

VARNER

Sustainability Report 2022



NORDIC SPIRIT GLOBAL IMPACT



**AT VARNER, WE HAVE
A STRONG FOCUS ON
SUSTAINABLE SOLUTIONS**

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Letter from the CEO

I am proud to present the Varner Sustainability Report for 2022. The report is intended to give a comprehensive account on our continued journey to become a more sustainable company. This journey is being captured within the framework we call “Nordic Spirit, Global Impact”.

On 1st July 2022, Varner welcomed The Norwegian Transparency Act. This new Act is intended to promote respect for fundamental human rights and decent working conditions. This present report is a way to meet the Act's expectations by accounting for how Varner carry out due diligence for responsible business conduct.

In Varner we have a strong focus on sustainable solutions, and we continue the path of being transparent, firm in our approach, and acknowledge the progress we are making.

Our core business is firmly established in the Nordics, but through our supply chains we are present in regions of the world where there are apparent risks related to decent work and human rights. We aim to use this as an opportunity to make a positive impact and to promote decent working conditions and human rights beyond our own organization.

While we are impacted by the world around us, we also have an impact on the world, and are present with our environmental and climate footprint, through our business operations, our stakeholders, our value chains.

We are dependent on many factors to progress in the areas of climate and environmental sustainability and often face the lack of available solutions. However, we are committed to work in collaboration with our industry peers and key stakeholders to move forward with concrete action. Our roadmap and activities related to this area, found in the section ‘circular and climate conscious’ gives me confidence that we are moving in the right direction.

An important step in 2022 was to join ZDHC Roadmap to Zero Programme as ‘friends’ to implement good chemical management practices in our value chain. We have also submitted our commitment letter for setting near term emission reduction target to Science Based Target Initiative this year.

Even if the increase in raw material prices globally was a barrier for progress on the way we source our materials, we are still committed to our targets and goals towards 100% preferred fibers. In 2022 Varner became certified to Textile Exchange Standards & GOTS, which is an achievement in itself.

2022 was in many ways a challenging year for our industry, but we have yet again proved that with the will and the right people and our values, we can still develop and thrive. I am hopeful that 2023 will bring even more possibilities for progress for our sustainability work.

Leaders' insight

New legislation creates industry transformation

2022 was a year of transformation for our industry, as the world emerged from a global pandemic, and fashion retailers had to find their footing in a markedly changed landscape. Ongoing pandemic-related supply chain disruptions were compounded by the start of the war in Ukraine, which contributed to higher energy prices globally, as well as increases on the cost of raw materials, leading to overall increases on the cost of goods produced. Simultaneously, new legislation and product regulations shifted the industry spotlight over to traceability, to secure working conditions at every step of the supply chain and allow consumers access to information about where their products are manufactured.

Varner has a public goal that all our products will be fully traceable by 2030. Both in terms of our own goals, as well as existing and pending legislation, the importance of traceability has been magnified during the past year. Varner welcomes this new legislation, as it supports our internal goals and strategy, and we believe it will help us to gain full visibility for all our products in the future. In response to the Norwegian Transparency Act, which was enacted in July 2022, Varner has implemented a Process Mapping Form for all our products, which enables us to document each step in the manufacturing process per product, back to the raw material level. The Process Mapping Form is a document we have developed internally, which each supplier must submit at the time of order placement, as part of the order confirmation.

In addition to implementing new procedures to secure the information related to each individual product, Varner has also signed on to a pilot project with Textile Genesis, to create fiber to retail traceability of specific products across global supply chains. Textile Genesis delivers a solution that will help us to document the supply chain for our products made with certified fibers, which will provide a traceability starting from fiber to product and will be verified via the use of digital token-based traceability technology.

Textile supply chains are notoriously complex, and we anticipate a range of challenges for different product types that will create obstacles to achieving full traceability. However, as an industry we are progressing, and we predict that raised expectations from brands will result in new working processes to ensure traceability back to fiber level. Traceability has gone from optional to required, yet without cooperation

and participation of all players back to the raw material level, it will not be possible for brands to deliver. So, it will require a true team effort from the entire industry to jointly deliver on the requirements set to the brands. The solution provided by Textile Genesis is particularly compelling, as it starts the tracking from the fiber level, and moves fluidly through the supply chain, eliminating any possible areas of doubt or potential roadblocks, while giving the added certainty of verification.

The benefits of traceability extend beyond legal compliance, traceability provides a wealth of information which brands can analyze to improve their risk assessment process and streamline their supplier base beyond Tier 1. Varner has plans to utilize the information gathered in multiple ways, including giving priority to tier 1 suppliers who have specific advantages within their supply chains. We want to offer the best products to our customers, in every aspect of the products, including their origin and journey to reach our sales channels and shops. Traceability increases the value of the products for our customers, as it enables them to access information which can help them navigate their purchasing selections and gain more knowledge about the products they decide to purchase. Traceability not only tells the consumer where items are manufactured but can also give information about the environmental impact of a product, or the impact on people in the local communities where the goods are produced.

While the current and pending legislation has forced our industry to embrace traceability at a rapid pace, the outcome of this is that businesses can reap the rewards of having full knowledge of their total supply chains, and consumers can access the same information to assist in making informed purchasing decisions. 2023 may be shaping up to have similar sorts of challenges as 2022 in terms of inflation and the cost of production and raw materials, but now we have charted our path towards 100% traceable products, and we are well on the way.

03.



ABOUT US



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 further 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 2022, Varner consists of six brands selling in five markets through 1162 stores and six online stores and has become one of Scandinavia's leading fashion retailers. Along with the continual focus on physical stores, Varner is becoming increasingly digital with the goal of giving customers the ultimate shopping experience.

Our culture

Our core values - **PASSION, FRIENDSHIP, HAPPINESS, BUSINESS MINDED, MAKE IT EASY AND RESPONSIBLE** - are the essence of our identity and shape our company's culture and business practices. We believe they are fundamental to the success of our business.

Our company's culture is extremely important, and people are always at the center of our attention. As a Scandinavian family-owned business, we believe in having a positive impact on the people we depend on to achieve our success: our colleagues, our business partners, the employees, 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 product safety, product quality, and product durability.

Reducing our environmental impact is also an essential part of our sustainability commitment. This translates into working for more 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.

Our concepts

BIKBOK



CARLINGS



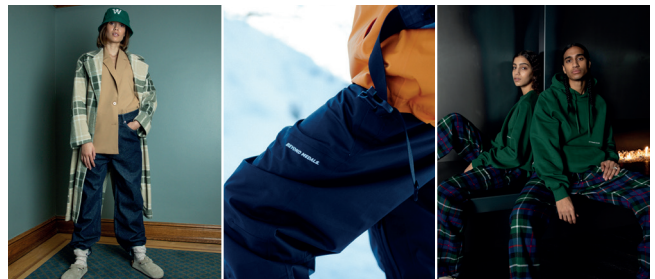
Cubus



Dressmann®



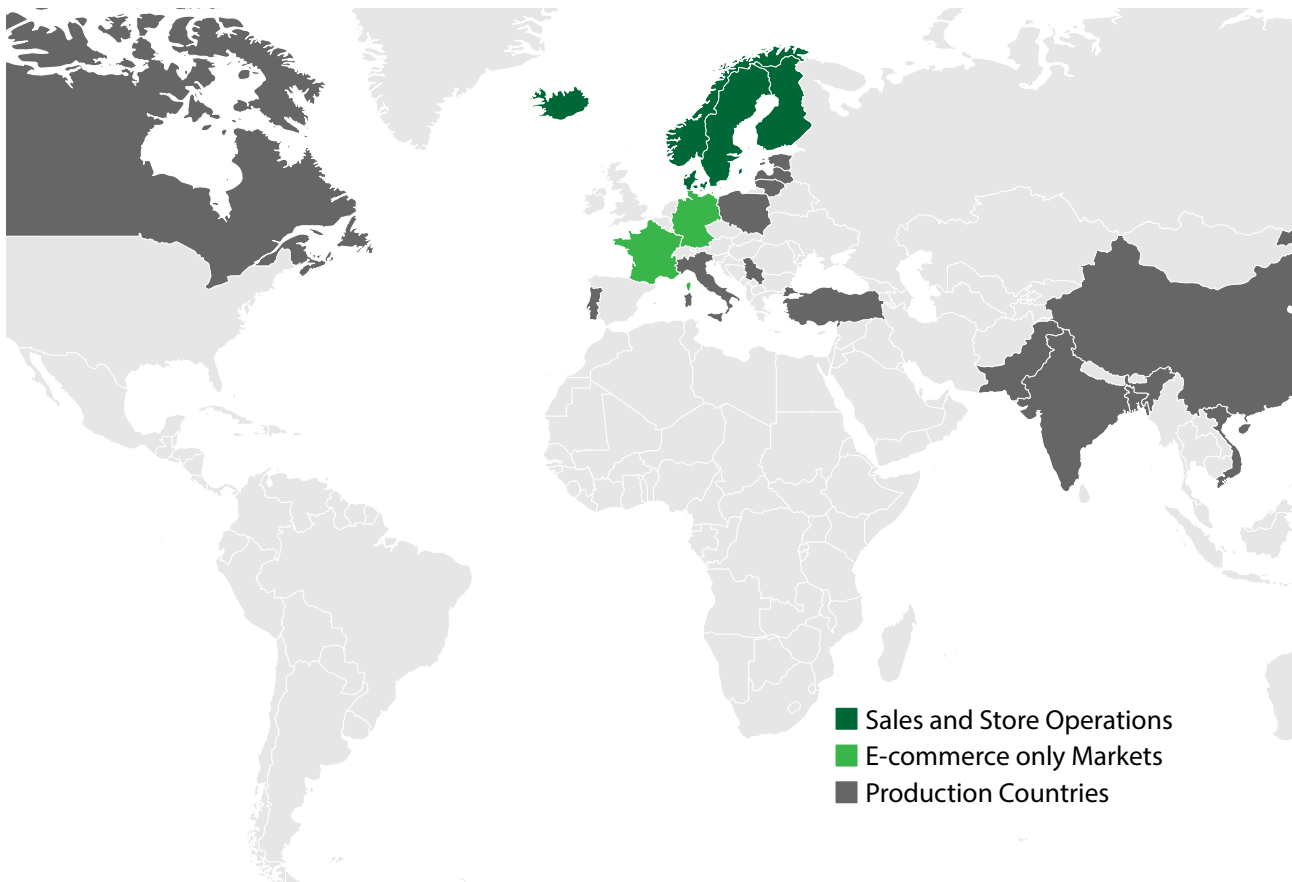
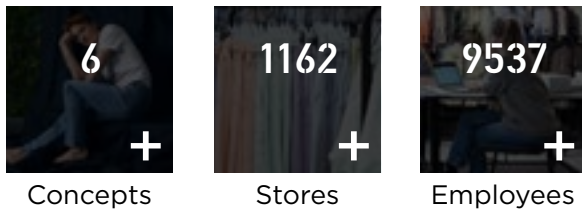
JUNKYARD.



VOLT



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 and Volt

Products: Apparel & Footwear

Our presence:

E-commerce and Physical Stores: Norway, Sweden, Finland, Denmark, Iceland.

E-commerce only markets: Germany and France.

Production countries: Norway, Lithuania, Latvia, Bangladesh, China, Turkey, India, Pakistan, Italy, Portugal, Serbia, Poland, Estonia, Sweden, Canada and Vietnam.

Key achievements in 2022



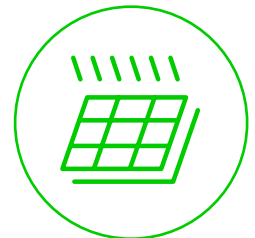
Dressmann was among the top 10 highest scoring brands in the 2022 Fashion Transparency Index.

Varner became certified to Textile Exchange standards and GOTS.



Dressmann won the Norwegian Sustainability Barometer award for the textile industry. Cubus placed second.

Varner invested in rooftop solar panels for our distribution center in Vänersborg.



72% of our employees participated in training related to sustainability.

2394 workers in the supply chain were interviewed by Varner about their conditions at work.



Our company structure

Varner is one of the largest fashion retailers in the Nordic countries, with nearly 9000 employees and around 1200 stores across 5 countries and an online presence in more than 8 countries. We are a family-owned Norwegian company with a revenue of NOK 10.6 billion in 2022. This is up from NOK 9.4 billion in 2021, mainly due to our stronger presence online and improved sales in stores. The Varner brands consist of Cubus, Dressmann, Bik Bok, Carlings, Volt, Junkyard and Levi's Store (franchise). Our main business (80%) are private brands sold within stores that are fully owned by Varner. Approximately 20% of our business is external brands sold within multi-brand stores that are fully owned by Varner. We are operating franchise stores as a minor business representing a major international brand, Levi's, in the Nordic countries. Varner is a progressive company. We thrive on innovative business development with the customer in constant focus. We will strive to be at the forefront of the everchanging 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 as per company structure

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

Norway: Varner AS, Cubus AS, Dressmann AS, Carlings AS, BikBok AS, Junkyard AS, Varner Brand Stores AS.

Sweden: Varner Retail AB, Cubus AB, Dressmann AB, PocoLoco AB, BikBok AB, Junkyard AB, Varner Brand Stores AB, Varner Supply AB

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

Iceland: DM à Islandi EHF


Denmark: Dressmann AS (DK).

Major organizational changes in 2022

Varner has not made any major organizational change during 2022.

Our sales & store operations

FINLAND

 1380

 190

NORWAY

 4291

 539

ICELAND

 34


 4

DENMARK

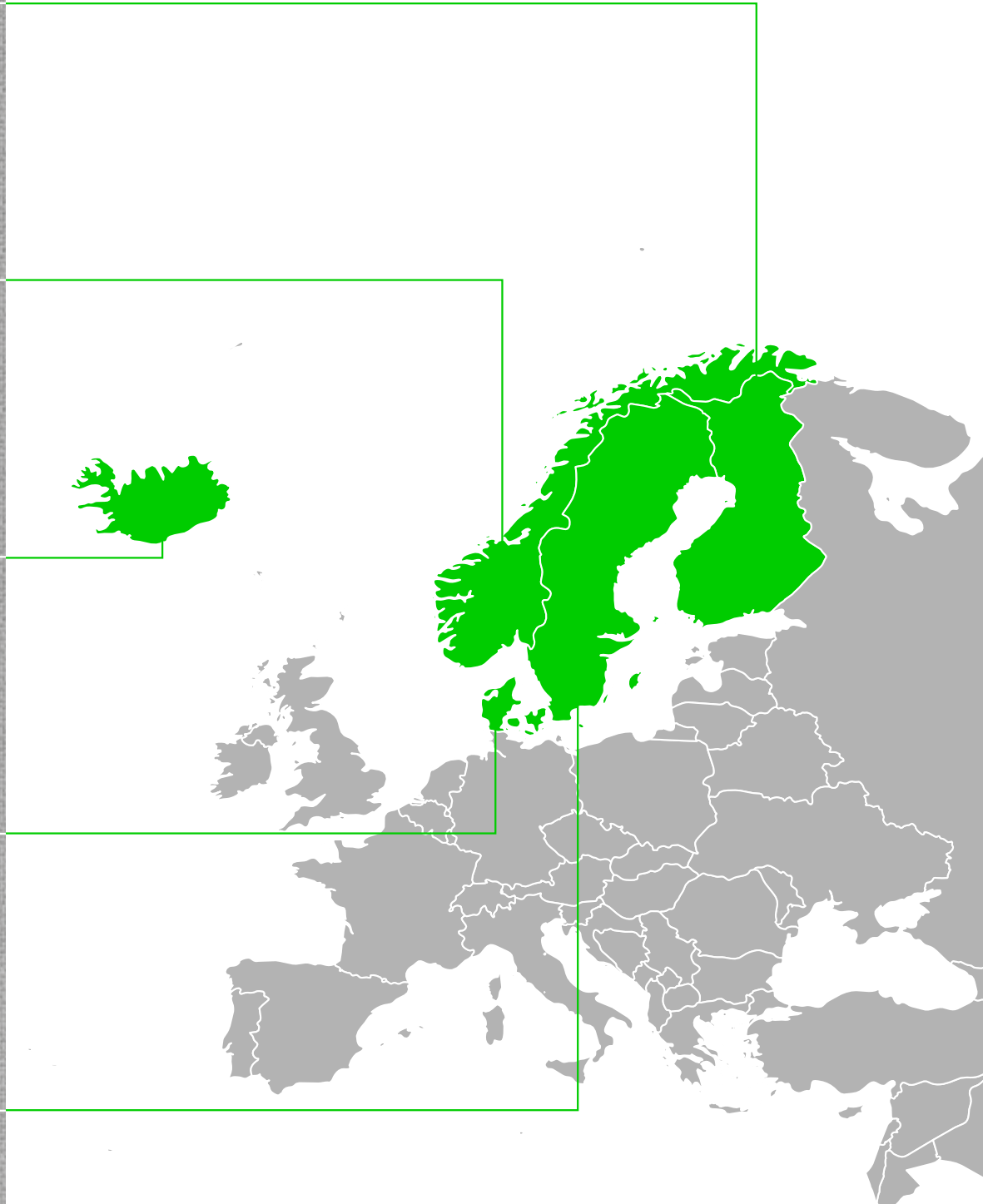
 10

 2

SWEDEN







 2948

 429



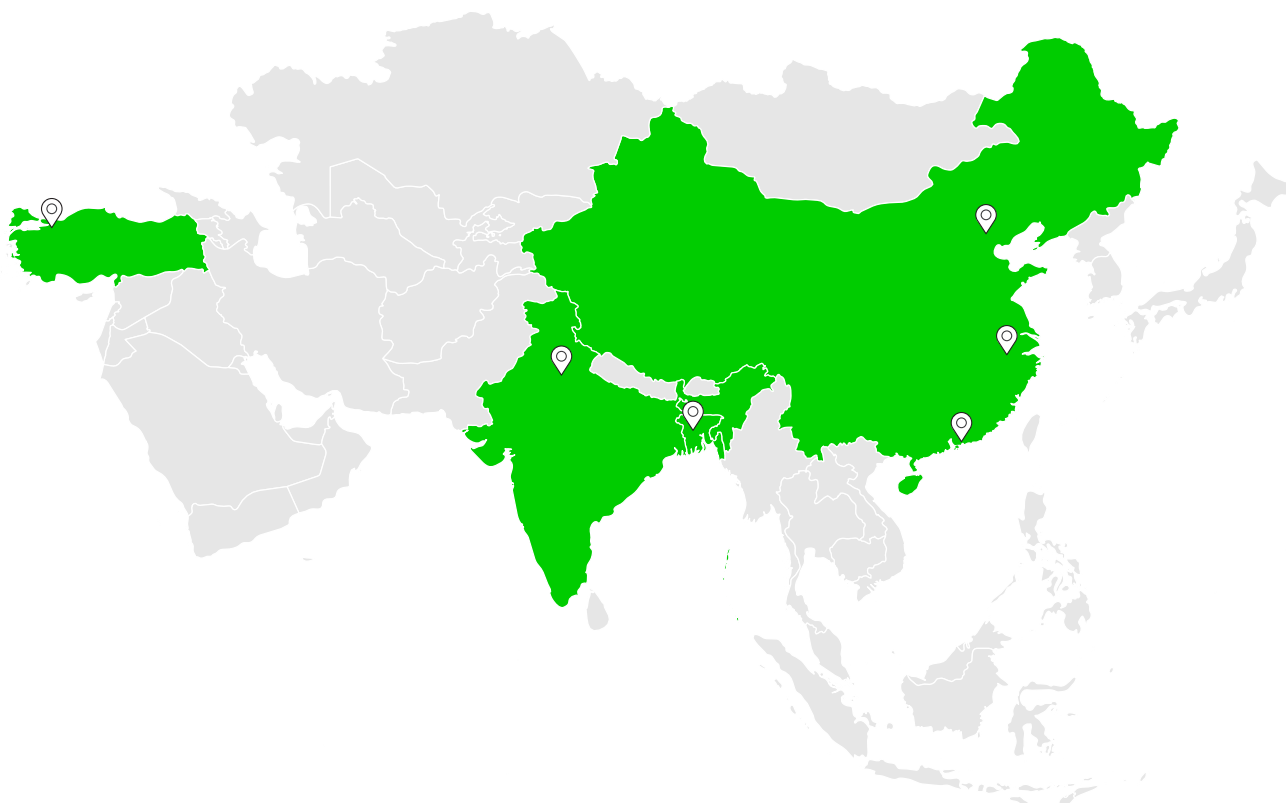
Our global presence

Varner does not own any factories, but sources from 13 countries in Asia and Europe, and cooperates with approximately 335 factories for the manufacturing of our products. We have established regional production offices in our four major sourcing and production countries: China, Bangladesh, India and Turkey. Our local presence in these markets enables us to cooperate on improvements with our suppliers and their factories, both on the ground and on-site.

Global Production Office		Turkey	South Asia	Bangladesh	Far East
	Location	Istanbul	New Delhi	Dhaka	Hong Kong, Hangzhou, Beijing
	Established	2002	2011	2012	2014
	Employees	20	15	32	31
	Suppliers ¹ Factories ²	31 87	10 33	32 67	59 107
	Sourcing Countries	Turkey, Pakistan & Europe	India	Bangladesh	China, South East Asia
	% of Global Production Volume	17,8%	6,7%	47,4%	28,1%

¹ In addition to the listed numbers four suppliers are managed from Norway.

² The listed numbers are tier 1 factories. This is including tier 1A being direct producers and tier 1B being processors (doing processes such as washing, printing and embroidery). In addition to the listed numbers four factories are managed from Norway.





NORDIC SPIRIT, GLOBAL IMPACT

Our sustainability mission

At Varner, we have a focus on sustainable solutions. This means that we must make conscious choices to be responsible towards society and the environment in every step of the product life cycle, from design and development to customer usage. To strengthen and gather our sustainable initiatives, we have our strategic theme for sustainability - Nordic Spirit, Global Impact.

Being 'RESPONSIBLE' is one of the core values at Varner. To us this signifies taking necessary steps to understand our responsibility towards our consumers as well as society and the environment. We are committed to take 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.

“2022 was a year of reflection and moving forward. We have been keeping a close eye on the rapidly evolving requirement of laws and regulations as well as the definition of what sustainability should be for an organization such as ours in the coming years. We have completed several activities this year to inform our organization about the upcoming legal landscape when it comes to sustainability. We will keep moving forward and we have the support of the entire organization with us.”

Julie Bragli Eckhardt,
Head of Communications, Varner



FAIR FOR ALL

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

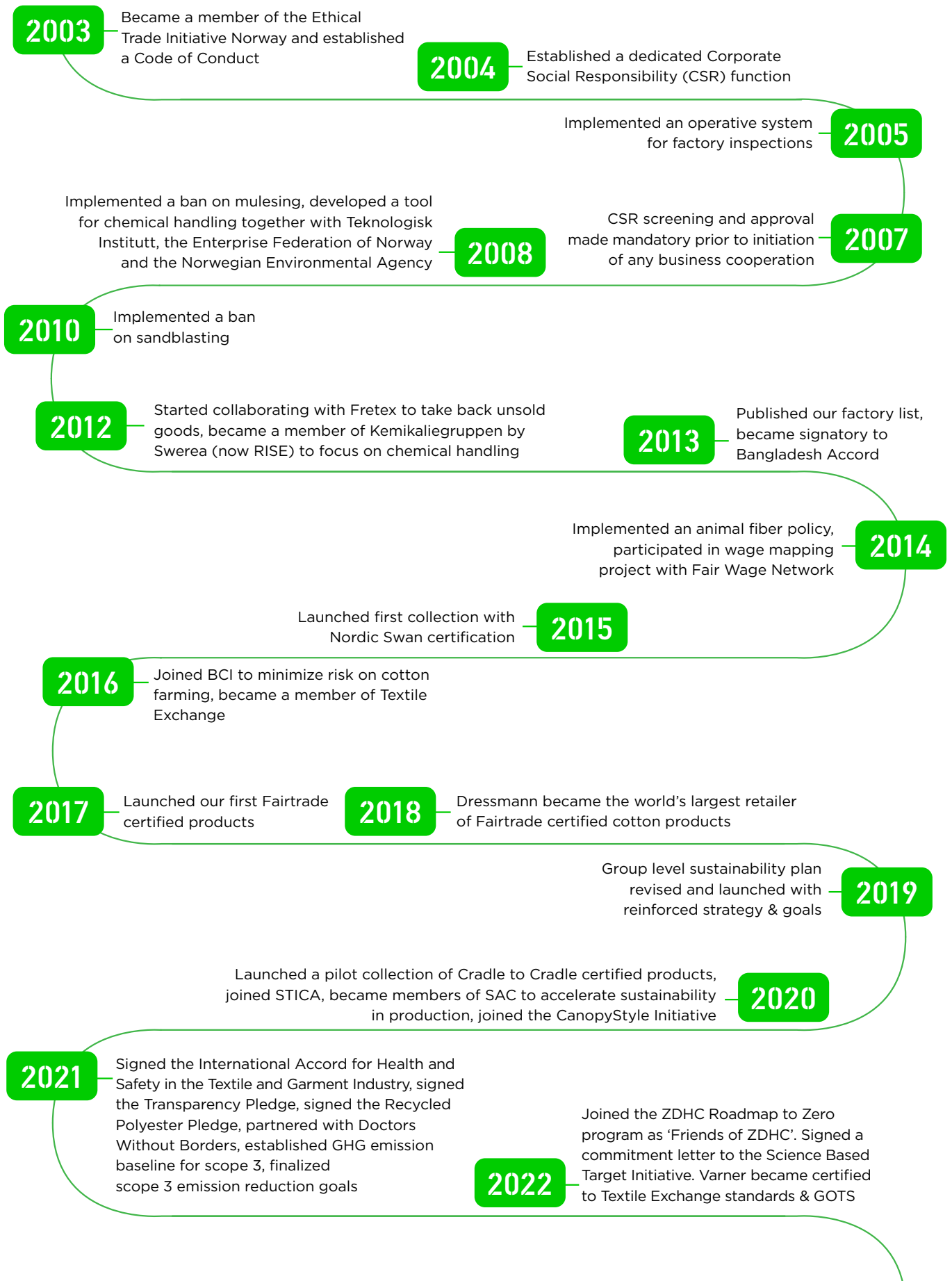
CIRCULAR & CLIMATE CONSCIOUS

Circularity is the future of fashion, and we will actively work 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.

ENGAGE THE CONSUMER

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.

Our journey



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, Brand Directors, and Business Areas Directors.

The shareholders consist of members of the Varner family. The Board of Directors is responsible for making sure 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.

Members of the Board of Directors

PETTER VARNER

Chair of the Board
Born 1962
Primary Occupation:
Chief Brand Director
in Varner AS

MARIUS VARNER

Board Member
Born 1965
Primary Occupation:
CEO of Varner AS

JOAKIM VARNER

Board Member
Born 1973
Primary Occupation:
Chief Concept Designer
in Varner AS

The Board of Directors and the Executive Directors are collectively considered to be the highest governance body and have regular weekly meetings. The highest governance body is responsible for making important decisions concerning the direction of the company and overseeing the management of the organization's impact. This includes setting policies and procedures, in addition to establishing goals and objectives for the company.

The top management group, including Brand Directors and the Business Area Directors, are part of the company's governance body. The members are all senior executives and managers for our different professional areas or one of our brands. Hence, the selection of members is based on their position in the organization. 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' position in the company, they are all obliged to inform the company of any potential conflicts of interest in compliance with their employment, also referring to the Varner Code of Conduct. Further measures or monitoring have not been implemented as trust and transparency are important values for the organization, including for members of the governing body. A formal process for Evaluation of the performance of the highest governance body has not been introduced.

Varner compliance group

A formal Compliance Group was established in 2022. The Compliance Group has assessed incidents that have come to light throughout the year. None of these have turned out to be defined as critical concerns.

The Varner Compliance Group will provide an annual compliance report presented to the Board of Directors. The work of this Group is further mentioned in this report on page 77.

Remuneration

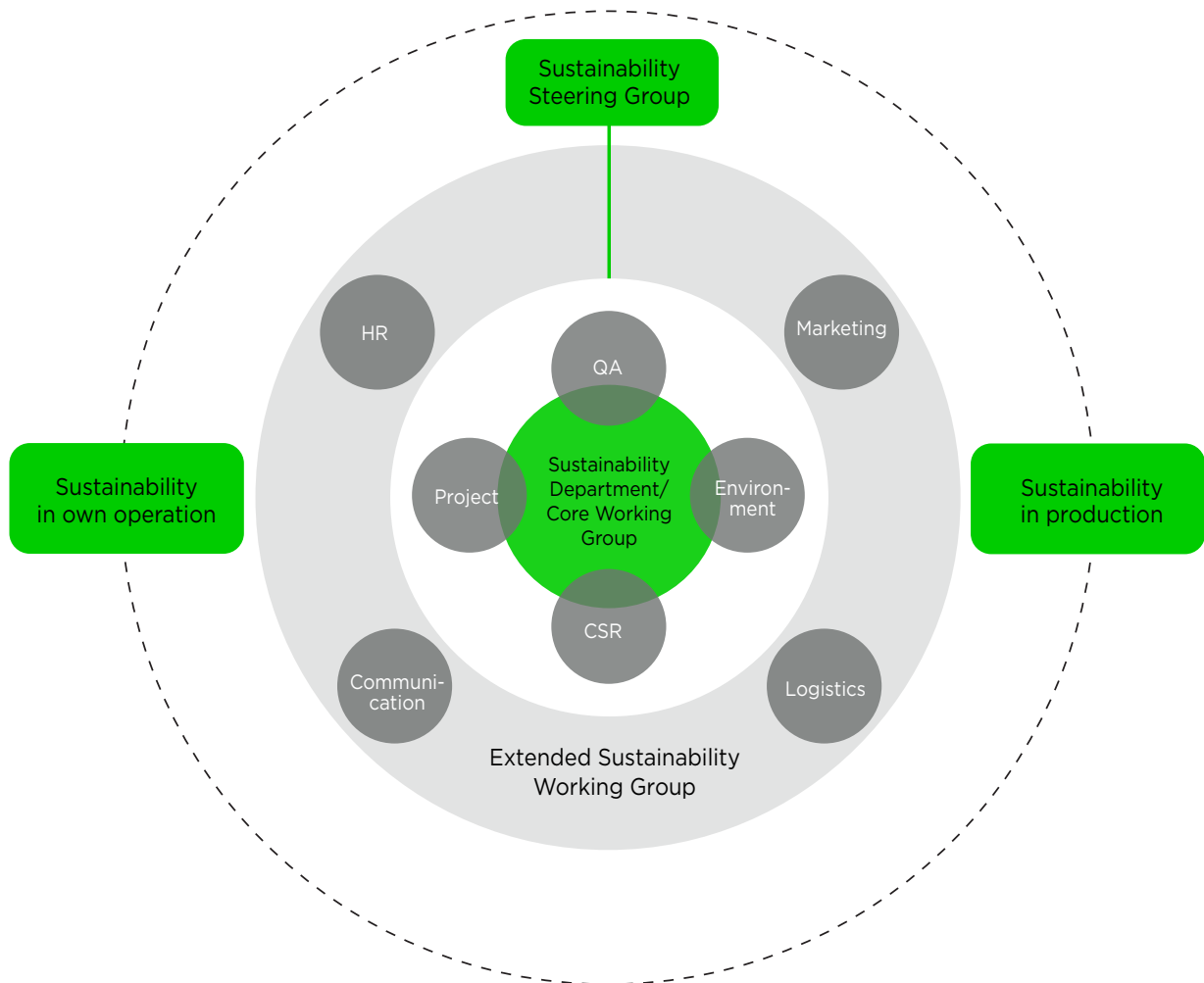
The process for determining salaries for the governance body and senior executives is based on market salaries, areas of responsibility, critical competence, and seniority. Salary and conditions are determined by the Board of Directors and the CFO, with influence from the HR division.

The company does not have a defined policy of providing supplementary incentives to senior executives and members of the highest governance body beyond salary, the company's defined bonus plan, and our fixed employee benefits. Reward mechanisms such as salary evaluation and bonus are directly linked to individual and financial performance. The bonus scheme for the group is linked to bottom-line growth and follows fixed principles that are evaluated annually. The assessment of the annual total compensation ratio has been made in the parent company. Total salary includes total compensation, while salary growth includes real salary growth for everyone in the same company, attached to the report.

The pension schemes in the company are in accordance with local legislation and do not differentiate between employee groups. The pension agreements are pure deposit schemes and entail no major risk. There are some old schemes that are part of previous acquisitions, they are locked for any new memberships.

Sustainability governance

We are fortunate to have so many dedicated people taking part in our journey. To implement our sustainability ambition, responsibilities are integrated in key roles of the organization and in our business strategy.



The Sustainability Steering Group, comprised of representatives from the top management group, has the overall responsibility for the sustainability strategy as well as material topics, for approving group-level guidelines and decision making. This group is the highest governing body within the organization in sustainability context. Members of this group are nominated from the top management group based on the sustainability context of their role and overall experience. We have 80% female and 20% male representatives in this group. A formal process for evaluation of the performance of the highest governance body has not been introduced.

The Sustainability Working Group, formed by selected representatives of relevant departments, has been delegated the responsibility to analyze the organization's impacts on the economy, environment, and people. Together with the extended working group, the sustainability department (core working group) is responsible for advising the steering group on targets and strategies, to analyze risks and opportunities, to coordinate the implementation of goals and to communicate results internally and externally. They work closely with the entire organization on the implementation of our strategy. The Sustainability Working Group also has regular interaction with departments such as Marketing, Supply Chain, Finance and Human Resources, as well as country organizations depending on running projects and priorities. Each department and country organization are responsible for reaching their set goals. In our production offices, we have specialists in various areas of sustainability that develop and implement the strategy in production.

Once in every quarter, members responsible for sustainability governance meet and discuss updates to advance collective knowledge on sustainability related development relevant to our organization and industry.

See Reporting Team on page 171 for more information about the different groups.



Due diligence for responsible business conduct in Varner

As a business rooted in the Nordics that has global value chains, we realize that we can contribute to social, environmental, and economic progress. In order to do this we need to manage negative impacts (adverse impacts) associated with our business. We use the process of due diligence as a key framework to guide us in order to identify, prevent or mitigate and account for how actual and potential adverse impacts (on people, the environment and society) are addressed.

Our approach to Due Diligence for Responsible Business Conduct (RBC) is informed and guided by the [OECD Guidelines for Multinational Enterprises](#), the [OECD Due Diligence Guidance for Responsible Business Conduct](#) and the sector guide [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector](#). The six part framework for Due Diligence for Responsible Business Conduct established by OECD is the guiding the structure of the work in Varner. The elements in the process being:

- Embed responsible business conduct into policies and management systems
- Identify & assess adverse impacts in operations, supply chains and business relationships
- Cease, prevent or mitigate adverse impacts
- Track implementation and results
- Communicate how impacts are addressed
- Provide for or cooperate in remediation where appropriate

The framework has been prioritized to be applied most significantly towards work to prevent and mitigate actual and potential adverse impacts associated with product supply chains. This is where the risk of actual and potential adverse impacts are perceived to be most significant. This has also been reflected in the risk assessment activities. A key responsibility of applying the framework is placed in the Global Production department and in particular towards the three sub-departments Corporate Social Responsibility (CSR), Environment, and Quality Assurance (Sustainability Department / Core Working Group). Due diligence activities are a part of the working tasks of the specialist functions in these departments. In addition, the due diligence framework informs the work that is being done in the Sustainability Steering Group and the Extended Sustainability Working Group.

For more information about how Human Rights Due Diligence (HRDD) is applied in Varner and in particular in Varner product supply chains, see chapter 5. For key information about due diligence related to climate and environmental aspects, see chapter 6.

Assessment of management systems at Varner:

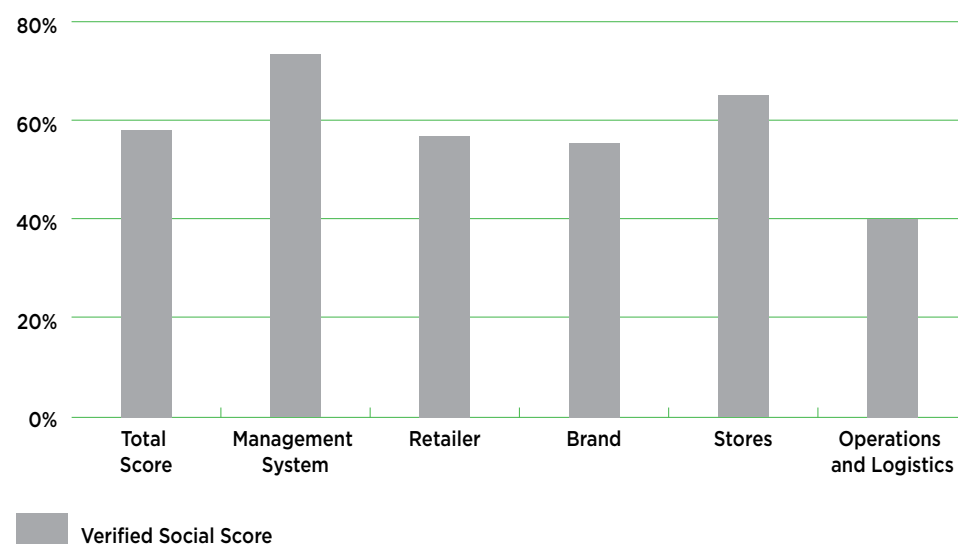
Higg Brand and Retailer Module

As a member of the Sustainable Apparel Coalition, we completed SAC's Higg Brand and Retailer assessment (BRM 2021 module) in June 2022 for all of Varner's own brands. The Higg Brand & Retail Module helps brands and retailers measure their overall social and environmental impact across categories such as operations, stores, and supply chain. We have also completed 3rd party verification for this module in October of the same year. Through the BRM verification process, we received several good recommendations for improvement, most of which we have started implementing.

