



MEMBER REPORTING FOR Varner

For 2015



"Ethical Trading Initiative Norway's members have made a commitment to implement measures that contribute to better conditions in their supply chains."

To readers of this report

Ethical trade should ensure that production of goods and services is fair, responsible and compliant with relevant legislation. IEH - Ethical Trading Initiative Norway's members have made a commitment to implement measures that contribute to better conditions in their supply chains. IEH's Code of Conduct provides the foundation for this work. The Code of Conduct covers working conditions, human rights, the environment and anti-corruption.

Members are also obliged to report annually on their progress, including the challenges they face and their achievements to date. The report is made publicly available and can be downloaded from IEH's website.

IEH's template for reporting was updated in 2012. One of the changes made was a stronger focus on the impact of improvements made in the supply chain, placing a clearer responsibility on members to measure the impact of their work. The reporting template aims to incorporate the expectations laid down in the United Nations Guidelines for Business and Human Rights and in the OECD Guidelines for Multinational Enterprises. This includes issues such as due diligence and stakeholder engagement. Indicators that are included in Global Reporting Initiative G4 have been included where these are deemed to add value to the reporting process. For signatories of Global Compact, it is our intention that this report covers the requirements laid down for reporting on supply chain improvements as part of the annual Communication of Progress.



Per Bondevik
Managing Director IEH

Foreword from: Marius Varner, CEO

Varner's aim is to combine healthy business practices with ethical conduct. We believe that responsibility in business is fundamental to the success of our company.

The challenges faced by the textile and garment industry are numerous and complex, and mainly relate to the production chain. It is crucial for us to be able to offer our customers products that are produced in a responsible manner. We want to meet the challenges in our industry with focus on honesty and a commitment to develop and improve. With this approach we see great opportunity to have a positive impact on our business partners and stakeholders.

Varner has been a member of the Ethical Trading Initiative Norway (IEH) since 2003. We want to continually strengthen our efforts to improve social and environmental conditions in our supply chain. Being a member of IEH enables us to connect with experts, leaders and industry colleagues that can help us reach our goals and advance our work on these important issues.



Scope of reporting

Members of IEH are in different phases of their work with ethical trade. They also work in different industries each with different and often unique challenges. Some members purchase directly from production facilities, others partly or exclusively through agents. Smaller companies are usually unable to allocate the same resources to their work with ethical trade as larger organisations.

As a result of this, companies have the option to deselect non-mandatory questions in the table below. Deselected questions will not appear later in the reporting template. As a standard yes is selected for all questions. Report readers may find a complete template with all questions at www.ieh.no.

Companies are expected to provide an explanation for each deselected question.

	YES	NO
Step 2 - Screening of new suppliers (indicator 2-1, point b-d)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 2 - Mapping of conditions at supplier level (question 2.5)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 2 - Number of existing suppliers mapped according to method adopted (indicator 2-2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 3 - Time elapsed before paying suppliers (indicator 3-2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Competence building activities provided for supplier (question 4.3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Measures to improve working conditions and respect for human rights (indicator 4-1)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Mapping and measures taken to improve workers' wage level (question 4.4)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Measures concerning freedom of association and collective bargaining (question 4.5)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Measures (corrective) taken to improve environmental stewardship (indicator 4-2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Anti-corruption measures taken (question 4.6)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Certification of products, materials and services (indicator 4-3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 4 - Improvement projects initiated or taken part in (question 4.8)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 5 - Communication with stakeholders (question 5.3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 5 - Procedures for dealing with complaints in the supply chain (question 5.5)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Step 5 - Procedures for dealing with complaints in the supply chain (question 5.5)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

About the company

Company name:

Varner

Main brands, products and/or services offered:

Retail / Apparel.

Company brands: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Solo, Urban, Vivikes, Volt, Wow

Description of company structure:

Varner is the mother company for all business units. Ethical trade and sustainability implementation is done in a common way across all business units. Certain projects or focus areas may be initiated at company brand level.

