



ENGINEERS  
OF ACTIVE  
LAYERS  
SINCE 1946

**SUSTAINABILITY  
REPORT 2016/17**

# FOREWORD

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“Staying one step ahead” is Odlo’s motto. We strive to stay true to this in all our actions, while we aim to make the sports industry more environmentally- and people-friendly.

Odlo was born in Norway and engineered in Switzerland, two countries where social and environmental responsibility is a way of life. Our aim is to share these values with our employees, partners, suppliers and customers. On this long journey, last year alone, we were able to reach a number of important milestones, all driven by our three core values: responsibility (We Care), action (We Act) and transparency (We Share).

In July 2016, the position of Sustainability Manager was created, to ensure that our values were upheld along our supply chain. Moreover, Odlo, which has been monitoring 90% of its production units for several years already, has attained leader status with the Fair Wear Foundation.

In December 2016, we were the first Swiss sportswear brand to join the Sustainability Apparel Coalition. The Coalition’s core measurement tool, the Higg Index, assists in our ability to audit our supply chain.

Beyond our goal of respecting the environment, another objective is to set new targets to improve labour conditions throughout our supply chain. We are fully aware that such advancement can only be achieved one step at a time, as long as suppliers and employees move in the same direction. That’s why we have decided to strengthen our communications around this topic. Several mid-term projects are also in progress, including the development of innovative eco-friendly fabrics.

Working together is essential if we want to protect the environment. We are aware of the necessity to share with others the objectives that we have set for Odlo. We wish to communicate our passion and pass down to the next generation what we have learned from our founders: that nature is our playground, that people matter, and that respect and transparency are two key values which will help us reach our objectives.

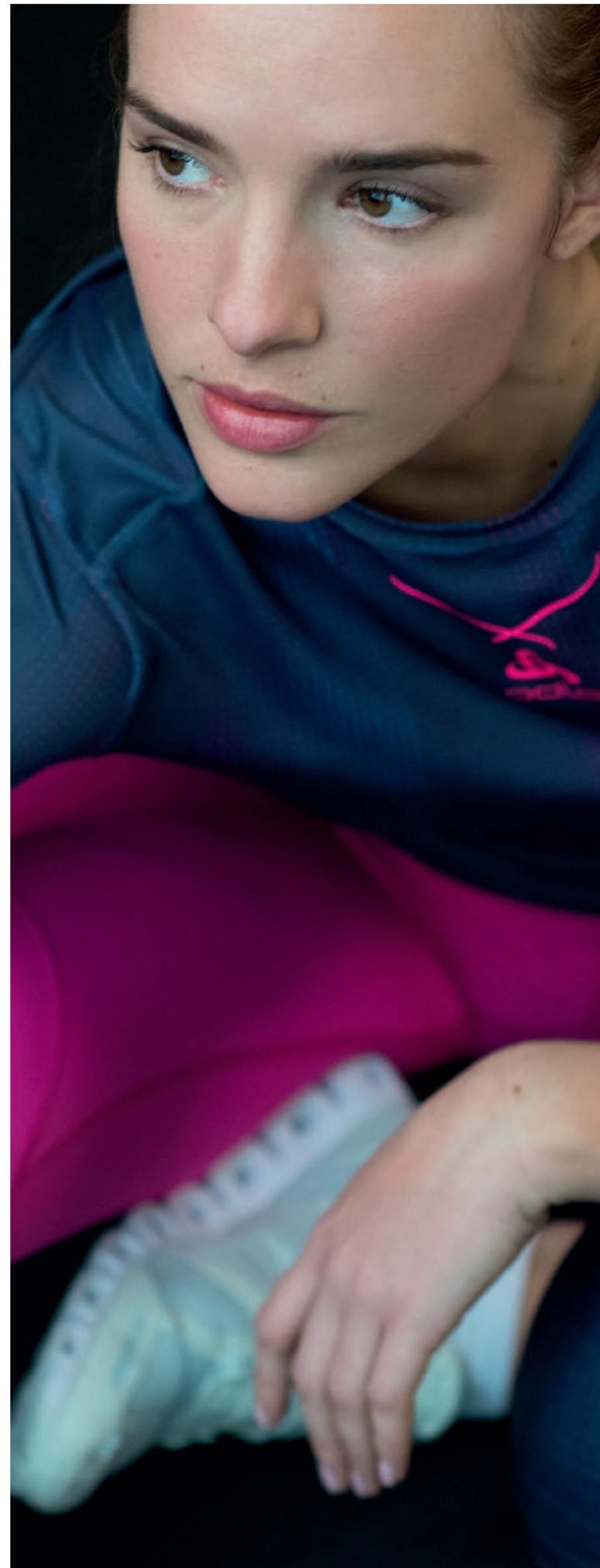
**Christophe Bézu, CEO**



**Christophe Bézu**  
CEO

## STAYING ONE STEP AHEAD.

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# OUR HERITAGE



**1972**

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

**1963**

Our nylon cross-country race suit revolutionizes the sport.

**1946**

Odd Roar Lofterød founds Odlo in Oslo.



**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.

**1986**

We relocate to Switzerland and launch the groundbreaking three layer principle.

**1994**

We expand our expertise into running and outdoor products.

**2012**

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

**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.

**2016**

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

**2018**

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

**HEADQUARTERS**

**ODLO International AG**, Bösch 47, 6331 Hünenberg, Switzerland

**FOUNDED**

**1946** in Norway

**RELOCATED**

**1986** to Switzerland

**DIRECTORS**

**Christophe Bézu (CEO), Knut Are Høgberg (COO), Antoine Sathicq (CSO), Adrian Schürmann (CFO)**

**EMPLOYEES IN 2017**

**Total 679 (FTE)**, of which 126 are based in Hünenberg, Switzerland

**MARKETS**

**The majority of Odlo's turnover** is generated by its subsidiaries in Switzerland, Germany, France, Belgium/Holland, Austria, England, Norway and China. The Odlo brand is sold in 35 countries around the world.

**CORE BUSINESS**

**Odlo is the pioneer** of functional sports underwear and has more than 70 years of experience in the sportswear market. Odlo also offers a wide range of product and performance sportswear for every season.

**PRODUCT SEGMENTS**

**Odlo is the European market leader** in the performance sportswear segment. It has also developed successful Running, Outdoor Performance, Cycling, Nordic Disciplines, Training/Studio and Accessories categories.

**POINT OF SALE**

**Odlo products** are available in over 5,000 points of sales around the world, predominantly in specialist sports shops. Customers can enjoy the Odlo experience at more than 1,500 shop-in-shops. There are also 17 brand stores and 15 outlets in Europe.

**MANUFACTURING**

**Odlo manufactures** 70% of its products in Europe and the Middle East, primarily in its own factories. The remainder of Odlo's products are produced in Asia and Africa.

**NUMBER OF FACTORIES**

**Odlo works** with a total of 31 factories: own factories in Romania (1), Portugal (1); external factories in Europe/Middle East (8), Asia (20), Africa (1)

**LOGISTICS**

**Own central** 26,000 m<sup>2</sup> warehouse and distribution centre in Brügglen, Germany

**CSR**

**Odlo is serious about its responsibility** to society and the environment. As such, Odlo has been awarded top rankings for corporate social responsibility and is a member of the Fair Wear Foundation, an international non-profit organisation which aims to improve working conditions in the clothing industry. The brand is also proud member of the Sustainable Apparel Coalition. Odlo publishes an annual CSR report.

**ODLO PHILOSOPHY**

**As a premium global sports brand**, Odlo is committed to producing the best performance underwear and baselayers for athletes and keen sportspeople. Odlo prides itself in developing new technologies and pursues high standards of performance, comfort and quality. With its focus on constant innovation and modern designs it offers year-round products for all weather conditions and levels of activity.

**R&D**

**Exclusive partnerships** with top institutes (Empa and leading fabric manufacturers) and joint product development with world-class athletes.

**AMBASSADORS**

**Swiss Ski Team (Nordic)**, Dario Cologna (XC), Scott-SRAM MTB Team, Nino Schurter (MTB), Jenny Rissveds (MTB), Ingalena Heuck (running expert), Fédération Française de Ski (Nordic), Ski Association of Slovenia (XC, NC, biathlon)



# CODE OF CONDUCT

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**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 in 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 of our own employees or 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 always support our initiatives to operate in an environmentally sound manner.



