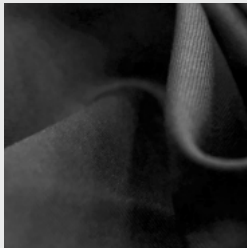




Sustainability  
Report 2023

**VARNER**

# Contents



3

About us

Our history / Our culture / Our concept / Varner at glance / Key achievements in 2023 / Our company structure / Our sales and store presence / Our global presence



14

Nordic Spirit, Global Impact

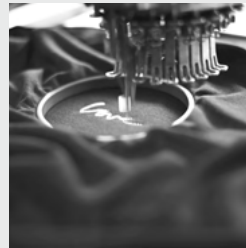
Our sustainability mission / Our journey / Varner's corporate governance structure / Varner Compliance Group / Remuneration / Due diligence for responsible business conduct / Frameworks and commitments / Stakeholder engagement / Risk assessment / Materiality / Transparency and communication / Main goals and status / Initiatives at a glance



35

Fair for all

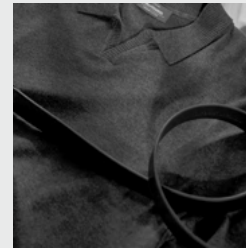
Responsible supply chain management / Salient risk / Grievances and remediation in the supply chain / Reviewing impact / Business partners / Anti-corruption / Responsible employer / Developing our people / A safe and healthy workplace



95

Circular & climate conscious

Building awareness and knowledge / Sustainable materials and preferred fibres / Waste / Environmental sustainability / Environmental management system / Water use and wastewater management / Chemical management / Climate action / Warehouse and distribution centre / Interview with Ewa Malmsten



146

Engage the consumer

Marketing and awareness / Product information / Consumer communication / Doctors without borders / Customer privacy



152

How we report

Notes on methodology



156

Appendix

Overview of our employees

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

# About us

**6**

Concepts

**1 150**

Stores

**9 152**

Employees

**11.4 B**

2023 Sales turnover



## Letter from the CEO

In 2023, Varner continued its journey of strategic growth and development. Our primary focus was to enhance our operations and solidify our position in the markets we serve. Through collaborative efforts, we laid a solid foundation for future success, ensuring the continued evolution and prosperity of our company in an ever-changing landscape. Sustainable principles remain at the heart of our growth journey.

We are proud to commemorate two important milestones: 20 years since we became members of Ethical Trade Norway and a decade since we signed the Accord on Fire and Building Safety in Bangladesh. These milestones underscore our unwavering commitment to promoting safer and more ethical workplaces. Renewing partnerships and signing the International Accord further demonstrate our ongoing dedication, as we extend our safety initiatives into new regions, including Pakistan.

Despite facing challenges, 2023 was a year of notable progress for Varner. We significantly increased our utilization of preferred fibres and successfully transitioned to recycled polyester. Our enduring partnership with Doctors Without Borders continues to be a source of pride, as our support plays a crucial role in life-saving efforts in crisis zones worldwide. As we approach 2024, we remain cognizant of the evolving regulatory landscape. To navigate these changes effectively, we have appointed a Head of Sustainability, ensuring that we are well-prepared for the future.

In an era where accountability and transparency are paramount, the importance of reporting has increased significantly. This report not only marks another milestone in our journey but also reflects the collective efforts of our entire organisation in upholding sustainability and ethical business practices.

Looking back at the strides made in 2023 and contemplating a promising future, we affirm our steadfast commitment to integrating growth with sustainability and prosperity with responsibility.

We would like to extend our gratitude to everyone contributing to this work throughout our value chain.



Marius Varner, CEO



## Leader's insight

I am honoured and excited to be leading the sustainability path for Varner as the Head of Sustainability. I see great opportunities for Varner within all aspects of sustainability and I look towards the future with great optimism. Varner has a talented team of dedicated and engaged sustainability experts both in our Service Office and in the local production offices around the world, and when combined with the power and drive of our fantastic brands, we have a solid foundation to make real progress going forward. Our sustainability team was further strengthened in 2023 by increasing our environmental staff, to ensure resources dedicated to climate change progress.

2025 is approaching fast and the first of our strategic milestones are set to be reached. The original strategy and goals were developed in 2018–19, and the landscape of sustainability and business looks quite different when we are now facing 2024.

We are pleased to see that even though it has been tough to do business in a world where the economy is under pressure, we have managed to progress towards our sustainability goals this year. We have increased our share of preferred fibres to 73% and made great progress in exchanging conventional polyester with recycled, bringing us up to 51% recycled polyester.

The regulatory terrain has shifted and the requirements towards the textile industry will only increase in the years to come. The EU textile strategy aims to transform the textile industry into a more sustainable and circular sector, addressing both environmental and social challenges throughout the value chain.

Our sustainability efforts, as showcased in this report, demonstrate that we have been working on these principles steadily for many years and we are on the right path. We have already taken significant steps towards achieving the objectives set forth in the EU strategy, reflected in the report with the milestone of celebrating 20 years of our first Code of Conduct and 10 years of signing the Accord on Fire and Building Safety in Bangladesh. We can now see the results of a decade of progress in workplace safety in Bangladesh, which has through the joint efforts of the Accord stakeholders, significantly contributed to safer workplaces for over 2 million garment factory workers in Bangladesh.

2021 marked a new milestone, where we renewed our partnership and signed the International Accord to be a part of the continued work in Bangladesh and to commit to establishing workplace safety programs in other countries as well.

In 2023 we recommitted to the International Accord and its implementation in Bangladesh by re-signing the agreements along with the first Accord agreement outside Bangladesh, The Pakistan Accord. The Pakistan Accord has initially been signed for a three-year period and will be a Country Specific Safety Program (CSSP) under the International Accord.



Christiane Fagertun,  
Head of Sustainability

We are proud to be part of such important work, as it touches the core of our Varner Sustainability work and values: people.

We recognize that the EU strategy presents both challenges as well as opportunities for Varner and we now must start preparing for the future, by adjusting our sustainability strategy, redefining our ambition level, and making solid plans to be able to meet the future of sustainability.

Having a solid sustainability strategy will ensure a united organisation that moves in the same direction and fosters an even stronger sustainability culture, for the good of the consumer and the planet.

## Our history

Frank Varner, the founder of Varner, opened his first store in Oslo in 1962. The store was named Frank Varner and became an immediate success. In 1967, the brand Dressmann was launched. During the following years, Varner sought continued growth, opening the first Carlings store in 1985 and acquiring the family concept Cubus in 1989.

With Petter, Marius, and Joakim Varner taking over, the development reached new heights. As of December 2023, Varner consists of six brands selling in four markets through 1150 stores and six online stores and is one of Scandinavia's leading fashion retailers. Along with the continual focus on physical stores, Varner is constantly developing its digital solutions, with the goal of giving customers the ultimate shopping experience.



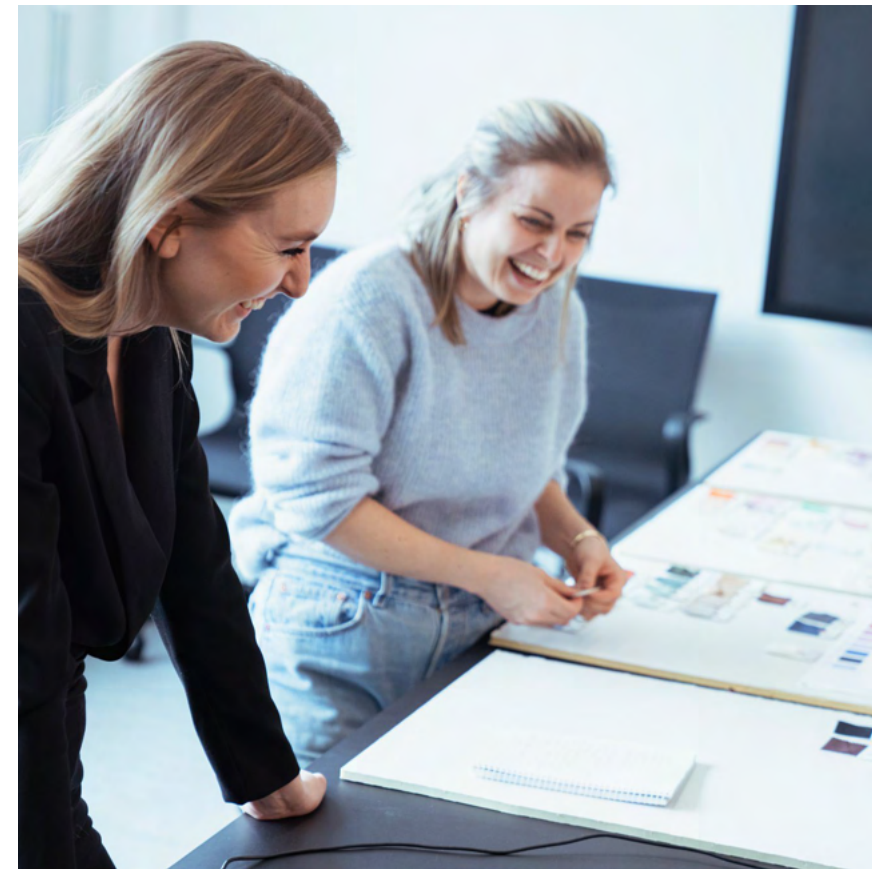
“ As of December 2023, Varner consists of six brands selling in four markets through 1150 stores and six online stores and is one of Scandinavia's leading fashion retailers.

## Our culture

Our core values – **passion, friendship, happiness, businessminded, make it easy and responsible** – are the essence of our identity and shape our company's culture and business practices. We believe they are fundamental to the success of our business.

Our company's culture is extremely important, and people are always at the centre of our attention. As a Scandinavian family-owned business, we believe in having a positive impact on the people we depend on to achieve our success: our colleagues, our business partners and the wider workforce involved in our value chain. This is the core of our Friendship and Happiness values.

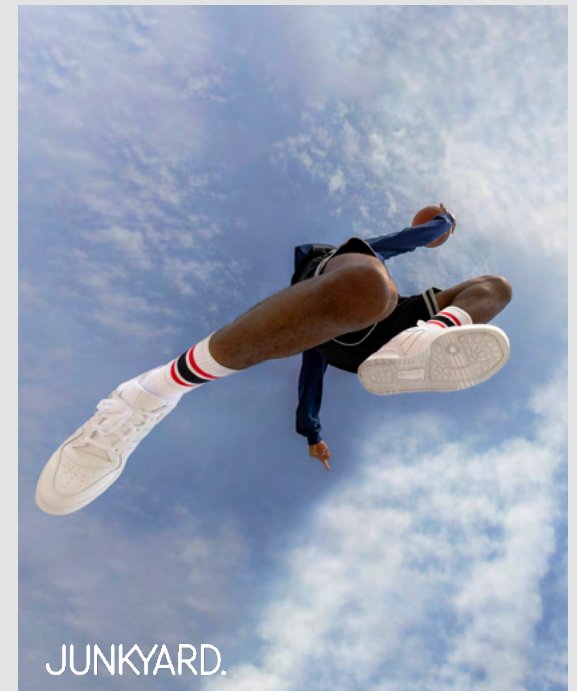
We are passionate about what we do. We make it our priority to continuously improve our products and offer our customers more sustainable products in terms of safety, quality, and durability.



Reducing our environmental impact is also an essential part of our sustainability commitment. This translates into working for more sustainable products, but also towards production with less of a negative footprint on the environment and natural resources. Ensuring our products are produced in a socially accountable manner is a driving force. We believe that responsibility in business is fundamental to the success of our company.



# Our concepts





## 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:**

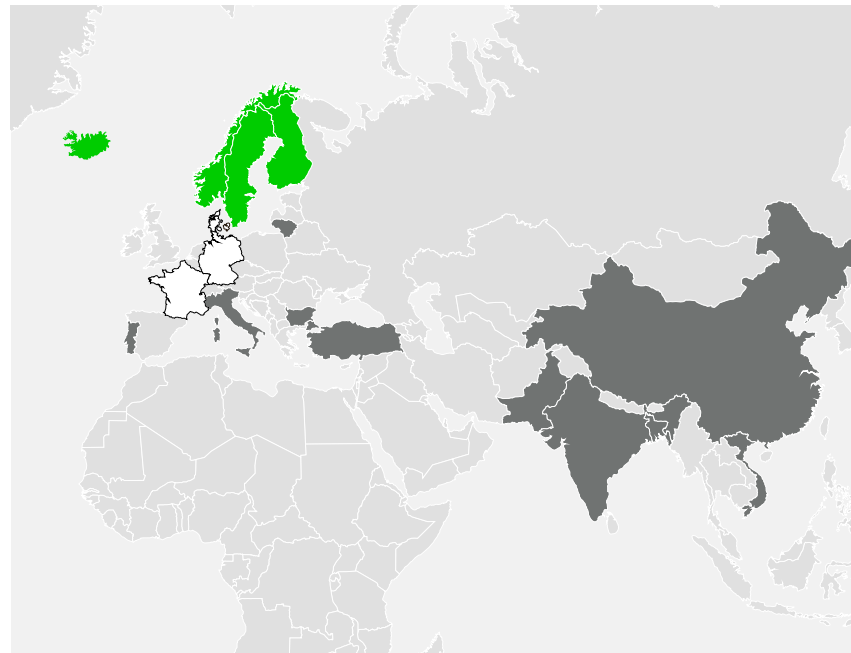
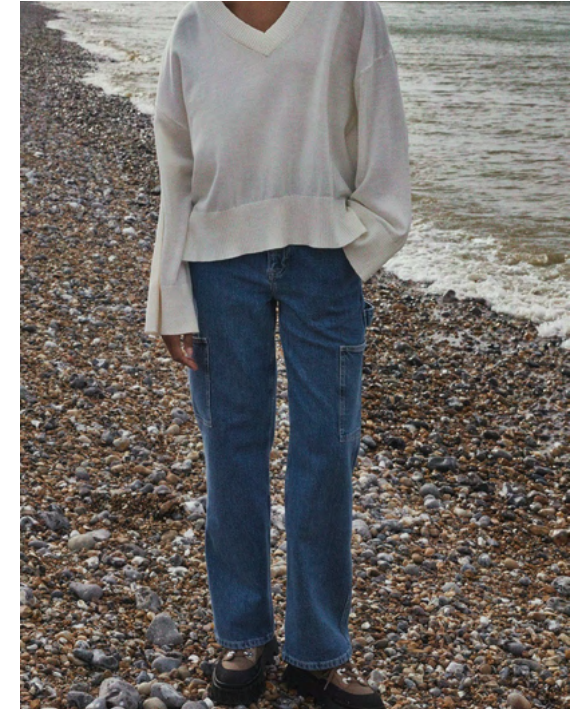
BRANDS: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Junkyard and Volt

PRODUCTS: Apparel & Footwear

**Our Presence:**

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

E-COMMERCE MARKET Junkyard: Europe



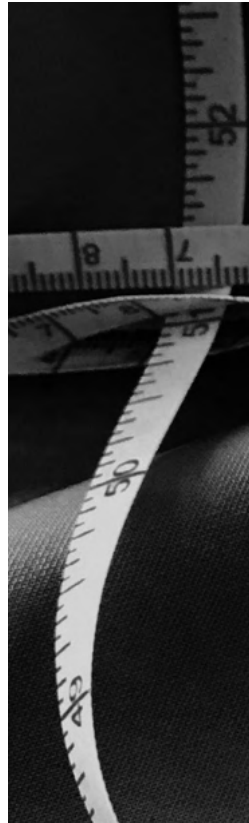
- Sales and Store Operations
- E-commerce only Markets
- Production Countries

## Key achievements in 2023

Dressmann received a **65%** transparency score in the Fashion Transparency Index.



Our central warehouse and distribution centre was powered with **100% renewable energy**.



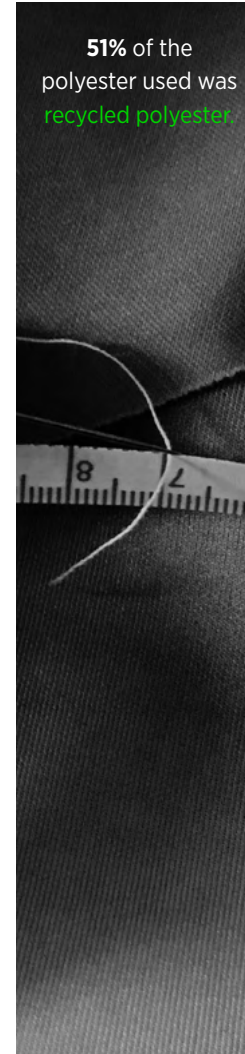
Scope 3 emissions per MNOK revenue **reduced by 21%** in 2023 compared to base year 2019.



**73%** of our own brand's fibre were **preferred fibres**.



**51%** of the polyester used was **recycled polyester**.



Varner signed the **Pakistan Accord agreement** and recommitted to the International Accord and its implementation in Bangladesh by signing the new agreements.



## Our company structure

Varner is one of the largest fashion retailers in the Nordic countries, with 9152 employees and approximately 1150 stores across four countries and an online presence in more than eight countries. We are a family-owned Norwegian company with a revenue of NOK 11.4 billion in 2023. This is up from NOK 10.6 billion in 2022, due to a stronger online presence, and an increase in sales. The Varner brands consist of Cubus, Dressmann, Bik Bok, Carlings, Volt, Junkyard and Levi's Store (franchise). Our main business (83%) is private brands sold within stores that Varner fully owns. Approximately 17% of our business is external brands sold within multi-brand stores that are fully owned by Varner. We operate franchise stores as a minor business representing a major international brand, Levi's, in the Nordic countries. Varner is a progressive company. We thrive on innovative business development with the customer in constant focus. We will strive to be at the forefront of the ever-changing business opportunities of our industry. By combining the best of online and offline worlds, we are creating a truly seamless experience for the consumer through our innovative omnichannel retailing strategy, with a strong focus on sustainable principles.

### Reporting scope according to the company structure

In this report, we include Varner AS and 100% owned subsidiary companies, as listed below. All sections in the report include reporting on our own private brands sold. External brands (including franchise) are reported on in the chapter 'Responsible Employer' and 'External brands' and are also part of the climate calculation.

Unless explicitly mentioned, the policies, procedures, strategies, and goals mentioned in this report will be applicable to Varner private brands.

### Major organisational changes

We have decided to scope out the Denmark entity Dressmann AS (DK) as it was closed in 2023. The reasoning behind scoping it out is that the entity has become non-operational since 2023. Most of our reporting numbers such as employee data and number of stores is a snapshot of the last day of the year i.e. 31st December. Due to this, records related to emissions, any injuries, and/or incidents will be reported for the period of January 2023 to August 2023 for the closed stores in Denmark.

The report covers Varner AS and the entities listed below.

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

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

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

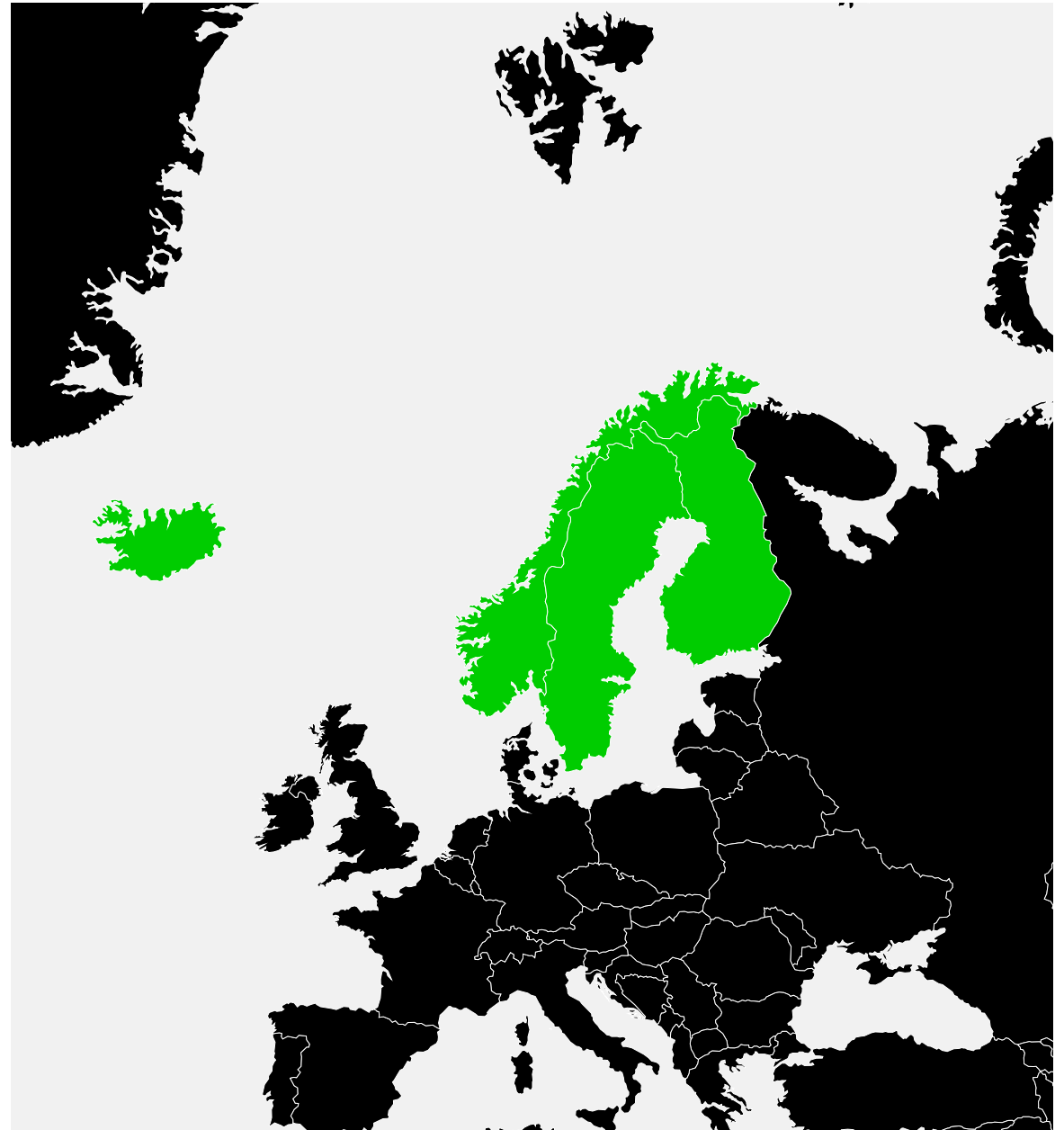
**Iceland:** DM à Islandi EHF.

**Denmark:** Dressmann AS (DK) (closed last store August 2023 but the company entity is still registered).





# Our sales and store operations



## Our global presence

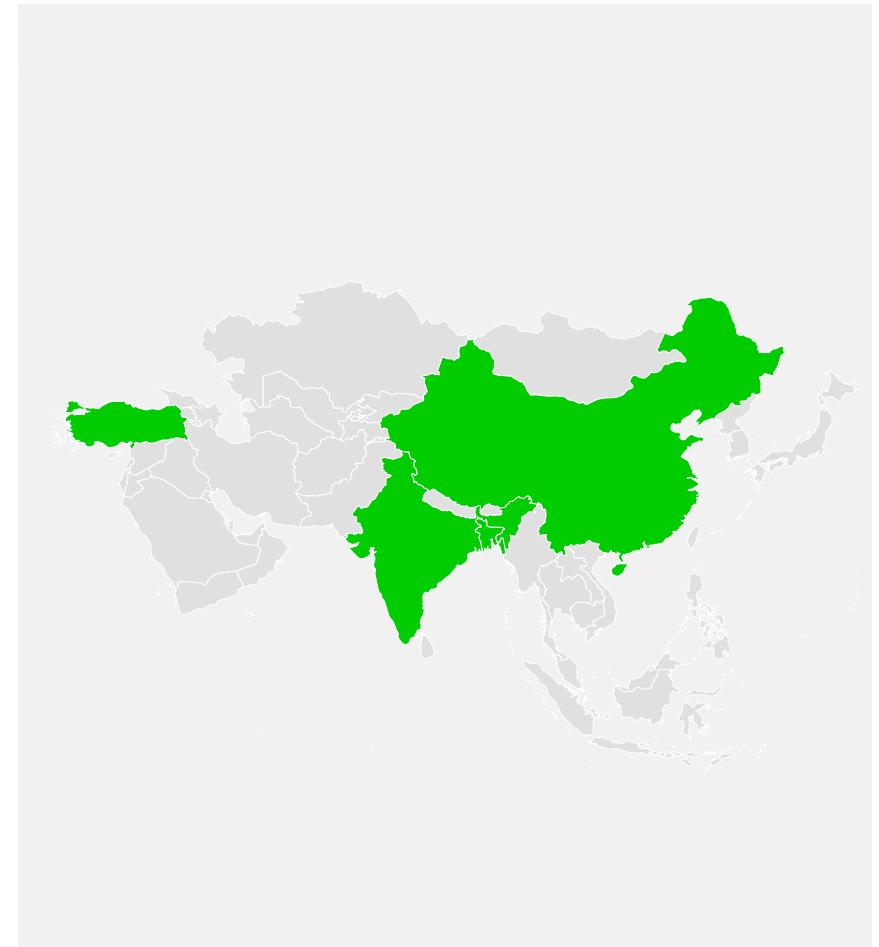
Varner does not own any factories, but sources directly from 13 countries in Asia and Europe and cooperates with approximately 261 factories for the manufacturing of our products.

We have established regional production offices in our four major sourcing and production countries: China, Bangladesh, India, and Türkiye. Our local presence in these markets enables us to cooperate on improvements with our suppliers and their factories, both on the ground and on-site.

Global Production Office	Türkiye (Est. 2002)	South Asia (Est. 2011)	Bangladesh (Est. 2012)	Far East (Est. 2014)
Location	Istanbul	New Delhi	Dhaka	Hong Kong, Hangzhou, Beijing
Employees	20	16	32	31
Suppliers <sup>1</sup>	27	11	26	57
Factories <sup>2</sup>	74	32	54	101
Production countries	Türkiye, Pakistan, and Europe	India	Bangladesh	China, Vietnam
% of Varner production volume by cost	19%	9%	43.5%	28.5%

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

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



## Supply chain definition





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

# Nordic Spirit, Global Impact

## 2003

Varner became a member of the Ethical Trade Initiative Norway

## 2023

Signed the Pakistan Accord agreement

## Our sustainability mission

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

The direction of our strategy is set by the three main pillars, Fair For all, Circular And Climate Conscious And Engage The Consumer.

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



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

Fair for all	Circular and climate conscious	Engage the consumer
<p>We care about people. Our aim is to be a preferred and responsible employer and to create an inclusive and inspiring workplace for all employees. We want to contribute to fair conditions for people connected with our business, in particular workers in our supply chain.</p>	<p>Circularity is the future of fashion, and we will actively work towards implementing circular strategies into our choice of materials and designs. We take responsibility for our climate impact, and are working to both document and reduce it in all areas of our business.</p>	<p>We see connecting with our consumers as a vital element towards delivering on our sustainability ambitions. With transparency as an important factor in our communication we aim to help consumers make informed choices.</p>



# Our journey



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

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

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

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

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



**2010 Implemented** a ban on sandblasting.

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

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

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

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

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

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

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

**2020 Became** members of STICA and Cascale



(formerly SAC) to accelerate sustainability in production. Joined CanopyStyle Initiative. Launched a pilot collection of Cradle-to-Cradle certified products.

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

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

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



## 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 Area Leaders.

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.

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

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

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

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

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

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

### Sustainability governance

The Sustainability Steering Group, comprised of representatives from the Top Management, has the overall responsibility for the sustainability strategy as well as due diligence, material topics, for approving group level guidelines and decision making. This group is the Highest Governance Body within the organisation in a sustainability context. Members of this group are nominated from the Top Management based on the sustainability context of their role and overall experience. The Steering Group meets at least quarterly with the Sustainability Working Group.

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

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

The Sustainability Department is led by the Head of Sustainability and consists of the functions Corporate Social Responsibility, Quality Assurance and Environment and is organized under the Global Production Manager. Varner has a presence in the core production markets with our own production offices with local staff. The roles in our production offices include CSR, QA, and Environment functions that have the operational responsibility of on-the-ground activities and report back to their respective manager at the Service Office on a weekly basis. The Sustainability Department collaborates closely with the Global Production Offices and the Sourcing Department on implementing due diligence processes and responsible business conduct in daily processes in our own organisation and in our value chain. They also provide sustainability related training to the top management. An example this year is the OECD training 'The Essentials of OECD Due Diligence for Responsible Business Conduct' and 'OECD Due Diligence for Garment and Footwear Supply Chains' attended by 8 members of the Steering Group, a total of 4,5h training per person, in addition to an introduction to the EU textile strategy for the whole of the Top Management.



## Details of the reporting team

### Sustainability Steering Group

**Global Production Manager,  
Chair of Sustainability Steering Group**  
Chessa Nilsen

**Head of Sustainability**  
Christiane Fagertun

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

**VP, Finance Director**  
Øyvind Bustnes

**Brand Director – Bik Bok**  
Nina Ruud

**Buying Manager – Cubus**  
Martine Florival

### Sustainability Working Group

**Head of Sustainability**  
Christiane Fagertun

**Head of HR**  
Trude Brøndelsbo

**Head of Communications**  
Julie Bragli Eckhardt

**Marketing Manager – Bik Bok**  
Alise Traheim

**Logistics Developer**  
Anders Vessby

### Sustainability Department

**Head of Sustainability**  
Christiane Fagertun

**Global CSR**  
Vegard Neverlien, Ditte Steen

**Global QA**  
Nils Thomas

**Global Environment**  
Dipankar Bose, Nathalie To

**Project Manager**  
Heidi D. Haldorsen



## Varner Compliance Group

The Compliance Group has assessed incidents that have come to light throughout the year. None of these have turned out to be defined as critical concerns in 2023.

In years with critical concerns, the Compliance Group will provide a compliance report and present to the Highest Governance Body. The work of this Group is further commented in this report at [Varner's corporate governance structure](#).

## Remuneration

The process for determining salaries for Senior Executives is based on market salary, areas of responsibility, critical competence, and seniority. Salary and conditions are determined by the Board of Directors and CFO, with influence from the HR division, our salary matrix and policy.

We do not have a defined policy of providing supplementary incentives to Senior Executives beyond salary, the company's defined bonus scheme, and fixed employee benefits. Reward mechanisms such as salary evaluation and 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 compensation ratio has been made in the parent company, Varner AS. Total salary growth includes real salary growth for all employees in the period, not total compensation.

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



## Due diligence for responsible business conduct

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

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





In 2023, the OECD Guidelines for Multinational enterprises underwent updates, with revisions in areas such as meaningful stakeholder consultation, at-risk individuals and groups, armed conflicts, technology and innovation, environment, corruption, a just transition, and downstream application of due diligence (impacts caused by consumers and users). As a company obligated by the Norwegian Transparency Act, we are legally required to conduct risk based due diligence assessments for human rights and decent work, adhering to the six steps of the OECD due diligence model. Varner will strategically enhance efforts to align with relevant sections of the updated guidance.

The due diligence framework has been strategically applied, placing a primary emphasis on preventing and mitigating actual and potential adverse impacts associated with our product value chain. This aligns with our acknowledgment that this is the area where the risk of such impacts is most significant. In 2023, a routine for the integration of due diligence within our organisation was established. The Sustainability Steering Group, and particularly the Sustainability Department holds a key responsibility for applying this framework. Additionally, this approach guides and directs the efforts of both our Sustainability Steering Group and Sustainability Working Group when analysing impacts and setting strategies.

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

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

3 Suppliers and upwards.

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

## Frameworks and commitments

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

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

### Social responsibility

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

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

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

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

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

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

While no new policies relating to human rights and decent work were developed in 2023, the Supplier Code of Conduct underwent revision. Read more about how our policy commitments are communicated to our employees [here](#), and to business partners [here](#).

### Climate and environmental responsibility

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

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

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

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

### **Leveraging the Higg BRM for sustainability assessment**

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

### **2023 BRM self-assessment and future engagement**

In 2023, we actively participated in the Higg BRM process by completing a self-assessment for Varner based on the revised questionnaire published by Cascale. While we did not participate in the verification pilot for the revised BRM in 2023, the BRM's well-designed ESG framework continues to provide us with valuable insights into key areas for improvement for our future sustainability work.

## Stakeholder engagement

We define our stakeholders as groups, entities, or individuals (internal and external) that may have a reasonable capacity to influence and impact Varner, or those who may be directly or indirectly affected by Varner. In 2022, our Sustainability Department identified and mapped these stakeholders, considering relevant arenas of interactions and key topics. The Sustainability Working Group and the Extended Sustainability Working Group were consulted in this process. There were no alterations made to this mapping in 2023.

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

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



## Risk assessment

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

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

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


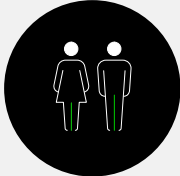
Exchange Material Summaries, among other sources, are used for these assessments.

The output is a comprehensive list with actual and potential adverse impacts, grouped into broader impact categories. For our 2022 materiality assessment, identified impacts were grouped into broader impact groups. This grouping was also used for the risk assessment, with some adjustments made in 2023 to better reflect the identified risks. For example, the scope of health and safety broadened to cover building and fire safety, and the two impact groups of harassment and sexual harassment were combined into a new discrimination and gender category.

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

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

**Prioritized impacts for continued due diligence efforts**

 <ul style="list-style-type: none"> <li>Greenhouse gas emissions and global warming</li> <li>Water pollution</li> <li>Hazardous chemicals</li> <li>Water consumption and water stress</li> <li>Soil health</li> </ul>	 <ul style="list-style-type: none"> <li>Child labour</li> <li>Health and safety</li> <li>Discrimination and gender</li> <li>Freedom of association and collective bargaining</li> <li>Wages and benefits</li> <li>Forced labour</li> </ul>
---	--

In addition to the prioritized impacts, the assessment also identified the following impact areas: Deforestation, microplastic pollution, corruption, government influence, regular work, harassment, species biodiversity loss, land conversion, conflicts and security, non-compliance with laws and regulations, animal cruelty, working time, air pollution, land and property rights and taxation. Further information on how the identified impacts is managed can be found in chapters [Fair for all](#) and [Circular and climate conscious](#).

