talk about forced labour.

31 This form of bonded labour is often referred to as a sumangali scheme.

32 See previous Sustainability Reports for more information about the first four phases of the project.

33 Previously called South India Spinning Mill Project.

The centres are also a channel for grievances relating to working conditions in the textile sector. In 2020 a digital grievance channel was established as a part of the project aim to give an opportunity for current and former employees in the spinning mill and garment sector in Tamil Nadu to raise employment related grievances. Currently grievances can be submitted to employees both at the community centres and through the digital application (Timby). Cooperation with industry associations Tamil Nadu Spinning Mill Association (TASMA) and Tirupur Exporters Association (TEA) has been important related to grievance redressal. Read more about the status of grievances in 2024 [here](#).

We have signed the Pledge Against Forced Labour in the Turkmen Cotton Sector and the Pledge Against Forced Child and Adult Labour in Uzbek Cotton. Both pledges aim to avoid the occurrence of forced labour and child labour in the supply chain. Cotton from Turkmenistan and Uzbekistan is consequently banned from Varner products.

We have since 2019 monitored the 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 have taken steps to prevent this risk from occurring in our supply chain by imposing restrictions on direct or indirect sourcing from the region. We have focused our efforts on

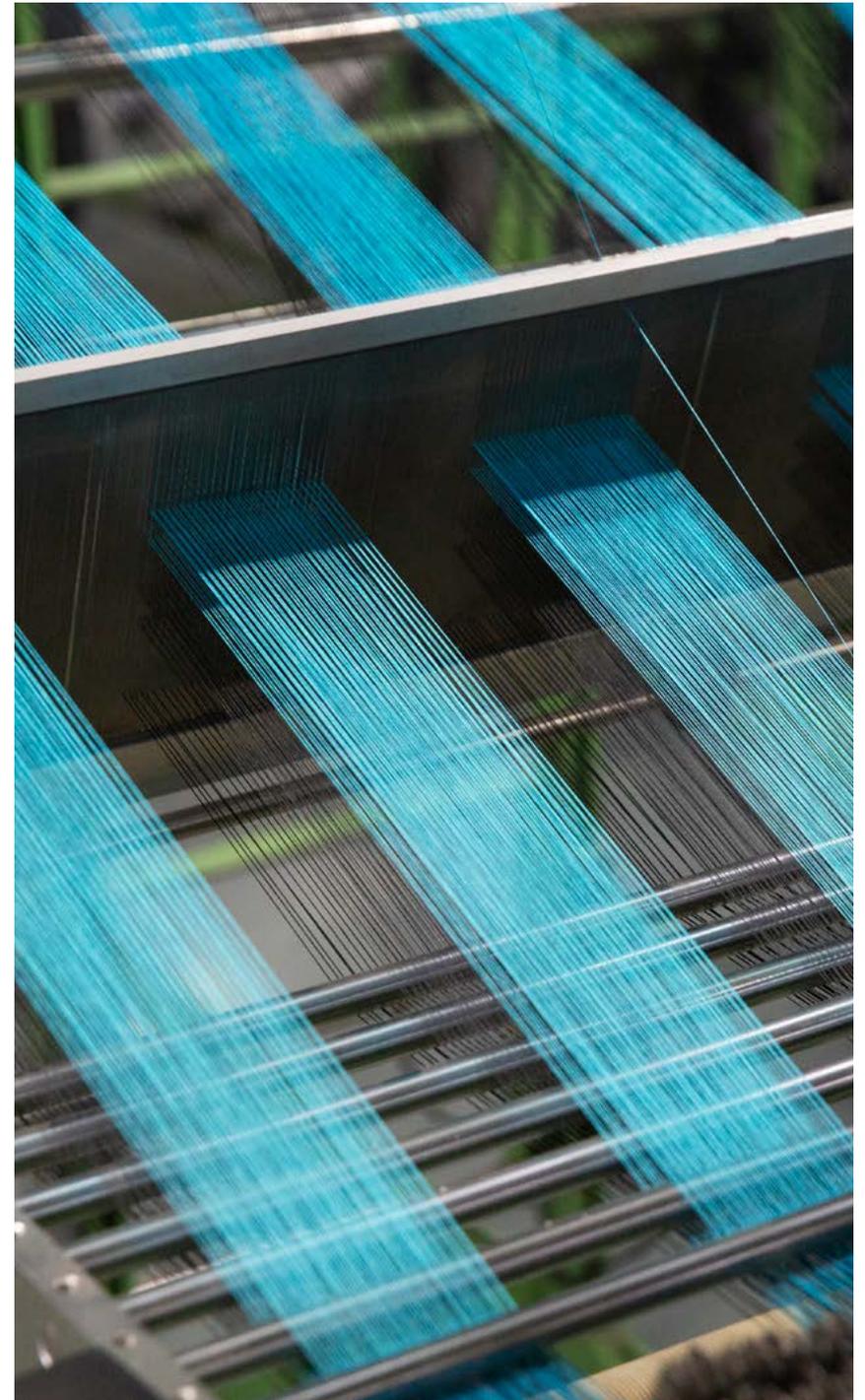
preventing and mitigating risk by taking a cautious approach to direct and indirect cooperation with entities that may have connections to the region. In 2024, we continue to implement and enhance the tools and measures introduced in 2023 to monitor and mitigate human rights risks in our supply chain, particularly concerning Xinjiang. Our statement and approach remain publicly available on our website.

### **Migrant labour**

In January 2024, the International Labour Organization (ILO) published a note highlighting their ongoing efforts to eradicate forced labour. The note underscores the vulnerable situation of global migrant workers, emphasizing that migrant workers are three times more likely to be subjected to forced labour. This heightened risk can be attributed to factors such as lack of legal protection, inability to exercise their rights, unfair recruitment practices, or irregular and poorly governed migration.

At Varner, we are committed to protecting migrant workers within our supply chain and promoting human rights and decent work for all migrants. Our Varner Migrant Labour Policy reflects this commitment, and migrant workers remain a key focus in our factory assessment activities. We continue to publicly report the number of migrant workers at the factories we collaborate with, as listed in our public factory list.<sup>34</sup>

<sup>34</sup> We maintain updated numbers of workers that have migrated across national borders, however, the numbers for domestic migrant workers (migrating from one part of the country to another) are not complete.



Migrant workers remain a key focus of our social compliance efforts in Türkiye. We collaborate with SGDD-ASAM (Association for Solidarity with Asylum Seekers) and MUDEM (Refugee Support Centre – RSC) to support and protect migrant workers in our supply chain. Between July 2023 and December 2024, the Worker Support Center (WSC) project, financially supported by GIZ, conducted factory visits, received worker reports, and provided consultations to improve working conditions for refugees and migrant workers in the textile sector. During this period, WSC received a total of 501 grievances, with 374 coming from refugee workers. Most of these grievances were related to work permits, workplace abuse, wages, and social rights. MUDEM's grievance channel alone received 343 grievances in 2024, three of which were directly linked to Varner's supply chain. Read more under [grievances](#).

“ Varner is cooperating with several expert organisations to proactively address the risk of child labour.

Varner maintains a protocol with MUDEM to address migrant labour issues effectively. If any migrant worker is identified without an official work permit within our supply chain, MUDEM initiates a remediation plan to resolve the issue. This protocol, active since 2015, ensures compliance with legal requirements and promotes decent work standards. As of the end of 2024, 38 migrant workers are employed at our direct factory partners in Türkiye, with 36 from Syria and two from Turkmenistan. These efforts reflect our ongoing commitment to ensuring fair and lawful employment practices for migrant workers in our supply chain.

### Child labour

In our latest risk assessments child labour remains a relevant risk in garment supply chains, related to agriculture and raw material production, and especially in the cotton sector. We have identified the risk as being present in our supply chain in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, and Vietnam.

Varner has established a Child Labour Policy that outlines how child labour is addressed in the Varner due diligence activities. The policy is available on our website.

Most of our ongoing assessment activities include a focus on child labour, and a separate section of all audit activities is dedicated to the topic of child labour and juvenile workers<sup>35</sup>. By the end of 2024, we had identified eight unresolved issues of concern related to child

<sup>35</sup> Juvenile workers are workers that are legally allowed to work (under certain conditions) but are under the age of 18.

labour and juvenile workers in our supply chain. The issues include lack of child labour policies, lack of appropriate routines for identifying child labour in the hiring process, or regulations for juvenile workers not having been followed. Six issues were identified during 2024, while four issues related to the topic were resolved in full or in part during the year.

Varner is cooperating with several expert organisations to proactively address the risk of child labour. One of these organisations is The Centre of Child Rights and Business (CRIB). We are a member of the CRIB Working Group that has regular meetings on topics related to and extended from children's rights in the realm of work and business. An important part of this cooperation is a continuous monitoring of trends and changes to the risk of child labour in markets where we are present.

We have found that certain periods of the year are more likely to have an increased risk of child labour. We have identified the summer period in China as such a period. This is a period where schools are closed and children frequently visit their parents at work, including parents that have migrated for work. The risk of child labour has been seen to increase during this period, and the risk of infringement of child rights more broadly has been identified. We conduct surveys and visits to factories during this period with a particular focus on child labour and children visiting parents. In 2024, our local CSR team joined two children's summer camps organised by factories in our supply chain, providing tutoring and classes to participating children.

Though our focus is principally on efforts of prevention and mitigation of risk of child labour, we do acknowledge that having production in several markets with a significant risk of child labour means that we cannot guarantee that breaches and cases will not occur. We have therefore established routines for remediation of child labour in case it is identified in factories we work with. We have partnered with organisations that would intervene and take the lead should remediation be required. We are working with The Centre of Child Rights and Business (CRIB) for this in China, Bangladesh, Vietnam, and India, and with the organisation CYDD (Association for Supporting Contemporary Life) in Türkiye. No cases of child labour were identified in 2024, but one case related to a juvenile worker required remediation efforts. Read more about this under [grievances and remediation](#).

Child labour remains a significant risk in the lower tiers of the supply chain, in agriculture and farming. We need to address this in cooperation with others and we cooperate with organisations that actively seek to address this risk in the cotton sector, such as Fairtrade and Better Cotton. Meanwhile our ban against sourcing cotton from Uzbekistan and Turkmenistan has been initiated to prevent the risk of child labour as well as forced labour. 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.



During the year we have also become aware of a risk of child labour related to factory maintenance in Bangladesh and have taken measures to monitor this risk going forward.

### **Discrimination and gender**

Discrimination, often in combination with gender issues, remains a persistent challenge at workplaces worldwide and is an important element of the Varner Code of Conduct. We have identified discrimination as a significant risk in our production supply chain in Bangladesh, China, India, Italy, Pakistan, Sri Lanka, Türkiye, Vietnam, as well as in raw material production in general.

The Global Gender Gap Index annually benchmarks the current state and evolution of gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment). The 2024 Index highlights several of Varner's sourcing markets as exposed to gender discrimination, including Pakistan (ranked 145 out of 146 countries), India (ranked 129) and Türkiye (ranked 127).

By the end of 2024 we had identified 15 unresolved breaches related to discrimination in our supply chain (up from 12 in 2023). Examples of identified issues include lack of systems for fair promotion and profiling questions in recruitment processes that had no relevance to the work. Nine issues were identified during 2024, and six issues were resolved in full or in part during the year. While we can identify issues and areas of concern through our regular assessment activities, we realize that the matters of discrimination especially related to gender are deep rooted and not



“ While we can identify issues and areas of concern through our regular assessment activities, we realize that the matters of discrimination especially related to gender are deep rooted and not always suited to be detected in this manner.

always suited to be detected in this manner. We have therefore chosen to work with stakeholders who work on the topic from other angles and with a specialized focus (see [Harassment and gender-based-violence](#) for other related projects).

In 2024, a three-year program focused on promoting gender-sensitive workplace practices and addressing gender-based violence (GBV) in the RMG sector in Bangladesh was concluded. Six factories have been covered by the project, which is implemented in collaboration with Ethical Trading Initiative Bangladesh. The aim of the program is to empower female workers through

increased knowledge and awareness, to promote female representation in leadership positions through capacity building, and to increase the capacity of factories to establish safeguarding mechanisms against gender-based violence. The program included training on creating safe and inclusive workplaces, with 2,434 workers and 48 management personnel participating in 2024.

The key recommendations from the program's conclusion include institutionalizing gender-sensitive training into factory practices with ongoing capacity building for workers and management, formalizing the involvement of complaint committees with adequate resources,

expanding the program's reach by utilizing trained trainers in multiple factory facilities, establishing a follow-up system to track long-term outcomes and support participants, encouraging collaborations with stakeholders to amplify impact, and integrating these initiatives into national labour policies to drive systemic change in the sector. Varner is focused on these goals and is committed to maintaining the momentum of the program in the future, ensuring its continuous development and impact. These activities and recommendations aim to ensure the sustainability of the program's impact and promote gender equality within the RMG industry.

## Harassment and gender-based-violence

ILO declares violence and harassment in the world of work as a persistent and significant challenge worldwide. It was against this backdrop that the ILO Violence and Harassment Convention, 2019 (No. 190) was established along with its accompanying Recommendation (No. 206). The convention sets out the right of everyone to be free from violence and harassment at the workplace. We are committed to work to prevent and address violence and harassment in our supply chain.

During 2024, we identified five issues related to harassment or improper treatment in our product supply chain. Breaches were primarily linked to insufficient training or awareness about established policies and cases of harsh language and intimidating approaches from supervisors. 13 issues were resolved partly or in full during the year (includes issues identified prior to 2024). By the end of 2024 one issue related to harassment or improper treatment remained unresolved (down from eight in 2023).

In 2024, Varner partnered with YANINDAYIZ, a Turkish NGO dedicated to gender equality and addressing workplace discrimination. As part of this initiative, two of our suppliers in Türkiye participated in a Gender-Based Harassment and Violence Awareness Project. The project aimed to increase awareness among factory workers about gender equality, workplace harassment, and discrimination through structured training and perception analysis.

In the scope of the project, 359 workers from the two factories participated in training sessions focusing on gender-based harassment, discrimination, and workplace violence. Pre & post-training surveys measured the impact, illustrated in the table.

The data collection process was conducted by YANINDAYIZ, while data validation, analysis, and reporting were conducted by Istanbul University’s Urban Policies Application and Research Center. Surveys were conducted face-to-face with participants to ensure accuracy and reliability. While training has improved gender awareness in several areas, we recognize that gender-based discrimination is deeply rooted in social and cultural norms, and addressing these challenges requires continuous efforts and systemic change.

Gender-Based Harassment and Violence Awareness Project		
Indicator	Baseline	Endline
% of participants who believed that “some professions are not suitable for women”	48.3%	40.4%
% of participants agreeing with the statement “a woman can decide whom to marry without family influence”	80.1%	91%
% of participants agreeing with the statement “women should remain silent in arguments”	17.9%	5.8%
% of participants accepting the concept of “equal pay for men and women in the same job”	64.7%	79.5%
% of participants with the belief that “women should always be under family protection, regardless of age”	81.6%	62.2%
% of participants recognizing domestic violence as valid reason for divorce	92.5%	92.9%



This project reinforced the importance of proactive education and structured reporting mechanisms in tackling gender-based discrimination and harassment in the workplace. Varner remains committed to ensuring safe and inclusive working environments across its supply chain.

In 2022 we initiated a project promoting gender justice for female RMG workers in Bangladesh. The project aims to address the root causes of gender-based violence, including unequal power relations in the garment industry, and extends beyond the workplaces directly by also focusing on sexual harassment in commuting, in local communities and other arenas outside of the workplace. In 2024 the project was carried forward at six factories. Various organisations are implementing various parts of the activities with Shojag-Coalition being responsible for the capacity building activities in the factories<sup>36</sup>.

“ The project extends beyond the workplaces directly by also focusing on sexual harassment in commuting, in local communities and other arenas outside of the workplace.

<sup>36</sup> Bangladesh Legal Aid and Services Trust (BLAST), Christian Aid, and Naripokkho are also involved as implementors of the program.

The project includes assessment of factory policies and practice related to gender sensitivity. Awareness training and activities for management and workers is then carried out based on highlighted gaps found in the assessment.

Under the project, Shojag Coalition performed a gender assessment on one of our suppliers in 2024, highlighting the importance of structured awareness and policy implementation in addressing gender-based violence (GBV) in the workplace. While key policies and grievance mechanisms have been established, gaps remain in areas such as dedicated GBV procedures, internal monitoring, risk assessments, and comprehensive training. Ensuring that both workers and management are well-informed about these issues, particularly through the lens of Bangladesh labor law and Supreme Court directives, is crucial for fostering a safer and more inclusive work environment. Although shifting mindsets and behaviors takes time, continuous training, internal audits, and structured discussions within committees can drive meaningful progress. Moving forward, it is essential to integrate GBV-related concerns into policy reviews, disciplinary procedures, and awareness programs both inside and outside the workplace.

We recognize that many of the same issues identified in Bangladesh are also applicable in India, and the South India Textile and Garment Supply Chain Project has a determined focus on discrimination and harassment both related to gender and women, and to migrant workers. See more about this project under the section about Forced Labour.

## Government influence

Another issue that has been identified as salient in our 2024 risk assessment is the level of governmental influence and interference into human rights. This would include topics such as freedom of expression, political freedom, freedom of the press, equality before the law, and civil liberties. The ongoing uncertain political situation in Bangladesh and the given political context in key sourcing countries has led to this being identified as a salient issue.

In alignment with the United Nations Guiding Principles on Business and Human Rights (UNGP), it is recognised that states have a duty to protect human rights, while companies have a responsibility to respect these rights. When states fail to uphold their duty, it becomes even more crucial for companies to ensure that their business is not contributing to human rights being compromised. This means that Varner must not only comply with local laws and regulations but also adhere to international human rights standards, even in challenging political environments.

Varner collaborates with industry stakeholders, including governments, NGOs, and other businesses, to promote fair labor practices and improve working conditions in the textile industry. Through our participation in multi-stakeholder initiatives we advocate for policy changes that support human rights.

Through our due diligence process we identify and mitigate human rights risks within the supply chain. This process involves regular assessments and audits to ensure that their suppliers adhere to ethical labor practices and comply with relevant

regulations. By focusing on these areas, we maintain a proactive approach to addressing government influence and ensuring that human rights are respected throughout our operations and supply chain.

## Conflict and Security

In 2024 we identified conflicts and security as a new salient issue. The textile industry faced numerous challenges related to conflicts and security across various regions, Bangladesh being the country with highest rising risk due to the significant political turmoil in 2024. The country faced widespread protests and violent clashes following a contentious general election. The government's response to the unrest, including the use of excessive force and mass arrests, exacerbated the security situation. These events disrupted supply chains and posed risks to our workforce, necessitating enhanced security measures and contingency planning.

We remain committed to our suppliers in Bangladesh and to continuing our business in the country. In periods during 2024 factories were closed due to riots and there were delays in shipments. We have kept our business obligations towards the suppliers and found solutions through dialogue. To avoid adverse impacts on workers related to factory closures, we strictly monitored on-time payment of wages in the period of July and August 2024 for all suppliers we work with. Any delayed payments were closely followed up with relevant suppliers, and wage records were verified to confirm full and timely disbursements.

In certain periods during the year, our CSR team have not been able to perform audits and visits, and projects that we have been a part of have been temporarily paused due to security reasons. We have implemented security measures when travelling, especially during evening/late night, to make sure that our employees' safety is taken care of. We are continuously monitoring the safety situation.

As uncertainties persist, it is essential to mitigate negative impacts on workers and supply chains. We work to uphold our commitments with suppliers, enhance human rights due diligence, and implement responsible procurement strategies.

We also keep tight dialogue with stakeholders to monitor the situation for workers and adjust our activities to occurring needs. We recognize the need to conduct heightened due diligence<sup>37</sup> when operating in conflict-affected contexts.

<sup>37</sup> [UNDP\\_Heightened\\_Human\\_Rights\\_Due\\_Diligence\\_for\\_Business\\_in\\_Conflict-Affected\\_Context.pdf](#)

## Grievances and remediation in the supply chain

Much of the work we do when it comes to decent work and human rights is focused on preventing and mitigating the risk of actual and potential adverse impact. However, we also realize the importance of enabling stakeholders to raise grievances and concerns and ensuring a systematic approach to circumstances where remediation is required. We are committed to addressing adverse impacts by providing for or cooperating in remediation when it is identified that our company has caused or contributed to such impacts, and to use our leverage to influence remediation in situations where we are directly linked to cases that require remediation.

The main responsibility for grievances and the appropriate remedy for workers and other stakeholders in the supply chain lies with the direct employer and with the relevant national authorities. We do, however, acknowledge that existing channels may need additional support and that there may be a need of alternative means of raising grievances. In addition, we see that access to remedy through conventional routes may be limited in some countries and regions.

Our goal is that all workers at factories cooperating with Varner have access to effective complaint and grievance channels<sup>38</sup>. Our approach to enable grievances to be raised and to be addressed is based on three focus areas:

- Support and monitoring to strengthen and improve suppliers and factories internal grievance channels<sup>39</sup>.
- Support implementation of channels to raise concerns and grievances through regional initiatives, sector initiatives or external stakeholders.
- Enable concerns and grievances relating to the supply chain to be raised to Varner.



<sup>38</sup> Approved factories include factories in all levels of the supply chain that have gone through an approval process.

<sup>39</sup> Often termed operational level grievance channels.

## Local grievance handling

Our efforts to support and monitor to strengthen and improve suppliers' and factories' internal grievance channels relate to our requirement that all direct partner factories have established proper internal grievance channels, available to all workers and employees. The awareness of these channels, as well as their effectiveness, is being assessed regularly and at all audits, both before the cooperation starts and during our cooperation with the factory. This is done by evaluating the means available for workers to raise grievances, by understanding the routines for handling grievances, by assessing the awareness about the channels as well as their effectiveness. Interviews with workers are important to understand the level of awareness about and the level of trust in such channels. At the end of 2024, four issues relating to insufficient grievance channels were identified in our supply chain. Examples of identified concerns include grievance mechanisms not being fully operational and insufficient recording of grievances. Three issues of concern were identified during 2024, and five issues were resolved during the year (including issues identified prior to 2024).

“ Our goal is that all workers at factories cooperating with Varner have access to effective complaint and grievance channels.

Beyond monitoring of the implementation of grievance channels at the factory level we aim to support awareness about how concerns and grievances can be raised and handled effectively. Several of the programs and projects we are a part of have elements relating to the ability to raise grievances, such as the social dialogue program in Bangladesh and the South India Textile and Garment Supply Chain project.

## Grievances through regional initiatives, sector initiatives or external stakeholders

Grievance channels through regional initiatives, sector initiatives or external stakeholders can be an important addition to factories' internal grievance channels. These could range from mechanisms governed by an organisation, or a multi-stakeholder initiative, to mechanisms governed by a group of companies. These types of channels can be beneficial in various circumstances, such as where there are specific structural or sectoral challenges in a region, or where internal factory channels have a low level of trust. We perceived such channels as complimentary to the internally established channels, and are currently actively engaged with the following channels:

- Occupational Safety and Health Complaints Mechanism under the RMG Sustainability Council in Bangladesh. This is a multi-stakeholder channel for workers and employees and their representatives, where they can raise safety and health concerns safely and confidentially<sup>40</sup>. Complaints are investigated by a team specialised in investigating and

resolving complaints. The mechanism is overseen by brand and trade union signatories to the International Accord. A significant feature of this mechanism is that all complaints and connected factories are made public. This channel is available at all factories used by Varner in Bangladesh.

- The Garment Worker Support Center continues to serve as a key grievance channel and information hub for workers in the Turkish garment sector<sup>41</sup>. Implemented in collaboration with the Turkish NGO Mudem, the channel is accessible in all factories we cooperate with in Türkiye. Varner has approved a new project cycle starting in 2025, with the participation of 9 brands in total, further strengthening the initiative.
- A channel for raising grievances has been established in relation with the South India Textile and Garment Supply Chain Project. Grievances can be lodged in two main ways, either through any of the five resource centres that are established in communities where workers live, or through a digital channel on the Timby platform. The channel is managed by the organisation SAVE and the six brands participating in the project, and it is available to garment workers in Tirupur and surrounding areas.

<sup>40</sup> Complaints and grievances that are not related to health and safety are also accepted but will be investigated by the involved companies and not by the RSC.

<sup>41</sup> Initially the channel was focused primarily on refugees and migrant workers in Türkiye, however the scope has been increased to include all garment workers.

In addition to the above-mentioned channels, we are cooperating with organisations and certification schemes that are working in the lower levels of the supply chain, especially in the cotton sector. Two such organisations are Fairtrade and Better Cotton. These organisations maintain channels for grievances and routines for handling grievances related to the farm level of cotton production.

### Supply chain grievances raised directly to Varner

We also aim to enable grievances to be raised to Varner directly. This can be done along three main streams. Firstly, we have established a channel where grievances from our supply chain can go into the system used to handle internal grievances at Varner. The whistlesystem can be used by any stakeholder but is especially promoted towards suppliers and supplier representatives to raise concerns or grievances related to Varner’s purchasing practices and instances of ethical breaches by Varner or Varner representatives. Information about this channel is provided to all new suppliers. Secondly, direct contact with Varner representatives is also a way to raise grievances. Interviews held with workers, worker representatives and other employees during social audits is a not only a source for information, but also a way to discover cases in need of remediation. Lastly, information or notifications from external stakeholders such as NGO’s, network partners, or other companies can also raise concerns about cases potentially requiring remediating activities.