Higg BRM 2021: Environment Section Score Overview



Higg BRM 2021: Social Section Score Overview



Stakeholder engagement

We define our stakeholders as those groups, entities or individuals that can reasonably influence and impact Varner or can be impacted and influenced by Varner in a direct or indirect manner. This includes both external and internal stakeholders. The stakeholders were identified and grouped by the Sustainability Department/Core Working Group in an inclusive process where relevant stakeholders, arenas of interaction, and key topics addressed or raised have been mapped. The Extended Sustainability Working Group and the Sustainability Steering Group were consulted as a part of the process. The mapping and consolidation of groups, topics and arenas of interaction has been prepared for this report.

The purpose for stakeholder engagement is to enable feedback on our activities and its direct or indirect impact on people, the environment and society. Such engagement is also important in order to understand rapid developments in terms of expectations to our role as a company, and for us to advance our understanding and approach to take effective action on sustainability topics.

Stakeholder Group	Key Sustainability Topics	Arena of Interaction
Customers & Consumers	Product Safety & Quality Worker Rights & Human Rights Traceability Climate Action Material sustainability Circular Economy Sustainable Supply Chain	Physical and Online Stores Customer Service Social Media Customer Surveys Marketing & Campaigns
Governmental Authorities	Worker Rights & Human Rights Circular Economy Climate Action Traceability Transparency	Meetings Information Request Annual Report Public Reports Audits Letters
NGOs, Advocacy, Interest Groups	Transparency Traceability Workers Rights & Human Rights Diversity & Equal Opportunity Material Sustainability Circular Economy	Multi-Stakeholder Platforms Conferences Seminars
Media	Worker Rights & Human Rights Traceability Transparency	Press Contact Customer Service Public Sustainability E-mail

Suppliers	Worker Rights & Human Rights Traceability Transparency Material Sustainability Product Quality & Safety Supply Chain Sustainability Climate Action Chemical and Pollution Management	Meetings Training Annual Supplier Survey Letters Audits Assessment Activities
Supply Chain Workers	Worker Rights & Human Rights Climate Action Chemical and Pollution Management	Interviews Audits Training Grievance Channels
Partnerships & Network Organizations	Anti-corruption & Anti-bribery Worker Rights & Human Rights Traceability Transparency Circular Economy Material Sustainability Industry Collaboration Sustainable Supply Chains Biodiversity	Meetings Seminars Conference
Research Communities & Academia	Worker Rights & Human Rights Chemical and Pollution Management Climate Action Circular Economy	Interviews Seminars Meetings
Varner Employees	Transparency Product Safety & Quality Worker Rights & Human Rights Community Engagement Responsible Employer Employee Competence Building Climate Action Chemical and Pollution Management	Training Newsletters Employee Surveys Working Environment Committee Meetings
Owners & Top Management	Worker Rights & Human Rights Traceability Transparency Sustainable Supply Chain Climate Action Material Sustainability Traceability	Board of Directors Reporting Survey Meetings
Local Communities	Community Engagement Circular Economy	Charity Organizations Sponsorship Donations
Businesses (other companies, industry organizations)	Climate Action Sustainable Supply Chain Industry Collaboration Traceability Circular Economy Worker Rights & Human Rights	Multi-Stakeholder Platforms Sustainability Forums Projects

Risk assessment 2022

A risk assessment exercise was conducted in 2022 with a focus on risk related to responsible business conduct. The purpose of the exercise was to identify actual and potential adverse impacts associated with Varner operations and products. The framework of the OECD Due Diligence Guidance was utilized to structure the exercise and process.

The risk assessment was done with input from internal and external stakeholders and with active participation from the functions Quality Assurance, Environment, CSR, Sourcing, Global Production, HR, as well as the Extended Sustainability Working Group.

The risk assessment was done along five streams of risk. These were, sector risks, country risks (social), country risks (environmental), material and product risks, business and sourcing model risks. The assessment has focused primarily on actual and potential adverse impact (on people, the environment and society) but also identified impact factors that could influence adverse impacts through how they are managed. The scope of the exercise has mainly been risk associated with supply chains connected with Varner's own product lines. There are plans to expand the scope in coming assessments of risk.

A series of tools have been used in the process. Some selected examples being the sector guide OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector, the ETI-Norway Salient Risk Tool, indicators from the Environmental Performance Index (EPI), and the Textile Exchange Material Summaries.

Risks identified from the various risk assessment exercises were grouped into categories that were [reviewed for saliency](#). The UNGP Guiding Principles were applied in order to determine the scale (how grave the impact would be), scope (how widespread the impact would be) and remediability (how hard it would be to put right the resulting harm). In addition, the likelihood of occurrence was applied as a factor.

The results from the risk assessment exercise were presented to internal and external stakeholders for final consultation and adjustment¹. Final adjustments were made after this round of consultation. A review was then made with a focus on actual or potential likelihood of involvement².

The list of impacts identified as needing to be prioritized from the exercise were: Greenhouse gas emissions & global warming, occupational health & safety, sexual harassment and sexual and gender-based violence (SGBV) in the workplace, wages, water consumption & water stress, water pollution, regular work (informal work), discrimination, child labour, and forced labour.

The risk assessment exercise has been an important resource to prepare and finalize the basis for the materiality used in this current report. More information about the adverse impacts identified and Varner's approach to manage these impacts can be found in chapters 5 and 6 of the report.

¹ Three external stakeholders were invited to contribute their input in the final round, whereby two provided their feedback (Textile Exchange and Sustainable Apparel Coalition).

² This has been done with reference to the terms "cause", "contribute", "linked"

Materiality

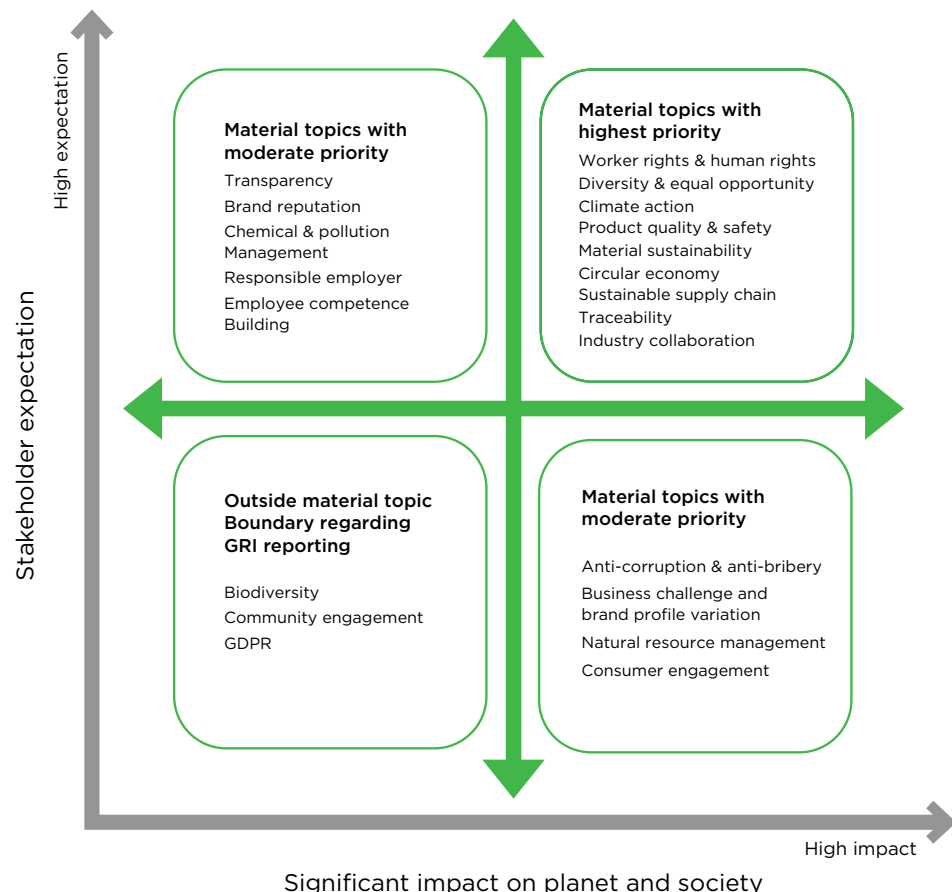
Our comprehensive materiality assessment is aligned with the GRI standard. In addition to GRI, we also consult multiple international frameworks and follow sustainability topics relevant for our industry in order to define topics that are material to us. Three key activities that form the basis of our materiality assessment are:

- Due Diligence Process
- Risk Assessment
- Stakeholder Engagement

First, we identify actual and potential impacts to and from Varner business within a sustainability context. In 2022, we identified more than 90 actual and potential impact areas. Following GRI guidance, these smaller impact issues were then grouped into 21 broader 'material topic candidates' for sustainability and housed under our three pillars of sustainability, which serve as an overview for potential topics for sustainability reporting.

The next step is prioritization of 'material topic candidates' through our materiality matrix. In our materiality matrix we have placed 'stakeholder expectation' in Y axis and 'significant impact on planet and society' in the X axis. We then place each 'material topic candidates' in one of the four groups based on the inputs from the risk assessment and stakeholder engagement. Out of 21 candidates, 18 have been considered as 'material topics' for this reporting.

Materiality Matrix



Transparency and Communication

Engaging with customers and stakeholders has always been important to Varner. Our aim is to communicate openly and be transparent about our work within sustainability, including risks and strategies to address potential and actual negative impact. Our main channel for public communication about sustainability is our website. In addition, we share our knowledge and experience with relevant stakeholders on various platforms, such as industry forums, seminars, round-tables, and events on specific topics related to sustainability. Our local presence in production countries enables us to engage with stakeholders on the ground.

Through our work with due diligence over several years, we have developed policies and procedures for salient issues. These policy documents and information on how we work with people, the environment, materials, and animal welfare are available on our website. We have chosen to align with the [Transparency Pledge](#) and have our factory list published both on our website and on the [Open Supply Hub](#) platform. This list is updated at least twice per year.

We have been a member of Ethical Trade Norway since 2003 and publish a report on Responsible Business Practice annually, as required by all members¹. The reporting is reviewed by Ethical Trade Norway, and feedback and suggestions on how to improve the sustainability work and reporting practices is provided by the organization. Annual sustainability reporting gives us the opportunity to be transparent and to publish an account of our due diligence assessments, accomplishments and challenges. Reports for the last three years are available on our website.





In addition to the customer service channels of our brand stores, we have a public email address (sustainability@varner.com) where anyone can contact us with questions or concerns regarding our sustainability work and due diligence for responsible business conduct. We monitor the email account daily and assign inquiries to the relevant departments, which are primarily the CSR, Quality Assurance or Environmental departments. When the Transparency Act came into effect on July 1st, 2022, answering written requests within 21 days about how we address actual or potential adverse impacts uncovered by our due diligence became a legal requirement. This includes general information and information pertaining to a specific product or service offered by the company. In 2022 we received a total of 110 information requests, 67 of which were received after the law took effect. 37 of these requests were not related to sustainability or due diligence. All requests were answered within 21 days. We have received information requests from customers, students, environmental organizations, journalists and more. The subjects vary, with some of the more common sustainability related inquiries focusing on human rights and workers' rights, climate and environment, surplus goods, animal welfare and product quality. In addition to our public sustainability email, we have a channel where our employees and suppliers may raise concerns about our business conduct (concern@varner.com). We also seek advice from our supply chain partners through our yearly supplier survey and by conducting interviews with both workers and managers. Find more information about this on page 70 and 75.

¹ Since 2020 the annual Varner Sustainability report has been used for this purpose.




Our retail brand Dressmann is evaluated on an annual basis in the Fashion Transparency Index (FTI). This is a global index comparing 250 fashion brands on their level of public disclosure on human rights and environmental policies, practices, operations and supply chains impacts. In the 2022 index, Dressmann received a total transparency score of 57%, which is among the top 10 highest scores. This is an improvement compared to our 48% from 2021. Read the full FTI report [here](#).





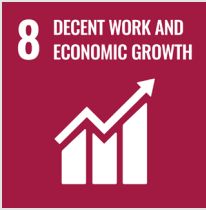


Where it is relevant, we communicate and share our experiences with responsible business conduct and due diligence in order to create grounds for learning and exchange way of working with these topics with other companies and other stakeholders. In 2022, we have contributed to two of Ethical Trade Initiative Sweden's training courses about due diligence in global supply chains. In this forum we have shared our experience and approach to grievances and remediation in the supply chain. We have also shared experiences about work with decent work and human rights in India at a seminar hosted by Ethical Trade Norway.

Main goals & status

Sustainability Pillar	Goal	Timeframe	Status 2022
Fair For All    	Human Rights Due Diligence for Responsible Business Conduct is carried out actively on an ongoing basis in accordance with recognized frameworks.	Continuous	Continuing from 2021 the framework for Human Rights Due Diligence (HRDD) in Varner has been further developed with particular focus on meeting requirements in the Norwegian Transparency Act.
	The Varner Supplier Code of Conduct is a part of all product supplier agreements.	Continuous	Own production: 100%.
	Protect and promote decent work and human rights ¹ in the supply chain, with particular focus on those facing barriers in accessing their rights.	Continuous	See pages 35-70 for information about activities and efforts in the reporting year.
	All workers in the supply chain have access to effective complaint and grievance channels by 2030.	2030	<p>All direct partner factories are required to establish internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly.</p> <p>11 breaches to these requirements were identified during the reporting year and 5% of all factories in the Varner product supply chain were identified to have one or more breaches related to improper implementation of grievance mechanisms.</p> <p>Support for independent grievance / whistle-blowing mechanisms has been extended in 2022. Read about our support of such mechanisms on pages 69-70 (with additional information on pages, 54, 58 and 61).</p>
	Fair worker representation at all key suppliers enabling workers to take an active part in workplace processes.	2025	<p>All direct partner factories are required to ensure fair worker representation. As per end of 2022 we had identified breaches or gaps in fair worker representation in 19% of factories in the Varner product supply chain.</p> <p>We have in 2022 continued to support social dialogue in the supply chain.</p> <p>As of end 2022 Trade Unions were established at 15% of tier 1 factories in the product supply chain (up from 11% in 2021).</p> <p>See more on the subject on pages 47-50.</p>
	All Varner employees have completed sustainability training relevant to their function.	Continuous	72% of our employees participated in training related to sustainability.

¹ Previously termed "labour rights and safe working conditions for workers".

Sustainability Pillar	Goal	Timeframe	Status 2022
Circular & Climate Conscious   	100 % of all textiles are made with Preferred Fibers.	2025	68% in 2022.
	100% certified and traceable animal fibers by 2030.	2030	100% of down is certified to the Responsible Down Standard. 30% of wool is certified to the Responsible Wool Standard.
	All products are fully traceable by 2030. Main materials shall have a known and verified origin, all supply chains shall be transparent and identified.	2030	19% of produced pieces and 18,5% of all styles contain traceable fibers, but are not yet fully transparent.
	Establish an environmental performance management system for all product suppliers of own brands.	2025	(1) Within 2022, tier 1 factories representing 98% of our total order value completed the Higg Facility Environmental Module (FEM2021) self-assessment. (2) Factories within the same scope, representing over 65% of our order value, completed third-party verification of FEM2020. See page 119-123 for more information.
	50% absolute reduction in scope 1&2 emissions by 2030 from 2019 levels.	2030	(1) We have improved our data quality and made a baseline correction with the acquisition of a new entity in 2021. (2) Our absolute Scope 1&2 emissions increased by 3.08% in 2021 compared to 2019. (3) In 2022, we completed our energy efficiency project in 73 stores across Norway, Sweden, and Finland. (4) We are currently in the process of calculating our emissions for 2022. See page 135-147 for more information.
	55% reduction in scope 3 emission per million NOK annual revenue by 2030 from 2019 levels.	2030	(1) We have improved our data quality and made a baseline correction with the acquisition of a new entity in 2021. (2) Our Scope 3 emissions per million NOK revenue increased by 10.3% in 2021 compared to 2019 levels. (3) However, we were able to reduce our absolute Scope 1, 2, and 3 emissions by 3% during the same period. (4) We are currently in the process of calculating our emissions for 2022. See page 135-147 for more information.
	Enable beyond compliance chemical management practices in our apparel and footwear manufacturing.	Continuous	(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 fluoro-chemicals, biocides, and flame retardants. (2) We have joined the ZDHC Roadmap to Zero Programme as a "Friends" member. (3) We require our suppliers with wet processing to comply with the ZDHC Manufacturing Restricted Substances List (MRSL). See page 131-134 for more information.

Sustainability Pillar	Goal	Timeframe	Status 2022
	100 % of unsold & unsellable products are put into channels for reuse/recycling/upcycling/repurposing.	2025	72% were put into channels for reuse/recycling/upcycling/repurposing.
	100% Preferred Product Packaging.	2030	Labels & tags: 95% of paper materials are FSC certified, including 30% of FSC recycled material. 97% of all woven labels were made with recycled materials. 84% of our paper shopping bags are FSC certified. 100% of our plastic shopping bags are made from post-consumer recycled plastic.
	30% of textile waste from production facilities is put into channels for recycling or repurposing.	2030	Mapped the total volume of waste by collected data from suppliers. 82% of our orders are generating 4129 tonnes of textile waste during the production of our garments at our Tier 1A facilities.
Engage The Consumer 	Actively & correctly mention sustainable attributes of products in-store, online and in various media channels.	Continuous	On-track.
Across All Pillars   	100 % of our external brand suppliers are assessed and evaluated on sustainability performance.	Continuous	82% of our portfolio has been assessed and evaluated.

Initiatives at a glance



05.



FAIR FOR ALL

Frameworks and commitments

Varner's commitment to be a responsible employer and to respect human rights and the right to decent work is embedded in a series of policy documents and guidelines. These are made operational through an approach based on risk identification and risk management, as well as the concept of Due Diligence for Responsible Business Conduct and specifically for decent work and human rights, the concept of Human Rights Due Diligence (HRDD).

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

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

Some of the key policy documents guiding our work are:

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

A list of all publicly available policies and policy documents can be found as an appendix to the report and on the Varner website. The Varner Supplier Code of Conduct and policies related to human rights and decent work are approved by the Varner top management. The policies have been developed by the sustainability functions in Varner in consultation with internal stakeholders and with advice from external specialists.

No new policies relating to human rights and decent work have been developed in 2022, however the Supplier Code of Conduct was revised during the year and contract terms for suppliers were updated with added reference to HRDD.

We are committed to respect and follow national and regional laws and regulations in our countries of operation and sourcing. The Norwegian Transparency Act became active from 1st July 2022. The law requires us to conduct human rights due diligence, and to be transparent with any stakeholder and interested party on these processes. Efforts have been made in 2021 through 2022 to ensure that we are aligned with the new legal provisions.

Responsible supply chain management

Respect for human rights and decent work extends beyond our own organization. Varner does not own any production facilities but cooperates with a range of selected suppliers and factories for manufacturing of products. Several of the countries of production should be considered high risk in terms of breaches to decent work and adherence to human rights.

We have a total of 136 approved direct suppliers for our private label products, and 298 approved tier 1 factories being used for production. Tier 1 includes both what is designated as tier 1A factories (with processes such as cutting, sewing, finishing, packing) and tier 1B facilities (with processes such as printing, embroidery). In addition, we have taken 51 facilities in tier 2 (processes such as fabric knitting and weaving, fabric dyeing and finishing) and tier 3 (processes such as spinning, and yarn dyeing) into the scope of follow-up of decent work and human rights.

These factories are employing a total of 330 092 persons (50% being women, and 50% men). Key production markets are Bangladesh, China, Turkey, India, Pakistan, Italy and Serbia. The full list of approved factories used for production can be found on our website and on [the Open Supply Hub](#) (previously Open Apparel Registry).

Some key measures to identify and address the risk of negative impact on human rights and decent work in the supply chain are:

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

In addition to our own private label products, we have suppliers for external branded products and indirect spend. The following sections mainly concern the supply chain and production partners for Varner's own brand products. For more information about due diligence for external brand suppliers see section External Brands and Indirect Suppliers on pages 71-75.

Supplier code of conduct

The Varner Supplier Code of Conduct sets out expectations and requirements related to responsible business conduct, labor conditions and human rights. Some key principles included in the Code of Conduct are the right to organize, no child labor, safety at work, working time and wages and benefits. The Code was reviewed and revised in 2022 with amendments related to:

- More explicit references to the concept of Due Diligence for Responsible Business Practice
- References to the Norwegian Transparency Act
- Added wording to the clause on Child Labour
- Added wording to the clause on Freedom of Association

The Supplier Code of Conduct is a part of the Varner Supplier Manual as well as a mandatory part of the contract that is signed with every product supplier. The supplier manual includes requirements related to chemical content and product testing, products safety, labelling and certification and traceability. In addition, there is information about the grievance channel that should be used if there is any misconduct or breach of terms. Ten (10) new suppliers were approved and registered in 2022. All new suppliers (100%) have signed and agreed to follow the Varner Supplier Manual including the Code of Conduct. The updated Code of Conduct





and Supplier Manual was distributed to all existing product suppliers. The supplier contracts were updated in 2022 with added clauses on due diligence for responsible business conduct in the supply chain.

Capacity building and training

All new suppliers are required to meet with Varner's local CSR representatives to review the content of the Code of Conduct, expectations described in the supplier manual, as well as expectations in terms of implementation of requirements and cooperation on matters related to decent work and human rights. The sessions are tailored to fit with the local context of the country and the particular challenges that may be in that country. In 2022, we had 19 on-boarding sessions on the content of the Code of Conduct and its implementation. All new suppliers were onboarded, and some sessions were also completed for new factories under existing supplier cooperations.

Training on issues related to labor conditions and human rights is provided on a regular basis for suppliers and factories we cooperate with. The focus of such training will differ based on the regional context and will target areas where we have identified a risk of breach of our requirements. Such training is facilitated and executed by Varner CSR representatives and occasionally with input and participation from external experts and partner organizations.

Two supplier seminars were completed with focus on decent work and human rights during 2022. In total 106 suppliers attended the seminars with approximately 160 persons attending. In addition, several awareness sessions were completed with focus on human rights due diligence in the supply chain and new and anticipated regulations related to due diligence and transparency.

We believe all workers should be aware of their rights and responsibilities, particularly the right to organize and to be represented at the workplace. We have continued our program in Bangladesh where our partner factories' training systems are evaluated. This is to ensure that workers receive sufficient training on labor rights. The evaluation is comprised of a combination of review of training materials, trainer competence, observation of training execution and interviews with workers. Common gaps identified in the evaluation are lack of systematic tracking of the training, trainers lacking competence on training or the relevant subjects, and relevant subjects missing from the training. Improvement plans are developed and followed-up with the aim to strengthen internal training systems and making sure that workers are properly made aware of their rights at work. 31 factories in Bangladesh are currently a part of this program. At two specific factories, severe gaps in workers' awareness about rights at work were identified. Tailored training was initiated at these factories and rolled out to 1744 workers.

Purchasing practice

We recognize that our sourcing and purchasing practices are significantly affecting our impact on people, society and the environment. Adopting responsible sourcing and purchasing practices is therefore a key measure in order to avoid negative impacts caused by our business conduct in the supply chain. Our focus is to conduct business in a manner that enables realization of the requirements and expectations put forward in the Varner Code of Conduct and in other related policies, and that it does not hinder this work.

Our approach

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

A key measure in order to enable positive impact is stability and long-term cooperation. Cooperations with suppliers are initiated with an intention to establish long term partnerships and short period cooperations are avoided. We have had at least 3 years of cooperation with 79% of all current suppliers¹. Our standard payment terms for suppliers are 30 days net, from Bill of Lading (B/L) when the goods are shipped.

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

¹ Measured by business cooperations having started prior to 2020.

direct dialogue and collaboration on how responsible business practices can be advanced and issues in need of improvement can be solved.

A section of our Code of Conduct is related to purchasing practices. This was added in 2021 and highlights that breaches of the Code of Conduct as a consequence of Varner purchasing practice and business decisions should be raised to our company and will be responded to in a constructive manner.

Local presence

We have established production offices in all major markets to be able to address issues in the supply chain more effectively and forcefully. Specialized staff (CSR specialists) with expertise on social and labor conditions are present at all offices, responding to any issues related to these topics. Locally based staff enables us to circumvent barriers of language and culture. It also allows us to be onsite in the factories on a frequent basis, and to have direct dialogue with people involved in production, from management to workers. Qualified staff that are specialized in the areas of decent work and human rights is important. Previous experience with these areas is required upon recruitment. In addition, training is provided in order to update knowledge and skills. In 2022 all CSR staff completed two trainings related to due diligence for responsible business practice. Varner allows the use of approved subcontractors², however there is a targeted focus on prevention of unauthorized outsourcing (production in facilities that have not been approved by Varner). Our local presence is integral to this work. Six cases of unauthorized outsourcing were identified and handled in 2022.

Supplier surveys and evaluation of the supplier portfolio

In order to collect feedback on our purchasing practices and way of conducting business we invite all product suppliers to participate in an anonymous survey on an annual basis. Suppliers rate our performance as a buyer on various metrics such as purchasing planning and forecasting, negotiations, pricing, lead times and sustainability. In 2022 most of the metrics and questions related to purchasing practice in the survey were informed by the *Better Buying Purchasing Practices Index*³. This year, 67% of all own product suppliers responded. Sections relating to purchasing practices in the survey include planning and forecasting, order specification and order management, negotiations and pricing, lead times, changes and cancellations.

The response was positive to some areas in terms of purchasing practices, but it also displayed the potential for improvement and highlighted some areas in need of attention. It was identified from the feedback that the ability to provide initial purchasing plans to suppliers that allow for capacity planning was sufficient, however the score was significantly lower on the ability to provide updates on purchasing plans when they were being adjusted or changed. In general room for improvement was highlighted in terms of more and better communication throughout the purchasing process. Room for improvement was also identified in terms of conversion of samples to placed orders. The result of the survey has

² Approved subcontractors are screened and followed-up in the same manner as other factories. Where number of factories are mentioned in the report the approved subcontractors are included.
³ Though taking inspiration from it, Varner did not actively participate in the *Better Buying Purchasing Practices Index* in 2022.

been presented to top management and relevant departments. Areas of improvement have been selected for targeted action, such as improved updates to suppliers on changes to initial purchasing plans, and management and follow-up of key dates in the purchasing process.

An integrated supplier evaluation is being done on an annual basis. Code of Conduct performance is measured alongside quality, business and environmental criteria. The scores are presented and shared with all business teams and supporting functions. Suppliers and factories with a high level of performance across these areas are highlighted as preferred suppliers for internal business teams. Suppliers with a solid performance are also prioritized in supplier business strategies and when order volumes are being (re)distributed.

In 2020 we endorsed the COVID-19: Action in the Global Garment Industry. A part of this endorsement was a commitment to continue paying manufacturers for finished goods and goods in production during the pandemic, to maintain quick and effective open lines of communication with supply chain partners about the status of business operations and future planning, and to extend support for supply chain partners where needed and possible. We have strived to stay consistent with this throughout the pandemic period. During the pandemic we also provided guidelines for appropriate handling of wages in our supply chain and monitored that wages have been issued according to requirements. Established grievance channels have been important as a way to identify issues related to wages during this period.

Supply chain risk

Risk assessment is an important part of our due diligence process. In the following sections risk assessment of breaches with decent work and human rights assessment (termed *worker's rights and human rights* in the materiality index) in the product supply chain will be in focus. This is





a part of and an extension of the risk assessment process that is outlined on page 26. Risk assessment is an ongoing process that aims to assess and identify where in our product supply chain the risk of breaches to decent work and human rights are significant. We assess and map risk with a special focus on our supply chains, considering regional and country risk, and risk related to supply chain partners and their subsidiaries, manufacturing processes and raw materials. Though significant steps have been taken to assess and address risk beyond the first tiers in our supply chain, access to information and data remains a challenge. This is something that we will continue to focus on.

Mapping Risk on Country and Region Level

The countries and regions used for production of products are assessed for risk of adverse impact to decent work and human rights. These risk assessments inform the approach we have to our supply chain partners in the various regions and also how we take measures to address and mitigate the identified risks in our supply chains.

We draw on a wide array of tools and stakeholder consultations to stay updated on country and regional risks. We participate in meetings and consultations with NGOs and MSIs, participate on industry platforms, monitor updates in legislation and regulations, maintain dialogue with business partners and workers, and review reports. On a periodical basis we review indexes such as the Human Development Index (HDI), Transparency International Corruption Index, ITUC Global Rights Index, and UNDP Gender Inequality Index. Ratification status of key ILO conventions is also being tracked. In addition, we utilize the Ethical Trade Norway Salient Risk Tool to identify risk related to social aspects.

Key identified changes and updates in regional risks in 2022:

- The war in Ukraine and it's direct and indirect impacts
- Increased interstate worker migration in India
- Continued inflation and financial instability in Turkey
- Continued covid restrictions and their consequences in China

We have an established procedure for evaluation of new sourcing markets, which includes assessments of labor and human rights risk alongside assessments of environmental aspects and business elements. The assessments include analysis of legal/regulatory framework against the Varner Code of Conduct, consultation with relevant stakeholders, and research on sectoral risks in the country. Two new markets for direct sourcing (production) were reopened in 2022 (having also previously been utilized for production), these were Lithuania and Norway.

Mapping Risk in the Supply Chain

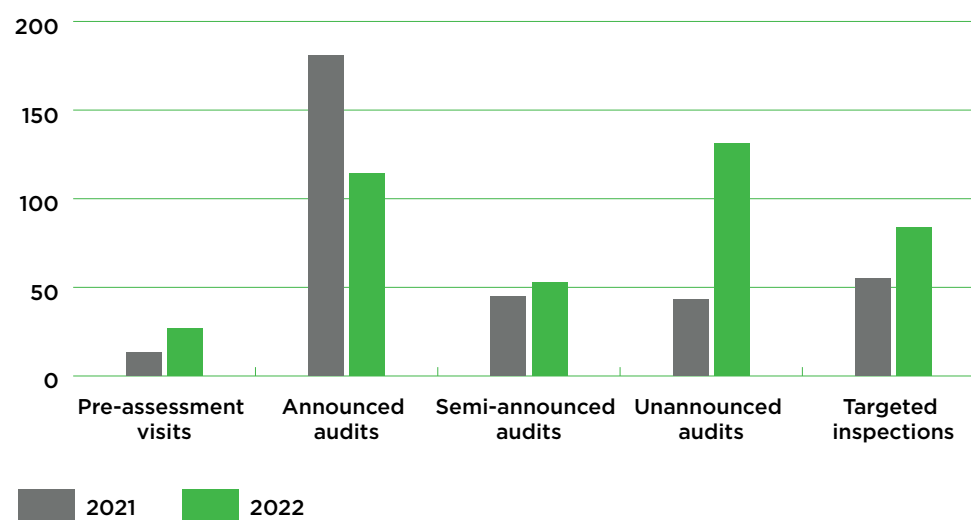
The process to assess and map risk in our product supply chain and individual entities/factories is done with a series of tools. These include audits, visits, self-assessments, dialogue with key stakeholders (such as suppliers, worker representatives, other employees) and consultation with expert organizations.

All new production factories for own products must be assessed and audited before any business can be started or any orders can be placed. Where significant gaps are identified with regards to Varner requirements and expectations, improvements are mandatory before approval is given. When production is approved, the factory unit will be established and opened in our purchasing systems, allowing the factory to be used for production. For existing factories audits are done in cycles where initial audits are done once per every two years, with follow up assessments being done based on the identified risk profile for each individual manufacturing unit. Entities with a higher identified risk of breaches with our requirements will have follow-up assessments more frequently than units with a lower risk of breaches.

Year	% of new suppliers and factories screened as per Varner labor requirements	% of screened factories not traded with as a result of the screening
2020	100%	23%
2021	100%	23%
2022	100%	12%

New suppliers and factories screened against Varner requirements for labor conditions

Onsite assessment activities at factories



In total 409 onsite assessment activities were carried out in 2022. This comprises pre-assessment activities (27), audits (298) and targeted inspections (84, which primarily relate to engineering inspections of structural, electrical and fire safety under the Accord programme). In addition to regular assessment activities, onsite visits are made by CSR-specialists on an announced and unannounced basis to monitor specific concerns or to follow-up on issues apart from regular assessment routines. 61 announced and 15 unannounced visits were made at factories for purposes related to decent work and human rights. Self-assessments were during the pandemic period used extensively to replace or compensate for the inability to be onsite at the facilities. In 2022 this has been used in a more limited way than previously with 39 self-assessment questionnaires being completed and reviewed (down from 135 in 2021).



As a member of the Sustainable Apparel Coalition (SAC) we have access to the use of common industry tools for assessment of supply chain partners including the HIGG Facility Social and Labour Module (FSLM). This tool is focused on mapping and assessing social and labor conditions. The tool is based on the Social and Labour Convergence Program (SLCP) tool. 65 factories have adapted the tool and have used it in 2022 to assess their own performance on social and labor aspects. The majority of these assessments (47) have been verified by an accredited third-party organization. These tools are being used to complement our own follow-up of factories. In addition, 11 factories are implementing the ILO Better Work program which is also aligned with the SLCP tool.

Risk levels at suppliers and factories are evaluated on a four-point scale with the categories: low risk, medium risk, high risk, and critical risk. Risk is set through a combination of results from assessment activities, cases or occurrences identified, and stakeholder dialogue. By year end 2022 10% of suppliers and 11% of factories (in all supply chain tiers) fall into the low risk category (with few or no points of concern related to decent work identified), 54% of suppliers and 51% of factories fall into the medium risk category (with some areas of concern identified), 26% of suppliers and 29% factories fall into the high risk category (with significant concern identified), 10% of suppliers and 8% of factories fall into the critical risk category (with critical concern identified).

Through our audit activities (in 2022 and previous years) we have identified a total of 2908 findings (often referred to as issues) in need of improvement in factories we cooperate with. This includes findings from facilities in all tiers of the supply chain, and includes findings identified from 2022 and previous years that are yet not verified to be fully resolved.

This number is down from 3655 issues in 2021. 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 2022, 3% of the issues are categorized as issues of critical concern (2% in 2021), 30% are issues of high concern (29% in 2021), 52% are issues of medium concern (56% in 2021), and 11% are issues of low concern (11% in 2021). The remaining issues are categorized as observations with no rating.

Interviews with workers are an important part of our assessments. In 2022 we interviewed 2394 workers about their situation at work in a formal setting (while having informal dialogue with many more). This number is up from 1892 in 2021. The increase can partly be attributed to restrictions during the pandemic limiting abilities to execute interviews, and these restrictions having been lifted or relaxed in most relevant countries during 2022. In general, the interviews take place in an isolated space onsite at the factory. In certain cases, the interviews are done offsite, and the formal interviews onsite may be followed up by phone calls. Interviews with workers are done both individually and in groups.

Most of the assessment activities take place onsite at the factories and include visual observations, interviews, dialogue with managers, supervisors and workers, as well as system and document reviews. During the pandemic we have followed advice from WHO and respected restrictions from national and local authorities. To safeguard our own staff as well as employees in our supply chains we have approached the situation with caution. In most markets the restrictions and advice of caution were lifted or relaxed in 2022, with the notable exception of China where restrictions remained strict until December 2022. We have been able to move gradually back to normal activities in the production supply chain in 2022.

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

Emphasis on Improvements

When issues are identified in our supply chain our focus is to ensure that they are addressed and handled in an appropriate and responsible manner, and where necessary ensure that harm is remediated. However, in cases where we are unable to influence or contribute to improvements or where our business partners despite active efforts from us are not willing to cooperate to enable the necessary improvements, we will cease the cooperation. In 2022 we ended cooperation with two suppliers and six manufacturing units due to lack of improvements related to decent work. Information about our efforts to improve conditions in our supply chain is covered in the next sections in the report.

Salient Risk

We use the UN Guiding Principles Reporting Framework concept of salient risk to steer our focus, priorities and efforts related to adverse impacts on decent work, human rights and labor aspects in the supply chain. This concept of salience uses the lens of risk to people, not the business, as the starting point. Salient human rights issues stand out because they are at risk of the most severe negative impact through the company's activities or business relationships. We put emphasis on the concept and approach of saliency when focusing our efforts to identify, assess and address risk. More about the concept [here](#).