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

## Materiality

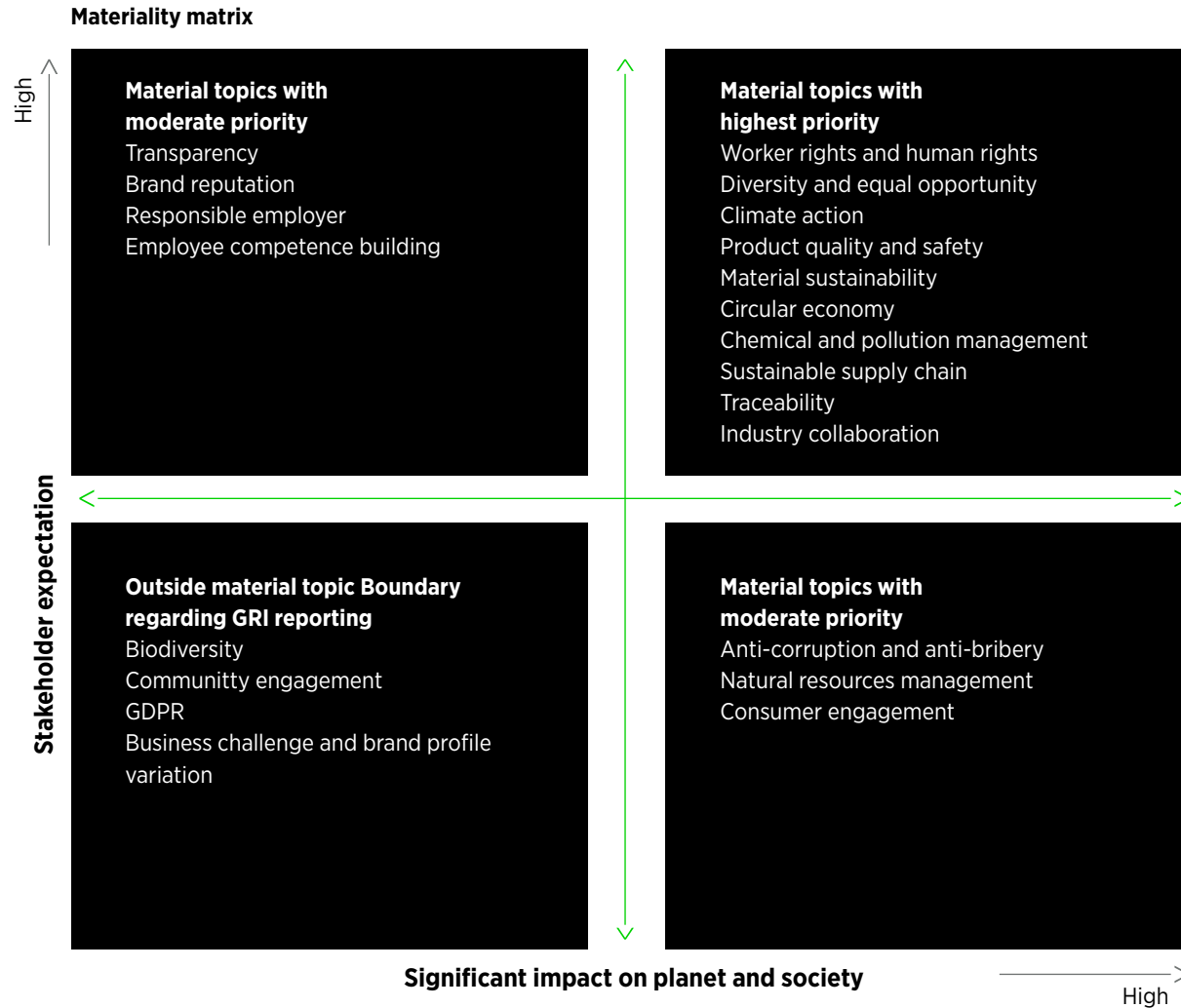
Understanding the sustainability topics most pertinent both to our stakeholders and our business constitutes a fundamental aspect of our sustainability journey. Through our annual materiality assessment, we identify and prioritize our most significant impacts on the economy, environment, and people,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

Our approach to determine material topics:

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

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

Changes in the materiality matrix, compared to the 2022 version, include the exclusion of the topic "Business challenge and brand profile variation" from being a material topic for reporting. This alteration is due to evolving expectations from our stakeholders. Furthermore, "Chemical and pollution management" has been elevated from the moderate section to the highest priority section in the matrix, due to insights gathered from risk assessment activities, heightened expectations within our industry and stakeholder engagement.





## Transparency and communication

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

Our primary platform for public communication is [Varner.com](https://varner.com), where policies, statements, and Varner’s sustainability reports are available. Through our annual sustainability reporting, we aim to maintain transparency about our due diligence assessments, progress, accomplishments, and challenges faced. Since 2022, Varner has published sustainability reports in accordance with the Global Reporting Initiative (GRI), and starting with the previous year’s report, these publications undergo verification by a third party to ensure quality. As a member of Ethical Trade Norway (ETN) Varner has published annual Responsible Business Practice reports since 2003<sup>5</sup>. ETN reviews the reporting annually, offering valuable feedback and suggestions for continuous improvements. In a commitment to transparency, Varner aligns with the [Transparency Pledge](#) and publishes our factory list twice per year at [Varner.com](https://varner.com) and [Opensupplyhub.com](https://opensupplyhub.com).

We actively interact with stakeholders across various platforms, including industry forums, seminars, roundtables, and other arenas to share experiences and insights related to sustainability and due diligence. For instance, in 2023, members from our Sustainability Department actively engaged in a working group hosted by the Swedish Initiative for Climate Action (STICA). This collaborative effort involved 40 other textile brands and aimed to enhance transparency and credibility in climate reporting within the industry. Additionally, continuing our participation from last year in the Ethical Trading Initiative Sweden’s due diligence in global supply chains program, we shared our approach and experiences regarding grievances and remediation in our supply chain. Our local presence in our key production markets further enhances our ability to connect with various stakeholders on the ground, especially factory workers and management. We also actively seek advice and feedback from our supply chain partners through our annual supplier survey.

[The Fashion Transparency Index](#) is a global benchmark that annually evaluates 250 international fashion brands based on their transparency regarding human rights and environmental policies, practices, and supply chain impacts. Dressmann undergoes yearly assessments and represents Varner. In the 2023 index, Dressmann achieved a transparency score of 65%, ranking among the top 11 highest-scoring brands. This is an improvement from the score of 57% in 2022 and 48% in 2021.

Beyond the customer service channels for each of our brands, individuals with inquiries about sustainability and responsible business conduct can contact our Sustainability Department at [sustainability@varner.com](mailto:sustainability@varner.com). Since the Norwegian Transparency Act took effect in July 2022, we are legally obligated to address questions regarding our human rights and decent work due diligence activities. This includes general information about our company or specific details regarding a product or service offered by Varner. In 2023, we received 195 queries to our sustainability email, 87 of these were unrelated to sustainability or due diligence. Questions came from customers, students, NGOs, journalists, and others. Topics covered circularity, human rights, workers’ rights, chemicals, environment and climate, transparency, traceability, certifications, product quality and animal welfare. Additionally, both employees and suppliers can raise concerns about our business conduct at [concern@varner.com](mailto:concern@varner.com).

5 Since 2020, our sustainability reports have been used for this purpose.



## Main goals and status

The United Nations Sustainable Development Goals (SDGs) offer a comprehensive framework for collaborative efforts to address global challenges. As an integral part of our sustainability journey, we have established 17 sustainability goals across our three sustainability pillars. These goals direct our focus toward key sustainability issues and contribute to the aspirations of the SDGs: 5. Gender equality, 8. Decent work and economic growth, 10. Reduced inequalities, 12. Responsible consumption and production, 13. Climate action and 17. Partnership for the goals.

## Sustainability goals

### Fair for all



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

**Timeframe** Continuous

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

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

**Timeframe** Continuous

**Status** Own production: 100%.

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

**Timeframe** Continuous

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

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

**Timeframe** 2030

**Status** All factories are required to establish internal grievance channels. The awareness of these channels as well as their effectiveness is being assessed regularly. Seven breaches to these requirements were unresolved by the end of 2023. And 2% of all approved factories were identified to have one or more breaches related to improper implementation of grievance mechanisms (down from 5% in 2022).

We have continued our support for alternate channels for grievances in 2023. Read about this on [Grievances and remediation in the supply chain chapter](#).

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

**Timeframe** 2025

**Status** All direct partner factories are required to ensure fair worker representation. As per end of 2023 we had identified breaches or gaps in fair worker representation in 13% of factories in the Varner product supply chain (down from 19% in 2022).

We have continued to support the implementation of social dialogue in the supply chain.

By the end of 2023 trade unions were established at 20% of factories in the product supply chain (up from 15% in 2022).

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



## Sustainability goals

### Circular and Climate Conscious



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

**Timeframe** 2025

**Status** 73% in 2023.

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

**Timeframe** 2030

**Status** 100% of down is certified to the Responsible Down Standard. 36% of wool is certified to the Responsible Wool Standard.

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

**Timeframe** 2030

**Status** 40% of produced pieces and 36% of all styles contain traceable fibres but are not yet fully transparent to us.

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

**Timeframe** 2025

**Status**  
 1) In 2023, direct Tier 1 factories representing 98% of our total order value completed the Higg Facility Environmental Module (FEM2022) self-assessment.  
 2) Factories within the same scope, representing over 78% of our order value, completed third-party verification of FEM2022.

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

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

**Timeframe** 2030

**Status**  
 1) Our absolute Scope 1 and 2 emissions increased by 4% in 2023 compared to 2019.  
 2) In 2023, we completed our energy efficiency project in 129 stores across Norway, Sweden, and Finland.

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

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

**Timeframe** 2030

**Status**  
 1) Our Scope 3 emissions per million NOK revenue reduced by 21% in 2023 compared to 2019 levels.  
 2) Our absolute Scope 3 emissions reduced by 16% during the same period.

See [Climate action chapter](#) for more information

## Sustainability goals

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

**Timeframe** 2030

**Status**

1) To protect the environment and human health, we have implemented a general ban on chemical substances in production that are proven to be hazardous and difficult to manage properly, including fluor-chemicals, biocides, and flame retardants.  
 2) We remain committed to ZDHC Roadmap to Zero Programme as a “Friends” member.  
 3) In 2023, we connected with 95% Tier 1 factories (that have wet processing) through ZDHC Gateway and received 81 wastewater test reports through the platform. The remaining wastewater test reports of other factories were checked onsite.

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

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

**Timeframe** 2030

**Status** 99.8% were put into channels for reuse/ recycling/ upcycling/repurposing.

**Goal** 100% Preferred product packaging.

**Timeframe** 2030

**Status** Labels and tags: 100% of paper materials are FSC certified, including 27% of FSC recycled material. 97% of all woven labels were made with recycled materials. 100% of our paper shopping bags are FSC certified. 100% of our plastic shopping bags are made from post-consumer recycled plastic.

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

**Timeframe** 2030

**Status** Mapped suppliers' waste streams and initiated stakeholder conversations and mapped potential recycling projects.

### Engage the consumer



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

**Timeframe** 2030

**Status** On-track.

### Across all pillars

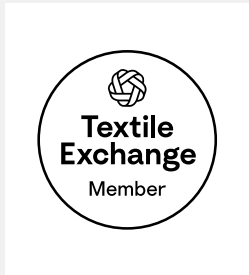


**Goal** 100% of our external brand suppliers are assessed and evaluated on their sustainability performance.

**Timeframe** 2030

**Status** 84% of our portfolio has been assessed and evaluated.

# Initiatives at a glance





# Fair for all

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

**80%**

Of Varner leaders are female

**58%**

Of all Varner employees are under 25 years old

**3 027**

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

## Responsible supply chain management

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

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

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

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

<b>Approved direct suppliers</b>	121
<b>Approved Tier 1 factories<sup>6</sup></b>	261
<b>Approved Tier 2 factories<sup>7</sup></b>	30
<b>Number of workers<sup>8</sup></b>	320 739 <sup>9</sup>

6 Includes both tier 1A (199) with processes such as cutting, sewing, finishing, and packaging and 1B (62) factories with processes such as printing and embroidery.  
 7 Tier 2 includes processes such as knitting, weaving, fabric dyeing and washing.  
 8 The number is 292 498 for tier 1 factories (tier 1A and 1B).  
 9 46% men and 54% women.





“ In 2003, Varner established our first Supplier Code of Conduct, marking the 20th anniversary in 2023.

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

### Supplier Code of Conduct

In 2003, Varner established our first Supplier Code of Conduct, marking the 20th anniversary in 2023. The [Supplier Code of Conduct](#) outlines our expectations of ethical and compliant business practices, including labour conditions human rights. The code is an integral part of the Varner Supplier Manual, which is included in the contractual terms signed by all suppliers. Within the manual, specific guidelines cover different areas, including chemicals, product testing, product safety, labelling, certifications, environmental management, animal welfare and traceability. Additionally, it informs about the [grievance channel](#) providing a mechanism

to address issues of misconduct or breaches of terms. The document was revised in 2023, with updates on the topic of safety in chemical handling as well as on topics related to environmental management.

In 2023, five new suppliers were approved, and all of them (100%) have signed and committed to adhere to the Varner Supplier Manual, including the Code of Conduct.

### Local presence

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

staff help overcome potential language and cultural barriers and facilitate regular on-site visits to factories, fostering direct communication with both managers and workers. While Varner allows the use of approved subcontractors<sup>10</sup>, our focus is on preventing unauthorized outsourcing to non-approved factories. For this, our local presence plays a pivotal role. In 2023, we identified five cases of unauthorized subcontracting. All cases were handled in accordance with established procedures.

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



Having local expert staff in areas of social sustainability and due diligence is crucial for Varner. All new hires in such positions are required to have previous experience and competence in this field. All team members have completed the trainings "Due Diligence for Responsible Business Conduct" and "Responsible Supply Chains in the Textile and Footwear Sector". Both trainings are under the OECD Academy. Training and experience sharing sessions and workshops are conducted regularly to enhance and update the internal knowledge about decent work and human rights. In the aftermath of the devastating earthquake in Türkiye, our Turkish CSR team attended several trainings held by the Istanbul Chamber of Industry related to building and structural safety, and prevention and management of disaster and emergency situations.



### Capacity building and training

As part of our onboarding process, our local CSR Specialists conduct meetings with all new suppliers to review the contents of the Code of Conduct and expectations outlined in the Supplier Manual. They also cover expectations for the implementation and how to cooperate on potential issues related to decent work and human rights. The advantage of having local representatives is that these sessions are customized to the local context and specific challenges of the country. While both documents are in English, our specialists are well equipped to assist suppliers in need of clarification or translations. In 2023, we had seven onboarding sessions for new suppliers and factories.

“ We completed seminars for suppliers on CSR related topics in China, India, and Türkiye with a total of 159 participants in 2023.

Capacity building and training are key measures for fostering development and maintaining effective due diligence systems. Therefore, we regularly provide training on labour conditions and human rights issues to suppliers and factories. These sessions are primarily facilitated by our local CSR Specialists, occasionally with input and participation from external experts and partner organisations. The content and focus of the training is tailored to meet the needs and identified risks at the specific suppliers or factories in question.

We completed seminars for suppliers on CSR related topics in China, India, and Türkiye with a total of 159 participants in 2023. These seminars are held on a regular basis in the key production countries. The focus of the seminars are issues and impact areas of relevance in the given country, information about updates in Varner requirements or routines, and updates about national and international laws, regulations and guidelines relating to decent work and human rights.

Several other trainings for suppliers and factories have been held throughout the year on various topics related to decent work. An example in 2023 was a series of training sessions for factories on how to establish effective management systems for decent work. All factories in India participated in this training in 2023 (with a total of 68 persons attending).

Raising awareness among workers about their rights and responsibilities, and in particular, the right to organise and worker representation at the workplace, is also an essential part of our approach. We have maintained our program to evaluate training systems at factories used by Varner in Bangladesh. The program was initiated in 2021 and implemented by our local

CSR Specialists. The purpose is to ensure that all workers receive sufficient training on decent work and rights at work. The evaluations are based on reviews of training materials, assessments of trainer competence, conducting interviews with workers and observations of trainings being held. For factories where gaps are identified, improvement plans are established and followed up by the CSR Specialists. Initial assessments were conducted at two factories in 2023 and follow-up assessments were conducted at six factories where gaps had previously been identified in the training systems. In total, 40 factories have gone through the program.

The training system evaluation program (mentioned above) has revealed that many factories face challenges such as having insufficient internal systems to track training, inadequate trainer competence, and a varying quality of training material. To address these issues, we organized a series of Train the Trainer (TOT) workshops with relevant factories, aiming to strengthen training capabilities in the factories, give guidance on effective ways of cascading training through a TOT approach, and share knowledge and experience about how workers can be equipped with knowledge about rights at work. Ethical Trading Initiative Bangladesh was commissioned to execute the workshops. Course material and a TOT handbook was provided to all participants. Three batches of training were completed in 2023 with 66 attendees from 25 different factories. In addition, a follow-up session was organized where participating factories presented how the advice and learning from the workshop had been implemented at the factory level. Further follow-up of this will be carried out in 2024.

“ On average, we have cooperated with our suppliers for 8 years.”

### Purchasing practice

Varner takes pride in designing and developing our products in-house. However, as we cooperate with selected suppliers for the manufacturing of these, our role is a buyer of ready-made garments. We recognize our sourcing and purchasing practices can significantly impact the environment, society, and people, especially concerning wages and working hours for factory workers. To prevent negative impacts, we prioritize fostering strong relationships with our business partners, incorporating more responsible sourcing, and purchasing practices, and enhancing awareness within our organisation. Our ambition is to be a responsible business actor and to not impede the ability of our suppliers to fulfil the contents of our Supplier Code of Conduct.

### Our approach

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

We aim to establish stable and long-term partnerships and avoid short term cooperation, to foster positive impacts and incentivize developments in our suppliers. On average, we have cooperated with our suppliers for 8 years. Our Supplier Code of Conduct includes a section on purchasing practices, detailing how suppliers can reach out to Varner and raise issues about breaches of the code due to our purchasing practices or business decisions. All issues raised will be responded to and followed up in a constructive manner.

Consolidating our supplier portfolio is a key measure to increase our leverage and ability to facilitate developments. Integral to this strategy is the ambition to work directly with producers and factories rather than intermediaries. This enables stronger collaborations for more responsible business practices and improvements for identified issues.

In 2023, we launched internal pilot training programs to raise awareness among relevant employees regarding more responsible purchasing practices, and open costing workshops were completed for all Buying Departments. These trainings were conducted by representatives of our Sourcing and Sustainability Department.

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

## Supplier surveys and evaluation of the supplier portfolio

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

In 2023, 65% of our product suppliers actively participated in the survey, offering positive feedback on aspects such as initial purchasing plans, cancellations, negotiation methods, and timely payments. However, the survey also identified areas for improvement, including the need for better communication regarding changes to the purchasing plan, tech packs and product specifications. These findings have been presented to Top Management and the Buying Departments, with suggestions for improvements. One of the measures we plan to implement in 2024 is to increase the internal training and awareness about these topics.

Additionally, we conduct an annual integrated supplier evaluation, assessing suppliers based on Code of Conduct performance along with other quality, business, and environmental criteria. The outcomes inform our supplier strategy, highlighting preferred suppliers and influencing

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

order distribution. We share these results with suppliers, to encourage further improvements and direct orders towards high-performing suppliers. With this approach we aim to incentivize lower scoring suppliers to prioritize improvements.

## Supply chain risk

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

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

## Mapping risk on country and region level

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

We use a wide selection of tools and resources to stay updated on country and regional risks. In addition, we participate in meetings and consultations with NGOs and multi-stakeholder initiatives (MSIs) as well as industry platforms to stay up to date on trends and movements related to the different markets and risk areas. National legislation and regulations in production countries are continuously monitored for changes that could impact decent work and human rights. There is also a continuous dialogue with business partners and workers to understand the situation on the ground and in each company. On a periodical basis we review indexes such as the Human Development Index (HDI), Transparency International Corruption Index, ITUC Global Rights Index, and UNDP Gender Inequality Index. Ratification status of key ILO conventions is also being tracked. In addition, we utilize the Ethical Trade Norway Salient Risk Tool and the MVO Risk Checker to identify risk related to social aspects.

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

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



Key identified changes and updates in regional risks in 2023:

- The earthquake in Türkiye in the beginning of 2023 and building and structural safety in east Türkiye.
- Continued inflation and financial instability in Türkiye, Bangladesh, and other countries.
- New minimum wage with an updated wage structures in the readymade garment sector in Bangladesh.
- The war in Ukraine and its continued direct and indirect impacts.

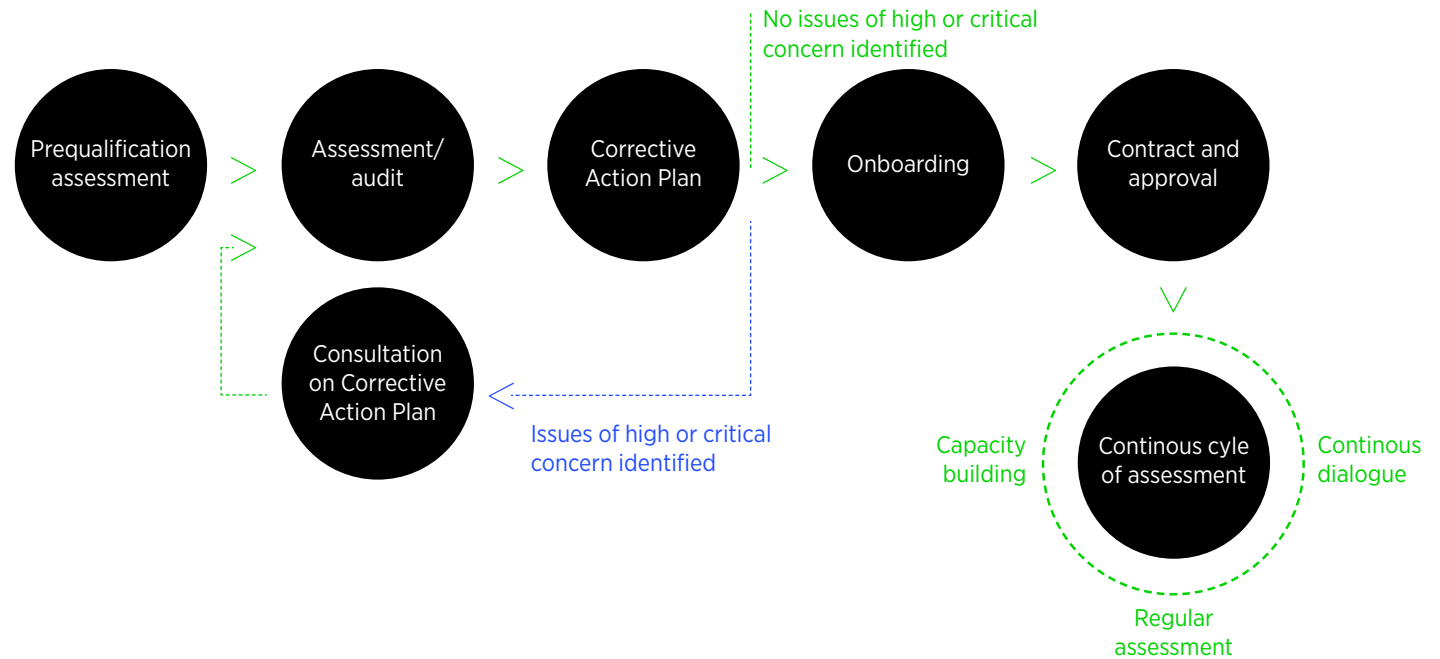
We have an established procedure for the evaluation of new sourcing markets (markets for production), which includes assessments of labour and human rights risk alongside assessments of environmental aspects and business elements. The assessments include analysis of legal/regulatory frameworks against the Varner Supplier Code of Conduct, consultation with relevant stakeholders, and research on sectoral risks in the country. Two new markets for direct sourcing (production) were assessed in 2023, Bulgaria and Sri Lanka.

### Mapping risks in the supply chain

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

All new factories are assessed and audited before business can be started or any orders can be

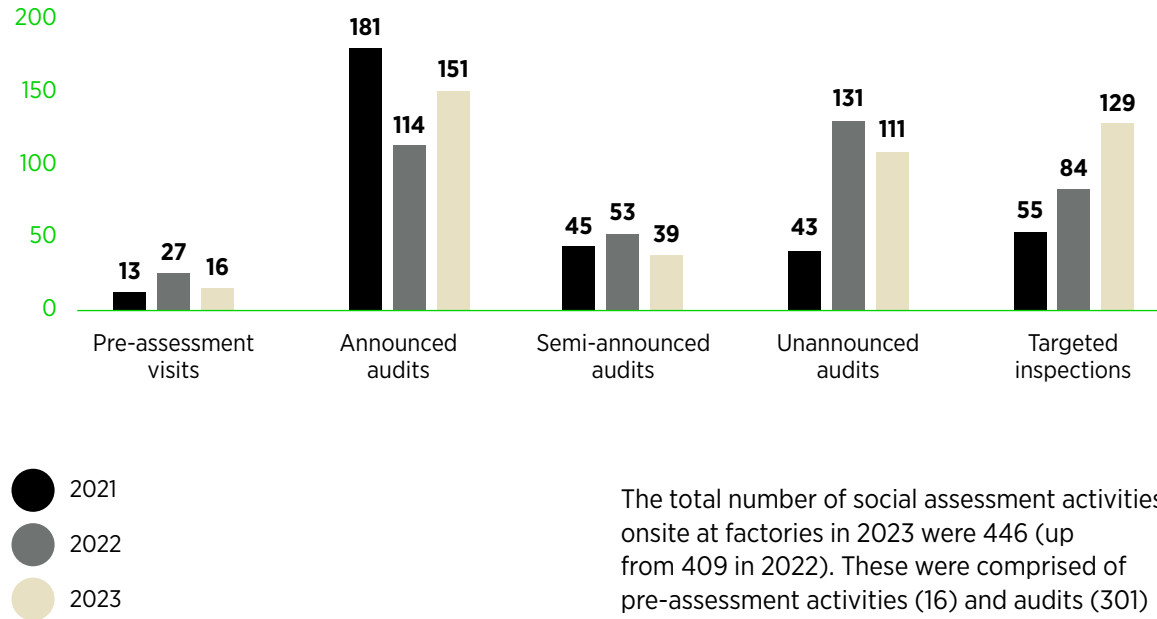
### New supplier and factory approval process



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

New suppliers and factories screened		
Year	% of new suppliers and factories screened as per Varner social requirements	% of screened factories not traded with as a result of the screening
2021	100%	23%
2022	100%	12%
2023	100%	8%

**Onsite assessment activities at factories**



“ The total number of social assessment activities onsite at factories in 2023 were 446.

The total number of social assessment activities onsite at factories in 2023 were 446 (up from 409 in 2022). These were comprised of pre-assessment activities (16) and audits (301) by Varner CSR Specialists, while the targeted inspections (129) which primarily relate to engineering inspections of the structural, electrical and fire safety under the Accord programme are performed by engineers from RSC<sup>13</sup>. One assessment was made off-site from factory premises, with the purpose of investigating concerns related to a specific factory (with 23 off-site interviews being conducted). This approach is used when, for various reasons, the information obtained at the factory premises is not sufficient to uncover or understand challenges related to the factory.

The assessments generally include the following elements:

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

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

Dialogue with workers and management at the factories is an important part of the assessment process. In 2023 we interviewed 3027 workers about their situation at the workplace. This is up from 2394 interviews in 2022. In general, the interviews take place in an isolated space on-site at the factory. In certain cases, interviews are held off-site of the factory premises (23 in 2023). On-site interviews are occasionally followed up with phone calls. Interviews with workers are held both individually and in groups.

In addition to regular assessment activities, CSR Specialists conduct both announced and unannounced onsite visits. Such visits are conducted to monitor specific concerns or to follow-up on issues outside the context of a full (and more formalized) assessment activity. 68 announced and 13 unannounced visits were made at factories for purposes related to decent work and human rights. Furthermore, 3 nighttime visits to factories were conducted.

Self-assessments were an important tool during the pandemic period and were used extensively to replace or compensate for the inability to be onsite at the facilities. This method was mostly replaced by onsite activities during 2022, and during 2023 the number of self-assessments was limited to 28 (down from 39 in 2022). Self-assessments are primarily used to obtain basic information (and updates) from factories.

As a member of Cascale (formerly SAC), we are also using the HIGG Facility Social and Labour Module (FSLM)<sup>14</sup> to assess social elements and labour conditions at partner factories. The HIGG FSLM is based on the Social and Labour Convergence Program (SLCP) assessment tool and the same Converged Assessment Framework (CAF) is being used<sup>15</sup>. The CAF includes a Data Collection Tool, a verification methodology, and a series of guidance documents. The framework is based on an approach where the factory does a comprehensive self-assessment against specific requirements and can then also get the assessment verified by an independent and approved verifier. 140 partner factories have been assessed by using the HIGG FSLM during 2023. 135 of these assessments have been verified by an accredited third-party organisation. In addition, 24 factories are implementing the ILO Better Work program which is also aligned with the SLCP tool.



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

<sup>15</sup> <https://slconvergence.org/tool>

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

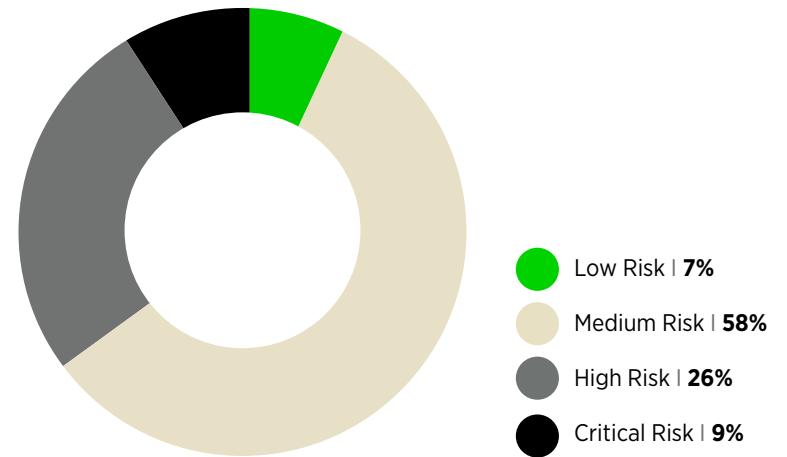
Risk levels at suppliers and factories are evaluated on a four-point scale with categories being: low risk (few or no points of concern related to decent work and human rights identified), medium risk (some areas of concern identified), high risk (significant concerns identified), and critical risk (critical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

At the end of 2023, 7% of suppliers (10% in 2022) and 11% of factories in all supply chain tiers (11% in 2022) fell into the low risk category, 58% of suppliers (54% in 2022) and 56% of factories (51% in 2022) fell into the medium risk category, 26% of suppliers (also 26% in 2022) and 29% factories (also 29% in 2022) fell into the high risk category, 9% of suppliers (10% in 2022) and 4% of factories (8% in 2022) fall into the critical risk category.

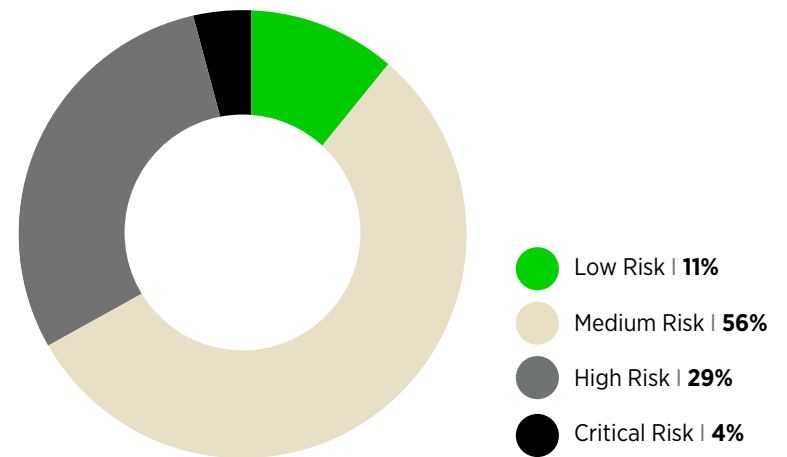
Through our assessment activities (from 2023 and previous years) we had by the end of 2023 identified 1961 findings (referred to as issues) in need of improvement. These include findings from facilities in all tiers of the supply chain, and that have not yet been verified to be resolved. This is down from 2908 findings at the end of 2022<sup>16</sup>. In total 1095 new findings were identified in 2023, with an average of 6,7 findings per factory (which is down from 8,3 in 2022). Read more about issues that have been resolved and improved [here](#).

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

**Supplier risk levels**



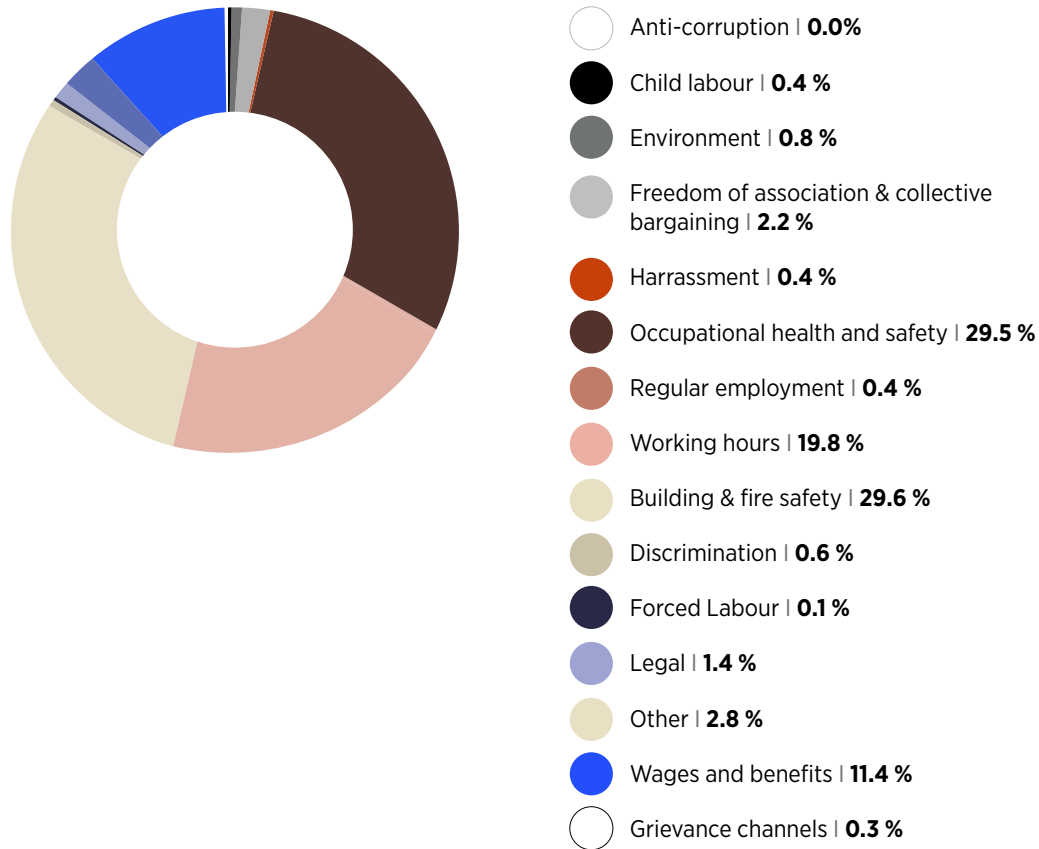
**Factory risk levels**



<sup>16</sup> A section on environment has been removed from the assessments so the numbers are not directly comparable. In addition, the number of factories Varner cooperates with has been reduced from 2022.



**Findings at factories by topic**

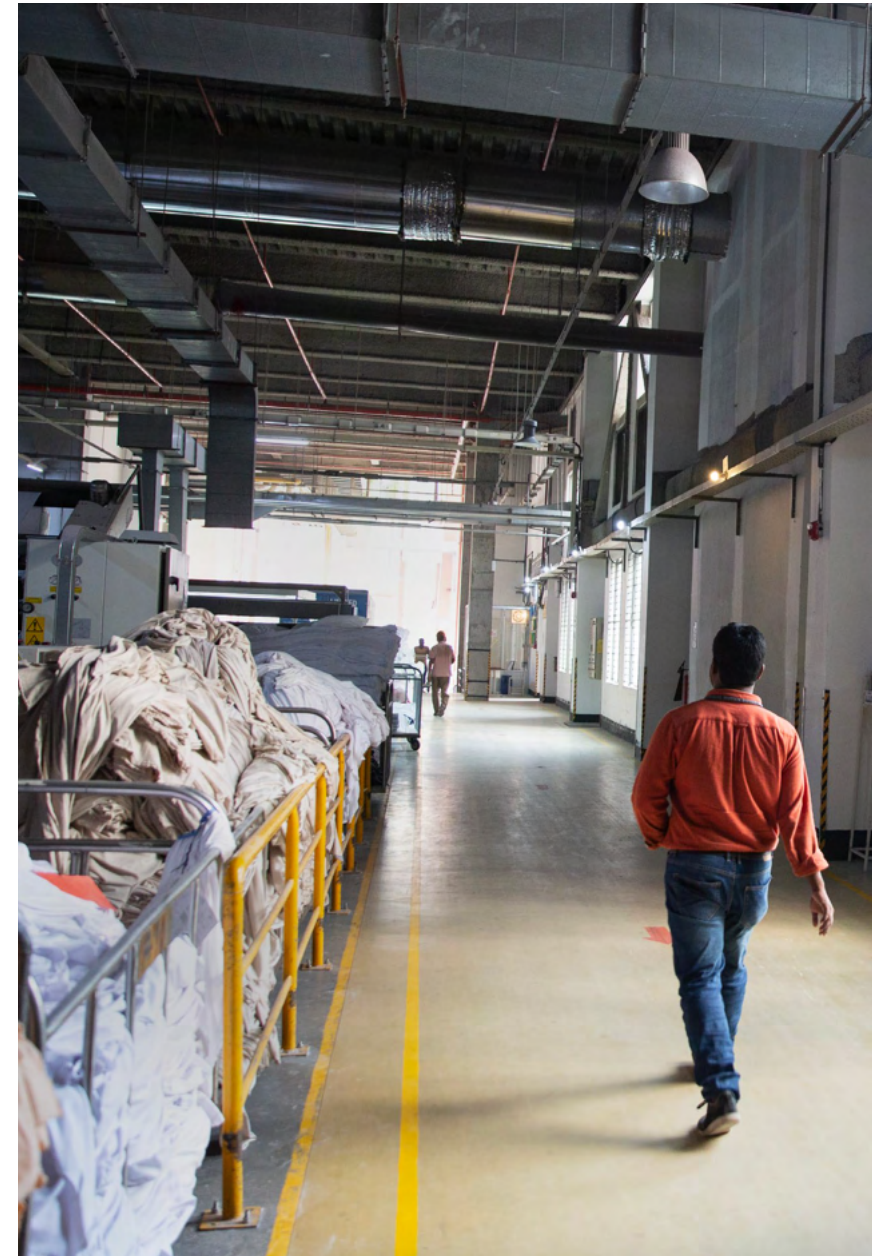


We categorize findings based on their severity and perceived impact. The findings range from minor issues of limited impact and severity to issues that are significant in scale and severity. For 2023, 1% of the issues were categorized as issues of critical concern (3% in 2022), 26% were issues of high concern (30% in 2022), 62% were issues of medium concern (52% in 2022), and 9% were issues of low concern (11% in 2022). A subset of issues was categorized as observations with no rating.

