Sustainability Report 2025

VARNER

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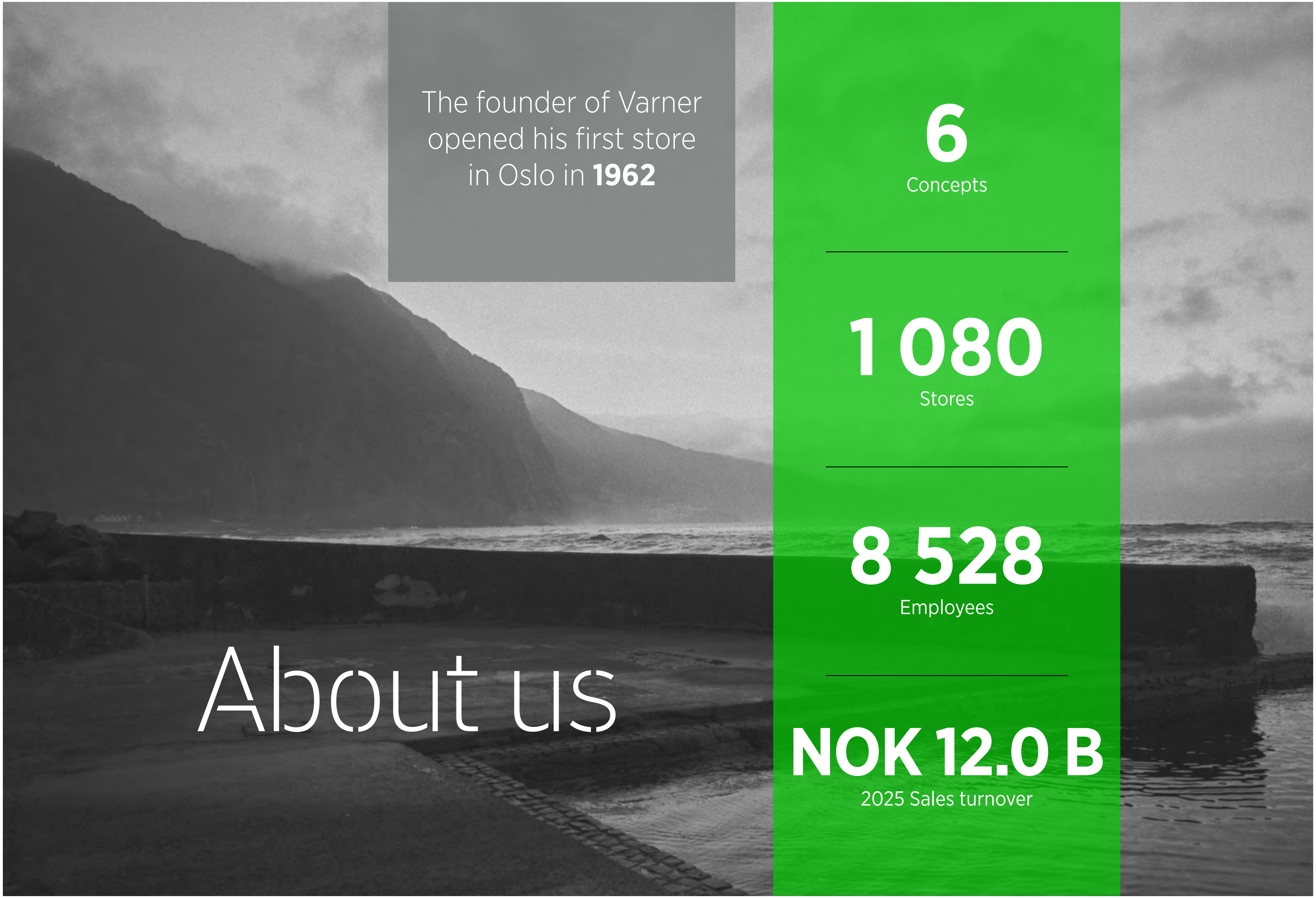


About us

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

6
Concepts

1 080
Stores

8 528
Employees

NOK 12.0 B
2025 Sales turnover

Letter from the CEO

The sustainability report for 2025 has now been published, marking a year in which three of our main goals reached the end of their timelines.

- 100% of all textiles made with Preferred fibres
- Establish an environmental performance management system for all product suppliers of own brands
- Ensure fair worker representation at all key suppliers, enabling workers to actively participate in workplace processes

We are proud to report that we are nearing the achievement of our preferred fiber goal, with 91% of our main materials now sourced from preferred fibers. We have established an effective environmental performance management system for product suppliers of our own brands, with the help of industry frameworks and internal systems. Progress has also been made in establishing and supporting worker representation mechanisms in our supply chain, but ensuring meaningful and effective representation continues to be a priority.

Although we have not fully achieved all goals, we have made substantial progress and created meaningful impact. Another good example is achieving 24% reduction in our scope 3 emissions per million NOK revenue 2025 compared to base year 2019 which translates to 14% in absolute reduction, showing progress towards the 2030 climate goal. You can read more about each goal and our performance in this report.

We are still transitioning to the new Corporate Sustainability Reporting Directive (CSRD) framework. This year, we focused on conducting the Double Materiality Assessment to identify Varner's most material sustainability topics. In the coming year, we will use these insights to define a renewed strategic direction for our sustainability work.

The fashion industry continues to face significant challenges. Global uncertainty, shifting market conditions, and evolving consumer expectations all influence our operations. Furthermore, with the EU's omnibus package and the postponement of several regulatory measures, the future regulatory landscape remains somewhat unclear. While the omnibus package aims to simplify and reduce administrative burden, which may prove positive if implemented effectively, it also requires us to navigate a complex and continuously changing environment. This makes prioritisation even more important and requires careful evaluation of where our resources create the greatest impact.

In the meantime, we remain committed to our ambition and will continue to build on the strong foundation we have established. For Varner, sustainability is not a trend; it is a core part of our operations and essential for long-term success.

This year's report is inspired by GRI standards and compared to previous years; this sustainability report has a more focused and limited scope. Despite this, it continues to highlight our progress towards established goals, outlines key initiatives, and provides a clear picture of how we work and what we have achieved.

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 2025, Varner consists of six brands selling in four markets through 1 080 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.

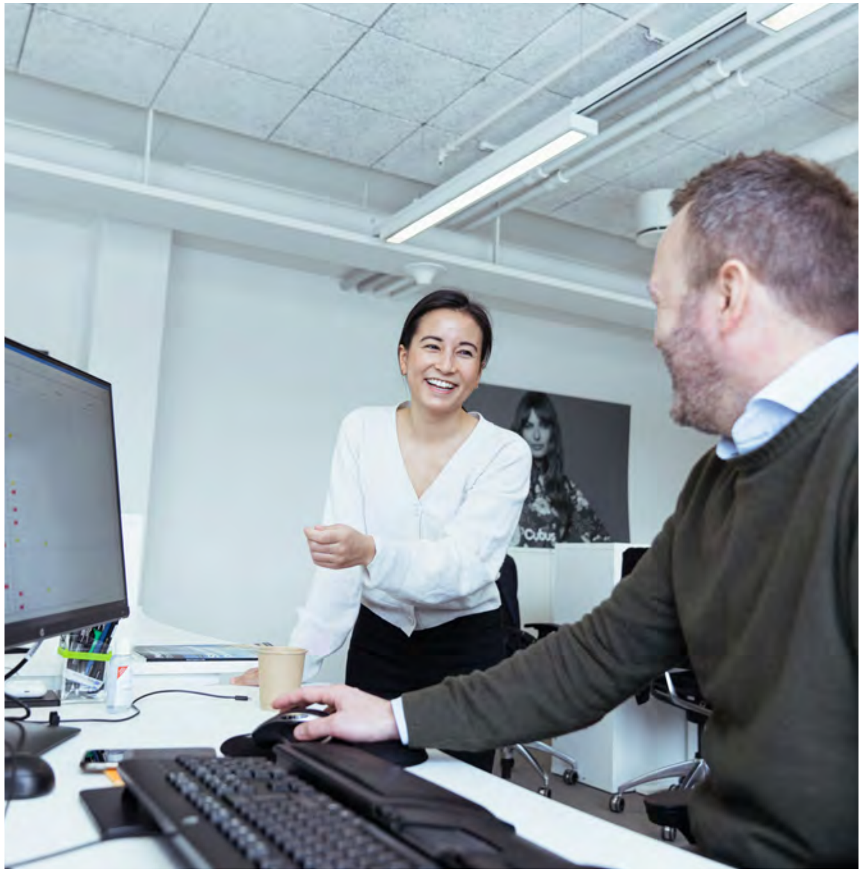
“ As of December 2025, Varner consists of six brands selling in four markets through 1080 stores and six online stores and is one of Scandinavia's leading fashion retailers.

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 Nordic 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.

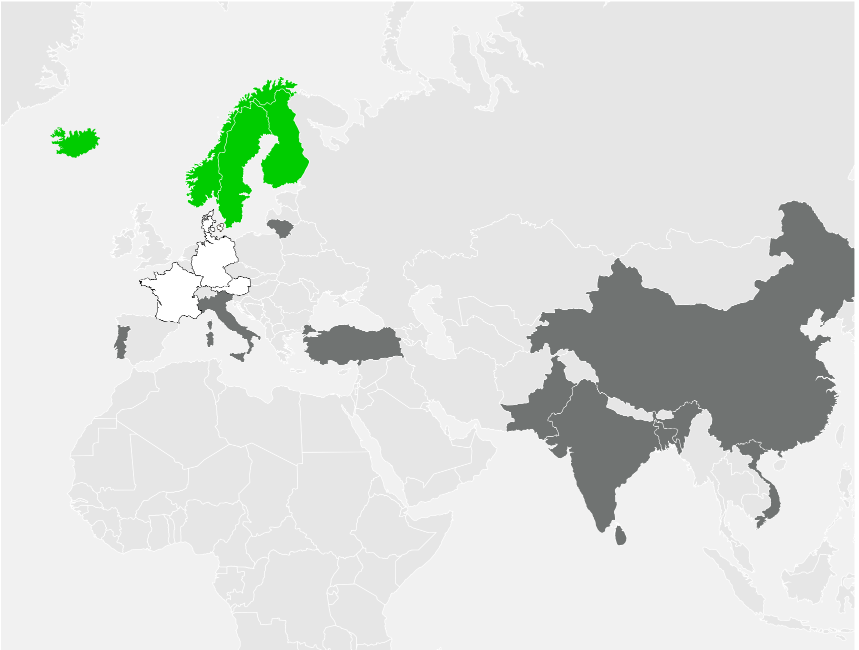
Varner at a glance

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: Dressmann: Denmark, Germany, Austria, Junkyard: Europe and Beyond Medals: worldwide



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

Our company structure

Varner is one of the largest fashion retailers in the Nordic countries, with 8 528 employees and approximately 1 080 stores across four countries, as well as an online presence in more than eight countries. We are a family-owned Norwegian company with a revenue of NOK 12 billion in 2025. The Varner brands consist of Cubus, Dressmann, Bik Bok, Carlings, Volt, Junkyard, Beyond Medals, and Levi's Store (franchise). Varner owned the web-only shop YME, which was closed and ceased all activities in the first half of 2025.

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.

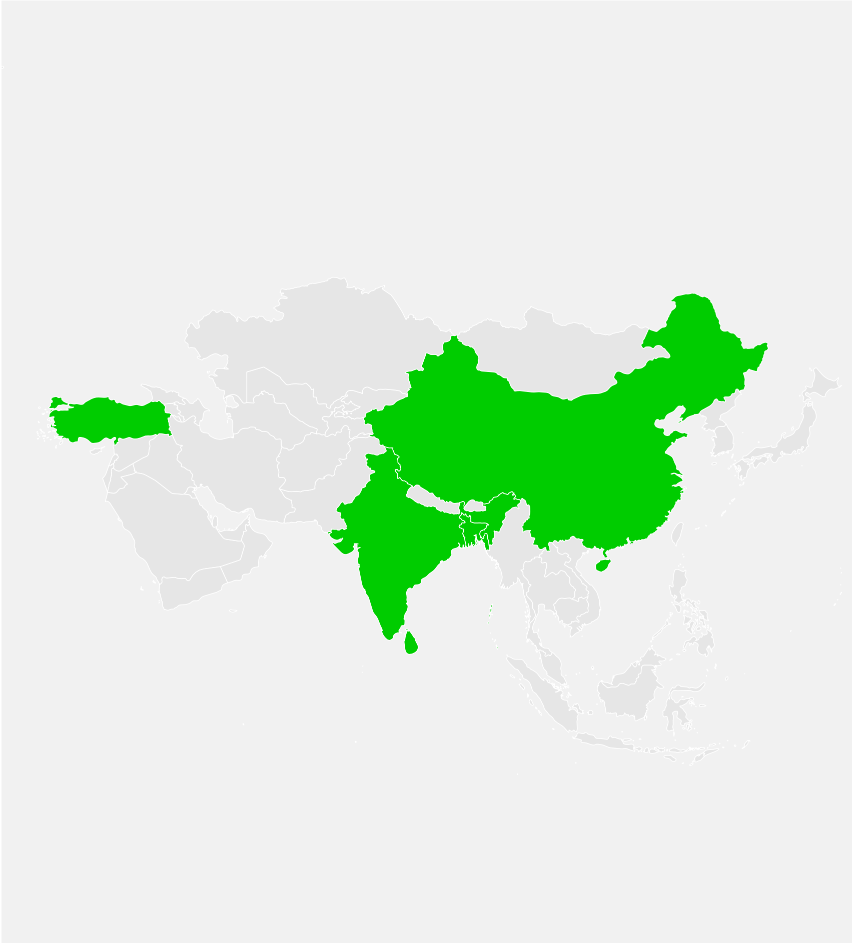
Iceland: DM à Islandi EHF.

Major organisational changes

Varner has not undergone significant organisational changes in 2025. However, one adjustment was made: the private brand Beyond Medals was established as a separate brand and is no longer part of Junkyard. At the end of 2025 Varner established a new company, LESSS. The company did not have any activities in 2025.

Our global presence

Varner does not own any factories but sources directly from 11 countries in Asia and Europe, and cooperates with approximately 210 factories in 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 close cooperation with suppliers and their factories to drive improvements, both on the ground and on site.



Global Production Office	Türkiye	South Asia	Bangladesh	Far East
Location	Istanbul	New Delhi	Dhaka	Hong Kong, Hangzhou, Beijing
Employees	17	16	25	27
Suppliers[1]	21	10	27	44
Factories[2]	55	28	56	71
Production countries	Türkiye, Pakistan, and Europe	India and Sri Lanka	Bangladesh	China and Vietnam
% of Varner production volume by cost	13%	14%	44%	29%

1 In addition to the listed numbers for suppliers, 3 are managed from Norway.
2 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.

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

Our sustainability mission

At Varner, we focus on sustainable solutions. This means that we aim to make conscious choices and act responsibly towards society and the environment by taking the entire product lifecycle into consideration, from design, development, and production to customer usage. To strengthen and consolidate our sustainability initiatives, we work within 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.

We are reaching some important goal milestones in 2025 and will in the coming year start working on setting the strategy for the next period.

Fair for all	Circular and climate conscious	Engage the consumer
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.	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.	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.

"Being 'responsible' is one of the core values at Varner.

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, forms 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

PETTER VARNER	**MARIUS VARNER**	**JOAKIM VARNER**
Chair of the Board	Managing Director	Board Member
Born 1962	**Born** 1965	**Born** 1973
Primary Occupation Chief Brand Director	**Primary Occupation** CEO	**Primary Occupation** Chief Concept Designer

Sustainability governance

Sustainability governance has shifted during 2025 to ensure a more efficient workflow and to adapt to the need for quicker decision making.

The Sustainability Steering Group is comprised of a representative from the Sustainability Working Group, Head of Sustainability, and the Top Management group, the Director of Global Production and Sustainability (The Chair of the Steering Group). The Sustainability Steering Group has overall responsibility for the sustainability strategy as well as due diligence and material topics for approving group-level guidelines and decision-making.