The geographies linked to our identified salient issues are based on our supply chain and factory portfolio. However, there may be prevailing risks in a market that we are present in that is not considered a risk for our specific supply chain. This may be because of measures taken to actively avoid the risk in our supply chain, or that we have taken active measures to mitigate the risk. Risks have been identified through a combination of onsite assessments, interviews and dialogue with workers, feedback in grievance/complaints channels, worker representatives and union representatives, dialogue with unions, NGOs and multistakeholder organizations (globally and on local level). Potential or actual adverse impacts that have been identified in relation with supply chains are generally found to be (directly) linked to us through products or product materials or business relationships.

Salient Issues related to decent work and human rights

Salient issue (risk)	Where the risk has been identified	Our response
Occupational health & safety <i>LO Convention 155, 187 and ILO Recommendation 164</i>	Production supply chain in Bangladesh, China, India, Pakistan, Turkey, and in raw material production	Pages 51-54
Harassment & gender based violence <i>ILO Convention 190</i>	Production supply chain in Bangladesh, India, Turkey	Pages 64-67
Discrimination <i>ILO Conventions 100, 111, 183, 190, Convention on the Elimination of All Forms of Discrimination against Women</i>	Production supply chain in Bangladesh, India	Pages 59-61, 65-67
Regular employment & wages <i>ILO Conventions 95, 131, 158, 175, 177</i>	Production supply chain in Bangladesh, China, Europe, India, Bangladesh, Turkey, and in raw material production	Pages 54-57
Child labour <i>UN Convention on the Rights of the Child, ILO Conventions 138, 182, 79</i>	Production supply chain in Bangladesh, China, India and Turkey, and in cotton farming	Pages 62-63
Forced labour <i>ILO Conventions 29, 105</i>	Production supply chain in Bangladesh, China, India, Pakistan and in cotton farming	Pages 57-61
Freedom of association & collective bargaining <i>ILO Conventions 87, 98, 135 and 154</i>	Production supply chain in Bangladesh, China, India, Pakistan, Turkey	Pages 47-50

Worker representation and freedom of association

We continue to be committed to promote decent work in our supply chains, and to contribute to improvements where infringements are identified. Ultimately, however, we are convinced that it is employees and workers in cooperation with their employers that are in the best position to safeguard decent working conditions and to keep them sustained. This is only possible if there is a fair and balanced cooperation and dialogue between workers and management. The right to representation, freedom of association and collective bargaining is under pressure in many countries. [The 2022 ITUC Global Rights Index](#) identifies that this is also the case in countries where we have supply chain partners. We have identified significant risk of infringement of workers' rights to freedom of association in the production supply chain in Bangladesh, China, India, Pakistan and Turkey.

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

In 2022 we identified 24 breaches to our requirement of worker representation in factories we cooperate with. Breaches are either concerning lack of policies and procedures relating to freedom of association and right to representation, lack of worker representatives or representatives having been selected by management rather than through appropriate election process, lack of information provided to workers about the role of worker representatives, or lack of regular meetings between worker representatives and management. It has been verified that four of the breaches have been resolved in full, or in part, during the reporting year. In addition, 19 breaches related to worker representation identified prior 2022 have been verified to have been resolved in full or in part in 2022. During the year we have also been monitoring two specific cases of potential violations to the right to organize in our supply chain in Turkey. By the end of 2022, 57 factories (19%) were identified to have one or more breaches related to freedom of association and collective bargaining.

Our goal is that proper mechanisms for fair worker representation is established at the facilities of all our supply chain partners. In 2021 we made public the trade union status of cooperating factories in our public factory list that is available on our website. As per end 2022, 15% of factories we cooperate with have established trade unions. This number has increased slightly from 11% at the end of 2021. Per end of 2022, 21% of workers in tier 1 of the Varner supply chain are employed at factories with established trade unions ¹.

¹ This includes tier 1A (CMT) and tier 1B (washing, print, embroidery) factories

Social Dialogue and Worker Representation

One of the measures to support the right to exercise freedom of association and collective bargaining has been our continued emphasis on Social Dialogue. Social Dialogue is the concept of constructive and action-oriented dialogue at the workplace between workers and management. This dialogue is focused on improvements at the workplace to the benefit of all parties, in particular workers.

We have continued to focus on social dialogue at the factories we cooperate with. In total, 45 of Varner's current supply chain partners in Bangladesh have received social dialogue training (either facilitated by Varner in cooperation with JETI or by other companies or organizations). There are two streams of the programme, one for factories with established trade unions and one for factories with no established trade union.

In 2022 four factories in Bangladesh have been a part of Social Dialogue refresher training executed by [Joint Ethical Trading Initiatives Bangladesh \(JETI\)](#). This refresher program is for factories that have already been through a full Social Dialogue programme. Key focus areas in the refresher programme is training for new management and worker representatives in Worker Participation Committee (WPC) in order to keep the structures and dialogue sustained and active. The refresher programme started late in 2022 and by year end, 10 people had been trained.



A continuation and extension of the social dialogue program in Bangladesh is currently in process. This pilot programme is called *Green Social Dialogue* and is executed by JETI. The aim of the program is to use the platforms and structures established in the social dialogue programme to enable workers and worker representatives to learn and engage on impacts of climate change at their workplace. Two factories in the Varner supply chain will be a part of the programme.

In 2022 we started a pilot for a Social Dialogue programme in Turkey with the purpose of strengthening communication channels between workers and management, and to help workers to raise and negotiate issues in a more empowered way. The programme is developed in cooperation with a [Turkish consultant \(Justmaxit\)](#) and four other textile companies. Three factories in Turkey are currently a part of the programme. The selected factories are small, medium, and big size enterprises associated with different management styles and workplace cultures. As an initial exercise interviews were conducted with 98 workers, 11 worker representatives, and 8 supervisors. All workers in the factories were also invited to a pre-program survey to identify issues and hotspots in the factories. The results from the survey were shared with each factory management. Improvement areas and action plans have been established for all factories. During 2022, 18 visits were made at the participating factories with 76 workers being trained (some topics in the training were: worker representative roles, rights & responsibilities, and effective communication).

In 2021 we initiated a cooperation with [KNO Global](#) who provide a digital 2-way communication platform for interaction and communication among workers and managers in two factories Varner cooperates with in China. The purpose is to promote workplace dialogue allowing all voices to be heard, to encourage a sharing of workplace issues and facilitate effective responses to raised issues, and also to raise the awareness about decent work at the workplace among workers.

Two factories in China were targeted for the program. Initially a satisfaction baseline survey was done, followed by a series of educational topics and survey questionnaires according to the needs stated in the baseline survey result, including physical and mental health, working hours and wages, discrimination, harassment, communication, social, communication and turnover. The program also included a feedback channel for workers sharing their comments, feelings as well as suggestions and grievances, all received grievances would then forward to factory managements for their follow up and feedback.

More than 870 users (including both workers and managements) registered in the platform. In total approximately 8000 answers were obtained on questions asked. 16 suggestions or grievances were received in the platform. The suggestions or grievances included topics of communication, skills progression, mental health, wages, as well as health and safety. Engaged workers from both factories formed a “community heroes” team, who acted as facilitator and representative in terms of motivating the program and getting feedback from workers throughout the implementation period. We are currently reviewing the endline survey findings.

Engagement with worker representatives (both representatives from trade unions and from worker committees) is an important part of our due diligence work in all markets of production. 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. It is difficult to generalize the actual impact directly. However, we do see that the measures taken do increase dialogue and awareness about these topics. Though it will be relying on many factors we have also observed that trade unions have been established at several factories where we have established programs related to worker representation and social dialogue. Functioning worker representation, freedom of association and collective bargaining can be understood to enable progress and improvements also towards other risk elements (such as the ones detailed in the coming sections) We do therefore anticipate that measures in this area may have spillover effects on other issues.



Occupational health and safety

United Nations Global Compact estimate that 2,78 million workers die from occupational accidents and work-related diseases while an additional 374 million workers suffer from non-fatal occupational accidents. It is against this backdrop that ILO decided at the June 2022 International Labour Conference (ILC) to include a safe and healthy working environment in the ILO's framework of fundamental principles and rights at work. Thereby ILO designated the Occupational Safety and Health Convention, 1981 (No. 155) and the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187) as fundamental Conventions.

Occupational Health and Safety has been identified as a salient issue where risks of breaches (in particular) can be found in the product supply chain. The risk has been identified by a combination of stakeholder consultations, supply chain audits and other assessment activities, feedback in complaint mechanisms, and dialogue with experts in the field of health and safety. The risk has been identified as being prevalent in all production markets, with particular significance in Bangladesh, China, India, Pakistan, Turkey.

Audits and inspections are key measures to identify hazards as well as verifying that improvements on identified issues have been completed where necessary. Varner has four sections in social audits concerning health and safety. In total 972 findings were identified in facilities related to occupational health and safety in the product supply chain during 2022. 42% of all findings fall into the general occupational health and safety section, 50% fall into the building and fire safety section, below 1% fall into the (health and safety) in accommodation section, and 8% fall into the chemical handling and safety section. The issues identified range from issues related to the general management of safety, to issues concerning specific safety features. Some examples of identified issues in 2022 have been:

- Insufficient health and safety training for workers
- Personal Protective Equipment not used according to requirements
- Number of trained first-aiders not being sufficient according to layout and size of the factory
- Congestion in workshops
- Insufficient measurement and monitoring of levels of noise, illumination, dust and temperature
- No assigned and trained person responsible for issuing liquids with chemicals
- Missing fire extinguishers in accommodation facilities

Out of the occupational health and safety findings that were identified in 2022, 187 were verified to be resolved fully or in part during the reporting year. In addition, 625 issues identified previous to 2022 were verified to be resolved in full or in part during the reporting year.

Two significant cases did occur in our supply chain related to occupational health and safety in 2022. In January 2022 four workers succumbed due to a tragic accident at a tier 2 supply chain partner in Pakistan after inhaling poisonous gas during maintenance of a tank. An official investigation into the incident was initiated and concluded that responsibility could not be placed on the facility but listed a series of recommendations for preventive measures. The facility has during 2022 replaced the manual maintenance of such tanks with automated procedures in order to prevent similar situations. In March a fire broke out in one of the warehouses of the tier 2 facilities we cooperate with in Bangladesh. No personnel were injured, and material damage was limited.

Both these cases display the importance of maintaining preventive strategies to avoid accidents, injury, ill health and fatalities. We continue to work to prevent and address risks related to health and safety in our supply chains. All identified issues related to health and safety are included in Corrective Action Plans (CAPs). Individual suppliers and factories are responsible for the improvement actions in the plan. We will verify that required actions have been taken through follow-up assessments. Some factories may need assistance to be able to address certain issues in the CAP. In such cases we offer support either from our internal teams of CSR specialists or by involving external expert organizations.

An example of a preventive measure during 2022 was the development and distribution of health and safety leaflets. The leaflets were developed based on gaps in health and safety management observed and identified in the Varner assessment activities as well as feedback from factories. The focus was on visual management of occupational health and safety. Information relevant to the factories was presented in local language in a manner that can enable easy implementation in the context of textile factories in China. The leaflets were also posted in boards in the factories for easy access to the information for all employees and workers.

We have implemented a series of bans on production related methods to prevent or to limit excessive risk for negative health effects related to our products. Effective since 2010 we have banned the use of sandblasting for our products (and will not cooperate with factories that do sandblasting for other clients or have the equipment to do so available). The policy is public and available on our website. We have banned the use of leather tanneries in Bangladesh.

During the pandemic period we took part in the project “Capacity building to lower Covid-19 risks for textile and leather workers in Bangladesh” in order to strengthen the capacity in the factories to cope effectively with the pandemic. The project wrapped up in August 2022 with five factories used for Varner having been a part of the project. Some information about the project can be accessed in the following link [here](#).



Fire and Building Safety

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

Varner signed the new International Accord agreement in August 2021. The agreement will continue the work to ensure safe workplaces in the Bangladesh textile industry. The safety work in Bangladesh is implemented by the RMG Sustainability Council (RSC), which is an independent national tri-partite consisting of brands, unions and textile industry in Bangladesh. The International Accord agreement includes a commitment to take part in feasibility studies to identify if this safety work can be

expanded to other countries. Varner has during 2022 actively participated in the feasibility studies by providing input, reports and input during pilot inspections in Pakistan.

All factories we cooperate with in Bangladesh are required to take part in the full scope of the RSC program, including regular inspections from independent and qualified engineers, following the remediation plans that are based on identified issues. Factories are rated for progress to solve issues that have been identified by RSC engineering teams. The overall progress rating for factories Varner cooperate with in Bangladesh is 93% progress on initial issues and 94% of all issues (includes issues that have been identified in follow-up inspections). The number of onsite engineering inspections completed at our partner factories in 2022 were 84 (compared with 55 in 2021, and 63 in 2020). The program also includes training for all employees as well as in-depth training for safety committee members. The impact of the Accord programme is perceived to be significant and the programme has been lauded as one of the initiatives that have had the most impact on safety at work in apparel supply chains.

An independent complaints mechanism continues to be a part of the RSC safety program in Bangladesh. Information about the channel is available in all factories and is included in training for workers. Information about all submitted complaints can be accessed in the complaint mechanism web portal that is publicly available. The complaints are described as well as which factory is linked (though this information is in some cases anonymized) and the status of the handling process. 12 complaints were issued related to factories Varner cooperate with through this channel in 2022 (the same number as in 2021). All complaints were addressed and handled during 2022.

Regular employment and wages

The 2022 ILO Global Wage Report presents an in-depth empirical analysis of how concurrent crises – the COVID-19 pandemic followed by the cost-of-living increases – have impacted on wages and purchasing power globally. The report highlights that, for the first time this century, global real wage growth has become negative. The report finds that a key factor has been loss in employment. These trends are also evident in countries where Varner is sourcing from.

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

Regular Employment

Regular employment is the foundation for proper work that can facilitate a sustained and predictable income. This means that the working relationship is formalized in a contract which stipulates information such as the terms for the employment (wages, hours of work, resignation period and other aspects that 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 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 submitted to all workers/employees by the time of joining. The status of this is assessed on an ongoing basis at all factories used for Varner. In 2022 we identified 30 breaches to this in factories we are cooperating with (up from 17 identified issues in 2021). This includes findings such as delay in issuing formal contracts to new employees and required elements not included in contracts. Nine of the issues were verified to be resolved in full or in part during the reporting year. In addition, 15 breaches being identified prior to 2022 were verified to be resolved in full or in part during the reporting year.

Wages and Benefits

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

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

For wage levels the base line is that relevant minimum wage levels are being respected. At the core of this is ILO Convention C131 (Minimum Wage Fixing Convention), where section 3 highlights the following for what minimum wages should cover: "... the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups". We have identified eight issues (9 in 2021) related to minimum wages in factories we are cooperating with, in most cases relating to a subsection of workers or single workers having not received wages as per minimum requirements. One of these issues was resolved during 2022, while four issues related to minimum wage identified previous to 2022 were resolved during the year. 27 issues were identified related to compensation of overtime according to premium

wage levels (28 in 2021), this being mostly identified in connection with factories in China. Seven out of the identified issues were verified to have been resolved during the year, and nine identified previous to 2022 were resolved during the reporting year. A significant number of issues were identified in connection with benefits beyond the core wage elements (such as social security benefits and leave compensation) with a total of 85 issues identified related to this during 2022, the majority being identified at factories in China with full coverage of social insurance not being issued to all workers.

We see that minimum wage levels in certain countries are not sufficiently supporting decent living standards. Although many of our supply chain partners have wages that surpass minimum levels we do see that further focus needs to be given to raising those levels. We have started to explore opportunities to move beyond our current practice on the support of increasing wage levels in our supply chain. We have attended a series of seminars and meetings coordinated by Ethical Trade Norway on this subject during 2022 and will continue to focus on this topic in 2023.

Wages are closely connected with hours of work and overtime. We are closely monitoring working hours and overtime use at factories we are working with, and work to prevent use of excessive working hours. We also see that there is a risk that overtime is being used to compensate for minimum wage levels that are too low. Lastly, we do acknowledge that our purchasing practices can affect pay and working hours in our supply chains. See the section about purchasing practices for more information about how we approach this.



Since 2020 there have been ongoing difficulties related to new minimum wages including variable dearness allowance (VDA) for garment workers in Karnataka, India. A much-disputed court stay order was put on new minimum wage levels (specifically for the period of April 2020 to March 2021), and the lack of clear and proper resolution left workers deprived of earned increments for this particular period. In January 2022 Varner co-signed (along with Ethical Trading Initiative and a group of other companies) a letter to the labour commissioner of Karnataka highlighting the urgency of resolving the issue. This was followed up in February 2022 with letters to all suppliers and factories in Karnataka, requiring urgent and effective resolution and action on this issue. We have monitored the implementation of this throughout 2022. All Varner supply chain partners have now resolved this and paid the earned wage dues to current and previously employed workers.

Wage levels in the lower tiers of the supply chain remains an area of concern, in particular related with cotton farming and processing. For this we put our focus on the use of certification schemes that involve elements of decent work and human rights in this sector. For more information about this see pages 97-101.

Forced labour

The Global Slavery Index has reported that 40 million people globally are victims of modern slavery. It also identified garments as a top 5 product category at risk of having modern slavery in its supply chain. In 2022 the EU Commission presented a proposal to prohibit products made with forced labour on the EU market.

We are committed to work to ensure that forced labor and modern slavery does not occur in our supply chains and have established a Modern Slavery Policy that defines our approach to prevent, identify and mitigate risk the risk of forced labor and modern slavery in our business and our value chains. This policy is publicly available on our website. We have identified significant risk of forced labor in the product supply chains in Bangladesh, China, India, and Turkey, as well as in cotton farming and processing.

Forced labour remains a focus in ongoing assessment activities and an is a part of all onsite audits done at factories in the supply chain. In 2022 we identified 11 breaches to Varner requirements for freely chosen labour (non-forced labour). These findings included insufficient or missing procedures to prevent forced labour, and contracts not including clear procedures for termination of the employment relationship. Three of the identified breaches were verified to be resolved during the reporting year. In addition, 18 breaches identified prior to 2022 were resolved in full or in part during the reporting year.

We have identified the Tirupur and Tamil Nadu State in India as particularly exposed to the risk of exploitative labour practices related to forms of bonded labour. Research and reports have highlighted severe labour rights violations connected with the employment of young women workers in spinning mills in Tamil Nadu. Against this backdrop a project

to address these issues in Tamil Nadu was initiated in 2018 by the companies Next, The Very Group and Varner in cooperation with the Indian based [NGO Save](#).

The first phase of the project (2018-2019) approached the challenges through an intervention model with focus on bringing awareness and build mechanisms that could bring positive change. The intervention was targeted along three lines where selected communities, agents and spinning mills were approached. The second phase (2020-2021) built on the learning from the first and has further strengthened the community centers that were established. Five community centers were operational with various activities having been executed in the centers such as Pre-employment Knowledge & Labour Rights Training. Other topics include salary and overtime pay, grievance mechanisms, holidays and leaves.

A new element added in phase two of the project was the introduction of an independent worker voice and grievance channel. The aim of the channel was to give an opportunity for current and former employees in the spinning mill and garment sector in Tamil Nadu to raise employment related grievances. Such grievances could be submitted to employees at the community centers or through a digital application ([Timby](#)). Processes for handling different types of grievances were established with the aim to ensure appropriate responses and remediation. An important milestone was the establishment of cooperation with industry associations Tamil Nadu Spinning Mill Association (TASMA) and Tirupur Exporters Association (TEA) related to grievance redressal.

Phase three of the project started in 2022 and will continue into 2023. Increased interstate migration has been observed in Tamil Nadu over the last years, in particular from states in north India. The project has been adapted to elevate the focus on this. Five resource centers were maintained in strategic locations in Tamil Nadu. One of the centers has been placed near the Tirupur railway station where a significant proportion of migrants are entering Tamil Nadu.

Between January and October the following were activities covered by the project (some activities take place in the resource centers, and some take place in communities or in factories):

- Pre-departure knowledge training to potential new workers (to 2895 potential workers)
- Awareness training for workers about legal rights at workplace (2710 workers)
- Fair recruitment practices through recruitment agent engagement (58 agents)
- Supporting interstate migrant workers through a Migrant Resource Centre (747 migrant workers)
- Empowerment of communities' financial literacy for economic development (4020 persons)
- Promotion of health in communities (3782 persons)



The grievance mechanism has been maintained in phase three of the project. It is open to any worker in Tirupur. In total 66 grievances were received through the mechanism. One of the grievances was connected with a factory in Varner's supply chain. This specific grievance has been addressed and will continue to be monitored by Varner. Other grievances are being handled and addressed by our implementing partner Save in cooperation with relevant stakeholders. A significant portion of the grievances are related to benefits (in particular Provident Fund benefits), wage issues, unclear employment terms and health and safety concerns are also being raised. The fourth phase in the project is already being planned and is anticipated to be initiated from mid-2023.

We have signed the *Pledge Against Forced Labour in the Turkmen Cotton Sector* and the *Pledge Against Forced Child and Adult Labor in Uzbek Cotton*. Both pledges aim to avoid the occurrence of forced labor and child labor in the supply chain. Cotton from Turkmenistan and Uzbekistan is consequently banned from Varner products. Re-opening sourcing from these regions would require reports from independent and trusted sources that the issues related to forced labor and child labor have been effectively addressed on a structural level. We have been following developments being reported in both countries in 2022 but have decided to maintain the policies.

In 2019 we identified an increased risk of modern slavery related to cotton farming and processing as well as yarn and fabric production in the Xinjiang Uighur Autonomous Region of China (XUAR). We consequently took steps to prevent this risk from occurring in our supply chain by imposing restrictions on sourcing from the region. In 2020 the policy was updated, and we took further actions to map, prevent and reduce risk. The policy is publicly available on our website. These efforts have been continued in 2022 with further focus being placed on traceability of cotton fibers and prevention of connection with regions particularly exposed to forced labour practices.

Despite having policies of no cotton (or other input factors) from Xinjiang in Varner products, a batch of goods with suspected cotton from the region was identified during 2022. The connection could never be fully verified, but to be sure that products with possible cotton from Xinjiang would not be available to customers the decision was taken to withdraw the products from the market and divert the items to textile recycling.

Migrant Labour

Migrant workers can be vulnerable to exploitation, discrimination, forced labour and poor human rights protection. Displaced communities often face a variety of barriers that can hinder their integration into the labor market, including the lack of documents proving their professional experience and competence, and language barriers. In our Migrant Labor Policy, we commit to work to protect migrant workers in our supply chain and promote their human rights and worker rights. We require that suppliers respect our Code of Conduct requirements, and we follow up on this through factory audits, worker interviews and stakeholder consultations.

Though our main focus is to prevent the exploitation of and discrimination against migrant workers, we have also established remediation measures to be prepared to handle cases where breaches of our requirements for migrant workers are identified. We identified one case of employment without a valid working permit in 2022 in Turkey (one case was also identified in 2021).

A key focus for us has been on Turkey. Updated numbers from UNHCR estimate that there were 3,5 million Syrian refugees in Turkey under temporary protection at the end of 2022. As the access to formal work still is limited for this group, there is a risk of informal work with poor labor conditions and increased potential for exploitation. In cooperation with NGO partners in Turkey we have worked to assist refugees (and other migrant workers) to find formal and decent work and have provided help to those needing help to obtain working permits. Active cooperation with organizations [Stiching United Work](#), [ASAM \(Association for Solidarity with Asylum Seekers\)](#) and [MUDEM \(Refugee Support Center - RSC\)](#) has continued in 2022. These organizations aim to support and assist refugees and asylum seekers in Turkey. Together with these partners we are able to offer training and assistance for refugees at work in our supply chain with focus on rights at work in Turkey. As per the end of 2022 in total 129 refugees or international migrants are employed at our direct factory partners in Turkey. We have connected 25 factories with financial aid to establish (or re-establish) working permits for Syrian refugees in 2022. 23 Syrian refugees have been provided with training on decent work (including health and safety and gender equality).



MUDEM (Refugee Support Center - RSC) is host to the Garment [Worker Support Center web portal](#). This is a grievance channel where especially refugees and migrant workers can access information about their rights at work and also can submit grievances. In cooperation with our factory partners, we have ensured that information about the channel is posted in the workshops of all factories (in four languages). A cooperation protocol has been established for cases where remediation support is needed in relation with factories Varner cooperate with.

The United Nations High Commissioner for Refugees (UNHCR) has reported that 7,8 million refugees from Ukraine were recorded across Europe since the start of the conflict in Ukraine on 24 February 2022. For many people displaced by the war in Ukraine, having a job is vital for their economic survival. In March 2022 Varner joined the Ethical Trade Initiative's Displaced Workers Workstream Group. The aim of the group was to share information and knowledge about the decent work and human rights risk elements related to the Ukraine crisis by identifying and, where possible, collectively address the workers' and human rights risks for displaced workers fleeing the war in Ukraine and being integrated in supply chains in neighboring countries.

Varner participated in a supply chain mapping in the affected and relevant countries which was coordinated by ETI, and shared the report with ETI in May 2022. Countries where Varner product manufacturing takes place and where displaced persons migrated to were Estonia, Latvia, Lithuania, Poland and Italy. "Guidelines for employment and integration of people displaced from Ukraine" were developed in the Displaced Workers Workstream Group. Varner shared these guidelines with all relevant suppliers in July 2022. The guidance has provided the information on how to support the employment of refugees and displaced people, with secure, decent, safe and fair work with gender considerations in mind.



Child labour

Last year ILO and UNICEF reported that the number of children in child labor had risen to 160 million worldwide, an increase of 8,4 million children in the last four years. The report *Child Labour: Global estimates 2020, trends and the road forward* remains relevant and highlights that progress to end child labor has stalled for the first time in 20 years, reversing the downward trend that saw child labor fall by 94 million between 2000 and 2016. We are aware that child labor also remains a relevant issue in garment supply chains, in particular related to agriculture and raw material production, and especially in the cotton sector. We have identified significant risk of child labour in our product supply chains in Bangladesh, China, India and Turkey.

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

Varner is cooperating with several expert organizations in order to work proactively with the risk of child labor. One of these organizations is The Centre of Child Rights and Business (previously called CCR CSR). In 2021 we joined The Centre's Joint Action Pledge Towards the Elimination of Child Labour. This pledge supports the UN and Alliance 8.7's drive to get stakeholders from across society to pledge actions related to child labor elimination. In connection with this pledge policies, procedures and management systems were reviewed during 2021. In addition, training was done for internal staff and supply chain partners about child labour prevention and remediation.

In 2022 we have continued our focus on preventive measures and carried forward cooperation with nominated remediation partners who are ready to engage in intervention and remediation if any breach in our requirements for child labor occurs in our supply chain. We have partnered with several organizations to tackle issues related to child labor. The Centre for Child Rights and Business (previously CCR CSR) is our remediation partner for child labor cases in China and Bangladesh and is also hosting a platform for discussions and experience exchange on the topics such as migrant parenting, and family-friendly workplaces. Aider is our remediation partner in India. CYDD (Association for Supporting Contemporary Life) is our remediation partner in Turkey. One suspected case of child labour was identified in 2022. The case was identified during a Varner audit at a factory in Bangladesh. The Centre of Child Rights and Business was assigned to intervene in the case. It was not found possible to conclude that the case involved children at work, however it was recommended that the factory where the suspected case was identified improve its awareness and procedures for prevention and remediation of child labour. This training was commissioned and planned for execution during 2023.

In 2022 we identified 11 breaches related to Varner requirements on child labour and juvenile workers in our product supply chain. Primarily the issues were related to a lack of policy and procedure for child labour and juvenile workers. Two of the breaches were verified as resolved during the reporting year. In addition, 28 similar issues identified prior to 2022 were resolved in full or in part during the reporting year.

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

In 2020 we identified a risk of child labor in our collaboration with influencers related to marketing of products. As a response to this we established routines to check and verify that influencers we collaborate with are at least 15 years of age, and that parents are actively involved in the terms of the cooperation. A routine has been established where individuals below the age of 18 (with additional requirements where below 15) are working as models for product fitting and in advertisements. The routines include applications to the Labour Inspection Authority, individual risk assessments and formal consent from parents. This focus has continued in 2022.



Harassment & gender based violence

Last year (2021) ILO's Violence and Harassment Convention, 2019 (No. 190) came into force. It is the first global treaty on violence and harassment in the workplace. The convention states clearly that violence and harassment at work, in all forms, is unacceptable. We know that workplace violence is a continuing issue in textile supply chains and in countries and regions where we have direct or indirect supply chain links. We have in particular identified risk related to sexual harassment (and other types of harassment) and gender-based violence in our production supply chain in Bangladesh, India and Turkey. These matters can affect people in all groups, but we recognize that women in particular are exposed to workplace violence and discriminatory practice.

In 2022 nine breaches with the Varner requirements related to harassment or improper treatment were identified in our product supply chain. The breaches were primarily linked with factories not having established policies on anti-harassment or insufficient procedures in case of violations, two cases were related to the use of abusive language. Four of the identified breaches were verified as fully or partly resolved in 2022. 16 breaches identified prior to 2022 were verified to be resolved fully or in part during the reporting year.



Matters of harassment are highly linked to some form of discrimination. We are committed to work to prevent and address these matters in cooperation with our supply chain partners. Our Supplier Code of Conduct set our requirements and expectations to supply chain partners on anti-discrimination related to aspects such as hiring, compensation, access to training, promotion, termination, or retirement based on ethnic background, skin colour, caste, nationality, religion, age, health-related issues, disability, gender, marital status, sexual orientation, union membership or political affiliation. Non-discrimination policies must be clearly defined and communicated by our suppliers to the employees. Female workers shall be given equal opportunities and be entitled to the same benefits as men in the workplace. There shall be no distinction, exclusion or restriction based on gender.

In 2022, 16 breaches related to discrimination were identified in our product supply chain. These breaches were related to lack of policies on hiring, promotion and disciplinary practices, or patterns in recruitment that raise concerns, or uneven compensation across groups in the company. Two of the issues were verified to be resolved in full or in part during 2022. Ten issues identified prior to 2022 were resolved in full or in part during the reporting year.

According to the 2022 Gender Gap Index of the World Economic Forum, Turkey is ranked 124 out of 146 countries in terms of gender parity. This underlines the significant risk of discriminatory practice and gender-based violence in Turkey. In cooperation with organizations in Turkey, Varner initiated training in 2021 to raise awareness about what violence at work constitutes. The training started at selected factories in Turkey at the end of 2021 and has continued into 2022. Three factories were enrolled in the project with interactive training sessions being provided on gender-based violence. In total 1184 people attended the trainings. Changes in the awareness level of the employees was measured before and after the training. An increase in awareness about the topic was identified.

We have continued the Gender Sensitive Workplace Program in Bangladesh in 2022. We have cooperated with Joint Ethical Trading Initiatives Bangladesh in the implementation of this project for factories Varner cooperates with for several years. During 2022 seven factories in our product supply chain have taken part in the program. The overall aim of the program is to create gender friendly workplaces. The objectives are to empower female workers through increased knowledge and awareness, to promote female representation in leadership positions through capacity building, and to increase the capacity of factories to establish safeguarding mechanisms against gender-based violence. The program includes training for management, supervisors, Sexual Harassment Complaint Committee members, Worker Participation Committee members, as well as awareness work towards all workers. For Sexual Harassment Complaint Committee members and Worker Participation Committee members the training is done offsite in a neutral space to allow for open and unbiased discussions and exchanges of experience. Six factories took part in the cycle of the program that started in 2021 and ended during 2022. One factory started the program in 2022 with the baseline survey having been conducted end 2022. This factory will continue to partake in the program in 2023.

The baseline surveys that are done in the program in general highlight a low level of awareness about gender discrimination, gender equality and gender-based violence and what such concepts means in a workplace. Endline surveys generally display a significant increase in the understanding of such basic concepts achieved through the training and program activities. It is perceived that the program enables the factories to obtain learning and information necessary for improvement of practice and enabling a gender sensitive workplace. Channels and mechanisms to support this are being established at the factories. Some challenges and recommendations were provided by the program implementation team. In particular the need to continue the activities after the program period was emphasized, in order to keep the awareness sustained and to maintain the mechanisms established during the program period. In addition, a need was identified to build capacity of the factory resource people to ensure systematic documentation, monitoring and feedback process.

In 2022 we also initiated the project [“Promoting gender justice for women workers in the Readymade Garment sector and advocating women’s safety during local commute and public spaces in Bangladesh”](#) at three supply chain factories. The project is aiming to address the root causes of gender-based violence including unequal power relations in the garment industry. Various organizations will implement different parts of the program with Shojag-Coalition being responsible for the capacity building activities in the factories. The main bulk of the project will be implemented in 2023.



We recognize that many of the same issues identified in Bangladesh are also applicable in India. Related to this we were proud to see recognition of our project in the spinning mill sector in Tamil Nadu, India in the UN Women Empowerment Principles Award 2021 for Asia Pacific, winning the category for “Community, Engagement & Partnerships”. See more about this project under the section about *Forced Labour*.

Reviewing impact

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

The effectiveness of the ongoing regional programs is monitored continuously and reviewed on an annual basis. We collect feedback on our efforts from relevant external stakeholders such as supply chain partners, NGOs we cooperate with, multi-stakeholder initiatives, and we welcome feedback from civil society. We receive feedback on an annual basis on our general performance from Ethical Trading Initiative Norway based on set criteria. As a member of the Sustainable Apparel Coalition we report annually on the HIGG Brand and Retailer Module (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.

All approved suppliers and factories have been enrolled in the Varner assessment program. An essential part of this program is the follow-up and verification carried out to assess whether the identified issues have been improved and that required implementations have been done based on the improvement plans. In 2022 we were able to move back to more normal activities after a period of less onsite assessments and follow-up during the pandemic period. In general, we observe that less presence at factories may have had a negative effect on compliance levels and progress in areas where improvements have been agreed.

We have verified that 13% (15% in 2021) of issues identified in need of improvement in our supply chain in 2022 have been fully resolved during the reporting year, while 7% (7% in 2021) of issues have been verified to have been improved but not fully resolved. These figures include only improvements that have been verified to be improved or resolved through verification from Varner CSR specialists. Such verification mostly happens by onsite follow-up activities that include documentation reviews, interviews and visual observation. It is assumed that more issues have been resolved or improved but have not yet been subject to a proper verification.

In total 865 issues identified in need of improvement in our supply chain previous to 2022 were verified to be fully resolved in 2022, while 132 issues were verified to be improved or in progress to be resolved. Impact related to project and program activities have been described in previous sections in the report.

Out of the verified issues that have been resolved or improved in the supply chain during 2022 (in total 1315 issues) we see that 5% of improvements are related to freedom of association and collective bargaining, 9% related to wages and benefits, 9% related to working hours and overtime, 30% are related to occupational health and safety, 28% are related to building and fire safety. The remaining portion of improvements are spread across different various areas related to regular work, harassment, chemical handling and environmental aspects, discrimination and child labour. More information about identified issues and actual and anticipated effects of measures can also be found in previous parts of this chapter report. It should be noted that the numbers (and %) of identified breaches or issues in need of improvement does not strictly reflect the severity and gravity of such issues and should not by default be connected with what constitutes actual and potential adverse impact in the supply chain.



Grievances and remediation in the supply chain

We aim to contribute to ensure that all workers in the supply chain have access to effective complaint and grievance channels by 2030. We require that all direct partner factories have established proper internal grievance channels that are available to all workers and employees. The awareness of these channels as well as their effectiveness is being assessed regularly and at all audits. 11 breaches against these requirements were identified during 2022. Some examples of issues identified were, no established grievance channels being available, and appropriate committees to handle grievances not having been formed. One of the identified issues was verified to be resolved during the year. 14 issues related to grievance channels identified prior to 2022 were verified to be resolved during the reporting year. As per end 2022 14 factories (5%) have been found to have one or more breaches related to improper implementation of grievance mechanisms.

Even with functioning internal channels there may be boundaries of submitting complaints and grievances. Therefore, we do acknowledge that external grievance channels may be needed as an addition to internal channels. This is especially the case for countries where there is a lack of efficient reporting channels to mandated authorities.

We have ensured externally managed and independent grievance channels (whistle blowing mechanisms) are available for workers and employees at factories we cooperate with in Turkey, Tamil Nadu in India, and in Bangladesh. In addition, a semi-independent grievance channel is piloted for two factories in China. All channels support the ability to raise grievances anonymously. Though some of the channels are established for specific targeted purposes all will accept grievances beyond the targeted purposes.

The channel available for all workers in factories Varner cooperates with in Turkey is focused on migrant workers but remains available for all workers. Posters with information about the channel are available in all factories Varner cooperates with in Turkey. Workers can submit grievances anonymously by submitting information through an online portal. The grievances are handled in accordance to set protocols by dedicated MUDEM staff members. Three people used the channel in connection with factories Varner cooperate with in 2022. One grievance was investigated and resolved, the other two were not a grievance per se but rather a request for help to locate information. This help was provided by partner organization MUDEM. See the section about Migrant Workers for more information about this channel.