**Sandro Cattaneo**  
Country Manager,  
Odlo Switzerland & Austria

## ODLO INSIGHTS

### What is your daily business for Odlo?

*Sandro Cattaneo: Coach and inspire my team (and myself) to do impossible things, because others have already done the possible.*

### What makes Odlo (as a brand) unique?

*Sandro Cattaneo: Innovation meets inspiration for more than 70 years. And nevertheless, Swiss engineers.*

### What is your favourite Odlo product – and why?

*Sandro Cattaneo: For Summer: The Kamikaze Aero Road Shirt because it is the fastest cycling shirt on the market. For Winter: The Vlaandern shirt because it is one of the most underestimated shirts on the biking scene ...*

### Which product do you see for Odlo in future?

*Sandro Cattaneo: Customized products in a lot of variances. "want It today – get it tomorrow"*

### What is your personal commitment towards sustainability?

*Sandro Cattaneo: (Go to work by bike, try to use as little paper as possible, recycle anything in your work place ...)  
Work paperless ...*



**“INNOVATION  
MEETS INPIRATION  
FOR MORE THAN  
70 YEARS.”**

## SUSTAINABILITY VISION & VALUES

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

### RESPONSIBILITY – WE CARE

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

### ACTION – WE ACT

Our commitment to sustainability is translated into action, contributing for 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, about the measures we take and about the progress we achieve by that.

**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 the 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 through multi-stakeholder engagement to industry collaboration on environmental protection

### PRODUCT RESPONSIBILITY

- I. Ensure high quality products with a long durability
- II. Innovate products that create solutions for improved resource efficiency
- III. Create products that do not harm any human nor 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](http://www.fairwear.org)



## SUSTAINABLE APPAREL COALITION MEMBERSHIP

In December 2016 Odlo became a member of the Sustainable Apparel Coalition (SAC) as its first Swiss brand. As a multi-stakeholder initiative of the global footwear and apparel industry, Odlo joins over 170 global brands, retailers and manufacturers, as well as government, non-profit environmental organizations, and academic institutions, which are collectively committed to improving sustainability performance along the supply chain.

The HIGG Index, the group's sustainability measurement tool, is an open source, indicator-based tool that allows suppliers, manufacturers, brands and retailers to evaluate materials, products, facilities and processes based on environmental and product design choices. With the new implementation HIGG Index Odlo's supply chain is being assessed against an industry benchmark, demonstrating holistically the strengths and weaknesses of the corporate activities.

# 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 had it 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 representation 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 age of 15-18] shall not perform work in which it is 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.



# GOALS AND ACHIEVEMENT 2016/2017

## SOCIAL RESPONSIBILITY

### Goals

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

Increase local presence and local stakeholder network in manufacturing countries

Increase internal staff awareness of FWF and Odlo's supplier Code of conduct

### Achievement

**The annual Brand Performance Check by FWF in October 2016 confirmed Odlo's FWF leader status**

**In 2016/2017, four audits took place in presence of an Odlo representative**

**FWF staff training day with several workshops at Odlo headquarters in October 2016 and implementation of bi-monthly FWF introduction meeting to new employees**

**ODLO KEEPS FWF LEADER STATUS FOR 2016/2017**

## ECOLOGICAL RESPONSIBILITY

### Goals

Expand social monitoring of Tier 1 supplier with environmental part by implementing HIGG-Index

Establish environmental monitoring of Tier 2 supplier by implementing HIGG-Index

### Achievement

**"Facility Environmental Module" filled by 75% of total FOB for Tier 1 supplier**

**"Facility Environmental Module" filled by 60% of total FOB for Tier 2 supplier.**

## PRODUCT RESPONSIBILITY

### Goals

Increase supply chain transparency

Keep product certification OEKOTEX standard 100

### Achievement

**Disclosed manufacturer list with this report.**

**Class I for baby article has been renewed beginning of 2017, renewal process of Class II started in June 2017.**

After the overall goals and achievements within 2016/2017, the following sections include details about actions taken and results achieved over the last financial year. They are divided in accordance with the various stages of the value chain.

# WORLD OF MATERIALS

Great products are built with great materials. To achieve this, the material development considers three principles: designed 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 drive greater improvement than working on our own. We are member of the Sustainable Apparel Coalition and work very closely with our nominated material suppliers as well as the garment maker.

## 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 materi-

als, but also the entire range of the company's underwear and base layer ranges are certified with Oekotex Standard 100.

## PFOA/PFOS

Per- and polyfluorinated chemicals (PFAS or PFC) are fluorocarbon connections that possess unique water and fat rejecting properties, and 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.

## 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.

## 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.

## ENVIROMENTALLY FRIENDLY

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

## ENVIRONMENTAL MONITORING

### FEM – HIGG-INDEX – TIER 2

Being a new member of Sustainable Apparel Coalition (SAC) Odlo has been implementing the initiative's tool, the HIGG-Index, for internal environmental monitoring. The 4 biggest fabric suppliers have contributed to the HIGG-Index by filling the "Facility Environmental Module". This reflects more than half of Odlo's fabric purchasing volume. Through a self-assessment, the module checks a facility's systematic approach in performing for Energy & Greenhouse Gas, Water Use & Water Effluent, Emissions to Air, Waste Management and Chemicals.

Analysing the results shows that the main fabric suppliers' performance meets at least the industry standard in all areas, and in most cases goes beyond that.<sup>1</sup> As a conclusion of the first implementation, Odlo is planning to expand the environmental monitoring to more fabric supplier for the next HIGG-Index cadence.

<sup>1</sup> 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.



## INITIATIVES 2016/2017

### SUPPLIER SUMMIT (JANUARY 2017)

In cooperation with a Thai manufacturer partner, Odlo invited its Asian material suppliers and clothing manufacturers to attend a summit in Bangkok, Thailand. This two-day event provided an opportunity to share knowledge and experience with a view to encouraging direct dialogue in the supply chain. A series of presentations held by Odlo management and factory representatives covered topics such as innovation and current challenges in the industry. The event was also used to work with supplier's management representatives on open follow ups regarding social monitoring.

### LEFTOVER FABRIC DONATION (MAY 2017)

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 is therefore leftover after products have been manufactured. Whatever material that can be implemented for new production, is reused directly. For smaller quantities, Odlo looks for recycling options. In close collaboration with our Thai manufacturing partner, leftover material has been donated to local a textile training school and universities, as well as to a children's school.

# WORLD OF MANUFACTURING

## DURATION OF MANUFACTURER'S PARTNERSHIP

(With a total of 23 main contractors)

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



| Country of production                     | Number of production sites | Value %     | Volume %    |
|---|----------------------------|-------------|-------------|
| PORTUGAL                                  | 1                          | 6 %         | 9 %         |
| ROMANIA                                   | 1                          | 30 %        | 39 %        |
| <b>TOTAL (own production Europe)</b>      | <b>2</b>                   | <b>36 %</b> | <b>48 %</b> |
| GEORGIA                                   | 1                          | 1 %         | 1 %         |
| GERMANY                                   | 1                          | 6 %         | 5 %         |
| ISRAEL                                    | 1                          | 10 %        | 8 %         |
| ITALY                                     | 2                          | 1 %         | 2 %         |
| ROMANIA                                   | 1                          | 2 %         | 1 %         |
| TURKEY                                    | 2                          | 5 %         | 6 %         |
| <b>TOTAL (Europe and the Middle East)</b> | <b>8</b>                   | <b>25 %</b> | <b>22 %</b> |

| Country of production          | Number of production sites | Value %     | Volume %    |
|--------------------------------|----------------------------|-------------|-------------|
| CAMBODIA                       | 1                          | 0 %         | 0 %         |
| CHINA                          | 7                          | 4 %         | 4 %         |
| ETHIOPIA                       | 1                          | 2 %         | 1 %         |
| INDIA                          | 1                          | 1 %         | 1 %         |
| INDONESIA                      | 1                          | 0 %         | 0 %         |
| MYANMAR                        | 1*                         | 0* %        | 0* %        |
| SRI LANKA                      | 2                          | 5 %         | 5 %         |
| THAILAND                       | 2*                         | 8 %         | 7 %         |
| VIETNAM                        | 5                          | 19 %        | 12 %        |
| <b>TOTAL (Asia and Africa)</b> | <b>21</b>                  | <b>39 %</b> | <b>30 %</b> |

\*[reporting from 1st July 2016 – 30st June 2017]

# MANUFACTURER LIST

Odlo is proud to disclose its contracted manufacturers for the very first time. The list contains the address of the main contractors and, in case applicable, main production sites of subsidiaries.

