



ENGINEERS
OF ACTIVE
LAYERS
SINCE 1946

**SUSTAINABILITY
REPORT 2019/2020**



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FOREWORD

“ONE STEP AHEAD”

We care! Born in Norway and engineered in Switzerland, ODLO is a quality-conscious company that takes its social and environmental responsibility seriously. **We act!** We are on a constant journey towards a more sustainable future that requires continuous action to propel us forward. **We share!** With this Sustainability Report, we share our achievements and progress over the last year and set the direction for the future, to ensure we're always one step ahead.

This season, we have taken important steps together with our employees, suppliers and partners. ODLO could enhance the working conditions in our global supply chains by improving our social monitoring system for manufacturers with increased local presence. We continued our Living Wage pilot in our own production in Romania. ODLO's first environmental audit at our own factory is helping us to shape our journey of continuous improvement in terms of the brand's environmental impact.

In the early development phase of seasons FW19/SS20, we set high targets to significantly increase sustainable material and product solutions, focusing on material resources such as recycled materials, sustainable dyeing processes and wicking finish. ODLO, for example, successfully launched more products made from sustainable Tencel materials. We are convinced that starting to implement the Higg Material Sustainability Index Tool will be a great support in measuring our material footprint going forward. Constant monitoring, assessments and exchanges are key to make sure everyone is on the right track.

With regards to transportation, we are proud to say that we have made great improvements in our carbon footprint reduction by introducing a new mode of transportation called 'rail and truck' for deliveries from Romania to our central warehouse. Another important topic on our agenda is plastic waste, and so we began to question our use of single packed poly bags.



Knut Are Høgberg
CEO

“Sustainability is all about the future. I want to look my children in the eye and say we are now taking the right actions to respect both people and mother nature, so that eventually their children also can enjoy a fair and healthy planet.”

We are honoured to see our continuous efforts to become a more responsible global citizen acknowledged by the Fair Wear Foundation with another leader status award, and are proud to be setting an example in this respect. There are, however, still many steps we need to take. That's why we continue to intensify our research and exploration on how to strengthen our sustainable practices, reduce our environmental footprint, and further improve our working environment in our own and third party facilities.

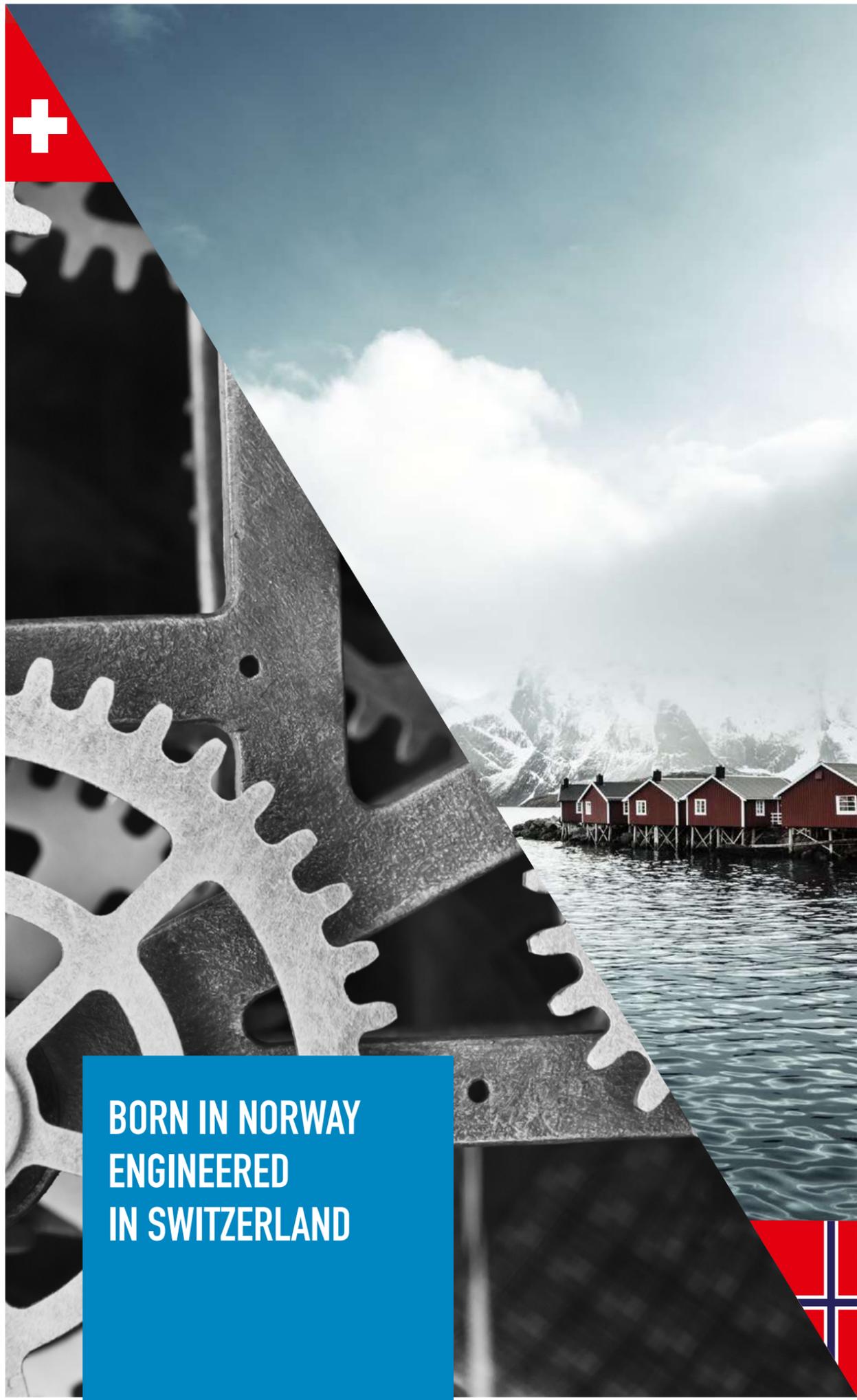
The future starts with the steps we take today. We look forward to always being one step ahead on our sustainability journey. Challenge accepted! #ZEROEXCUSES

Knut Are Høgberg, CEO



Adrian Schürmann
CFO

“Sustainability requires an overall belief, an ethic towards environmental and social health. Only then, can we ensure that we set the foundation for a healthy future.”



**BORN IN NORWAY
ENGINEERED
IN SWITZERLAND**

1946

Odd Roar Lofterød founds ODLO in Oslo.



1963

Our nylon cross-country race suit revolutionises the sport.

1972

At the Sapporo Olympics, 25 teams wear ODLO competition apparel.



1994

We expand our expertise into running and outdoor products.

1986

We relocate to Switzerland and launch the ground-breaking three layer principle.

2002

Our newest innovation, 'Effect', incorporates antibacterial silver into the materials to put an end to unpleasant odors.

2006

Not one, but two major breakthroughs as we unveil Cubic, an ultra-lightweight knitted fabric and Just One, which has incredible moisture management.

2016

We celebrate our 70th anniversary and introduce our new brand claim, 'Engineers of Active Layers since 1946'.

2017

Who would think to use the cooling properties of ceramic in clothing? That'll be us - innovating once again as we launch the pioneering Ceramicool technology.

2012

Evolution Greentec is launched, the first seamless underwear from 100% recycled materials.

2018

Innovation continues with Ceramiwool, Ceramiwarm and F-Dry. We also begin a ground-breaking collaboration with Zaha Hadid Design.

2020

We introduce our improved and sustainable anti-odour technology ZeroScent, derived from renewable and recycled sources.

2019

ODLO introduces I-THERMIC, the first Intelligent Thermal Technology that analyses body heat to regulate it whenever it is needed.

FACTS & FIGURES

2018 / 2019

FOUNDED	1946 in Norway, 1986 relocated to Switzerland	MANUFACTURING LOCATIONS	ODLO manufactures 63% of its products in Europe and the Middle East, with 50% primarily in its own factories. ODLO has state-of-the-art production facilities in Portugal and Romania. 37% of ODLO's products are produced in Asia.
HEADQUARTERS	ODLO International AG , Bösch 47, 6331 Hünenberg, Switzerland	NUMBER OF FACTORIES	Total of 34 factories: own factories in Romania (1), Portugal (1); external factories in Europe (9), Middle East (2), Asia (23)
MARKETS	ODLO's subsidiaries in Switzerland, Germany, France, Netherlands, Austria, Norway and USA generate the majority of its turnover. The ODLO brand is sold in around 40 countries around the world.	LOGISTICS	Own central 26,000 m2 warehouse and distribution centre in Brügglen, Germany
EMPLOYEES	Total of 740 (FTE) sport enthusiasts , of which approximately 100 are based in Hünenberg, Switzerland	SUSTAINABILITY	As a quality-conscious Swiss company that takes its responsibility to society and the environment seriously, sustainability has always been at the heart of the company's culture. ODLO is a proud member of respected networks like the Fair Wear Foundation (FWF) and the Sustainable Apparel Coalition (SAC). ODLO prioritizes long term partnerships with its producers and all of them signed the ODLO Code of Conduct. ODLO's Sports Underwear, Baselayers and Midlayers are all certified with "STANDARD 100 by OEKO-TEX®". ODLO publishes an annual sustainability report.
EXECUTIVE MANAGEMENT	Knut Are Høgberg (Chief Executive Officer) and Adrian Schürmann (Chief Finance Officer)	PRODUCT CREATION	ODLO's product creation teams , based at Headquarters in Switzerland, continually strive to be One Step Ahead by engineering innovative and industry-leading performance apparel that set uncompromisingly high standards of performance, comfort and quality. To achieve this, ODLO collaborates with a variety of partners to develop industry-leading innovations ranging from world class athletes, to top research institutes like EMPA and globally-leading fabric and garment manufactures.
SENIOR MANAGEMENT	Timo Pape (Brand Director), Christophe Schlenker (Commercial Operations Director), Daniel Mulvie (Supply Chain Management Director), Pascal Schweizer (Sales Director DACH), Cédric Georges (Sales Director Europe West) and Phil Weston (Sales Director International Markets) and Andreas Hindelang (E-com Director)	AMBASSADORS	Swiss-Ski (Nordic) , Fédération Française de Ski (Nordic), Ski Association of Slovenia (Nordic), Norwegian Biathlon Association, Japan Biathlon Federation, Scott-Sram MTB Racing Team, Oxsitis ODLO Trail Running Team as well as numerous local ambassadors.
POSITIONING STATEMENT	Born in Norway and engineered in Switzerland , ODLO combines more than 70 years of innovation with a track record of staying One Step Ahead to produce premium performance sportswear for year-round active individuals.	EVENTS	Engadin Skimarathon , Tortour, Perskindol Swiss Epic, Barmer Women's Run, ODLO Halfmarathon Ingolstadt, Generali Berliner Halfmarathon, Tour O The Borders, Runner's World Zandvoort Circuit Run, Red Bull Kop Over Kop, High Trail Vanoise and Sainté Lyon Ultratrail.
PRODUCT COLLECTIONS	As a year-round performance sports brand , ODLO offers dedicated seasonal collections in Sports Underwear / Baselayers, Running, Cycling, Outdoor Performance, Women's Activewear, Nordic Disciplines and Accessories.	MORE INFORMATION	www.odlo.com
POINT OF SALE	ODLO products are available in over 8,000 sales outlets around the world , predominantly in specialist sports shops. Customers can enjoy the ODLO experience at more than 1,500 shop-in-shops. ODLO runs 19 brand stores and 18 outlets across Europe.		
PRODUCTION	Production includes one spring/summer collection (657 styles) and one fall/winter collection (913 styles) with a total production volume of approximately 6.6 million items.		

CODE OF CONDUCT

The Code of Conduct sets out the principles that we must adhere to in our company. It provides ethical guidelines and norms which we must comply with when we act on behalf of ODLO Sports Group.

The Code of Conduct applies to all employees as well as to the members of the board of directors, independent contractors/consultants, temporary staff and hired staff.

Our ambition as a company is to always act in an ethical and responsible manner. Our Code of Conduct is intended to deter wrongdoing and to promote high standards of integrity and compliance with all applicable laws and regulations by anyone that acts on behalf of ODLO Sports Group. As such, whenever we require someone to provide services on our behalf, we will request that the service provider, agent or consultant also complies with our Code of Conduct, or complies with an ethics policy that ensures our service providers also act in an ethical and responsible manner.

ANTI-CORRUPTION

As a company, we live by a set of high ethical standards. ODLO Sports Group is firmly opposed to all forms of bribery and corruption, and will work against corruption in all forms. We will comply with applicable anti-corruption laws and regulations everywhere we do business. Any attempt to influence a person by providing hospitality, entertainment or gifts to obtain business for our company is strictly prohibited.

FAIR COMPETITION

We commit to complying with fair competition and anti-trust laws applicable to the markets in which we operate. These laws are intended to prohibit practices that restrain trade or unduly limit free and fair competition.

INTERNATIONAL TRADE

Laws governing international trade affect the transmission of goods, services and technology across national borders. It is our policy to strictly comply with these laws and regulations in the countries in which we operate.

HEALTH AND SAFETY

We seek to create a sound workplace for all employees with good working conditions and a good working environment.

HUMAN RIGHTS

We remain committed to respecting the human rights of those affected by our activities and to comply with all applicable national and local labor laws in the countries in which we operate. We will always consider the material social issues and respect basic labor rights when conducting business activities.

EQUALITY AND DIVERSITY

We respect individuals and make efforts to ensure a working environment characterized by equality and diversity. We do not accept any form of discrimination from or towards our own employees, others that are involved in our activities, or those we do business with.

ENVIRONMENT

Protecting the environment and conserving natural resources is important to ODLO Sports Group. Management and employees are expected to be environmentally conscious when carrying out their work and to always support our initiatives to operate in an environmentally sound manner.



Matilda Tuure
Designer,
ODLO International AG

ODLO INSIGHTS

Since when have you been part of the ODLO family?

I joined ODLO design team about one year ago in May 2018.

What do you like most about your job?

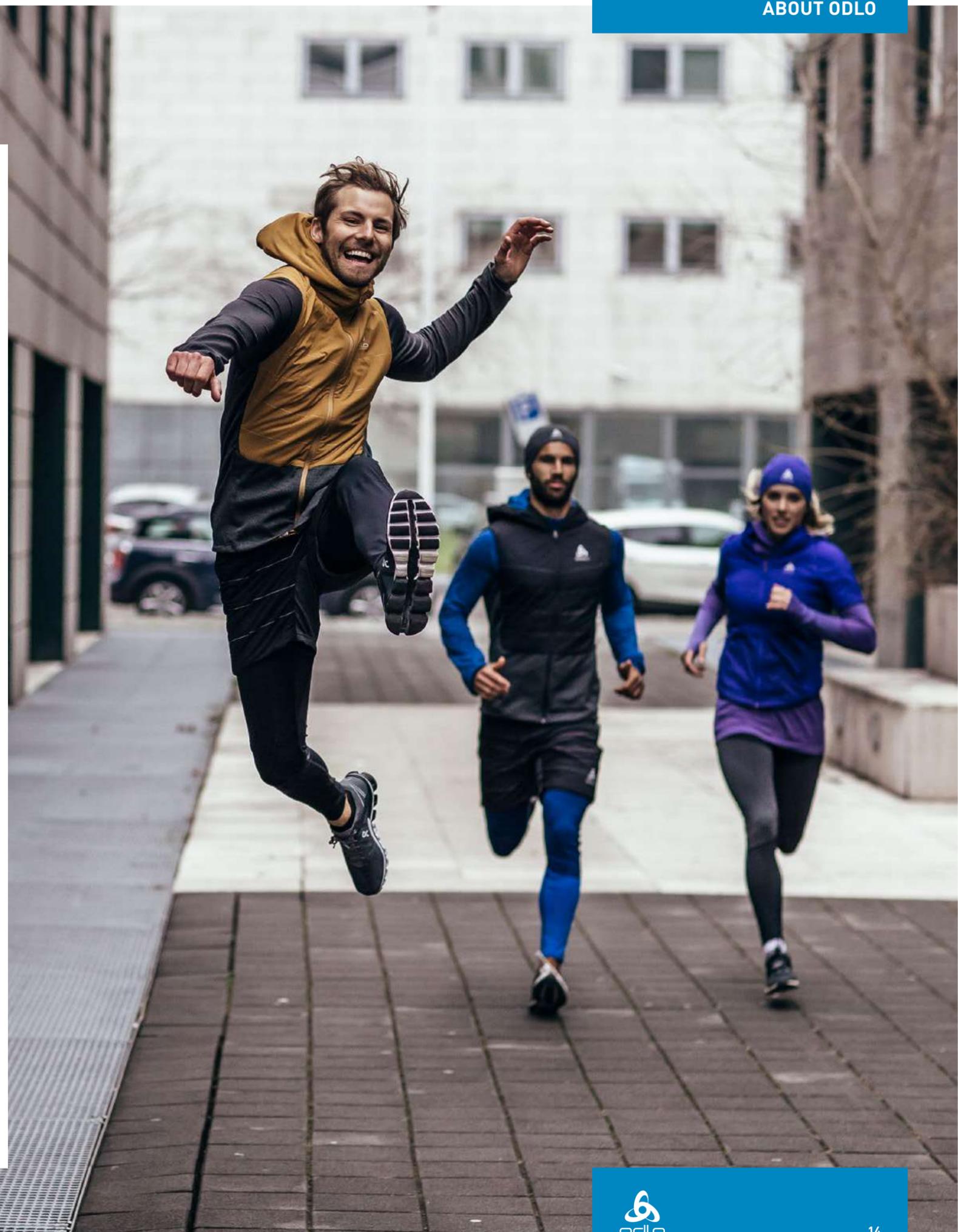
Every product we create has a reason and function behind it. At ODLO it is possible to be really innovative and come up with something totally new.

How do you contribute to sustainability within your job?

As a designer I'm used to thinking the consequences of the decisions I'm making during the product creation. I always try to design smart, usable and great looking products which would be used for years and years. Sustainable design is an outcome of many steps from product briefing until after usage. I'm constantly investigating how we could make this process better from a design perspective.

What is your personal tip / advice to be more sustainable in everyday life?

I'm quite serious with this topic and I think every decision we do today should be sustainable. We should rethink our old habits and find new ways to live. By simplifying our lifestyle we can make the difference: reuse, recycle and share, buy less and only high quality, love what you already have and take good care of it.



SUSTAINABILITY



SUSTAINABILITY VISION & VALUES

Born in Norway - engineered in Switzerland, sustainability has always been a part of our brand's DNA. The company's three core values are responsibility, action and transparency - these terms reflect ODLO's philosophy.

RESPONSIBILITY - WE CARE

As a global acting sportswear apparel brand with our own factories, we take our responsibility seriously so that everyone can enjoy sporting activities long into the future.

ACTION - WE ACT

Our commitment to sustainability is translated into action, contributing to change. We cannot do this alone. Therefore, we act through collaboration and equal partnership to help move the industry forward.

TRANSPARENCY - WE SHARE

We stand by what we do. We communicate our commitment, the measures we take and the progress we achieve.

**WE ARE A
RESPONSIBLE
GLOBAL CITIZEN.
WE CARE.
WE ACT.
WE SHARE.**

SUSTAINABILITY STRATEGY

The ODLO sustainability strategy is integrated into the company's overall strategy. To ensure progress, the status and achievements are reported quarterly to the Executive Management Team. The strategy is built on three pillars: social, ecological & product responsibility.

SOCIAL RESPONSIBILITY

- I. Be a fair and attractive employer to employees (headquarter, subsidiary companies, own production plants).
- II. Be a fair and attractive partner to producers and ensure that they correctly apply the Supplier Code of Conduct.
- III. Ensure ODLO's social accountability along the value chain through an integrated social management system.

ECOLOGICAL RESPONSIBILITY

- I. Ensure ecological responsibility along the supply chain.
- II. Contribute to industry collaboration on environmental protection through multi-stakeholder engagement.

PRODUCT RESPONSIBILITY

- I. Ensure high quality products with long durability.
- II. Innovate products that create solutions for improved resource efficiency.
- III. Create products that do not harm people or the environment.

SUSTAINABILITY MANAGEMENT SYSTEM

ODLO closely follows the membership principles of the following:

- Fair Wear Foundation (FWF)
- Sustainable Apparel Coalition (SAC)

The FWF is built on a multi-level verification system while SAC's system is focusing on the HIGG-Index tools.

FAIR WEAR FOUNDATION MEMBERSHIP

ODLO is a member, with leader status, of the Fair Wear Foundation (FWF), which endeavours to improve labour conditions in the textile industry worldwide. FWF verifies that producers abide by their code of conduct and make appropriate improvements. As a multi-stakeholder initiative, FWF's independence is guaranteed because it is governed by trade unions, NGOs and business associations. Transparency and accountability are key principles of the organisation.

FWF members work towards improving the labour conditions in factories that produce sewn textiles all over the world. The basis of the collaboration between FWF and its members is its code of labour practises. Eight labour standards form the core of this code of conduct. FWF members are contractually obliged to comply with these standards.

FWF verifies whether companies comply with the code of labour practices through factory audits and complaint procedures, through audits of its members' management system and through extensive stakeholder consultations in producer countries. FWF shares its knowledge and (local) contacts with its member companies, providing them with access to information on local legislation, labour legislation and culture.

Members are required to set up an effective monitoring system, including factory audits, factory trainings and factory visits.

FWF has a complaint procedure that enables factory workers to anonymously report any abuses related to labour conditions. To raise workers' awareness on labour rights, FWF also offers Workplace Education Programme.