The channel available in Bangladesh is connected with The International Accord and the RSC Bangladesh (see section Health and Safety for more information about this initiative). This channel is primarily established to support grievances and complaints related to health and safety aspects, however it accepts all types of grievances. The channel is available in all tier 1 factories used by Varner in Bangladesh. For grievances related to health and safety the investigation is carried out and remediation plan overseen by the RSC. For issues with no connection to health and safety the grievances will after an initial investigation by the RSC be handed

over to companies working with the factory where the issue has been raised or identified. We have found that most grievances received from factories connected with Varner in 2022 were not connected with health and safety but related to issues such as severance benefits or termination of employment. In total 15 grievances or concerns coming through the channel connected with factories cooperating with Varner. 13 were resolved during the reporting year, while two were still in progress at the year end. The complaints are recorded and made public on [the RSC Bangladesh website](#).

In 2021 we introduced a grievance mechanism in cooperation with the NGO Save in Tamil Nadu, India. This channel was set up in connection with the ongoing Spinning Mill project that has been running since 2019 (see section Forced Labour for information about this project). Information about the channel can be found in posters in the established resource centers and is also a part of the training that is being done by cooperating organization Save. In 2022, a total of 66 concerns and grievances were received through this channel. One of these grievances was connected with a factory that Varner is cooperating with. This grievance was addressed and resolved during the reporting year.

The cooperation with KNO Global and two pilot factories in China continued in 2022 (see section Social Dialogue and Worker Representation for more information about this project). The digital platform in the project supports the ability to post grievances, concerns, complaints, and suggestions. During the year 16 issues were raised on the platform. As the issues raised were not strictly grievances in need of remediation, there is no tracking of which are resolved. Varner will continue to monitor the factories and the progress on the issues that were raised.

The channel concern@varner.com remains available for all suppliers in case there should be any complaint or grievance related to the Varner business practices. This channel is also publicly available and could be used by any stakeholder. In addition to grievances being raised in formal channels grievances are from time to time raised directly to the Varner CSR specialists during assessment activities, or by mail or phone contact.

In September 2022 a Norwegian organization raised a concern about a specific case related to one of our supply chain partners in Pakistan with severe allegations related to abuse and harassment. We investigated the case in cooperation with various stakeholders involved. Conclusions from the investigations were that the allegations could not be substantiated and were likely to be fabricated.

The remediation process differs based the type of the grievance, the grievance channel used and organization responsible for handling the grievances. Where third parties are involved the methodology established by these organizations are generally followed. In general, the remediation process involves investigation and verification of the circumstances related to the raised issue (this will often include visits to the location the grievance was filed for, dialogue with involved persons and reviews of records and documents. In our experience quick response in such cases are generally important, and confidentiality (if requested) and sensitivity in terms of exposure to additional harm or repercussions needs to be considered. The focus should always be on ensuring remediation for the person that has been subjected to harm.

External brand suppliers



In addition to selling products produced for Varner, several of our stores also carry products from external brands. These brands are supplied by a varied portfolio of companies, from small and independent companies to multinational corporations. They provide apparel, footwear, skateboard and snowboard equipment, accessories, and cosmetic products. The Varner brand stores with external brands in their portfolio are Carlings, Cubus, Dressmann, Junkyard and Volt. By the end of 2022, we had 194 external brands in our portfolio, and they accounted for approximately 21% of the purchased Varner retail inventory. Compared to last year, our external brand portfolio has decreased by 42%. This is due to the closing of a store specializing in luxury cosmetic brands, as well as deciding to downsize our external brand portfolio, mainly for Junkyard.

As a retailer selling external brands, we are committed to making sure human and labor rights are respected in the supply chains of our business partners. For external brand due diligence, we evaluate and assess each brand against our corporate social responsibility (CSR) and product safety requirements, which they must meet before a collaboration is initiated. In this screening process, all brands must fill out our sustainability self-assessment form and are then followed up by our CSR and QA team. We have five minimum requirements for external brand suppliers:

- They must have a supplier Code of Conduct
- They must have a procedure for identifying risk and following up suppliers
- They must have a Restricted Substances List
- They must have a routine for chemical follow-up of their products
- They must have a contact person for CSR and product safety

We establish risk profiles for each brand based on their countries of production and the information collected during the assessment. If a brand does not meet our requirements during the screening process we can support them in the development of policies, routines, and procedures. Some brands may need more time and advice than others, however, all external brands must commit to meeting our requirements within a set timeline. Lack of cooperation in the implementation of responsible business practices will result in Varner not initiating a collaboration or postponing it until the brand has committed to meeting our requirements. Our experience is that many of the smaller external brand's lack knowledge about responsible business conduct and sufficient insight into their own supply chains. By offering support in the process of implementing policies and routines for responsible business conduct, we strive to promote positive improvements in our industry and to prevent the risks of actual or potential negative impacts. However, we acknowledge that this process has its limitations as we rely on policy documents and self-reported information for our assessments.

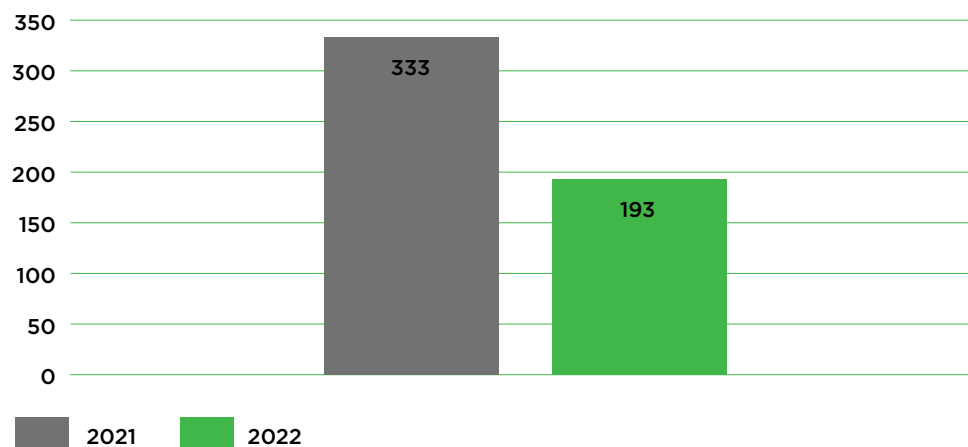
Our self-assessment form was revised in 2022, and changes included adding information about the Norwegian Transparency Act. An email with information about the act and the duty to provide information was also sent out to all suppliers.

In 2022 we added 18 new external brands to our portfolio and all of them (100%) were assessed and approved through our screening process. Out of these, two were identified as having potential negative impacts as they were not fully meeting our requirements during the screening phase (11% of all new suppliers). We had advisory meetings with both brands to support them in the process of meeting our requirements and eventually both got approved. We did not reject any new external brands, however, by the end of December there were still two suppliers undergoing screening and follow-up guidance.

We continued performing assessments of our external brands and identified which ones to follow up, but we didn't meet our goal of assessing the full portfolio during 2022. We reached 82%, where out of 193 suppliers, 34 have not yet been through our full evaluation and assessment process. This number is lower than the 90% we reported in 2021. The main reason for this is that the high number of screenings led to prioritizing follow-up assessments based on risk. Therefore, hardware suppliers (skateboards, snowboards, trucks, wheels etc.) were not included. In 2022, however, all product categories were included in the assessment scope. The external brand suppliers yet to be assessed stand for approximately 1% of the total external brand sales. In 2022 we ended our cooperation with five portfolio suppliers (3% of the external brand portfolio) due to their lack of cooperation and progress towards meeting our CSR and product safety requirements and the risk of potential negative social impacts in their supply chains.

By the end of December, we were still in the process of following up seven portfolio suppliers regarding compliance.

External brands portfolio development



Indirect spend suppliers

Indirect spend suppliers are companies providing products and services for our stores, offices and operations. For our indirect spend due diligence, we have focused on assessing our long-term suppliers operating in high-risk industries. Our portfolio consists of 67 long-term indirect spend suppliers and they supply construction services, marketing, facility management, office supplies and more. Out of these, 30 suppliers (45% of the full portfolio) have been screened and assessed according to our requirements. For the screening process, all suppliers must fill out our sustainability self-assessment form and are then followed up by our CSR and QA team (if applicable). We have four minimum requirements for indirect spend suppliers:

- They must have a supplier Code of Conduct
- They must have a procedure for identifying risk and following up suppliers
- If applicable: They must have a routine for chemical safety
- They must have a contact person for CSR and product safety

In 2022 we performed a full risk assessment of our portfolio, establishing risk profiles for each supplier based on industry. Based on the risk assessment, 16 suppliers were selected for screening and follow-up evaluation. Initially, one of the suppliers was not approved but they managed to meet our requirements within a set timeframe. All the suppliers assessed in 2022 were approved (100%). We revised our indirect spend sustainability self-assessment form in 2022, and changes included adding information about the Norwegian Transparency Act. An email with information about the Act and the duty to provide information was also sent out to relevant indirect spend suppliers. We also added five new suppliers to our portfolio and none of these have been assessed yet. With this screening and

assessment procedure in place we aim to gain more information about our indirect spend suppliers and how they work with responsible business conduct in their supply chain.

During the summer of 2022, Varner`s distribution center in Sweden installed solar panels. We have since become aware of the increasing concerns of severe negative social impacts in the production of Chinese solar panels, especially regarding use of forced labor in the Xinjiang Uighur Autonomous Region (XUAR). Based on these concerns, we conducted an investigation into the supply chain of the supplied solar panels. Though there were no direct links to Xinjiang identified, the risk of connections in the lower tiers of the supply chain cannot fully be excluded. We will continue to monitor the situation. Prior to future solar panel investments thorough assessments and evaluations of potential suppliers and their supply chains will be conducted.

Transportation suppliers

Varner is dependent on logistics partners for the distribution of our products. This includes transportation from production countries to our distribution center in Sweden, as well as inventory allocation for our stores and e-commerce customers. We have a total of 12 logistics partners in our portfolio, covering all our global product distribution.



In 2022, The Oslo Police Department published a crime prevention guide for companies using transportation services². The guide is based on investigations that revealed extensive labor rights violations, organized crime, and corruption across the transportation sector.

In 2022 we implemented a strategy for screening and evaluating our transport supplier portfolio, as well as implementing SOPs for our annual follow-up assessments. We established a set of requirements for our partners and created a self-assessment form. For the screening process, all suppliers must fill out our self-assessment form that is followed up by our CSR team. We have three minimum requirements for our indirect spend suppliers:

- They must operate by a Code of Conduct
- They must have procedures for identifying risk and following up suppliers
- They must have a CSR contact person

In the first phase we screened five Norwegian suppliers (46% of the full portfolio) and all of them were approved (100%). We will continue to assess the remaining seven suppliers in 2023. An email was also sent out with information regarding the Norwegian Transparency Act. With this screening and assessment procedure in place our aim is to gather more information about our logistics partners and how they work with human rights and working conditions in their supply chain.

Anti-corruption

We aim to build our business culture on responsible principles that include concerns for integrity and ethically sound business decisions. Certain markets where we have operations are highlighted by the Transparency International's Corruption Perceptions Index (CPI) as having significant risk of corruption. This applies to countries where we have most of our production, and countries where we have established production offices. We have zero tolerance for corruption and bribery and have continued preventive and controlling routines internally and externally to prevent and identify risk of corruption and bribery. Efforts include policies and training for direct employees and supply chain partners. Established channels to report incidents related to corruption or integrity have been sustained in 2022.

All employees are required to familiarize themselves with the content of the document "Good Business Practice". The document explains the requirements and expectations for good business practice and has information about employees' responsibilities to follow laws and regulations, and how each employee can contribute to meet the company's goals and values in an ethical manner. It also explains how and when to use the channel concern@varner.com to report incidents. The document is available for employees through our internal communication channels.

² Forebygging av kriminalitet i varebilbransjen (nsr-org.no)

Integrity and anti-corruption workshops have been held at all Varner production offices with the aim to reinforce Varner policies on the subject. All Varner production office employees, 95 people in total, took part in the workshops in 2021. During 2022, new employees in the Varner production offices have completed this training, and that was in total 5 people in China, 1 person in India, and 1 person in Turkey. The workshops have focus on arenas where there could be risk related to corruption, bribery, integrity, and conflict of interest and utilize situational dilemmas and examples that are related to our industry and the regional contexts. One governance body member from Norway has received training on anti-corruption in 2022.

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

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

We do 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.

Our established Compliance Group investigates all cases of suspected bribery/corruption. Such cases are always taken seriously and continuously evaluated. CSR has been consulted on issues relating to bribery and anti-corruption.

We have developed a risk-assessment method and process on a higher level for our entire organization, and we will follow up on this in detail in 2023. This is relevant for all business entities (24 in total) and include entities in Norway, Sweden, Finland, Iceland, Turkey, India, Bangladesh and China. It represents 100% of our own operations. We have identified our production offices as the places within our own operations as the most high-risk level for corruption. This limited analysis has been supported via documentation from the Transparency International Corruption Index.

Varner had one confirmed incident of bribery in 2022. Varner did not have any confirmed incidents in 2022 in which employees were dismissed or disciplined for corruption. Varner did not have any confirmed incidents in 2022 when contracts with business partners were terminated or not

renewed due to violations related to corruption. Varner did not have any public legal cases regarding corruption brought against the organization or its employees during the reporting period.

When we become aware of a potential situation, we have learned that it is important to take things seriously early in the process, and dedicate the necessary resources needed to handle the situation. We have determined that we need to have an additional focus in this area in 2023.

Efforts in the Supply Chain

The Varner Supplier Code of Conduct and Anti-Bribery and Anti-Corruption Policy set out expectations and requirements related to integrity to all suppliers and business partners working with Varner. The documents states that corruption in any form is unacceptable, including bribery, extortion, kickbacks and improper private or professional benefits, gifts, loans, fees or rewards to customers, agents, contractors, laboratories, suppliers in all tiers, Varner production offices, or employees of any such party or government officials. All business partners must comply with our expectations and applicable laws on anti-bribery and corruption and are required to develop their own policies for anti-corruption. The requirements are also included in contracts with all suppliers of own branded products, and indirect spend suppliers. We have 130 signed contracts with own brand suppliers³, and they are 59 in China, 29 in Bangladesh, 10 in India, 2 in Pakistan, 20 in Turkey and 10 in Europe/Scandinavia. We have 50 signed contracts with indirect spend suppliers, all of which are based in Europe/Scandinavia. The channel concern@varner.com is available to all suppliers to raise concerns about Varner business conduct including incidents related to corruption and integrity. We have decided to include anti-bribery training for our suppliers of own branded products in the general training that CSR holds for all suppliers on an annual basis. This will be regularly conducted from 2023 and onwards.

A section on anti-corruption and bribery is included in audits of factories. 298 audits were carried out in 2022. In total four issues related to anti-corruption were identified with active supply chain partners during the reporting year. Out of the identified issues three were related to missing or insufficient policies for anti-corruption and one was related to insufficient communication of the anti-corruption policies to employees. Two of the issues identified were resolved during the reporting year. In addition, six issues related to anti-corruption policies in our supply chain identified previous to 2022 are still pending or have not been verified to be fully resolved.

³ 6 of the 136 suppliers for own branded goods have not signed the new contracts due to the cooperation being in a process of being closed down (or under consideration for such a process).

Responsible employer

Our thousands of competent, committed, and passionate employees are our most important organizational strength and valuable resource. We see that gathering people with diverse backgrounds, competence, and viewpoints enriches us as a company. We continuously develop and strengthen our products, assortment, operations, and brands. Together with our employees, we create the best customer experiences through straightforward and responsible working methods, in addition to inspiring ideas. This drives us towards our goals, sustainable development, and economic growth.

Our shared core values have a strong and significant role in our corporate culture. We include our core values in all processes, in our day-to-day business and when recruiting new employees.

All employees in our offices in Norway, Sweden and Finland have participated in core value kick-off's during 2022.

Many of our employees have their first job and are just in the beginning of their professional careers when joining Varner. More than half of our employees are under 25 years of age. Often, we experience that our employees combine their job with studies or other engagements, while others have a lifelong working relationship with Varner.

Our goal is to ensure a safe and well-functioning workplace for everyone, with room for personal development and progress.

Equality at work

We are an equal opportunity employer and hire employees with different backgrounds and experiences. We believe that this both benefits our continuous development and contributes to improving our products and strengthen our Brands. Therefore, we promote equal opportunities and work hard to ensure that our workplaces have an open and diverse environment.

We recruit, promote, and compensate based on responsibilities, competencies, performance, and values. We do not tolerate any form of discrimination based on e.g., ethnicity, parenthood, age, disability/ability, religion, unionization, political affiliation, sexual orientation, gender, or gender identity. Our work with diversity and equal opportunities is integrated in our business strategy, tools, and policies. Our aim is to have a positive influence on the lives we touch.

Diversity of governance bodies and employees

The employee demographics in the countries with store operations are to a large extent characterized by being represented by women. In 2022, we chose to remove the option to provide information about gender in the application process as we do not see this as relevant, in addition to avoiding becoming gender biased.



See page 131 in the appendix for an overview of our employees.

82% *of our leaders are female.*

As indicated by our employee demographics, we have a young workforce in our business and with this a great number of young talents. We focus on fostering their development by providing professional opportunities with internal leadership training and brand specific trainee programs. Of all our managers, 63% are under 35 years of age and for many of these, this is their first leadership role.

63% *of our leaders are under the age of 35 years.*

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 as an addendum package to our employment contracts.

The full code is available for all employees on the Varner intranet and on our website, and it is based on legal requirements and international standards such as the UN's Universal Declaration of Human Rights, The United Nations Global Compact, The UN Guiding Principles on Business and Human Rights and the International Labor Organization'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 in the business 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, labor rights, rights to privacy/ GDPR, working environment and risk management.

Grievances and whistleblowing

The Grievance and Whistleblower policy highlights the employees' right and responsibility to report on issues of concern and breaches of the code in addition to other grievance matters. The policy also includes information about our grievance/whistleblowing channel and how issues raised will be managed.

It is of significance that all employees use their right to speak up and report issues of concern. Our primary focus is to work proactively by providing training, awareness, and through solid management with proper feedback systems in place.



Regardless, we still need a formal whistleblowing channel in case breaches occur. The formal channel for this is concern@varner.com and is communicated to all employees through the Internal Code of Conduct, the Whistle Blower Policy and the Good Business Practice document mentioned above, in addition to The Whistleblower policy.

Anti-discrimination and reports of concern

Equality and anti-discrimination work are a natural part of our day-to-day leadership and form a natural part of our management systems. Varner has zero tolerance for harassment, and our whistleblower policy describes how employees proceed if situations arise where notification is required. Our notification channel is intended to help create trust in cases where it is necessary.

We have regularly defined meetings with employee representatives 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 unions.

Inquiries and reports of concern have been assessed and handled in accordance with the company routines. For privacy reasons, we do not specify the exact number as fewer than 5 of these have been received during 2022.

Freedom to organize and bargain collectively

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

In Norway, 44% of all store and administrative employees are covered by a collective bargaining agreement. The percentage of employees covered by bargaining agreements in Sweden, Finland and Iceland is 99,7%, 96,9%, and 100% respectively. In line with the agreement structure, these collective agreements are negotiated annually by the local employers' and employees' organizations. An example of this is the employer organization, Virke and the employee organization, LO in Norway. The companies in Norway, Sweden and Finland all have membership in the respective employers' organizations.

Employees at our Global Production Offices and in Denmark are not formally covered by collective bargaining agreements. Employees can voluntarily choose to join a union. We do not have a full overview of the trade union membership since this is not monitored or tracked due to our Privacy Policy.

Employee benefits

The employee benefits are in line with the minimum legal requirements set by the national governments in the countries where we operate. All our fixed employees in the countries have the same employee benefits independently of position type, full-time and, or part-time positions.

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

All fixed employees in all countries are covered by our Bonus scheme, in addition to receiving discount in all our stores.

In all countries which we operate in follow the local legislation for parental leave. No arrangements beyond this have been introduced. As we do not have a system that supports reporting of retention rates after 12 months of parental leave, we have not stated in this in the report.

	Female	Male
Employees that took parental leave	765	145
Returned to work in the reporting period after parental leave ended	211	27
Returned to work after parental leave ended that were still employed 12 months after their return	194	13

Labor and management relations

We see it as pivotal to ensure smooth transitions and proper transfer of competence when employees end their employment in one of our companies. The notice period in the local laws where our staff are employed contributes to ensuring enough time to recruit successors, time for training and competence transfer between the new employee and the employee leaving the company.

In addition to the minimum notice period set by Varner, we follow the local legislation in the countries where we operate, in terms of notice period due to age and seniority. In situations where an employee is made redundant, and does not resign themselves, the notice period helps give the employee time to find new work and avoid periods of unemployment. For some critical roles with specific competence, the notice period is longer than required by law.

For operational changes in any of the countries, we follow the local legislation, in addition to any collective agreement requirements. In addition, we cooperate with relevant trade union representatives and, or other employee representatives, and notify employees in line with the legally set notification deadlines. In cases of temporary leave, we always follow the applicable legislation and our HR policies.

Employee turnover in 2022

In total, 22 stores were permanently closed in Norway. In Finland a total of 5 stores were closed, and 6 in Sweden. The total turnover throughout the year has been 21 percent in 2022. Turnover is the share of employees who have left the company. This excludes employees who have changed position internally in each country, but includes part- and full-time employees and employees absent due to illness or temporary leave.

See our overview of new hires and turnover in 2022 in the appendix on page 134.

Developing our people

With about 9 500 employees, Varner regards training and education as an important factor in retaining and developing our workforce. Varner is proud of its large share of longtime associates and recognizes the need to keep these valued associates up-to-date and motivated in terms of their knowledge and abilities. Varner also has a large number of young first-time workers who need basic training.

The purpose of our training is to secure business goals, a healthy bottom line and a strong, positive company culture based on our common core values. In a normal year the average training pr. co-worker is estimated at approximately 10 hours per employee and approximately 22 hours per manager (the average is the same for male and female employees and managers).

Our digital learning platform is our main source for basic training for all store employees. This learning is combined with digital live events and kick-offs, as well as internal and external webinars.

Programs for upgrading employee and management skills

Our training programs in 2022 were mainly divided into 3 groups:

1. Onboarding with focus to strengthen culture and values.
2. Basic skills and competencies - Digital training in combination with On-the-Job Training.
3. Management/leadership Training - Digital training in combination with Face-to-Face Training and individual development plans/activities, somewhat limited due to pandemic/restrictions.

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

Performance and career development reviews

We have developed templates for development reviews and dialog between employee and manager. The routine is that employees have regular feedback and performance talks yearly. This contributes to career opportunities and internal mobility. There is no system in place for collecting data on how and if the performance development is completed.

Awareness and training

Training for Varner store employees is primarily provided through our digital learning and communication platform, Motimate. The platform is available as an app and desktop application, where we offer a wide range of courses developed by Varner for Varner staff.

Motimate training:	
Total employees* completed one or more trainings	7627
Total number of courses completed	117 116
Average number of courses completed per employee and manager using the platform	15
Average time spent on training per manager using the platform (25 minutes per course)	9.9 h
Average time spent on training per employee using the platform (25 minutes per course)	6.4 h
Average rating of all courses	4.7 (out of 5)

*Approximately 24% of these employees are managers (Country managers, country visual managers, regional managers, store managers).

The platform facilitates onboarding and competence building so employees can get familiar with our internal systems and perform work tasks. The Motimate courses are available for all Varner employees, though they are not mandatory for all. All courses are divided into learning paths, making it easy to navigate and find relevant courses. Store employees can complete training during store working hours or from home.

Employees can rate and evaluate the courses after completion, and the average rating on all courses is 4.7 out of 5.

Sustainability training

One of Varner's goals is for all employees to receive sustainability training relevant to their function. Our employees have access to a wide range of sustainability training types, including in-person and online courses and workshops held by Varner staff or external partners. In 2022, approximately 72% of our employees participated in training related to sustainability.

Approximate number of training hours on sustainability provided to employees¹: 4598

Approximate number of courses taken related to sustainability: 6867

Varner conducts introductory courses on sustainability for all new employees at our service office. The training includes information about due diligence for responsible business conduct in the textile sector and in Varner. 97 employees participated in a sustainability introduction course. In 2022, 385 hours were spent on our sustainability introductory courses.

¹ The wording has been changed from the 2021 report to more accurately reflect the data.

All store employees have courses available in corporate social sustainability, sustainable materials and health and safety, which are all available on our learning platform Motimate.

Employees at our service office in Norway and at our global production offices (GPOs) also receive in-depth training in subjects such as more sustainable materials, health and safety, environment and climate, human rights, child labor, animal welfare, labelling, marketing activities and more. Competence building related to sustainability and CSR is especially relevant for employees responsible for due diligence in our supply chain and business relationships. In addition, there is a course on anti-corruption available for all employees at our GPO's and Service Office.

Sustainability training for the Norwegian Service Office and GPO's

Training type	Number of courses taken	Total hours*	Total hours for female employees	Total hours for male employees
Sustainability intro courses	347	385	112.5	33
Quality Assurance related training	468	537	380.5	153
CSR related training	180	305.5	161.5	145
Environmental related training	259	506	255.5	252.5
Total	1266	1730	910	583.5
Average hours of sustainability training		3.3 h	2.8 h	3.0 h

Employee category data not available. * Total hours are approximate.

Sustainability themed Motimate trainings

Title	Country	Total completed courses	Courses taken by leaders	Courses taken by employees	Average rating (0-5)
Basic material training	Norway	1373	85	1288	4.7
	Sweden	774	74	700	4.8
	Finland	419	21	398	4.6
Sustainability - Environment & CSR	Norway	1217	75	1142	4.7
	Sweden	704	69	635	4.8
	Finland	350	23	327	4.6
Health & safety	Norway	121	103	18	4.9
	Sweden	173	109	64	4.8
Guidelines travel & good business	Service Office	38	n/a	n/a	4.8
Total		5601	981	4620	4.7

As of today Motimate has no function to register gender. The mandatory training in Motimate will though reflect the gender balance in general. Average course duration is 25 minutes.

A safe and healthy workplace

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



We believe that the development of a safe and sound working environment must happen in close cooperation between employees, their representatives and management. Working environment councils are established at all offices and stores where this is required by local legislation, in addition to our warehouse/ distribution center. The councils are important entities to ensure and monitor applicable regulations related to the work environment. The councils prepare and carry out risk assessments as well as efforts to address and prevent risk in the workplace. Training is normally provided for new council members on an annual basis.

Work-related injuries are recorded and addressed by the working environment councils. The councils are comprised by equal number of members from employee and management level. The worker representatives are normally elected for 2-year periods.

All accidents and incidents are reported according to internal routines, this includes reporting to the local Work Environment Committees and/or relevant Labor Inspection Authority.

In 2022, in total 57 recordable work-related injuries and 2 high-consequence related injuries have been reported throughout all countries in Varner. The main causes of possible hazards and work-related injuries for store employees in our operations are related to falls, cuts, falling goods and physical exertion when, for example, lifting heavy boxes. Following the reported high-consequence related injuries, evaluations have been conducted to determine the need for changes in current procedures as well as the necessity for action. In the incidents mentioned, local steps have been put into place, along with instructions to all employees about the significance of adhering to our safety procedures. Actions are followed up by work environment authority

In our global production offices, the main types of work-related risks relate to travelling to factories and lifting heavy boxes.

Our warehouse facility/ distribution center (DC) has a high degree of automation. Risk assessments have been carried out and we have identified 3 main risk areas: automated robots, operating of machines, and workstations. All identified risks have been evaluated and action plans and/ routines have been established. The statistics show the following recurring hazards and work-related injuries; falls, cuts, falling goods, lifting heavy boxes, crush injuries, collisions etc.



Our general terms for providers of external personnel include clauses related to working conditions. This is aligned with applicable regulations, including requirements related to social security, health and safety, wages and working time. The terms are agreed and signed before the initiation of a contract.

We comply with national obligations relating to requirements for supervisory responsibility. In Norway, this is specifically related to cleaning services.



Occupational health and safety management system

All operations in Norway, Sweden, Finland, Denmark, Iceland follow the applicable requirements and regulations of the Working Environment Act and Health & Safety.

All Global production offices follow country specific requirements for fire safety, and a process for management of work-related injuries.

This also applies to all workers who are not employees, but whose work and workplace is controlled by us. The most frequent non-employees whose work is supervised by the organization include warehouse assistants from employment agencies and staff from the companies we engage to operate both our service offices and warehouse. However, we are unable to give a reliable overview for the exact number of external workers.

Local government carries out audits throughout the year, both announced and unannounced inspections. There is no centralized tracking of this. In addition, external audit in relation with assessment of HIGG was carried out in 2022, see page 23.

All parts of the operation in Varner have regular risk assessment, including an action plan to manage health & safety. To identify potential risks and investigate incidents, we also carry out safety rounds on a regular basis. These are managed at our workplaces, and form the basis for a local maintenance plan, based on the report.

All stores and offices in the countries which we operate in are responsible for the daily prevention and identification of potential risks. In addition to this, all stores have a regional safety representative that is responsible for ensuring a safe working environment. The safety representatives can be contacted by all employees in the region. The employer is responsible for ensuring that all brands have safety representatives in each region, and that they receive proper training, in line with local regulations.

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

At our distribution center in Sweden, 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.



For Global Production Offices with employees travelling to factories for inspections, a process for how to be protected from Covid-19 when visiting factories has been established. Several times throughout 2022, our Global Production staff working primarily with inspections and factory visits, have not been travelling due to infection control measures.

Promotion of worker health

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

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

In Turkey, all employees are covered by the Turkish healthcare system. In addition to this they also have access to Doctor for Workplace Health & Safety services.

In the fall of 2022, Varnersborg Employee Club was founded. The initiative's purpose is to benefit and encourage Varner's warehouse employees in Värnersborg to prioritize sustainability and wellbeing. This will be accomplished through club-organized events such as lectures, seminars, and physical training happenings. The objective of these initiatives is to improve workplace attractiveness for local job seekers while simultaneously fostering the development of a healthier, knowledgeable, and engaged workforce.



We provide all employees with access to our own fitness center at our Vänersborg Distribution Center, which we upgraded with new equipment this year. Outside of working hours, the training facility has proven to be a useful venue for socializing with colleagues. In addition to making a significant contribution to maintaining a focus on good health among our employees, whether they need access to a gym for rehabilitation, prevention of injury, or to facilitate overall better health.

Health and safety training

To ensure health and safety competence, training is provided during onboarding and periodically for relevant staff in all parts of the operation. This includes fire drills and training on how to operate fire extinguishers, in addition to general HSE training.

We provide training for employees and leaders in our digital learning platform, and/ or physically in our DC. This includes safety representatives that are legally obligated to partake in health and safety courses. In Norway, the new safety representatives had their obligatory training in September. Legally required HSE training is held by a third party, in addition to internal trainings offered by Varner staff.

During the pandemic, we rolled out adapted health and safety training in response to the situation, including training on face masks and disease prevention. New guidelines on personnel and customer safety aligned with governmental requirements have been introduced. This has been continued in 2022.



CIRCULAR & CLIMATE CONSCIOUS

Circular & climate conscious

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

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

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

The ambitious EU strategy for textiles underlines the importance of a more circular approach.

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

Varner contributes to closing the loop by increasing the quantity of recycled materials in our products. We're also contributing to eliminating waste through our partnership with Fretex by allowing second use or recycling for our products. This year we have even slowly started to explore possibilities for recycling products that cannot be put on the market and investigate what the infrastructure for end-of-use could look like in the future to meet the new requirements of the EU Textile Strategy.

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

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

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

Building awareness and knowledge

To strengthen our partners in topics related to quality assurance, materials sustainability, and the environment, we focus on building awareness and sharing knowledge. In the year of 2022, we have conducted supplier trainings in local languages for key subject matters. We also started providing supplier training on environmental areas in all our key production markets through our production offices. All new suppliers go through an on-boarding training covering quality, chemical and environmental requirements and policies of the Varner Supplier Manual.

Training Topic	Production Market	Number of sessions	Avg training time per session	Total Participants from all sessions
Supplier Manual 2022 (Environmental Section)	VTR	5	45 min	53
Supplier Manual 2022 (Environmental Section)	VSA	8	75 min	34
Supplier Manual 2022 (Environmental Section)	VBD	2	180 min	74
Supplier Manual 2022 (Environmental Section)	VFE	1	120 min	50
How to Use Higg MSI	VBD	5	60 min	10
How to Use Higg Product Module	VBD	4	60 min	8
Supplier Manual 2022 (QA section)	VSA	9	150 min	61
Supplier Manual 2022 (QA section)	VBD	1	240 min	69
Supplier Manual 2022 (QA section)	VFE	1	210 min	70
Sust. Materials & procedures	VTR	5	96 min	18
Sust. Materials & procedures	VSA	2	90 min	11
Sust. Materials & procedures	VBD	16	60 min	153
Sust. Materials & procedures	VFE	3	60 min	15

Sustainable materials & preferred fibers

Varner has an important role to play in the transition to a more resilient, regenerative, and circular economy. Moving towards a preferred fiber and materials portfolio is one part of that transition and is a significant way for Varner to improve impact.

As a member of Textile Exchange, we are committed to participate in their Climate plus strategy towards 2030, with the goal of 45% reduced CO₂ emissions from textile fiber and material production in the pre-spinning phase by changing to preferred fibers. They have focus on three impact areas in particular, soil health, biodiversity, and water.

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

Our definition of preferred fibers is guided by the lead of Textile Exchange, third-party verified lifecycle assessment (LCA) data and Sustainable Apparel Coalition's Material Sustainability Index which offers external material benchmarks based on LCA data.

[The Material Change Index \(MCI\)](#) is a key component of Textile Exchange's Corporate Fiber & Materials Benchmark (CFMB) program which Varner voluntarily reports through. MCI enables participating companies to measure, manage and integrate a preferred fiber and materials strategy into their business and benchmark them up against peers in the industry. The CFMB is one of few transparency benchmarks built on voluntary company disclosure.

For the 2022 MCI Varner was rewarded Level 4 (Leading) as the overall MCI score, as well in the category Cotton. We were rewarded a Level 3 (Maturing) in the categories Business integration, Material Portfolio, SDG's and the fiber categories Polyester, Polyamide, MMCF, Wool and Down.

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



Materials risk assessment

A new risk assessment exercise for all main fibers used by Varner was conducted in 2022. The purpose of the exercise was to identify actual and potential adverse impacts associated with Varner sourcing of materials. The risks identified from this exercise are addressed through our use of certified materials, policies and use of preferred fibers. The risk assessment process is described in Chapter 4.

Certification

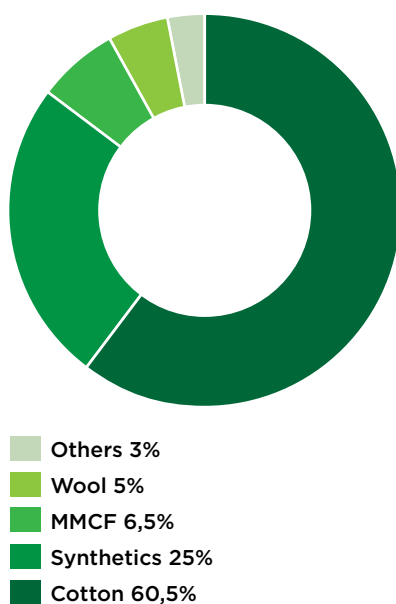
This year Varner chose to become certified to Textile Exchange's standards such as Organic Content Standard, Global Recycled Standard, Recycled Claim Standard, Responsible Wool Standard and the Responsible Down Standard. We also became certified to Global Organic Textile Standard. The focus on certification and 3rd party verification is important to Varner going forward, giving credibility to our consumer claims, and helping in mitigating fiber supply chain risks.

Our use of fibers

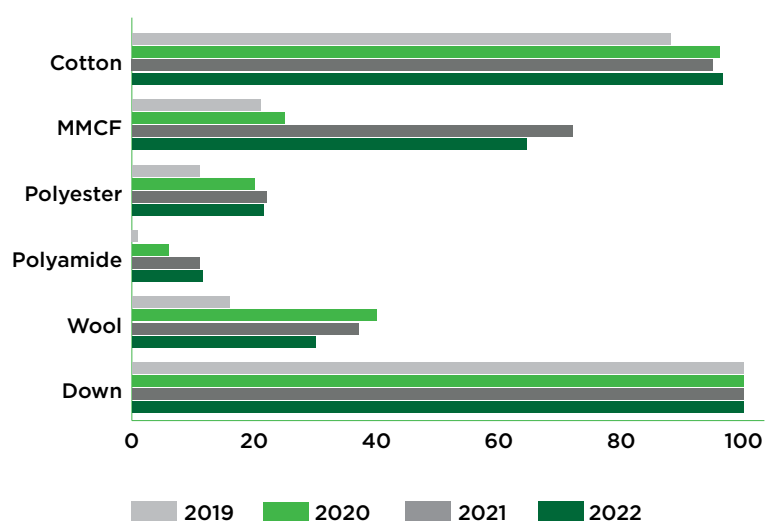
The distribution of fibers for 2022 shows a stable distribution between the different fiber groups over the recent years. Cotton continues to be our main and most important fiber with 60% of the total share. Synthetic fibers follow as the second largest fiber group with 25%.