Head Office address:

Nesøyveien 4, Billingstad, Norway

Head Office address:

Number of employees:

11,000

Turnover (NOK):

11,240,610,000

Main characteristics of the company's supply chain:

Purchases included within this report:

Garment (Clothing) & Accessories

Number of suppliers:

184

Monetary value of purchases, divided by type of product and services, type of supplier (e.g. producer, manufacturer, agent) and region/country:

Type of product and service	Percentage of purchases (%)
Garments & Accessories	100 %

Type of supplier:	Percentage of purchases (%)
Agents & Suppliers (without direct ownership in production units)	35 %
Suppliers (with direct ownership in production units)	65 %
NOTE 1: Varner was in 2015 working with 184 "suppliers". Each supplier may own/use one or more "factories" for production. The list of production units / factories can be found published on the company website (www.varner.com). In the remaining report data will be provided on first tier factory level (this differs from previous years reporting explaining the sometimes significant changes in supply chain numbers on indicators throughout the report).	
NOTE 2: In addition to 184 suppliers used for our own branded goods, we purchase external branded goods from several agents and suppliers. Approximately one fourth of our total purchases are external branded products, which are not owned, designed, produced or labelled by or with any of the Varner's own brands. External brands and suppliers of external brands are required to follow our Code of Conduct and provide us with required documentation. These external brands suppliers are not included in the figures in this report.	

Region/country:	Percentage of purchases (%)
China	56 %
Turkey	10 %
Bangladesh	19 %
India	8 %
Pakistan	2 %
Vietnam	2 %
Europe	2 %

Contact person for this report:

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Title: CSR Manager

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Telephone: 66 77 31 00

Year when IEH membership started:

2003

“Improving the working conditions in our supply chain is a priority.”





Goals and Progress for the Reporting Year

Goals	Progress	Relevant step in IEH's implementation model				
		1	2	3	4	5
Increase suppliers abilities to drive sustainable improvement processes by training and capacity enhancement. Training and capacity support for 20-30 suppliers	Targets on training and capacity support completed. New targets have been set for coming year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Measure and improve factory standards at an increasing number of factories beyond 1st tier. Approach and follow-up will depend on social and environmental risk level, anticipated level of impact, and regional profile.	There has been progress in the reporting year and the focus will continue into 2016.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Address fair wage practice in our supply chain. Aim is to locate appropriate methodologies for measuring wage practices and pilot the methods with a selection of suppliers	Progress has been made but the aim to locate appropriate methodologies for measuring wage practices has not been completed. Experience from pilot rounds are being evaluated.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Increased dialogue with stakeholders in our supply chain, with a focus on production workers.	Progress has been made. Through ongoing follow-up and project activities dialogue with various stakeholders, in particular workers, has increased in 2015.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Improve environmental compliance in processes with potential for significant environmental impact. Identify and share knowledge of best environmental practice, with focus on water consumption and discharge water. Involve at least 10 suppliers.	Although activities have been carried out in the reporting year the main goals have not been completed. Goals are carried over to 2016.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Goal for Coming Year

Goals	Relevant step in IEH's implementation model				
	1	2	3	4	5
Increase suppliers abilities to drive sustainable improvement processes by training and capacity enhancement. Training in responsible production for all suppliers in at least 2 of Varner core markets for production. *Continued from previous year with new targets	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increase internal awareness of ethical trade. A least 2 in depth topical trainings in addition to mandatory sustainability training for all new employees in buying departments.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Factory improvements: Aim to make improvements on 50% of all issues identified in the supply chain during reporting year.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilitate social dialogue processes at factories. Evaluate impact of previous years projects and initiate and implement processes at selected core suppliers.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Increase knowledge of environmental good practice. Identify and share knowledge of best environmental practice in the supply chain, with focus on water consumption and discharge water. Initiate activities at selected core suppliers. Goal extended from 2015.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continue to increase transparency (and traceability) in the supply chain. Aim to include 2nd tier factories in the ongoing CSR program in 2 out of 4 core production markets.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilitate increased traceability of raw materials by focusing on cotton and joining the Better Cotton Initiative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



1. COMMIT

Commitment in the company and its supply chain



1. COMMIT COMMITMENT IN THE COMPANY AND ITS SUPPLY CHAIN

Commitment in the Company

Q1.1 Describe how your company's work with ethical trade is anchored at Board level.

The CEO and the Chairman of the Board, the owners of the company, are directly involved in following-up the Varner's CSR work. Sustainability Manager reports directly to the CEO and the Chairman of the Board on a regular basis, at least 3 times a year. Sustainability is a regular topic on the agenda of the Board Meetings.

Q1.2 Describe how your company's work with ethical trade is anchored at top management level:

Name and position of persons in top management team with main responsibility for ethical trade:

Marius Varner, CEO, Varner

Petter Varner, Chairman of the Board, Varner

Øyvind Bustnes, CEO, Varner Retail

The extent to which incentives/bonuses are related to ethical trade/sustainability indicators:

The Sustainability department has a yearly bonus based on performances on a set of indicators.