The Sustainability Steering Group is the Highest Governance Body within the organisation in a sustainability context. Members of this group are nominated by the Board of Directors based on the sustainability context of their role and overall experience. The Sustainability Steering Group meets weekly to address and oversee the work.

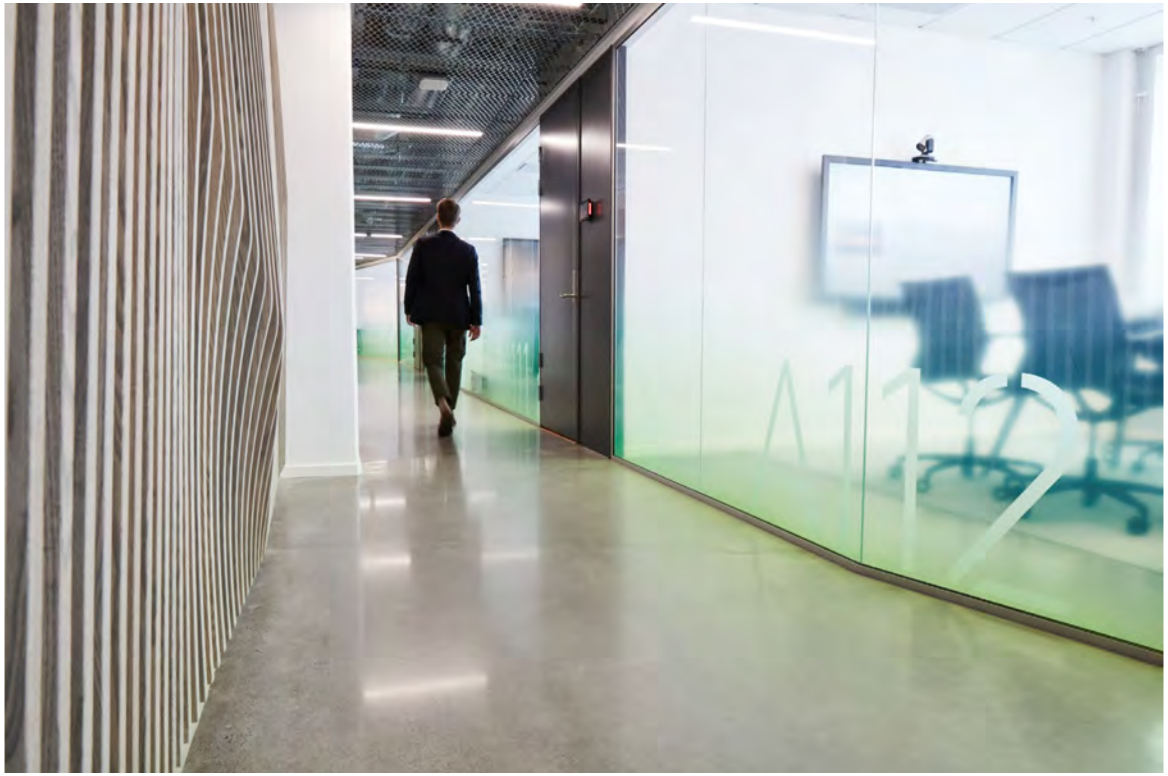
The Chair of the steering group meets with the Board of Directors monthly.

The Sustainability Working Group is made up of selected representatives from relevant departments (including, members of Top Management) and the members of the Sustainability Department that lead the work. The Working Group has the responsibility to analyse the organisation's impact on the economy, environment, and people, including Responsible Business Conduct and due diligence, and holds responsibility for specific goals and objectives connected with the annual reporting.

The Sustainability Department is led by the Head of Sustainability and consists of the functions of 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 managers 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 Top Management. There was no new training done for Top Management in 2025.

The Sustainability Working Group, with the lead of the Sustainability Department, is responsible for advising the Steering Group development on targets and strategies, analysing risks and opportunities, coordinating the implementation of goals, and communicating results internally and externally.

The Sustainability Department will, on behalf of the Sustainability Working Group, report to the Head of Sustainability in their bi-weekly meetings.



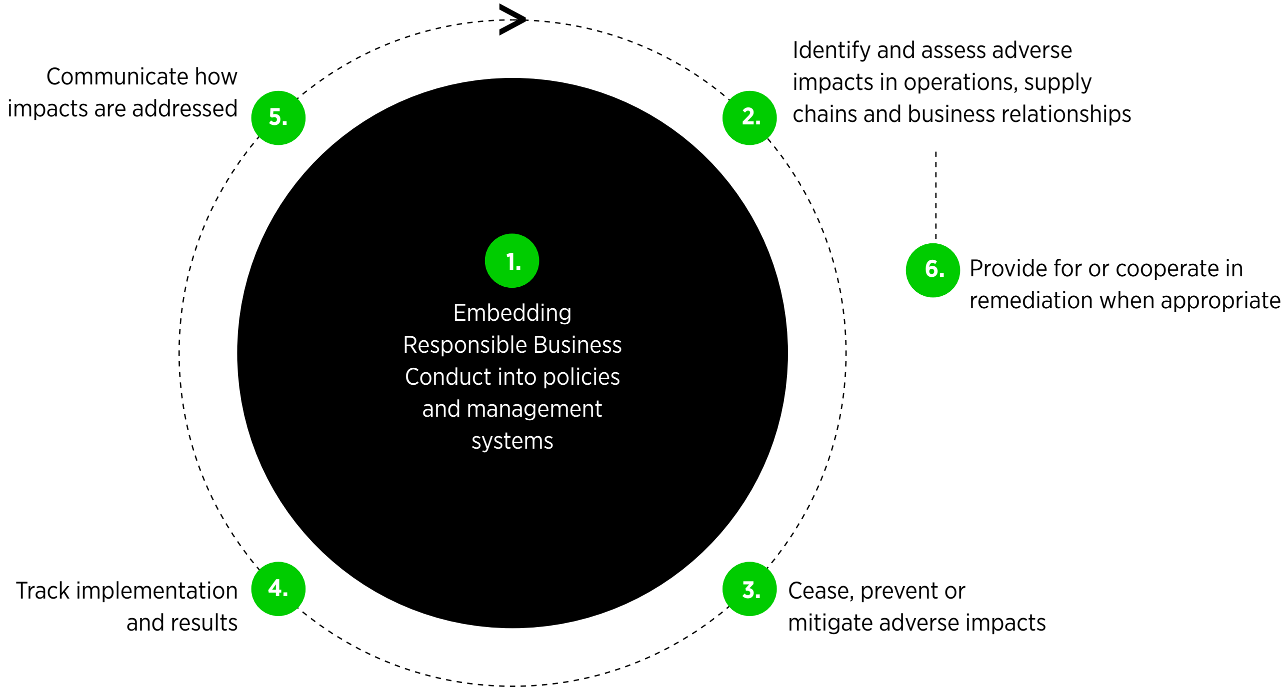
Varner Compliance Group

The Compliance Group has assessed incidents that have come to light throughout the year. All situations have been assessed in line with Varner's routine for the evaluation of compliance discrepancies. Incidents defined as critical concerns have been handled in accordance with Varner's disciplinary routines and are utilised as learning opportunities. Fewer than five incidents were defined as critical concerns during 2025. Further details are provided in the chapter on anti-corruption.

Due diligence for Responsible Business Conduct

Varner is an organisation rooted in the Nordics, yet our influence extends across continents through 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, the 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 its 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, hold 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, as well as 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[3].

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 Business Conduct. Our commitments to responsibility are embedded in a series of policy documents and guidelines, which are operationalised though a risk-based 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, the 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[4]

- 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.

4 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 2025, the Supplier Code of Conduct underwent revision. Read more about how our policy commitments are communicated to our employees here, and to supply chain partner here.

Climate and environmental responsibility

Our ambition for climate and environmental responsibility is to monitor, measure, and minimise the use of natural resources, chemical risks, and our 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 assessments, feedback from key stakeholders, as well as global industry action.

Some of the key global standards and guidelines from industry initiatives that we considered when 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

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. The defined stakeholder groups remained unchanged in 2025.

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

Risk assessment

Regular risk assessment is an integral part of Varner's due diligence process, and 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 prioritised 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 materials on fibre and fibre production, among other sources, are used for these assessments.

The output is a comprehensive list of 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 Sustain-ability Working Group. External stakeholders consulted include suppliers, representatives from multistakeholder initiatives, and membership organisations.

Prioritised impacts for continued due diligence efforts

Greenhouse Gas Emissions and Global Warming

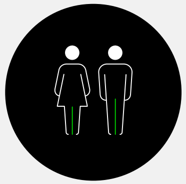
Water Pollution

Hazardous Chemicals

Water Consumption and Water Stress

Soil Health

Deforestation



Child Labour

Health and Safety

Freedom of Association and Collective Bargaining

Forced Labour

Discrimination and Gender

Wages and Benefits

Government Influence

Harassment

Conflicts and Security

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 are 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.

In 2025, we reviewed whether there had been any significant changes in our risk assessment results compared to the previous year. As there had been no significant change in sourcing countries, product categories, supplier portfolio or political instability in countries of production not already considered in the 2024 risk assessment, we concluded that there were no significant changes in the risk assessment results. As a result, we did not carry out a full, in-depth risk assessment for 2025. Instead, we relied on the 2024 findings. This year, we focused on a risk assessment using the CSRD's Double Materiality Process. This approach helped us pinpoint the most important sustainability-related impacts, risks, and opportunities for Varner, so we can prioritise our key sustainability topics as we prepare for future CSRD reporting.

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 society.

Our primary platform for public communication is Varner.com, where public 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.

The 2025 report is written inspired by GRI and has not undergone assurance.

As a member of Ethical Trade Norway (ETN) Varner reports annually about Responsible Business Practice, which we have done since 2003[5]. 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 and Open Supply Hub.

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

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 2025, representatives from our Sustainability Department participated in a working group organised by the Scandinavian Initiative for Climate Action (STICA).

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

In line with the requirements in the Norwegian Transparency Act, 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 2025, we received 132 enquiries to our sustainability email related to sustainability or due diligence.

The 132 enquiries 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 Varner – WhistleSystem.

Main goals and status

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 recognised frameworks. **Timeframe** Continuous	**Status** Human Rights Due Diligence (HRDD) in Varner has been further developed, with particular focus on meeting the 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 in the Fair for All chapter for information about activities and efforts in the reporting year.
Goal All workers at approved factories have access to effective complaints and grievance channels. **Timeframe** 2030	**Status** All factories are required to establish internal grievance channels. Awareness of these channels, as well as their effectiveness, is assessed regularly. Three new issues were identified through social assessments in 2025. We have continued to support alternative grievance channels in 2025. See more under Grievances and remediation in the Fair for All chapter.
Goal Fair worker representation at all key suppliers enabling workers to take an active part in workplace processes. **Timeframe** 2025	**Status** By the end of 2025, various forms of worker representation mechanisms were established across key suppliers, and freedom of association and non-retaliation requirements are included in all supplier agreements under the Supplier Code of Conduct. Performance is monitored; however, our assessments confirm that meaningful worker influence on workplace processes remains uneven, with gaps in the effectiveness, independence, and credibility of representation mechanisms. On this basis, we consider the goal to be partially achieved, and supporting fair worker representation will remain a priority beyond 2025. See more under Worker representation and freedom of association in the Fair for All chapter.

Sustainability goals

Circular and Climate Conscious

Goal 100% of all textiles are made with Preferred Fibres. **Timeframe** 2025	**Status** 91% in 2025.
Goal 100% certified and traceable animal fibres by 2030. **Timeframe** 2030	**Status** 100% of down is certified to the Responsible Down Standard. 96% of wool is certified to the Responsible Wool Standard.
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. **Timeframe** 2030	**Status** 69% of produced pieces and 83% of all styles contain traceable fibres but are not yet fully transparent to us.
Goal Establish an environmental performance management system for all product suppliers of own brands. **Timeframe** 2025	**Status** 1) In 2025, tier 1A factories representing 96% of our total order value completed the Higg Facility Environmental Module (FEM 2024) self-assessment. 2) Factories within the same scope, representing 87% of our order value, completed third-party verification of FEM 2024. 3) In addition, we conducted over 235 environmental assessments at the factories across all tiers to monitor quality of information and follow up on improvement opportunities.
Goal 50% absolute reduction in Scope 1 and 2 emissions by 2030 from 2019 levels. **Timeframe** 2030	**Status** 1) Our absolute Scope 1 and 2 emissions increased by 43% in 2025 compared to 2019. 2) In 2025, we completed our energy efficiency project in 107 stores across Norway, Sweden, and Finland. See Climate action chapter for more information.
Goal 55% reduction in Scope 3 emissions per million NOK annual revenue by 2030 from 2019 levels. **Timeframe** 2030	**Status** 1) Our Scope 3 emissions per million NOK revenue reduced by 24% in 2025 compared to 2019 levels. 2) Our absolute Scope 3 emissions in 2025 also reduced by 14% when compared to base year 2019. See Climate action chapter for more information.

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) 81% in-scope tier1 and tier2 wet-processing factories conducted wastewater test as per ZDHC guidelines in 2025. 3) 71% tier1 and tier2 wet-processing factories assessed their chemical inventory through ZDHC InCheck assessment this year. 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** 100% 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 38% of FSC recycled material. 93% of all woven labels were made with recycled materials. 99% of our paper shopping bags are FSC certified. We did not use any plastic bags in our shops.
Goal 30% of textile waste from production facilities is put into channels for recycling or repurposing. **Timeframe** 2030	**Status** We started a project in Bangladesh with a consultancy to assess four factories we are working with. The upcoming assessment will focus on identifying waste streams and opportunities to reduce material and resource losses through circular practices.
Engage the consumer	
Goal Actively and correctly communicate sustainable attributes of products in-store, online and across 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** Status 86.5% of our portfolio has been assessed and evaluated.

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

82%
Of Varner leaders are female

49%
Of all Varner employees are under 25 years old

299
Audits were carried out by Varner regional CSR teams

3 006
Workers in the supply chain were interviewed about their working conditions

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 we do not own 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 though diverse activities and programmes. Emphasising transparency and fostering collaboration in our supplier relationships are essential, as this 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.

Approved direct suppliers	105
Approved Tier 1 factories*	210
Approved Tier 2 factories**	51
Number of workers***	279 952****

*Includes both tier 1A (165) with processes such as cutting, sewing, finishing and packaging and tier 1B (45) factories with processes such as printing and embroidery.

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

*** The number is 242 408 for tier 1 factories (1A and 1B).

****49% men and 51% women.

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.

> "Specialised local staff enable us to cultivate stronger partnerships 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 provides information about the Varner Whistleblower channel, providing a mechanism to address issues of misconduct or breaches of terms. The document is revised annually in May. The most recent revision in May 2025 included updates related to chemical compliance, child safety, environmental management, and further clarification of supplier expectations related to Responsible Business Conduct and due diligence processes.

In 2025, three 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. Specialised 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[6], our focus is on preventing unauthorized outsourcing to non-approved factories. For this, our local presence plays a pivotal role. In 2025, we identified seven confirmed cases of unauthorised subcontracting, an increase from previous years. All cases were handled in accordance with established procedures.

6 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 e-learning Academy on Responsible Business Conduct. 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 related to implementation and cooperation 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 2025, we had 15 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 trainings are issues and impact areas of relevance in the given country, information about updates in Varner requirements or routines, updates about national and international laws, regulations and guidelines relating to decent work and human rights as well as tailored trainings to meet the needs and identified risks at the specific suppliers or factories in question. Several trainings for suppliers and factories have been held throughout the year on various topics related to decent work, targeting both workers and management roles.

In 2025, we organized a joint CSR and environmental seminar in China, bringing together key supplier representatives alongside participants from Varner's regional teams and HQ representatives. Through dedicated CSR and environmental sessions, the seminar combined policy updates from Varner with case sharing and best practice presentations, creating a common platform for dialogue across CSR and environmental compliance areas. Topics covered included Responsible Business Conduct and due diligence expectations, labour and employment practices, unauthorised outsourcing risks, transparency and payroll practices, health and safety requirements, as well as environmental management topics such as wastewater treatment, chemical management and alignment with industry initiatives.