In 2022 we have increased our fiber sourcing with 40% compared with 2021. That has resulted in to that even though we have increased the volume of preferred fibers with 38%, percentage-wise we have not had the progress that we wanted. In summary, we have a slight decrease in the use of preferred fibers for 2022 from 69% preferred fibers in 2021 to 68% in 2022.

Fibers we used in 2022



Preferred fiber share per fiber group



Cotton

Cotton is our largest fiber group by usage, comprising a stable 60% of our total fiber consumption. In 2022 we had an increase of cotton sourcing of 38%.

Most of the cotton farmers and farmworkers are located in some of the world's poorest and worst affected areas of climate change.

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

As cotton is our main fiber, we are continuing to work toward using cotton with less impact on the environment, which takes both soil health, biodiversity, and the working conditions for the farmers into consideration.

We have 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 we have also implemented a process mapping form this year where we require the suppliers to declare their supply chain and country of origin of the cotton.

All Varner brands have signed both the Turkmen and the Uzbek cotton pledge:

[Turkmen Cotton Pledge](#)
[Uzbek Cotton Pledge](#)

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

To achieve the goal of 100% more sustainable cotton in 2025, and to mitigate some of the challenges in the supply chain, we focus on sourcing Better Cotton; certified organic cotton through the certification schemes GOTS and OCS; and certified Fairtrade cotton. Recycled cotton is also a part of the preferred fibers strategy, we have increased from 1% to 3% in 2022, volumes are still small. Low availability and limits in use are two reasons for this.

Less than 4% of our cotton is still considered conventional cotton.



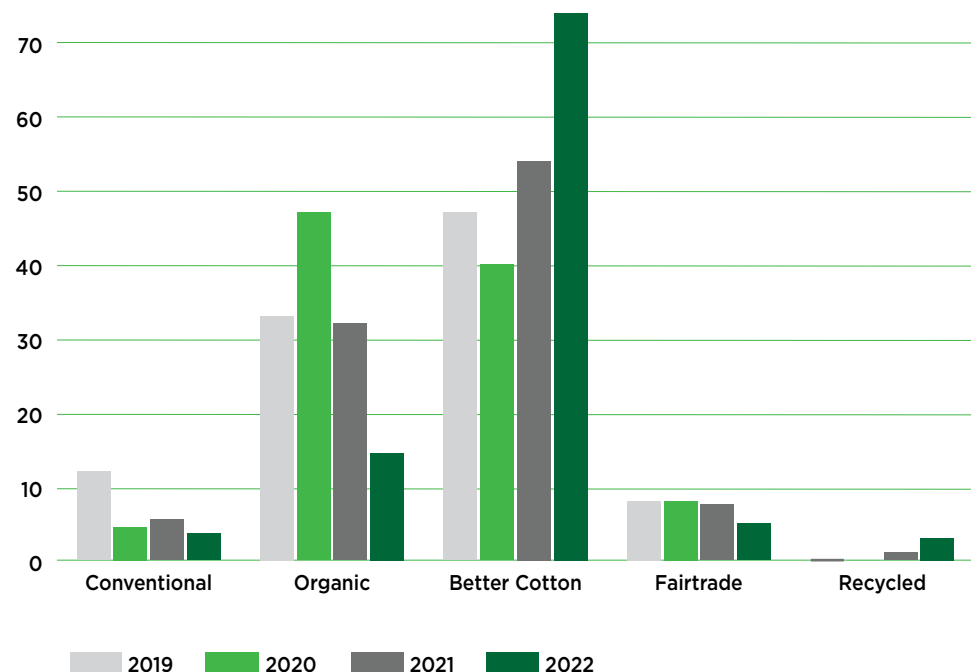
Supima branded cotton is a part of this portion. Supima is an American-grown, extra-long staple cotton. It is a high-quality cotton fiber that will ensure that the final product will have a longer lifetime and less pilling. For some of the Varner brands it is important to be able to offer more luxurious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

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

As Supima cotton is grown only in the west and southwest states of California, Arizona, Texas and New Mexico we have control of the country of origin of the cotton. This can also be physically identified in a Supima product by sending it to Supima for testing. In 2023 Supima offers brands full traceability of their fibers with the launch of their new platform.

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

Distribution of cotton 2019 to 2022



Certified Organic Cotton represented just over 14% of the total cotton sourced by Varner in 2022, that is a significant decrease in percentage from last year. Challenges with availability, a severe price increase for organic cotton and the overall challenging market have led to a shift towards sourcing more Better Cotton. Still, we see a steady focus for some of our brands, Dressmann did manage to increase their portion of organic cotton from 17% to 24%.

GOTS (Global Organic Textile Standard) and the Organic Content Standard (OCS) are the two certification schemes that we commit to.

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

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

For OCS and GOTS certified organic cotton the known sourcing countries for 2022 were India, China, Japan, Kazakhstan, Kyrgyzstan, Tajikistan, Tanzania and Turkey.

Better Cotton is a global not-for-profit organization and the largest cotton sustainability program in the world. Already nearly a quarter of the world's cotton is produced under the Better Cotton Standard. Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment.

Varner has been a Better Cotton member since 2016. In 2022 Varner sourced 12312 MT of cotton through Better Cotton, a significant increase from 2021. By sourcing cotton through the Better Cotton program Varner supports Better Cotton's work on training the farmers and farmworkers in more sustainable farming practices, reducing the use of pesticides, managing water usage, and building soil health, helping the farmers implement better farming practices to be more resilient in the future. You can read more about the Better Cotton's achievements on their [website](#).

In 2022 the below estimated impacts were made thanks to Varner's brands sourcing of Better Cotton:

- An estimated 5,735,029 litres of water were saved.
- An estimated 3,647 kg of pesticides were avoided.
- Better Cotton Farmers benefited from an estimated 2,494,401 EUR additional profit* thanks to our sourcing of Better Cotton.

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

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



Fairtrade cotton accounts for 5% of Varner's total cotton consumption, a decrease from 7 % last year. Volume is steady, but due to the increase in sourcing of cotton, the percentage of the total is less. Varner has a long-term commitment of sourcing Fairtrade cotton. In 2022 two of Varner brands could offer Fairtrade certified products, Dressmann being the biggest brand.

Fairtrade addresses social, economic, and environmental challenges in the cotton industry.

Millions of small-scale farmers in developing countries depend on cotton for their livelihoods. Fairtrade is a global movement that enables farmers and workers to have more control over their lives and decide how to invest in their future through better prices, decent working conditions and a fairer deal for farmers and workers in developing countries. Cotton production is linked to environmental issues such as extensive usage of agro-chemicals and water. Unpredictable weather conditions also endanger the livelihoods of small-scale farmers. Fairtrade prohibits the use of certain agrochemicals that are harmful to the environment and encourages farmers to reduce their use of pesticides and supports them to adapt to changing climate patterns.

Farmers following the Fairtrade Standards are focusing on environmental practices covering issues such as water management. 60-75% of all Fairtrade grown cotton is rainfed. In some regions, this might be supplemented by drip irrigation, the use of drip irrigation allows a large area to be irrigated with less water, estimated to save between 30-70% of water compared to conventional water systems. The management of soil, pest control and use of pesticides, fertilizer application and biodiversity conservation are also covered by the Fairtrade Standards. In an externalities study (2017) done on Fairtrade cotton it was estimated that the social and environmental cost of Fairtrade cotton is 5 times lower than conventional cotton

No genetically modified seeds are allowed in the Fairtrade system. 60-75% of Fairtrade cotton is even grown organically, and the Fairtrade system helps farmers that wishes to transition to organic farming. Due to the support of minimum price and the premium achieved for their cotton, the transition investment gap is less.

Varner Fairtrade cotton sourcing comes from the Indian cooperatives OM Organic and Surendranagar Farmers Producer Company Limited. We also source some cotton from Bio Farmer ACSC in Kyrgyzstan and three cooperatives from Senegal (US-GPC de Kédougou, GIE Union Fédération Nationale des Producteurs de Coton (FNPC) de Saraya and US-GPC Dabo).

OM Organic- Bansal Organic Farmers group is in the Odisha region in India and is a cooperative of 4385 farmers from 145 different villages. For the last couple of years, they have used the premium income they get from selling Fairtrade cotton to strengthen their business and to provide extra income for many farmers and their families. The farmers have invested in agricultural equipment to make the work easier and faster,

they have also bought cows and goats to supplement their income. From the cows they get milk that they can sell, they can also use the cows to plough the field. By consuming the milk, the farmers and their families can diversify their diet on a long-term basis. 147 families received a cow, and 499 farmers received a goat.

Cotton farming is a seasonal product that can only be grown part of the year. It is a challenge for the farmer to secure an income for the full year. The farmers from the regions of Antarla, Baguabahal, Bayaudar Karkar and Kacherbhadi decided to invest in a secondary source of income by developing the sewing skills of the young women of the community and purchasing sewing machines for the women to work on.

These are a few examples of what the premium by sourcing Fairtrade cotton can contribute to for a community. Working with Fairtrade provides a real and measurable impact at farmer level and has a positive contribution on the environment in the regions where Fairtrade cotton is produced.



Synthetic fibers

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

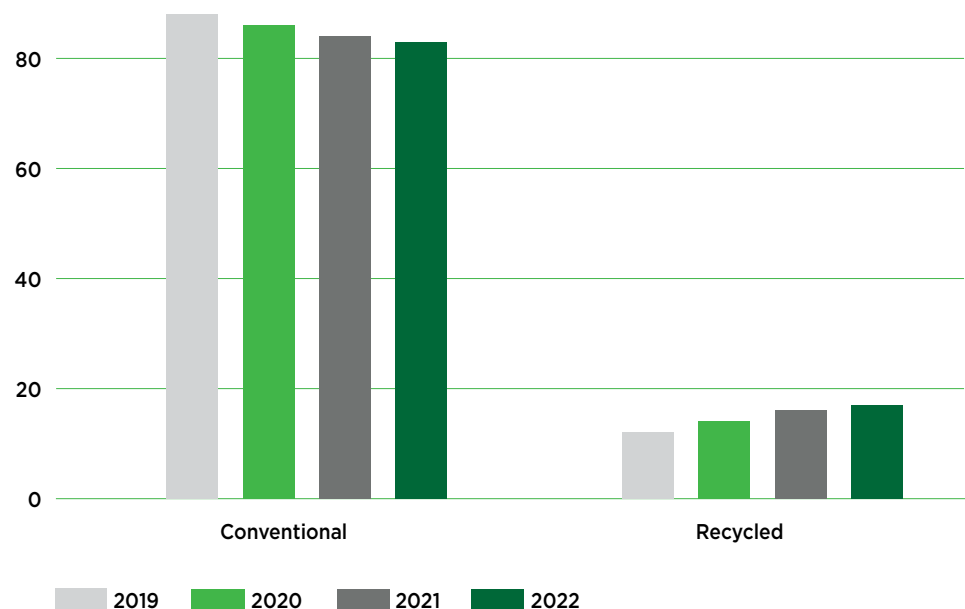
We have just started our journey to replace virgin synthetics with recycled options. Even though most of the recycled polyester that we used comes from recycled PET bottles and industrial waste, and not from textile-to-textile recycling, we think that using resources that already exist is a step in the right direction. Once textile-to-textile recycled polyester is commercially available, it will be a goal to include that in our portfolio.

In 2022 we are stable at 16,5% recycled synthetic fiber, consisting of recycled polyester and recycled polyamide. Even though the volume of preferred synthetics has increased by 41%, it does not show in the overall total percentage, as we have also increased the volume of conventional synthetics.

21% of our polyester is recycled, and 11% of our polyamide is recycled.

Both Cubus, Dressmann and Junkyard offer swim collections made with Repreve® recycled polyester made from recycled materials including plastic bottles.

Distribution of synthetics 2019 to 2022



The recycled Polyester Challenge

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

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

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

Microfiber pollution

Microfiber pollution on land and in our waters is still a hot topic in the textile industry without a clear solution of how to solve it.

From a textile company's point of view, we can reduce the use of synthetic fibers to mitigate the future microfiber pollution, but to avoid the use in total would be very hard to achieve as some products will deliver much better on lifetime performance and fit for purpose with the use of synthetics.

Good work is happening in the industry, test methods are under development to be able to measure the microfiber release, which is an important step. Still there is no official benchmark that indicates whether your fabric is releasing a lot, or less. The method for accelerated testing that will provide a simulated reality of what happens in washing is not yet ready. The possibility of developing this method into a more 'real life approach' is being discussed but is in any case further in the future.

Yet there is still a lot of research needed to find out which constructions and treatments that will generate a fabric with less microfiber release, how consumers wash and use the products and how long the lifetime of a product is.

An established scientific solid method of calculating microfiber release on a product level is still lacking in the industry, making it difficult to measure a company's real impact.

Varner was required through the Environmental Information Act to disclose our microfiber emissions for the last year for all our products. Based on the request we did an exercise calculating the microfiber emission of our products. It was an interesting exercise that pointed out the complexity of the topic. There are various factors that influence the microfiber release. How much microfiber a product emits depends on the production method of the fiber, the construction of the fabric, the production of the product, the product's lifetime and not least how the customer uses the product and how it is washed and how many times washing is conducted through its lifetime. As an example, a t-shirt will be washed more frequently than an outerwear jacket. We experienced that there was little consistent data available to use in this calculation.

RISE - Research Institutes of Sweden, who has a lot of experience in the field of microfiber research, has carried out a literature review on the microplastic emission from textile laundry on request from APPLIA*. The purpose of the review was to collect and compare current published data on the release of microplastic/microfibers from textiles during laundry.



From the report we can see that there is a big difference between experiments conducted on a lab-scale and those performed with commercial washing machines, indicating that lab-scale results should not be translated or extrapolated to simulate full scale domestic washing machines, as lab-scale washing is much harsher. Textiles also shows significantly higher fiber shedding during initial washes, and then stabilize after a certain number of washes. More research on a broader range of textiles and long-term behavior of the textiles is needed to gain a more reliable statistical base.

Based on the RISE literature review we can see that just during the first wash a product could potentially release somewhere between 30mg/kg and 1060mg/kg. With this gap in release data, it would be very difficult to try to measure the impact of a company's measures to mitigate micro-fiber release.

Going forward we will follow the development in research to acquire more knowledge and focus on areas we can improve, such as reducing the use of synthetic fibers in total.

*The full report can be found [here](#).

Man-made cellulosic fibers

Man-made cellulosic and wood-based materials make up 6,5% of Varner's total fiber consumption. Even though wood is a renewable source, there are risks connected to this material. The world's ancient and endangered forests, which are an important habitat for several endangered species and biodiversity, are threatened and need to be conserved for coming generations. To manage the risks in the man-made cellulosic fiber supply chain, and protect biodiversity, Varner has teamed up with CanopyStyle.





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

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

The focus on preferred MMCF fibers such as EcoVero™ from Lenzing and Livaeco™ from Birla Cellulosic continued in 2022. These two fibers are traceable and sourced from FSC certified forests in accordance with our Canopy Commitment.

These two suppliers are rated as dark green shirt suppliers and ranked as the top two suppliers in the [Canopy style Hot button report 2022](#). Canopy's Hot Button Ranking and Report is the primary fiber sourcing analysis tool for the fashion sector that focuses on forests and used by industry actors that are committed to eliminating the use of Ancient and Endangered Forests in viscose and other cellulosic fabrics, and to giving preference to textiles made from innovative fibers.

Approximately 80% of our MMCF fibers were sourced from these two companies.

The use of preferred MMCF decreased from 72% in 2021 to 64,5% in 2022.

Our ambition going forward is increasing the portion of preferred MMCF and to start to incorporate cellulosic fibers and materials from next-generation feedstock such as recycled content and agricultural waste. One example of such fiber is Lenzing's REFIBRA™. REFIBRA™ technology involves upcycling cotton scraps from garment production. In 2022 we have made our first products with REFIBRA™.

Viscose distribution 2022



Preferred Viscose Livaeco™ (15%)
Preferred Viscose EcoVero™ (42%)
Conventional Viscose (43%)

Modal distribution 2022



Preferred Modal (83%)
Conventional Modal (17%)

Lyocell distribution 2022



Lyocell Tencel™ (52%)
Lyocell (40%)
Lyocell Refibra™ (8%)

Animal fibers

Animal Welfare Policy

Varner established an Animal Welfare Policy in 2008 and has since worked with continuously developing the requirements based on the latest reports and research into the status of each material we use, and the potential risks related to these. The policy is shared with our suppliers and they are required to sign this as a part of the Varner Supplier Manual. For leather and animal fibers that are not certified we also require the supplier to declare their supply chain, including origin of raw material if the information is available.

We updated the Animal Welfare Policy in 2022 and opened for the possibility of brands sourcing cashmere, a previously banned fiber in Varner. The reasoning behind the update is that we see that there is now a commercially available option to source preferred cashmere through the 'Good Cashmere Standard®' addressing the concerns linked to animal welfare, traceability, social and environmental impacts.

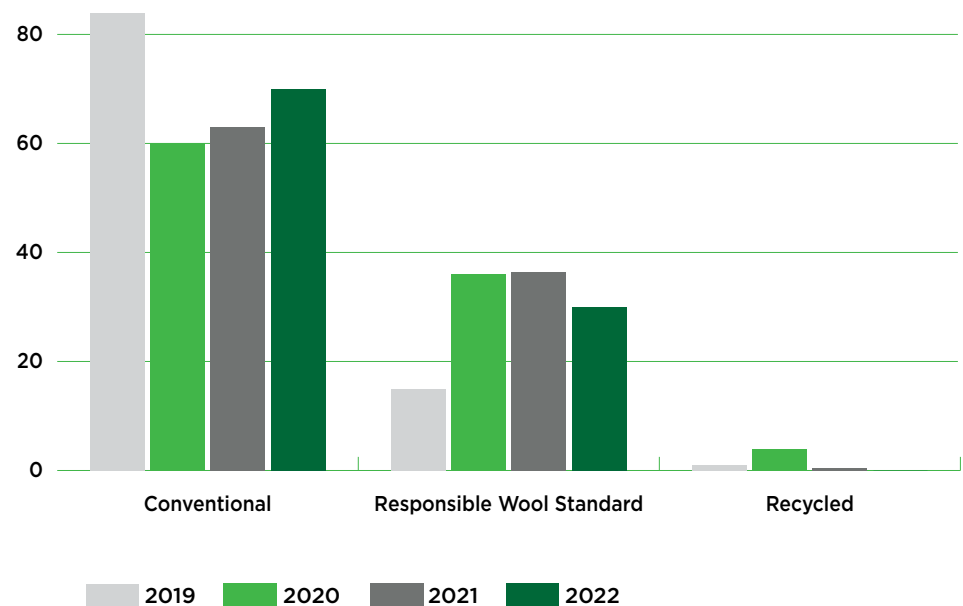
To stay up to date on developments of animal welfare topics around the world, we participate in global meetings and maintain close relations to organizations such as Textile Exchange, to ensure animal materials are responsibly sourced.

Varner uses several of the Textile Exchange certifications for responsible animal materials, such as Responsible Down Standard and Responsible Wool Standard to help mitigate some of the risks in the supply chain.

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

Wool is a natural fiber with unique properties and an important fiber for Varner brands. The fiber is lightweight and at the same time warm and is the only fiber that still retains heat in a wet state. It is versatile and can be used for everything from underwear to suits and outer coats. Wool material represents only 5% of our total fiber consumption, but as animal fibers are connected to risks associated with animal welfare and the health of grazing land, we have had a continuous focus on animal fibers for many years.

Distribution of wool 2019 to 2022



Responsible Wool Standard

The Responsible Wool Standard aims to improve the welfare of sheep and the land they graze on.

The Responsible Wool Standard (RWS) requires all sites, from wool farmers to the seller in the final business-to-business transaction, to be certified. RWS farmers and ranchers must meet animal welfare, land management, and social requirements.

Varner has been committed to the Responsible Wool Standard from its launch. 2019 was our first RWS sourcing year and during that year we purchased 15% of our wool from Responsible Wool Standard certified sources, in 2022 30% is RWS certified, a decrease of 6% from the year before.

Sourcing countries for Responsible Wool Standard certified products were in 2022 Argentina, Australia, Bulgaria, China, New Zealand, Republic of South-Africa, South Korea and Uruguay.

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

Responsible Down Standard

The Responsible Down Standard aims to protect ducks and geese used for down and to ensure to the highest possible standard that down and feathers don't come from animals that have been subjected to unnecessary harm.

The Responsible Down Standard (RDS) incentivizes the down and feather industry to treat ducks and geese humanely and rewards organizations leading the way. The standard also gives companies and consumers a way to know what's in the products they buy.

Varner has a strong focus on animal welfare, and we have achieved our goal of sourcing 100% of our down from Responsible Down Standard certified sources since 2015.

In 2022 we sourced our Responsible Down Certified down from China, mainly from the Shandong region.

Read more about Responsible Down Standard [here](#).

Recycled materials

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

In 2021, 4% of our fiber use was recycled, this has increased to 6% in 2022. The use of recycled content spreads out on a range of different product groups. Still, we see that the progress is challenging due to both availability and limits of use.

By signing the 2025 Recycled Polyester Challenge we wish to drive the demand and contribute to capacity scaling of recycling facilities.

We consider the amounts of recycled materials in a product compared to the durability and quality needed for a long and useful life for the customer.



Product traceability

Varner has a goal that our products should be fully traceable in 2030, meaning that main materials shall have a known and verified origin, all supply chains shall be transparent and identified. Varner purchases a lot of 3rd party certified products, the certified material in these products is fully traceable according to the certification, but at present the full supply chain information is not transparent to the brands.

Traceability is a hot topic in the industry, and a variety of different innovative solutions are put on the market and can help brands in their traceability journey. For Varner traceability is an important tool for helping us identifying where the main risks are in our supply chain, and how we target the adverse impacts better.

Textile Exchange is one industry partner that will offer better traceability solutions for their standards. They will in 2023 launch two different traceability systems d-trackit and e-trackit, d-trackit being the first to be launched and being accessible to all certified companies. As Varner became certified to Textile Exchange standards, we will start using this tool once available to us during 2023.

For 2022 however, we still only have theoretical full traceability for these orders. A request through the Environmental Information Act required us to disclose the regions and countries from where we source the cotton in our products. Some of the information that we received from our supply chain partners was not possible to verify according to our standards. Even the certified cotton that is traceable, is not fully transparent to us as a brand. Meaning that we will not always get information about country of origin.

An improvement is that country of origin of the fiber is now mandatory to add on transaction certificates for Textile Exchange Standards, starting from august 2022. This is positive as we will get verified information of fiber origin.

Since we have had a decrease in the use of certified organic cotton, we have also had a decrease of fully traceable products, 19% of produced pcs and 18,5% of all styles were traceable. For these products, the certified or branded material is traceable, along with the different production tiers involved. This information is yet not fully transparent to us as an end brand.

Fairtrade, and the Livaeco cellulosic orders are the only certifications that are proving full traceability and transparency at the moment.

The two internal measures taken in 2022, both the implementation of the Process Mapping Form which enables us to document each step in the manufacturing process per product back to the raw material level and the start of the pilot project with Textile Genesis traceability solution will help us on the journey of progress toward the goal of 100% traceable products by 2030.



Preferred product packaging

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

In 2022 we have shifted production of all labels and tags to one nominated supplier. Only a few orders from early 2022 were still placed with other suppliers. Based on data received from our nominated supplier and 95% of the paper materials are FSC certified, including 30% of FSC recycled material. 97% of all woven labels were made with recycled materials.

The bags that we sell to the end consumers are 98,8% paper bags and 1,2% are plastic bags. 100% of the plastic bags are made from post-consumer recycled plastic. 84% of our paper bags are coming from our nominated suppliers and 100% of it is FSC certified. Due to availability issues we had to order paper bags from another supplier, and the remaining 16% of our paper bags are not coming from a preferred packaging option.

For other types of product packaging we are still consolidating our supplier portfolio to use fewer selected suppliers, aiming for enough data to report our progress in 2023.

Waste

A key requirement for the scaling of circularity is improving textile waste collection and ensuring waste is given a new value. The EU textile strategy has great ambitions for the textile industry and with the requirement for an Extended Producer Responsibility regulation coming from both EU and the Norwegian government, waste handling in the textile industry is very much in focus. Varner supports and engages in the development of the upcoming regulation.

For Varner waste includes both goods that we are not able to sell through our own channels, but also textile waste from the production of our garments.

Basing our approach on the textile hierarchy Varner has two goals connected to textile waste.

- 100 % of unsold & 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.

This is dependent on a close cooperation with our supply chain. The more waste is being used as a resource the less we are dependent on virgin materials which helps reduce impact on the planet.

In 2022 we have mapped the share of our production waste. By using data collected from our suppliers we have estimated that 82% of our orders are generating 4129 tonnes of textile waste during the production of our garments at our tier 1 suppliers.

We have also started exploring options for recycling waste that cannot be reused in its original form.

Through our Environment Management System, we monitor and follow up the operational waste for both the distribution center and the service office. We make sure that our waste is properly handled and put into the correct collection stream so that it can be recycled and leaves a less negative footprint on the environment.

Policy for unsold goods

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

In 2022, 102 tonnes of Varner surplus or defective goods were diverted to recycling and reuse, this is a decrease from 364 tonnes last year.

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

Whenever the situation arises where products cannot be sold due to not meeting safety requirements and potentially posing a risk to health or the environment, the goods are destroyed. In 2022, 42 tonnes of goods were sent for destruction mainly because of several severe cases of received moldy garments which would pose a potential health risk for the user. According to our partners handling the goods, these were sent for incineration with energy recovery. Such goods cannot legally be put on the market as it causes a risk towards consumer and needs to be destroyed. This has affected seriously the percentage of goods that we could put into streams for reuse/recycling/upcycling/repurposing. This year we achieved only 72% compared to 99,8% in the previous year.

Web Orders

Varner is doing more and more business online and a rising portion of our sales are now conducted through the brands' websites. This sets a focus on how we handle goods that come in return.

Our main policy is that as much as possible should be put back into the web shops and resold. Some products are not suited to be resold due to several reasons. Bottoms of underwear and swimwear, wrinkled garments, sets where only one part is returned are examples of products that we do not resell through the web store. These products are resold through our outlet in Vänersborg. If the products have defects such as stains, missing button etc, or are used and then washed before returned, we donate this product through our cooperation with Fretex. As a last resort we destroy or recycle the product if it is not fitted for reuse.

Partnership with fretex

Varner has been in partnership with Fretex since 2012. This partnership entails excess goods are donated to Fretex in Norway and to Myrorna in Sweden. We also give the customer the possibility to give back old garments in our textile collection program in stores, that again will be donated to Fretex. The take-back collection system is not much in use by customers, due to the well-developed infrastructure of return points for used clothing and textiles throughout Norway. Fretex being one of the contributors.

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

A major part of the textiles Varner donates are exported to international markets such as Asia and Eastern Europe where they will be sold in second-hand stores.

New possibilities

Rester

In 2022, we contacted the Finnish company, Rester, the first textile recycling company in the Nordics. Rester enables recovery of textiles into new fibers and high-quality materials. They recycle textile waste, end-of-life textiles, garments clothing, uniforms and workwear, flat linen, towels etc.

For Varner this was an opportunity to test and explore the possibility of recycling goods that otherwise would need to be destroyed. Examples of such goods being products withdrawn due to child safety issues. These goods would otherwise need to be destroyed.

We sent nearly 6 tonnes to Rester for recycling end of 2022 that will turn into a new fibers or product, having a second life.

Norwegian re:textile

Another exciting news in 2022 is the investment in Norwegian re:textile.

Norwegian re:textile's ambition is to become a supplier of circular textile solutions, to optimize the collection of textiles and enable sorting and recycling processes. Every year, 50,000 tonnes of textiles end up in residual waste and are incinerated in Norway, which contributes to large CO₂ emissions. There are no good solutions for the handling of textiles at end-of-life. The newly established company Norwegian re:textile is now working together with Varner, the recycling companies, Fretex and others to develop collection and sorting systems that will remove all textiles from the residual waste and reuse the materials. The ambition is to build Norway's first and the world's biggest sorting facility.

Varner believes that a better infrastructure for collection, sorting and recycling is needed to facilitate a circular textile industry and we are one of the cornerstones investors in this project. We are excited to follow the development of this project going forward.

“An investment in a large-scale sorting facility is the most important thing we can contribute to the value chain. We will take our share of the responsibility for reducing the climate and the environmental footprint in the industry. Our aim is for all textiles to be materially recycled in the end-of-life and as much as possible to be reused in new textiles”

Varner's CFO,
Øyvind Bustnes



Operational waste

Varner takes environmental responsibility for our packaging waste through our membership in Grønt Punkt Norge. The membership proves that a company has taken its statutory producer responsibility by paying for the collection and recycling of packaging. For other markets such as Sweden and Finland we also take the same responsibility.

Volume of waste paid for through the producer responsibility in different countries in tonnes:

Norway:	
Plastics:	365
Carton/cardboard:	1182
Pallets:	32
Other wood:	1
Other waste:	0,064
Finland:	
Carton/cardboard:	64
Sweden:	
Plastics:	84
Carton/Cardboard:	623

Waste Management

In the distribution center and service office there are bins to collect different waste fractions; cardboard, plastic, paper, metal, batteries, lamps, electronics, dangerous waste (special waste like, white board cleaner, sprays, paints, etc.), glass and residual waste. Waste compactors are available for cardboard and plastic. The waste collection is managed by a third party organization who also provides the waste data overview.

Waste generated at distribution center in Sweden:

Plastics:	40
Carton/cardboard:	913
Pallets and other wood:	78
Metal:	3
Other waste:	152

Waste due to the Warehousing/Packing activity had a big increase from 2019 until today. Mostly because of an increase in e-commerce sales, which leads to a lot of unpacking processes in the warehouse, that would otherwise occur in the stores. This means that there is not an increase of waste being generated in a global picture, but it just means that the waste has been shifted from the stores to the warehouse. Cartons need to be opened in the warehouse to be shipped directly to the customer instead of being opened in stores.

Waste generated by Varner service Office Norway:

Other waste:	31
Food waste:	20
Grease waste (collected from kitchen):	13
Paper/Cardboard:	10
Glass and metal packaging:	3
Electronic waste:	1
Plastic:	0,8

Waste has also increased in the Service Office, mainly due to the increase of the number of employees in the office.

Products & quality

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

We perform quality tests both in-house and in 3rd party labs to check if the expected quality level is achieved. In 2022 we performed 33 132 individual quality tests in 3rd party labs and issued 223 in-house full test reports in our own facilities.

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

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

Whenever a claim comes to our attention, we investigate the issue thoroughly, so that the risk of similar issues is reduced and may be avoided in the future.



Safe products & chemicals

Varner focuses on offering safe products to our customers and works systematically to secure this. For us, a safe product fulfills both legal requirements, best practices, and voluntary standards. 100% of our products are assessed for health and safety. It covers not only the use of chemicals in products or production, but also the design of children's products. To us safe products means all products that are placed in stores are assessed and have passed applicable chemical & safety tests.

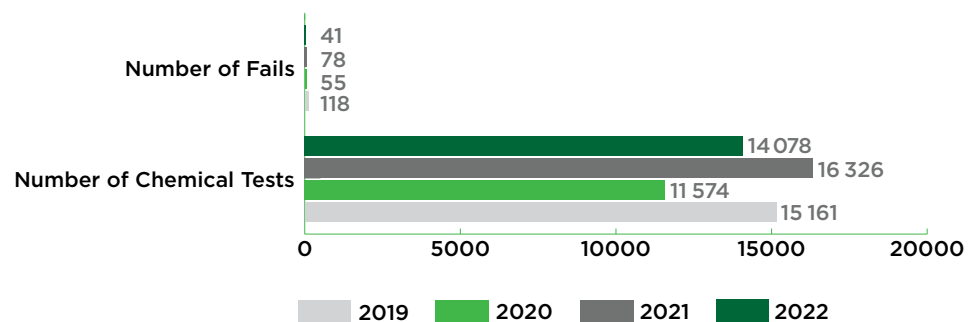
We believe that our new partnership with ZDHC will help us further in ensuring safer products and production. More details of our engagement with ZDHC can be read on page 131.

Chemical testing & restricted substances list

Each year we do a substantial amount of quality and chemical tests through accredited 3rd party labs that we cooperate with, this to ensure conformity both with legal requirements and with Varner's quality and chemical requirements. There were no incidents of non-conformance against legal requirements for 2022.

All 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 fulfills the legal requirements, and our own stricter requirements.

Chemical Test Statistics



To ensure the chemical policy we have a testing system that applies to all products that we make. Tests are selected based on potential risks of the certain product or material. In 2022 we performed 14078 individual tests on chemicals, with a failure percentage of 0,29% which is a slight decrease from 2021. The number of chemical tests has slightly decreased from last year.

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

Child safety

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

In 2022 we have strengthened the internal child safety training program and have had additional training for all designers developing baby and children's clothing in the importance of designing with safety in mind. The background for the extra focus on training came after two cases of voluntary withdrawal of two baby products. We came to know that we had placed two baby products on the market that did not fully fulfil the requirements in the child safety standards and could potentially pose a risk for the consumer. We have chosen to withdraw these products from the market based on the precautionary principle, and to notify both the authorities and the customers that had bought the product, informing them of the potential risk of use.



Principles and framework for environmental sustainability and climate action

We acknowledge the need to create a model capable of replenishing what it consumes, sustaining over time without causing damage to future generations. Environmental compliance and best practices have always been key elements of our sustainability strategy and screening process. What began more than a decade ago as environmental compliance under the umbrella of sustainability and CSR has naturally evolved into a focused movement with the intent of establishing a robust framework and practical action roadmap to effectively manage our increasingly ambitious circularity and climate goals.

Our ambition for environmental and climate responsibility is to monitor, measure, and minimize the use of natural resources, chemical risks, and climate footprint within the boundary of Varner's global production, as well as for our own operations and logistics. With this ambition in mind, our environmental and climate commitments are aligned with our core values, future ambitions, internal and external risk assessments, feedback from key stakeholders, and global industry actions.

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

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

In 2022, we continued working towards our strategic plan which has several ambitious goals in multiple focus areas related to environmental sustainability and climate action (refer page 31). In 2022, we made significant progress in the areas of internal framework development and implementation work as per our roadmap.

Environmental sustainability

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

Collaborating & aligning with industry initiatives

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



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

What we started in 2020 as a reinforced commitment towards environmental and climate actions matured further in 2022 after strengthening the roadmap by clearly defining impact areas, developing a practical framework for implementation, and anchoring the same within the organization.

Our approach

As part of our reinforced strategic plan, we have implemented new tools to monitor environmental practices in our supply chain. Our membership in the Sustainable Apparel Coalition (SAC) and support from the Higg tools have been important in this respect.



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

Since becoming a member of the SAC in 2020, we have started adopting the Higg Facility Environmental Module (FEM), developed by the SAC, as our primary tool to assess the environmental performance of supplier factories.

The environmental assessment framework in Varner has baseline performance checks that cover key areas of a supplier's environmental management system, chemical management, water use, wastewater management, and hazardous waste management. All approved factories are screened accordingly before the initiation of business, as well as during cooperation. Improvement plans are developed on identified gaps and issues, and improvements on those issues are checked and verified in follow-up assessments.

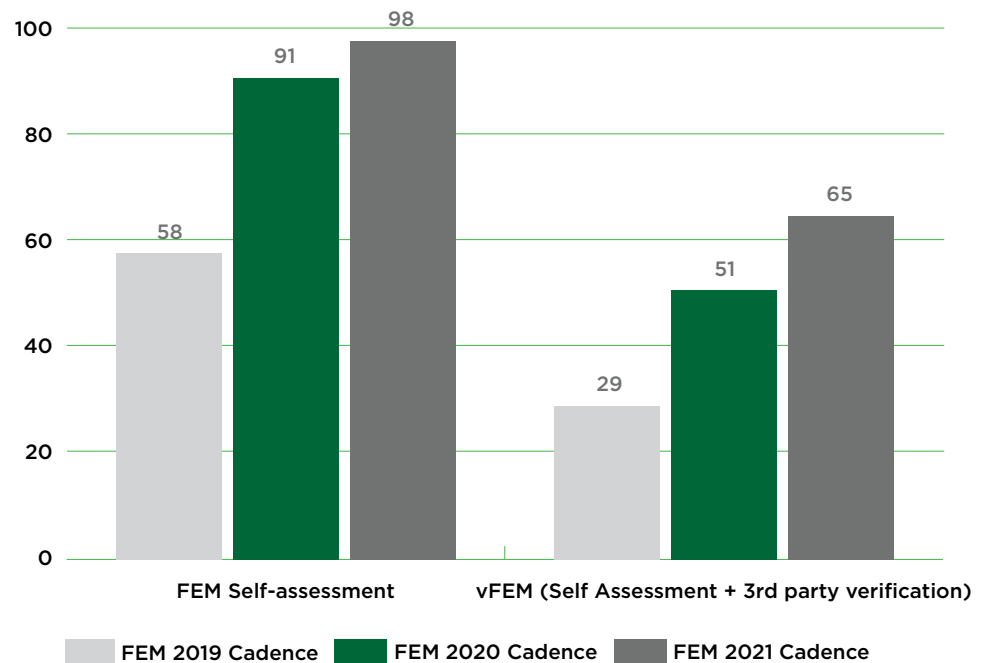
Evaluating supply chain performance through Higg FEM

The Higg FEM tool provides us and our supply chain partners with context to identify priorities, gaps, and make strategic decisions. Higg FEM (Facility Environmental Module) allows us to evaluate the performance of facilities and provides benchmarks that allow facilities to identify weaknesses and possible corrective actions. The Higg FEM includes seven sections organized as a supplier self-assessment to monitor several activities, such as the adoption of environmental management systems, the use of water and energy, wastewater treatment, emissions into the atmosphere, and the use of chemicals. It can also be validated by a third-party entity approved by SAC. The supplier engages in an ongoing improvement and transparency process subject to assessment year by year.