Grievances received for the supply chain in 2024		
Channel	# of Grievances	Topics
RSC (Bangladesh)	17 grievances related to the Varner supply chain.	Wages and benefits, regular working hours.
MUDEM (Türkiye)	3 grievances related to the Varner supply chain. <sup>42</sup>	Mistreatment, discrimination, wages, and benefits.
Resource centres in Tamil Nadu (India)	No grievances related to the Varner supply chain. <sup>43</sup>	In general grievances were related to wages and benefits, forced labour, regular work.
Timby (India)	One grievance related to the Varner supply chain. <sup>44</sup>	Approval of resignation.
Concerns raised to Varner directly <sup>45</sup>	Six grievances related to the Varner supply chain. <sup>46</sup>	Wages and benefits, freedom of association and regular working hours.

42 In total, 343 grievances were received through the channel in 2024.

43 In total, 45 grievances were received through the channel in 2024. 30 have been resolved and 15 are still in progress.

44 In total, 32 grievances were received through the channel in 2024.

45 These are grievances or concerns raised through direct information provided to Varner CSR personnel, through the Varner Whistleblower channel, through sustainability@varner.com or concern@varner.com or by means not covered by the other mentioned channels.

46 In addition, we also received 2 direct complaints related to sexual harassment and health and safety in Bangladesh which we referred to the RSC.

## Remediation

We are committed to address adverse impacts by providing for or cooperating in remediation if and when we identify that our company has caused or contributed to such impacts, and to use our leverage to influence remediation in cases where we are directly linked to cases that requires remediation. The type of remedy that is appropriate will depend on the nature and extent of the adverse impact and may include apologies, restitution, or rehabilitation, financial or non-financial compensation, sanctions or taking measures to prevent future adverse impacts.

When cases that require remediating efforts are identified we will initiate an investigation into the situation and the information that has been received. For cases related to decent work and human rights the investigation is made by the CSR function in cooperation with relevant internal stakeholders and appropriate external organisations (such as RSC, Save, CYDD, MUDEM, and The Centre for Child Rights and Business). An investigation typically involves visits to the factory or entity that is involved, dialogue with involved persons and relevant stakeholders, review of records, documents, and other relevant information. If the investigation shows a need for remediation efforts, we will determine our role in the proceedings, identify the appropriate remediation action, and a plan for the remediation would be developed. We strive to maintain dialogue with the affected parties throughout the process.

Our approach in these cases has been to influence the entity that has caused the harm to engage in appropriate remediation. We generally seek to cooperate and align with other stakeholders and companies in such cases to ensure efficient and appropriate outcomes and to avoid duplication of efforts.

All instances identified where remediating efforts have been required in the supply chain in 2024 have been recognised as instances where Varner has been directly linked to the adverse impact (as opposed to “caused” or “contributed to”). Examples of cases identified and addressed during the reporting year have been unjust termination of workers and obstruction of unionisation. We also identified a case of a juvenile worker engaged by a third-party contractor conducting maintenance work at one factory site. In accordance with our procedure, the case was referred to The Centre for Child Rights and Business, and a remediation process is ongoing. Other remediation that has been carried has included training being provided to supervisors to address concerns of harsh language towards workers in one factory. In general, remediation is often executed in a combination with efforts with preventive focus to minimise the likelihood of repeated occurrences of similar cases.

The NGO Transparentem conducted an investigation of 90 cotton farms in Madya Pradesh, India, between June 2022 and March 2023. The investigation revealed serious issues such as child labour, forced labour, unsafe working conditions, and risks to organic cotton integrity. In 2024, Transparentem traced the cotton supply chains to major suppliers and global brands,

engaging 60 buyers to address these issues. One of Varner’s brands was approached by Transparentem as they had identified a connection with one of the investigated suppliers. At the time of Transparentem’s initial report, Varner did not have any business with this supplier, as this was ended due to low business volumes in September 2022. As Transparentem would not disclose details of the supply chain investigated we had no evidence that Varner’s sourcing was still connected to the investigated supply chain.



Our current approach when human rights breaches occur in the supply chain of any of our suppliers is informed by the UNGPs and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct when it comes to the cause, contribute, or directly linked concepts. These concepts are used both related to assessment of actual and potential risk, and in remediation efforts. In the Transparentem case where we were linked to the breach and had limited leverage, we would take measures to influence the supplier to enable remediation and where appropriate cooperate in efforts needed either through partner organizations that we are working with in the cotton sector (who have on-the ground access and a higher level of expertise than us on viable solutions), or directly. Our main focus in this case was to explore with partner organizations in the cotton sector how we can work preventively going forward to avoid situations such as the ones uncovered by Transparentem.

We have established formalized procedures for remediation specifically related to cases of child labour and migrant workers without legal working permits. These procedures include the intervention from external organisations that have expert knowledge in these areas. Targeted procedures have been established in these areas due to the significant risk of such cases occurring, and the vulnerable position the affected person would be in if such cases are identified.

## Reviewing impact

We aim to track the effectiveness and impact of our approach, our efforts, programs, and projects to protect and advance decent work and human rights in the supply chain in various ways. Activity plans are established and reviewed quarterly for progress by the Varner CSR Global Manager. This includes the review of indicators related to assessment activities, activities to address identified issues and concerns, communication activities, and remediation activities. Progress in program and project activities are also a part of the quarterly reviews. In addition, the progress of these activities is reported to the Sustainability Steering Group and to the Top Management.

The impact and effectiveness of programs and projects in the supply chain is usually assessed by partners commissioned to implement such programs, and occasionally by Varner internal CSR teams. More information about the impact of program and project activities can be found in previous sections relating to the various salient risk areas.

As a member of Cascale, we report annually on the Higg Brand and Retail Module (Higg BRM) which provides valuable insight into gaps or areas in need of improvement in our approach and systems. We strive to update and adjust our efforts as appropriate based on such feedback. We also receive feedback on an annual basis on our general performance from Ethical Trade Norway based on set criteria.

All approved suppliers and factories have been enrolled in the Varner assessment program. An essential part of this program is the tracking and verification carried out to assess whether identified issues have been improved and that required implementations have been done based on the improvement plans. The table below compiles information about findings from the Varner social audits and the number of issues that have been verified as resolved in full or in part. As issues would normally only be verified as resolved after an onsite follow-up it is assumed that more issues have been resolved but remains to be verified as such.



A general reflection is that a regular presence onsite at factories in the supply chain (both onsite presences related to assessment activities, and training and program activities) is important both as a measure to prevent breaches to decent work and as a measure to ensure progress on identified gaps and issues. In the period after the pandemic, it was identified that the general level maintaining and implementing decent work in general had declined. There were several drivers for this trend, but we believe the lack of presence onsite enabling monitoring, dialogue and support was of key importance.

**Overview of issues identified through social assessments**

<b>Issue rating</b>	<b>Findings in 2024<sup>47</sup></b>	<b>Issues resolved in 2024<sup>48</sup></b>	<b>Open issues per end 2024<sup>49</sup></b>
Critical	49	25	42
High	449	369	486
Medium	898	746	1037
Low	91	71	129

<sup>47</sup> In addition, there were 59 unrated observations.

<sup>48</sup> In addition, 97 unrated observations were resolved.

<sup>49</sup> These are issues identified in 2024 or previous years that are not yet resolved. In addition, there was 1 unrated observation.



## Business partners

In addition to manufacturing our own products, Varner is also a buyer of external products and services, which falls outside the scope of our own supply chain. This includes externally branded products distributed through our sales channels, and indirect spend products and services, which are primarily acquired for non-commercial use. The indirect spend category includes expenditures for supporting our operations, covering areas like rental cost for stores and offices, packaging materials, transportation of goods, office supplies, marketing, music licenses, software, construction, and consulting services.

In 2024, externally branded products accounted for approximately 23% of the purchased Varner retail inventory and 18% of our sales. As for our own production, we are committed to making sure that human and labour rights are respected in the supply chains of our business partners. Our due diligence for business partners is still a work in progress, and our main priority area has been our commercial external brand portfolio. Being a comparatively small retailer on a global scale, our ability to gather information about

“As for our own production, we are committed to making sure that human and labour rights are respected in the supply chains of our business partners.”

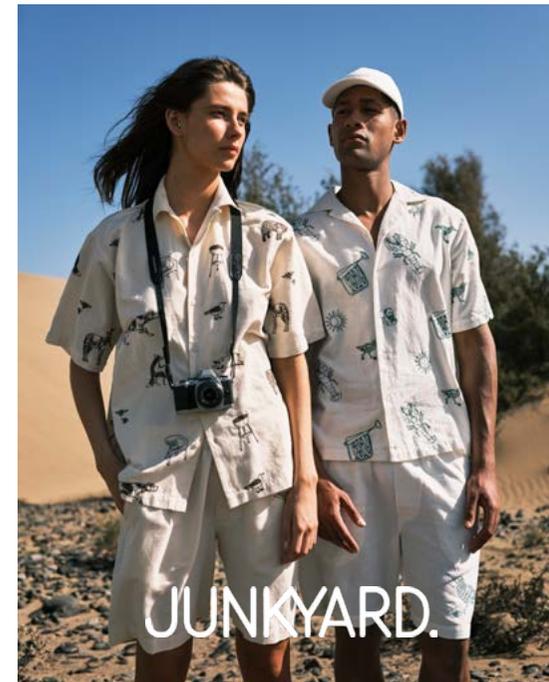
the actual conditions in our business partners' supply chains and actions to prevent risks is limited. To manage these risks, we've implemented a pre-qualification screening, setting minimum requirements before collaboration begins. With this approach, we aim to reduce the risks of actual and potential negative impacts in the supply chains of our business partners. However, we acknowledge the limitations of this process, as it is centred around an initial screening and relies on self-reported information. We aim to strengthen our due diligence processes in the coming years and are collaborating with other retailers and buyers to share experiences and adopt best practices.

### External brand suppliers

The external brands featured in our stores are comprised of a diverse range of companies, from small and independent entities to multinational corporations. They provide a wide array of products, including apparel, footwear, accessories, and cosmetic products. Carlings, Cubus, Junkyard, and Volt are the Varner brand stores with external brands in their assortment. By the end of 2024, we had 89 external brands in our portfolio. That is a decrease from last year and it is due to a wish to consolidate the brand portfolio.

For our due diligence on external brands, we have established a prequalification process, evaluating each brand against our corporate social responsibility (CSR) and product safety requirements before initiating collaboration. With this process we ensure that all our partners have a:

- Code of Conduct.
- Procedure for identifying risk and following up suppliers.
- Restricted Substances List.
- Routine for chemical follow-up of their products.
- Product specific documentation (cosmetics).
- Contact person for CSR and product safety.



During the screening phase, if a brand that cannot meet our requirements expresses a commitment to meet them, we offer support in developing policies, routines, and procedures. Some brands may need more time and advice than others, however, they must commit to meeting our requirements within a set timeline. Through this service, we aim to encourage positive developments within our industry and to reduce the risks of negative impacts in our business partners' supply chains.

In 2024 we added 15 new external brands to our portfolio and all of them (100%) were assessed and approved through our screening process. We continued our portfolio follow-up, mapping and reaching out to brands that have not previously been assessed towards our current requirements. We ended our cooperation with 59 external brand suppliers. The main reason for ending the cooperation with these external brands was change in business direction and the wish to consolidate the external brand supplier portfolio. By the end of 2024 97% of our portfolio has undergone a full assessment.

In 2024 no cooperation was ended due to their inability to meet our minimum requirements and reluctance to implement systems to manage actual and potential risks in their supply chains.

As a fashion retailer, we are aware of the human rights and decent work risks inherent in our industry, which extends to our business partners. Potential and actual risks include forced labour, child labour, health and safety concerns, wages, and limited possibilities for collective bargaining. To address these issues, we have implemented

minimum requirements to ensure our external brand partners have internal systems to manage risks. Our experience is that smaller brands and some larger non-European brands lack knowledge about current regulations and expectations for responsible business conduct. Additionally, we encountered hesitation from some brands to share information about their efforts to reduce and mitigate risks in their production, as well as facing challenges with agents and distributors causing bottlenecks for attaining the requested information.

### Indirect spend suppliers

As a large retailer, Varner relies on various non-commercial goods and services to sustain its operations. For our indirect spend due diligence, we have prioritized evaluating relevant long-term suppliers against our pre-qualification criteria, ensuring that they have a:

- Code of Conduct.
- Procedure for identifying risk and following up suppliers.
- If applicable: Routine for chemical safety.
- Contact person for CSR and product safety.

In 2023 we assessed and approved selected long termed suppliers against minimum requirements. A portfolio risk assessment was conducted to map indirect spend suppliers, categories, and associated risks. The findings revealed potential risks, such as forced labour, child labour, harassment, health and safety issues, and illicit work, primarily in the raw material and processing stages of production.

The assessment also revealed that our scope for screening may have been too narrow, and we therefore aim to expand our due diligence activities in a long-term perspective based on this. The plan is to continue mapping suppliers and categories in the coming year to redefine the screening scope, and to develop an efficient method for screening. We have not progressed as much as we would like on this project in 2024 due to lack of capacity and because we have chosen to prioritize focusing on own supply chain partners.



## 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 a 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 2024. In addition to existing channels, during 2023 a new channel for whistleblowing was established for all permanent and temporary employees in Varner and associated chains, as well as by customers and suppliers associated with some of Varner's businesses.

“ Integrity and anti-corruption workshops have been held at all Varner production offices with the aim to reinforce Varner policies on the subject.

All employees are required to familiarize themselves with the content of the document “Good Business Practice.” The document explains the requirements and expectations for good business practice and 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 whistleblowing channel and how to report incidents. The document is available for employees through our internal communication channels.

Integrity and anti-corruption workshops have been held at all Varner production offices with the aim to reinforce Varner policies on the subject. During 2024, 87 employees have taken part in the workshops, 17 in Türkiye, 31 in Bangladesh, 17 in India, 22 in the Far East offices. 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.

Our management system secures the quality of all our actions in relation to anti-corruption. These systems include training, external auditing, internal financial quality control, policies and guidelines, shared core values, and leadership principles. Our policies are:

1. Anti-Bribery Policy
2. Varner Supplier Code of Conduct
3. Varner internal Code of Conduct
4. Varner Good Business Practice
5. Responsible Sourcing Policy
6. Ethical Guidelines
7. Working Regulations for Norway, Sweden, Finland
8. Whistleblower Policy

In 2023, Varner implemented a new procedure, that all new employees receive and sign the Varner Good Business Practice document. Beyond this, Varner does not track the number and percentage of employees that have received communication about our anti-corruption policies and procedures. The policies are available to all our employees. Core policies are also available to the public on the Varner website.

Varner's established Compliance Group investigates all cases of suspected bribery/corruption. Such cases are always taken seriously and continuously evaluated. Any eventual issues related to bribery and anti-corruption that occur will be consulted with the CSR team.

The Varner risk-assessment method and process is applied to the entire organisation. This includes all business entities (24 in total) in Norway, Sweden, Finland, Iceland, Türkiye, India, Bangladesh, and China, 100% of our own operations. Varner has identified our production offices as the locations within our own operations with the highest risk level for corruption. This has been supported via documentation from the Transparency International Corruption Index.

Varner has instituted standardized procedures for managing whistleblowing incidents pertaining to bribery and corruption. These procedures are rigorously followed, with disciplinary measures, including dismissal, as the ultimate consequence. In 2024, fewer than five incidents have been reported, all of which were handled in accordance with the established protocols. Varner did not have any public legal cases regarding corruption brought against the organisation or its employees during the reporting period.

When becoming aware of a potential situation, the organisation has learned that it is important to take things seriously early in the process and dedicate the necessary resources needed to handle the situation.

### **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 for all suppliers and business partners working with Varner. The documents state 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 suppliers must comply with our expectation and applicable laws on anti-bribery and corruption and are required to develop their own policies for anti-corruption. The requirements are included in supplier contracts. All suppliers of own branded products (tier 1A) have signed contracts which include expectations and requirements related to anti-corruption. A dedicated whistleblowing channel has been established, which is externally operated and accessible 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 audits of factories. 337 audits were carried out in 2024. No issues related to anti-corruption were identified with active supply chain partners during the reporting year.





## Responsible employer

Our thousands of competent, committed, and passionate employees are our most important organisational strength and valuable resource.

We know that a diversity of people with diverse backgrounds, gender identities, skills, and views enrich us as a company and contributes to securing and strengthening our development throughout the value chain.

Together with our employees, we create the best customer experiences through straight forward and responsible working methods, in addition to inspiring ideas. This drives us towards our goals, sustainable development, and economic growth.

**Varner is a value-driven company,  
where our core values are at the heart  
of everything we do:**

Business-minded – Passion – Make it easy  
– Friendship – Happiness – Responsible.

Many of our employees start their first job and are just in the beginning of their professional careers when joining Varner, and more than half of our employees are under 25 years of age. We recognise that this necessitates a great responsibility for Varner to ensure that our young talents get a good introduction to their professional life. This is something we will focus on further in the future.

2024 has been characterised by many activities and projects that will contribute to both our employees' and Varner's future development and growth. Of these, we particularly refer to the following:

“ At Varner, a significant number of our employees are at the beginning of their professional careers, with over half of our workforce being under the age of 25.

- Core values and culture focus for all new employees in multiple languages.
- Focus on further development and continuous improvement of our common communication channel, My Varner.
- Continue our journey in ensuring a good speak-up culture.
- Quality Assurance of employment contracts in the Nordic countries to strengthen workers' rights by ensuring clearer and more predictable working conditions.
- Ensure a good understanding of potentials opportunities with exit surveys among employees who leave.
- Employer Branding initiatives have been executed, involving the evaluation and revision of updated images and advertising texts emphasizing our inclusive and diverse workforce.
- Further develop our goal of a well-functioning workplace for all, with room for personal development and progress, and with well-being in focus.

### Equality at work

At Varner, we are committed to creating an inclusive and diverse workplace where everyone feels valued and respected. We believe that hiring employees with diverse backgrounds and experiences benefits our continuous development and contributes to improving our products and strengthening our brands. Therefore, we promote equal opportunities and work hard to ensure that our workplaces have an open and diverse environment.

“ We recruit, promote, and compensate employees based on their responsibilities, competencies, performance, and alignment with our values.

We do not tolerate any form of discrimination based on e.g., ethnicity, parenthood, age, disability/ability, religion, unionisation, political affiliation, sexual orientation, gender, or gender identity. All employees are responsible for contributing to a positive and respectful working environment. Furthermore, all employees are responsible for having an inclusive and friendly approach. This is strongly rooted in our core values and our internal Code of Conduct.

“ As reflected in our employee demographics, we have a workforce that is both youthful and highly skilled.



Our work with diversity and equal opportunities is integrated into our business strategy, tools, and policies. As an example, we have collective agreements in our Nordic countries that set the framework for determining wages on an equal basis. Our aim is to have a positive influence on the lives we touch.

All new employees at the Service Office are cordially invited to attend a joint meeting on the first day of the month. This meeting, facilitated by the HR Department, provides practical information, an overview of rules and principles, as well as an introduction to the company's core values and culture.

Varner adheres to an Office First principle at the Service Office. This principle supports the company's primary tasks and fosters the engagement of new employees, enhancing communication flow, collaboration, and inclusion.

Varner has taken several steps to promote diversity and inclusion in the workplace. We have updated our employee documents, policies, guidelines, and informational materials to ensure compliance with current legislation and accessibility for the employees at the communication platform, My Varner. This also includes accessibility of guidelines, HR documents and policies in English. My Varner focuses on making all employee information more understandable and easier to access.

In 2024, we have continued our work for more inclusive job ads with a focus on inclusion and diversity throughout the recruitment process, from job posting to interview process. These efforts are part of our ongoing commitment to create an inclusive environment for all employees, regardless of language and cultural background. In 2024, we have streamlined our recruitment process to attract top talent and launched a

new career site to showcase our innovative projects and growth opportunities. Additionally, we have involved employees in the branding process by producing videos that feature their experiences, helping to humanize our brand and build a stronger connection with potential candidates. Our team has also participated in various training sessions to stay updated on the latest employer branding strategies, ensuring that we are always at the forefront of attracting and retaining the best talent.

Varner in Iceland has been verified by the Equality Council for Equal Pay, confirming that all employees receive equal pay for the same job or jobs of equal value.

## Diversity of governance bodies and employees

The employee demographics in the countries with store operations are diverse and include a significant number of women. Our workforce reflects a wide range of cultural backgrounds and age groups, contributing to a dynamic and inclusive work environment. While we do not report on specific cultural backgrounds, we are proud to say that our leadership is predominantly female, with 81% of the team being women. Additionally, 58% of our leaders are under the age of 35, and 84% of our employees are 35 years old or younger. This youthful and diverse workforce helps to create a vibrant and engaging workplace.

To mitigate the risk of bias when hiring new employees, we have excluded gender and age information from our recruitment process.

Our core values are fundamental to our corporate culture, promoting diversity, inclusion, and equal opportunities within our organisation. We are committed to maintaining these principles in compliance with applicable laws and regulations. Through our continuous work of fostering a culture of respect, inclusion, and collaboration, we aim to attract, recruit, and retain people with diverse backgrounds, gender identities, skills, and different views.

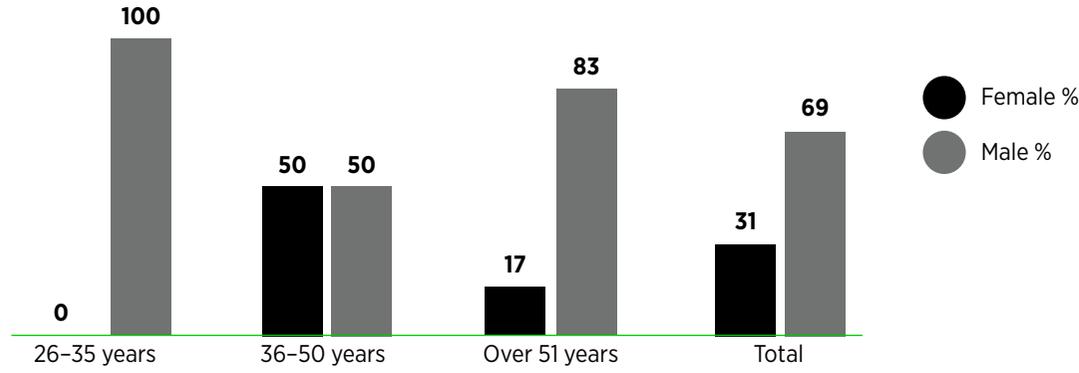
Our revised content of job advertising templates is another example of measures taken to show the diversity in our brands and contribute to increased diversity.

For more information on our employee demographics, we refer to the appendix.

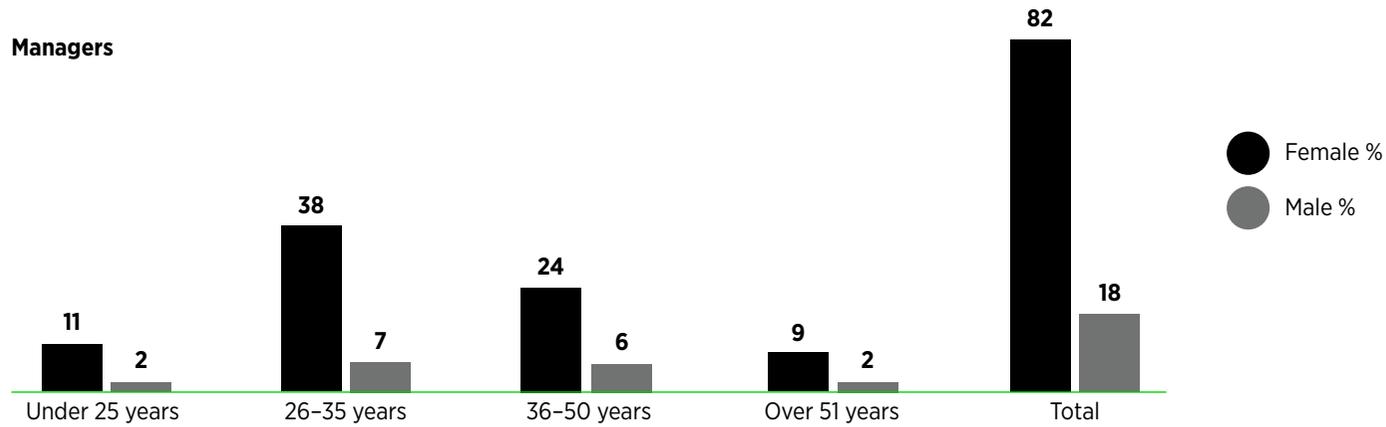
- Our leadership is predominantly female, with 81% of all Managers being women.
- 58% of our leaders are under the age of 35.
- 51% of all our employees (including Managers) are under the age of 25.
- 79% of all our employees are under the age of 35.