To facilitate continued capacity building, we have also maintained our programme to evaluate training systems at factories used by Varner in Bangladesh. The programme was initiated in 2021 and implemented by our local CSR Specialists.

Supplier Seminar.

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. In 2025, GAP assessments were carried out at 13 factories (including one factory in tier 2), covering training content, trainer qualifications, environment and logistics, delivery methods, duration/frequency and participant feedback. Follow-up assessments were conducted at 12 factories where gaps had previously been identified in the training systems. In total, 51 factories have gone through the programme.

To address common issues identified through the GAP assessments, we have also 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 materials and a TOT handbook were provided to all participants. In 2025, a refresher session was organised for 29 participants to revisit key learnings from previous workshops and assess their implementation at the factory level. This session provided an opportunity for participants to share their experiences, challenges, and best practices. The programme has supported suppliers in establishing dedicated training rooms, strengthening policies and procedures, training internal trainers, improving training manuals and calendars, participants tracking system and ensuring appropriate training content, frequency, and transparent feedback systems.

In Bangladesh, we also implemented a targeted capacity-building initiative at one key supplier in 2025, training 166 mid-level management employees. Based on identified challenges in leave approval practices and communication, we developed customised training content with factory management and delivered sessions through a qualified in-house trainer, with Varner Bangladesh representatives present. The intervention improved awareness, strengthened communication, and supported more respectful and consistent handling of worker leave requests.

Supplier Seminar.

Other examples of capacity building and training in the supply chain in 2025 include management system training in India (8 suppliers, 122 participants), training on social security awareness in Pakistan (1 supplier, 2 335 participants) and grievance channel awareness in Türkiye (11 suppliers, 494 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 garments.

We recognise that 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 intencivise developments in our suppliers. On average, we have cooperated with our suppliers for approximately 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 programmes to raise awareness among relevant employees regarding more responsible purchasing practices, and open costing workshops were completed for all Buying Departments. These trainings are now carried out on an annual basis, conducted by representatives from our Sourcing and Sustainability Department. In 2025, five training sessions on Responsible Purchasing Practices took place, covering 82 employees from the Buying Departments. Open costing workshops were also continued in 2025. Our purchasing process is formalised 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 standardised 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. In 2025, the response rate was 85%, improving from 78% in 2024 and 65% in 2023. The survey covers various metrics related to purchasing practices, including forecasting, order specifications, negotiations, pricing, lead times, order changes and cancellations, as well as questions related to suppliers' experience with Varner's broader sustainability requirements and follow-up. The development of the survey was guided by The Better Buying Purchasing Index[7], with most questions aligned with their questionnaire.

> "We recognise that our sourcing and purchasing practices can significantly impact the environment, society, and people, especially concerning wages and working hours for factory workers.

Overall performance across key responsible purchasing practice indicators showed a positive development from 2024 to 2025. Six out of seven key areas related to responsible purchasing practices improved, including forecasting, capacity bookings, negotiations, purchase order accuracy, order changes and tech-pack accuracy. One area, sample hit rate, performed more weakly compared to the previous year. Following the survey, training sessions were held with all buying teams to review supplier feedback, with the aim of discussing priority improvement areas and strengthening alignment and communication across commercial and sustainability functions.

Additionally, we conduct an annual integrated supplier evaluation, assessing suppliers based on Code of Conduct performance along with other quality, business, and environmental criteria. The outcomes inform our supplier strategy, and results are share with suppliers to encourage further improvements.

7 Though using the index as an inspiration, Varner has not participated in the actual Better Buying Purchasing Index.

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[8] in the product supply chain will be the focus. This is 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 periodic 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 addition, we use the Ethical Trade Norway Salient Risk Tool and the MVO Risk Checker to identify risk related to social aspects.

While no new salient risks were identified in 2025, ongoing monitoring identified regional developments and evolving dynamics within established salient risk categories, including:

- **Inflation and cost pressure in Türkiye and other sourcing countries**
  Continued inflation and financial instability in Türkiye and other sourcing countries reduce real wages and purchasing power for workers, increasing the risk of excessive overtime, wage disputes, delayed payments and heightened vulnerability among low-paid workers.

- **Migrant labour dynamics in India**
  Continued increase in internal migrant workers, particularly in Tamil Nadu and Karnataka, heightens risks related to recruitment practices, insecure employment, limited freedom of movement, unequal access to grievance mechanisms and weaker social protection, compared to local workers.

- **Labour law updates and regulatory developments in key sourcing countries**
  Varied implementation of updated labour ordinances in Bangladesh and labour law reforms in India, may increase risks of underpayment, unsafe working conditions or unequal treatment of workers, as well as further strain on industrial relations and heightened risk of worker unrest.

- **Environmental and natural hazard risks with social impacts across the supply chain**
  2025 saw earthquakes in Bangladesh and severe flooding in Sri Lanka, demonstrating how natural hazards disrupt both business and livelihoods. In addition, heat stress is increasingly recognised as a risk in several key production countries, with implications for worker health and safe working conditions.

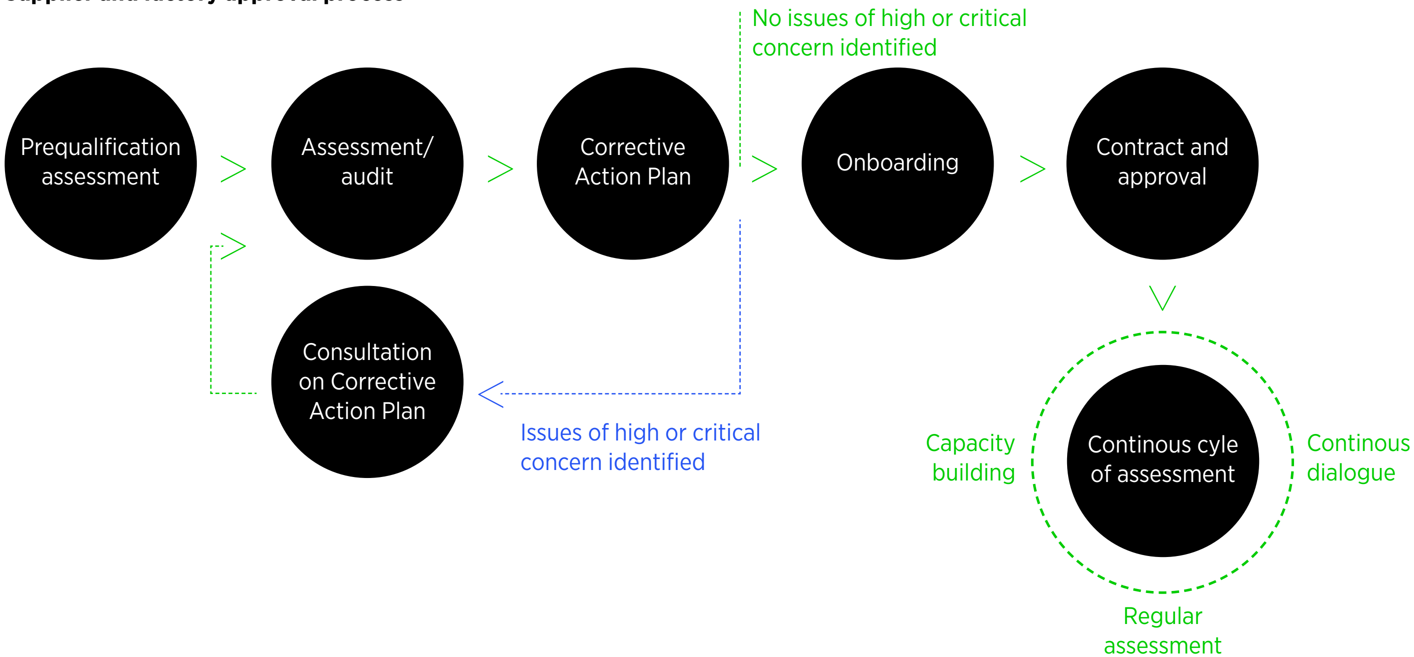
More broadly, geopolitical instability, global economic tensions and trade-related measures, including tariffs and trade disputes, continue to shape the operating environment in sourcing regions. Such instability, whether political, financial, or social, can disrupt supply chains and increase pressure on workers and communities. These are important contextual factors that may exacerbate existing social and human rights risks and are therefore considered in Varner's ongoing risk assessments and due diligence activities.

We have an established procedure for the evaluation of new sourcing markets (markets for production), which includes assessments of

8 Termed worker's rights and human rights in the materiality index.

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. No new markets for direct sourcing were assessed in 2025.

Supplier and factory approval process



New suppliers and factories screened		
Year	**% of new suppliers and factories screened as per Varner social requirements**	**% of screened factories not traded with as a result of the screening**
2022	100%	12%
2023	100%	8%
2024	100%	12%
2025	100%	14%

Mapping risks in the supply chain

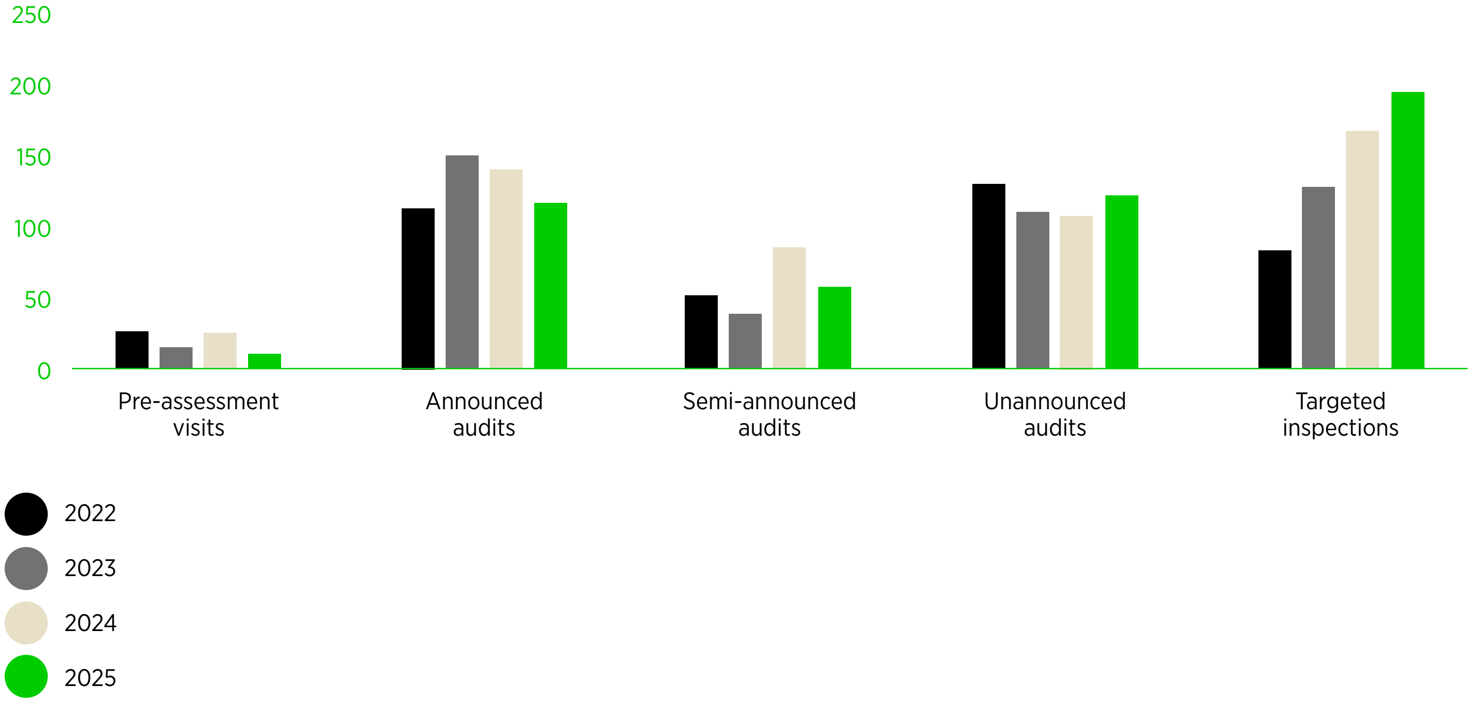
The process to assess and map risk in the product supply chain includes various activities, measures, tools, and resources. These include audits, visits, self-assessments, report reviews, certification and permit reviews, dialogue with relevant stakeholders (such as suppliers, employees and workers, 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.

The total number of social assessment activities onsite at factories in 2025 were 506 (down from 531 in 2024). These were comprised of preassessment activities (11) and audits (299) by Varner CSR Specialists, while the targeted inspections (196) which relate to engineering inspections of the structural, electrical and fire safety under the Accord programme, are performed by engineers from RSC[9]. No full assessments were made off-site from factory premises, but four off-site interviews with workers 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 total number of social assessment activities onsite at factories in 2025 were 506.

Onsite assessment activities at factories



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

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.

Dialogue with workers and management at the factories is an important part of the assessment process. In 2025 we interviewed 3 006 workers about their situation at the workplace. 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, including following up on grievances we receive directly or through third parties. 54 announced and 27 unannounced visits were made at factories for purposes related to decent work and human rights.

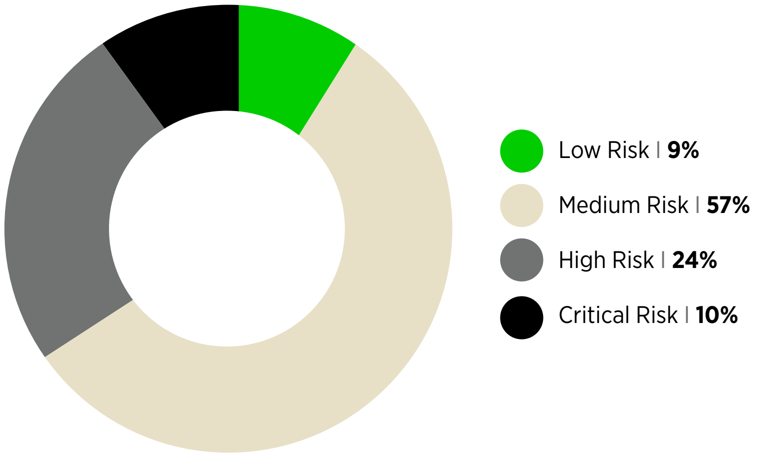
Our own assessments remain our primary tool to assess social elements and labour conditions at partner factories, but as a member of Cascale, we also welcome our suppliers to complete the Higg Facility Social and Labour Module (FSLM)[10]. The Higg FSLM is based on the Social and Labour Convergence Program (SLCP) assessment tool and the same Converged Assessment Framework (CAF) is being used[11]. 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. 47 of Varner's approved factories have been assessed by using the Higg FSLM during 2025. 39 of these assessments have been verified by an accredited third-party organisation.

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.

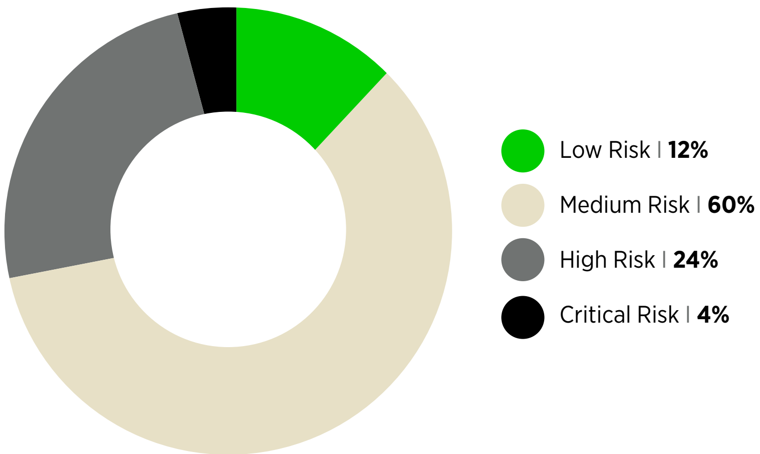
Risk levels at suppliers and factories are evaluated on a four-point scale with categories being: low risk (few or no points of concern related to decent work and human rights identified), medium risk (some areas of concern identified), high risk (significant concerns identified), and critical risk (critical 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.