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

Our scope of FEM adoption includes direct Tier 1 factories that are suppliers for internal brands of Varner and had active business in the same year as Higg FEM reporting year. In 2022, we requested our in-scope Tier 1 factories to complete FEM2021 (FEM 2021 indicates the reporting period as the year 2021, which suppliers reported in the year 2022). As demonstrated in the graph below, we see continued increased adoption in Higg FEM self-assessment as well as third-party verification.

Adoption of FEM within our in-scope tier1 factories (%cost)

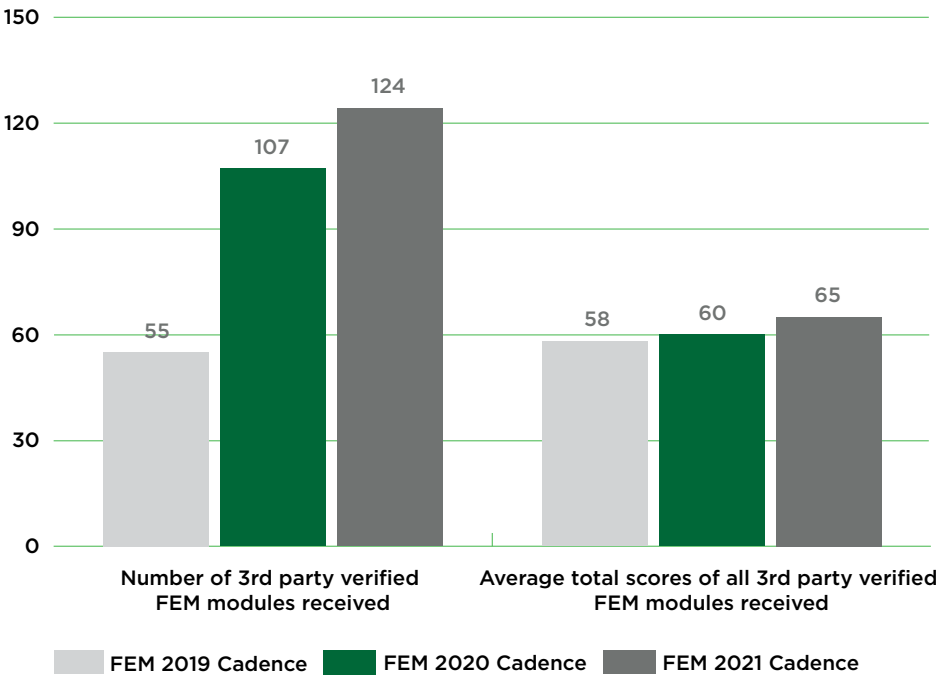


“Since joining SAC in 2020, we have observed increased adoption of FEM as a standardized industry tool for assessing facility environmental performance within our supply chain. FEM helps to establish baselines, identify risks, and serves as a practical guide for improvement. In 2022, we reached our internal goal of having at least one dedicated environment responsible in each production market. We have made environmental screening mandatory for all new supplier factories seeking approval for business.”

Dipankar Bose, Global Environmental Manager, Varner

In the year 2022, we have received total 219 FEM2021 modules from in-scope Tier 1 factories, out of which 124 modules were verified 3rd party verifiers. Below graph shows average total score of verified FEM modules received from in-scope direct Tier 1 factories over the last 3 years.

3rd party verified FEM (vFEM) from In-scope Tier 1 factories



Environmental management system

An Environmental Management System (EMS) is the foundation of environmental sustainability for any organization. We believe that a strong EMS can not only ensure compliance with local and international legislation but also play a significant role in achieving environmental sustainability goals such as climate action, energy and water efficiency, chemical management, treatment of wastewater, and waste reduction.

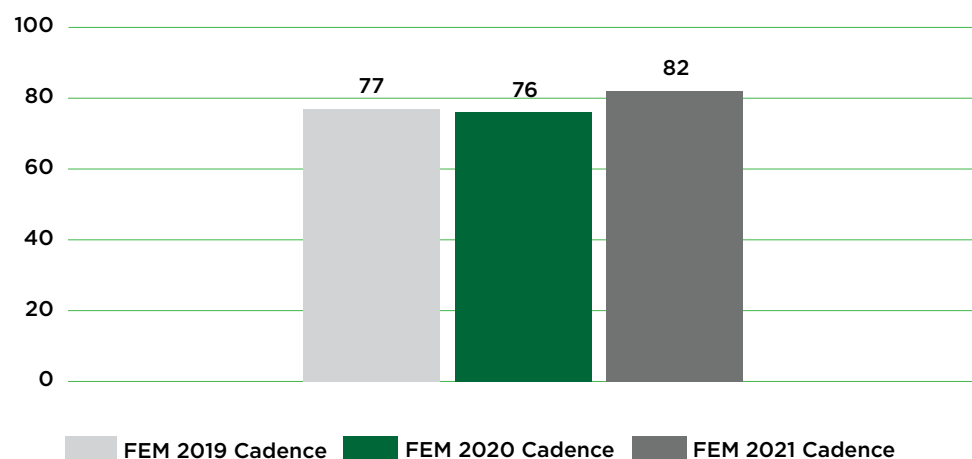
To evaluate our supplier's EMS, we use the Higg FEM and our own internal assessment tool. Our core focus areas in EMS include:

- Adequate environmental policy
- Proper impact assessment
- Long-term strategy
- Effective EMS organization approach
- Proper documentation of energy, water, chemical use, waste, and wastewater generation
- A system to review changes in national and international environmental requirements and adopt them in the organization
- A system to review the performance of EM

“By utilizing our core focus areas in EMS, we identified a few suppliers whose performance in FEM was below average, and we engaged with them to make positive changes in their EMS. We achieved significant improvement in their vFEM scores as a result. This year, we observed a total vFEM score improvement ranging from 6 to 16 among our suppliers in Bangladesh, with section-by-section score increases primarily focusing on the core EMS areas of concern.”

Jakir Hossain, Environmental Specialist, Varner Bangladesh

Average Score in EMS section from 3rd party Verified FEM by year



Water use and effluent management

Water is a vital resource for people, processes, and wildlife, and is the bedrock of a healthy ecosystem and prosperous economies. The apparel industry is heavily reliant on water, from using it as a solvent for dyes and chemicals to acting as a medium for transferring them 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. To ensure the same, we map water stress, monitor water use, and maintain proper effluent treatment before discharging it at each manufacturing facility.

Our approach

We use the WRI Aqueduct Water Risk Atlas tool to map and screen water stress in regions, and to assess the cumulative risk of location water stress and process water requirement. Previously, this work was attempted manually for high water risk regions. With the adoption of Higg FEM as our primary supply chain environmental performance assessment tool, we are now able to manage this at a large scale, in a more efficient and accurate way.



Gardening with recycled water

Risk mapping: Mapping of water risk is done through a combination of two 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 baseline performance of partner factories on a range of checks to ensure that expected standards related to water use and effluent treatment are met. 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.

From 2022 onwards, the Environmental Team is also working towards increasing water use efficiency and effluent treatment effectiveness in our supplier factories. Which includes.

- Identifying source of Fresh Water consumption.
- Tracking of Fresh Water intake in the supplier facility.
- Ensure compliance against all applicable legal laws.
- Ensuring proper functioning of ETP/STP for wastewater treatment and tracking of Tracking of Wastewater discharge.
- Ensuring availability of Strategy to reduce the Fresh Water consumption.



Water efficiency

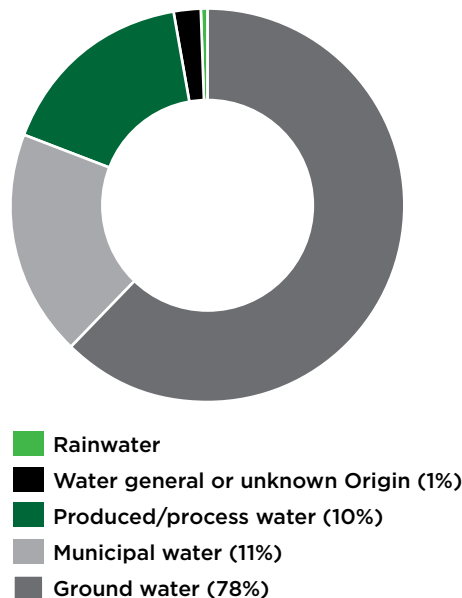
We work with our supply chain to improve water efficiency in the manufacturing processes. Key elements of our water efficiency roadmap for suppliers includes:

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

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

In 2022, we recorded the trend of freshwater consumption for the reporting year 2021. We analyzed the data through Higg FEM 2021 verified modules across our global supply chain, as represented in the figure below. Our next step is to track the exact volume of freshwater consumption for different categories in the reporting year 2022 and come up with a target to reduce freshwater consumption in our supply chain.

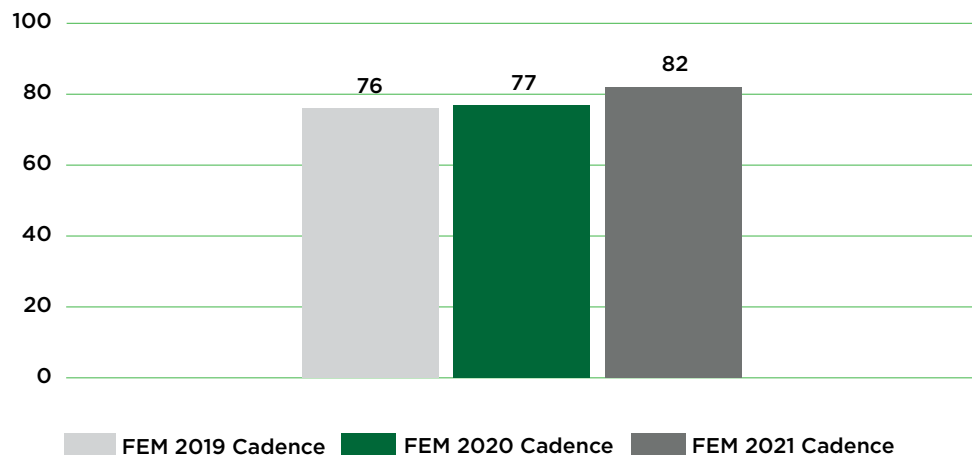
Water Consumption (L) Trend from verified FEM 2021



“During our on-site assessments at our supplier facilities in 2022, we identified various issues related to unauthorized extraction of groundwater, excessive extraction of groundwater, inaccurate tracking of freshwater use, inefficient wastewater treatment processes, and the use of incorrect methods for wastewater treatment. These issues were due to a lack of knowledge about updated legal norms and inappropriate consultation and awareness. Through our on-site assessment process, we made the facility management aware of updated legal norms and the best available methods for accurate tracking of freshwater use and efficient treatment of wastewater. We are now working together with the facility management to address these issues and reduce freshwater use while maintaining the efficiency of the wastewater treatment plant”

Shubhransu Singh, Environment Specialist, Varner India

Average Score in Water section from 3rd party Verified FEM by year



Wastewater treatment

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

We require our suppliers to treat wastewater before discharging it back into the environment or reusing it. If there is no public treatment facility available, they are required to install a treatment system on-site. To maintain wastewater quality, we follow the Business for Social Responsibility (BSR) Water Quality Guidelines as standards. These guidelines measure 19 parameters, including temperature, pH, suspended solids, Biological and Chemical Oxygen Demand (BOD and COD), and a range of potentially harmful substances. The Guidelines provide a Limit Value for each

parameter. Meeting these values and/or the local legal values (which-ever is more stringent in each case), a facility can be considered 'In Compliance' with the guidelines.

In 2021, we developed roadmap 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 below:

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

We now have mapping of wastewater treatment related practices within our in-scope Tier1 factories through verified Higg FEM modules and identified trends (refer table below).

Overview of wastewater treatment type from vFEM received	vFEM 2020	vFEM 2021
<i>Factories with Onsite Wastewater Treatment</i>	43	48
<i>Factories with Offsite Wastewater Treatment</i>	31	41
<i>Factories with both Onsite & Offsite Wastewater Treatment</i>	18	18
<i>Factories Having ZLD (Zero Liquid Discharged) Treatment</i>	2	2
<i>Factories with no Wastewater</i>	3	3
<i>Factories with only Septic System</i>	10	12

“We utilize the Higg FEM and internal assessments to gain insights into the wastewater treatment practices at our supplier facilities. In order to prevent the use and discharge of hazardous substances, we collaborate with our supply chain partners. Furthermore, we actively seek out safer alternatives to be used in the factories where our products are manufactured, and ensure that appropriate pollution reduction and prevention measures are implemented.”

Ufuk Dinc, Environmental Specialist,
Varner Turkey, Europe and Pakistan

During factory assessments, our environmental and CSR teams review the wastewater treatment practices of our supplier facilities to ensure compliance with our standards. In our 2022 CSR audits, we identified seven non-compliance issues related to wastewater treatment, two of which were fully or partly resolved during the reporting year. We also confirmed that three findings from previous years' audits were resolved during the 2022 audits.

Case Study: WTP Backwash Water Recycling

Water is a critical resource in the textile and apparel industry, and suppliers worldwide have taken different initiatives to reduce water consumption in textile and apparel manufacturing. However, there is still room for improvement in this area. Reduction in water consumption not only reduces water stress but also reduces GHG emissions.

During recent assessments in Bangladesh, it was found that some manufacturers use a Water Treatment Plant (WTP) to make the water soft for the dyeing and washing process, which is a combination of Multigrade Sand Filter and Activated Carbon Filter. To remove the clogs of the WTP, they use a large volume of fresh water known as backwash. After the backwash, this water is channeled to the Effluent Treatment Plant or discharged directly into the environment. This not only increases water stress but also increases GHG emissions.

This presented an opportunity to reduce water stress and GHG emissions. Tests were conducted on the backwash water and fresh water, and it was found that most of the parameters of these two types of water were similar, and only Iron was slightly higher in the backwash water, but it was within the limit. This Iron can be removed by using Multigrade Sand Filter and Activated Carbon Filter or by diluting the backwash water with fresh water. Further analysis is being done to close the loop of this backwash water instead of wasting this large volume of water through discharge.

Since 2020, monitoring of supplier practices in this area has been strengthened to ensure foundational infrastructure and capability to support the growing ambition to strengthen environmental sustainability in the supply chain through Higg FEM assessments.



Chemical management

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

Collaborating & aligning with industry initiatives

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

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

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

In 2022, we joined the ZDHC's Roadmap to Zero Programme as a 'Friends' member to align our upstream supply chain towards sustainable and responsible chemical management, from the purchase of chemicals to their final discharge and disposal. We believe that the ZDHC Foundation's Roadmap to Zero Programme provides an opportunity for us to improve the implementation of sustainable chemical management. The ZDHC guidelines, solutions, platforms, and implementation projects, along with collaborations with others within the ZDHC Community, will be valuable assets for Varner as we continue our journey towards detoxing our supply chain.

Our approach

We believe if harmful chemicals are not screened properly during purchase and production stage, this will pose a threat to environmental and occupational safety even if they do not necessarily always end up in finished products. Our approach to chemical management in production includes ensuring safe handling, storage and disposal of chemicals as well as actively identifying and phasing out hazardous chemicals from our production.

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

DETOXING FROM HAZARDOUS CHEMICALS: There are chemical substances that are harmful to nature, biodiversity, and human health over exposure. Some hazards are physically detectable while others need a

more diligent approach even for identification. Our detox approach focuses on a due diligence system that helps screening of chemicals in production and prevent the use of such hazardous chemicals in our production.

Chemical storage and handling

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

- Appoint responsible person to handle hazardous chemicals.
- Keep a full chemical inventory list including the supplier's name.
- Have safety data sheets (SDS) available for all chemicals.
- Properly label and store chemical containers.
- Establish proper emergency plans in case of hazards/risk.
- Provide appropriate and operable safety equipment to employees.
- Proper training on handling chemical spillage to the workers.
- Have visible and proper hazard signage.
- Establish awareness program about chemical hazard and proper storage & handling of chemicals.
- Provide well-marked designated chemical storage areas.



Chemical drum.

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

65 issues related to storing and handling of chemicals were identified during 2022 CSR audits, out of which 14 issues have been verified as fully or partly resolved during the reporting year. In addition to that, 25 findings from CSR audits in years before 2022 were also confirmed to be resolved during 2022 CSR audits.

Detoxing from hazardous chemicals

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

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

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

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

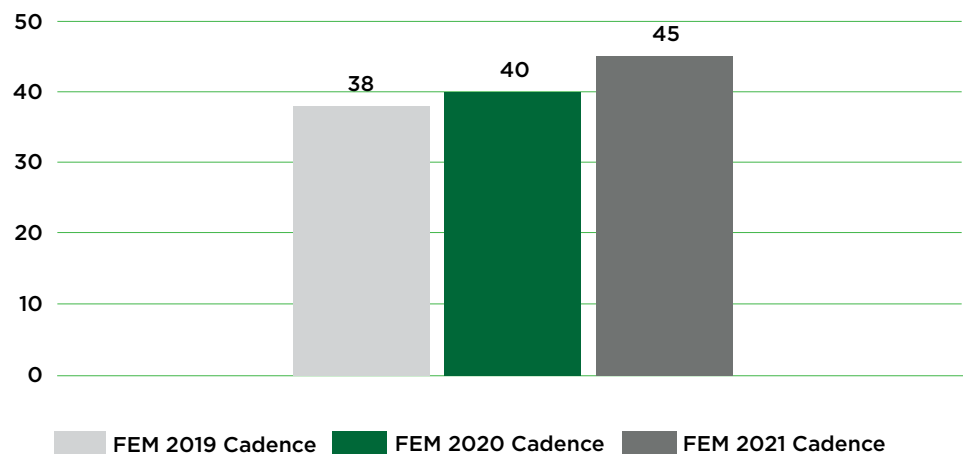
- Train all employees in case of hazards/risk and train employees in Manufacturing Restricted Substance List (MRSL) and Varner Restricted Substances List (RSL).
- Communicate requirements on chemicals purchased in compliance with RSLs with upstream supplier.
- Document processes to identify, monitor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

Based on our initial mapping in 2022, out of 124 Tier 1 factories that completed Higg FEM2021 verification, 69 factories use chemicals in their production process. Of these 69 factories, 67 reported fully or partially training all employees who handle chemicals on chemical hazards, risk, proper handling, and emergency or spill procedures. Additionally, 59 factories reported training employees responsible for the chemical management system on Restricted Substance Lists (RSLs) and Manufacturing Restricted Substance Lists (MRSLs).

67 facilities have documented their selection and purchase of chemicals based on their hazards and MRSL/RSL requirements. At least 62 facilities claimed to have a documented process for systematically identifying, monitoring, and verifying compliance with all product RSLs and ZDHC MRSL, either fully or partially.

Our ambition in this area includes actively working with our supplier partners to improve due diligence in chemical purchasing practices and usage, ensuring that monitoring goes beyond compliance and preventing hazardous chemicals from being used in our production process.

Average Score in Chemical section from 3rd party Verified FEM by year



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 are members of *The Swedish Textiles Initiative for Climate Action* (STICA) since 2020 to learn from and contribute to the collective effort of the Nordic textile industry towards climate action. The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at a minimum, reduce greenhouse gases in line with the 1.5 °C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. STICA's aim is to ensure that the Swedish and Nordic textiles industry do more than their share well before 2050. STICA is coordinated by the *Sustainability Fashion Academy*, a non-profit independent organization. SFA's mission is to accelerate progress towards science-based sustainability targets and the Sustainable Development Goals (SDGs) by harnessing the power of the apparel industry. You can read more on [STICA's website](#).

“From our experience of working with Varner, the sustainability team is ambitious and transparent in their work, and the collaboration is often thought-provoking. Over the last years, Varner has continuously worked with improving their share of measured data that is the basis for climate calculations, resulting in great improvements in this area. We believe that Varner has an understanding of both their strengths and weaknesses within the climate issue, and that they are highly motivated to bring change in both their context and the industry”

2050 Consulting AB, climate consultants for Varner

Our approach & commitments

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

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

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

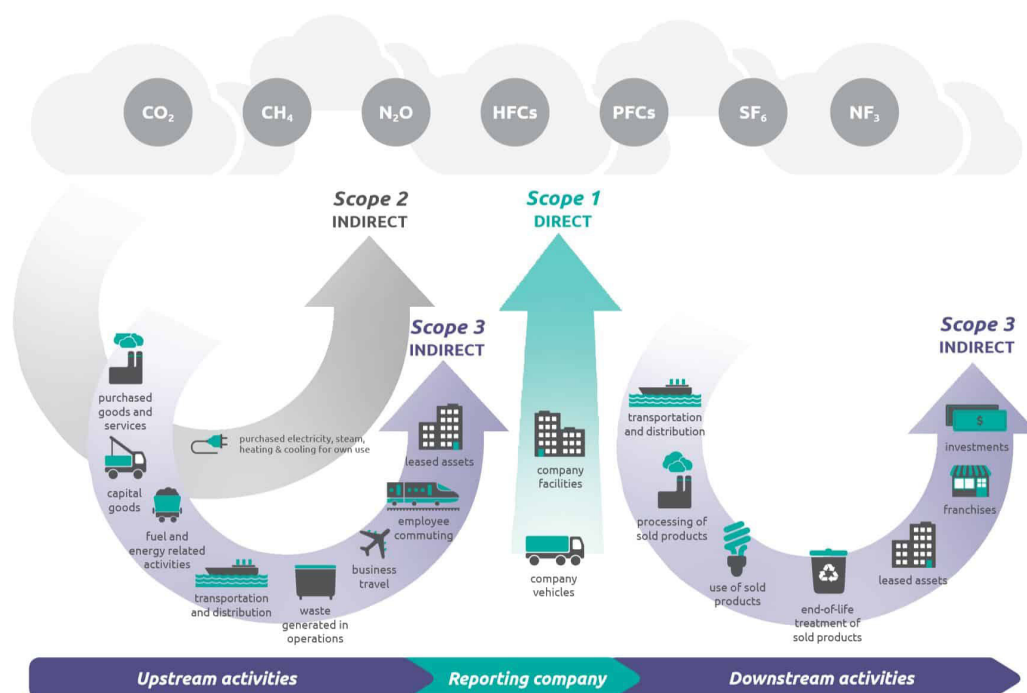


Image: Envisioning Scope 1, 2 and 3 emissions as per Greenhouse gas protocol.

Mapping our footprint: Over the past three years, we have analyzed energy consumption levels across our operations, including offices, stores, distribution centers, and our car fleet. We have also collected primary activity data on transport (inbound and outbound) and the product value chain (purchased goods and services). With support from the STICA action learning group and our consultants at '2050,' we have mapped, quality-checked, and analyzed Scope 1, 2, and 3 emissions for Varner AS and all 100% subsidiary companies based on data collected from 2019-2021. In 2022, we have improved the quality of our emission data in several areas. This report includes our emissions calculations for the last three years, based on updated data and calculation methodology. For more details, please refer to page 171-173 for our methodological note.

Setting Reduction Target: We have set ambitious targets to reduce our greenhouse gas emissions as part of our commitment to addressing climate change. Our targets are informed by Science Based Targets methodology, and we have set goals for reducing our scope 1, 2, and 3 emissions by 2030 compared to a 2019 base year. In 2022, we submitted a commitment letter to the Science Based Target Initiative and plan to have our near-term targets validated in 2023.

50% *absolute reduction in scope 1 & scope 2 emissions by 2030 from 2019 base year.*

55% *reduction in scope 3 emissions per million NOK annual revenue by 2030 from 2019 base year.*

Working on emission reduction: We now have a primary overview of major hotspots within our emission footprint. Based on the overview, we have drafted our reduction roadmap in 2021. Strengthening the uptake of preferred fibres with lower footprint, working to increase energy efficiency in stores, working with transport partners and manufacturers to address emission reduction are some examples of initiatives undertaken to drive our action towards climate responsibility. We have also identified key internal and external challenges that may increase the emissions in certain categories in near term. Some of the key challenges include lack of policies and infrastructure to support a transition to green energy.

Overview of our footprint

In 2022, we concluded calculation of our emission footprint from own operations for reporting year 2021 as well as recalculated previous 2 years' emission with improved data quality in all scopes.



We can see an absolute reduction of 3% in total scope 1,2 & 3 emissions in 2021 compared to the base year 2019. However, we see an increase in emissions when we look through our ambitious 2030 targets that we have set on emission reduction. This means we need to work even more aggressively to stay on track with our 2030 emission reduction targets.

Key figures of our emissions are given in below table:

	2019 Baseline	2021	%Change (2021-2019)	2030 Target
Scope 1 & 2 emission (tCO ₂ e)	24251	24998	Increased 3.08%	12126
Scope 3 emission (tCO ₂ e/MNOK annual revenue)	31.16	34.37	Increased 10.3%	14.02
Total Scope 1,2 & 3 emission (tCO ₂ e)	359289	348601	Reduced 3%	Additional Indicator

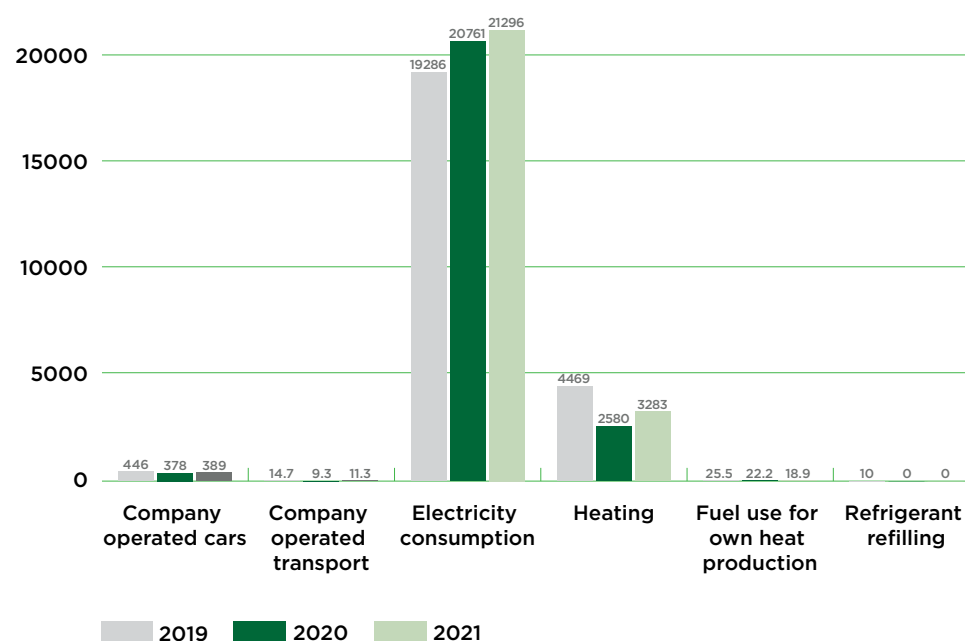
At the time of publishing this report, the emission calculation for year 2022 is ongoing.

Footprint from own operations

Our own operations include owned and operated stores, offices, and central warehouse.

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

Emissions from own operations (tCO₂e)



Improving energy efficiency in stores

It is evident from our mapping that major emissions within our operation come from electricity usage in our owned and operated buildings. Referring to the table below, we can see an approximately 23% reduction in the overall energy consumption in stores in 2021 compared to 2019. The main part of this reduction is due to a reduced number of stores in 2021. If we consider the average electricity use per square meter, we see an approximately 4% reduction in energy consumption from stores. Our consultants have informed us that the emission factor for purchased electricity with Nordic residual energy mix has increased approximately 43.5% in 2021 compared to 2019, resulting in an overall increase in our emissions in scope 1 and 2.

Table: Electricity Consumption overview in Stores

	2019	2021	%Change
Electricity Consumption (Million kWh)	68.2	52.7	Reduced 22.72%
Avg Electricity Consumption (kWh/m2)	120	115	Reduced 4.17%

Light Bulb Change Initiative in Our Stores: In order to improve energy efficiency in our stores, we have identified several measures to work on. One of the main initiatives is the optimization of lighting conditions in our stores. Primarily, we aim to change 70-watt metal halogen light bulbs to 30-watt LEDs, which can make a big difference. Additionally, we also try to change from 35-watt metal halogen to LED with lower energy requirements. We have almost finished replacing all the 70W stores in Varner and have started with the 35W stores. We have challenged light suppliers to come up with more energy-efficient solutions. They have taken the challenge in stride, and we will test 2 exciting light concepts in 2023, which will help set the standard for how we think about light and energy in the future. We changed light bulbs at 73 stores in total through the light exchange initiative in 2022. Out of these 73 stores, 29 were in Norway, 20 were in Sweden, and 24 were in Finland, respectively.

“Out of the 73 stores where we changed lights, we have supplied electricity to 47 stores ourselves through our electricity partner Kinect. Through Kinect portal when we compare energy consumption from these stores in December 2022 against same period last year, we observe average reduction between 12-30 % in energy consumption”

Martin Gabrielsen, Maintenance Coordinator, Varner AS.

Our plans for 2023 include identifying more stores with the opportunity to reduce electricity consumption while ensuring optimum lighting conditions.

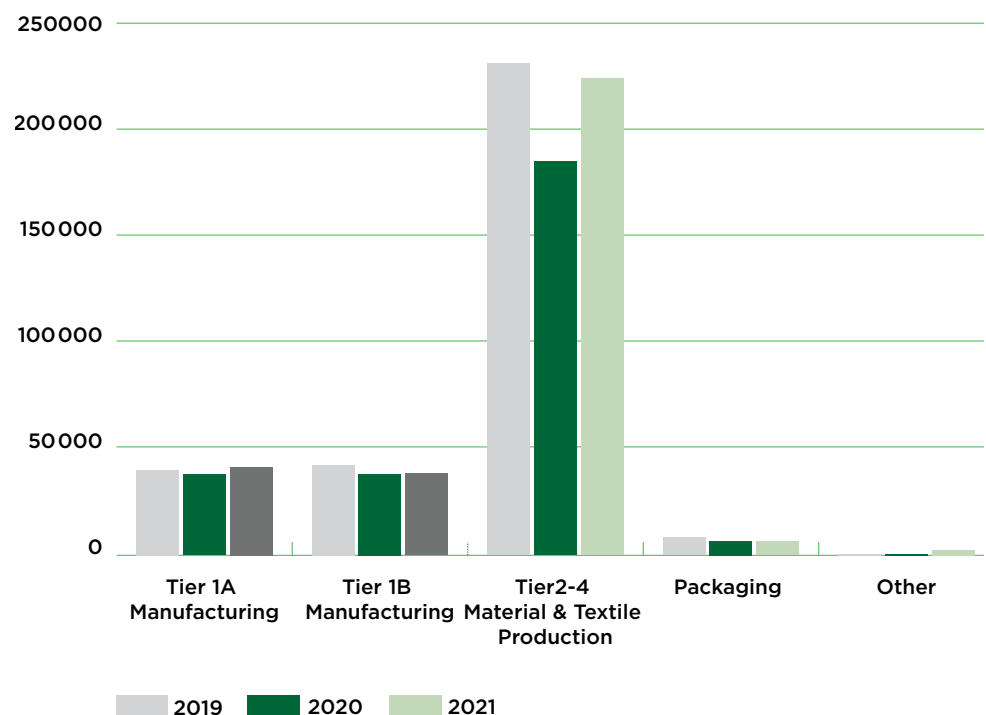
Footprint from purchased materials and manufacturing

In 2022, we continued mapping and analyzing our emission footprint from purchased materials and manufacturing with data from the year 2021. This mapping helped us to identify hotspots, set our scope 3 reduction targets and develop a roadmap for reduction.

We see business activities are almost back to the same level as 2019. Increased uptake of preferred materials with a lower footprint have contributed to lower emissions in 2021 when compared to 2019.

Strengthening our uptake of preferred fibers and materials as well as continuing to work with our supply chain partners towards energy use optimization, innovation and shift towards more sustainable energy sources remain our primary focus areas to reduce emissions in this category. Other focus areas include scaling up the use of preferred packaging materials with a lower footprint, working with innovative solutions in upstream supply chain and chemical inputs as well as aligning with industry action (Refer to pages 152-154 for an interview with our packaging responsible).

Emissions from purchased materials & manufacturing (tCO₂e)



Improving energy use and GHG emission in production

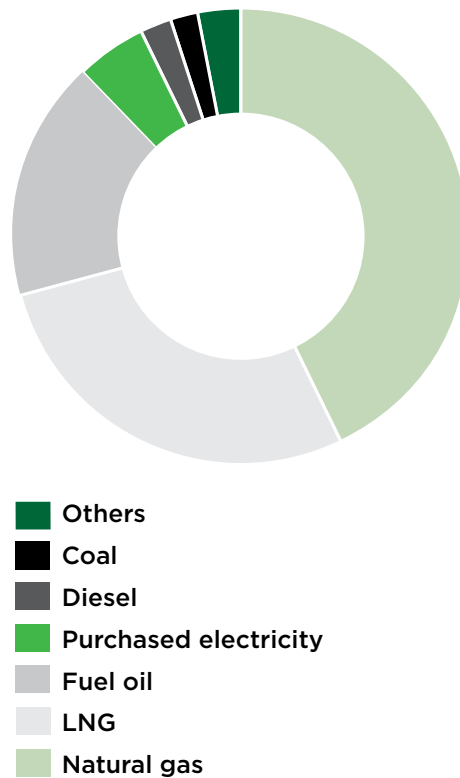
Reducing emissions from production processes is linked to energy use efficiency, transitioning towards cleaner energy sources, and using inputs with lower footprints. We have started engaging with our supply chain partners to map energy use and GHG emissions from processes and work on solutions to reduce them. Key aspects that form our supply chain energy and GHG management roadmap include the following:

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

Tier 1 Manufacturing : During 2020, we began mapping energy use and GHG emissions data from factories through internal surveys. In 2021, we estimated average emissions for manufacturers in three groups: apparel, accessories, and footwear. However, we realized that to identify emission reduction hotspots within our supply chain, we need to map emissions from each manufacturer individually. Although challenges remain in actual data collection, ensuring good data quality, and verifying each data point, we were able to estimate scope 1 and 2 emissions per unit product for each end product manufacturer facility. In 2022, we also estimated and included emissions from subcontracts of end product manufacturers, which were not included in previous years. We have applied the same methodology for all years since 2019 and adjusted our baseline emissions accordingly. Starting from 2022, we have taken steps to improve data quality from suppliers to strengthen our emission calculation. Our focus now is to collect high-quality actual data from suppliers as well as monitor changes over time. We also plan to monitor changes in total energy consumption as well as changes in energy consumption from renewable vs non-renewable energy sources. Our reduction initiatives in manufacturing focus on process optimization and innovation for energy efficiency.

In 2022, we recorded the trend of energy consumption from various sources for the reporting year 2021, and analyzed the data through the HIGG FEM 2021 verified modules received across our global supply chain, as represented in the graph below. Our next step is to track the share of renewable energy use at the facility level for the reporting year 2022 and set a target to improve renewable energy use in our supply chain. We also aim to analyze the total energy (MJ) used per unit of production to improve energy efficiency.

Energy Consumption (MJ) Trend from verified FEM 2021



Good practice highlight! LEED certified factories in Bangladesh : Leadership in Energy and Environmental Design (LEED) is a green building certification program used worldwide. This program was developed by the non-profit U.S. Green Building Council (USGBC), it includes a set of rating systems for the design, construction, operation, and maintenance of green buildings, homes, and neighbourhoods, which aims to help building owners and operators be environmentally responsible and use resources efficiently.

- Buildings can qualify for four levels of certification:
- Certified: 40–49 points
- Silver: 50–59 points
- Gold: 60–79 points
- Platinum: 80 points and above

In our supply chain in Bangladesh, we have 13 LEED certified factories in different levels.