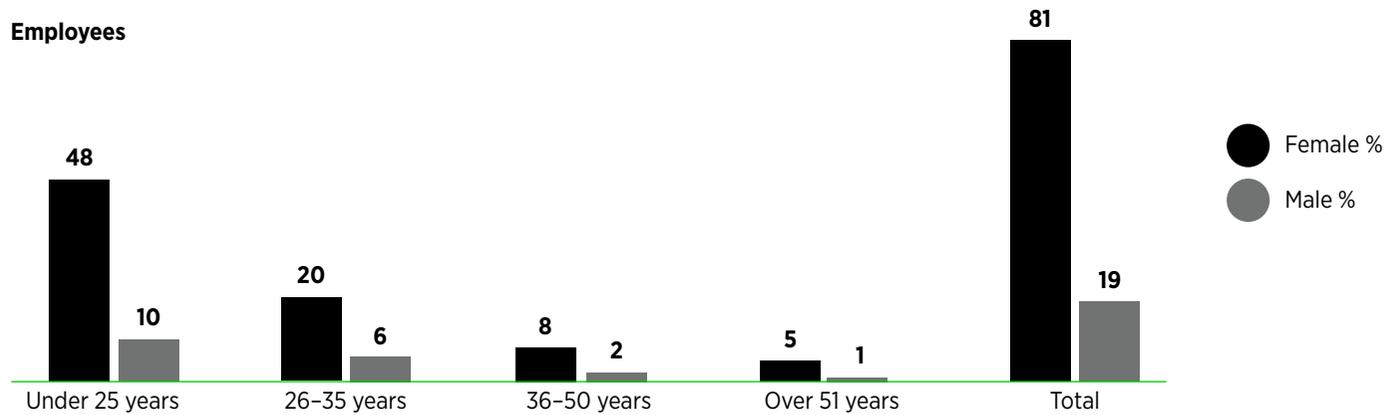
**Senior / Top Management**



**Managers**



**Employees**



### **Varner Internal Code of Conduct**

The purpose of the Internal Code of Conduct is to embed fair-work and responsible business practice in all key parts of our business. Part of the code is also incorporated in the document Good Business Practice, included in the addendum package of our employment contracts.

The full code is available for all employees on our communication platform, My Varner and on our website. The code is based on legal requirements and international standards such as The UN's Universal Declaration of Human Rights, The UN's Global Compact, The UN's Guiding Principles on Business and Human Rights and the International Labour Organisation's Conventions.

The code sets specific expectations and guidelines for how we conduct our business, and how we behave, both in our daily operations internally and in contact with external parties. It applies to everyone who works for Varner, including all levels of management, permanent and temporary employees, subcontractors, volunteers, and consultants in all countries we operate.

The code covers 17 areas, including sections about laws, regulations, and internal rules, conflicts of interest, corruption, bribery, and legal opportunities. It also covers diversity, labour rights, rights to privacy/ GDPR, working environment and risk management.

### **Grievances and whistleblowing**

Our Whistleblower policy highlights the employees' right and responsibility to report on censurable conditions, issues of concern, breaches of the code, and other grievance matters. It also outlines how issues raised will be managed.

The policy is communicated in our employment agreements, local work regulations, Code of Conduct, Anti-bribery Policy, Good Business Practice and on Varner's website.

Our external Whistleblowing system ensures anonymity and secure reporting. Employees, customers, and suppliers can report issues without fearing negative reactions. The Whistleblower can write or dictate messages in their own language anonymously. This promotes a transparent and trustworthy work environment.

### **Anti-discrimination and reports of concern**

Equality and anti-discrimination are a natural part of our day-to-day leadership and management systems. Our zero tolerance for harassment is described in our policies and is part of our core values and culture.

We have regularly scheduled meetings with employee representatives within the companies and follow the local requirements and regulations when it comes to involvement and discussions. No violations or breaches have been reported in the meetings with the employee representatives.

“ It is crucial that all employees exercise their right to voice concerns and report any issues.

Inquiries and reports of concern have been assessed and handled in accordance with the company routines in close cooperation with our HR Department.

For privacy reasons, we do not specify the exact number, as fewer than 5 incidents of discrimination have been received during 2024.

### **Freedom to organise and collective bargaining**

All our employees have the right to freely join a trade union and apply for collective bargaining agreements, in accordance with local laws.

In Norway, 48.9% of all stores are covered by a collective bargaining agreement. The percentage of employees covered by bargaining agreements in Sweden, Finland and Iceland is 99.7%, 97.4%, and 100%, respectively. In line with the agreement structure, these collective agreements are negotiated annually by the local employers' and employees' organisations. An example of this is the employer organisation, Virke and the employee organisation, LO in Norway. The companies in Norway, Sweden and Finland all have membership in the respective employers' organisations. We have routines for involvement of the Unions in accordance with the local legislation.

Employees at our Global Production Offices are not formally covered by collective bargaining agreements. Employees can voluntarily choose to join a Trade Union.

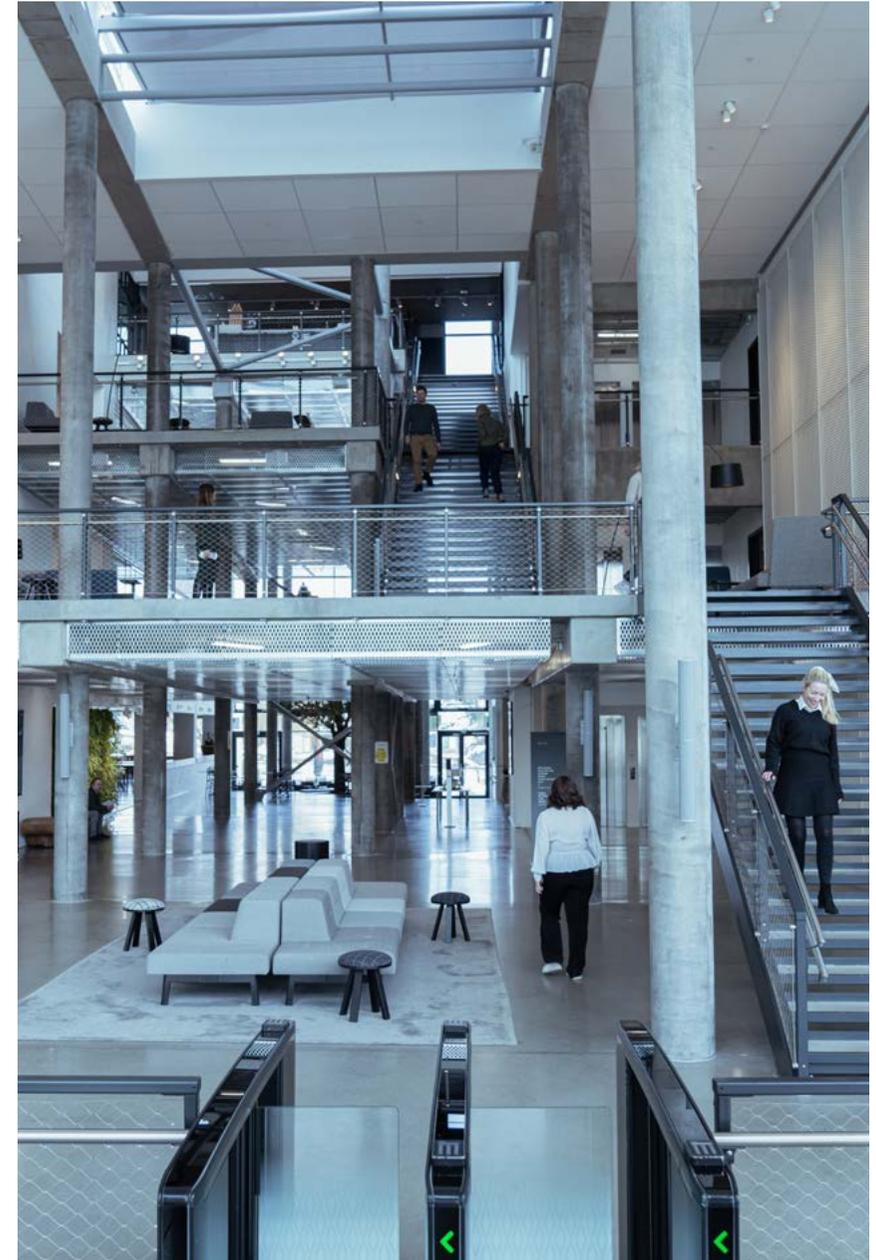
Based on the GDPR and Privacy legislation, we do not have a full overview of the Trade Union membership since this is not monitored or tracked. Employees have the freedom to choose to inform their employer.

### **Employee benefits**

In the Nordic countries, several of our units and companies are bound by collective bargaining agreements. These agreements set clear guidelines for both pay and benefits. Based on this, all our store employees have the same pay and working conditions in line with the associated collective agreement. The Nordic countries do not have a general statutory minimum wage. The principles for salary adjustment and revision in the Nordic countries follow the collective bargaining agreements and Salary Policy.

In our production offices, we have implemented local routines for salaries and benefits. The salary audits and adjustments are done annually. The wage level is set higher or in line with the local industry standard and above the local minimum wage.

In cases where employee benefits are not covered by local legislation there is a form of harmonization with benefits in other parts of the organisations at the group level. An example of this is bonus schemes and discounts in stores that are provided to all employees. Employee benefits such as flexible working hours have been implemented for employees at the Global Production Offices. All countries have guidelines related to parental leave.



All companies have insurance and pension schemes in line with national requirements or based on collective agreements. Our fixed and temporary employees have the same employee benefits independently of position type, full-time and, or part-time positions.

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

As we do not have a system that supports reporting of retention rates after 12 months of parental leave, we have not stated it in the report.

Parental leave 2024	Female	Male
Employees that took parental leave	487	88
Returned to work in the reporting period after parental leave ended	230	26
Returned to work after parental leave ended and were still employed 12 months after their return	109	22

### Labor and management relations

Ensuring smooth transitions and competence transfer when employees leave is crucial for us. Our notice period allows time to recruit and train successors. We follow both Varner's policy and local legislation regarding notice periods, considering age and seniority. For layoffs, the notice period helps employees find new jobs and avoid unemployment. Critical roles with specific skills may have longer notice periods than legally required.

For operational or organisational changes in any country, we comply with local legislation and collective agreement requirements. We also collaborate with relevant Trade Union representatives and/or other employee representatives, notifying employees according to the deadlines specified by local laws. In cases of temporary leave, we adhere to applicable legislation and our HR policies and procedures.

Our general terms for external personnel providers include clauses regarding working conditions and labour laws. These terms comply with

applicable regulations, including those related to social security, health and safety, wages, and working hours. The terms are agreed upon and signed before initiating a contract. We adhere to national requirements concerning supervisory responsibilities. In Norway, this specifically pertains to cleaning services.

### Employee turnover in 2024

A total of 14 stores were permanently closed in Norway, 2 stores were closed in Finland, and 19 stores were closed in Sweden. This has influenced the overall rate of employee turnover.

In 2024, the total turnover rate was 34%. This figure represents the proportion of employees who have exited the company and includes both part-time and full-time employees, as well as those on leave due to illness or temporary absence. However, it excludes employees who have transitioned to different positions within the same country.

See our overview of new hires and turnover in 2024 in the [appendix](#).



The HR Department distributes a voluntary exit survey to departing employees for feedback on their employment experience. In 2024, feedback was collected from 375 employees. Furthermore, the HR Department facilitated multiple face-to-face feedback sessions.

The HR Department is responsible for analysing feedback and utilizing it to support organisational development, in addition to managing any necessary actions based on the feedback received.

## Developing our people

We consider training and education to be crucial elements in retaining and developing our workforce, and we take pride in having a substantial number of long-term employees.

We recognize the critical importance of offering our valued employees ongoing updates and motivation to enhance their knowledge and skills. Additionally, we ensure young first-time workers receive basic training and a good introduction to their professional life.

Furthermore, the objective of our training program is to ensure the achievement of our business goals, maintain financial health, and foster a strong, positive company culture rooted in our core values.

In 2024, the estimated average training duration was 10 hours per employee and approximately 22 hours per manager.

In 2024, we continued the same focus on developing our people as earlier years and we will particularly emphasize the following:



- Core values and culture focus for new employees.
- Basic leadership development with Face-to-Face Training and individual development plans/activities.
- Basic skills and competencies – Digital training in combination with On-the-Job Training.
- New ways of working in all stores with the 88 newly implemented Point of Sales system.
- Brand-specific talent programs.

## Performance and career development reviews

We have an ongoing routine and template for development reviews and dialogue between employee and manager. The routine is that employees have regular feedback and performance talks yearly. This contributes to career opportunities and internal mobility.

There is no system in place for monitoring or collecting data on how and whether the performance development is completed.

## Programs for upgrading employee and management skills

We believe that investing in our employees' training and development is key to creating a dynamic and innovative work environment. That is why we regularly introduce a range of webinar-based management training for our new Store Managers in all countries. The webinar trainings are held by our HR teams in Norway, Sweden, and Finland monthly.

All new employees at our Service Office, which is our main office, receive a common introduction to Varner's culture and values as a part of the onboarding. All store employees are introduced to our values and culture through a video available on our digital communication platform as a part of the onboarding.

In our leadership training we focus on our leadership principles and model for leadership, Varner Leadership Building Blocks, as an addition to our core values. Our purpose is to further strengthen our culture and values through our leadership. The "Building Blocks" are used as a tool in our leadership training and everyday life as leaders.

On demand, we have conducted several physical training courses for managers in stores and our Service Offices. This training is designed to help our managers develop the skills and knowledge they need to succeed in their roles and drive our business forward, in addition to being introduced to Varner Leadership Building Blocks.

Our ambition is to create a culture of learning and development throughout the organisation.

Specific assessments have been made for positions that may be suitable for outplacements or similar transitional arrangements. In addition, specific assessments have been made to facilitate continued employability by adjusting the work situation where no relocation opportunities or outplacement has been suitable.

“ As a natural part of our corporate culture and in line with our core values, we invest in our people by providing training and development opportunities.

## Our digital learning methodology

In addition to daily and weekly development through leadership, on-the-job training, mentoring, and teamwork, our digital learning platform, Motimate, serves as the primary source of training for our Sales Advisors and store employees. Motimate is designed to be user-friendly, ensuring that our employees can easily access, and update content as needed. This accessibility is essential for maintaining a well-informed and skilled workforce.

**Basic training:** Our digital learning platform is our main source for basic training, covering essential topics such as store operations, customer service, and product knowledge, in addition to on-boarding of new store employees and sustainability training. This foundational training ensures that all employees are equipped with the necessary skills to perform their roles effectively.

**Weekly News:** The platform delivers weekly news updates, keeping employees informed about the latest developments and company announcements. This regular communication helps maintain a connected and engaged workforce throughout the organisation.

**Digital Live Events and Kick-offs:** The platform supports digital live events and kick-offs, providing a dynamic and interactive way to engage with employees. These events are an excellent opportunity to share valuable information, celebrate achievements, and foster a sense of community within the company.

By the year-end 2024, almost 8 500 employees were registered as active users of our digital learning platform and used it for training and communication. More than 154 000 digital courses were completed in the period, with an average of 18 digital courses per employee. Approximately 12% (18 100 courses) of the completed digital learning content is related to health and safety, compliance, and sustainability. The majority (approximately 136 000 courses) of the digital training content is related to product knowledge, sales and customer service, store routines and management training. The figures referred to apply to active employees by the year end 2024.

## Sustainability training

We have an ambition to ensure that all our employees have sustainability competence relevant to their function. This will support us in reaching our sustainability ambition and goals. Our employees have access to various sustainability training courses, including in-person and digitally, in addition to workshops held by internal Varner employees and external parties.

In 2024, more than 4 000 digital courses related to sustainability were completed by newly hired managers and employees.

Digital training (Motimate)	
Total number of employees* who have completed one or more trainings	8 483
Total number of courses completed	154 136
Average number of courses completed per employee and manager using the platform	18
Average time spent on training per employee using the platform (25 minutes per course)	7 hours
Average rating of all courses	4.8 (out of 5)
*Approximately 24% of these employees are managers (Country Manager, Regional Manager, Visual Manager, Store Manager)	
*The figures apply to active employees as of 31.12.2024	

All new employees at the Service Office receive introductory training held by the Sustainability Department within three months of their start-date. This training provides insights into our approach to due diligence and sustainability-related topics, providing a comprehensive understanding of our daily sustainability work.

Certain functions at the Service Office, Supply Chain, and Global Production Offices receive in-depth training in various subjects including supply chain, business relationships, more sustainable materials, product safety, health and safety, environment and climate, human rights, child labour, animal welfare, anti-corruption, product labelling, marketing activities, compliance, anti-corruption, and more. Competence building related to sustainability, decent work, and human rights is particularly crucial for those responsible for our supply chain and business relationship due diligence efforts.

All store employees have mandatory training in social and environmental sustainability, materials, health and safety, security and GDPR.

Sustainability trainings at the service office and Global production offices		
Training type	Number of courses taken	Total hours spent <sup>50</sup>
General Sustainability Training	298	298
Quality Assurance related training	301	451
CSR related training	158	256
Environmental related training	12	14
<b>Total</b>	<b>769</b>	<b>1019</b>
Average hours of sustainability training per employee		2

Sustainability themed digital trainings	
Training	Training sessions completed
Basic material training	2035
Sustainability – Environment and CSR	1984
<b>Total</b>	<b>4019</b>

<sup>50</sup> Due to tracking capabilities, this data only reflects trainings completed in 2024 by employees employed in Varner by 31.12.2024.



## A safe and healthy workplace

We believe that a safe, secure, and healthy workplace is essential for the well-being of our employees and the success of our business.

We are dedicated to the ongoing enhancement of working conditions, focusing on both the physical work environment and psychosocial factors. This commitment extends to all employees across the various countries in which we operate. Additionally, we adhere to and uphold the relevant Occupational Health and Safety regulations and standards in each country.

We are committed to fostering a safe and healthy working environment through close collaboration between employees, their representatives, and management. We have established working environment councils at all offices, the warehouse/ Distribution Centre, and stores, as required by local legislation. These councils ensure compliance with applicable regulations related to the work environment. They conduct risk assessments and implement measures to address and prevent workplace risks. Training for new council members is typically provided annually.

Work-related injuries are documented and managed by the working environment councils. These councils consist of an equal number of members from both employee and management levels. Worker representatives are typically elected for two-year terms. At the Distribution Centre in Sweden, all incidents are reported and handled in our incident and accident system (IA-system). Additionally, there is a daily and weekly review of injuries and near misses at the Distribution Centre to support ongoing learning and improvement.

All accidents and incidents are reported according to internal routines, which include reporting to the local Work Environment Committees and/or relevant Labour Inspection Authority.

In 2024, a total of 90 recordable work-related injuries and zero high-consequence injuries were reported across all countries in Varner. The primary causes of these injuries among store employees include falls, cuts, falling goods, and physical exertion, such as lifting heavy boxes. In response to these incidents, local measures have been implemented, along with instructions to all employees, emphasising the importance of adhering to our safety procedures. Follow-up actions are conducted by the relevant work environment authority where necessary.

Our Distribution Centre is highly automated. Risk assessments have been conducted, identifying three primary risk areas: automated robots, machine operations, and workstations. Each identified risk has been evaluated, with corresponding action plans and/or routines established. At our Distribution Centre, statistical data

indicate recurring hazards and work-related injuries in the following categories: falls, cuts, falling goods, lifting heavy boxes, crush injuries, and collisions.

Following risk assessment results, we updated and enhanced our internal emergency procedures in the Nordic countries for 2024. The Security Department has conducted 30 physical safety courses in the stores and revised the online security training. All store employees are required to complete the online security training annually.

We adhere to national regulations concerning supervisory responsibility, with reference to cleaning services in Norway. This has also been completed for 2024.

### **Occupational health and safety management system**

Operations in Norway, Sweden, Finland, and Iceland are conducted in accordance with the Working Environment Act and comply with Health and Safety requirements. Global Production Offices strictly adhere to fire safety regulations specific to each country and have established protocols for managing work-related injuries.

This also applies to all individuals who are not employees but whose work and workplace are controlled by Varner. Common examples of non-employees under the supervision of the organisation include warehouse assistants from employment agencies, and personnel from companies contracted to operate both Service Offices and warehouses. However, providing an accurate count of external workers is currently not feasible.



“ We comply with national obligations related to requirements for supervisory responsibility.

Local government performs both scheduled and unscheduled audits throughout the year. While there is no centralized record of the total number of audits conducted, the HR Department is consistently informed and actively involved. Furthermore, an external audit pertaining to the assessment of Higg was carried out in 2024.

All operational aspects at Varner are subject to routine risk assessments, which include the formulation of action plans to address health, safety, and working environment concerns. To identify potential hazards and investigate incidents, we regularly conduct safety inspections across all workplaces, forming the basis for local maintenance planning.

Each store and office in various countries is responsible for the ongoing prevention and identification of potential risks. Additionally, every store has a regional safety representative tasked with ensuring a safe working environment and conditions. Employees are encouraged to communicate any concerns to their local safety representatives. The employer must ensure that safety representatives are appointed in each region and provided with appropriate training in accordance with local regulations.

At least twice a year, the safety representatives take part in our work environment committee meetings, to ensure the interests of our employees. It is the companies that maintain the meeting structure for safety representatives. Safety representatives have the legal right to complain about deficiencies, if a deficiency is serious, they have the right to stop operations until it has been remedied.

“ In Bangladesh, India, China, and Hong Kong all permanent employees receive medical insurance.

At our Distribution Centre in Vänersborg, a regular safety committee meeting is held at minimum 4 times per year, following the local legislation and regulations. Safety rounds are also held on a frequent basis and any deviations are reported and assessed in an action plan. Employees can report work-related risks and hazardous situations through a separate form.

### Promotion of worker health

In Norway, Sweden, Denmark and Finland, all employees and workers hired by temporary-work agencies, are covered by the countries' welfare schemes and health services in line with local legislation.

In Bangladesh, India, China, and Hong Kong, all permanent employees receive medical insurance.

In Türkiye, all employees are covered by the Turkish healthcare system. In addition to this, they also have access to a doctor for Workplace Health and Safety services.

In 2024, the Vänersborg Employee Club at the Distribution Centre has undergone significant development. The objective of the Employee

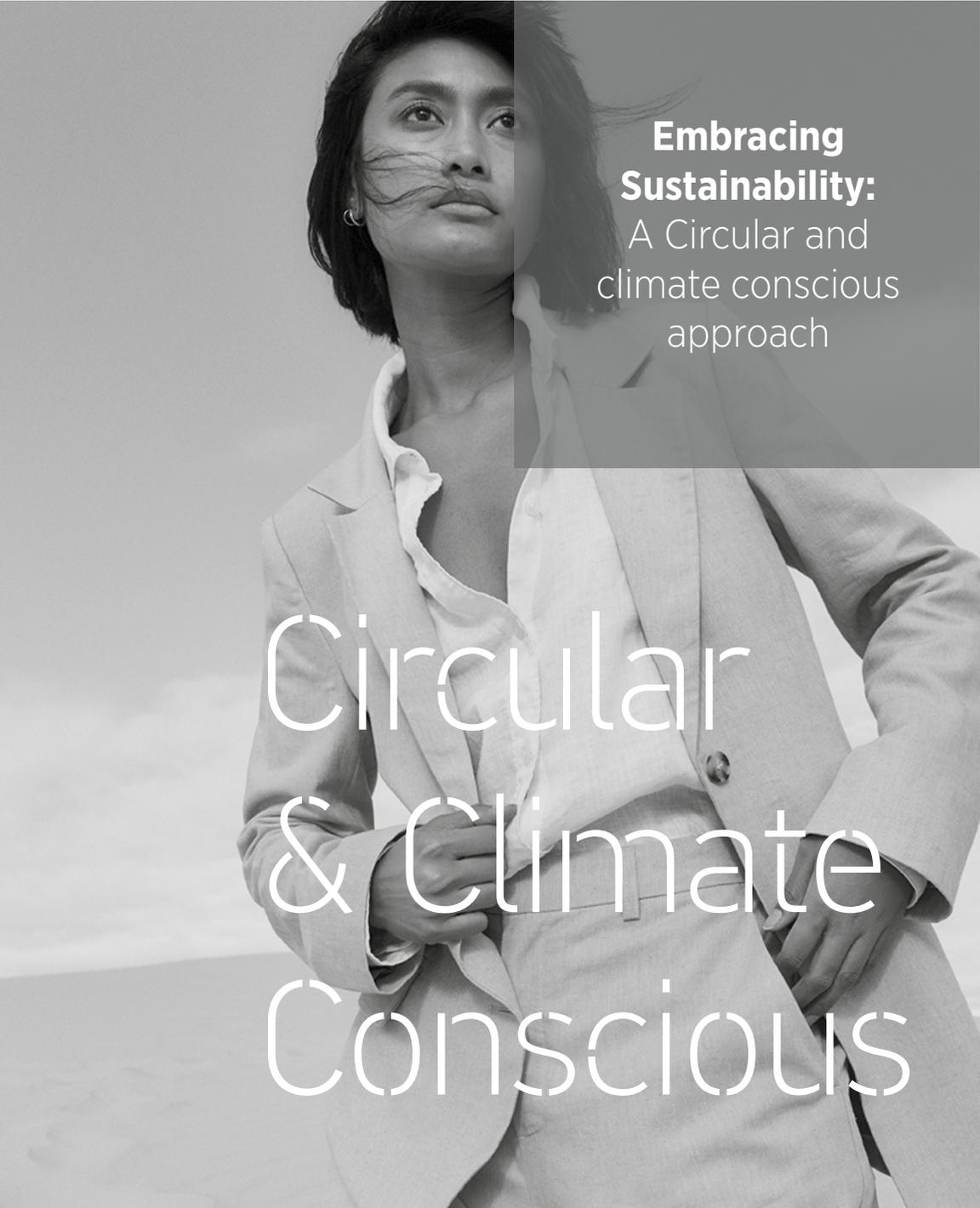
Club is to enhance employee wellbeing by providing access to a gym for rehabilitation, injury prevention, and overall health improvement. Throughout the year, participation in workout sessions has been steady. Besides the health advantages, the training facility and Employee Club have fostered social interactions in the workplace thereby strengthening relationships among employees.

