

VARNER

Varner AS Statutory Sustainability Report 2019

About the report

This is the statutory sustainability report for Varner AS in accordance with the Non-Financial Reporting Directive within the European Union.

Varner is the parent company for the following concepts/brands: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Urban, Volt, Wow. The work with sustainability, including strategies, decisions and policies are implemented across all concepts and brands. Additional and complimentary projects or focus areas may be initiated at concept/brand level. The responsibility for implementation of strategies and plans are at department level. Departments and business functions work across all concepts/brands in order to implement sustainability work effectively and systematically. In 2019 Varner AS employed approximately 11 000 people.

Business model

At the core of our business, we have a strong focus on sustainable development. Sustainability to us means taking mutual responsibility for our environmental footprint and our social impact. We have defined three focus areas. *We are fair and responsible to all people, we are climate conscious and think circular, and we want to involve and engage the consumer in the sustainable development.* We work systematically towards fair treatment of all people and animals in our business and in our supply chain. We have established five production offices in our main production markets that enables us to drive improvements locally in the supply chain. Working with social improvements in production countries demands that we have a long-term perspective and knowledge of local aspects. We always seek industry cooperation when necessary. We have a responsibility to minimize the negative impact our business has on the environment. Our goal is to limit our environmental footprint by preventing the negative impact of our products throughout the entire life cycle. This means that we must make conscious choices in every step of the product lifecycle from design and development to customer usage that make the footprint a little smaller.

Management approach

Transparency and responsibility are at the core of our corporate values. We have established a broad range of policies to guide us in our work with CSR and sustainability. These policies effect all fashion concepts and brands in the Varner concern. We also share official statements and positions regarding critical cases and issues we are involved in. See policies further down under each headline in this report.

Principal risks and risk management

Our main material risks are presented below. The material areas where identified through stakeholder dialogue held in 2019 with our main stakeholder groups: customers & consumers, government, NGOs, suppliers, factory workers, partnerships & network organizations, Varner employees, local society, research centers, competitors & industry organizations and owners.

Risk area	Risk description	Risk management and current actions
Workers' rights & Human rights	<ol style="list-style-type: none">1) Decent wages in the supply chain and in own operations2) Forced labor and modern slavery in the supply chain.3) Excessive working hours in the supply chain.4) Decent work for migrant workers.5) Worker representation and freedom of organization.6) Child labor in the supply chain.	<ol style="list-style-type: none">1) The wage status is assessed in detail for all cooperating factories. Any gaps in wage compliance is addressed.2) Supply chain assessments and factory social inspections are a large part of our work to prevent and address the risk of modern slavery in our supply chain.3) Assisted implementation of proper working hour systems to be able to measure pay/working time levels accurately and transparently in two factories during 2019.4) We continuously map our supply chain for migrant workers. We have updated our policy on migrant labor based on our risk assessment and the increasing focus on this area.5) Continued implementation of systems for Social Dialogue training at factories.6) Updated child labor policy. Ongoing monitoring throughout our supply chain (and increasingly in lower tiers). Have established and continued partnerships with credible organizations to develop strategies to prevent, monitor and contribute to effective remediation of issues related to child labor. Established and continued to support schools for disadvantaged youths and young girls in cooperation with Save the Children and Plan International in Bangladesh.