Tier 2-4 Manufacturing : We have mapped emissions from ‘Tier 2-4 Materials & Textile Production’ by sharing the total weight of different materials (such as fibers, plastic, paper, and metal) used in our production. Third-party consultants applied emission factors to each type of material. The emission factors were adapted to account not only for the different types of fibers and other raw materials but also for whether the material is recycled or organic, as well as whether the fabric is woven or knit. Our current focus in this category is on increasing the uptake of preferred fibers with lower emission values. To learn more about our work on sustainable fibers, please refer to the ‘Sustainable Materials & Preferred Fibers’ section on page 95-110 of this report.

Packaging : For 'Packaging', we calculated emissions using the total weight of packaging materials. We made estimations where actual data was not available based on the best available knowledge. Emission factors were adapted to account for whether the material was recycled. Our estimations include packaging for transportation, product packaging, and shopping bags.

Our plan for 2023 includes addressing emission hotspots in production, engaging with suppliers to develop emission reduction targets, establishing proper baselines and roadmaps, developing internal systems to make climate impact more visible at the design stage, and anchoring reduction measures within our supply chain and purchasing practices.



Footprint from Transport

Varner keeps track of the emissions from our transport activities, both upstream and downstream. We have internal goals to reduce the emissions from transport at the same pace as Varner as a whole. In the coming years, it will be important to both shift transport modes, e.g., from air to sea, where that is possible. It will also be important to shift to more sustainable fuels, e.g., from diesel and petrol to electricity and biogas.

In 2022, the transport market still dealt with the repercussions from the pandemic, but more came back to normal. Instead, the Russian warfare in Ukraine, and the sanctions against Russia, made it impossible to freight by rail from China, which led to decreased rail usage and increased freight by air, for shipments that were delayed or in other ways were time critical.

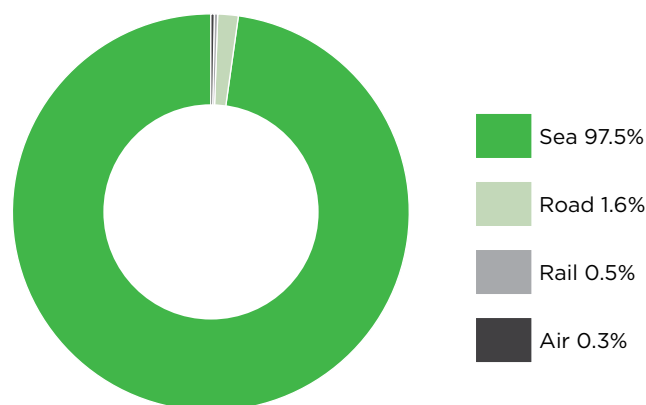
We divide our transport mapping into two parts:

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

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

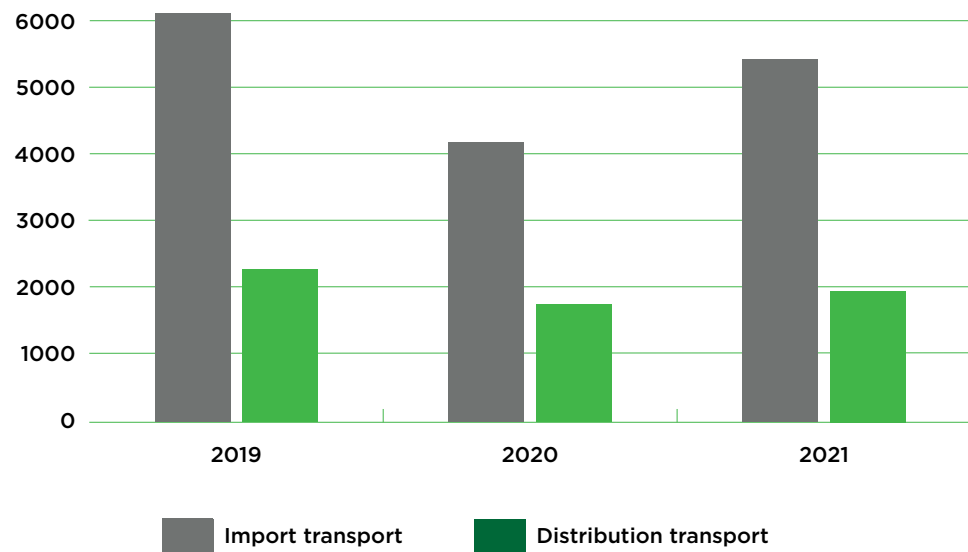
The way we transport our goods from our suppliers to our warehouse in our Import flow, looks more or less the same as the years before. The biggest shift from 2021 to 2022 that we can see, is that the part that is being transported by rail has decreased, mostly because of the sanctions against Russia.

TonKm by transport mode in Import 2022



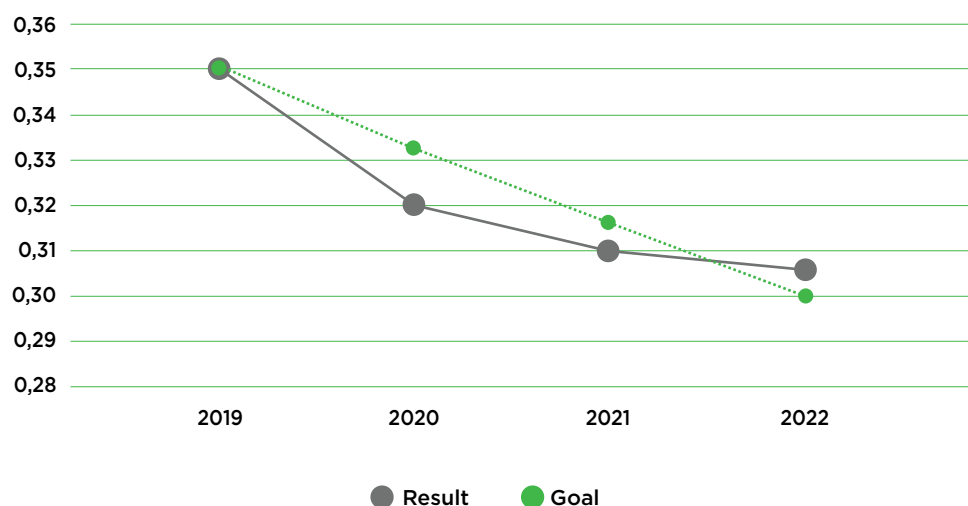
We still haven't verified emission data for 2022, so below you can find a chart of total emissions from 2019 to 2021. There have been some changes from the last report, which you can read more about in Chapter 8. The decrease in pandemic years 2020 and 2021 for import transport is mostly because of less imported products compared to 2019, but also because the air transport was much lower in 2020 but increased again in 2021 due to big problems in the sea market. The pandemic effect is also shown in the distribution transports, with a dip in 2020 due to a lot of stores being shut down because of pandemic restrictions, and then a recovery during 2021.

Emissions from Transport (TonCO₂)



The number of parcels we send from our warehouse to our stores and customers increased in 2022, resulting in higher emissions from Distribution Transports in total, as shown in the chart above. But we still reduced the emissions per parcel and are more or less in line with our goal to reduce this with 55 % by 2030 (see chart below). The improvement has stagnated a little, but we are still on the right path. We will continue our collaboration with our transporters and their work to reduce the emissions in their operations.

KgCO₂e/parcel in Distribution



Good examples from our transporters: Some of our import transporters are exploring the opportunities with electrification, such as Skaraslättens Transport and JAS, which both recently invested in electric trucks. This is a big and important step, and hopefully they can expand this in the coming years.

One good example of a collaboration in 2022, is that Airmee started to provide us with reusable metal cages to pack our e-commerce packages in, instead of a disposable cardboard bin. This helps us to get better filling degree, as well as it helps us reduce our purchase of disposable cardboard materials.



Airmee has also made a great journey to reduce our emissions per package, from 0,23 kgCO₂e/package in 2021, to 0,09 kgCO₂e/package in 2022. They already have 100 % fossil free deliveries, but still worked with their transition to have emission free deliveries. In their case it mainly meant going from HVO100 to electric.

Another distribution transporter that got a lot of attention in 2022 was PostNord, which was awarded the most sustainable logistic company by Sustainable Brand Index according to the Swedish consumers. In 2022, they Invested in more than 1 300 electric vehicles, such as bikes, cars, and distribution vehicles. They also got their goal of being fossil free by 2030 approved by the Science Based Targets. In addition to this PostNord also have a goal of having an emission free Last Mile by 2027.



Photo: Endre Igland

In 2022, our transporter Helthjem became Eco-Lighthouse (Miljøfyrtårn) certified, which is an external verification of the environmental management system, and the certification means that the company follows given standards for the development and follow-up of the environmental work. Helthjem themselves state that their most important environmental work is linked to emission reductions. They have over 300 electric cars and several thousand walking couriers, which means that more than 700 routes have completely emission-free "last mile" delivery. In 2023, Helthjem has decided to cut emissions at a greater pace than before, and the company is now looking at measures to switch to fossil-free driving options both for pick up, driving between terminals and "last mile" home to end customers.

One of the major things that Instabox worked with in 2022, was to start using Google Fleet Route as their routing system in all markets. The benefits they see from this e.g., fewer kilometers driven and less time on the road. This together with their fossil free vehicle fleet makes them one of the most sustainable transporters in the Nordics.



Photo: Endre Igland

STICA Working Group 5, Clean Transport: One of our colleagues in Vänersborg, Anders Vessby, is co-chair in STICA's "Working Group 5 - Clean Transport". The purpose of this working group is to help the members in STICA to collect transport related data, share knowledge and in the end help them to reduce emissions from transports more easily. During 2022, the working group has created a Transport Supplier List, that helps the STICA members to compare what kind of data the other members get from the transporters, and ultimately be able to claim the same type of data. During the year, the working group has also conducted a Transport Questionnaire that can help the members to collect data and information in a structured and easy way from the transporters.

Product life cycle assessment

Product Life Cycle Assessment (LCA) is a method to assess the environmental aspects and potential impacts associated with a product throughout its entire life cycle, from raw material extraction to disposal. LCA is becoming increasingly important for the fashion industry as consumers become more environmentally conscious and expect more information related to environmental impacts of a product. LCA for fashion Industry is a complex area for several reasons.

- **Complex supply chain:** The fashion industry has a complex supply chain, with raw materials sourced from multiple locations, manufacturing taking place in different countries, and products sold and used in many different regions. This makes it difficult to gather complete and accurate data for the LCI phase of an LCA study.
- **Multiple stages:** The life cycle of a fashion product is composed of many stages, each with its own inputs and outputs, emissions, and waste streams. This makes it challenging to capture all of the relevant data for an LCA study.
- **Difficulties in standardization:** There are currently no accepted standards for conducting LCA studies in the fashion industry, making it difficult to compare the results of different studies.
- **Limited data availability:** There is often a lack of data on the environmental impacts of the various stages of the fashion supply chain, particularly for less common materials and processes.

Despite these challenges, LCA is still a valuable tool for the industry to understand and reduce the environmental impact of products. By carefully considering the limitations of the data and methods used, LCA can provide meaningful insights and support the development of more sustainable fashion products.

LCA Pilot 2022

We believe there is a need for us to build an internal understanding about LCA as well as to find credible, scalable, and feasible solutions for making LCA for our products. In 2022, we have prepared a plan to learn more about LCA and various solutions. This year, we have set some objectives to progress on our plan of building internal capabilities for LCA.

1. Develop basic understanding of various phases of LCA i.e. LCI (Life Cycle Inventory) , LCIA (Life Cycle Impact Assessment) etc. Get familiar with the methodologies, standards and terminologies
2. Identify multiple tools that are relatively easy to use. Understand the process and data required by these tools.
3. Select 8-10 products across multiple categories and production markets. Inform suppliers about our initiative and request information that are required by the tools to complete the LCA study.
4. Collect and input the required information in the selected tools.
5. Record learning, challenges and resource needed for conducting LCA.

This year we conducted internal trainings for our team to develop basic understanding of LCA followed by selection of 8-10 products across multiple product categories. Our team in the production markets had several awareness and data collection sessions with our suppliers. Then we collected information that was possible for suppliers to share and input the required information in the tools.

Higg MSI and Product Tool: The Higg material sustainability index (MSI) and Product Module give us a standardized set of indicators that evaluate the environmental impacts of a material. We consider Higg product tools are custom developed for our industry to map environmental impacts and a good starting point. We created surveys to gather data from suppliers. Limited availability of information remained a persistent challenge. However, for selected products, we managed to collect and enter mandatory information required by these tools.

Arbor Tool: Arbor is an environmental footprinting software designed to assess the environmental impact of products. With a focus on accuracy and efficiency, Arbor's software streamlines impact assessments, making it easier and faster for businesses to understand and decrease their carbon cost. We consider Arbor as a smart LCA platform with easy interface both for data entry and result. The data collection part is made easy with a clear overview of mandatory and optional data points. This tool requires users to map the country of each stage of production, weight, and composition of material as minimum requirements. Providing resource consumption and activity data from various stages of life cycle improves data quality which is visible in the data quality rating system that this platform provides. Bulk uploading of information for multiple products allows users to save time significantly. We plan to continue our collaboration of running pilots through 2023.

“As a professional working in the sustainability department I have always wondered that sometimes it can be confusing for common people to understand and compare various certifications. Life cycle assessment (LCA) is a detailed analysis of a product’s complete life cycle concerning environmental impacts. In a nutshell, this can give an overall score of how much more/ less impact it made to the environment. Being a part of LCA pilot in 2022 where we got clarity about if the LCA concept and explored potential tools, was quite an interesting opportunity!

In the beginning, it was a bit challenging to make suppliers understand and get correct data for all the processes including energy consumption, transportation especially for the raw materials from overseas. In the end, working together with our environment team, connecting with suppliers and access to tools such as Higg created an amazing learning experience”

Tania Tamanna Syed, Senior QA Specialist, Varner Bangladesh

This cycle, we focused more on learning about the concept of LCA , what it means for us as well as suppliers in terms of data collection and how to navigate through different tools. In 2023, we expect to run a similar pilot with existing platforms as well as some new platforms. In 2023, we plan to focus on understanding LCIA final results and EU PEF indicators. We also plan to keep exploring practical solutions for us to create and communicate credible LCA results.

Varner warehouse and distribution centre in Vänersborg



Environmental groups in Vänersborg: In 2022, we started two environmental groups in our warehouse in Vänersborg. The first group is the Strategic Environmental Group, which consists of the highest leaders in Vänersborg. The purpose of this group is to decide what strategic goals and policies we should have, but also determine what strategic actions that must be carried out to reach our goals. During the year, the group established our Sustainability Policy for Varner Supply AB in Vänersborg.

The second group is the Operational Environmental Group, which consists of volunteers from different parts of the warehouse in Vänersborg. The purpose of this group is to collect and work with suggestions for improvement, but also to spread information and knowledge about sustainability mainly within the organization, but also externally. So far, the group has mainly worked with laying a foundation for how to work going forward, but also sharing information and creating engagement about sustainability. The group has also started working with some actions that hopefully will be taken in 2023, but also an internal sustainability report just for the warehouse in Vänersborg, to share our knowledge, policies, goals and stories to create even more engagement going forward.

Solar panels and fossil free electricity: At the end of 2022, the exterior of the warehouse extension was done, and so was the solar panel installation. It has an effect of 1 100 kW, and it will contribute to about a third of the warehouse total electricity consumption. In addition to the solar panels, we will only get renewable electricity in form of hydro power, in the beginning of 2023. These are important steps for us and will significantly reduce our emissions in Scope 2.

The extension, as well as the original part of the warehouse, are BREEAM certified, which is a voluntary certification for buildings. To be BREEAM certified, there are some requirements to meet in different categories, such as Energy, Water, Material, Waste etc.



Interview with Joakim Svensson: Packaging in our warehouse

1. What kind of different packaging are we using in Vänersborg today?

Varner DC is a highly automated warehouse which comes with high requirements on the packaging and labeling quality of incoming boxes. For that reason, we need a certain quality in order to ensure that the boxes will be suitable to use as they are.

Our products are shipped in two different flows/processes, where the majority is in cardboard boxes and the other is hanging garments. The majority of the cardboard boxes are never opened, but sent directly (as they are) from the DC to our stores. The rest is sent through our Autostore, where boxes are opened and products will be available to be piece-picked either to E-commerce orders or to the stores.

We have had policy for many years that we should only have one poly bag per box/hanging bundle (not per-piece) in order to reduce/minimize amount of plastic used for transportation purposes.

In regard to the current outbound process, products will either be packed in cardboard boxes or plastic bags.



2. What kind of challenges do you face regarding packaging?

We recently conducted a procurement of cardboard products that are locally purchased to the warehouse, and one requirement that we had, was that the suppliers needed to provide us with data of emissions per product. A challenge with this was to verify if the provided data was trustworthy and comparable with the others. Some had their own calculations, some used FEFCO generic numbers, and some had no data at all, which is a major challenge when it comes to comparison. This is a known challenge at the moment, but we have trust that it will be easier and more comparable within the near future.

Regarding raw materials used for packaging material at the factories where our clothes are made, we do have some extended mapping to do. To reduce our overall environmental impact including the impact on climate from packaging, we first need to know our current status better, especially where we do not have nominated suppliers. We need to ensure that we move towards the perfect balance between preferred content (such as FSC certified or recycled) and overall quality of the box, to make it more sustainable in the very end.

3. What are the plans for packaging going forward?

In the recently finished procurement of locally purchased cardboard products for the warehouse, we decided to go forward with a new supplier. The decision was made based on many different factors, such as price and lead times, but also the fact that the emissions per product was lower than our current products. After the implementation with the new supplier, we project a 30 percent decrease of emissions from the products included in the procurement.

Last but not least, one of the major changes we made a decision on in 2022 was to change our e-commerce bags from plastic to paper. In the beginning of 2023 we will finalize the details and source a supplier for the new bags.

4. How did you come to the decision of changing from plastic to paper for the e-commerce bags?

With a new Autostore being built at the warehouse, one of the targets was to ensure that we find the most effective and ergonomic solutions for packaging in order to match the capacity from the new Autostore. Initially we had decided to proceed with plastic bags, but to complement with automated packaging machines with the purpose of opening and closing the bags automatically. In the middle of 2022, we decided to reevaluate our choice of material. We could see some movement on the market going from plastic to paper, so we challenged our first decision and along the process we ended up with a conclusion that it was hard to see which option really is the best from a sustainability point of view. It depends on factors such as origin of raw material, energy mix at the factory and distances materials travel. In the end, we decided to proceed with the paper bags, as they originate from raw materials from renewable sources, we believe it is for the better and it is something that our customers want.

5. What will be important when deciding on which paper bag and producer to use?

There are a lot of factors to take into consideration to make this change a success. One of the most important things is to ensure that the paper bag works well with our highly automated warehouse in parallel with keeping good enough quality to fit its purpose – which is to ensure that our products are transported in a safe and sound way all the way to the customer. It is also important that we pay a fair price, that the delivery terms are good, and that the supplier is a fair player on the market regarding CSR. Labour conditions and decent

work in the production of the bags is being reviewed to ensure that systems are in place to prevent and minimize risk of breaches. In the end we want to find a solution which ticks all the above with as low environmental impact as possible. In the procurement we will source suppliers which work with preferred raw materials, such as FSC certified or recycled, and we will require emissions per bag as part of the response in order for us to have all the necessary data to make the best decision going forward.

6. When will online customers of Varner brands' start to receive paper bags?

If all goes as planned, you will see paper bags being shipped out from our warehouse this summer. It will be implemented brand by brand, in accordance with our moving plan from the current Autostore to the new one.

07.



ENGAGE THE CONSUMER

Marketing and awareness

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

Consumer marketing

In our communication towards the customer, we aim to be transparent and to avoid all misleading practices such as false or deceptive messages and omission of important information. These practices are anchored in our company's values and implemented in all brand's marketing departments.

In 2022 there were no incidents of non-compliance with marketing communication legislation.

Product information

We comply with statutory labeling requirements in each market for own products, in addition to voluntary labels that inform the customer about the product's sustainable attributes. Varner follows product specific requirements for customer information, for products that are CE marked this includes an instruction of safe use.

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

Bik Bok, Dressmann and Cubus implemented first tier supplier information on product level in their web shops in 2021, giving the information to consumer where the product has been produced. They were some of the early adopters of this level of transparency in the industry, disclosing the full production facility names. In 2022 this information is also available on the web shops of Volt and Carlings. Junkyard has implemented production country for all products made by their own brands.

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

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

All textile products come with a sewn in care label with instruction on how to clean the product. Several of our brands are also communicating towards the consumers in a more detailed way how to best care for their products to expand the life of the garment. This information is to be found on the brand's website.

Doctors without borders



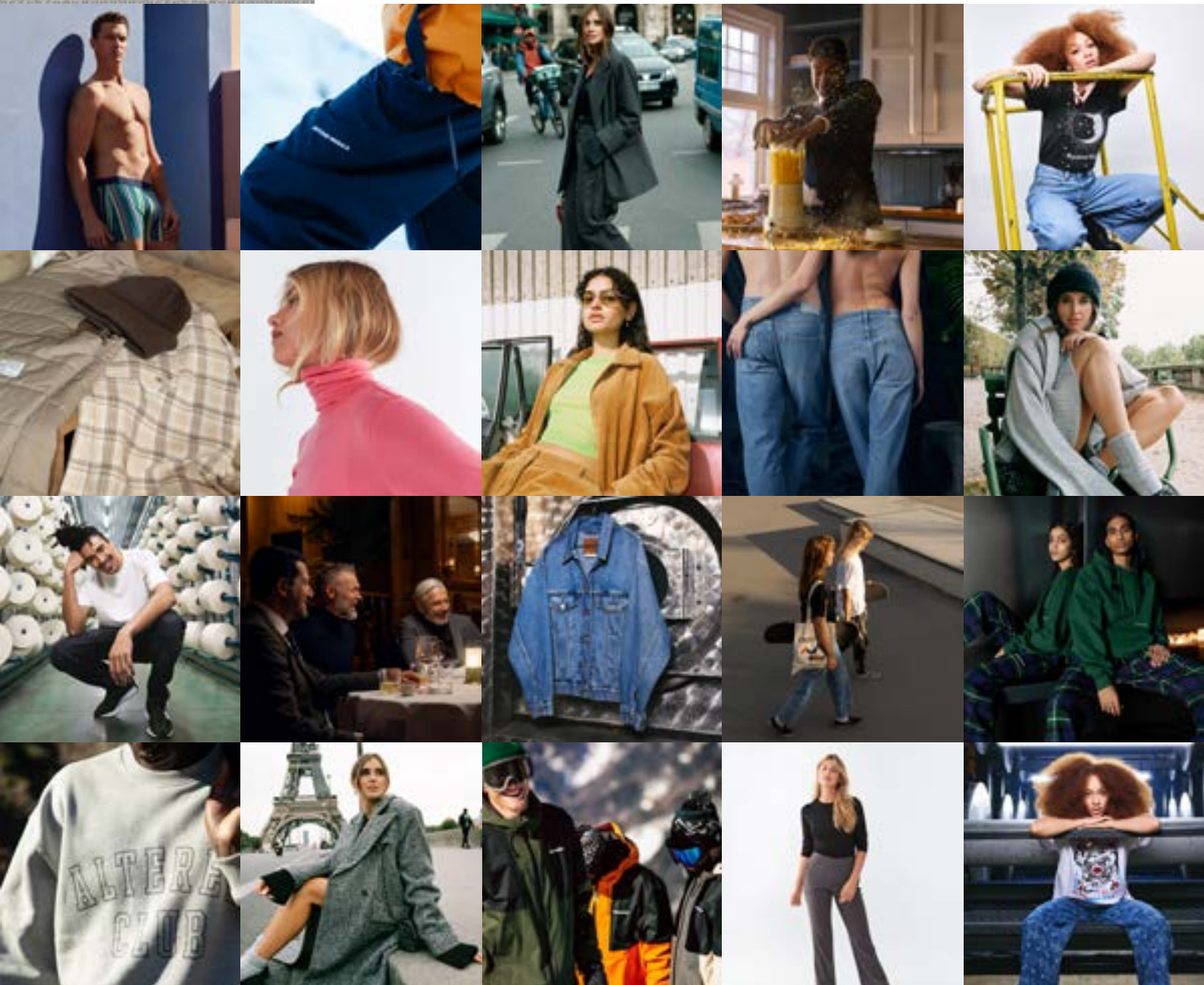
In January 2021, Varner signed a main collaboration agreement with Doctors Without Borders. The agreement as a main partner is the most significant form of partnership Doctors Without Borders enters into with business companies in Norway. We plan for a long-term collaboration and wish to include both employees and customers on this journey. We aim to create a commitment and drive towards a bigger goal: To contribute to life-saving treatment for people affected by war, disasters, and conflicts.

We at Varner are proud to be a contributor to the important work that they do. In December 2022, Varner brands had campaigns in the stores, allowing the customers to contribute to Doctors Without Borders' important work. With the huge effort from all our store employees and our customers, we managed to raise almost 2 000 000 million NOK.



Brand perspective

The Varner brands all have their unique style and develop their own roadmap to best engage our consumers. The brands have the insight to ensure we meet our customers in the best possible way, to raise awareness on sustainability issues and create positive impact. The approach of each brand is as different as their personalities, but united under the umbrella of the Varner sustainability plan. Let's explore some key projects from 2022.



Bik Bok 2022: A year of development

2022 has been a year of development for Bik Bok.

We have updated our brand strategy to focus on offering a more classic collection of trend neutral wardrobe staples with better fits and longer-lasting materials.

In line with BIK BOK's values and focus on better materials such as wool blends, responsible wool, recycled wool, recycled polyester and organic cotton, we have started to communicate quality and mix of materials used in our products to a greater extent, both online and in-store, in 2022.

We experience that our customers are more conscious of what they buy, and they are responding very well to our new products where the material mix is perceived as better and longer lasting, and the prices in-line with the qualities are higher.

This year we launched a collaboration with the Norwegian fashion icon Darja Barannik. The premium capsule collection contains timeless wardrobe staples, such as the perfect white shirt, the timeless little black dress, a wool blend suit and coat, knitted sweaters made from lambswool and gold-plated jewelry. The collection is a step towards a better BIK BOK future with more long-lasting qualities and design, in line with the demand from our customers and competitors in the market we belong to.

We always look at ways to improve Bik Bok's footprint, be it big or small changes, and for 2022 our labelling program has been updated with even more sustainable choices.

We have removed all plastic details from our labelling program where possible, and for all our paper qualities, we use FSC certified paper.

For 2023 we will launch a more premium line of knitwear and outerwear, with a timeless design that can be a part of every wardrobe, no matter the trend. The collection is made from wool blends, alpaca blends, lambswool and recycled wool.





Carlings' Karve jeans

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

Karve is a contemporary jeans brand from Carlings that prides itself on attention to fit and detail. The supreme quality and design pay tribute to the world of art, music, and street fashion. By choosing fabrics with certified organic and recycled fibers and innovative washing techniques we strive to make a more sustainable product.

Karve's sustainability focus

Karve focuses on washing processes that reduce water, and using chemicals that are less harmful to the environment. A lot of work is dedicated to find the correct textiles and more sustainable alternative without compromising on quality. From spring 2020, the threads in all seams, as well as zipper tapes, are made of recycled materials. The buttons have been replaced with a less environmentally harmful alternative.

Recycled and organic cotton

Karve jeans use recycled and/or certified organic cotton in all jeans as well as pocket bags, with some products in 100% recycled cotton. This was also one of the first denim brands to receive the Swan approval. The Swan is the official Nordic eco-label, introduced by the Nordic Council of Ministers. The Swan logo demonstrates that a product is a good environmental choice. The products fulfill a range of environmental, health and quality requirements. This means that requirements are set for the production of fibers, to the further treatment of the fiber and onward to the finished textile product.

Environmental impact measuring

EIM is the first Environmental Impact Measuring software specifically for the garment finishing industry. It is created to provide the laundries and garment finishers with a tool that helps them build more sustainable processes. Karve uses EIM to be able to measure water, energy, and chemical impact but also to be able to follow up and make sure we get better each season.

Vegan

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



Cubus every merino day

Long lasting everyday products

We believe in long lasting products that you want to use again and again. Products that suit everyday situations and occasions. Our merino products do just that.

Merino has been a long-time focus for us, and this year we wanted to emphasize the different areas of use and promote the benefits and the easy care of merino products.

Focus areas of use

Merino wool is often used as a first layer for outdoor activities – tights and long sleeve in merino wool, before fleece and a shell jacket and/or pant.

Our Ultrafine Merino collection had great success when we launched in 2021, and we saw indications that these products were used in everyday life rather than only sports and outdoor activities.

This was something we wanted to emphasize in 2022.

For the campaign photos and commercials, we styled the wool garments with jeans and casual pants rather than to give them a sporty look.

In addition, we launched two influencer campaigns where we communicated many different individual areas of use, to strengthen the multipurpose use that these products have.

The response has been great, we see a big increase in especially tops, and the feedback from our customer is that they are used in the same way as an average cotton top, just a lot more practical for all type of temperatures.

Focus benefits and care

We believe in repeating benefits and care in our communication for the products to last longer.

The key benefits and care advices we communicated in all channels were:

EASY CARE – airing as a first choice, or machine wash cold followed by flat drying.

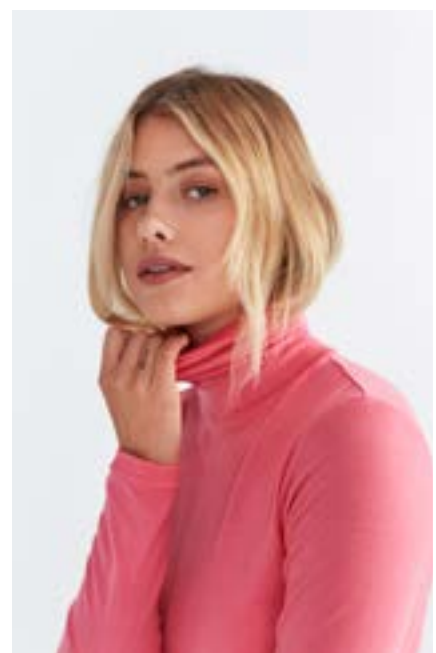
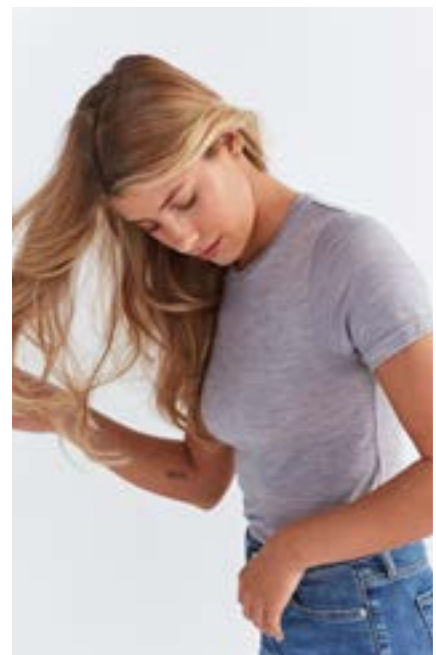
SOFT AND DURABLE – a very soft and almost itch-free product that is durable and elastic.

WARM AND COOLING – perfect for all temperatures due to an active and regulative fibre.

We used this on posters in store, social media, influencer marketing, online articles on cubus.com, SEO articles connected to the products and categories.

In addition, we made a film primarily for internal use, but also for our customer where we interviewed colleagues and customers to talk about how and why they used merino wool products.

In order to ensure our customer that this is a high quality and long-lasting product, we continued the communication around The Woolmark certification.



Dressmann: Cotton in focus

For Dressmann, being responsible means investing in more sustainable materials, ensuring decent working conditions in our supply chain, and work towards circularity.

Dressmann is therefore part of Varner in developing designs and concepts for our customers to be able to offer products of good quality, and more sustainable materials to give our customer a good alternative.

At Dressmann, our concepts with GOTS and Fairtrade in particular stand out as strong and important initiatives to provide more sustainable products.

Launch of Man Underwear

In March 2022, Dressmann launched a new Man underwear concept, where GOTS is a key certification in most parts of the collection.

Closest to the body, everyone uses underwear - what could be better than GOTS-certified products for this product group?

During the production of our GOTS-certified underwear, no dangerous chemicals are used, the energy consumption is low, and the consumption of water is minimized. The underwear is produced without toxic chemicals and all wastewater is cleaned - perfect for the garments closest to the body.

Underwear is frequently renewed in a wardrobe. The garments are used every day and washed more often. With frequent use and heavy wear and tear, we sell large volumes of this product group.

This is precisely why we at Dressmann have chosen to produce large parts of our collection with GOTS-certified cotton.





With this initiative, we inform customers about the benefits of choosing GOTS-certified products. The information is provided through posters, packaging and information on our websites or other forms of dialogue with our customers. The customer gets to know what we can offer, and we help the customer to make informed choices. With the right products and a commitment to offering products in more sustainable materials, we believe our customers will choose underwear from Dressmann – also the next time they shop.

Global Organic Textile Standard (GOTS)

The Global Organic Textile Standard (GOTS) is the world's leading process standard for textiles made from certified organically produced raw materials. It sets requirements that farmers do not use dangerous chemicals, in production, toxic chemicals are prohibited, and wastewater is treated.

GOTS sets social requirements for workers' rights including Health and Safety requirements, right to organize, minimum wage, overtime work, discrimination and much more.

In addition to our investment in Man Underwear with all Classic Boxershorts in 1 and 4 packs, all our 5 pocket cotton trousers and all chinos cotton trousers are also produced with GOTS certification.

Fairtrade

Dressmann has collaborated with Fairtrade since 2017, and in 2018 became the world's largest fashion player in Fairtrade cotton. Fairtrade is a strong and well recognized brand within sustainable certification in all our markets in the Nordics.

Fairtrade ensures that we can trust that a safe responsibility is attached to traceability, environmental aspects, and social and economic aspects. Through this work, Dressmann contributes to a more responsible purchasing practice. Fairtrade is one of our most important standards. Dressmann has committed to ensure that all the cotton we buy by 2025 is from more sustainable sources, which can be Fairtrade, organically grown cotton, cotton sourced as Better Cotton and recycled cotton.

Our focus within Fairtrade is on high selling volume products, which are all Basic t-shirts, 4 packs of socks and Jeans in the Ohio and Montana styles.

With our commitment to GOTS and Fairtrade in large-volume products, there are many men in the Nordics who use our well-branded and certified products daily. The information and communication about our measures can be seen through our websites, labeling on the garments, our online store and on posters in stores and digital distribution.

This year we have also established a separate [landing page](#) around our commitment to the sustainability focus in the chain.

Junkyard: New material choices

Junkyard started up in 2002 and has always had our roots in the Nordic Street and skate environment. As one of the first e-commerce companies within skate and streetwear we have street in our blood, and this inspires us when we design and purchase our unique collections.

We want to make it easy for you to be inspired and find your own style and at the same time making it easy for you to choose products made of better materials.

During 2022 our focus area has been on improving our choices of materials and aiming to take responsible choices during the design process. When designing our unique products, we try to keep both social and environmental impacts top of mind. Responsibility is and will continue to be a part of our everyday life.

A few examples of important changes we have made in 2022:

Our cotton is sourced either as Better Cotton or as certified organic. We have increased the portion of preferred cotton to reach 100% this year.

We have had focus on increasing the use of recycled synthetics fibers, and have achieved 34% in 2022, a huge improvement from the year before. We will keep increasing this in the year to come.

Our denim brand Sweet Sktbs has also undergone improvements this year, all jeans now contain 20% recycled cotton, a portion that we hope to increase to 50% in 2023. We have also considered the minor details of the jeans; the buttons and rivets being produced by a high-quality brand YKK and consider with less impact as it is made of pure metal and does not go through the harmful electroplating process. Even the patches used for this collection are made with Viridis, a bio-based material that estimates to have a less environmental footprint than the traditional PU based patches.

2022 was also the year we launched a high-end technical outerwear collection for Beyond Medals, all with outer shells and fleeces made with 100% recycled polyester. All down used in Beyond Medals products or our own brands' products are made with Responsible Down Standard certified down.

Above are just a few steps we have taken in 2022 when it comes to material choices. We continue our focus to minimize blends and virgin polyester, sustainable for us is not only material, it is also part of our daily design and mindset.



Sustainability in Volt

Working with sustainability is important for both Volt's business and our products. We have developed our own Merino program, with several sweaters in different colours and styles – all in 100% Merino wool, certified to the Responsible Wool Standard. Merino wool is a very durable material that in addition to isolate also leads moisture away from the body and keeps you warm – even when it's wet.

It can be machine washed, but the true magic lies in the 'self-cleaning' qualities of the fabric.

Hang it out in fresh air for a little while, and it is ready to be used again. Good for the garment, and for the environment!

We also work with organic cotton on our Aimon slim and Aimon tapered chinos program, use organic cotton in all our cotton knitted sweaters, and strive to choose recycled polyester as much as possible in all our products. In the last part of 2022, we started to develop a new sweater program in organic cotton, with a combed yarn that makes it extra durable and stays nicer longer than regular yarn. This collection is ready to be launched in fall, 2023.