The aim is to engage as many employees as possible, ensuring that exercising is both accessible and enjoyable. This initiative will continue into 2025, with the intention of attracting more participants to collective workout sessions. Additionally, the Employee Club has offered employees the opportunity to participate in three running races over the course of the year.

### Health and safety training

Health and safety training is provided during the on-boarding process and periodically for all relevant staff. This encompasses fire drills, fire extinguisher operation, and general HSE (Health, Safety, and Environment) training. Training sessions are accessible via our digital platform or in-person at our distribution centre. It is mandatory for safety representatives to complete specific health and safety courses.

In Norway, new safety representatives received their required training in October. All legally mandated HSE training, conducted by a third-party provider, is standardized across countries. We have several employees certified in first aid in Türkiye and Hong Kong. Furthermore, Norway offers additional internal HSE training programs.



**Embracing Sustainability:**  
A Circular and climate conscious approach

# Circular & Climate Conscious

**84%**

The total use of preferred fibres

**73%**

Of the wool we use is preferred<sup>51</sup>

**55%**

The Varner goal to reduce scope 3 emissions per million NOK annual revenue by 2030 compared to 2019

<sup>51</sup> Responsible Wool Standard certified or recycled certified to RCS or GRS

We live in a world with limited resources where human impact is causing significant stress on planetary boundaries. The goal of ‘Circular and Climate Conscious’ is to work towards a future where, in collaboration with stakeholders, efforts are made to reduce the stress on planetary boundaries affected by our business activities.

The focus for Varner’s ‘Circular and Climate Conscious’ initiative is to transition from linearity to circularity, contribute to limiting global warming as per the Paris climate agreement, shift from conventional to preferred fibres, produce with less environmental impact, and manage waste effectively. The transition from linearity to circularity is a complex process requiring a multifaceted approach involving material choices, production methods, product design, new circular business models and product end-of-life solutions. Circular models offer the opportunity to reduce climate change impact by decreasing dependency on raw virgin materials and extending the lifespan of products. The EU strategy for textiles emphasizes the importance of adopting a more circular approach. Circular products should be safe for both the

planet and people which is ensured through our Preferred Fibre policy and Hazardous Chemical policies. Setting quality requirements aids keeping products in use for longer periods by enhancing durability. By using recycled fibres and materials in our products, we aim to increase demand for recycled input materials and reduce reliance on virgin raw materials. Through our partnership with Fretex, we have established a channel for second-hand use or recycling of our goods.

‘Circular and Climate Conscious’ is at the centre of our approach to climate action and environmental sustainability. We are focusing on measuring and reducing the climate footprint in our own organisation, transport and supply chain. Our work on environmental sustainability involves monitoring the use of energy, water and chemicals as well as tracking the management of waste, wastewater, and air-emission in our production. We work with our supply chain and collaborate with multistakeholder initiatives to progress on climate action and towards a circular future. Our goals include efficient use of resources, a shift towards more renewable sources, circular production models, increasing recycling and upcycling in production, phasing out hazardous chemicals, proper waste management, and bringing innovative solutions.



## Building awareness and knowledge

To strengthen our partners in topics related to Quality Assurance, materials sustainability, and the environment, we focus on building awareness and sharing knowledge.

We have continued supplier trainings in local languages also in 2024 for key subject matters. In addition to the onboarding training for new suppliers, we conduct annual supplier training to strengthen the understanding of our requirements and policies stated in our Supplier Manual and knowledge in areas such as Quality Assurance, product safety, chemicals in production and our framework for working with the environment.

Supplier Training Overview			
Training Topic	Number of Sessions	Avg. Training Time per Session	Total Participants for all Sessions
Varner Manual 2024 QA and Environment Section	27	139 min	463
Onboarding QA new suppliers	6	135 min	33
Sust. Certifications and procedures	15	60 min	63
FEM 4.0 Training	3	120 min	77
Energy Efficiency-Supplier webinar	1	90 min	30
Renewable Energy-Supplier webinar	1	90 min	88

## Sustainable materials and preferred fibres

The fashion and textile industry predominantly relies on materials sourced from agriculture, forestry, and oil production. This dependence introduces various risks associated with the use of fibres in material production. Within agriculture, potential adverse impacts include biodiversity loss, water resource depletion, wage issues, and human rights concerns. For fibres derived from forests, deforestation and biodiversity loss are significant risks. Synthetic fibres pose risks such as CO<sub>2</sub>e emissions and microfibre emissions throughout their production and use phases they also rely heavily on non-renewable resources. This dependence on finite resources exacerbates environmental concerns and contributes to long-term pollution.

Varner's goal by the end of 2025 is that 100% of our sourced fibres are considered preferred fibres<sup>52</sup>.

To mitigate the negative impacts of fibre use, Varner focuses on using preferred and certified fibres. By switching to these fibres and adhering to various certifications and standards, we address concerns such as soil health, CO<sub>2</sub>e emissions, biodiversity, water use, and human rights issues. This approach allows us to contribute to tackling climate change and mitigating some of its most severe impacts. Varner is certified to the Organic

Content Standard, the Global Recycled Standard, the Recycled Claim Standard, the the Responsible Animal Fibers standards, the Responsible Down Standard and the Global Organic Textile Standard.

As a member of Textile Exchange, Varner is committed to participate in their Climate plus strategy towards 2030, with the goal of 45% reduced CO<sub>2</sub>e emissions from textile fibre and material production in the pre-spinning phase by changing to preferred fibres. Preferred fibres are defined by Textile Exchange, and you can read more about the criteria behind the definition [here](#).



Varner also voluntarily reports, for our own production, into The Material Benchmark, led by Textile Exchange. The Material Benchmark tracks the uptake of preferred materials, as well as how companies address areas like circularity, biodiversity, land, freshwater, and forests. Textile Exchange publishes the results of the benchmark in the Material Change Index, which showcases the performance of companies that have chosen to participate. Alongside it, the Climate+ dashboard provides insights into the impacts against their Climate+ target. Varner has in 2024 achieved the level 3-scaling, which states that Varner has a materials strategy, which is integrated and well resourced, with clear evidence of acceleration and scale. Varner's strategy is aligned with Global Goals, and Textile Exchange Climate+ goals and targets set.

### Material and product risk assessment

Building on the risk assessment conducted in 2022 for all main fibres used by Varner, we continued to monitor and manage potential adverse impacts associated with material sourcing throughout 2024. While no significant adjustments were made to the fibre risk assessment this year, we remain diligent in identifying and mitigating risks. In 2023, we expanded our assessment to include product use and end-of-life, adopting a more comprehensive approach to product sustainability. The risks identified in this process are addressed through our use of certified materials, adherence to policies, and our commitment to preferred fibres and traceable materials. The detailed process of our risk assessment is outlined in its dedicated [chapter](#).

52 The scope is Varner's own labelled brands excluding franchise.

## Our use of fibres

The fibre distribution in 2024 remains as per previous years. However, we can mention a reduction in the share of synthetic fibres by 2% points and a slight increase of our MMCF volume that now stands at 7%. The total volume of fibre we sourced has increased by 32% compared to the 2023 volumes but are still below 2022 level, while our use of preferred fibres increased by 11% points and is now 84% in total.



## Cotton

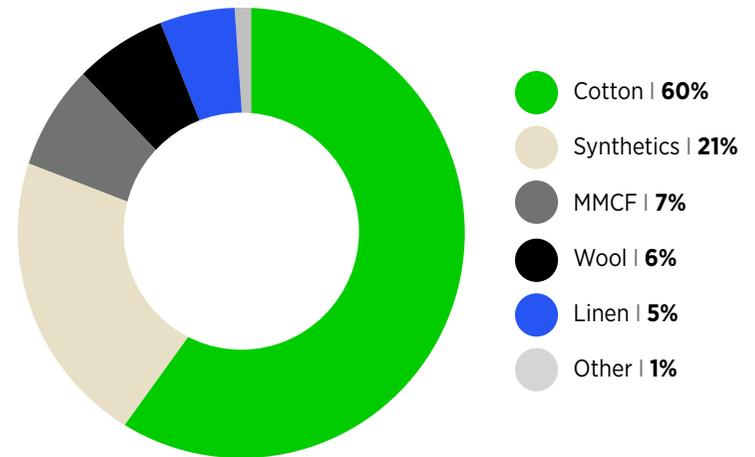
Cotton is our main fibre and makes up 60% in weight of the total use of fibres at Varner. As cotton is very much linked to the agricultural sector, it is a sector that faces many social, economic, and environmental challenges.

Varner addresses these challenges through our dedicated sourcing of preferred cotton. Varner brands are continuing to work toward using cotton with less impact on the environment, which takes both soil health, biodiversity, and the working conditions for the farmers into consideration.

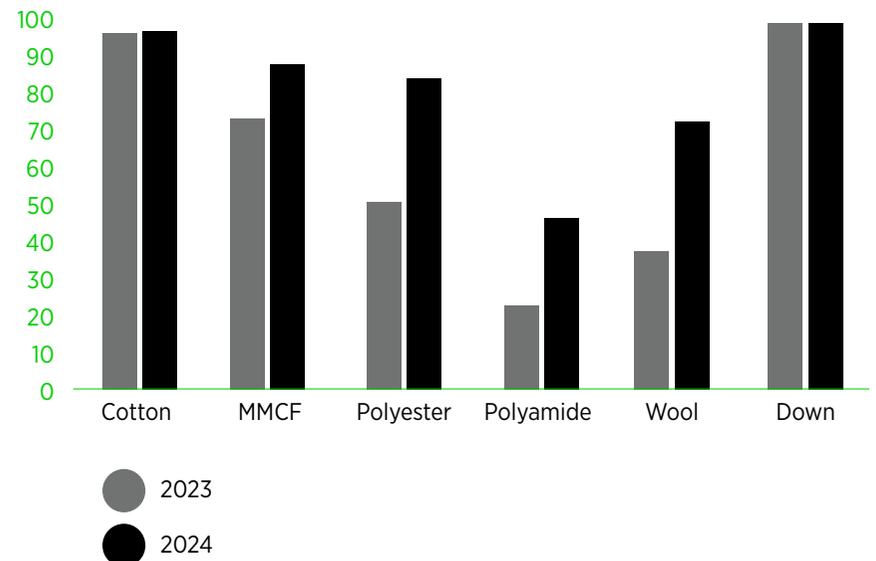
Working with preferred cotton through Fairtrade and Better Cotton and using organic cotton through the Global Organic Textile Standard and the Organic Content Standard, Varner indirectly participates in mitigating some of the negative impacts of cotton cultivation and production. Fairtrade and Better Cotton also have an on-the-ground presence and expertise to both monitor, mitigate and remediate impacts in the locations where they are present.

In 2024, we began onboarding our garment manufacturers who supply us with OCS organic cotton, into the TextileGenesis™ traceability platform. Our goal is to be able to trace our OCS orders on the platform in 2025.

Fibre distribution 2024



Progress of preferred fibre share per fibre group



**Varner has a** clear policy of where we do not permit our cotton 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. This is clearly communicated to our suppliers and traceability information must be declared, including the country of origin of the cotton, in the Process Mapping Form that suppliers are required to fill in for each order.

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](#).

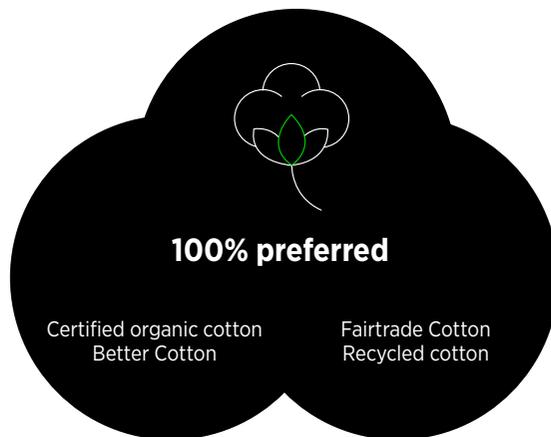
**Varner is a signatory to:**  
[Sustainable Cotton Communiqué](#)

[Turkmen Cotton Pledge](#)

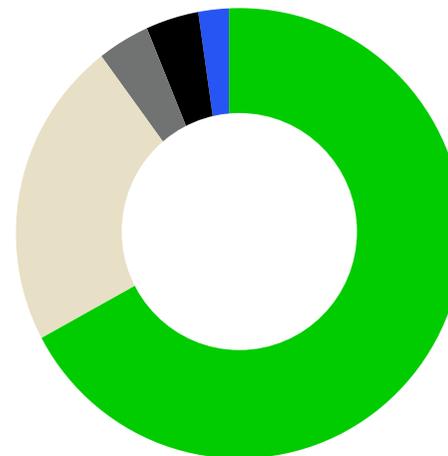
[Uzbek Cotton Pledge](#)

[Statement on Xinjiang Uighur Autonomous Region \(XUAR\)](#)

### Varner Commitments



### Cotton distribution 2024



- Better Cotton | **67%**
- Certified organic | **23%**
- Fairtrade | **4%**
- Conventional | **4%**
- Recycled | **2%**



### **Supima**

Supima is a premium American-grown cotton known for its extra-long staple fibres, which ensure durability and less pilling. This high-quality cotton is used by Varner brands to offer more luxurious products with a longer lifespan. Supima cotton, although not yet classified as preferred by Textile Exchange, has Better Cotton Supima farmers, Cotton Trust Protocol farmers, and those conducting regenerative and "organic" studies. Utilizing advanced technology, such as GPS navigation, satellite tech, water management, and soil monitoring, Supima farmers minimise environmental impact while producing top-quality cotton. Grown in California, Arizona, Texas, and New Mexico, Supima cotton is now fully traceable through their cooperation with the TextileGenesis™ platform.

## Certified organic cotton

GOTS (Global Organic Textile Standard) and the Organic Content Standard (OCS) are the two certification schemes that we commit to. For OCS and GOTS certified organic cotton the known sourcing countries for 2024 were India, China, Kazakhstan, Kyrgyzstan, Tajikistan, Tanzania, Türkiye, Bangladesh, Azerbaijan, Uganda, Sudan and Pakistan.

## The Organic Content Standard (OCS)

The Organic Content Standard (OCS), owned by Textile Exchange, aims to increase organic agricultural production. It is a voluntary global standard that sets the criteria for third-party certification of organic materials and chain of custody.

## The Global Organic Textile Standard (GOTS)

The Global Organic Textile Standard (GOTS) is a worldwide leading textile processing standard for organic fibres, including ecological and social criteria, backed up by independent certification of the entire textile supply chain.

## Better Cotton

Better Cotton is a global not-for-profit organisation and the world's leading sustainability initiative for cotton. Today almost a quarter of the world's cotton is produced under the Better Cotton Standard, and 2.2 million cotton farmers have been trained in sustainable farming practices and are licensed to grow Better Cotton.

Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment. Their ambitious

2030 strategy aims to embed sustainable farming practices and policies, enhance the well-being and economic development of cotton farmers and drive the global demand for sustainable cotton throughout its complex supply chains, by making it the preferred choice for growers and buyers. Better Cotton has listed 5 impact targets that they will work towards: climate change mitigation, soil health, pesticide use, small-holder livelihoods and women's empowerment.

Until 2024 Better Cotton was only based on a mass-balance system and was not physically traceable to the end product. Since 2024, physical traceable Better Cotton volumes are available for sourcing, allowing cotton to be traced to its country of origin, with Varner signing up and brands starting to adopt it.

As Better Cotton aims to transition into a certification scheme by 2025, with plans underway to expand and add more origins, the mass-balance system will continue to operate alongside the new traceability solution. Varner will in 2025 start sourcing certified Better Cotton.

Varner has been a Better Cotton member since 2016 and in 2024 we sourced 9730 MT through the mass balance system.

By sourcing cotton through the Better Cotton program Varner supports Better Cotton's work on training the farmers and farmworkers in more sustainable farming practices, reducing the use of pesticides, managing water usage, and building soil health, helping the farmers implement better farming practices to be more

“ Almost a quarter of the world's cotton is produced under the Better Cotton Standard.

resilient in the future. Supporting Better Cotton with their on-the-ground presence and expertise, is of great importance towards achieving better cotton cultivation practises and supporting farmers.

You can read more about the Better Cotton's achievements on their [website](#).

## Fairtrade

Varner has a long-term commitment to source Fairtrade cotton. In 2024 Dressmann could offer Fairtrade product to their customers.

Millions of small-scale farmers in developing countries depend on cotton for their livelihoods. Fairtrade addresses poverty through a risk-based holistic approach by improving farmers' incomes and providing resources for their greatest needs. The Fairtrade Minimum Price and Premium contribute to higher incomes for farming households. Cooperatives can use their Premium for various purposes, including cash distribution to families or community projects like schools.

Most Fairtrade Premium for cotton benefits producer organisations in India, with 40% of the premium being used for Production (Provision of agricultural tools and inputs, Implementation of on-farm best practices, Farmer training in agricultural or business practices) and 14% for Business and organisational development.

Fairtrade addresses social, economic, and environmental challenges in the cotton industry and is a valuable partner for Varner, as they contribute to positive development and compliance with social and environmental standards at the raw material level. With their presence on-the-ground they can offer a different approach and methodology to monitor compliance with social and environmental standards, than we as a company can do alone. Fairtrade Standards are being aligned with respective EU legislations on ESG, and certified producer organisations are supported in working towards compliance with EU legislation<sup>53</sup>. Fairtrade International sets the Fairtrade Standards through extensive consultation with farmers, businesses, and other industry experts.

Fairtrade is 50 percent owned by farmers and workers themselves, giving them an equal say in the system's decision-making. Fairtrade Standards are audited by FLOCERT whose audit procedures meet the highest standards: as an ISO 17065 accredited organisation, FLOCERT meets the leading internationally recognized quality norm worldwide for bodies operating a product certification system.



Fairtrade Network of Asia & Pacific Producers (NAPP).

53 [Fairtrade and EU Legislation](#)



Fairtrade Network of Asia & Pacific Producers (NAPP).

“ Fairtrade is 50 percent owned by farmers and workers themselves, giving them an equal say in the system’s decision-making.

Cotton production is linked to environmental issues such as extensive usage of agrochemicals and water. Unpredictable weather conditions also endanger the livelihoods of small-scale farmers. Fairtrade prohibits the use of certain agrochemicals that are harmful to the environment and encourages farmers to reduce their use of pesticides and supports them to adapt to changing climate patterns.

Farmers following the Fairtrade Standards are focusing on environmental practices covering issues such as water management, fairtrade farmers have better water management results than conventional methods. In some regions, this might be supplemented by drip irrigation. The use of drip irrigation allows a large area to be irrigated with less water, estimated to save between 30% of water compared to conventional water systems. The management of soil, pest control and use of pesticides, fertilizer application and biodiversity conservation are also covered by the Fairtrade Standards.

No genetically modified seeds are allowed in the Fairtrade system. 63.8% of Fairtrade cotton is grown organically, and the Fairtrade system helps farmers that wish to transition to organic farming. Due to the support of minimum price and the premium achieved for their cotton, the transition investment gap is less.

Varner Fairtrade cotton sourcing for 2024 comes from the Indian cooperative Sungold<sup>54</sup>. We also sourced some cotton from Bio Farmer ACSC in Kyrgyzstan and three cooperatives from Senegal (US-GPC de Kédougou, GIE Union Fédération Nationale des Producteurs de Coton (FNPC) de Saraya<sup>54</sup> and US-GPC Dabo<sup>54</sup>).

Working with Fairtrade provides a real and measurable impact at farmer level and has a positive contribution on the environment in the regions where Fairtrade cotton is produced.

Working with Fairtrade provides a real and measurable impact at farmer level and has a positive contribution on the environment in the regions where Fairtrade cotton is produced.

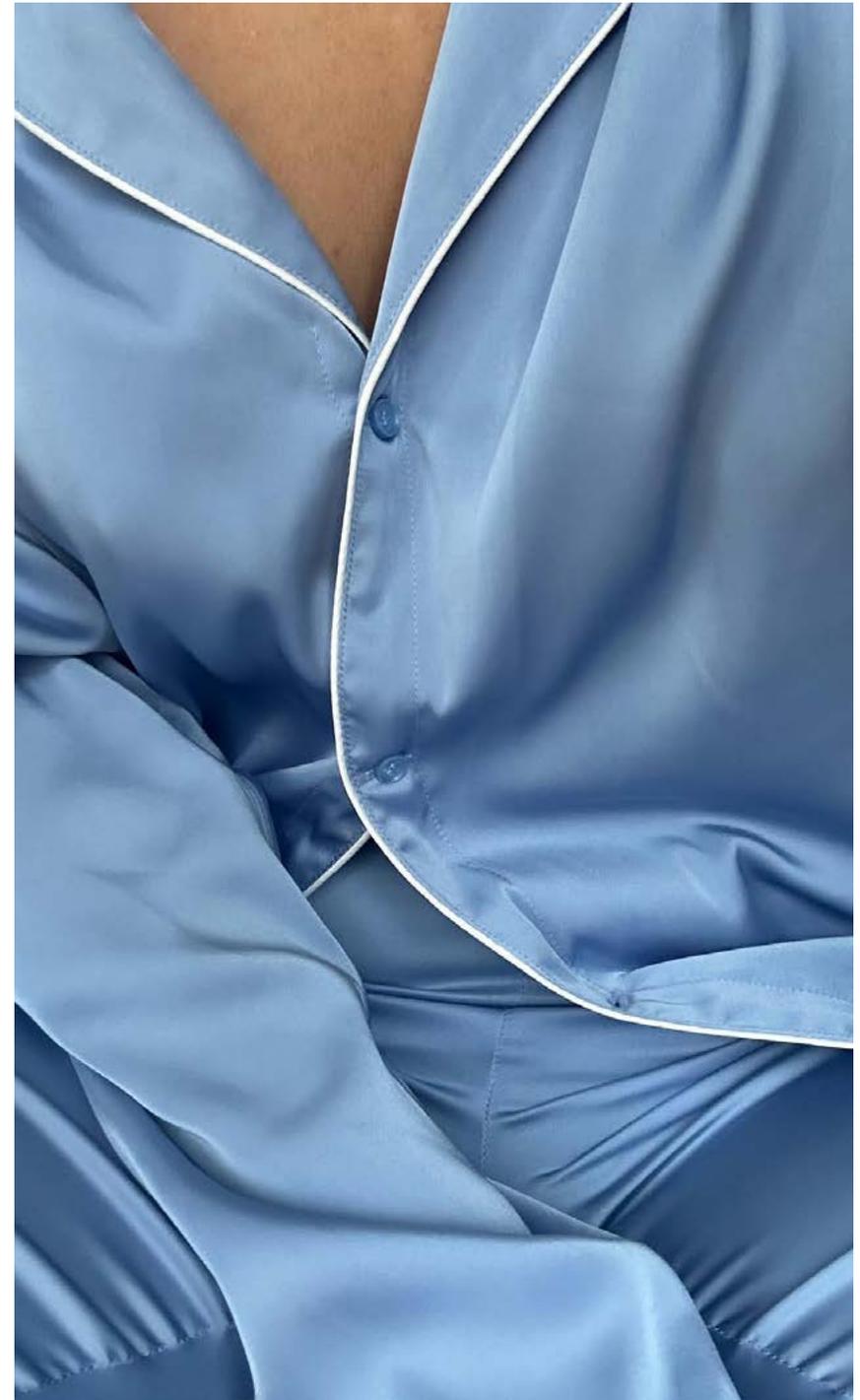
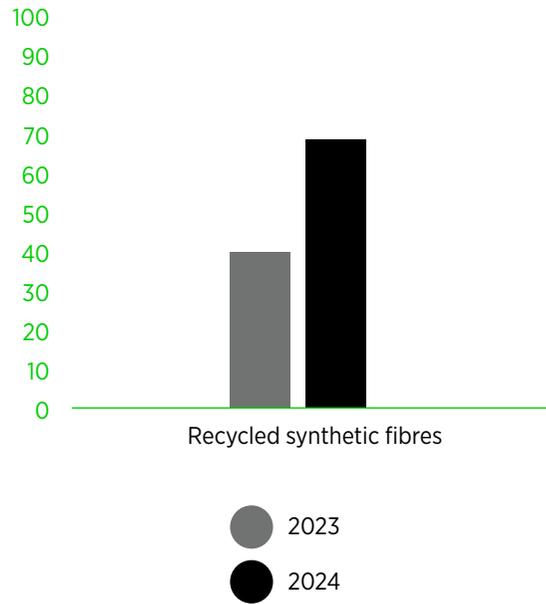
54 Now no longer certified to Fairtrade but was certified at the time of sourcing.