	7) Discrimination in the supply chain and in own operations	7) We are in development phase with a gender equality program in cooperation with ILO. The program is planned to be piloted with 4 suppliers. Discrimination is a part of all CSR assessment activities in the supply chain with special focus on migrants, women, ethnic minorities and other vulnerable persons. We have cooperated with UN Women in establishing Women Empowerment Principles (WEPIs) at several suppliers.
Climate Footprint in production	1) Greenhouse Gas emissions in all parts of our operations (scope 1-3 emissions). 2) Water scarcity in the supply chain. 3) Microfiber pollution in the supply chain and use phase.	1) We collaborate with STICA on climate action. We also initiate active discussions with several organizations on potential collaboration, target setting and progress plans. Preliminary mapping of energy sources for factories in the Varner supply chain. Close monitoring of Institute of Public and Environmental Affairs (IPE) list in China to identify suppliers that needs follow-up and close monitoring related to environmental issues. 2) We have started implementation of new STWI (Swedish Textile Water Initiative) projects at two of our suppliers in 2019. 3) Participation in the research project MICROFIBRE in collaboration with SINTEF. Participation in the research project MinShed, a three-year research project with the overall goal to create knowledge which will help the textile industry to design clothes made of synthetic fabrics which do not emit microplastics.
Circular economy/Innovative business models	Material use (linear supply chains).	We address the challenge of sustainable fibers and sustainable use of materials by being a member of Textile Exchange where we report annually on our use of materials and fibers. We also actively share knowledge and experiences with Textile Exchange. Our designers and buyers work towards established goals and report yearly on progress.
Sustainable Supply Chain management	1) Animal welfare in the supply chain. 2) Building and fire safety in the supply chain. 3) Occupational health and safety in the supply chain. 4) Credible workplace assessments	1) During 2019, we updated our animal welfare policy. The policy now includes several more bans on specific animal fibers and materials. 2) All our factories in Bangladesh are required to take part in the full scope of the Accord Program (independent legal binding agreement in regards for example building and fire safety in Bangladesh). 3) We have further developed our requirements for health and safety in 2019. These requirements are being followed up at in our assessment activities. 384 nominated safety officers have been trained in 2019. 4) We put great efforts to build Varner internal workplace assessments standards. We have a factory audit cycle that describes how often factories needs to be audited and we have procedures and guidelines for managing risks in the supply chain.
Transparency	1) Varner not being transparent towards stakeholders. 2) Supply chain traceability.	1) We promote and seek open dialogue wherever this is relevant or needed in the activities that we do with in our supply chains. Our policy states that it is especially important to communicate with all affected stakeholders when specific cases or issues arise in the production of our products. 2) We believe traceability is imperative in order to achieve our goals of a sustainable supply chain. We have set a target to become 100 % traceable on all products in 2025. Today we publish an extended version of our factory list which is now in line with the Transparency Pledge. We disclose 100 % of tier 1 factories and 60 % of tier 2 factories and continue to trace even further down in the supply chain.
Anti-bribery- and Anti-Corruption	Missing systems at suppliers to prevent and detect bribery and corruption.	A separate complaints/alert channel has been set up for suppliers/factories (as well as internal staff at Varner) where issues such as responsible business conduct and corruption can be raised directly to Varner in confidence. The channel is available publicly at the website varner.com. All grievances and complaints regarding corruption and bribery both from internal employees and from the supply chain will be handled confidentially and professionally. All suppliers have received our Anti-Bribery and Anti-corruption policy. Clauses on this issue is also included in Varner employee contracts.
Local communities	Negative impact on local communities in supply chain and in our customer markets	All new suppliers are required to meet with our local sustainability teams to go through the Varner requirements and expectations described in the manual (based on CoC). The CSR team in Varner have competence and local knowledge of the markets we work in which enables us to make competent decisions and plan actions based on identified risk. We make sure our stores have proper recycling systems in place both for in store material and used garments.