## Emphasis on improvements

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

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



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

There will be situations where we are unable to influence or contribute to improvements, or where suppliers despite active efforts from us are not willing to cooperate to enable the necessary improvements. In these situations, a last resort is to cease the cooperation with the supplier. In 2023 we ended cooperation with 3 suppliers and 11 manufacturing units due to lack of willingness to cooperate for improvements related to decent work.

## Salient risk

We use the UN Guiding Principles Reporting Framework concept of salient risk to steer our focus, priorities and efforts related to adverse impacts on decent work, human rights, and labour aspects in the supply chain<sup>17</sup>. The concept of salience uses the lens of risk to people, not the business, as the starting point. Salient human rights issues stand out because they are at risk of the most severe negative impact through the company’s activities or business relationships.

The geographies linked to our identified salient issues are based on our supply chain and factory portfolio. There may be prevailing risks in a market where we are present, but which is not considered a risk for our specific supply chain due to measures taken to actively avoid or to mitigate the risk. More information about the process to identify salient risk can be found [here](https://www.ungpreporting.org/resources/salient-human-rights-issues/).

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

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

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

## Worker representation and freedom of association

During 2023 there have been indications of increased tensions related to freedom of association in several countries where we have production. This was also highlighted in the International Trade Union Confederation (ITUC) 10<sup>th</sup> edition of the Global Rights Index in 2023. There are concerns that the space for legitimate representation of workers through trade unions is under pressure. We have identified risk towards the right to representation, freedom of association and collective bargaining in Bangladesh, Bulgaria, China, India, Italy, Pakistan, Sri Lanka, Türkiye, and Vietnam.

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

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

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

By the end of 2023, a total of 45 identified breaches with our requirements of freedom of association and worker representation in our

supply chain were not yet verified as resolved<sup>19</sup>. 18 new breaches were identified during 2023 (down from 24 identified in 2022). Examples of identified breaches from our assessments are:

- Factories without elected worker representatives.
- Lack of awareness among workers or management about the role of worker representatives.
- Meetings between worker representatives and management not being conducted regularly.
- A lack of systems to ensure regular election of worker representatives.

22 breaches related to freedom of association and worker representation were verified as resolved in part or in full during 2023. By the end of 2023, 38 factories (13% of the total number) were identified as having one or more breaches related to freedom of association and collective bargaining (this is down from 19% in 2022).

The trade union status of factories that we work with has been made public since 2021 in our public factory list. At the end of 2023, 20% of the factories we cooperate with had established trade unions (this is up from 15% in 2022, and 11% in 2021), employing 27% of workers in Tier 1 and 2 factories (25% if restricting the scope to Tier 1 factories only). During the year we were informed about a specific case with allegations directed towards a factory in our supply chain

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

<sup>19</sup> These breaches include all breaches from 2023 and previous years that have not yet been verified to be resolved.



in Türkiye regarding violations against the right to organize. We have initiated an investigation into the allegations in cooperation with other companies.

Engagement with worker representatives (both representatives from trade unions and from worker committees) remains an important part of our due diligence work. Such engagement takes place both during audits and assessment activities, in relation with specific cases or concerns, and in project activities addressing particular topics. Worker representatives, and, where available, trade union representatives, are always interviewed as a part of audits. This enables us to get important information about the situation at the workplace and gives us an opportunity to understand boundaries for improving matters of importance to workers. It also provides an opportunity to understand the impact of improvement measures. To highlight the importance of worker representation we strive to attend and observe election procedures at factories on a regular basis. In 2023 we attended elections at six factories.

During the year we revised the indicators used to track the implementation of freedom of association and collective bargaining in our supply chain. In addition to tracking of the presence of trade unions at each factory, we have also introduced tracking for factories that have established collective bargaining agreements and the period of validity for such agreements, and factories that have elected worker representatives. The intention is that we will be able to use these indicators to inform and target our efforts on worker representation and freedom

of association, and that this will allow us to track and report on progress on these matters in a more robust manner.

### **Social dialogue and worker representation**

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





“ In 2023 we enabled a social dialogue refresher training at three factories in Bangladesh.

**Social dialogue in Bangladesh**

In 2023 we enabled a social dialogue refresher training at three factories in Bangladesh<sup>20</sup>. 52 management representatives, 46 elected worker representatives, and 11 trade union representatives were trained during the year. The training was held by Joint Ethical Trading Initiatives Bangladesh (JETI). The expected output from the activities was increased knowledge about social dialogue and its implementation in the factory management and among Participation Committee or Trade Union members. In addition, increased knowledge and confidence among elected female worker representatives was a target for the training.

Our observations are that worker representatives gain an increased understanding of their role and responsibilities and are better positioned to communicate and raise issues on the behalf of workers after these trainings. In addition, we see that management becomes more perceptive to issues raised by workers. We plan to continue this programme also in 2024.

An extension of the social dialogue program called Green Social Dialogue was piloted in

Bangladesh in 2023. This program builds on the concept of social dialogue but with emphasis on worker participation in measures related to climate change and environmental concerns. Read more about this program [here](#).

**Workplace dialogue in China**

We completed a trial project with elements of social dialogue in China at the end of 2022 and have evaluated the impact and output from the project in 2023. The project was executed by KNO Global and piloted at two factories for Varner. The project aimed to provide a digital two-way communication platform for interaction and communication among workers and managers. The purpose of the platform was to promote workplace dialogue, allowing all voices to be heard, encouraging a dialogue around workplace issues and facilitate effective responses to these, in addition to raising the awareness about decent work at the workplace among workers. Information about decent work topics was also regularly posted on the platform to increase awareness.

Baseline and endline surveys were conducted as a part of the project. Improvements in knowledge and satisfaction were identified at one factory, while the other seemingly saw a slight decrease. One possible reason for the decrease may have been due to workers becoming more aware of the related topics during the course of the project, and more willing to give honest feedback by the end of the project. Both workers and managers participated in giving feedback on the pilot project. Around 80% of workers

<sup>20</sup> Refresher training is done at factories that have previously gone through the full and comprehensive social dialogue program but where for various reasons (such as new persons in the management or newly elected worker representatives) a need has been identified for updated awareness and understanding of effective implementations of social dialogue.

said the project brought a positive impact, 86% workers said they felt more heard, and 55% workers felt able to share more feedback, while around 70% of managers said the project gave a positive impact. At the same time, some limitations were identified relating to a high level of self-motivation being required from both management and workers, and that the technology required workers to have a certain level of technological knowledge (which proved to be a challenge for workers in older age groups). The weekly frequency of surveys was also a challenge for workers and managers. In conclusion, learning from the project is now being taken forward with the aim to identify pathways to effective dialogue between management and workers in factories in China.

### Social dialogue in Türkiye

In 2023 we completed a pilot project for social dialogue in Türkiye. The project was built partly on experience and learnings from other social dialogue programs but was significantly adapted to the Türkiye context. The aim has been to strengthen communication channels between workers and management, to empower workers to raise issues and ensure a pathway to resolve the issues in an effective way. The project was executed by Justmaxit in collaboration with Varner and four other companies. Three factories

used by Varner implemented the project over a one-year period from 2022 to 2023.

In total 30 visits were made to the involved factories during the project period. 1018 workers and employees were trained, in addition to interviews being held with 164 workers, 14 worker representatives and 8 supervisors. A worker satisfaction survey was conducted in each of the factories.

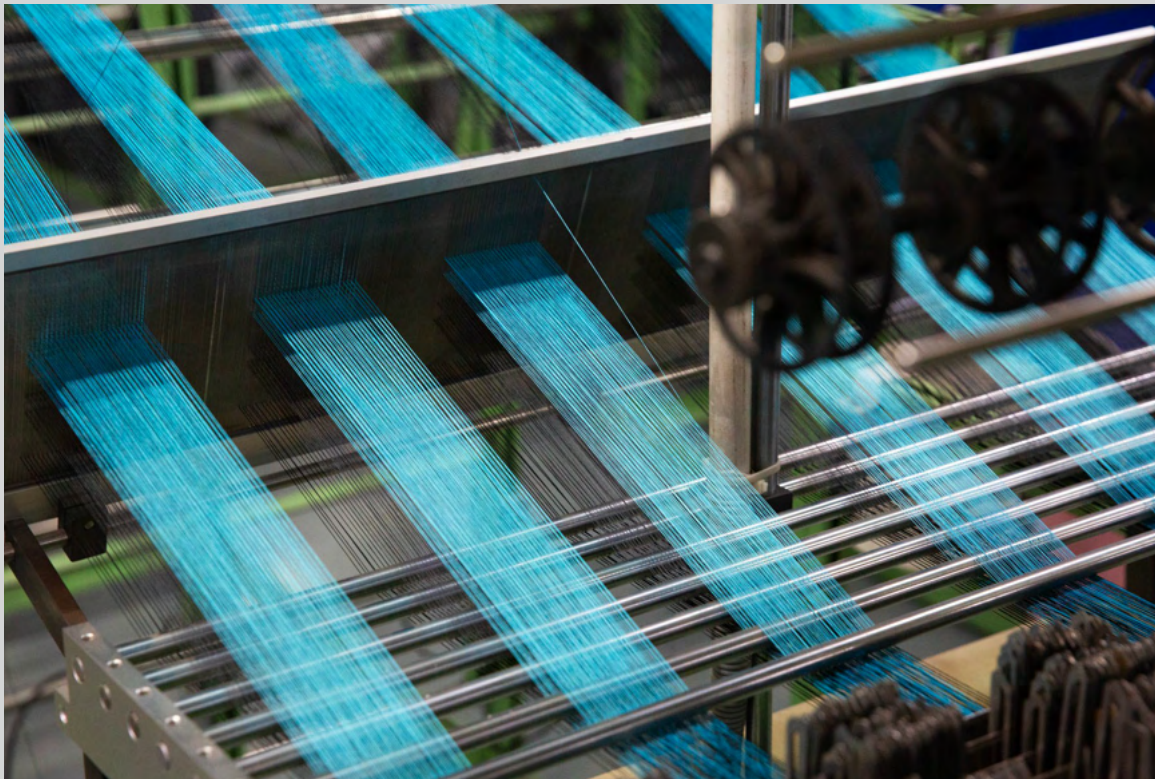
In evaluation, the project was found to be effective in identifying areas in need of improvement to advance social dialogue. Though the challenges identified were different for each of the participating factories some common findings were identified. Although formal structures for social dialogue were established, worker awareness was limited, and procedures were not consistently followed. Therefore, the project focused on raising awareness at all factory levels and clarifying roles and responsibilities. Additionally, channels for raising concerns were underutilized due to perceived ineffectiveness, prompting consultancy and training in grievance handling.

The satisfaction of workers at one participating factory improved considerably during the project (from baseline to endline), however, for the two other factories the improvement was slight or not noticeable. We are currently evaluating how the learnings from the project will be taken forward to other factories in Türkiye.

“ In evaluation, the project was found to be effective in identifying areas in need of improvement to advance social dialogue.







CASE/

# Green social dialogue

Climate change and its impacts has been increasingly in focus world-wide. It is evident that companies and the textile sector have a significant responsibility in taking measures to prevent and mitigate adverse impacts on climate and the environment. It is also apparent that the effects of climate change have an impact on the world of work, both with regards to decent work and human rights. The summer of 2023 broke previous heat records, which directly impacted working conditions in many factories in several locations. This connection has, however, not necessarily trickled into discussions at workplaces, especially at the worker level, in countries highly affected by climate change.

In 2023 we participated in a pilot project in Bangladesh focused on "Green Social Dialogue". The pilot explored how the process of social dialogue can be a vehicle for advancement of discussions about environmental concerns and climate change at the workplace. Furthermore, it explored how measures to meet the climate crisis can be identified and implemented in a dialogue where workers take part<sup>21</sup>. The pilot was undertaken within the context of Bangladesh being identified as one of the most vulnerable countries to climate change. Ethical Trading Initiative Bangladesh executed the program in cooperation with local expertise.

The main objectives in the project were to understand factory workers' awareness, knowledge, and practices on the subject of climate change, and to explore ways to integrate climate change-related issues into workplace-based social dialogue. Two factories cooperating with Varner were assessed in the initial stages of the project and one was selected to be a part of the pilot. Training was completed for management representatives, trade union members, internal resource persons, and workers. In total, approximately 2400 persons participated in training during the pilot.

Some identified learnings from the initial surveys in the program were that the awareness and knowledge of climate change is generally low among the workers (and lower among women compared to men). At the same time, a high proportion of respondents reported having experienced the effects of climate change (such as increasing temperatures). Findings also indicated low levels of knowledge about measures to prevent negative impact on the environment and climate among workers. The training conducted focused on basic information and awareness about climate, not on data and measurement of impacts.

In conclusion the project has highlighted the need for dialogue and awareness at workplaces about the efforts related to climate and the environment. There seems to be a gap in knowledge and awareness between management and workers, and it could be perceived that this is an obstacle for effective climate action.

<sup>21</sup> A prerequisite for implementing the project has been that the factory had already completed a training programme on social dialogue and had established formal processes and routines for social dialogue.



## Occupational health and safety

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

Audits and inspections are key measures to identify hazards and to verify improvements related to health and safety. There are four sections in our social audits concerning health and safety<sup>22</sup>. By the end of 2023, a total of 1183 issues in need of improvement related to health and safety in our supply chain were not yet verified to have been resolved (this is up from 972 in 2022). 755 new issues were identified in 2023. 50% of all findings were related to general health and safety, 41% to building and fire safety, 7% to health and safety in chemical handling, and 2% were related to health and safety connected with accommodation and housing. In total 654 occupational health and safety issues were verified to have been resolved in full or in part during 2023.

Examples of identified issues in 2023 are:

- Insufficient SDS labelling for stored and used chemicals.
- Risk assessment for health and safety not being conducted or the assessment being outdated.
- Insufficient use of Personal Protective Equipment (PPE).
- Lack of safety features for machinery or installed equipment.
- Lack of health and safety training for workers.
- Lack of a secondary power source for fire safety equipment.

The increase in number of identified issues related to health and safety in 2023 compared with the previous year seems to be partly due to the increased number of total assessments, and also the increased number of assessments beyond tier 1 factories<sup>23</sup>. In general factories beyond tier 1 are found to be less advanced when it comes health and safety management, and a higher number of issues tend to be raised because of this.



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

23 This can also be seen as a driver for increased number of findings related to other sections in our assessments.



## Fire and building safety

The January 6th earthquake in Türkiye was a devastating event, with a severe impact on the regions in the earthquake zone and affecting approximately 16 million people. Varner cooperated with five factories in the earthquake affected zones at this time<sup>24</sup>. Though the earthquake was a shock it was also anticipated. Being aware that Türkiye is a country prone to earthquakes, we had prior to 2023 taken a series of measures to mitigate building safety risks including increased assessments and requirements for building safety in our supply chain.

After the earthquake Varner contributed to establishing a new working group to address the impacts of the earthquake. The group developed surveys that were distributed to suppliers in the affected zones to collect data about building safety, building conditions, and working conditions. We maintained an open dialogue with affected supply chain partners with weekly updates. A series of meetings were also held with the Turkish Chamber of Civil Engineers to get advice and input for further action on building safety in the supply chain in Türkiye.

In addition to safety, we have investigated the employment practices in the factories we cooperate with that are located in the earthquake affected zones. We have done this individually as a company and in cooperation with other companies that purchase from the same factories. Our investigations have taken place both onsite and offsite and multiple interviews have been conducted in this process. Varner also participated in support for the victims of the earthquake by donating 10 container homes to The Turkish Clothing Manufacturers' Association (TSGD) housing initiative.

In 2023 we have re-emphasized our commitment to ensure fire and building safety in our supply chain by signing the new Accord safety agreements. Varner has now signed all three active Accord related agreements.

“After the earthquake Varner contributed to establishing a new working group to address the impacts of the earthquake.



24 One Tier 1 factory, two subcontractors, and two Tier 2 factories. Located in Malatya and Adana.

### Pakistan Accord

Varner signed the "Pakistan Accord on Health and Safety" in the Textile and Garment Industry ('Pakistan Accord') in January 2023, after having participated in the feasibility studies conducted by the Accord secretariat throughout 2022. The Pakistan Accord has initially been signed for a three-year period and will be a Country Specific Safety Program (CSSP) under the International Accord, which was renewed in 2023. The scope of the Pakistan Accord will build on key elements of the International Accord including independent inspections and remediation of fire, electrical, structural and boiler safety hazards, provisions to ensure remediation is financially feasible, safety committee training and safety awareness program, and an independent worker complaints mechanism. The safety inspections from qualified engineers will include the following elements<sup>25</sup>:

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

### International Accord and RSC

We also renewed our commitment to the International Accord for Health and Safety in the Textile and Garment Industry<sup>26</sup> and the country specific safety program (CSSP) in Bangladesh<sup>27</sup> where the program is implemented by the RMG Sustainability Council (RSC). Hereby we are effectively extending our commitment to these programs to December 2026 (with option to extend to 2029).

25 <https://internationalaccord.org/first-batch-of-inspections-under-the-pakistan-accord/>  
 26 [https://internationalaccord.org/wp-content/uploads/2023/11/International-Accord-for-Health-and-Safety-in-the-Textile-and-Garment-Industry-1-November-2023\\_Public-Version.pdf](https://internationalaccord.org/wp-content/uploads/2023/11/International-Accord-for-Health-and-Safety-in-the-Textile-and-Garment-Industry-1-November-2023_Public-Version.pdf)  
 27 <https://internationalaccord.org/wp-content/uploads/2023/11/CSSP-Bangladesh-Agreement-public-version.pdf>

All factories we cooperate with in Bangladesh are required to take part in the full scope of the RSC program, including regular inspections. In 2023, 134 safety inspections conducted by RSC engineers have been done at factories that Varner cooperate with. Below is a progress overview of the remediation efforts for our partner factories, which highlights that there has been a significant progress to remediate gaps and findings. At the same time, there is still work to be done to resolve all the issues, with more progress needed on concerns related to fire safety.

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

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

<b>Progress to remediate findings from inspections under the Accord /RSC program</b>			
	Progress rate for remediation of findings related to fire safety <sup>28</sup>	Progress rate for remediation of findings related to electrical safety	Progress rate for remediation of findings related to structural safety
<b>Factories Varner cooperates with</b>	89%	99%	92%
<b>All factories in the Accord</b>	87%	94%	81%

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

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

28 These numbers are based on initial findings from the inspections and exclude findings from boiler inspections.



## 10 years of the Accord

April 24, 2023, marked 10 years since the tragic collapse of the Rana Plaza building in Bangladesh which killed 1138 garment workers and injured 2500 persons. While Varner did not cooperate with factories in the Rana Plaza complex, the tragedy deeply affected us and changed our approach to safety at factories in Bangladesh and other sourcing markets.

In 2012, we became increasingly aware of concerns about fire and structural safety in factories in Bangladesh. For this reason, we commissioned engineers from DNV<sup>29</sup> to conduct safety inspections at all factories we cooperated with in Bangladesh in addition to our ongoing CSR assessments in the same factories. This work was in process when the Rana Plaza collapse happened. This inspection program proved useful in approaching safety from a technical perspective that was complimentary to our general audit program. It did also uncover gaps in safety in the factories Varner cooperated with. However, we found that the leverage to influence remediation of the findings and securing investments needed for upgrades was limited.

The Accord on Fire and Building Safety in Bangladesh came about in the aftermath of the Rana Plaza collapse as a collaborative effort to

ensure that such a tragedy would never happen again. It was the first legally binding agreement between global brands and retailers and Industrial Global Union, UNI Global Union and eight of their Bangladeshi affiliated unions<sup>30</sup>. Varner signed the agreement in June 2013.

Since its inception the Accord and the RMG Sustainability Council (RSC), which carried forward Accord operations in Bangladesh since June 2020, have conducted nearly 56 000 fires, electrical, and building safety inspections at over 2 400 garment factories. Over 140 000 safety issues at these factories have been resolved, contributing to safer working conditions for an estimated 2 million workers<sup>31</sup>.

Reflecting on the impact of the Accord, we see some takeaways from the process that we believe have been key to its success:

- **Collaboration** The impact of individual companies is limited in the face of systemic challenges. The issues related to fire and building safety in Bangladesh were to a large extent systemic and the collaborative approach of the Accord (with 200 brands and retailers, and global and local labour unions, the industry in Bangladesh, and involvement from civil society) has been essential.

- **Shared commitment** The Accord has represented a shared commitment from all the involved stakeholders (from business, the labour side, and contributors from civil society) to solve the critical issue of poor fire and building safety in the sector. All stakeholders acknowledged the urgent need to solve this issue and decided to come together to find the solutions and cooperate towards a common goal in good faith. The fact that the agreement has been legally binding has also been relevant to this.
- **Clear and controlled scope** The scope of the Accord has been limited to health and safety and particularly fire and building safety in the RMG sector. While this limitation of scope and focus can be scrutinized for being narrow and ignoring other challenges falling outside of the defined scope, we believe this has also been a factor for its success. A broader scope both in terms of working condition aspects, the type of industry being included, and also regions being covered could have slowed the progress through increased complexity<sup>32</sup>.

29 <https://www.dnv.com/>

30 <https://fashionunited.in/news/business/rana-plaza-ten-years-later/2023042139470>

31 [https://internationalaccord.org/wp-content/uploads/2023/04/International-Accord\\_Statement-10-years-since-Rana-Plaza-April-24-2023-1.pdf](https://internationalaccord.org/wp-content/uploads/2023/04/International-Accord_Statement-10-years-since-Rana-Plaza-April-24-2023-1.pdf)

32 This being said we do support a gradual extension of the scope, our commitment to the extension of the safety program to Pakistan being testament to this.

## Regular employment and wages

We have identified that there is a risk of breaches of our requirements related to regular work and wages, separately or in combination, in several of the countries where our products are being produced. Our risk assessment identifies that there is risk related to wages and benefits in Bangladesh, Bulgaria, China, India, Italy, Pakistan, Sri Lanka, Türkiye, and Vietnam. The risk of breaches is anticipated to be especially located in lower tiers of the chain, such as in cotton farming, raw material production and processing.

### Regular employment

We believe that regular employment is the foundation for proper work that can facilitate a sustained and predictable income. This means that the working relationship is formalized in a contract which stipulates information such as the terms of employment (wages, hours of work, resignation period and other aspects that need to be regulated) and that the length of the contract is clearly defined (whether it is permanent or temporary for a fixed period). We have a continued focus to ensure that all workers in our supply chain have working relationships that are

“ A policy for homework has been established to address the specific risks related to home-based work in the context of textile production.

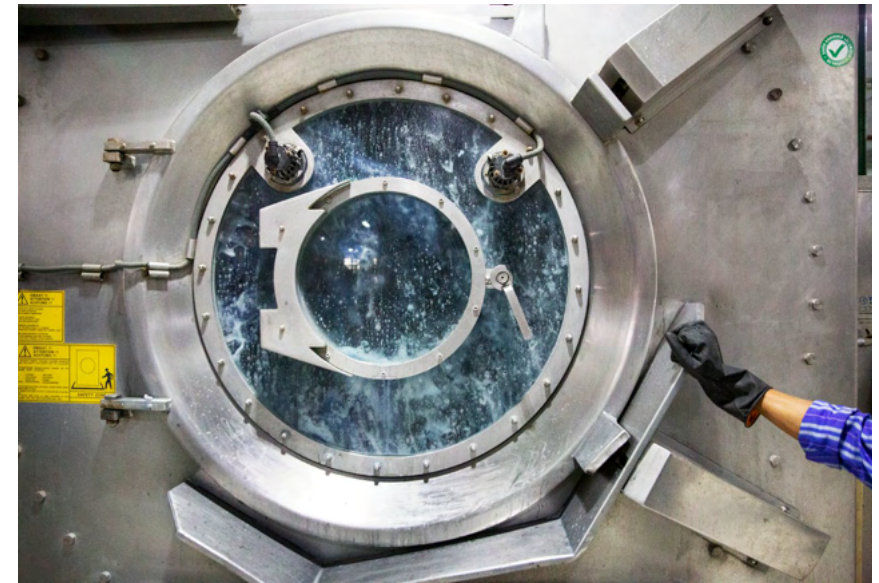
regulated by a formal contract. Signed contracts shall be provided to all workers/employees in factories we cooperate with.

This is assessed on an ongoing basis at all factories used for Varner. At the end of 2023 we had identified 8 breaches to regular work (this is down from 30 in 2022). This includes findings such as appointment letters not being issued in due time, and contracts not containing all required elements. 21 issues related to regular work were verified to be resolved in full or in part during 2023.

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

### Wages and benefits

With supply chains in countries where wages are a salient issue, we acknowledge a responsibility to ensure that our suppliers are aware



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

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

requirements. We encourage the transfer from in cash payment to digital payment of wages (such as bank transfers) in our supply chain, in line with recommendations from ILO and Better Than Cash Alliance. In addition, we monitor benefits such as maternity pay, premium pay for overtime, appropriate contribution to social security schemes, and benefits and compensation if the working relationship is ended.

For wage levels the base line is that relevant minimum wage levels are being respected. At the core of this is ILO Convention C131 (Minimum Wage Fixing Convention), where section 3 highlights the following for what minimum wages should cover: “... the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups.”

At the end of 2023 we had identified a total of 229 breaches related to wages in our supply chain. Out of these, 57 issues were related to the compensation of overtime wages (with 23 issues found during 2023). During the year 35 issues related to compensation of overtime were resolved. Gaps in overtime compensation has generally been a problem connected with factories in China and is partly connected to the significant reliance on piece-rate wage systems in the country. In response to this challenge a project to map compensation levels for overtime wages for factories in China is ongoing.

A total of 142 issues were related to provided benefits (with 47 issues being found during 2023). These are benefits which are often but

not exclusively monetary, such as social security coverage and benefits, maternity benefits, and annual leave benefits. During the year 71 issues were resolved in this area. At the end of 2023, we had identified 30 issues related to wage practice (with 28 issues having been found during 2023). Identified issues were related to findings such as insufficient awareness among workers about how wages are calculated, lack of reliable systems for wage registration, and information on wage slips being incomplete. 54 issues in this area were resolved during the year. No issues related to minimum wages were unresolved by the end of 2023. We did identify 4 issues related to minimum wages during the year and resolved 11 issues related to this (includes issues carried over from previous years).

There are countries (and regions) where Varner has direct or indirect suppliers where the minimum wage levels are not sufficiently supporting decent living standards. We have explored approaches for this during 2023 to see how Varner can address this and have continued to attend seminars and meetings in a wage group coordinated by Ethical Trade Norway<sup>33</sup>. The topic of decent wages has been explored from different perspectives, including through the lens of purchasing practices, regular and formalized work, the compliance perspective, social dialogue, and freedom of association (and collective bargaining). We plan to take further measures on this topic in 2024.

Bangladesh being a key market for production for Varner the 2023 process for adjustment of minimum wages in the country has been of importance. We made a public statement on

the process expressing support for higher minimum wages in the sector in Bangladesh<sup>34</sup>. We extended support to the Bangladesh Minimum Wage Board by encouraging establishment of a minimum wage that enables a wage earned in regular working hours to cover the basic needs of workers and their families, including some discretionary income. We also expressed support for dialogue that respects the roles of all parties in the ongoing negotiation, particularly the roles and positions of representatives for labour and trade unions. Lastly, we acknowledge the important contribution to enable decent working conditions and decent wages we can have as a buying company. We have therefore committed to engage with our suppliers and producers in order to enable payment of wages that respect the new minimum wage levels as the baseline.

Audits and assessments in the aftermath of the newly established wage levels have focused on the implementation of the new wage structure which was effective from December 2023<sup>35</sup>. We have identified that the new levels have been

33 This group has been on hiatus for the 2nd half of 2023.

34 The statement can be found at the bottom of this page.

35 Implementation of new wage levels have also been monitored in other countries of production during 2023, such as Türkiye and Pakistan.





implemented in all factories. There has however been concerns about the wage levels of senior personnel who receive wages beyond minimum levels. These workers have not consistently been awarded the same increase in wages as new or less experienced workers. In one factory Varnier cooperates with this has caused unrest and conflict.

During 2023 we found a gap in knowledge about social security benefits and the pension fund<sup>36</sup> in factories in Pakistan. Therefore, training was initiated to increase awareness about these schemes. By the end of 2023 two factories had completed training for 674 workers on the topic.

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

## Forced labour

Forced labour has in the ILO Forced Labour Convention, 1930 (No. 29) been identified as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”. Varnier remains committed to prevent and mitigate the occurrence of forced labour and modern slavery in the supply chain. A Modern Slavery Policy has been established to define our approach. This policy is publicly available on our website. We do, however, have a supply chain including countries and regions where forced labour is a risk. Through our assessments of risk in 2023, we identified risk of forced labour in the product supply chain, and in Bangladesh, China, India, Türkiye, and Pakistan, as well as in cotton farming and processing.

Our ongoing assessment activities continue to focus on forced labour and indicators of forced labour. One section of our onsite assessments is dedicated to forced labour specifically. During 2023 we have identified three issues related to forced labour (down from 11 in 2022). The findings include missing policies for freely chosen employment and overtime work being mandatory. 13 issues related to forced labour identified in previous years were resolved in 2023. Meanwhile, we see that indicators of forced labour are also identified in other sections of our assessments and recorded not as findings related to forced labour directly. This is particularly the case for forced labour indicators such as abusive working and living conditions and excessive overtime<sup>37</sup>. Therefore, forced labour should be understood to also be an element of the work

<sup>36</sup> The Employees' Old-Age Benefits Institution (EOBI).

<sup>37</sup> We use the 11 indicators for forced labour identified by ILO (in the booklet ILO Indicators of Forced Labour) when we talk about forced labour.



we do on other elements of decent work, especially but not exclusively harassment and abuse, working time and overtime, and wages.

Tirupur and Tamil Nadu in India is a region that has been identified as particularly exposed to the risk of exploitative labour practices related to forms of bonded labour. Severe labour rights violations connected with the employment of young women workers in spinning mills in the region that has characteristics of bonded labour have for many years been highlighted<sup>38</sup>. As a response to this Varner alongside two other textile brands and the Indian NGO Save initiated a project to address these issues in Tamil Nadu in 2018. The project has now been running continuously in four phases<sup>39</sup>. The current phase of the project was started in June 2023 and will run until mid-2024.

Since its inception the South India Textile and Garment Supply Chain Project<sup>40</sup> has focused on intervention with local stakeholders. Key stakeholders are workers in the textile sector (including migrant workers from other states in India), local communities (and potential workers), employment agents, and management in factories and spinning mills. The project also has a focus on risks and obstacles faced by Dalit communities at work in the textile sector. Five community centres have been established and are kept operational in key locations that enables active

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

interaction with communities and workers. The centres are used for training activities, consultation, and are hubs for information and awareness about rights and responsibilities at work.

The centres are also a channel for grievances relating to working conditions in the textile sector. In 2020 a digital grievance channel was established as a part of the project aim to give an opportunity for current and former employees in the spinning mill and garment sector in Tamil Nadu to raise employment related grievances. Currently grievances can be submitted to employees both at the community centres and through the digital application (Timby). Cooperation with industry associations Tamil Nadu Spinning Mill Association (TASMA) and

Tirupur Exporters Association (TEA) has been important related to grievance redressal. Read more about the status of grievances in 2023 [here](#).

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 labour and child labour in the supply chain. Cotton from Turkmenistan and Uzbekistan is consequently banned from Varner products.

We have since 2019 monitored the risk of modern slavery related to cotton farming and processing as well as yarn and fabric production in the Xinjiang Uighur Autonomous Region of China (XUAR). We have taken steps to prevent this risk from occurring in our supply chain by imposing restrictions on direct or indirect sourcing from the region. We have focused our efforts on preventing and mitigating risk by taking a cautious approach to direct and indirect cooperation with entities that may have connections to the region. In 2023 we introduced new tools and measures to monitor and mitigate human rights risk in our supply chain related to Xinjiang. Our statement and approach to this is publicly available on our website. This work is continuing in 2024.

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

39 See the Varner 2022 Sustainability Report for comprehensive information about the first three phases of the project.

40 Previously called South India Spinning Mill Project.

## Migrant labour

In January 2024 ILO published a note with an overview of the ILO's work to eradicate forced labour. The note emphasizes the precarious situation of global migrant workers and highlights that migrant workers are 3 times more at risk of forced labour. This can be due to lack of legal protection, inability to exercise their rights, unfair recruitment practices, or irregular or poorly governed migration. In the Varner Migrant Labor Policy, we commit to work to protect migrant workers in our supply chain and promote human rights and decent work for migrants. Migrant workers are always a focus in our assessment activities at factories. We publicly report the number of migrant workers at factories Varner cooperates with in the public factory list<sup>41</sup>.

We have continued our focus on Türkiye and migrants and refugees in Türkiye under temporary protection. The Migration Policy Institute (MPI) has termed Türkiye "the world's leading refugee-hosting country" and the country is estimated to be hosting 3,6 million refugees or forcefully displaced persons. Access to formal work has been limited for this group, with a significant risk of informal work with poor labour conditions and increased potential for exploitation.