| Supplier Name                                       | Country   | Address  |
|---|-----------|--|
| <b>ODLO PORTUGAL TEXTEIS LDA</b>                    | Portugal  | Rua do Tanque 25, 4785-715 Trofa   |
| <b>ODLO RUMANIA SRL</b>                             | Romania   | Str. Chimiei F.N, Jud. Neamt, 611119 Roman   |
| <b>AQUALIMAX MANUFACTURING LTD.</b>                 | China     | Room 1709, Block B, Tian'an Innovation Technology Square, Futian, Shenzhen, Guangdong  |
|   |           | Foshan City Nanhai District Chengde Suitcase Co., Ltd, Eastern Industrial Park Helangsha, Lishui Town, Nanhai district Foshan, Guangdong |
| <b>JIANGSU ASIAN SOURCING HEADWEAR MFG CO. LTD.</b> | China     | No.2 South Guangzhou Road, Huai An City, Jiangsu Province 223005   |
| <b>COTTONTEX SRL</b>                                | Romania   | Calea Buziasului Nr. 18, 300571 Timisoara  |
| <b>DELTA GALIL INDUSTRIES LTD</b>                   | Israel    | 45 Ha'Eshel St., Southern Industrial Zone, Caesarea, 3088900   |
|   | Vietnam   | Delta Galil Vietnam, Cat Trinh Commune, Phu Cat District, Binh Dinh Province   |
| <b>INTERSOCKS</b>                                   | Slovenia  | Reska cesta 14, 1330 Kocevje   |
|   | Italy     | Zone Industriale Paludi, 32010 Pieve D'Alpago  |
| <b>MADISON 88</b>                                   | China     | Hangzhou U-Jump Arts & Crafts Co., Ltd., Chongxian Village, Tangkang Road 31, Chongxian Street, Yuhang Area, Hangzhou, Zhejiang          |
| <b>BODYLINE PVT LTD.</b>                            | Sri Lanka | Ratnapura Road, Gurugoda, Horana   |
| <b>MAS ACTIVE (PVT) LIMITED – LINEA INTIMO</b>      | Sri Lanka | Lot. 89A, Biyagama EPZ, Walgama, Malwana   |

| Supplier Name                                  | Country  | Address  |
|--|----------|--|
| <b>MSA VN CO., LTD.</b>                        | Vietnam  | Lot A2 CN1 Tu Liem Small and Medium Industrial Complex, Minh Khai Ward, Bac Tu Liem, Hanoi                                       |
| <b>MEMTEKS TEKSTIL SAN. VE TIC.A.Ş.</b>        | Turkey   | Cihangir Mh. Ord.Prf.Dr.Ali Fuat Başgil Cd. No:20/1 Avcılar, Istanbul  |
| <b>NOON GMBH</b>                               | Germany  | Talstrasse 6, 09212 Limbach-Oberfrohna   |
| <b>PERFECT FOOTWEAR INTERNATIONAL CO., LTD</b> | China    | #24 Nanhuan Road, Chaotian Industrial Zone, Shilou Town, Panyu district, GuanZhou City   |
| <b>RIGHT SPORTS APPARELS</b>                   | India    | 101 Tulsi Niwas, 33 Pushtikar Society, Jogeshwari, Mumbai – 102  |
|  | India    | Unit 1, Rajiv Garment, Plot no. A1/284/3, G.I.D.C, Near Welcome Hotel, Umbergoan, Valsad, Gujarat                                |
| <b>SEES GLOBAL INC.</b>                        | Korea    | #612 SunTec B/D 307-2 Sangdaewon-dong ,Jungwon-gu ,Seongnam-si, Gyeonggi-do, 462-120   |
|  | 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                         |
| <b>SHIN TEXTILE SOLUTIONS CO. LTD.</b>         | Korea    | 501, E&C Venture Dreamtower 2, 55, Digital-ro 33-gil, Guro-gu, Seoul   |
|  | Vietnam  | Shints BVT Co., Ltd., Thach Khoi Com, Gia Loc Dis, Hai Duong Pro   |
| <b>SWANY COPERATION</b>                        | Japan    | 981 Matsubara, Higashikagawa City, Kagawa  |
| <b>SLN TEKSTIL VE MODA SAN. TIC. A. S</b>      | Turkey   | Mahmutbey Mh. 2655. Sk. No:2 Bagcilar-Istanbul   |
| <b>TEO SPORTS</b>                              | Italy    | Vicolo Osellame 7, 31044 Montebelluna  |
| <b>VT GARMENT CO., LTD. <sup>2</sup></b>       | 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 |
| <b>YEAHPATTANA TAYEH</b>                       | 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 30.06.2017)

<sup>2</sup> New partner, first deliveries in business year 2017/18 only

# SOURCING STRATEGY

The 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 those exceptions of subcontractors 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 Head of Sourcing & Development. To guarantee sustainability is fully integrated to the corporate strategy and followed up by the Executive Team, there is a quarterly report presentation to all members of the Executive team.

**CEO**  
CHRISTOPHE BÉZU

**COO**  
Knut  
Are Høgberg

**CFO**  
Adrian  
Schürmann

**CSO**  
Antoine  
Sathicq

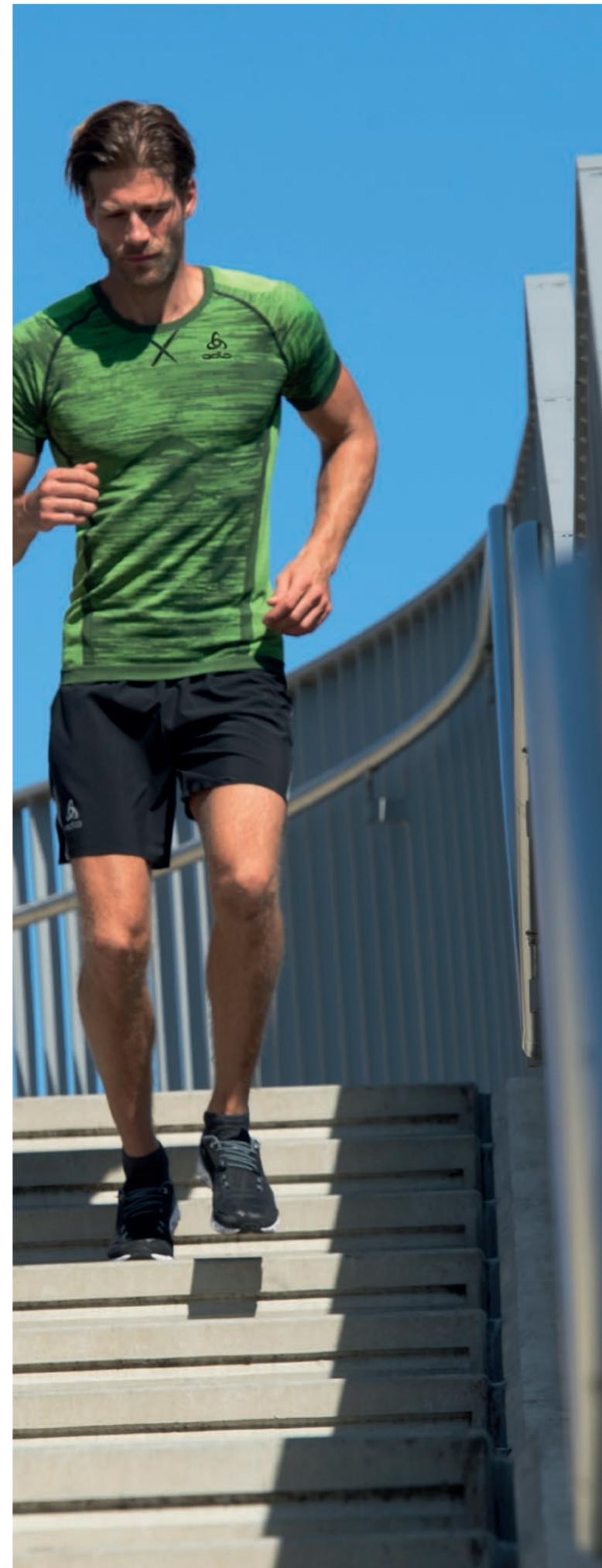
**Head of Sourcing & Development**  
Daniel Mulvie

**Sustainability Manager**  
Andrea Gerber

## PRODUCTION CYCLE

Odlo offers 2 ranges per year: Spring and Summer collections, as well as Fall and Winter collections. To achieve this, a detailed planning and close collaboration between our product team and our manufacturers is essential. Below table shows the example of Fall/Winter 2017.