10 https://howtohigg.org/fslm-user-selection/fslm-facilityusers-landing/an-introduction-to-fslm/
11 SAC-SLCP-FSLM-Comparison-FINAL.pdf

Supplier risk levels



Factory risk levels



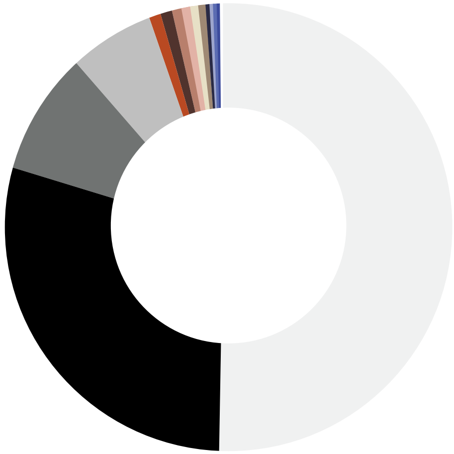
At the end of 2025, 9% of product suppliers (6% in 2024) and 12% of factories in all supply chain tiers (11% in 2024) fell into the low risk category, 57% of suppliers (59% in 2024) and 60% of factories (58% in 2024) fell into the medium risk category, 24% of suppliers (27% in 2024) and 24% factories (27% in 2024) fell into the high risk category, 10% of suppliers (8% in 2024) and 4% of factories (4% in 2024) fell into the critical risk category.

Through our assessment activities (from 2025 and previous years) we had by the end of 2025 identified 1 479 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 1 695 findings at the end of 2024, and 1 961 findings at the end of 2023. In total, 1 237 new findings were identified in 2025. Read more about the issues that have been resolved and improved here.

The checklist for our own social assessments includes 154 main checkpoints, with numerous subareas to be investigated for each check-point. See below an overview of new findings in 2025, with distribution on the various sections in our assessments.

Findings at factories by topic



- Occupational health and safety | **50.2%**
- Building & fire safety | **29.4%**
- Working hours | **8.9%**
- Wages and benefits | **6.1%**
- Environment | **1%**
- Freedom of association & collective bargaining | **0.8%**
- Regular employment | **0.7%**
- Legal | **0.7%**
- Discrimination | **0.6%**
- Harassment | **0.6%**
- Forced Labour | **0.3%**
- Grievance channels | **0.2%**
- Child labour | **0.2%**
- Other | **0.2%**
- Anti-corruption | **0.1%**

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 2025, 2% of the issues were categorised as issues of critical concern (2% in 2024), 37% were issues of high concern (29% in 2024), 54% were issues of medium concern (61% in 2024), and 7% were issues of low concern (8% in 2024). 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, with 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.
- **Programmes or projects:** Programmes are established to address systemic or common challenges. Project activities are often more limited in scope and coverage compared to programmes 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 programme 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 2025, we ended cooperation with 1 supplier unit due to lack of willingness to cooperate for improvements related to transparency and decent work.

Salient risk

We use the UN Guiding Principles Reporting Framework's 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[12]. 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 risks identified as salient, risk has also been identified related to corruption, regular work, non-compliance with laws and regulations, working time, land and property rights, and to a lesser degree taxation.

12 https://www.ungpreporting.org/framework-guidance/

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

Worker representation and freedom of association

In 2025, continued constraints on freedom of association (FoA) and collective bargaining were observed in several countries Varner operates. The 12th edition of the International Trade Union Confederation (ITUC) Global Rights Index (2025) highlights a global deterioration in trade union rights and reduced space for legitimate worker representation in many regions. Accordingly, we have identified risks related to the rights of worker representation, freedom of association, and collective bargaining in Bangladesh, China, India, Pakistan, Sri Lanka, Türkiye, Vietnam, as well as in raw material production.

Our stated goal is that fair worker representation should be established at all key suppliers[13], 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. These requirements apply irrespective of the presence of trade unions and include clear commitments to non-retaliation.

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

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

A key measure to support the right to exercise freedom of association and collective bargaining is systematic monitoring of implementation. Compliance with FoA-related requirements is assessed at all factories prior to initiating cooperation and is followed up regularly through audits, document reviews and worker interviews. 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 2025 we attended elections at two factories.

In addition to monitoring, we engage in supportive and capacity-building measures to facilitate fulfilment of our requirements. These efforts have focused on increasing workers’ awareness of their rights to representation and organisation, strengthening the ability of representatives to act independently and fairly, and promoting dialogue between workers and management to improve working conditions. An example of targeted initiatives aiming to increase fair worker representation in our supply chain, includes the Social Dialogue programme in Bangladesh, which has been implemented in partnership with Ethical Trading Initiative (ETI) since 2015. The programme aims to improve industrial relations at factory level and strengthen functional worker representation. In 2025, 11 trade union members received targeted training, and the programme will continue in 2026.

Further details "about the Social Dialogue programme and other relevant projects" are available in previous sustainability reports.

We recognise that freedom of association is restricted or tightly regulated in some of the countries where production for Varner is taking place, such as in China and Vietnam. In these markets, we seek to ensure that workers’ ability to be represented at workplace level is maintained through alternative, legally permissible structures. Alternative approaches are also applied in markets where freedom of association is formally permitted, but where structural, social or economic factors limit its effective exercise in practice.

In 2025, we identified 10 new issues relating to freedom of association or worker representation (no change from 2024). Examples of issues identified in 2025 include:

- Weak or non-functional worker representation mechanisms.
- Lack of awareness of, or trust in, the role of worker representatives.
- Insufficient documentation and follow-up of worker-management dialogue.
- Participation committees operating beyond their mandate, including overdue elections.

These findings underline that the existence of formal structures does not in itself guarantee effective or meaningful representation. We also recognise that the relatively low number of identified breaches must be understood in light of inherent limitations of regular assessment activities, which may not fully capture issues related to "the functioning" of worker representation mechanisms in practice. It may also reflect limitations related to worker awareness, fear of retaliation, social power imbalances and restricted space for independent organizing. Challenges relating to ensuring fair worker representation are further linked to the status of industrial relations and social dialogue on a national level. While recognizing that these issues are often systemic in nature and extend beyond the scope of individual buyer interventions, we will continue to refine our approach to better detect and address gaps between formal compliance and meaningful worker engagement.

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 2025, 21% of the factories we cooperate with had established trade unions (25% if restricting the scope to tier 1A 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. Collective bargaining agreements remain limited across our supply chain, but we intend to use these indicators to inform and target our efforts on worker representation and freedom of association, also to allow us to track and report on progress on these matters in a more robust manner.

Occupational health and safety

Occupational health and safety continues to be an area where the risk of breaches and adverse impact is significant. 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, where audits and inspections are key measures to identify hazards and to verify improvements related to health and safety. Our social audits contain four sections concerning health and safety[14], and 997 new issues were identified in 2025. 51% of these findings were related to general health and safety, 37% building and fire safety, 9% health and safety in chemical handling, 2% health and safety connected with accommodation and housing, and 1% handling of hazardous waste.

Examples of identified issues in 2025 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.

Fire and building safety

Following the devastating earthquake in Türkiye in January 2023, which had a severe impact on the affected regions, Varner has continued to prioritize fire and building safety within an earthquake-prone country. In 2024, 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. 26% of factories we source from in Türkiye have now completed comprehensive earthquake performance analyses. The work continues with a staged roll-out and continued supplier follow-up.

14 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.

International Accord for Health and Safety in the Textile and Garment Industry
Varner is signatory to the International Accord for Health and Safety in the Textile and Garment Industry (International Accord)[15], a legally binding agreement between key industry stakeholders aimed at protecting garment workers from health and safety risks through independent inspections, remediation and worker engagement. This includes Country-Specific Safety Agreements for Bangladesh and Pakistan, and all factories we cooperate with in these markets are required to take part in the full scope of the programme.

The Bangladesh Safety Agreement[16] is implemented by the RMG Sustainability Council (RSC) and is currently valid until December 2026. The RSC program includes extensive training for the safety committees in factories as well as training for all workers. 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).

Read more about the grievance channel operated by RSC in Bangladesh here.

In November 2025, a series of earthquakes affected large parts of central Bangladesh, including Dhaka and surrounding industrial areas. In response, the Accord initiated post earthquake rapid visual evaluations of factory buildings producing for all Accord signatory brands, and targeted inspections to assess potential structural impacts on covered factories. These efforts were crucial to assess potential impacts in our supply chain following the earthquake, and no severe structural damage or worker injuries were reported for Varner supplier facilities.

The Pakistan Accord on Health and Safety in the Textile and Garment Industry ("Pakistan Accord") was initially signed for a 3-year period in January 2023. Varner has since re-signed the Accord for a one-year extension, with the possibility of renewal for a further three years. The programme builds on key elements of the

15 https://internationalaccord.org/wp-content/uploads/2023/11/International-Accord-for-Health-andSafety-in-the-Textile-and-Garment-Industry-1-November-2023_Public-Version.pdf
16 https://internationalaccord.org/wp-content/uploads/2023/11/CSSP-Bangladesh-Agreement_ public-version.pdf

International Accord, including independent inspections and remediation of fire, electrical, structural and boiler safety hazards; provisions to help ensure remediation is financially feasible; safety committee training and safety awareness programmes; and an independent worker complaints mechanism. Safety inspections carried out by qualified engineers under the Pakistan Accord 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.

Across both Bangladesh and Pakistan, developments in 2025 reinforced the central role of the International Accord in addressing serious occupational health and safety risks, strengthening worker voice and ensuring independent oversight of safety conditions in garment supply chains. The Accord's legally binding nature, combined with its evolving scope and responsiveness to emerging risks, continues to be a key element of Varner's due diligence approach in these sourcing countries.

Wages and benefits

Our risk assessment identifies that there are risks 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.

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 through discussions and consultation with every supplier and factory when risk related to wages is identified.

We continue to focus both on wage practises 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 baseline 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."

In 2025, 76 new issues related to wages and benefits were identified. Examples of issues include insufficient compensation for overtime, incomplete payroll structures limiting wage and overtime transparency, limited clarity on wage calculations and delays in wage payments.

There are countries (and regions) where Varner has direct or indirect suppliers, where 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). Towards the end of 2025, we joined a working group on living wages convened by Ethical Trade Norway. The working group will serve as a platform where members will share experiences and collaborate on measures to map and address the topic of living wages for workers in their supply chains.

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. In December 2024, Türkiye announced a minimum wage increase of 30%, in effect from January 1st, 2025. We have monitored implementation of new wage levels with suppliers in Türkiye in 2025. The significant scale of the increase, combined with high inflation, was recognised as a potential pressure point for suppliers requiring continued engagement and monitoring throughout the year.

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 2025, with one supplier completing training for 2 335 workers on the topic.

Wage levels in the lower tiers of the supply chain have 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 The Better Cotton initiative. 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. In 2025, we identified eight new issues related to regular work. This includes issues related to missing or inaccurate contract provisions, missing or delayed identification cards for workers, weaknesses in contract formatting and timely issuance of employment contracts.

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. Furthermore, a Homeworker Policy[17] has been established to address the specific risks related to home-based work in the context of textile production.

17 https://varner.com/globalassets/sustainability/policies-and-statements/varner_homeworker-policy.pdf

Forced labour

Forced labour has been identified in the ILO Forced Labour Convention, 1930 (No. 29) 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. We have identified risk of forced labour 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[18]. One section of our onsite assessments is dedicated to forced labour specifically. In 2025, we identified four new issues related to forced labour. Findings include wrongful storage of personal documents, improper wage settlement for departed workers and non compliance with statutory labour contract requirements. 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 have been identified as regions that are 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[19]. 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 been running continuously since and is currently in its sixth phase[20].

Since its inception, the South India Textile and Garment Supply Chain Project[21] has focused on engagement with local stakeholders, including workers in the textile and garment sector (notably migrant workers), local communities, labour agents, and factory and spinning mill management, as well as targeted efforts towards Dalit communities and homeworkers. Project activities in 2025 included community based outreach, factory level engagement and grievance support, focusing on labour rights, ethical recruitment and trafficking risks, occupational health and safety, financial literacy, health awareness, and gender based violence and harassment (GBVH). Project activities also included support and remediation in cases involving severe exploitation and harm. While these cases were not in Varner's supply chain, they reflect the broader risk context in the region and sector.

Highlights from project training and outreach activities in 2025 include[22]:

- 4 773 attendances at community outreach sessions aimed at building awareness on various topics, including trafficking, exploitation and forced and bonded labour
- 1 457 attendances at pre-departure awareness sessions for migrant workers
- 1 029 attendances at home-based worker awareness sessions
- 2 045 attendances at sessions targeting Dalit communities
- 112 managers and 396 workers trained on labour rights and fair and ethical recruitment practices
- 2 280 workers and community members reached through medical camps

18 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.
19 This form of bonded labour is often referred to as a sumangali scheme.
20 See previous Sustainability Reports for more information about the first five phases of the project.
21 Previously called South India Spinning Mill Project. .
22 Attendances refer to the total number of participations and do not necessarily represent number of unique individuals reached, as the same participants may attend multiple sessions.

Through the project, community support centres have been established in key locations to enable active interaction with communities and workers. The centres are used for training activities and consultation and are hubs for information and awareness about rights and responsibilities at work. 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). Read more about the status of grievances in 2025 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 2025, we continued to implement and enhance tools and measures to monitor and mitigate human rights risks in our supply chain, including increased fibre traceability through third party platforms. You can read more about how we work with traceability here. Our statement and approach regarding XUAR remain publicly available on our website.

Migrant labour

The ILO consistently underlines that migrant workers face a significantly higher risk of forced labour due to factors such as weak legal protection, barriers to exercising rights, abusive recruitment practices, and irregular or poorly governed migration pathways.

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[23].

23 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.

In addition to being an explicit focus in India through the SITGSC project described above, migrant workers remain a key focus of our social compliance efforts in Türkiye. Varner maintains a protocol with MUDEM to support and protect migrant workers in our supply chain and 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. During an unannounced audit in 2025, Varner identified a case involving a migrant worker at one of our Turkish suppliers. The findings included the employment of a foreign national without a valid work permit, which constituted non compliance with legal requirements in Türkiye as well as Varner standards. Following the discovery, Varner took immediate action with the supplier, requiring remediation for the worker and corrective action plans to address the specific case and avoid similar issues in the future. MUDEM was engaged to ensure appropriate remedy for the worker, read more about this under remediation.

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

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.

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[24]. In 2025, no cases related to child labour were found, but we identified 3 new issues related to juvenile workers in our supply chain. The issues concerned lack of proper identification cards for third party workers hindering access control to factory premises, and regulations for juvenile workers not having been followed. All issues have been resolved. While no new cases were identified in 2025, during the year we finalised remediation in a case concerning a young worker, which was identified in 2024.

24 Juvenile workers are workers that are legally allowed to work (under certain conditions) but are under the age of 18.

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. As members of the CRIB Working Group, we also participate in 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. Our local CSR team joined two factory organised summer camp activities for workers' children in China, as part of seasonal

child labour risk mitigation and community engagement.

Child labour remains a significant risk in the lower tiers of the supply chain, in agriculture and farming. This is an area that must be address in cooperation with other industry stakeholders, and we cooperate with organisations that actively seek to address this risk in the cotton sector, such as Fairtrade and The Better Cotton initiative. 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 also 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.

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 2025 Index highlights several of Varner's sourcing markets as severely exposed to gender discrimination, including Pakistan (ranked 148 out of 148 countries), Türkiye (ranked 135) and India (ranked 131).

In 2025, we identified seven new issues related to discrimination and gender. Examples of identified issues include profiling questions in recruitment processes that had no relevance to the work, such as marital status or number of children, and unequal treatment and benefits across worker categories, particularly affecting third-party workers. 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. We have therefore chosen to work with stakeholders who work on the topic from other angles and with a specialized focus.

In a report issued in 2025 by our partner organisation in the South India Textile and Garment Supply Chain project, SAVE, structural gender related challenges faced by women workers across garment and textile facilities in Tamil Nadu, India were highlighted. Key issues include limited representation of women in supervisory roles, gaps in access to training and advancement opportunities, unequal access to non wage benefits (particularly maternity and childcare support), and low trust in harassment prevention and grievance mechanisms. The report also points to weak worker voice and limited awareness of gender equality policies and rights among both workers and management. The ongoing project aims to mitigate these risks (read more about the project under Forced labor).