For more information about Fair Wear Foundation:
www.fairwear.org





BRAND AND RETAIL MODULE (BRM) – HIGG INDEX

The Higg Brand and Retail Module (BRM) helps ODLO to measure the environmental and social impacts of all operations, so that strategic areas for improvement can be identified and focused on. The key areas brands are evaluated on are: sustainability strategy, product development, supply chain, packaging, transportation, distribution centres and retail stores. The tool supports the sharing of sustainability information with key stakeholders, including supply chain partners, which is very beneficial in the equal partnership approach ODLO is pursuing. The planned relaunch

of the BRM tool in 2019 was postponed after the member vote. ODLO actively participated in the pilot testing of the new BRM and gave extensive feedback to ensure that the needs of small medium enterprise (SME) are considered as well in the new module.



SUSTAINABLE APPAREL COALITION MEMBERSHIP

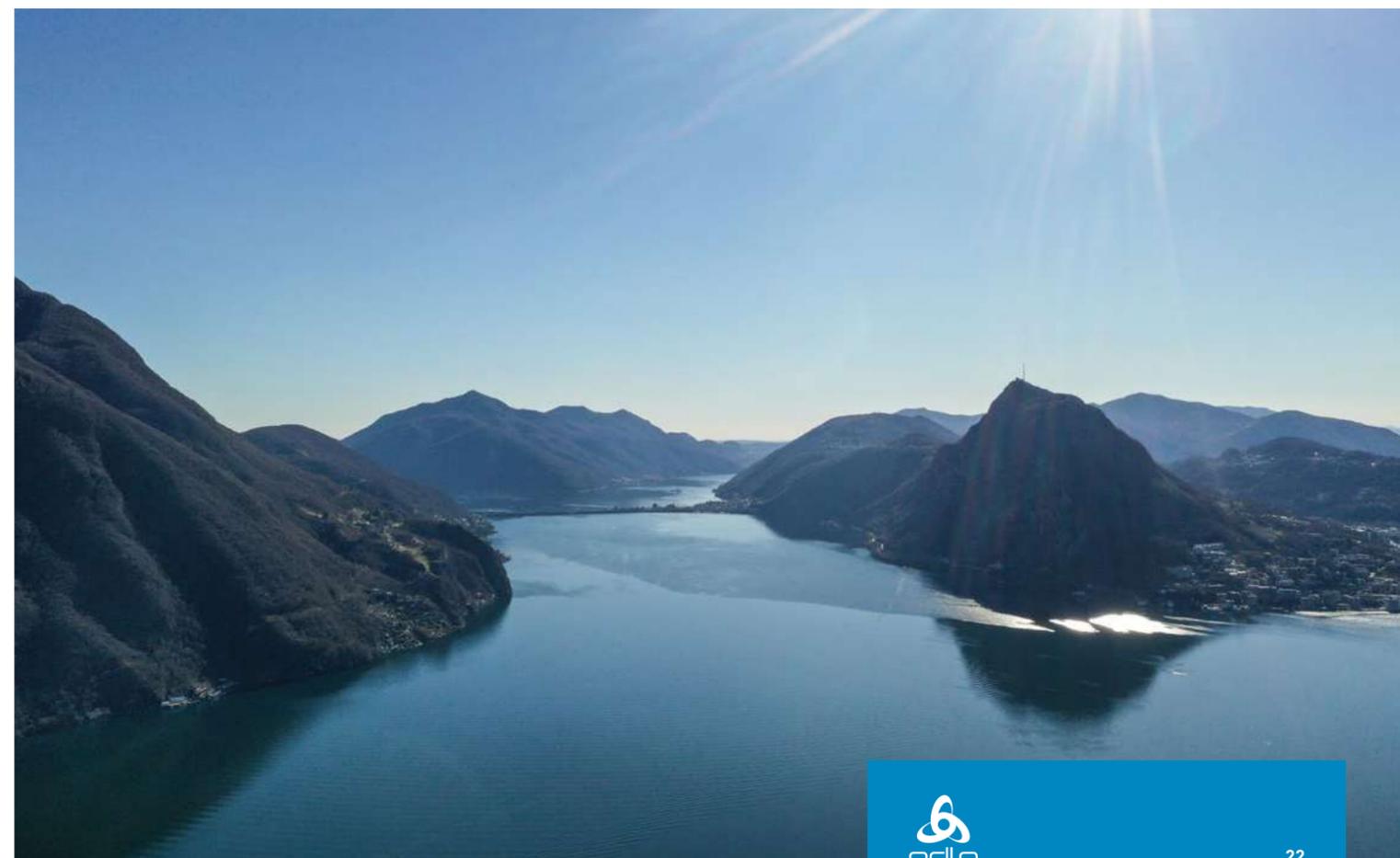
Since 2016, ODLO has been a member of the Sustainable Apparel Coalition (SAC); a multi-stakeholder initiative of the global footwear and apparel industry. With this membership, ODLO joins over 230 global brands, retailers and manufacturers, as well as government, non-profit organizations and academic institutions, which are collectively committed to improving sustainability performance along the supply chain.

The Higg Index is the group's tool of measurement for sustainability. It includes facility, brand and product tools that are open source and indicator-

based. The Higg Index enables manufacturers, brands and retailers to evaluate their materials, products, facilities and processes based on environmental and product design choices.

With the implementation of the Higg Index, ODLO's supply chain, as well as the brand itself, is assessed against an industry benchmark, holistically demonstrating the strengths and weaknesses of the corporate activities that empower ODLO to make meaningful improvements.

For more information about Sustainable Apparel Coalition: www.apparelcoalition.org



THE ODLO SUPPLIER CODE OF CONDUCT

As early as the 1990s, ODLO signed a code of conduct with its manufacturers. In 2009 it was revised to get in line with the requirements of the Fair Wear Foundation and was re-signed by each of the manufacturers.

This most restrictive code on the market is based on the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights.

EMPLOYMENT IS FREELY CHOSEN

There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105)

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representative functions. (ILO Convention 135 and Recommendation 143)

NO DISCRIMINATION IN EMPLOYMENT

Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities,

regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps. (ILO Conventions 100 and 111)

NO EXPLOITATION OF CHILD LABOUR

There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years. (ILO Convention 138) There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the ages of 15-18] shall not perform work which, when carried out, is likely to harm their health, safety or morals. (ILO Convention 182)

PAYMENT OF A LIVING WAGE

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131) Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

REASONABLE HOURS OF WORK

Hours of work shall comply with applicable laws

and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1).

SAFE AND HEALTHY WORKING CONDITIONS

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155) Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited.

LEGALLY BINDING EMPLOYMENT RELATIONSHIP

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.



SUSTAINABILITY INITIATIVES 2018/2019

SUSTAINABILITY WORKSHOP 2018

We started the new business year with a one day sustainability workshop in July 2018, to which one to two representatives from the key business areas in the headquarter were invited: Material, Marketing, Retail, Sourcing/Logistics, Customer Service, Brand Management, Sales, Product Development/Pattern, Design, Human Resources, Category Management, E-Commerce. The goals of the workshop were on the hand to collect more ideas on how to embed sustainability holistically in all of ODLO's business areas, to connect different departments under the umbrella of sustainability and most important to get the ball rolling and pick first projects to start with.

The key overlapping focus areas which were identified during the workshop were: corporate company culture. It is key that awareness on the topic

is constantly raised, a holistic approach, a guiding (goals) are needs to lead through the entire group. Communication (and education) was the second key area on which all participants agreed on (both internal and external). On product level the overlapping goal of resource efficiency as key task was identified. All participants agreed that sustainability is a culture and will be standard/required in the future! During the brain storming sessions, the group was divided in teams of three different areas and discussed the specific questions prepared upfront. In plenum each area presented the results of the area and the group voted on the most important ideas each participant should focus on in her/his field. Like this impact areas could be defined which could be addressed during the business year and are as well reflecting in the newly defined sustainability goals.

SUSTAINABLE DESIGN GUIDELINES

One initiative coming (indirectly) out of the workshop was the creation of the (Sustainable) Design Guidelines. This guideline is initiated to support the product creation team with clear guidelines on sustainability which should be followed/taken into account during the design and development process of each new style. The main areas to be covered by the guidelines are: development (construction & workmanship), pattern (fabric consumption), material choice and product management.



GOALS AND ACHIEVEMENT 2018/2019

SOCIAL RESPONSIBILITY

GOALS

Keep FWF leader status by continuously improving social monitoring system for manufacturer

Continue Living Wage Pilot and start rolling out to other manufacturers.

Increase local presence and local stakeholder network at manufacturing countries, set up of a fixed process to include inspection trips for onsite corrective action plan follow up, increase in training for local Quality Control staff.

Increase internal staff awareness on FWF and ODLO's supplier Code of Conduct.

ACHIEVEMENT

The annual Brand Performance Check by FWF in September 2018 confirmed ODLO's FWF leader status.

The pilot in Romania was continued according to internal planning, additional actions were taken to increase the benefits of the pilot which is why a further roll out to other partners was postponed to ensure 100% focus of the first pilot's execution.

In 2018/19, the local Quality Control team started the support of onsite corrective action plan follow up and was trained again on Social Responsibility during the Quality days at the ODLO headquarter in Switzerland.

All new employees receive a detailed introduction training on Sustainability at ODLO including the FWF Code of Labour Practises. The interdisciplinary workshop in July 2018 additionally supported the involvement of the key business areas around the topic of Sustainability.

ECOLOGICAL RESPONSIBILITY

GOALS

Keep environmental monitoring of Tier 1 & Tier 2 supplier by implementing Higg Index.

Performing SAC Higg FEM verification audit.

Use Higg FEM results to drive impact, following up in a corrective action plan process with key suppliers.

Increase internal awareness on ecological responsibility by setting up of ODLO Green team in the ODLO headquarter.

Transport – Reduce ODLO's CO2 footprint.

Packaging -Reduce ODLO's plastic footprint.

ACHIEVEMENT

"Facility Environmental Module"(FEM) filled by 88% of total FOB for Tier 1 supplier and by 70% of total FOB for Tier 2 supplier.

In October 2018 the first Higg FEM audit was successfully performed at ODLO's facility in Romania.

Due to the delayed availability of all scored 2017 FEM results follow up was done on individual content, timewise the development of a CAP structure and universal follow up plan was not yet possible.

Focus points for the Green Team have been identified and are planned to be spread within the entire ODLO Sports Group instead of only ODLO's headquarter, unfortunately the set up and implementation could not be realized in 2018/19, but are on the agenda for 2019/20.

We successfully introduced a new transport mode 'rail + truck' which enables us to save 1.100 kg CO² per transport on the route from our own production in Romania to the central warehouse in Germany.

As a first step to reducing plastic waste Odlo will no longer use single use polybags per product in its accessories range.

PRODUCT RESPONSIBILITY

GOALS

Start implementing the Higg Materials Sustainability Index (MSI) to compare materials environmental impact and make informed choices.

Extend sustainable product solutions focusing on material resources and dyeing processes.

Start implementing the Design & Development Module (DDM) to increase awareness and assess concepts early in the product creation process.

Keep product certification OEKOTEX standard 100.

ACHIEVEMENT

First important steps towards the MSI integration have been set and the kick off was defined for season FW20. Also, the integration of MSI scoring information was added to ODLO's PLM system.

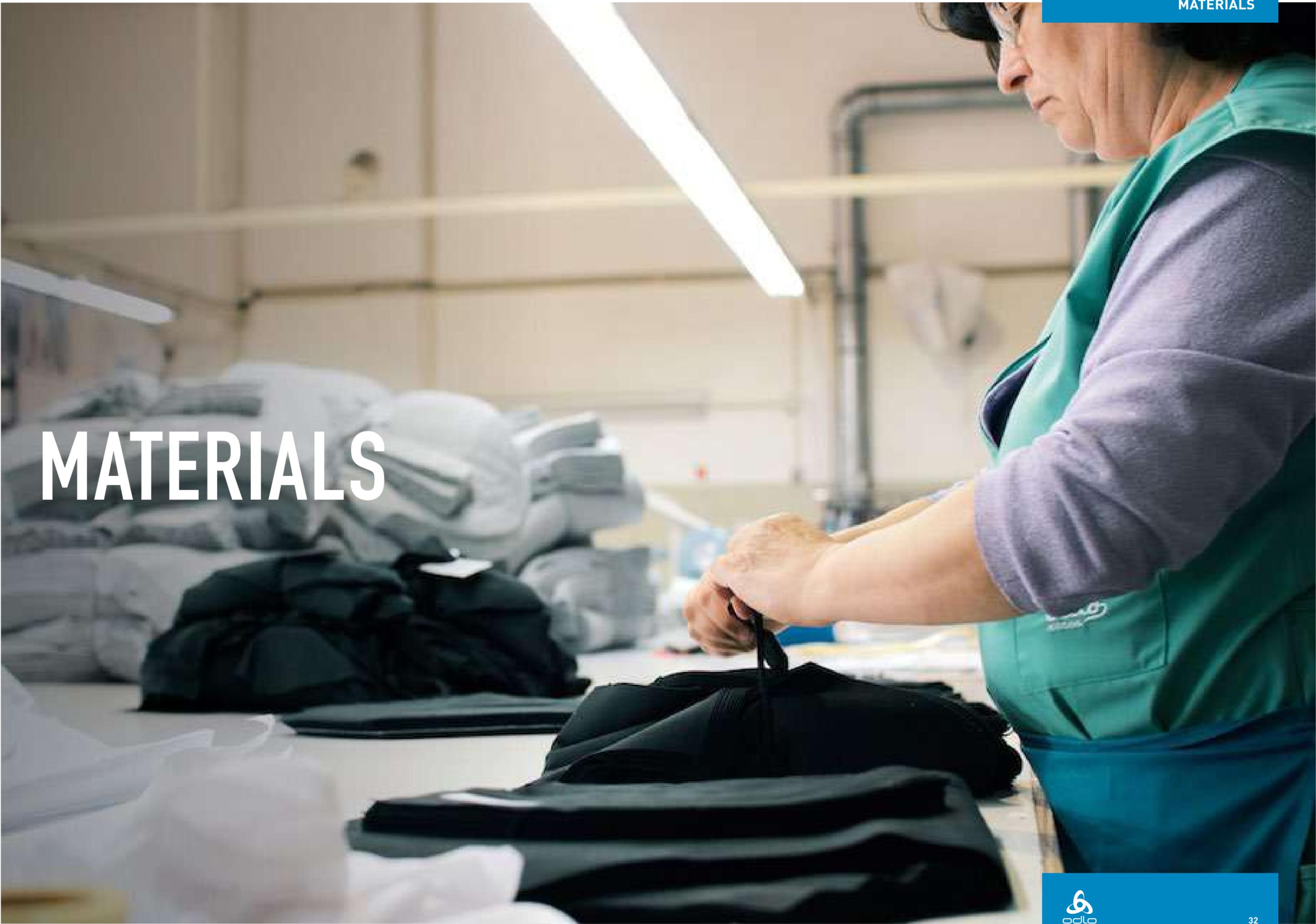
During the development phase taking place in 2018/19, a clear focus on sustainable material and product solutions was set and will be successfully integrated from SS20/FW20 onwards. From a significant increase of recycled polyester (up to 50% of used materials) and down filling as well as the switch to a sustainable anti odor finish. Also, dry dye and dope dye solutions remain in the collections as before.

The 3D Sampling is very well integrated into the development process and continuously supports to reduction of resources in time, finances and raw materials.

Class I for baby article has been renewed beginning of 2019, renewal process of Class II has been started in June 2019.



MATERIALS





Joana Rocha

Procurement Department,
ODLO Portugal

ODLO INSIGHTS

Since when have you been part of the ODLO family?

I first joined ODLO Portugal family in 2005 with a small break of a year in between, so I have worked for ODLO for about 13 years.

What do you like most about your job?

It is always changing, always evolving and I get front row seats watching the process of a simple idea grow into a real process. In the procurement department every day is different, we have to deal with a very diverse range of raw materials and suppliers, and it is a constant adventure. A real sense of accomplishment is felt whenever a challenge is overcome.

How do you contribute to sustainability within your job?

The workplace can be a big source of waste, no matter how large or small it is. We reduce the paper waste, the information received by mail is read and saved on the computer and not printed, and we only print what is indispensable. Being part of the raw materials department the goal is to improve the consumption process in order to get the least possible waste; more recently we are in process to change the materials from packaging to recycle. The disposable plastic cups were replaced with coffee mugs; as soon as possible the lights, printer and monitor are turned off.

What is your personal tip / advice to be more sustainable in everyday life?

Always try to reduce purchases in general and you will reduce your waste. Before purchasing anything, think if you really need it, what was the impact of the production of the product you desire on the environment. Give a ride to colleagues who work in nearby places. Whenever possible go to work by public transport, ride or bike.



WORLD OF MATERIALS

Great products are built with great materials. To achieve this, the material development considers three principles: designing to last, exclusivity and collaboration. ODLO continues to use mainly synthetic fibres, though we also use natural materials such as wool and down.

DESIGNED TO LAST

We take great care to select top-quality materials, as this lays the foundation for creating products that are designed to last.

EXCLUSIVITY

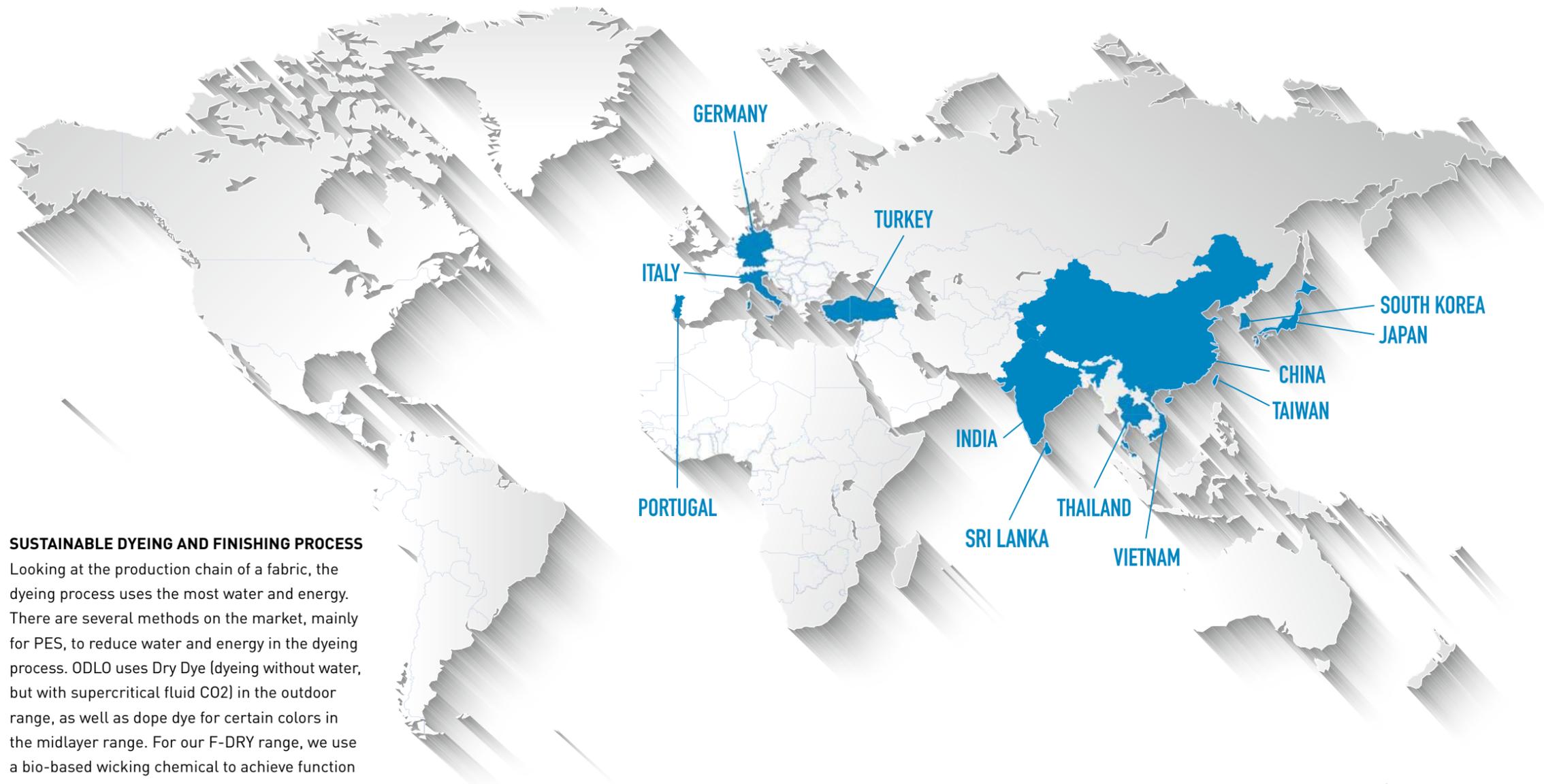
ODLO attaches a great deal of importance to building long-term working relationships with suppliers at all levels. As a result, in many areas we have the exclusive rights to particular materials.

COLLABORATION

We recognise that working together in collaboration with other stakeholders to tackle some of the bigger issues allows us to effect greater change than working on our own. We are a member of the Sustainable Apparel Coalition and work very closely with our nominated material suppliers as well as our garment makers.

RECYCLED

The majority of materials used in our products are synthetic. To reduce the impact of these materials we have a step by step approach of replacing virgin materials such as Polyester with recycled alternatives (e.g. from post-consumer PET bottles). We only work with reliable sources that are certified by international recognized certification such as Global Recycled Standard (GRS).