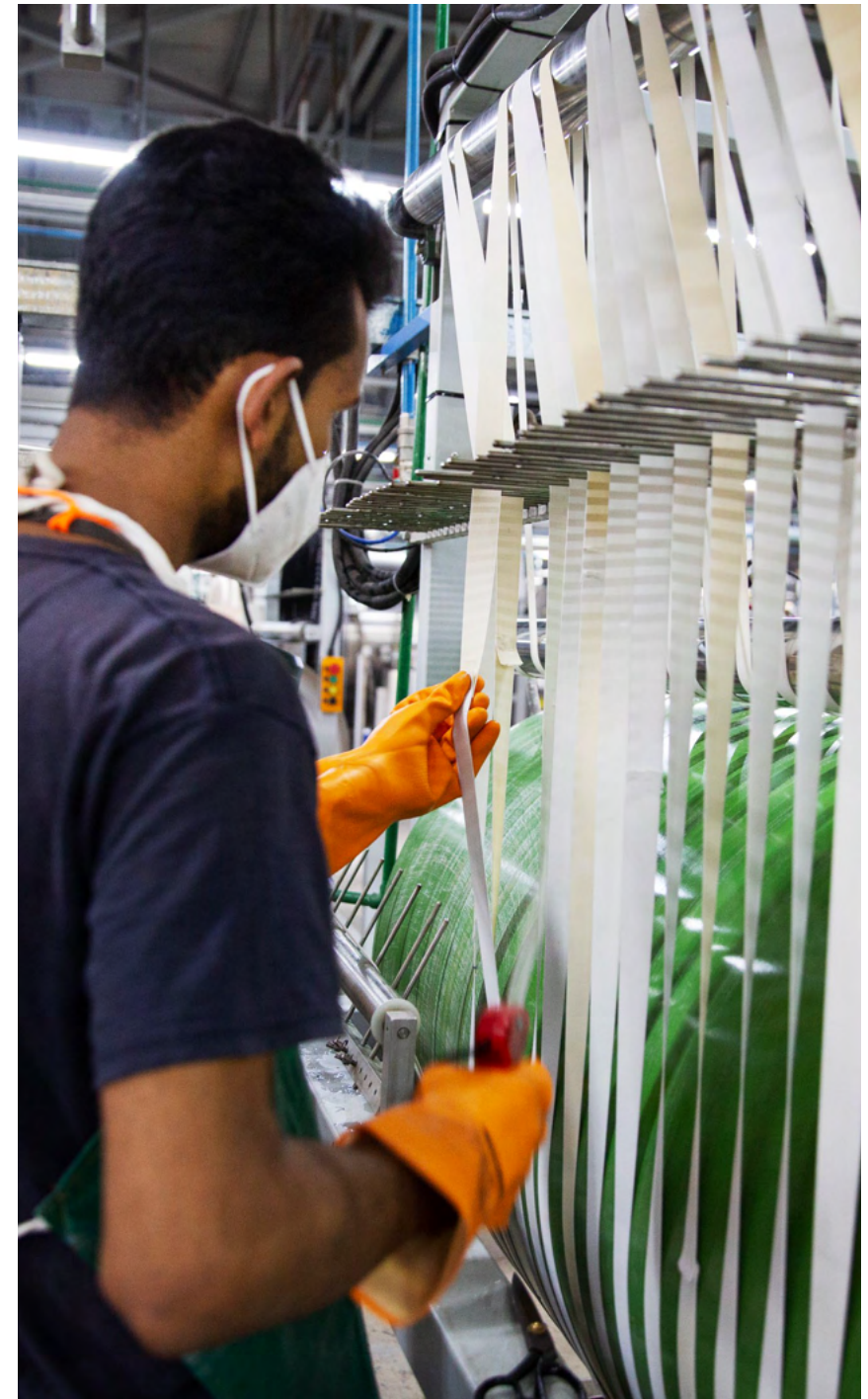
In cooperation with NGO partners in Türkiye we have worked to assist refugees (and other migrant workers) to find formal and decent

work and have provided help to those requiring assistance to obtain working permits. Active cooperation with organisations Stitching United Work, ASAM (Association for Solidarity with Asylum Seekers) and MUDEM (Refugee Support Centre – RSC) has continued in 2023. MUDEM is also host to the Garment Worker Support Centre web portal. This is a grievance channel where especially refugees and migrant workers can access information about their rights at work and can submit grievances. More about this can be found in the section about [grievances](#). At the end of 2023 in total 83 refugees or international migrants were employed at our direct factory partners in Türkiye (all originating from Syria).

Varner was a part of the Ethical Trade Initiative's Displaced Workers Workstream Group throughout 2022. A key outcome were the "Guidelines for employment and integration of people displaced from Ukraine". These were shared with all relevant suppliers in 2022. In 2023 we have continued to monitor the impact of the Ukrainian war on the Varner supply chain.

## Child labour

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



<sup>41</sup> We maintain updated numbers of workers that have migrated across national borders, however, the numbers for domestic migrant workers (migrating from one part of the country to another) are not complete.





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

Varner has established a Child Labor Policy to that embed and highlight how child labour is addressed in the Varner due diligence activities. The policy is available on the website.

Most of our ongoing assessment activities include a focus on child labour, and a separate section of all audit activities is dedicated to the topic of child labour and juvenile workers<sup>42</sup>. By the end of 2023 we had 9 issues of concern related to child labour and juvenile workers identified in our supply chain (down from 11 in 2022). The issues include lack of child labour policies, lack of appropriate routines for identifying child labour in the hiring process, or regulations for juvenile workers not having been followed. Five issues were identified during the course of 2023, while 10 issues related to the topic were resolved in full or in part during the year.

Varner is cooperating with several expert organisations to work proactively with the risk of child labour. One of these organisations is The Centre of Child Rights and Business (CRIB).

<sup>42</sup> Juvenile workers are workers that are legally allowed to work (under certain conditions) but are under the age of 18.

We are a member of the CRIB Working Group that has regular meetings on topics related to and extended from children’s rights in the realm of work and business. An important part of this cooperation is a continuous monitoring of trends and changes to the risk of child labour in markets where we are present.

We have found that certain periods of the year are more likely to have an increased risk of child labour. We have identified the summer period in China as such a period. This is a period where schools are closed and children frequently visit their parents at work, including parents that have migrated for work. The risk of child labour has been seen to increase during this period, and the risk of infringement of child rights more broadly has been identified. We conduct surveys and visits to factories during this period with a particular focus on child labour and children visiting parents.

“ We have found that certain periods of the year are more likely to have an increased risk of child labour.

Though our focus is principally on efforts of prevention and mitigation of risk of child labour, we do acknowledge that having production in several markets with a significant risk of child labour means that we cannot guarantee that breaches and cases will not occur. We have therefore established routines for remediation of child labour in case it is identified in factories we work with. We have partnered with organisations that would intervene and take the lead should remediation be required. We are working with The Centre of Child Rights and Business (CRIB) for this in China, Bangladesh, Vietnam, and India, and with the organisation CYDD (Association for Supporting Contemporary Life) in Türkiye. No cases of child labour or cases where remediation was required were identified in 2023.

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

In 2020 we identified a risk of child labour 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 has been carried forward in 2023. During the year we have also become aware of a risk of child labour related to office maintenance in Bangladesh and have taken measures to monitor this risk going forward.

### Discrimination and gender

In 2023, we celebrated the 75<sup>th</sup> anniversary of the [Declaration of Human Rights](#). The declaration underscores the universal nature of human rights, irrespective of gender, age, religion, sexual orientation, nationality, or geographic location. This anniversary acts as a reminder of the need for commitment to safeguard human rights for everyone. Article 7 of the Declaration highlights the principle of equality and non-discrimination. This is also an important element of the Varner Code of Conduct. At the same time discrimination often in combination with gender issues remains a persistent challenge at workplaces worldwide. We have identified discrimination as a significant risk in our production supply chain in Bangladesh, Bulgaria, China, India, Italy, Pakistan, Sri Lanka, Türkiye, Vietnam, as well as in raw material production in general.



By the end of 2023 we had identified 12 unresolved breaches related to discrimination in our supply chain (down from 16 in 2022). Examples of identified issues were: a lack of systems for fair promotion; profiling questions in recruitment processes that had no relevance to the work. 12 issues were identified during 2023 and 17 issues were resolved in full or in part during the year. While we can identify issues and areas of concern through our regular assessment activities, we realize that the matters of discrimination especially related to gender are deep rooted and not always suited to be detected in this manner. We have therefore chosen to work with stakeholders who work on the topic from other angles and with a specialized focus.

The [Global Gender Gap Index](#) annually benchmarks the current state and evolution of gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment). The 2023 Index highlights several of Varner's key sourcing markets as exposed to gender discrimination, including Türkiye which is placed at 142 (out of a total of 146 countries, where lower rank displays a higher risk).

In 2023 we cooperated with Istanbul Bilgi University in Türkiye on the project "Decent work, gender equality, and employee well-being in foreign trade firms in Türkiye". This project has two aims. First to develop a decent work (DCW) framework applicable to employees working in Turkish apparel companies. This includes the examination of disparities at work and work-life balance practices as obstacles to

the wellbeing of employees, especially women. The second goal is to model the interaction between decent work conditions in companies and employee well-being. This is intended to enable these issues to be better understood by employers and policymakers.

In the study surveys have been conducted for white- and blue-collar workers in several factories including selected factories in the Varner supply chain in Türkiye. A preliminary analysis from the study highlights that decent work conditions in general are positively related to the wellbeing of workers, irrespective of the gender, in the white-collar segment. As for the blue-collar workers, there seems to be a substantial difference between males and females. Here women report a higher degree of wellbeing ("life and work satisfaction") than their male counterparts once working conditions improve<sup>43</sup>.

43 The study is planned for publishing in 2024.

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

Varner initiated a cooperation with the Turkish organisation Yanindayiz in 2023. The organisation is working with gender equality in Türkiye. The cooperation has initially been an awareness program with focus on topics such as gender-based labour division, unconscious prejudice, and gender-based-violence. Varner has involved three cooperating factories in the program with 390 employees having been trained by the end of 2023. In addition to training of workers, banners have been posted in the factories. An extension of this program is now being planned.

“ Varner has involved three cooperating factories in the program with 390 employees having been trained by the end of 2023.

We have continued the Gender Sensitive Workplace Program in Bangladesh in 2023. We cooperate with Ethical Trading Initiative Bangladesh in implementation of this project for factories Varner cooperates with in the country. The aim of the program is to create gender friendly workplaces, with the objectives 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.

One factory that Varner cooperates with has been a part of the program in 2023. The program includes the following modules:

- Training on Gender sensitive workplace, GBV & SHCC Issues. This training was done for management, supervisors, and the Sexual Harassment Complaints Committee (SHCC). In total 101 persons participated in the training.
- Train the trainer for internal resource persons. In total 10 persons participated.
- Training on gender and leadership for the worker representatives. In total 11 persons participated.



A baseline-endline survey is used to understand the impact of the program on a significant number of indicators. See below for progress on some selected indicators from the survey from the factory that has implemented the program in 2023:



Indicator	Baseline <sup>44</sup>		Endline <sup>45</sup>	
	Male	Female	Male	Female
Had heard the term "gender discrimination"	15.4%	40.5%	84.4%	73.9%
Had heard the term "gender equality"	7.7%	16.7%	96.9%	95.7%
Aware of Sexual Harassment Complaint Committee (SHCC) existence in the factory	46.2%	71.4%	100.0%	91.3%

The baseline highlights a low level of awareness about gender discrimination, gender equality and gender-based violence and what such concepts mean in the workplace. The results have been similar (if not identical) in other factories that have been a part of the program. The endline survey displayed a significant increase in knowledge and awareness because of the program. A challenge that has been identified is the ability to maintain the activities from the program and to implement them in existing training systems at the factory level.

As an extension of the Gender Sensitive Workplace Program, Varner assisted in engagement of cooperating factories in Bangladesh in the UN 16 Days of Activism against Gender-Based Violence under the coordination of various organisations including Ethical Trading Initiative Bangladesh under the Sustainable Textile Initiative – Together for Change (STITCH). The factories executed focused agendas on

gender-based-violence including discussion meetings, video presentations, rallies, leaflet distribution, and audio broadcasts via PA. The aim has been to raise awareness and encourage unity to combat gender-based violence. Approximately 56,000 workers were reported to be directly or indirectly involved. The International Women’s Day 2023 was also celebrated in several factories.

### Harassment and gender-based-violence

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

44 Male sample is 13, female sample is 42.

45 Male sample is 32, female sample is 23.





By the end of 2023 eight issues related to harassment or improper treatment were identified in our product supply chain (down from nine in 2022). The breaches were primarily linked with factories not having established policies on anti-harassment or insufficient training or awareness about established policies. There were also several cases identified which had use of harsh language and intimidating approaches from supervisors. During 2023, nine issues relating to harassment were identified while eight issues were resolved in full or in part during the year.

In 2022 we initiated the project “Promoting gender justice for women workers in the Ready-made Garment sector and advocating women’s safety during local commute and public spaces in Bangladesh” at selected factories. In 2023 the project was carried forward at eight factories. It aims to address the root causes of gender-based violence, including unequal power

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

relations in the garment industry. Various organisations are implementing various parts of the activities with Shojag-Coalition being responsible for the capacity building activities in the factories<sup>46</sup>.

The project includes assessment of factory policies and practice related to gender sensitivity. Gaps are then highlighted based on this. Awareness training and activities for management and workers is then carried out. This project also extends beyond the workplaces directly by also focusing on sexual harassment in commuting, in local communities and other arenas outside of the workplace.

A project report released in 2023 highlights that appropriately aware workers and management are key to tackling the problem of gender-based-violence in the garment sector. Meanwhile it acknowledges that changes in the mindset and behavioural patterns through awareness training takes time. The recommendation set forward is that all workplaces should ensure that male and female workers as well as management personnel are informed about these topics through the lens of the Bangladesh labour law. We will continue to support the project in 2024.

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

46 Bangladesh Legal Aid and Services Trust (BLAST), Christian Aid, and Naripokkho are also involved as implementors of the program.

## Grievances and remediation in the supply chain

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

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

Our goal is that all workers at factories cooperating with Varner have access to effective complaint and grievance channels<sup>47</sup>. Our approach to enable grievances to be raised and to be addressed is based on three focus areas:

- Support and monitoring to strengthen and improve suppliers and factories internal grievance channels<sup>48</sup>.
- Support implementation of channels to raise concerns and grievances through regional initiatives, sector initiatives or external stakeholders.
- Enable concerns and grievances relating to the supply chain to be raised to Varner.

### Local grievance handling

Our efforts to support and monitor to strengthen and improve suppliers' and factories' internal grievance channels are connected with our requirement that all direct partner factories have established proper internal grievance channels, available to all workers and employees. The awareness of these channels, as well as their effectiveness, is being assessed regularly and at all audits, both before the cooperation starts and during our cooperation with the factory. This is done by evaluating the means available for workers to raise grievances, by understanding the routines for handling grievances, by assessing the awareness about the channels as well as their effectiveness. Interviews with workers are important to understand the level of awareness about and the level of trust in such channels. At the end of 2023, seven issues relating to insufficient grievance channels were identified in our supply chain. Examples of

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

identified concerns were grievance channels not being maintained sufficiently and insufficient recording of grievances. Five issues of concern were identified during 2023, and eight issues were resolved during the year related to the topic.

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

<sup>47</sup> Approved factories include factories in all levels of the supply chain that have gone through an approval process.

<sup>48</sup> Often termed operational level grievance channels.

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

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

We perceived such channels as complimentary to the internally established channels, and are currently actively engaged with the following channels:

- Occupational Safety and Health Complaints Mechanism under the RMG Sustainability Council in Bangladesh. This is a multi-stakeholder channel for workers and employees and their representatives, where they can raise safety and health concerns safely and confidentially<sup>49</sup>. Complaints are investigated by a team specialised in investigating and resolving complaints. The mechanism is overseen by brand and trade union signatories to the International Accord. A significant feature of this mechanism is that all complaints and connected factories are made public. This channel is available at all factories used by Varner in Bangladesh.
- The Garment Worker Support Center is a channel established to support workers in the Turkish garment sector<sup>50</sup>. This is both a hub to get information about legal rights at the workplace, and a channel to submit grievances. Through our cooperation with the Turkish NGO Mudem, we are implementing the channel in all factories we cooperate with in Türkiye.
- A channel for raising grievances has been established in relation with the South India Textile and Garment Supply Chain Project. Grievances can be lodged in two main ways, either through any of the five resource centres that are established in communities where workers live, or through a digital channel on the Timby platform. The channel is managed by the organisation Save and it is available to garment workers in Tirupur and surrounding areas.



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

<sup>49</sup> Complaints and grievances that are not related to health and safety are also accepted but will be investigated by the involved companies and not by the RSC.

<sup>50</sup> Initially the channel was focused primarily on refugees and migrant workers in Türkiye, however the scope has been increased to include all garment workers.



## Supply chain grievances raised directly to Varner

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

Grievances received for the supply chain in 2023		
Channel	# of Grievances	Topics
RSC (Bangladesh)	32 grievances related to the Varner supply chain.	Wages and benefits, health and safety, harassment
MUDEM (Türkiye)	One grievance related to the Varner supply chain <sup>51</sup> .	The grievance raised related to a factory Varner cooperates with was related to harassment
Resource centres in Tamil Nadu (India)	No grievance related to the Varner supply chain <sup>52</sup> .	In general grievances were related to wages and benefits, forced labour, regular work
Timby (India)	No grievance related to the Varner supply chain <sup>53</sup> .	In general grievances were related to wages and benefits
Concerns raised to Varner directly <sup>54</sup>	Five grievances related to the Varner supply chain.	Wages and benefits, regular work, forced labour, health and safety, child labour

51 In total 278 grievances or complaints were received through the channel in 2023.

52 In total 26 grievances or complaints were received through the channel in 2023.

53 In total four grievances were received through the channel in 2023.

54 These are grievances or concerns raised through direct information provided to Varner CSR personnel, through the [sustainability@varner.com](mailto:sustainability@varner.com) mail, through the [concern@varner.com](mailto:concern@varner.com) mail or by means not covered by the other mentioned channels.

## Remediation

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

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

role in the proceedings, identify the appropriate remediation action, and a plan for the remediation would be developed. We strive to maintain dialogue with the affected parties throughout the process.

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

All instances identified where remediating efforts have been required in the supply chain in 2023 have been recognised as instances where Varner has been directly linked to the adverse impact. Examples of cases identified and addressed during the reporting year have been unjust termination of labour contracts, lack of or insufficient payment of severance benefits, harassment and abuse of workers by supervisors. Remediation that has been carried out has included elements such as reinstatement, severance payments, and compensation. Remediation is often executed in a combination with efforts with preventive focus to minimize the likelihood of repeated occurrences of similar cases.

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



## Reviewing impact

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

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

As a member of Cascale, we report annually on the HIGG Brand and 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. We also receive feedback on an annual basis on our general performance from Ethical Trading Initiative Norway based on set criteria.

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

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

Issue rating	Findings in 2023 <sup>55</sup>	Issues resolved in 2023 <sup>56</sup>	Open issues per end 2023 <sup>57</sup>
Critical	30	58	23
High	268	422	519
Medium	700	780	1 222
Low	64	131	168



55 In addition, there were 33 unrated observations.  
 56 In addition, 48 unrated observations were resolved.  
 57 These are issues identified in 2023 or previous years that are not yet resolved. In addition, there were 36 unrated observations.





## Business partners

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

In 2023, externally branded products accounted for approximately 28% of the purchased Varner retail inventory and 17% of our sales. As for our own production, we are committed to making sure that human and labour rights are respected in the supply chains of our business partners. Our due diligence for business partners is still a work in progress, and our main priority area has been our commercial external brand portfolio. Being a comparatively small retailer on a global scale, our ability to gather information about the actual conditions in our business partners' supply chains and actions to prevent risks is

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

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

### External brand suppliers

The external brands featured in our stores are comprised of a diverse range of companies, from small and independent entities to multinational corporations. They provide a wide array of products, including apparel, footwear, skateboard and snowboard equipment, accessories, and cosmetic products. Carlings, Cubus, Dressmann, Junkyard, and Volt are the Varner brand stores with external brands in their assortment. By the end of 2023, we had 161 external brands in our portfolio.

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

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

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





In 2023 we added five new external brands to our portfolio and all of them (100%) were assessed and approved through our screening process. We continued our portfolio follow-up, mapping and reaching out to brands that have not previously been assessed towards our current requirements. By the end of 2023, 84% of our portfolio had undergone a full assessment. The suppliers yet to be evaluated represent approximately 1% of our external brands sales. We had advisory meetings with one brand to assist them in meeting our requirements, with plans for continued support in 2024. We ended our cooperation with two portfolio suppliers (1% of the external brand portfolio) due to their inability to meet our minimum requirements and reluctance to implement systems to manage actual and potential risks in their supply chains.

As a fashion retailer, we are aware of the human rights and decent work risks inherent in our industry, which extends to our business partners. Potential and actual risks include forced labour, child labour, health and safety concerns, wages, and limited possibilities for collective bargaining. To address these issues, we have implemented minimum requirements to ensure our external brand partners have internal systems to manage risks. Our experience is that smaller brands and some larger non-European brands lack knowledge about current regulations and expectations for responsible business conduct. Additionally, we encountered hesitation from some brands to share information about their efforts to reduce and mitigate risks in their production, as well as facing challenges with agents and distributors causing bottlenecks for attaining the requested

information. In 2023 we conducted a portfolio risk assessment, mapping our largest external brand suppliers, product categories, country of origin and associated risks. The findings from this assessment will guide our continuous development efforts.

In 2023 we initiated the process of mapping our external brands in the context of climate action, find more information [here](#).

### Indirect spend suppliers

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

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

We added or renewed 11 long-term suppliers, and all of these (100%) were assessed and approved. A portfolio risk assessment was conducted to map indirect spend suppliers, categories, and associated risks. The findings revealed potential risks, such as forced labour, child labour, harassment, health and safety issues, and illicit work, primarily in the raw material and processing stages of production.

The assessment also revealed that our scope for screening may have been too narrow, and we therefore aim to expand our due diligence activities based on this. We plan to continue mapping suppliers and categories in the coming year to redefine the screening scope<sup>58</sup>.

In our commitment to climate goals and emissions reduction, Varner invested in additional solar panels for our Distribution Centre in Vänersborg. We recognize the risks associated with the production of solar panels, particularly concerning forced labour in Xinjiang. After our initial purchase in 2022, we conducted investigations into the supply chain of our supplier and could not find any links to the region. However, potential risks in the lower tiers couldn't be fully excluded. Our supplier has also demonstrated improved internal due diligence processes and joined Sweden's Ethical Trading Initiative.

58 Due to this we do not report on % of screened suppliers in this year's report.



In the fall of 2023, media attention was drawn to one of Varner’s last-mile transportation suppliers in Sweden, whose subcontractor faced accusations of poor working conditions. Varner engaged in dialogue with the supplier, who had not identified any risks regarding the subcontractor in their internal due diligence assessments. Concurrently, Varner was already undergoing a new procurement process for last-mile services in Sweden. The implicated supplier did not qualify and was discontinued within contractual terms.

Varner also navigated challenges arising from the Red Sea shipping route, a critical part of the global supply chain. Vessels along the route became targets for attacks by the Houthis in November 2023, endangering seafarers, and goods. Our Import and Distribution teams maintained daily communication with our shipping supplier, who evaluated the need to reroute ships around the coast of Africa for safety. As this caused delays, we made internal adjustments encompassing longer shipping times due to rerouting.

Read more about some of our transportation suppliers [here](#).



“ As a large retailer, Varner relies on various non-commercial goods and services to sustain its operations.

## Anti-corruption

We aim to build our business culture on responsible principles that include concerns for integrity and ethically sound business decisions. Certain markets where we have operations are highlighted by the Transparency International’s Corruption Perceptions Index (CPI) as having a significant risk of corruption. This applies to countries where we have most of our production, and countries where we have established production offices. We have zero tolerance for corruption and bribery and have continued preventive and controlling routines internally and externally to prevent and identify risk of corruption and bribery. Efforts include policies and training for direct employees and supply chain partners. Established channels to report incidents related to corruption or integrity have been sustained in 2023. In addition to existing channels, during 2023 a new channel for whistleblowing was established for all permanent and temporary employees in Varner and associated chains, as well as by customers and suppliers associated with some of Varner’s businesses.

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

Integrity and anti-corruption workshops have been held at all Varner production offices with the aim to reinforce Varner policies on the subject. During 2023, 93 employees have taken part in the workshops, 19 in Türkiye, 28 in Bangladesh, 14 in India, 16 in Hong Kong, and 16 in China. The workshops have focus on arenas where there could be risk related to corruption, bribery, integrity, and conflict of interest and utilize situational dilemmas and examples that are related to our industry and the regional contexts.

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

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

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

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

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

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

Varner had no confirmed incidents of bribery in 2023. Varner did not have any confirmed incidents in 2023 in which employees were dismissed or disciplined for corruption. Varner did not have any confirmed incidents in 2023 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 organisation or its employees during the reporting period.

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

### Efforts in the supply chain

The Varner Supplier Code of Conduct and Anti-Bribery and Anti-Corruption Policy set out expectations and requirements related to integrity for all suppliers and business partners working with Varner. The documents state that corruption in any form is unacceptable, including bribery, extortion, kickbacks and improper

private or professional benefits, gifts, loans, fees or rewards to customers, agents, contractors, laboratories, suppliers in all tiers, Varner production offices, or employees of any such party or government officials.

All suppliers must comply with our expectations and applicable laws on anti-bribery and corruption and are required to develop their own policies for anti-corruption. The requirements are included in supplier contracts. All suppliers of own branded products (121) have signed contracts which include expectations and requirements related to anti-corruption. The channel [concern@varner.com](mailto:concern@varner.com) is available to all suppliers to raise concerns about Varner business conduct including incidents related to corruption and integrity.

A section on anti-corruption and bribery is included in audits of factories. 301 audits were carried out in 2023. No issues related to anti-corruption were identified with active supply chain partners during the reporting year, however, three issues identified before 2023 were verified to be resolved in 2023. One issue relating to a lack of any policy for corruption was yet to be resolved by the end of 2023.







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

2023 has been characterized by many activities and projects that will contribute to both our employees' and Varner's future development and growth. Of these, we particularly refer to the following:

“ Many of our employees start their first job and are just in the beginning of their professional careers when joining Varner and more than half of our employees are under 25 years of age.

- Core values and culture focus, with revised communication and introduction process (on-boarding) for all new employees in multiple languages.
- A new communication platform, My Varner, with improved accessibility, manageable and relevant communication in multiple languages.
- Mapping and assessment of roles related to compensation and benefits.
- Continue our journey in ensuring a good speak-up culture, both in relation to a new platform for whistleblowing and introduction of a new check-in tool for employee follow-up.
- Quality assurance of employment contracts in the Nordic countries with a new and revised process including electronic signature.
- Ensure good understanding of potentials and opportunities with exit surveys among employees who leave.
- A new way of working at our Distribution Centre, where employees have been given the opportunity to influence well-being and their own work situation based on feedback survey.
- Further develop our goal of a well-functioning workplace for all, with room for personal development and progress, and with well-being in focus.

## Equality at work

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

“ We recruit, promote, and compensate 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. As an example, we have collective agreements in our Nordic countries that set the framework for determining wages on an equal basis. Our aim is to have a positive influence on the lives we touch.



“As indicated by our employee demographics, our workforce is young and talented.”

This year, we have taken several steps to promote diversity and inclusion in our workplace. We have ensured that our employee documents, policies, guidelines, and information are more accessible on our modernized and revised intranet, My Varner. This also includes translation of many of our HR documents, guidelines, and information into English. Our newly upgraded intranet focuses on making all employee information more understandable and easier to access. These efforts are part of our ongoing commitment to create an inclusive environment for all employees, regardless of language and cultural background.

It is worth to mention that in Iceland, Varner received Equal Pay Verification based on a verification process with the Equality Council. This confirms that we pay all our employees equally for the same job or for a job of the same value.

### Diversity of governance bodies and employees

The employee demographics in the countries with store operations are mostly characterized by being represented by women. As an example of measures to help increase diversity, we have chosen to remove the option to specify gender in the application process as we do not see this as relevant. Our core values play an important role in our corporate culture and we believe they help promote diversity, inclusion, and equal opportunities. By our continuous work of fostering a culture of respect, inclusion, and collaboration, we aim to attract, recruit, and retain people with diverse backgrounds, gender identities, skills, and views.

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

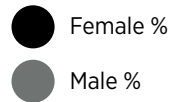
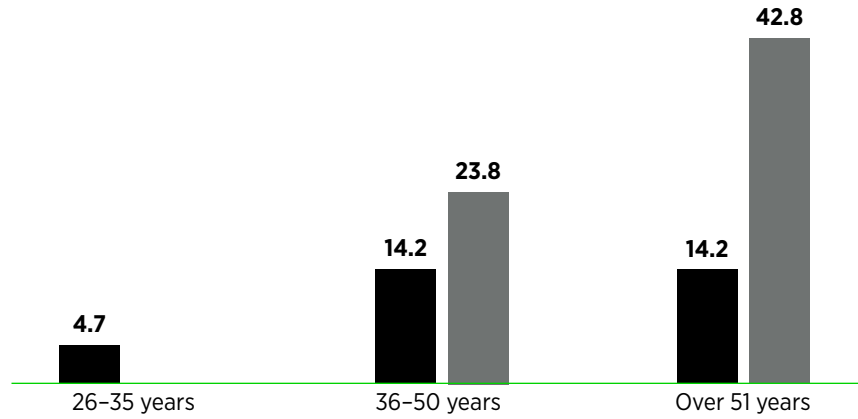
For more information on our employee demographics, we refer to the [appendix](#).

- Our leadership team is predominantly female, with 80% of the team being women.
- Over half of our leaders are under the age of 35.
- 84% of our employees are 35 years old or younger.
- Over half of our employees are under the age of 25, reflecting a youthful and dynamic workforce.

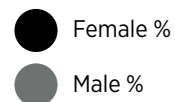
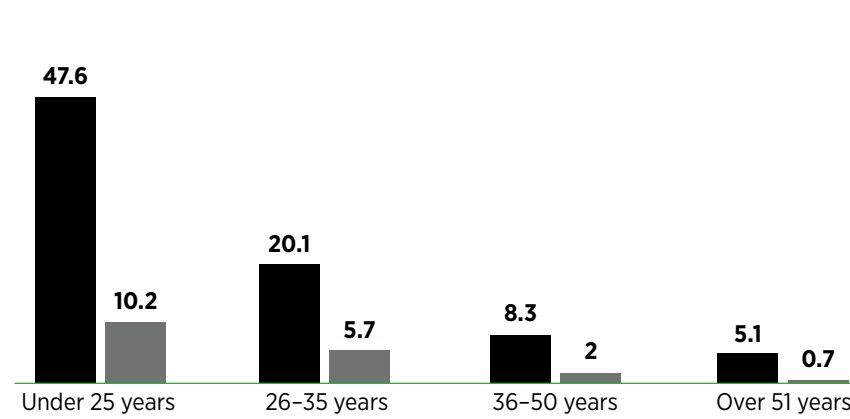
We are proud to say that 57% of our managers are under 35 years of age, and for many of them, this is their first leadership role. Their energy and enthusiasm has helped to create a dynamic and engaging work environment.



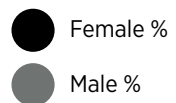
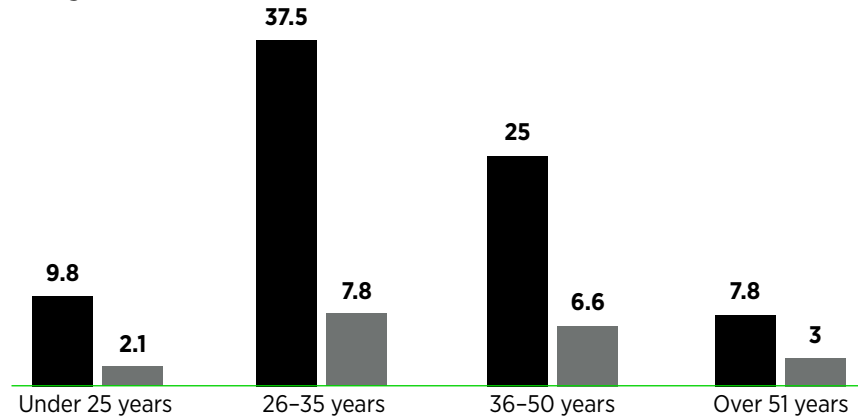
**Top Management**



**Employees**



**Managers**



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

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

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

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

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

### **Grievances and whistleblowing**

Our Whistleblower policy highlights the employees' right and responsibility to report

on censurable conditions, issues of concern, breaches of the code, and other grievance matters. It also outlines how issues raised will be managed.

The policy and reporting routine have been revised in 2023 and have been communicated to employees. In addition to this, the routine is also communicated in our Code of Conduct, Good Business Practice and on Varner's website.

In 2023 we have implemented a new external system to ensure the anonymity of Whistleblowers and provide a more secure reporting channel. The system ensures that employees, customers, and suppliers can speak up and express themselves without any form of negative reactions. The Whistleblower can write in their own language, as well as being able to dictate messages/voice typing directly into the system anonymously. This will help us create a more transparent and trustworthy work environment.

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

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

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

“ It is of utmost importance that all employees use their right to speak up and report issues of concern.

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

For privacy reasons, we do not specify the exact number as fewer than 5 have been received during 2023.

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

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

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

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

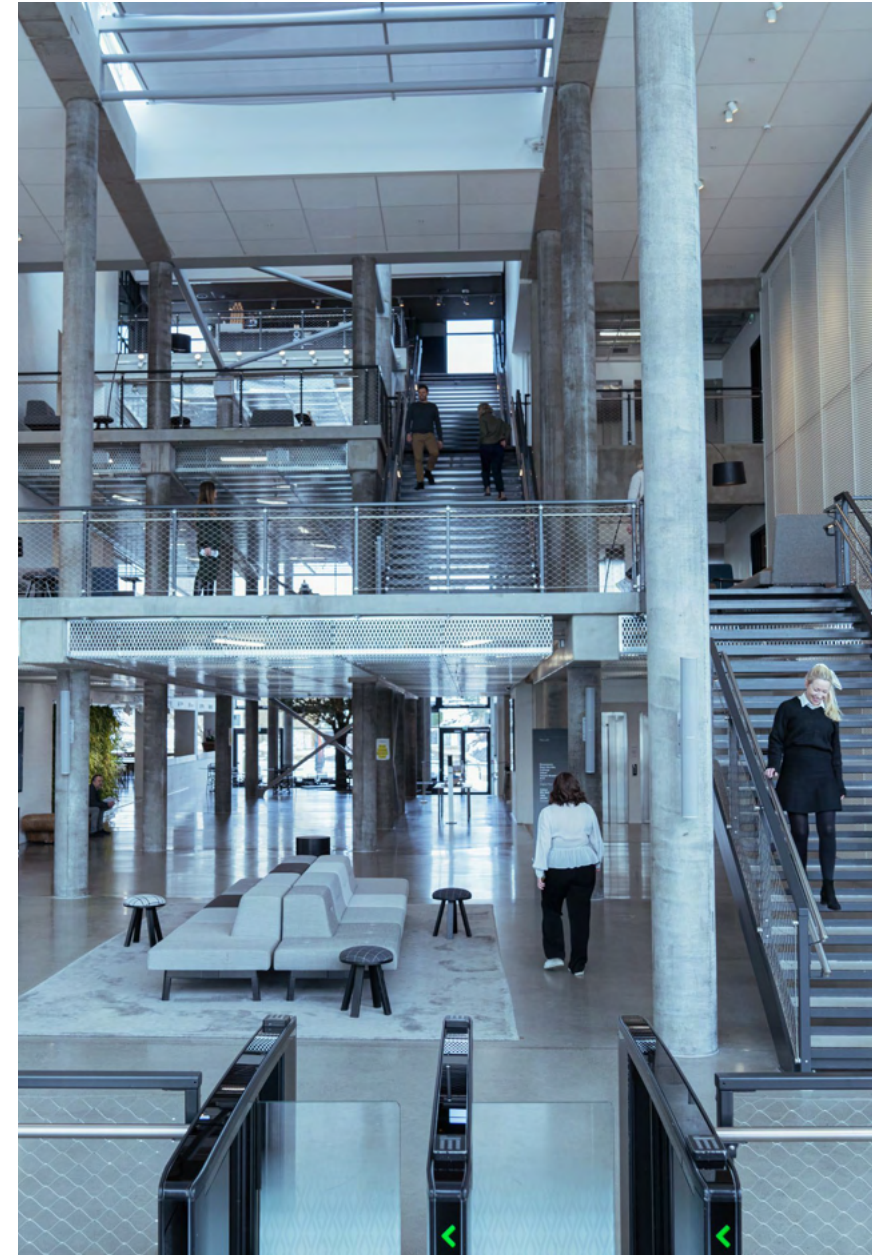
Based on the GDPR and Privacy legislation, we do not have a full overview of the Trade Union membership since this is not monitored or tracked. Employees have the freedom to choose to inform their employer.

### **Employee benefits**

In the Nordic countries, several of our units and companies are bound by collective bargaining agreements. These agreements set clear guidelines for both pay and benefits. Based on this, all our store employees have the same pay and working conditions in line with the associated collective agreement. The Nordic countries do not have a general statutory minimum wage. The principles for salary adjustment and revision in the Nordic countries follow the same collective bargaining agreements and Salary Policy, implemented in 2023.

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

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





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

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

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

Parental leave	Female	Male
Employees that took parental leave	530	87
Returned to work in the reporting period after parental leave ended	226	33
Returned to work after parental leave ended and were still employed 12 months after their return	128	23

### 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.

Our notice period is meant to ensure enough time to recruit successors, time for training and competence transfer between the new employee and the employee leaving the company. In addition to the notice period set by Varner, we follow the local legislation, in terms of notice period due to age and seniority. In situations where an employee is made redundant, and does not resign themselves, the notice period will 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 or organisational 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 notification deadlines according to local legislation. In cases of temporary leave, we always follow the applicable legislation and our HR policies and procedures.