Since 2024, Varner has partnered with the NGO YANINDAYIZ in Türkiye, dedicated to gender equality and addressing workplace discrimination and in 2025, Varner further strengthened internal and local CSR capacity on gender and harassment related topics. This included participation in a Training-of Trainers programme on gender equality and violence, covering topics such as gender equality, gender based violence, discrimination and relevant legal frameworks, with the aim of enabling in house delivery of gender related training at factory level. In parallel, Varner collaborated with Istanbul University on a gender related awareness and perception analysis in Türkiye. This work combined pre and post training surveys with worker training sessions on harassment, violence and discrimination, and included academic analysis of results. Findings from this collaboration were documented and shared internally to inform future training, design and prioritisation.

In Bangladesh, two project based initiatives focusing on gender sensitive workplace practices and prevention of discrimination were concluded in 2024. Findings and recommendations from these interventions continue to inform Varner's risk assessments and engagement with suppliers.

More broadly, Varner's mitigation efforts include training and awareness raising for workers and management, strengthening grievance mechanisms and worker voice, and building supplier capacity to identify, prevent and respond to discrimination and gender related risks over time.

> "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.

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.

In 2025, we identified seven new issues related to harassment or improper treatment in our product supply chain. Examples of issues identified include instances of verbal abuse or inappropriate communication by supervisors or other staff, limited functioning of anti-harassment committees and weaknesses in respectful complaints handling. While corrective actions were taken in individual cases, recurring observations indicate that prevention and awareness measures require continued strengthening.

Varner addresses risks related to harassment and gender based violence through a combination of clear expectations under the Supplier Code of Conduct, strengthening access to grievance mechanisms, training of supervisors, management and committee members as well as ongoing dialogue with suppliers on the importance of respectful treatment in the workplace. Depending on market and context, factory trainings may address respectful workplace behaviour, improve the functionality of internal committees, and reinforcing safe and trusted reporting channels.

Relevant training activities have been implemented over time for both management and workers, including HR and supervisory trainings that explicitly address harassment, appropriate communication, complaint handling and escalation procedures, as well as broader worker awareness initiatives that include harassment and violence as part of wider human rights and worker protection topics. Across sourcing markets, Varner's approach to harassment and gender based violence emphasises prevention, early identification and effective remedy.

Government influence

Governmental influence and political interference on human rights have been identified as a salient risk-based on Varner key production markets. This covers topics such as freedom of expression, political freedom, freedom of the press, equality before the law, and civil liberties. The continued uncertain political situation in Bangladesh and the 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.

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 labour 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. Varner further collaborates with industry stakeholders, including governments, NGOs, and other businesses, to promote fair labour 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.

Conflict and Security

Since 2024, conflict and security have emerged as a salient issue for Varner. This trend continued into 2025, with heightened instability in parts of the textile industry's operating context, most notably in Bangladesh. Following the political unrest and violent crackdowns linked to the 2024 protests, the security situation in 2025 remained fragile. Reports have highlighted continued human rights violations, widespread fear of retaliation, and broader disruptions affecting trade, transport and worker safety.

Varner remains committed to its suppliers and to maintaining long-term sourcing relationships in Bangladesh. In periods of continued unrest and insecurity following the 2024 events, some factories have faced operational disruptions, temporary closures or reduced capacity. Building on measures implemented in 2024, Varner continued its emphasis on preventing adverse impacts on workers related to unrest driven disruptions. This included maintaining close dialogue with suppliers and reinforcing expectations related to wage payment and worker protection during periods of instability. Where risks of delayed wage payments or interruptions were identified, these are followed up through supplier engagement and verification of wage records.

In 2025, security considerations also continued to affect Varner's own operations. In certain periods, planned audits, supplier visits and project activities were postponed or adjusted due to security risks. Travel protocols and internal security measures remained in place for employees operating in or travelling to higher risk contexts. Varner continuously monitored the security situation through dialogue with local teams, suppliers and external stakeholders and adjusted activities where necessary.

As uncertainty and instability persist in parts of the operating context, Varner recognises the importance of heightened human rights due diligence when operating in conflict affected or high risk environments. This includes working to mitigate negative impacts on workers and supply chains, upholding commitments with suppliers, maintaining responsible purchasing practices, and staying in close dialogue with stakeholders to understand evolving risks and adjust responses to emerging needs.

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 primary responsibility for ensuring access to grievance mechanisms for workers and other stakeholders in the supply chain will generally lie with their direct employer, and with 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 complaints and grievance channels[25]. Our approach to enable grievances to be raised and to be addressed is based on three focus areas:

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

- Support and monitoring to strengthen and improve suppliers and factories internal grievance channels[26].
- 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 directly to Varner.

Local grievance handling

Our efforts to monitor and support 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. In 2025, we identified 3 new issues related to grievances. These were related to insufficient record keeping of grievances and grievance handling and unavailability of complaints mechanisms.

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 programmes and projects we are a part of have elements relating to the ability to raise grievances, such as the South India Textile and Garment Supply Chain project. In addition, we have implemented projects in several markets, explicitly aimed at improving access to, and efficiency of, of grievance mechanisms for affected workers and stakeholders. In 2025, we launched the Effective Grievance Mechanism Working Group with 7 brands in Türkiye, aimed at defining common requirements and aligning on efforts aimed at suppliers to ensure effective grievance mechanisms at factory level. Initial activities have included alignment and definition of common requirements, development of a project tool and supplier engagement and information session. Key suppliers have completed a self-assessment questionnaire, with next steps focused on review and closure of identified gaps.

25 Approved factories include factories in all levels of the supply chain that have gone through a formal approval process based on Varner standards.

26 Often termed operational level grievance channels.

In Bangladesh, we also strengthened supplier capacity on responsible grievance handling through our Grievance Management System programme. This included gap assessments, multi-level capacity building, training of trainers (ToT), and management dialogue. In 2025, 10 factories completed full gap assessments under phase 1, with 6 additional factories completing gap assessments in phase 2.32 training sessions were delivered, including 489 mid-level managers, 93 committee members and 45 top-management representatives. The programme has improved internal grievance structures, management ownership, and worker awareness of reporting channels, helping factories manage concerns more proactively and transparently.

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:

- The RMG Sustainability Council (RSC) grievance mechanism in Bangladesh, established under the International Accord, provides an independent, multi stakeholder channel through which workers, employees and their representatives can raise concerns safely and confidentially. Complaints are investigated by specialised teams and overseen jointly by brand and trade union signatories, ensuring independence, transparency and accountability. The mechanism is available to all factories used by Varner in Bangladesh. While historically focused on occupational safety and health (OSH), the scope of the mechanism was significantly expanded in 2025 and now covers the ILO Fundamental Principles and Rights at Work, including common non OSH issues related to wages, overtime, and severance. Implementation is being rolled out in phases with an initial group of brands and factories included in late 2025 and expanding toward full coverage in 2026.

- As part of the Pakistan Accord, an independent complaints mechanism is available for workers to raise safety-related concerns. Complaints are handled through an established process involving investigation, remediation and brand oversight, providing an additional safeguard for workers in a high risk context and complementing factory level grievance systems. All factories used by Varner in Pakistan are covered.

- The Worker Support Centre continues to serve as a key grievance channel and information hub for workers in the Turkish garment sector[27]. Implemented in collaboration with the Turkish NGO MUDEM, Varner has co-developed a protocol with six other brands providing an independent grievance channel to workers at all factories we cooperate with in Türkiye. In 2025, 494 workers in 11 factories were trained by MUDEM on access to remedy.

- 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 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.

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

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

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 and included in Varner's Supplier Code of Conduct. 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 cases that potentially require remediation.

Grievances received for the supply chain in 2025

Channel	# of Grievances	Topics
RSC (Bangladesh)	27 grievances related to the Varner supply chain.[28]	Wages and benefits, harassment, health and safety.
MUDEM (Türkiye)	4 grievances related to the Varner supply chain.[29]	Health and safety, wages, working hours, harsh language (in addition to grievances, 4 information requests from workers regarding legal rights came through the channel).
Resource centres in Tamil Nadu (India)	No grievances related to the Varner supply chain.[30]	In general grievances were related to wages and benefits, discrimination, forced labour, regular work, harassment, health and safety.
Timby (India)	No grievances related to the Varner supply chain.[31]	In general, grievances were related to wages and benefits, health and safety, discrimination and forced labour.
Concerns raised to Varner directly	8 grievances related to the Varner supply chain.[32]	Wages and benefits, unlawful dismissals, freedom of association, harassment.

28 Total number of grievances to RSC for 2025 is not available, but RSC reports a total of 2357 grievances received in the fiscal year July 24 – June 25, and 2581 grievances received July 25 – March 26.
29 In total, 182 grievances were received through the channel in 2025.
30 In total, 28 grievances were received through the channel in 2025.
31 In total, 76 grievances were received through the channel in 2025.
32 These are grievances or concerns raised through direct information provided to Varner CSR personnel, through the Varner Whistleblower channel, through sustainabilty@varner.com or by means not covered by the other mentioned channels.

Remediation

We are committed to address adverse impacts by providing for or cooperating in remediation if 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, MUDEM, or 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 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. A key method of determining responsibility for remediation is defined by the concept of whether we have caused, contributed to, or are directly linked to the negative impact in question. This informs both our assessment of actual and potential risk, and remediating efforts. All instances identified where remediating efforts have been required in the supply chain in 2025 have been recognised as instances where Varner has been directly linked to the adverse impact (as opposed to “caused” or “contributed to”). 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.

We have established formalised 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. In general, remediation is often executed in a combination with efforts with preventive focus to minimise the likelihood of repeated occurrences of similar cases. Cases where Varner has been directly involved in remediation in 2025 are described below.

During an unannounced audit in 2025, Varner identified a case involving a foreign national without a valid work permit and the use of uninsured daily workers. This constituted non compliance with legal employment and social security requirements in Türkiye, as well as Varner requirements. Following identification of the case, Varner took immediate formal action with the supplier and engaged MUDEM to support with corrective action and remediation. As part of the remediation process, the employment situation of the migrant worker was regularised, through submission and approval of a work-permit application, confirmation of residence status and registration with the social security system. In parallel, daily workers identified during the audit were also registered with social security. The case was closed upon verification of corrective action and legal registrations.

One case concerned repeated delays in wage payments and union related tensions and alleged retaliatory action, leading to increasing worker unrest. Remediation efforts were handled through multi-brand coordination, including engaging factory management through joint writtencommunication and meetings. Clear payment plans, non-retaliation on union action and transparent financial data was required. While remediation was in progress, the case remained unresolved at the end of 2025, and follow-up continues in 2026.

One case was escalated due to the number and nature of identified health and safety issues identified in a social assessment, indicating systemic shortcomings in OSH management. Although there was no evidence of harm incurred by workers, remediation focused on corrective and preventive measures to reduce the likelihood of future incidents, rather than compensatory measures. Remediation was in progress but remained to be verified as resolved at the end of 2025. Follow-up continues in 2026.

Through 2025, there have been several cases where deficiencies have been identified in the provision of full and final settlements to workers at the time of separation. While the responsibility for settlement remains with the employer, Varner has, where necessary, applied leverage through dialogue and follow up to support completion of outstanding payments.

In addition, there have been cases where issues were handled by the employer through their own corrective measures, and where Varner's role was primarily limited to oversight, monitoring, and follow up rather than direct involvement in remediation.

Reviewing impact

We aim to track the effectiveness and impact of our approach, our efforts, programmes, 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 programme 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, where Top Management is represented.

The impact and effectiveness of programmes and projects in the supply chain is usually assessed by partners commissioned to implement such programmes, and occasionally by Varner internal CSR teams. More information about the impact of programme 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 programme. An essential part of this programme 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.

In 2025, 428 issues were resolved, including issues that were identified in the reporting year and issues that remained unresolved from previous years. By the end of 2025, 1 479 issues remained open. As issues are normally only 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 programme 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

Issue rating	Findings in 2024*1	New findings in 2025*2
Critical	49	28
High	449	455
Medium	898	667
Low	91	82
Total	**1 487**	**1 237**

*1 In addition, there were 59 unrated observations.
*2 In addition, there were 5 unrated observations.

“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.

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 2025, 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 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.

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.

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.

By the end of 2025, we had 93 external brands in our 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:

- Supplier 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 2025 18 new external brands have undergone the screening process, whereof 3 brands were rejected due to not meeting the minimum requirements. 5 brands in our portfolio have the status 'temporarily approved' per 31.12 2025. Following-up activities towards these brands will continue into 2026.

14 brands were entering the portfolio and orders placed without the mandatory screening process. This due to a lack of understanding of the process from one of our brands. Since our system is fully manual, it is possible to surpass the screening despite the established process. We will work on closing the loophole in 2026.

By the end of 2025, 86.5% of our portfolio has undergone an assessment against our minimum pre-qualification criteria.

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-term 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. In 2025 the

focus on indirect spend supplier has been quite low, due to lack of capacity and prioritization of own production. However, some activities have been conducted.

During the screening process in 2023 some high-risk categories were identified, such as transport services. We prioritize to evaluate all new transport suppliers against our pre-qualification criteria prior to signing a contract. In 2025 we have during the tender process for new freight forward services, screened the top contenders to our minimum pre-qualification criteria.

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. Varner has an external channel for whistleblowing for all permanent and temporary employees in Varner and associated chains, as well as for all customers and suppliers associated with some of Varner's businesses. Established channels to report incidents related to corruption or integrity have been sustained in 2025.

All employees are required to familiarise 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 polices on the subject. During 2025, 83 employees have taken part in the workshops, 17 in Türkiye, 26 in Bangladesh, 17 in India, 23 in the Far East offices. The work-shops have focus on arenas where there could be risk related to corruption, bribery, integrity, and conflict of interest and utilise 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. Working Regulations for Norway, Sweden, Finland
7. 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.

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

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 standardised 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 2025, 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. 299 audits were carried out in 2025. One issue related to anti-corruption was identified with active supply chain partners during the reporting year. In this case, a supplier was unable to provide an anti-bribery policy for review during the audit, but the issue was later resolved.

Responsible employer

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.

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 2025.

Sustainability training
We have an ambition to ensure that all our employees have sustainability competence relevant to their function and responsibilities. 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 2025, almost **3 800 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	8 246
Total number of courses completed	130 957
Average number of courses completed per employee and manager using the platform	16
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 31.12.2025.

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, 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[33]
General Sustainability Training	348	348
Quality Assurance related training	270	279
CSR related training	138	152
Environmental related training	163	141
Total	919	920
Average hours of sustainability training per employee		1.7

Sustainability themed digital trainings

Training	Training sessions completed
Basic material training	1 917
Sustainability – Environment and CSR	1 855
Total	**3 772**

33 Due to tracking capabilities, this data only reflects trainings completed in 2025 by employees employed in Varner by 31.12.2025.

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 Distribution Centre (our warehouse), 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 of 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 2025, a total of 98 recordable work-related injuries and zero high-consequence injuries were reported across all Varner countries. Among store employees, the primary causes of injuries were falls, cuts, falling goods and physical strain, such as lifting heavy boxes. At the Distribution Centre, the most frequent causes of work-related injuries were falls, cuts, falling goods, lifting heavy boxes, crush injuries and collisions.

In response to the incidents in stores, local corrective measures have been implemented, together with reinforced instructions to all employees highlighting the importance of complying with our safety procedures. Where required, follow-up actions are carried out by the relevant work environment authorities.

Our Distribution Centre is highly automated. Comprehensive risk assessments have identified three primary risk areas: automated robots, machine operations and workstations. Each identified risk has been evaluated, and corre-sponding action plans and/or procedures have

been implemented. Employees working in these areas have received training to ensure safe operation and compliance with the updated routines.

Based on risk assessment results, we updated and enhanced our internal emergency procedures in the Nordic countries for 2025. The Security Department has conducted 15 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 2025.