SUSTAINABLE DYEING AND FINISHING PROCESS

Looking at the production chain of a fabric, the dyeing process uses the most water and energy. There are several methods on the market, mainly for PES, to reduce water and energy in the dyeing process. ODLO uses Dry Dye (dyeing without water, but with supercritical fluid CO₂) in the outdoor range, as well as dope dye for certain colors in the midlayer range. For our F-DRY range, we use a bio-based wicking chemical to achieve function combined with sustainability.

SOURCE FROM NATURE

Natural fibers are not necessarily sustainable in their definition. ODLO is therefore also using sustainable sources like Lyocell, where the entire production chain is transparent and highly environmentally friendly.

ANIMAL WELFARE

ODLO is committed to ensuring that these natural products are obtained using fair production methods. Practices such as „mulesing“ are strictly forbidden when sourcing wool. The down used is a by-product of the meat production industry and is guaranteed not to involve live plucking or force-feeding.

OEKOTEX STANDARD 100

ODLO only works with material suppliers who are Ökotex and/or bluesign-certified, have their own certified testing facilities or work very closely with an independent laboratory. Not only the materials, but also the entire range of the company's underwear and base layer ranges are certified with Ökotex Standard 100.

PFOA/PFOS

Per- and polyfluorinated chemicals (PFAS or PFC) are fluorocarbon connections that possess unique water and fat rejecting properties. Because of this, they are frequently found in DWR (Durable Water Resistance) treatments used on outdoor clothing. Where possible, we avoid the use of PFOA/PFOS in our water-repellent finishes.

95% of ODLO products with a DWR (durable water-repellent) finish are treated using a fluorocarbon-free product, and we are working hard to ensure that we hit the 100% FC-free mark as soon as possible.

ENVIRONMENTALLY FRIENDLY

Of course ODLO also avoids the use of PVC and nickel in its components, using only products that have been tested for their environmental compatibility.

TRANSPORTATION

We do our best to ensure that materials are generally sourced from regions close to the manufacturing site in order to avoid unnecessary transportation.

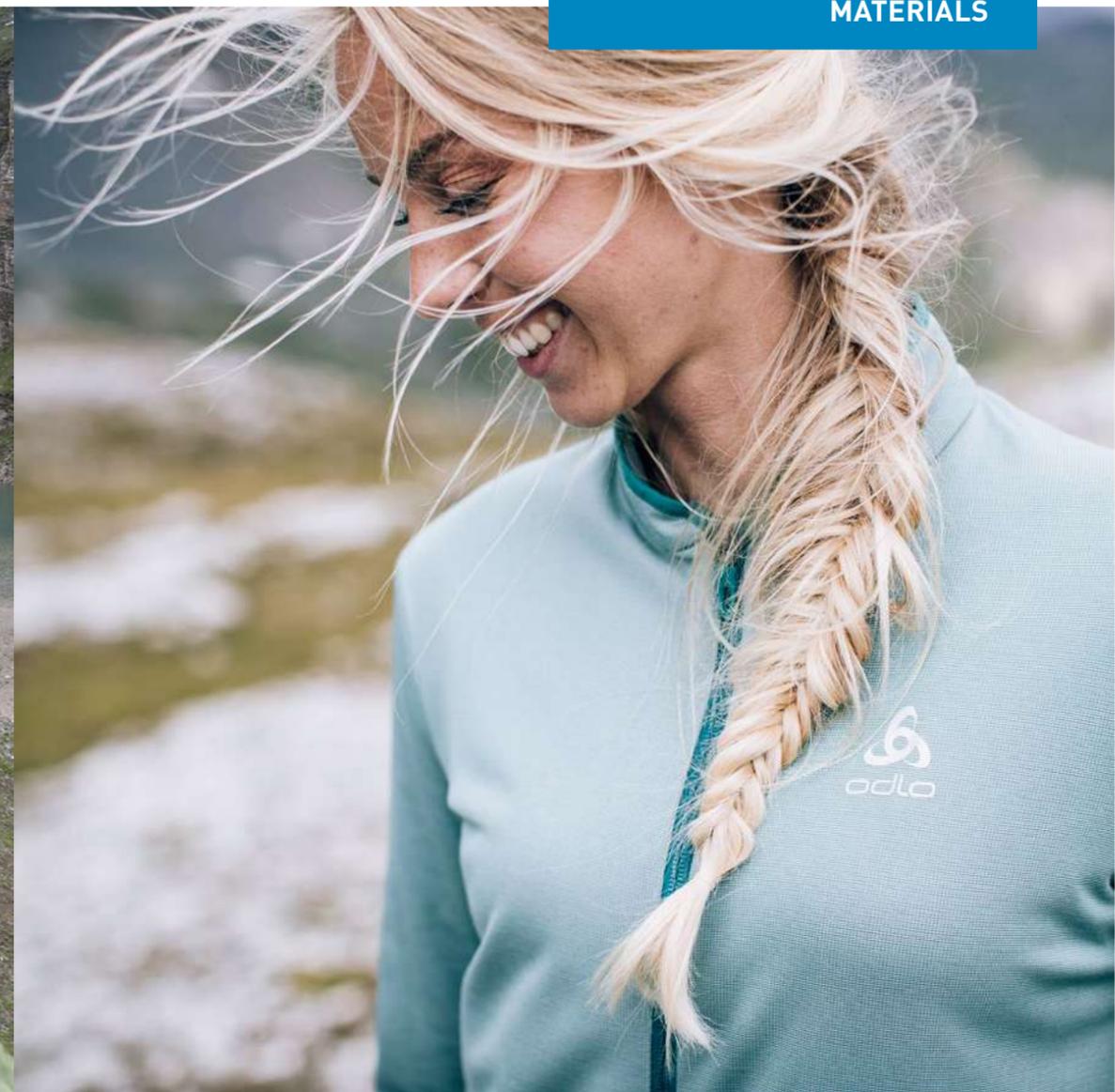
ENVIRONMENTAL MONITORING

FACILITY ENVIRONMENTAL MODULE (FEM) – HIGG-INDEX – TIER 2

After joining the Sustainable Apparel Coalition (SAC) in 2016 this is the third time ODLO is using the initiative's tool, the Higg Index, for internal environmental monitoring. Developed in collaboration with industry leaders, the module is a very effective sustainability assessment focusing on a facility's outputs. The core focus herewith is on a facility's systematic approach in performing for Energy & Greenhouse Gas, Water Use & Water Effluent, Emissions to Air, Waste Management and Chemicals.

Five of ODLO's main fabric suppliers have joined the environmental monitoring journey by dedicating time, efforts and expertise in filling the numerous questions of the relaunched FEM 3.0 module. Also this year we could increase the monitoring scope to in total 11 facilities, more than 70% of ODLO's fabric purchasing volume is covered through the self-assessment.

During the time of the publication of this report it was not yet possible to analyse the results in detail or compare them to industry standards. Next steps will be to analyse the results and discuss with our strategic partners the key areas to achieve improvement in the environmental performance.



MSI MATERIAL SUSTAINABILITY INDEX

The Higg Materials Sustainability Index (MSI) is a cradle-to-gate material scoring tool using a life cycle assessment (LCA) approach. It provides access to a large amount of relevant information about the environmental impacts of material production used in the apparel industry. The information given by the tool helps companies to compare their materials against others. The tool can be used to empower product teams to make more sustainable choices during materials selection and gives a clear understanding of what is causing different types of material impacts, and as well which different production processes can be used to reduce those impacts. The key benefits

are that it is scalable and actionable and industry-wide shared data base which enables brands to use a common language. Therefore, ODLO decided to use the MSI tool and started with the first important steps of implementation in 2018/19. The kick off was defined for all materials of the material toolbox used in season FW20. Currently missing information of our internal material data sheets were identified and will be added in future, having all needed information on hand for using the MSI tool. Also, the technical integration of MSI scoring information into ODLO's PLM system was completed. We are convinced the active use of the tool will support the product team in making sustainable choices during materials selection.

¹ Following SAC's transparency roadmap, ODLO is working on publishing more detailed data in future; once the system of HIGG-Index is established for it.

MATERIAL INITIATIVES 2018/19

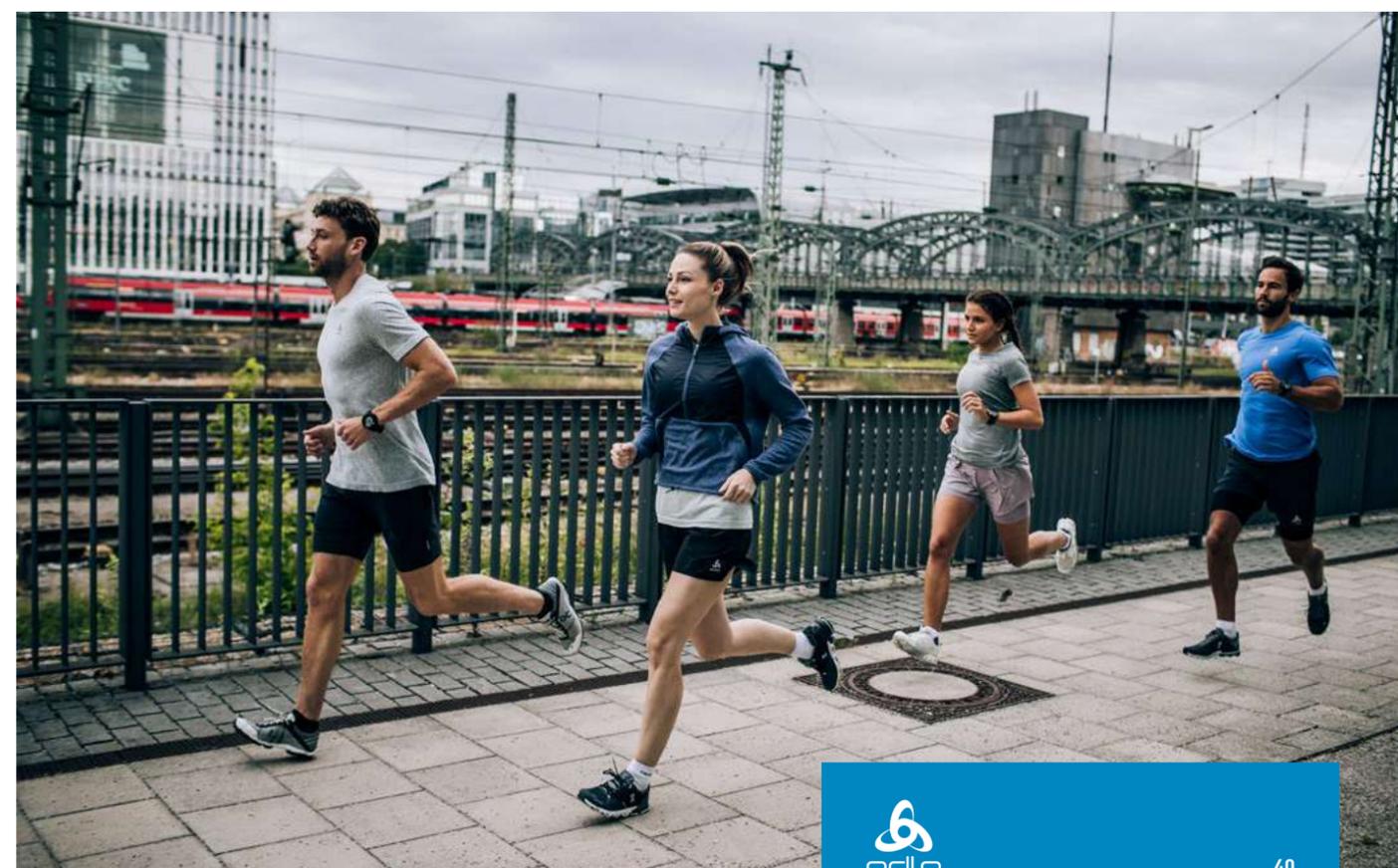
LEFTOVER FABRIC DONATION (2018/19)

In a complex value chain system as it is in the textile industry, it can be the case that too much fabric is ordered and there are therefore leftovers after products have been manufactured. Any materials that can be implemented for new productions, are reused directly. For smaller quantities, ODLO looks for best suitable recycling options. With our Thai manufacturing partner, ODLO established since many years a donation program for leftover material. During the last business year fabric could be given as support to three different facilities: a local high school, that uses the fabrics for various school activities, performances as well as decoration purpose, a retirement home and a women's prison that both use the fabrics for different crafting and decoration projects.

CLOTHING DONATION (2018/19)

In Switzerland ODLO supports the NGO La Tierra de la Esperanza, which is managed since more than 15 years by very dedicated private volunteer, who is supporting various development work projects all over the world from South America, Asia, Africa and Europe. Helping people to help themselves is always in the foreground of his initiatives. On a yearly base ODLO donates products styles that are unsellable but still in good condition. Within this business amongst other 400 sports bras were donated to various non-profit organisation in Ecuador, Peru, Ukraine, Indonesia, Myanmar, Ghana, Mozambique as well as refugee camps in Tibet, Syria and Greece.

The detailed reports we receive regularly on our donations, give us special insights into the various voluntary work and we are happy to see that both fabrics and clothes get a second life in another part of this world.



MANUFACTURING





Cristian Zediu
Continuous Improvement
System Responsible,
Sc ODLO Romania SRL

ODLO INSIGHTS

Since when have you been part of the ODLO family?

I joined ODLO ROMANIA in December 2012 as data analyst supporting the production planning but at this moment I work in accountancy and also I am responsible of Continue Improvement System.

What do you like most about your job?

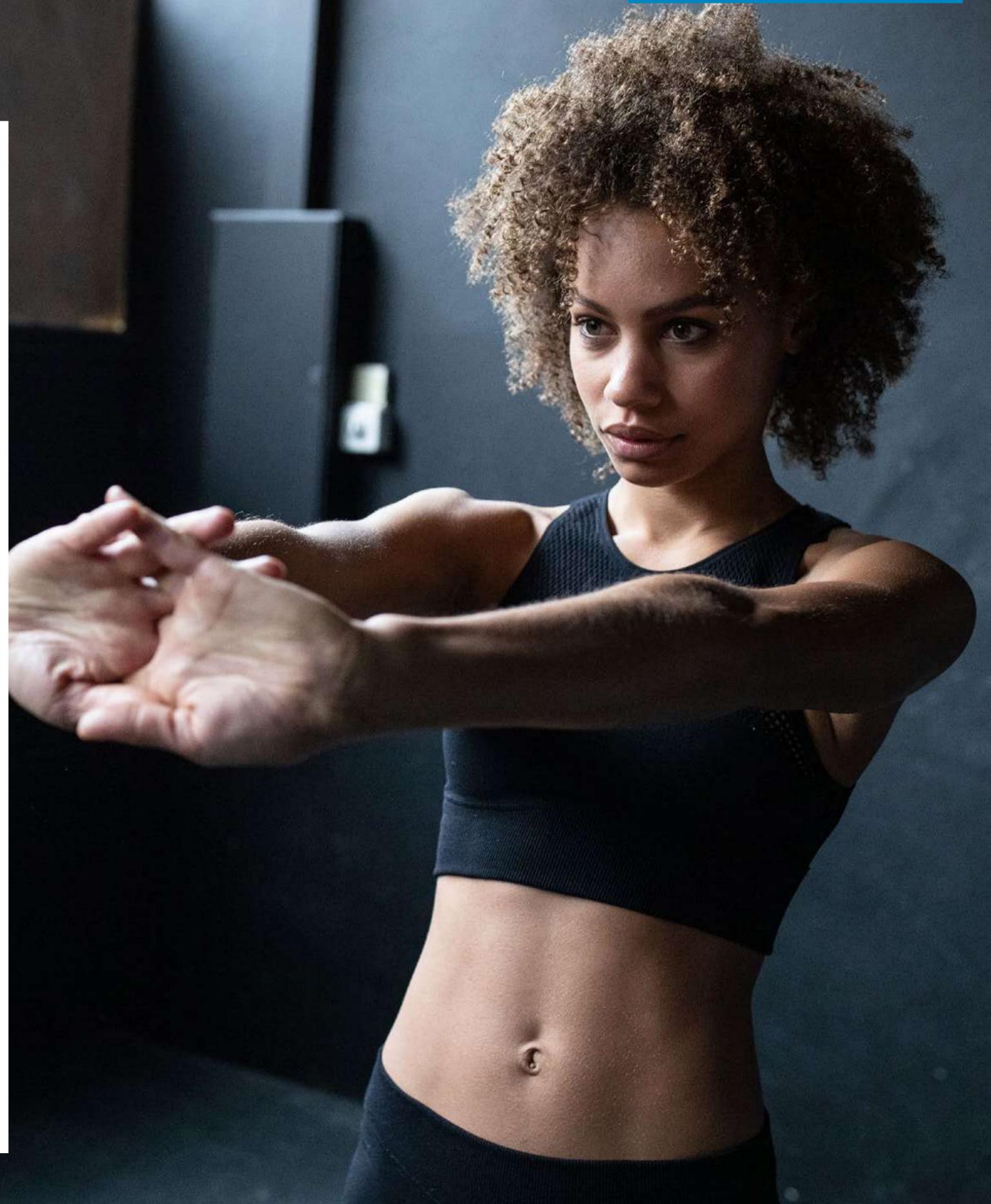
I like the fact that due to my attributions I am in contact with all the departments and the projects I implement are various as size and importance and all projects have as goal to sustain the 5S system to support lean manufacturing.

How do you contribute to sustainability within your job?

The 5S system that is implemented in our factory represents a way to eliminate the 8 Wastes and I am doing the monthly 5S audit, so by respecting the 5S rules we avoid losses and reduce the risk of supplementary consumption of material and human resources.

What would be your 'green idea' for ODLO?

I make the most of the things I buy for my comfort and dispose selectively using the recycling options.



WORLD OF MANUFACTURING

DURATION OF MANUFACTURER'S PARTNERSHIP

(By a total of 26 main contractors)

0-2 years	8 partners
3-5 years	7 partners
6-10 years	1 partners
10+ years	8 partners



COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES	VALUE %	VOLUME %
Portugal	1	14.2 %	18.1 %
Romania	1	28.6 %	32.5 %
TOTAL (own production Europe)	2	42.7 %	50.5 %
Georgia	1	0.5 %	0.8 %
Germany	2	0.1 %	0.1 %
Italy	2	1.0 %	3.9 %
Poland	1	3.3 %	2.5 %
Romania	1	2.2 %	1.1 %
Turkey	2	3.1 %	4.0%
TOTAL (Europe and the Middle East)	9	10.1 %	12.4 %

COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES	VALUE %	VOLUME %
Cambodia	1	0.6 %	0.9 %
China	8	2.2 %	2.9 %
India	2	1.1 %	0.9 %
Indonesia	1	0.5 %	1.5 %
Myanmar	1	3.0 %	1.9 %
Sri Lanka	2	15.5 %	14.1 %
Thailand	2	4.9 %	4.3 %
Vietnam	6	19.3 %	10.7 %
TOTAL (Asia)	23	47.2 %	37.1 %

*reporting from 1st July 2018 – 30th June 2019

MANUFACTURER LIST

ODLO is proud to disclose its contracted manufacturer. The list contains the address of the main contractors and, in case applicable, main production sites of subsidiaries.