We aim to provide necessary information to our customers on our website so that they can take informed decisions when they want to purchase a product. In 2022 we have added information on where the products have been produced. For our own brands produced by Volt we have informed about country and factory name, for external brands we have informed about in which country the product is produced.

Our stores - the face of Volt Fashion

Our stores are the face of Volt and where we interact with our customers. With 90 stores and a lot of daily visitors follows the need of upgrading certain elements of our stores from time to time.

In august 2022, we have started a new development project with a goal of making a new and more sustainable Volt concept. An important part of this is to prolong the lifespan of our interior. One of the main principles in the new concept is to use good quality material that will get a nice patina with time, instead of looking worn and distressed. This way we can keep the interior longer, and let it age with style.

We will use solid and robust materials in every "high traffic" area in the store, and a "designed to recycled" method that will make it easier to recycle the material. For metal parts (i.e. floor racks) we aim for all of it to be made of recycled aluminum.

In the development of elements with a shorter lifespan (i.e. tables and floor racks) we will have great focus on reaching a lower CO₂ footprint. In general, we wish to use as much natural materials as possible, and for lighting we will only use general lighting with LED - which has a low energy consumption. In the future we hope to get all our inventory

delivered with an EPD (Environmental Product Declaration) documentation, which lets us measure the total CO₂ footprint of the products. We will also look into which elements of the new concept to introduce in the old concept, when in need of maintenance and replacements in existing stores.



Customer privacy

Varner has a high focus on ensuring our customers' privacy and have throughout recent years developed strong competence and routines to comply with the EU General Data Protection Regulation (GDPR), in all parts of our business.

All customer data in all Varner Brands is treated according to the applicable Privacy Policy, and all member data in our Loyalty Programs is treated according to the applicable Member Terms and Privacy Policy per Brand.

Throughout our 6 Loyalty Programs, we have 7 million members, which receive benefits and offers on a regular basis based on their consent and behavior.

Varner has an internal working group and a Data Protection Officer (DPO), making sure to always comply with the applicable legislation. We also provide internal training and support when onboarding new employees and making sure our customers' privacy is always ensured.

Varner receives queries from customers regarding use of personal data from time to time. All queries are handled case by case, logged internally and evaluated to ensure customer privacy.

No queries from customers or other parties have in 2022 been substantiated to highlight breaches in regulations related to customer privacy. There have been no identified leaks, thefts, or losses of customer data in 2022.



08.



HOW WE REPORT

Notes on methodology

This is the 3rd edition of the combined Sustainability Report of Varner Group. The data and information included relates to the reporting period corresponding to the year 2022, with some advances for projects launched in previous years. To facilitate the comparability of data over time, where possible, the Report also provides trends related to the previous years. Reported data relating to the number of employees and gender distribution corresponds to the consolidated financial reporting of Varner.

Aligned frameworks & methodology for reporting

Our attempt is to report in accordance with the Swedish Statutory Reporting (Företagens rapportering om hållbarhet och mångfaldspolicy) and the GRI (Global Reporting Initiative) standard 2021. Any omissions with regards to GRI scope are reported as notes to the individual indicators in GRI Index. We also considered various reporting systems and frameworks such as UN SDGs, OECD due diligence guidelines and ETI Norway reporting, as benchmarks for relevant sections.

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

Any eventual exceptions with respect to this scope of reporting have been appropriately pointed out.

This report has been externally assured by TUV Rheinland.

Details of reporting team

Reporting Team	Designation	Name
Sustainability Steering Group	Global Production Manager, Chair of Sustainability Steering Group	Chessa Nilsen
	Owner, Creative Director-BIKBOK	Julie Varner
	VP, Finance Director	Øyvind Bustnes
	Brand Director - BIKBOK	Nina Ruud
	Buying Manager - CUBUS	Martine Florival
Extended Sustainability Working Group	Head of HR	Trude Brøndelsbo
	Head of Communications	Julie Eckhardt
	Marketing Manager - Bik Bok	Alise Traheim
	Logistics Developer	Anders Vessby
Core Sustainability Working Group	Project	Heidi D. Haldorsen
	Global CSR	Vegard Neverlien Ditte Steen
	Global QA	Christiane Fagertun Nils Thomas
	Global Environment	Dipankar Bose

Methodological note for reporting regarding climate action

All calculations and reporting conform to the guidelines set out in the Greenhouse Gas (GHG) Protocol. Accordingly, the company's emissions have been divided into three scopes (1-3), where scope 1 includes the direct emissions, scope 2 includes the indirect emissions from purchased energy and scope 3 includes all other indirect emissions including purchased materials, production as well as goods transport and distribution. Business travel and indirect spend are not included in the report. The underlying calculation has been done by 2050 Consulting and is based on data reported by Varner as a part of the membership in the Swedish Textile Initiative for Climate Action - STICA.

Control approach: For our climate calculations in this report, an operational control approach has been used where direct GHG emissions are defined as emissions from sources in which the company has operational control.

Methods for scope 2 accounting: We have used a market-based method for our Scope 2 climate accounting. In this method, the emission factor is represented by the emissions from electricity sources that the company purposely has chosen. This means that if the company has bought electricity with guarantees of origin, the emission factors reflect that. All other electricity that is delivered without guarantees of origin represents the remaining electricity production, a so-called residual mix.

According to the GHG Protocol, the chosen method for calculating scope 2 emissions should be presented along with the non-chosen method. In the table below, the difference between market-based and location-based methods are presented.

Scope 2 emissions with market based versus location-based method.

	Scope 2 emissions, ton CO ₂ e
Market Based	24579
Location Based	3086
Difference (MB-LB)	21493

Process Description

All calculations are primarily from aggregated activity data from Varner's own operations (stores, offices, and warehouse), leased and owned cars, production (Tier1 manufacturing), main purchased materials, and transport (inbound and outbound). Indirect spend and business travel have not been included in this scope. Data collection and mapping are done retrospectively based on activity data which can be actual data (75.7%) or estimated data (24.3%). 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 CO₂e emission data were supplied by shipping companies and logistic partners. Climate data is reported according to the GHG protocol for all year 2021 that was calculated in 2022. Emission factors that we use are based on information collected from 3rd party consultants. For inadequate data, calculation estimates have been used in compliance with GHG Protocol. Emission calculations for the year 2022 are ongoing at the time of publishing this report.

Baseline Emission Correction and Restatement of Emissions:

In 2022, we recalculated our emissions for all years since 2019, which is our base year. The reasons for recalculation included the merger of a new entity within the operational scope in 2021, updated methodology from transport partners, correction in scope 2 data, and improved data quality. As a result, all numbers related have been restated in this report when compared to last year's report. Areas with significant updates in data quality have been explained below:

Purchased Goods and Services: The category purchased goods and services consists of a data collection representing the emissions from suppliers in tier 1, another separate data collection and calculation for material to cover tier 2-4, as well as a calculation for packaging. In 2022, we have improved our methodology for primary emission data calculation for all in-scope Tier 1 manufacturing units for all years since 2019. We were able to estimate scope 1&2 emission per unit product for each end product manufacturer facility. In 2022, we have also estimated and included emissions from subcontracts of end product manufacturers

which was not included in previous years. We have applied the same methodology for all years since 2019 and adjusted our baseline emission accordingly.

Transport: In the part about emissions from transports, there have been some changes from last, to this year's report. We have supplemented 2019 with transport estimations for Junkyard, as they now are a part of Varner, which they weren't in 2019. In 2019 and 2020 we have updated the import data, due to some previous errors. In 2019, 2020 and 2021 we also included a RFI factor of 2,7 for air freight, according to STICA guidelines.



APPENDIX

POLICIES AND STATEMENTS

We promote transparency and openly publish our key policies on the Varner website. Per December 2022, we have 16 publicly available documents describing our commitment to respect people, society, and the environment: Codes of Conduct (2), policies (9), signed pledges and statements (4) and a Restricted Substances List (RSL).

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

[Supplier Code of Conduct](#)

[Varner Internal Code of Conduct](#)

[Responsible Sourcing Policy](#)

[Modern Slavery Policy](#)

[Child Labour Policy](#)

[Migrant Labour Policy](#)

[Homeworker Policy](#)

[Animal Welfare Policy](#)

[Anti-bribery Policy](#)

[Sandblasting Policy](#)

[Sustainable Cotton Communiqué](#)

[Turkmen Cotton Pledge](#)

[Uzbek Cotton Pledge](#)

[Restricted Substances List](#)

[Varner Canopy Style Paper Packaging Policy](#)

[Statement on XUAR](#)

Information about the embedding of the policies can be found where the policies are referenced in the report (in particular in chapters 5 and 6).

OVERVIEW OF OUR EMPLOYEES

The data for full-time, part-time and temporary employees was extracted by the end of 2022. Due to seasonal variations; there may be differences in the number of employees at different periods of the year when there are more customers in stores.

Headcount and Full-time Employees

Per 31.12.2022	Total		Female		Male	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
Norway						
Varner AS	428	415,3	275	267,3	153	148
Cubus AS	1517	457,07	1474	442,75	43	14,32
Dressmann AS	1082	364,78	832	288,84	250	75,94
Carlings AS	473	144,1	305	101,45	168	42,5
BikBok AS	577	188,98	577	188,98		
Volt Fashion AS	299	100,25	147	54,07	152	46,18
Junkyard AS	198	65,86	142	52,32	56	13,54
Varner Brand Stores AS	145	43,41	98	32,13	47	11,28
Sweden						
Varner Retail AB	74	58,33	55	40,78	19	17,55
Cubus AB	522	248,57	509	241,83	13	6,74
Dressmann AB	1138	580,34	914	464,26	224	116,08
PocoLoco AB	362	153,27	275	106,88	87	46,39
BikBok AB	415	169,71	413	169,6	2	0,11
Volt Fashion AB	267	127,98	158	73,34	109	54,64
Junkyard AB	75	53,7	47	31,24	28	22,46
Varner Brand Stores AB	169	82,84	127	56,93	42	25,91
Varner Supply AB	263	207,17	118	89,81	145	117,36
Finland						
Varner OY	11	10,8	9	8,8	2	2
Cubus OY	336	134,63	333	133,25	3	1,38
Dressmann OY	493	208,63	398	165,47	95	43,16
Carlings OY	227	87,82	188	71,17	39	16,65
BikBok OY	213	54,65	213	54,65	0	0
Volt Fashion OY	90	39,48	68	29,02	22	10,46
Varner Brand Stores OY	21	9,05	15	6,29	6	2,76
Denmark						
Dressmann AS (DK)	10	5,78	4	2,49	6	3,3
Iceland						
DM 'a Islandi EHF	34	16	15	6	19	10
GPO						
Bangladesh	32	32	12	12	20	20
China	15	15	11	11	4	4
HK	16	16	14	14	2	2
India	15	15	6	6	9	9
Turkey	20	20	9	9	11	11

*Full-time Equivalent (FTE)

Permanent and Temporary

Per 31.12.2022	Total		Female		Male	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Norway						
Varner AS	410	18	265	10	145	8
Cubus AS	689	828	673	801	16	27
Dressmann AS	654	428	520	312	134	116
Carlings AS	279	194	183	122	96	72
BikBok AS	383	194	383	194		
Volt Fashion AS	201	98	98	49	103	49
Junkyard AS	103	95	75	67	28	28
Varner Brand Stores AS	85	60	56	42	29	18
Sweden						
Varner Retail AB	61	13	42	13	19	0
Cubus AB	302	223	295	217	7	6
Dressmann AB	736	395	608	305	128	90
PocoLoco AB	224	137	170	104	54	33
BikBok AB	259	157	259	155	0	2
Volt Fashion AB	172	97	107	52	65	45
Junkyard AB	61	13	38	9	23	4
Varner Brand Stores AB	131	38	99	29	32	9
Varner Supply AB	257	6	115	3	142	3
Finland						
Varner OY	10	1	8	1	2	0
Cubus OY	190	146	189	144	1	2
Dressmann OY	322	171	260	138	62	33
Carlings OY	134	93	109	79	25	14
BikBok OY	138	75	138	75	0	0
Volt Fashion OY	65	25	49	19	16	6
Varner Brand Stores OY	15	6	10	5	5	1
Denmark						
Dressmann AS (DK)	10	0	4	0	6	0
Iceland						
DM 'a Islandi EHF	34	0	15	0	19	0
GPO						
Bangladesh	28	4	12	0	16	4
China	15	0	11	0	4	0
HK	16	0	14	0	2	0
India	15	0	6	0	9	0
Turkey	20	0	9	0	11	0

Part-time and Full-time

Per 31.12.2022	Total		Female		Male	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Norway						
Varner AS	17	411	10	265	7	146
Cubus AS	1256	261	1224	250	32	11
Dressmann AS	910	172	700	132	210	40
Carlings AS	391	82	244	61	147	21
BikBok AS	470	107	470	107		
Volt Fashion AS	241	58	114	33	127	25
Junkyard AS	160	38	108	34	52	4
Varner Brand Stores AS	119	26	79	19	40	7
Sweden						
Varner Retail AB	23	51	21	34	2	17
Cubus AB	435	87	423	86	12	1
Dressmann AB	928	210	758	156	170	54
PocoLoco AB	295	67	227	48	68	19
BikBok AB	342	73	340	73	2	0
Volt Fashion AB	209	58	118	40	91	18
Junkyard AB	45	30	27	20	18	10
Varner Brand Stores AB	138	31	105	22	33	9
Varner Supply AB	45	218	16	102	29	116
Finland						
Varner OY	1	10	1	8	0	2
Cubus OY	272	64	270	63	2	1
Dressmann OY	395	98	323	75	72	23
Carlings OY	184	43	151	37	33	6
BikBok OY	178	35	178	35	0	0
Volt Fashion OY	72	18	51	17	21	1
Varner Brand Stores OY	18	3	13	2	5	1
Denmark						
Dressmann AS (DK)	8	2	3	1	5	1
Iceland						
DM 'a Islandi EHF	24	10	11	4	13	6
GPO						
Bangladesh	0	32	0	15	0	17
China	0	15	0	11	0	4
HK	0	16	0	14	0	2
India	0	15	0	6	0	9
Turkey	0	20	0	9	0	11

Total number and rate of new employee hires during the reporting period, by country

	Norway		Sweden		Finland		Denmark		Iceland		Turkey		Bangladesh		India		China		Hong kong	
	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*	New hires	Rate*
Total	1666		571		816		10		10		1		8		1		3		1	
Female	1340	80 %	457	80 %	522	64 %	3	30 %	5	50 %			1	13 %			2	67 %		
Male	326	20 %	114	20 %	294	36 %	7	70 %	5	50 %	1	100 %	7	88 %	1	100 %	1	33 %	1	100 %
Under 25 year	1334	80 %	440	77 %	664	81 %	5	50 %					4	50 %						
Female	1062	64 %	361	63 %	395	48 %	2	20 %	5	50 %			1	13 %						
Male	272	16 %	79	14 %	269	33 %	3	30 %	4	40 %			3	38 %						
26-35 Year	240	14 %	107	19 %	130	16 %	2	20 %					3	38 %	1	100 %				
Female	196	12 %	77	13 %	105	13 %	1	10 %												
Male	44	3 %	30	5 %	25	3 %	1	10 %	1	10 %	1	100 %	3	38 %	1	100 %				
36-50 Year	51	3 %	22	4 %	17	2 %	3	30 %					1	13 %			2	67 %	1	100 %
Female	47	3 %	18	3 %	17	2 %											2	67 %		
Male	4	0 %	4	1 %			3	30 %					1	13 %					1	100 %
Over 51 year	41	2 %	2	0 %	5	1 %											1	33 %		
Female	35	2 %	1	0 %	5	1 %														
Male	6	0 %	1	0 %													1	33 %		

*Rate of new employees

Total number and rate of employee turnover during the reporting period, by country

	Norway		Sweden		Finland		Denmark		Iceland		Turkey		Bangladesh		India		China		Hong kong	
	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate	Ended	Turnover rate
Total	905	30 %	589	32 %	455	46 %	10	100 %	10	29 %	1	5 %	4	14 %	1	7 %	3	20 %	2	13 %
Female	725	80 %	456	77 %	334	73 %	4	40 %	1	10 %	1	100 %	1	25 %			2	67 %	2	100 %
Male	180	20 %	133	23 %	121	36 %	6	60 %	9	90 %			3	75 %	1	100 %	1	33 %		
Under 25 year	520	57 %	291	49 %	281	62 %	5	50 %												
Female	410	45 %	235	40 %	186	41 %	2	20 %												
Male	110	12 %	56	10 %	95	21 %	3	30 %	8	80 %										
26-35 Year	255	28 %	308	52 %	150	33 %	2	20 %			1	100 %	3	75 %	1	100 %	2	67 %	1	50 %
Female	203	22 %	154	26 %	125	27 %	1	10 %	1	10 %	1	100 %					2	67 %	1	50 %
Male	52	6 %	51	9 %	25	5 %	1	10 %					3	75 %	1	100 %				
36-50 Year	87	10 %	76	13 %	22	5 %	3	30 %					1	25 %			1	33 %	1	50 %
Female	72	8 %	53	9 %	21	5 %	2	20 %					1	25 %					1	50 %
Male	15	2 %	23	4 %	1	0 %	1	10 %	1	10 %							1	33 %		
Over 51 year	43	5 %	28	18 %	2	0 %														
Female	40	4 %	14	9 %	2	0 %														
Male	3	0 %	3	2 %																

The figures includes employees mobility between countries, and excludes temporary employees

Diversity of governance bodies and employees

Employees

	Norway			Sweden			Finland			Denmark			Iceland		
	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)
Under 25 years	63 %	63 %	2477	54 %	51 %	1233	64 %	88 %	756	67 %	60 %	5	100 %	100 %	28
26-35 years	19 %	20 %	766	29 %	34 %	697	30 %	11 %	261	33 %	20 %	2			
36-50 years	10 %	8 %	379	11 %	13 %	259	6 %	1 %	48		20 %	1			
over 51 years	8 %	9 %	326	6 %	2 %	117	1 %	0 %	7						
Total	100 %	100 %	3948	100 %	100 %	2306	100 %	100 %	1072	100 %	100 %	8	100 %	100 %	28
Total percentage	81 %	19 %		79 %	21 %		71 %	29 %		38 %	63 %		54 %	46 %	

	Turkey			Bangladesh			India			China			Hong Kong		
	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)
Under 25 years				10 %	15 %	4	17 %		1						
26-35 years	11 %	50 %	6	60 %	50 %	16	67 %	33 %	7	18 %	25 %	3	14 %		2
36-50 years	67 %	40 %	10	30 %	35 %	10	17 %	44 %	5	73 %	75 %	11	71 %	100 %	12
over 51 years	22 %	10 %	3					22 %	2	9 %		1	14 %		2
Total	100 %	100 %	19	100 %	100 %	30	100 %	100 %	15	100 %	100 %	15	100 %	100 %	16
Total percentage	47 %	53 %		33 %	67 %		40 %	60 %		73 %	27 %		88 %	13 %	

*(N) = Number

Managers

	Norway			Sweden			Finland			Denmark			Iceland		
	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)
Under 25 years	16 %	13 %	102	14 %	12 %	74	13 %	16 %	31						
26-35 years	44 %	42 %	291	52 %	42 %	275	57 %	56 %	132				50 %	100 %	5
36-50 years	28 %	25 %	181	26 %	40 %	154	29 %	22 %	64	100 %	100 %	2			
over 51 years	12 %	20 %	88	8 %	6 %	41	2 %	6 %	5				50 %		1
Total	100 %	100 %	662	100 %	100 %	544	100 %	100 %	232	50 %	50 %	2	100 %	100 %	6
Total percentage	83 %	17 %		82 %	18 %		86 %	14 %		50 %	50 %		33 %	67 %	

	Turkey			Bangladesh			India			China			Hong Kong		
	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)	F	M	(N)
Under 25 years															
26-35 years															
36-50 years		100 %	1		100 %	1	100 %		1				100 %		1
over 51 years															
Total	0 %	100 %	1	0 %	100 %	1	100 %	0 %	1	0 %	0 %	0	100 %	0 %	1
Total percentage	0 %	100 %		0 %	100 %		100 %	0 %					100 %	0 %	

Top Managers

	F	M	(N)
Under 25 years	0 %	0 %	0
26-35 years	14 %	0 %	1
36-50 years	43 %	46 %	9
over 51 years	43 %	54 %	10
Total	100 %	100 %	20
Total percentage	35 %	65 %	

GRI 302 Energy

We collect energy consumption data from all our offices. Heating is included in electricity for all offices except our central Warehouse and DC in Vänersborg. In 2022, We used 11541 Litres of oil and 430 tonnes wood pellets for onsite heat generation in Vänersborg.

Energy Use Overview- Offices			2022			2021		
Office Name	Country/Region	City	Area (m ²)	Electricity Use (kWh)	Energy Intensity (kWh/m ²)	Area	Electricity (kWh)	Energy Intensity (kWh/m ²)
Service Office (HQ)	Norway	Slependen	14520	1940783	133.66	14520	1916029	131.96
Sweden Retail Office	Sweden	Solna	724	53468	73.85	724	52160	72.04
Finland Retail Office	Finland	Helsinki	360	14745	40.96	360	14426	40.07
GPO VBD	Bangladesh	Dhaka	1195	89035	74.51	1195	89313	74.74
PO BJ	China	Beijing	127	5015	39.49	127	3715	29.25
PO HZ	China	Hangzhou	177	4078	23.04	140	11049	78.92
GPO VFE	Hong Kong SAR	Hong Kong	460	33054	71.86	460	38464	83.62
GPO VSA	India	New Delhi	253	18495	73.10	253	20620	81.50
GPO VTR	Turkey	Istanbul	366	12136	33.16	366	18257	49.88
Warehouse & DC	Sweden	Vänersborg	49000	3779382	77.13	49000	3238083	66.08

GRI index

GRI 1: Foundation	
Statement of use	Varner AS has reported in accordance with the GRI Standards for the period 1 January 2022-31 December 2022.
GRI 1 used	GRI 1: Foundation 2021.
Applicable GRI Sector Standard(s)	Not currently available.

Disclosure Number	Disclosure Title	Varner Response 2022
GRI 2: General Disclosures 2021		
2-1	2-1 Organizational details	Page 10-14
2-2	2-2 Entities included in the organization's reporting	Page 14
2-3	2-3 Reporting period, frequency and contact point	Page 170, 193
2-4	2-4 Restatements of information	Page 72, 172-173
2-5	2-5 External assurance	Page 189-191
2-6	2-6 Activities, value chain and other business relationships	Page 10
2-7	2-7 Employees	Page 176-178
2-8	2-8 Workers who are not employees	Page 88
2-9	2-9 Governance structure and composition	Page 18, 20
2-10	2-10 Nomination and selection of the highest governance body	Page 18, 20
2-11	2-11 Chair of the highest governance body	Page 18, 171
2-12	2-12 Role of the highest governance body in overseeing the management of impacts	Page 18, 20, 170-171
2-13	2-13 Delegation of responsibility for managing impacts	Page 18, 20, 170-171
2-14	2-14 Role of the highest governance body in sustainability reporting	Page 18, 20, 170-171
2-15	2-15 Conflicts of interest	There is perceived to be a limited risk of conflict of interest due to the current ownership and governance structure of the company. A formal processes relating to conflicts of interest in for the highest governance body has not been established.
2-16	2-16 Communication of critical concerns	Page 19

Disclosure Number	Disclosure Title	Varner Response 2022
2-17	2-17 Collective knowledge of the highest governance body	Page 20
2-18	2-18 Evaluation of the performance of the highest governance body	Page 20
2-19	2-19 Remuneration policies	Page 19
2-20	2-20 Process to determine remuneration	Page 19
2-21	2-21 Annual total compensation ratio	<p>a. The ratio of the annual total compensation for the organization's highest-paid individual, in Varner AS, to the median annual total compensation for all employees is 15.</p> <p>b. The ratio of the percentage increase in annual salary for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees is 1,15 (salary increase).</p> <p>c. See page 19</p>
2-22	2-22 Statement on sustainable development strategy	Page 4
2-23	2-23 Policy commitments	Page 35, 106, 176
2-24	2-24 Embedding policy commitments	Page 35
2-25	2-25 Processes to remediate negative impacts	Page 47-70, 80
2-26	2-26 Mechanisms for seeking advice and raising concerns	Page 28
2-27	2-27 Compliance with laws and regulations	No significant incidents of non-compliance with laws and regulation in 2022
2-28	2-28 Membership associations	Page 33
2-29	2-29 Approach to stakeholder engagement	Page 24-25
2-30	2-30 Collective bargaining agreement	Page 81
GRI 3: Material Topics 2021		
3-1	3-1 Process to determine material topics	Page 27
3-2	3-2 List of material topics	Page 27
GRI 205: Anti-corruption 2016		
3-3	3-3 Management of material topics	Page 75-77
205-1	205-1 Operations assessed for risks related to corruption	Page 75-77
205-2	205-2 Communication and training about anti-corruption policies and procedures	Page 75-77
205-3	205-3 Confirmed incidents of corruption and actions taken	Page 75-77

Disclosure Number	Disclosure Title	Varner Response 2022
GRI 301: Materials 2016		
3-3	3-3 Management of material topics	Page 95-114
301-1	301-1 Materials used by weight or volume	Page 96-108; Page 110
301-2	301-2 Recycled input materials used	Page 108; Page 110
301-3	301-3 Reclaimed products and their packaging materials	Information unavailable / incomplete: Varner follows the Extended producer responsibility requirements in Norway for the handling of packaging materials (reported p113), but for reclaimed products data is not collected even though products can be collected in stores.
GRI 302: Energy 2016		
3-3	3-3 Management of material topics	Page 135-139
302-1	302-1 Energy consumption within the organization	Page 182, At the time of publication of this report we have collected actual electricity data from 79% stores owned or operated by Varner. Out of 1211 physical stores that were active at somepoint in 2022, we have electricity data from 964 stores so far. In 2022, total electricity consumption in these 964 stores was 39789615 kWh. These numbers are also including stores that have been closed at some point in 2022.
302-2	302-2 Energy consumption outside of the organization	Page 140-142
302-3	302-3 Energy intensity	Page 182, Based on 2022 electricity data collected from 79% stores, avg electricity use intensity in stores (kWh/m2) for the reporting period in Norway , Sweden and Finland in stores was 106, 113 and 106 respectively
302-4	302-4 Reduction of energy consumption	Page 139
GRI 303: Water and Effluents 2018		
3-3	3-3 Management of material topics	Page 125-126
303-1	303-1 Interactions with water as a shared resource	Page 125-128
303-2	303-2 Management of water discharge related impacts	Page 128-130

Disclosure Number	Disclosure Title	Varner Response 2022
303-3	303-3 Water withdrawal	Page 125-128
303-4	303-4 Water discharge	Page 128-130
303-5	303-5 Water consumption	Page 125-128, Water Consumption in Varner head office for 2022 was stipulated to be 2627m ³

GRI 305: Emissions 2016

3-3	3-3 Management of material topics	Page 135-139
305-1	305-1 Direct (Scope 1) GHG emissions	Page 138
305-2	305-2 Energy indirect (Scope 2) GHG emissions	Page 138-139
305-3	305-3 Other indirect (Scope 3) GHG emissions	Page 138, 140-147
305-4	305-4 GHG emissions intensity	Page 138
305-5	305-5 Reduction of GHG emissions	Page 137-146

GRI 306: Waste 2020

3-3	3-3 Management of material topics	Page 110-114
306-1	306-1 Waste generation and significant waste-related impacts	Page 110-111
306-2	306-2 Management of significant waste-related impacts	Page 111-114
306-3	306-3 Waste generated	Page 111-114
306-4	306-4 Waste diverted from disposal	Page 111-114
306-5	306-5 Waste directed to disposal	Page 111; Page 113-114

GRI 308: Supplier Environmental Assessment 2016

3-3	3-3 Management of material topics	Page 119-121
308-1	308-1 New suppliers that were screened using environmental criteria	Page 121
308-2	308-2 Negative environmental impacts in the supply chain and actions taken	Page 124-147

GRI 401: Employment 2016

3-3	3-3 Management of material topics	Page 81-82
401-1	401-1 New employee hires and employee turnover	Page 179
401-2	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 81,82
401-3	401-3 Parental leave	Page 82

GRI 402: Labor/Management Relations 2016

3-3	3-3 Management of material topics	Page 82
402-1	402-1 Minimum notice periods regarding operational changes	Page 82

Disclosure Number	Disclosure Title	Varner Response 2022
GRI 403: Occupational Health and Safety 2018		
3-3	3-3 Management of material topics	Page 86-91
403-1	403-1 Occupational health and safety management system	Page 88,89
403-2	403-2 Hazard identification, risk assessment, and incident investigation	Page 86-91
403-3	403-3 Occupational health services	Page 88,89
403-4	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 88-91
403-5	403-5 Worker training on occupational health and safety	Page 90, 91
403-6	403-6 Promotion of worker health	Page 90
403-7	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 51-54
403-8	403-8 Workers covered by an occupational health and safety management system	Page 88
403-9	403-9 Work-related injuries	Rate for high consequence work related injuries is 0,05 when we consider the GRI constant of 200 000 Rate for work related injuries is 1,54 when we consider the GRI constant of 200 000
403-10	403-10 Work-related ill health	Page 86-91
GRI 404: Training and Education 2016		
3-3	3-3 Management of material topics	Page 83-91
404-1	404-1 Average hours of training per year per employee	Page 83-85
404-2	404-2 Programs for upgrading employee skills and transition assistance programs	Page 83
404-3	404-3 Percentage of employees receiving regular performance and career development reviews	Page 83
GRI 405: Diversity and Equal Opportunity 2016		
3-3	3-3 Management of material topics	Page 78-82
405-1	405-1 Diversity of governance bodies and employees	Page 78, 180
405-2	405-2 Ratio of basic salary and remuneration of women to men	Page 19
GRI 406: Non-discrimination 2016		
3-3	3-3 Management of material topics	Page 81
406-1	406-1 Incidents of discrimination and corrective actions taken	Page 81

Disclosure Number	Disclosure Title	Varner Response 2022
GRI 407: Freedom of Association and Collective Bargaining 2016		
3-3	3-3 Management of material topics	Page 47-50, 81
407-1	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 47-50, 81
GRI 408: Child Labor 2016		
3-3	3-3 Management of material topics	Page 62-63
408-1	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 62-63
GRI 409: Forced or Compulsory Labor 2016		
3-3	3-3 Management of material topics	Page 57-61
409-1	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 57-61
GRI 414: Supplier Social Assessment 2016		
3-3	3-3 Management of material topics	Page 36-46, 71-75
414-1	414-1 New suppliers that were screened using social criteria	Page 43, 71-75
414-2	414-2 Negative social impacts in the supply chain and actions taken	Page 46-68, 71-75
GRI 416: Customer Health and Safety 2017		
3-3	3-3 Management of material topics	Page 115-117
416-1	416-1 Assessment of the health and safety impacts of product and service categories	Page 115-116
416-2	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 117
GRI 417: Marketing and Labeling 2016		
3-3	3-3 Management of material topics	Page 156-157
417-1	417-1 Requirements for product and service information and labeling	Page 156-157
417-2	417-2 Incidents of non-compliance concerning product and service information and labeling	No incident of non compliance concerning product and service information and labeling during the reporting year
417-3	417-3 Incidents of non-compliance concerning marketing communications	Page 156
GRI 418: Customer Privacy 2016		
3-3	3-3 Management of material topics	Page 168
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 168



Independent Assurance Statement

Introduction:

TÜV Rheinland Cert GmbH, Germany (hereinafter "TÜV", "We") has been entrusted by the management of Varner AS (hereinafter "Varner", "the Company") to conduct independent assurance of Varner Sustainability Report 2022 (hereinafter "the Report"). All contractual contents for this assurance engagement rest entirely within the responsibility of Varner. Our task was to give a fair and adequate judgment on the Report.

The intended users of this assurance statement are stakeholders having relevance to the Varner's overall Sustainability Performance and impacts of its business activities during 2022 (1 January 2022 ~ 31 December 2022). TÜV Rheinland is a global service provider of Corporate Social Responsibility (CSR) & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement, and not been involved in the preparation of the Report contents.

Assurance Standard:

The independent assurance was implemented in accordance with the AA1000 Assurance Standard (AA1000AS v3), covering AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact.

Scope & Type of Assurance:

Our assurance engagement covers the following:

- The Swedish Statutory Reporting
- Reporting in accordance with the GRI Sustainability Reporting Standards (GRI Standards) 2021, and information and data related to economics, environment & social, and material topics and sustainability performance disclosed in the Report, also defined within reporting boundaries.
- OECD due diligence guidelines and ETI Norway reporting.
- Evaluation of disclosed information and data in the Report as per the Assurance Standards.
- Type-1, Moderate Assurance Level as per the AA1000AS v3.

Limitations:

The assurance was conducted based on a moderate level of assurance under the AA1000AS for engagement. Information and performance data subject to assurance is limited to the contents of the Report.

Due to factual travel restrictions, TÜV conducted desktop review on documents and records shared by Varner.

The assurance did not cover financial data such as the income statement and cash flow statement, technical descriptions of buildings, equipment and production processes or other information not related to sustainability.



Assurance Methodology:

TÜV has challenged the Report contents and assessed the processes undertaken by Varner from source to aggregation in disclosure of information and data pertaining to sustainability performance. Our judgment is based on the objective review of reported information and evidence gathering as per criteria defined under Assurance Standards, that is, AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact.

Analytical methods and the performance of interviews as well as data verification were used on a sample basis, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Varner's corporate sustainability strategy, governance, and management systems as mentioned in the Report. Our work covered interviews with Varner's representatives, including senior management at executive and functional levels as well as relevant employees responsible for collecting, summarizing and reporting the disclosures. The approach deemed to be appropriate for the purpose of assurance of the Report since all data therein could be verified through original proofs and/or verified database entries.

The assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Adherence to the AA1000AS v3:

Inclusivity:

Varner has identified and grouped stakeholders, including customers and consumers, governmental authorities, NGOs, Advocacy, suppliers, supply chain workers, employees, and partnership organization and local communities, etc., and communicated with them to map key topics and their views addressed in arenas of interaction such as customer and employee surveys, meetings, audits, seminars, trainings, projects and reporting, etc.

The company worked with partnerships on sustainability initiatives, and in 2022 invited external stakeholders (such as Textile Exchange and Sustainability Apparel Coalition) to come with their inputs in the final round of consultation during risk assessment exercise for identification of impacts and determination of materiality purpose.

Materiality:

Varner has conducted materiality assessment on sustainability topics by considering industrial context, the results of due diligence process, risk assessment and stakeholder engagement. The company has implemented a process of prioritization of materials topics based on materiality matrix to determine 18 material topics for the reporting, among which worker rights and human rights, diversity and equal opportunity, climate action, material sustainability, circular economy, sustainable supply chain, and traceability and so forth are considered to be material topics with highest priorities. Varner's senior management and cross-functional personnel can well understand such processes based on supporting documentary evidence and interviews.

Responsiveness:

Varner is responsive to topics addressed or raised by stakeholders through sustainability strategy, policies and procedures, code of conduct, sustainability goals and status, risk management, and key



performance indicators disclosed in the Report. Varner shares knowledge and experience with relevant stakeholders on various platforms, such as industry forums, seminars, round-tables, initiatives and events on specific topics related to sustainability. The company has other response channels including sustainability transparency audits and Higg FEM verifications in supply chain, annual sustainability reporting, customer service channels, and public emails, etc.

In 2022, Varner joined ZDHC Roadmap to Zero program as "Friends of ZDHC", and signed commitment letter to Science Based Target Initiative (SBTi) to deliver responsibility in sustainability areas by considering external stakeholders' views and impact for response.

Impact:

Varner has established Sustainability Steering Group and Working Group for sustainability governance, sustainability goals setting and progress tracking, action plans, and disclosures reporting.

The company has conducted a risk assessment exercise in 2022 by considering risks from industrial sector, country (social and environmental), material and product, and business and sourcing model, to identify actual and potential adverse impacts associated with Varner's operations and products. Varner disclosed the approaches to measure, evaluate and manage the impacts (such as greenhouse gas emissions, occupational health and safety, human rights in supply chain, etc.) in the Report.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Varner Sustainability Report 2022 meets the requirement of Type-1, Moderate Assurance Level according to the AA1000AS v3, and follows the requirements of reporting in accordance with GRI Standards 2021.
- The Report includes statements and claims that reflect Varner's sustainability achievements and challenges supported by documentary evidence and internal records.
- The performance data we found in the Report are collected, stored and analyzed by Varner in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Varner based on this Assurance Statement.



Daniel Pan

Corporate Sustainability Service Technical Manager
TÜV Rheinland Cert GmbH

8 March 2023, Cologne, Germany

Board for Varner AS



Petter Varner
Chair of the Board

Marius Varner
*Managing Director
Board Member*



Joakim Varner
Board Member

Contact

If you have questions or need help locating information, please contact Sustainability@varner.com

Thank you!

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