



ENGINEERS
OF ACTIVE
LAYERS
SINCE 1946

**SUSTAINABILITY
REPORT 2019/2020**



FOREWORD

Shared responsibility

There are so many things that have changed; for each of us individually, for our society, and for ODLO. The COVID-19 pandemic has clearly shown us how closely interwoven and vulnerable our world is. I've become aware of how the everyday activities we take for granted have grown into something special – things like simply exercising outdoors and enjoying nature.

I was impressed by how responsibly and creatively the team at ODLO rose to the new challenges, proving that a company is not just moulded by its pursuit of sales and profit, but by its social responsibility.

Employee health and safety, throughout our entire supply chain has always been, and will always be, a top priority at ODLO. Remaining true to this priority required even closer cooperation during

extremely difficult times with lockdown, production restrictions, border closures and more. For us, one thing remained clear: We are part of this system and will contribute to solving its problems.

Social responsibility has been in ODLO's DNA since it was founded in 1946. We were one of the first sports brands to comply with the high standards of the Fair Wear Foundation. Being awarded the organisation's Leader Status for the fifth consecutive time confirms our leading role to date.

We have achieved the outstanding monitoring rate of 97% for our partners and their suppliers – our highest value ever achieved. We are also proud that in our work towards ensuring a living wage, we have achieved our set target wage in our own production facility in Romania.

I am delighted that, in this report, we are able to publish our medium and long-term sustainability goals and discuss the current status of our efforts. We are committed to transparency, because it confirms our commitment to our goals and our confident statement: We care, we act, we share. With our sustainability goals, we support the guidelines formulated and adopted by the UN on decent working conditions, responsible production processes and environmentally sound consumer behaviour.

The strides we have already made in this direction are illustrated by our progress in the use of sustainable materials, documented in this report. For example, our FW20 collection uses 210 tonnes of recycled polyester, eliminating the need to extract additional crude oil. By converting the best-selling ODLO lines, Performance Warm ECO and Active



Knut Are Høgberg
CEO

Warm ECO, we are pursuing a holistic and sustainable approach that fulfils our commitment to creating responsible products, from material selection to production to labelling and packaging.

Our actions are guided by the knowledge that we have a responsibility – for many people, for society and for our environment. That is why we formulated challenging goals that we strive to meet, step by step.

Join us on our journey.

Knut Are Høgberg, CEO



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1972

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

1963

Our nylon cross-country race suit revolutionises the sport.

1946

Odd Roar Lofterød founds ODLO in Oslo.



1986

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

1994

We expand our expertise into running and outdoor products.

2002

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

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'.

2006

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

2018

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

2012

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

2019

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

2020

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

**BORN IN NORWAY
ENGINEERED
IN SWITZERLAND**

FACTS & FIGURES

2019/2020

FOUNDED	1946 in Norway	MANUFACTURING LOCATIONS	ODLO manufactures 62% of its products in Europe, with 56% 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.
RELOCATED	1986 relocated to Switzerland	NUMBER OF FACTORIES	Total of 36 factories: own factories in Romania (1), Portugal (1); external factories in Europe (8), Asia (26)
HEADQUARTERS	ODLO International AG , Bösch 47, 6331 Hünenberg, Switzerland	LOGISTICS	Own central 26,000 m2 warehouse and distribution centre in Brügglen, Germany
MARKETS	ODLO's subsidiaries in Switzerland, Germany, France, Belgium/Netherlands, Austria, the United Kingdom and Norway generate the majority of its turnover. The ODLO brand is sold in around 40 countries around the world.	SUSTAINABILITY	Sustainability has been one of ODLO's values since its inception. The efforts made in this regard have strengthened the brand's commitment towards social and environmental responsibility. As a member of respected networks like Fair Wear Foundation (FWF) and the Sustainable Apparel Coalition (SAC), ODLO externally monitors its activities to improve its sustainability indicators. Long-term partnerships with its producers ensure full compliance with the ODLO Code of Conduct. At the product level, ODLO's Sports Underwear, Baselayers and Midlayers are all certified with "STANDARD 100 by OEKO-TEX®". As a transparency measure, ODLO publishes an annual sustainability report."
EMPLOYEES	Total of 807 (FTE) sport enthusiasts , of which 100 are based in Hünenberg, Switzerland	PRODUCT CREATION	ODLO's product creation teams , headquartered in Switzerland, continually strive to be One Step Ahead by engineering innovative and industry-leading performance apparel that enable you to lead an active life in the outdoors. To achieve this, ODLO collaborates with a variety of partners ranging from world class athletes, to top research institutes like EMPA and globally-leading yarn, fabric and garment manufacturers, to develop industry-leading innovations that set uncompromisingly high standards of performance, comfort and quality.
MANAGEMENT	Knut Are Høgberg (Chief Executive Officer) and Adrian Schürmann (Chief Finance Officer)	AMBASSADORS	Swiss-Ski (Nordic) , Fédération Française de Ski (Nordic), Norwegian Biathlon Association, Scott-Sram MTB Racing Team, Team TSL (Trail Running Team), Jan van Berkel (Triathlete), Gasparin Sisters (Biathlon, 3 Sisters from the swiss team), Team Edissen/BN Bank (XC), Robbie Briton (trailrunner)
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), Andreas Hindelang (E-com Director), Urska Agnic (Marketing Director) and Stefan Solfors (Retail Director).	EVENTS	Engadin Skimarathon , ODLO Halfmarathon Ingolstadt, Zandvoort Circuit run, High Trail Vanoise, Biathlon World cup in Le Grand Bornand, Nordic Weekend, Les Tour des Stations, Martin Fourcade Nordic Festival, Sport-woche Sargans, Berlin HM
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.	MORE INFORMATION	www.odlo.com
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.		
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 16 brand stores and 19 outlets across Europe.		
PRODUCTION	Production includes one spring/summer collection (419 styles) and one fall/winter collection (716 styles) with a total production volume of approximately 5.1 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.

SUSTAINABILITY

SUSTAINABILITY VISION & VALUES

Born in Norway - engineered in Switzerland, sustainability has always been a part of our corporate's DNA. Our logo, the propeller represents our company's three core values: 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. The strategy is built on three pillars: social, environmental & 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.

ENVIRONMENTAL RESPONSIBILITY

- I. Ensure environmental 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 initiatives:

- 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

Since 2008 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



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 250 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

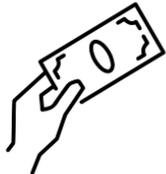


THE ODLO SUPPLIER CODE OF CONDUCT

As early as the 1990s, ODLO signed a code of conduct with its manufacturers. In 2009 it was revised to get aligned 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	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	A LEGALLY BINDING EMPLOYMENT RELATIONSHIP

EMPLOYMENT IS FREELY CHOSEN

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

workplaces necessary to carry out their representative functions. (ILO Convention 135 and Recommendation 143)

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

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.

ODLO SUSTAINABILITY HIGHLIGHTS 2020

ODLO
GLOBAL RESPONSIBLE CITIZEN



BE AWARE
OF WHAT
YOU WEAR

70%
LESS CO2

EMISSIONS THROUGH LOW CARBON
TRANSPORT (RAIL&ROAD) FROM
OWN PRODUCTION IN ROMANIA
ACCOUNTING FOR 37% OF
PRODUCTION VOLUME

WE CARE. WE ACT. WE SHARE.

50%

PREFERRED MATERIALS
OF TOTAL PRODUCED
MATERIAL IN 2020



RECYCLED PACKAGING
MATERIALS FOR ALL
E-COMMERCE
SHIPPING CARTONS

97%

SOCIAL MONITORING OF
OUR GARMENT SUPPLIERS



LEADER STATUS 5th
CONSECUTIVE YEAR



**LIVING
WAGES**

SET TARGET WAGE
ACHIEVED FOR ALL
WORKERS IN OWN
PRODUCTION
ROMANIA IN 2020

90%

ENVIRONMENTAL
MONITORING TIER 1

78%

ENVIRONMENTAL
MONITORING TIER 2



OUR BESTSELLERS NOW
IN RECYCLED MATERIALS:
PERFORMANCE ECO WARM &
ACTIVE ECO WARM

PILOT

REDUCTION OF POLYBAGS
STARTING WITH ACCESSORIES

CARBON NEUTRAL CARTONS
FOR ALL OUTBOUND
TRANSPORTATION



ODLO'S SPORTS UNDERWEAR, BASELAYER
AND MIDLAYERS ARE ALL CERTIFIED WITH
„STANDARD 100 BY OEKO-TEX“

210 TONS

OF PET BOTTLES RECYCLED
INTO POLYESTER IN 2020



**ODLO
TAKE BACK
PROGRAMME**

OUTLOOK: TO START IN
WINTER 2020



NO PLASTIC SHOPPING BAGS IN
ODLO STORES & OUTLETS

3%

AIR SHIPMENTS IN 2019
VS. 8% IN 2018



100%

MULESING FREE
WOOL



100%

TRACEABLE DOWN
NO LIVE-PLUCKING
NO FORCE-FEEDING

SUSTAINABILITY GOALS

Sustainable Development Goals (SDG)

The UN have set 17 goals which are a call for action by all countries -developed and developing- to promote peace and prosperity for people and the planet. These 17 goals set in 2015 build the heart of the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserving the environment.

To ensure these goals are met, companies and individuals should not wait for legislative requirements to be in place that support sustainable development. Actions are needed now, and businesses play a key role in supporting the 17 SDG's to make them count. Therefore, ODLO aligned the ODLO sustainability goals with the 17 SDG's by setting mid and longterm goals. We focus on key impact areas of our business as an international sportswear brand which includes the following goals:

Goal 6 Clean Water and Sanitation:

Ensure availability and sustainable management of water and sanitation for all (6.3, 6.4)

Goal 8 Decent Work and Economic Growth:

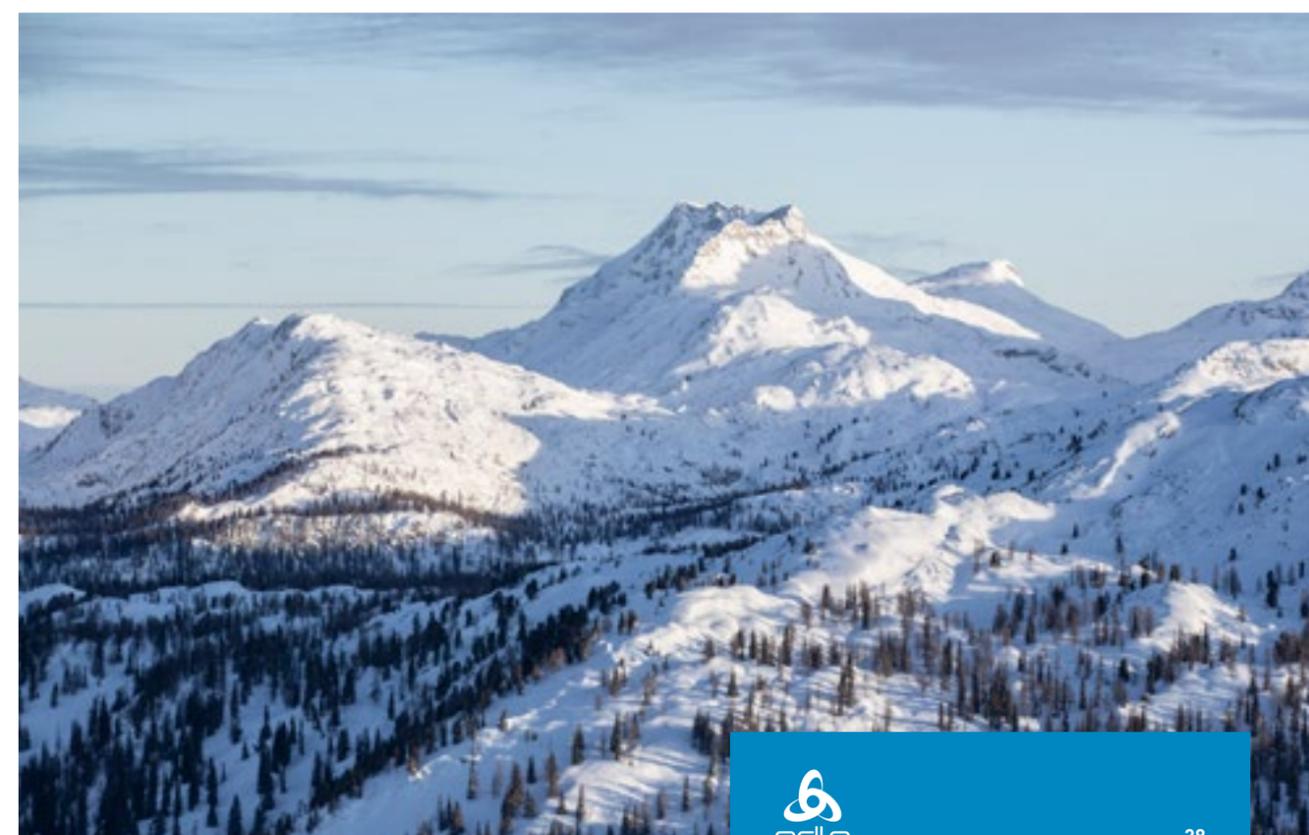
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (8.5., 8.7, 8.8)

Goal 12 Responsible Consumption:

Ensure sustainable consumption and production patterns (12.2, 12.4, 12.5, 12.6)

Goal 13 Climate Action:

Take urgent action to combat climate change and its impacts (13.1)



ODLO SUSTAINABILITY GOALS

ISSUE	GOAL	ACTIONS
Climate Action	 <p>Reduce GHGE (Greenhouse Gas Emissions)</p>	<p>Shift to preferred raw material choice, focusing on recycled and low impact materials.</p> <p>Movement to renewable energy at supply chain partners Tier 1,2,3 and in own operations / facilities.</p> <p>Switch to low carbon forms of transport from our own production (road & rail transport).</p>
Environmental & Animal Protection.	 <p>Reduce environmental footprint of waste and pollution & ensure animal protection.</p>	<p>Reduction of water consumption and ensuring onsite closed loop wastewater treatment with less than 10% freshwater use.</p> <p>Chemical Management, introduction of MRSL requiring zero hazardous chemicals discharged.</p> <p>Decrease overall packaging (product & logistics).</p> <p>Microplastics: Awareness creation among consumers & tackling problem at material stage with key supplier.</p> <p>Transparency and traceability of animal welfare for all animal-based materials (e.g. no mulesing, no live-plucking or force-feeding).</p>
Fair Work	 <p>Improving working conditions throughout supply chain partners.</p>	<p>Implementation and follow up of FWF Code of Labour Practise throughout the supply chain.</p> <p>Continuing living wage programme in own production and roll out best practices to key manufacturing partners.</p>
Circularity	 <p>Moving towards a more circular business model.</p>	<p>Recycling of post-production waste from own production.</p> <p>Take Back Programme in ODLO stores taking responsibility of our products at end of life.</p> <p>Start implementing circular design approaches.</p>





Climate action

The climate crisis is one of the most important issue to tackle, in 2015 195 countries signed the Paris agreement, a historic pact to limit the global warming to 1.5 degrees. Businesses like ODLO must take their responsibility in this crisis, as the GHGEs of our operations and production processes are contributing to climate change. Materials are the most important focus when it comes to climate action. Our material choice (raw material input and processing) has the highest impact of all value chain emissions in the apparel industry; in addition, energy use in the manufacturing area can be an important changemaker when switching to renewable sources. Logistics and the way our products are transported to our central warehouse or the consumer also contribute to our carbon footprint as a business.



Environmental and animal protection

Water consumption is a high risk in the apparel industry as each year almost 100 billion cubic meters of water are used which represent 4% of global freshwater withdrawal. In addition, 20%

of the worlds industrial wastewater pollution originates from our industry. These figures demonstrate the importance on action with regards to water and wastewater which we will work on with Tier 2 partners. Connected to water pollution is also the risk of microplastics from synthetic fibres. An estimated 200 thousand tons of microplastics accumulate on the seafloor causing marine pollution. Still a lot is unknown, and research on microfibres continues but focusing on fabric production and onsite wastewater treatment, as well as consumer awareness in the use phase are areas, where we will start our efforts.