The extent to which internal reporting routines are established for work with ethical trade:

Sustainability Manager reports directly to the CEO and Chairman of the Board of Varner and to the CEO of Varner Retail. Reporting is done regularly on the progress on the sustainability plan and the goals set therein.

Other relevant information:

The Sustainability department includes the Corporate Social Responsibility (CSR) function, the Quality assurance (QA) function and environmental focus. This report is in great extend focusing on CSR-related issues.

Internal Competence Development and Awareness Raising

Q1.3 Describe what needs have been identified regarding competence development and awareness raising:

We see the needs are similar to previous year in terms of competence development and awareness raising. There is a need for strengthened competence and awareness on sustainability matters internally in the organization with particular emphasis on design and procurement positions.

Q1.4 Describe competence development activities and measures to raise awareness that have been completed during the reporting year:

Sustainability training has been completed for all purchasing departments in conjunction with newly developed internal internal portal for sustainability. In addition, mandatory sustainability training has been completed for new staff in design or procurement positions.

Existing channels for training, communication and coordination have been maintained. Such as, internal forum for sustainability, consistent focus on sustainability in internal procurement forum, and ongoing communication about sustainability with all internal business partners.

Commitment in the Supply Chain

Q1.5 Please provide a complete URL (web address) to your company's code of conduct, or attach if preferred:

<http://varner.com/globalassets/images/sustainability/documents/code-of-conduct.pdf>

Q1.6 Describe how your company communicates compliance with your code of conduct (CoC) to your suppliers. Please include:

How the intention of the CoC is communicated:

The Code of Conduct is distributed to all suppliers. All suppliers must sign a contract where they agree to follow and implement requirements, including those in CoC, at all levels in the supply chain. All new suppliers are required to meet with the CSR-department to go through all requirements and expectations in the CoC. A CSR on-boarding training program for suppliers has been piloted during 2015 and will be further developed in 2016. Follow-up meetings on requirements are held regularly. Requirements in the CoC are also emphasized at factory visits, in meetings and before and after social inspections.

Systems in place for capturing feedback and encouraging dialogue with the suppliers:

Points of contact for feedback and dialogue are clearly defined when a cooperation with a supplier is initiated. Openness and transparency is highlighted from the beginning of a business relationship as fundamental to the cooperation. This is also emphasized regularly in meetings, at factory visits, and in regular correspondence. The Sustainability department is set up independent from purchasing and procurement to facilitate honest feedback on the Varner business approach and buying practices.

Incentives for good working conditions and and environmental stewardship:

Suppliers and factories with good performance on social and environmental aspects are promoted for internal business teams.

The extent to which the CoC is translated into local languages:

The CoC has been translated into Chinese, Turkish, Hindi, Bengali and Tamil.

Other relevant information:

Q1.7 Describe the extent to which your CoC is communicated to sub-suppliers further up the supply chain. Describe any activities you engage in to ensure that this happens:

The communication and distribution of the CoC to sub-suppliers is an ongoing process. Each supplier is required to distribute our CoC to their business partners and ensure that it is being followed. Our production offices check sub-suppliers knowledge about the requirements in the CoC by by visits, inspections and meetings.

Indicator 1 -1: State the percentage of your company's first tier suppliers who have received and accepted your CoC for ethical trade:

	2015	2014	2013
Total number of suppliers:	184	210	216
Percentage of total number of suppliers:	100 %	100 %	100 %
Percentage of total monetary value of purchases:	100 %	100 %	100 %



2. ASSESS

Assessing risk in the supply chain



2. ASSESS ASSESSING RISK IN THE SUPPLY CHAIN (DUE DILIGENCE)

Screening of New Suppliers

Q2.1 Describe how your company takes ethical trade considerations into account when choosing new suppliers. Describe the criteria that results in:

A supplier not being used:

- Lack of openness and transparency
- Insufficient management of production standards, missing capacity/capability of improvement and development
- Critical breach with any part of the Varner Code of Conduct
- Extensive number of sub-contractors or non-transparent supply chain
- Weak or missing knowledge about social compliance and proper working conditions

Improvements being carried out as a prerequisite for trade with this supplier:

All suppliers and factories are required to undergo an inspection of social conditions before any cooperation can begin. This can either be an inspection from Varner's own CSR-personel or from an independent auditing company - usually both are required. If any issues are found being in breach with the Varner Code of Conduct the supplier will be required to improve these before cooperation can start.

