

**SUSTAINABILITY
REPORT 2020/2021**



FOREWORD

CREATING THE CHANGE WE WANT TO SEE.

Twenty twenty-one will perhaps be remembered as the year climate issues could no longer be ignored. Glasgow gave a voice to a generation dissatisfied with the speed of change. In Switzerland, citizens voted on climate-related bills. And through it all, the world continued to fight a pandemic.

Within our own house, ODLO managed these and other realities, enacting the change we want to see, and striving towards our sustainability goals. Through the tireless work of our employees, I'm pleased to report that we're on our way to achieving many milestones – all of which are critical to our future.



Knut Are Høgberg
ODLO CEO

TAKING STEPS. DRIVING AHEAD.

While still have steps to take as we become a more sustainable company, I feel fortunate to lead a team that has confronted this challenge head-on. They identify opportunities not out of obligation but out of necessity and desire. For that, I say thanks.

As the proverb goes, "If you want to go fast, go alone. If you want to go far, go together." Sustainability is not a goal, it's a journey. Let's embark on it together.

Knut Are Høgberg,
ODLO CEO

ODLO TAKES A STAND

Together with our partner, Protect Our Winters Switzerland – an NGO dedicated to climate awareness, we began advocating for more restrictive CO2 laws in the Alps. We can't be passive on this issue any longer.

Though the outcome was not as we had hoped, we continue to work with POW on awareness programs to underscore the immediacy of these issues and the solutions needed to safeguard cherished spaces.

So, what are some of the tangible outcomes of our sustainability work? How have we lessened our own footprint while asking others to consider doing the same? We formalized a stated goal of working only with sustainable materials by 2030 – an ambitious goal towards which we are making progress.

This year we exceeded 50% preferred material use (recycled sources or natural materials) in our winter and summer collections.

As we balance sustainability and performance, I'm pleased with this milestone and the momentum behind it. One of our iconic base layers – the Blackcomb Warm Eco – for example, is now being made from 88% recycled materials. We also dropped our shipping footprint, with 97% of all direct-to-customer parcels now going climate neutral.

We are proud of our already great progress and achievements here and are excited about what comes next.

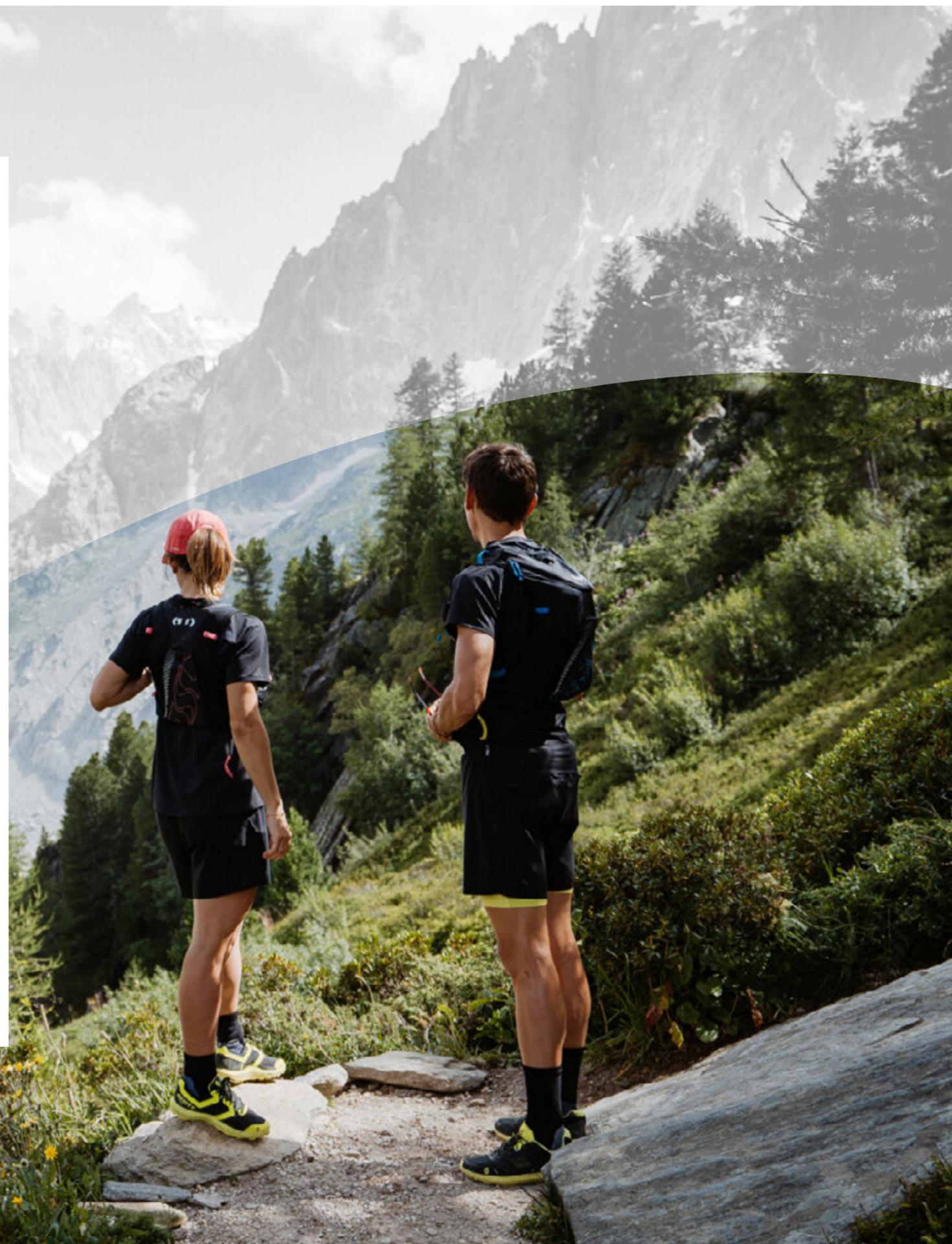
*Ulrike Froitzheim – Outlet (or Sladjana)
Gina or Ursina – 3D
Bernd Wolf – Ökoprofit Brügglen
(Horst Römer and Frank Rudolph previous)
Sampath – Production Manager ODLO Romania
Christoph – ECOM
Didier – Communications Manager
Julia – Sustainability Manager*

EXTERNAL

Nicholas Bornstein POW Switzerland Founder

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ABOUT ODLO



1946

Odd Roar Lofterød founds ODLO in Oslo.

1963

Our nylon cross-country race suit revolutionises the sport.



1972

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

1986

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

2012

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

2006

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

2002

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

1994

We expand our expertise into running and outdoor products.

2016

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

2017

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

2018

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



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.



SUSTAINABILITY



SUSTAINABILITY VISION & VALUES

Born in Norway - engineered in Switzerland, sustainability has always been a part of our corporate DNA. Our propeller shaped logo showcases our company's three core values: responsibility, action, and transparency. These three core values represent the three dimensions which we use to address sustainability: We Care, We Share, We Act.



RESPONSIBILITY – WE CARE

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

ACTION – WE ACT

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

TRANSPARENCY – WE SHARE

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

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 and is built on three pillars: social responsibility, environmental responsibility, and product responsibility.

SOCIAL RESPONSIBILITY

- I. Be a fair and attractive employer to employees (headquarters, 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 extended durability
- II. Innovate products that create solutions for improved resource efficiency
- III. Create products that do not harm humans or the environment





SUSTAINABILITY MANAGEMENT SYSTEM

ODLO closely follows the membership principles of the following:

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

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

FAIR WEAR FOUNDATION MEMBERSHIP

Since 2008, ODLO has been a leader status member, of the Fair Wear Foundation (FWF), which endeavours to improve labour conditions in the textile industry worldwide. FWF verifies that producers abide by its code of conduct and that if needed, they 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 labour conditions in factories that produce sewn textiles all over the world. The foundation for collaboration between FWF and its members is its code of labour practices. 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 systems 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 worker awareness on labour rights, FWF also offers Workplace Education Programs.

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, all of which are collectively committed to improving sustainability performance along the supply chain.

The Higg Index is the group's sustainability measurement suite of tools. 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 all 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 regularly assessed against an industry benchmark, thereby clearly demonstrating the strengths and weaknesses of our corporate activities holistically, which in turn empowers ODLO to make meaningful improvements.

More information about the Sustainable Apparel Coalition can be found at: <https://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 align with the requirements of the Fair Wear Foundation and had the code of conduct re-signed by each of the manufacturers. This code, the most restrictive on the market, is based on the conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights.

EMPLOYMENT IS FREELY CHOSEN

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

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

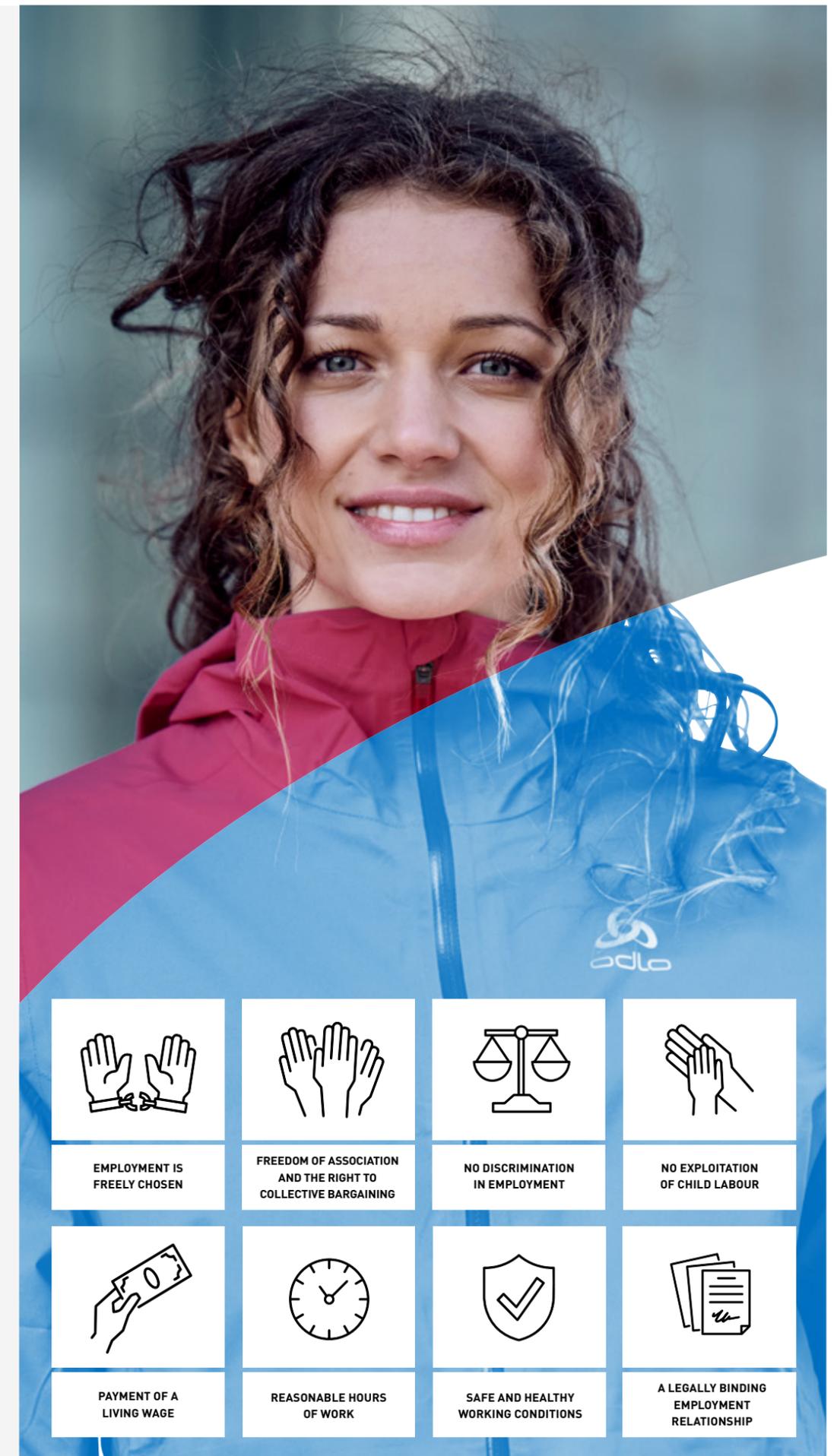
The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent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

NO DISCRIMINATION IN EMPLOYMENT

Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps. (ILO Conventions 100 and 111).

NO EXPLOITATION OF CHILD LABOUR

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



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



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

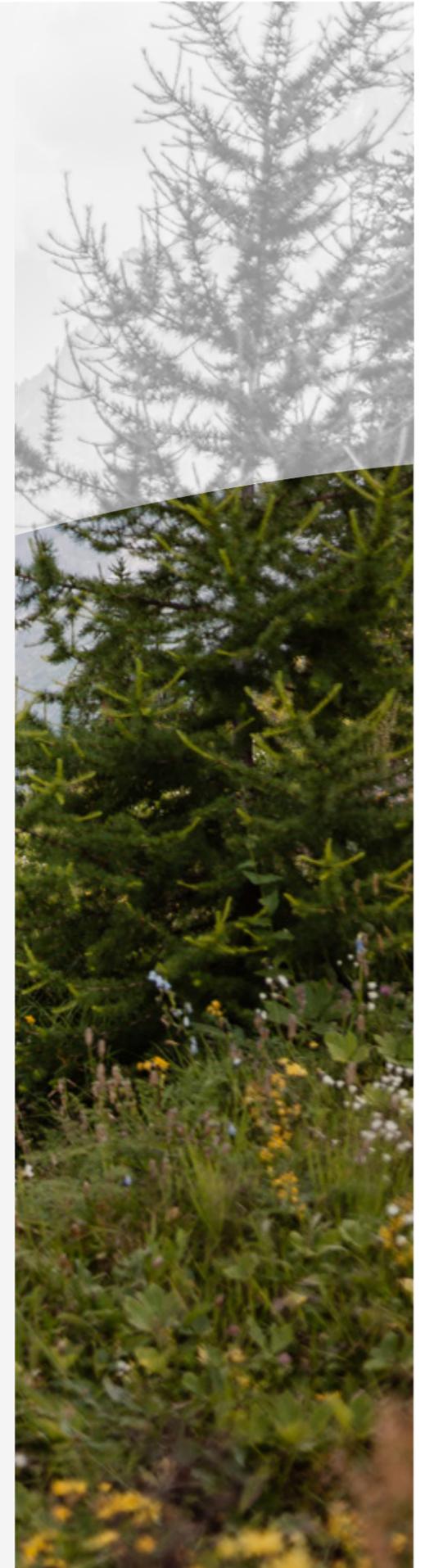
Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours 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 2021

		<p>ODLO GLOBAL RESPONSIBLE CITIZEN</p>		<p>BE AWARE OF WHAT YOU WEAR</p>		<p>70% LESS CO2</p> <p>EMISSIONS THROUGH LOW CARBON TRANSPORT (RAIL&ROAD) FROM OWN PRODUCTION IN ROMANIA ACCOUNTING FOR 37% OF PRODUCTION VOLUME</p>					
		<p>WE CARE. WE ACT. WE SHARE.</p>									
<p>51%</p> <p>PREFERRED MATERIALS OF TOTAL PRODUCED FOR SS21/FW21</p>		<p>RECYCLED PACKAGING MATERIALS FOR ALL E-COMMERCE SHIPPING CARTONS</p>		<p>87%* SOCIAL MONITORING OF OUR GARMENT SUPPLIERS</p> <p>*LOWER MONITORING FROM CANCELLED AUDITS DUE TO PANDEMIC.</p>		<p>LEADER STATUS 6TH CONSECUTIVE YEAR</p>		<p>LIVING WAGES</p> <p>ENHANCED SOCIAL DIALOGUE TRAINING ODLO ROMANIA TO STRENGTHEN WAGE NEGOTIATIONS 2021</p>		<p>88%</p> <p>ENVIRONMENTAL MONITORING TIER 1</p> <p>78%</p> <p>ENVIRONMENTAL MONITORING TIER 2</p>	
<p>OUR ICONIC BESTSELLER BLACKCOMB NOW IN RECYCLED MATERIALS WITH ECO LABEL</p>		<p>97%</p> <p>CLIMATE NEUTRAL E-COMMERCE SHIPMENTS (SINCE JULY 2021 VS 35% 2020)</p>		<p>CARBON NEUTRAL CARTONS FOR ALL OUTBOUND TRANSPORTATION</p>				<p>ODLO'S SPORTS UNDERWEAR, BASELAYER AND MIDLAYERS ARE ALL CERTIFIED WITH „STANDARD 100 BY OEKO-TEX“</p>			
<p>60% OF STYLES IN 2021 WITH ECO LABEL</p>		<p>ODLO TAKE-BACK AVAILABLE IN 30 ODLO STORES</p>		<p>NO PLASTIC SHOPPING BAGS IN ODLO STORES & OUTLETS</p>		<p>2%</p> <p>AIR SHIPMENT IN 2020 VS 3% IN 2019</p>		<p>100%</p> <p>MULESING FREE WOOL</p>		<p>100%</p> <p>TRACEABLE DOWN NO LIVE-PLUCKING NO FORCE-FEEDING</p>	
<p>ACTIVE WARM ECO FW21</p> <p>17% LESS CO2E</p> <p>243000 KGC02EQ GLOBAL WARMING SAVINGS* WHICH IS EQUIVALENT TO 18.8 LAPSES AROUND THE WORLD</p>											

* Based on Higg MSI 3.1 data at Higg.org. Percentage reductions pertain to the raw material phase.