## Synthetic fibres

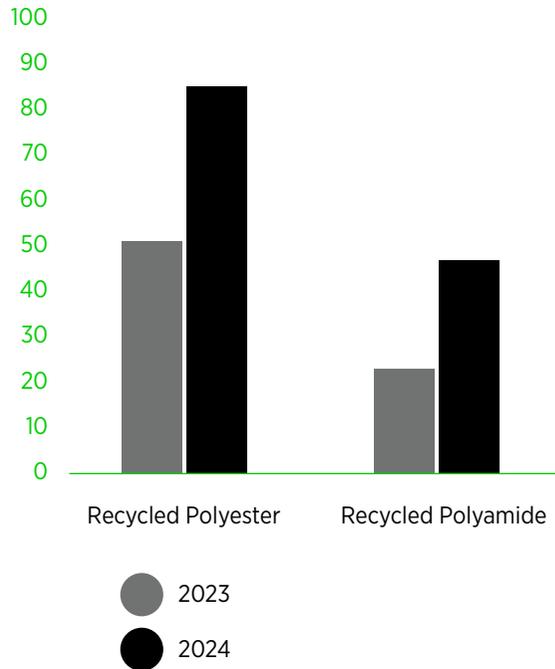
About 21% of the fibres in our portfolio are synthetic fibres. These fibres are conventionally derived from oil, a non-renewable resource, which contributes to GHG emission during extraction and processing, that is why we are committed to replace virgin synthetics with recycled options.

In 2024 we have seen our biggest increase so far in the use of recycled synthetics, where we stand now at 67% of recycled synthetics. Here is a breakdown of the progress for our two biggest synthetics fibres polyester and polyamide.

Progress of preferred synthetics



**Progress of recycled polyester and polyamide**



**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 tonnes by 2025 at a global level.

**Microfibre pollution**

Synthetic fibres shed tiny plastic fragments known as microfibres throughout their lifecycle, including during production, wear, and washing. These microfibres contaminate the environment, affecting air, soil, and water. In marine ecosystems, microfibres accumulate and harm wildlife through ingestion, disrupt food chains, and may eventually be consumed by humans. Although the direct health impacts on humans are still being studied, long-term exposure raises significant concerns. Research<sup>55</sup> suggests that textiles could contribute up to 35% of microplastic pollution, potentially affecting us indirectly.

Despite the absence of industry standards for measuring microfibre release, we remain vigilant about advancements and regulations. While we await better solutions, we prioritize eliminating hazardous chemicals from our products to minimise the risks associated with microfibre breakdown. Refer to [Safe products and chemicals](#).

**MMCF**

Man-made cellulosic and wood-based materials make up 7% of Varner’s total fibre consumption. While MMC fibres are derived from the renewable resource of wood pulp, their production can contribute to deforestation and pollution due to unsustainable forestry practices and harsh chemical processing. 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 fibre 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, and Lyocell in addition to paper packaging materials. The policy is publicly available on the [Varner website](#).

55 [Microplastics from textiles: towards a circular economy for textiles in Europe – European Environment Agency](#)

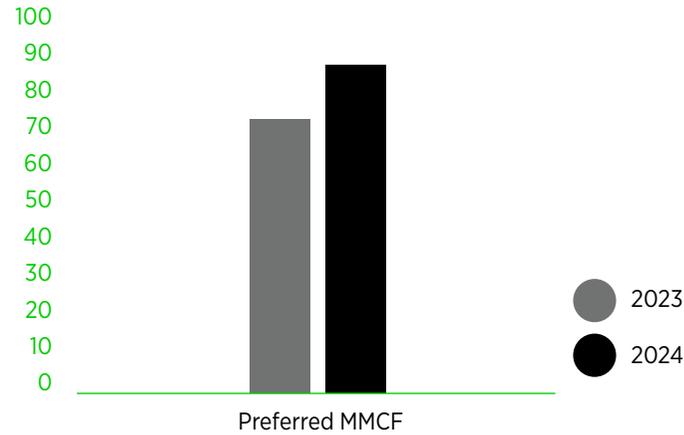
In 2021 we launched an internal policy of only sourcing MMC fibres from suppliers that are rated with a green shirt in the Canopy Styles' Hot Button report, ensuring that the fibre companies that we source from are working to protect endangered forests and biodiversity.

In 2023 we strengthened our internal policy by partnering with TextileGenesis™ to track our MMCF materials across the supply chain.

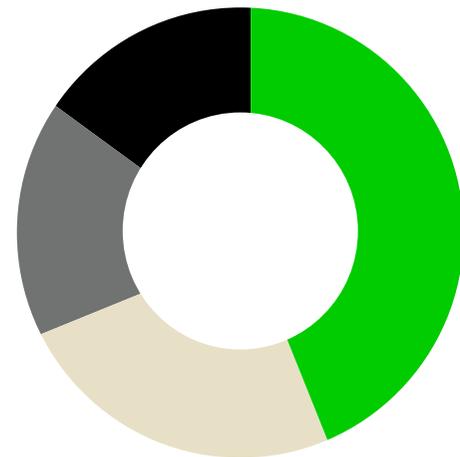
In 2024 we finished onboarding on the platform all our suppliers offering products containing MMCF. We're now requesting every single order containing MMCF to be tracked on TextileGenesis™. The use of the TextileGenesis™ helps us verify that the MMCF we are sourcing really come from greenshirt suppliers and help us manage the risks linked with MMCF sourcing.

In 2024 we totally replaced all our Modal by Preferred Modal, and our Lyocell is for 98% Lyocell Tencel™. Regarding Viscose, the share of conventional got more than halved and went from 34% to 15%. Therefore, the share of our preferred MMC fibres increased to 89%.

**Progress of preferred MMCF**

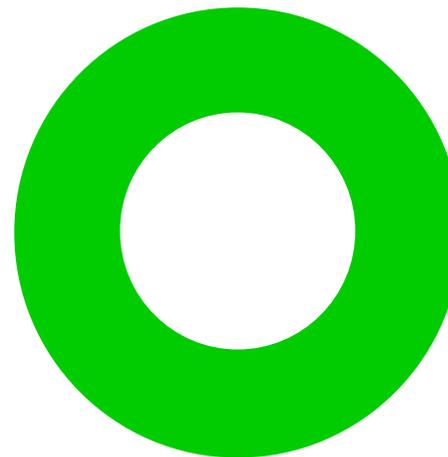


**Viscose distribution**



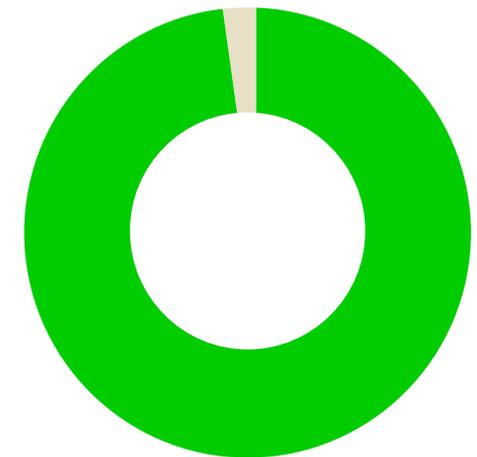
- Preferred Viscose EcoVero™ | **44%**
- Preferred Viscose Livaeco™ | **25%**
- Other preferred Viscose | **16%**
- Conventional Viscose | **15%**

**Modal distribution**



- Preferred Modal | **100%**

**Lyocell distribution**



- Lyocell Tencel™ | **98%**
- Conventional Lyocell | **2%**

## Animal fibres

Varner established an Animal Welfare Policy in 2008 and has since worked with continuously developing the requirements based on the latest reports and research into the status of each material we use, and the potential risks related to these. The policy is shared with our suppliers, and they are required to sign this as a part of the Varner Supplier Manual.

Varner uses several of the Textile Exchange certifications for responsible animal materials, such as the Responsible Down Standard and the Responsible Wool Standard to help mitigate some of the risks in the supply chain. Our Animal welfare policy is public and available [here](#).

For leather, which currently lacks certification, and animal fibres that are not certified we also require the supplier to declare their supply chain, including the origin of the raw material if the information is available. To stay up to date on developments of animal welfare topics around the world, we participate in global meetings and maintain close relations to organisations such as Textile Exchange, to ensure animal materials are responsibly sourced.

Despite sourcing fibres through credible standards, full supply chain visibility remains a challenge. Our investment in traceability systems like TextileGenesis™ enhances fibre traceability, with plans to expand across all Textile Exchange Standards. Our goal is that 100% of virgin animal-derived materials are certified and traceable in 2030.

## Responsible Animal Standard

The Responsible Animal Fibers (RAF) Standards Framework is an umbrella term for multiple standards related to animal fibres and is a means to simplify both farm and supply chain certification. Currently, the RAF standard is made up of the Responsible Wool Standard (RWS), the Responsible Mohair Standard (RMS), and the Responsible Alpaca Standard (RAS). At the farm level, each standard addresses animal welfare, land management and social welfare, and through the supply chain, the identity of the certified material is preserved through a robust chain of custody system.

The Responsible Wool Standard aims to improve the welfare of sheep and the land they graze on and is the most used standard for Varner under the Responsible Animal Fiber (RAF) framework. The Responsible Wool Standard (RWS) requires all sites, from wool farmers to the seller in the final business-to-business transaction, to be certified. RWS farmers and ranchers must meet animal welfare, land management, and social requirements. Varner has been committed to the Responsible Wool Standard since its launch and 2019 was our first RWS sourcing year. In 2024 67% of our wool was RWS certified, including a small portion of Responsible Mohair Standard certified mohair. This is an increase of 34% points from 2023. Sourcing countries for Responsible animal fibre certified products were in 2024 Argentina, Australia, New Zealand, Republic of South-Africa, Peru, Uruguay and Germany. You can read about the RWS standard [here](#).



## Responsible Down Standard

The Responsible Down Standard aims to protect ducks and geese used for down and to ensure to the highest possible standard that down and feathers do not come from animals that have been subjected to unnecessary harm. It prohibits practices such as live-plucking and force-feeding.

The Responsible Down Standard (RDS) incentivizes the down and feather industry to treat ducks and geese humanely and rewards organisations leading the way. The standard also gives companies and consumers a way to know what is in the products they buy. Since 2015, Varner has successfully sourced 100% of its down and feathers as RDS-certified. In 2024 we sourced our Responsible Down certified down from China, about 89% of the volume of feather and down come from the Shandong Sheng region and 11% from the Jiangsu Sheng region. Read more about the Responsible Down Standard [here](#).

## Recycled materials

Varner uses a variety of recycled fibres, such as certified recycled polyester, polyamide, cotton, and wool in addition to recycled branded fibres such as Repreve®. We look for recycled materials that are certified according to the Global Recycled Standard or Recycled Claim Standard.

Sourcing recycled materials is part of our preferred fibres strategy, and an important measure to reduce the impact from fibre sourcing and to use less virgin raw materials. 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 product life.

In 2024, we continued onboarding our largest recycled materials suppliers into the TextileGenesis™ platform to enhance the coverage of our orders. Our aim is to have all our suppliers fully onboarded by early 2025.

We believe that gaining deeper insights into our use of pre- and post-consumer recycled materials will empower us to significantly scale our utilization of textile-to-textile recycled synthetics.

This year, we saw an increase in the use of recycled fibres, rising from 10% to 17%, primarily due to our focus on sourcing recycled synthetics. Additionally, it's noteworthy that the share of recycled wool doubled, increasing from 3% to 6%.

## Product traceability

Varner aims to make all products fully traceable by 2030. This means verifying the origins of all main materials and ensuring transparent supply chains. While many certified materials are traceable, fully transparent supply chain information often remains unavailable.

Transparency is crucial for identifying and mitigating risks in our supply chain. It allows us to target adverse impacts more effectively and identify where the bigger risks are.

Thanks to our progress in using preferred fibres this year, we achieved traceability for 63% of our produced pieces, which is a significant increase





of 23% points compared to last year. This means we can track the certified or branded material and production stages for these products. Even though these fibres are tracked by a robust chain of custody, as an end brand we sometimes lack complete visibility into each production step since most certifications do not disclose the entirety of the supply chain to the brands.

However, thanks to our partnership with TextileGenesis™ we are gaining more and more visibility into the supply chain of certified or branded fibres. In 2024 we have extended the types of fibres that we are tracing on the platform and we are now including: MMC fibres, recycled fibres certified to RCS or GRS, Fairtrade cotton and OCS certified organic cotton. During that period, we managed to track 18% of all our products.

More details about the progress with TextileGenesis™ are available in the MMCF, Cotton and recycled materials section.

### Preferred product packaging

Varner signed 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 focus on recycled materials, FSC certified paper and materials from alternative feedstock and to reduce the amount of packaging used in our operations. In 2023 all our woven labels and paper tags were sourced through one nominated supplier<sup>56</sup>. Based on data received from our nominated supplier, 100% of the paper tags materials are FSC certified, including 27% of FSC recycled material. 95% of all woven labels were made with recycled materials.

The bags that we sell to the end consumers are all paper bags that are FSC Certified.

For other types of product packaging, we are adding the different packaging materials we use to our Material Library, and we collect the quantity of different packaging materials we use from our suppliers. Thanks to these new routines we aim to improve our overview of the volume of our paper product packaging.

<sup>56</sup> Except for some branded fibre hangtags that must be sourced through the Branded fibre supplier and some specific items, representing less than 0.3% of the total volume.

## Products and quality

Varner aims to meet the expected quality standards for our products and reduce the risks of claims and potential waste. To achieve this, we establish clear quality requirements with our suppliers, as outlined in the Varner Supplier Manual and reinforced through annual supplier training sessions. These quality requirements are reviewed annually. Customer feedback, claim rates, and test results are utilized to enhance the requirements and strengthen the follow-up processes.

A systematic risk assessment during the development of the styles of the season is a cooperation between the Quality Assurance Specialists and the Merchandisers in our Global Production Offices and aim to reduce the potential quality issues prior to production.

We conduct quality tests in-house at our main production offices and in accredited third-party labs to identify risks early and inform manufacturers about them. Our Quality Controllers also check products during and after production to ensure they meet Varner's standards.

In 2024, 86 test reports were conducted in our in-house labs in production offices, and 32 483 individual physical tests were conducted in 3rd party laboratories. 3rd party testing had an increase from 2023 due to increase in orders.

## Safe products and chemicals

Varner works systematically to ensure safe end products. A safe product fulfils legal requirements, best practises, and voluntary standards. All products are assessed during the design

process for both potential quality, safety and chemical risks and need to pass applicable tests before the products can be placed on the market. In the event we find one of our products to be unsafe we have a procedure to handle it. There were no incidents of non-conformance against legal requirements for 2024. Through our partnership with ZDHC and their tools we are further ensuring safer chemical management throughout production of products. More details on our engagement with ZDHC can be found in the [chemical management section](#).

## Chemical testing and restricted substances list

To ensure conformity with legal requirements and Varner's quality and chemical requirements we cooperate with accredited 3rd party labs that perform both chemical and quality testing of our products according to Varner's test protocol. The requirements and chemical policy are stated in the Varner Supplier manual, which suppliers need to sign upon establishment of cooperation. A part of the supplier manual is the chemical requirements, stated in our RSL (Restricted Substances List), that fulfils the legal requirements, and our own stricter requirements. The Varner RSL is updated annually and is publicly available on the Varner website. Suppliers certified to Oeko-Tex will have fewer testing requirements for chemicals as we consider Oeko-Tex certified suppliers to have a lower risk of using unwanted chemicals.

A supplier cannot ship a product that has a chemical test failure. If a supplier has a chemical test failure we follow the Varner chemical failure procedure, with the aim to find the root cause



of the failure and prevent it from happening again. This is done by communicating with the supplier and together setting a Corrective Action Plan and following up on decided actions. 10 879 chemical tests were conducted in 2024 with a failure rate of 0.36%. None of the failed products were placed on the market.

### Child safety

Children and baby products should never pose a safety concern. Varner designs and develops children's clothing in line with European Standards and guidelines such as EN 14682 and common commercial standards. Employees that design baby and children's clothing need to undergo mandatory training in child safety. New children's designs must undergo a risk assessment conducted by a Varner Quality Assurance Specialist to evaluate potential risks with the new design based on the child safety standard, as well as considering a child's way of playing.



## Textile waste

Waste is generated in different parts of Varner's value chain that can give negative impacts if not addressed in the right way. During the production of our products, waste such as textile waste is one of the main waste fractions. Unsold and unsellable products are other fractions that potentially could go into a waste stream and create an impact. Basing our approach on the textile hierarchy Varner has set two goals connected to textile waste.

- 100% of unsold and unsellable products are put into channels for reuse/recycling/upcycling/repurposing.
- In 2030 30% of Varner's textile waste from tier 1 production facilities will be put into channels for recycling or repurposing.

### Textiles and textile waste

After mapping how suppliers are currently handling the production waste from their facilities and commercial opportunities for recycling production textile waste in 2023, we have in 2024 developed a pilot product with 20% recycled cotton content generated from our own production waste in cooperation with one of our suppliers. This has given us valuable insight into the practicalities and challenges to get this pilot to a full-scale production. The product is yet to be set into production.

This leaves us at a slower pace against our goal of 30% of Varner's textile waste to be put into channels for recycling or repurposing. Our primary challenge lies in the fact that, on a

global scale, the volume of waste we provide is relatively low. Recycling facilities require large quantities with consistent quality. Additionally, there are constraints related to colour and fibre composition. From the suppliers' perspective, there are varying levels of awareness regarding the environmental impact of unmanaged textile waste. Practically speaking, managing the sorting and storage of waste during production presents another hurdle. Collecting and managing this waste data is yet something that needs to be worked with in the years to come. We are still optimistic that we will make progress in the years to come.

### Policy for unsold goods

Varner's policy for unsold goods states that we as a company do not want to contribute to the growth of landfill or incineration of 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. We define surplus goods as goods that we do not sell through our own channels. Goods in our warehouse are still considered as inventory for use.

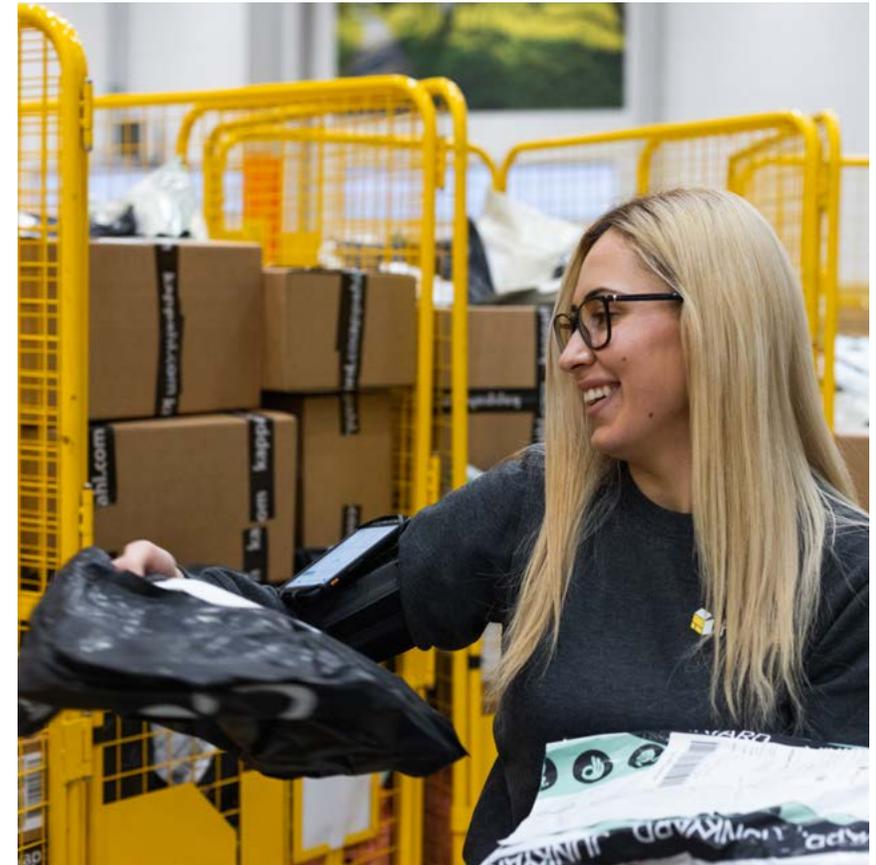
222 tonnes of Varner surplus goods or defective goods were diverted to recycling and/or reuse through our donation to Fretex and its partners in 2024. This is an increase from 139 tonnes in 2023, but still lower than the average since we started tracking in 2017.

Any surplus and/or defective goods are donated to Fretex and their partners to be re-utilized, 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 2024, 1,1 tons of goods were sent for destruction, which is a decrease from 2023. The main reason for destruction were cases of received wet and mouldy garments which would pose a potential health risk for the user. According to our partners handling the goods, these were sent for incineration with energy recovery. Such goods cannot legally be put on the market as they pose a risk towards the consumer and must be destroyed. This gives a percentage of 99,49% that went into streams for reuse/recycling/upcycling/repurposing.

### Web orders

As an increasing portion of our sales are conducted through the brands' websites, questions on how we handle the goods coming in return from customers is arising. Our main policy is that as much as possible should be put back into the web shops and resold. Some products are not suited to be resold due to several reasons. Bottoms of underwear and swimwear, wrinkled garments, sets where only one part is returned are examples of products that we do not resell through the web store. These products are



resold through our outlet in Vänersborg. If the products have defects such as stains, missing buttons, or are used and then washed before returned, we donate this product through our cooperation with Fretex. As a last resort we destroy or recycle the product if it is not fitted for reuse.

## Partnership with Fretex

Varner has been in partnership with Fretex since 2012. This partnership entails that excess goods are donated to Fretex in Norway and to Myrorna in Sweden. Fretex's main purpose is to re-utilize pre-loved clothes and textiles, to be able to give clothes to those in need and sell to consumers. 10% of the yearly proceedings 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.

We also give the customer the possibility to give back old garments in our textile collection program in stores, which again will be donated to Fretex. The take-back collection system is not much in use by customers, due to the well-developed infrastructure of return points for used clothing and textiles throughout Norway. Fretex being one of the contributors.

A major part of the textiles Varner donates are exported to international markets such as Asia and Eastern Europe where they will be sold in second-hand stores. As export of clothing entails certain risks, one of them being textiles ending up on landfills, Varner has, through dialogue with Fretex, mapped their processes for due diligence to ensure proper handling of the risks. Fretex's exports are handled by Fretex International, which is owned by the Salvation Army in Sweden and by Fretex AS. Fretex International AS handles the operational work and the follow-up of the value chain for the exported textiles. Fretex focuses on long-term customer relationships and close follow-up of the customers who buy the clothes. This is done, among other

things, through visits and second and third-party audits based on the company's Code of Conduct, which sets ethical and environmental requirements for the customers and the customers' customers, as well as requirements for annual transparency reporting.

## Environmental sustainability

Our ambition on environmental sustainability is developed with the purpose to measure, monitor, and minimise negative impact on the environment from our business in addition to complying with the applicable environmental laws, policies, and regulations.

### Our approach

We acknowledge the need to focus both deeper and broader on environmental performance where our products are manufactured. Through our [Environmental Policy](#) and work on the ground, we strive to continuously improve systems that can effectively assess impact, to identify hotspots within focus areas, develop roadmaps for priority focus areas and to reduce impact. Our focus areas include suppliers' environmental management systems, 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.

We also conduct regular risk assessments with own operations as well as other parts of value chain such as transportation of goods. When it comes to own operations, we mainly focus on environmental management system and climate action. Other parts of value chain such as transport are covered under our climate action initiatives. Read more about our climate action initiatives [here](#).

### Collaborating and aligning with industry initiatives

We are members of Cascale (formerly Sustainable Apparel Coalition) 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 Index tools are what brought us to partner with Cascale with the goal to learn, improve and contribute simultaneously.

Cascale is a global, non-profit alliance of more than 300 leading consumer goods brands, retailers, manufacturers, sourcing agents, service providers, trade associations, NGOs, and academic institutions.

Our membership in Cascale and support from the Higg Index tools have been important in assessing the environmental performance of our supplier factories. Since becoming a member of Cascale in 2020, we have adopted the Higg Facility Environmental Module (Higg FEM), developed by Cascale, to assess environmental performance of supplier factories in addition to our own environmental performance validation and remediation through our own assessments.

## Evaluating supply chain performance

The Higg Facility Environmental Module (Higg FEM) is one of the industry’s most adopted tools to measure a facility’s environmental performance in the value chain. The tool assesses seven environmental impact pillars, including environmental management system, energy/greenhouse gas emissions, water use, waste, wastewater, air emissions, and chemical management, empowering facilities to scale environmental improvements.

Suppliers are requested to submit Higg FEM self-assessment of their factories to provide an assessment and disclosure of potential negative environmental impacts from the production process. Suppliers are expected to make improvements in environmental performance and require the same from their suppliers and sub-contractors.

Our scope of Higg FEM adoption includes direct tier 1 factories that are suppliers for internal brands of Varner and had active business in the same year as the Higg FEM reporting year. In 2024 we requested our in-scope tier 1 factories to complete FEM2023 (FEM2023 indicates the data period as the year 2023 which suppliers reported in the year 2024). As demonstrated in the graph on the right, we see adoption of Higg FEM self-assessment is the same as last year while 3rd party verification of Higg FEM increased marginally.