Choose from the list the elements that are included in your screening process:

- Self Assessment Questionnaire (SAQ)
- Own visits
- Inspections
- Reports from earlier inspections
- Choosing of certified companies
- The supplier has a programme for following up sub-suppliers
- Other

Provide a more detailed descriptions of your screening methods:

All factories planned for use for Varner are required to undergo detailed assessments before they can be approved for use. A wide range of methods are used for screening. Some key steps are: A pre-assessment done by internal local CSR-specialists. At this stage the factory unit (or units) is visited and inspected and all pre-existing documentation on social and environmental aspects is reviewed. Based on findings next steps are decided. If the factory is found to be acceptable based on the pre-assessment a full Code of Conduct Audit will be done by a third party or an internal inspector. After this stage the factory can be approved for use by the CSR-department if the factory (or factories) is found to be up to the required standard and the supplier is willing to commit to the Varner Code of Conduct program.

Indicator 2-1: Screening of new suppliers and measures taken

A) State the percentage of new suppliers that have been screened for either working conditions, human rights, environmental impact or corruption, or for the existence of a program for following up its own suppliers in these areas:

Percentage of new suppliers that have been screened	2015	2014	2013
Percentage of new suppliers that have been screened:	100 %	100 %	100 %

B) Describe the most important issues that have been identified and in which countries they occurred:

Identified issues in 2015	Relevant CoC element	Country
Excessive overtime	Working hours	China, India, Bangladesh
Insufficient record keeping for verifying working hours and wages	Working hours, wages, laws and regulations	China
Non-transparent records/documents ("double book keeping")	Working hours, wages, laws and regulations	China, India, Bangladesh, Turkey
Incorrect overtime calculation rates	Wages and benefits	China, India
Lack of health and safety systems (and insufficient implementation of such systems)	Health and safety	India, Bangladesh, China
Insufficient worker management dialogue and grievance systems	FOA	India, Bangladesh, China, Turkey
Insufficient coverage of social security	Wages and benefits	Turkey, China

C) Out of the total number of screened supplies, please provide:

Follow-up of screened suppliers in 2015	Percentage (%)
Percentage not traded with as a result of the screening:	46 %
Percentage for which requirements for improvements were specified:	49 %

D) Please provide details regarding your actions to follow up screened suppliers:

When a potential supplier has been screened according to mentioned screening methods, the CSR-department will decide if the supplier is suitable for cooperation with Varner or not. Suppliers with fundamental breaches to

the Varner Code of Conduct will not be traded with. Business may be initiated with suppliers without serious breaches to the CoC but with certain items that need improvement provided that a clear plan for improvements have been set. The improvements then need to be verified within a set schedule.

Overview of Where Production Occurs (existing suppliers)

Q2.2 To what extent does your know where the products are produced. Include:

Knowledge of first tier of production:

All our suppliers' first tier producers have been charted. All 1st tier factories must be registered and approved by the CSR-department before they can be used. Factory information must be declared for each single order. Random checks, announced, semi-announced and unannounced visits and inspections are done to ensure that unauthorized outsourcing does not occur.

How much is known about where sub-suppliers and raw material production occurs:

Suppliers are required to keep all information about sub-suppliers available for Varner. For certain product groups sub-suppliers must be declared for each order, and for certain products sub-suppliers must be inspected and approved before use. Information on sub-suppliers is validated by audits, factory visits and random controls.

Specific challenges related to traceability:

Although we have developed traceability procedures and checks, visits and inspections are done to verify the information it is difficult to control the use of sub-suppliers in all tiers of the supply chain completely.

Any other relevant information:

Q2.3 Please provide a list of the number of first tier suppliers per country: (suppliers known to the company):

Country	Number
Bangladesh	36
Vietnam	3
Turkey	82
Sri Lanka	1
China	189
India	27
Pakistan	1

Country	Number
Egypt	1
Italy	8
Ukraine	1
Portugal	4
Thailand	1
Poland	1
Norway	2
Republic of Korea	7
Sweden	3
Serbia	2
Lithuania	1

Method for Assessing Risk for Existing Suppliers

Q2.4 Has your company established a risk profile (per country/industry sector) associated with working conditions, human rights, environmental risk and corruption in the supply chain?

Yes

If yes, please describe the methods you have adopted for developing this risk profile:

Evaluation of risk is done by using available information on regions (such as existing country profiles developed by third party organizations) and by using experience and competence from our local specialists on known risks related to the production. Regional risk is under continuous review. Risks are also evaluated related to industrial process required for type of production.