Chemical management is another key impact area, to create high performance sportswear, chemicals are needed. As these may harm the environment and human health, effective chemical management with an ambition of zero hazardous chemicals along the supply chain is key.

Producing sportswear apparel means producing a lot packaging, both for protecting the garments during transportation as well as for product marketing purposes, the majority is single use. This

creates a lot of waste. Waste, we at ODLO, want to consciously reduce within the next years.

Animals welfare is at risk in the apparel industry due to malpractices such as mulesing wool sheep or live plucking of ducks and geese for their down feathers. There is high importance to consider animal welfare risks in the product supply chain and purchasing practices. Therefore, ODLO is monitoring and tracing all our animal based raw materials (wool & down) through industry standards (Reports by the Australian wool testing authority, Duntrack Navarpluma).



Fair work

As manufacturing clothes is very labour-intense, the apparel industry employs 75 million people worldwide of which 80% are women. People making our clothes might face human rights risks which can vary from health and safety risks to excessive overtime or low wages. For us as a brand, it is crucial that all workers in our supply chain have access to fair working standards. As a member of Fair Wear Foundation, high monitoring and remediation standards are the guidance in our social responsibility strategy.



Circularity

In the linear economy we are living in now, we use up finite resources in our take, make, use, dispose approach. This linear model is an unsustainable business model with an urgent need for change. Moving towards a circular business model is crucial to preserve valuable resources by making use of renewable sources and applying a make, use, reuse, repair, recycle approach. ODLO is taking a step-by-step approach in circularity starting simultaneously in various stages in the supply chain from production waste recycling in our own production to implementing circular design approaches at the very beginning of product creation to starting a take back programme at the end of life of our products. Considering our current model is far from perfect, this will be a long but very exciting journey for us.



SOCIAL RESPONSIBILITY

WORLD OF MANUFACTURING

DURATION OF MANUFACTURER'S PARTNERSHIP

(By a total of 30 main contractors (excl subsidiaries))

0-2 years	6 partners
3-5 years	13 partners
6-10 years	4 partners
10+ years	7 partners



COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES	VALUE %	VOLUME %
Portugal	1	10.7 %	15.4 %
Romania	3	37.4 %	41.3 %
TOTAL (own production Europe)	2	48.1 %	56.7 %
Germany	2	0.7 %	0.8 %
Italy	2	0.8 %	2.8 %
Poland	1	1.1 %	1.0 %
Romania	1	2.4 %	1.2 %
TOTAL (Europe)	6	4.9 %	5.8 %

COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES	VALUE %	VOLUME %
Cambodia	1	0.7 %	1.0 %
China	8	1.3 %	1.9 %
India	1	0.9 %	0.8 %
Indonesia	3	1.2 %	0.7 %
Myanmar	1	1.7 %	1.1 %
Sri Lanka	4	10.2 %	8.5 %
Thailand	2	5.7 %	5.3 %
Turkey	2	8.1 %	9.5 %
Vietnam	6	17.2 %	8.7 %
TOTAL (Asia)	28	46.9 %	37.5 %

*reporting from 1st July 2019 – 30th June 2020 incl. main subsidiaries

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 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 DSK, Jl. Soekarno Hatta KM. 25 Ds. Wujil Kec. Bergas, 50552 Ungaran, Semarang
Cifra SPA	Italy	Via Sabbionette 7, 20843 Verano Brianza (MB), Lombardia
	Albania	DBS Group SH P.K., Rruga Industraille 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 Qiaoer Tingting Garment Co. Ltd, West Renmin Road No.147, Shangyu City, Zhejiang
GW Sports Brands GmbH	Germany	Hohmannstrasse 10, 97421 Schweinfurt, Unterfranken
Intersocks	Italy	Zone Industriale Paludi, 32010 Pieve D'Alpago
	Slovenia	Reska cesta 14, 1330 Kocevje
	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, Agalawatthha
MAS Active (Pvt) Limited – Linea Intimo & Kreedaa Intimo	Sri Lanka	Lot. 89A, 49 A, 58/59, Biyagama EPZ, Walgama, Malwana
MAS Fabrics MATRIX	Sri Lanka	Kurunegala Road, 71610, Thulhiriya, Sabaragamuwa
Memteks Tekstil San. Ve Tic.a.ş.	Turkey	Cihangir Mh. Ord.Prf.Dr.Ali Fuat Ba gil Cd. No:20/1 Avcilar, Istanbul
MFD Mode Fashion Design	China	Dongguan Cason Knitting Co., Ltd., Shangdun Village, 523416, Liabu Town Dongguan, Guagdong
Noon GmbH	Germany	Talstrasse 6, 09212 Limbach-Oberfrohna
PASASPORT SRL	Italy	Via Boschetto SN, 37049 Villa Bartolomea, Veneto
	China	Haoqian, 1/F,B Building, No 103 Industrial District, The Northern of Shixin Road, Kengtou Village, Nancun Town, 511442 Guanzhou
Perfect Footwear International Co., Ltd	China	#24 Nanhuan Road, Chaotian Industrial Zone, Shilou Town, Panyu district, Guanzhou
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

SUPPLIER NAME	COUNTRY	ADDRESS
SEES Global (KH) Co. Ltd	Cambodia	Prey Chas Village, Vihear Suo Commune, Khsach Kandal District Kandal Province
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,
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 30.06.2020)



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 production.

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.

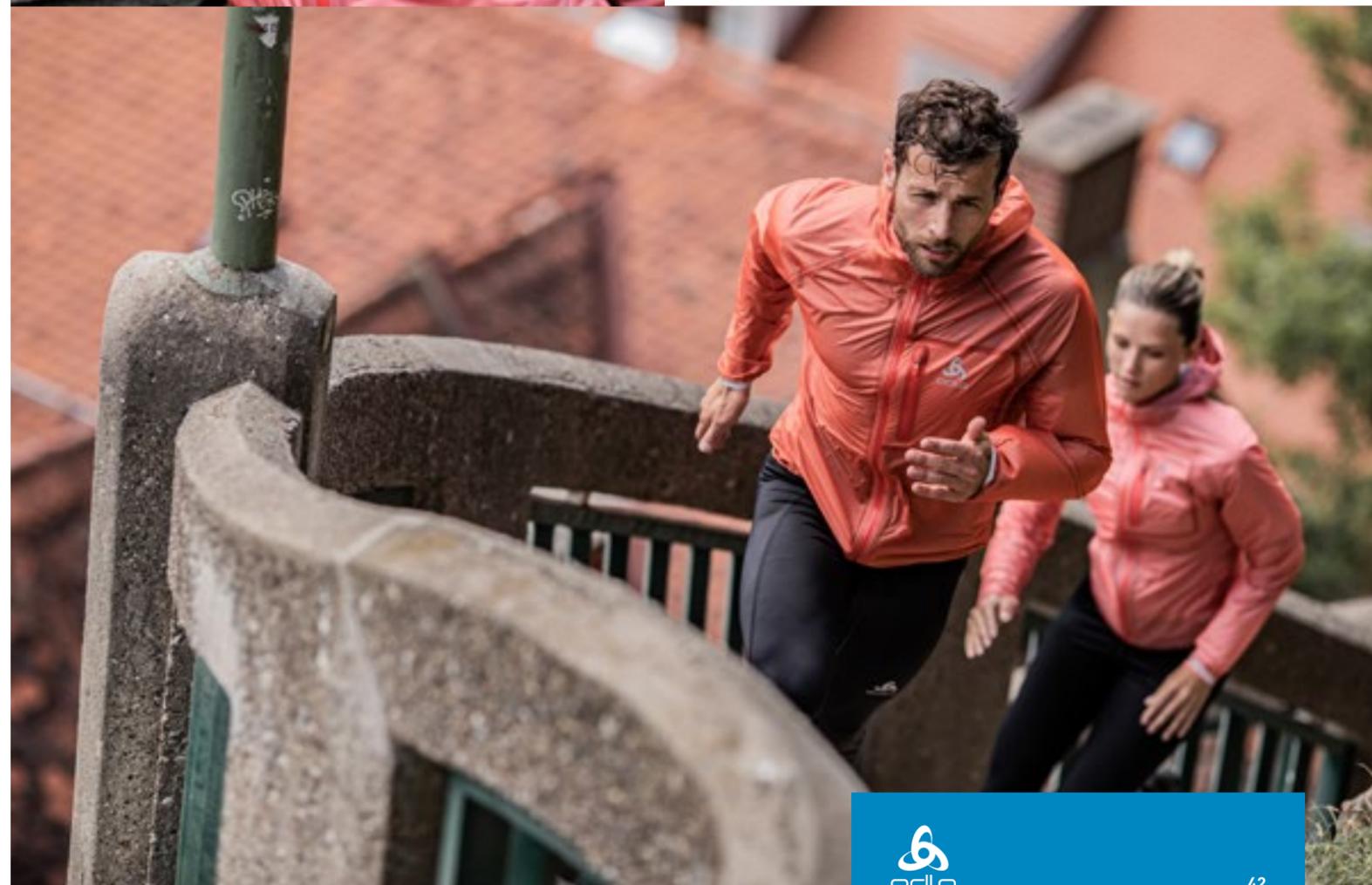
ORGANISATION – SOURCING & SUSTAINABILITY

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.

CEO
Knut Are Høgberg

Supply Chain Management Director
Daniel Mulvie

Sustainability Manager
Julie Krämer



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 the Supply Chain Management Director and the final decision is approved by the board
- (7) Communicate to the new supplier and start planning the first season

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 2020 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.

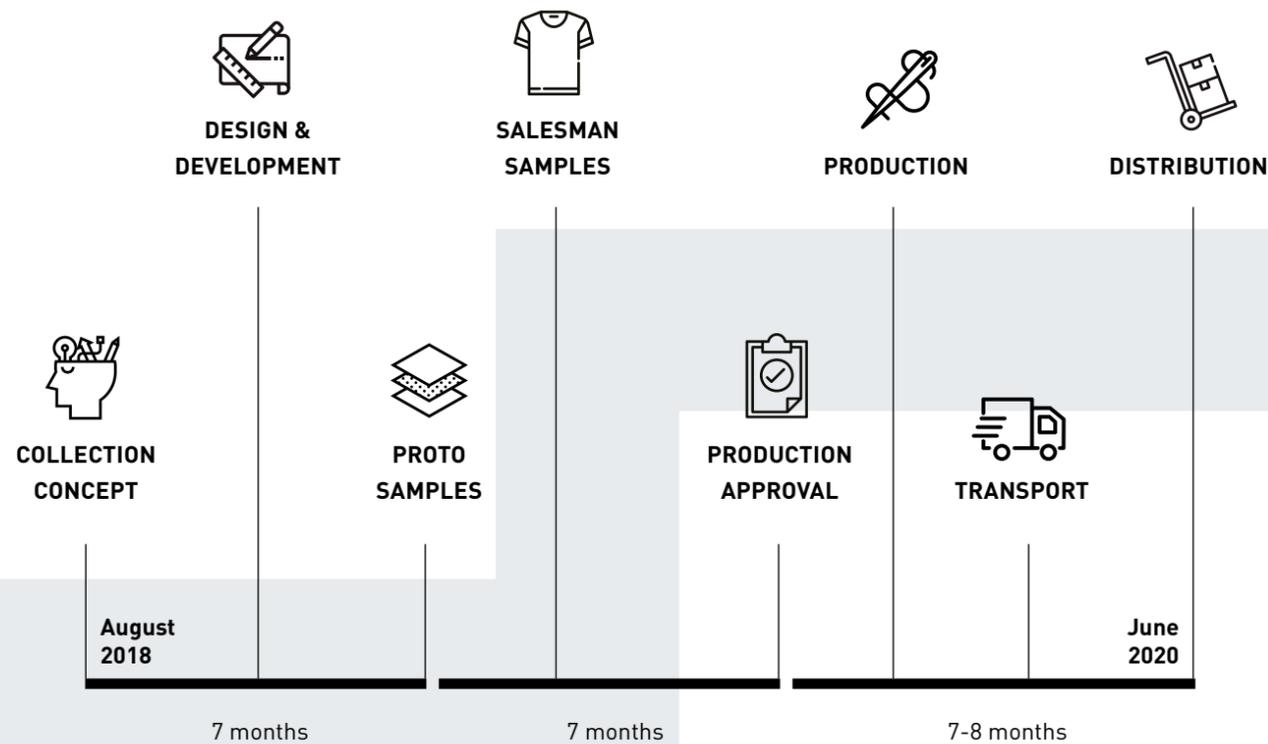
Proto Samples: Garment makers are briefed for proto sample production, and materials and trims are booked. For each new style, one to two proto sample rounds are scheduled.

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 rail & truck or vessel, all other deliveries are shipped by vessel, only in urgent case do we use air shipment. (3% 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 2020 ODLO collection are available in stores and online.





SOCIAL MONITORING

An important component of the implementation of the Supplier Code of Conduct is monitoring. ODLO follows FWF's verification system, a multilevel 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 integrated 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

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

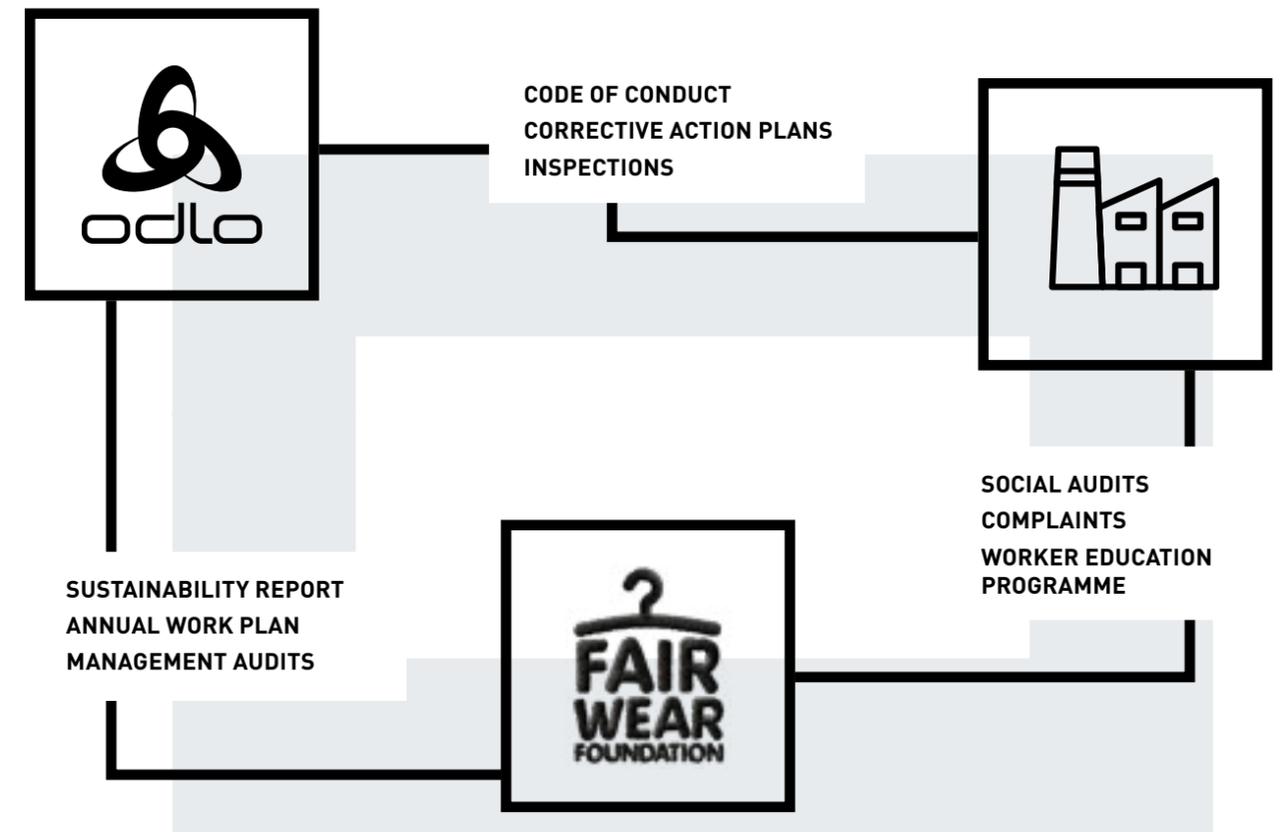
By placing local complaints in countries where FWF is active, workers making products for ODLO can safely and fairly seek redress for violations of the Code of Conduct. In all production sites, ODLO ensures an information sheet is posted where workers can find the labour rights listed and the phone number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

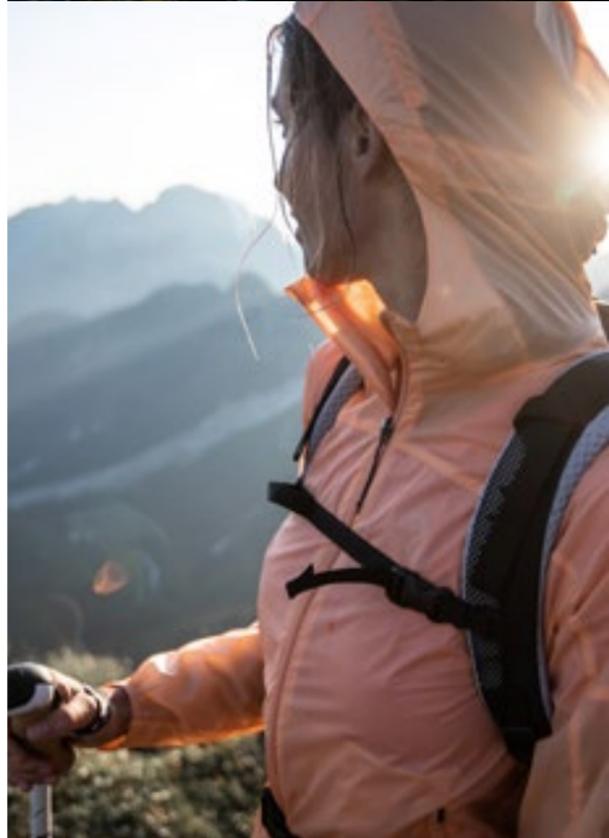
WORKER EDUCATION PROGRAMME (WEP)

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 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. Since the last year FWF is also offering additional trainings modules that support factory-level transformative processes related to human rights, such as the WEP communications training.