|                                 |  |                   |          |
|---------------------------------|--|-------------------|----------|
| <b>COLLECTION CONCEPT</b>       | With the seasonal kick off initial category concepts and design inspirations are presented. In addition, our category managers build up the collection framework and prepare the product briefing.   | Sept.-Nov. 2015   | 8 months |
| <b>DESIGN &amp; DEVELOPMENT</b> | 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.             | Nov.-Apr. 2016    |          |
| <b>PROTOTYPE SAMPLES</b>        | Garment makers are briefed for prototype sample production and materials and trims are booked. For each new style 1 to 2 prototype sample rounds are scheduled.  | May-Aug. 2016     | 6 month  |
| <b>SALESMAN SAMPLES</b>         | The different sample stages from prototype to salesman samples help to define the final fit, workmanship, pricing and best quality outcome of our functional products.   | Sept.-Nov. 2016   |          |
| <b>PRODUCTION APPROVAL</b>      | At the end of the sales period all styles are approved for production and orders are placed at the manufacturers.  | Dec 2016 onwards  | 8 month  |
| <b>PRODUCTION</b>               | Each manufacturer makes an internal capacity plan, orders fabrics and trims and starts production as soon as all product 'ingredients' are in the factory.   | Jan. 2017 onwards |          |
| <b>TRANSPORT</b>                | As soon as the production of an 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 few (urgent) cases we use air shipping (only 8% of our total shipment). | May 2017 onwards  |          |
| <b>DISTRIBUTION</b>             | The warehouse distributes the Odlo products to our customers and own stores. From June onwards the first items of the Fall/Winter 2017 Odlo collection are available in stores and online.   | June 2017 onwards |          |



## 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



**Frank Rudolph**  
Head of goods receipt /  
work preparation,  
Odlo Logistik GmbH, Germany

## ODLO INSIGHTS

### What is your daily business for Odlo?

*I have a wide range of responsibilities, besides general administration, I also look after the transport planning, space requirement planning, control of compliance with the delivery regulations and various other challenges. In any case, the job is never boring and always offers something new.*

### What makes Odlo (as a brand) unique?

*The consistent innovation and the living corporate culture with a focus on Odlo's roots.*

### What is your favourite Odlo product – and why?

*I really like the Zeroweight Logic vests. The vest has enough pockets to store cutting knives, keys and pens, it's reflector stripes ensure, that you are not overseen by fork-lifters in the warehouse – a very good piece of workwear. Oh, and you can use it for sports also.*

### Which product do you see for Odlo in future?

*I think that UV protective clothing is a good complement to the actual assortment and could be expanded.*

### What is your personal commitment towards sustainability?

*Sustainability is an important issue. The meaningful and deliberate use of resources is becoming increasingly important. In our central warehouse, we recycle PVC foil and cardboard. We also use train transport from Rotterdam harbor to the nearest railway station and can decrease truck transportation by 180km per container. Another major project is to brief our producers to use cardboard boxes with special measurements according to our specifications so that we can continue to use the covers for our own shipping and avoid unnecessary waste and save money as well.*

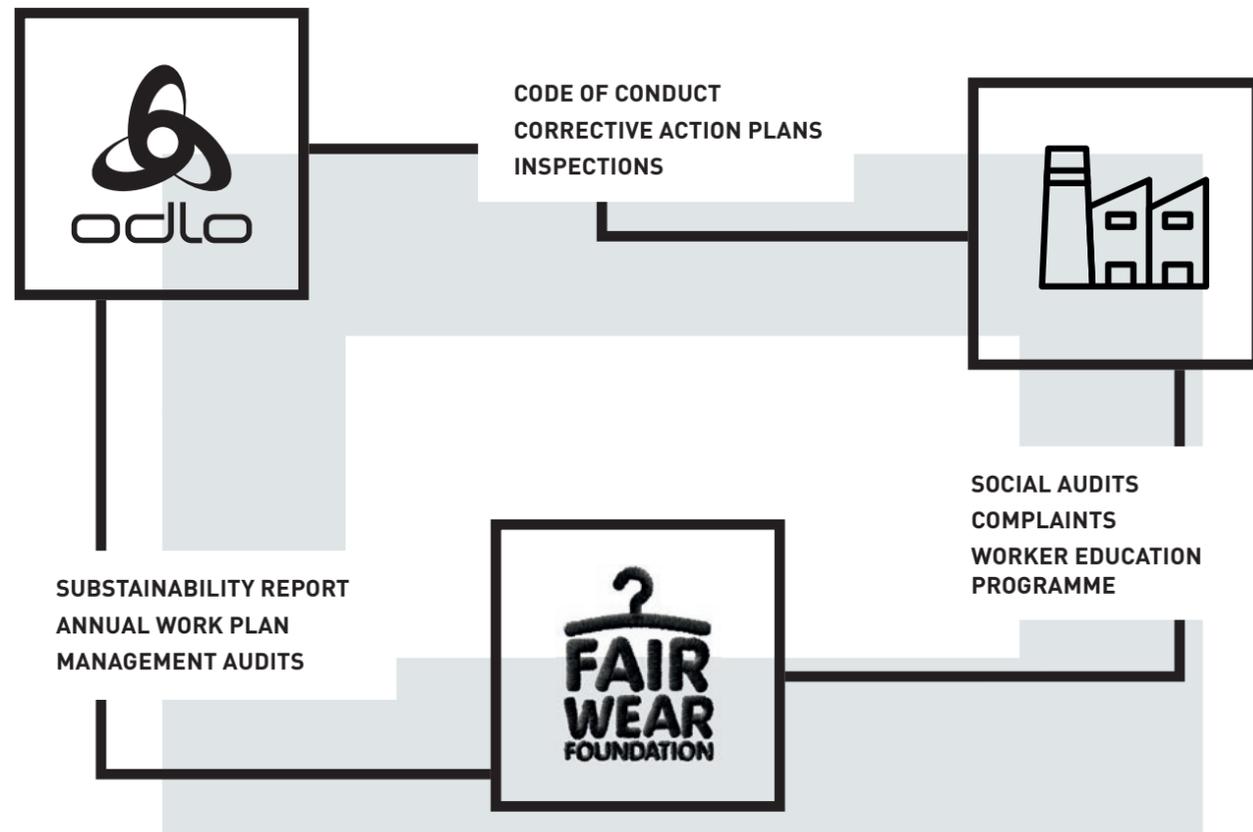


# SOCIAL MONITORING

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 procedure. 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.



## 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 of the organization, the auditors conduct offsite worker interviews before the factory visit. During the factory visit they interview the managers & workers, they inspect the documents, followed by 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. 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 onsite training during which workers are trained to recognise 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.

## OVERVIEW OF MONITORING ACTIVITIES

|              | Social audit          | WEP         | Complaint     |
|--------------|-----------------------|-------------|---------------|
| JULY 16      |                       |             |               |
| AUGUST 16    |                       |             |               |
| SEPTEMBER 16 | 3039                  |             | 7583          |
| OCTOBER 16   |                       |             |               |
| NOVEMBER 16  |                       |             |               |
| DECEMBER 16  | 7583<br>10298         |             | 4575<br>10014 |
| JANUARY 17   |                       |             |               |
| FEBRUARY 17  | 3804<br>5608<br>10470 |             | 145           |
| MARCH 17     |                       |             |               |
| APRIL 17     | 3919<br>5670<br>8383  |             |               |
| MAY 17       | 11329                 | 145<br>4833 |               |
| JUNE 17      |                       | 4575        |               |

(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 10 audited manufacturers in 6 different countries the results demonstrated an insight to our supplier portfolio. While 2 partners were reported as forerunners, 2 others reported critical findings. With those aforementioned manufacturers, Odlo has set up a close monitoring exchange compared to the standard follow-up process to ensure improvement is happening. The rest of the manufacturers showed a good performance getting requirements and recommendations from the audit team to improve.

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 |                       |
|----------------|-----------------------|
| <b>A</b>       | Good practice & Minor |
| <b>B</b>       | Minor & Major         |
| <b>C</b>       | Critical as exception |
| <b>D</b>       | Critical mainly       |

As is typical for the textile industry some of the biggest problems that have been reported concern excessive working hours and a sufficient living wage. It is therefore encouraging to see that our manufacturers are able to show good results in these most difficult areas..

The performance of social compliance varies not only from partner to partner, but also from country to country. Overall, we experience a good understanding and good collaboration with our partners concerning the importance of fair labour conditions. Findings can be very complex and cannot be solved by one manufacturer and one brand. Therefore, Odlo is looking for active cooperation and knowledge exchange with other FWF affiliates, but also local experts wherever needed and possible.

|   | Factory 7583 Myanmar | Factory 3804 Romania | Factory 5608 Sri Lanka | Factory 10470 Sri Lanka | Factory 3039hailand | Factory 8383 Turkey | Factory 5670 Turkey | Factory 10298 Vietnam | Factory 3919 Vietnam <sup>3</sup> | Factory 11329 Vietnam |
|---|----------------------|----------------------|------------------------|-------------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------------------|-----------------------|
| 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

<sup>3</sup> Audit results have not been finalized till end of Odlo’s fiscal year.