Q2.5 Describe the extent to which your company has developed risk profile for individual suppliers. Please include:

The criteria used to decide which suppliers to perform risk assessment on:

Risk profiles are developed for each single supplier

The number and geographical location of suppliers for whom you have developed individual risk profiles:

Refer to supplier list

Methods used for arriving at the risk profile:

Pre-assessments, visits, inspections, pre-existing documentation, pre-existing knowledge about region and local conditions and regular communication with various stakeholders.

Any other relevant information:

Indicator 2-2: Number of existing suppliers assessed for either working conditions, human rights, environmental impact, corruption or program for supplier follow-up, broken down by risk assessment methods:

Number of suppliers assessed	2015	2014	2013
Number of suppliers	370	210	214

Number of suppliers divided by risk assessment methods	2015	2014	2013
(Pre-) assessments onsite	169		
Internal inspections	96		
External inspections	74	168	250
Check of reports from previous inspections	74	101	166
Check of certification	9	14	21
Own visits	115	226	171
Issue focused inspections/assessments from 3rd party (Acco	102		
Use of self assessment questionnaire (SAQ)	7		

Description of Supply Chain Risk Profile

Q2.6 Describe your company's supply chain risk profile in relation to compliance with your code of conduct:

Please specify:

Which countries are deemed to be high risk:

Risk for breach of Code of Conduct is in general considered to significant in all our production markets.

Which aspects of your CoC are particularly at risk of being breached:

- Health and safety requirements
- Working hour regulations
- Freedom of Association
- Migrant workers in the supply chain (in particular Syrian refugees in Turkey)
- Correct and reliable data and information

Challenges when it comes to sub-suppliers and raw materials production :

- Traceability of raw materials
- Chemical requirements
- Conformance to social requirements
- Transparency

Other specific challenges, e.g. in relation to suppliers being located in export processing zone, subcontracting labour or outsourcing production.

Unauthorized outsourcing of production to undeclared factories is a risk we are aware of and use significant resources to mitigate.



3. ADAPT

Adapting purchasing practices



3. ADAPT ADAPTING PURCHASING PRACTICES

Long-term Supplier Relations

Q3.1 Describe your company's policy and/or practice relating to the length of supplier relations.

Varner has long-term relationship with suppliers as a part of the business strategy. No suppliers are sourced for one-time orders or brief business relationships. Detailed due diligence on important business aspects is done prior to opening a new business relation to make sure that there is a base for a long term business relationship. A vast majority of the business is done through long term relationships.

Indicator 3-1: Proportion of your total purchase coming from suppliers with whom your company has a long-term business relation (see definition):

	2015	2014	2013
Percentage purchase through long-term agreements:	95 %	95 %	85 %

Purchasing Practices

Q3.2 Has your company performed an analysis of how your purchasing practice affects your suppliers?

Yes

If yes, please describe how this was done and what the main findings were:

We have carried out a survey among our suppliers to get feedback on our own CSR-work and to understand how our purchasing practices were perceived by and affected our suppliers.

We plan to carry out a new survey in 2016.

Q3.3 Has your company amended its purchasing practice to minimise negative impacts or to promote better working and environmental conditions at suppliers?

Yes

If yes, please describe the changes that have been made:

Parts of the buying organization has adopted focus on early confirmations, increased early forecasting of orders, and more clear time lines. These efforts are in process of being extended to the rest of the organization. There has also been a process to make processes and business practices more uniform across business units.

Indicator 3-2: Time elapsed prior to paying suppliers

A) Please state the credit terms in terms of number of days in your standard agreements with suppliers:

Standard credit terms for suppliers	2015	2014	2013
Number of days:	30	30	30

B) Please state the percentage of supplier payments made within the agreed credit term:

Percentage of payments made within agreed time	2015	2014	2013
Percentage paid within agreed time:	99.0 %	99.0 %	99.0 %

Evaluation of the Impact of Changes made to Purchasing Practices

Q3.4 Describe how your company has assessed the impact of any changes made to your purchasing practices and provide details of the results of this assessment:

We have an ongoing dialog with our suppliers regarding these matters, but has been difficult to get reliable data. We will therefore perform a new assessment based on the survey we plan to send out in 2016.



4. COLLABORATE

Improvements in the supply chain



4. COLLABORATE IMPROVEMENTS IN THE SUPPLY CHAIN

Product Design and Choice of Raw Materials

Q4.1 Has your company chosen product design features or raw materials that reduce negative impacts or promote better working or environmental conditions?