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

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 persons who are not employees, but whose work and workplace are controlled by Varner. Common examples of non-employees under the organisation's supervision include temporary warehouse staff engaged through employment agencies, as well as personnel employed by external service providers operating Service Offices and warehouses. At present, it is not possible to provide a complete and accurate count of these external workers.

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.

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.

All legal entities and departments have designated safety representatives. These representatives have the legal right to report deficiencies, and if a deficiency is considered serious. 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. The Work Environment Committee conducted a work environment survey among all employees at the Service Office in 2025. The results have been reviewed, discussed and followed up with appropriate actions.

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 2025, the Vänersborg Employee Club at the Distribution Centre has continued the 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.

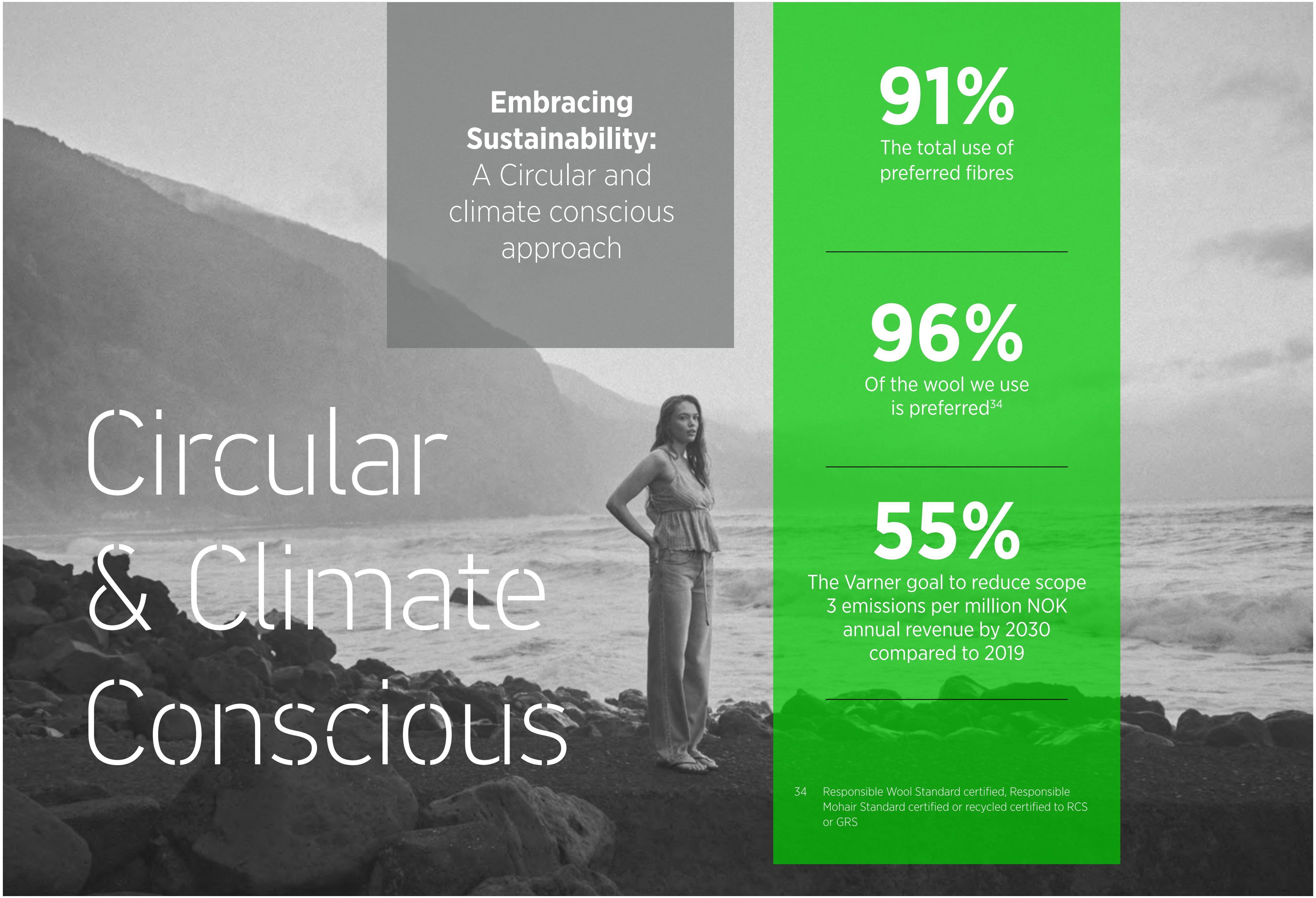
The aim is to engage as many employees as possible, ensuring that exercising is both accessible and enjoyable. This initiative will continue into 2026, with the intention of attracting more participants to collective workout sessions. Additionally, the Employee Club has offered employees the opportunity to participate in three running races over the course of the year.

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

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 programmes.



Embracing Sustainability: A Circular and climate conscious approach

Circular & Climate Conscious

91%

The total use of preferred fibres

96%

Of the wool we use is preferred[34]

55%

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

34 Responsible Wool Standard certified, Responsible Mohair Standard certified or recycled certified to RCS or GRS

We operate in a world with limited resources, where human activity places increasing pressure on planetary boundaries. Varner's **Circular and Climate Conscious** ambition is to reduce the environmental impact of our business by transitioning from linear to circular models and contributing to climate mitigation in line with the Paris Agreement.

Our focus includes increasing the use of preferred and recycled fibres, reducing environmental impact in production, managing waste responsibly, and extending product lifespans through quality, design, and circular solutions. Circularity is a complex transition that requires changes across materials, production methods, product design, and end of life solutions. By reducing reliance on virgin raw materials and keeping products in use for longer, circular models also contribute to lower climate impact.

Circular and Climate Conscious is central to our climate and environmental strategy. We measure and work to reduce our climate footprint across our own operations, transport, and supply chain, while monitoring energy, water, chemicals, waste, wastewater, and air emissions. Through collaboration with suppliers and multi stakeholder initiatives, we aim to use resources more efficiently, increase recycling, phase out hazardous chemicals, and support innovative circular solutions.

Building awareness and knowledge

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

We have continued supplier trainings in local languages also in 2025 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 Supplier Manual 2025 QA and ENV section	29	149 min	571
FEM 4.0 Supplier Training	1	30 min	1
FDM Facility data manager intro training	4	98 min	38
ZDHC e-learning intro training	4	270 min	29
ZDHC In-connect topic specific trainings	9	163 min	127
QA Supplier onboarding new Suppliers	4	90 min	13
Sustainable certification and procedures	2	75 min	36

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 are associated with environmental risks such as microfibre emissions during production and use, as well as reliance on non-renewable fossil-based resources and chemical use in production. This dependence on finite resources exacerbates environmental concerns and contributes to long-term pollution.

Varner's goal by the end of 2025 was that 100% of our sourced fibres are considered preferred fibres[35].

In 2025, Varner reached 91% preferred fibres, representing significant progress toward our long-term ambition to source only fibres with a lower environmental and/or social impact. While this did not fully meet our target of 100%, the remaining gap is limited and concentrated in a small number of fibre categories.

The shortfall is mainly explained by specific material uses where preferred alternatives are either not yet technically feasible, commercially available at scale, or suitable for product performance requirements.

Breakdown of 9% of remaining conventional fibres preventing full goal achievement:

- **Polyamide (2.35%) and Elastane (2.14%):** Used in performance and fit-critical products where recycled or preferred alternatives do not yet fully meet quality, durability, or comfort requirements, at scale. However, we see good opportunities to use more recycled polyamide, but elastane is likely to remain a challenge in the years to come.

- **Conventional Supima cotton (1.43%):** Although conventional Supima cotton is not classified as a preferred fibre, Varner considers the environmental risks to be more predictable and manageable compared to less regulated cotton supply chains due to its highly mechanised and regulated production system. Supima is considered a high-quality fibre which also is traceable.

- **Linen (1.46%):** linked to challenges in certification availability[36], and some of our garment suppliers not being certified to relevant standard yet[37].

- **Polyester (0.94%):** Largely driven by a limited number of styles still relying on conventional polyester due to supply or development timing.

- **Man-made cellulosic fibres – MMCF (0.24%):** Mainly driven by remaining volumes in low content blend (for example mélange quality).

- **Wool (0.21%):** A few woolen styles and Alpaca styles were not converted to RWS or RAS standard yet.

- **Other fibres (>0.20%):** A few styles contain very small fractions of other fibers in blends that are not considered preferred fibres.

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_2e emissions, biodiversity, water use, land management, and human rights issues. This approach allows us to contribute to tackling climate change and mitigating some of its most severe impacts. This work is supported by recognised certification schemes, and Varner is certified to the Organic Content Standard, the Global Recycled Standard, the Recycled Claim Standard, the Responsible Animal Fibers standards, the Responsible Down Standard and the Global Organic Textile Standard.

35 The scope is Varner's own labelled brands excluding franchise.
36 Currently we only rely on Masters of FLAX FIBRE™ certification (previously called European Flax™), which requires a minimum of 50% linen content, all our blend below that is therefore not certified.
37 Meaning more materials are likely to be Masters of FLAX FIBRE™ certified in reality, but are not accounted for due to a broken chain of custody.

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_2e 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.

Material and product risk assessment

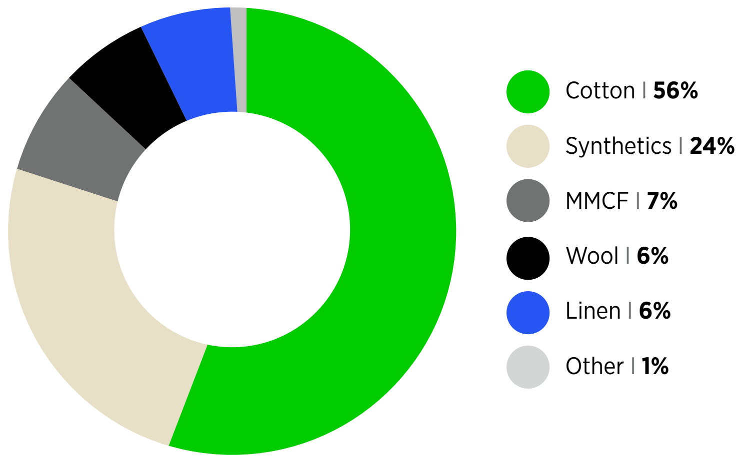
The fibre risk assessment conducted in 2022 for Varner's main materials and expanded in 2023 to include product use and end-of-life considerations, remained the basis for our monitoring and management of potential adverse impacts related to material sourcing. As there were not found any significant changes throughout 2025 to the existing results of the fibre risk assessment, there have been no changes to methodology, scope or result during the reporting year.

Identified risks are managed through a combination of material choices and policies, including the use of certified and preferred fibres, policy implementation, and strengthened material traceability. A full description of the risk assessment approach is provided in the relevant chapter of this report.

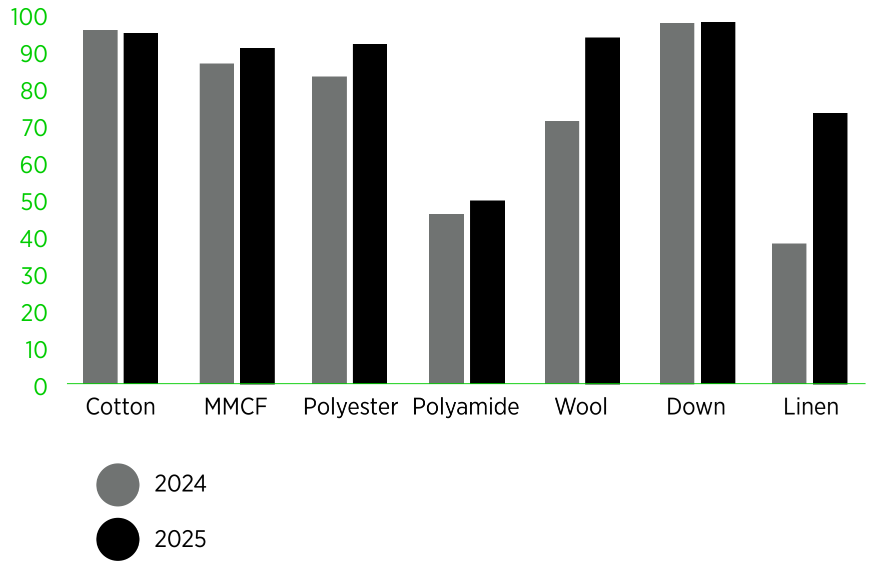
Our use of fibres

The fibre distribution in 2025 remains similar as previous years. However, we can mention a reduction in the share of cotton fibres by 4% points and a slight increase of our synthetic by 3% points. The total volume of fibre we sourced has decrease by 22% compared to the 2024, while our use of preferred fibres increased by 6% points and reached 91% in total. In total 20% of the fibres used came from recycled feed-stock.

Fibre distribution 2025



Progress of preferred fibre share per fibre group



Varner has a 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:

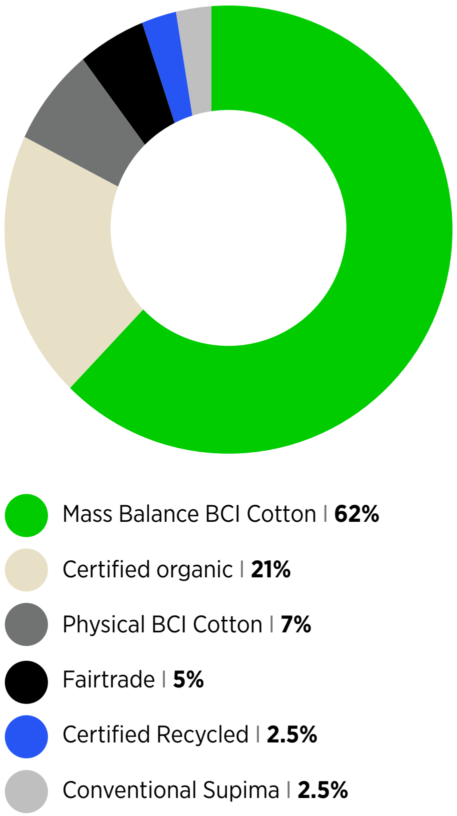
Sustainable Cotton Communiqué

Turkmen Cotton Pledge

Uzbek Cotton Pledge

Statement on Xinjiang Uighur Autonomous Region (XUAR)

Cotton distribution 2025



Cotton

Cotton is Varner's largest fibre by volume and therefore a priority fibre for managing environmental and social risks, including soil degradation, the use of hazardous pesticides, and risks to farmer health and livelihoods. The majority of our cotton is sourced through the Better Cotton Initiative, which plays a central role in addressing these risks at scale and supporting our human rights and environmental due diligence at farm level.

BCI Cotton can be sourced under different chains of custody, which determine the level of physical traceability of the cotton through the supply chain.

Varner has been sourcing Mass-balance BCI Cotton since 2016 and in 2025 Varner sourced Physical (traceable) BCI Cotton for the first time.

Physical BCI Cotton sourced under the physical segregation chain of custody enables traceability back to the country of origin and greater visibility across our supply chain. BCI Cotton sourced under the mass balance chain of custody is not physically traceable to end products, however, BCI Farmers benefit from the demand for BCI Cotton in equivalent volumes to those we 'source.'

Organic cotton and Fairtrade cotton complement this approach by providing higher levels of assurance for specific risk areas and supply chains. These materials are verified through recognised standards, including the Global Organic Textile Standard (GOTS), the Organic

Content Standard (OCS) and Fairtrade standard, supporting traceability and implementation of targeted risk prevention and mitigation measures across the cotton supply chain.

Further information on the Better Cotton Initiative and Fairtrade programs is available on their respective websites: Fairtrade and Better Cotton Initiative

Synthetic fibres

Synthetic fibres account for approximately 24% of Varner's fibre portfolio. While inherently derived from fossil-based raw materials, the majority of these fibres used by Varner are sourced from recycled feedstock. As a result, synthetic fibres are associated with environmental risks related to greenhouse gas emissions from raw material extraction and processing, as well as microplastic pollution.

To address these risks, Varner prioritises the use of recycled synthetic fibres over virgin alternatives. In 2025, recycled synthetics represented 76% of total synthetic fibre use, including 94% recycled polyester, reflecting continued progress in reducing reliance on virgin fossil-based inputs.