ODLO SUSTAINABILITY GOALS

SUSTAINABLE DEVELOPMENT GOALS (SDG)

The UN has established 17 goals as 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 founded the heart of the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States. These goals recognize 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 preserve the environment.

To ensure these goals are met, companies and individuals should not wait for legislative requirements that support sustainable development to be enacted. Actions are needed now, and businesses play a key role in supporting the 17 SDGs to make them count. Therefore, ODLO aligned its ODLO Sustainability Goals with the 17 SDGs by setting mid- and long-term goals. We focused on key impact areas of our business as an international sportswear brand and they include 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).



For more information about the SDGs please visit: <https://sdgs.un.org/2030agenda>

ODLO SUSTAINABILITY GOALS

At ODLO, we believe setting goals is essential and achieving them is great, but the most important component is the journey towards reaching our goals and how we develop as a brand during every single step we take, day by day. In 2019, we set our sustainability goals by focusing on four main areas: climate action, environmental and animal protection, fair work, and circularity. We analysed where we are today and defined what actions we want to take to reach our 13 subgoals in the midterm by 2022 and in the long term by 2030. The table outlines an update of our latest achievements.

ISSUE	GOAL	ACTIONS	STATUS – HIGHLIGHTS 20/21	STATUS
CLIMATE ACTION	 <p>Reduce GHGE (Greenhouse Gas Emissions).</p>	<p>Shift to preferred raw material choice, focus 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>	<p>Recycled content 49.4% Tencel 1.6% in SS21/FW21.</p> <p>Key strategic partners moved to renewable energy (main fabric supplier Sampaio installed solar panels in 2020); Memteks installed solar panels at dye house in spring 2021 with goal to switch by 2022 to own solar energy.</p> <p>80% of transport done by truck and rail from ODLO Romania to Warehouse saving 40tons CO2 in 2020.</p> <p>Partnership with Climate Partner to assess Corporate Carbon Footprint.</p>	   
ENVIRONMENTAL & ANIMAL PROTECTION	 <p>Reduce environmental footprint of waste and pollution & ensure animal protection.</p>	<p>Reduction of water consumption and ensure 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: Created awareness among consumers & tackle 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>	<p>Key strategic partners implemented water reduction such as Memteks installed new dyeing machines which reduce water consumption by 1/5. Right Sports in India invested in vertical sustainable dye house with own closed loop wastewater treatment.</p> <p>Implemented ODLO Chemical Policy including MRSL and Packaging RSL requirements in May 2021.</p> <p>Analysis conducted to optimize and decrease material usage of our underwear boxes in June 2021.</p> <p>Awareness created on website, blog entry. Material testing postponed due to postponement of official test method; no action taken until now.</p> <p>In May 2021, ODLO supported brand letter of intent of 4 PAWS and was listed on their website #woolwithabutt for brands against mulesing. An evaluation of implementing RWS wool in future to increase certifications is currently under management review.</p>	    



ISSUE



SLIGHT DELAY



DELAY, ACTION NEEDED



ISSUE	GOAL	ACTIONS	STATUS - HIGHLIGHTS 20/21	STATUS
FAIR WORK	<p>Improve working conditions throughout supply chain partners.</p>	<p>Implementation and follow-up of FWF Code of Labour Practise throughout supply chain.</p> <p>Continue living wage program in own production and roll out best practises to key manufacturing partners.</p>	<p>Leader status for 6th consecutive year with score 90, best result achieved since joining FWF in 2008.</p> <p>Social dialogue training in Romania for worker representatives focusing on wage negotiations. Delay of living wage roll out due to pandemic.</p>	
CIRCULARITY	<p>Move towards a more circular business model.</p>	<p>Recycle post-production waste from own production.</p> <p>Take Back Program in ODLO stores taking responsibility of our products at end of life.</p> <p>Start implementing circular design approaches.</p>	<p>Possible recycling partners in Europe not yet on scalable level for production waste recycling, search for solutions continues.</p> <p>Take Back implemented in 30 out of 35 ODLO stores, low participation due to COVID19 related restrictions and store closures DACH for Dec -March 2021.</p> <p>One day workshop on Circular Economy by ETH Zürich for Product Creation Team in November 2020 as Kick Off for FW22.</p> <p>Analysis of Circular Business Models as part of newly created cross functional Sustainability Innovation Team.</p>	

ISSUE
 SLIGHT DELAY
 DELAY, ACTION NEEDED



HERE IS MORE BACKGROUND INFORMATION ON THE KEY RISK AREAS WE IDENTIFIED TO ADDRESS IN OUR GOALS:



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 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 contribute to this climate change. And materials matter like no other area 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. At the same time, energy use in manufacturing can be an important changemaker when switching to renewable sources. Logistics and the way our products are transported to our central warehouse or to the consumer contribute as well to our carbon footprint as a business.



ENVIRONMENTAL AND ANIMAL PROTECTION

Water consumption is high risk in the apparel industry as almost 100 billion cubic meters of water are used every year, representing 4% of global freshwater withdrawal. In addition, 20% of the world's industrial wastewater pollution originates from our industry.² These figures demonstrate the importance of taking action in regard to water and wastewater, something we are working on with our Tier 2 partners. Water pollution is also linked to the risk of microplastics from synthetic fibres. An estimated 200 thousand tons of microplastics have already accumulate on the seafloor causing marine pollution. Yet, much is still unknown, and while research on microfibres continues by focusing fabric production and onsite wastewater treatment as well as consumer awareness in their use, there are various other areas where we will launch our efforts.

Chemical management is another key impact area because chemicals are needed to create high performance sportswear. As these chemicals may harm the environment and human health, vital to this effort is effective chemical management aiming for zero hazardous chemicals along the supply chain.

Producing sportswear apparel means producing a tremendous amount of packaging, both to protect garments during transportation as well as for marketing products. Unfortunately, the majority of all this packaging is single use. This creates far too much waste, something we at ODLO are dedicated to consciously reduce within the next 2-10 years.

Animal welfare is at risk in the apparel industry due to inappropriate practises such as mulesing of sheep or the live plucking of ducks and geese for their down feathers. We place incredible importance on considering animal welfare risk in our product supply chain and purchasing practises. Because of our concerns, ODLO monitors and traces all our animal based raw materials (wool and down) through industry standards (Reports by the Australian wool testing authority, Duntrack Navarpluma).



FAIR WORK

Manufacturing clothes is very labour-intensive. The apparel industry employs 75 million people worldwide, with 80% being women. People making our clothes might face human rights violations, ranging 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 member of the Fair Wear Foundation, continuous monitoring and remediation standards are the guide our strategy on social responsibility.



CIRCULARITY

We live in a linear economy and as such, we use up finite resources in our take, make, use, dispose approach. This linear model is unsustainable in business and demands urgent 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 towards circularity by starting simultaneously in various stages across the supply chain: from recycling production waste within our own manufacturing, to implementing circular design approaches at the very beginning of product creation and even launching a take-back program at the product's end-of-life. Considering that our current model is far from perfect, this will be a long but very exciting journey for us.

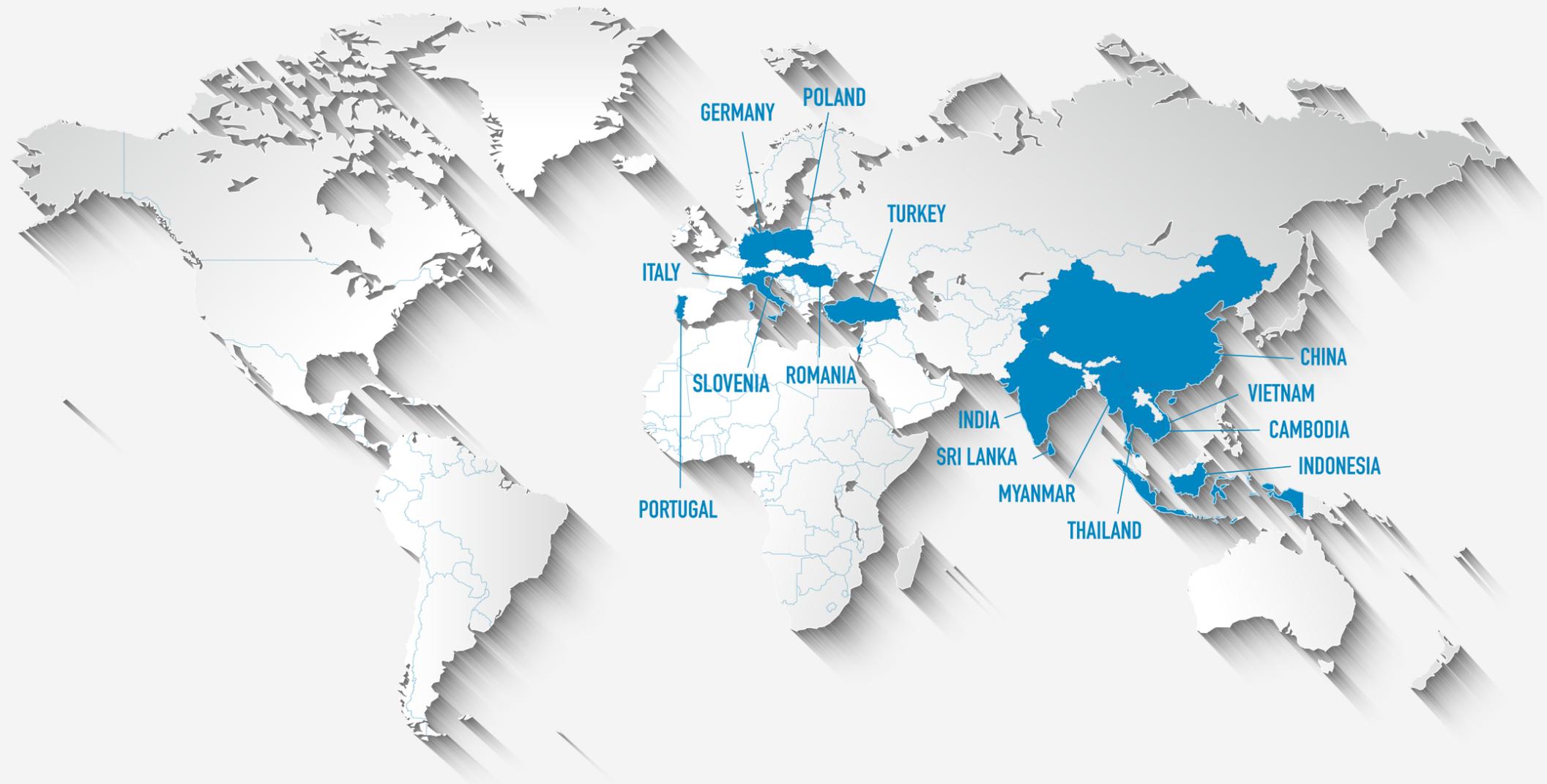


² EllenMacArthur, A new textiles economy : Redesigning fashion's future, 2017

SOCIAL RESPONSIBILITY



WORLD OF MANUFACTURING



Our products are sewn in 15 different countries all over the world (Asia + Europe)

2020/21

DURATION OF MANUFACTURER PARTNERSHIP

One of our key sourcing principles is long-term relationships. To create great products, expertise and time are needed.

(By a total of 25 suppliers (excluding subsidiaries))

0-2 years	0 partners	0%
3-5 years	10 partners	40%
6-10 years	9 partners	36%
10+ years	6 partners	24%

2019/20

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

2018/19

DURATION OF MANUFACTURER'S PARTNERSHIP

(By a total of 24 main contractors (excl. subsidiaries))

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

We have 25 partners with whom we work for a total of 52 sewing facilities (which range from factory owned facilities to external subcontractors supporting the partner in expanding their capacity). In total, these 25 partners collaborate with 16 external facilities for other production processes (printing and dyeing).



EUROPE

COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES (manufacturer excl. subsidiaries)	VALUE %	VOLUME %
Portugal	1	6%	8%
Romania	1	32.2%	38.3%
TOTAL (own production Europe)	2	38.2%	46.3%
Germany	1	0.1%	0.2%
Italy	3	1.4%	4,6%
Poland	1	0.2%	0.2%
Romania	1	2.7%	1.2%
TOTAL (Europe)	6	4.5%	6.2%
TOTAL EUROPE (own and external partners)	8	42.7%	52.7%

ASIA

COUNTRY OF PRODUCTION	NUMBER OF PRODUCTION SITES (manufacturer excl. subsidiaries)	VALUE %	VOLUME %
Cambodia	1	0,5%	0,7%
China	4	0,7%	1,4%
India	1	1,1%	0,9%
Indonesia	1	0,5%	0,4%
Myanmar	1	1,8%	1,4%
Sri Lanka	3	18,3%	16,8%
Thailand	2	6,8%	6,5%
Turkey	2	8,5%	8,9%
Vietnam	2	19,0%	10,3%
TOTAL (Asia)	17	57,3%	47,3%

(reporting from 1st July 2020 – 30th June 2021)

MANUFACTURER LIST

ODLO is proud to disclose its contracted manufacturers. The list contains the addresses of the main contractors and, where applicable, the primary production sites of any subsidiaries. The full list can be found on odlo.com.

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 DSK, Jl. Soekarno Hatta KM. 25 Ds. Wujil Kec. Bergas, 50552 Ungaran, Semarang
Cifra SPA	Italy	Via Sabbionette 7, 20843 Verano Brianza (MB), Lombardia
Cottontex SRL	Romania	Calea Buziasului Nr. 18, 300571 Timisoara
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



SUPPLIER NAME	COUNTRY	ADDRESS
Bodyline Pvt Ltd.	Sri Lanka	Ratnapura Road, Gurugoda, Horana Kalawallawa Road, Pimbura, Agalawaththa
MAS Active (Pvt) Limited - Linea Intimo & Kreed 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.s.	Turkey	Cihangir Mh. Ord.Prf.Dr.Ali Fuat Başgil Cd. No:20/1 Avcilar, Istanbul
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

SOURCING STRATEGY

ODLO SOURCING IS BASED ON A DUAL-PRINCIPLE STRATEGY. THIS SYSTEM ALLOWS US TO COVER A 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 facilities.

PRINCIPLE 2: LONG-TERM PARTNERSHIPS

ODLO aims to build and maintain long-term partnerships with a small number of manufacturers and prefers to keep this portfolio limited. Together with early involvement of the manufacturer in the product development process, our sourcing strategy enables these partnering manufacturers to plan for the long term, thereby increasing their own stability and job security.

PRODUCTION TRANSPARENCY

ODLO strives for full production transparency and therefore manufacturers are required to disclose all production sites. Subcontracting is only permitted by pre-notification and is analysed by the sourcing team on a case-by-case basis. ODLO lists those subcontractor exceptions within its supplier register so they are included in the CSR management system each step of the way.

PRICING POLICY

ODLO calculates its prices using the “open costing” principle. This means that the cost price is calculated individually for each product, listing costs for materials, labour, and overhead and the profit margin. Prices are then negotiated directly with manufacturers.