## AUDIT FINDINGS & FOLLOW UPS

### FACTORY 7583 – MYANMAR

Not only being a new partner, but also being located in a new production country for Odlo, this audit has been conducted with high interest and importance. Due to higher risks of possible human rights violations connected to working conditions, the monitoring action has been expanded with a local stakeholder dialogue. The audit has been shared with another FWF affiliate. A critical finding has been reported in relation to "Freedom of Association" and touches upon 'No discrimination', as workers were facing hurdles when forming a union. This finding is in relation to an open worker complaint.

A weekly rest day is given to the workers, although isolated cases were found of working hours exceeding the legal limits. Although the

workers are paid above minimum wage, the wages cannot be considered as living wage. The manufacturer has good systems in place for the labour practices of "No Child Labour", "Legal Binding Employment" and "Employment is freely chosen".

Having pushed through the on-going worker complaint, the shared discussion with another FWF affiliate and the management being open-minded, many initiatives for social dialogue have been started since the audit and workers reported they felt improvement. Also, stakeholder roundtables have been organised and mediated through FWF to work out a mutual agreement on the action plan. Challenges remain to keep the plan running and at the same time fulfilling all the different stakeholder interests.

### FACTORY 3804 – ROMANIA

This manufacturer has been partnered with with Odlo for nearly 10 years, which explains why this audit was the 2nd one held by FWF. Most findings from the previous audits were reported to have been improved upon.

Improvements were required in worker's training: low awareness of FWF principles and complaint hotline, and low awareness of union or its function. Good practice was identified in the wage level, as the wage ladder showed the company pays over the average for textile workers in that local area.

Since the audit, the manufacturer has already organised training activities. The management has shared clear dates with an action plan how to approach FWF's recommendation which go beyond compliance.

### FACTORY 5608 – SRI LANKA

As FWF is not active in Sri Lanka, audits were conducted for the first time by the FWF team of South India. For the audit, two units of the same company have been monitored.

The auditors reported the manufacturer to have had an advanced system and a high level of social standards. A special note to be mentioned on the wage level. A portion of workers receive wages (fringe benefits included) above living wage benchmarks estimated by local stakeholders. On a corporate level, the living wage benchmarks are reviewed annually, and considered for wage increments. Challenges remain with isolated cases of working hours above the legal limit that works against this. The company introduced several measures for improvement. For example, a designated compliance representative is now attending the planning meetings – root cause for excessive overtime can often be found by booking overcapacity in production planning.

### FACTORY 10470 – SRI LANKA

This audit was also conducted through the FWF team of South India, at a manufacturer which is a new partner for Odlo. The results are similar to the other company audited company in Sri Lanka; both manufacturers have a strong corporate system and strategy for advanced working conditions in place. This site has also implemented a wage level where a portion of workers receives wages (including fringe benefits) are above local living wage benchmarks. Furthermore, auditors identified no working hours exceeding legal limit. No major finding has been identified. Given by the product specialisation of this manufacturer place, there is a higher noise level compared to a standard sewing manufacturing plant. Although isolated cases have been observed where this has not been properly used, PPE (personal protection equipment) is distributed job-specifically and trained bi-annually to the workers.

### WAGE LADDER:

|   |         |
|---|---------|
| Average wage of a worker without OT*  | 151.381 |
| Lowest wage of a worker in probation in the company without OT*                       | 124.381 |
| Living wage demanded by Clean Cloth Campaign with reference to AFW (1021PPP/IMF 2016) | 284.729 |
| Legal minimum wage (after probation)  | 108.000 |
| Minimum Living wage based on IMF PL PPP conversion rate 2016 (4P/1WE)                 | 73.6222 |

\* Boni achieved during OT as well

OT=Overtime. PL=Poverty Line (2PPPS per day/per Person). IMF=International Monetary Fund. WE=Wage Earner

**ODLO FOLLOWS  
FWF'S  
VERIFICATION  
SYSTEM,  
A MULTI-LEVEL  
APPROACH ON  
THREE LEVELS**

**FACTORY 3039 – THAILAND**

Although FWF is not active in Thailand, there is a local team conducting audits on behalf of FWF. Having been a partner of Odlo for more than 10 years, this manufacturer has had FWF audits in the past, and they have been shared with another FWF affiliate.

An on-going critical issue has been reported related to regularly operated excessive working hours. Root causes for this can be explained by a delayed opening of an additional, new production plant, and tight production planning showed vulnerability for short-term changes. To work on improvements, Odlo has monitored the follow-up more closely than normal. The manufacturer established a monitoring and planning tool where production capacity is directly compared with worker capacity minutes. With that, they have a close monitoring which helps them to react faster and in advance. Since the new plant opening, the excessive hours could not be avoided completely, but there have been some initial periods with good time management. Given by the fact that most of the sewing workers are migrant workers, the improvement of the time management resulted in a higher fluctuation – it was reported the workers left for another, non-export-oriented factory where they could work more hours. However managers are still convinced that they are on the right path – by improving step-by-step towards implementation of FWF’s Code of Labour Practices.

**FACTORY 8383 – TURKEY**

This audit, conducted by the local Turkish FWF team, was the first FWF audit for this manufacturer producing technical sportswear apparel.

It has been reported the company has a well-functioning system in place for grievance mechanism. Wage levels are above legal minimum, but below a living wage estimate for a family of four. The working hours have not exceeded the legal limits per day and per week, but have exceeded when comparing to the annual legal limit. The management has acknowledged this already before the audit and have put in place a long-term plan. At the end of the year, the factory shared the annual time records and could demonstrate an improvement of the annual working hours for the third year in a row. Another improvement has been demonstrated by expanding the working hours monitoring to other, non-product related departments; they implemented the security guards and the canteen workers in the electronic time recording system.

**FACTORY 5670 – TURKEY**

Odlo has organised an audit with this partner for the first time, however the manufacturer has had an FWF audit in the past by another FWF affiliate. The audit team confirmed almost all findings from the last audit have been improved.

In collaboration with UNHCR and Fair Labour Association (FLA), the manufacturer has established a refugee policy to support the hiring of refugees according to local laws and regulations. At the time of the audit, two migrant workers were employed, both having been provided with work permits and legally mandated benefits.

Isolated cases of working hours exceeding legal limits were found, at a maximum of two times per month. Also, young workers aged 17 and employed as apprenticeship have been documented working 9 hours – whereas the law allows a maximum of 8 only. The factory has remediated this with immediate effect after the audit. Also, other minor findings have been improved in the meantime.

A special note to the factory’s effort for the female workforce; it develops and joins social projects for strengthening and training female workers.

**FACTORY 10298 – VIETNAM**

A long-term partner has set up and built a new production site in Vietnam; operations only started half a year before the audit. Therefore, some systems have not been fully in place – anyhow, the auditors stated that they had been shown a realistic roadmap for full integration. One of these measures is the forming of a factory labour union, which is required by Vietnamese law. Together with the local labour union department, the establishment of the labour union has been agreed to be dated in the 3rd quarter of 2017. The wage level has been reported well above the legal minimum wage, slightly above trade union demand, and below the living wage demand according to Asia Floor Wage. The factory showed best practice for working hours – no excessive working hours have been found.

A remark on the environmental practices of the manufacturer site: the new creation of the building allowed an integration of a special roof construction; transparent panels have been im-

plemented so that standard operating hours can be run with natural light only – a good example of a practice to reduce energy.

**FACTORY 3919 – VIETNAM**

This audit was a follow-up from previous inspections and has been shared with several FWF affiliates, also producing at this manufacturer site. The report will not be finished until the end of Odlo’s fiscal year, so the results are yet to be released.

**FACTORY 11329 – VIETNAM**

A long-term partner with Odlo has moved its production to this new site in Vietnam. Therefore this was the first FWF audit for this place.

The auditors identified no excessive working hours and a wage level above legal minimum wage and above trade union demand – although below estimated living wage according to Asia Floor Wage. Improvement is seen for social dialogue. It has been recommended that more training is provided to the existing grievance mechanism, and to restructure the labour union. The audit report was finished just before the end of the fiscal year so the follow up planning is still on-going.