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.





COVID-19 DUE DILIGENCE

The COVID-19 outbreak has had an enormous impact on our business and our supply chain all over the world; with the shops that sell our products having to close and most of our factories stopping production due to lockdown or working restrictions, and our brand teams working remotely from home. This pandemic affects us all and ODLO recognises the unprecedented impact of the COVID-19 global pandemic on our supply chain and workers. Therefore, especially in these times of crisis, we uphold our responsibility towards the garment workers producing our clothes.

The foremost important thing is to maintain a frequent, transparent and open dialogue with our supply chain partners to, on the one hand, being updated on the local situation where the production takes place, but also to update on purchasing practices, sourcing decisions and ODLO's overall business situation.

We fulfil our responsible purchasing practices, all ODLO orders completed or in progress have been paid in full even though with delays during the beginning of the pandemic. ODLO did not ask for discounts on orders already delivered or prepared. Collaboratively we worked through this extremely difficult and unsecure period with our partners.

Monitoring as we know it became impossible until recently. With lockdowns and travel restrictions, planned audits, trainings and factory visits were cancelled or postponed. To still live up to our due diligence procedure, we worked in close collaboration with our supply chain partners to ensure effective COVID-19 policies are in place and health & safety measures are taken and implemented on the workforce, always respecting the local requirements. The Fair Wear complaint hotline remained open during lock down, ODLO received three COVID-19 related complaints until now – all details can be found in the Complaint section.

Fair Wear also conducted an in-depth survey with all suppliers to get additional insights on the individual situations and problems suppliers were facing. In case of identified high risks, members were informed to remediate. Next to the threat of the virus itself is also the potential financial risks for the workers due to possible wage or job losses due to factory closures where assessed throughout the supply chain. Since March, Fair Wear provides regular calls between member brands to support information exchange and guidance. Country specific information was provided and a series of COVID-19 webinars were offered to support members on purchasing practices, to identify potential job and wage losses, action to redress lost jobs or wages, forecasting, costing and responsible exit strategies.

Our journey in this 'new normal' continues with the new business year 2020/21 and strong collaboration with our supply chain partners as well as with other member brands to find innovative solutions to ensure fair working condition, because they are needed now more than ever before.



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 in Myanmar since 2016 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 better understanding of country development is given through stakeholder dialogue, made 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 (DONE)

	SOCIAL AUDIT	TRAININGS	COMPLAINT
July 19	10470		
August 19	7583 11868	5608 10470 11868 13101 13813	10298
September 19	3039		145
October 19	8383	145 7583	
November 19	13101	10014	145
December 19		3919	
January 20	3804	7583	
February 20	5608	7583	
March 20			145
April 20			145
May 20	13813		
June 20			

[Numbers are referring to FWF factory ID]



ANALYSIS OF AUDIT RESULTS

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

From nine audited manufacturers in five different countries the results demonstrated an insight to our supplier portfolio. Most of our partners showed good performance in the conducted audits and were internally categorised as well performing. Four production partners based in Sri Lanka were rated as excellent whereas four others rated as good, only one other partner showed bad performance with high importance for improvement due to critical finding on over-time. 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 (Excellent)– D (Very Bad), which is integrated and accountable to the company’s overall supplier evaluation.

The audit evaluation system:

AUDIT FINDINGS	
A	Good practice & Minor
B	Minor & Major
C	Critical as exception
D	Critical mainly

During the last business year the biggest challenges for our partners have been reported for “payment of a living wage”, “safe and healthy working conditions”, “reasonable hours of work” and “freedom of association”. All suppliers showed positive results in “employment is freely chosen”, “no discrimination” and “no exploitation of child labour”. “legally binding employment contract”. The performance of social compliance is not only varying from partner to partner, but also from country to country, depending for example on the country legislation and culture. Where possible, we encourage our partners by sharing best practices 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, during the last business year one audit was shared with other FWF affiliates.

	Factory 10470 Sri Lanka	Factory 7583 Myanmar	Factory 11868 Sri Lanka	Factory 3039 Thailand	Factory 8383 Turkey	Factory 13101 Sri Lanka	Factory 3804 Romania	Factory 5608 Sri Lanka	Factory 5608 Sri Lanka
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	●	●	●	●	●	●	●	●	●

- Good practice
- Small area for improvement
- Minor finding
- Major finding
- Critical finding

AUDIT FINDINGS & FOLLOW UPS

Factory 10470 – Sri Lanka

This strategic partner based in Sri Lanka is producing seamless underwear for ODLO. Due to COVID-19 no FWF audit could take place at this partner, for the first time ODLO used the verified SLCP (Social Labour Convergence Programme) audit data to create a CAP and remediation. SLCP reports are available and part of the Higg Index suite of tools (FSLM: Facility Social & Labour Monitoring). The facility showed strong management set up concerning social compliance. With regards to the code of labour practice, minor findings were reported in the area of Health & Safety. Regarding Freedom of Association it was noted that there is no collective bargaining agreement in place, but there is no requirement of CBA by law. Worker interviews stated CBA has never been required as employees are satisfied with existing wage conditions of the facility (annual increments, health safety facilities, food, transport, etc). Wage information of 2020 was collected separately by ODLO and analysed. The analysis of the wage levels showed that median wage levels are high in the facility, sewing operators who

represent 40% of the workforce have a wage gap to the Asian Floor Wage of 29% and are above the Colombo Living Wage Estimate by 24%. It is important to highlight the wage information was not verified and represents the median wage of regular wages plus fringe benefits (excl. overtime). The report highlighted several above and beyond programmes the partner is offering such as a women go beyond programme to empower women as well as English and computer classes for interested workers. Also, employees are permitted certain hours to voluntarily engage in community service during working hours.

Factory 7583 – Myanmar

As Myanmar is categorised as high risk country, next to specific due diligence requirement, also an annual audit is required. The audit was conducted in close collaboration with another FWF member brand and used another external audit provider for this year's assessment. This has been the fourth audit we conducted in this factory. In general, the factory made very good improvements in several categories such as Working

Time, Compensation and Health & Safety. The company pays different incentives which enables a skilled worker to earn considerably higher than legal minimum wage, inclusive overtime nearly double. However, wages cannot yet be considered a living wage according to CCC / AFW. The report showed points of regression in the categories of Freedom of Association, Discrimination and Forced Labour, which are all linked to the behavior of managers and supervisors towards the workforce. The interviews showed that workers felt a misuse of power, as well as the feeling of discrimination and favouritism of some of the supervisors. Since the audit took place most aspects were improved by providing trainings to supervisors and verifying improvements by regular worker interviews.

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

Living Wage demanded by Clean Clothes Campaign with reference to AFW (1181PPP\$/2018)	429.411
Average wage of worker in the company incl. bonus without OT*	192.687
Lowest wage of worker in the company incl. bonus without OT*	176.764
Minimum Living Wage based on PL* PPP* conversation rate priv. consumption 2018 (4P/1WE)	155.786
Legal minimum wage (after May 2018)	148.880

*Wages reflect situation at audit date August 2019
OT=Overtime. AFW=Asian floor wage. PL=Poverty Line (3,20 PPP\$ per day/per person), WE=Wage Earner





Other areas are formally improved but not yet in place such as training sessions which were postponed for the time being due to COVID-19.

Factory 11868 – Sri Lanka

This strategic partner based in Sri Lanka is primarily producing ODLO tights and bras. Two facilities are producing for ODLO, but in this business year all orders were produced in this facility. The last FWF audit took place in 2017 and showed very good results with many best practise examples. Due to COVID-19 impact, no FWF audit was possible, therefore we analysed and followed up on another third party verified audit, WRAP (Worldwide Responsible Accredited Production Programme). The detailed report of 90 pages including photos had no non-compliance identified. In addition, detailed wage information, overtime reports and worker representatives meeting minutes were requested, reviewed and followed up to complete the assessment. The analysis of



the wage levels showed that median wage levels are high in the facility, sewing operators who represent 82% (of the workforce of 2067 workers) have wage gap to the Asian Floor Wage (48608 LKR) of 22% and are above the Colombo Living Wage Estimate (27972 LKR) by 35%. It is important to highlight the wage information was not verified and represents the median wage of regular wages plus fringe benefits (excl. overtime).

Factory 3039 – Thailand

This long-term partner of ODLO, which is based in Thailand has been producing mainly running styles such as t-shirts and shorts over the last 14 years for ODLO. This is the second Fair Wear audit, the last audit took place in 2016. Good practice was reported for the labour standards of no discrimination and employment is freely chosen. Several areas for improvement were

identified by the audit team. Biggest concern was the report of excessive overtime and working on the day off as well as the fact that majority of workers are Burmese and pay a recruitment fee to employment agencies. Also, non-compliance with living wages and some minor issues on Freedom of Association and Health & Safety issues were reported. The factory implemented several measures to reduce overtime in the future by making better use of extra capacity in the sister company based in Vietnam and hiring additional sewing operators. ODLO requested to establish an active communication process if excessive overtime is foreseen for ODLO orders and require written brand approval. Due to the impact of COVID-19, currently no overtime was performed in the last months of the business year. Excessive overtime remains an important topic to continuously address and monitor in the future.

Factory 8383 – Turkey

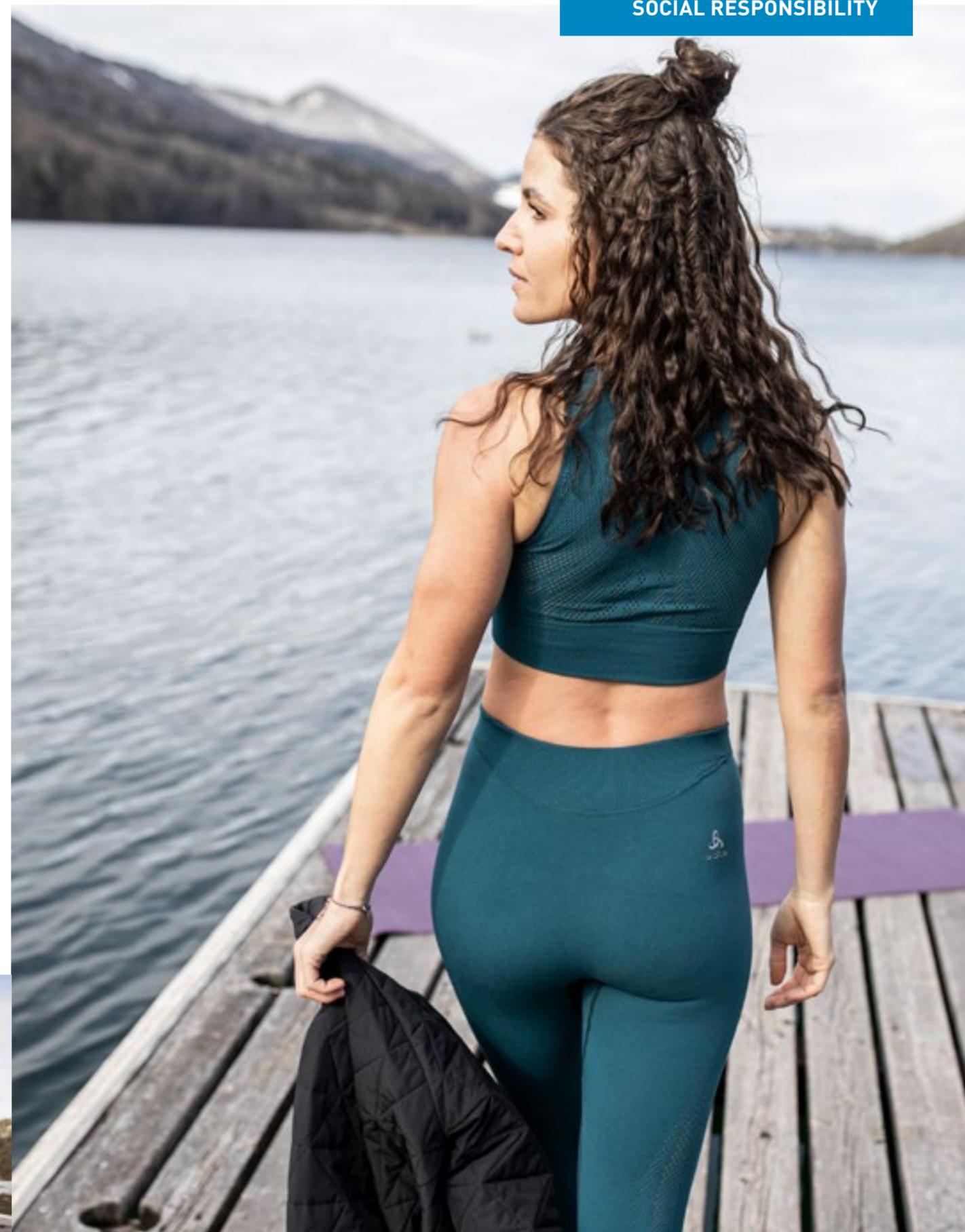
Since 2015, ODLO is working with this partner based in Turkey who is producing seamless underwear for us. The audit took place in October 2019 and has been the second audit by FWF. The audit team summarised a smooth collaboration and immediate action on two findings which were closed shortly after the exit meeting. Good practice was reported with regards to freedom of association, no discrimination, safe and healthy working conditions and almost all findings of last audit were reported as improved. Areas for improvement that were identified are: overtime, employment contracts which required change of articles and policy on juvenile workers. Reducing overtime is a main management goal and beginning of 2020 70 new employees were hired and daily overtime limit was lowered to reduce overall working hours.

Also, all articles in the employment contracts were adjusted according to FWF requests. The factory requested family consent of employment to the families of two juvenile workers employed (17 and 18 years old) and added this information to their personnel files.