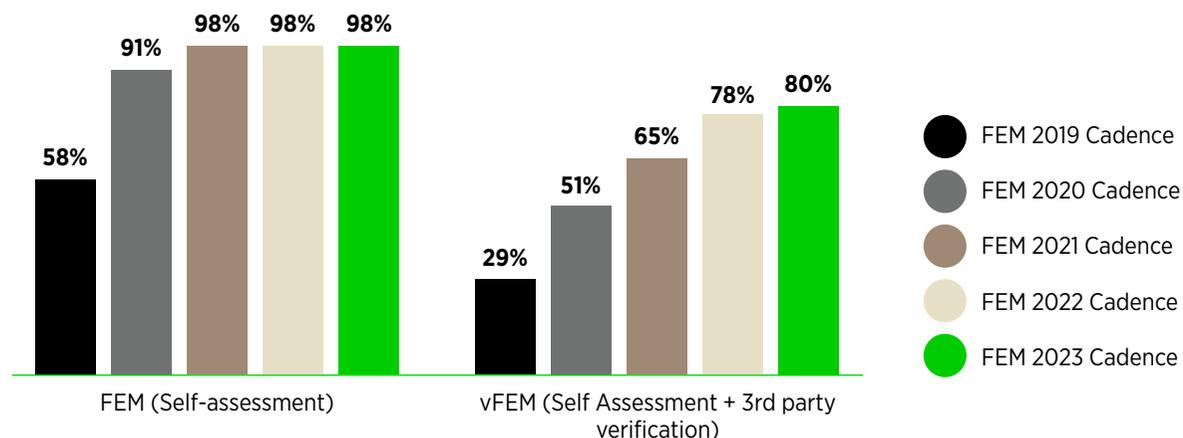
The Higg FEM tool provides us as well as our supply chain partners with the context to identify priorities, gaps and to make strategic decisions.

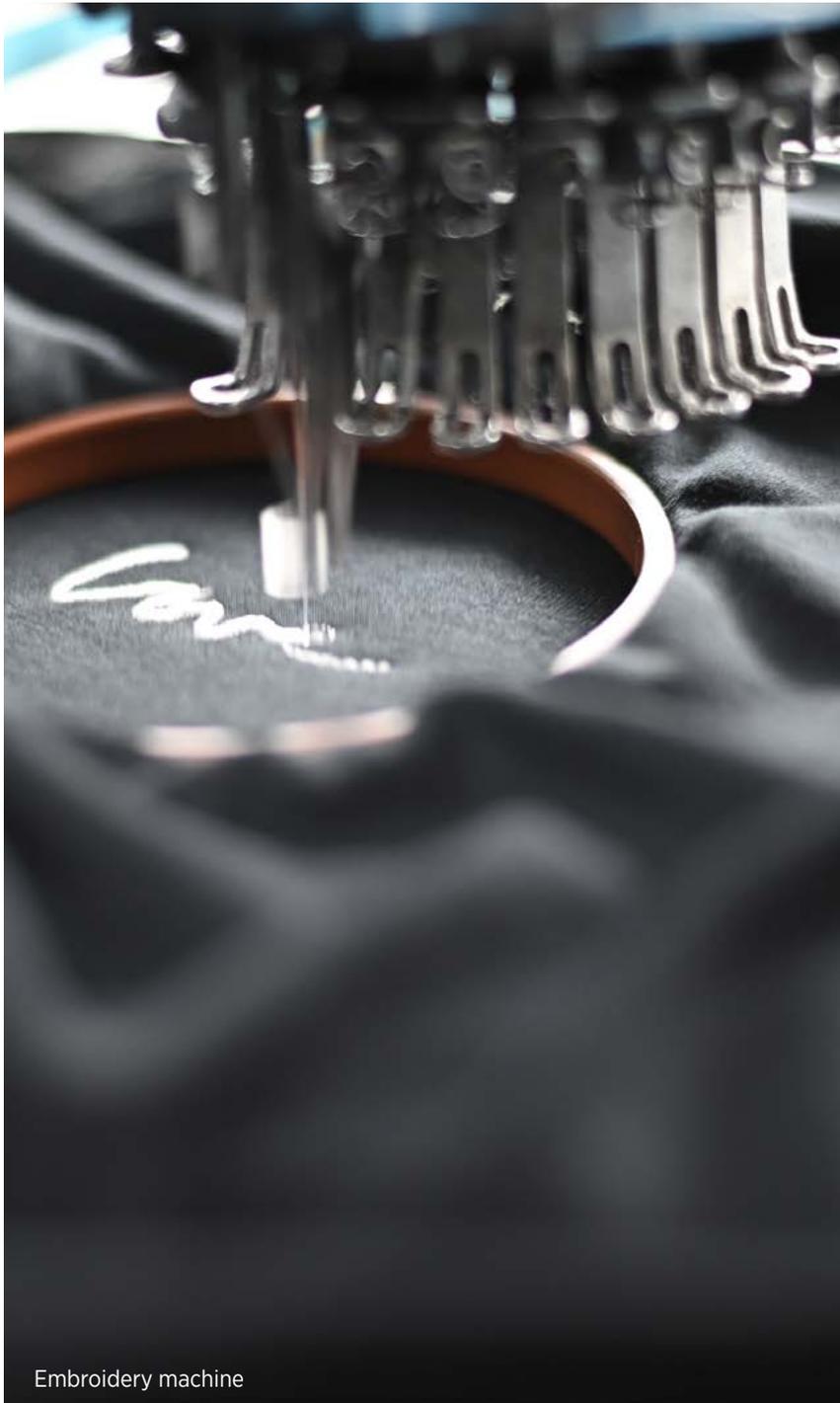
In 2023, Cascale announced and launched a new version of Higg FEM (Higg FEM 4.0) which has additional questions when compared to previous versions. For the 2024 assessment cycle, we requested factories to complete Higg FEM 2023 assessment which follows the new Higg FEM 4.0 version.

With the Higg FEM 4.0 update, Cascale made changes to its verification approach. In short, this started with narrowing the scope of verification to a Core set of questions in CY2024 (Higg FEM 2023), slightly expanding the verification scope to all Level 1 questions in CY2025 (Higg FEM 2024), and committing to develop a fit for purpose approach to verify Level 2 and Level 3 questions.

In 2024, we reviewed Higg FEM 2023 of total 211 in-scope tier 1 factories representing 98% of the business, out of which 157 modules were verified by 3rd party verifiers in accordance with verification guidelines from Cascale. The graph in the next page shows the number of factories of verified Higg FEM modules received from in-scope direct tier 1 factories over the last 5 years.

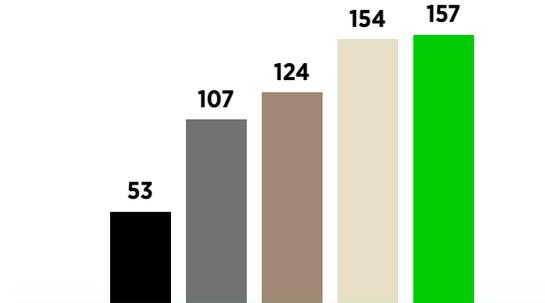
**Adoption of FEM within our in-scope tier 1 factories (% cost)**





Embroidery machine

**Number of 3rd party verified FEM (vFEM) from In-scope Tier1 factories**



- FEM 2019 Cadence
- FEM 2020 Cadence
- FEM 2021 Cadence
- FEM 2022 Cadence
- FEM 2023 Cadence

# Partial verification of newly launched Higg FEM 4.0 in accordance with guidelines from Cascale.

The verification methodology for Higg FEM 4.0 has been refined to focus on “core verification,” which includes questions related to foundational environmental performance and essential qualitative metrics. This approach ensures the verification process is credible, scalable, and modular. Therefore, Higg FEM 2023 scores are partially verified. We recognise that these enhancements may result in fluctuations in Higg FEM performance scores as facilities adapt to new scoring methodologies and strive to meet new industry requirements.

## Driving remediation and improvement

The Higg FEM assessment serves as a valuable tool for evaluating environmental performance and identifying areas for improvement. By benchmarking against industry standards and consistently tracking their own annual performance, factories gain insights into their strengths and weaknesses, paving the way for targeted action.

The Higg FEM covers seven key environmental areas, from management systems and water usage to emissions and chemical management. Voluntary third-party verification by Cascale-approved verifiers ensures robust credibility of these assessments. In cases where the Higg FEM assessment is not utilized, our team conducts tailored evaluations aligned with Higg FEM to ensure consistent evaluation.

Following the annual evaluation, the supplier is then engaged in an ongoing improvement and risk remediation process subject to assessment year by year. Depending on the performance and maturity of the factory these follow-up activities can be focused on either risk remediation or performance improvement or both. The frequency and timeline of actions are determined after assessing risk and several other factors such as availability of the solution, investment need, regional standards etc.

Our commitment extends beyond initial assessments. We conduct tailored follow-up activities, either onsite or online, based on each factory's needs. Depending on risk and impact, we categorize improvement opportunities into four priority levels: critical, high, medium, and low, guiding our response accordingly.

For high-performing or mature factories with minimal critical findings, the focus shifts towards proactive improvement opportunities within low or medium priority areas. These are tracked annually.



However, factories with more critical or high priority findings require a different approach. In these cases, follow-up activities prioritize compliance, risk remediation, and data quality improvement. The timeline for these actions is stricter, dictated by the nature of the risk and potential solutions.

In 2024, our environmental assessments that combine questions from Higg FEM and several additional indicators identified 4 315 improvement opportunities across various priority levels in our supplier factories. Our supplier factories reported 1 769 improvement recommendations were resolved by the end of the year. We focus on addressing critical and high priority issues, achieving resolution rates of 77% and 65%, respectively. However, the resolution rates for medium and low priority issues were lower. 19% medium priority issues and 9% low priority issues were reported as resolved in the same period.

Addressing critical and high priority issues often require immediate corrective actions, while medium and low-priority issues might involve longer-term improvements, planning, or resource allocation. Moving forward, we are implementing measures to enhance our follow-up processes and support suppliers in resolving these remaining findings, aiming for continuous progress in 2025.

## Environmental management system

An Environmental Management System (EMS) is the bedrock of environmental sustainability of any organisation. We believe that a strong EMS not only ensures the compliance of local or international legislation of an organisation, but it can also play an important role in holistic environmental sustainability. To achieve several environmental goals like climate action, water efficiency, chemical management, biodiversity and waste, a proper EMS can be an important enabler.

We evaluate our supplier’s EMS with the help of Higg FEM and our own internal assessment tools. In EMS, our core focus areas are:

- Adequate environmental policy.
- Proper impact assessment.
- Long term strategy.
- Adequate EMS organisation approach.
- Proper documentation of energy, water and chemical use, waste, and wastewater generation.
- System to review the changes in national and international requirements on environment and adopt this in the organisation.
- System to review the performance of EMS.

In 2024, we identified total 509 improvement opportunities in the EMS section across different priority groups, 222 of which were noted as resolved in the same period.

One of the key focus in EMS area in 2024 was that the factories should have documented environmental strategy that includes all important environmental aspects in accordance with their operations. We identified 84 factories where improvements related to documented environmental strategy were needed. 60 factories out of the 84 managed to meet our requirements on environmental strategy at the end of the year.

### Charting a path forward

We continue to collaborate with our suppliers to enhance their EMS effectiveness. Here is how we plan to move forward:

**Focusing on robust EMS strategies:** We will support suppliers in establishing documented long-term strategies with measurable targets aligned with environmental goals.

**Strengthening compliance management:** We will continue to follow up with suppliers to ensure efficient systems for tracking and managing regional permits, ensuring their timeliness and compliance.

**Enhancing communication and reporting:** We will work with suppliers to implement documented procedures for employees to report environmental concerns, ensuring proper investigation and follow-up. This will foster a culture of transparency and proactive environmental management.

Beyond these specific areas, we will continue to:

- Provide comprehensive training programs on environmental procedures and requirements for our supplier factories.
- Support in establishing effective systems for reporting and tracking environmental issues and corrective actions.
- Collaborate on identifying and monitoring significant environmental impacts within their operations.



Environmental Training with suppliers in India.



Chemical storage in Bangladesh.

## Chemical management

We are 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 and aligning with industry initiatives

We are members of the Swedish Chemical Group led by RISE. The Swedish Chemical Group shares 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.

As a ZDHC Signatory Brand engaging in the Roadmap to Zero Programme, we are aligning our upstream supply chain towards sustainable responsible chemical management, starting from the purchase of chemicals till the point of final discharge and disposal.

We believe that ZDHC and its community offer an opportunity to improve implementation of sustainable chemical management. The ZDHC guidelines, solutions, platforms, and implementation projects and collaborations with others within the ZDHC Community will be valuable assets for Varner on the journey to detox our supply chain.

### Our approach

If harmful chemicals are not screened properly during purchase and production stage, they may pose a threat to environment and occupational safety even if they do not necessarily always end up in finished products. Our approach to chemical management in production includes screening of chemicals during the purchasing stage against the latest version of ZDHC MRSL, ensuring safe handling, storage and disposal of chemicals as well as actively identifying and phasing out hazardous chemicals from our production.

**Chemical storage and handling:** Safe handling, storage and disposal of chemicals ensure occupational hazards are minimised 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.

**Detoxing from hazardous chemicals:** There are chemical substances that are harmful to nature, biodiversity, and human health. 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 with screening of chemicals in production and prevents the use of such hazardous chemicals in our production.

## Chemical storage and handling

Ensuring safe practices in chemical storage, handling and disposal in the supply chain are part of our periodic monitoring through our social and environmental 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 proper safety data sheets (SDS) available for all chemicals.
- Provide well-marked designated chemical storage areas.
- Ensure cleanliness of Chemical Storage area.
- Properly label and store chemical containers.
- Establish proper emergency plans in case of hazards/risk.
- Provide appropriate and operable safety equipment to employees.
- Proper training on handling chemical spillage for the workers.
- Have visible and proper hazard signage.

- Establish awareness program about chemical hazard and proper storage and handling of chemicals.
- Availability of secondary containment with adequate capacity.

Practices related to chemical storage, handling and disposal are reviewed during both environmental and CSR assessments of supplier factories.

In 2024, our environmental assessments identified 360 improvement opportunities in chemical storage and handling practices across different priority levels and 232 of these were later reported as resolved in 2024.

## Detoxing from hazardous chemicals

We have a general ban for some chemical substances that have been proven to be a great hazard for either the environment or humans, and which are not easy to manage well in production. The ban includes all fluorochemicals, biocides, and flame retardants.

To identify and prevent other hazardous chemicals from being used in our production, we acknowledge the 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 ZDHC 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 ZDHC MRSL/RSLs.
- Establish an implementation plan to improve chemical management.
- Establish an implementation plan to reduce use of hazardous chemicals beyond regulations or as per ZDHC MRSL/RSLs.
- Works toward achieving 100% ZDHC conformant chemicals in production.

It is our continuous endeavour to ensure that the chemicals used by our supplier factories are complaint with latest ZDHC MRSL requirements. This year we focused on total 114 supplier factories with wet processing which includes both tier 1 and tier 2. 109 factories are connected with us through ZDHC Gateway platform. 72 factories have published InCheck assessments, that show us the chemicals they use are conformant with the latest ZDHC MRSL standards.

Remaining factories within the scope were assessed through their chemical inventory list (CIL).

We required factories to use production chemicals that have at minimum ZDHC level 1 certification. This strict measure helps us ensure that chemicals are screened as per ZDHC MRSL. We found 55 cases where one or more chemicals used in production did not meet this requirement. 21 factories confirmed successful transition to only ZDHC conformant chemicals within 2024.

24 factories are in progress to phase out or replace chemicals that are not confirmed to be approved as per ZDHC levels. We will be working with remaining factories to secure commitment and implementation of the same.

## Water use and waste-water management

Water is a vital resource for people, process, and wildlife and a bedrock for a healthy eco-system and prospering economies. It is also a resource that the apparel industry is heavily reliant on, from using as a solvent for dyes and chemicals to acting as a medium for transferring dyes and chemicals to fabric. We are very conscious about safeguarding and preserving water resources in our supply chain. In our manufacturing supply chain, we focus on water use efficiency and responsible discharge, and to ensure the same, we use mapping of water stress, monitoring of water use and maintaining proper treatment of effluent prior to discharging in each factory.

### 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.

**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 assessments, we check the baseline performance of partner factories on a range of points 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.

During our factory environmental assessments, we aim to work towards increasing water use efficiency and effluent treatment effectiveness in our supplier factories. Some of our key requirements include the following.

- Identifying the source of freshwater consumption.
- Tracking of freshwater intake in the supplier factory.
- Ensuring compliance with all applicable legal laws.
- Ensuring availability of a strategy to reduce freshwater consumption.

## Water use efficiency

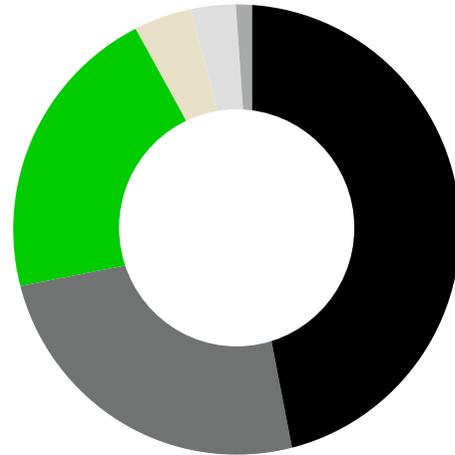
We work with our supply chain to improve water efficiency in manufacturing processes. Some key elements of our water efficiency roadmap for suppliers are:

- Identify and track the factory'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 freshwater use 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 factory-level water usage and promote water efficiency. We map the performance of our direct tier 1 supplier factories regarding practices related to water use and water efficiency.

In 2024, we have recorded the trend of fresh-water consumption for the reporting year 2023. We have analysed the data through the Higg FEM 2023 verified modules received, across our supply chain globally, which is represented in the below figure. Our next step is to work with the factories to develop relevant targets and action plan for reduction in freshwater consumption.

Water consumption (L) trend from verified FEM 2023



- Groundwater | **47%**
- Municipal blue water | **25%**
- Recycled and/or reused water | **20%**
- Municipal water unknown origin | **4%**
- Fresh surface water | **3%**
- Other (Steam condensate, rain and treated wastewater) | **1%**

451 improvement opportunities across different priority levels were identified in the water use section during the reporting period and 238 were reported as implemented, most of which were critical and high-priority opportunities.

During our assessments, we identified 10 factories did not have sufficient waterflow meters to track consumption of water from each source. 9 out of those 10 factories managed to install sufficient waterflow meters and started tracking their water consumption from different sources.

During the reporting cycle, we also identified 53 factories that needed to improve their baseline and target for freshwater consumption in production processes. 36 factories managed to implement the same.

Effluent Treatment Plant in Bangladesh.





Recycled water from Effluent Treatment Plan (ETP) process in Türkiye.

## Wastewater treatment

Our industry depends on chemicals; thus, it is crucial that policies are in place to minimise any potential negative impact in due process. The wet-processing stages including the dyeing, printing, bleaching, and washing of materials, are where chemicals are most likely to be utilized in our business. Typically, factories upstream in our supply chain that we do not work with directly perform most of these operations.

We require the factories 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.

We expect the factories with industrial wastewater to conduct wastewater test in accordance with ZDHC Wastewater Guidelines. ZDHC Wastewater Guidelines include testing of wastewater as per conventional parameters, ZDHC MRSL and heavy metals. The guidelines provide a limit value for each parameter. By meeting these values and/or the local legal values (whichever is more stringent in each case), a factory can be considered 'In Compliance' with the guidelines.

Through our own environmental assessments, we try to ensure proper practices are followed when it comes to treatment and discharge of effluent in the factories where our products are manufactured. Some of the key requirements for factories with industrial wastewater include the below:

- Track the factory'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 ZDHC, Business for Social Responsibility, etc.)
- Request wastewater quality test from the off-site wastewater treatment plant.

In 2024, our environmental assessments recorded 186 improvement areas in wastewater management practices across different priority levels in and 59 of these were reported as resolved in 2024.

This year we focused on total 114 supplier factories with wet processing which includes both tier 1 and tier 2. Total 78 tier 1 and tier 2 factories shared their wastewater test report with us through ZDHC Gateway platform. Out of these 78 factories, 82% managed to meet ZDHC MRSL requirements. 6% factories that earlier had failure have submitted their root cause and corrective action plan. We plan to follow up root cause and corrective action with remaining 12% factories.

## Climate action

We acknowledge 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 have been members of "The Scandinavian 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 as outlined by the United Nations Framework on Climate Change and the Paris Agreement. STICA is coordinated by the "Sustainable Fashion Academy", a non-profit independent organisation. 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 and commitments

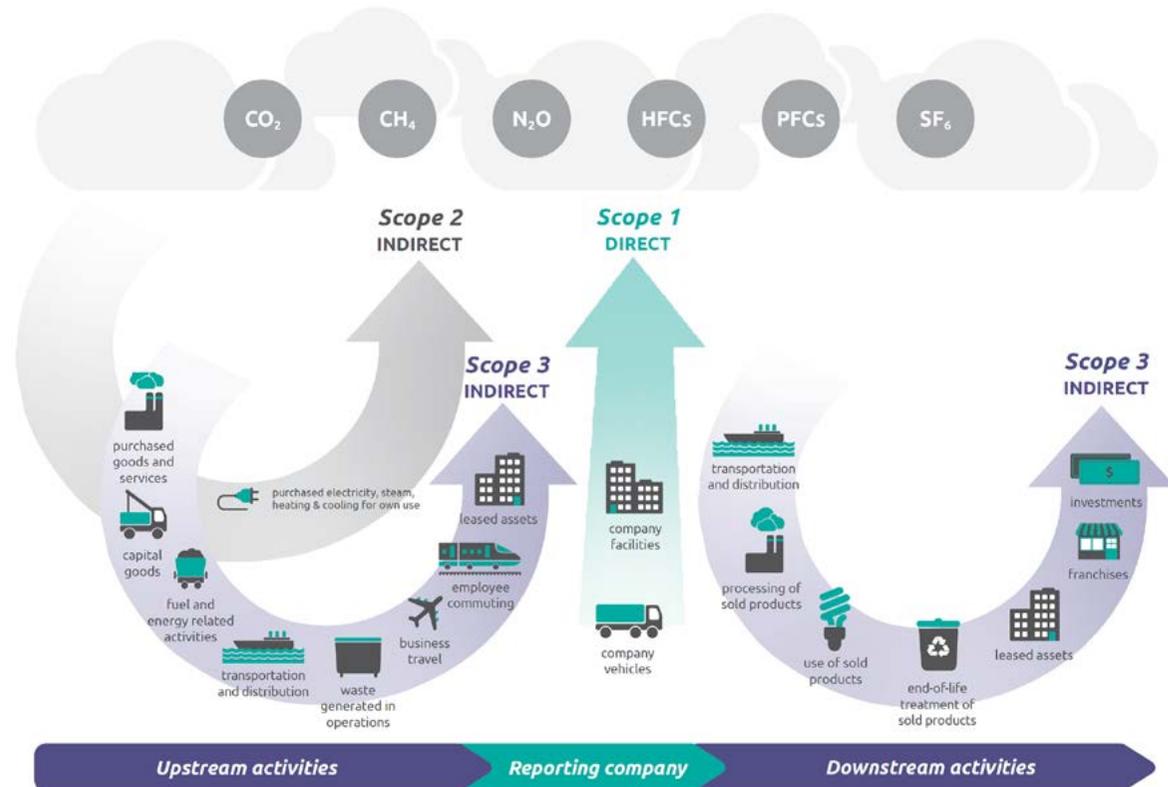
We are committed to reduce impact on climate from our business. As per our strategic plan, we have been actively working towards defining our scope, mapping our emissions, setting reduction

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.



Envisioning Scope 1, 2 and 3 emissions as per Greenhouse gas protocol

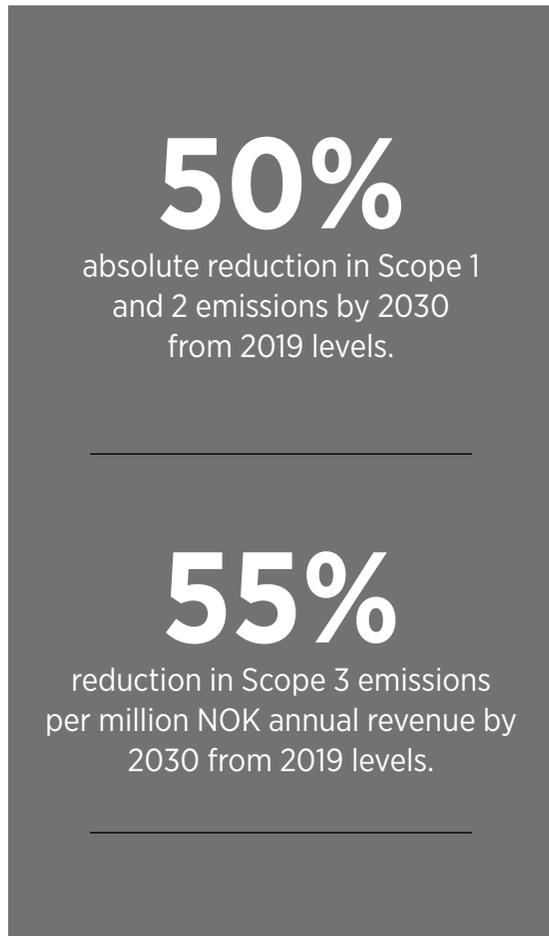
### Mapping our footprint

To calculate Varner’s climate statement the Greenhouse Gas Protocol (GHG Protocol) has been used, which is the most recognised global standard for calculating greenhouse gas emissions. The calculations have been carried out according to the three associated standards: The Corporate Standard, The Corporate Value Chain (Scope 3) Standard, and the Technical Guidance for Calculating Scope 3 Emissions.