Yes

If yes:

Describe measures taken in the reporting year:

- Constraints are put on design possibilities for products where fibers of animal origin are involved (for example constrictions based on a complete ban on fur, angora wool and exotic animal fibers).
- The Varner chemical restriction program put limits on a range of design features that would have negative environmental effects (one example is the ban of PVC in all products).

Describe the impact that your company expects these measures to have:

The measures related to animal fibers are expected to reduce the risk of violation of animal welfare in the supply chain. Restrictions and efforts on product features are especially related to chemicals. This is expected to reduce chemical impact to workers and environment in production and also chemical impact in use and disposal of the products.

Competence Development of Suppliers

Q4.2 Has your company identified the competence development needs of suppliers in order for them to be able to meet your code of conduct requirements?

Yes

If Yes, please provide:

Identified competence development needs:

- Awareness about transparency practice
- Knowledge about requirements for maintenance of documents, records and written policies
- Awareness and knowledge about social dialogue
- Fire safety (including especially engineering and maintenance of electrical set-up at factories)
- Best practice on human resource management
- Production efficiency and planning

Planned competence development activities:

- Sustainability on-boarding training for all new suppliers.
- Training on Code of Conduct requirements/implementation/sustainability management. Cover entire supplier base in at least 2 markets (India and Turkey/Bangladesh)
- Factory safety training for workers and management, all suppliers in Bangladesh
- Rights and responsibility training for workers and management, 3-5 suppliers in India

Suppliers included in terms of number, country/region and type of supplier:
See above

Q4.3 Has your company contributed to competence development of suppliers in the reporting year?

Yes

If yes, please describe in the table below:

Completed competence development activities
Suppliers included in terms of number, country/region and impact (expected or measured)

Competence development activity (organised by oneself or others)	Number of suppliers	Country or Region	Impact (expected or actual)
Decent Work Training organized and conducted by ETI with local partner	31	China, India, Bangladesh	Enhanced awareness of ethical trade principles and more understanding of expectations and requirements of CSR elements
Benefits for Business and Workers (BBW) training over 24 days. Training arranged and conducted by Impactt Ltd. together with local partners.	3 (covering 6 factories)	India	Improved human relations management and efficiency gains for the supplier. Increased wages and reduced overtime for workers.
Social Dialogue Training over 7 days organized by JETI and conducted by trainer from IndustriALL. Training done for Trade Union Bearers, worker representatives and factory management.	1	Bangladesh	Improved dialogue between workers/trade union/worker representatives and factory management
Varner CSR training for suppliers. Covering all aspects of the Code of Conduct and implementation of requirements. Organized and conducted by Varner CSR Specialists.	22	India, Turkey	Increased understanding of requirements and how to implement

Competence development activity (organised by oneself or others)	Number of suppliers	Country or Region	Impact (expected or actual)
Training on requirements, restrictions and control connected with homework	4	India	Increased understanding of requirements and how to implement

Improvement of Suppliers

Indicator 4-1: Improvement measures concerning working conditions and human rights (HR)

A) Please report on the number and percentage of current suppliers where you have identified non-compliance issues connected to working conditions and HR:

Identified issues connected to working conditions and HR	Number	Percentage
Suppliers in the reporting year with identified issues related to working conditions and human rights:	320	86 %

B) State the percentage of these suppliers (of the number given in 'A') where:

- You have agreed or requested improvements
- Improvement measures have been completed
- Contracts have been terminated (e.g. as a result of unwillingness to improve conditions)

Please also divide improvement measures into CoC clause and country/region

Improvement measures for working conditions and HR	2015	2014	2013
Percentage of suppliers where you have agreed or requested improvements*	75 %	98 %	93 %
Percentage where improvement measures have been completed*	40 %	40 %	64 %
Percentage where contracts were terminated*	7 %	4 %	8 %

* Percentage of the suppliers where non-compliance issues have been identified (of number stated in 'A')

Percentage distributed by CoC clause in 2015	Improvement measure completed (%)
Freedom of association and collective bargaining	1 %
Child labour	1 %
Health and safety	86 %
Wages	4 %
Working hours	5 %
Regular employment	3 %

Percentage distributed by country/region in 2015	Improvement measure completed (%)
Bangladesh	44 %
China	13 %
Turkey	16 %
India	27 %

C) Please provide details on the most important improvement measures:

- Improvements on health and safety systems (ex. hardware related to emergencies, procedures and training related to protective measures and emergencies)
- Improvements on fire and structural risk (ex. improvements related to electrical set-up, improvements on hardware for fire protection)
- Improvements on record keeping and management and implementation of effective attendance systems
- Development and implementation of relevant workplace policies
- Facilitating proper election of worker representatives

Q4.4 Describe measures that your company has taken to ensure that workers receive a decent wage that covers the basic needs for the worker and his/her family, such as:

A gap analysis of workers' actual wages and proposed levels of a decent wage: Wage analysis is a part of the ongoing follow-up in the supply chain. This year we have piloted a gap analysis of workers wages have been done through assessments conducted by Fair Wage Network. Focus for the reporting year has been to establish an approach that promotes transparent and proper wage systems.