Factory 13101 – Sri Lanka

This strategic partner based in Sri Lanka is producing seamless underwear for ODLO. As due to COVID-19 no FWF audit could take place at this partner for the first time, ODLO also used the verified SLCP audit data to create a CAP and remediation. The report identified excessive overtime in isolated cases of checked sample months. The review of the pay rolls also showed isolated cases of incorrect payment of night

allowances, which occurred during an error in the transition period to a new system and were paid in full immediately. No additional cases were identified. Several Health and Safety issues were reported such as blocked aisle due to materials, missing eye guards on some overlock machines and an outdated evacuation map. All points were improved within the given timeframe of the CAP. The analysis of the wage levels showed that median wage levels are high in the facility, sewing operators who represent 44% (of the workforce of 751 workers) have wage gap to the Asian Floor Wage (48608LKR) of 32% and are above the Colombo Living Wage Estimate (27972 LKR) by 18%. It is important to highlight the wage information was not verified and represents the median wage of regular wages plus fringe benefits (excl. overtime). The report highlighted several above and beyond programmes the partner is offering such as a women go beyond programme, which is conducted once a year, employees are also incentivised with special awards for special achievements in their career, on CSR etc. The company also supports social projects, e.g. blood donation campaign.





Factory 3804 – Romania

ODLO has been working ten years with this partner in Romania who is producing cycling and sponsoring teams styles for us. The last audit on behalf of ODLO was in 2017 by Fair Wear Foundation, the new audit took place in January 2020 and took two days. Highlighted by the audit team were good practices on initiating qualifications courses for workers, the fact that various bonuses are paid to the worker as well as recruitment of graduates from textile high schools. The management team was collaborative, with a pro-active attitude. Most of the raised issues are related to the living wage, freedom of association and safety & health. The system for workers' representation is requiring an adequate number of workers representatives compared to number of employees, currently a member of middle management is filling this gap. For next elections only production workers shall be part of the representatives. The findings are followed up on and improved, some minor Health & Safety findings are currently postponed due to COVID-19 related restrictions such as extended trainings for first aid volunteers.



Factory 5608 – Sri Lanka

This is one of two facilities of our strategic partner based in Sri Lanka who is primarily producing ODLO tights and bras. This year no orders for ODLO were produced in this facility, nevertheless the FWF audit rhythm of every 3 years is respected as the facility can be used at any time again depending on capacity and production planning. The last FWF audit took place in 2017 and showed very good results with many best practice examples. As this facility participated at verified SLCP audit, ODLO decided to use this audit for own follow up. The report had no non-compliance identified. Several best practice were highlighted in the section 'above and beyond': every department has a KPI to do CSR activities, every department

has 500 man hours per year for volunteering, Support for several local school e.g. Eco go beyond sustainability development programme for school students. Also, on subcontractor side, due diligence is strong with annual compliance audits and trainings for subcontractor facilities. To complete the assessment, we reviewed wage reports and worker representatives meeting minutes. The analysis of the wage levels showed that median wage levels are high in the facility, sewing operators who represent 65% (of the workforce of 7606 workers) have wage gap to the Asian Floor Wage (48608 LKR) of 21% and are above the Colombo Living Wage Estimate (27972 LKR) by 37%. It is important to highlight the wage information was not verified and represents the median wage of regular.

Factory 13813 – Sri Lanka

This partner is based in Sri Lanka and is producing knitwear and seamless for ODLO (Active Spine/Style with Battery). This business year has been the first year of partnership. The internal risk assessment categorised the partner as low risk as the facility is audited at least on a monthly base by other brands and all recent audits had consistently very good results, we decided to use the existing SLCP assessment to follow up but as the verification got postponed as well we analysed and followed up on another third party audit, WRAP (Worldwide Responsible Accredited Production Programme). The detailed report of 111 pages including photos had no non-compliance identified. In addition, detailed wage information, overtime reports and worker representatives meeting minutes were requested, reviewed and followed up to complete the assessment.

WORKPLACE EDUCATION PROGRAMME (WEP)

Factory 7583– Myanmar (WEP COMMUNICATIONS)

This was the first time ODLO organised a WEP Communication Training at a production partner. The programme consists of six on-site visits of trainers which are spread over one year and include an introduction, two extensive trainings and three short follow up training sessions. An intermediate report was shared by FWF summarising the training content and process of exercises and group discussions. Sessions were held with management and workers as well as joint sessions discussing amongst others grievance mechanisms, dialogue process, the four principles of building better relationship, the five characteristics of good relationship, and understanding conflict. During the trainings several issues were also raised by workers. These issues varied from welfare activities in the factory, better and constructive communication and relationship between management and workers, benefits depending on seniority and attendance, and some necessary physical arrangement for workplace and workers' transportation. All points were shared with the facility as additional insights into workers perspectives. Due to COVID-19 only the introduction and first two trainings could be done, the follow up sessions are postponed until further notice.

Factory 3919– Vietnam (WEP COMMUNICATIONS)

The content and itinerary of the training is same as mentioned above, just that the training is customised to the Vietnamese labour law same as country specific risks and recommendations. The factory has completed the introduction meeting, as well as the first training in December 2019. The second training was planned for March 2020, however, it was cancelled due to COVID-19. During the time of reporting the sessions were not yet rescheduled. Only after the next training an intermediate report will be issued including detailed insights of training process will be provided to the brand. The training is shared with three other member brands producing at this factory.

Factory 10014 – Vietnam (WEP BASIC)

The training sessions took place in November and were spread over two days. In 2 sessions a total 32% of the management team and within 4 sessions 15% of the workforce were trained. All attendees were introduced to FWF and the responsibilities of FWF members, they learned more about a decent and productive workplace, 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 Practices. Management was satisfied with labour contracts and mentioned satisfaction about improvements in working hours. The training atmosphere was open and gave a safe space learning environment for all attendees. During the worker sessions questions were asked on overtime, wages, unemployment insurance and social insurance. Workers raised issue on pressure to complete production target. We reported last year about discrimination practice (in other subsidiaries of this partner) regarding pregnancy within the first six months after employment, the training feedback confirmed this practice was stopped in 2019. 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.



ADDITIONAL TRAININGS

Factory 5608, 11868, 10470, 13101, 13813 – Sri Lanka (TRAINING OF TRAINERS)

Fair Wear Foundation is not active in Sri Lanka and therefore no trainings are offered. Therefore, ODLO reached out to Fair Wear and worked together on a programme to promote the Fair Wear Code of Labour Practice at our Sri Lankan partners. We decided to empower our partners and organise a customised Training of Trainers programme. This first of its kind training was held by the FWF India training team in August 2019 in Sri Lanka. All partners we work with in Sri Lanka who belong to the same Holding organisation, participated at the two days training sessions. The Training of Trainers programme aims to enable participants to facilitate the Workplace Education Programme in their facilities: Next to general labour right topics, the emphasise was on Violence and Harassment Prevention (WEPVHP)

in the factory. The training provided managers with necessary tools to strengthen factories' ability to make improvements of working conditions through a dialogue between workers and management, as well on the topics of gender-based violence and harassment. The training increased awareness about workplace standards provided information on functioning grievance systems to help reduce workplace risk. The training aims to move participants beyond auditing and corrective actions towards collaborative workplaces where issues are raised and resolved through open communication. The training was successfully completed, and a desktop follow up confirmed new topics were included into the training agendas of all partners. Due to the COVID-19 pandemic not all trainings could take place yet and also the planned verification by Fair Wear through an audit was not possible due to the lockdown in India and Sri Lanka. The follow up and verification will continue as soon as the situation allows.



Factory 145 – ODLO Romania (WORKER REPRESENTATIVES TRAINING)

As part of ODLO's Living wage approach we decided to organise a special training for the worker representatives (WR) to strengthen them in their role. As Fair Wear is not offering any comparable training, we hired a local third party specialised in this field who conducted this customised capacity building training. The goal of the training was to improve organisational skills, enhance social dialogue between management and workers, support the knowledge of the legal provisions related to the functioning of the workers' representatives' body, as well as collective bargaining. Within the two-day training conducted by two trainers, all 9 worker representatives participated. The trainers provided participants with detailed explanations of legal framework in Romania and analysed the specific case of WR organisation at the facility, including the election process, attributions, internal organisation, relation with management and collective bargaining. The training included practical exercises such as role plays and brain storming

sessions for all participants. According to worker representatives, the training helped them to see beyond their formal role, to have a better internal organisation (defining clear roles and functions) and a more structured communication with the co-workers and the management. It also gave them a much more proactive stance and specific requirements for the collective bargaining process, including example requests for resources (IT equipment, material resources, time etc.) for a better functioning of the WR body. The actual CBA negotiations this year showed first improvements in the proactive participation of the negotiations from WR but room for improvement was identified as well. Due to this reason, as well as the fact that with the elections in January 2020 two new representatives joined, a refresher training including a separate session for management is planned end of 2020. It will be the first joined training of Fair Wear and the third party to combine the expertise of both parties and enhance synergies in training both worker representatives and management.



COMPLAINTS REPORT

ODLO has a local complaints procedure in place, supported by local FWF staff. The standardised process is based on 8 steps.

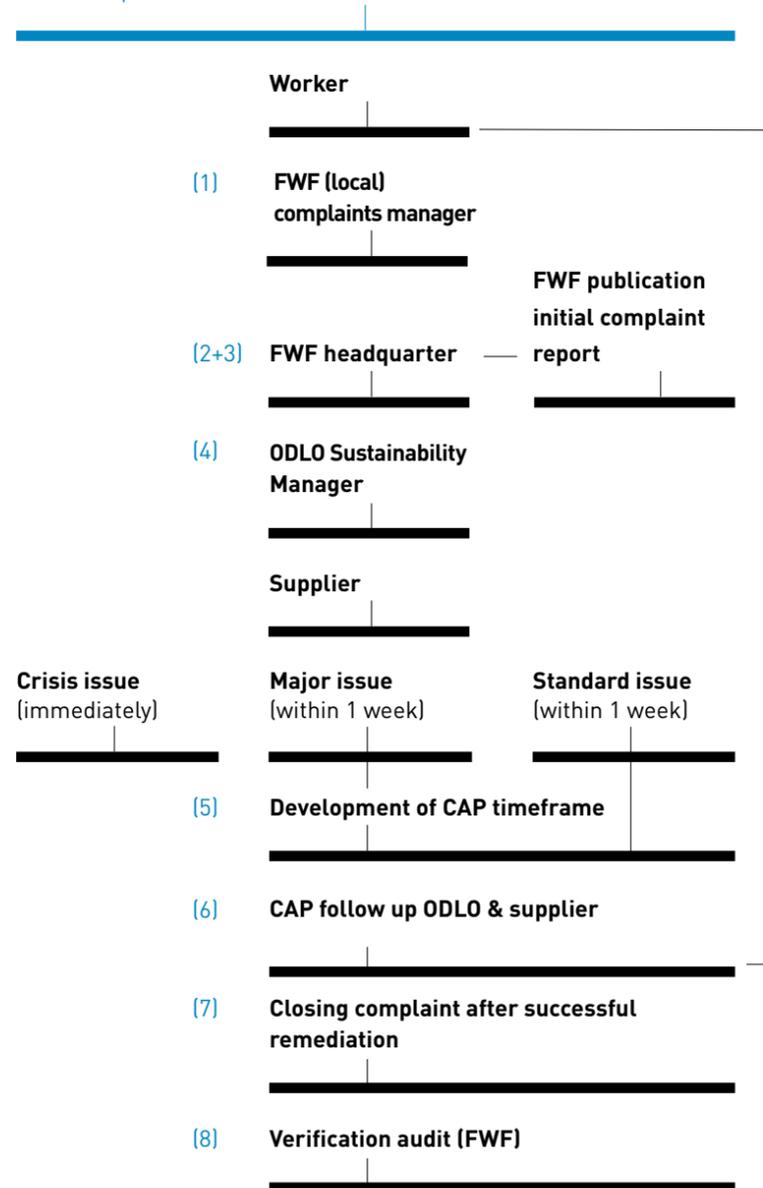
- (1) The complaint is received by the FWF complaints handler or other FWF representative.
- (2) The complaint is reviewed by FWF for admissibility.
- (3) FWF investigates the complaint and informs ODLO.
- (4) ODLO informs supplier & checks on background information
- (5) Corrective action is decided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

Detailed reports are published on FWF's website.

The process chart summarises 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 2019 updated FWF complaints procedure manual.

During the last business year 2019/20, five new Complaints were reported via the Fairwear complaint hotline as well as via the Urgent Appeals Coordinator of Clean Clothes Campaign Switzerland.

WORKER INFORMATION SHEET (FWF complaint number)



Factory 10298 (VIETNAM) – Complaint 761 (Reasonable hours of work)

The complainants contacted Fair Wear due to high working hours during August 2019. The factory acknowledged the overtime because of the production of football-related products and said that this was a topic that was proactively discussed with the FWF complaints handler. The factory confirmed that normal working hours will return from September onward. Both complainants confirmed that there was no more excessive overtime from early October until now. The factory informed workers that there will be overtime work for about 30 hours/month from 16 October onward. This complaint case is resolved but overtime at this partner will be monitored closely and it has to be noted that since the COVID-19 pandemic no overtime was reported since April 2020.

Factory 145 (ODLO ROMANIA) – Complaint 791 (Reasonable hours of work, Legally binding employment relationship)

FWF's complaints handler in Romania received a complaint from a worker who complained that he/she was given a 20-day dismissal notice for consistently failing to reach the standards during evaluations. In order to reach his/her production quota, the worker had stayed after hours, but that time was not recorded (except when using the access card), and not paid properly in six months before his/her dismissal. After feedback collected from the factory by ODLO, FWF did an onsite investigation including worker and management interviews and documentation review. The factory management has followed the company's policies related to the termination of a labour contract on grounds of poor results. According to the inspection of the documents related to working time, there were no overtime hours worked by the worker that formulated the complaint. As the complainant left the country to work abroad the conclusions from the investigation cannot be communicated and cross-



checked with the worker.

Therefore, the complaint case is closed. However, there are points of improvement concerning the evaluation procedure such as providing a copy of the results to the employees and formulating all objectives using the SMART process which will be implemented.

Factory 145 (ODLO ROMANIA) – Complaint 810 (Safe & healthy working conditions; Legally binding employment relationship)

The complainant contacted Fair Wear claiming unfair dismissal without going through proper disciplinary procedure or investigation. Only after referring to a legal article the disciplinary process was initiated by the factory. Due to health issues the complainant was not able to attend the disciplinary process meetings. The factory confirmed that there was a dismissal for a severe production mistake, a disciplinary process took place and lead to termination of the contract due to gravity of the employee's actions. He/she received all severance payments required according to Romanian labour law. During the offsite interviews by Fair Wear it became clear that the complainant is not willing to return to the factory. Due to this,

the complaint has been closed. Nevertheless, it is important to closely monitor employee satisfaction as well as to further strengthen worker representation.

Factory 145 (ODLO ROMANIA) – Complaint 860 (Safe & healthy working conditions)

ODLO and Fair Wear received a complaint from Clean Clothes Campaign's urgent appeal coordinator. The complaint addressed non-compliances with the Fair Wear Code of Labour Practices in the COVID-19 pandemic. Workers reported in March to Clean Clothes Campaign that they felt unsafe going to work without providing appropriate protective equipment (in particular face masks and disposable gloves). At the same time, workers addressed the risk they are facing when using unsafe transport in order to reach their working place (e.g. car sharing not respecting distance between passengers). Partly public transport was stopped in the city and neighbouring villages. In addition, workers informed that they were unable to take medical leave. Due to the urgency of the situation related to the COVID-19 outbreak, ODLO undertook immediate actions and in the factory, two meetings with

worker representatives were organised in order to address the complaint. Fair Wear reached out to the complainant, who confirmed that factory management discussed the safety measures with the workers. Worker representatives were consulted, and all the worker safety issues were individually addressed. The transportation issue was taken very seriously by the management, who afterwards made sure that all workers use safe transportation and workers feel safe at the workplace. The working hours schedule was reorganised in two shifts to support workers who commute. The workers who do not have access to safe transportation can stay at home and their salaries will be paid in full. The complainant stated that workers appreciated the fact that salaries have been paid in full and on time, including the transport subscriptions and reimbursements. A complainant stated that workers feel safe, there are enough disinfectants and sanitation stations in the factory. This complaint case is resolved but ODLO is closely monitoring the COVID-19 measures taken and is getting regular status updates from each production facility.