Environmental matters

Our approach and current activities

We are in the process of identifying effective means of reducing the environmental and climate footprint. The most significant impact on climate is in scope 3, more specifically in the production/processing phase of products. Varner collaborate with Sweden Textile Water Initiative (STWI) on implementing actions that reduce the negative impact on water usage, energy usage and chemical usage at factories. We collaborate with Swedish Textile Initiative on Climate Action (STICA) to reduce our greenhouse gases and have committed to reduce our climate footprint by 50 % to comply with the 1,5 Celsius warming. We have established environmental requirements to factories that are followed-up at assessments and audits, the requirements comprise aspects such as environmental management systems, waste management, treatment of industrial wastewater. We focus on reducing the environmental impact of the products we sell. We offer a wide array of products certified according to environmental criteria. The main certifications we utilize are Nordic Ecolabel Swan, Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), and certified recycled materials such as Econyl, Repreve and the Recycled Claim Standard (RCS). We are a member of Better Cotton Initiative, which is focused on increasing sustainable farming principles in cotton farming. We have established a Restricted Substance List (RSL) for products that is stricter than the EU legislation on chemicals. We take steps to reduce our footprint in the distribution phase. We have increase train transport for all products produced in Turkey, and we are also piloting other ways of establishing transportation with lesser climate impact including train transport from China. In 2019 we initiated a risk analysis on water stress in our supply chains.

See more activities in the risk table above under “climate footprint in production” and “circular economy/innovative business models” under the headline “risk management and current actions”.

Policies

For environmental issues following policies are the main documents: Supplier Code of Conduct, Internal Code of Conduct, Sustainable Cotton Communiqué and Restricted Substances List.

To read full policy go to www.varner.com

Current main KPI summary

We are currently in the process of mapping our environmental and climate footprint in scope 1, 2 and 3. Varner have set a target to reduce green House Gas emissions by 30 % within 2030. We work on systematically tracking progress and will have a system in place for this by end of 2020. During 2019, we hired a Global Environmental Manager that will establish baseline and implement a framework on what we need to do to achieve our goal.

We have started implementation of new STWI projects at two of our suppliers in Bangladesh in 2019.

Varner works actively with finding the best transportation alternatives for goods, in 2019 goods by air are estimated to 381,4 CBM (freight cubic meter).

We have a KPI to continuously screening our suppliers on Varner Social and environmental standards. 100 % of existing and potential new suppliers are screened against Varner social and environmental requirements.

Percentage of suppliers not traded with as a result of the screening was 24 % in 2019.

KPIs on our main fibers and materials

Our main goal is to produce products with 100 % preferred fibers (more sustainable fibers according to internal fiber policy) by 2025.

Cotton

74% of all cotton is preferred/more sustainable cotton. This includes 8% Fairtrade cotton, 32% BCI cotton and 34% organic cotton.

Synthetic fibers

12% recycled synthetics (11% recycled polyester, 1% recycled polyamide/Econyl).

Cellulosic fibers

21% of all cellulose is considered preferred/more sustainable cellulose (Lensing fibers including EcoVero, LivaEco and Lyocell).

Wool & Down

15% of all wool is certified to Responsible Wool Standard (RWS). 100% of all down is certified to the Responsible Down Standard (RDS).

Swan certified products

2% of all products in Varner is Swan certified.

Social and employee matters

Our approach and current activities

Working with social improvements in production countries demands that we have a long-term perspective and knowledge of local aspects. We always seek cooperation where necessary. Respecting people and communities in our supply chain is a fundamental part of our business. Our responsibility covers the whole value chain and we follow a product life-cycle approach. The challenges we face in the textile industry are many and complex. We want to meet them with transparency and honesty. We keep our focus on long-term improvements and development.

Varner employs around 11 000 in offices and our concepts/brands: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Urban, Volt, Wow 1400 fashion stores across 7 countries. Teamwork, openness and room for diversity are important factors in our work culture. Bringing together people with different backgrounds and views fuels imagination, makes our products more delightful and our brands and business strategies more powerful.

See activities in the risk table above under “sustainable supply chain management”, “transparency” and “local communities” under the headline “risk management and current actions”.

Policies

For social and employee matters following policies are the main documents: Supplier Code of Conduct, Varner Internal Code of Conduct, Varner Travel policy, Responsible Sourcing Policy, Sandblasting policy, Animal Welfare policy and Sustainable Cotton Communiqué.

To read full policy go to www.varner.com

Current main KPI summary

384 nominated safety officers have been trained in 2019 through a seven-parts training program connected with The Accord Bangladesh (independent legal binding agreement in regards for example building and fire safety in Bangladesh).