Our general terms for providers of external personnel include clauses related to working conditions and labour act. 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.

### Employee turnover in 2023

In total, 27 stores were permanently closed in Norway. In Finland a total of 14 stores were closed, and 18 in Sweden. The total turnover in our Nordic market has been 38 percent in 2023. This is based on the share of employees who have left the companies and includes part- and



full-time employees and employees absent due to illness or temporary leave but excludes employees who have changed position internally in each country.

See our overview of new hires and turnover in 2023 in the [appendix](#).

In connection with employees leaving, the HR department sends out a voluntary exit survey where the employees can provide feedback on their experiences from the employment relationship. As of November, 625 employees have provided feedback, and we see that the majority of those who responded to the survey say that they will choose another profession or start studies when they leave one of our companies.

## Developing our people

We regard training and education as important factors in retaining and developing our workforce, and we are proud of our large share of longtime employees.

We recognize the need to keep our valued talents up-to-date and motivated in terms of their knowledge and abilities, in addition to making sure that our young first-time workers receive basic training and a good introduction to their professional life.

In addition to this, the purpose of our training is to secure our business goals, a healthy bottom line and a strong, positive company culture based on our core values.

In a normal year, the average training per employee is estimated at 10 hours per employee and approximately 22 hours per manager (the average is the same for male and female employees and managers). In 2023 the average per employee was 11 hours and per manager, 24 hours. The increase is linked to the implementation of our new digital platform for Point of Sales and basic digital management introductions.

Our digital learning platform is our main source for basic training for all store employees. The content is easy to access for our employees and easy to update. The platform also provides weekly news, digital live events, and kick-offs.



In 2023, we have had an extra focus on developing our people and we will particularly emphasize the following:

- Leadership development and introduction of our Leadership Building Blocks with Face-to-Face Training and individual development plans/activities.
- A new onboarding process for new Store Managers in all countries.
- Basic skills and competencies - Digital training in combination with On-the-Job Training.
- A new way of working in all stores with a new Point of Sales system.
- Brand-specific trainee programs.
- Core values and culture focus with updated on-boarding procedure for new employees.



## Performance and career development reviews

We have developed a routine and template for development reviews and dialogue between employee and manager in 2023. The routine is that employees have regular feedback and performance talks yearly. This contributes to career opportunities and internal mobility.

In 2023 we have also introduced and tested a new approach of reviews and follow-up in parts of the organisation. This will be further developed in 2024.

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

## Programs for upgrading employee and management skills

We believe that investing in our employees' training and development is key to creating a dynamic and innovative work environment. That is why we in 2023 have introduced a range of webinar-based management training for our new Store Managers in all countries. The webinar trainings are held by our HR teams in Norway, Sweden, and Finland every month. In 2023, we have also developed topic-specific digital training for our Store Managers to ensure that they are up to date on new legal requirements and yearly tasks.

All new employees at our service office which is our main office, complete a 2-hour introduction to Varner's culture and values as a part of the onboarding. All store employees are introduced to our values and culture through a video available on our digital communication platform as a part of the onboarding.

In 2023, we have defined and developed our leadership principles and introduced a new model for leadership, Varner Leadership Building Blocks, as an addition to our core values. Our purpose is to further strengthen our culture and values through our leadership. The "Building Blocks" are used as a tool in our leadership training and everyday life as leaders.

In 2023, we have conducted several physical training courses for managers in stores, at supply chain and our Service offices, in addition to our Global Production. This training is designed to help our managers develop the skills and knowledge they need to succeed in their roles and drive our business forward, in addition to being introduced to Varner Leadership Building Blocks.

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

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

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

## Digital training

As an addition to the daily and weekly development through leadership, on-the-job training, mentoring and teamwork, our digital learning platform, Motimate, is our primary source of training available for our Sales Advisors / store employees.

By the year-end 2023, almost 8 500 employees were registered as active users of our digital learning platform and used this for training and communication. Almost 145 000 digital courses were completed in the period, with an average of 17 digital courses per employee. Approximately 10% (14 500 courses) of the completed digital learning content is related to health and safety, compliance, and sustainability. The majority (approximately 130 000 courses) of the digital training content is related to product knowledge, sales and customer service, store routines and management training. The figures referred to apply to active employees by the year end 2023.

Digital training (Motimate)	
Total number of employees* who have completed one or more trainings	8 409
Total number of courses completed	144 171
Average number of courses completed per employee and manager using the platform	17
Average time spent on training per employee using the platform (25 minutes per course)	7 hours
Average rating of all courses	4.7 (out of 5)
*Approximately 24% of these employees are managers (Country Manager, Regional Manager, Visual Manager, Store Manager)	
*The figures apply to active employees as of 31.12.2023	

Our digital learning platform facilitates onboarding and competence development to make sure that employees become familiar with our internal systems and perform work tasks. The 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 and the employees can complete training during 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

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

In 2023, more than 4 000 digital courses related to sustainability were completed by newly hired managers and employees.

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

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

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

Sustainability trainings at the service office and Global production offices <sup>59</sup>		
Training type	Number of courses taken	Total hours spent <sup>60</sup>
General Sustainability Training <sup>61</sup>	566	868
Quality Assurance related training	283	471
CSR related training	86	192.5
Environmental related training	143	303
<b>Total</b>	<b>1 078</b>	<b>1 834.5</b>
Average hours of sustainability training per employee		4

Sustainability themed digital trainings <sup>62</sup>	
Training	Completed training sessions <sup>63</sup>
Basic material training	2 059
Sustainability – Environment and CSR	2 031
<b>Total</b>	<b>4 090</b>

59 Gender indicator removed compared to the 2022 report, as this table is no longer used to report on GRI 414.

60 Total hours are approximate.

61 Rephrased from "Sustainability intro courses" in the 2022 report, to include more types of general sustainability trainings.

62 Fewer trainings are included in the table compared to the 2022 report, to reflect trainings managed by the Sustainability Department.

63 Due to tracking capabilities, this data only reflects trainings completed in 2023 by employees employed in Varner by 31.12.2023.





## A safe and healthy workplace

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

We are committed to continuously improving working conditions, with a focus on both the physical working environment and psychosocial aspects. This applies to all employees in all countries of operations. Furthermore, we are committed to respecting and following the applicable rules and regulations related to Occupational Health and Safety in the countries.

We believe that the development of a safe and sound working environment must happen in close cooperation between employees, their representatives and management. We have established working environment councils at all offices, our warehouse/Distribution Centre, and stores where this is required by local legislation. These councils are important entities that ensure and monitor applicable regulations related to the work environment. They prepare and conduct risk assessments, and efforts to address and prevent risk in the workplace. Training is normally provided for new council members annually.

Work-related injuries are recorded and addressed by the working environment councils. The councils

are comprised of an equal number of members from employee and management levels. The worker representatives are normally elected for 2-year periods. At our distribution centre in Sweden all incidents are reported and managed in our incident and accident system (IA-system).

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

In 2023, in total 73 recordable work-related injuries and zero high-consequence related injuries have been reported throughout all countries in Varner, this includes our Global Production Offices. The main causes of work-related injuries for store employees in our operations have been related to falls, cuts, falling goods and physical exertion when for example, lifting heavy boxes. 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 the work environment authority when relevant.

In our Global production offices, there has been 1 recordable work-related injury in 2023. This was related to travelling to factories. The identified risks at our Global production offices are related to travelling to factories and lifting heavy boxes.

Our Distribution Centre has a high degree of automation. Risk assessments have been carried out and three main risk areas have been identified: automated robots, machine operations, and workstations. All identified risks have been evaluated and action plans and/or routines have been established. At our Distribution Centre, the statistics show the following recurring

hazards and work-related injuries: falls, cuts, falling goods, lifting heavy boxes, crush injuries, collisions.

Based on risk assessment results, we have revised and further strengthened our internal emergency work in the Nordic countries in 2023. The Security Department has conducted 50 physical safety courses in the stores, in addition to revising the online security training. All store employees are required to complete the online security training each year.

We comply with national obligations related 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, and Iceland follow the applicable requirements and regulations of the Working Environment Act and Health and 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 organisation 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.



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

Local government conducts audits throughout the year, both announced and unannounced inspections. There is no centralized tracking of this. In addition, an external audit in relation to assessment of HIGG was conducted in 2023.

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

All stores and offices in all countries are responsible for daily prevention and identification of potential risks. In addition to this, all stores have a regional safety representative who is responsible for ensuring a safe work environment and conditions. All employees have the possibility to contact their local safety representatives. The employer is responsible for ensuring that all companies have safety representatives in each region. The safety representative receives proper training, in line with local regulations.

At least twice a year, the safety representatives take part in our work environment committee meetings to ensure the interests of our employees. It is the companies that maintain the meeting

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

structure for safety representatives. Safety representatives have the legal right to complain about deficiencies, if a deficiency is serious, they have the right to stop operations until it has been remedied.

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

### Promotion of worker health

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

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

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

During the year 2023, our Vänersborg Employee Club at the Distribution Centre has been further developed. Our ambition with the Employee Club is to 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. During the year, the attendance at the workout sessions has increased. Our fitness centre has been upgraded with new equipment in 2023 and this is accessible for all employees. Besides the obvious health benefits for the participants, the training

facility and Employee Club have also served as social activities at the workplace, creating and solidifying relations between employees.

Our ambition is to reach as many of our employees as possible, making exercising more accessible and fun. We will continue this focus during 2024 and hopefully succeed in attracting more participants to the joint workout sessions. Through the Employee Club, our employees have also been given the opportunity to participate in two running races throughout the year.

### 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 take part 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 all countries. In Türkiye and Hong Kong, we have several employees who are certified in first aid training. In Norway, there is an additional internal training related to HSE.



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

# Circular & climate conscious

**73%**

The total use of preferred fibres

**51%**

Of the polyester we use is recycled

**55%**

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

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 and Climate Conscious' for Varnier is to transition from linearity to circularity, to contribute towards limiting global warming as per the Paris climate agreement, to shift from conventional to preferred fibres, 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 both the planet and people and that is what we want to ensure with our products through our Preferred Fibre policy and Hazardous Chemical policies. Setting quality requirements helps to keep products in the loop as long as possible by improving durability.

By using recycled fibres and materials in our products we aim to participate in the increase of demand for recycled input materials and reduce the demand on virgin raw materials. Through our partnership with Fretex we have established a channel for allowing second-hand use or recycling of our goods.

'Circular and Climate Conscious' is at the centre of our approach towards climate action and environmental sustainability. We are focusing on measuring and reducing the climate footprint in our own organisation, 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 the efficient use of resources, a 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.

We have continued supplier trainings in local languages in 2023 for key subject matters. In addition to the onboarding training for new suppliers, we conduct annual supplier training to strengthen the understanding of our requirements and policies stated in our Supplier Manual and knowledge in areas such as quality assurance, product safety, chemicals in production and our framework for working with the environment.

Supplier Training Overview			
Training Topic	Number of Sessions	Avg. Training Time per Session	Total Participants for all Sessions
Varner Manual 2023 QA section	33	110 min	447
Onboarding training	3	100 min	20
Sust. materials and procedures	8	93 min	64
Higg FEM Training	6	100 min	108
Varner Manual 2023 Environment Section Training	14	103 min	196
LCA training	6	108 min	41



## Sustainable materials and preferred fibres

Most of the materials used in fashion and the textile industry are linked to agriculture, forestry, and oil production. Therefore, there are several risks connected to the use of fibres in the production of materials. In agriculture, negative impact such as loss of biodiversity, water, wages, and human rights are some of the potential and adverse risks. For fibres that derive from forests, deforestation and loss of biodiversity are the main risks; and for synthetic fibres CO<sub>2</sub>e emissions and microfibre emissions during production and use-phase are considered risks.

Varner's goal by the end of 2025 is that 100% of our sourced fibres are considered preferred fibres<sup>64</sup>.

Using preferred fibres, and having a focus on certified fibres, are some of the measures that we take to reduce negative and adverse impacts from the use of fibres. By changing to preferred fibres and using different certifications and commodities, we can address negative impacts such as soil health, CO<sub>2</sub>e emissions, biodiversity, water, and breaches to human rights and can have the opportunity to address climate change and participate in mitigating some of the most serious impacts. Varner is certified to the Organic Content Standard, the Global Recycled Standard, the Recycled Claim Standard, the Responsible Wool Standard, the Responsible Down Standard and the Global Organic Textile Standard.



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

Varner also voluntarily reports, for our own production, into The Material Benchmark, led by Textile Exchange. The Material Benchmark tracks the uptake of preferred materials, as well as how companies address areas like circularity, biodiversity, land, freshwater, and forests. Textile Exchange publishes the results of the benchmark in the Material Change Index, which showcases the performance of companies that

have chosen to participate. Alongside it, the Climate+ dashboard provides insights into the impacts against their Climate+ target. In 2023 the methodology and requirements for the reporting changed, as did the scoring system. Varner has in 2023 achieved the level 3- scaling, which states that Varner has a materials strategy, which is integrated and well resourced, with clear evidence of acceleration and scale. Varner's strategy is aligned with Global Goals, and Textile Exchange Climate+ goals and targets set.

### Material and product risk assessment

Building on our risk assessment conducted in 2022 for all main fibres used by Varner, we continued to monitor and manage potential adverse impacts associated with material sourcing throughout 2023. While no significant adjustments were made this year on fibre risk assessment, we remain committed to identifying and mitigating risks. In 2023 we expanded our risk assessment beyond main fibres to include product use and end-of-life, taking a more comprehensive approach to product sustainability. The risks identified from this exercise are addressed through our use of certified materials, policies, use of preferred fibres and our goal to have traceable materials. The risk assessment process is described in its dedicated chapter.

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

## Our use of fibres

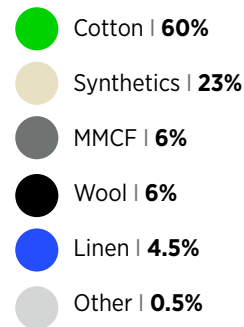
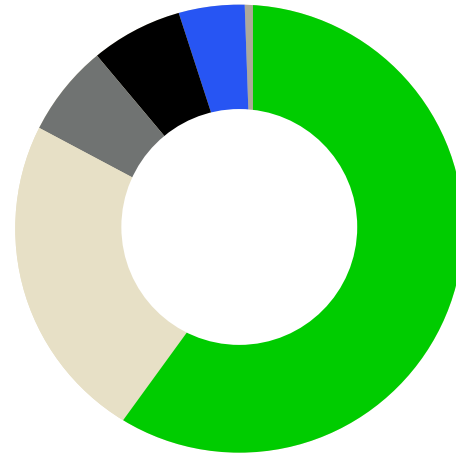
The fibre distribution in 2023 remains as per previous years. However, we can mention a reduction in the share of synthetic fibres by 2% and an increase in the use of linen fibres that now stands at 4.5% of our total usage of fibre. The total volume of fibre we sourced has decreased by 36% compared to the 2022 level, while our use of preferred fibres increased by 5% and is now 73% in total.

## Cotton

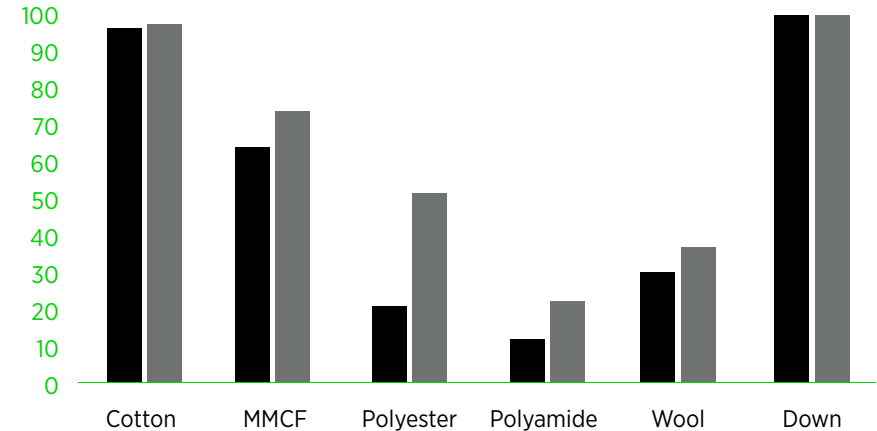
Cotton is our main fibre and makes up 60% in weight of the total use of fibres at Varner. As cotton is very much linked to the agricultural sector, it is a sector that faces many social, economic, and environmental challenges. Varner addresses these challenges through our dedicated sourcing of preferred cotton. Varner brands are continuing to work toward using cotton with less impact on the environment, which takes both soil health, biodiversity, and the working conditions for the farmers into consideration.

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

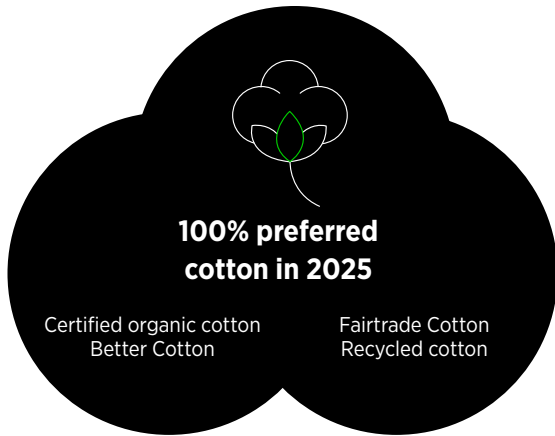
Fibre distribution 2023



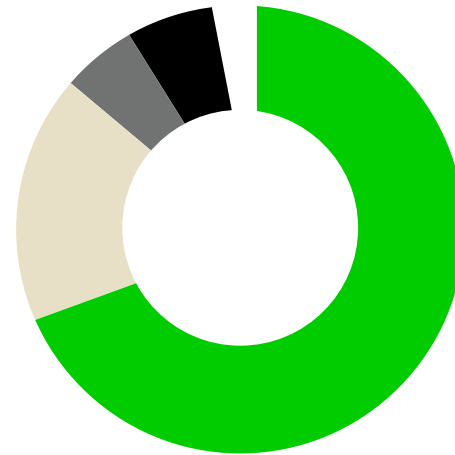
Progress of preferred fibre share per fiber group



**Varner commitments**



**Cotton distribution 2023**



- Better Cotton | **71%**
- Certified organic | **17%**
- Fairtrade | **5%**
- Conventional | **4%**
- Recycled | **3%**

**Varner has a** clear policy of where we do not permit our cotton to be sourced from, banning cotton from Uzbekistan, Turkmenistan, and the Xinjiang region due to the proven violation of human rights in the cotton sector in these regions. This is clearly communicated to our suppliers and traceability information must be declared, including the country of origin of the cotton, in the Process Mapping Form that suppliers are required to fill in for each order.

All Varner brands have signed both the Turkmen and the Uzbek cotton pledge: Turkmen Cotton Pledge; Uzbek Cotton Pledge. A statement on the situation in the XUAR region and how we have worked on stopping the cotton sourcing from Xinjiang can be found [here](#).

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

[Turkmen Cotton Pledge](#)

[Uzbek Cotton Pledge](#)

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





## **Supima**

Supima is an American-grown, extra-long staple cotton. It is a high-quality cotton fibre which ensures that the final product will have a longer lifetime and less pilling. For some of the Varnier 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 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 know the country of origin of the cotton. Now, Supima is also offering brands full traceability of their fibres with the launch of their new traceability platform in cooperation with the fibre forward traceability actor Textile Genesis. 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.

### **Certified organic cotton**

GOTS (Global Organic Textile Standard) and the Organic Content Standard (OCS) are the two certification schemes that we commit to. For OCS and GOTS certified organic cotton the known sourcing countries for 2023 were India, China, Kazakhstan, Kyrgyzstan, Tajikistan, Tanzania, and Türkiye.

### **The Organic Content Standard (OCS)**

The Organic Content Standard (OCS), owned by Textile Exchange, aims to increase organic agricultural production. It is a voluntary global standard that sets the criteria for third-party certification of organic materials and chain of custody. From August 2023 mandatory information on country of origin of the cotton fibre is now visible on the received transaction certificate for the brands.

### **The Global Organic Textile Standard (GOTS)**

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

### **Better Cotton**

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

“ Almost 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. Their ambitious 2030 strategy aims to embed sustainable farming practices and policies so that on cotton farms the soil is healthy and land, water and other resources are managed for the good of local communities and the planet. They also will focus on enhancing the well-being and economic development of cotton farmers by helping to make cotton farming economically viable for them and their communities, with improved working conditions, good health prospects and a better quality of life. The aim is to drive the global demand for sustainable cotton throughout its complex supply chains, by making more sustainable cotton the preferred choice for growers and buyers. Better Cotton has listed 5 impact targets that they will work towards: climate change, soil health, pesticide use, small-holder livelihoods and women's empowerment.

Varner has been a Better Cotton member since 2016 and in 2023 we sourced 7514 MT. Due to a general decrease in order volumes for 2023, this is an expected decrease. 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. In 2024 traceable Better Cotton will be available for sourcing.

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

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



## Fairtrade

Varner has a long-term commitment to source Fairtrade cotton. In 2023 three of the Varner brands could offer Fairtrade certified products, Dressmann being the biggest brand.

Millions of small-scale farmers in developing countries depend on cotton for their livelihoods. Fairtrade works to address poverty and takes a rights-based, holistic approach that emphasizes addressing root causes like improving farmers' incomes, and channelling resources so farmers can act where they see the greatest needs. The Fairtrade Minimum Price and Premium contribute to higher incomes for farming households. Farmer cooperatives can choose to spend their Fairtrade Premium in several ways, including as cash distribution to families, or building or renovating schools. The majority of the Fairtrade Premium for cotton is earned by organisations in India. The top uses of Fairtrade Premium funds by cotton producer organisations include financial services and cash payments for members and their families (30%), and social and economic services for the community (20%).

Fairtrade addresses social, economic, and environmental challenges in the cotton industry and is a valuable partner for Varner, as they contribute to positive development and compliance with social and environmental standards at the raw material level. With their presence on-the-ground they can offer a different approach and methodology to monitor compliance with social and environmental standards, than we as a company can do alone. Fairtrade International sets the Fairtrade Standards through extensive consultation with farmers, businesses, and other



Fairtrade cotton farm in India.



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

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

Farmers following the Fairtrade Standards are focusing on environmental practices covering issues such as water management. 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 grown organically, and the Fairtrade system helps farmers that wish to transition to organic farming. Due to the support of minimum price and the premium achieved for their cotton, the transition investment gap is less.

Varner Fairtrade cotton sourcing for 2023 comes from the Indian cooperative Sungold. The Fairtrade Premium was for example invested in capacity building and infrastructure development of the farmer organisation, increased knowledge, and awareness of Fairtrade criteria for the cotton farmers, safe and clean drinking water, and support for education for girls. We also sourced some cotton from Bio Farmer ACSC in Kyrgyzstan and three cooperatives from Senegal (US-GPC de Kédougou, GIE Union Fédération Nationale des Producteurs de Coton (FNPC) de Saraya and US-GPC Dabo).

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

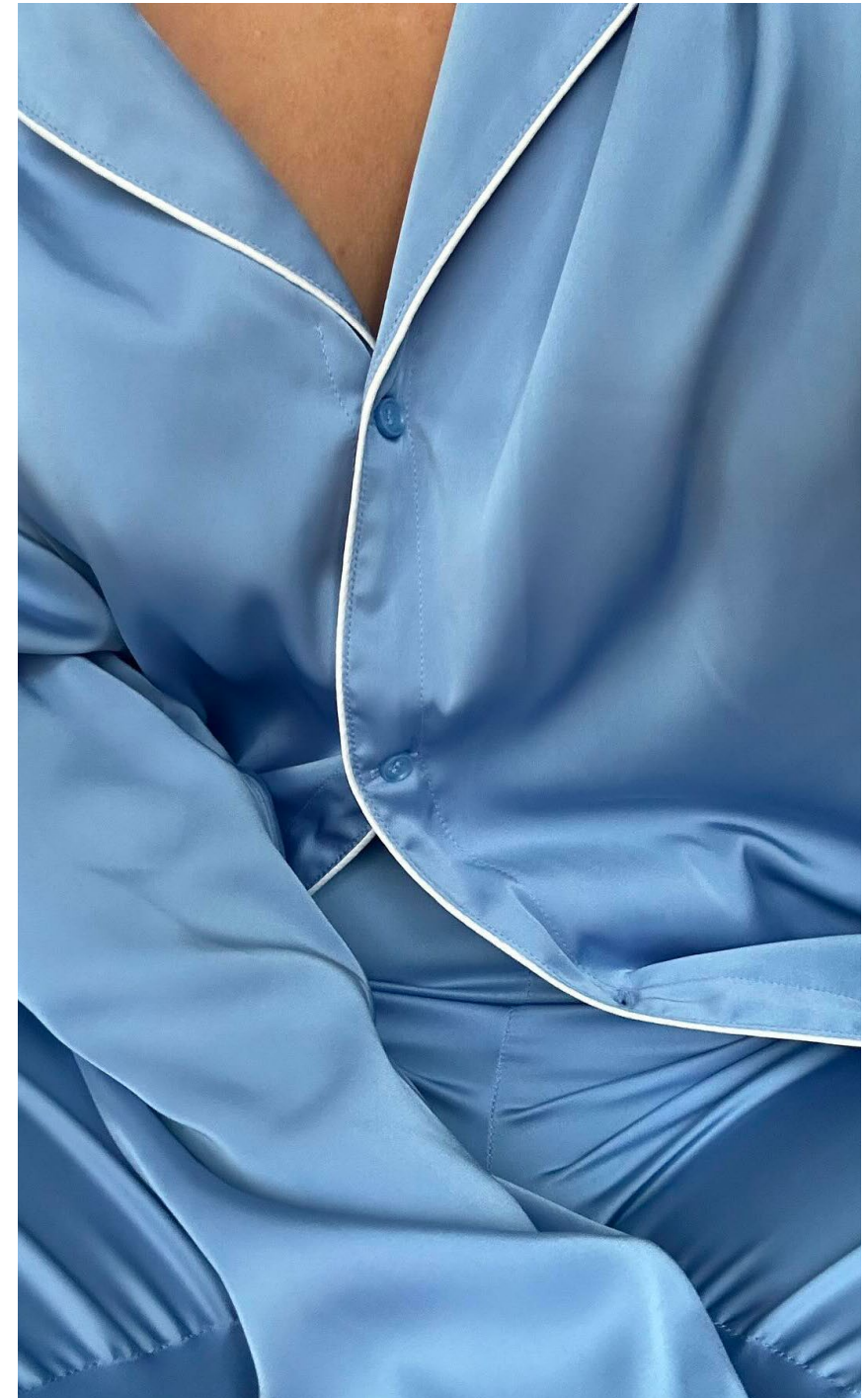
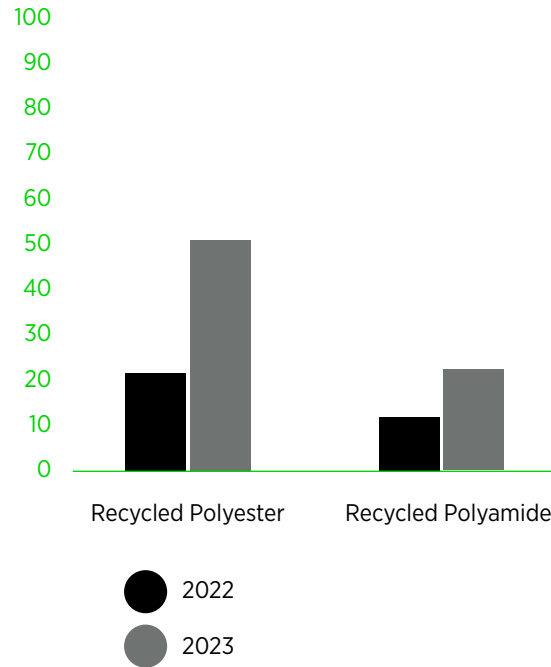
Working with Fairtrade provides a real and measurable impact at farmer level and has a positive contribution on the environment in the regions where Fairtrade cotton is produced.

### Synthetic fibres

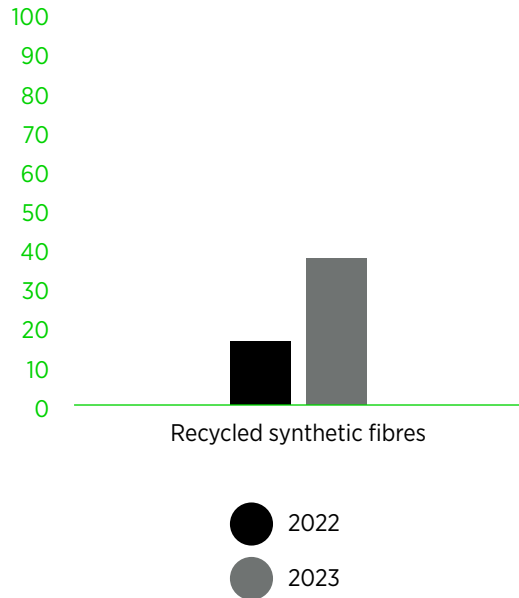
About 23% of the fibres in our portfolio are synthetic fibres. These fibres are conventionally derived from oil, a non-renewable resource, which contributes to GHG emission during extraction and processing, that is why we are committed to replace virgin synthetics with recycled options.

In 2023 we have seen our biggest increase so far in the use of recycled synthetics, where we stand now at 39% of recycled synthetics. Here is a breakdown of the progress for our two biggest synthetics fibres polyester and polyamide.

**Preferred synthetics distribution**



**Progress of preferred synthetics**



In 2023 we also committed to using the eTrackit tool from Textile Exchange and TextileGenesis™ to track our Global Standard Recycled (GRS) and Recycled Claim Standard (RCS) certified products. We believe we will get more insight into our use of pre- and post-consumer recycled materials and this insight will ultimately help us scale our use of textile-to-textile recycled synthetics.

**The Recycled Polyester Challenge**

In 2021 Textile Exchange and the United Nations Framework Convention on Climate Change’s Fashion Industry Charter for Climate Action launched a joint initiative to further spur a shift in the market towards the uptake of recycled polyester (rPET) and the associated reduction in greenhouse gases (GHGs). The 2025 Recycled Polyester Challenge will serve as an important catalyst for change in the apparel and textile industry. Varner has signed the challenge and together with the apparel industry we commit to bringing the percentage of recycled polyester up from 14% to 45% at 17.1 million metric tonnes by 2025 at a global level.

**Microfibre pollution**

Synthetic fibres shed tiny plastic fragments called microfibres throughout their lifecycle, including during production, wear, and washing. These microfibres enter the environment, contaminating air, soil, and water.

Microfibres accumulate in marine ecosystems harming wildlife through ingestion, disrupting food chains, and potentially being consumed by humans. While direct human health impacts

remain under investigation, long-term exposure raises concerns. Research<sup>65</sup> suggests that textiles could contribute up to 35% of microplastic pollution, potentially affecting us indirectly.

Despite the lack of industry standards for measuring microfibre release, we actively stay informed of advancements and regulations. While a better solution awaits, we prioritize eliminating hazardous chemicals from our products, minimizing risks associated with microfibre breakdown (see part Safe products and chemicals).

**MMCF**

Man-made cellulosic and wood-based materials make up 6% of Varner’s total fibre consumption. While MMC fibres are derived from the renewable resource of wood pulp, their production can contribute to deforestation and pollution due to unsustainable forestry practices and harsh chemical processing. The world’s ancient and endangered forests, which are an important habitat for several endangered species and biodiversity, are threatened and need to be conserved for coming generations. To manage the risks in the man-made cellulosic fibre supply chain, and protect biodiversity, Varner has teamed up with CanopyStyle.

65 [Microplastics from textiles: towards a circular economy for textiles in Europe — European Environment Agency \(europa.eu\)](https://www.europlastic.com/en/microplastics-from-textiles-towards-a-circular-economy-for-textiles-in-europe)



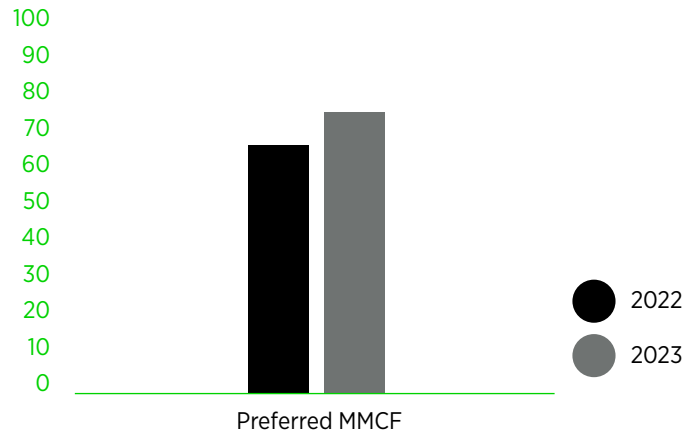
Varner is committed to protecting the world's forests through our approach to procurement of pulp, paper, packaging, and fabrics. This includes materials such as viscose, modal, and Lyocell in addition to paper packaging materials. The policy is publicly available on the [Varner website](#).

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

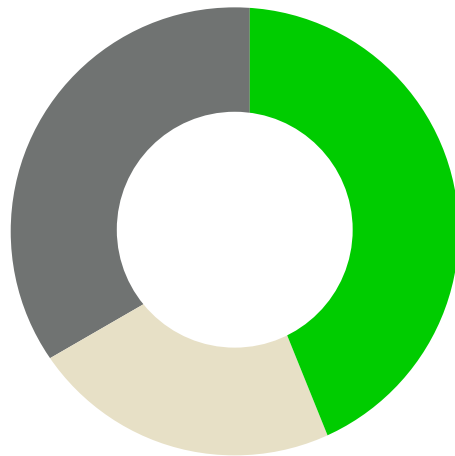
In 2023 we strengthened our internal policy by partnering with TextileGenesis™ to track our MMCF materials across the supply chain. The use of the TextileGenesis™ platform will help us verify that the MMCF we are sourcing really come from greenshirt suppliers and help us manage the risks linked with MMCF sourcing. During the year we onboarded and trained suppliers representing 80% of our MMCF volumes. Our goal is that by the end of 2024 all MMCF in our main materials will be tracked on the TextileGenesis™ platform.

In 2023 we kept our focus on Lenzing fibre for Modal and Lyocell, where most of the fibres are now Tencel™ fibres. Regarding Viscose, the share of Livaeco™ from Birla increased compared to the previous year allowing us to reduce the quantity of conventional viscose to 43%. As a consequence, the share of our preferred MMC fibres is 74%.

**Progress of preferred MMCF**

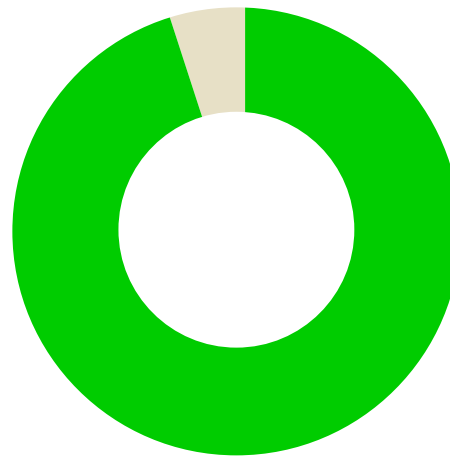


**Viscose distribution**



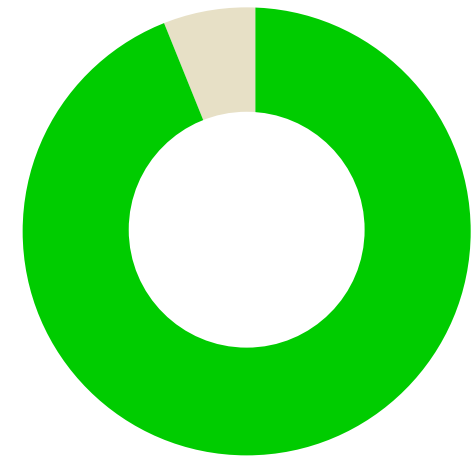
- Preferred Viscose EcoVero™ | **45%**
- Preferred Viscose Livaeco™ | **23%**
- Conventional Viscose | **34%**

**Modal distribution**



- Preferred Modal Tencel™ | **95%**
- Conventional Modal | **5%**

**Lyocell distribution**



- Lyocell Tencel™ | **94%**
- Conventional Lyocell | **6%**

## Animal fibres

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

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

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

## Responsible Animal Standard

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



The Responsible Wool Standard aims to improve the welfare of sheep and the land they graze on and is the most used standard for Varner under the Responsible Animal Fiber (RAF) framework. The Responsible Wool Standard (RWS) requires all sites, from wool farmers to the seller in the final business-to-business transaction, to be certified. RWS farmers and ranchers must meet animal welfare, land management, and social requirements. Varner has been committed to the Responsible Wool Standard since its launch. 2019 was our first RWS sourcing year and during that year we purchased 15% of our wool from Responsible Wool Standard certified sources. In 2023 33% of our wool was RWS certified, including a small portion of Responsible Mohair Standard certified mohair. This is an increase of 3% from 2022. Sourcing countries for Responsible Wool Standard certified products were in 2023 Argentina, Australia, New Zealand, Republic of South-Africa, Peru, 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 do not 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 organisations leading the way. The standard also gives companies and consumers a way to know what is in the products they buy. Varner has a strong focus on animal welfare, and we have achieved our goal of sourcing 100% Responsible Down Standard certified down and feathers since 2015. In 2023 we sourced our Responsible Down certified down from China, more than 95% of the volume of feather and down come from the Shandong Sheng region and a minor part from Guangxi Zhuangzu Zizhiqu. Read more about the Responsible Down Standard [here](#).