This approach is supported by Varner's participation in the 2025 Recycled Polyester Challenge, a joint initiative by Textile Exchange and the UN Fashion Industry Charter for Climate Action. Through this commitment, Varner aims to help accelerate the transition towards increased use of recycled polyester by driving market demand and supporting the scaling of recycling capacity.

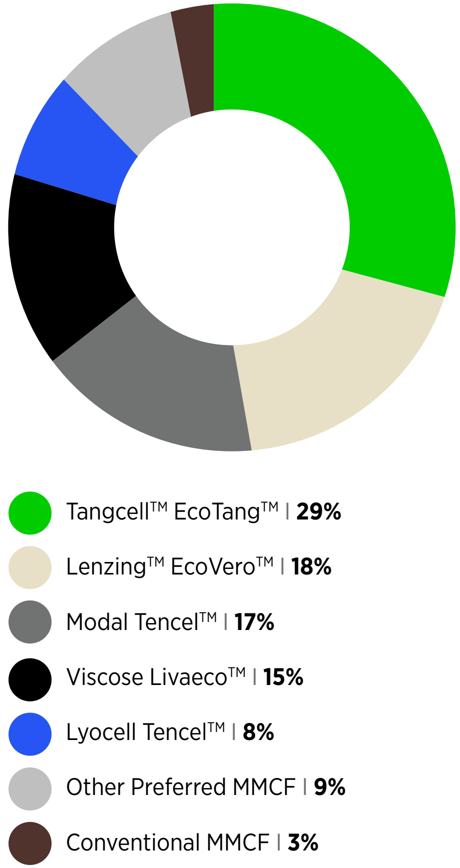
At present, the majority of recycled polyester used in the textile industry is derived from post consumer PET plastic bottles. While this feedstock does not represent an ideal circular solution for textiles, Varner recognises that it is currently the most established and scalable source of recycled polyester available. Until fibre to fibre recycling technologies are commercially viable at scale, the use of recycled bottle based polyester represents an interim solution that helps reduce dependence on virgin fossil based materials.

Synthetic fibres release microfibres throughout their lifecycle, contributing to microplastic pollution in air, soil and water. While measurement methodologies and industry standards are still evolving, microfibre pollution is recognised as an environmental risk associated with synthetic textiles. Varner monitors regulatory and industry developments and while we await better solutions, we address related risks by eliminating hazardous chemicals from our product, as outlined in the Safe Products and Chemicals framework.

MMCF

Man made cellulosic fibres (MMCF), such as viscose, modal and lyocell, are derived from wood pulp and can pose risks related to deforestation, biodiversity loss and pollution if sourced from unsustainable forestry or produced using inadequate chemical processes. These risks are particularly relevant where sourcing may impact ancient and endangered forests.

MMCF distribution 2025



To manage and mitigate these risks, Varner has implemented a responsible MMCF sourcing approach aligned with CanopyStyle to protect biodiversity and the world's forest and our commitment is publicly available on Varner website.

Since 2021, Varner has required that all MMCF fibres are sourced exclusively from fibre producers rated "green shirt" in the CanopyStyle Hot Button Report, ensuring that raw materials are not sourced from ancient and endangered forests.

Animal materials

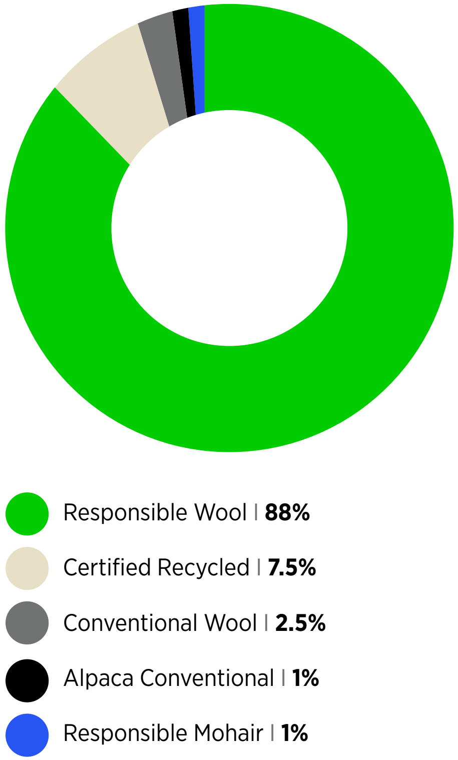
The sourcing of animal derived materials can involve risks related to animal welfare, land use and social conditions at farm level, as well as traceability risks further along the supply chain. To mitigate these risks, Varner applies recognised third party standards, supplier requirements and transparency measures covering both production practices and chain of custody.

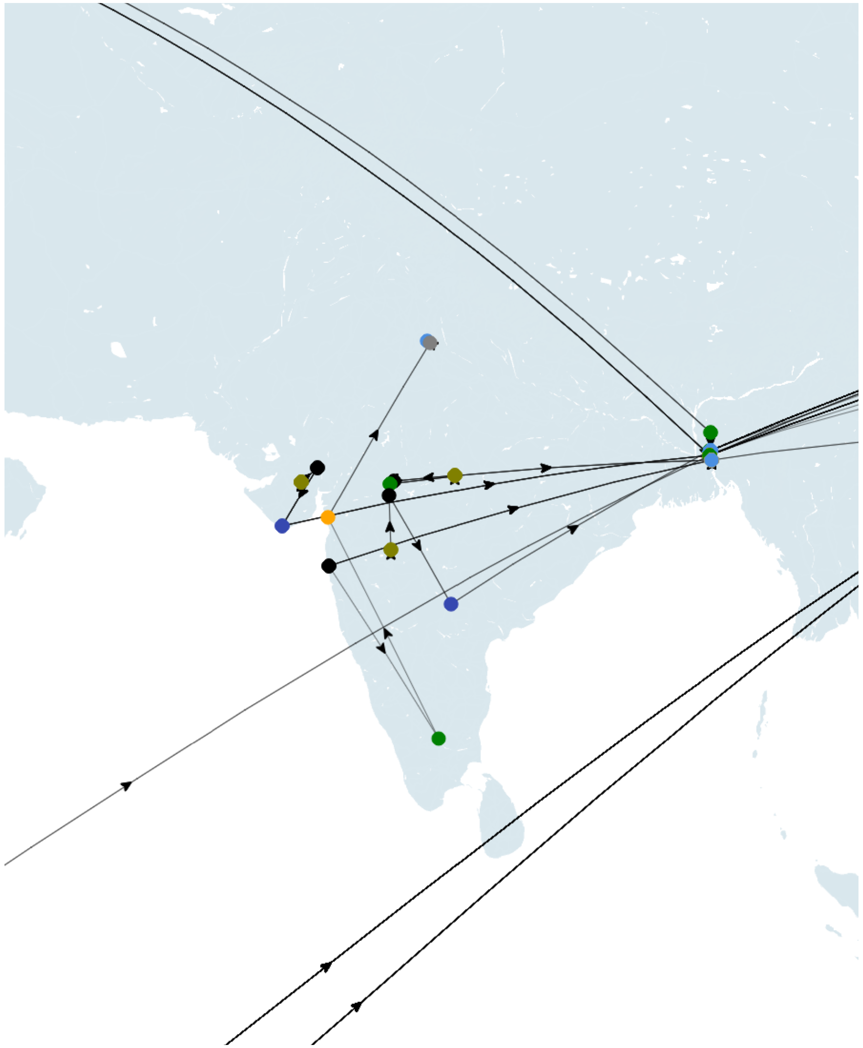
Varner sources animal fibres in line with the Responsible Animal Fiber (RAF) Standards Framework, including the Responsible Wool Standard (RWS), Responsible Mohair Standard (RMS) and Responsible Alpaca Standard (RAS). These standards address animal welfare, land management and social criteria at farm level and require full supply chain certification to preserve the integrity of certified materials.

Wool is the most significant animal fibre used by Varner. Since 2019, Varner has sourced wool under the Responsible Wool Standard as a core risk mitigation measure. In 2025, 97% of our virgin wool was RWS certified, including a limited share of RMS certified mohair, representing a significant increase compared to the previous year.

For down and feathers, Varner source only Responsible Down Standard (RDS), which prohibits practices such as live plucking and force feeding and ensures traceability throughout the supply chain.

Wool distribution 2025





Traceability map from TextileGenesis™ Platform

For leather, which currently lacks certification at raw material stage, and for animal fibres that are not certified, Varner requires suppliers to declare their supply chain, including the origin of the raw material where this information is available. This transparency requirement supports risk identification and management related to animal welfare and sourcing practices.

Varner's approach to animal materials is governed by our Animal Welfare Policy, which is publicly available on our website (Varner Animal Welfare Policy 2.0).

Further information on Responsible Wool and Responsible Down is available on their respective page:

Responsible Wool Standard (RWS)

Responsible Down Standard (RDS)

Product traceability

Varner aims to make all products fully traceable by 2030. Traceability enables us to verify the origin of main materials and gain transparency across our supply chain, which is a prerequisite for identifying, assessing, and addressing actual and potential adverse impacts.

In 2025, 69% of our produced pieces were traceable, meaning that the main materials used were certified or branded and covered by an established chain of custody (other than mass balance). This allows us to identify the certified material and the relevant production stages associated with these products. However, certification systems do not always provide brands with full visibility into each individual production step. As a result, traceability through certification does not automatically translate into full supply chain transparency.

To close this gap, we are strengthening our digital traceability capabilities. Through our partnership with TextileGenesis™, we are progressively gaining deeper visibility into upstream supply chains beyond certification claims. In 2025, 42% of all produced pieces were digitally traced on the TextileGenesis™ platform, with traceability from material origin to finished product. The remaining 27% of traceable products were covered by certification or branded material claims but were not yet digitally traced at transaction level, because the suppliers were not onboarded on the platform yet.

In 2025 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, Supima Cotton, OCS certified organic cotton, wool certified to Responsible Wool Standard.

Preferred product packaging

Varner signed Canopy's pack4good policy and commitment in 2020. We continue to source more sustainable packaging materials with a focus on recycled materials, FSC certified paper and to reduce the amount of packaging used in our operations. In 2025 all our woven labels and paper tags were sourced through one nominated supplier[38]. Based on data received from our nominated supplier, 100% of the paper tags materials are FSC certified, including 38% of FSC recycled material. 93% of all woven labels were made with recycled materials.

99% of the paper bags that we sell to the end consumers are FSC certified, we do not use plastic bags in stores.

For other types of product packaging, in 2025 we initiated a mapping of the different suppliers with the aim to consolidating the supplier base and have a greater oversight of all volumes and sustainability information.

38 Except for some branded fibre hangtags that must be sourced through the Branded fibre supplier and some specific items, representing less than 1% of the total volume. All of these are also FSC certified.

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 used 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.

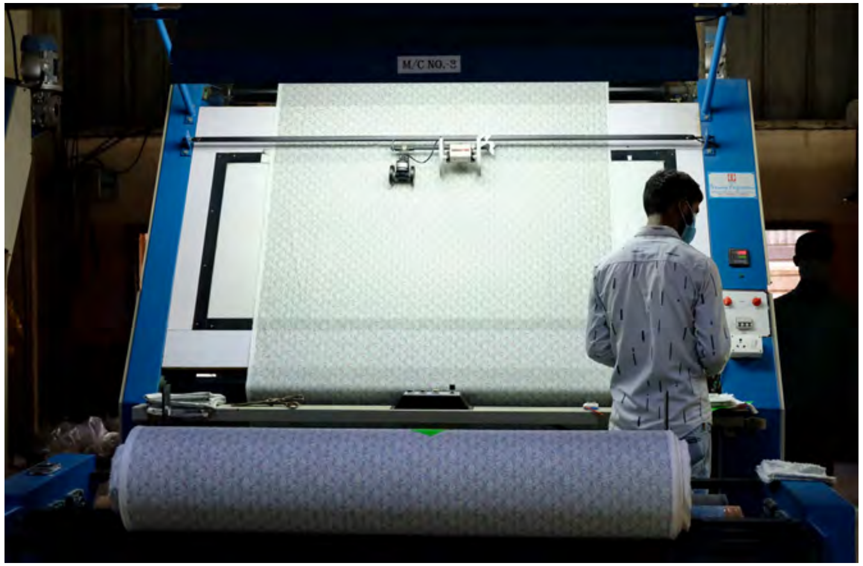
In 2025, 98 test reports were conducted in our in-house labs in production offices, and 29 586 individual physical tests were conducted in 3rd party laboratories.

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 2025. 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. 9 959 chemical tests were conducted in 2025 with a failure rate of 0.25%. 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

As part of our efforts to advance circularity in the supply chain, in 2025 Varner focused on the preparatory phase of a Circularity Improvement Programme (CIP) by identifying and engaging a group of selected tier 1 garment suppliers in Bangladesh. The CIP is a structured, factory-level initiative focused on waste reduction, resource efficiency and long-term capability building, with programme implementation commencing in 2026.

The programme combines comprehensive assessments of material flows, waste management practices, energy use, organisational capacity. By identifying material loss points, improving waste segregation and management practices, and strengthening internal processes and roles related to circular production, the CIP will support factories in reducing material waste at source. At the same time, the programme will build supplier capacity through training, performance monitoring and tailored improvement roadmaps, enabling suppliers to develop practical, measurable and verifiable circular solutions. Over time, these improvements are intended to contribute to Varner's circularity goals by reducing waste generated in production, improving resource efficiency at factory level and creating scalable circular practices that can be replicated across the wider supply chain.

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 the 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 products that are not sold through our own channels (stores, outlet etc.). Goods held in our warehouses are still considered as inventory. 112 tonnes of Varner surplus goods or defective goods were diverted to recycling and/or reuse through our donation to Fretex in 2025. This is a decrease from 222 tonnes in 2024. 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. We did not destroy any goods in 2025. This gives a percentage of 100% that went into streams for reuse/recycling/upcycling/.

Web orders

With more sales occurring on our brands' websites, questions are emerging about how we manage customer returns. Our primary policy is to reintegrate as many products as possible into our web shops for resale. Products that are not suitable for resale in this manner, for various reasons, are instead offered through our outlets. If an item is deemed unfit or unsafe for reuse, it will be either destroyed or recycled as a final measure.

Environmental sustainability

Our commitment to environmental sustainability is designed to systematically measure, monitor, and reduce the environmental impact of our operations, while ensuring compliance with all relevant 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. 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 with Higg FEM

The Higg Facility Environmental Module (FEM) is a widely used tool in the industry that assesses a facility's environmental performance throughout the value chain. It thoroughly evaluates seven main areas of environmental impact–including management systems, energy use, water consumption, chemical handling, and wastewater–helping facilities improve and grow their environmental efforts.

Suppliers are required to submit Higg FEM self-assessments for their factories, ensuring comprehensive evaluation and disclosure of any potential negative environmental impacts arising from production processes. Suppliers are also expected to pursue continuous improvements in environmental performance, and to uphold these standards with their own suppliers and sub-contractors.