Factory 145 (ODLO Romania) – Complaint 870 (Living Wage)

Fair Wear Complaints Handler in Romania received a call from a worker, who claimed that the factory workers have experienced a drastic decrease of their Easter Holiday bonus from 350 RON to 50 RON. The decrease was communicated with the workers without previous consultation or any worker involvement. The workers were afraid to react more openly about this issue as they are afraid to lose their jobs in these unprecedented times. Factory management confirmed that the Easter bonus was reduced due to the COVID-19 impacts on business. ODLO re-emphasised to the factory management the importance of and brand commitment towards reaching the goal of paying a living wage to the workers. Factory management agreed to pay the full bonus with the next pay checks after the Easter holidays. This complaint case is resolved. Nevertheless, as follow up the importance of strengthening internal grievance, social dialogue process and worker representation became clear through this complaint. In addition, it was recommended that ODLO actively supports the factory to address any challenges and find solutions together.

LIVING WAGES

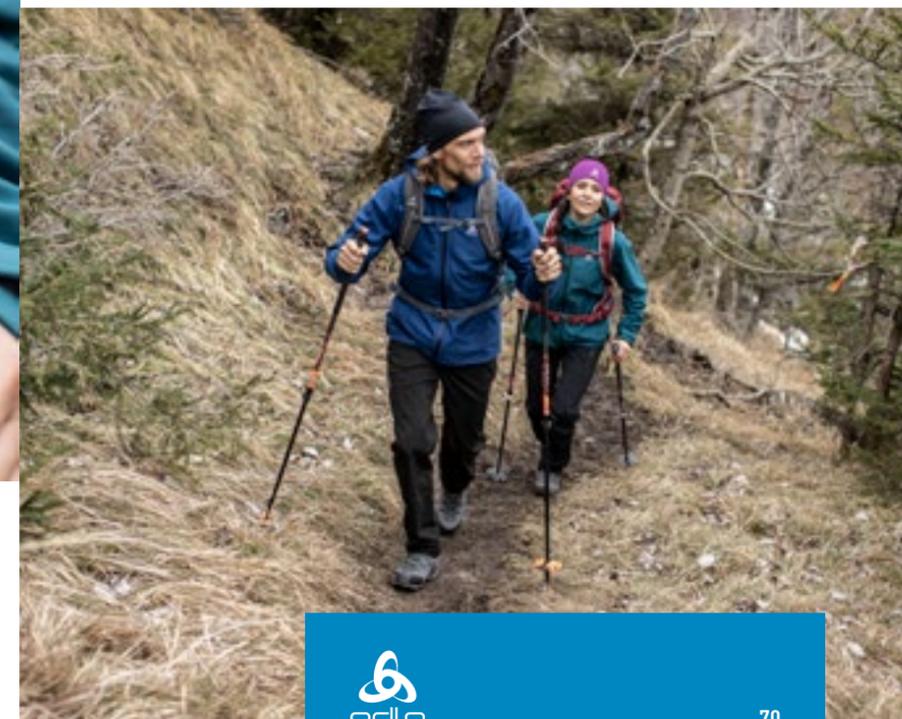
In 2017 ODLO set the goal to take an important step towards living wages in our own production in Romania. As a brief recap, as first step ODLO assigned an independent third party to execute a study on living wages which revealed that most of our workers in Romania have incomes below living wage. The benchmark considered was set by the third party for the Neamt County, considering the regional and factory specific needs of the workforce.

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. The main take away of the first incubator was to strengthen worker involvement in the process of wage increases towards a living wage. In 2019 we reported on the achievement of 76% of the work force reaching the set target wage. Our strategy of closing the living wage gap was to reach our set target wage by 2020. We are proud to confirm that we reached this goal for all workers in Romania.



But our work does not stop here, committing to living wages means to continuously re-evaluate and increase the target wage and include workers, voices in this process. Therefore, as first next step we organised a customised capacity building training by a local third party to support worker representatives in their role. The training took place in 2019 with the main goal to improve their organizational skills, enhance social dialogue between management and workers, support the knowledge of the legal provisions related to their role. The 2020 CBA negotiations showed small improvements of active worker input, but we recognised that this training was only the first step of laying the knowledge foundation on which we can further build on now. For 2020 we have planned a follow up training which had to be postponed till end of the year due to COVID-19. To be able to include workers voices we need a strong foundation with our factories worker representatives.

100% TARGET WAGE PAID TO ALL WORKERS AT ODLO ROMANIA IN 2020



In June 2020, Fair Wear rolled out the Living Wage Incubator 2.0, which is now divided in specific subgroups. The new set up has a structured annual cadence of whole group meetings accompanied by check-ins and tailored coaching sessions to support progress for all brands. ODLO joined the FWF living wage working group 'on wages in wholly owned production facilities' with our living wage approach at our own production in Romania. A first virtual meeting and check in June 2020 and will be followed by regular check in sessions and group meetings.

We are convinced we are on the right track in our own production in Romania but are also aware that there is still long way to go, especially when considering all our production partners. Throughout the supply chain we annually review the wage levels with existing local living wage benchmarks. To ensure a high impact, we consider the overall partnerships as well as our leverage and identified strategic partners to prioritise tackling living wages together. The need for action is also reflected in this year's audit results, reporting living wages as finding in all nine cases.



BRAND PERFORMANCE CHECK 2019

The indicator-based Brand Performance Check was held by FWF at the ODLO headquarter in November 2019. The report is published in full detail on ODLO's website and contains summarised 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
97 %

Benchmarking score
79

Category
Leader

FWF states that ODLO has shown advanced results on the performance indicators. Monitoring 97% of production has been the best result for the brand since becoming a Fair Wear member, the brand has a strong due diligence process in place. When planning to select a new supplier in a new production country, a country factsheet is produced assessing possible risks. ODLO has updated its supplier evaluation this year, integrating social compliance indicators with other indicators. Using data visualisation, the scores of its main suppliers, including social performance, can be compared with one another. ODLO has a strong production planning process in place and made progress on the prevention of excessive overtime in its own production location in Romania. At the same time, the prevention of excessive overtime in Vietnam, China and Indonesia remains a challenge. ODLO continued with its living wage approach at its own production location in Romania and aims to achieve the set target wage in 2020. ODLO started as well an approach on living wages for workers at six main suppliers in Turkey, Sri Lanka and Vietnam and made specific calculations based on a local living wage benchmark but has not yet started to systematically agree with suppliers to work towards higher wage benchmarks.

LEADER IN 5TH
CONSECUTIVE YEAR



ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL MONITORING

Developed in collaboration with industry leaders, the Higg Facility Environmental 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 Environmental Management, Energy, Water & Wastewater, Air, Waste and Chemicals Management. As shown in the section sustainability, ODL0 sets clear goals to reduce the company's environmental impact, our supply chain partners play a key role in this ambition. We have set specific goals with regards to Renewable Energy, Water Use and Chemical Management. The Higg Facility Environmental Module helps us to collect data in these environmental areas so we can see, for example, how much water a facility is using, if wastewater is treated on site, or which type of energy is used. The tool helps us to identify impact hot spots in which we have the largest potential for improvements.

In 2019 Higg Index platform Higg.org got a major update and now offers users data benchmarking and analytics so facilities and their supply chain partners can easily evaluate their own performance, as well as compare their own performance to the industry at-large. Using the tool now in the 4th year we have seen big improvements year by year, especially when it comes to the overall online user experience vs excel files in the past. The Higg FEM gives us as SME a great visibility on the environmental performance of our partners, which we now can efficiently track, compare and use for individual target settings with our strategic partners. It is important to highlight as well that the industry-wide adoption of Higg FEM has increased significantly in the past five years from six thousand facilities in 2014 to fourteen thousand facilities in 2019. By leveraging the FEM tool to become 'THE' measurement for the industry, efficiency can be increased and a lot of time and money saved which can be redirected to real sustainability improvements.





HIGG FACILITY ENVIRONMENTAL MODULE (FEM) –TIER 1

Also, in this business year ODLO reached out to all strategic Tier 1 suppliers to continue the environmental monitoring journey by participating at the 2019 Higg Facility Environmental Module (FEM). Next to our own production facilities, a total of 9 cut & sew and 2 seamless suppliers filled the Higg FEM. In 2019/20 we were able to further increase the monitoring up to 90% of ODLO's total production value by focusing consistently on strategic partners only. Due to the impacts of the COVID-19 pandemic on businesses all over the world, the SAC had extended the FEM deadline twice during the 2019 cycle. We are especially proud that our suppliers showed great commitment and were still able to fill in the extensive Higg FEM assessment under these difficult circumstances

90% OF TIER 1 SUPPLIERS COMPLETED HIGG FEM ASSESSMENT 2019

of the pandemic. With our partners posting all modules by August 2020 all results can be included into the global benchmarking by the SAC. But as none of the 2019 assessments of our Tier 1 partners was verified by a third party, we are not able to share publicly any insights into the results. Many partners had to postpone verification due to the pandemic. Nevertheless, the assessments give us extremely valuable insights into the environmental performance of our partners. Aligned with our internal Sustainability Goals we will initially focus on the areas Energy, Water & Wastewater and Chemical Management in our analysis and individual follow ups. In our own production in Romania we will not verify FEM within this year, the main reason for that is that we have not yet reached the key goal of textile waste management we set as result of the 2018 verification. More detailed information about this journey can be found under the section Circularity. And with current the effects of COVID-19 we plan the next verification only for FEM 2020.

HIGG FACILITY ENVIRONMENTAL MODULE (FEM) –TIER 2

Nine 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 FEM Beta module. Also, this year we could increase the monitoring scope, more than 78% of ODLO's fabric purchasing volume is covered through the self-assessment. We are proud that our strategic material suppliers filled and published all assessments in time nevertheless the obstacles presented. Three out of seven fabric suppliers had their results already verified by an independent third party, representing 13% of our total volume. More partners plan to verify their FEM results but it is yet unsure if this will still take place in 2020 due to the regional restrictions caused by the pandemic.

During the time of the publication of this report it was not yet possible to analyse the results as the deadline of posting the modules got extended to August 14th 2020. Next steps will be to analyse the results and discuss with our strategic partners the key target areas Energy, Water & Wastewater and Chemical Management to achieve improvement in the environmental performance.

78% OF TIER 2 SUPPLIERS COMPLETED HIGG FEM ASSESSMENT 2019



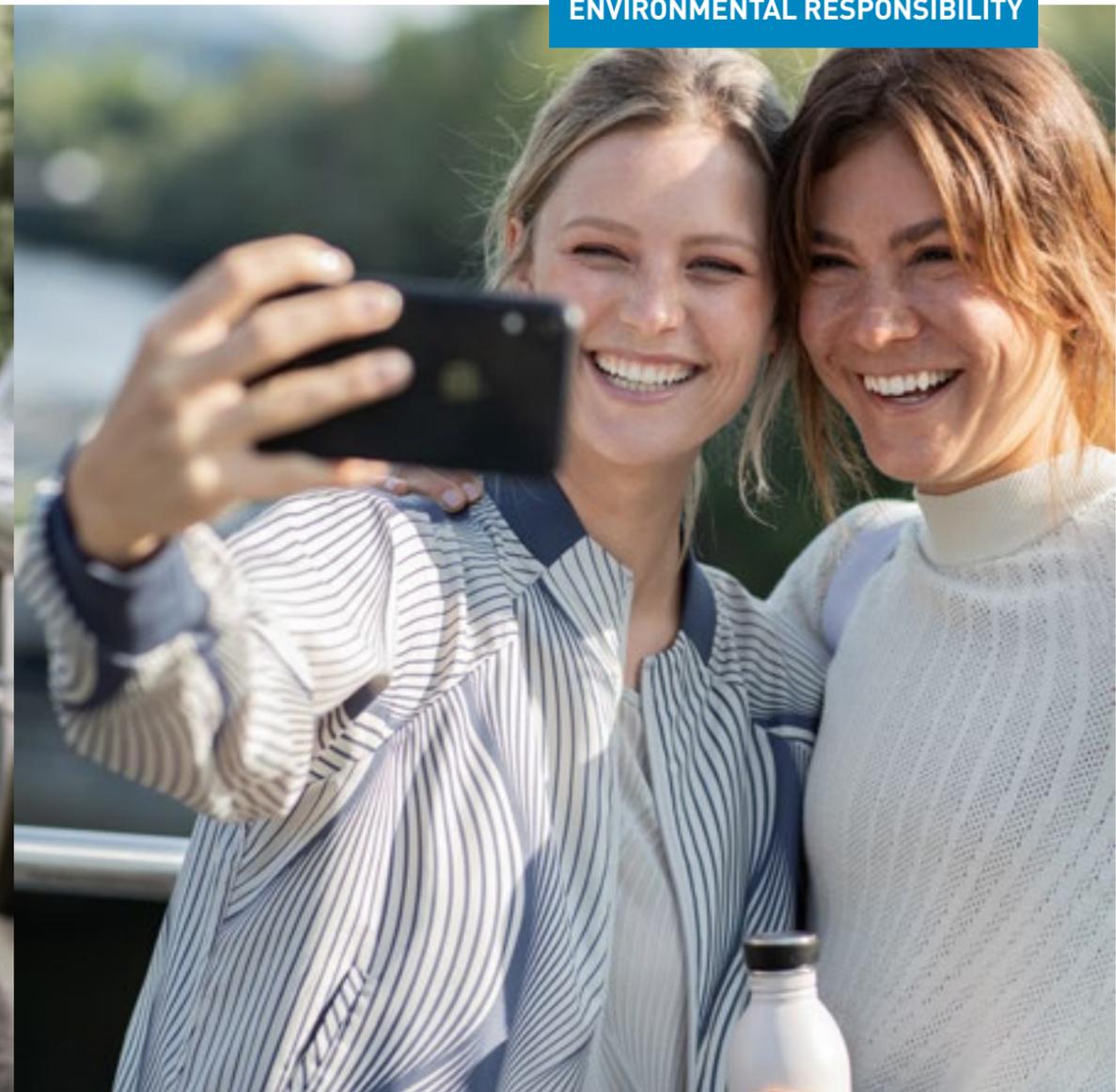
HIGG MATERIAL SUSTAINABILITY INDEX (MSI)

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 Higg MSI measures five environmental impacts: chemistry, global warming potential, nutrient pollution in water, water scarcity, and fossil fuel depletion. It also features more than 80 example materials.

Example materials represent a material commonly used in the industry such as cotton, polyester, nylon, jute, silk, leather and metals. The tool can be used to empower product teams to make more sustainable choices during materials selection. For each material in the data base, the MSI shows from raw materials to production processes, what is causing different types of impacts. By changing processes or raw materials it is made visible how those impacts of materials could be reduced. The key benefits are that it is scalable and actionable and industrywide shared data base which enables brands to use a common language.

In the second half of 2020 Higg Co is planning to launch the new MSI version, which is expected to be more detailed and calculate more accurately the environmental impacts of 'millions of possible material manufacturing variations' by comparing life-cycle assessment data.

In addition, it is claimed to offer users an easier to use platform to drive the harmonisation of impact measurement across the industry. ODLO planned to use MSI during 2018/19 starting with materials in the material toolbox. Unfortunately, this initiative got further postponed. With the knowledge of the release of the improved MSI tool in August 2020, it was internally decided to start the adoption with the 2020 Higg MSI. The release of the tool will be accompanied by in-depth online workshop 'Future of design – Higg MSI' which focuses on how to use and scale the Higg MSI into the product design process and business operations. As kick-off for the MSI introduction in 2020, ODLO team members are joining the workshop to get updated on all new features of the tool to be ready to use it.

**HIGG PRODUCT MODULE (PM)**

Designers and developers can control a high amount of a product's total environmental impact. The best moment to make low-impact choices about materials and production is at the beginning of the creative process. The Higg Product Module (Higg PM) will measure the environmental impact a product makes throughout its life-cycle. This can include how much water a product uses, how much energy it consumes, even how it affects the overall global climate. By assessing life-cycle impacts, brands, retailers, and manufacturers can make improvements to produce apparel, footwear, and textiles more responsibly. The Higg PM will help companies assess the full life-cycle impact of a final product for a

fraction of the time and cost life-cycle assessment tools typically require. The tool shows how products in any category compare to one another and what life-cycle stages or production processes contribute the largest environmental impact. Soon, companies will be able to integrate the Higg PM with their own internal systems to assess and analyse sustainability impacts. Launching in 2020, the Higg PM will allow users to calculate environmental impacts for numerous apparels, footwear, and textile products when produced at industrial scale. This is a critical step toward future product labelling and potential environmental legislation and will be the next step for ODLO after a successful MSI integration.