We started our emissions calculation in 2020 and selected 2019 as a base year as a most recent pre-pandemic data set. Since then, we have calculated our emission annually. We have updated our methodology and data quality along the way. This report includes our emissions overview for latest year 2024, previous year 2023 and baseline year 2019. Please refer to [Methodological note for reporting chapter regarding climate action](#) for more details.

### Setting reduction target

As part of our commitment to climate, we have set ambitious reduction targets informed by Science Based Targets’ methodology. Our ambition is to achieve the following by 2030 (compared to the 2019 base year).



### Working on emission reduction

In 2024, we worked with our consultants to create a model roadmap tool connecting different actions to emissions reduction for Varner. 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.

Transitioning towards renewable energy is needed to contribute towards emission reduction.

At present we are mapping our baseline use of renewable energy i.e. solar, wind, hydro, bio energy and geothermal energy in our value chain. We are also considering iREC, Guarantee of origin, PPA, GEC, etc as valid documentation for renewable energy. We do not consider offsetting as a means for emission reduction in our calculation. We are engaging with relevant stakeholders such as renewable energy certificate providers, solar panel installation providers to explore further.

We have also identified key internal and external challenges that may increase the emissions in certain categories in the near term. Some of the key challenges include a high investment cost, as well as a lack of public policies and infrastructure to support a transition toward renewable energy.

### Overview of our footprint

For the year 2024, the total amount of greenhouse gas emissions for Varner is 346 646 tons of CO<sub>2</sub>e, of which 217 tons (0.06%) of CO<sub>2</sub>e are attributed to scope 1, and 29 040 tons (8.4%) to scope 2, and 317 389 tons (91.6%) to scope 3.

The key figures of our emissions are given in the table to the right:

	2024	2023	2019 Baseline	% Change (2024–2019)	2030 Target
Scope 1 and 2 emissions (ton CO <sub>2</sub> e)	29 257	28 474	24 251	20.64% increase	Scope 1 and 2 target indicator
Scope 3 emission (ton CO <sub>2</sub> e)	317 389	260 723	312 475	1.57% increase	Additional indicator
Scope 1,2 and 3 emissions (ton CO <sub>2</sub> e)	346 646	289 197	336 726	2.95% increase	Additional indicator
Scope 3 emission (ton CO <sub>2</sub> e/million NOK annual revenue)	27.69	22.76	29.1	5% reduction	Scope 3 target indicator



Solar panels in Türkiye at one of our factory partners.

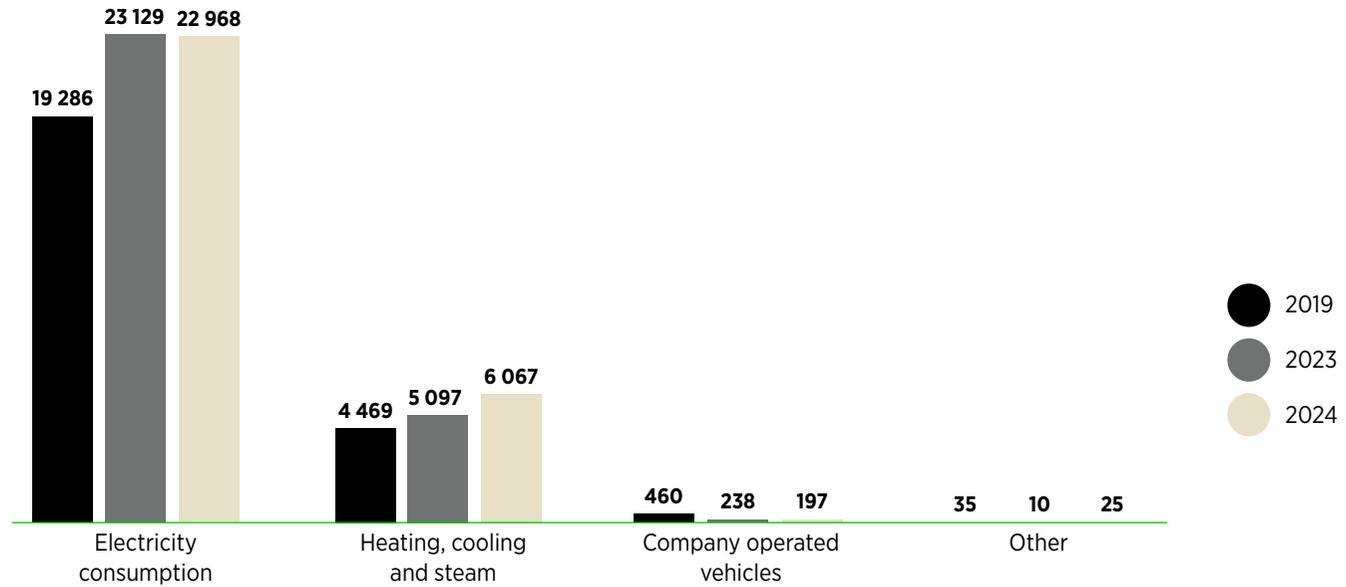
## Footprint from own operations

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 our own operations and increasing the use of renewable energy.



Emissions from own operations (ton CO<sub>2</sub>e)



Energy Saving Fan in one of our factory partners in Bangladesh.

## Improving energy efficiency in stores

It is evident from our mapping that major emissions within our own operations comes from electricity usage in our owned and operated buildings. Referring to the below table, we see an approximate. 36% reduction in the overall energy consumption in stores by 2024 compared to 2019. The main part of this reduction is visible due to a reduced number of stores. If we consider an average electricity use per square meter, we see an approximate. 18% reduction in energy consumption from stores. Our consultants informed us that the emission factor for purchased electricity with Nordic residual energy mix has increased by approximately 109% in 2024 compared to 2019 resulting in an overall increase in our emissions in Scope 1 and 2.

## Light bulbs change initiative in our stores:

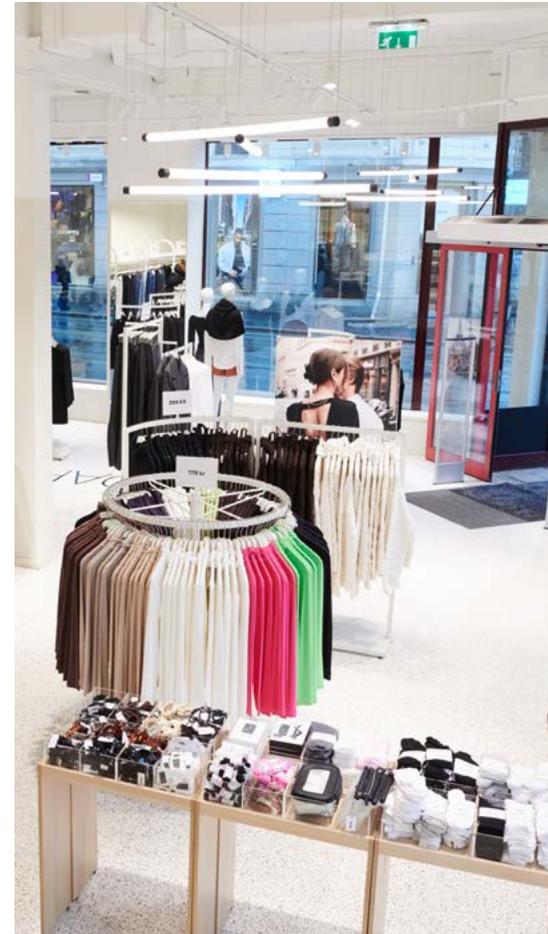
Our main initiative to improve energy efficiency in our stores, is the optimization of lighting conditions. We know that replacing old metal halogen lighting with lower watt LED lighting can give a reduction of energy consumption up to 50%.

Electricity Consumption overview in Stores			
	2019	2024	% Change
Electricity Consumption (Million kWh)	68.2	44	Reduced 36%
Avg. Electricity Consumption (kWh/m <sup>2</sup> )	120	99	Reduced 18%

In 2024, we increased our efforts to manage energy consumption and costs in our stores. We have expanded our team, now comprising several employees dedicated to analysing and identifying anomalies in our stores. By implementing new systems, we can move efficiently to detect stores with significant deviations. These systems have greatly enhanced our ability to monitor and manage energy usage.

In addition to these new measures, we have continued with initiatives that have proven effective, such as replacing halogen lights with LED lights in several stores. This transition has continued to contribute to significant energy savings.

Furthermore, we have actively participated in the STICA Working Group alongside several other retail chains in Sweden. Through monthly meetings, we collaborate on strategies to continuously improve our practices regarding data collection and energy saving actions.



Lighting in the stores.

### Footprint from purchased materials and manufacturing

Emissions from the purchased materials and manufacturing section includes energy use emissions from tier 1 factories, purchased materials representing tier 2-4 in the supply chain as well as packaging.

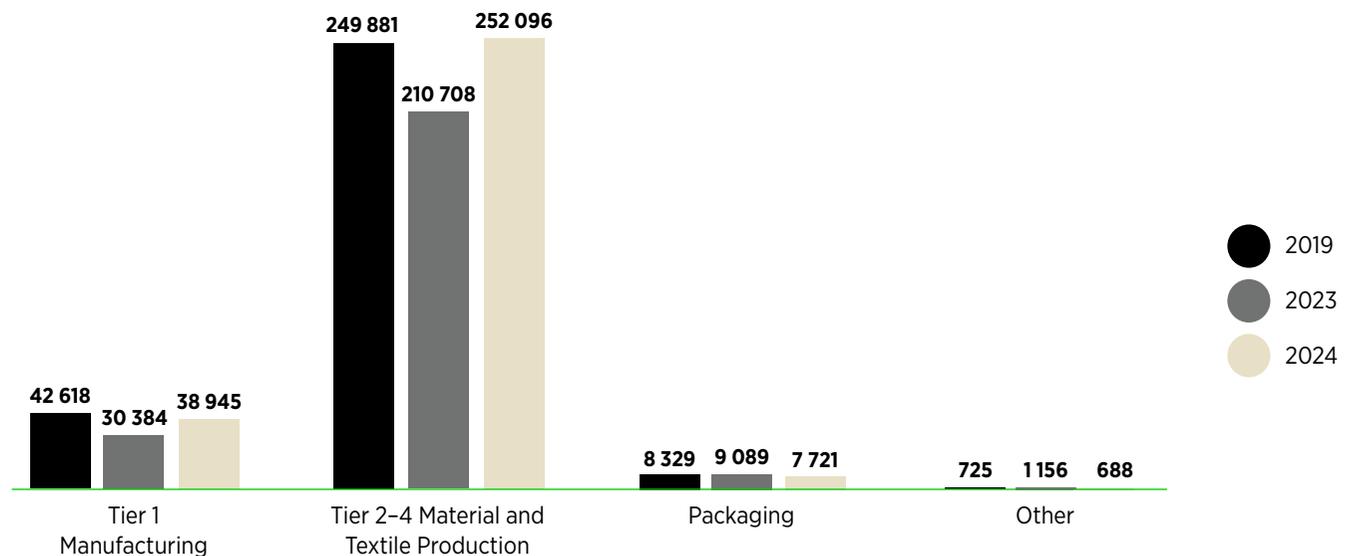
Strengthening our uptake of preferred fibres and materials as well as continuing to work with our supply chain partners towards energy use optimization, innovation and shift towards more sustainable energy sources remains our primary focus areas to reduce emissions in this category. Other focus areas include scaling up the use of preferred packaging materials with a lower footprint, working with innovative solutions in the upstream supply chain and chemical inputs as well as aligning with industry action (more information about packaging [here](#)).

### Improving energy use and GHG emission in production

Reducing emissions from production processes is linked to energy use efficiency, transitioning towards cleaner energy sources and using inputs with lower footprints. We have started engaging with our supply chain partners to map energy use and GHG emissions from processes and are working on solutions 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 their baseline year-over-year.

Emissions from purchased materials and manufacturings (ton CO<sub>2</sub>e)



## Tier 1 manufacturing

In 2020, we initiated efforts to map energy use and greenhouse gas (GHG) emissions data across our supply chain through internal surveys. Recognizing the need for greater granularity, we transitioned in 2021 to estimating average emissions for manufacturers categorized by apparel, accessories, and footwear.

We identified the importance of pinpointing emission reduction opportunities at the individual factory level. Challenges persist in data collection, verification, and ensuring data quality, but we managed to collect energy and fuel use data directly from our factories in 2024. We calculated the average emission per unit product for each end product manufacturer based on their energy and fuel consumption and their total annual production. We used this average emission per product and production quantity for Varner to measure Varner’s share of emissions from each factory.

In 2024, a key focus has been on validating the energy and fuel use data from suppliers. This strengthens the foundation for our emission calculations and allows for more informed decision-making. Our primary objectives now include:

- Collecting high-quality, actual data from suppliers.
- Monitoring changes in emission levels over time.
- Tracking total energy and fuel consumption, including the breakdown between renewable and non-renewable sources.

GHG accounting is still not very common within the manufacturing sector. As a member of STICA, we see the need for more training on climate awareness, GHG accounting and renewable energy solutions. During 2024, our suppliers in several markets participated in climate action trainings organised by STICA. We continue to identify market specific challenges and contribute through our membership in STICA to develop more useful trainings for our suppliers.

In 2024, we continue to collect energy consumption data from over 250 major Tier 1 factories, encompassing both factory operations and their local transportation.

The following graph provides a high-level overview of the energy mix used by these tier 1 factories in their factory operations. It represents the energy mix based on their total annual production and is not adjusted for Varner’s specific share of production. Therefore, the actual energy mix associated with Varner’s production may differ.

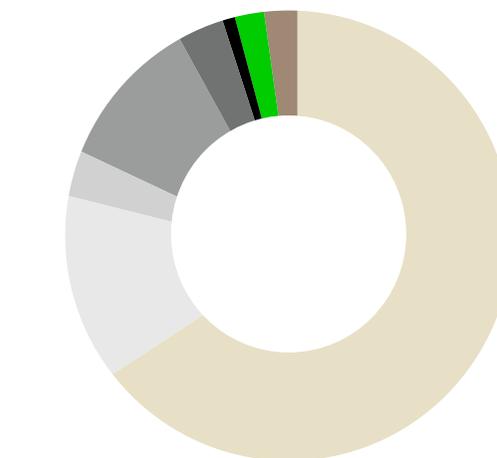
This overview does not currently include renewable energy certificates (I-RECs) from all potential factories.

We are actively exploring ways to refine this data to better reflect Varner’s specific production share and incorporate I-RECs.

The data we collected provides us with valuable insights into the commonly used energy mix within these markets. We intend to leverage market-specific breakdowns for benchmarking purposes. Identifying deviations from the

benchmarks will facilitate discussions with our suppliers regarding greenhouse gas (GHG) emission reduction strategies.

**Sourcewise energy consumption (MJ) breakdown in 2024 from tier 1 factories**



- Natural Gas and CNG | **66%**
- Purchased Electricity | **13%**
- Purchased Steam | **3%**
- Biomass | **10%**
- Diesel, Petrol and LPG | **3%**
- Coal | **1%**
- Renewable Energy | **2%**
- Fuel oil | **2%**

## External brands

External brands stand for a significant share of Varner's Scope 3 emissions in the purchased goods and service category. In 2023, we mapped our top 25 external brands, as of June 2023. To enhance cooperation and transparency, we have started to request the contact information for each brand's environmentally responsible contact person. In 2024, we have collected environmentally responsible contacts, established a first contact, and discussed climate action. In 2025, we will continue this approach. Our ambition is to align and involve external brand suppliers on Varner climate targets related to Scope 3 emissions and on compliance with upcoming regulations.

## Tier 2-4 manufacturing

We have mapped emission from 'tier 2-4 Materials and Textile Production' by sharing total weight of different materials (fibres, plastic, paper, metal and other materials) 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 types 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 knitted. Increased uptake of preferred fibres with a 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 and Preferred Fibres](#)'.

## Packaging

For 'Packaging,' calculations were made by using the total weight of packaging materials.

Estimations were made as per best available knowledge where actual data was not available. Emission factors were adapted to account for whether the material is recycled. Our estimations include packaging for transportation, packaging on product and shopping bags.

Future plans include addressing the emission hotspots in production, engaging with the suppliers to ensure development of emission reduction targets, having a proper baseline and roadmap as well as gradual implementation of the same, developing internal systems to make climate impact more visible at the design stage and anchoring the reduction measures within our supply chain and purchasing practices.



Spinning frame in one of our partner factories in China.

## Transport

Varner keeps track of the emissions from our transport activities both inbound and outbound transport to/from our central warehouse in Vänersborg. Emissions from transport are planned to be reduced at the same pace as Varner’s collected emissions. We continue to work closely with our transport suppliers to reduce the emissions and our transport suppliers continue to shift to more sustainable fuels.

Transport mapping is divided in two categories: **Inbound:** import from production countries to our central warehouse and returns from our online customers.

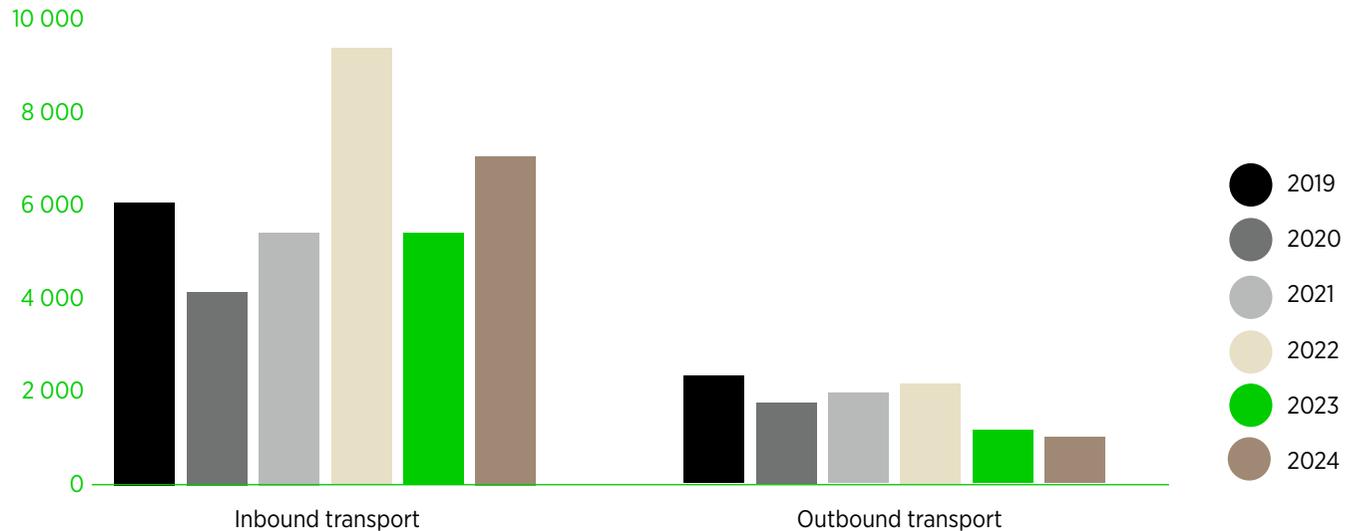
**Outbound:** transport from the central warehouse to our stores and online customers.

Inbound transport emissions increased from 2023 to 2024 due to higher volumes and the prevailing situation in the Red Sea. As a result of conditions in the Red Sea, ships were required to navigate around Africa instead of transiting through the Suez Canal. This detour led to longer lead times and increased transport costs and emissions. Consequently, a higher proportion of goods were transported by air to ensure timely deliveries.

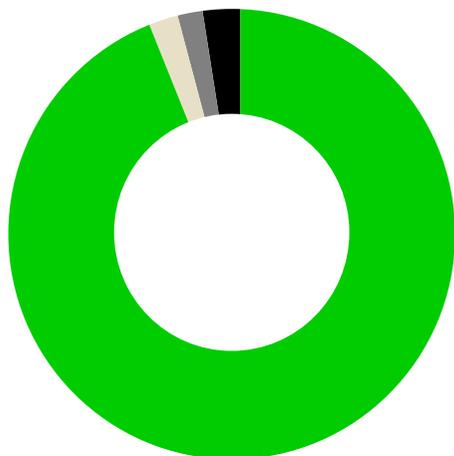
The ongoing conflict in Ukraine continues to make freight transport by train from China unfeasible.

In 2024, Varner revised our transportation partner for shipments from Türkiye. The new solution involves a different route compared to the previous one, while remaining intermodal, with part of the route utilizing trains.

**Emissions from Transport (TonCO<sub>2</sub>e)**

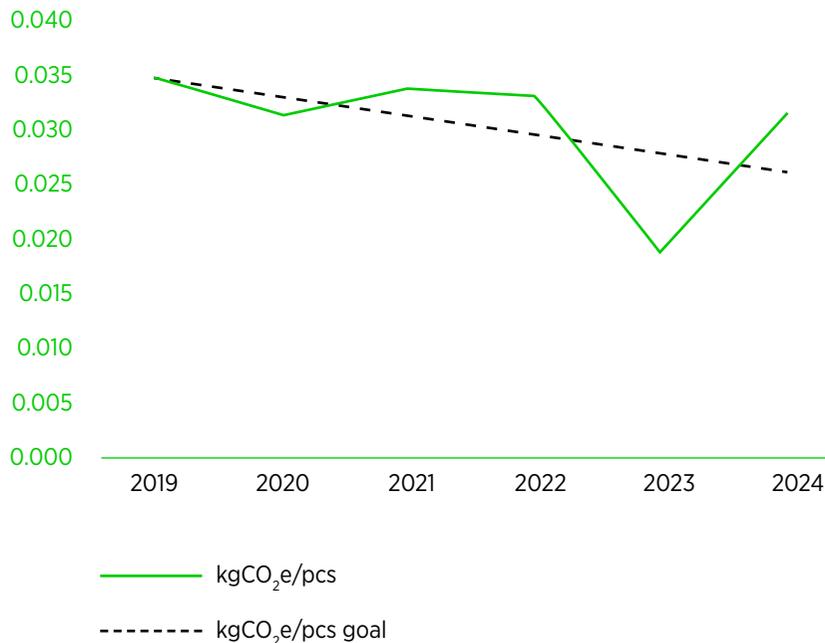


**Tonkm by transport mode in inbound 2024**



- Sea | **94.1%**
- Road | **2.0%**
- Rail | **1.5%**
- Air | **2.4%**

**KgCO<sub>2</sub>e/piece in Outbound transport**



The outbound transport emissions KgCO<sub>2</sub>e/piece have increased by 62,8% from 2023 to 2024. The result of CO<sub>2</sub>e/piece is 19,6% higher than the goal for 2024.

There are three major explanations to why this is the case.

The majority of the increase of emissions in outbound transport stems from the government decision to decrease the directive of renewable energy (Reduktionsplikten). The directive was decreased from 30.5% to 6% of renewable energy in diesel.

Secondly the share of online orders has increased, which are less emission efficient than transport to our store network.

Finally, the railroad “Bergenbanen” in Norway was damaged during an extended period in the first quarter of 2024, forcing our transporter to go by road instead of rail.

Even if the emissions have increased in 2024 for already mentioned reasons, there have been several actions taken to reduce emissions. One example is that Varner has investigated and optimized the linehaul to our Norwegian stores, resulting in 230 trucks less will be used per year while distributing the same amount of goods as 2023.

Solar panels on the rooftop of the warehouse.



## Warehouse and distribution centre

For each year that passes, sustainability becomes a more integral part of the daily operations in the warehouse in Vänersborg. It is more natural to have discussions about sustainability with suppliers and within the organisation. There is still a lot more to accomplish, but we have also progressed quite a bit. During the year we have updated the warehouse's sustainability policies, including:

- To make an analysis of the material's content and quality when making essential purchases of packaging and other consumables to ensure that an unnecessary amount of material is not used, and that the material comes from sustainable processes.
- The suppliers that we choose to cooperate with must strive for sustainable working conditions for their employees and subcontractors.

### Electricity in Vänersborg

The electricity in the warehouse in Vänersborg was 100% renewable in 2024 and 2023. The first solar panels on the roof began to operate in the end of 2022, and we have installed additional solar panels during the fall/winter of 2023. When we do not get enough electricity from the solar panels, our electricity consumption is provided with Guarantees of Origin (GoOs). The amount of GoO certificates matches Varner's electricity consumption and thus provide credible and reliable documentation of the use of renewable energy in accordance with the European Renewable Energy Directive.

During 2024, Varner in Vänersborg sold 96 098 kWh of solar power from the solar panels and thereby contributed to a more sustainable grid mix.

### Packaging

In the warehouse in Vänersborg, we use several different types of packaging, and we have made some major improvements the past years. One improvement is that we phased out plastic bag packaging for our e-commerce and switched to FSC-certified and locally produced paper bags. We also conducted a procurement of cardboard boxes that are used in the warehouse. In the procurement process, sustainability was an important part of the decision, which resulted in 100% preferable material (FSC and/or recycled content) in these boxes.

The improvements above and a better data collection have resulted in 97% of preferred material for packaging purchased to the warehouse in 2024, against 72% in 2023.

All of Varner's own brands have fully implemented the manufacturing country of origin on all own brand products to be **transparent towards the consumer**

**2021**

Varner signed a main collaboration agreement with 'Doctors Without Borders'

**7.9 mill**

The members we have throughout our 6 Loyalty Programs

Engage the  
consumer



## Marketing and awareness

130

Communicating towards consumers in a transparent and truthful manner is important to Varner brands. Product information shall comply with The Marketing Act and Consumer Protection Act in all relevant markets; misleading practices, such as false or deceptive messages, omission of important information, and greenwashing, shall be avoided. These practices are anchored in our company's values and implemented in all brands' Marketing Departments.