SUPPLIER NAME	COUNTRY	ADDRESS
ODLO Portugal Texteis Lda	Portugal	Rua do Tanque 25, 4785-715 Trofa
ODLO Rumania Srl	Romania	Str. Chimiei F.N, Jud. Neamt, 611119 Roman SC Erre Emme Impex SRL, Str. Calistrat Hogas 2/4 Judetul Neamt, 611118 Roman Clima Texteis, Calea Basarabiei, Vaslui, No 96, 735100 Husi
ASMARA	Indonesia	PT. Asmara Karya Abadi, Perum Indraprasta II No. 168-170, Jl. Achmad Adnawijaya, Tegal Gundil, Bogor Utara, 16152 Kota Bogor, Jawa Barat PT Aggung Kreasi, Pedukuhan Bakal Dukuh, Argodadi, Sedayu, 55752 Yogyakarta, Semarang PT Semarang Garment, Jl. Soekarno Hatta KM. 25 Ds. Wujil Kec. Bergas, 50552 Ungaran, Central Java PT Glorystar Wisesa, Jl. Raya Cirebon Bandung Desa Paningkiran Kecamatan Sumber Jaya, 41371 Majalengka, Jawa Barat
Jiangsu Asian Sourcing Headwear MFG Co. Ltd.	China	No.2 South Guangzhou Road, Huai An City, Jiangsu Province 223005
Cifra SPA	Italy	Via Sabbionette 7, 20843 Verano Brianza (MB), Lombardia
	Albania	DBS Group SH P.K., Rruga Industriale 48/1, 01321 Vore/ Tirane
Cottontex SRL	Romania	Calea Buziasului Nr. 18, 300571 Timisoara

SUPPLIER NAME	COUNTRY	ADDRESS
Delta Galil Industries LTD	Vietnam	Delta Galil Vietnam, Cat Trinh Commune, Phu Cat District, Binh Dinh Province
	China	Zhejiang Tianpai Knitting Co.,Ltd, No. 2237 Xuefeng West Road, Chengxi Street, 2237 Yiwu City, Zhejiang
	China	Zhejiang Qiaoer Tingting Garment Co. Ltd, West Renmin Road No.147, Shangyu City, Zhejiang
GW Sports Brands GmbH	Germany	Hohmannstrasse 10, 97421 Schweinfurt, Unterfranken
Intersocks	Slovenia	Reska cesta 14, 1330 Kocevje
	Italy	Zone Industriale Paludi, 32010 Pieve D'Alpago
	Turkey	Konc, Petrol Ofisi Cd. Sehit Komando Onbasi Ugur Hanci Sokak, No 14 :2-3Avcilar, Istanbul
Madison 88	China	Hangzhou U-Jump Arts & Crafts Co., Ltd., Chongxian Village, Tangkang Road 31, Chongxian Street, Yuhang Area, Hangzhou, Zhejiang
Bodyline Pvt Ltd.	Sri Lanka	Ratnapura Road, Gurugoda, Horana Kalawallawa Road, Pimbura, Agalawaththa
MAS Active (Pvt) Limited – Linea Intimo	Sri Lanka	Lot. 89A, 49 A, 58/59, Biyagama EPZ, Walgama, Malwana
Memteks Tekstil San. Ve Tic.a.ş.	Turkey	Cihangir Mh. Ord.Prf.Dr.Ali Fuat Başgil Cd. No:20/1 Avcilar, Istanbul
	Georgia	Memteks Georgia Ltd., Tamarmefe st. No.8, Kulashi (Samtredia), Kutaisi
MFD Mode Fashion Design	China	Dongguan Cason Knitting Co., Ltd., Shang-dun Village, 523416, Liabu Town Dongguan, Guagdong
Noon GmbH	Germany	Talstrasse 6, 09212 Limbach-Oberfrohna
Prima	China	Co.Ltd, No.958,West Jinyuan Road, Xinglin District, Xiamen, 361022
Right Sports Apparels	India	Unit 1+2, Rajiv Garment, Plot no. A1/284/3, G.I.D.C, Near Welcome Hotel, 396171, Umbergoan, Valsad, Gujarat
SEES Global Inc.	Vietnam	SEES Vina Co., Ltd, Minh Duc Commune, Tu Ky District, Hai Duong Province
	Cambodia	SEES Global (KH) Co., Ltd, Prey Chas Village, Vihear Suo Commune, Khsach Kandal District Kandal Province

SUPPLIER NAME	COUNTRY	ADDRESS
Shin Textile Solutions Co. Ltd.	Vietnam	Shints BVT Co., Ltd., Thach Khoi Com, Gia Loc Dis, Hai Duong Pro
	Vietnam	Shints TN Co. Ltd, Lot 7, Duong Tu Minh Subzone, 250000 Du Town, Thai Nguyen
	Vietnam	Shints TM Co. Ltd, An Nghiep village, Tu Cuong commune, 170000Than Mien District, Hai Duong,
Usha Garments	India	Unit No. 269,GIDC Industrial Estate, Umbergaon West, 396171 Umbergaon, Gujarat
SIn Tekstil Ve Moda San. Tic. A. S	Turkey	Mahmutbey Mh. 2655. Sk. No:2 Bagcilar-Istanbul

SUPPLIER NAME	COUNTRY	ADDRESS
VT Garment Co., Ltd	Thailand	602/50 Soi Sathupradit 48, Bangpongpang Yannawa, Bangkok 10120
	Myanmar	Sawbwa VT Limited, No. 131, Yangon Industry Zone, Mingalardon Garden City, Mingalardon Garden City, Mingalardon Township, Yangon
Yehpattana Tayeh	Thailand	243 Soi Wiroonrat Moo 2, Setthakij Road, 74130, Omnoi, Kratumban, Samutsakom
	Vietnam	GenNex Apparel Ltd, Lot A4, Giao Long Industrial Zone, An Phuoc Commune, Chau Thanh District, Ben Tre Province

(as per 30.06.2019)



SOURCING STRATEGY

ODLO sourcing is based on a dual-principle strategy. This system covers the wide range of products in each ODLO collection.

PRINCIPLE 1: OWN PRODUCTION

When possible, in terms of capacity and competitiveness, new garments or additional production volumes are manufactured in our own factories in Portugal and Romania.

PRINCIPLE 2: LONG-TERM PARTNERSHIPS

ODLO aims for long-term partnerships with a small number of manufacturers and prefers to keep the portfolio small. Together with an early involvement of the manufacturer in the product development process, the sourcing strategy enables manufacturers to plan for the long-term, which increases their stability and job security.

PRODUCTION TRANSPARENCY

ODLO strives for full production transparency and therefore manufacturers are to disclose all production sites. Subcontracting is only allowed by pre-notice and is analysed by the sourcing team case by case.

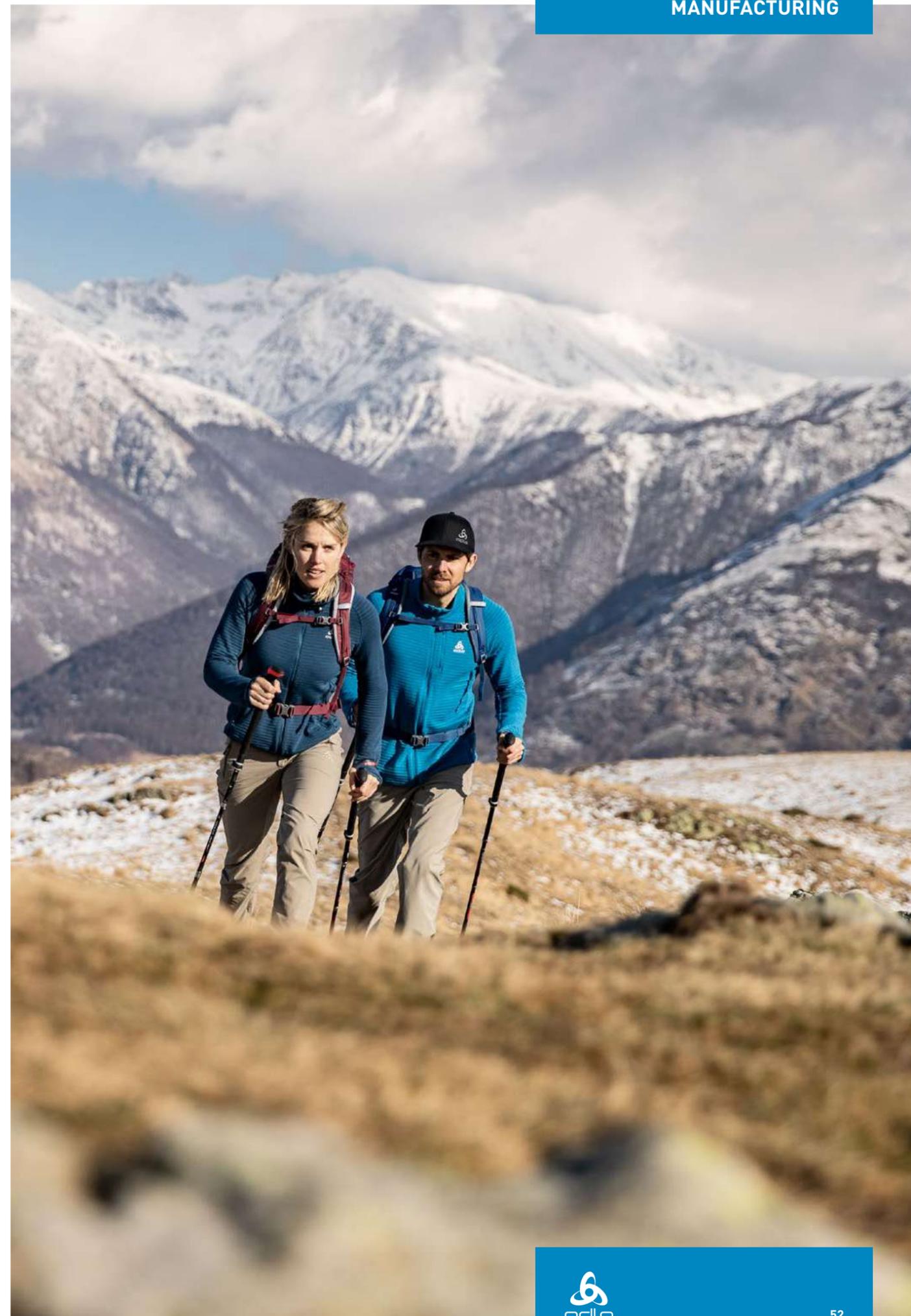
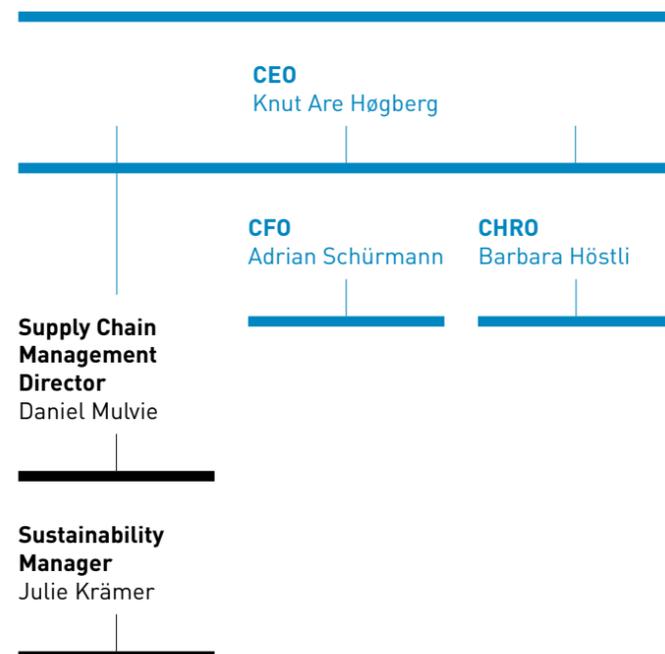
ODLO lists these subcontractor exceptions in its supplier register to include them in the CSR management system step-by-step.

PRICING POLICY

ODLO calculates its price using the “open costing” principle. This means that the sales price is calculated individually for every product, listing the material and labour costs, overheads and the profit margin. The prices are negotiated directly with manufacturers.

ORGANISATION – SOURCING & SUSTAINABILITY

ODLO positions sustainability where the biggest impact lies – in sourcing. The Sustainability Manager reports to the Supply Chain Management Director. To guarantee sustainability is fully integrated to the corporate strategy and followed up by the Senior Management Team.



PRODUCTION CYCLE

To ensure that our products are delivered on time to our customers, detailed planning between our product team and manufacturers is essential. The following graphic illustrates ODLO's production cycle with the example of the Fall Winter 2019 collection:

Collection Concept: With the seasonal kick-off, initial category concepts and design inspirations are presented. Subsequently, our category managers build up the collection framework and prepare the product briefing.

Design & Development: Our designers and R&D team start designing and defining products

and material innovations for the new season. When the product range is finalized, our developers, designers, pattern makers and the R&D team work together to bring the designs to life.

Proto Samples: Garment makers are briefed for proto sample production, and materials and trims are booked. For each new style, one to two proto sample rounds are scheduled.

Salesman Samples: The different sample stages from proto to salesman samples help to define the final fit, workmanship, pricing and best quality outcome of our functional products.

Production Approval: At the end of the sales period, all styles are approved for production and orders are placed at the manufacturers. Production: Each manufacturer conducts internal capacity planning, orders fabrics, and trims and starts production as soon as all product 'ingredients' are in the factory.

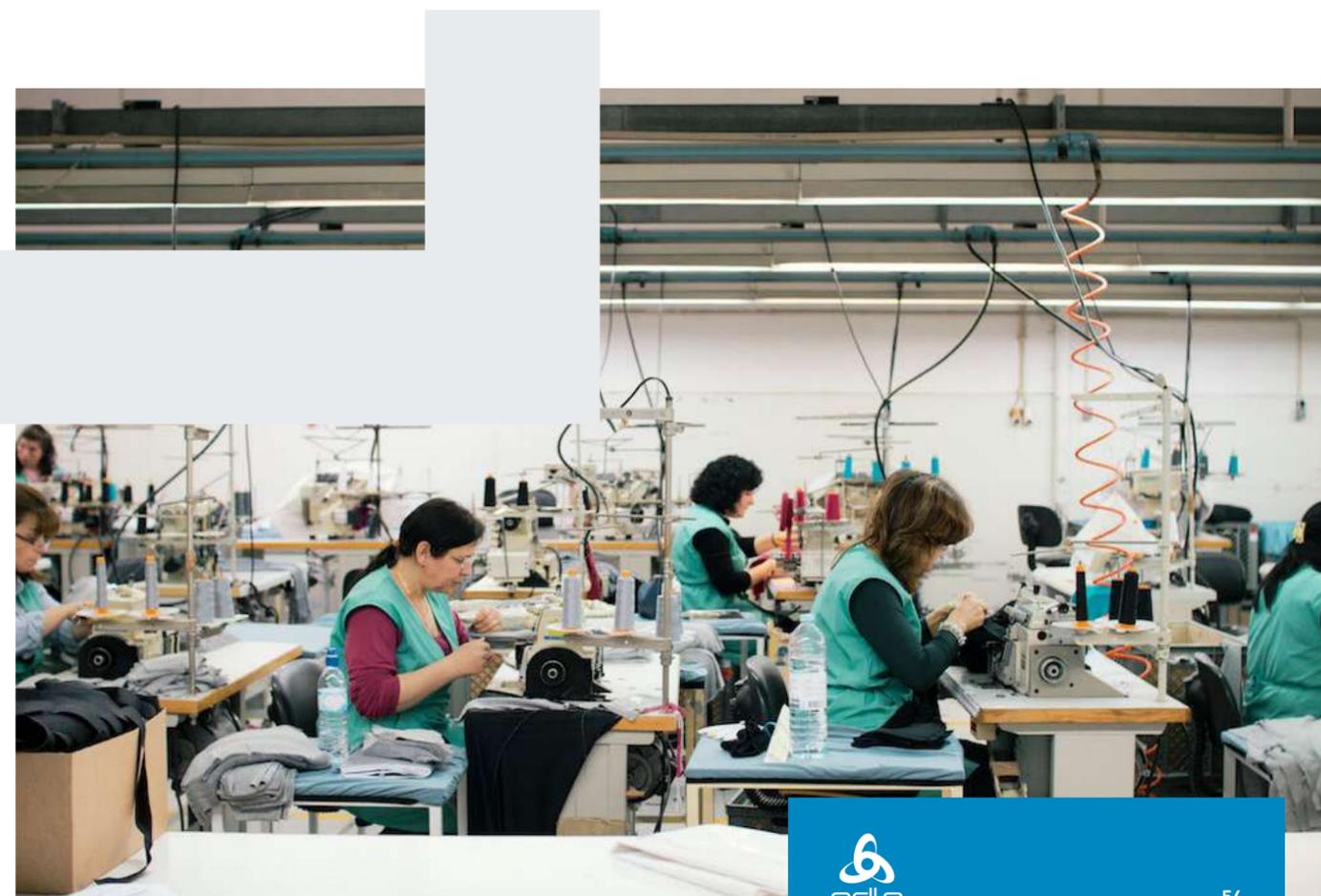
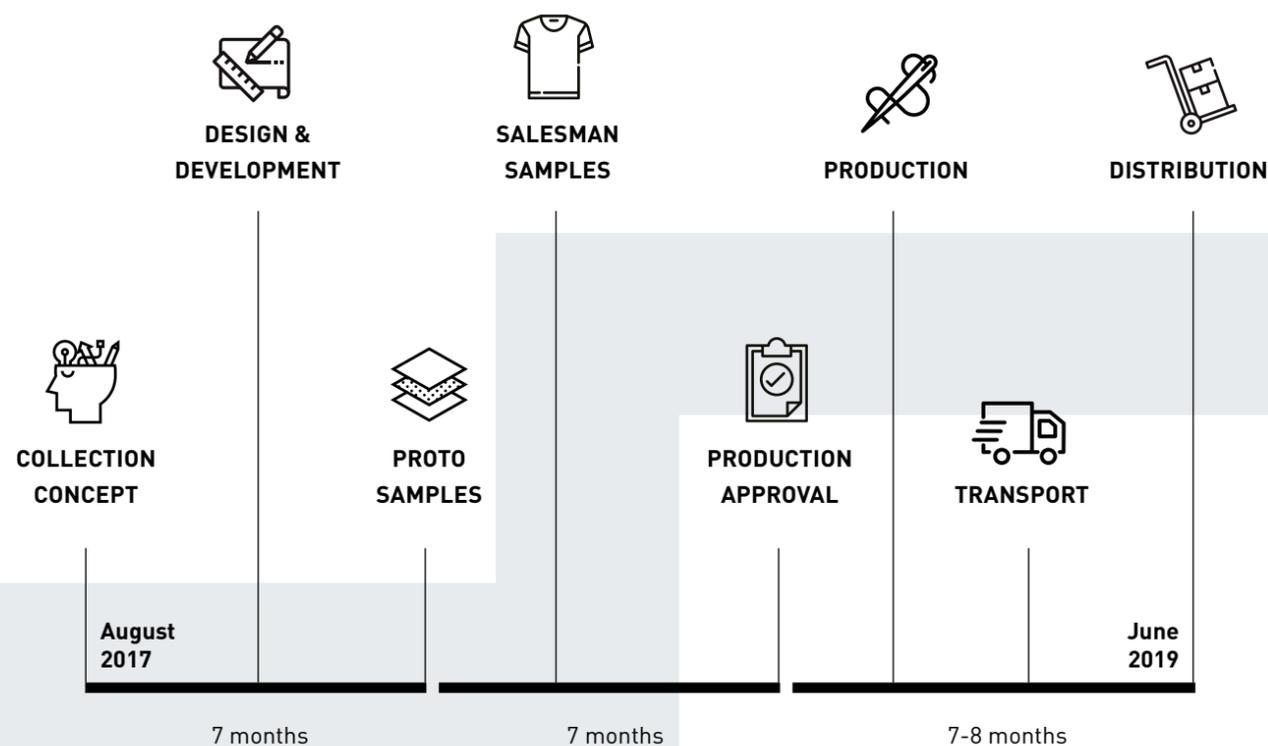
Transport: As soon as the production of one order is finished, the goods will be transported to our central warehouse. European suppliers ship by truck, all other deliveries are shipped by vessel, only in urgent case do we use air shipment. (11% of our total shipment).

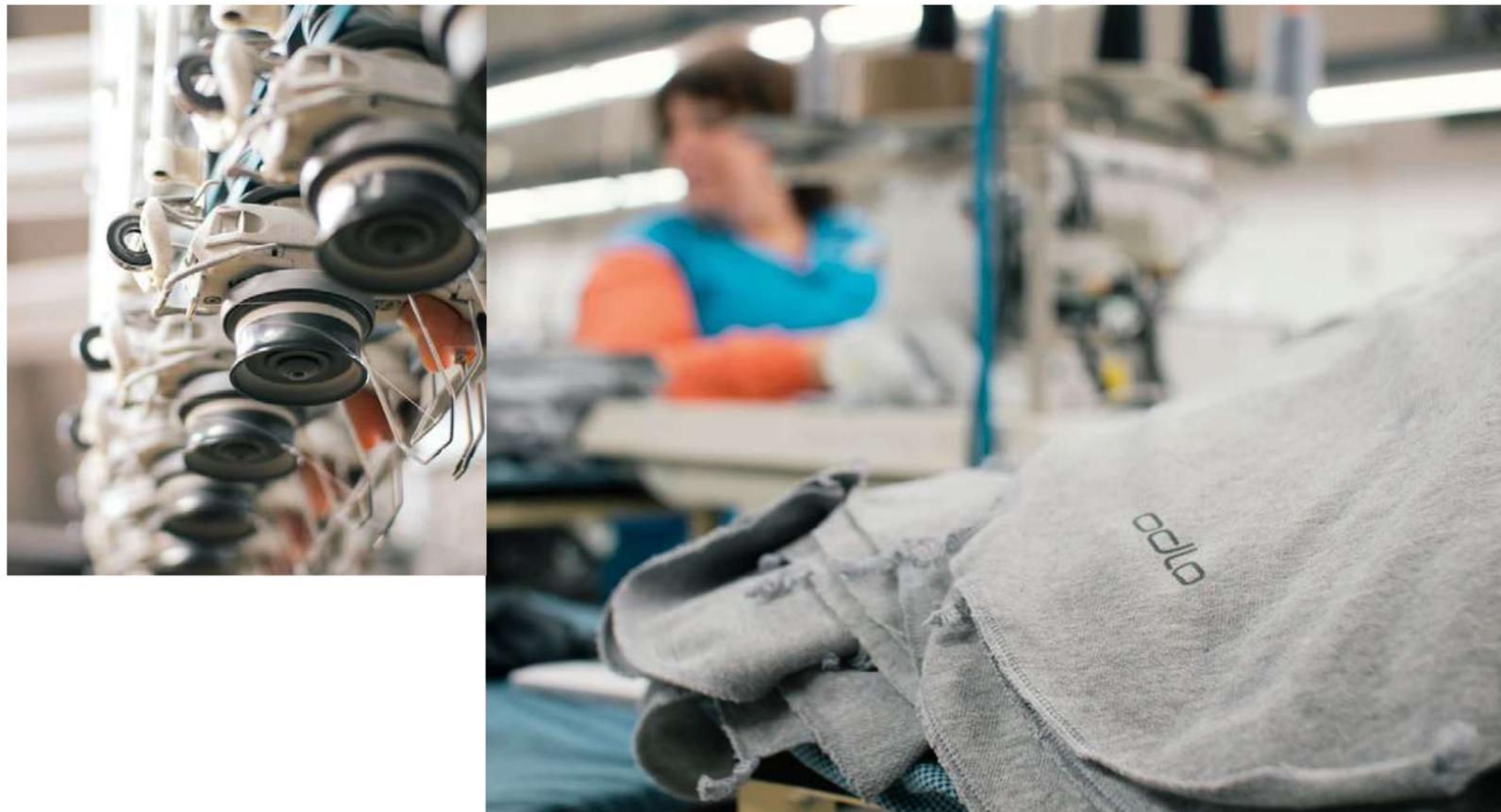
Distribution: The warehouse distributes ODLO products to our customers and own stores. From June onwards, the first items of the Fall/Winter 2019 ODLO collection are available in stores and online.