SELECTION OF NEW MANUFACTURER

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

- (1) Analyse procurement spending, supplier performance and company strategy
- (2) Assess supplier marketplace, country specific risks, and supplier specific risks
- (3) Conduct supplier survey
- (4) Create strategy to help us achieve our goals
- (5) Assess all possible suppliers according to the following criteria:
Cost / CSR / Lead-time / Quality / Reliability / Fit
- (6) Select supplier
Proposal and final decision is made by Supply Chain Director
- (7) Communicate to new supplier and begin planning first season

ORGANISATION – SOURCING & SUSTAINABILITY

ODLO positions sustainability where the biggest impact lies – in sourcing. The Sustainability Manager reports to the Supply Chain Management Director. This is to ensure that sustainability is fully integrated with the corporate strategy and monitored by the Senior Management Team.

CEO	SUPPLY CHAIN MANAGEMENT DIRECTOR	SUSTAINABILITY MANAGER
Knut Are Høgberg	Daniel Mulvie	Julia Krämer



SOCIAL MONITORING & IMPROVEMENT PROCESS

An important component to implementing the Supplier Code of Conduct is monitoring. ODLO follows FWF's verification system, a multi-level approach spread across three levels: management audits of brand (Brand Performance Check), factory audits, and complaints procedure. These verifications are all conducted by FWF acting as a third-party organisation.

THE ODLO SUPPLIER CODE OF CONDUCT

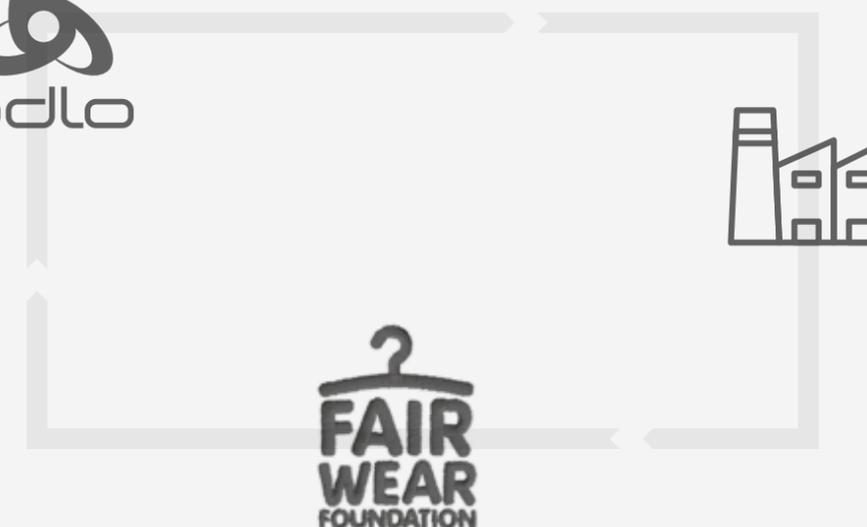
All manufacturers are required to sign the ODLO Supplier Code of Conduct, the foundation of all social monitoring measures. In signing this Code of Conduct, manufacturers agree on the labour practices and that they are prepared to implement all necessary measures within their organization to fulfil them.

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 therefore guides ODLO's purchasing practises. This process includes integration of FWF's rules on high and low risk countries. Regular visits by ODLO staff ensure better visibility on the ground, to follow up on audit findings and to strengthen the relationship.

SOCIAL AUDIT & CORRECTIVE ACTION PLAN

A FWF audit reviews the social standards of the manufacturing sites. Conducted by local FWF teams, the methodology is applied to all countries. To get an insight of the organisation, auditors conduct worker interviews offsite before the factory visit. During the factory visit, auditors interview management and workers, inspect applicable documents, and then execute a visual inspection of the factory site. The results are delivered to ODLO in an audit report and a corrective action plan. Both documents are then shared and regularly followed up with the manufacturer – all of which aims to continuously improve working conditions.



FWF COMPLAINT PROCEDURE

By establishing designated people to handle local complaints in countries where FWF is active, factory workers making products for ODLO can safely and fairly seek redress for violations of the Code. In all production sites, ODLO ensures that an information sheet is posted in plain site outlining the labour rights listed and includes the phone number of the local designated complaint handler.

FWF TRAININGS (WEP)

How can workers and management speak with each other and together resolve problems? FWF's Worker Education Programmes (WEP) Basic is a short, targeted, onsite session during which workers are trained to recognise violations of their rights, and to resolve them constructively. In this same training, management is supported to develop healthy internal structures that reduce conflict. FWF also offers additional training modules that support factory-level transformative processes related to human rights, such as WEP Communications or Factory Dialogue.

BRAND PERFORMANCE CHECK

Each year, FWF visits ODLO headquarters to verify systems and their effectiveness on how the FWF Code of Labour Practices is being implemented by internal management systems to support good workplace conditions at manufacturers.



COVID19 DUE DILIGENCE

This last business year, 2020/21, was highly impacted by the pandemic. Most of our South East Asian suppliers were not severely affected during the first wave of the pandemic, in 2019/20, while many countries were hard hit in the second and third wave. All the same, the effects of the economic downturn and global decrease in orders were felt by almost all of them.

The ongoing and volatile dynamic of the situation all over the world made it and continues to make it very important to regularly keep in close contact with our supply chain partners. Because of this, ODLO continues to follow up with all 25 production partners on a monthly and bimonthly base with the COVID19 status reports.

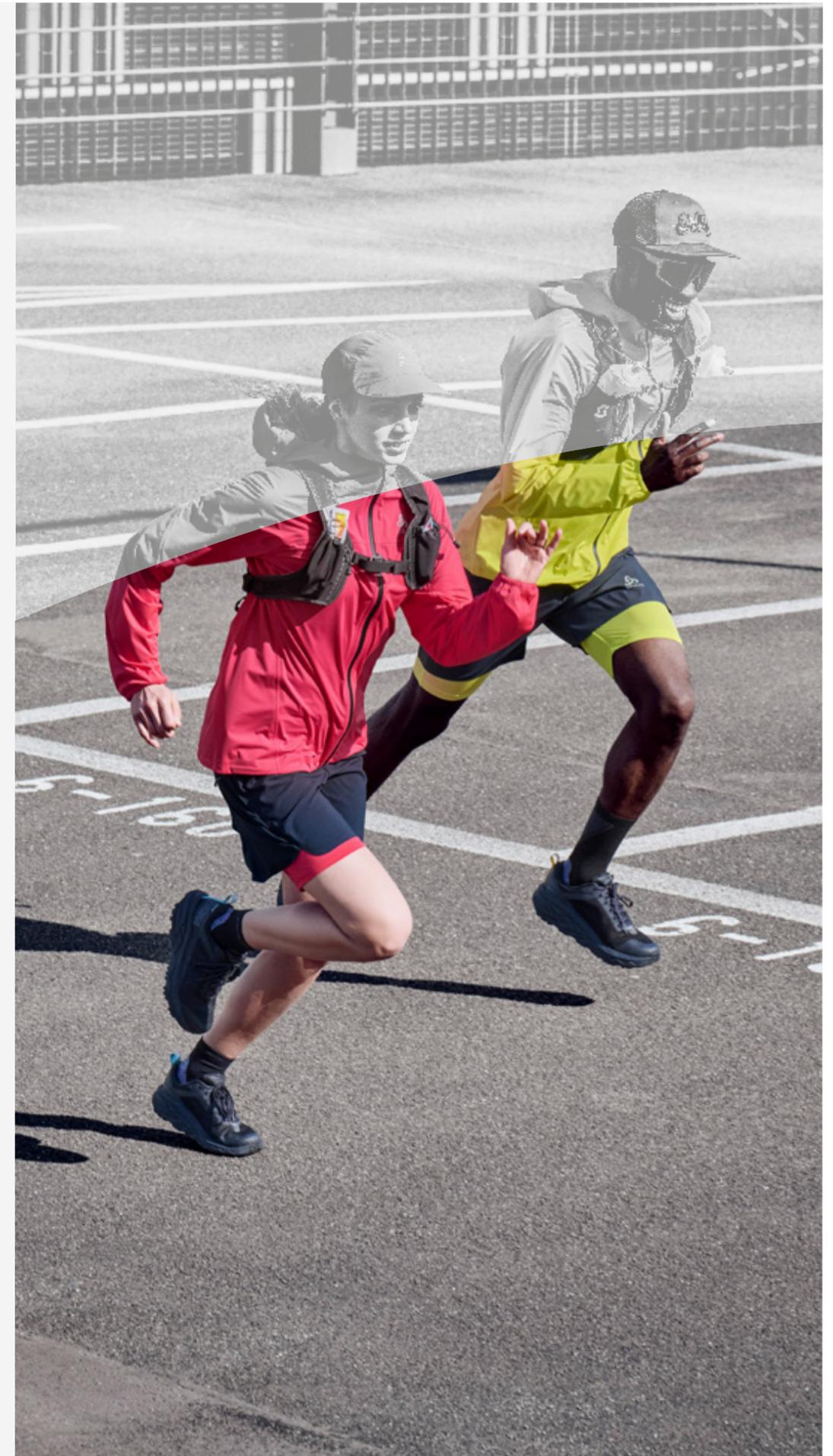
THE COVID19 STATUS REPORT FOCUSES ON 6 AREAS:

AREA	CONTENT
1 Occupational Health & Safety	What are the latest local COVID19 measures and are they being implemented?
2 Employment	Where are workers being suspended? (temporary/long-term)
3 Payment of Wages	Are wages being paid in full and on time? (also in case of suspension)
4 Working Hours	Was excessive overtime occurring?
5 Freedom of Association / Access to grievance mechanisms	Is social dialogue taking place? Is the Fair Wear Complaints Hotline posted?
6 Available Capacity	How is production flow being affected?

Any findings detected through these reports are followed up and remediated in coordination with the production partners.

The results of the COVID19 status reports were delivered to the entire Supply Chain Management Team to ensure that all team members have the latest updates from all suppliers.

This pandemic affects all of us, and ODLO recognizes the unprecedented impact of the COVID-19 global pandemic on our supply chain and our workers. Therefore, especially in these times of crisis, we uphold our responsibility towards the garment workers producing our clothes. We worked closely on a case-by case basis with each production partner. In fulfilling our responsible purchasing practices, all ODLO orders completed or in progress have been paid in full. ODLO did not request discounts on orders already delivered or in transit. Collaboratively, we are working with our partners through this extremely difficult and unsecure period to ensure fair working conditions.



MYANMAR DUE DILIGENCE

Fair Wear Foundation requires an enhanced monitoring programme for all members sourcing in Myanmar.

Since 2016, ODLO has been producing in Myanmar through one partner located in Yangon and its subsidiary company in Thailand where ODLO has also been producing since 2016. In regards to the enhanced monitoring programme, ODLO developed a special due diligence process that includes detailed reporting and documentation for high risk countries. The process for Myanmar involves 6 steps:

1. NO COOPERATION WITH SUPPLIERS CONNECTED TO THE MILITARY

This is a zero tolerance requirement by the Fair Wear Foundation. Our production partner in Myanmar is owned by an investor from Thailand and is not related to the military to any extent.

2. ENHANCED DUE DILIGENCE

A detailed country fact sheet is prepared based on desktop research of publications by various international stakeholders. A checklist is completed during the first factory visit which includes a risk assessment based on visual inspection and interviews with factory management and workers. Risk areas that are assessed include: labour and working condition risks, environmental risks and community health, safety and security risks. Findings are reported in writing and include photographs.

3. YEARLY AUDIT

A yearly audit conducted by a third party, such as the Fair Wear Foundation, provides necessary insights and remediation. Corrective Action Plans are followed both via desktop as well as during annual visits (under normal circumstances).

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



4. TRANSPARENCY

Since 2016, we have published the name and address of our partner Sawbwa.

5. PROMOTE FREEDOM OF ASSOCIATION & SOCIAL DIALOGUE

In 2019, a WEP Communication training session was conducted at the supplier.

6. PUBLICATION OF WAGES & PAYMENT OF AT LEAST LEGAL MINIMUM WAGE, WORK TOWARDS LIVING WAGE

Due to the pandemic and the subsequent military coup, we were not able to continue our annual audit schedule. As such, our latest externally verified wage data is from 2019:

Additional support, and for better understanding of country development, is obtained through stakeholder dialogue and, where possible, through collaboration with other brands. This process launched in 2016, and since then, is continuously updated and documented.





ODLO STATEMENT ON THE CURRENT SITUATION IN MYANMAR

Since the beginning of the military coup, we have remained in close contact with our production partner in Myanmar and ensure that our activities do not contribute to violations of human rights or are in direct association with the military. Our principles and values also include freedom of expression, freedom of association and the right to strike, as well as permanent improvement in working and production conditions for the people. The factory is shared with another FWF member and together we maintained weekly or biweekly follow up with factory management. In addition, with the help of the Fair Wear Team and other Fair Wear brands, we received regular general updates on the situation in Myanmar. Thanks to this collaboration, we were able to evaluate if workers could safely work, whether they were paid on time and in full for their work, and ensure that there was no interference with their wider rights.

Because of this, we support the current demands of the Fair Wear Foundation and the Clean Clothes Campaign.

At the end of March 2021 we received a request from our production partner to move orders to their other production facility, a location that had already produced for ODLO in Thailand. The primary reason for this transfer was due to the extreme delay in materials caused by extended clearance times in customs processing. FW21 was moved completely to Thailand and after internal review and discussions with our production partner, we have determined that all future orders will remain in Thailand. As shown in the production volume figures for 20/21 and previous years, Myanmar remained at the tail end of our production volume. In addition, we had small leverage at the production facility in Myanmar.

OVERVIEW OF MONITORING ACTIVITIES (AUDIT RESULTS & TRAININGS)

Business year 20/21 burdened us with travel restrictions which limited our ability to conduct audits. At the same time, in cases where audit would have been possible, we decided to ease the additional cost of audit fatigue because of the pandemic, which led us to further extend our acceptance of third party audits outside of the already approved Better Work, SA8000, WRAP and SLCP audits. There were eight productions audited in 2020/21, either as part of their ongoing audit cycle or because they were new suppliers. The planned annual audit in Myanmar was initially postponed due to COVID19 and later cancelled due to the severe situation of the military coup.

In total, we were able to conduct five trainings at our supplier. Four of these were advanced trainings which support factory-level transformative processes, such as 4 Module WEP Communications, and one was a Fair Wear training session. Because of the pandemic, one WEP Basic training in Turkey had to be postponed to 2021/22.

Furthermore, our usual factory visits were also severely impacted by pandemic related restrictions. We were only able to visit our own production in Romania, and our China based QC team was able to visit our Chinese suppliers.

	SOCIAL AUDIT	TRAININGS	COMPLAINTS
July 20			
August 20			
September 20	13213 6115		
October 20	8529 11430		
November 20	15310	8529 7371 10014	
December 20	2963 3919		
January 21			
February 21			
March 21	13210		
April 21			145
May 21		145	
June 21		145	

(Numbers are referring to FWF Factory ID)

The following sections summarize monitoring and improvement clustered by production country and outline audit findings into specific country risk context. As such, only countries where audits and trainings have been conducted in 2020/21 are highlighted.

ROMANIA

Romania as a garment manufacturing country with long tradition supports the European apparel market by short lead times and established infrastructure. Still, fair labour conditions must be monitored and verified onsite because of low wage levels and overtime due to labour shortage.

Country Specific Risks

- Textile industry is known for paying low wages
- Shortage of labour force (especially young people) due to low payment
- Unfair labour conditions are common, such as short-time contracts, overtime practices, or unhealthy workplace conditions
- Lack of strong unions

No Audits Conducted in 2020/21

Trainings

- 145 ODLO Romania WEP Basic (FWF)
- 145 ODLO Romania Worker Representatives- Social Dialogue Training Part I (Syndex)

VIETNAM

Vietnam is a promising production place for the global garment industry. Nevertheless, it is a fact that workers are restricted by law. This must be taken into consideration and be carefully analysed when choosing a new partner/factory as much depends on the company's efforts. The change of legal overtime limits in January 2021 caused potential additional risks.