Measures taken to reduce the gap between actual wage levels and the proposed level for a decent wage: The Benefits for Business and Workers project we have been a part of together with 3 suppliers (6 factories) in India has clear ambitions of ensuring a positive wage effect for the workers. The progress for the factories that have been part of the 2nd round in the project is based on initial assessments positive, but it is still too early to determine the real effects of the efforts done. In general terms, wage levels are monitored and followed on a regular basis, and where breaches to wage practices are identified we address this with the suppliers with both short term and long term implementation plans. In the pilot that has been initiated with Fair Wage Network we have identified some positive practices for certain suppliers when it comes to wage practice and wage levels, but also some potential for improvement. This will inform our further approach on this and further focus on this in the coming year.

Any other measures:

Q4.5 Describe measures that your company has taken, in the reporting year, to ensure that workers' right to freedom of association and collective bargaining are respected. Describe in terms of:

Measures taken:

Workers rights to freedom of association and social dialogue is an important part of our follow-up of factories. The topic of social dialogue, worker representation and freedom of association is addressed through focus on awareness and policy implementation in factories we cooperate with. During the reporting year we have also participated in the Joint Ethical Trading Initiatives (JETIs) Social Dialogue Programme where management, trade union and workers have taken part in a training programme where training has been conducted by trainers from IndustriALL.

Number and type of suppliers covered:

Training related to FOA and improvements related to FOA and worker representation has been addressed at several suppliers, while hands on projects have been initiated at 2 core suppliers

Countries or region:

Bangladesh and Turkey

Indicator 4-2: Measures for Reducing Environmental Impact in the Supply Chain

A) Please report on the number and percentage of current suppliers where you have identified issues connected to environmental impact.

Findings relating to environmental impact	Number	Percentage
Suppliers with identified environmental issues in the reporting year.	57	15 %

B) State the percentage of these suppliers (of the number entered in 'A') where:

- You have agreed or requested improvements
- Improvement measures have been completed
- Contracts have been terminated (e.g. as a result of unwillingness to improve conditions)

Please also break down measures by theme and country/region.

Measures for reducing environmental impact in the supply chain	2015	2014	2013
Percentage of suppliers where you have agreed or requested improvements*	100 %	100 %	100 %
Percentage where improvement measures have been completed*	65 %	26 %	20 %
Percentage where contracts were terminated*	0 %	0 %	0 %

* Percentage of the suppliers where issues have been identified (of number stated in 'A')

Percentage distributed thematically in 2015	Improvement measure completed (%)

Percentage distributed by country/region in 2015	Improvement measure completed (%)
Bangladesh	83 %
India	14 %
China	3 %

C) Please provide details on the most important improvement measures:

- Improvement measures related to water discharge and chemical handling at washing factories
- Development and implementation of procedures and effective management of environmental risks

Q4.6: Describe measures that your company has taken in the reporting year relating to anti-corruption in your supply chain. Please include:

Requirements to change of practice and termination of contracts/business relations:
Focus on anti-corruption continues to be a part of the Varner sustainability and business approach.

Measures to improve your company's own anti-corruption work:
Internal code of practice is implemented in all parts of the company.

Use of Certification Schemes

Q4.7 Describe your company's policy on whether certification is used as a means for improving conditions in your supply chain:

Certification standards are not used actively as a means to improve conditions in the supply chain. Social certificate SA8000 may under certain conditions be an accepted a way to display performance on social conditions.

Indicator 4-3: Proportion of purchased material, products and/or services that have some form of environmental or social certification.

Please provide the percentages of purchased material, products and/or services that is certified by social or environmental standards, according to each categories that is relevant to report on by your company:

Category material/product/service	2015 % certified	2014 % certified	2013 % certified
Garment & Accessories		25 %	18 %

Please show the distribution by certification standard for the reporting year:

Category material/product/service (in 2015)	Certification standard	Percent certified
Production Facilities	SA8000	5 %
Products & Production Facilities for chain Vivikes	Swan label	3 %
Products	Organic cotton	30 %

Improvement Projects and Activities

Q4.8 Please describe improvement projects or activities in the reporting year where the main purpose is to improve compliance to your code of conduct.