SELECTION OF NEW MANUFACTURER

ODLO applies a 7-step plan in the selection of new manufacturing facilities.

- (1) Analysis of procurement spend, supplier performance and company strategy
- (2) Assessment of the supplier market place, country specific risks and supplier specific risks
- (3) Conduct a supplier survey
- (4) Produce a strategy to help us achieve our goals
- (5) Assess all possible suppliers against the following criteria: Cost / CSR / Lead-time / Quality / Reliability / Fit
- (6) Select the supplier: Proposal is made by Head of Sourcing and Development and the final decision is approved by the board
- (7) Communicate to the new supplier and start planning the first season





interview the managers and workers, inspect the documents and follow up with a visual inspection of the factory site. The result is given to ODLO in an audit report and a corrective action plan. Both documents are then shared and regularly followed up with the manufacturer – with the aim to continuously improve the working conditions.

FWF COMPLAINT PROCEDURE

By placing local complaints handlers in countries where FWF is active, workers making products for ODLO can safely and fairly seek redress for violations of the Code of Conduct. In all production sites, ODLO ensures an information sheet is posted where workers can find the labour rights listed and the phone number of the local complaint handler.

WORKER EDUCATION PROGRAMME (WEP)

How can workers and managers talk to each other and resolve problems together? FWF's WEP is a short, targeted, on-site training during which workers are trained to recognize violations of their rights, and to resolve them constructively. In the same training, managers are supported in the development of healthy internal structures that reduce conflict.

BRAND PERFORMANCE CHECK

Each year, FWF visits the ODLO headquarters to verify the systems and its effectiveness on how the FWF Code of Labour Practices is being implemented into internal management systems to support good workplace conditions for the manufacturer.

SOCIAL MONITORING

An important component of the implementation of the Supplier Code of Conduct is monitoring. ODLO follows FWF's verification system, a multi-level approach consisting of three levels; management audits of brand (Brand Performance Check), factory audits & complaints procedures. Those verifications are all held by FWF acting as a third-party organisation.

THE ODLO SUPPLIER CODE OF CONDUCT

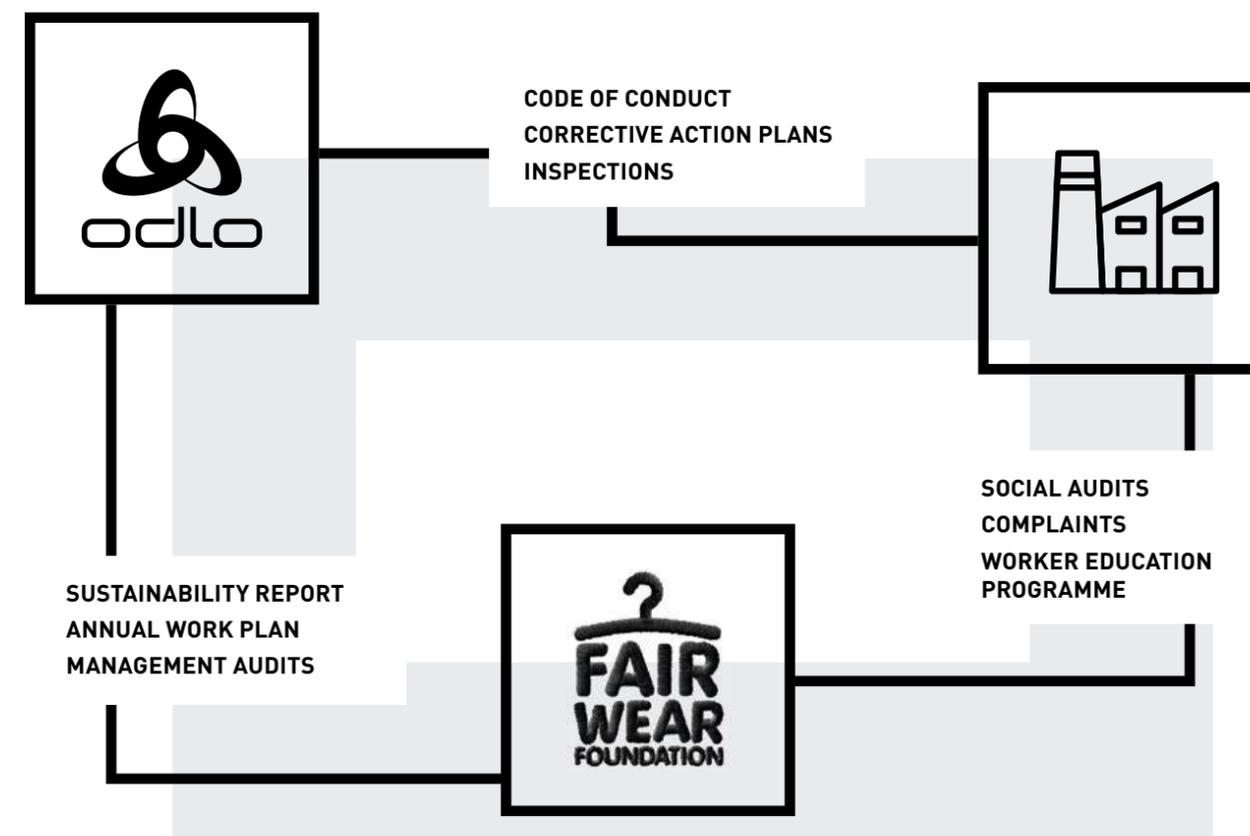
All manufacturers are required to sign the ODLO Supplier Code of Conduct, the base of all the social monitoring measures. By signing this, they agree on the labour practices and that they are prepared to implement all necessary measures within their organization to fulfil them.

DUE DILIGENCE PROCESS

To ensure a responsible worldwide sourcing strategy, ODLO has an advanced due diligence process in place which highlights risks and opportunities in each existing and potential new production country and is therefore guiding ODLO's purchasing practices. FWF's high and low risk country rules are intergrated in this process.

SOCIAL AUDIT & CORRECTIVE ACTION PLAN

A FWF audit reviews the social standard of the manufacturing sites. Conducted by local FWF teams, the methodology is shared for all countries. To get an insight into the organization, the auditors conduct offsite worker interviews before the factory visit. During the factory visit, they



MYANMAR DUE DILIGENCE

Fair Wear Foundation requires an enhanced monitoring programme for all members sourcing in Myanmar. While Myanmar has demonstrated significant progress on civil and political rights, FWF continues to regard it as a high-risk country, facing specific challenges regarding implementation of labour standards. Serious challenges remain regarding adherence to FWF's eight labour standards in Myanmar, as well as the rule of law, freedom of expression and access to grievance mechanisms. Due to these reasons Fair Wear Foundation requires an enhanced monitoring programme for all members sourcing in Myanmar. ODLO is producing since 2016 in Myanmar at one partner which is located in Yangon and has a subsidiary company in Thailand where ODLO is producing since 2016 as well. With regards to the enhanced monitoring programme ODLO developed a special due diligence process including detailed reporting and documentation for high risk countries such as Myanmar. Before starting production in Myanmar, ODLO created a standard fact sheet based on desktop research of publications of various international stakeholders. The

next step is a detailed checklist, which is filled during the first factory visit giving a risk assessment based on visual inspection and interviews with factory management and workers. Risk areas that are checked are: labour and working condition risks, environmental risks and community health, safety and security risks. Findings are reported both in written and with a photo report. A yearly audit conducted by a third party such as Fair Wear Foundation provides the necessary insights and remediation. Corrective Action Plans are followed both via desktop as well as during annual visits. Additional support and for better understanding of country development is given through stakeholder dialogue and were possible through collaboration with other brands. This process is implemented since 2016 and since then continuously updated and documented.

- Due Diligence
- Transparency
- Yearly audit
- Promote Freedom of Association & Social Dialogue
- Payment of at least legal minimum wage, work towards living wage
- Risk of child labour



OVERVIEW OF MONITORING ACTIVITIES

	SOCIAL AUDIT	WEP	COMPLAINT
July 18			
August 18	7583		
September 18	13100		
October 18			
November 18	145	3919 7371	
December 18			
January 19			
February 19			
March 19			
April 19	10014 7371		
May 19	145 5137 13207 4833 4835		
June 19	10298		

[Numbers are referring to FWF factory ID]



ANALYSIS OF AUDIT RESULTS

All audit details from this report have been elaborated by third-party organizations; mostly through local FWF audit teams. Wherever possible, audits and follow-ups of action plans are shared with other FWF affiliates.

From eleven audited manufacturers in five different countries the results demonstrated an insight to our supplier portfolio. The majority of our partners showed good performance in the conducted audits and were internally categorized as well performing. One partner is rated as excellent whereas one other partner showed importance for improvement due to a high number of findings. To ensure continuous improvement is taking place, ODLO set up a closer monitoring and exchange compared to the standard follow-up process to ensure improvement is happening.

The audits are internally evaluated by ratings from A – D, which is integrated and accountable to the company’s overall supplier evaluation. The audit evaluation system:

AUDIT FINDINGS

- A** Good practise & Minor
- B** Minor & Major
- C** Critical as exception
- D** Critical mainly

During the last business year the biggest challenges for our partners has been “freedom of association”, “payment of a living wage” and “safe and healthy working conditions”. Most suppliers showed positive results in “employment is freely chosen”, “no discrimination”, “no exploitation of child labour”, and “legally binding employment contract”. Compared to the years before it is noticed that this year the results regarding overtime are improved due to our efforts in forecasting and adjustments in order placements. The performance of social compliance is not only varying from partner to partner, but also from country to country, depending on, for example, the country legislation and culture. Where possible we encourage our partners by sharing best practises and learnings seen from other audits.

Overall, we experience a very good understanding and collaboration with our partners on the importance of fair labour conditions. As findings can be very complex, ODLO is looking for active cooperation and knowledge exchange with other FWF affiliates, but also local experts wherever needed and possible. During the last business year, more than half of all audits could be shared with other FWF affiliates. This reduces audit fatigue and increases efficiency for our partners who work on one centralized corrective action plan for several brands.

	Factory 7583 Myanmar	Factory 13100 Indonesia	Factory 7371 Vietnam	Factory 145 Romania	Factory 5137 Romania	Factory 13207 Romania	Factory 4833 India	Factory 4835 India
Employment is freely chosen	●	●	●	●	●	●	●	●
Freedom of association and the right to collective bargaining	●	●	●	●	●	●	●	●
No discrimination in employment	●	●	●	●	●	●	●	●
No exploitation of child labour	●	●	●	●	●	●	●	●
Payment of a living wage	●	●	●	●	●	●	●	●
Reasonable hours of work	●	●	●	●	●	●	●	●
Safe and healthy working conditions	●	●	●	●	●	●	●	●
Legally binding employment relationship	●	●	●	●	●	●	●	●

- No area for improvement
- Small area for improvement
- Minor finding
- Major finding
- Critical finding

AUDIT FINDINGS & FOLLOW UPS

Factory 7583 – Myanmar

As Myanmar is categorized as high-risk country by Fair Wear, ODLO is conducting annual audits in this factory, in close collaboration with another FWF affiliate. This has been the third audit we conducted in this factory. Good systems are in place for the labour practices of “No discrimination”, “Legally Binding employment contract”, “Employment is freely chosen” and “Reasonable hours of work”.

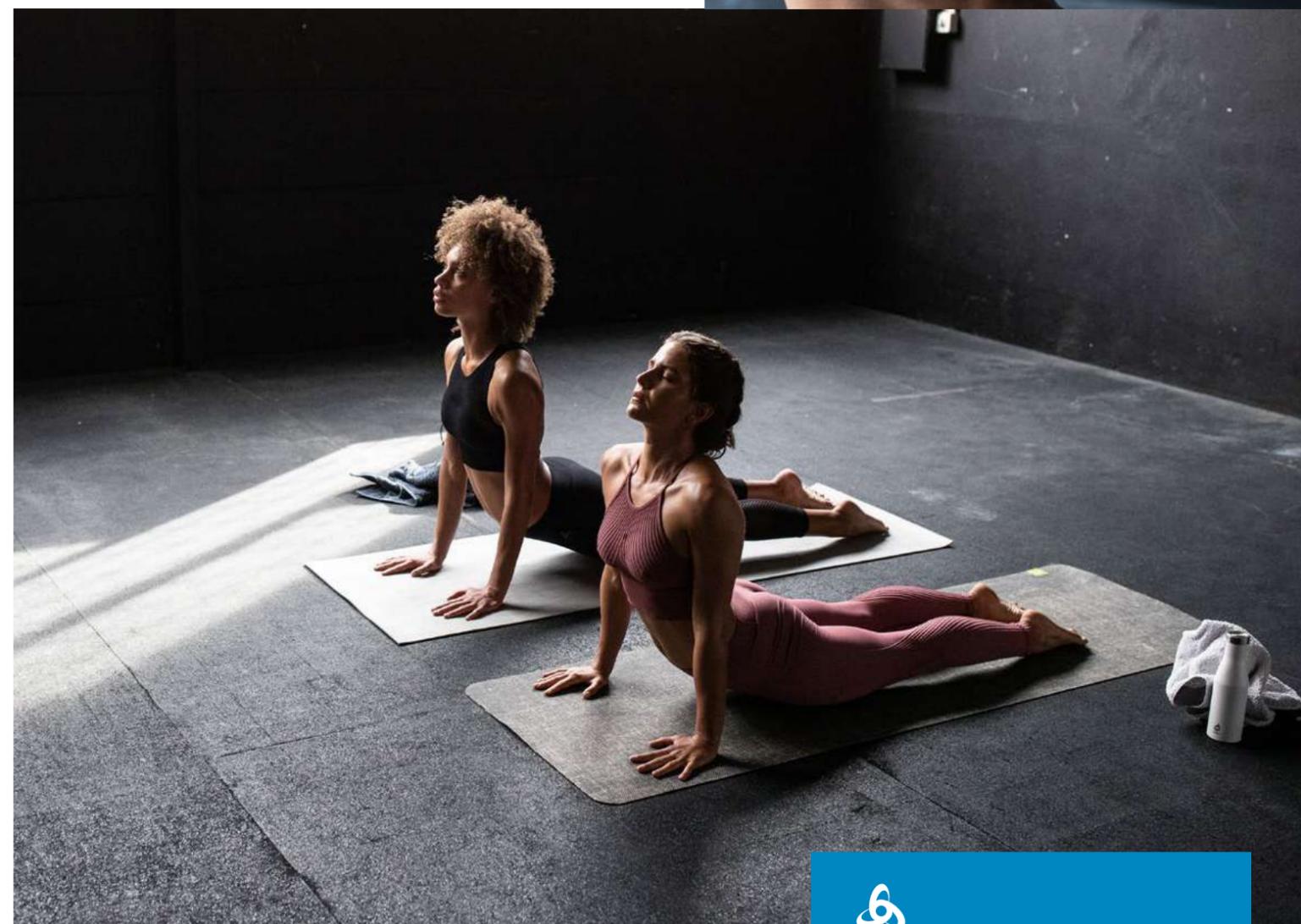
With regards to “No exploitation of child labour”, the audit reported two major findings. The factory possibly employed a juvenile worker at age 17 without following local regulations to protect this underage worker, as the worker used a borrowed ID when joining the factory. The factory has strict rules in place regarding “Child Labor Control Measures” which also stated clearly that juvenile workers under 18 are not hired. The second finding reported that the factory has no effective age verification system in place. During remediation this topic was treated with highest priority and we supported the factory in improving their policies and practises e.g. by providing the “FWF guidance on age verification at garment factories in Myanmar”. The factory cooperated very well and was able to implement four new and very

effective policies within the given time frame: „Child / Juvenile Labor Policy“, Checking the age of applicants work instruction“, “List of job application age check questions” and “Child Labour control Measure”. All documents were translated both in Burmese and Thai and the entire Human Resources team was trained on the policies implementation. “Freedom of association” has been again a major finding during the audit, even though the factory made great progress on social dialogue with a well-functioning union and worker representatives, the factory does not have a collective bargaining agreement yet. At the time of reporting the process of setting up a collective bargaining agreement is still ongoing. Several minor findings were reported in the area of safe working conditions regarding building and fire safety, all findings were improved within timely manner and were as well verifies by ODLO employees during the last factory inspection 2019. Even though payment of a living wage remains a major finding, it is important to highlight that all workers earn above legal minimum wage, which includes all workers within the probation period, which are often paid below minimum wage is still a common problem at Burmese factories.

WAGE LADDER OF FACTORY 7583 (AT TIME OF AUDIT, CURRENCY MMK)

Average wage of a sewing machine operator without OT, incl. fringe benefit*	214.000
Trade Union demand (CTUM - during LMW negotiations 2018)	198.000
Living Wage demanded by Clean Clothes Campaign with reference to AFW (1021PP/IMF2016 ADD)	284.729
Leagal minimum wage (after Mai 2018)	144.000

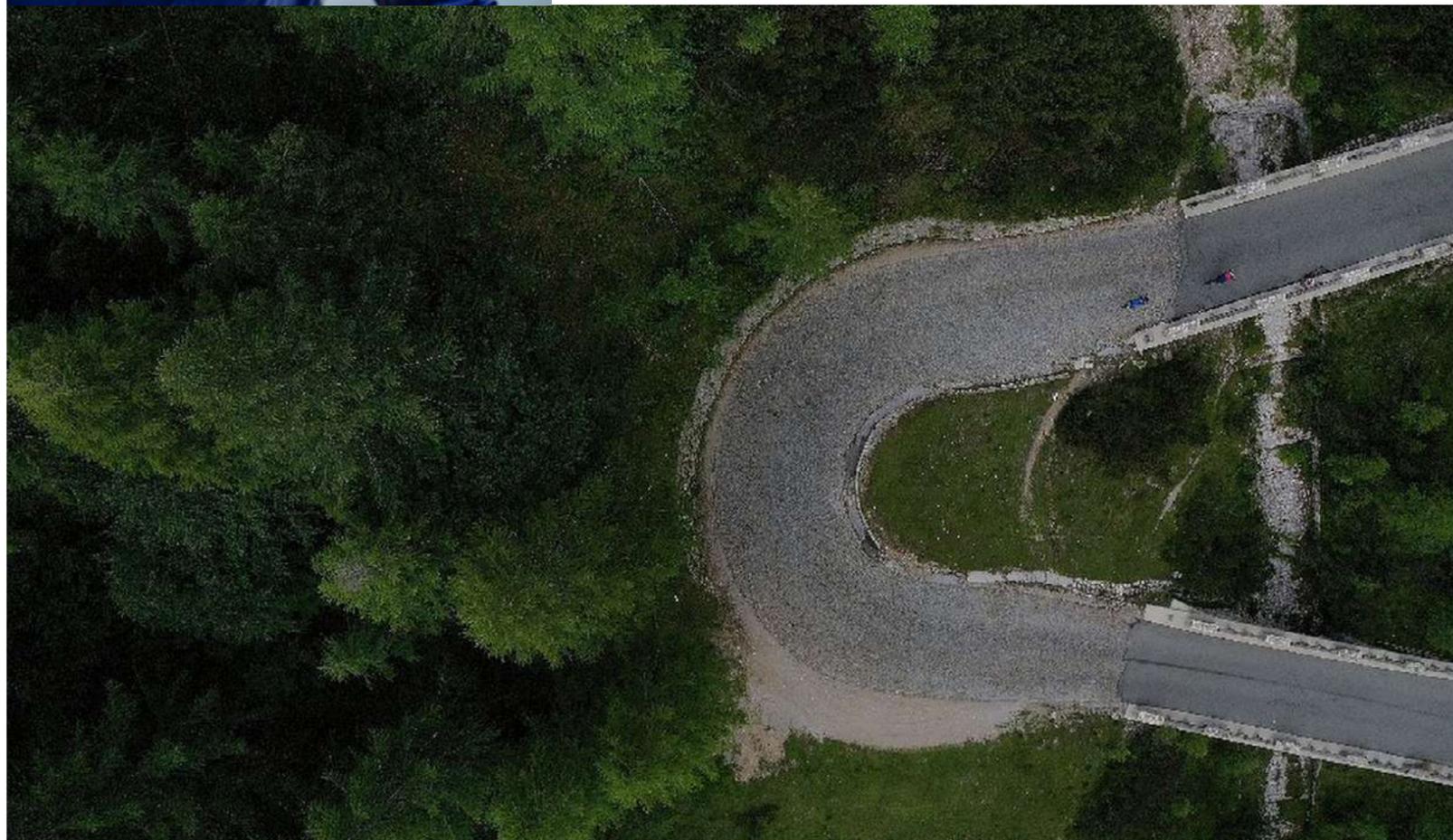
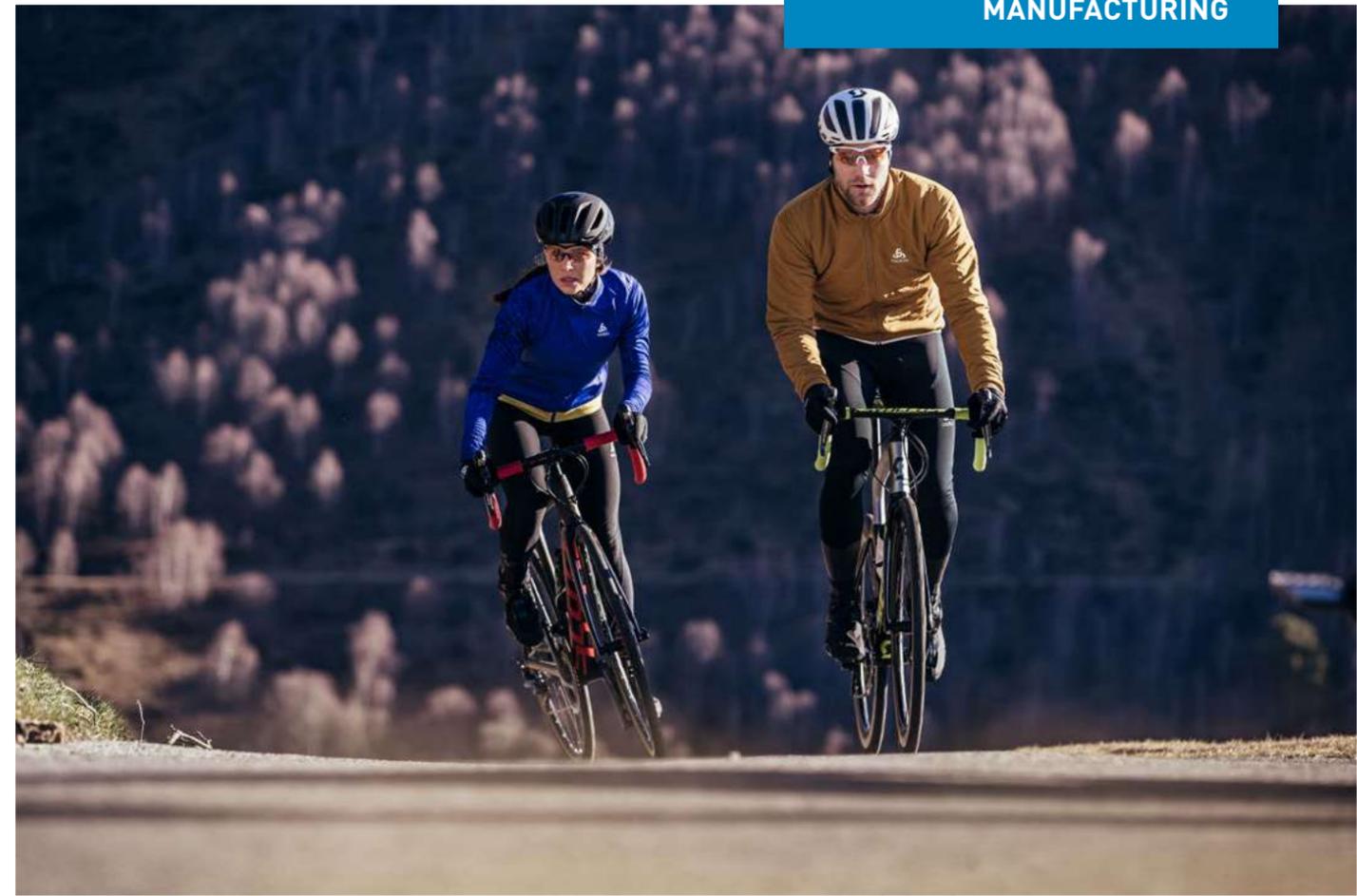
*Wages reflect situation at audit date August 2018 (sewing machine operator 564 of total 744 production employees)
 CTUM=The Confederation of Trade Unions in Myanmar. OT=Overtime. IMF=International Monetary Fund. AFW=Asian floor wage