HIGG BRAND AND RETAIL MODULE (BRM)

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. Whereas the highest social risk impacts of our business are covered well by our actions as part of our membership with Fair Wear Foundation, the environmental risks considering all operations still need to be addressed with a companywide holistic approach. The BRM helps assessing and summarizing the status quo.

Brands and retailers complete the Higg BRM assessment online, at Higg.org. Through a series of questions, their social and environmental risk areas are assessed, based on the complexity of the value chain — from a product's design to its end of use. The assessment presents questions applicable to a business' risk areas. Depending on the complexity of a company's value chain, the assessment can be up to 2000 questions. Environmental impacts include water use, greenhouse gas emissions, and chemicals management. Social impacts include fair wages, human rights, and working hours.

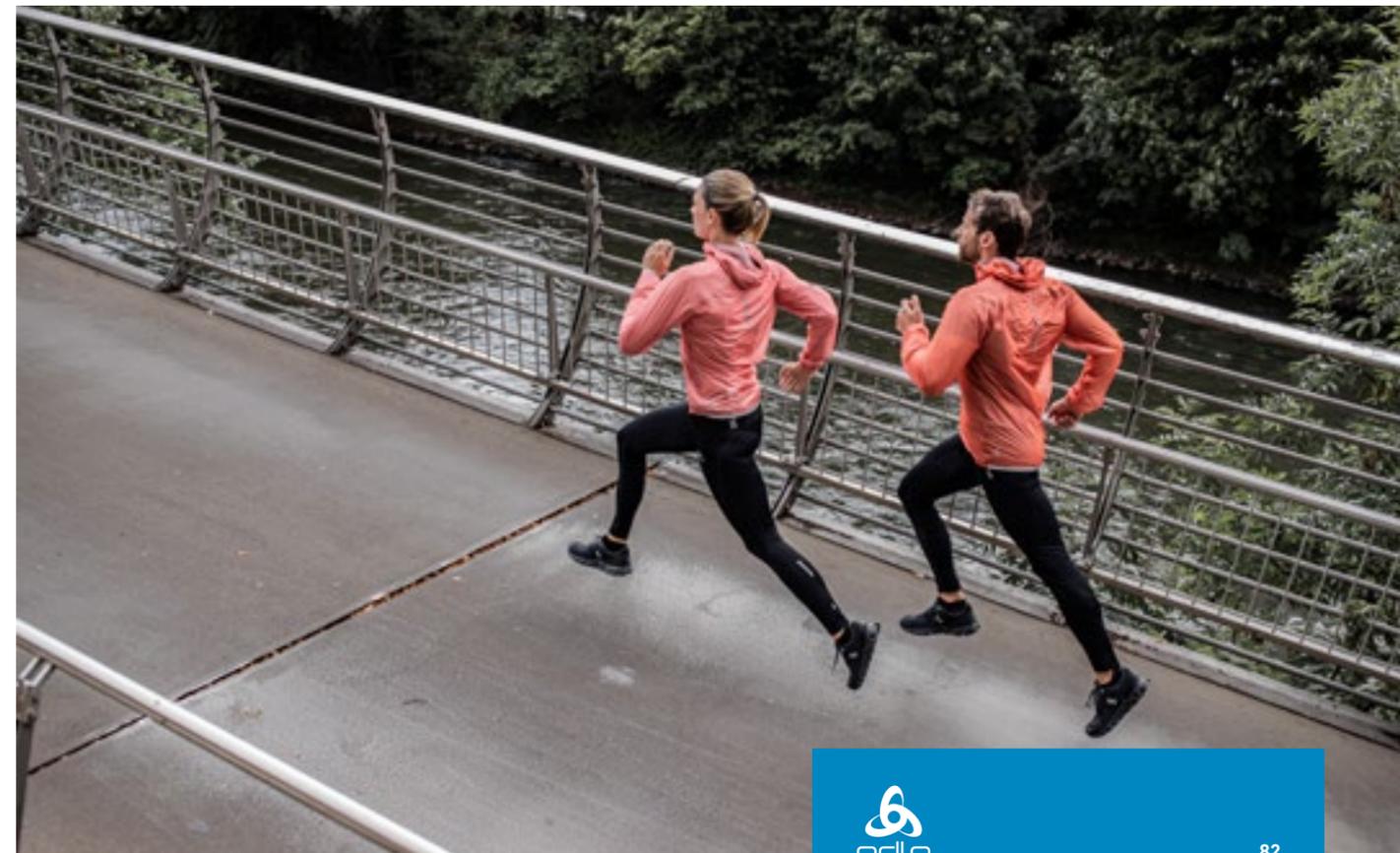
The Sustainable Apparel Coalition (SAC) released an updated version of the Higg Brand & Retail Module (Higg BRM) in April 2020 with initial completion deadline of June 2020. Due to the impact of COVID-19 on the industry, the assessment time was extended to September 2020. ODLO is currently in the assessment process and will actively share the results with its stakeholders.

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. One of our stakeholders is our partner Zalando. As part of their sustainability strategy, do.MORE, Zalando has made assessments around ethical and sustainable parameters for all brand partners mandatory. All brands selling on Zalando will need to report against minimum standards. For data collection Zalando is following a phased approach year on year and is rolling out the brand assessment on the basis of the BRM step-by-step to all brand partners.

ODLO is supporting this requirement as it will further support the establishment of Higg BRM as global standard for brands and retailers to measure and compare sustainability performance and identify common improvement areas. We see Zalando's initiative as beginning of a movement from the industry towards a system of standardised measurement that drives meaningful and lasting improvement.



LOGISTICS

When it comes to a company's environmental footprint, logistics play an important role. The mode of transportation has a major impact on the environment but there are as well many other areas we address from packaging, material recycling to energy use in our own distribution centre in Brüggem, Germany.

MODE OF TRANSPORTATION (GOODS RECEIVED 2019)

Land – 67%*
Sea – 30%
Air – 3%

TRANSPORTATION

The transportation of our products from the factories they are produced in to our warehouse in Germany contribute significantly to our greenhouse gas emissions. Therefore, one of ODLO's main focuses lies on reducing our impact in transportation. Wherever possible ODLO tries to transport goods by sea, as this is the most economical and environmentally friendly option, but of course this is not always possible. Decisions on transportation methods are heavily influenced by the origin of the products in question. Transport distances for our products can be kept rather short as 66% of the production volume origins from Europe, being sold as well in Europe - our biggest sales market. Due to our high production volume in Europe we set the priority to reduce

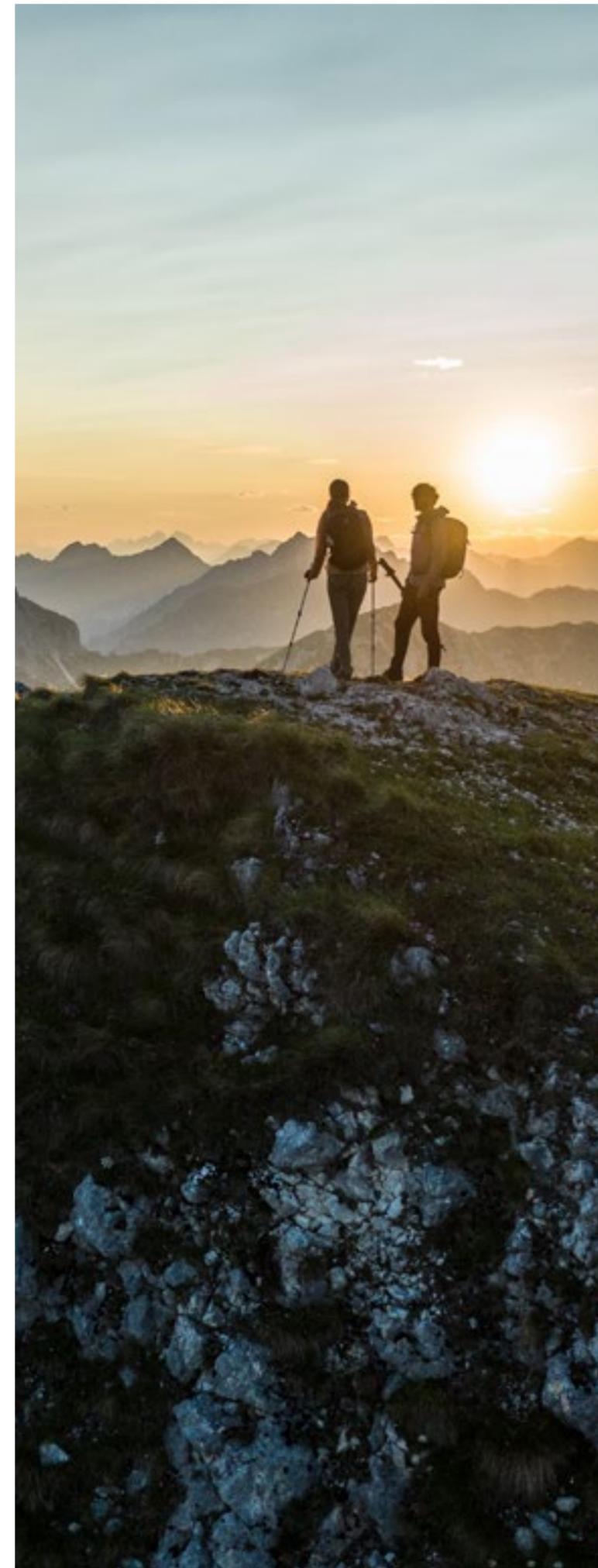
our impact there. In 2018/19 we did successful trials with a new combination of rail and road shipping from our own production in Romania. With this change we can save 1.100 kg CO₂ per transport compared to truck only. In 2020 we will shift 90% of our deliveries from ODLO Romania to our central warehouse to rail and road, a big achievement in one year to reduce our CO₂ footprint. In addition, we started extending sea freight deliveries from Turkey and are further exploring the options for more European countries. We are also proud that we were able to reduce our air shipments from 8% to 3% in 2020. This is a great accomplishment was achieved by improved planning, continuous tracking and flexibility on order splits which significantly improves our carbon footprint. In addition, we continued with direct inbound shipments from Asian production partners to distribution parties in Asia and the USA to minimise the amount of double freight.

CLIMATE NEUTRAL OUTBOUND SHIPMENTS WITH DPD

With growing business, also the environmental impact of transportation due to our online shop shipments is growing. With the help of our partner DPD all our packages delivered by DPD are climate neutral, DPD is measuring all CO₂ emissions caused by their transportation and is offsetting them through various national and international climate projects. DPD represents 30% of our total outbound shipments for E-commerce and B2B. In the future, we are planning to extend the climate neutral shipments as well with other logistic partners.

REDUCING CO₂ EMISSION BY 70% PER TRANSPORT (USING NEW RAIL & ROAD SHIPPING MODE)

ACHIEVEMENT OF REDUCING AIR SHIPMENTS FROM 8% TO 3% IN 2019



CLIMATE NEUTRAL CARTONS - SUPPORTING FOREST CONSERVATION, KENYA

This business year we made a great step by introducing climate neutral cartons for all out-bound shipments. We decided to actively support climate protection with our packaging by offsetting our emissions through Climate Partner. How does carbon offsetting work? With the help of Climate Partner our carton supplier calculates the Co₂ emissions of the entire order of cartons, these are compensated by supporting a climate protection project. It is important to mention that all projects are verified by an independent third party, our project in Kenya is verified by Det Norske Veritas and received VCS, CCBS gold level. Every time you receive a package from ODLO you can find a QR code on the box which tells you more details about the amount of emissions we compensated and the projects we support.

Each carton we ship from our central warehouse in Brüggem actively supports the project of forest conservation of Kasigau Wildlife Corridor in Kenya. A total of 200 000 hectares of forest are conserved and local biodiversity is protected with this carbon offset project which are home to endangered species such as lions, zebras and parrots as well as countless species of birds and more than 2000 African elephants. In order to protect Kasigau Wildlife Corridor from massive deforestation and slash-burn practices rangers who guard and defend the area are being trained among the local population. More income opportunities for the local population are required in order to stem the depletion of the natural environment. That's why the project creates jobs in factories and small businesses. With these actions the project supports 10 out of the 17 sustainable development Goals: Goal 1, Goal 3, Goal 4, Goal 5, Goal 6, Goal 8, Goal 11, Goal 13, Goal 15, Goal 17.

More information can be found here:
www.climate-project.com/1004

PACKAGING – MATERIAL IMPROVEMENT INITIATIVES

Our logistics and E-commerce team further analysed our packaging footprint for outbound shipments. This year we started with saving material resources, for our steadily growing E-commerce business. We reduced the carton size and changed the material to 100% recycled material. A switch of the bigger cartons to recycled material was not yet possible to ensure the carton stability, but these continue to use certified FSC material. In addition, for closing the cartons instead of conventional plastic adhesive tape we started using wet adhesive tape made from natural rubber, following the approach every small step counts.

reusable cardboard pallets for export, which are made from recycled paper and use less space in the truck which reduces the fuel usage in transportation. With the investment into an own carton press, 15-20 tons of carton per month can be delivered directly to the paper recycling facility, saving 80% of the truck transports. In addition, all deliveries to the Outlet in Brügglen are done with reusable plastic boxes.

The electricity supplied to our warehouse comes 70% from renewable sources with the goal of 100% renewable energy in 2021. To save energy, the warehouse is equipped with a geothermal heat pump and a lighting system which can be regulated independently by workplace division.

ENVIRONMENTAL INITIATIVES – CENTRAL WAREHOUSE BRÜGGEN

Our central distribution centre with a warehouse of 26,000 m2 is based in Brügglen (Germany). Increasing sustainability within all operational process is a key driver for the local team. With the introduction of a new warehouse management system the total amount of printed labels will be reduced by 100.000 pieces per year and in general smaller cartons can be used. They further increased the recycling of all packaging materials and successfully decreased their waste. 70.000 inner cardboards are reused by exchanging between the central warehouse and own production. Parts of the carton are also reused for outbound shipments. The warehouse also makes use of



PRODUCT RESPONSIBILITY

MATERIALS

ODLO MATERIAL PRINCIPLES

LONG LASTING

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

COLLABORATION

Also when it comes to materials, we recognise that working together in collaboration with other stakeholders allows us to drive greater impact in reaching our goals.

RECYCLED

Most 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 recognised certification such as Global Recycled Standard (GRS).

PREFERRED MANMADE CELLULOSIC FIBRES

When using manmade cellulosic fibres like TENCEL™ Lyocell we choose responsible partners such as Lenzing where the entire production chain is transparent and highly environmentally friendly. Like this we can eliminate risks of deforestation and water pollution in the production process of conventional cellulosic fibres.

SUSTAINABLE DYEING AND FINISHING PROCESS

Looking at the production chain of a fabric, the dyeing process uses the most water and energy. To reduce water and energy in the dyeing process, ODLO uses "Dry Dye" (dyeing without water, but with supercritical fluid CO2), as well as dope dye (spin dye) for a range of materials. In 2020 ODLO introduced the sustainable anti-odour finish Zeroscent. For our F-DRY range we use miDori@bioWick, a bio based wicking finish.

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 garments of the company's underwear and base layer ranges are certified with Oekotex Standard 100.

PFC FREE (PFOA/PFOS FREE)

Per- and polyfluorinated chemicals (PFC or PFAS) 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. 90% of ODLO products with a DWR (durable water-repellent) finish are treated using a fluorocarbon-free product and it is our goal to achieve 100% PFC Free for all our water-repellent products.

PVC & NICKEL FREE

ODLO does not use PVC neither nickel in our products.

LOCAL TO LOCAL – SHORT DISTANCES

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

GOAL: 75% PREFERRED MATERIALS COMING FROM RECYCLED OR LOW IMPACT RESOURCES (E.G. TENCEL) BY 2022



ODLO PRODUCTS

Our slogan, 'Be aware of what you wear', is designed to make our consumer more aware of the importance of sustainably produced clothing. We're committed to sustainability and are proud to be able to report on the big shift we achieved by 2020 with regards to product responsibility. By focusing on material changes at our best-selling products, we achieved that 50% of our produced materials are preferred materials such as recycled polyester/polyamide or Tencel.