**Florence Burnat**  
Assistant Customer Service,  
Odlo France

## ODLO INSIGHTS

### What is your daily business for Odlo?

*I answer the phone of all customers who want to make an order, or have questions for the B2B, for their delivery.... I help the sales accountant everyday with their daily tasks.*

### What makes Odlo (as a brand) unique?

*The technical underwear.*

### What is your favourite Odlo product – and why?

*The t-shirt ceramicool, it is light, nice to wear.*

### Which product do you see for Odlo in future?

*Shoes??*

### What is your personal commitment towards sustainability?

*I try to use as little paper as possible, I recycle paper and plastic in our work place.*

## WORKPLACE EDUCATION PROGRAMME (WEP)

### FACTORY 4833 – INDIA

The three days training at an Indian factory supplying shirts for Odlo was held and consisted of three sessions; management training, worker training and ICC formation support. Shared with another FWF affiliate, the Workplace Education Programme was given to 100% of the management team and supervisors, 10% of total staff and to all ICC members. The attendees were introduced to all FWF and learned more about understanding gender based violence, anti-sexual harassment committee and effective communication. Participants mentioned it helped them understand the labour rights and could see benefits by associating this with their everyday life.

### FACTORY 145 – ROMANIA

For this manufacturer the training was held for the second time, the first one was in 2014. By having different sessions per department, FWF's training could reach 90% of the management team and 11% of the workforce. The management representatives learned about means to improve the internal communication and how to cultivate team spirit in the company, as well as the 8 labour standards based on ILO. Also, the discussions with the workers concerned the topic of social dialogue. They were interested in learning more about enhanced internal communications. Confirmed both by management and workers, all topics were seen as useful for their current professional activities and the participants stated they learned more about the FWF Code of Labour Practices.

### FACTORY 4575 – CHINA

This training has been organised sharing with several other FWF affiliates – as a consequence of a couple of worker complaints concerning excessive overtime hours at the factory. With an attendance rate of 60%, the managers were trained on FWF's principles and tools for effective grievance mechanism in relations to the Code of Labour Practices. More than 100 staff from the workers also attended (which is a rate of 10%), they learned about the same topics but how to use them from a worker's perspective. Both groups were trained in separate sessions and stated they had benefited from the content.

## 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.

The increasing number of worker complaints is rated a positive development; it shows that the awareness for this anonymous channel is rising, as well as the workers trust in the independent team from FWF.

Detailed reports are published on FWF's website.

### FACTORY 7583 – MYANMAR

Two workers opened a complaint through FWF and local NGOs, stating they got dismissed from the factory when starting to form a labour union. As the factory management stated poor absence rates as reasons for dismissal, Odlo – in close collaboration with another FWF affiliate - helped to convince the factory management to join a roundtable with all involved parties.

Two meetings attended by stakeholders such as factory management, dismissed workers, labour union representatives & NGO representatives could be organized, mediated by a local FWF representative. With the aim to mutually agree on a corrective action plan, some points could be solved while others remained open. Through the investigation, it was reported that other workers who helped to form the labour union were pressured to resign from the factory. As a successful remediation step, those workers who wished to go back to work at the factory could be reinstated.

Odlo's close and local involvement demonstrated a high complexity of this case; a weak legal framework and worker's gaining first experiences in creating a labour union can lead to misinterpretations and concludes different expectations from all the involved parties. All stakeholders working step by step, Odlo uses its influence to keep the social dialogue up and running. An audit by FWF is taking place in the first quarter of 2017/2018 to verify if the achievements could improve the situations for the workers.

### FACTORY 4575 – CHINA

Odlo has only a small leverage at this factory, producing specific types of accessories. Even more important then, is that this production site is shared with as many as 8 other FWF affiliates and the remediation is processed through close collaboration. This helps to increase our voice for fair labour conditions. The complaint was raised by a worker currently employed by the factory. The person reported excessive overtime, unfair working conditions when being sick or pregnant.

By providing attendance records and attending a shared meeting with all FWF affiliates, the managers did not agree on the findings. As a conclusion, FWF affiliates agreed to organise a training session on social dialogue to improve the grievance mechanism and the communication tools between workers and management.

A Workers Education Programme held by local FWF staff took place in June 17. As a result, Odlo – in collaboration with other FWF affiliates – is following up to take what has been learned in training and see how this is integrated in the structure of the factory.

### FACTORY 10014 – VIETNAM

This complaint had already been under remediation by two other FWF affiliates when Odlo started partnership with this manufacturing place, a new production site of an already existing partner in Vietnam. The worker complained about violations of working hours above legal limit and unfair bonus payment when leaving the company. As this production site had recently changed ownership to our existing partner, the structures and poli-

cies had been transmitted to be aligned with the new ownership. The transition period has led to some misunderstandings. To verify the remediation, FWF will conduct a verification audit in the first quarter of 17/18.

### FACTORY 145 – ROMANIA

A former employee of a factory located in Romania, supplying Odlo for a long time, raised concerns to the local FWF complaints hotline about increased work pressure and some gap in internal communication. After discussing the claims further, involving also Odlo, FWF conducted an on-site investigation where documents were consulted and worker and management interviews were carried out.

Not all the findings got verified, a small number of requirements in non-compliance with law were listed and additionally, recommendations were given how to improve on worker's satisfaction. A remediation plan has been elaborated between the factory and Odlo management. Its measures include a more detailed production monitoring to better control the workload and its planning, as well as taking some measures to promote the internal grievance mechanism. Therefore, two more complaints boxes have been installed and the internal newspaper will contain a refreshment how to use them. This plan will be carried out in the 3rd and 4th quarter of 2017, including an on-site visit of Odlo management to see the progress of the follow-up. FWF will verify the improvement of the situation by means of a verification audit in 2018.

# ENVIRONMENTAL MONITORING

## BRAND PERFORMANCE CHECK 2016

The indicator-based Brand Performance Check was held by FWF at the Odlo headquarters in October 2016. Its report, published in full detail on Odlo's website, contains summarized findings based on interviews with affiliate employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records and supplier data.

Scoring overview from last Brand Performance Check:

[% of own production under monitoring](#)  
90%

[Benchmarking score](#)  
78

[Category](#)  
Leader

FWF states that Odlo meets most of FWFs management system requirements and goes beyond several. According to them, this is based on long-lasting relationship with most suppliers and its own production sites in Romania and Portugal. Also, they identified a strong monitoring system and due diligence process that enables Odlo to identify and address risks and non-compliances in its supply chain. Although they see Odlo's production planning system supports reasonable working hours, yet challenges remain to reduce excessive overtime hours at shared suppliers.



### FEM – HIGG-INDEX - TIER 1

Same as for the Tier 2 supplier, Odlo has implemented the HIGG-Index for environmental monitoring as well for the Tier 1 supplier – the manufacturer. We therefore differentiated between two types of manufacturing: cut&sew and seamless. Based on the technical product specification, the manufacturers do have a different set-up in infrastructure, and therefore also a variation in environmental impact. Alongside our own production facilities, a total of 6 cut&sew and 4 seamless suppliers have filled the Coalition's "Facility Environmental Module". This makes up to 70% of Odlo's total production value. Through a self-assessment, the module checks a facility's systematic approach in performing for Energy & Greenhouse Gas, Water Use & Water Effluent, Emissions to Air, Waste Management and Chemicals; same procedure as for Tier 2 supplier.

The result shows that the manufacturers are on different levels performing for the environment. Next to forerunners, there are others meeting industry standard. The assessment demonstrates clearly where to catch up<sup>4</sup>, identifying energy & greenhouse gases as having the biggest impact area.

<sup>4</sup> 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.

# INITIATIVES 2016/2017

## OWN PRODUCTION – PORTUGAL

### 2ND AVE SOLIDARITY RUN

In continuity with the initiative started in 2015, the second Ave Solidarity Run took place on the 6th of November 2016, organized in co-operation with PROEF Group, a company located in the same town. Everyone was invited to participate, along with their friends and family members, and the word was spread throughout the community and the neighbouring cities, thus raising awareness within the population regarding healthy living habits as well as social responsibility. The funds raised this year were allocated to a daycare center for under privileged children and Trofa's Voluntary Fire Department.

### TROFA RUGBY SCHOOL

The Escolinha de Rugby da Trofa (Trofa Rugby School) is a social project based in the community which aims to reduce the social gap in local children, engaging them in regular rugby practice, after-school educational and recreational activities and promoting healthy lifestyle choices. Odlo Portugal supports this forward-looking initiative by providing daily nutritious snacks for every child involved, as well as sports equipment as needed.

### KASTELO - PEDIATRIC CONTINUUM AND PALLIATIVE CARE UNIT

The association "No Meio do Nada" (In The Middle of Nowhere) built the first Portuguese Pediatric Continuum and Palliative Care Unit in order to assure the wellbeing and holistic integration of children suffering from incurable diseases and their families.

This was possible with the contribution of several companies and friends from all over the country. Odlo Portugal donated all the equipment needed for the creation of a Snoezelen® Sensory Room, as well as comfortable pyjamas for all the children.