In 2024 there were no incidents of noncompliance with marketing communication legislation.

## Product information

Varner complies with statutory labelling requirements in each market for our own products, in addition to voluntary labels that inform the customer about the product's sustainable attributes. The voluntary labels are either a certification scheme's logo and claim or through the brand's own communicative labels.

Varner aims to use a certification scheme's logo and claim when we communicate on the products, to make it easy and clear for the consumer to understand what they can expect of the product's potential sustainable attribute. More in depth-information can be found on the certification schemes' websites or the brands' online stores and websites. Examples of labelled certified products to be found in stores and online are Responsible Down Standard certified products, Responsible Wool Standard certified, products made with Fairtrade cotton, or products with recycled content certified to the Recycled Content Standard or the Global Recycled Standard. We also use organic cotton standards such as the Global Organic Textile Standard or the Organic Content Standard.

Varner follows product-specific requirements for customer information, for products that are CE marked this also includes an instruction of safe use.

All of Varner's own brands have fully implemented the manufacturing country of origin on all own brand products to be transparent towards the consumer. In addition, either the web address or physical address of the brand is included on the product's label to make it easy for the customer to contact the brand in case of any issue.

Varner brands have implemented first tier factory information on the product level for own produced products in their webshop to communicate with transparency to the consumer, where the product has been produced. The small brand Beyond Medals was in 2024 established as a separate brand with its own website. They will use 2025 to implement the factory information on their website.

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

All textile products come with a sewn-in care label with instructions on how to clean the product. Several of our brands are also communicating with the consumers in a more detailed way about how to best care for their products to extend the life of the garment. This information is to be found on the brand's website.

In 2024, there were no incidents of non-compliance with legal requirements for products information labelling.





## Consumer communication

Varner brands' shop employees and websites are the main communication channel for consumer communication. Even though online sales have grown, meeting consumers in the physical stores is of great importance to the brands. Being able to provide service and to advise the customer so they can make a well-informed purchase is of value for both the brands and the customer.

Dressmann and Volt offer tailoring services to the consumers through the physical stores when they purchase suits. In this way, the customer can get the correct fit for a garment that is often worn for many years. Varner believes that this interaction gives a stronger relationship with the consumer.

All Varner brands, except for Beyond Medals, offer information on their work on sustainability on the brand's website. The small brand Beyond Medals was in 2024 established as a separate brand with its own website. They will use 2025 to implement the sustainability information on their website.

Dressmann, Cubus, Bik Bok and Carlings also offer articles about how you can take care of your products to make them last longer.

The customer service function is another important channel of communicating with the consumer. In 2024, 164 requests related to sustainability were received through the customer service function.

For sustainability related requests, the consumer also may directly contact the Sustainability Department at [sustainability@varner.com](mailto:sustainability@varner.com), you can read more about this under [Stakeholder engagement](#).

## 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.

Varner plans for a long-term collaboration and wishes to include both employees and customers in this journey. Varner aims to create commitment and drive towards a bigger goal: To contribute to life-saving treatment for people affected by war, disasters, and conflicts.

In 2024, the main goal was to further strengthen the cooperation with Doctors Without Borders. A group consisting of one representative from each brand's business team visited MSF Belgium. The program had a profound impact on the participants, fostering a stronger sense of responsibility and commitment to developing meaningful collaboration plans.

Varner has contributed to financial predictability for Doctors Without Borders and their important work providing healthcare where it's needed the most.

In addition to the annual financial contribution, the main activity of the Varner brands this year has been selling specially designed shopping bags, raising 2,4 million NOK in consumer contributions to support the work of Doctors Without Borders.

Varner has also used the strong relationship we have with Doctors Without Borders, to bring the stories from their projects around the world to our own employees. Doctors Without Borders had one session at the Service Office to put spotlight on the areas where Doctors Without Borders operate and how they organise their work. It has been inspiring for the organisation to see the value they create, and it encourages Varner to bring the message of their good work out to our consumers to a higher extent for 2025.



Brand representatives from Varner visiting MSF Supply in Belgium.

## Customer privacy Varner

Varner places high focus on ensuring our customers' privacy and, in recent years, has developed strong competence and routines to comply with the EU General Data Protection Regulation (GDPR) across 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 6 Loyalty Programs, we have 7.9 million members who receive benefits and offers regularly based on their consent and behaviour.

Varner has an internal working group and a Data Protection Officer (DPO) who ensure compliance with the applicable legislation. We also provide internal training and support when onboarding new employees, ensuring our customers' privacy is always maintained.



Varner receives queries from customers regarding the use of personal data from time to time. All queries are handled on a case-by-case basis, logged internally, and evaluated to ensure customer privacy is upheld.

No queries from customers or other parties in 2024 have been substantiated to highlight breaches in regulations related to customer privacy. There have been no identified leaks, thefts, or losses of customer data in 2024.

“ There have been no identified leaks, thefts, or losses of customer data in 2024.

This is the **fifth edition** of the consolidated Sustainability Report for Varner

# How we report



## Notes on methodology

This is the fifth edition of the consolidated Sustainability Report for Varner. The data and information presented cover the reporting period corresponding to the year 2024, with some updates on projects initiated in previous years. To enhance comparability over time, the report includes trends to previous years (where possible). Employee-related data, including the number of employees and gender distribution, aligns with Varner's consolidated financial reporting.

### **Aligned frameworks and methodology for reporting**

We strive to report with reference to the Global Reporting Initiative (GRI) standard 2021. Additionally, we have consulted various reporting systems and frameworks, such as the UN Guiding Principles for Reporting, the SDGs, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and Ethical Trade Norway reporting as benchmarks for relevant sections.

This Sustainability Report has been prepared by the Sustainability Department in cooperation with the Sustainability Working Group and approved by the Sustainability Steering Group. The preparation involved managers and specialists responsible for various corporate functions to determine the contents, projects, and related performance indicators. The report writing process adhered to key GRI concepts which are due diligence, materiality, stakeholder engagement and impact. The information's relevance and details were defined considering Varner's impacts and responsibilities in the social and environmental spheres, sector specific nuances, and stakeholder needs and expectations outlined in the materiality analysis. Any exceptions with respect to this reporting scope are appropriately highlighted in the text.

### **Restatement of information**

Due to improved data quality and rectifications in calculation, there have been some minor changes in GHG emission numbers for the year 2023. The final numbers have been updated in this report. These changes do not have any significant implications for our progress on our climate goals.

## 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 goods transport and distribution. Business travel and indirect spend are not included in the report. The underlying calculation has been made by "2050 Consulting AB" and is based on data reported by Varner as a part of the membership in the Scandinavian Textile Initiative for Climate Action – STICA.

**Control approach:** For our climate calculations in this report, an operational control approach has been used where direct GHG emissions are defined as emissions from sources in which the company has operational control.

**Methods for Scope 2 accounting:** We have used a market-based method for our Scope 2 climate accounting. In this method, the emission factor is represented by the emissions from electricity sources that the company purposely has chosen. This means that if the company has bought electricity with guarantees of origin, the emission factors reflect that. All other electricity that is delivered without guarantees of origin represents the remaining electricity production, a so-called residual mix.

According to the GHG Protocol, the chosen method for calculating Scope 2 emissions should be presented along with the non-chosen method. In the table below, the difference between market-based and location-based methods are presented.

Scope 2 emissions with market based versus location-based method is presented in the table below.

Calculation method, Scope 2	Emissions [ton CO <sub>2</sub> e]
Market-based	29 040
Location-based	4 804
<b>Difference value</b>	<b>24 236</b>

## GHG accounting scope and excluded factors:

Varner's climate statement includes all emissions in scope 1 and 2. Greenhouse gas emissions in Varner's value chain are reported in Scope 3 and are categorised according to the GHG Protocol in 15 different categories. Table 1 below shows which Scope 3 categories are included and excluded in the climate accounts in line with STICA's reporting regulations.

Scope 3 Categories	Reporting scope
3.1 Purchased goods and Services	Included
3.2 Capital goods	Excluded
3.3 Fuel and energy related activities	Included
3.4 Upstream transportation and distribution	Included
3.5 Waste generated in operations	Excluded
3.6 Business travel	Excluded*
3.7 Employee commuting	Excluded
3.8 Upstream leased assets	Excluded
3.9 Downstream transportation and distribution	Excluded
3.10 Processing of sold products	Not relevant
3.11 Use of sold products	Excluded
3.12 End of life treatment of sold products	Excluded
3.13 Downstream leased assets	Excluded
3.14 Franchises	Excluded
3.15 Investments	Excluded

\*Only office car use has been included.

## Process Description

All calculations are primarily based on aggregated activity data from Varner’s own operations (stores, offices, and warehouse), leased and owned cars, production (tier 1 manufacturing), main purchased materials (representing tier 2 to tier 4), and transport (inbound and outbound). Data collection and mapping are done retrospectively. Where data gaps have been identified, estimations have been made based on the best available knowledge. The activity data reported has been reviewed and matched to emission factors by 3rd party consultants to calculate the climate impact.

Transportation figures and CO<sub>2</sub>e emission data were supplied by shipping companies and logistic partners. Climate data is reported according to the STICA guidelines and aligned with Greenhouse Gas Protocol. Emission factors that we use are based on information collected from 3rd party consultants as well as trusted publicly available databases.

## Company Definition of Renewable Energy:

We are committed to increasing the use of renewable energy sources throughout our operations and supply chain. To ensure transparency and consistency in our reporting, we define renewable energy according to internationally recognized standards.

**Renewable Energy Sources:** We consider the following sources to be renewable energy:

**Hydropower:** Electricity generation from flowing water.

**Solar Power:** Electricity generation from the sun’s rays, including photovoltaic (PV) panels and concentrated solar power (CSP).

**Wind Power:** Electricity generation from wind turbines. Geothermal Energy: Electricity or heat generated from the Earth’s internal heat.

**Biomass Energy:** Energy derived from organic matter, excluding fossil fuels (subject to sustainability criteria).

**Certifications and Due Diligence:** To verify the source and environmental attributes of the renewable energy we use, we rely on the following mechanisms:

**Renewable Energy Certificates (RECs):** Tradable instruments that represent the environmental attributes of one megawatt-hour (MWh) of electricity generated from a renewable source.

**Guarantees of Origin (GOs):** Similar to RECs but may be specific to a particular geographical region.

**Power Purchase Agreements (PPAs) with Renewable Energy Providers:** Contracts that ensure the electricity we purchase comes from a designated renewable source.

**Supplier Certifications:** We encourage our suppliers to adopt renewable energy practices and may consider relevant certifications, such as, I-REC, and China’s Green Electricity Certificate (GEC), as part of our due diligence process.

**Transparency and Continuous Improvement:** We are committed to continuously improving our understanding and utilization of renewable energy sources. We will periodically review and update our definition and verification processes to reflect the latest advancements in the field.



# Appendix

# Overview of our employees

The data for full-time, part-time, and temporary employees was extracted by the end of 2024. Due to seasonal variations; there may be differences in the number of employees at different periods of the year when there are more customers in stores.

## Employee headcount and FTE (full time equivalent)

	Total		Female		Male	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
<b>Bangladesh</b>	31	31	12	12,0	19	19,0
<b>China</b>	14	14	10	10,0	4	4,0
<b>Finland</b>	1 305	500,6	1 151	436,5	154	64,1
<b>Hong Kong</b>	16	16	15	15,0	1	1,0
<b>Iceland</b>	29	11	8	2,0	21	9,0
<b>India</b>	16	16	7	7,0	9	9,0
<b>Norway</b>	4 882	1 820	4 000	1 468,0	882	352,0
<b>Sweden</b>	2 795	1 394	2 235	1 062,0	560	332,0
<b>Türkiye</b>	18	18	8	8,0	10	10,0

## Number of permanent and temporary employees

	Total		Female		Male	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
<b>Bangladesh</b>	31	0	12	0	19	0
<b>China</b>	14	0	10	0	4	0
<b>Finland</b>	883	422	768	383	113	41
<b>Hong Kong</b>	16	0	15	0	1	0
<b>Iceland</b>	29	0	8	0	21	0
<b>India</b>	15	1	6	1	9	0
<b>Norway</b>	2 931	1 951	2 359	1 641	572	310
<b>Sweden</b>	2 100	695	1 643	592	457	103
<b>Türkiye</b>	18	0	8	0	10	0

## Number of part-time and full-time employees

	Total		Female		Male	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
<b>Bangladesh</b>	0	31	0	12	0	19
<b>China</b>	0	14	0	10	0	4
<b>Finland</b>	1 076	229	958	193	118	36
<b>Hong Kong</b>	0	16	0	15	0	1
<b>Iceland</b>	18	11	6	2	12	9
<b>India</b>	1	15	1	6	0	9
<b>Norway</b>	3 759	1 123	3 124	876	635	247
<b>Sweden</b>	2 020	775	1 694	541	326	234
<b>Türkiye</b>	0	18	0	8	0	10

\*The data for full-time, part-time and seasonal employees was extracted at the end of the year 2024. 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.

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

	Norway		Sweden		Finland		Iceland	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Total new employees</b>	1 226		378		501		10	100%
Female	975	80%	304	80%	439	88%	2	20%
Male	251	20%	74	20%	62	12%	8	80%
<b>Under 25 years</b>	1 007	82%	248	66%	390	78%	9	90%
<b>26–35 years</b>	146	12%	106	28%	98	20%	1	10%
<b>36–50 years</b>	61	5%	17	4%	10	2%	0	0%
<b>over 51 years</b>	12	1%	7	2%	3	1%	0	0%

\*The overview of the number of employees who have left may include employees who have started working for us in another country

\*\* For privacy reasons, number and rate of new employee hires and employee turnover are not shown in regions with less than 5 cases

\*\*\* Turnover rate is divided by the number of employees at the end of the year, excluding temporary extra personnel

\*\*\*\* Both new employee hires and turnover is excluding temporary extra personnel

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

	Norway		Sweden		Finland		Iceland	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Total new employees</b>	1 192	37%	524	25%	562	49%	12	39%
Female	980	82%	427	81%	377	88%	3	25%
Male	212	18%	97	19%	185	12%	9	75%
<b>Under 25 years</b>	796	67%	257	49%	393	67%	10	83%
<b>26–35 years</b>	277	23%	209	40%	140	28%	2	17%
<b>36–50 years</b>	85	7%	40	8%	24	5%	0	0%
<b>over 51 years</b>	34	3%	18	3%	5	1%	0	0%

\* The overview of the number of employees who have left may include employees who have started working for us in another country

\*\* For privacy reasons, number and rate of new employee hires and employee turnover are not shown in regions with less than 5 cases

\*\*\* Turnover rate is divided by the number of employees at the end of the year, excluding temporary extra personell

\*\*\*\* Both new employee hires and turnover is excluding temporary extra personell

# GRI 302 Energy

We collect energy consumption data from all our offices. Heating is included in electricity for all offices except our central Warehouse and DC in Vänersborg. In 2024, we used 281 tonnes wood pellets and 7.3 m<sup>3</sup> of fuel oil for onsite heat generation in Vänersborg.

For the Service Office, we use a diesel generator for electricity production as an emergency power supply in case of power cuts. It is only test-driven for 1 hour annually without load and the estimated consumption is about: 50L. Some propane gas is used for fireplaces and grills and the yearly estimated consumption is 1.35m<sup>3</sup>.

In 2024, 100% energy used in our warehouse and DC in Sweden was from renewable sources. The remaining locations are using a regional grid electricity mix. We have used a market-based method for our Scope 2 climate accounting. See Methodological note for reporting regarding climate action for more information.

Energy Use Overview- Offices			2024			2023		
Office Name	Country/Region	City	Area (m <sup>2</sup> )	Electricity Use (kWh)	Energy Intensity (kWh/m <sup>2</sup> )	Area (m <sup>2</sup> )	Electricity Use (kWh)	Energy Intensity (kWh/m <sup>2</sup> )
Service Office (HQ)	Norway	Billingstad	14 520	2 160 064	149	14 520	2 156 755	149
Solna Retail Office	Sweden	Solna	724	46 381	64	724	53 146	73
Helsinki Retail Office	Finland	Helsinki	360	14 022	39	360	13 830	38
Dhaka Global Production Office	Bangladesh	Dhaka	824	84 688	103	1 178	113 799	97
Beijing Global Production Office	China	Beijing	127	7 692	61	127	7 692	61
Hangzhou Global Production Office	China	Hangzhou	177	7 610	43	177	6 942	39
Hong Kong Global Production Office	Hong Kong SAR	Hong Kong	460	30 692	67	460	30 443	66
New Delhi Global Production Office	India	New Delhi	372	20 470	55	372	18 675	50
Istanbul Global Production Office	Türkiye	Istanbul	366	11 116	30	366	12 138	33
Warehouse and DC	Sweden	Vänersborg	67 192	4 012 377	60	67 192	4 212 432	63

# GRI index

**Statement of use** Varner AS has reported with reference to the GRI Standards for the period 1st January 2024 to 31st December 2024.

**GRI 1 used** GRI 1: Foundation 2021.

**Applicable GRI Sector Standard(s)** Not currently available.

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
2-1	Organisational details	Page 8–10	
2-2	Entities included in the organisation's reporting	Page 8	
2-3	Reporting period, frequency and contact point	Page 8, 136, 156	
2-4	Restatements of information	Page 136	
2-6	Activities, value chain and other business relationships	Page 8–11	
2-7	Employees	Page 140–142	
2-8	Workers who are not employees	Page 87	
2-9	Governance structure and composition	Page 15–17	
2-10	Nomination and selection of the highest governance body	Page 15–16	
2-11	Chair of the highest governance body	Page 15–17	
2-12	Role of the highest governance body in overseeing the management of impacts	Page 15–16	
2-13	Delegation of responsibility for managing impacts	Page 15–16	
2-14	Role of the highest governance body in sustainability reporting	Page 15–16	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
2-15	Conflicts of interest	Page 15	There is perceived to be a limited risk of conflict of interest due to the current ownership and governance structure of the company. A formal process related to conflicts of interest for the highest governance body has not been established.
2-16	Communication of critical concerns	Page 18	
2-17	Collective knowledge of the highest governance body	Page 16	
2-18	Evaluation of the performance of the highest governance body	Page 15	
2-19	Remuneration policies	Page 18	
2-20	Process to determine remuneration	Page 18	
2-21	Annual total compensation ratio		<p>A. The ratio of the annual total compensation for the organisation's highest-paid individual, in Varner AS, to the median annual total compensation for all employees is 8.3.</p> <p>B. The ratio of the percentage increase in annual salary for the organisation's highest paid individual to the median percentage increase in annual total compensation for all employees is 1.06 (salary increase).</p> <p>C. See page 18.</p>
2-22	Statement on sustainable development strategy	Page 4	
2-23	Policy commitments	Page 21	<a href="http://varner.com/no/sustainability/vaare_policyer/">varner.com/no/sustainability/vaare_policyer/</a>
2-24	Embedding policy commitments	Page 21	
2-25	Processes to remediate negative impacts	Page 65, 86–88	
2-26	Mechanisms for seeking advice and raising concerns	Page 24, 78	
2-27	Compliance with laws and regulations	Page 18	
2-28	Membership associations	Page 32	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
2-29	Approach to stakeholder engagement	Page 22–23	
2-30	Collective bargaining agreement	Page 79–80	
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	Page 25–26	
3-2	List of material topics	Page 26	
<b>GRI 205: Anti-corruption 2016</b>			
3-3	Management of material topics	Page 71	
205-1	Operations assessed for risks related to corruption	Page 71	
205-2	Communication and training about anti-corruption policies and procedures	Page 71	
205-3	Confirmed incidents of corruption and actions taken	Page 71	
<b>GRI 301: Materials 2016</b>			
3-3	Management of material topics	Page 92–104	
301-1	Materials used by weight or volume	Page 92–103	
301-2	Recycled input materials used	Page 103–104	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 302: Energy 2016</b>			
3-3	Management of material topics	Page 118–122	
302-1	Energy consumption within the organisation	Page 145	At the time of publication of this report, we have collected actual electricity data for a full or partial year from 84.16% of stores owned or operated by Varner. Out of 1143 physical stores that were active at some point in 2024, we have electricity data from 962 stores so far. In 2024, total electricity consumption in these 962 stores was measured and calculated to be 37135204 kWh. These numbers also include stores that have been closed at some point in 2024.
302-2	Energy consumption outside of the organisation	Page 123–125	
302-3	Energy intensity	Page 145	Based on 2024 electricity data collected from 84.16% stores, average electricity use intensity in stores (kWh/m <sup>2</sup> ) for the reporting period in Norway, Sweden and Finland was 87, 95 and 100 respectively.
302-4	Reduction of energy consumption	Page 122	
302-5	Reductions in energy requirements of products and services		Omitted. Information unavailable.
<b>GRI 303: Water and Effluents 2018</b>			
3-3	Management of material topics	Page 115	
303-1	Interactions with water as a shared resource	Page 115–117	
303-2	Management of water discharge related impacts	Page 117	
303-3	Water withdrawal	Page 115–117	
303-4	Water discharge	Page 117	
303-5	Water consumption	Page 115–117, 149	Water Consumption in Varner head office for 2024 was stipulated to be 2597 m <sup>3</sup>

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 305: Emissions 2016</b>			
3-3	Management of material topics	Page 118–122	
305-1	Direct (Scope 1) GHG emissions	Page 120–121	
305-2	Energy indirect (Scope 2) GHG emissions	Page 120–122	
305-3	Other indirect (Scope 3) GHG emissions	Page 120, 123–127	
305-4	GHG emissions intensity	Page 120	
305-5	Reduction of GHG emissions	Page 119–128	
305-6	Emissions of ozone-depleting substances (ODS)		Omitted. Not material.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Omitted. Not material.
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
3-3	Management of material topics	Page 108–109	
308-1	New suppliers that were screened using environmental criteria	Page 109	
308-2	Negative environmental impacts in the supply chain and actions taken	Page 111–127	
<b>GRI 401: Employment 2016</b>			
3-3	Management of material topics	Page 79–80, 143–144	
401-1	New employee hires and employee turnover	Page 80–81, 143–144	
401-2	"Benefits provided to full-time employees that are not provided to temporary or part-time employees"	Page 79–80	
401-3	Parental leave	Page 80	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 402: Labor/Management Relations 2016</b>			
3-3	Management of material topics	Page 80	
402-1	Minimum notice periods regarding operational changes	Page 80	
<b>GRI 403: Occupational Health and Safety 2018</b>			
3-3	Management of material topics	Page 86–88	
403-1	Occupational health and safety management system	Page 87–88	
403-2	Hazard identification, risk assessment, and incident investigation	Page 86–88	
403-3	Occupational health services	Page 87–88	
403-4	Worker participation, consultation, and communication on occupational health and safety	Page 87–88	
403-5	Worker training on occupational health and safety	Page 88	
403-6	Promotion of worker health	Page 88	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 48–50	
403-8	Workers covered by an occupational health and safety management system	Page 87–88	
403-9	Work-related injuries	Page 86–87	Rate of work related injuries is 2,49 when we consider the GRI constant of 200 000.
403-10	Work-related ill health	Page 86–88	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 404: Training and Education 2016</b>			
3-3	Management of material topics	Page 82–84	
404-1	Average hours of training per year per employee	Page 82–84	
404-2	Programs for upgrading employee skills and transition assistance programs	Page 83	
404-3	Percentage of employees receiving regular performance and career development reviews	Page 83	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
3-3	Management of material topics	Page 73–81	
405-1	Diversity of governance bodies and employees	Page 76–77, 143–144	
405-2	Ratio of basic salary and remuneration of women to men	Page 18	
<b>GRI 406: Non-discrimination 2016</b>			
3-3	Management of material topics	Page 78–79, 57–60	
406-1	Incidents of discrimination and corrective actions taken	Page 78–79	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>			
3-3	Management of material topics	Page 46–48, 79	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 46–48	
<b>GRI 408: Child Labor 2016</b>			
3-3	Management of material topics	Page 56–57, 34–45	
408-1	Operations and suppliers at significant risk for incidents of child labour	Page 56–57	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
3-3	Management of material topics	Page 54–56, 34–45	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 54–56	
<b>GRI 414: Supplier Social Assessment 2016</b>			
3-3	Management of material topics	Page 34–45	
414-1	New suppliers that were screened using social criteria	Page 39, 70	
414-2	Negative social impacts in the supply chain and actions taken	Page 39–45	
<b>GRI 416: Customer Health and Safety 2017</b>			
3-3	Management of material topics	Page 105–106	
416-1	Assessment of the health and safety impacts of product and service categories	Page 105–106	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 105	
<b>GRI 417: Marketing and Labelling 2016</b>			
3-3	Management of material topics	Page 130–131	
417-1	Requirements for product and service information and labelling	Page 131	
417-2	Incidents of non-compliance concerning product and service information and labelling	Page 131	
417-3	Incidents of non-compliance concerning marketing communications	Page 130	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 418: Customer Privacy 2016</b>			
3-3	Management of material topics	Page 134	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 134	

## Board of directors for Varner AS



**Petter Varner**  
Chair of the Board



**Marius Varner**  
Managing Director



**Joakim Varner**  
Board Member

# VARNER

## Contact

We welcome your feedback on this report.

For more information or to provide comments,  
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Thank you!

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