Country Specific Risks

- Workers are limited by law in their rights to organise
- Collective wage agreements are imposed top-down
- Excessive overtime for factory workers, legal limit increased in 2021
- Higher product costs expected in future, due to increased wages

Audits Conducted in 2020/21

- 3919 Shints-BVT Co. Ltd. (FWF Audit)
- 8529 Viet Sun (SA8000)

Primary Findings

- Excessive overtime
- Health and safety: eg. expired security and safety trainings
- Freedom of Association: Communication focused on CBA and FoA should be improved

Remediation Status

- 3919 Shints-BVT Co. Ltd. (CAP* partly closed)
- 8529 Viet Sun (CAP closed, noncompliance, follow up audit)

Trainings

- 8529 Viet Duc WEP Communication Vietnam (FWF)
- 7371 Shints TM WEP Communication Vietnam (FWF)
- 10014 Shints TN WEP Communication Vietnam (FWF)



TURKEY

Turkey is the 3rd largest supplier country for Europe in textile and apparel. It offers a well-established industry with short lead-times to the buyers. Nevertheless, factories must be critically checked to prevent common risks such as freedom of expression, registered employment and excessive overtime.

Country Specific Risks

- Almost 60% of the total workforce in this industry is unregistered, and is expected to increase because of Syrian refugees being employed without contracts.
- Critical situation and limitations on unionisation of the workers, restricted freedom of expression.
- Small and medium-sized factories with a wide sub-contractor chain dominate the country's industry.
- Excessive overtime reported.

Audits Conducted in 2020/21

- 13210 Konc (BSCI Audit - SGS).

Primary Findings

- Missing worker involvement in social compliance target settings.
- Elected worker representatives with management positions.
- Health & Safety (Missing earthquake certificate, missing safety covers on machinery).

Remediation Status

- 13210 Konc (CAP almost closed).

Trainings

Planned WEP Basic at 8383 Memteks was postponed by FWF to 2021/22 due COVID19 restrictions.

THAILAND

Country Specific Risks

- Excessive overtime.
- Burmese migrant workers high risk of paying excessive hiring fees to agencies.
- High risk of migrant workers becoming dependent to employer.
- Living wages (Common wages calculated on piece rate).
- Health and Safety.

Audits Conducted in 2020/21

- 2963 VT Garment (Fair Trade USA - Elevate).

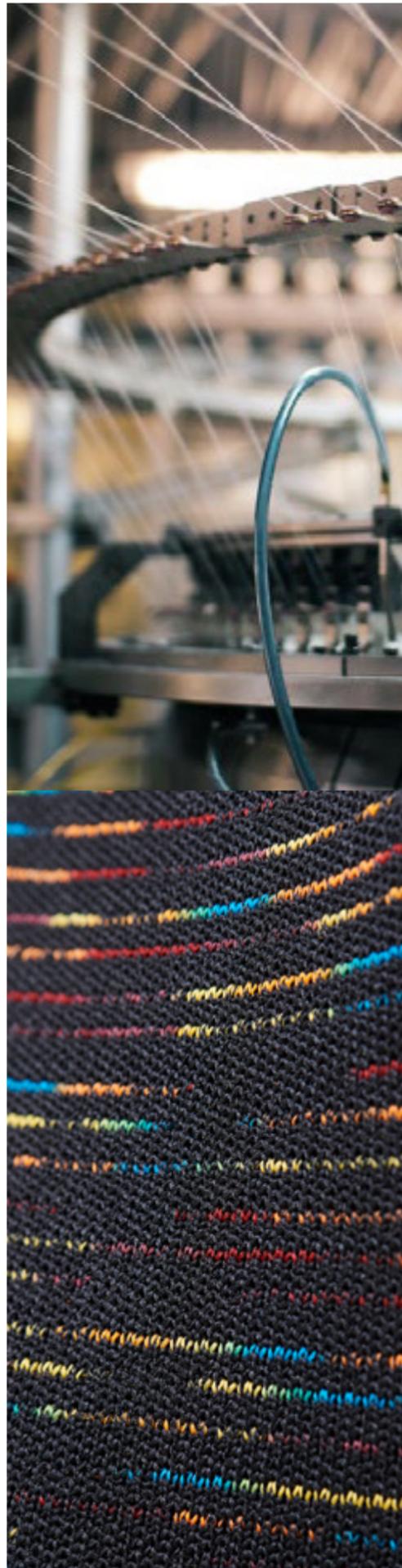
Primary Findings

- Burmese migrant workers paid passport fee themselves.
- Missing PPE (ear plugs in embroidery section).
- Missing official tests of cargo lift lading capacity.
- Automatic alarm system did not include office building and accessories storage.

Remediation

- 2963 VT Garment (CAP closed).

No Trainings in 2020/21



CAMBODIA

Cambodia's garment and textile industry is growing rapidly and is by far the biggest one in the country. More than 90% of garment workers are women. "Better Factories Cambodia (BFC)" was the first ILO factory-monitoring program that included capacity building activities. Factories need to participate this program to receive an export license.

Country Specific Risks

- Cases have been reported of human rights violations such as anti-union discrimination, repeated use of short-term contracts, discrimination of pregnant or sick worker, and forced overtime
- Increased brand risk due to high observance by international organisation which demands greater transparency and monitoring
- Cambodia has a high corruption rate

Audits Conducted in 2020/21

- 11430 SEES (Better Work)

Primary Findings

Various Health and Safety Non-Compliances:

- Missing PPE (dust masks and gloves)
- Missing training for substitute air compressor operator (delayed training due to COVID19)
- Escape routes blocked by fabric piles in one sewing line

Remediation Status

- 11430 SEES Better Work (closed other than one finding pending due to COVID19)

No Trainings in 2020/21

INDONESIA

Indonesia is a promising production place and among the top 15 global garment exporters. A free trade agreement (EFTA) is under negotiation. All the same, factories must be critically checked against common risks such as excessive overtime, legally binding employment contracts, occupational health and safety, and gender-specific discrimination. In addition, the omnibus laws, newly introduced in 2020, bring additional risks for worker's rights in Indonesia.

Country Specific Risks

- Increased use of short-term contracts
- Excessive overtime
- Occupational health and safety continue to be a major problem in the Indonesian garment industry
- Gender based discrimination at home (Gender Inequality Index 103)
- Increasing income inequality (Gini ratio 41 of 100)

Audits Conducted in 2020/21

- 15310 PT DSK (BSCI Audit)

Primary Findings

- Wages below legal minimum IDR 89.000 / months (in February fewer working days therefore lower wages; July, August, October, December significantly higher wages; on a yearly basis, legal minimum wage for all workers)
- Fixed term contracts
- Freedom of Association (No regular monthly meetings of worker representatives)
- Insufficient grievance mechanism (dedicated personnel needed, process timeline missing)
- Health and Safety (missing chemical trainings, missing safety gloves for cutting)

Remediation Status

- 15310 PT DSK (CAP closed)

No Trainings in 2020/21



CHINA

Country Specific Risks

- Forced labour
- Excessive overtime
- Limitation of Freedom of Association
- Living wages (Common wages calculated on piece rate)
- Health and Safety

Audits Conducted in 2020/21

- 6115 Madison (BSCI)
- 13213 Prima (AECOM)

Primary Findings

- Living wages (Annual living wage analysis not missing)
- Excessive overtime (exceeding legal limits of max 60h OT/month)
- Expired Safety Management Training (One Safety Production Manager)

Remediation Status

- 6115 Madison (partially open)
- 13213 Prima (partially open)

No Trainings in 2020/21

COMPLAINTS PROCEDURE

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

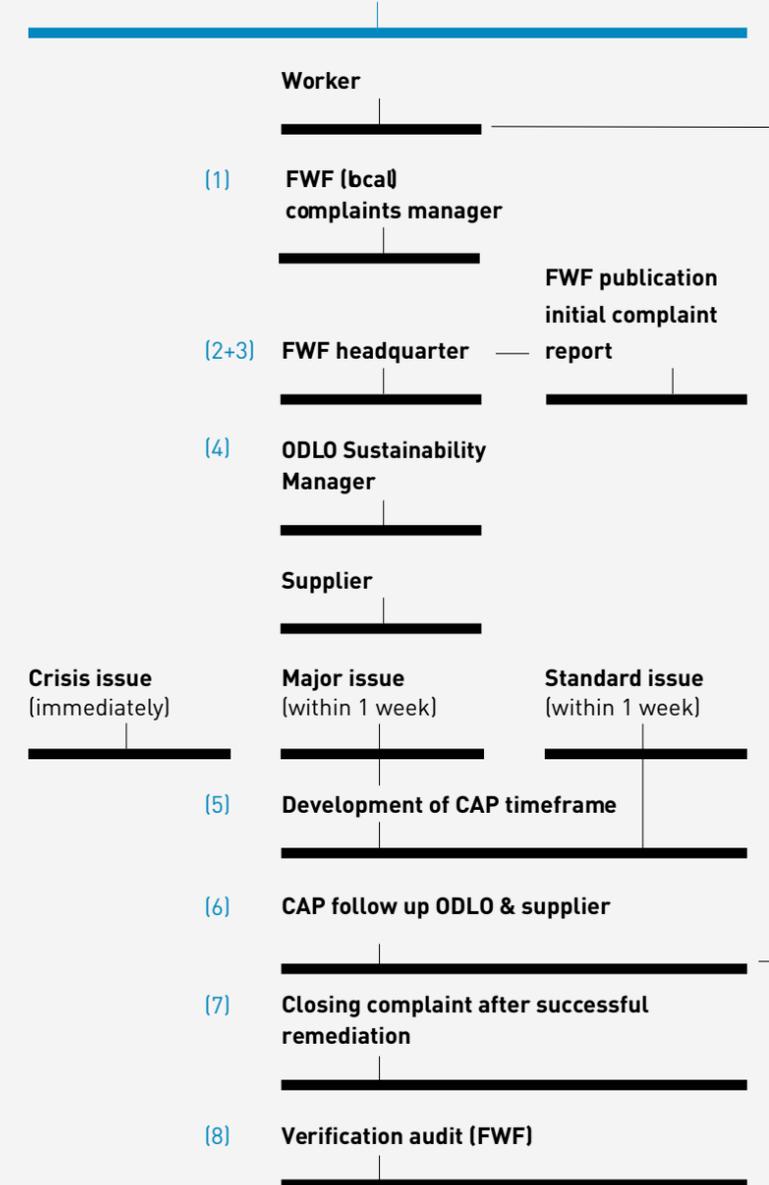
- (1) Complaint is received by the FWF complaints handler or other FWF representative.
- (2) Complaint is reviewed by FWF for admissibility.
- (3) FWF investigates complaint and informs ODLO.
- (4) ODLO informs supplier and checks on background information.
- (5) Corrective action is decided in collaboration with applicable factory management, member company, complainant, and any other relevant stakeholders.
- (6) Implementation of corrective action is monitored by ODLO and other FWF affiliates, where 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.

This chart summarizes the complaint process. The example shows a worker as complainant, as this is the most common form. Other complainants can be: Trade Unions, NGOs, employer organisations, etc. More information can be found in the 2019 updated FWF Complaints Procedure Manual.

During the last business year 2020/21, one new complaint was reported via the FairWear complaint hotline and came from factory management at one of our production partners.

WORKER INFORMATION SHEET (FWF complaint number)





FACTORY 145 (SUBCONTRACTOR ODLO ROMANIA) – COMPLAINT 997 (LIVING WAGES)

The complainant is a factory manager of a subcontracting company of a member brand who complained about the recent price decrease after a 20-year working relationship with the supplier. According to the complainant, this was done without considering the real production costs as the plan does not cover the expenses they incur. It was not possible for the complainant to negotiate the price as the price was proposed as an ultimatum and the complainant was in fear of losing work.

8 MARCH 2021 INVESTIGATION CONCLUSION

During the investigation, difficulties arose in assessing whether this complaint was grounded or not. Due to the sensitivity of the information shared by the member brand and the subcontractor regarding the business relationship, some of the information obtained during the investigation was treated as highly confidential. Upon termination of the investigation, the following conclusions were made:

- The member brand reserves the right to believe that the reason leading to price decrease is fully legitimate and that the recently established relationship with the subcontractor would contribute to better and fairer purchasing practices. According to the member brand, the new offer and proposed new collaboration's direction did not imply the intention to end the business relationship with the subcontractor, but instead to contribute to a more efficient and transparent way of working for both sides.
- The decision to close down the factory was made by the factory owner after the new contract with decreased prices was offered by ODLO International. The factory did not timely communicate this decision to the member brand.
- Based on ODLO International financial calculations, it appears that the subcontractor is financially capable to pay the redundancy fee on its own for workers losing their jobs.
- An ODLO International owned factory, located in the same area, is offering employment opportunities to the workers who will lose their jobs due to factory closure of the subcontracting company. Workers can freely apply to the open call and be hired without consequences.

12 MARCH 2021 REMEDIATION

We recommended to the subcontractor and ODLO International that direct communication is ensured between the parties and that the best solution would be to figure out how to pay worker's wages during the 2 weeks' notice period. We also provided advice on how to manage preventing job losses, so that opportunities to hire workers in other positions are available to all workers who would lose employment due to factory closure. ODLO International is considering undertaking additional efforts in communicating the offer for dismissed workers to be recruited to another ODLO owned factory in the same area. ODLO International is exploring further options around payment of invoiced prices for produced orders. Because of this, the foundation for newly offered prices was made according to calculations that exclude any costs that were not realized or are no longer applicable.

19 MARCH 2021 VERIFICATION

A phone interview with the complainant was conducted to assess the progress of the complaint. The following outcome was verified by the complainant: A meeting between ODLO International factory and the subcontractor (the complainant) was held, and the disputed issues were discussed. ODLO International agreed to pay the outstanding invoice for manufactured products according to the prices established prior to the reduction. Minutes from the meeting were recorded, and both partners amiably concluded the case and related issues. Factory management paid the wages to all of the workers, including the 2-week notice period. The subcontractor did not support ODLO International in employing its workers. Dissatisfied with the situation, the subcontractor delegated the decision to its former employees. However, the subcontractor stated that, until March, out of 43 workers, 12 of the workers who lost their jobs due to the factory closure were employed at the ODLO International owned factory. Some of the workers were employed in other textile factories in the area and about 10 of the workers who lost their jobs are still not employed, mainly due to their lack of sewing skills, as explained by the factory manager. The complainant did not believe that they could have found other buyers, as there would have been the risk of losing more money in the process of searching and testing new brands. They decided that the entire company would not be officially closed down, only its textile production; and that the subcontractor would rent out the space for commercial use. Finally, we contacted some of the workers to verify that wages during the notice period were paid, and we verified the number of workers re-employed in the ODLO International owned factory.



LIVING WAGES

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

As result of this analysis, the report calculated a living wage gap and recommended to ODLO that it implement a "bridge the living wage gap" strategy for its production facility in Romania. After publication of the report, an implementation plan was created, and launched in January 2018. In July 2018, ODLO also joined the Fair Wear Foundation's Living Wage Incubator, a community of 17 FWF member brands that acts as a platform for the exchange of expert advice, knowledge and experience. The main take-away of the first incubator was to strengthen worker involvement in the process of wage increases towards a living wage. In 2020, we reported on our achieving 100% of the work force reaching the set target wage. Since that time, there have been further increases in base wages as well as other benefits, such as daily meal tickets. Furthermore, an additional bonus system related to production is on schedule to be introduced during the second half of 2021.

Even with all of this, we remain cognizant that there is still much more work to be done. Committing to living wages means to continuously reevaluate and increase the target wage ensuring that worker voices are included in this process. Therefore, together with Fair Wear, we decided that as a next step, worker involvement is key. In 2019, we organized a customized capacity building training to be conducted by a local third party which would support worker representatives in their roles. Analysing the progress in CBA negotiations in 2020, we concluded that the training did not bring the aspired outcome. One reason for this was due to factory management. For this reason, we once again partnered with Fair Wear to create a comprehensive training outline consisting of a 5-step approach:

1. WEP Basic for Workforce to raise awareness on COLP by Fair Wear
2. Training on Social Dialogue for Worker Representatives by Syndex
3. Training on Social Dialogue for Factory Management by Fair Wear
4. Follow Up Visit Fair Wear / Remediated session worker representatives
5. Fair Wear Audit

One important lesson we learned from our first training was that roles and responsibilities at ODLO International and at ODLO Romania needed to be clearly defined and there needed to be an outline of the actions to be conducted before each of the 5 steps as well as follow up actions following the 5 steps and information on monitoring progress.