### FOOD BANK AGAINST HUNGER

The concept of food banking was born in Phoenix (United States) in 1967 when John Van Hengel saw a widow and mother of ten children, looking for food in the trashcans behind grocery stores. He helped her finding edible food and then convinced the stores to give him products instead of throwing them away. Thus, the first « food bank » was born. In 1986, The European Federation of Food Banks was launched, aiming "for each person in Europe to have access to a sufficient and balanced diet while no edible food is wasted". Every year, the workers of Odlo Portugal ensure the gathering of donated food in a local supermarket during one weekend day, through volunteer work. The year of 2016 was no exception and the food bank campaign held in May in our district area yielded 296 tons of food to be distributed to 69.000 people in need.



### BLOOD DONATIONS

As with in previous years, Odlo Portugal kept the tradition of organizing a blood donation campaign, in partnership with local companies and other community members. In this regard, we brought the van of the Portuguese Blood Institute, once again in order to collect blood from everyone willing to participate.

### REDUCTION OF FUEL CONSUMPTION

During the year of 2016 we adopted some measures in order to reduce the overall fuel consumption, such as the downsizing of the automobile fleet and the implementation of a car-pooling system whereby the trips of the workers responsible for order placements, quality control and materials transportation to supplier and subcontracted companies are conjugated in order to reduce the number of dislocations.

- Waste Management Programme
- Double-sided printing and in draft mode, when possible
- Reuse of paper, cardboard boxes and bags
- Use of recycled toners
- Separation of recyclable waste materials

## OWN PRODUCTION – ROMANIA

### 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 themselves and their families.

### SCHOOL SUPPLIES FOR EMPLOYEE'S CHILDREN

Odlo provides employee's children with school supplies and a school bag. For children aged between 6 and 12, Odlo supports them with materials needed based on their school level.

### GYM FOR EMPLOYEES

Odlo Romania offers a gym space to their employees, located directly on site. By using treadmill, bicycle, tennis table - or mats and weights, employees can work on their fitness.

### EMPLOYEES' SUPPORT FOR MEDICAL AND DENTAL TREATMENTS

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

### FOOD FOR BOGDANESTI MONASTERY

As an engagement for the greater community, Odlo provides food for 150 elderly people with disabilities. In partnership with the local monestary priest, the monthly food package contains a range of products from meat to pasta or rice.



## ODLO INSIGHTS

### What is your daily business for Odlo?

*I am currently starting the last year of my three-year apprenticeship at the Odlo headquarters in Hünenberg. During this programme, I was assigned to different departments to gain a variety of experiences. Currently, I am in the material department supporting the team with the administration around the seasonal material development.*

### What makes Odlo (as a brand) unique?

*I am impressed the people behind the brand are striving to develop and improve the apparel further and further.*

### What is your favourite Odlo product – and why?

*For me, the sports underwear that I use in winter time for snowboarding is nearly perfect. It is comfortable and and feels nice to touch.*

### Which product do you see for Odlo in future?

*I am waiting for the perfect socks where I can push a button to cool down my feet after a long hike.*

### What is your personal commitment towards sustainability?

*Every day to get to work, I use public transport. It takes me up to one hour to first take the train and then the bus for the last part. At work, I try to reuse paper wherever possible.*



**Kristina Delitte**

Commercial Trainee,  
Odlo International

# WORLD OF TRANSPORT



Wherever possible, Odlo tries to transport goods by sea, 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. In terms of organisation, transporting products from Asia is very different to transporting products from Europe.

Transportation distances for our products can be kept rather short as 70% of the production volume origins from Europe and Middle East, being sold as well in Europe - our biggest sales market. Through careful planning and order tracking and the regular exchange of information with our manufacturers, last year we were able to keep the percentage of goods transported by air to just 8%.

**MODE OF TRANSPORTATION**

(GOODS RECEIVED 2016)

|      |      |
|------|------|
| Land | 64 % |
| Sea  | 28 % |
| Air  | 8 %  |

Our central distribution centre in Brüggen (Germany) also makes every effort to sort and recycle its packaging materials. Cardboard from production and product packaging is recycled wherever possible. For example, 70'000 of inner cardboards are reused by exchanging between the central warehouse and own production. Unusable cardboard or plastic packaging is separated for disposal.

All Odlo underwear packaging features the «Green Dot», meaning that it is totally recyclable.



# WORLD OF PRODUCT USE

**ODLO PRODUCTS ARE MADE TO LAST LONG.**

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.

**HELP MINIMISE YOUR ENVIRONMENTAL FOOT PRINT WHEN USING OUR PRODUCTS.**

Each time you wash clothes, you consume water and energy, which is why therefore 20% of the environmental impact of a product’s life are caused by the laundry we do at home. And following the proper washing instructions also significantly extends the life of your clothing. Due to this reason, we at Odlo really want to support the customer in looking after their Odlo gear. All products are labelled with their material composition and care instructions. This helps our customers to care for their products properly and prolong their active use.

**HELP MINIMISE YOUR ENVIRONMENTAL FOOT PRINT WHEN USING OUR PRODUCTS.**



**Bronwen Silva**  
Administration,  
Odlo Portugal

## ODLO INSIGHTS

### What is your daily business for Odlo?

*Office administration*

### What makes Odlo (as a brand) unique?

*Our product and service levels never fail. Our products are of excellent quality, durable and long-lasting.*

### What is your favourite Odlo product – and why?

*It's difficult to only choose one product, I prefer the fleecy winter midlayers or jackets. They are great to wear either when training or even as casual wear. Great for those chilly winter days and obviously with a crew neck long sleeve underneath.*

### Which product do you see for Odlo in future?

*Maybe some snazzy golfing apparel and swim wear.*

### What is your personal commitment towards sustainability?

*We have had a zero-paper policy in Portugal for quite a while and most of us try to adhere to this policy. Personally I try to avoid printing. At home we recycle just about everything, from metal, glass, paper, plastic etc. It has become such a habit that we wouldn't do it any other way, and this way one can see just how much waste we have from one home.*



**“OUR PRODUCTS  
ARE OF  
EXCELLENT  
QUALITY,  
DURABLE AND  
LONG-LASTING.”**

# WORLD OF ODLO



We can look back on an extraordinary year which brought a lot of positive changes. Developing in new countries, forging new partnerships, welcoming new faces and launching several innovative products in the market.

The vision of the new executive management is noticeable and comprehensible recording a continuing success in extremely competitive and demanding markets.

Through the internationalization the company organization structure has ongoing changes to meet and fulfil the optimal customer and partner demands.

New positions were created to master the numerous challenges also with human resources. This represented a tremendous challenge and everybody strives with all their toil and is engaged in making the pending ideas into reality. All these changes are recognised as positive in the market and we are enriched with numerous talent from all over the world.

The international subsidiaries are working more closely to the head office and process were harmonised and adjusted to current circumstances. New countries and partnerships were established which impacts the daily internal structures and processes.

Staying one step ahead from strong marked winter dependency to full-year brand opens new chances. Even in the last year many employees were promoted or joined from the subsidiaries to our head office to gain more experience in the sports performance clothing.

Nevertheless, the ongoing transformation remains steady for the following years and the way to a new Odlo culture promises to be an exciting journey.

| Gender        |      |
|---------------|------|
| <b>FEMALE</b> | 64 % |
| <b>MALE</b>   | 36 % |

| Country of origin<br>(304 employees from 21 countries) |      |
|--|------|
| <b>GERMANY</b>   | 39 % |
| <b>SWITZERLAND</b>                                     | 27 % |
| <b>FRANCE</b>  | 12 % |
| <b>AUSTRIA</b>   | 8 %  |
| <b>ITALY</b>   | 5 %  |
| <b>OTHERS</b>  | 9 %  |

| Age (average age – 40) |      |
|------------------------|------|
| <b>15-20 YEARS</b>     | 1 %  |
| <b>21-30 YEARS</b>     | 20 % |
| <b>31-40 YEARS</b>     | 34 % |
| <b>41-50 YEARS</b>     | 25 % |
| <b>51-60 YEARS</b>     | 17 % |
| <b>61-65 YEARS</b>     | 3 %  |

(as of July 4th 2017)

# INITIATIVES 2016/2017

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## **FWF – Odlo staff workshop day (October 2016)**

The day before the Brand Performance Check, our FWF contact person Lisa Süss organised a staff training about the efforts of improving labour conditions in the garment-making industry. She explained the core of FWF and the code of labour practices to all staff. Those elements are at the same time the base of Odlo's Supplier Code of Conduct, which is signed by every manufacturer producing Odlo products. In a smaller group later on, the category management and design team could learn more about how they influence the worker in the supply chain by their daily business. The day ended with another workshop with the product development, pattern and quality team. As they visit the factories regularly, Lisa's input focused on where to pay attention to when walking through the production lines.