Factory 13100 – Indonesia

ODLO only started producing at this partner in 2018, as it is both a new supplier and a new production country (Indonesia) for ODLO as part of our due diligence strategy we conducted an audit we decided to quite recently at this manufacturer at this partner. There were major findings in the area of payment of legally required bonuses leave days both for new workers and workers who left the company, the change of the company rules are not yet confirmed by management. In addition, excessive overtime was detected with the help of planning adjustments overtime was reduced in the following months. Even though the factory has a union elected since 2016, no regular meetings took place therefore since December 2018 monthly meetings were introduced. The majority of findings were reported in the area of safe working conditions which were mainly minor findings but also showed some major and even



one critical finding: a light fire extinguisher was missing in the security personnel room and was installed immediately after the audit. In general the vast majority of the safety findings could be closed within or even before the timeline. Regarding legal employment it was reported that workers start with a one year contract and receive an indefinite contract after this year. The audit showed good practice in : employment is freely chosen, child labour and discrimination of employment.

Factory 7371 – Vietnam

This is a major supplier for ODLO, and good practices are reported in 4 out of 8 code of labour standards. Most of the findings in the CAP were focused around freedom of association, working hours and the payment of the living wage: The current Union Chairman is the administration Manager, who is part of the management team

and the collective bargaining agreement (CBA) has expired since 20 March 2017. Dialogue meetings were held between management and Union representatives, but without participation of worker representatives. ODLO will work with the factory to solve this issue in the next 6 months. The other topic is about overtime working hours that sometimes is above the legal limit but paid correctly. The factory must find the root cause of the problem. ODLO has a responsibility to help them with a new planning that addresses the issues of all stakeholders. The priority is very high so both parties will implement the corrective action during the current season. The other major finding is about the living wage which is below the estimations by local stakeholders (Asian Floor Wage - 8,949,153V) The factory has to discuss with the brands the theoretical living wage which they can gradually increase season after season.

Factory 145 – Romania

This had been the 4th time this partner has been audited by Fair Wear Foundation, which Fair Wear defined as the factory which has been audited the most within the last ten years among all Romanian factories. Before the release of the official report the audit team stated that overall it is a very good factory, with excellent working conditions, professional planning and production systems, reliable management and a company with good image in the area. By far, this factory can be a show case in terms of safety and working conditions offered to workers. The final audit report which was received end of June confirmed this initial feedback. Good practises were reported in six out of eight code of labour practises: employment is freely chosen, freedom of association, no child labour, reasonable working hours and legally binding employment contracts. A minor finding was found with regards to safe & health working conditions, there was no official verification done regarding temperature and humidity by the general institution of public health and safety. The verification was immediately requested and had been done already four days after the audit, which is why the finding could be closed with receipt of the report. The major finding reported was concerning living wages. Compared to the living wage estimate by the Institute Quality for Life 2016 which Fair Wear used in the wage ladder, there is still need for improvement to reach living wages. Overall the levels of incomes were reported as very close for to the average wage in the garment industry (NACE division 14 (March 2019)).

Factory 5137 – Romania

This factory with 53 employees is one of the main subcontractors of factory 145 and is located very close by. It has been the first Fair Wear audit conducted at this partner. Good practises were confirmed in the areas: Employment is freely chosen, no child labour, legally binding employment and overtime which occurs only in very rare cases. Major findings reported during the audit were concerning Freedom of Association, living wage as well as health and safety. Even though worker representatives were elected a year before, they have not been actively working in their elected roles, neither having had successful negotiations with management on a collective bargaining agreement. The wage ladder shows that all workers are paid above legal minimum wage, the levels of incomes were reported as very close for to the average wage in the garment industry (NACE division 14 March 2019). Among the findings on health and safety, a missing verification from the fire department and the absence of an official fire intervention team was reported as well as incomplete material data safety sheets for used chemicals. There was no sign of any form of discrimination, but a written policy was missing and will be expected to be implemented shortly.





Factory 13207 – Romania

This partner based in the Eastern part of Romania is a subcontractor of facility 145. This is the first time that this rather small subcontractor with only 27 employees was audited by FWF. At this partner one of the main findings was in the areas of 'freedom of association'. The current worker representatives were not elected democratically, which means elections should take place within the next three months. In addition, a Collective Bargaining Agreement was missing which must be drafted. Regarding Health and safety several findings of insufficient worker trainings were reported as well as yearly verifications of eg. Electrical installations or water quality. Most workers receive wages average of garment industry but do not cover local living wage benchmarks. Smaller areas of improvements were found around the missing implementation of formal policies, even though processes are in place, the practise can not be found in written form for example for no discrimination and no juvenile employment. Good practises were reported in the areas: employment is freely chosen, reasonable hours of work and legally binding employment contract.

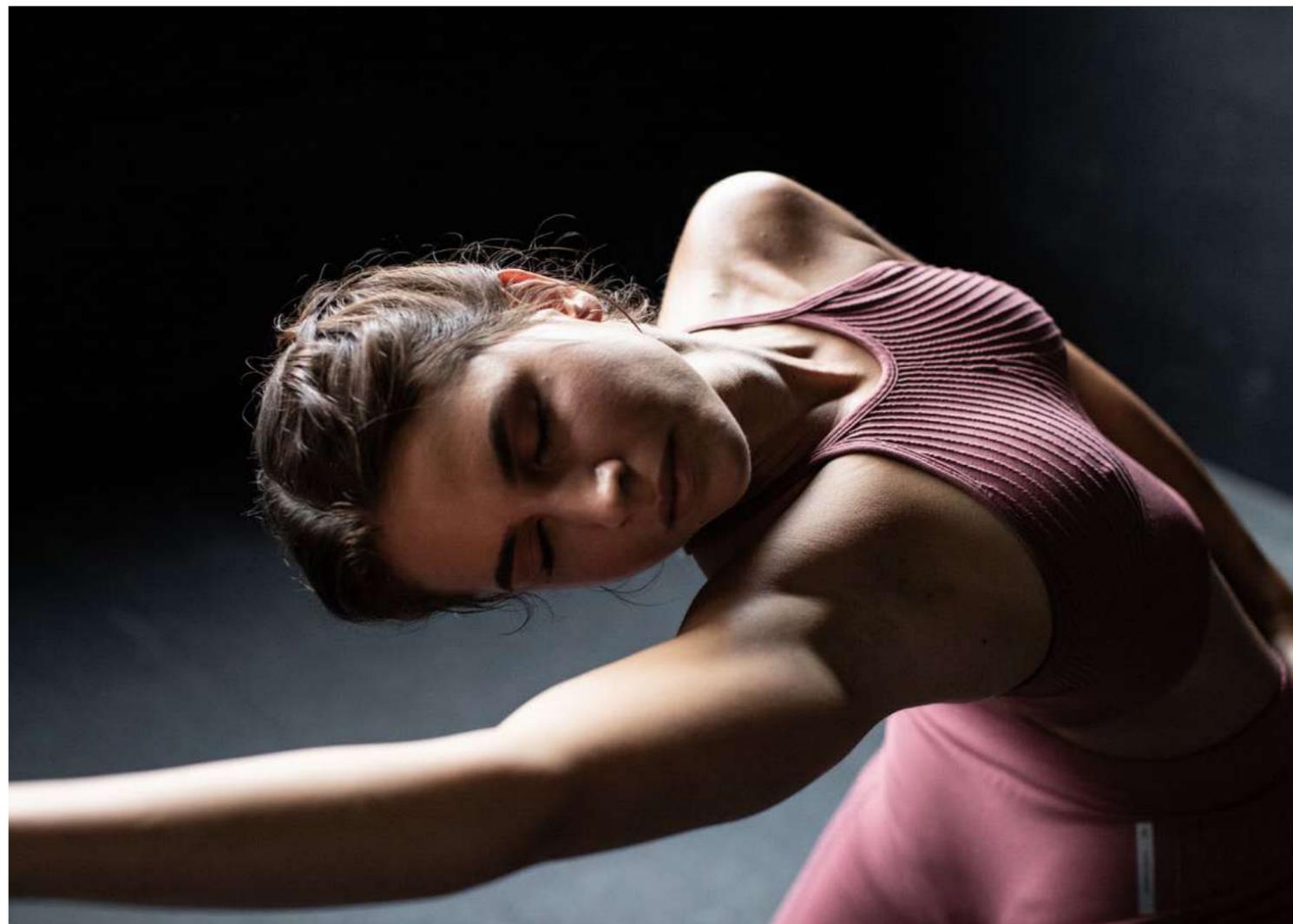


Factory 4833 & 4835– India

Even though formally the factories are handled as two separate facilities, as the both are located next to each other and have the same owner and factory management, the overall results were almost identical, only differences were reported regarding safety and health working conditions as well as smaller discrepancies regarding working hours and wages. This garment maker who is specialised in shirts is a long-term partner for ODLO with whom we are working for almost 20 years already. Nevertheless, due to the specific product type, the volume is rather low which means the supplier counts under the tail end of ODLO's supplier base. The audit team reported a very positive and transparent approach of the factory management towards the audit and mentioned that small findings were rectified immediately during the time of the audit. Good practises were reported on five out of eight code of labour practises: employment is freely chosen, child labour, reasonable working hours and legally binding employment contracts. A major finding was reported on freedom of association as the current workers committee is not elected democratically. Wages are equal to legal minimum wages of the region but are below living wage estimates of local stakeholders. There were several findings regarding safety and health mainly with regards to fire safety such as single cases of emergency exit sign missing, some floor marks of exits were missing and aisles were blocked. Missing needle guards that were detected at some sewing machines were installed and presented at exit meetings. Further information of progress cannot be given as report was received only shortly republication of Sustainability Report.

ENHANCED SOCIAL MONITORING THROUGH QC SUPPORT

One of the general goals we set ourselves for 2018/19 was the increase of local presence in manufacturing countries, as well as to set up of a process to include quality inspection trips for on-site corrective action plan follow ups. In April 2019 our QC team came to the headquarter for the 'ODLO Quality Days' workshops, experience exchange and training all around the topic quality management. With the QC team travelling most within the organisations to our production partners ODLO wants to further leverage the potential of these visits for our social monitoring. Having individual team members already involved in a more advanced monitoring besides the existing Health & Safety Checks, this unique opportunity in having the team altogether was used for an updated training on Sustainability which underlined the importance of the QC team support in social monitoring. Next to a general update and recap on ODLO's sustainability strategy, goals and current performance, the new set up for the team was introduced. It consists of independently planned Health & Safety Checks at least once a year per factory, as well as the new process of social compliance checks and Corrective Action Plan follow ups, upon request from ODLO's sustainability manager. The team was excited about their new tasks and happy to play an important role in ODLO's social compliance strategy.

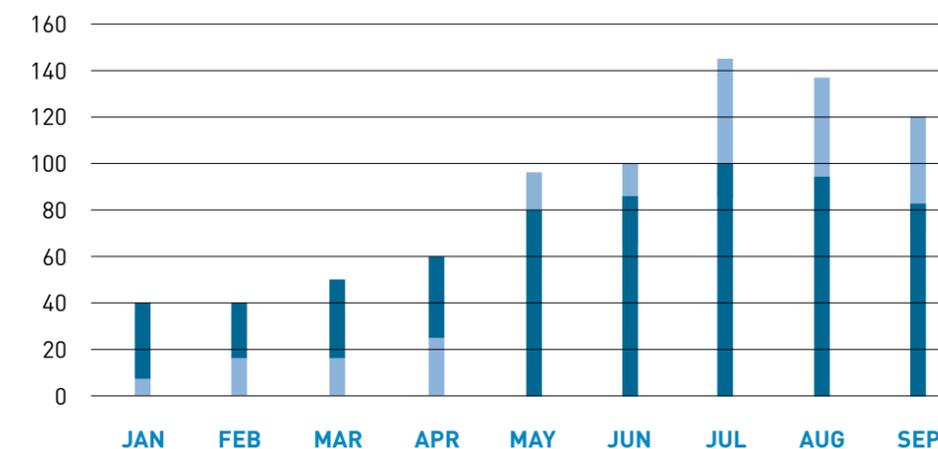


ENHANCED OVERTIME REDUCTION – BUYPLAN

In order to help the reduction of the excessive overtime in the factories, ODLO recently implemented a new production plan to anticipate and smooth the production peak in fall winter season.

As you can see in the example chart below, the anticipation of production during the first months of the year can lower the production peak in July. We expect to see a substantial reduction of the overtime in the factory. ODLO started to implement this with the own production and other major partners with good results and will continue to monitor the outcome during the next year.

PRODUCT PEAK





WORKPLACE EDUCATION PROGRAM (WEP)

Factory 3919 – Vietnam

Due to the big workforce in this factory with more than 4000 employees, the training were spread over three consecutive days in December with a total of 12 two-hours sessions. The Workplace Education Programme has been given in 3 separate sessions to 103 members of the management team and supervisors who represented 20%. From the workforce a total of 360 employees, who represent 12% of the workforce, were trained in 9 sessions.

The attendees were introduced to Fair Wear and the responsibilities of FWF members, they learned more Code of Labour Practise and assessed how these were currently implemented at their factory. They shared that working hours and workload target settings. The relation to management is good and internal grievance mechanism to discuss issues as well as suggestions work very well. The trainings encouraged management to further actively implement social dialogue. The sessions with workers showed that the workforce understands their labour rights clearly and wish improvements in working hours and wages.

The training sessions were well perceived, both management and workers participated actively in the sessions. Workers reported as learnings from the training that awareness about FWF as well as the grievance mechanism and complaint hotline was achieved. In addition, within the training it was shared that although not written as company rule, workers would be allowed to get pregnant within six months after employment. As this is a serious discrimination accusation, this point was discussed during a personal meeting with management at ISPO fair in January, where the management confirmed (with record evidence of newly hired workers being pregnant) that they do not have or allow this practise in their factory. To ensure there is no discrimination in the factory, trainings for all supervisors were organised.

Factory 7371 – Vietnam

Also with a rather big workforce of around 1400 workers, the trainings sessions in beginning of December were spread over two days. In two sessions a total 32% of the management team and within four sessions 15% of the workforce were trained. Also during this WEP basic training, all attendees were introduced to FWF and the responsibilities of FWF members, they learned more about a decent and productive work place,

the Code of Labour Practise, internal grievance mechanism and FWF complaint system. In focus groups attendees could freely discuss about their working conditions compared to the Code of Labour Practises. Management was most satisfied with wages and labour contracts but wished improvements in working hours and target settings. The worker sessions showed that workers would like raise topics of salary increase possibilities and working hours. The training atmosphere was open and friendly. The overall feedback about the sessions were very positive and participants stated that the trainings increase their awareness their labour rights and Fair Wear Foundation. Also in this factory, workers mentioned the discrimination practise regarding pregnancy within the first six months after employment. As this factory is a subsidiary of 10014 this was addressed and followed up with management during ISPO fair as stated above.

Factory 5608, 11868, 10470, 13101, 13813 – Sri Lanka

According to the workplan, ODLO had planned to do trainings with the strategic partners in Sri Lanka during business year 2018/19. As Fair

Wear Foundation is not active in Sri Lanka the planning of the training took longer than expected. Finally, the training content, participants, as well as time and location are defined. It will be a training of trainer program with contents similar to FWF WEP basic programme plus additional highlights on gender based violence and will be held by the FWF India training team in August 2019 in Sri Lanka. All partners we work with in Sri Lanka will participate the two days trainings sessions, an evaluation of the individual internal trainings at these factories are planned in 2020 along scheduled FWF audits.

Factory 145 - Romania

To further strengthen social dialogue and empower the worker representatives at this partner in Romania, ODLO decided beginning of 2019 to organize a special training of the worker representatives. As Fair Wear does not have such a training in their programme, ODLO had to find another third party to conduct the training, The search was successful and a local partner in Romania could be found to conduct the training in the second half of 2019, which is why the detailed results will be reported on only in the next business year.



COMPLAINTS REPORT

ODLO has a local complaints procedure in place, supported by local FWF staff. The standardized process is based on 7 steps.