## Recycled materials

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

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

In 2023 we had an overall increase in the use of recycled fibres, we increased from 6% to 10%, mainly due to the increased focus of sourcing recycled synthetics.



Recycled fibres- ready for spinning process.

By signing the 2025 Recycled Polyester Challenge we wish to drive the demand and contribute to capacity scaling of recycling facilities. We consider the amounts of recycled materials in a product compared to the durability and quality needed for a long and useful product life.

## 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. While we use many third-party certified products where the certified material itself is traceable, complete supply chain information often remains opaque to brands like us.

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

Last year we had a pilot with the traceability platform TextileGenesis™ and we decide this year to continue our collaboration further and start rolling out the use of their technology for all our MMCF fibres, our Fairtrade Cotton fibres, and all Textile Exchange Standards as soon as they will be available on eTrackit. More details about the progress with TextileGenesis™ are available in the MMCF and recycled synthetics section.



Thanks to our progress in using preferred fibres this year, we achieved traceability for 40%<sup>66</sup> of our produced pieces and 36% of our styles. This means we can track the certified or branded material and production stages for these products. Even though these fibres are tracked by a robust chain of custody, as an end brand we currently lack complete visibility into each production step since most certifications do not disclose the entirety of the supply chain to the brands. But our partnership with TextileGenesis™ will soon unlock this deeper level of traceability and allow us to see each production step connected to our preferred fibres tracked on the platform. TextileGenesis™ provides visibility of all suppliers, processes, and sites within the supply chain, going above and beyond certification.

### Preferred product packaging

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

In 2023 all our woven labels and tags were sourced through one nominated supplier<sup>67</sup>. Based on data received from our nominated supplier, 100% of the paper materials are FSC

## “ Transparency is crucial for identifying and mitigating risks in our supply chain.

certified, including 27% of FSC recycled material. 97% of all woven labels were made with recycled materials.

The bags that we sell to the end consumers are 99.9% paper bags and 0.1% are plastic bags. 100% of the plastic bags are made from post-consumer recycled plastic and 100% of the paper bags are FSC certified.

For other types of product packaging, we started to add the different packaging materials we use to our Material Library in 2023, and we started collecting the quantity of different packaging materials we use from our suppliers. Thanks to these new routines we aim to improve our overview of the volume of our paper product packaging.



66 Restatement of information: We identified an issue with our data collection methods last year, which resulted in misreporting the percentage of traceable pieces as 19%, after a review of our calculation we determined that the real figure was 32%.

67 With the exception of some branded fibre hangtags that must be sourced through the Branded fibre supplier, and one quality of paper that could not be delivered by our nominated supplier representing less than 0.3% of the total volume.

## Products and quality

Varner wishes to meet the customer's expected quality level for the goods that we produce and minimize the risk of claims and potential waste.

To ensure the quality level, clear quality requirements are set with our suppliers, communicated through the Varner Supplier Manual and the yearly supplier training. The quality requirements are reviewed on an annual basis. Customer feedback, claims rates, and test results are used to strengthen the requirements and the follow-up processes.

In 2023 Varner started with systematic risk assessment during the development of the styles of the season. The activity has been performed occasionally before but is now strengthened by setting a fixed routine and a systematic approach. This is a cooperation between the Quality Assurance Specialists and the Merchandisers in our global production offices.

We have in-house labs in all our main production offices where we can conduct quality tests as part of the risk assessment. In addition, Varner also performs quality tests in accredited 3<sup>rd</sup> party labs. The aim of the mentioned measures is to highlight potential risks in terms of quality at an early stage and communicate these risks to the manufacturer to avoid potential problems during the production of the garment. Varner also has a team of Quality Controllers who

“ Varner works systematically to ensure safe end products.

check the quality during and after production, to ensure that the produced goods meets Varner requirements.

In 2023, 153 test reports were conducted in our in-house labs, and 24 149 individual tests were conducted in 3<sup>rd</sup> party laboratories. This is a decrease compared with the year before but can be explained by the decrease in orders placed in 2023.

### Safe products and chemicals

Varner works systematically to ensure safe end products. A safe product fulfils legal requirements, best practises, and voluntary standards. All products are assessed during the design process for both potential quality, safety and chemical risks and need to pass applicable tests before the products can be placed on the market. In the event we find one of our products to be unsafe we have a procedure to handle it. There were no incidents of non-conformance against legal requirements for 2023.

Through our partnership with ZDHC and their tools we are further ensuring safer products in production in relation to chemicals. More details on our engagement with ZDHC can be found in the [chemical management section](#).

### Chemical testing and restricted substances list

To ensure conformity with legal requirements and Varner's quality and chemical requirements we cooperate with accredited 3<sup>rd</sup> party labs that perform both chemical and quality testing of our products according to Varner's test protocol. The requirements and chemical policy are stated in the Varner Supplier manual, which suppliers need to sign upon establishment of cooperation. A part of the supplier manual is the chemical requirements, stated in our RSL



(Restricted Substances List), that fulfils the legal requirements, and our own stricter requirements. The Varner RSL is updated annually and is publicly available on the [Varner website](#). Suppliers certified to Oeko-Tex will have fewer testing requirements for chemicals as we consider Oeko-Tex certified suppliers to have a lower risk of using unwanted chemicals.

A supplier cannot ship a product that has a chemical test failure. If a supplier has a chemical test failure we follow the Varner chemical failure procedure, with the aim to find the root cause of the failure and prevent it from happening again. This is done by communicating with the supplier and together setting a Corrective Action Plan and following up on decided actions. We made 9 220 chemical tests in 2023 with a failure rate of 0.61%. None of the failed products were placed on the market.

### Child safety

Children and baby products should never pose a safety concern. Varner designs and develops children's clothing in line with European Standards and guidelines such as EN14682 and common commercial standards. Employees that design baby and children's clothing need to undergo mandatory training in child safety. New children's designs must undergo a risk assessment conducted by a Varner Quality Assurance Specialist to evaluate potential risks with the new design based on the child safety standard, as well as considering a child's way of playing.

## Waste

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

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

Another waste fraction that we report on is our operational waste from the distribution centre and the Service Office. Through our Environment Management System, we monitor, measure, and follow up the waste generated. Varner's aim is not to increase waste creation per full-time employee compared to the 2019 level. The waste fractions are collected and handled by third-party waste collectors that will handle the waste according to the regulation in Norway and Sweden, including recycling of the fractions that have a recycling option.

The packaging waste generated by Varner brands is handled and put into a return system through approved return companies. As a member of Grønt Punkt Norge, FTI in Sweden and Rinki in Finland we take statutory producer responsibility for all packaging materials. Varner has a responsibility to ensure that the packaging does not burden the environment more than needed and through the memberships in the approved return companies for packaging we contribute to financing the return system. The approved return companies provide Varner with packaging waste data. The packaging waste data does not include customers' disposal of packaging waste. We are not able to track if customers recycle their packaging waste or not. That being said, all of our main markets have well developed collection and recycling systems for household waste.

For textiles we are awaiting the producer responsibility regulation expected in the EU and Norway in the coming years that will give direction for how to handle textiles at the end of the lifespan.



## Textiles and textile waste

To be able to reach our goal that in 2030 30% of Varner's textile waste from Tier 1 production facilities will be put into channels for recycling or repurposing, we are highly dependent on close cooperation with our suppliers. In 2023 we have mapped how our suppliers are currently handling the production waste from their facilities to look for opportunities for collaboration. We have also been in contact with commercial companies that currently provide textile recycling in the production countries where we are present. There are possibilities of putting our waste into recycling streams, but there are also challenges to overcome as the recycling industry is not yet very commercial or mature. Our main challenge is that in a global perspective, the waste volume that we offer is considered quite low. Recycling facilities are dependent on high volumes with consistent quality. There are limitations in colours and fibre composition. From the supplier perspective, there are variations in the understanding of the environmental distress that unhandled textile waste can cause. An obstacle on the practical side of this issue is how to manage sorting and storage of waste during production. We do have suppliers that are willing to cooperate in such a project and we will continue the good discussions in 2024.

Although we did not manage to progress on this goal and start a recycling project in 2023, we have done research and believe we will manage to start a recycling project during 2024.

## Policy for unsold goods

Varner's policy for unsold goods states that we as a company do not want to contribute to the growth of landfill or incineration of goods that could be of use elsewhere.

As a circular model aims to eliminate waste our policy is that no garment should be incinerated, but donated, if the product does not pose any hazard to human beings or the environment. We define surplus goods as goods that we do not sell through our own channels. Goods in our warehouse are still considered as inventory for use.

139 tonnes of Varner surplus goods or defective goods were diverted to recycling and/or reuse through our donation to Fretex and its partners in 2023. This is a slight increase from 102 tonnes in 2022 that was an all-time low since we started tracking this in 2017.

Any surplus and/or defective goods are donated to Fretex and their partners to be re-utilized, re-used or as feedstock for recycled materials. As a last resort, garments are used for energy production. Whenever the situation arises where products cannot be sold due to not meeting safety requirements and potentially posing a risk to health or the environment, the goods are destroyed.

In 2023, 2.5 tonnes of goods were sent for destruction, which is a big decrease from 2022. The main reason for destruction were cases of received wet and mouldy garments which would pose a potential health risk for the user. According to our partners handling the goods, these were sent for incineration with energy

recovery. Such goods cannot legally be put on the market as they pose a risk towards the consumer and must be destroyed. This gives a percentage of 99.8% that went into streams for reuse/recycling/ upcycling/repurposing.

## Web orders

As an increasing portion of our sales are conducted through the brands' websites, questions on how we handle the goods coming in return from customers is arising.

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

### Partnership with Fretex

Varner has been in partnership with Fretex since 2012. This partnership entails that excess goods are donated to Fretex in Norway and to Myrorna in Sweden. Fretex’s main purpose is to re-utilize pre-loved clothes and textiles, to be able to give clothes to those in need and sell to consumers. 10% of the yearly proceedings go to the Salvation Army’s work. All textiles are sorted and assessed according to the waste hierarchy where the priorities lie in reuse, repair, recycle and as a final resort go to energy production.

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

A major part of the textiles Varner donates are exported to international markets such as Asia and Eastern Europe where they will be sold in second-hand stores. As export of clothing entails certain risks, one of them being textiles ending up on landfills, Varner has, through dialogue with Fretex, mapped their processes for due diligence to ensure proper handling of the risks.

Fretex’s exports are handled by Fretex International, which is owned by the Salvation Army in Sweden and by Fretex AS. Fretex International AS handles the operational work and the follow-up of the value chain for the exported textiles. Fretex focuses on long-term customer relationships

and close follow-up of the customers who buy the clothes. This is done, among other things, through visits and second and third-party audits based on the company’s Code of Conduct, which sets ethical and environmental requirements for the customers and the customers’ customers, as well as requirements for annual transparency reporting.

### Waste management and operational waste

In the distribution centre and Service Office there are bins to collect different waste fractions; cardboard, plastic, paper, metal, batteries, lamps, electronics, hazardous 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 waste collector who also provides the waste data overview.

“ Our main policy is that as much as possible should be put back into the web shops and resold.

Waste generated at the distribution centre in Sweden (tons)	
Plastic	112
Carton/cardboard	848
Pallets and other wood	99
Metal	9
Other waste *	146

\*Other waste: residual waste, paper, and electronics

The most significant difference in the waste from 2022 to 2023 is the increase in plastic waste and metal waste. One big reason is that we, in 2023, cleared out a lot of old material from the warehouse, including e-commerce bags in plastic that we do not have a need for anymore. The reason for the increase of metal waste is mainly due to waste generated from the warehouse expansion project.

The hazardous wastes at the distribution centre are listed to the right. We do not keep it in-house, we book transport directly from Stena Recycling, our partner in Sweden.

In 2023, we were able to gather the data on the recycling rate for waste from our waste management partner, Stena recycling. The recycling rate shows how much of the waste we sent to our waste management partner, actually gets recycled.

Hazardous waste at the distribution centre in Sweden	Quantity (in kg)
Oil filters	20
Absorbents, rags	26
Waste oil	38
Paint, varnish, glue waste	5

Recycling rate from waste in the distribution centre in Sweden	2023
Reuse	0%
Material recycling	79.83%
Biotreatment	0.17%
Energy recycling	19.97%
Landfill	0.03%

“ The most significant difference in the waste from 2022 to 2023 is the increase in plastic waste and metal waste.



The significant waste change in 2023 for the Service Office is related to increased food waste and electronics. This is mainly due to the increased number of events and guests in the office, coffee grounds, and plate waste from lunch. When it comes to electronics, this is due to stores closing and equipment being collected back to the Service Office before being discarded.

<b>Waste generated by the Varner Service Office Norway (tons)</b>	
*Other waste	26.63
Food waste	25.49
Grease waste (collected from kitchen)	11.00
Paper/Cardboard	9.46
Glass and metal packaging	3.21
Electronic waste	3.39
Plastic	2.22
Batteries	0.06

\*Other waste: Security shredding, unsorted waste, sand

The only hazardous waste in the Service Office is small batteries reported in the above table.

### Packaging waste

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

<b>Packaging waste</b>	
<b>Norway</b>	
Carton/cardboard	1 037
Plastics	332
Pallets	57
Other wood	1
*Other waste	0.3
<b>Sweden</b>	
Plastics	67
Carton/Cardboard:	557
<b>Finland</b>	
Carton/cardboard	252
Plastics	22

\*Other waste: EPS, glass, steel

## Environmental sustainability

Our ambition on environmental sustainability is developed with the purpose to measure, monitor, and minimize negative impact on the environment from our business in addition to complying with the 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, to identify hotspots within focus areas, develop roadmaps for priority focus areas and to reduce impact. Our focus areas include suppliers' environmental management systems, energy use and GHG emission, chemical management, water use and wastewater management. We are aligned with multiple leading industry initiatives and engage actively with our suppliers and other key stakeholders to implement measurable progress towards our ambition.

### Collaborating and aligning with industry initiatives

We are members of Cascale (formerly SAC) 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 Cascale with the goal to learn, improve and contribute simultaneously to the cause that is sustainability.

“ The Higg Facility Environmental Module (FEM) is one of the industry's most adopted tools to measure a facility's environmental performance in the value chain.

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

What we started in 2020 as a reinforced commitment towards environmental and climate actions matured further in 2023 after strengthening the roadmap by clearly defining impact areas, developing a practical framework for implementation, and anchoring the same within the organisation.

### Our approach

As a part of our current strategic plan, we have bridged over to new tools to monitor environmental practices in our supply chain. Our membership in Cascale 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 adopted tools to measure 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, and wastewater, empowering facilities to scale environmental improvements.

Since becoming a member of Cascale (formerly SAC) in 2020, we have started adopting the Higg Facility Environmental Module (FEM), developed by Cascale, as our primary tool to assess environmental performance of supplier factories parallel to environmental performance validation and remediation through our own assessments.

## Local presence

Our regional environmental experts work directly with supplier factories in our main production regions. They conduct environmental due diligence assessments, which include activities like FEM follow-up and review, onsite data and risk validation, chemical inventory review, and energy use data collection etc. They also provide capacity building activities like training, risk identification, and improvement action plan support, helping suppliers improve their FEM data quality and performance.

Beyond supplier engagement, our regional team actively collaborates with stakeholders like peer brands and industry initiatives. We also participate in industry initiatives such as the STICA working group to drive collective action on sustainability within our sector.

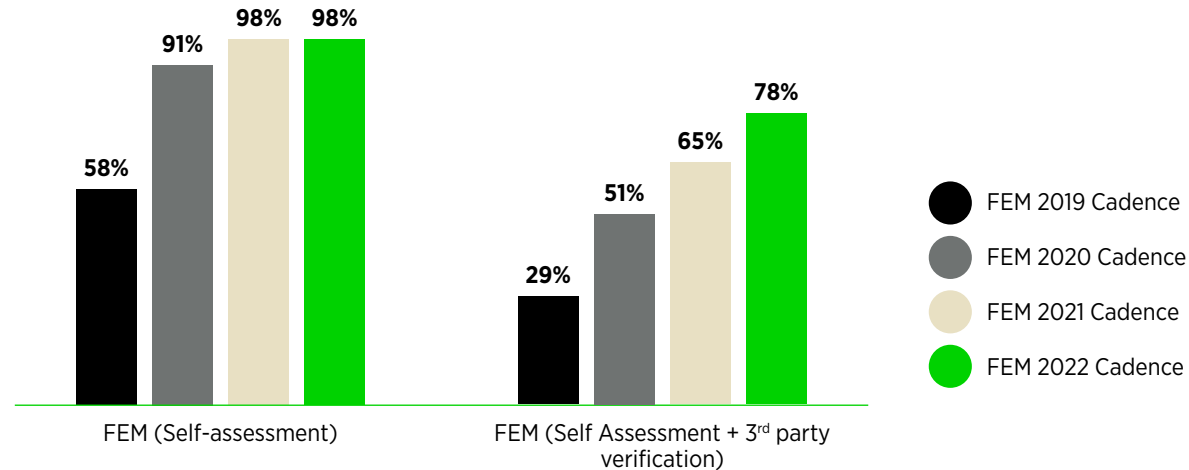
## Evaluating supply chain performance

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

Our scope of FEM adoption includes direct Tier 1 factories that are suppliers for internal brands of Varner and had active business in the same year as the Higg FEM reporting year. In 2023 we requested our in-scope Tier 1 factories to complete FEM2022 (FEM2022 indicates the data period as the year 2022 which suppliers

reported in the year 2023). As demonstrated in the graph below, we see adoption of Higg FEM self-assessment is same as last year while 3<sup>rd</sup> party verification of Higg FEM continues to increase.

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



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



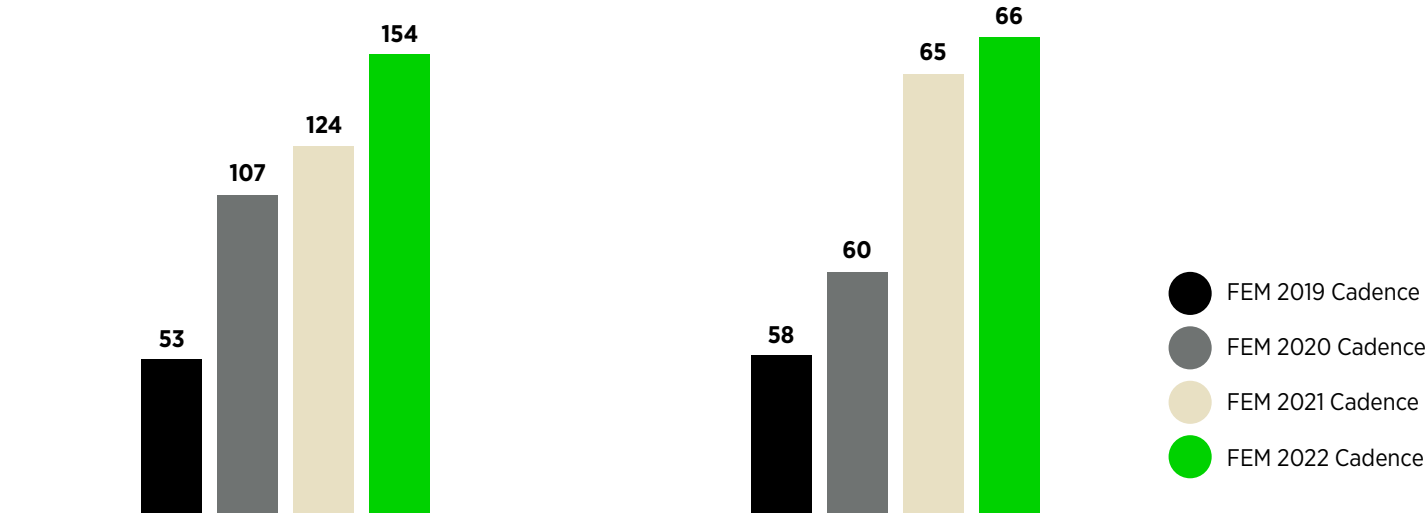
In the year 2023, we reviewed in total 225 manufacturers through FEM2023 modules from in-scope Tier 1 factories, out of which 154 modules were verified by 3<sup>rd</sup> party verifiers. The below graph shows the average total score of verified FEM modules received from in-scope direct Tier 1 factories over the last 4 years. In 2023, several factories completed 3<sup>rd</sup> party verification for the first time. The average total score from all verified FEMs received remains similar to the previous cadence.

“ As a standardized industry tool, FEM makes it easier for us to have a clear understanding of the environmental performance of factories in our supply chain. Its assessment methodology makes environmental performance concrete and helps us learn changes in factory environmental performance. In 2023, the adoption of third-party verification increased, giving the results more validity.

Ray Xu, Environmental Co-ordinator, VARNER CHINA

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

**Average score of 3<sup>rd</sup> party verified FEM received in 2023**



## Driving remediation and improvement

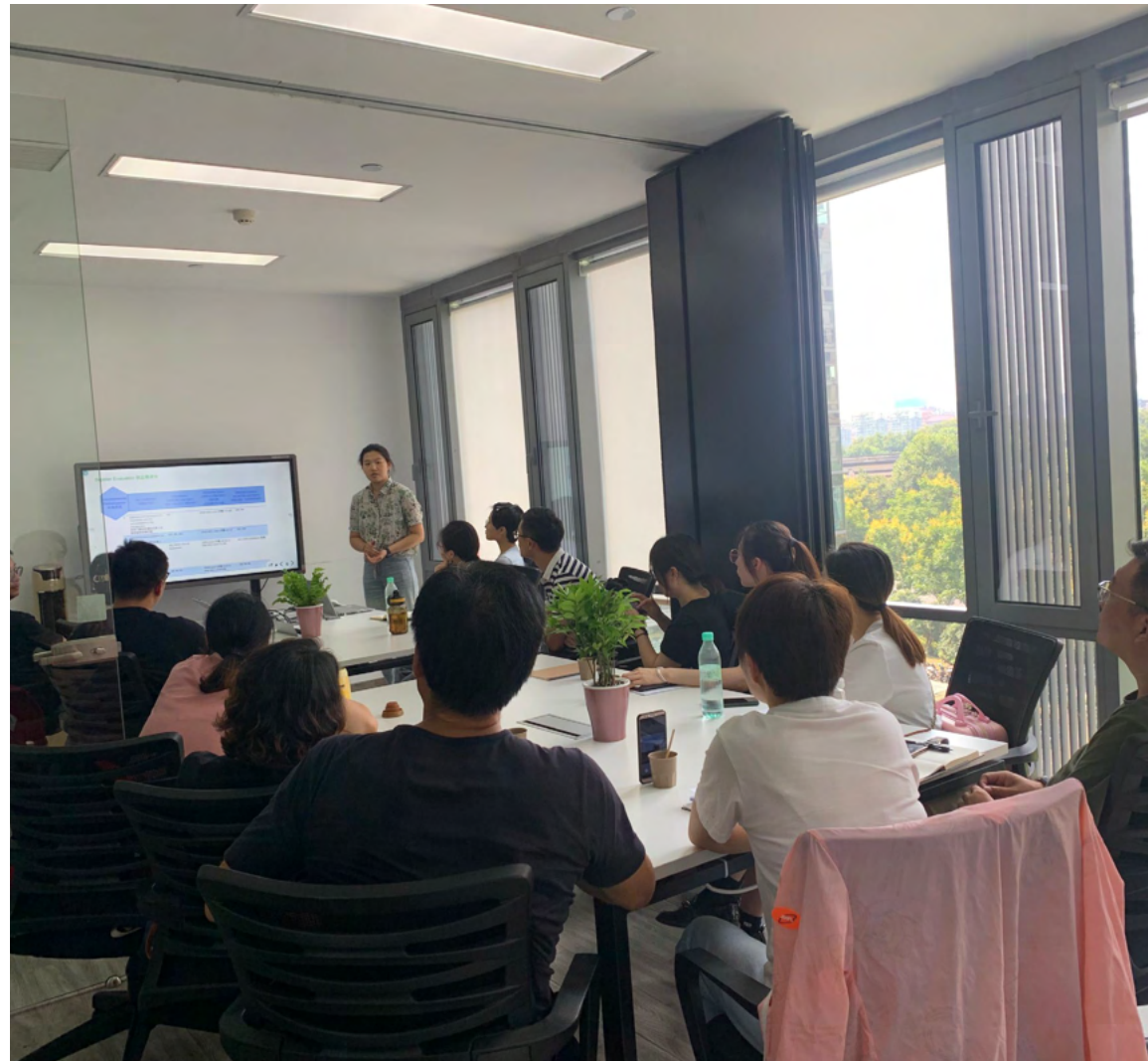
The Higg FEM assessment serves as a valuable tool for evaluating environmental performance and identifying areas for improvement. By benchmarking against industry standards and consistently tracking their own annual performance, factories gain insights into their strengths and weaknesses, paving the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

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

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

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

“ We conduct tailored follow-up activities, either onsite or online, based on each factory's needs.



Environmental Training with suppliers in China.

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

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

In 2023, our environmental assessments that combine questions from Higg FEM and several additional indicators identified 2 135 findings across various risk levels in our supplier factories. Our supplier factories reported 1 366 of which findings were resolved by the end of the year. We prioritize addressing critical and high-risk findings, achieving resolution rates of 84% and 72%, respectively. However, the resolution rates for medium and low-priority findings were lower. While we closed 191 medium risk and 132 lower risk findings in these categories, 544 remained unresolved as of the end of the reporting period.

Overview of findings and resolved issues in 2023				
		Findings in 2023	Resolved findings in 2023	% resolved in 2023
Total number of findings (All 7 Sections and site info)	Critical	352	295	84%
	High	835	598	72%
	Medium	485	191	39%
	Low	463	132	29%

Addressing critical and high-risk issues often requires immediate corrective actions, while medium and low-priority findings might involve longer-term improvements, planning, or resource allocation. Moving forward, we are implementing measures to enhance our follow-up processes and support suppliers in resolving these remaining findings, aiming for continuous progress in 2024.



## Environmental management system

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

“ We acknowledge the need to focus both deeper and broader on environmental performance where our products are manufactured. Nevertheless, environmental engagement is also important to Varner in our offices and warehouse/distribution centre. That is why an Environmental Management System (EMS) has been developed to maintain and achieve environmental performance goals and to provide an overview about the greenhouse gas emissions, waste management, energy and water use for the Varner Service Office in Billingstad and the warehouse/distribution centre in Sweden. It is driven by goals and projects that we follow throughout the year.

Nathalie To, Environmental Specialist, VARNER

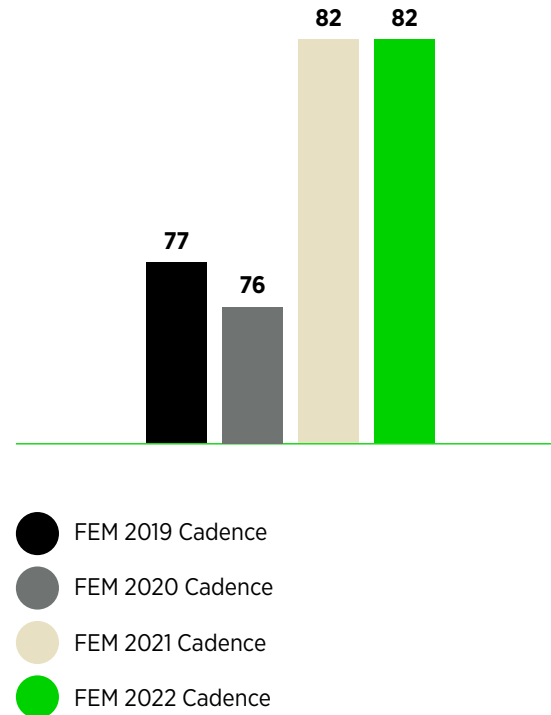
## Key observations from 2023

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

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

The below table shows the average score in the EMS section from verified FEMs by year since FEM 2019.

Average score in EMS section from verified FEM by year



In 2023, we had in total 475 findings in the EMS section across different risk groups, 64% of which were noted as resolved in the same period.

## Charting a path forward

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

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

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

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

Beyond these specific areas, we will continue to:

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

## Water use and wastewater management

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

### Our approach

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

**Risk mapping:** Mapping of water risk is done through a combination of 2 steps:

- Identify area-based water scarcity in our production regions.
- Identify water intensive processes and respective facilities.

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

**Baseline performance monitoring and improvement:** During our factory assessments, we check the baseline performance of partner factories on a range of points to ensure that expected standards are met related to water use and effluent treatment. Some examples include:

- Effluent Treatment Plants are installed and functional in the relevant facilities.
- Water meters are installed in relevant areas in the factory. If not, it must at least be installed at the Inlet and Outlet of the ETP.
- Regular awareness training and follow up with ETP personnel.

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

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



Effluent Treatment Plant in India.



## Water use efficiency

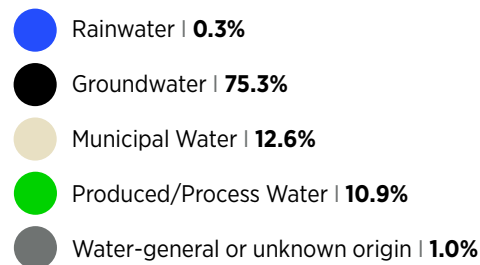
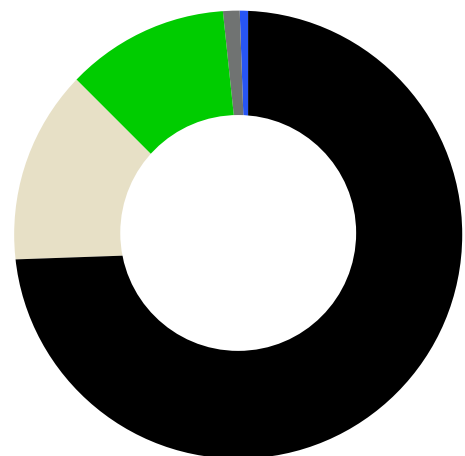
We work with our supply chain to improve water efficiency in manufacturing processes. Some key elements of our water efficiency roadmap for suppliers are:

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

We use the Higg FEM to collect information on factory-level water usage and promote water efficiency. We map the performance of our Tier 1 suppliers regarding practices related to water use and water efficiency.

In 2023, we have recorded the trend of fresh-water consumption for the reporting year 2022. We have analysed the data through the HIGG FEM 2022 verified modules received, across our supply chain globally, which is represented in the below figure. Our next step is to work with our factories to develop relevant targets and action plan for reduction in freshwater consumption.

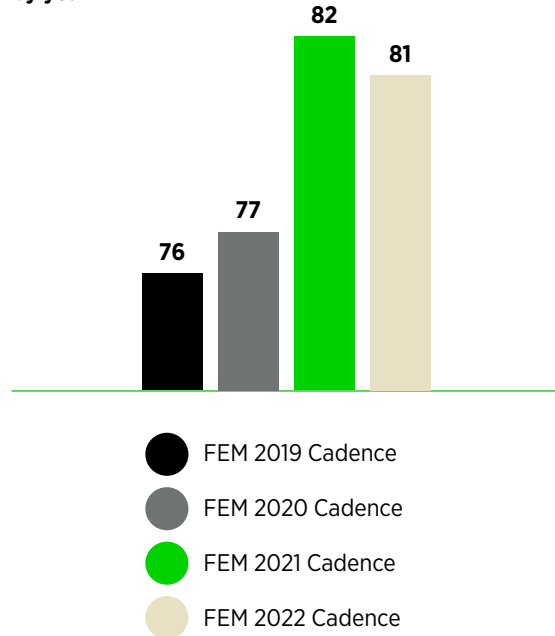
Water consumption (L) trend from verified FEM 2022



“ We firstly mapped the consumption trend of water use by source in 2023 via verified Higg FEM 2022. In order to collect more accurate data from the facilities in our supply chain, we showed the correct methods of tracking any sources of water use during onsite audits. To improve water, use efficiency, setting base-lines, targets and implementation plans for fresh water are mandatory for our suppliers according to the Varner Supplier Manual 2023. Rainwater collection and reuse as well as increasing the quantities of the recycled or processed water for production were highly specified during our supplier trainings and onsite audits.

Jeeby Ma, Environmental Specialist, VARNER CHINA

**Average score in water section from verified FEMs by year**



In 2023, we see a slight reduction in the average score in the water section from verified FEMs compared to last year. Several factories who completed Higg FEM verification for the first year were not able to meet the high benchmark. We are working with these factories to improve their maturity in water use management.

175 findings across different risk levels were identified in the water use section during the reporting period and 49% were reported as resolved, most of which were critical and high-risk findings.

### 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, are where chemicals are most likely to be utilized in our business. Typically, factories upstream in our supply chain that we do not work with directly perform most of these operations.

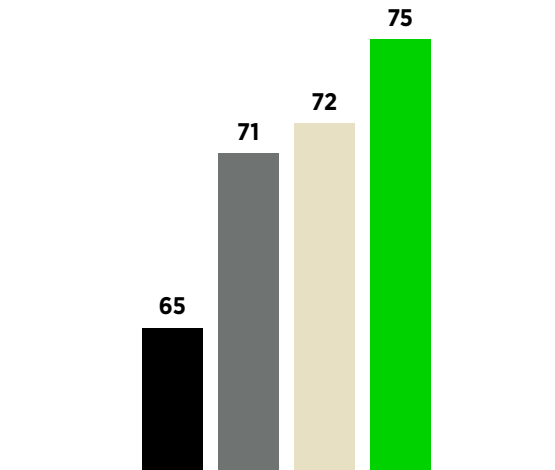
We require our suppliers to treat wastewater before discharging it back to the environment or reusing. If there is no public treatment facility available, a treatment system should be installed on-site. Business for Social Responsibility (BSR) Water Quality Guidelines are used as standards to maintain wastewater quality. 19 parameters are measured that include temperature, pH, suspended solids, Biological and Chemical Oxygen Demand (BOD and COD) and a range of potentially harmful chemicals.

The Guidelines provide a Limit Value for each parameter. By meeting these values and/or the local legal values (whichever is more stringent in each case), a factory can be considered 'In Compliance' with the guidelines.

In 2023, we updated our supplier manual with specific requirements to ensure proper practices are followed when it comes to treatment and discharge of effluent in the factories where our products are manufactured. Some of the key requirements for factories with industrial wastewater include the below:

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

**Average score in Wastewater section from verified FEMs by year**



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

This year we see progress in the average wastewater management score in verified FEMs received from our supplier factories. This indicates enhanced maturity in general and wide adoption of good practices in wastewater management. In 2023, our environmental assessments recorded 138 findings across all risk levels in this area which is the lowest among all sections. 54% of these findings were reported as resolved in 2023. In addition to the above, one case of non-compliance (to Varner requirements) related to wastewater treatment was identified during CSR audits in 2023 and two findings from CSR audits in years before 2023 were confirmed to be resolved during the same period.



Carbon process for recycling water.