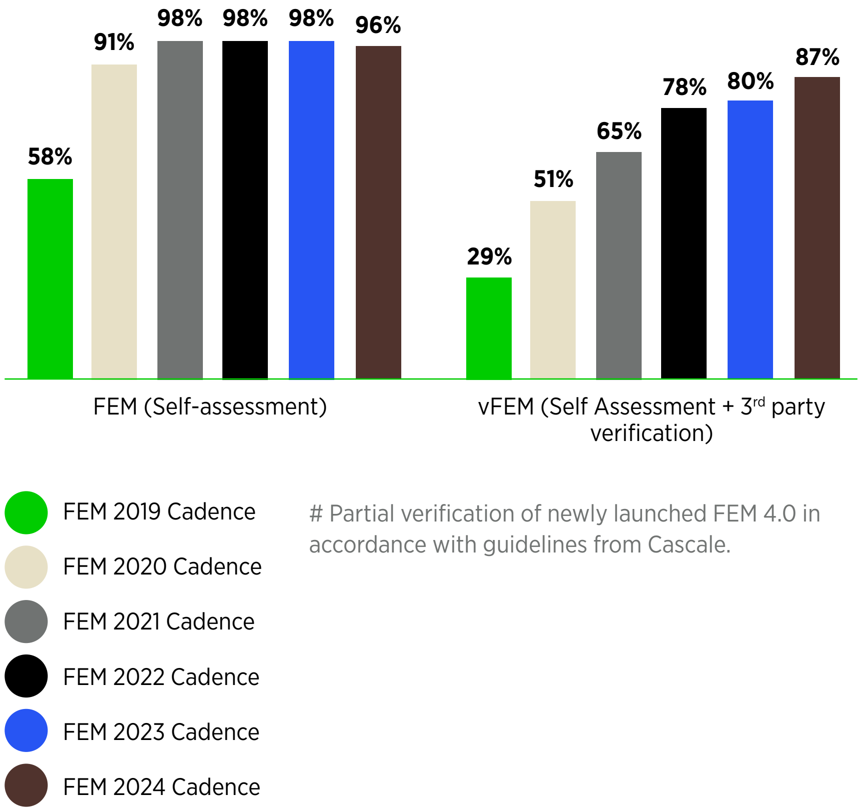
The FEM covers all direct tier 1 factories that supply Varner's brands and were actively doing business during the Higg FEM reporting year. In 2025, we asked in-scope tier 1 factories to finish the FEM 2024 assessment, which includes data from 2024 reported in 2025.

In 2025, tier 1A factories representing 96% of our total order value completed the Higg Facility Environmental Module (FEM 2024) self-assessment. Factories within the same scope, representing 87% of our total order value, completed third-party verification of FEM 2024.

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 2024, Cascale launched a new version of FEM (FEM 4.0) which has additional questions when compared to previous versions.

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.

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



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

Factory environmental assessments conducted by Varner team

In 2025, environmental assessments were conducted as part of factory approval processes and ongoing annual review against our code of conduct. The evaluations addressed management systems, energy consumption, greenhouse gas emissions, chemicals, water usage, and wastewater management.

During the year, more than 235 assessments were completed, comprising 33 initial approvals; three factories did not meet our minimum environmental requirements and consequently did not receive approval to start business with Varner. Approximately 75 percent of the assess-ments were performed onsite, while the remainder were carried out online.

As part of the assessments, we additionally evaluated their performance in other third-party initiatives in which we participate, including Higg FEM and ZDHC wastewater test reports.

Environmental management system

We believe that a strong Environmental Management System 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.

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.

A primary improvement objective for the EMS sector in 2025 was the requirement for factories to maintain a documented environmental strategy encompassing all relevant aspects aligned with their operations. During our assessment, we identified 27 factories needing enhancements regarding their environmental strategy documentation. By year-end, 18 of these factories successfully fulfilled our environmental strategy requirements.

Charting a path forward

We are working with suppliers to strengthen their EMS effectiveness. Our approach includes:

- Supporting suppliers in developing long-term, measurable environmental strategies.
- Ensuring suppliers manage permits efficiently and stay compliant.
- Implementing clear reporting procedures for environmental concerns, promoting transparency and proactive management.

Additionally, we will:

- Provide training on our environmental requirements and expectations.
- Help establish systems to track issues and corrective actions.
- Collaborate on identifying and monitoring key environmental impacts.

Supplier seminar in China.

Chemical storage in India.

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.

In 2025, we successfully completed our inaugural ZDHC Brands to Zero assessment for the reporting year 2024, achieving the 'Pioneer' level. At the time of reporting, we had also submitted our ZDHC Brands to Zero assessment for the reporting year 2025 and are currently awaiting evaluation. Through participation in this assessment, we have developed a more thorough understanding of setting key performance indicators (KPIs) regarding chemical management and advancing improvements systematically in alignment with these KPIs.

Our approach

If harmful chemicals are not screened properly during purchase and production stage, they may pose a threat to the 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 the storage, handling, and disposal of chemicals throughout the supply chain is an integral part of our periodic monitoring via social and environmental audits. The assessment criteria for chemical storage and handling are as follows:

- Designate a responsibility clearly to manage hazardous chemicals.
- Maintain a comprehensive chemical inventory, including supplier information.
- Ensure safety data sheets (SDS) are accessible for all chemicals.
- Provide clearly marked and designated chemical storage areas.
- Maintain cleanliness within chemical storage locations.
- Appropriately label and store all chemical containers.
- Develop emergency response plans for hazards or risks.
- Supply employees with suitable and functional safety equipment.
- Deliver training on chemical safety to workers.
- Display visible and accurate hazard signage.
- Implement programmes to promote awareness of chemical hazards and best practices for storage and handling.
- Ensure secondary containment systems are available and have sufficient capacity.

Practices related to chemical storage, handling and disposal in the partner factories are reviewed during environmental assessments.

In 2025, environmental assessments revealed 97 opportunities for improvement in chemical storage and handling practices across various priority levels, with 54 of these subsequently reported as resolved within the same year. Additionally, 43 findings from prior years' assessments related to chemical storage and handling were also addressed and resolved during the reporting period.

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 compliant with the latest ZDHC MRSL requirements. This year we focused on total 105 supplier factories with wet processing which includes both tier 1 and tier 2. 104 factories are connected with us through ZDHC Gateway platform. 75 factories have published InCheck assessments, which show us how many chemicals they use are conformant with the latest ZDHC MRSL standards.

The remaining factories within the scope were evaluated based on their Chemical Inventory List (CIL). We request all factories to utilize production chemicals with at least ZDHC Level 1 certification. During our assessment of chemical conformance to ZDHC MRSL using either ZDHC InCheck or the factory's own Excel-based CIL, we observed that approximately 76% of chemicals overall are registered in the ZDHC Gateway as conformant to Level 1 or above.

A total of 38 factories have confirmed their successful transition to exclusively using ZDHC-conformant chemicals by 2025. Additionally, 45 factories are currently in the process of phasing out or replacing chemicals that do not meet ZDHC level requirements. We will continue to engage with the remaining factories to ensure commitment to, and implementation of, these standards.

Water use and waste-water management

Water is a vital resource for people, process, and wildlife and a bedrock for a healthy ecosystem 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

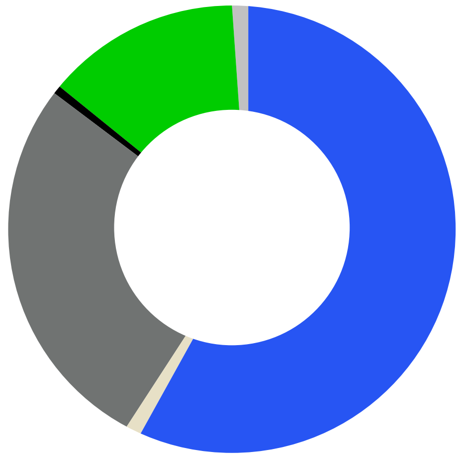
We work with our supply chain to improve water efficiency in manufacturing processes. Some key elements of our water efficiency roadmap for suppliers are:

- 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 2025, we documented freshwater consumption trends for the reporting year 2024. Data analysis was conducted using Higg FEM 2024 verified modules received from the factories we work with. We recognize that calculating our exact share of water usage from manufacturing is not currently feasible; thus, this overview reflects an approximation of water sources at partner factories. This year's assessment also incorporates data from additional tier 2 mills. The findings indicate that groundwater remains the predominant source of water within manufacturing operations.

Water consumption (L) trend from verified FEM 2024



Groundwater | **58%**

Fresh surface water | **1%**

Municipal blue water | **26%**

Unknown | **0.5%**

Recycled and/or reused water | **13%**

Other (Steam condensate, rain and treated wastewater) | **1%**

Effluent Treatment Plant in Italy.

During our assessments, we observed that six factories lacked adequate waterflow meters for monitoring water consumption from each source. Subsequently, three of these factories installed the necessary meters and commenced tracking their water usage accordingly.

In the reporting cycle, we also found that twenty-four factories needed to enhance their baseline and target for freshwater consumption in production processes. Fourteen factories achieved improvements within the year. Additionally, twenty-six other factories made progress in 2025, compared to evaluations conducted during previous assessment periods.

Wastewater treatment

Our industry depends on chemicals. 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 utilised 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.

This year, our efforts targeted 82 supplier factories engaged in wet processing across both tier 1 and tier 2, each generating over 15 m^3 of industrial wastewater daily. Of these, 67 factories provided their wastewater test reports through the ZDHC Gateway platform. We will continue to engage with remaining factories to encourage annual wastewater testing in line with ZDHC guidelines.

Among the 67 reporting factories, 82% were conformant with ZDHC MRSL requirements. The remaining 18% achieved partial conformance, with one or more non-conformities identified in their test reports. Over half of the factories with non-conformities demonstrated completion of root cause analysis and/or commenced corrective actions to address the issues.

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.

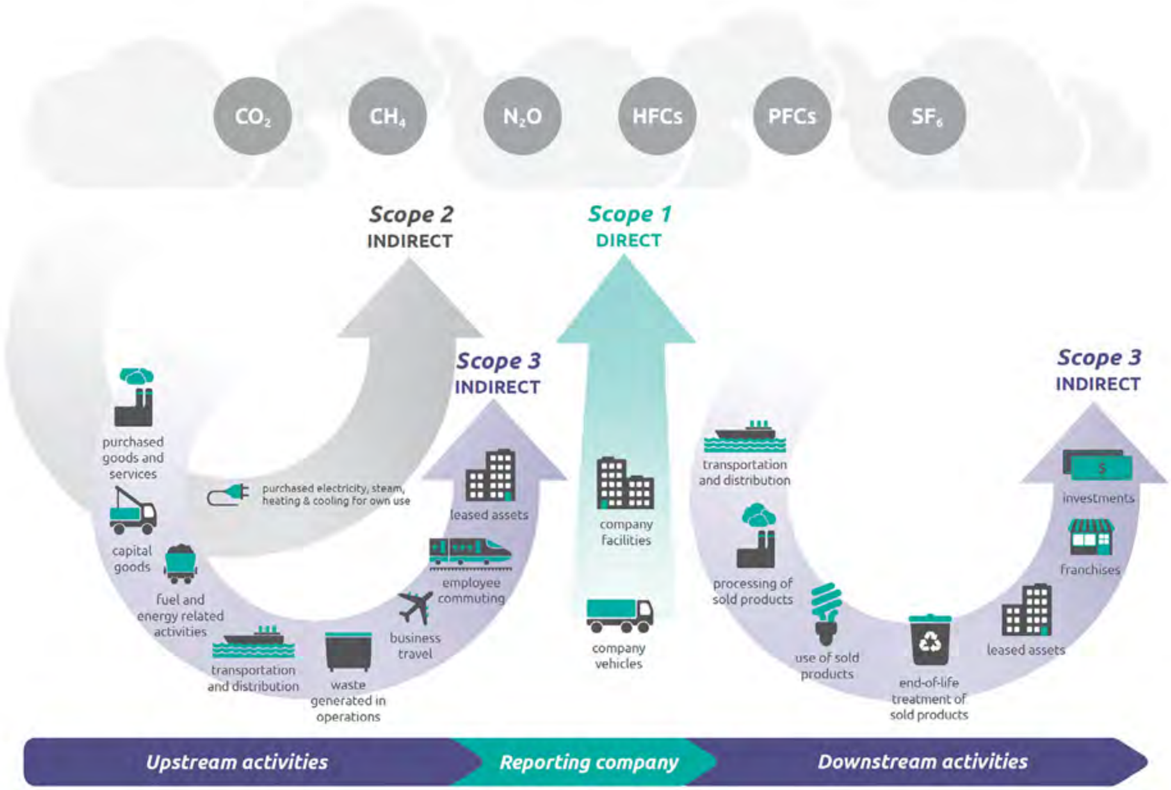
Our approach and commitments

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 emissions annually. We have updated our methodology and data quality along the way. This report includes our emissions overview for latest year 2025, previous year 2024 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).

50%

absolute reduction in Scope 1 and 2 emissions by 2030 from 2019 levels.

55%

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

Working on emission reduction

In 2025, we advanced efforts to promote the adoption of preferred fibres, enhanced energy efficiency within our stores, and collaborated with manufacturers to facilitate emissions reduction. These initiatives exemplify our commitment to climate responsibility.

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

By 2025, we maintain a comprehensive overview of renewable energy usage including solar, wind, hydro, biomass, and conventional sources within our tier 1 supply chain. Documentation such as iREC, Guarantee of Origin, PPA, and GEC are recognised as valid proof of renewable energy. Our calculations for emission reduction do not include offsetting. We continue to collaborate with key stakeholders, including providers of renewable energy certificates and solar panel installation services, to identify additional opportunities.

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 2025, the total amount of greenhouse gas emissions for Varner is 302 845 tons of CO_2e, of which 394 tons (0.1%) of CO_2e are attributed to scope 1, and 36 008 tons (12%) of CO_2e to scope 2, and 266 444 tons (88%) of CO_2e to scope 3.

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

	2025	2024	2019 Baseline	% Change (2025–2019)	2030 Target
Scope 1 and 2 emissions (ton CO_2e)	36 402	42 127	25 488	43% increase	Scope 1 and 2 target indicator
Scope 3 emission (ton CO_2e)	266 444	328 931	311 594	14% decrease	Additional indicator
Scope 1,2 and 3 emissions (ton CO_2e)	302 845	371 057	337 082	10% decrease	Additional indicator
Scope 3 emission (ton CO_2e/million NOK annual revenue)	22.09	28.69	28.98	24% decrease	Scope 3 target indicator

Solar panels in Bangladesh at one of our factory partners.

This is the **sixth edition** of the consolidated Sustainability Report for Varner

How we report

Notes on methodology

This is the sixth edition of the consolidated Sustainability Report for Varner. The data and information presented cover the reporting period corresponding to the year 2025, with some updates on projects initiated in previous years. To enhance comparability over time, the report includes trends from previous years (where possible). Employee-related data, including the number of employees and gender distribution, align with Varner's consolidated financial reporting.

Aligned frameworks and methodology for reporting

The 2025 report is written inspired by the Global Reporting Initiative (GRI) Standards 2021 and has not undergone assurance. 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 was inspired by 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 retroactive updates in GHG emission numbers for the year 2025 and base year 2019. The final numbers have been updated in this report.

- The methodology for selecting heating sources when this information is unavailable for facilities has been clarified. If no heating sources are specified, it is assumed that the heating is supplied by electricity. This choice was made to be conservative since heating by electricity in general has higher emissions than using district heating. This has been retroactively updated for the base year FY2019 and the previous year FY2024.

- The RFI factor for air freight has been updated to 1.7 in accordance with the upcoming updated STICA Guidelines and the latest scientific understanding. This has been retroactively updated for the base year FY2019 and last year FY2024.

- Refrigerant leakage has been calculated based on the reported area and retroactively updated for FY2019 and FY2024.

- Tier 2–4 emissions from apparel, home textiles, footwear and samples for FY2024 have been estimated and retroactively added to the results.

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.

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_2e 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.

Methodological changes:

The categorization of tier 1A non-textile has been updated. This has not retroactively been updated, but Varner aims to do it later this year.

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 to the right, 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 on the next page.

Calculation method, Scope 2	**Emissions [ton CO_2e]**
Market-based	36 008
Location-based	3 875
Difference value	**32 133**

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. The table on the right shows which Scope 3 categories are included, excluded and non-relevant 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 Upstream fuel and energy-related activities not included in scopes 1 and 2	Included
3.4 Upstream transportation and distribution	Included
3.5 Waste management	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 goods	Not relevant
3.11 End use of sold goods	Excluded
3.12 End-of-life treatment/disposal of sold goods	Excluded
3.13 Downstream leased assets	Not relevant
3.14 Operation of franchises	Not relevant
3.15 Operation of investments	Excluded

Company Definition of Renewable Energy:

To ensure transparency and consistency in our reporting, we define renewable energy according to internationally recognised 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).

Transparency and Continuous Improvement: We are committed to continuously improving our understanding and utilisation of renewable energy sources. We will periodically review and update our definition and verification processes to reflect the latest advancements in the field.

Board of Directors – 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, please contact us at: Sustainability@varner.com

Thank you!

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