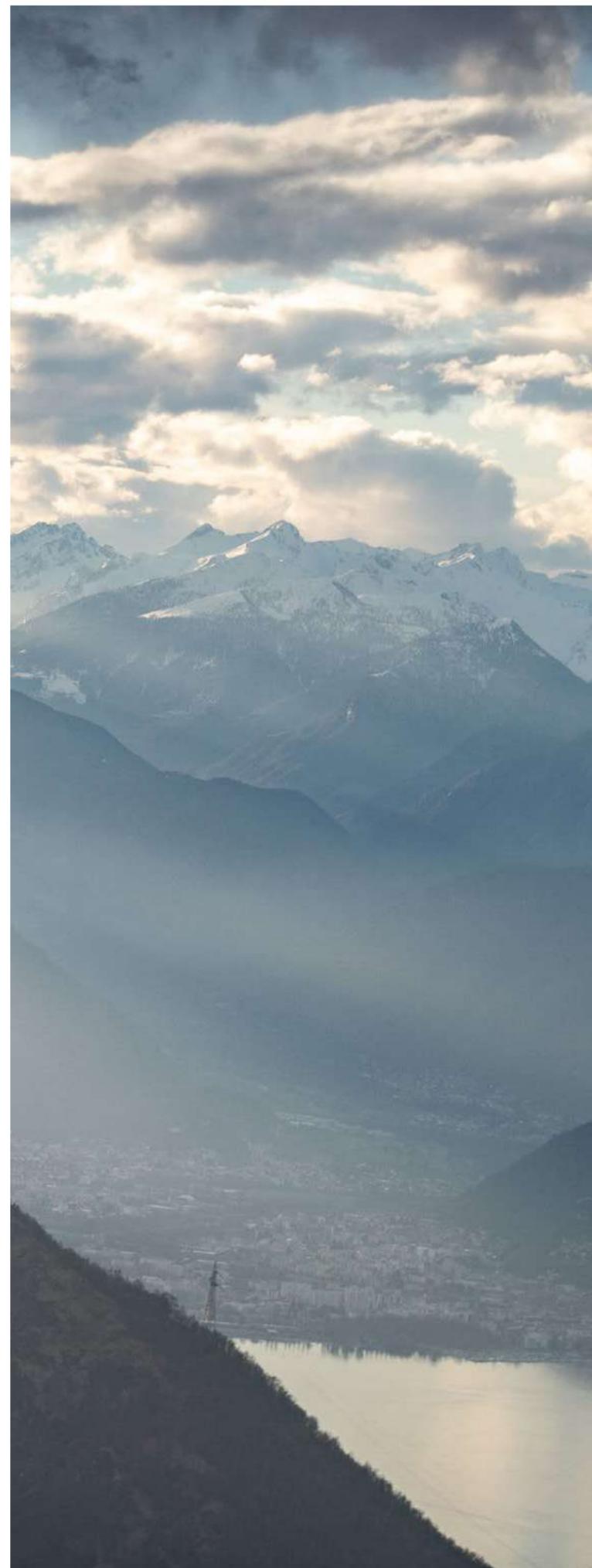
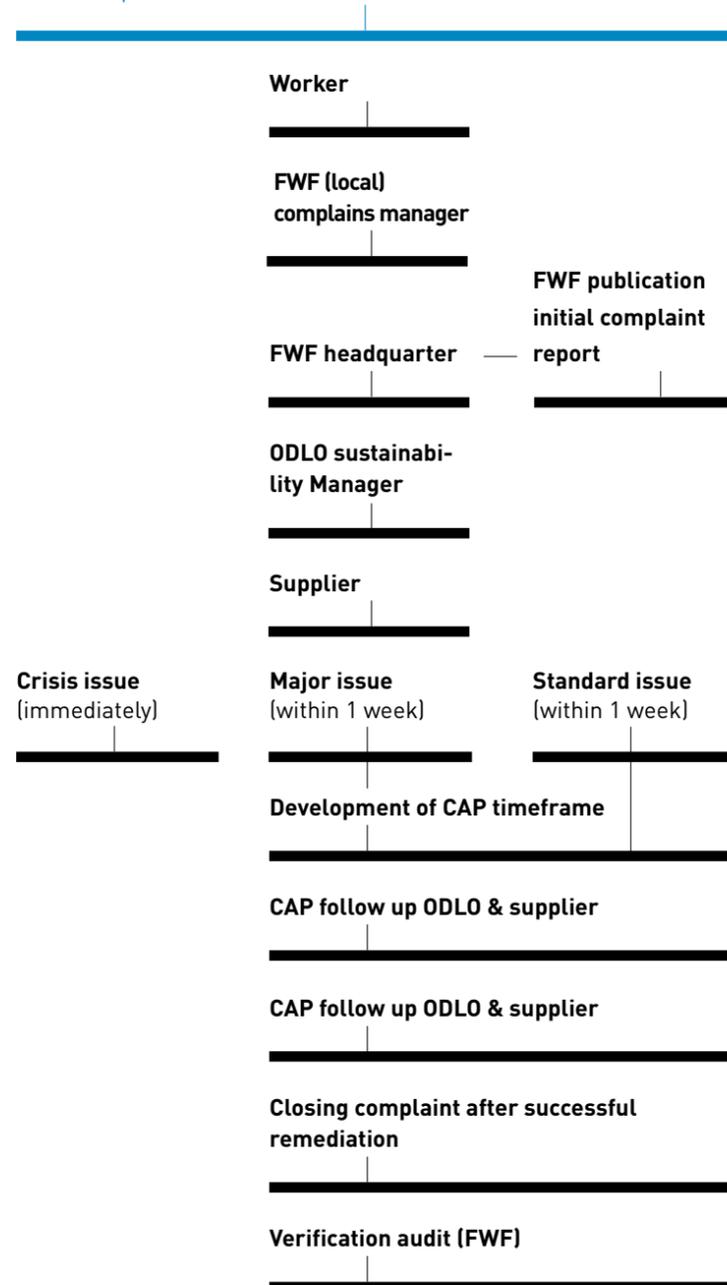
- (1) The complaint is received by the FWF complaints handler or other FWF representative.
- (2) The complaint is reviewed by FWF for admissibility.
- (3) FWF investigates the complaint.
- (4) Corrective action is decided with the involved factory management, member company, the complainant, and any other relevant stakeholders.
- (5) The implementation of the corrective action is monitored by ODLO and other FWF affiliates, if applicable.
- (6) FWF verifies, and publicly reports upon, action undertaken pertaining to the complaint. Where stakeholders agree, complaints may be closed.
- (7) If necessary, a complainant may appeal the conclusion of a FWF complaint investigation.

Detailed reports are published on FWF's website.

The process chart summarizes the complaint process. The example shows worker as complainant as this is the most common form other complainants can be: Trade Unions, NGOs, employers organisations, others. More information can be found in the 2018 updated FWF complaints procedure manual.

During the last business year 2018/19 no new complaint was reported to FWF, but the two former complaints were still open and were remediated during this business year. An additional complaint was received in connection to an open FWF complaint from the NGO Public Eye in Switzerland.

WORKER INFORMATION SHEET (FWF complaint number)



Factory 145 – Romania

In June 2018 ODLO received a detailed case file from Public Eye Switzerland on labour and working conditions at one of our partners in Romania, based on onsite investigations in September 2017. The findings in the report included violations concerning payment of a legal minimum wage, workload targets, reasonable hours of work, payment of overtime and freedom of association. ODLO checked each point stated in the case file in detail together with the factory. The detailed analysis of payroll and overtime records could not verify the finding regarding legal minimum wages or overtime on a weekly base as well as overtime on Saturdays and Sundays. All overtime recorded was paid at premium rate and overall related to peak periods. The reported practice of unpaid overtime was stopped with immediate effect in August 2017 after the Fair Wear complaint and the back payment of workers affected by this practice has been carried out. To further strengthen social dialogue and empower representatives, ODLO supported the factory to arrange a special training for all worker representatives.

Next to the case file, twice within this business year a factory worker reached out to Public Eye to raise a complaint. The first time it was reported that since January the transport benefits for workers who use their private car would not be paid anymore. The payment records of transport reimbursement could prove that payments are done and Public Eye verified via a workers report that the issue could be closed. The second complaint was concerning the right for Catholic workers to have Easter Monday their legal day off. The factory



could prove that individual meetings were held to discuss with each worker the preference when to take or compensate the Catholic or Orthodox holidays. Fair Wear could verify this procedure during the May audit and the case could be closed. The discussions with Public Eye mainly took place in the time of June till October 2018 and were further postponed till the verification audit took place. An in-person meeting with Public Eye took place in May 2019 to discuss amongst others the latest remediation status on this case. The Fair Wear complaint at the Romanian partner was followed up from Fair Wear with a two days follow up visit in November 2018 which ODLO's sustainability manager joined as well to get the latest picture and direct feedback from the Romanian Fair Wear team. The report stated that sourcing practices of ODLO were partially improved but recommended to share planning e.g. the living wage approach with the worker representatives. Regarding the monitoring system of ODLO the auditors recommended more involve-

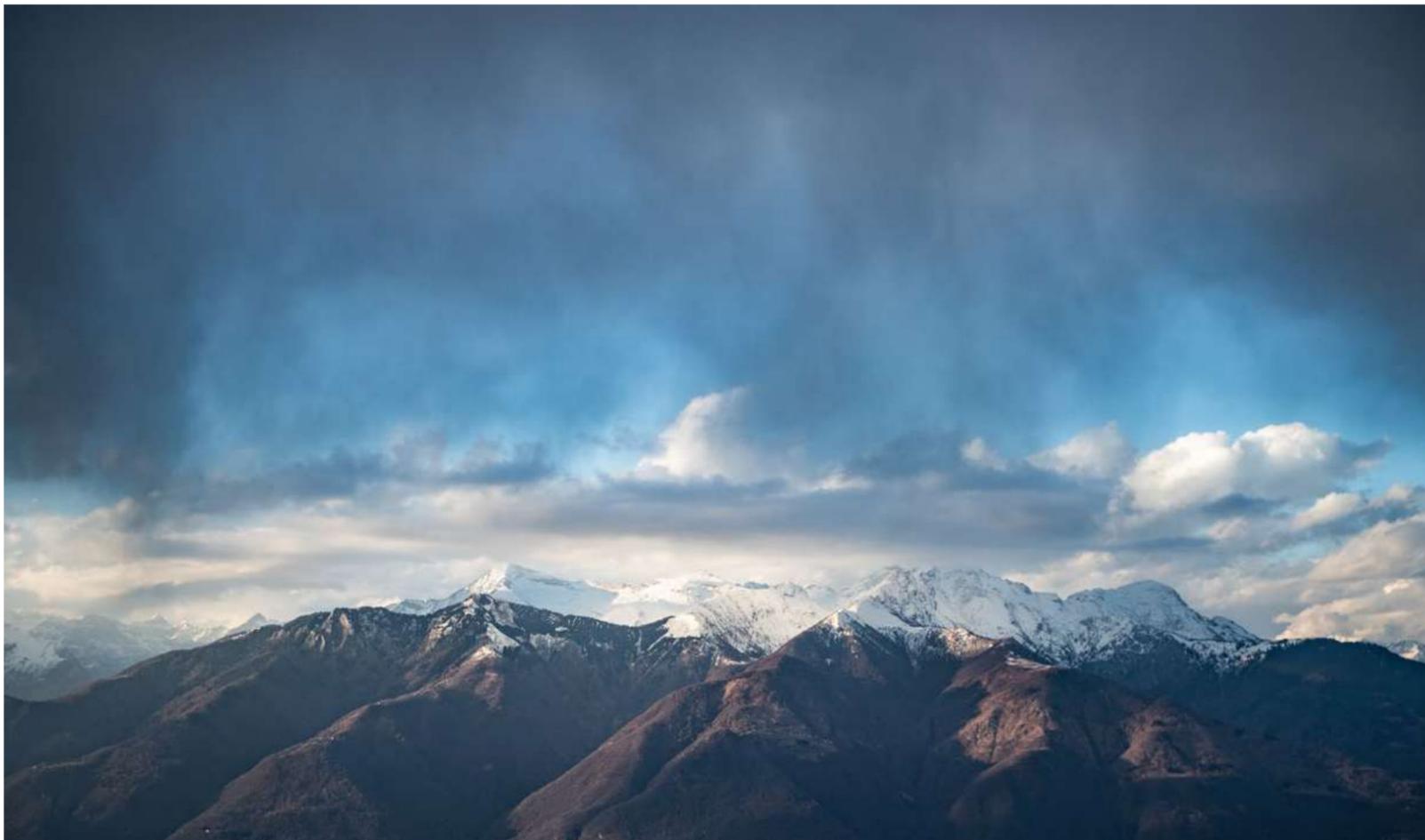
ment of worker representatives in the monitoring procedures. Fair Wear also recommended to implement a management system to improve working conditions. With regards to communication, consultation and grievance procedure it was recommended to share the audit findings with workers and discuss the status as well as involve workers into individual target settings. Regarding freedom of association and the right to collective bargaining FWF suggested to publish again the roles and responsibilities of worker representatives and to organise a training. Regarding reasonable working hours it was recommended to review individual workloads in the production lines. The visual inspection revealed best practice of impeccable atmosphere of professionalism and great production conditions. According to the audit team the factory showed by far, the best maintained working conditions as compared to similar audited factories in Romania. All above mentioned points were agreed on with the factory management and a new corrective action plan

was established which was translated and shared with all worker representatives. As new monitoring procedure a monthly call was integrated to discuss on a regular base content of monthly worker representative meetings, overtime, pay rolls, and the latest status of the CAP. To formally close their complaint a verification audit is needed, due to the follow up visit in November this was postponed to May 2019. During the time of reporting, the results from Fairwear were not yet received.

Factory 10014 – Vietnam

The complaint reached ODLO in the end of the last business year and was still under investigation at the time of the report. The complaint reflected violations against reasonable hours of work and payment of a living wage as workers were required to continue working during lunchtime and that workers are required to sign 2 sets of the overtime registration sheets. The investigation showed that no work was done during lunchtime in June and July

2018. However, the analysis of attendance records showed in general a high amount of overtime as well as two sets of the overtime registration sheets, but all overtime was paid correctly. The corrective action plan was drafted and followed in close cooperation with another FWF member brand and discussed during an in-person with factory management. To ensure no work can be done during lunchtime, the lights are turned off, in addition all workers were informed again that the lunch time is important to rest and it is not allowed to work. In addition, since September 2018 the factory only has one set of overtime registration sheets. Overtime is continuously monitored and discussed by each brand and in cooperation with their production planning. To evaluate the progress a verification audit took place in April 2019. During the time of reporting, the results from Fairwear were not yet received. In addition, a WEP training is planned to further raise awareness on the Code of Labour Practise within the factory.



BRAND PERFORMANCE CHECK 2018

The indicator-based Brand Performance Check was held by FWF at the ODLO headquarter in September 2018. The report is published in full detail on ODLO's website and contains summarized findings based on interviews with ODLO employees who play an important role in the management of supply chains as well as detailed analysis of various documentation sources, financial records and supplier data.

Scoring overview from last Brand Performance Check:

% of own production under monitoring

93 %

Benchmarking score

79

Category

Leader

FWF states that ODLO has shown advanced results on the performance indicators. With own production locations in Romania and Portugal, as well as a high leverage at most suppliers, effective work on implementing FWF's Code of Labour Practices was shown. It was reported that ODLO further built on existing initiatives to strengthen its monitoring system and due diligence process. Challenges reported was that the brand faced higher demand than forecasted, which mainly impacted ODLO's suppliers in the EU, and was

solved by pulling production forward increasing the load on suppliers than estimated. To solve this problem, the brand pulled forward to effectively flatten-out the production over the year. Other issues the brand faced were excessive overtime as well as aspects pertaining to independent worker representation. FWF recommended ODLO to ensure that process / system related issues raised in the complaints are improved and worker representative are always involved to prevent future complaints.

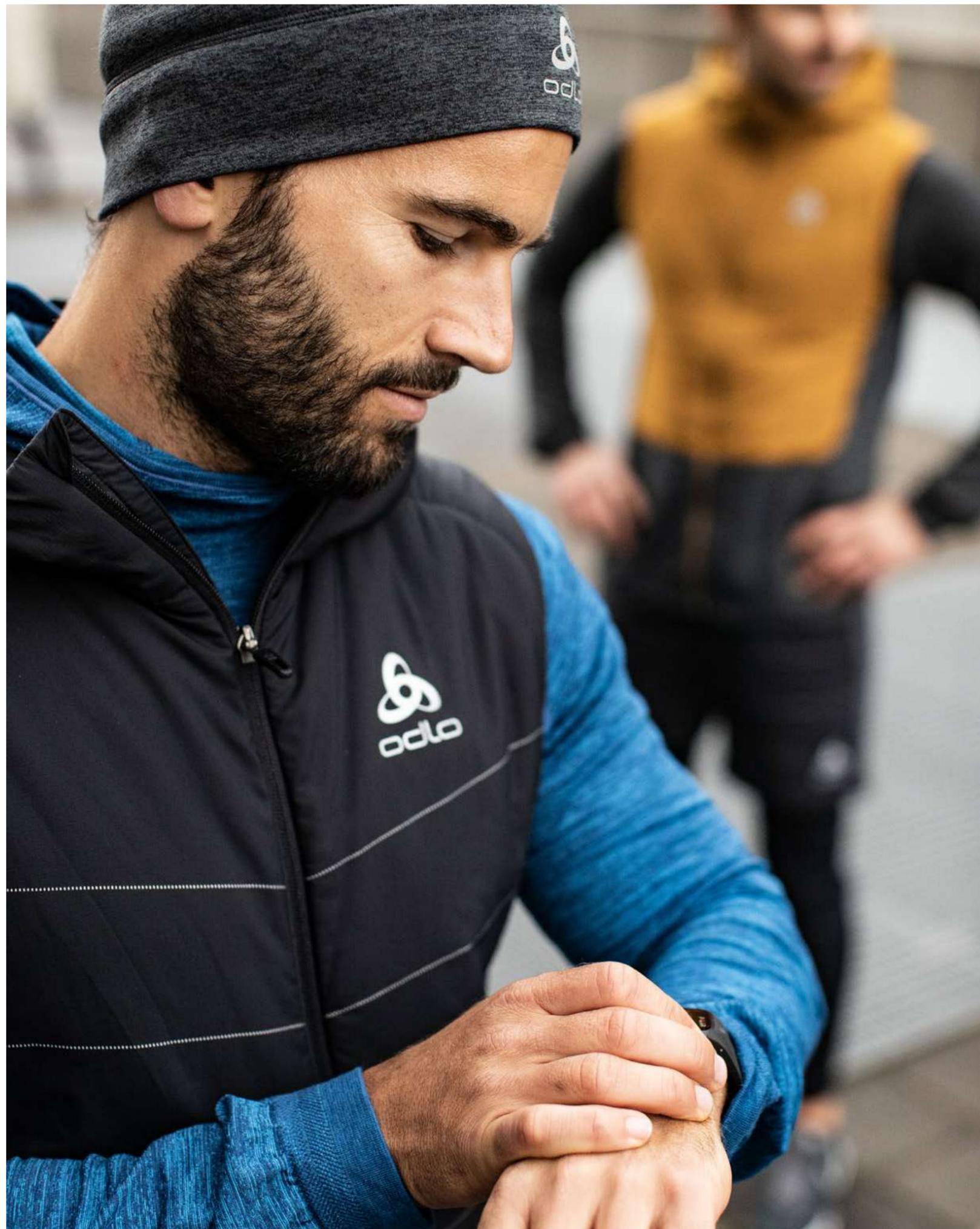


LIVING WAGE PILOT – UPDATE

For the people who make our clothes, a living wage means freedom. The freedom to take care of themselves and to invest in their future. It is time now to work towards this goal. Innovation is in our DNA, we strive to always be one step ahead, this is one reason why we joined the Fair Wear who is a game changer in this field. We as Fair Wear member brand are committed to taking steps to pay living wages.

We want the people working in our own factory to be able to have a decent life with the wages they earn. This is why ODLO committed to tackling this goal in 2017.

In our last sustainability report 2017/18 we published for the first time our efforts on living wages. ODLO set in 2017 the goal to take an important step towards living wages. With this report we want to give an update on what has happened since then. As a brief recap, ODLO assigned in 2017 an independent third party to execute a study on living wages which revealed that the majority of our workers in Romania have incomes below living wage. The benchmark considered was set by the third party for the Neamt County, considering the regional and factory specific needs.



As result of the analysis, the report calculated a living wage gap and recommended ODLO to implement a “bridge the living wage gap” strategy for its production facility in Romania. After the publication of the report, an implementation plan was done, which started in January 2018. In July 2018 ODLO also joined Fairwear Foundations Living Wage Incubator a community of 17 FWF member brands that is a platform for expert advice, knowledge and experience exchange.

An analysis showed we are on track with our implementation but have to prioritize workers who are still below the benchmark. For this important next step we plan to focus on strengthening the involvement and empowering the factories worker representatives in the decision making progress. To ensure this will be done in the most efficient way ODLO is organizing a customized training for the worker representatives with the focus on social dialogue and negotiation skills and will take place in autumn 2019. We are convinced that worker involvement is key for a successful and sustainable implementation of a living wage in the future.

As there is no “one fits all solution” when it comes to closing the living wage gap, during this business year became clear that the topic is extremely complex and varies depending on country, region, factory and implies new challenges throughout the different pilot steps. This led to the decision that for now we first will focus on the pilot in Romania before (as planned) to further roll out to other factories and production countries.



ENVIRONMENTAL MONITORING

FACILITY ENVIRONMENTAL MODULE (FEM) – HIGG-INDEX – TIER 1

Also, for the Tier 1 supplier – the manufacturer, ODLO continued and even slightly expanded the environmental monitoring with the Higg Facility Environmental Module (FEM). Next to our own production facilities, a total of 9 cut & sew and 3 seamless suppliers (with a total of 16 individual facilities) filled the renewed “Facility Environmental Module”. In 2018/19 we increased the monitoring up to 88% of ODLO’s total production value. Exactly as for Tier 2 suppliers, the self-assessment checks a facility’s systematic approach in performing for energy & greenhouse gas, water use & water effluent, emissions to air, waste management and chemicals. Due to the general publication of the 2018 modules only by end of June 2019 and the missing official benchmarking it was not yet possible to export and hence analyse the assessment results in detail during the time of publication of this report.

In October 2018, ODLO had for the first time a full environmental audit, the verified Facility Environmental Module (vFEM) at its own production site in Romania. The official SAC Higg FEM verification audit was conducted by a certified, independent third-party verifier and was overseen as well by ODLO’s sustainability manager. The audit gave extremely valuable insights on the environmental impact of our factory in Romania and was crucial in the decision making with regards to the environmental goals and focus points ODLO is setting for the upcoming years in its own facilities. Textile waste management was identified as key impact area for our own production which lead to ambitious targets we have set internally on the recycling of textile cutting waste moving towards circular economy. Surprising result of the verification was as well that the overall verified score exceeded the self-assessment score, the face-to-face support by the trained verifier helped the local team to clarify any open questions regarding the module, which was very beneficial for the 2018 self-assessment.

OWN PRODUCTION INITIATIVES

Both of ODLO's productions in Portugal and Romania organise a lot of sustainable activities.

ODLO PORTUGAL SOCIAL ACTIVITIES

VOLUNTEERING DAY

Every year ODLO Portuguese workers refurbish a charity institution, a school or a public place within the community that is in need of assistance. In 2018 the object of this annual project was "Santa Casa da Misericórdia" a Nursery and Kindergarten in the neighboring village of São Romão. Our project was to decorate the outside garden, fences were painted, we did a sandbox, planted trees, floors were painted with traditional games, water games on walls and music games and in the interior we put up some mirrors and light boxes. On October 22nd, everyone spent the day working on the final details and fraternizing with the children.