Objectives of Worker Representatives Trainings were:

- Improve social dialogue at company level between worker representatives and management.
- Improve functioning of the worker representative body and its organizational skills.
- Improve communications skills for better communication between worker representatives and workers and between worker representatives and management.
- Build confidence and teamwork among members of the worker representative body.
- Stimulate initiatives to improve collective agreement bargaining.

These objectives were translated into key subjects of the one-day training:

- Update of legislative framework regarding social dialogue at country level. Benefits of a strong and continuous social dialogue.
- Organization of worker representatives before and during collective negotiations.
- Communication techniques before and during collective negotiations.
- Basic principles on remuneration, bonuses, and decent living wages. Examples from ODLO Romania study on living wages from 2017.

The main take-aways and improvement points from the training were:

- Worker representatives are keen on being a competent partner in social dialogue and are eager to learn new skills.
- Worker representatives need an officially designated meeting room and schedule to meet on a regular basis outside monthly meetings with management.
- The new bonus system and its calculation were not clear to the worker representatives and need further explanations and examples.
- Mistrust in the interaction with parts of management were still reported and given as reason of reluctance in two-way dialogue.

ODLO Romania management acknowledged above points and took immediate remediation actions.

We are convinced that we are on the right track in our own production in Romania, but we are also aware that there is still a long way to go, especially when considering all of our production partners. Throughout the supply chain, every year we review the wage levels with existing local living wage benchmarks. To ensure high impact, we consider overall partnerships as well as our leverage and identified strategic partners to prioritize collaborative efforts in tackling living wages.

BRAND PERFORMANCE CHECK 2020

The indicator-based Brand Performance Check was held by FWF at ODLO headquarters in November 2020. This report is published in full detail on ODLO's website and contains summarized findings based on interviews with ODLO employees who play an important role in the management of supply chains, as well as detailed analysis of various documentation sources, financial records, and supplier data.

SCORING OVERVIEW FROM LAST BRAND PERFORMANCE CHECK

% of own production under monitoring	87%
Benchmarking score	90
Category	Leader

FWF states that ODLO has shown advanced results on performance indicators, resulting in a benchmarking score of 90. With 87% of its own production under monitoring, ODLO meets the monitoring threshold required for members beyond the third year of membership. However, this is below the required 90% to maintain 'Leader' status. That being said, due to Covid-19 restrictions, not all planned audits could take place. Therefore, Fair Wear has used its discretionary power to maintain ODLO's 'Leader' status.

The past financial year was difficult for ODLO. The company was for sale, which posed additional challenges in securing a government Covid-19 loan. In addition, wholesale customers sent letters informing that they would not be able to pay on time, and the company still had outstanding debts. All in all, there was not enough cashflow to pay suppliers on time. Because of this, the company picked up the phone, explained the situation, and set up a payment plan with all suppliers. Each of these suppliers required ODLO to provide a week-to-week update on the situation and the payment plan. In the end, all suppliers were paid in full without any discounts. ODLO is still working with the same production locations and actually feels this process has strengthened these business relationships.

To manage any risks related to Covid-19, ODLO kept in regular contact with all production locations. The brand used a standard format for these interactions, based on information from Fair Wear and other sources that identified main risks. Each call and email exchange covered an update on health and safety issues, proof that the Worker Information Sheet was still visible, and whether the factory was experiencing any problems regarding wages and freedom of association. When problems were identified, ODLO helped remediate through sharing information on possible government support and by aligning internal processes to reduce pressure.

ODLO was able to raise wages in its own facility in Romania to meet its target wage. As this wage had been under discussion, the brand also used the past financial year to identify costs related to further raising wages.



ENVIRONMENTAL RESPONSIBILITY



ENVIRONMENTAL MONITORING



What is the Higg Index?

The Higg Index is a suite of tools for the standardized measurement of value chain sustainability, and it is central to the SAC's mission to transform businesses for exponential impact. Learn about the five core Higg Index tools and how they empower consumer goods, brands, retailers, and manufacturers to drive collective industry transformation.

HIGG FACILITY ENVIRONMENTAL MODULE (FEM)

To ensure our environmental monitoring across the supply chain, ODLO is using the Higg FEM (Facility Environmental Module).

What is the FEM?

- The Higg FEM is a sustainability assessment tool that standardizes how facilities measure and evaluate their environmental performance, year over year.
- This enables brands, manufacturers, and retailers to make improvements that reduce negative sustainability impacts.

Benefits of Using Higg FEM

- Relieves audit-fatigue.
- Standardizes how facilities measure and evaluate environmental performance.
- Enables rapid learning through identification of sustainability hot spots, existing level of performance and improvement opportunities.
- Catalyzes sustainability education and collaboration.
- It is the leading industry tool.

THE HIGG FEM ASSESSES 8 ENVIRONMENTAL IMPACT AREAS



Environmental management systems



Energy use



Greenhouse gas emissions



Water use



Wastewater



Emissions to air (if applicable)



Waste management



Chemical use and management





How is ODLO using the Higg FEM?

As shown in the section regarding sustainability, ODLO sets clear goals to reduce the company's environmental impact and our supply chain partners play a key role in this ambition. We have set specific goals involving 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 where we have the largest potential for improvements. The Higg FEM gives us as SME great visibility regarding 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 industrywide adoption of the Higg FEM has increased significantly over the past five years. By leveraging the FEM tool to become 'THE' measurement in the industry, efficiency can be increased and much time and money can be saved which in turn can be redirected to real sustainability improvements.

Monitoring Highlights 2020 Cadence –TIERS 1 & 2

It was during this business year that ODLO reached out to all strategic Tier 1 and Tier 2 suppliers to continue the environmental monitoring journey by participating in the 2020 Higg Facility Environmental Module (FEM). Next to our own production facilities, a total of eight cut and sew and three seamless partners compiled the Higg FEM., representing 88% of our tier suppliers (based on order value). In 2020/21 we were able to maintain high monitoring by focusing consistently only on strategic partners. Ten of ODLO's main fabric suppliers have joined the environmental monitoring journey by dedicating time, effort, and expertise in completing the numerous questions of the FEM Beta module. This year, we had a slight decrease, by 4%, in the monitoring scope, though more than 74% of ODLO's fabric purchasing volume is covered through self-assessment. Still, we were able to roll out FEM in some of the external dyeing facilities of our fabric suppliers which is a great achievement. These 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 of Energy, Water and Wastewater, and Chemical Management in our analysis and individual follow ups.³ In our own production in Romania, we will verify FEM during this year so we can also report in detail on progress within the next reporting cycle.

³ Following SAC's transparency roadmap, ODLO is working on publishing more detailed data in future; most likely this will be the case for 2021/22 reporting according to the Higg FEM Beta Communication Guidelines

HIGG MATERIAL SUSTAINABILITY INDEX (MSI)

What is the Higg MSI?

- The Higg MSI is a cradle-to-gate material scoring tool using a life cycle assessment (LCA) approach.
- It is not intended to compare different materials to each other, such as trying to compare cotton to polyester, and it is not a comprehensive roster of 'good' or 'bad' materials.
- The tool features more than 80 example materials including all commonly used materials from cotton, to polyester, jute to metal.
- The environmental impact data powering the MSI is an open and transparent process, done through both data submissions from the industry and from credible life cycle assessment (LCA) databases.

Benefits of Using the Higg MSI

- Helps companies to compare their materials against others.
- Most advanced tool available for apples-to-apples comparison within similar materials categories. (eg. comparing conventional polyester with recycled polyester)
- Helps designers and product developers to make more sustainable choices during materials selection within the context of the functional considerations of their design.
- Credible and transparent data source, verified by independent consultants.
- It is the leading industry tool.

The key benefits are that it is scalable and actionable and is an industrywide shared data base which enables brands to use a common language.

THE HIGG MSI ASSESSES 5 ENVIRONMENTAL IMPACT AREAS

 **Global Warming Potential**

 **Nutrient Pollution in Water (Eutrophication)**

 **Water Scarcity**

 **Fossil Fuel Depletion**

 **Chemistry**

Want to find out more, watch this video

https://www.youtube.com/watch?v=pm3kSG_Z014&t=10s

With the release of the improved MSI tool in August 2020, it was internally decided to start the adoption using the 2020 Higg MSI. Together with our material team, we first focused on assessing our key materials which we changed from virgin to recycled materials. In our analysis, we focused on the Global Warming Potential. By adding our materials to the MSI tool, we were able to clearly see the benefits of using preferred materials such as recycled polyester, polyamide, and tencel. In the future, we plan to also use the MSI in the decision making process when choosing new materials for the season. For now, it helps us to analyse the carbon footprint of our materials.

Here is an example where we used the Higg MSI to assess the improvement on Global Warming Potential by replacing conventional polyester in our Active Warm base layer with mechanically recycled polyester from PET bottles. Here below is the data obtained from the MSI tool:

LYFE CYCLE IMPACT ASSESSMENT	5 / CK-13522 / 65243 A. Sampaio	5 / CK - 10084 / 55756 A. Sampaio
TOTAL IMPACT		
GLOBAL WARMING	13.6 (14.4 kg CO2 equivalent)	16.4 (17.4 kg CO2 equivalent)

The data shows that we were able to reduce our Global Warming Potential by 17%*

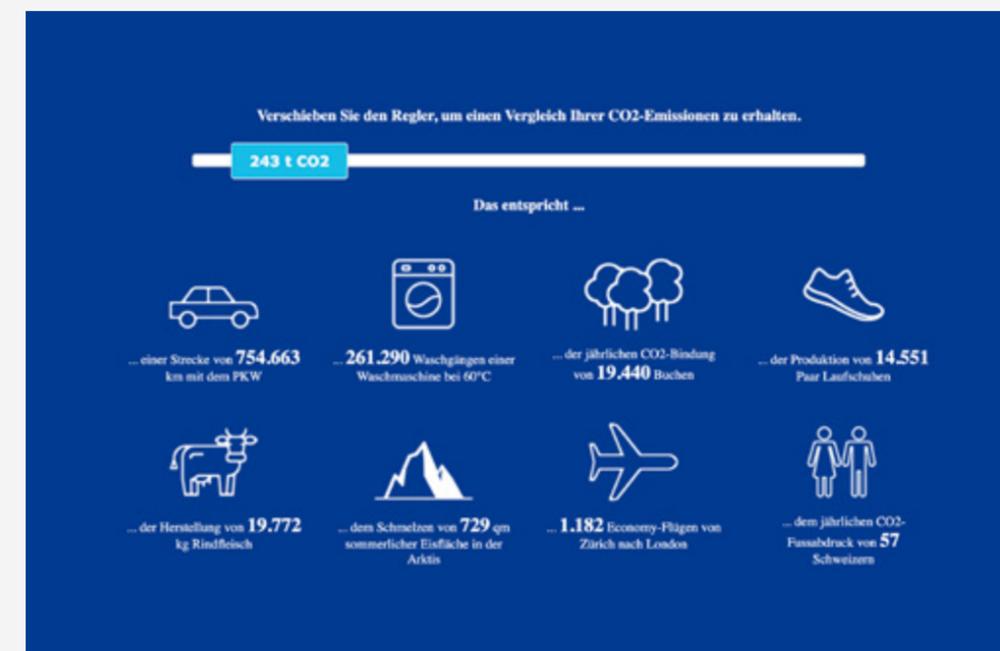
* Based on Higg MSI 3.1 data at Higg.org. Percentage reductions pertain to the raw material phase.



If we look at the total production data for FW21 in which we produced in total 81 tons of Active Warm Material, this means our 17% saving equals Co2e 243 tons CO2eq global warming savings.

In other measurements, this amount is equivalent to 18.8 lapses around the world (using Climatepartner CO² emissions calculator).

<https://ftp.climatepartner.com/static2/co2-vergleich/ch/html/>





HIGG BRAND AND RETAIL MODULE (BRM)

What is the Higg BRM?

- 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.
- From materials sourcing to a product's end of use, the Higg BRM assesses the following life cycle stages of a product as it goes through a company's operations, identifying sustainability risks and impacts:



Management System



Retail Stores



Product



Offices



Supply Chain



Transportation



Packaging



Distribution Centers



Use & End of Use

Benefits of Using the Higg BRM

- The Higg BRM provides a holistic picture of value chain sustainability. This helps brands and retailers create, align, and embed corporate responsibility strategies into department operations.
- Strategic areas for improvement can be identified and focused.
- The Higg BRM enables brands and retailers to create stronger corporate social responsibility strategies that improve the well-being of workers across the value chain, from product development to a product's end of use. By prioritizing employee well-being, companies support local communities, champion women in the workforce, and strengthen the global economy.
- Global standard for brands and retailers to measure and compare sustainability performance and identify common improvement areas.
- Enables sharing of sustainability information with key stakeholders,

THE HIGG BRM ASSESSES 11 ENVIRONMENTAL IMPACT AREAS



Animal Welfare



Solid Waste



Biodiversity/Land/Habitat loss



Hazardous Waste



Deforestation



Chemical Hazard/Mgmt



**Energy/Fuel Use
(or Fossil Fuel Depletion)**



Water Use/Water Scarcity



Greenhouse Gas (GHG) Emissions



**Wastewater/Water Pollution/
Eutrophication**



**Air Emissions/Air Pollution
(non GHG)**

THE HIGG BRM ASSESSES 16 ENVIRONMENTAL IMPACTS:

 Forced Labor or Human Trafficking	 Access to Water and Sanitation	 Right to Privacy
 Child Labor	 Decent Work	 Right to Security of the Person
 Wages and Benefits	 Discrimination, Harassment and Abuse	 Minorities and Communities' Rights
 Working Hours	 Sexual Harassment & Gender-Based Violence	 Land Rights
 Freedom of Association and Collective Bargaining	 Bribery and Corruption	
 Health and Safety	 Right to Health	

REPORTING ON 2019 IMPROVEMENT PLAN AND 2020 ASSESSMENT

In 2020, ODLO completed the Higg BRM. With the upcoming verification in 2021, we followed a different set up to compile the tool. With the start of the BRM cadence 2020, we set up a BRM Project Team consisting of the key stakeholders, experts from ODLO needed to complete the BRM questions: Logistics, Stores, HR, Supply Chain Management, and Sustainability. The project started with a Kickoff Meeting involving the entire Project Team, followed by individual meetings and follow ups. With the help of regular milestone meetings, the BRM was finished on time by June 30th 2021. As soon as the benchmarking is available, the results analysis and benchmarking will be reviewed and discussed by the team. Goals will be set after the 2021 third party verification as this also includes best practice advise. The new set up for completing the BRM helped the team take ownership and accomplish the assessment as a joint team effort.

ODLO CHEMICAL POLICY

In 2019, ODLO set ambitious sustainability goals to take responsibility as a brand in reducing our environmental and social impact on people and the planet. To manufacture our products, it is our goal to perform beyond national legislation and EU legislation by endorsing voluntary schedules and choosing sustainable materials and production processes. To meet our high environmental goals, we formalized this chemical policy which all our suppliers must follow. For more than 20 years, ODLO has maintained stringent requirements on chemicals that remain in the end product (product-related chemicals). With the introduction of this policy, we are extending the requirements on chemicals used in production (process chemicals). Requirements for product-related chemicals are listed in the Restricted Substance List (RSL) and requirements for process chemicals are listed in the Manufacturing Restricted Substance List (MRSL) – both referred to below. In addition to following our RSL and our MRSL, we require our suppliers to be updated on and compliant with EU legislation as well as any applicable local or national laws (see Legal Requirements below under 2),3),4)). Our requirements are consistent with best practices in the textile industry and legislation in our sales countries within and outside the EU. In the event of any differences between the legal requirements and voluntary requirements referred to in this document, the more stringent version should be applied.

- Product Restricted Substances List (RSL- Oeko-Tex®)
- Legal Requirements
- Manufacturing Restricted Substances List (MRSL-ZDHC)
- Packaging Restricted Substances List (RSL-AFIRM)



NEW PARTNERSHIPS ON CLIMATE ACTION

ODLO AND PROTECT OUR WINTERS (POW) PARTNERSHIP OCTOBER 2020

ODLO and Protect Our Winters (POW) agreed to join efforts by becoming brand partners. This collaboration is embedded in a long-term sustainability strategy that will reshape the brand's presence in the market and in society.