Credible workplace assessments throughout Varner’s value chain: 100% of 1st tier factories assessed, 60% of 2nd tier factories in all markets.

Per January 2019 70 % of factories compliant with legal standards of overtime payment. We have identified gaps on premium overtime payments in some areas of China and North India.

Sick leave for Varner AS own operations is approximately 5,71% for 2019.

Percentage of females in Varner’s own operations are 80 %. Throughout own operations there are many female leaders, however the board consist of 3 men, 100 %.

Number of training modules available to all employees are: 176 different modules.

Respect for human rights

Our approach and current activities

We are fair and responsible to all people directly or indirectly affected by our business. We work systematically towards fair treatment of all people in our business and in our supply chain. We have established production offices in our four main production markets that enables us to drive improvements. We cooperate with our selected suppliers to create good working conditions and a safe working environment. We respect fundamental and internationally recognized human rights in all areas of our value chain. If we discover a breach of human rights directly or indirectly involving Varner's operations, we act to set right adverse human rights impacts. All factory workers in our supply chains have the right to fair working conditions. We are committed to take voluntary action in order to support the protection and fulfilment of human rights, paying special attention to the rights of vulnerable groups. We work to minimize the risk of human rights abuses in our value chain. We make great effort in acting responsibly in all areas touched by our business to ensure that the production of our goods does not negatively affect individuals working in our value chain.

See activities in the risk table above under "workers' rights & human rights" and "transparency" under the headline "risk management and current actions".

Policies

Regarding respect for human rights the following are the main documents: Supplier Code of Conduct, Varner Internal Code of Conduct, Responsible Sourcing Policy, Modern Slavery Policy, Child Labor Policy, Migrant labor Policy, Turkmen Cotton Pledge and Uzbek Cotton Pledge.

To read full policy go to www.varner.com

Current main KPI summary

Number of workers in supply chain that have received training programs related to workplace rights and worker representation in 2019: 6392 workers.

Number of supply chain factory assessments and audits in 2019: 414.

Number of inspections on fire and building safety in Bangladesh in 2019: 167.

Percentage of suppliers screened against Varner social and environmental requirements: 100 % on a continuous basis.

Percentage of suppliers not traded with as a result of the screening in 2019: 24 %.

Percentage of factories with ongoing corrective action improvement plans in 2019: 98%.

Anti-corruption and bribery matters

Our approach and current activities

The objective of Varner is to combine sound business practices with responsible and ethical behavior. One of our core corporate values is responsibility. We promote ethical conduct in all business operations. We expect our suppliers and business partners to do the same. Both Varner employees and our business partners must comply with our expectations and applicable laws on anti-bribery and corruption listed below. An important key to our business is building strong and long-term relationships with our suppliers and business partners founded on mutual respect and dialog. We expect all business partners to be self-reliant and accountable. Transparency and openness throughout the entire value chain is always important. See activities in the risk table above under "anti-bribery and anti-corruption" under the headline "risk management and current actions".

Policies

For anti-corruption and bribery matters following policies are the main documents: Supplier Code of Conduct, Varner Internal Code of Conduct, Varner Good Business Practice and Anti-corruption and Anti-bribery policy.

To read full policy go to www.varner.com

Current main KPI summary

100 % of direct contracting suppliers signed a contract where they agree to follow and implement our requirements, including those in CoC.

100 % of external apparel brands are assessed on CSR requirements which included clauses on anti-bribery and responsible business conduct.

The Anti-corruption and Anti-bribery Policy have been distributed to all direct contracting suppliers in all production markets in 2019 as a reminder to the policy.

We run training to internal employees on how to handle corruption and bribery attempts with specific attention to our business in Asia and Europe where we produce fashion items yearly.

To read more about Varner's sustainability work go to www.varner.com, and see our report published in accordance with Ethical Trade Norway, "Responsible Business Conduct Report 2019".