## **Bike to work (June 17)**

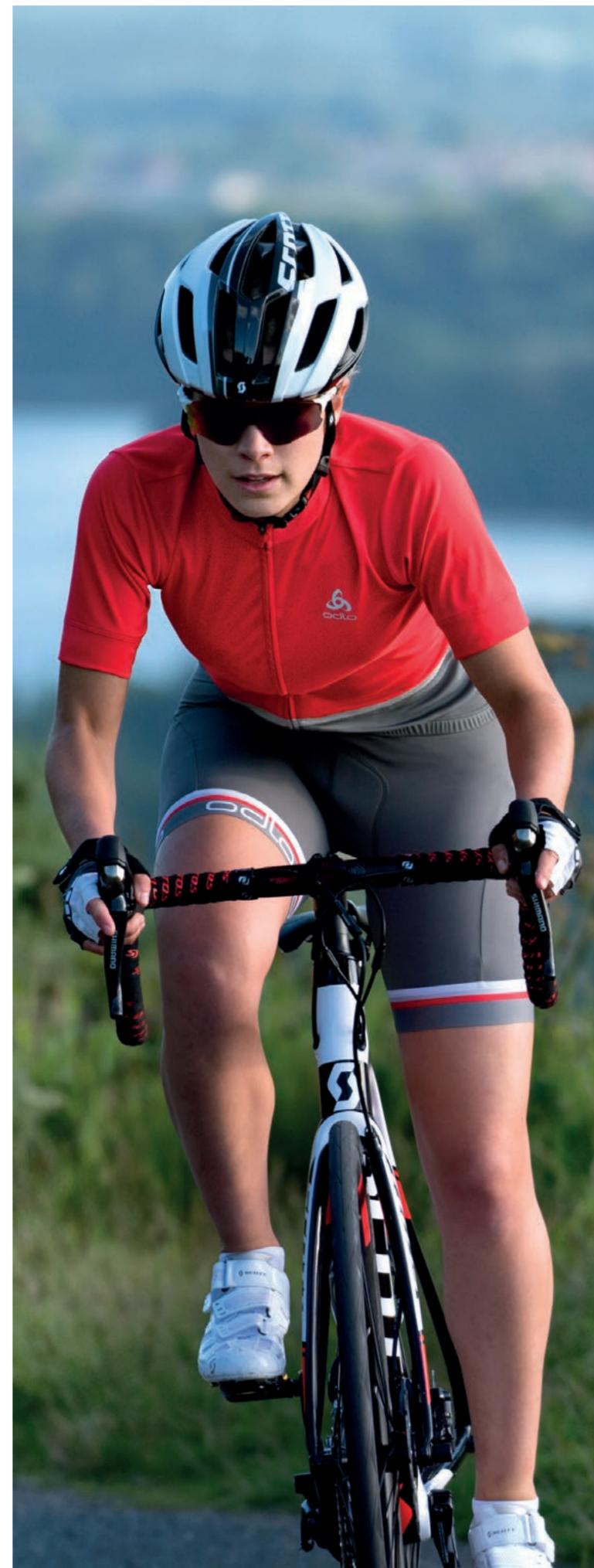
For more than 10 years now, Odlo International has taken part in the national "bike to work" initiative organized by the association "Velo Schweiz". For one month, employees commute to work by bicycle, in combination with a team competition about the longest distance undertaken as a team. Through this initiative they, they made a positive contribution not only to their own fitness but also to the environment.

## **Feel fit! (all-year)**

This refers to the health and fitness package available for Odlo employees at the Swiss headquarters in Hünenberg. It offers employees a variety of activities such as the indoor fitness centre, inhouse pilates 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.



# CONCLUSIONS & OUTLOOK

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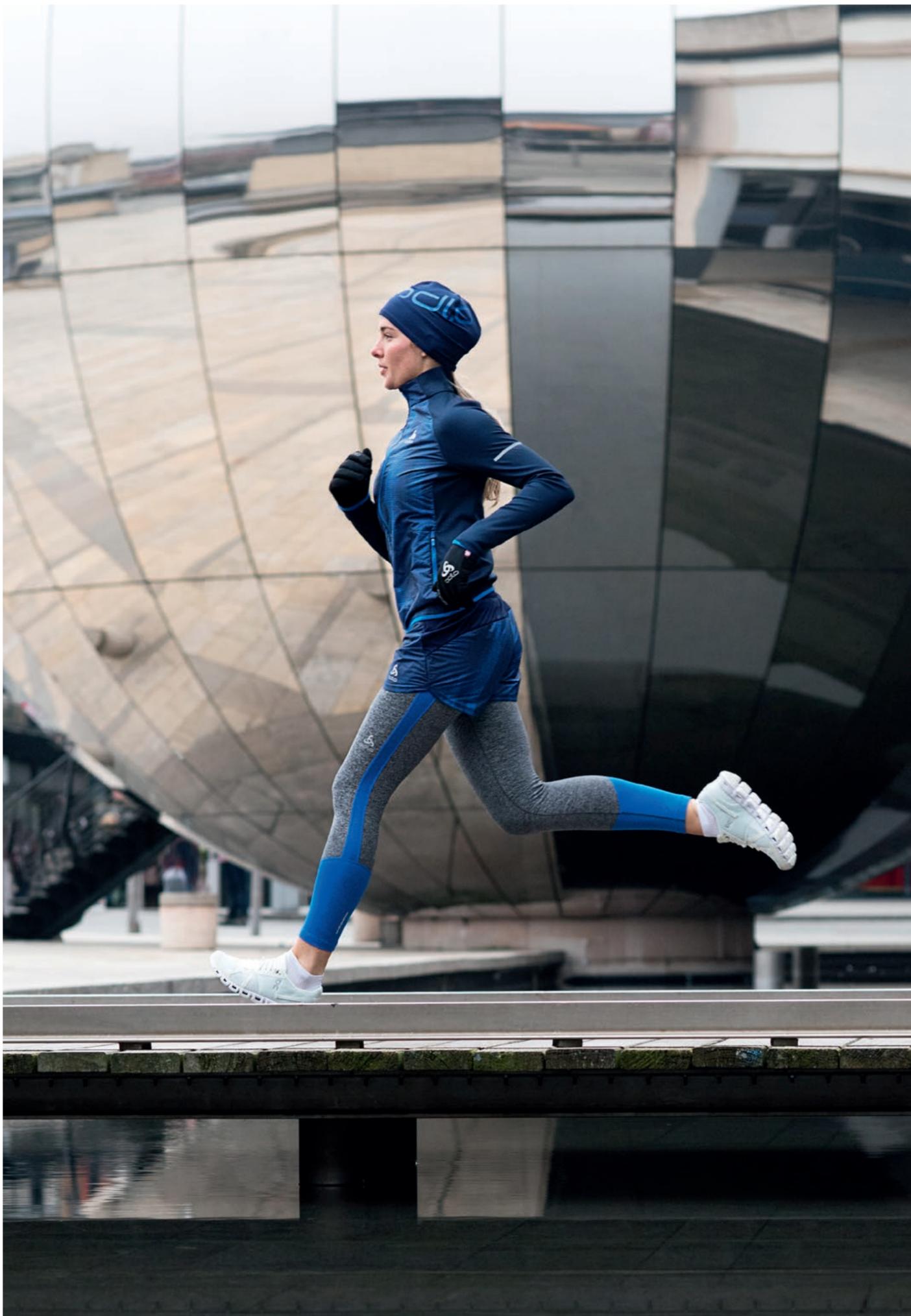
## **First steps done...**

Together with the renewal of the corporate strategy, Odlo's sustainability management was reviewed at the beginning of our fiscal year 2016/17 and set up for the coming years. With an integrated approach, social, ecological & product responsibility has been set as the company's overall target. Therefore, resources - both human and financial - have been increased to get well prepared for the on-going journey.

We are proud of being able to report achievements due to concrete actions. The new membership for Sustainable Apparel Coalition helped us to benchmark ourselves and our supplier against the industry - and the textile industry against other industries. The internal management system for sustainability has been more formalized due to increased human resources. The same made possible to be more engaged on-site at our factories; we strongly believe that helped us understanding better the local situation of our global supply chain and helped us to react faster in this fast changing industry.

## **... but many more to come**

For the past business year, we were focussing on improving processes for sustainability. Now it is time for the products. Having more than 70 years of experience in engineering long-lasting sportswear, we want to use our competence and network for more sustainable product solutions. We are ready for the next step, so get excited for all that is yet to come.



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**Sustainability Report**  
**2016/17**

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