As a brand, we see sustainability as a journey – and it is on this journey that we find great potential to be accompanied by enthusiasts and experts like Protect Our Winters who will join us to maximize the impact of our initiatives and identify new opportunities. At ODLO, we are aware that we still have much to improve as a brand, and to have Protect Our Winters as a partner will help us on this path.

“We are very excited to embark on this journey together with ODLO. By adding ODLO to our Brand Alliance, ODLO is joining a large coalition of like-minded brands and companies engaged for the climate. We feel a real momentum in the outdoor industry to stand up for the climate,” Nicholas Bornstein, head and founder of POW Switzerland said when announcing the partnership.

As part of this partnership, we will collaborate on several projects, with a specific focus on education and awareness-raising. The first big project ODLO supported in 2021 was the Vote Now, Ride Later campaign.

ODLO SUPPORTED THE ENVIRONMENTAL CAMPAIGN “VOTE NOW, RIDE LATER”

POW Switzerland launched its campaign for ambitious amendments to the Swiss CO2 bill with a referendum on 13 June 2021. For ODLO, climate action is one of the key goals in our sustainability campaign. Being a Swiss company, we believe the bill moves Switzerland in the right direction to avoid the critical consequences of global warming, which is why we aligned with POW in this action.

After more than three years of discussions in parliament, the amended CO2 bill was passed by the National Council and the Council of States in the fall of 2020. Despite this, representatives of the oil and automotive industries, supported by the Schweizerische Volkspartei (SVP), are opposing the parliamentary majority and have launched a referendum to prevent the new law from coming into force. This is why the new CO2 bill was put to the vote on June 13, 2021.

The environmental protection measures – the focal points of the Bill – included a tax on fuel and airline ticket purchases to help Switzerland meet targets on climate change under the Paris Agreement. The CO2 bill covered all sectors responsible for CO2 emissions, except agriculture, and focused on five key areas: climate fund, automotive traffic, air travel, heating, and financial center.

“The CO2 bill helps protect our passion, our passion of being in the outdoors. And it paves the way for Switzerland's economy to become more innovative and climate-friendly and to undergo a transformation that will not only help our planet but will also create jobs” said Nicholas Bornstein, POW Switzerland Founder.





SWISS VOTERS REJECT KEY CLIMATE PROTECTION INITIATIVE

On election day June 13th, Switzerland's policy on fighting climate change was thrown into doubt after voters rejected the CO2 Bill. ODLO has worked with POW Switzerland to support the campaign to pass the CO2 Bill, which aimed to limit CO2 emissions and comply with the Paris Agreement, signed by Switzerland in 2015. These were the reactions from our CEO Knut Are Høgberg and Nicholas Bornstein, Founder of POW Switzerland:

"While we respect the outcome, we are disappointed with the result of this vote," said Knut Are Høgberg, ODLO CEO. "Environmental sustainability is one of our key priorities and we will continue supporting initiatives to protect our planet."

"Time is running out, and climate change does not wait. Doing nothing is not an option, neither for our planet nor for our jobs and even less for future generations. We regret, of course, that the "no" ended up winning. Still, we are not giving up hope. We will continue to engage in greater climate protection actively," said Nicholas Bornstein, POW Switzerland Founder.

"There is much work to be done and I look forward to this next stage. What POW has learned over the past few months will make us stronger for the future. And I am convinced: Our voice will be needed more than ever in Swiss climate policy", Bornstein said.

ODLO STARTS COLLABORATION WITH CLIMATEPARTNER IN MAY 2021

As part of our holistic sustainability strategy, ODLO has set ambitious climate action goals. Since May 2021, we began collaborating with ClimatePartner to further develop our existing Climate Action Strategy in a targeted manner. To do this, we need to know where we stand, set a clear baseline, and assess our entire carbon footprint - including our own company and our entire supply chain.

To support us in this journey, we chose ClimatePartner as it is a pioneer in the field and boasts extensive experience as the best match to assess our carbon footprint (corporate and product), to identify CO2 reduction potentials, prioritize and implement measures, and refine the ODLO Climate Action Strategy.

After a kick off in June 2021, we started with data collection for our corporate carbon footprint, and then as a second step, data collection for our product carbon footprint. As mentioned before, ODLO is already taking steps against climate change. The focus for us up to this point has been our material portfolio, as we know the biggest impact we have as a producing sportswear company lies with the raw materials of our products. Therefore, the switch to recycled polyester and polyamide is our highest priority. Another high impact area that we are focusing on is transportation. As stated earlier, for our production in Romania we changed the transport mode to truck and rail which can save 70% of emissions per transport to our warehouse and reduce air transport from the Far East by 2%. Another focus area is energy, both energy efficiency and green energy. For example, the switching to LED lights in our own production or purchasing green energy at our own offices and in our warehouse. In 21/22 ODLO is also reevaluating the installation of photovoltaic solar panels at ODLO Romania and at the logistic center in Brügglen.



LOGISTICS

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

MODE OF TRANSPORTATION (GOODS RECEIVED 2020)

Land	59%*
Sea	39%
Air	2%

(*These reporting figures do not specify the truck + rail percentage as they only represent actual delivery at Brügglen which is always done by truck, the major part is done by rail earlier in the route)



TRANSPORTATION

Transportation of our products from the factories where they are produced to our warehouse in Germany contributes 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, though 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 originates in Europe, and is sold in Europe - our biggest sales market. Thanks to our high production volume in Europe, we prioritized reducing our impact there. In 2018/19, we ran successful trials with a new combination of rail and road shipping from our own production in Romania. With this change, in 2020 we were able to save 40 543kg CO² for a total of 56 full truck loads. In 2020, we shifted 80% of our deliveries from ODLO Romania to our central warehouse using rail and road, a huge achievement over just one year in reducing our CO₂ footprint. In addition, we changed from road to sea deliveries from Turkey and are further exploring the options to apply this to more European countries. We are also proud that we were able to reduce our air shipments from 3% to 2% in 2020. This 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 which minimizes the amount of double freight.

CLIMATE NEUTRAL OUTBOUND SHIPMENTS WITH DPD

In the last business year 2020/21, ODLO delivered 250k packages, representing a growth rate of 15%. Through our clear commitment to 100% climate neutral shipments, our team achieved an outstanding result of 97% climate neutral shipments beginning in July 2021, even though in 2020 it was still only 35%.

Being active in many countries also leads to a variety of logistic providers at the various country level which made it far more complicated than one might think to switch to climate neutral.

OUR VALUABLE PARTNERS ARE:

60% 150,000 packages	DHL GoGreen in Germany (since July 2021)
21% 52,000 packages	DPD in France, Austria, Netherlands, Belgium and Norway
16% 40,000 packages	Post CH in Switzerland

8,000 packages (3%) are not currently delivered sustainably and won't be in the near future. These are predominantly US and UK orders that require a special customs process and delivery method that is, for the moment, not available as climate neutral.

CLIMATE NEUTRAL CARTONS - SUPPORTING FOREST CONSERVATION, KENYA

This business year we made a great step forward by introducing climate neutral cartons for all outbound 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 which are in turn 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 the VCS, CCBS gold level. Every time you receive a package from ODLO there is a QR code on the box offering more details about the amount of emissions we compensated and the project we support.

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

PACKAGING – MATERIAL IMPROVEMENT INITIATIVES

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

ENVIRONMENTAL INITIATIVES – CENTRAL WAREHOUSE BRÜGGEN

Our central distribution centre, with a warehouse of 26,000 m², is based in Brüggen (Germany). Increasing sustainability within all operational process is a key driver for the local team.

ÖKOPROFIT VIERSEN 2020/21

In February 2021, ODLO Logistik GmbH successfully completed the Ökoprofit project.

Environmental and climate protection with revenue is the goal of the project. Originally started in the 80s in Austria, this project supports companies in their practical sustainability strategies through a regional network. Using open dialogue with consultants, municipalities and partners, as well as the on-site process analysis, participants are helped in developing and implementing improvement plans. The project framework consists of three steps: workshops (energy waste, water, EMS, procurement, etc), consulting, and verification.

In the latest edition of the Viersen Region, 13 regional companies participated and successfully completed the project and were awarded certification.

ODLO Logistik GmbH joined with an environmental project team of Horst Römer, Frank Rudolph and Bernd Wolf. Thanks to great team efforts, seven improvements were achieved in these areas: waste, transportation, packaging and resource efficiency through reuse. Thanks to the new measures implemented, our warehouse was able to significantly improve the carbon and waste footprints of the logistic center and save costs as well. A win win for everyone.

ACTION AREA	INVESTMENT	ANNUAL SAVING / BENEFIT	STATUS
Waste separation and waste consolidation – Savings in disposal	1.000 Euro	3.788 Euro in disposal costs and savings of transport related CO2 emissions (6t rucks pa)	done
Wet adhesive tape with natural rubber i/o plastic tape	4.490 Euro	4.000 Euro improved handling, glue with natural rubber	done
Reduction of residual waste through internal awareness raising	No value available	2.000 Euro (reduction of 4t residual waste)	done
Shipping cartons 100% recycled material + climate neutral	0.01Euro/ct	14000 Euro (annual usage of 140000 cartons)	done
Transport ODLO Romania to Brüggen switched to Truck/Rail	0 Euro	38.000 Euro and savings of 90t CO2 emissions	done
Reuse of inner cardboard boxes i/o disposal	12.800 Euro	13.500Euro i/o 70.000 new inner cardboard boxes and 80% reduction of transport related CO2 emissions	done
“Reuse of plastic sheets i/o disposal”	0 Euro	500 Euro and reduction of 955 of transport costs	done

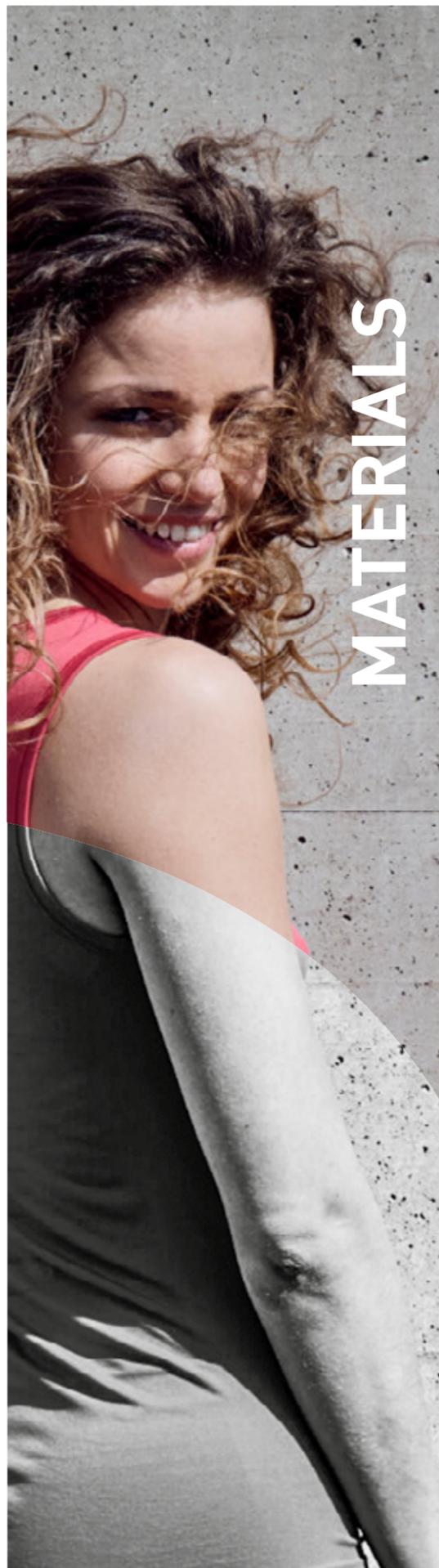
In addition, all deliveries to the Outlet in Brüggen are executed using reusable plastic trolleys.

The electricity supplied to our warehouse comes 70% from renewable sources in 2020, 100% renewable sources 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.



PRODUCT RESPONSIBILITY





MATERIALS

Great products are built with great materials. When it comes to sustainability, materials matter. The major environmental impact of our products is determined by the materials we choose. From fibre production to yarn preparation, fabric production through dyeing and finishing, every step in the process has an impact on the products' environmental footprint including carbon emissions and water use. By focusing on materials in our product responsibility strategy, we can have the biggest impact.

ODLO MATERIAL PRINCIPLES

LONG LASTING

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

COLLABORATION

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 recognized certification such as Global Recycled Standard (GRS).

PREFERRED MANMADE CELLULOSIC FIBERS

When using manmade cellulosic fibres, like TENCEL™ Lyocell, we choose responsible partners such as Lenzing, where the entire production chain is transparent and extremely environmentally friendly. In doing 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. In 2020, ODLO introduced the sustainable anti-odor 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 to not involve live plucking or force-feeding.

OEKOTEX STANDARD 100

ODLO only works with material suppliers who are ekotex 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. We are proud that 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 AND NICKEL FREE

ODLO does not use PVC or 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.



OUR STAND ON MULESING FREE WOOL – ODLO SUPPORTS 4 PAWS BRAND LETTER

In May 2021, the global animal welfare organisation FOUR PAWS published a list of over 100 international textile brands with a proactive stance against the mulesing of lambs. This brutal mutilation is practiced solely in Australia to prevent infestation by flies in the sheep's skin wrinkles.

Animal welfare is a top priority for ODLO. It is for this reason that we only work with wool that has been certified non-mulesed. We have a long-established partnership with Südrolle who, according to our requirements, ensures the wool's origin. They help us track and trace the entire process from wool top to yarn delivery by following these steps:

- Definition in Contract with Südrolle: Only None Mulesed Wool
- AWTA Mulesing Status Report (Top Maker's certificate) of wool tops purchased for ODLO Yarns
- Non Mulesing Declaration Spinner on wool tops used IWTO test certificate reference for each yarn to trace back wool batch to yarn
- Non Mulesing Declaration Südrolle on yarns delivered

This monitoring process is not perfect, as we are not in direct contact with the farms. Still, it allows us to periodically assess strict adherence to all non-mulesing requirements.

We are also taking first steps towards the introduction of the responsible wool standards for which we ran a trial on a small collection for FW22.

Our position on a mulesing-free future is very clear, which is why we fully support the brand letter of intent of 4 PAWS and are listed on their website #woolwithabutt of brands against mulesing. Moreso, we are listed under the category 'Strong measures to phase out mulesed wool'. Find more information here: <https://woolwithabutt.four-paws.org/brands-against-mulesing>



BE AWARE
OF WHAT
YOU WEAR

ODLO PRODUCTS - BE AWARE OF WHAT YOU WEAR

We're committed to sustainability and are proud to be able to report that by focusing on material changes in our best-selling products, an incredible 51% of our materials being produced are now using preferred materials such as recycled polyester/polyamide or Tencel.

As part of its long-term evolution towards sustainable material use, ODLO released a new base layer collection rooted in performance and made from materials that minimize environmental impact. In FW21, 96% of this base layer collection is made with recycled and natural content.

BLACKCOMB ECO - RECYCLED POLYESTER

The highlight of the ODLO base layer performance collection is the Blackcomb Warm ECO. It is crafted to deliver exceptional thermal insulation and moisture management through body mapping structures. The yarn composition is 94% recycled materials (66% recycled polyester, 24% recycled polyamide and 4% recycled elastane) which means keeping high-performance standards while creating a noticeably smaller environmental footprint.

ACTIVE LIGHT ECO - RECYCLED POLYESTER

Versatile and sustainable garments, the Active Light ECO joins the top selling ECO family: Active Originals, Active Warm and Active X-Warm. The Active Light ECO line adds the fast-drying F-Dry technology to the lightweight and sustainable properties of the Active category. The yarn composition is 92% recycled polyester.