In this section we would like to share our latest product sustainability highlights

PERFORMANCE WARM ECO – HOLISTIC SUSTAINABILITY CONCEPT

We have converted our top-selling Performance Warm underwear line to recycled raw materials. The line is now called Performance Warm Eco, to reflect this change. These highly functional shirts and pants contain 100% recycled, post-consumer polyester, 90% recycled elastane from production waste and 50% recycled polyamide from manufacturing waste. From the very beginning of the concept creation of the new Performance Warm Range sustainability was at the core of the process and led the design from A to Z. In every part of the development the team was striving for the most sustainable solution possible without compromising performance or quality. Not only is the main material made from recycled sources, but also the sewing thread and all other trims used. The logo is integrated in the knitting process instead of a conventional heat transfer, the size label is biodegradable, the care label uses recycled material and the box is made out of recycled carton too. An additional proof that a holistic sustainability approach on product level can be achieved.



Be aware of what you wear

Your favorites are now our most sustainable:
Performance Warm Eco – crafted from recycled yarn
Active Warm Eco – crafted from 100% recycled yarn

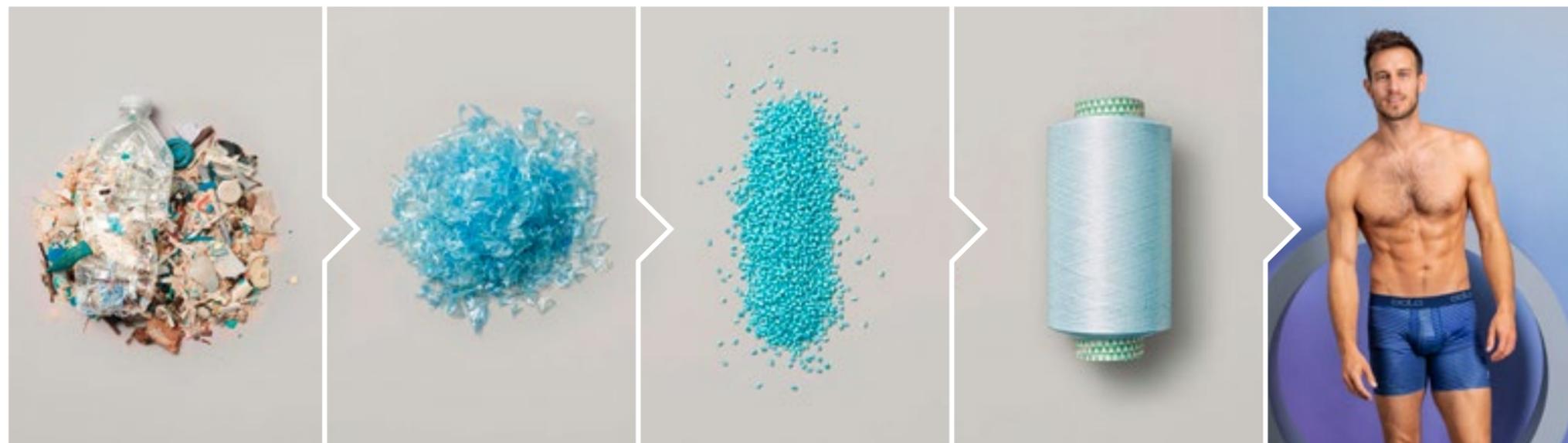
odlo.com/sustainable

#zeroexcuses

ACTIVE WARM ECO – RECYCLED POLYESTER

We have also converted our successful, top-selling Active Warm range. We now use 100% recycled material in our classic sports underwear lines, Active Warm Eco and Active Warm Originals Eco, and in our Active X-Warm Eco version. On average, 13 recycled 0.5-litre PET bottles are used to make one Active Warm Eco base layer.

In total, the conversion of above-mentioned Performance Warm Eco and Active Warm Eco styles saves 210 tons of polyester, eliminating the need to extract additional petroleum. Instead, our raw material comes from recycled PET beverage bottles and plastic waste, which are returned to the production cycle without any loss of quality, as the basis for high-quality functional clothing. This conversion is possible because the necessary quantities of high-quality recycled polyester are now available on the market.



ACTIVE EVERYDAY ECO - RECYCLED OCEAN PLASTIC

For the first time, ODLO offers underwear made from ocean plastic waste which is 100% recyclable. But not only the composition is from sustainable sources also the entire production process of the Active Everyday Eco Boxershorts Line is committed to sustainability. First the PET bottles are processed into clean polyester chips, then melted down and spun into new polyester yarn and, at the third location, knitted into fabric. During the entire production process energy and water consumption have been optimised and the CO2 footprint reduced. In addition, transportation distances are kept low as all three production facilities are located within a radius of only 30 km.

TENCEL - FROM SUSTAINABLY MANAGED FOREST TO RESPONSIBLE SPORTSWEAR

TENCEL™ Lyocell fibres are derived from sustainable wood sources through an environmentally responsible production process. The closed loop production process transforms wood pulp into cellulosic fibres with high resource efficiency and low ecological impact. This solvent-spinning process recycles water and reuses the solvent at a recovery rate of more than 99%. Our partner Lenzing strives to safeguard resources by the use of renewable energy and by the recovery of process chemicals. Wood and pulp used by the Lenzing Group comes from natural forests and sustainably managed plantations.

TENCEL™ Lyocell fibres are certified biobased and help to maintain the environmental balance by being integrated into nature's cycle. The fibres are certified as compostable and biodegradable, and thus can fully revert back to nature.



ZEROSCENT - LONG LASTING & SUSTAINABLE ANTI-ODOUR TECHNOLOGY

With our SS 2020 collection we introduced our new sustainable odour control technology. While the use of silver ions is widely used in the textile industry, our Swiss partner HeiQ has developed a bio-based alternative that we implemented in our ZeroScent technology to reduce the use of silver ions to one-tenth. With Zeroscent we introduced a sustainable anti-odour technology derived from recycled and renewable sources. HeiQ Pure SPQR is both Bluesign and Oekotex Standard 100 certified. The finishing is long lasting, enables the products to be washed effectively on low temperature and reduces the washing frequency.



MIDORI BIOWICK PLANT SEE OIL BASED WICKING FINISH

For our F-DRY range we use miDori@bioWick, a bio based wicking finish that is highly biodegradable. It helps the fabric to absorb sweat, wick moisture away and dry faster. Compared to standard crude oil based wicking finishes it has a significantly, up to 8 times, lower carbon footprint. It is a USDA certified bio based product and all of its components, underwent a so called Green-screen for safer chemicals.



DRYDYE – WATERLESS DYEING

Drydye ® Technology is a revolutionary waterless dyeing process which saves 25 litres of fresh water per T-shirt. Instead of current aqueous dyeing systems, DryDye fabrics will be dyed using super-critical fluid CO2 (carbon dioxide). The technology uses pure dyestuff and no chemical additives. An independent life cycle assessment confirmed that Drydye™ technology significantly reduce the carbon footprint of polyester fabric and produces no toxic discharge in the dyeing process. ODLO is using the Dry Dye technology since 2017 in the production of our Outdoor range Cardada. Due to the high minimum quantities per colour ODLO was not able to roll out the technology to more fabrics and sees it therefore unlikely for the future.

DOPE DYE

Dope dye is an environmentally friendly and efficient innovation in the dyeing process. With the Dope Dye dyeing technology, colour pigments are added during the production of the yarn. No water is used during the dope dyeing process, chemicals and energy use is reduced and the low energy use. This process can reduce the CO2 impact by 40% compared to traditional dyeing methods. ODLO is using dope dye on high volume colours i.e. black in it's midlayer range.





PRODUCT PACKAGING

First steps on our journey to reduce our packaging and therefore waste footprint have been made. Same as most sportswear brands, ODLO ships its products in single use poly bags which protect the garments especially on the long journey from production to our central warehouse and customers. But with the plastic pollution emerging further and the first legal bans for single use plastics worldwide coming into action soon, a shift is inevitable. Since FW19 we have successfully implemented the reduction of polybags in our accessories area by replacing single polybags for each product with one master polybag to protect the products. As logistical requirements of our wholesale customers are quite complex, we decided to start small and then scaling up. This pilot will be analysed in depth after its first trial year by our supply chain team before a roll out to all categories might take place.

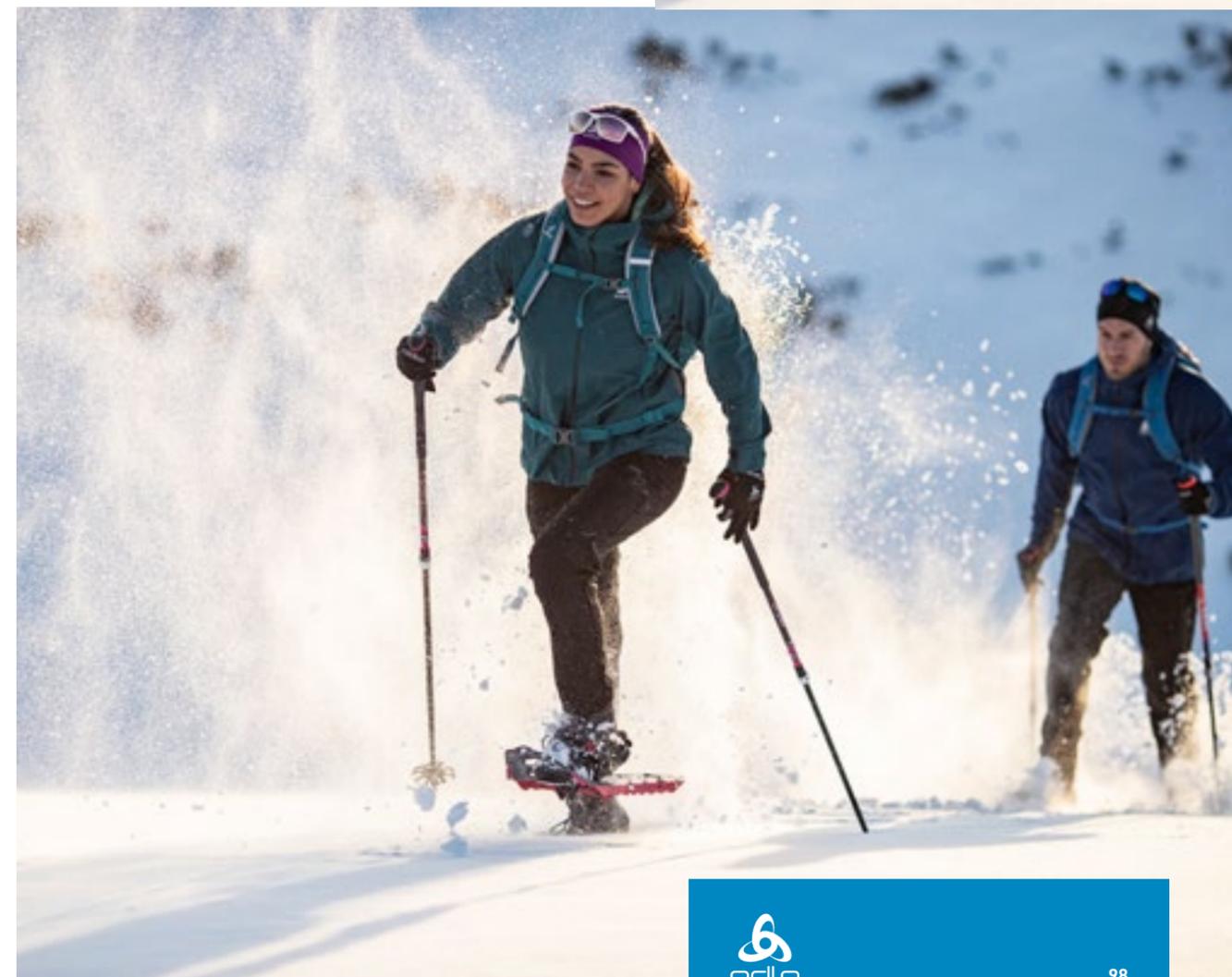
Thanks to a new requirement from our US based wholesale partner REI these pilot efforts were pushed to the next level. REI who are already using roll-pack packing and master polybags for their REI branded apparel, requested to avoid shipping apparel products in individual polybags. In close collaboration with our production part-

ners and our central warehouse we were able to implement their requirements of removing single polybags for REI's FW20 orders which will be delivered this autumn. All items (besides those that are white) will be delivered loosely rolled and secured with a small twist of thread, but still protected only by one master polybag per carton. The change is seen as additional tracking of the initial pilot project and will be evaluated as well in detail to analyse the opportunity to a broader roll out. This example shows again that change is possible, but sometimes an extra push is needed to get out of our usual way of working. And the power of big retailers and the consumer are significant and should never be underestimated.

In August 2019 an interdisciplinary team workshop was held on how to reduce packaging for our ODLO products. ODLO employees from logistics, supply chain management, marketing, e-commerce, customer service and product management joined to kick off the challenge of packaging reduction. All packaging impact areas along the supply chain were defined including e.g. package creation, package production, shipment of goods, unpacking/repacking central warehouse, customer unpacking.

With regards to the outbound cartons, great steps

have been achieved in the logistics area as highlighted in the previous section. On product packaging first steps of packaging reduction will be made in the accessories area. Changes will be implemented in 2021 such as removing unnecessary plastic parts in packaging eg plastic hanger for socks and reducing the overall packaging size by 50%. On brand level priority will be set on reducing hangtags and product boxes. To stay up to date with solutions of other stakeholders, ODLO joined the SAC monthly packaging roundtable in May 2020 which focuses on exchanging ideas and learnings and brain storming among SAC member brands on how to reduce packaging.



CIRCULARITY

POST-PRODUCTION WASTE: FIBRE-TO-FIBRE RECYCLING

As mentioned in our ODLO Sustainability Goals, Circularity is one of the key areas ODLO is focusing on in the future when it comes to our sustainability strategy. Our starting point has been the FEM verification end of 2018 which identified high potential in the reduction of post-production waste. As first step in the garment manufacturing process the fabric is cut into the single pattern pieces needed for the style. And even though our pattern team is optimising the lay plans for each style carefully, we still have lots of fabric leftovers after the cutting process. As there is still no local recycling option available in Romania currently this cutting waste is pressed into bales and collected and incinerated for energy recovery by a local recycler. As we have high volumes of certain materials, we analysed the waste streams accumulated per fibre composition in a period of six months. The analysis showed that 79% of the cutting waste is mono-material of 100% Polyester, 8% is mono-material of 100% wool, the rest are various fibre mixes such as Polyester/Polyamide or Polyester Wool etc. This means 87% of our cutting waste is made from one single material, an important criterion when it comes to recyclability. It is easier to recycle a material made out of one single material, as opposed to separating several fibres and then recycle them separately. With our data on hand, we started looking for partners to recycle our textile waste with the ambition to establish a fibre-to-fibre recycling



and reintegrating the recycled waste into new ODLO materials. During our research it became clear quite quickly that this will become a longer journey as fibre-to-fibre recycling for polyester is still in its beginnings, whereas mechanical recycling for other fibres such as wool and cotton is more established. We did trials to recycle our polyester mechanically with two different partners in Europe. We were not able to successfully transform the recycled material into a yarn or material and concluded mechanical recycling is not suitable for our purpose. We reached out to many chemical recycling partners which were all in process of starting a pilot stage for chemical PET recycling. One party which invented a new chemical process

using microwave radiation to accelerate depolymerisation of PET in monomers was especially interesting for us, unfortunately our quantities were too small to start a collaboration. Other recycling facilities we reached out to were still in the set-up stage and not yet ready with their machines. But as the industry is moving forward on this topic more options seem to arise, and we are in touch with new possible partners and will do first trials within the next business year 2020/21. The good news is for our wool cutting waste found a party within our network to recycle our wool. They will not be turned into new fibres for ODLO materials but will be reused and therefore not incinerated which is already a big improvement for us.

OUTLOOK – ODLO TAKE BACK PROGRAMME

Another aspect we looked at in terms of circularity in the last business year is the end of life of our ODLO products. The global apparel industry is projected to grow by 81% by 2030 and therefore the amount of global textile production and consumption will be increasing as well, the question of what happens with our clothes at the end of use becomes more and more important. Globally around 48 million tons of clothes are disposed annually, with around 75 percent of them landfilled or incinerated, and only 25 percent collected for reuse or recycling. In addition, the EU Green Deal announced its Circular Economy Action Plan which is targeting areas where action at EU level brings real added value, textiles is next to e.g. electronics and packaging one of the focus areas as these industries use most resources and the potential for circularity is high.