## Chemical management

We are committed to working towards identifying and phasing out hazardous chemicals from our value chain, whether they are chemicals potentially hazardous to humans, or to the environment.

### Collaborating and aligning with industry initiatives

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

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

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.

As a 'Friends' member in ZDHC's Roadmap to Zero Programme we are aligning our upstream supply chain towards sustainable responsible chemical management, starting from the purchase of chemicals till the point of final discharge

“ If harmful chemicals are not screened properly during purchase and production stage, they may pose a threat to environment and occupational safety even if they do not necessarily always end up in finished products.

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

### Our approach

If harmful chemicals are not screened properly during purchase and production stage, they may pose a threat to environment and occupational safety even if they do not necessarily always end up in finished products. Our approach to chemical management in production includes screening of chemicals during the purchasing stage as per the latest version of ZDHC MRSL,

ensuring safe handling, storage and disposal of chemicals as well as actively identifying and phasing out hazardous chemicals from our production.

**Chemical storage and handling:** Safe handling, storage and disposal of chemicals ensure occupational hazards are 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. Some hazards are physically detectable while others need a more diligent approach even for identification. Our detox approach focuses on a due diligence system that helps with screening of chemicals in production and prevents the use of such hazardous chemicals in our production.

## Chemical storage and handling

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

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



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

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

Two cases of non-compliance (to Varner requirements) related to chemical management were identified during CSR audits in 2023 and two findings from CSR audits in years before 2023 were confirmed to be resolved during the same period.

Chemical Drum.

## Detoxing from hazardous chemicals

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

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

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

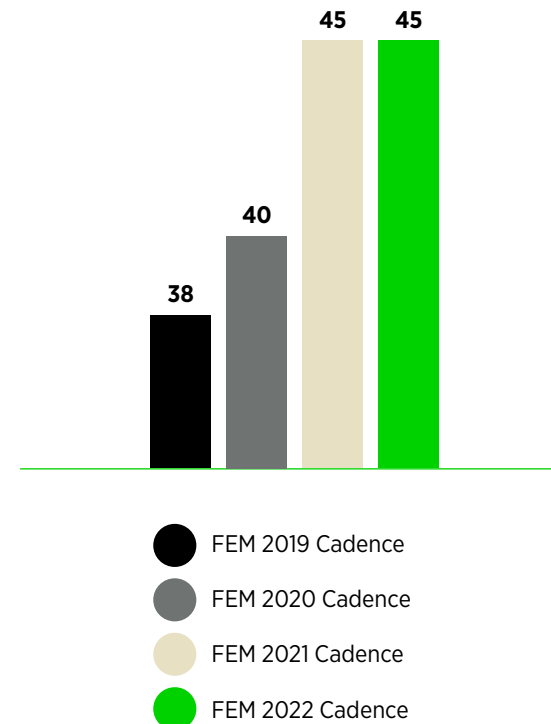
Some of the key aspects that we have included in our detox roadmap include the below:

- Train all employees in case of hazards/ risk and train employees in 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.
- Works toward achieving 100% ZDHC conformant chemicals in production.

In 2023, we requested our supply chain partners to connect with us on the ZDHC Gateway platform to enable close monitoring of chemical compliance and wastewater management. As a result, out of 108 wet processes (Tier) facilities, we managed to connect with 103 facilities on the ZDHC Gateway platform. Out of 103 connected factories, 81 have published their wastewater test report (ZDHC ClearStream report) and 65 suppliers have uploaded their chemical Inventory report (ZDHC InCheck Report).

We see no changes in the average score in the chemical section of received verified FEMs.

**Average score in chemical section from verified FEMs by year**



In 2023, we recorded 449 findings in 2023 across all risk levels out of which 303 findings were reported as resolved.

Our ambition related to this area includes actively working with supplier partners to improve due diligence in chemical purchasing practice and usage to ensure beyond compliance monitoring and the prevention of hazardous chemicals in our production process.



“ Every input in the manufacturing contains chemical substances, whether it is the water, fibre, dyes, or chemical formulations. Some chemicals can be hazardous towards the environment and human health. These hazardous chemicals are not always easy to detect. Keeping this in mind, we are aiming for effective chemical management in our supply chain with an objective to screen and phase out hazardous chemicals from our supply chain. To fulfil our aim, we have a collaborative approach for chemical management with ZDHC Gateway Platform support, the HIGG FEM module and on-site assessments conducted by our environmental representatives. During our visits to manufacturing facilities during this year and HIGG FEM desktop reviews, we identified some common improvement areas related to chemical inventory, chemical purchase policy, safety data sheet, general awareness, and emergency response plan. Through continuous follow-up, awareness training, and guidance to our manufacturing facilities, they have resolved the majority of the identified issues by the end of 2023.

Shubhransu Singh, Environmental Specialist, VARNER INDIA

# Climate action

We acknowledge that the climate is changing, that our industry is contributing to that change, and that our supply chain, operations, and customers will continue to be impacted by the effects of climate change. We are committed to reducing our greenhouse gas (GHG) footprint and to engaging constructively with industry peers, value chain partners, external stakeholders, and policymakers to help accelerate the transition to a low-carbon economy.

## Collaboration and aligning with industry action

We have been members of "The Scandinavian Textiles Initiative for Climate Action" (STICA) since 2020 to learn from and contribute to the collective effort of the Nordic textile industry towards climate action. The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at a minimum, reduce greenhouse gases as outlined by the United Nations Framework on Climate Change and the Paris Agreement. STICA is coordinated by the "Sustainability Fashion Academy", a non-profit independent organisation. SFA's mission is to accelerate progress towards science-based sustainability targets and the Sustainable Development Goals (SDGs) by harnessing the power of the apparel industry. You can read more on [STICA's website](#).

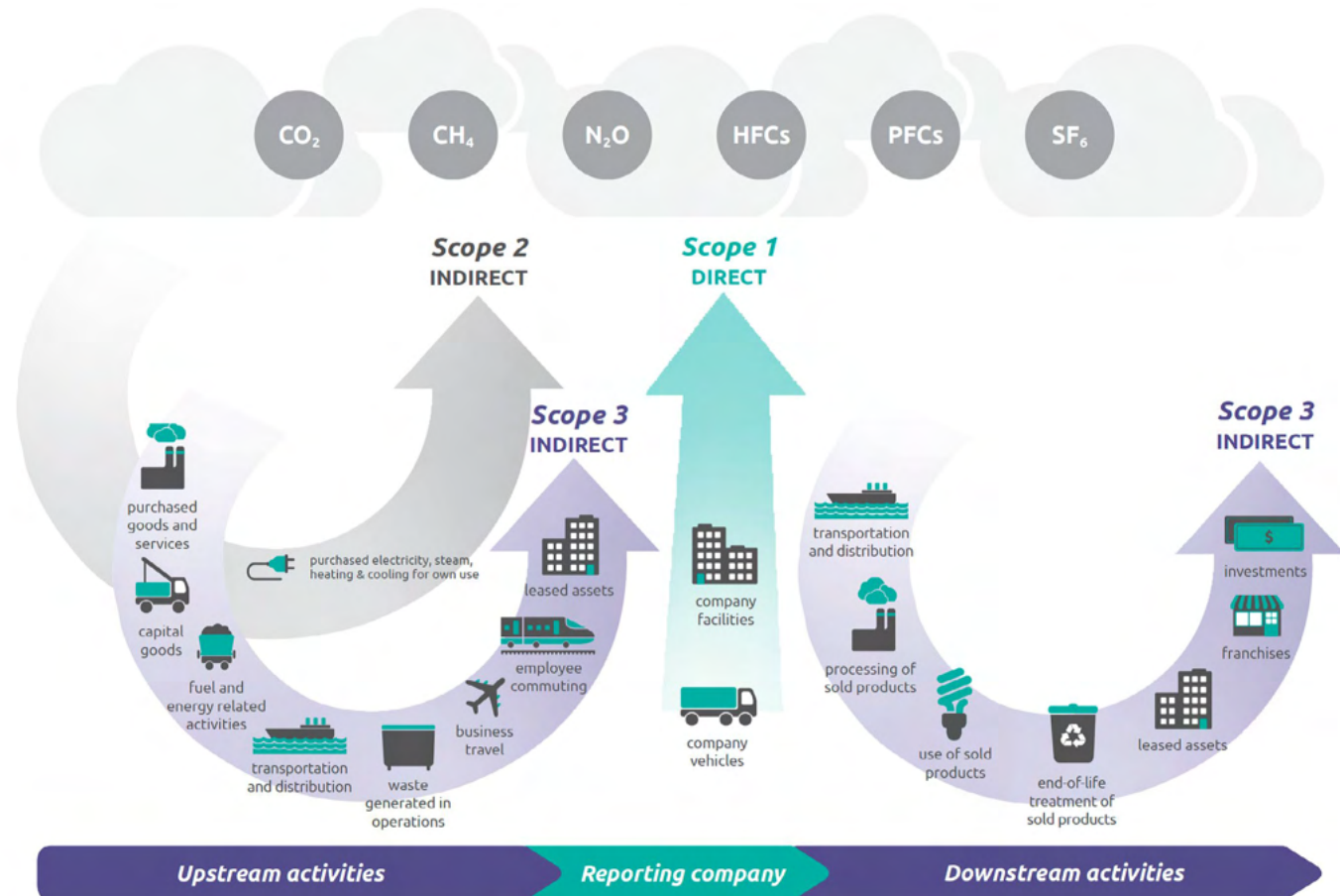
## Our approach and commitments

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

## Defining scope

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

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



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

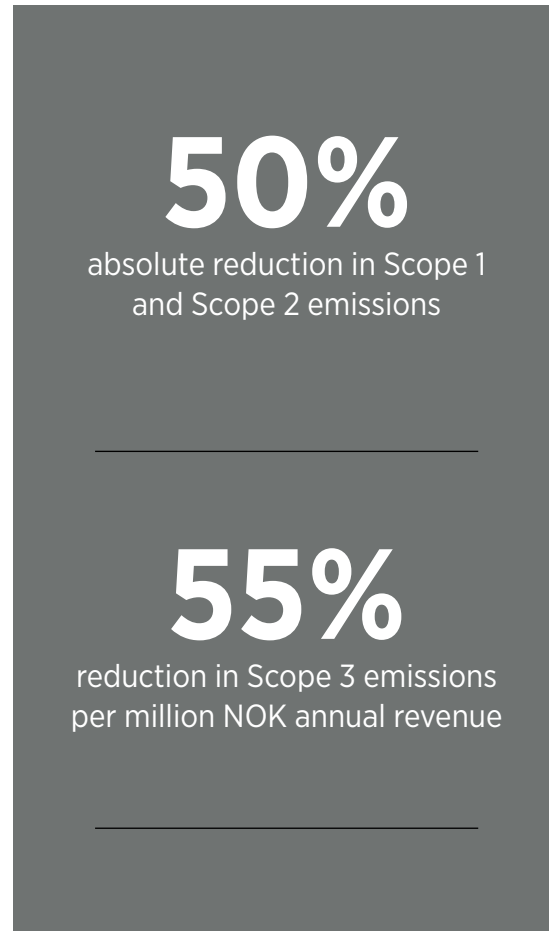
## Mapping our footprint

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

We started our emissions calculation in 2020 and selected 2019 as a base year as a most recent pre-pandemic data set. Since then, we have calculated our emission annually. We have updated our methodology and data quality along the way. This report includes our emissions overview for latest year 2023, previous year 2022 and baseline year 2019. Please refer to [Methodological note for reporting chapter](#) regarding climate action for more details.

## Setting reduction target

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



## Working on emission reduction

In 2023, we worked with our consultants to create a model roadmap tool connecting different actions to emissions reduction for Varner. Strengthening the uptake of preferred fibres with lower footprint, working to increase energy efficiency in stores, working with transport partners and manufacturers to address emission reduction are some examples of initiatives undertaken to drive our action towards climate responsibility.

It is clear that transitioning towards renewable energy is needed to contribute towards emission reduction.

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

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



### Overview of our footprint

For the year 2023, the total amount of greenhouse gas emissions for Varner is 286 759 tons of CO<sub>2</sub>e, of which 245 tons (0.1%) of CO<sub>2</sub>e are attributed to scope 1, and 25 076 tons (8.7%) to scope 2, and 261 439 tons (91%) to scope 3.

We can see an absolute reduction of 15% in total Scope 1,2 and 3 emissions in 2023 compared to the base year 2019.

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

	2023	2022	2019 Baseline	% Change (2023-2019)	2030 Target
Scope 1 and 2 emissions (ton CO <sub>2</sub> e)	25 321	23 530	24 251	4% increase	Scope 1 and 2 target indicator
Scope 3 emission (ton CO <sub>2</sub> e)	261 439	396 579	312 475	16% reduction	Additional indicator
Scope 1,2 and 3 emissions (ton CO <sub>2</sub> e)	286 759	420 109	336 726	15% reduction	Additional indicator
Scope 3 emission (ton CO <sub>2</sub> e/million NOK annual revenue)	22.81	37.31	29.1	21% reduction	Scope 3 target indicator



Solar panels in China at one of our factory partners.

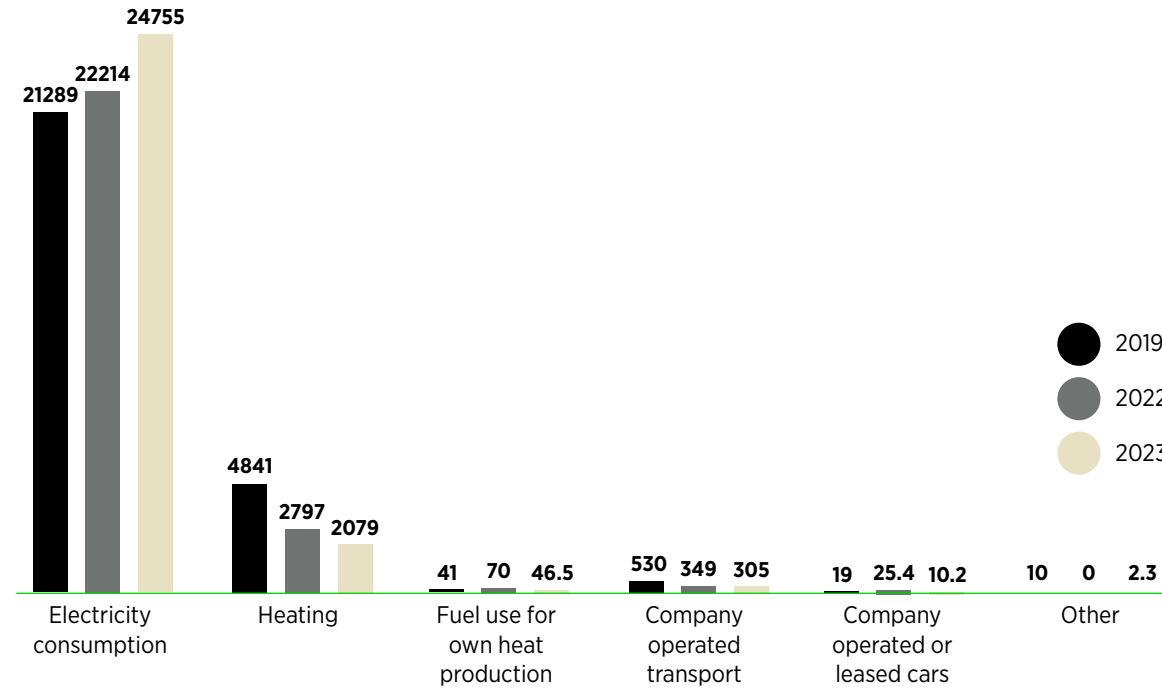
## Footprint from own operations

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

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



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



Energy efficiency in one of our factory partners.



**Improving energy efficiency in stores**

It is evident from our mapping that major emissions within our own operations comes from electricity usage in our owned and operated buildings. Referring to the below table, we see an approximate. 31% reduction in the overall energy consumption in stores by 2023 compared to 2019. The main part of this reduction is visible due to a reduced number of stores in 2021. If we consider an average electricity use per square meter, we see an approximate. 4% reduction in energy consumption from stores. Our consultants informed us that the emission factor for purchased electricity with Nordic residual energy mix has increased by approximately 43.5 % in 2021 compared to 2019 resulting in an overall increase in our emissions in Scope 1 and 2.

**Light bulbs change initiative in our stores:**

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

“ In 2023 we changed lights from 70w and 35w metal halogen to lower watt-LED lighting in 129 stores in Norway, Sweden, and Finland, and we aim to do the same in 2024. We can see that the reduction in energy is between 12-45% in these stores. Our goal is to change all stores to LED lighting within the next couple of years.

David Deravian, Maintenance Coordinator, VARNER

Electricity Consumption overview in Stores			
	2019	2023	% Change
Electricity Consumption (Million kWh)	68.2	47	Reduced 31%
Avg. Electricity Consumption (kWh/m2)	120	104	Reduced 13%



Lighting in stores.

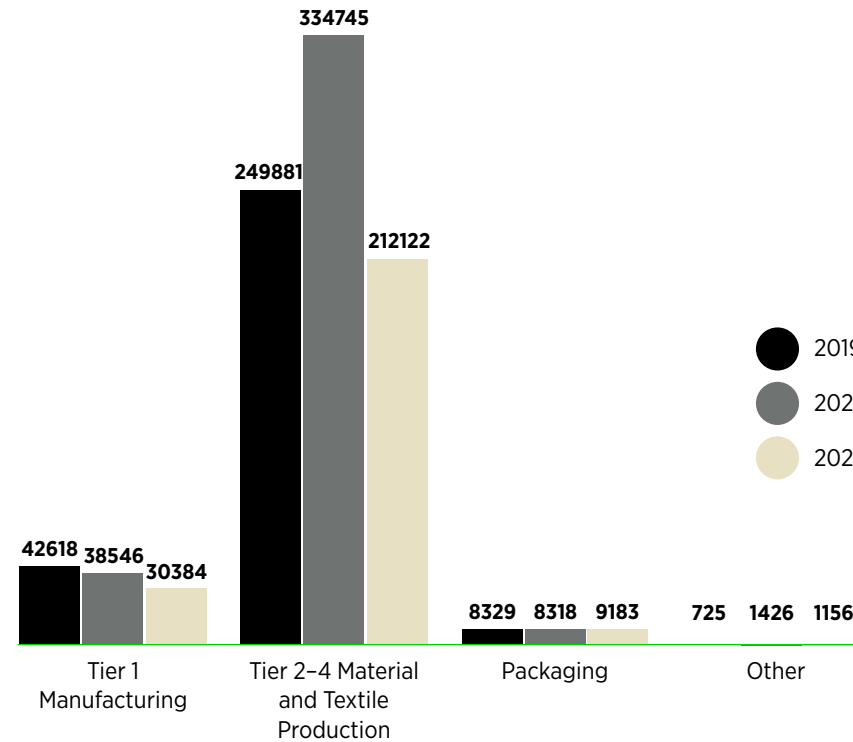


## Footprint from purchased materials and manufacturing

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

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

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



## Improving energy use and GHG emission in production

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

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

### Tier 1 manufacturing

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

We identified the importance of pinpointing emission reduction opportunities at the individual factory level. While challenges persist in data collection, verification, and ensuring data quality, significant progress has been made in 2023. We are now able to calculate average emission per unit product for each end product manufacturer based on their energy and fuel consumption and their total annual production. We use this average emission per product and production quantity for Varner to measure Varner's share of emission from each factory.

In 2023, a key focus has been on validating the energy and fuel use data from suppliers. This strengthens the foundation for our emission calculations and allows for more informed decision-making. Our primary objectives now include:

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

GHG accounting is still not very common within the manufacturing sector. As a member of STICA, we see the need for more training on climate awareness, GHG accounting and renewable energy solutions. During 2023, our suppliers in several markets participated in climate action trainings organised by STICA. We continue to identify market specific challenges and contribute through our membership in STICA to develop more useful trainings for our suppliers.

“ Over the past two years, we have diligently gathered data pertaining to energy consumption and the utilization of renewable energy within our supply chain. This comprehensive overview involves the application of the Higg FEM module and meticulous collection of consumption data at our facilities during specific intervals throughout the year. Through this analytical approach, we are able to discern the prevalent types of fuel employed within our supply chain, thus facilitating targeted observations. To further fortify our commitment, we have taken proactive measures by organizing training sessions on renewable energy for the facilities within our supply chain. This collaborative effort is undertaken in partnership with STICA. Emphasis on renewable energy education is particularly accentuated during site assessments.

We started focusing on transition plans during environmental assessments of factories, where we identified specific deficiencies in the formulation of implementation plans related to energy efficiency and the reduction of energy consumption. As a strategic response, awareness-raising initiatives were implemented within the facilities.

Ufuk Dinc, Environmental Specialist,  
VARNER TÜRKIYE, EUROPE, AND PAKISTAN

In 2023, we collected energy consumption data from over 280 major Tier 1 factories, encompassing both factory operations and their local transportation.

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

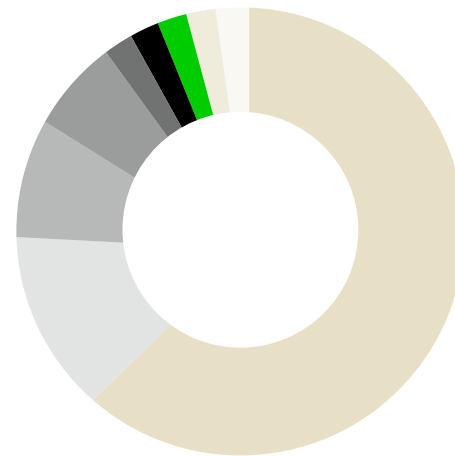
### Limitations and ongoing improvements:

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

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

The data we collected provides us with valuable insights into the commonly used energy mix within these markets. We intend to leverage market-specific breakdowns for benchmarking purposes. Identifying deviations from the benchmarks will facilitate discussions with our suppliers regarding greenhouse gas (GHG) emission reduction strategies.

**Source-wise energy consumption (MJ) breakdown in 2023 from tier 1 factories**



- Natural Gas | **63%**
- Purchased Electricity | **13%**
- Purchased Steam | **8%**
- Biomass | **6%**
- Diesel | **2%**
- Coal | **2%**
- Renewable Energy | **2%**
- Fuel oil | **2%**
- Other | **2%**



**External brands**

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

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

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

**Tier 2-4 manufacturing**

We have mapped emission from ‘Tier 2-4 Materials and Textile Production’ by sharing total weight of different materials (fibres, plastic, paper, metal and other materials) weight from our production. Emission factors were applied on each type of material by our 3<sup>rd</sup> party consultants. The emission factors were adapted to account for not only different types of fibres and other raw materials but also if the material is for example recycled or organic as well as if the fabric is woven or knitted. Increased uptake of preferred fibres with a lower emission value is our focus at present to reduce emission in this category. To know more about our work on sustainable fibres please refer to the section ‘Sustainable Materials and Preferred Fibres’.

**Packaging**

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



Knitting process in one of our partner factories in Bangladesh.

## Transport

Varner keeps track of the emissions from our transport activities, both inbound and outbound. Emissions from transport is planned to be reduced at the same pace as Varner’s collected emissions. We continue to work closely with our transport suppliers to reduce the emissions, e.g. by shifting transport modes, mainly from air to sea. Our transport suppliers also strive to shift to more sustainable fuels, e.g., from diesel and petrol to electricity and biogas.

During 2022 the transport market returned to mostly back to normal after the pandemic but was instead affected by the war in Ukraine. The war made the usage of freight by train from China impossible and that continued in 2023, which led to a similar usage of train freight in 2023 as 2022, which is a decrease from the levels of 2021.

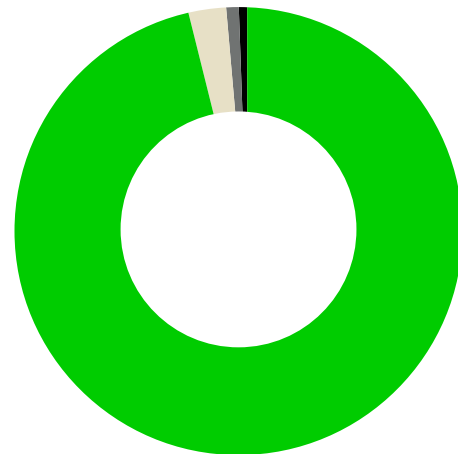
We divide our transport mapping into two parts:

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

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

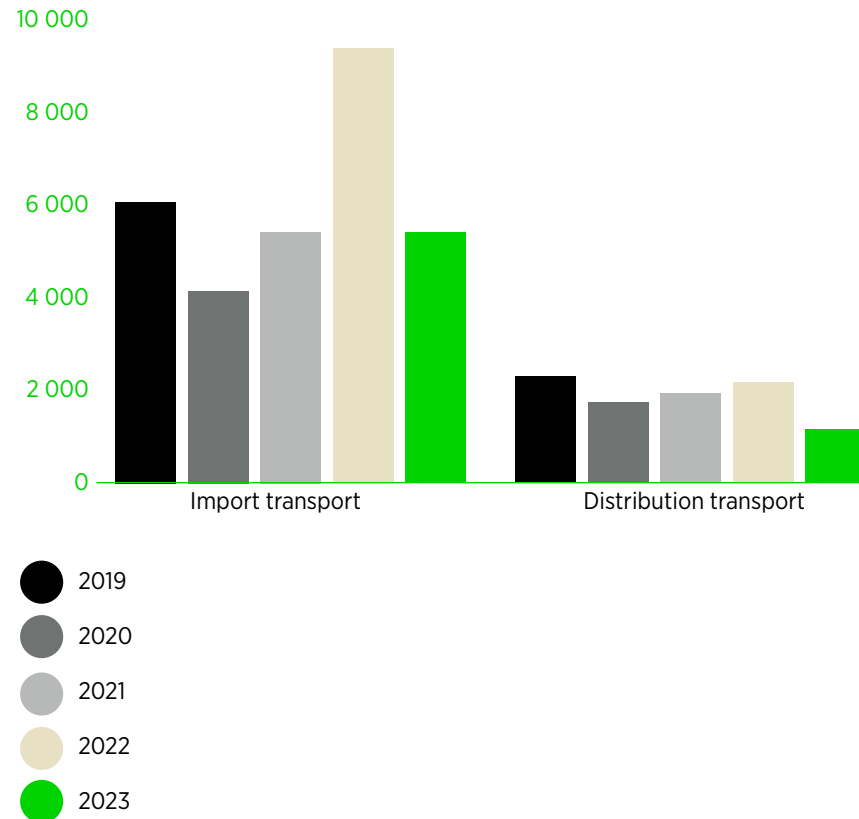
The share of transport modes in our Import flow are very similar to previous years, with a vast majority of Sea transport. The small changes from 2022 to 2023 are mainly a small decrease in Sea transport and a small increase in Road transport. The reason for this is mainly that less has been imported from the Far East.

Tonkm by transport mode in import 2023



- Sea | **96.14%**
- Road | **2.50%**
- Rail | **0.88%**
- Air | **0.48%**

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



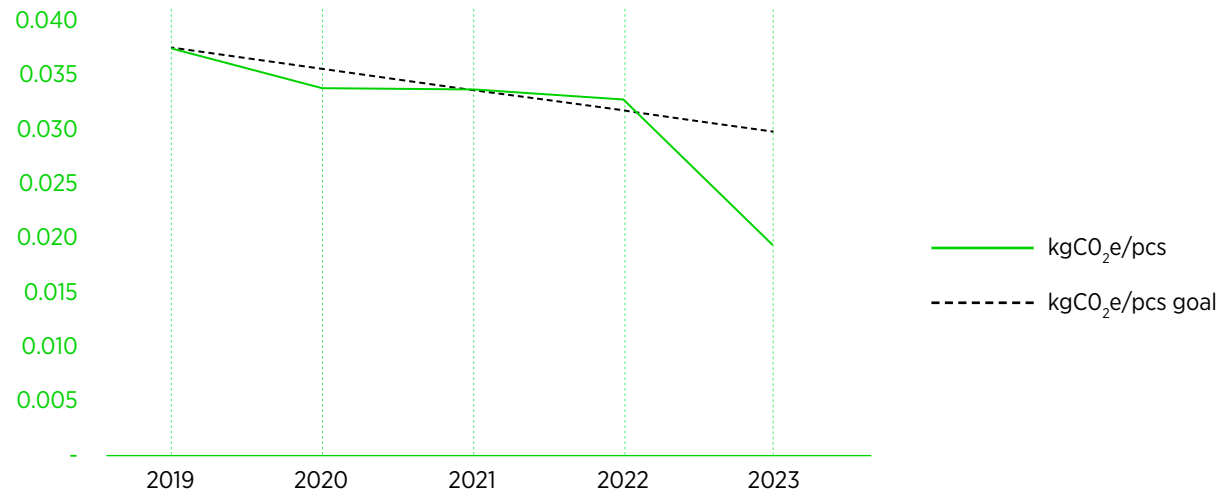
The total emissions in 2023 from transport have decreased by 22 percent from the base year and by 43 percent since 2022. The main reason for the decrease in Import emissions was due to a lower imported amount of goods. The emission decrease in Distribution is partly because of fewer distributed goods, but also some great work from some of our transport suppliers.

The decrease in the number of shipments in combination with the actions taken by distribution carriers continues the trend of a reduction in emissions per pcs. More information can be found in the [Interview with Ewa Malmsten](#). We continue the right path here and during 2024 we will continue to focus on our collaboration with our carriers and together strive towards reducing emissions.

**STICA Working Group 5**

In 2023, we have still been a part of and lead STICA's (Scandinavian Textile Initiative for Climate Action) Working Group 5, which is the group for Clean Transport. During the year the group has been working a lot on workshops, for example with the topic of emission reductions in both inbound and outbound transport, but also a specific workshop on the transport part in a roadmap building. The group has also hosted a logistics webinar with guest speakers within STICA.

**KgCO<sub>2</sub>e/pcs in Distribution**



## Warehouse and distribution centre

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

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

### Electricity in Vänersborg

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



Solar panels on the rooftop of the warehouse.

During 2023, Varner in Vänersborg sold 84 729 kWh of solar power from the solar panels, and thereby contributed to a more sustainable grid mix.

### Packaging

In the warehouse in Vänersborg we use several different types of packaging, and we have made some major improvements during the year. One improvement is that we phased out plastic bag packaging for our e-commerce and switched to FSC-certified and locally produced paper bags. During the year, we also conducted a procurement of cardboard boxes that are used in the warehouse. In the procurement process, sustainability was an important part of the decision, which resulted in 100% preferable material (FSC and/or recycled content) in these boxes.

The improvements above and a better data collection has resulted in an increase to 65%



Paper bags in the warehouse.

preferred material for packaging purchased to the warehouse in 2023, from around 5% the previous years.



## Interview with Ewa Malmsten

### What is your role at Varner?

I am the Team leader of the Distribution team, located at Varner DC in Vänersborg. We are a part of Supply chain and responsible for the distribution from our warehouse to stores and e-com customers. We manage the strategic and operational work regarding distribution which includes monitoring cost, quality assurance and developing to provide the best service available to our customers.

Our goal is to always work towards making our distribution transports more efficient in lead times as well as more sustainable and cost efficient.

### Have there been any sustainable initiatives during 2023?

We completed an RFQ for e-com distribution in Finland and Sweden. During this process we put an emphasis on sustainability both regarding the environment and CSR. These aspects were crucial in the evaluation of potential suppliers since we are dependent on great partnerships to be able to reach our sustainability targets. We are happy to share that we found several suppliers with high ambitions and science-based targets.

One of our biggest suppliers is PostNord, who handles distribution to stores in Sweden and Finland and e-com to all main markets. PostNord has worked ambitiously towards improving their sustainability work for a long time and have in recent years accelerated their transition to fossil-free operations. Starting in 2022 and continuing in 2023, PostNord has launched and improved the coverage of “Green Corridors” which is a program including almost 20 cities in Sweden where the linehaul between terminals and the distribution is fossil free. Through their work with Green Corridors, they have been able to sign the Industry Agreement for Fossil-Free Deliveries. The industry agreement, which is an initiative of Swedish Commerce, defines the concept of fossil-free delivery.

PostNord Sweden has also succeeded in becoming the first license holder in the Nordic countries for Swan-labelled e-commerce transport. A Nordic Swan Ecolabel delivery meets strict requirements for climate performance and high energy efficiency, and that employment conditions are in accordance with collective agreements or the equivalent.



PostNord, one of our biggest suppliers.

Helthjem, which provide e-commerce distribution in Norway for Varner’s brands became Eco-Lighthouse (Miljøfyrtårn) certified in 2022, which is an external verification of the environmental management system. The certification requires companies to follow given standards for the development and follow-up of the environmental work. Helthjem has worked impressively towards reaching their sustainability goals and during 2023, 80% of all couriers in Oslo and the surrounding area delivered packages completely emission-free, either via bicycle or electric vehicle. They are able to reach over one million people this way.

I would also like to mention Posti, who provides e-commerce distribution in Finland. They have a long and impressive history of environmental work and in 2023 Posti received the Ecovadis platinum rating for the 3rd time (being among the most sustainable 1%).

In May 2023, they added their first heavy electric truck to their existing electrical fleet containing several medium-heavy electric delivery trucks

and hundreds of electric vans. All the electricity used by Posti is fossil-free, and thus driving with electric vehicles is also fossil-free.

Posti was involved in development of the international guidance for shipment-specific emission accounting and reporting during 2023 together with over 30 leading global organisations. The guidelines were released at the World Economic Forum annual meeting in Davos.

### Is there any news regarding sustainability that affects transports?

The EU Emissions Trading System (ETS) is the world's first trading system for emissions rights, and it was updated in 2023. This will initially impact our sea-shipments but later also road transports. The goal is to reduce emissions within the EU by 62% between 2005 and 2030. The system puts a price on carbon dioxide. Each year, entities covered by the system must purchase so-called emission rights corresponding to their emissions of

greenhouse gases. Each year, a ceiling is also set for how many emission allowances are released on the market for that particular year. This ceiling is then lowered with each passing year. In addition to the EU member states, Norway, Iceland and Liechtenstein also participate in emissions trading. From 2024, the shipping sector is gradually phased in and from 2026 this industry must be fully included. A separate system must also be introduced for buildings, road transport and fuels.

The Swedish government has announced that there will be a change in The Swedish Fuel Quality Act. The law dictates which fuel is used on the Swedish market, reporting of emissions as well as directing fuel suppliers to gradually reduce the proportion of fossil fuels. The proportion of fossil fuels was drastically lowered from 30.5% to 6% for 2024, which could influence emissions for transports negatively.

### What are the challenges linked to sustainability and transport?

A challenge for us as buyers is the difference in how data is reported by suppliers. There are a lot of different definitions being used and the meaning of them is not always clear. To gather, analyse and summarise data is time consuming. The process for reporting emissions needs standardisation and automation.

Many suppliers are investing in different fossil-free solutions such as biogas and electric trucks. A challenge could be the lack of infrastructure for charging trucks. This limits the possibility of using electric trucks for long hauls and limits the usage for electric vehicles.

### Anything else you would like to add?

The transport industry is going through changes, and we continue to see many things happening during 2023 and forwards. We are happy that our suppliers are striving towards improvement, it is an exciting time to be in this industry as we work towards goals for 2030 together with selected suppliers.

Posti Truck.





All of Varner's own brands have fully implemented the manufacturing country of origin on all own brand products to be **transparent towards the consumer**

**2021**

Varner signed a main collaboration agreement with 'Doctors Without Borders'

**7.5 mill**

The members we have throughout our 6 Loyalty Programs

Engage the  
consumer



## Marketing and awareness

Communicating towards consumers in a transparent and truthful manner is important to Varner brands. Product information shall comply with The Marketing Act and Consumer Protection Act in all relevant markets; misleading practices such as false or deceptive messages, omission of important information, and greenwashing shall be avoided. These practices are anchored in our company's values and implemented in all Brands' Marketing Departments.

The new regulations coming from the EU, 'Green Claims directive and Empowering consumer regulation' will also set guidelines for future communication.

In 2023 we have ensured that the employees who communicate with consumers have the skills to do so in a correct manner. All relevant employees have been trained in the legal and practical aspects of communicating sustainability. The training was conducted by external resources, held by the help of a lawyer from The Federation of Enterprises and representatives from The Norwegian Consumer Authority, going through the legal aspects of the Marketing Law, with a special focus on communicating sustainability, and the guidelines of how this should be interpreted in practice. Varner also went through internal procedures for how we ensure that the communication will be checked and proofread before publishing during the same training. All brands now have the tools to communicate in a confident and correct manner with the consumer.