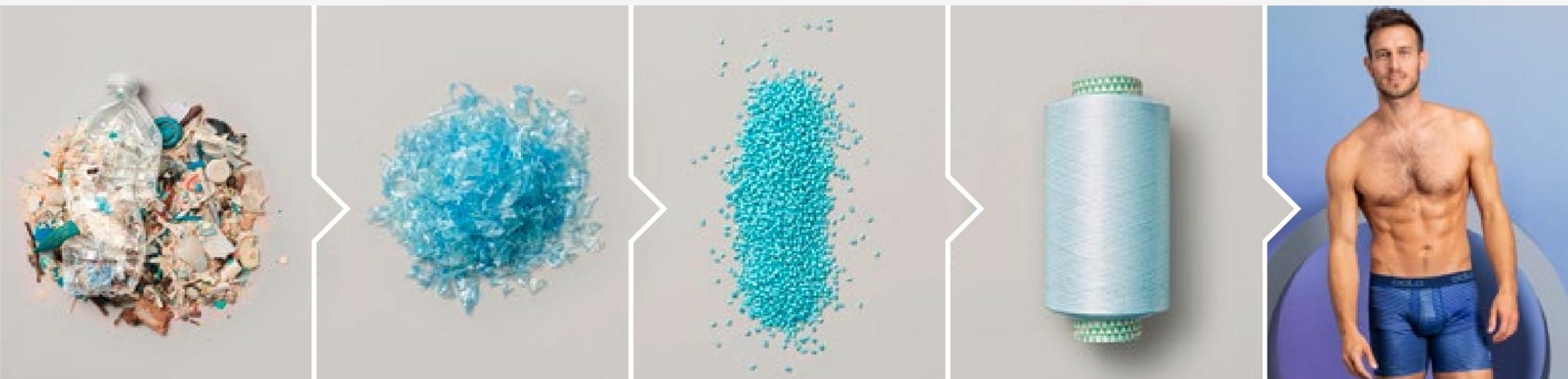
ACTIVE WARM ECO - RECYCLED POLYESTER

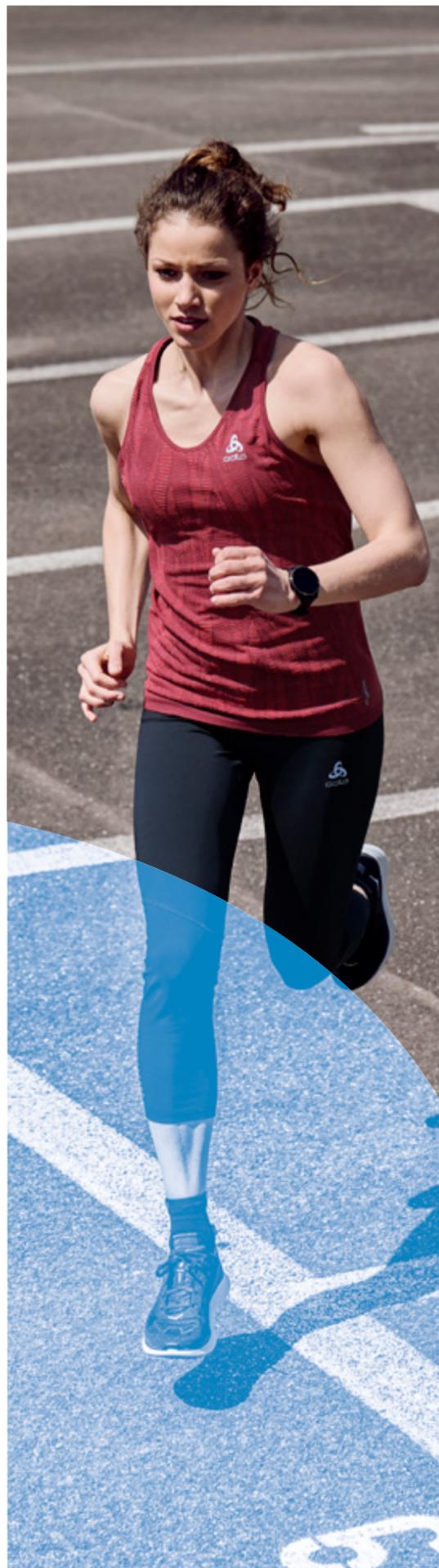
We also converted our successful, top-selling Active Warm range. We use 100% recycled material in our classic sports underwear lines: Active Warm Eco, Active Warm Originals Eco, and Active X-Warm Eco version. On average, 13 recycled 0.5-litre PET bottles are used to make one Active Warm Eco base layer.

PERFORMANCE WARM ECO - HOLISTIC SUSTAINABILITY CONCEPT

We converted our top-selling Performance Warm underwear line to recycled raw materials. To reflect this change, the line is now called Performance Warm Eco. 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 aimed for the most sustainable solution possible without compromising performance or quality. Not only is the main material made from recycled sources, but the sewing thread and all other trims used are also made from recycled sources. Even the logo is integrated in the knitting process rather than using the conventional heat transfer. In fact, the size label is biodegradable, the care label uses recycled material and the box is made out of recycled carton too. This is just simple proof that a holistic approach towards sustainability at the product level can be achieved.

In total, the use of recycled polyester in SS21 and FW21 saved the production of 2.195.532 meters (2195 km) of new polyester material, 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 became possible because the necessary quantities of high-quality recycled polyester are now available on the market.





TENCEL - FROM SUSTAINABLY MANAGED FOREST TO RESPONSIBLE SPORTSWEAR

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

TENCEL™ Lyocell fibres are certified bio-based and help maintain environmental balance by being integrated into nature's cycle. The fibres are certified as compostable and biodegradable, and thus will 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 1/10 of the previous amount. 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. This odour control finishing is long lasting, enables products to be washed effectively on low temperature, and reduces frequency of washing.

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 yarn production. No water is used during the Dope dyeing process, chemicals are reduced and energy use is decreased. This process offers CO2 impact reduction by up to 40% compared to traditional dyeing methods. ODLO uses Dope dye on high volume colours, i.e. black in its midlayer range.

REPREEVE® ODLO Champions of Sustainability Awards

In March 2021, Unifi Inc. announced the winners of its REPREEVE® Champions of Sustainability awards, which recognize brand, textile, and retail partners that have demonstrated a true commitment to supporting a sustainable world. Unifi recognized ODLO in the special category: REPREEVE® Newcomer. "ODLO has shown a commitment to sustainability by switching to REPREEVE® within the last year and could not be more deserving of the Newcomer Award" said Jay Hertwig, senior vice president of Commercialization at Unifi.

THE ODLO ECO LABEL

When does an ODLO product receive the ECO label?

The rules that determine if a style receives the ECO label are as follows:

- ECO Label = Minimum 50% of the main fabric composition is RECYCLED synthetic material, excluding trims and insulation **
- ECO Label = Minimum 50% of the main fabric composition is TENCEL* (a man-made cellulosic fibre)

* In case of a blend: regardless of the fibres used in the blend, if the total recycled amount is 50% or more, it can be labelled ECO.

** In the case of insulated jackets, the insulation filling type (natural or synthetic) does not impact the overall assessment

And why did we choose these materials to be labelled ECO? Why are they a better choice?





BENEFITS OF RECYCLED POLYESTER, RECYCLED POLYAMIDE, AND TENCEL

RECYCLED POLYESTER

Recycled polyester has a significantly lower environmental footprint than conventional polyester, as it reduces CO2 emissions, water consumption, and energy use.

Another environmental benefit of using mechanically recycled polyester is that the process eliminates the need to extract crude oil. Instead, our raw material comes from recycled PET beverage bottles and plastic waste, thereby returning these materials to the production cycle rather than being incinerated or dumped into landfills. By doing this, we are actively supporting the reduction of mountains of plastic waste on our planet.

RECYCLED POLYAMIDE

Recycled polyamide used in ODLO products comes mainly from postproduction waste. Production surpluses or waste from the spinning process is collected, processed and returned into the production cycle. This process maximises the utilisation of valuable resources in material production and minimises the demand for new raw materials.

For all our recycled materials, we only work with reliable sources that are certified by internationally recognised certification organisations, such as Global Recycled Standard (GRS).

PREFERRED MANMADE CELLULOSIC FIBERS

TENCEL™ Lyocell fibres are produced in a very sustainable way, using fast growing FSC certified trees. Water and process chemicals used in the production are reused in a closed loop process at a rate of over 99%. Tencel™ Lyocell is both certified bio-based and biodegradable and holds the EU Ecolabel. The Lenzing Group produces Tencel™ fibres in Lenzing, Austria.

THE BENEFITS OF WOOL

ODLO NATURALS

The third pillar of the ODLO base layer collection is Naturals, fully based on Merino wool. In FW21, this was divided into three different weights: the 130 Merino weight will now be offered throughout the year as a 12-month style, while the winter-focused 200- and 260-gram weights offer added warmth.

KINSHIP WARM

Paying tribute to ODLO's heritage, the Kinship Warm base layers feature a stylish heritage pattern inspired by traditional Norwegian design. As for the fabric, it uses a high Merino wool content with natural odour control and engineered body mapping. ODLO uses 17.5-micron merino wool in its 130 and 200 weight garments, and 19.5 micron in its 260-weight merino wool garments.

HOW WOOL REDUCES CLIMATE IMPACT IN THE USE PHASE OF THE GARMENT

The use phase is one of the main stages of a product's life cycle. This is the time when a consumer owns, wears, uses, washes, and cares for a garment. Research shows that how a garment is used differs according to its fibre content. To understand the true environmental impact of a garment, the use phase must be considered. There are many reasons why using, wearing, and caring for wool varies tremendously from the use, wear and care of other fibres, and can make a real difference toward reducing environmental impact.

WOOL IS WASHED LESS OFTEN

In a study of global apparel consumer use phase data, researchers analysed the number of times clothes are worn before they are washed. Wool was found to be worn more times than other fibres prior to washing. This reduction in washing frequency saves energy and water, as well as time. Why can wool clothes be washed less often? The natural properties of wool fibre include odour resistance and resilience (which means it will retain its shape for longer and regain its shape after being worn). Wool garments can be refreshed by simply hanging them to air out. Garments can be hung outside in fresh air or in the bathroom while you shower, where the steam will release wrinkles.

TYPICAL USE PHASE CHARACTERISTICS FOR COTTON AND WOOL ITEMS

Product category	Unit weight (kg)	Fibre	Wearing per wash	Garment wear life (years)	Wearings per lifetime (number)	Washings per year per unit
	assumed	exemple	Laitala et al Table 6	Laitala et al Table 8	Cotton Inc. data	by derivation
Socks	0,05	Cotton	1,5	3,3	52,3	10,6
	0,05	Wool	2,5	5,5	52,3	3,8
T-shirt (baselayer)	0,2	Cotton	1,5	4,6	36,4	5,3
	0,2	Wool	3	4,6	40,5	2,9
Sweater (mid/outer)	0,3	Cotton	5	5,6	81,4	2,9
	0,3	Wool	10	6,0	92,4	1,5

Wool is Washed at Lower Temperatures

Washing at lower temperatures means less energy use per washing cycle. A German consumer behaviour study found that consumers normally wash wool at 30.3° C compared to cotton at 41.1°C.³

Wool Dries on the Line

Tumble-drying wool is usually not recommended as the mechanical friction damages the fibres. Instead, most wool garments are line-dried. This is great news for the environment because dryers use tremendous amounts of electricity while line drying in the open air uses none – also great news for your electricity bill.

Wool Garments Can Have Longer Lifespans

The longer a product is used, the less impact it has on the environment, as all of the costs of making it are distributed over time and no other resources are used to replace it.

Wool garments often last longer than those of other fibres thanks to the garment quality and potentially because of its decreased washing frequency. Provided woollen garments are put to good use, environmental impact can be lowered, which in turn means fewer new garments are purchased.

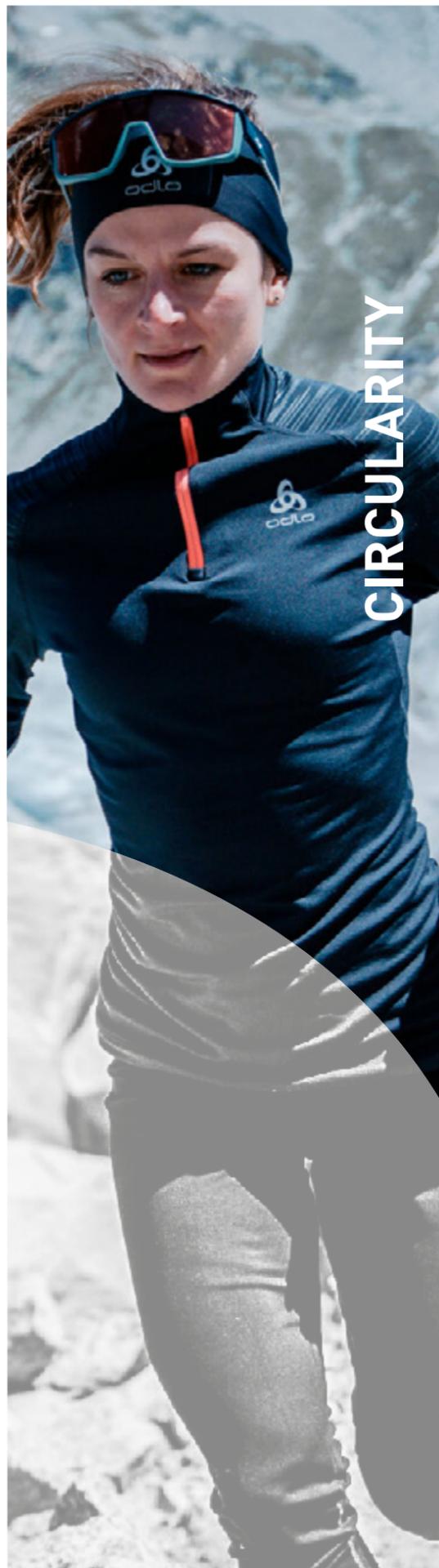
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2) Ranford, Steve (April 2019). Wool Biodegradation: Presented at 88th IWTO Congress in Venice.

3) Valtcho D. Jeliazkov (2005), Assessment of Wool Waste and Hair Waste as Soil Amendment and Nutrient Source, Journal of Environmental Quality, 34(6), 2310-17, DOI: 10.2134/jeq2004.0332.

4) Browne, M.A., Crump, P., Niven, S.J., Teuten, E., Tonkin, A., Galloway, T., Thompson, R., 2011. Accumulation of microplastic on shorelines worldwide: sources and sinks. Environ. Sci. Technol. 45, 9175-9179.





CIRCULARITY

POST-PRODUCTION WASTE: FIBRE-TO-FIBRE RECYCLING

As mentioned in our ODLO Sustainability Goals, Circularity is one of the key areas where ODLO is focusing its future goals when it comes to our sustainability strategy. Our starting point was the FEM verification at the end of 2018, which identified incredible potential in the reduction of post-production waste. As a first step in the garment manufacturing process, the fabric is cut into the single pattern pieces needed for the style.

And while our pattern team diligently and carefully optimizes the lay plans for each style, we still find ourselves with too many fabric leftovers after the cutting process. As there is still no local recycling option available in Romania, we are currently taking the cutting waste and pressing it into bales to be collected and incinerated by a local recycler for energy recovery. As we have high volumes of certain materials, we analysed the waste streams accumulated per fibre composition over a period of six months. The analysis showed that 79% of the cutting waste is mono-material: 100% polyester and 8% 100% wool. The rest are various fibre mixes such as polyester/polyamide or polyester wool etc. This means that 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 from one single material, rather than needing to separate several different fibres and then recycling them individually. With our data on hand, we started looking for partners to recycle our textile waste, aiming to establish a fibre-to-fibre recycling program and then reintegrating the recycled waste into new ODLO materials. During our research, it quickly became clear that this goal will be a longer journey as fibre-to-fibre recycling of polyester is still in its beginnings, whereas mechanical recycling of other fibres, such as wool and cotton, is already more established. We did trials to mechanically recycle our polyester using two different partners in Europe. We were not able to successfully transform the recycled material into a yarn or usable material and concluded that mechanical recycling is not suitable for our purposes. We reached out to many chemical recycling partners which were all in the process of starting a pilot stage for chemical pet recycling. One party, which invented a new chemical process using microwave radiation to accelerate depolymerization of PET in monomers, was especially interesting for us.