And with the expected extended producer responsibility (EPR) for the apparel and footwear industry to come into place in 2025, we focused on options to take responsibility of ODLO products at the end of life. There are service providers in the industry that support brands and retailers to maximise the re-use of their used textiles and turn them into valuable secondary raw material. We got in touch with the two main players in the field of Retail Textile Take Back Programmes and found the best match for our need of store locations, resources and provided services, etc. We are happy to announce that in the end of 2020 we will introduce the ODLO Take Back Programme in collaboration with TEXAID in ODLO Stores and Outlets in Germany, Austria and Switzerland to start with. We want to ensure that consumers can return their ODLO products when they no longer use them, or they are at their end of life. More details can soon be found online on [odlo.com](https://www.odlo.com).

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. The longer our products are worn, the better for the environment: Prolonging the use phase increases the efficiency of used resources in production. 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. Quality management systems and measures are 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 fulfil our quality expectations, our customer service will replace or refund them. But the first step is always to see if it can be repaired. For getting 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 could repair 246 pieces in the last business year. These figures include repairs from our E-commerce business and endcustomers from Germany and Austria. The last five years ODLO built a close partnership with a local tailor close to our distribution center in Brügggen. The atelier with 10 employees works in a 340 sqm space with 20 sewing machines and 5 ironing stations. Through flexibility, quality and reliability the partnership grew over the years. Unfortunately, the business will close by end of 2020, which is why ODLO will work with a new partner as of January 2021.

246 ODLO PIECES REPAIRED IN 2019/20

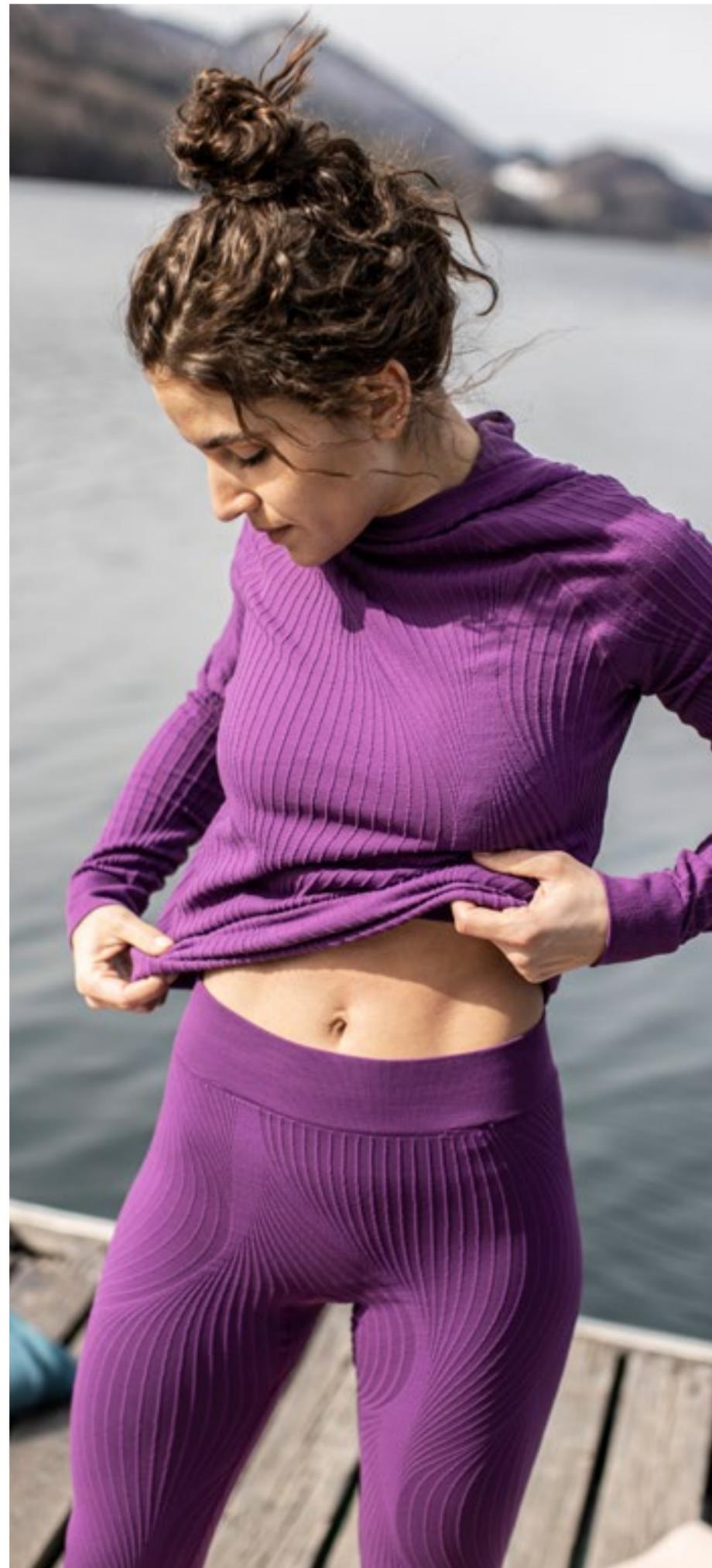
MINIMISING YOUR ENVIRONMENTAL FOOTPRINT WHEN USING ODLO PRODUCTS

Each washing of clothes consumes water and energy and therefore 20% of the environmental impact within a products 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 want to support the customer to look after their ODLO gear. The general recommendations can be found on the sewn in care label, this advice is customised 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 minimise the environmental impact we have when caring for our clothes. What is good for the environment is also good for your ODLO gear.

REDUCE MICROFIBRE RELEASE WHEN WASHING YOUR ODLO GEAR

Textile microfibres from synthetic fabrics account for more than one third of microplastics in the ocean. Research has shown that these microplastics accumulate in the environment and especially in the ocean (found in plankton, fish and therefore made their way in the food chain) but as well in air and even tissues of the human body according to latest research. The full environmental impact of microfibres is still not determined, but first steps have to be taken now.

We as a brand will tackle in the material production process, as first step through testing our highest-volume materials on fibre release and analysing wastewater at our strategic material partners. But while global research on microfibre release continues, we have some recommendation on how you can contribute to reduce microfibre shedding during wash.



CONSUMER WASH ADVICE TO REDUCE MICROFIBRE RELEASE

Wash less, when possible air out and spot clean your ODLO gear first

Fill up your washing machine: A full wash load means less friction between the clothes, so they get less damaged and release less fibres

Use liquid wash detergent, powder detergents increase fibre release

Keep the temperature down, best at 30 or 40 degrees

Use short wash cycles: The shorter the better for your sports gear

Reduce the rotation speed of the spin cycle, the higher the more friction leads to fibre release

Do not wash hard items (such as running shoes) together with your clothes

Do not use a dryer, air dry them and in case you need to use the dryer discard the lint in the garbage, not the sink

Use the Guppyfriend washing bag from STOP! Microwaste to collect microfibres when you wash your ODLO gear, available here: www.guppyfriend.com

WORKING FOR ODLO



WORKING FOR ODLO

Last year can easily be described as a rollercoaster: a promising start into the new business year was followed by a warm and therefore challenging winter, the success of finding a new owner in spring was clouded by COVID-19.

In the beginning of the business year an employee survey took place throughout the ODLO Sports Group including 280 employees. The survey showed very encouraging results, with over 90% being proud to work at ODLO and committed to develop ODLO further in the coming years. Based on the results and feedbacks, cross-functional teams were built, and initiatives were initiated with focus also on sustainability.

COVID-19 hit the ODLO world very badly. Stores were closed, factories had to deal with reduced staff, and the whole supply chain was affected - protection measures, remote work and short-time work were dominating topics. Everybody had to be flexible, open and positive - together the teams found new ways of working and getting things done despite the isolation at home and the missing social exchange.

Looking back, ODLO is proud to say that from an organisational point of view the crisis was well overcome thanks to the adjustability and can-do attitude of all employees. COVID-19 has expanded the horizon regarding a sustainable workplace and inspired to think about future workplaces. Videoconferencing has become well accepted to conduct meetings, reducing commutes and travels significantly, best example is the first pure virtual ODLO sales meeting with participants all over the world which took place last May.

It is said that people stick together in tough times. ODLO is pleased to have such a great team, 750 employees working well together through all the countries also in these exceptional times. That enables ODLO – together with the new owner - to continuously be one step ahead.

HR SURVEY

The employee survey consisted of 8 subcategories, whereas one was sustainability. ODLO used the survey to get as well direct feedback from the ODLO employees on sustainability awareness.

80% of the employees replied that they understand and are aware of the sustainability projects and initiatives ODLO is doing and planning for the future. 70% of the employees are satisfied with the efforts ODLO is planning with regards to sustainability. Employees were also asked what they personally do to contribute to sustainability in their day-to-day life. The answers showed high commitment of the employees in the areas of commuting by bike, public transportation, or do car pooling, reduction of printing, waste recycling, conscious water use and textile recycling.

With the presentation of the survey to all employees the option to sign up for a sustainability committee 'the ODLO Green Team' was given which showed high interest throughout the employees. The committee will steer initiatives throughout the group to increase the personal contribution to sustainability at work for all employees. Due to COVID-19 and the home office regulation the start of the committee was postponed to 2020/21.



[NUMBERS (HQ / SUBSIDIARIES)]

Gender

Female:	69%
Male:	31%

Country of Origin

Germany	41%
Switzerland	26%
France	9%
Austria	8%
Italy	5%
Netherlands	2%
United Kingdom	2%
Others	7%

Age Average

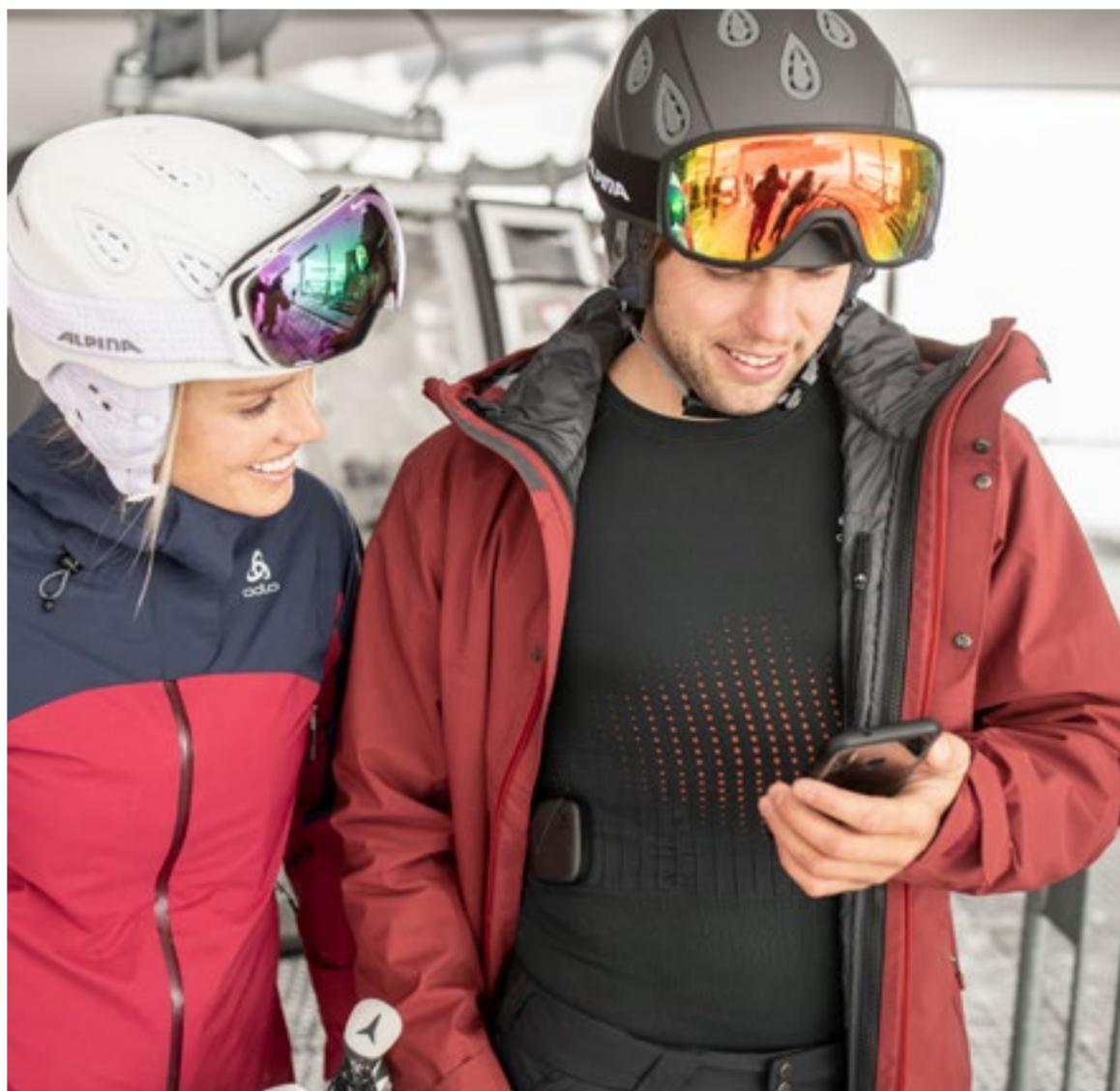
15-20 years	2%
21-30 years	23%
31-40 years	31%
41-50 years	20%
51-60 years	21%
61-65 years	3%
66 years	0%

*As of July 2020 excl. production sites in Portugal and Romania

**INCLUSIVE WORKERS PROGRAMME -
COLLABORATION WITH HEILPÄDAGOGISCHES
ZENTRUM (HPZ) KREFELD**

The Heilpädagogische Zentrum (HPZ) in Krefeld Germany is a non-profit 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 when there was an urgent need for external support on repacking ODLO underwear in new packaging boxes. After these positive experiences, the next step in the cooperation was taken in October 2017 by establishing a designated workspace for a team of 10-12 workers plus two caregivers into the ODLO Logistics warehouse.

The tasks vary from package folding, repacking to labelling and booking articles into our warehouse software. 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 ten workers, supervised by one main supervisor of HPZ, joined the warehouse team in Brüggen. The COVID-19 pandemic had as well impact on the inclusive workers programme which had to be paused for two months during the lock down period.



CLOSURE OF ODLO PORTUGAL

During the past year we took the decision to close one of our own European manufacturing plants. ODLO Portugal has been the centre of our manufacturing operations for the last 20 years producing millions of garments for us. Although not an easy decision, we believe that it is the appropriate measure to safeguard the future of the company

and its stakeholders. Our commitment to Europe remains firm, since the production of the Portugal plant will relocate to Romania, which is the site of our major production facility already now. We believe that this change will help us to continue to develop the plant in Romania as a world class manufacturing facility.



CONCLUSIONS & OUTLOOK

The crisis we are currently in has taught us many things over the last couple of months. It has shown us that the world can change drastically in a very short time. With the world in lockdown, we have seen no traffic, no flights, no commuting to work and in Kathmandu the Mt Everest was visible for the first time in decades. Whereas the environment got a respite due to the world's standstill, COVID-19 is affecting the world's poorest and most vulnerable the most with severe human health risks and poverty.

This demonstrates the need for social and environmental action. Now more than ever we must support the people who make our products by being a global responsible citizen who acts in a socially responsible way. Guidance through our partnership with Fair Wear Foundation as well as close collaboration with other FWF member brands will be key to achieve this. And we stand by our word to reduce our environmental footprint

and will follow our Sustainability Goals on climate action, environmental and animal protection, fair work and circularity with determination. The strategic use of environmental monitoring data via the Higg FEM, as well as environmental impact data of our materials through the Higg MSI will support us in this process. First steps into circular business model will be taken and we are excited about this.

These are challenging times for all of us, but we are adapting to the 'new normal' and are looking ahead to the positive transformation it will bring!

“Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next.”

**Arundhati Roy
(Financial Times)**



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