In 2023 there were no incidents of non-compliance with marketing communication legislation.



“ All relevant employees have been trained in the legal and practical aspects of communicating sustainability.



## Product information

Varner complies with statutory labelling requirements in each market for our own products, in addition to voluntary labels that inform the customer about the product's sustainable attributes. The voluntary labels are either a certification scheme's logo and claim, or through the brand's own communicative labels.

Varner aims to use a certification scheme's logo and claim when we communicate on the products to make it easy and clear for the consumer to understand what they can expect of the product's potential sustainable attribute. More in depth- information can be found on the certification schemes' websites or the brands' online stores and websites. Examples of labelled certified products to be found in stores and online are Responsible Down Standard certified products, Responsible Wool Standard certified, products made with Fairtrade cotton or products with recycled content certified to the Recycled Content Standard or the Global Recycled Standard. We also use organic cotton standards such as the Global Organic Textile Standard or the Organic Content Standard.

Varner follows product specific requirements for customer information, for products that are CE marked this also includes an instruction of safe use.

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

In 2023, as the last of Varner brands, Junkyard implemented first tier factory information on the product level in their web shops. Now all Varner brands communicate with transparency to the consumer, where the product has been produced.

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 instructions on how to clean the product. Several of our brands are also communicating with the consumers in a more detailed way about how to best care for their products to extend the life of the garment. This information is to be found on the brand's website.

In 2023 there were no incidents of non-compliance with legal requirements for products information labelling.



## Consumer communication

Varner brands' shop employees and websites are the main communication channel for consumer communication. Even though online sales have grown, meeting the consumers in the physical stores is of great importance to the brands. Being able to give service and to advise the customer so they can make a thought-through purchase is of value for both the brands and the customer.

Dressmann and Volt offer tailoring services to the consumers through the physical stores when they purchase suits. In this way the customer can get the correct fit for a garment that is often used for many years. Varner believes that this interaction gives a stronger relationship with the consumer.

In 2023 Dressman also started moving the Dressmann XL concept into regular Dressmann stores, making the Dressmann store a one-stop destination for all men, regardless of size.

All Varner brands offer information on their work on sustainability on the brand's website.

Dressmann, Cubus, Bik Bok and Carlings also offer articles about how you can take care of your products to make them last longer.

The customer service function is another important channel of communicating with the consumer. In 2023, 73 requests related to sustainability were received through the customer service function.

For sustainability related requests the consumer also may directly contact the Sustainability Department at [sustainability@varner.com](mailto:sustainability@varner.com), you can read more about this under Stakeholder engagement.



“ All Varner brands offer information on their work on sustainability 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.

Varner plans for a long-term collaboration and wishes to include both employees and customers on this journey. Varner aims to create a commitment and drive towards a bigger goal: To contribute to life-saving treatment for people affected by war, disasters, and conflicts.

In 2023 the main aim has been to build competence and passion for 'Doctors Without Borders' within the brands' business teams. It is essential that the brands take ownership over the activities to maximize effect.

Varner has contributed to financial predictability for Doctors Without Borders and their important work providing healthcare where it's needed the most.

In addition to the annual financial contribution, the Varner brands have engaged their consumers and encouraged them to contribute by running in-store campaigns to raise awareness and money. All the brands have run a round-up campaign in their store, and collected 3 million NOK in contributions from the consumer to support Doctors Without Borders work.

Varner has also used the strong relationship we have with Doctors Without Borders, to bring the stories from their projects around the world to



Jenin Hospital in Palestine, 27. October 2023. PHOTO Faris Al-Jawad/ Doctors Without Borders.

our own employees. Doctors Without Borders had two sessions at the Service Office to put spotlight on the areas where Doctors Without Borders operate and how they organize their work. This was followed up by a photo exhibition at the Service Office with photos from the many Doctors Without Borders projects. It has been inspiring for the organisation to see the value they create, and it encourages Varner to bring the message of their good work out to our consumers to a higher extent for 2024.





## Customer privacy

Varner has a high focus on ensuring our customers' privacy and has 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.

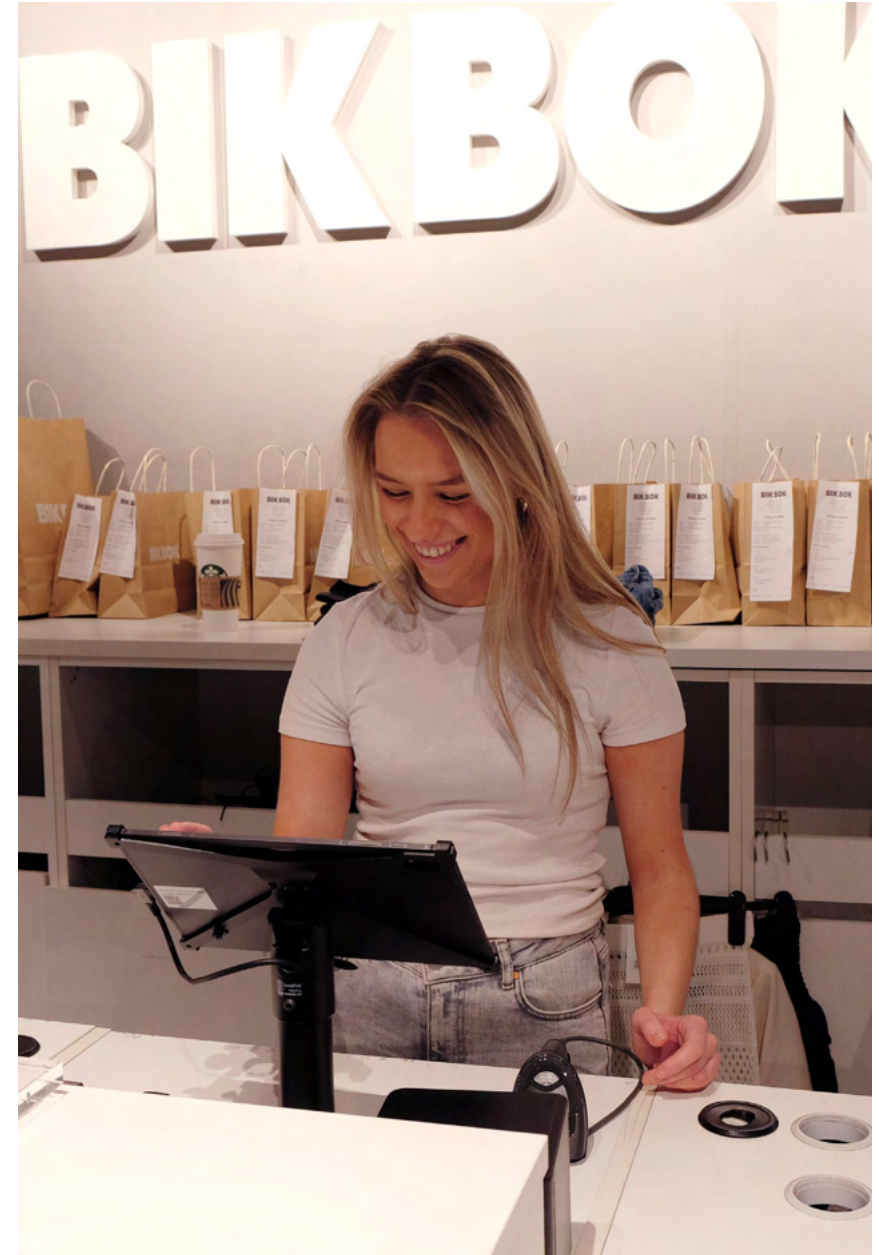
Throughout our 6 Loyalty Programs, we have 7.5 million members, who receive benefits and offers regularly based on their consent and behaviour.

Varner has an internal working group and a Data Protection Officer (DPO), 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.

“ There have been no identified leaks, thefts, or losses of customer data in 2023.

Varner receives queries from customers regarding the 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 2023 been substantiated to highlight breaches in regulations related to customer privacy. There have been no identified leaks, thefts, or losses of customer data in 2023.



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

# How we report





## Notes on methodology

This is the fourth edition of the consolidated Sustainability Report for Varner. The data and information presented cover the reporting period corresponding to the year 2023, with some updates on projects initiated in previous years. To enhance comparability over time, the report includes trends to previous years (where possible). Employee-related data, including the number of employees and gender distribution, aligns with Varner's consolidated financial reporting.

### **Aligned frameworks and methodology for reporting**

We strive to report in accordance with the Swedish Statutory Reporting (Företagens rapportering om hållbarhet och mångfaldspolicy) and the Global Reporting Initiative (GRI) standard 2021. Any omissions regarding the GRI scope are reported in the individual disclosure in the GRI Index. Additionally, we have consulted various reporting systems and frameworks, such as the UN Guiding Principles for Reporting, the SDGs, the OECD due diligence guidelines and ETI Norway reporting as benchmarks for relevant sections.

This sustainability report has been prepared by the Sustainability Department in cooperation with the Sustainability Working Group and approved by the Sustainability Steering Group. The preparation involved managers and specialists responsible for various corporate functions to determine the contents, projects, and related performance indicators. The report writing process adhered to key GRI concepts which

are due diligence, materiality, stakeholder and impact. The information's relevance and details were defined considering Varner's impacts and responsibilities in the social and environmental spheres, sector specific nuances, and stakeholder needs and expectations outlined in the materiality analysis. Any exceptions with respect to this reporting scope are appropriately highlighted in the text.

This report has undergone external assurance by TUV Rheinland.

### **Restatement of information**

Due to challenges in data collection, we recognize our inability to report on our previous sustainability goal: All Varner employees have completed training relevant to their function. The data provided for this objective in the 2022 report is deemed invalid. Consequently, we have chosen to exclude this goal from this report.



## Methodological note for reporting regarding climate action

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

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

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

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

Scope 2 emissions with market based versus location-based method is presented in the table below.

Calculation method, Scope 2	Emissions [ton CO <sub>2</sub> e]
Market-based	25 076
Location-based	2 507
<b>Difference</b>	<b>22 569</b>

## GHG accounting scope and excluded factors:

Varner's climate statement includes all emissions in scope 1 and 2. Greenhouse gas emissions in Varner's value chain are reported in Scope 3 and are categorised according to the GHG Protocol in 15 different categories. Table 1 below shows which Scope 3 categories are included and excluded in the climate accounts in line with STICA's reporting regulations.

Scope 3 Categories	Reporting scope
3.1 Purchased goods and Services	Included
3.2 Capital goods	Excluded
3.3 Fuel and energy related activities	Included
3.4 Upstream transportation and distribution	Included
3.5 Waste generated in operations	Excluded
3.6 Business travel	Excluded*
3.7 Employee commuting	Excluded
3.8 Upstream leased assets	Excluded
3.9 Downstream transportation and distribution	Excluded
3.10 Processing of sold products	Excluded
3.11 Use of sold products	Excluded
3.12 End of life treatment of sold products	Excluded
3.13 Downstream leased assets	Excluded
3.14 Franchises	Excluded
3.15 Investments	Excluded

\*Only office car use has been included.

## Process Description

All calculations are primarily based on aggregated activity data from Varner’s own operations (stores, offices, and warehouse), leased and owned cars, production (Tier 1 manufacturing), main purchased materials (representing tier 2 to tier 4), and transport (inbound and outbound). Data collection and mapping are done retrospectively. Where data gaps have been identified, estimations have been made based on the best available knowledge. The activity data reported has been reviewed and matched to emission factors by 3rd party consultants to calculate the climate impact.

Transportation figures and CO<sub>2</sub>e emission data were supplied by shipping companies and logistic partners. Climate data is reported according to the STICA guidelines and aligned with Greenhouse Gas Protocol. Emission factors that we use are based on information collected from 3<sup>rd</sup> party consultants as well as trusted publicly available databases.

## Company Definition of Renewable Energy:

We are committed to increasing the use of renewable energy sources throughout our operations and supply chain. To ensure transparency and consistency in our reporting, we define renewable energy according to internationally recognized standards.

**Renewable Energy Sources:** We consider the following sources to be renewable energy:

**Hydropower:** Electricity generation from flowing water.

**Solar Power:** Electricity generation from the sun’s rays, including photovoltaic (PV) panels and concentrated solar power (CSP).

**Wind Power:** Electricity generation from wind turbines.

**Geothermal Energy:** Electricity or heat generated from the Earth’s internal heat.

**Biomass Energy:** Energy derived from organic matter, excluding fossil fuels (subject to sustainability criteria).

**Certifications and Due Diligence:** To verify the source and environmental attributes of the renewable energy we use, we rely on the following mechanisms:

**Renewable Energy Certificates (RECs):** Tradable instruments that represent the environmental attributes of one megawatt-hour (MWh) of electricity generated from a renewable source.

**Guarantees of Origin (GOs):** Similar to RECs but may be specific to a particular geographical region.

**Power Purchase Agreements (PPAs)** with Renewable Energy Providers: Contracts that ensure the electricity we purchase comes from a designated renewable source.

**Supplier Certifications:** We encourage our suppliers to adopt renewable energy practices and may consider relevant certifications, such as, I-REC, and China’s Green Electricity Certificate (GEC), as part of our due diligence process.

## Transparency and Continuous Improvement:

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

## Baseline Emission Correction and Restatement of Emissions:

**Purchased Goods and Services:** The Tier 1 emissions for apparel for 2022 have been updated by Varner as an error was found for the factories in Bangladesh and India. This led to a change from 26829 ton CO<sub>2</sub>e to 35899 ton CO<sub>2</sub>e in tier 1, an increase of 33%. Varner has changed from using shipped quantities to received quantities for their tier 1 calculations. The shipped quantities have been slightly higher than the received quantities for the given period historically.

**Transport:** In the beginning of 2023, we noticed that the emission numbers for 2022 for Kuehne + Nagel’s Sea freight did not match with the previous years. It turned out that Kuehne + Nagel had made some major changes in the method of calculating their emissions. From 2022 Kuehne + Nagel have multiplied their emission factor with 1.15 for their new “Detour factor” and divided with 0.7 for their new utilization factor. Our total emissions from transport for 2022 and 2023 include data from Kuehne + Nagel as per their new methodology. Variation in emissions from Kuehne + Nagel due to this methodological change does not exceed the 5% threshold of overall Scope 3 emission. Hence, no baseline adjustments were made in the 2023 emission report as a result of this.

# Appendix



## Overview of our employees

The data for full-time, part-time, and temporary employees was extracted by the end of 2023. Due to seasonal variations; there may be differences in the number of employees at different periods of the year when there are more customers in stores.

### Employee headcount and FTE (full time equivalent)

	Total		Female		Male	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
<b>Bangladesh</b>	32	32	13	13	19	19
<b>China</b>	16	16	11	11	5	5
<b>Finland</b>	1 369	513.2	1 201	447.48	168	65.72
<b>Hong Kong</b>	16	14	14	12	2	2
<b>Iceland</b>	31	14	9	2	22	8
<b>India</b>	16	16	7	7	9	9
<b>Norway</b>	4 608	1840	3 760	1483	848	357
<b>Sweden</b>	3 044	1657.72	2 449	1270.91	595	386.81
<b>Turkey</b>	20	20	9	9	11	11

## Number of permanent and temporary employees

	Total		Female		Male	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
<b>Bangladesh</b>	32	0	13	0	19	0
<b>China</b>	16	0	11	0	5	0
<b>Finland</b>	883	486	770	431	113	55
<b>Hong Kong</b>	16	0	14	0	2	0
<b>Iceland</b>	31	0	9	0	22	0
<b>India</b>	16	0	7	0	9	0
<b>Norway</b>	2 759	1 849	2 248	1 512	511	337
<b>Sweden</b>	2 166	878	1 702	747	464	131
<b>Turkey</b>	20	0	9	0	11	0

## Number of part time and full time employees

	Total		Female		Male	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
<b>Bangladesh</b>	0	32	0	13	0	19
<b>China</b>	0	16	0	11	0	5
<b>Finland</b>	1 132	237	1 001	200	131	37
<b>Hong Kong</b>	2	14	2	12	0	2
<b>Iceland</b>	21	10	7	2	13	9
<b>India</b>	0	16	0	7	0	9
<b>Norway</b>	3 760	848	2 874	886	589	259
<b>Sweden</b>	2 236	808	1 885	564	351	244
<b>Turkey</b>	0	20	0	9	0	11

\*The data for full-time, part-time and seasonal employees was extracted at the end of the year 2023. As Varner experiences seasonal variations, with more customers in certain times of the year, there might be variations in number of employees in the different position categories throughout the year.



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

	Norway		Sweden		Finland		Iceland	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Total new employees</b>	1 182		739		479		8	
<b>Female</b>	974	82%	600	81%	287	60%	2	25%
<b>Male</b>	208	18%	139	19%	192	40%	6	75%
<b>Under 25 years</b>	951	80%	502	68%	385	80%	8	100%
<b>26-35 years</b>	152	13%	175	24%	76	16%	0	0%
<b>36-50 years</b>	66	6%	49	7%	13	3%	0	0%
<b>over 51 years</b>	13	1%	13	2%	5	1%	0	0%

\* The overview of the number of employees who have left may include employees who have started working for us in another country

\*\* For privacy reasons, number and rate of new employee hires and employee turnover are not shown in regions with less than 5 cases

\*\*\* Turnover rate is divided by the number of employees at the end of the year, excluding temporary extra personnell

\*\*\*\* Both new employee hires and turnover is excluding temporary extra personnell

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

	Norway		Sweden		Finland		Iceland	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Total new employees</b>	1 175	37%	790	33%	562	56%	8	26%
<b>Female</b>	940	80%	624	79%	377	67%	2	25%
<b>Male</b>	235	20%	166	21%	185	33%	6	75%
<b>Under 25 years</b>	804	68%	422	53%	393	70%	7	88%
<b>26–35 years</b>	265	23%	287	36%	140	25%	1	13%
<b>36–50 years</b>	67	6%	68	9%	24	4%	0	0%
<b>over 51 years</b>	39	3%	13	2%	5	1%	0	0%

\* The overview of the number of employees who have left may include employees who have started working for us in another country

\*\* For privacy reasons, number and rate of new employee hires and employee turnover are not shown in regions with less than 5 cases

\*\*\* Turnover rate is divided by the number of employees at the end of the year, excluding temporary extra personnell

\*\*\*\* Both new employee hires and turnover is excluding temporary extra personnell

# 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 2023, We used 538 684 tonnes wood pellets (and no fuel oil) for onsite heat generation in Vänersborg.

For the Service Office, we use a diesel generator for electricity production as an emergency power supply in case of power cuts. It is only test-driven for 1 hour annually without load and the estimated consumption is about: 50L. Some propane gas is used for fireplaces and grills and the yearly estimated consumption is 1.35m<sup>3</sup>.

In 2023, 100 % energy used in our warehouse and DC in Sweden was from renewable sources. The remaining locations are using a regional grid electricity mix. We have used a market-based method for our Scope 2 climate accounting. See [Methodological note for reporting regarding climate action](#) for more information.

Energy Use Overview- Offices			2023			2022		
Office Name	Country/Region	City	Area (m <sup>2</sup> )	Electricity Use (kWh)	Energy Intensity (kWh/m <sup>2</sup> )	Area (m <sup>2</sup> )	Electricity Use (kWh)	Energy Intensity (kWh/m <sup>2</sup> )
Service Office (HQ)	Norway	Billingstad	14 520	2 156 755	148.54	14 520	1 940 783	133.66
Solna Retail Office	Sweden	Solna	724	53 146	73.41	724	53 468	73.85
Helsinki Retail Office	Finland	Helsinki	360	13 830	38.42	360	14 745	40.96
Dhaka global production office	Bangladesh	Dhaka	1 178	113 799	96.60	1 178	89 035	74.51
Beijing global production office	China	Beijing	127	7 692	60.57	127	5 015	39.49
Hangzhou global production office	China	Hangzhou	177	6 942	39.22	177	4 078	23.04
Hong Kong global production office	Hong Kong SAR	Hong Kong	460	30 443	66.18	460	33 054	71.86
New Delhi global production office	India	New Delhi	372	18 675	50.20	253	18 495	73.10
Istanbul global production office	Türkiye	Istanbul	366	12 138	33.16	366	12 136	33.16
Warehouse and DC	Sweden	Vänersborg	67 192	4 212 432	62.69	49 000	3 779 382	77.13



# GRI index

**Statement of use** Varner AS has reported in accordance with the GRI Standards for the period 1 January 2023-31 December 2023.

**GRI 1 used** GRI 1: Foundation 2021.

**Applicable GRI Sector Standard(s)** Not currently available.

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
2-1	Organisational details	Page 10-12	
2-2	Entities included in the organisation's reporting	Page 10	
2-3	Reporting period, frequency and contact point	Page 10; 153; 176	
2-4	Restatements of information	Page 110; 153; 155	
2-5	External assurance	Page 172-174	
2-6	Activities, value chain and other business relationships	Page 10-13	
2-7	Employees	Page 157-159	
2-8	Workers who are not employees	Page 93	
2-9	Governance structure and composition	Page 17-19	
2-10	Nomination and selection of the highest governance body	Page 17-18	
2-11	Chair of the highest governance body	Page 17-19	
2-12	Role of the highest governance body in overseeing the management of impacts	Page 17-18	
2-13	Delegation of responsibility for managing impacts	Page 17-18	
2-14	Role of the highest governance body in sustainability reporting	Page 17-18	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
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 process related to conflicts of interest for the highest governance body has not been established.
2-16	Communication of critical concerns	Page 20	
2-17	Collective knowledge of the highest governance body	Page 18	
2-18	Evaluation of the performance of the highest governance body	Page 17	
2-19	Remuneration policies	Page 20	
2-20	Process to determine remuneration	Page 20	
2-21	Annual total compensation ratio		<p>A. The ratio of the annual total compensation for the organisation's highest-paid individual, in Varner AS, to the median annual total compensation for all employees is 14.</p> <p>B. The ratio of the percentage increase in annual salary for the organisation's highest paid individual to the median percentage increase in annual total compensation for all employees is 1.03 (salary increase).</p> <p>C. See page 20.</p>
2-22	Statement on sustainable development strategy	Page 4	
2-23	Policy commitments	Page 23	<a href="http://varner.com/no/sustainability/vaare_policyer/">varner.com/no/sustainability/vaare_policyer/</a>
2-24	Embedding policy commitments	Page 23	
2-25	Processes to remediate negative impacts	Page 72; 92-94	
2-26	Mechanisms for seeking advice and raising concerns	Page 26, 84	
2-27	Compliance with laws and regulations	Page 20	
2-28	Membership associations	Page 34	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 2: General Disclosures 2021</b>			
2-29	Approach to stakeholder engagement	Page 24-25	
2-30	Collective bargaining agreement	Page 85-86	
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	Page 27-28	
3-2	List of material topics	Page 28	
<b>GRI 205: Anti-corruption 2016</b>			
3-3	Management of material topics	Page 78	
205-1	Operations assessed for risks related to corruption	Page 78	
205-2	Communication and training about anti-corruption policies and procedures	Page 78	
205-3	Confirmed incidents of corruption and actions taken	Page 78	
<b>GRI 301: Materials 2016</b>			
3-3	Management of material topics	Page 99-110	
301-1	Materials used by weight or volume	Page 99-109	
301-2	Recycled input materials used	Page 109-110	
301-3	Reclaimed products and their packaging materials		Information unavailable/incomplete: Varner follows the Extended producer responsibility requirements in Norway, Sweden and Finland for the handling of packaging materials (reported p116), but for reclaimed products data is not collected even though products can be collected in stores.



GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 302: Energy 2016</b>			
3-3	Management of material topics	Page 132-136	
302-1	Energy consumption within the organisation	Page 162	At the time of publication of this report we have collected actual electricity data of full or partial year from 78.53 % stores owned or operated by Varner. Out of 1 174 physical stores that were active at some point in 2023, we have electricity data from 922 stores so far. In 2023, total electricity consumption in these 922 stores was measured and calculated to be 37449772 kWh. These numbers are also including stores that have been closed at some point in 2023.
302-2	Energy consumption outside of the organisation	Page 137-140	
302-3	Energy intensity	Page 162	Based on 2023 electricity data collected from 78.53% stores, avg electricity use intensity in stores (kWh/m <sup>2</sup> ) for the reporting period in Norway, Sweden and Finland was 99.98 and 123 respectively.
302-4	Reduction of energy consumption	Page 136	
302-5	Reductions in energy requirements of products and services		Omitted. Information unavailable.
<b>GRI 303: Water and Effluents 2018</b>			
3-3	Management of material topics	Page 124	
303-1	Interactions with water as a shared resource	Page 124-126	
303-2	Management of water discharge related impacts	Page 126-127	
303-3	Water withdrawal	Page 124-126	
303-4	Water discharge	Page 126-127	
303-5	Water consumption	Page 124-126; 166	Water Consumption in Varner head office for 2023 was stipulated to be 2597 m <sup>3</sup>

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 305: Emissions 2016</b>			
3-3	Management of material topics	Page 132-136	
305-1	Direct (Scope 1) GHG emissions	Page 134-135	
305-2	Energy indirect (Scope 2) GHG emissions	Page 134-136	
305-3	Other indirect (Scope 3) GHG emissions	Page 134; 137-142	
305-4	GHG emissions intensity	Page 134	
305-5	Reduction of GHG emissions	Page 133-145	
305-6	Emissions of ozone-depleting substances (ODS)		Omitted. Not material.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Omitted. Not material.
<b>GRI 306: Waste 2020</b>			
3-3	Management of material topics	Page 112-116	
306-1	Waste generation and significant waste-related impacts	Page 112-116	
306-2	Management of significant waste-related impacts	Page 112-116	
306-3	Waste generated	Page 113-116	
306-4	Waste diverted from disposal	Page 113; 115	
306-5	Waste directed to disposal	Page 113; 115	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
3-3	Management of material topics	Page 117-118	
308-1	New suppliers that were screened using environmental criteria	Page 118	
308-2	Negative environmental impacts in the supply chain and actions taken	Page 120-142	
<b>GRI 401: Employment 2016</b>			
3-3	Management of material topics	Page 85-87; 160-161	
401-1	New employee hires and employee turnover	Page 86-87; 160-161	
401-2	"Benefits provided to full-time employees that are not provided to temporary or part-time employees"	Page 85-86	
401-3	Parental leave	Page 86	
<b>GRI 402: Labor/Management Relations 2016</b>			
3-3	Management of material topics	Page 86	
402-1	Minimum notice periods regarding operational changes	Page 86	
<b>GRI 403: Occupational Health and Safety 2018</b>			
3-3	Management of material topics	Page 92-94	
403-1	Occupational health and safety management system	Page 93-94	
403-2	Hazard identification, risk assessment, and incident investigation	Page 92-94	
403-3	Occupational health services	Page 93-94	
403-4	Worker participation, consultation, and communication on occupational health and safety	Page 93-94	
403-5	Worker training on occupational health and safety	Page 94	



GRI Standard	Disclosure	Reporting location	Remarks
403-6	Promotion of worker health	Page 94	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 53-59	
403-8	Workers covered by an occupational health and safety management system	Page 93	
403-9	Work-related injuries	Page 93	Rate of work related injuries is 1.95 when we consider the GRI constant of 200 000.
403-10	Work-related ill health	Page 92-94	
<b>GRI 404: Training and Education 2016</b>			
3-3	Management of material topics	Page 88-90	
404-1	Average hours of training per year per employee	Page 88-90	
404-2	Programs for upgrading employee skills and transition assistance programs	Page 89	
404-3	Percentage of employees receiving regular performance and career development reviews	Page 90	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
3-3	Management of material topics	Page 80-87	
405-1	Diversity of governance bodies and employees	Page 82-83; 160-161	
405-2	Ratio of basic salary and remuneration of women to men	Page 20	
<b>GRI 406: Non-discrimination 2016</b>			
3-3	Management of material topics	Page 84-85; 64-68	
406-1	Incidents of discrimination and corrective actions taken	Page 84-85	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>			
3-3	Management of material topics	Page 48-52; 85	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 48-52	
<b>GRI 408: Child Labor 2016</b>			
3-3	Management of material topics	Page 62-64; 36-47	
408-1	Operations and suppliers at significant risk for incidents of child labour	Page 62-64	
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
3-3	Management of material topics	Page 60-62; 36-47	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 60-62	
<b>GRI 414: Supplier Social Assessment 2016</b>			
3-3	Management of material topics	Page 36-47	
414-1	New suppliers that were screened using social criteria	Page 41;76	
414-2	Negative social impacts in the supply chain and actions taken	Page 41-47	
<b>GRI 416: Customer Health and Safety 2017</b>			
3-3	Management of material topics	Page 111-112	
416-1	Assessment of the health and safety impacts of product and service categories	Page 111-112	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 111	

GRI Standard	Disclosure	Reporting location	Remarks
<b>GRI 417: Marketing and Labelling 2016</b>			
3-3	Management of material topics	Page 147-148	
417-1	Requirements for product and service information and labelling	Page 148	
417-2	Incidents of non-compliance concerning product and service information and labelling	Page 148	
417-3	Incidents of non-compliance concerning marketing communications	Page 147	
<b>GRI 418: Customer Privacy 2016</b>			
3-3	Management of material topics	Page 151	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 151	

## Independent Assurance Statement

TÜV Rheinland Cert GmbH, Germany (hereinafter "TÜV Rheinland", "we") has been engaged by the management of Varner AS (hereinafter "Varner", "the reporting company") to provide an independent assurance of the Varner Sustainability Report 2023 (hereinafter "the report"). TÜV Rheinland, headquartered in Germany, is a global independent ESG & Sustainability Assurance service provider with qualified ESG practitioners worldwide.

This assurance statement applies only to the relevant information included in the scope of the assurance. The entire content and information of this assurance engagement is in the responsibility of Varner. The responsibility of the Assurer is to provide Varner and its stakeholder with independent assurance statement based on our expert opinions by applying the verification methodology for the specified assurance scope. The overall objective is to provide Varner's stakeholders with assurance on the reliability and objectivity of the information contained in the Report. The intended users of this assurance statement are stakeholders who are interested in Varner's overall sustainability performance and the impacts of its business activities.

### Assurance Standard:

The independent assurance was conducted in accordance with Type-1, Moderate Level Assurance as per the AA1000 Assurance Standard (AA1000AS v3), covering AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact.

### Reporting Criteria & Scope:

- Reporting period: 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2023
- Reporting in accordance with the Global Reporting Initiative Standards (GRI Standards) 2021
- Reporting in reference to UN SDGs, UN Guiding Principle for Reporting, OECD due diligence guidelines and ETI Norway reporting.
- Major assessments covered in the report include material sustainability issues, strategies, objectives, management system, policies, and procedures.
- Appropriateness and consistency of data collection systems, controls, and analysis.

### The following content was not included in the scope of the assurance engagement:

- Financial information
- Index items related to other international standards and initiatives other than GRI

### Limitations:

The assurance was performed at a moderate assurance level in accordance with AA1000AS. The information and performance data subject to assurance is limited to the content of the report and supporting data provided by the reporting organization. It implies that no significant errors were found during the assurance process and that there are limitations related to the unavoidable risks that may exist.



### **Assurance Methodology:**

Our assurance team has evaluated the overall sustainability strategy, targets and commitments disclosed in the report. We have performed an objective review of the reported information and evidence gathered against the criteria defined in the assurance standards, i.e. the AccountAbility principles of inclusivity, materiality, responsiveness and impact. The processes and system controls applied by the reporting company in the disclosure of quantitative and qualitative information on sustainability performance, from source to aggregation, were evaluated. Analytical procedures, interviews, and data testing were performed on a sample basis to test the generation and collection of data for defined sustainability KPIs in accordance with Varner's corporate sustainability strategy, governance, and management systems as disclosed in the report. Our work included interviews with Varner representatives, including senior management at the executive and functional levels, as well as relevant employees responsible for collecting, aggregating and reporting the data. The assurance work was performed by our multidisciplinary team of experienced professionals in the areas of corporate sustainability, climate change, environmental, social, governance and stakeholder engagement. The opinion expressed is based on a moderate level of assurance and at the level of materiality of the Assurer's professional judgment.

### **Adherence to the AA1000AS v3:**

#### **Inclusivity:**

Varner ensures inclusiveness by proactively identifying and engaging with diverse stakeholder groups, whose concerns are systematically addressed throughout the report. Its approach to stakeholder engagement is supported by formal strategies designed to foster ongoing communication and collaboration. This commitment comes from the highest levels of leadership within the organization. Engagement activities include a variety of formats, including customer and employee surveys, meetings, audits, seminars, training, projects and reporting. Each interaction is carefully documented, and dedicated personnel are responsible for managing the feedback received. In addition, Varner is transparent in communicating sustainability goals and commitments to stakeholders. This ensures that stakeholders are well-informed about initiatives and progress toward our sustainability goals.

#### **Materiality:**

Varner has systematically conducted a materiality assessment of sustainability issues, taking into account the industry landscape, due diligence findings, risk assessments and stakeholder engagement. This assessment, which has become an annual practice, is a cornerstone of their commitment to sustainability. The Sustainability Steering Group, reflecting the commitment of top management, carefully reviews and approves the list of material issues. In addition, the assessment goes beyond internal considerations to include geopolitical and regulatory dimensions, as demonstrated by their compliance with regulations such as the Norwegian Transparency Act. Drawing on external references such as the OECD Due Diligence Guidance and the ETI Norway Salient Risk Tool, as well as extensive consultation with internal and external stakeholders, the materiality assessment provides a comprehensive understanding of the relevant issues. This understanding is further refined through a comparison between the materiality matrix and the issue prioritization. These material issues are then methodically addressed in specific sections, each outlined by measurable metrics. Varner's senior management and cross-functional teams are well versed in these processes, which are informed by extensive documentation and interviews.

#### **Responsiveness:**

Varner is committed to addressing stakeholder concerns through a multi-faceted approach embedded in the sustainability strategy, policies, procedures, code of conduct and established sustainability goals. The commitment to transparency is evidenced by the disclosure of risk management framework and

key performance indicators in this report. Varner actively promotes stakeholder engagement through various channels, including multi-stakeholder platforms and customer interfaces. In particular, the dialog-driven approach is exemplified throughout the report, particularly in the sections detailing collaboration and alignment with industry initiatives. In addition, Varner has actively engaged with non-governmental organizations (NGOs) on labor-related issues, particularly those related to migrant workers. The report itself is designed to be comprehensive, providing stakeholders with a clear and accessible breakdown of relevant topics. This structure allows stakeholders to easily navigate through the document and find information that meets their specific expectations and interests.

**Impact:**

Varner adheres to the GRI reporting standards, which prioritize the assessment of external impacts. Varner has systematically identified the impacts associated with its operations and products. Their commitment to impact assessment is reflected in the careful documentation and tracking of impacts through internal processes and systems. Varner addresses critical issues such as greenhouse gas emissions, occupational health and safety, and human rights in the supply chain. In addition, their commitment to identifying and mitigating negative impacts is evident in their annual risk and materiality assessment.

**Competence and Independence:**

TÜV Rheinland ensures that appropriately qualified individuals are selected based on their qualifications, training and experience. We have maintained complete impartiality and independence throughout the assurance engagement and have not been involved in the preparation of the content of the report or provided any related information. The assurance statement is only valid if it is published in its entirety with the report. TÜV Rheinland does not accept any liability or responsibility to any third party for any perception or decision regarding Varner based on this assurance statement.

**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 2023 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 contains statements and claims that reflect Varner's sustainability achievements and challenges, supported by documentary evidence and internal records.
- The Assurer cannot identify any material misstatement based on the information and data provided in the Report.



Ryan Foo  
Senior Technical Manager (CSAP)

8 April 2024, Cologne, Germany

On behalf of TÜV Rheinland Cert GmbH

## Board of directors for Varner AS



**Petter Varner**  
Chair of the Board



**Marius Varner**  
Managing Director  
Board Member



**Joakim Varner**  
Board Member

# VARNER

## Contact

We welcome your feedback on this report.

For more information or to provide comments,  
please contact us at: [Sustainability@varner.com](mailto:Sustainability@varner.com)

Thank you!

**Varner**

Nesøyveien 4  
1396 Billingstad

[varner.com](http://varner.com)