Unfortunately our quantities were too small to start a collaboration. Other recycling facilities we contacted were still in the set-up stage and not yet ready with their machines. And still, as the industry continues to move forward in this area, more options seem to arise. In fact, we are already in touch with new possible partners and have scheduled our initial trials to begin during the next business year 2020/21. Other good news is that we found a party within our own network who will be recycling our wool cutting waste. This wool cutting waste will not be turned into new fibres for ODLO materials but rather will be reused and therefore not incinerated, something we consider a big improvement for us.

SUSTAINABLE INNOVATION TEAM

In order to ensure we are making the most of the latest available technologies and innovations, we put together a cross functional team that meets on a monthly basis to create and evaluate innovative solutions aimed at improving the way we do business. This team brings together employees from Design, Product Management, Research and Development, and SMU. Throughout the year, various topics are brought to the table, and the group encourages approaching these topics using a circular mindset.

For example, one issue involved the area of repair and resell. For repair services, the next step would be to evaluate the need for developing new partnerships to establish repair facilities in more countries. We do not know at this stage if that would make the process more sustainable and efficient, but we need to gather more data to make a decision. In regard to resell, we contacted possible partners and kickstarted internal discussions. While this looks like it will be a long process, it is also a very exciting project and we hope to launch in the coming years.

More topics were discussed, like product care where the challenge is to find the right approach to educate our customers on the best way to care for garments that will extend their lifespan. On a different note, fibre-to-fibre recycling remains of great focus for us, both involving post-production waste and garment end-of-life. To this day, we continue to evaluate options and conduct tests with different partners in our quest to find a viable solution. Another area of interest is packaging. We are aware that this issue creates tremendous impact across the entire supply chain and we aim to find better solutions. We explored re-usable packaging though at this point, we have yet to find a better alternative to what we are currently using. Still, we will be on the lookout for new options. One last topic discussed is the Leftover Fabric project. As can be guessed from the name, this project focuses on leftover fabric. Based on our efforts, we are proud to say that stock is being utilized so much so that by now, it is almost completely gone.

Overall, this team has proven to be a great asset as it stays on top of innovations that might allow us to make our business more circular. This cross functional approach also turned out to be very productive, and the joining together of different department brings new ideas to the table that can result in amazing new solutions in our journey to becoming every more sustainable.

ETH WORKSHOP CIRCULARITY NOV 2020

In November 2020, part of the ODLO team participated in a Circularity workshop in collaboration with ETH Zurich (Swiss Federal Institute of Technology in Zürich) and the sus.lab.

The sus.lab brings sustainability research into the real world much faster – building on 15 years of research on sustainability technology, policy and management. The sus.lab supports organizations with the challenges they face, creating hands-on projects to bring new solutions to life.

The workshop was attended by ODLO's Design team, R&D team, and the Sustainability Manager.

Under the guidance of Dr. Nicola Ursina Blum, and the support of Ramya Usha Lalitha and Christina Nakhle, the attendees began with an overview of Circular economy in textiles. Then they dove into a more specific topic: reuse and recycling. A framework for sustainable product design was introduced so that attendees could list any and all their ideas during a brainstorming session, all of which had to be imagined through this lens of circularity. In the end, careful evaluation of the different ideas narrowed them down to just a few, by applying specific evaluation criteria (sustainability, technical feasibility, fit with ODLO's strategy etc.) Some of these ideas were turned into a business model and pitched to ETH experts.

The main goal for the team is the understanding of the stakes. Through this process it became clear to each of the participants that a circular business model offers much greater benefit compared with simply recycling raw materials. The principles of circular business models and the "10 R's" are also valuable take aways that the team will be able to use in their everyday assignments, which in turn will bring more circularity at every level.



Smarter product use and manufacture	R0	Refuse	Make product redundant by abandoning its function or by offering the same function with a radically different products
	R1	Rethink	Make product use more intensive (e.g. through sharing products or by putting multi-functional products on market)
	R2	Reduce	Increase efficiency in product manufacture or use by consuming fewer natural resources
Extend lifespan of product and its parts	R3	Reuse	Re-use by another consumer of discarded product which is still in good condition and fulfils its original function
	R4	Repair	Repair and maintenance of defective product so it can be used with its original function
	R5	Refurbish	Restore an old product and bring it up to date
	R6	Remanufacture	Use parts of discarded product in a new product with the same function
	R7	Repurpose	Use discarded products or its part in a new product with a different function
Useful application of materials	R8	Recycle	Process materials to obtain the same (high grade) or lower (low grade) quality
	R9	Recovery	Incineration of material with energy recovery





ODLO TAKE BACK PROGRAM

Another aspect we considered in terms of circularity during this last business year is the end-of-life of our ODLO products. By 2030, the global apparel industry is projected to grow by 81% which means that the amount of global textile production and consumption will also increase. The question of what happens with our clothes at their end of use becomes more and more important. Globally, around 48 million tons of clothes are disposed every year, with around 75% of them ending up in landfills or incinerators, and only 25% collected for reuse or recycling.⁴ In addition, the EU Green Deal announced its Circular Economy Action Plan, targeting areas where action at the EU level brings real added value. In fact, textiles is second only to electronics, and packaging is just one of the focus areas because these industries use the most resources and there is great potential for circularity. With the anticipated Extended Producer Responsibility (EPR) for the apparel and footwear industry to come into place in 2025, we focused on options to take responsibility for our own ODLO products at their end of life. There are service providers across the industry that support brands and retailers to maximize the re-use of used textiles and turn them into valuable secondary raw materials. We reached out to the two leading players in the field of Retail Textile Take Back Programs and found the best match for our goal of store locations, resources, and provided services, etc. At the end of 2020, we introduced the ODLO Take Back Program in collaboration with TEXAID. This program was launched initially in ODLO Stores and Outlets in Germany, Austria and Switzerland. The aim of this program is to ensure that consumers can return their ODLO products when they are no longer being used, or the products are at their end of life.

Unfortunately, this program, heavily reliant on customers being able to personally visit shops, began during a time when in-person shopping came to a screeching halt. Given the pandemic situation, the Take Back Program has so far not been much of a success. All the same, we are confident that the program will prove its worth once the stores can be open as usual and we look forward to re-launching the program as an invitation to encourage our users to come back into our shops.

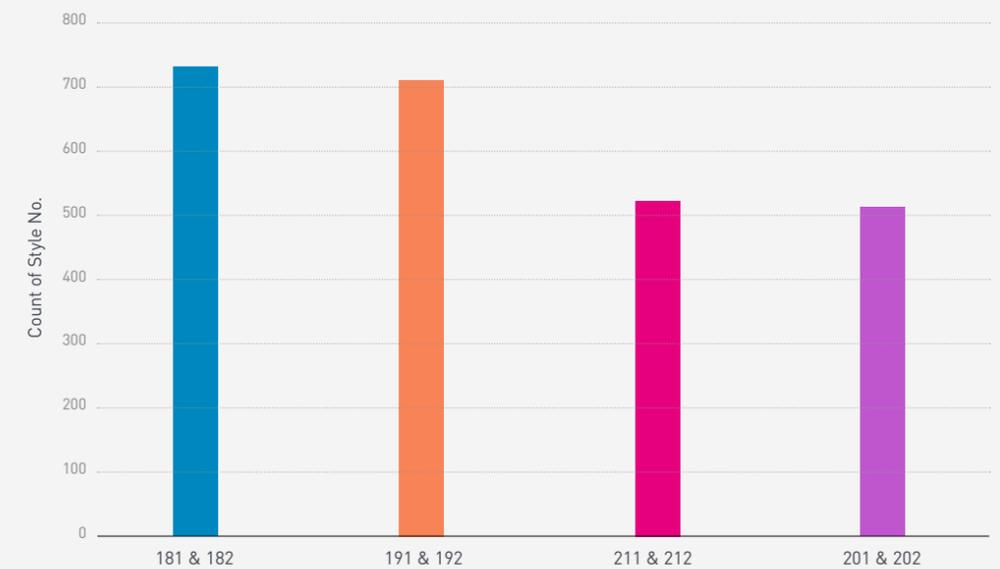
3D SAMPLING

Fall/winter 2018 was the first season ODLO introduced 3D sampling, a milestone in our innovation journey. Over the last three years, we have seen many benefits in terms of sustainability:

BENEFITS OF 3D SAMPLING:

- Reduction of salesman samples by 31% from 2018 to 2021
- Reduction of 67% style colours produced from 2018 to 2021
- Reduction of 20% less 2nd protos needed for styles thanks to 3D
- Thanks to 3D, quality of protos and actual proportions have drastically improved, in turn improving craftsmanship
- Reduction in CO2 emissions due to huge reduction in air freight from shipping samples
- Usage of 3D images for online shop decreases need for additional photo shoots

To summarise, benefits can be seen in added value, increased efficiency, time saved, cost reduced and saved material resources.



- Total SMS Quantity produced 2018 -> 730
- Total SMS Quantity produced 2019 -> 705
- Total SMS Quantity produced 2020 -> 520
- Total SMS Quantity produced 2021 -> 505
- Reduction of 31% in Style qty from 2018 to 2021

⁴Ellen MacArthur Foundation (2017) - A New Textiles Economy

In the report **DRIVING FOR CIRCULARITY: COLLABORATING FOR INDUSTRY IMPACT REPORT** the mills fabrics published in February 2021, 3D design was named as one element in the design and production phase of innovations helping to make fashion circular.

PRODUCTION OF RAW MATERIALS	DESIGN AND PRODUCTION	POST-CONSUMER
<p>Regenerative Agriculture - conserve soil health & biodiversity</p>	<p>On-demand Production - made-as- ordered when needed</p>	<p>Rental</p> <p>One-off-rental Peer-to-peer rental</p> <p>Subscription rental</p>
<p>Alternative Sustainable Materials - e.g. biofabrics</p>	<p>3D Design - iterate design digitally minimizing physical prototypes</p> <p>Additive Manufacturing - precision manufacturing minimizing waste</p>	<p>Resale</p> <p>Resale platform Peer-to-peer resale</p> <p>Chemical Recycling</p> <p>Retail-as-a-service</p> <p>Rental Resale Recycle</p>
OTHER INFRASTRUCTURE		
<p>Collect & logistics</p>		<p>Packaging – reusable, traceable</p>





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 resources used in production. ODLO only manufactures and sells products that are guaranteed to be durable and long-lasting. We believe our durability makes an important contribution to promoting sustainability in our society. Quality management systems and measures are in place to ensure that 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. If a customer returns one of our products because it did not fulfil our quality expectations, ODLO's customer service will replace the item or offer a refund. The first step, however, is always to see if the item can be repaired. To bring these products 'back to life' we work with local tailors in our different distribution countries. As an example, through our service department in Germany, we were able to repair 336 pieces over the last business year (+37% compared to 2019/20). These figures include repairs from our Ecommerce business, Germany, and Austria.

MINIMIZING YOUR ENVIRONMENTAL FOOTPRINT WHEN USING ODLO PRODUCTS

Each washing of clothes consumes water and energy. In fact, 20% of a product's total life environmental impact is generated by the laundry we do at home. Certainly following applicable washing instructions also significantly extends the life of clothing. Because of this, we at ODLO want to support the customer in properly caring for their ODLO gear. General recommendations can be found on the sewn-in care label with information that is customized for each product. As the information is limited by the label's space, we added a QR code onto each garment. This QR code is linked to our website, where the customer can find more information on how to best care for their ODLO products. These tips not only extend the lifespan of the sportswear, but also help minimize the environmental impact created 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 and fish which then make their way into the food chain) but also in the air and even in the tissues of the human body, according to latest research. The full environmental impact of microfibres is still not determined, but first steps must be taken now.

As a first step, we, as a brand, are tackling the material production process, through testing our highest-volume materials to determine the level of fibre release and analysing wastewater at our strategic material partners. While global research on microfibre release continues, we have some recommendations on how you can personally contribute to reducing microfibre shedding during wash:

CONSUMER WASHING ADVICE TO REDUCE MICROFIBRE RELEASE

- Wash less, when possible air out and before full washing, spot clean your ODLO gear
- Fill up your washing machine: A full wash load means less friction between the clothes, so they are less damaged and release fewer fibres
- Use liquid wash detergent as 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, higher speeds mean more friction creating fibre release
- Do not wash hard items (such as running shoes) in the same load with clothes
- Do not use a dryer: air dry them and if drying is necessary, discard lint into garbage, not 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

Why did you start and why do you continue working for ODLO? We have asked ourselves this question. What makes ODLO a desirable employer? There are certainly many reasons why people join and stay with a company. At ODLO, we see two main reasons: I feel connected to the brand and inspired to an active life, and I can make a difference and be part of something bigger.

ODLO is an innovative brand with a strong heritage that represents an active life. This strong link to the brand and the heritage defines our culture and inspires us every day to give our best, to be proud of our great products, and to contribute to a sustainable workplace. Furthermore, while ODLO may be a small company, we have the complexity of a large company, which means every day offers new and exciting challenges. These help us learn and develop and enable us to create positive impact in small and large ways. All together, these make working for ODLO unique.

The pandemic also presented us with major challenges last year. On the one hand, employees are reorienting themselves as they have become aware of what is truly important to them. On the other hand, people have found themselves shying away from the risk of changes in these uncertain times. We are all the prouder that our factory, ODLO Romania, has managed to hire over 100 new employees within a year, which enabled us to focus on our own production as a key factor for our future success.

ODLO employs 750 employees across 33 different countries. The diversity of our workforce, including different skills, mindsets, knowledge, and experience of our employees, gives a better understanding of markets and clients' expectations which in turn allows us to serve clients the best way possible. ODLO is pleased to have a great team that works well together in all of these countries, even in this challenging time. Because of the strength in our global collaboration, we are, as a company, always one step ahead.

INCLUSIVE WORKERS PROGRAM - COLLABORATION WITH HEILPÄDAGOGISCHES ZENTRUM (HPZ) KREFELD

The Heilpädagogische Zentrum (HPZ) a non-profit company in Krefeld, Germany, 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 into new packaging boxes. Based on these positive experiences, the next step in our collaboration took place in October 2017. We established a designated workspace for a team of 10-12 workers plus two caregivers within the ODLO Logistics warehouse. The tasks vary from package folding, repacking, to labelling and booking articles in our warehouse software. The caregivers coordinate and supervise the team, ensuring that workers are properly trained and that tasks appropriately match with the skills of each individual team member. Since June 2018, a permanent team of ten workers, supervised by one main supervisor from HPZ, joined the warehouse team in Brügglen. The COVID19 pandemic unfortunately also impacted the inclusive workers program and it was paused for two months during the lock down period.

NUMBERS (HQ / SUBSIDIARIES)

Gender	
Female:	68%
Male:	32%

Country of Origin	
Germany	41%
Switzerland	24%
France	8%
Austria	9%
Italy	5%
United Kingdom	3%
USA	2%
Others	7%

Age Average*	
15-20 years	2%
21-30 years	23%
31-40 years	29%
41-50 years	19%
51-60 years	24%
61-65 years	2%
66 years	1%

*As of July 2021, excl. production sites Romania

CLOSURE OF ODLO PORTUGAL

It was during this past year that we made the difficult decision to close one of our own European manufacturing plants. ODLO Portugal had 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 was the appropriate measure to safeguard the future of the company and its stakeholders. Our commitment to Europe remains firm, as production from the Portugal plant will relocate to Romania, the current site of our largest production facility. We believe that this change will help us continue to develop the plant in Romania as a world class manufacturing facility.

CONCLUSIONS & OUTLOOK

The last few years have shown that the world can change quickly. However, one thing must remain constant: a commitment to climate and sustainability.

This report details steps taken to become a more sustainable and responsible brand. But it's still not enough. We must look within to protect the places and landscape we love. And while this is not an easy task, time has run out. Collectively we must identify solutions.

The next few decades will be critical to tackling one of humanity's most significant challenges. We will continue to partner, advocate, and change, so that we can achieve our goals on climate action, environmental and animal protection, fair work and circularity.

Thanks to partner inputs from the Higg FEM, the Fair Wear Foundation, and Protect Our Winters Switzerland, we know we're on the right track. We also know that there is a long way to go.

We look to the future with optimism but with responsibility. We are aware that our role as a brand is to lead and support a global community. We will not turn our head and look the other way. This is the road we must now take united, together.





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