FOOD BANK

The workers of ODLO Portugal take part in the national Food Bank collection twice a year, ensuring the collection of donated food for a day in a supermarket nearby. This year, these initiatives took place in May and December.

CHILDREN'S SHELTER CARE FACILITY

The "Centro de Acolhimento de Crianças Mãe d'Água" is a shelter care facility for abandoned, abused or neglected children that provides a home for 22 children and adolescents from 0 to 18 year of age.

Since 2012, ODLO Portugal has helped this center on many occasions, building an invaluable sense of community and trusting relationships between ODLO's workers and the center's children. In 2018, we have our St. Martin's day, on the 11th November every year and together with ODLO's works this day is spent with the children. During the year we have ODLO's workers going there to spend a day with the children with activities. For Christmas we also give out presents.

RUGBY SCHOOL 'ESCOLINHA DE RUGBY'

The school of rugby aims to help the neediest children of the community, teaching them the values that are inextricably linked to sport. ODLO Portugal has joined this school by participating / helping in the colonies that they carry out during the school holidays (Easter, summer and Christmas). The activities are diverse and appropriate for each age group. This past year we had the following radical activities, master chef classes, swimming pool, beach, Pedy paper, activities with the elderly in order to approach the different generations, cinema sessions, and thematic afternoons.



ENVIRONMENTAL ACTIVITIES

IMPLEMENTATION OF A SYSTEMATIC APPROACH FOR ENVIRONMENTAL PERFORMANCE

Throughout the year of 2018, ODLO Portugal continued the implementation of a systematic approach for environmental performance, monitoring the consumption of natural resources and the production of industrial waste. We continued with the process of energy recovery from the textile waste, reducing the ecological impact of the polyester fiber's lifecycle.

AWARENESS-RAISING MEASURES FOR WASTE REDUCTION

Continuing the professional training project from 2017, in 2018, we continued to work towards raising awareness amongst all the employees with regards to the impact that our actions have in the organization's environmental performance, as well as in the community and the world. The training focused on the strategies defined to reduce the use of paper, plastic and textiles, reuse and sort for recycling, integrated in an environmental efficient production process.

BAN OF SINGLE-USE PLASTIC IN THE CANTEEN

ODLO Portugal has banned all single-use plastics in the canteen; we have replaced coffee, tea and soup plastic cups for washable dishware. We receive now our soups in an electric soup pot.

ECO BOTTLES

In order to follow up the sustainability project, ODLO decided to offer its employees an eco-bottle. In addition to being reusable, the bottles have a UV filter for protection from light and also to ensure the maintenance of water properties. They are ergonomic and ecological, as their use will contribute to the reduction of the non-biodegradable residues of the planet.

ODLO ROMANIA SOCIAL ACTIVITIES

15TH ANNIVERSARY ODLO ROMANIA

In 2019 ODLO ROMANIA celebrated the companies 15th anniversary. All employees who started working for ODLO Romania in 2004 were rewarded for their work and loyalty with an additional salary. Also all employees working between 10 and 15 years with the company received an additional bonus as reward for their work.

COMMUNITY INVOLVEMENT

15th anniversary ODLO Romania

In 2019 ODLO ROMANIA celebrated the companies 15th anniversary. All employees who started working for ODLO Romania in 2004 were rewarded for their work and loyalty with an additional salary. Also all employees working between 10 and 15 years with the company received an additional bonus as reward for their work.

COMMUNITY INVOLVEMENT

Traditionally, ODLO Romania organises several initiatives throughout the year to support the factory's surrounding and its community, as well as the employees itself and their families. One example is the weekly football game ODLO Romania is organising every Friday for employees and friends at a football field at the central park of Roman.

SCHOOL SUPPLIES FOR EMPLOYEE'S CHILDREN

ODLO buys school supplies and a school bag for employees' children, this year 95 children were supported. For the children aged between 6 and 14, ODLO is supporting them with materials needed based on their school level.

FOOD AND CLOTHING DONATION FOR RETIREMENT HOME CASA VARSTNICULU

ODLO Romania organised an food and clothing donation event for a retirement home called 'CASA VARSTNICULUI' which is located very close to the factory. The goods were given to the people as Christmas gifts with a official celebration ceremony for everyone.

PARTNERSHIP WITH PROFESSIONAL SCHOOLS

We signed a partnership with two regional professional schools in Valea Ursului and Adjudeni which gives all students of the area textiles, the opportunity to do an internship (which is required for their education) on our premises at ODLO Romania. For both students of Valea Ursului and ODLO employees a special end of the year event was organized with a performance of traditional Romanian dances and music.

EDUCATION WEEK 'SAPTAMANA ALTFEL'

ODLO was visited from classes from several the schools and highschoools in the Roman during the special education week in which students spent a week visiting theaters, companies, public institutions, etc. By opening the factory doors ODLO Romania could show the students the different fields of work and operations in a garment factory.

ENVIRONMENTAL ACTIVITIES

LED LIGHTS

ODLO Romania set the target to replace all lighting in the factory by LED until 2020. During the last business year, more lights were replaced in the production lines, the fabric warehouse and in the cutting area.

WASTE MANAGEMENT ANALYSIS

A local external third party analysed ODLO Romania's waste management to get insights into the company's environmental impact and learn about improvement options in this field.

COLLABORATION WITH THE FOUNDATION SALVATORUL NEMTEAN

ODLO Romania supported a project of the organisation SALVATORUL NEMTEAN which serves meals for the local fire department.

FOOD FOR BOGDANESTI MONASTERY

As an engagement for the greater community, ODLO Romania provides food for 150 elderly people with disabilities. In consultancy with the local monastery priest, the monthly food package contains a range of products from minced meat, cheese, canned food, pasta, rice and sugar.

GYM FOR EMPLOYEES

ODLO Romania offers a gym place to their employees, located directly at the factory's site. By using treadmill, bicycle, tennis table or mattresses and weights, employees can get engaged with their fitness.

EMPLOYEES' SUPPORT FOR MEDICAL AND DENTAL TREATMENTS

A full-time nurse is taking care about the health of the employees. Next to the regular visits, employees are occasionally offered home treats. Basic medication is available for the employees; in some cases dental services are offered.

TRANSPORT





ODLO INSIGHTS



Mattia Aldeghi
Senior Sourcing Manager,
ODLO International AG

Since when have you been part of the ODLO family?

I joined ODLO in January 2019.

What do you like most about your job?

I like the brand and the company because of the sporty and dynamic environment. My job challenges me every day and in addition to that I enjoy testing our amazing products during the several sport activities with my colleagues.

How do you contribute to sustainability within your job/work?

When I evaluate new or current suppliers I also focus on the environmental part. I encourage them to use renewable energy like solar panel or biomass and I check how they manage their wastes. As Sourcing strategy we try to buy locally and close to the market to minimize the transportation and CO2 emission. We consolidate as much as possible the shipments to maximize the fill rate of truck or container. We are keen to minimize the airfreight to get the cost saving and environmental benefit at the same time.

What is your personal tip / advice to be more sustainable in everyday life?

I try to reduce as much as I can the single use of plastic and increase and spread the recycling attitude. I started commuting with train or bicycle as well to reduce the CO2 emission.

WORLD OF TRANSPORT



ODLO tries to transport goods by sea wherever possible, as this is the most economical and environmentally-friendly option. Decisions on transportation methods are heavily influenced by the origin of the products in question.

ODLO's highlights in the area of transportation for 2018/19 are the following. In May 2019 we introduced a new shipping mode = rail and road. The first trials will come from our own production facilities in Romania. With the help of this new mode of transport we are able to save 1.100 kg CO² per Transport, which is a reduction of 73% per transport. With Romania being our main production location this shift will support our ambitions to significantly reduce our CO₂ footprint with this combined transportation mode. For 2019 we are currently testing this new rail/road transportation for 50 transports. Another highlight is the reduction of air freight in 2018. Thanks to careful planning and order tracking, we had a decrease of goods transported by air last year, the percentage went down from 11% to 8%, compared to 2017.

Our central distribution centre in Brüggen (Germany) makes every effort to sort and recycle its packaging materials. For example, 70'000 of inner cardboards are reused by exchanging between

the central warehouse and own production. The warehouse makes also use of reusable cardboard palettes for export, which are made from recycled paper and use less space in the truck which reduces the fuel usage in transportation. In addition, all deliveries to the outlet in Brüggen are done with reusable plastic trolleys.

MODE OF TRANSPORTATION

(GOODS RECEIVED 2018)

Land	59 %
Sea	33 %
Air	8 %

To save energy, the warehouse is equipped with a geothermal heat pump and a lighting system which can be regulated independently by workplace division. In addition, the warehouse has its own seepage reservoir for waste water.

Inclusive workers program - Collaboration with Heilpädagogische Zentrum (HPZ) Krefeld

The Heilpädagogische Zentrum (HPZ) in Krefeld Germany is a nonprofit company, that offers occupational and social integration for people with disabilities and mental disorders. In 2016 ODLO Logistics started working with the HPZ in Krefeld by transferring several packing orders

during peak seasons. After these positive experiences, the next step in the cooperation was taken. In October 2017, a team of 10-12 workers plus two caregivers were integrated into the ODLO Logistics warehouse by establishing a new work space for the team members. The tasks vary from package folding, repacking to labelling and so on. The caregivers are coordinating and supervising the team, making sure the workers are trained well and the work matches best with the skills of each individual team member. Since June 2018 a fixed team of eleven workers, supervised by one main supervisor of HPZ, joined the warehouse team in Brüggen.

PRODUCT USE





ODLO INSIGHTS



Anja Freimann
Customer Service Representative,
ODLO International AG

Since when have you been part of the ODLO family?

I'm a repeat offender. Was already part of the ODLO CH Family from 2012 to 2014 and came back in August 2017.

What do you like most about your job?

Easy question – my colleagues.

How do you contribute to sustainability within your job/work?

We're working on a paperless office, printing only when necessary. If possible, we try to repair our products instead of replacing them. If this is not possible, we will try to use the defective styles in another way. We also have the focus of a good service to bring the right products to our customers for a long using and a lot of fun and great adventures.

What is your personal tip / advice to be more sustainable in everyday life?

Meal preparation whenever possible. And my beloved iced Lattesso I am preparing now myself instead of always picking up the plastic garbage at the gas station-- implementation not quite successful yet.

WORLD OF PRODUCT USE



ODLO PRODUCTS ARE MADE TO LAST

An important part of a textile product's total environmental impact is related to how long the product can be used before it is worn out. ODLO only manufactures and sells products that are guaranteed to be durable and long-lasting. We believe this makes an important contribution to promoting sustainability in our society.

A number of different management systems and measures have been put in place to ensure we continue to provide our customers with this guarantee in the years to come.

REPAIR SERVICE

We truly live up to the promise of a long lifecycle for our products. In the case that a customer returns one of our products because it did not fulfill quality expectations, our customer service takes the item back and the first step is to see if it can be repaired. To bring these products 'back to life', we work with local tailors in our different distribution countries. As an example, through our service department in Germany, we were able to repair 110 pieces in the first half of 2018.

MINIMIZING YOUR ENVIRONMENTAL FOOTPRINT WHEN USING ODLO PRODUCTS

Each washing of clothes consumes water and energy and therefore 20% of the environmental impact within a product's life is caused by the laundry we do at home. Following the proper washing instructions also significantly extends the life of your clothing. For this reason, we at ODLO want to support the customer in looking after their ODLO gear. The general recommendations can be found on the sewn-in care label. This advice is customized for each product. As this information is limited by the space on the label, we added a QR code on each garment. This QR code is linked to our website, where the customer can find more general advice on how to care for their ODLO products. These tips are not only extending the lifespan of the sportswear, but are also helping to minimize the environmental impact we have when caring for our clothes. What is good for the environment is also good for your ODLO gear.

PACKAGING

In 2018/19 we started with small steps tackling one of the biggest challenges we are facing on this planet, single use plastic waste pollution. ODLO is shipping its products in single use poly bags which protects the garments especially on the long journey from production in the far east to our central warehouse and customers. We have not found the final solution of banning polybags from our packaging yet. But we set the first statements by banning single poly bags for our entire

accessories range, starting with socks as of FW19 and the rest of the product category in SS20. Our supply chain team is working hard on finding the solutions to roll out the single poly bag ban within other product groups. ODLO underwear is still represents the majority of our production volume and is important to mention that this product group is packed in carton boxes feature the "Green Dot", meaning they are totally recyclable. Since 2018 we also replaced all plastic shopping bags with a biodegradable alternative.

WORKING FOR ODLO



Max Wallder
Sales Representative,
ODLO International AG / UK Branch

ODLO INSIGHTS

Since when have you been part of the ODLO family?

I have been with ODLO since July 2017, about two years now.

What do you like most about your job?

Without a doubt it's talking to customers. ODLO is such an innovative brand, every season we have a range of interesting new products and technologies to present. The great part about being at ODLO is that everyone is so keen to hear about the latest body mapping, cooling fabric or eco initiative that we have developed.

How do you contribute to sustainability within your job?

Encouraging buyers to purchase our eco stories. In the market more than ever before there is a momentum behind consumers wanted the brands they purchase to have a strong environmental and social ethos and the products we produce to reflect that, however it all comes down to how we/I present that to buyers and in turn to the consumer .

What is your personal tip / advice to be more sustainable in everyday life?

Focus on what you can do and achieve. It doesn't take much effort to almost eliminate unrecyclable waste from the household by making small changes to where we shop and what we purchase.



WORLD OF ODLO

Marked by growth and innovation, this financial year has been a challenging, exciting and successful one.

This is based on the daily commitment and perseverance of all our employees as well as our partners. Together we have managed to make the small difference that is needed to inspire our demanding customers and to surprise them again and again. The 750 employees all over the world are responsible for this success and it makes us proud to be able to combine this cultural diversity under the name ODLO.

The current changes in the market make sustainable human resources work a challenge. The focus is on fierce competition for qualified employees and rapid technical progress. Demographic change also requires a high degree of adaptability in daily work. The ODLO working world is becoming increasingly international and working models are becoming more flexible. In this environment ODLO tries to position itself as an attractive employer. This is particularly important to attract and develop qualified employees. The attractive location of our headquarters in the heart of Switzerland helps us to offer our employees not only an interesting working environment but also a high quality of life.



GENDER	
Female	68 %
Male	32 %

COUNTRY OF ORIGIN EMPLOYEES FROM 25 COUNTRIES	
Germany	41 %
Switzerland	26 %
France	9 %
Austria	8 %
Italy	5 %
Netherlands	2 %
Great Britain	2 %
Others	7 %

AGE (AVERAGE AGE – 39)	
15-20 years	1 %
21-30 years	21 %
31-40 years	33 %
41-50 years	23 %
51-60 years	18 %
61-65 years	3 %
66 Years	0 %

[As of July 2019 excl. production sites in Portugal and Romania]

ODLO INTERNATIONAL INITIATIVES

ODLO INTERNATIONAL HÜNENBERG

Future Day (November 2018)

On November 8, 2018 the nationwide Future Day took place - but what is this day all about? "The Future Day - as its name suggests - wants to shape the future of our kids. Girls and boys get the chance to have an insight into various professions to get to know atypical fields of work and life. With this, they open up horizons and gain the courage and self-confidence to take their future by the hand, detached from rigid gender images. The National Future Day thus promotes equality between women and men at an early stage in the choice of career and in life planning. It is a cooperation project between school, working world and home." We are proud that ODLO was part of it! A few kids got the opportunity to gain a little bit more insight into our company, especially in Product Development/Pattern/3D, Product Management, Design and Human Resources. At the end of the day, they were even able to create and develop their own bag. Thanks to all involved team, the kids had a great day and learned a lot.

Bike to work Challenge (June 2019)

For more than 10 years now, ODLO International AG takes part in the national "bike to work" initiative organized by the association "Velo Schweiz". For one month, employees commute to work by bicycle, in combination with a team competition about the longest distance taken as a team. In this way, our four teams cycled 3'332km on 84% of the working days in June and made not only a positive contribution to their own fitness but also to the environment by saving in total 480 kg CO2.

Feel fit! (all-year)

This stands for a health and fitness package available for ODLO employees at the Swiss headquarters in Hünenberg. It offers employees a variety of activities such as indoor fitness centre, inhouse yoga lessons or bike rentals.

Sports events (all-year)

ODLO supports a variety of internal and external sports events, thus promoting popular sports, employee health and the development of young athletes. ODLO employees can for example start at the Women's Run or the Engadin Skimarathon.

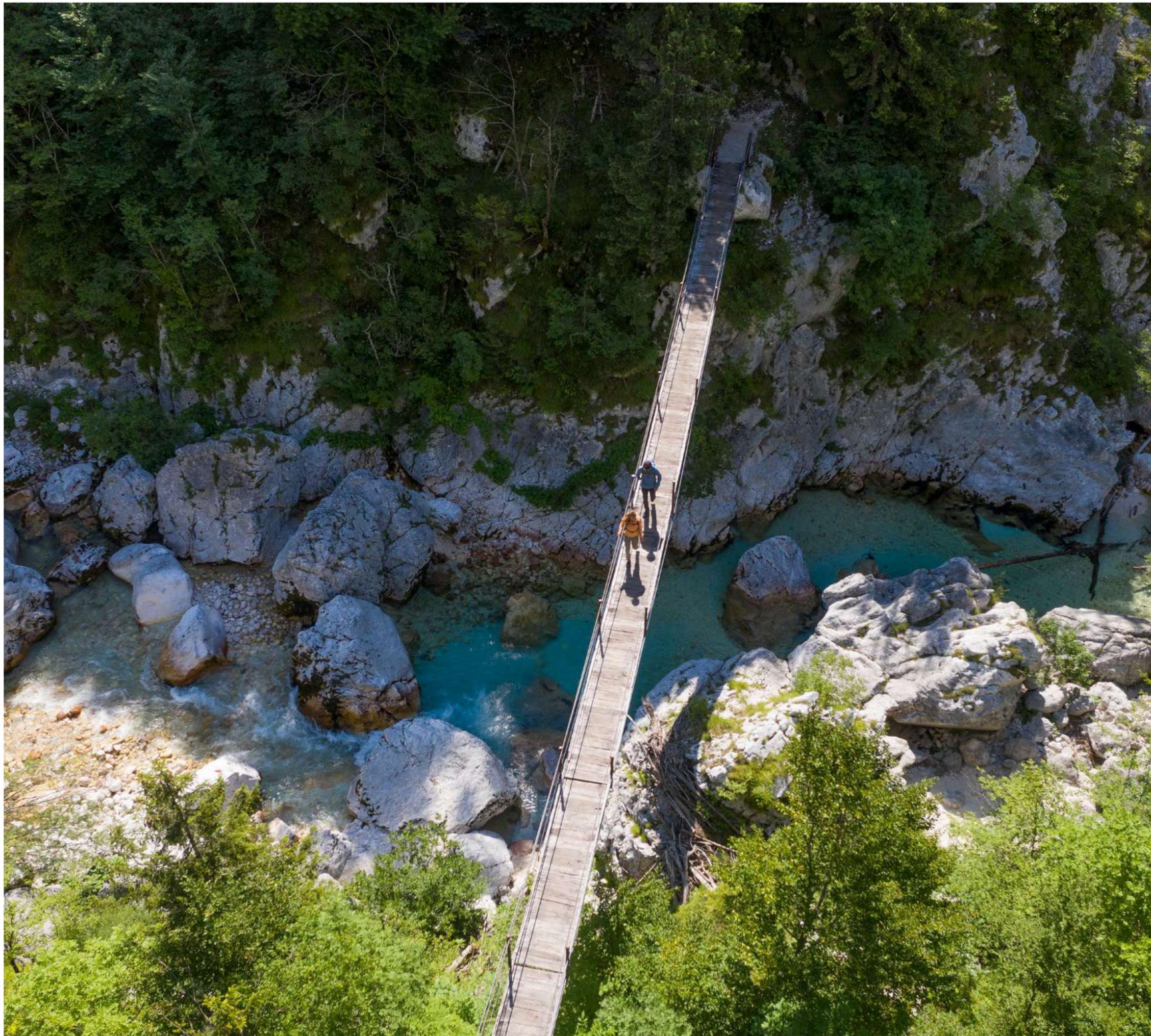
CONCLUSIONS & OUTLOOK

Never before has the topic of climate crisis been on top of the agenda as it is now. The 'Fridays for future' movement is ground-breaking and as it continues it becomes very clear that there is no turning back. Sustainability and taking care of the planet we are living on, is and will be the new norm. Also, at ODLO we see this change for better and are glad to receive steadily an increase of requests from markets and customers towards sustainable product solutions and business practises. We are proud that sustainability is rooted deep in our heritage of producing high quality and long-lasting products. Our partnerships with leading organisations such as Fairwear Foundation and Sustainable Apparel Coalition give us the power to be part of a bigger community working towards a common goal of improving our social and environmental impact as a brand.

Within this business year we have focused on strengthening our sustainability strategy in a holistic way across various business areas, focusing on high impact areas such as product, manufacturing and transport. From the focus on sustainable materials and products, through recycling of production waste till CO2 reduction through alternative ways of transport, this is just the beginning. The fruits of these actions will be mainly harvested in the coming years but are crucial steps to be taken now to become a responsible global citizen.

There are zero excuses for us as a brand to not continue this path with greatest commitment, showing our very best. We are excited for the challenges ahead of us and are proud to be contributing as a brand to change for better.





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Sustainability Report
2019/20

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