Project name:	The Accord Bangladesh
Purpose:	Make factories safe from structural and fire risk.
Main activities:	Inspections of fire risk, electrical set-up and building structure at all factories, upgrades where improvements are needed, training of management and workers in emergency procedures and how to keep the factories safe.
Country/ies:	Bangladesh
Project partners:	The Accord Bangladesh
Start date and expected finish date:	2013-2018
Learning gained and challenges met:	Increased knowledge of structural safety and importance of proper electrical assessments. The project has also highlighted the value of broad industry cooperations.
Ethical requirements addressed:	Health and safety, FOA

Project name:	Work 2 Learn Bangladesh
Purpose:	Provide education and vocational training for marginalized young adults in Bangladesh
Main activities:	Set-up school for textile education and provide practical training at factories with good working standards.
Country/ies:	Bangladesh
Project partners:	Save the Children, UCEP
Start date and expected finish date:	2013 - 2016
Learning gained and challenges met:	Deeper knowledge of the issue of child labour in Bangladesh and the route from poverty to steady work. Improved relations with suppliers and knowledge about their needs when it comes to training and competence.
Ethical requirements addressed:	Child labour

Project name:	Fire Safety India
Purpose:	Ensure factories used for the Varner Group in Bangladesh are safe for workers and staff.
Main activities:	Detailed gap analysis of fire safety at all factories by competent engineers. Fire safety training.
Country/ies:	India
Project partners:	DNV-GL
Start date and expected finish date:	2014 - 2016
Learning gained and challenges met:	Awareness of risks related to electrical installations and technical aspects of fire prevention and reaction
Ethical requirements addressed:	Health & safety

Project name:	Social Dialogue (JETI)
Purpose:	Establishing platform and necessary tools for effective social dialogue at factories
Main activities:	Training with trade union representatives, worker representatives (WPC) and factory management (in joint and separate training sessions). Facilitating dialogue between workers and management.
Country/ies:	Bangladesh
Project partners:	Joint ETIs, IndustriALL, supplier
Start date and expected finish date:	2015 - 2016
Learning gained and challenges met:	The project has so far highlighted the need for balanced information and training in rights and responsibilities for both workers and management about social dialogue.
Ethical requirements addressed:	Freedom of Association

Project name:	Fair Wage Pilot
Purpose:	Identify method and tools to effectively assess, measure and make progress on wage practice and wage levels in the supply chain
Main activities:	Fair wage assessments at core suppliers, analysis of findings, development of tools and method.
Country/ies:	China
Project partners:	Fair Wage Network (FWN)
Start date and expected finish date:	2014-2016
Learning gained and challenges met:	Experiences so far has highlighted the complexity of transparent and reliable data on the wage dimension. It has also highlighted the need for new angles to approach the issue of wage practice and wage levels.
Ethical requirements addressed:	Wages

Evaluating the Impacts of Improvements Measures

Q4.9 Please evaluate the impact of the improvement measures completed by your company in the reporting year. Evaluate the impact against the risk profile of your supply chain and issues that are identified:

We believe our local presence in our main production countries allow us to get a better understanding of the challenges we face. We are able to get more reliable and detailed information about the social conditions in the production facilities and can plan our activities accordingly.

Since we created the Sustainability department, we have seen a lot of synergies between production and the product side. The link between the product development and buying process and the supply chain management is clearer and it allows us to have a more holistic approach to our CSR work. We see that we have great potential in improving our environmental approach and will focus on this in the coming years.

We have come a long way since we started our CSR journey, but we also know that there are many improvements to be made. We strongly believe in strengthening the collaboration and dialog between workers and management. We also believe in partnership, both at a local and a more international level. We will continue to focus on transparency and traceability. It is important for us to have the best possible understanding of our value chain and its impacts.



5. COMMUNICATE

Strengthening awareness, dialogue and support



5. COMMUNICATE STRENGTHENING AWARENESS, DIALOGUE AND SUPPORT

Internal and External Communication about Ethical Trade

Q5.1 Describe how your company communicates internally about its work with ethical trade:

The Sustainability forums every second month which gathers a sustainability-coordinator from each buying chain is one important information channel. Another important forum is the "Buyers Forum" twice a year.

We have internal training sessions for the buying departments and the production offices on several sustainability-topics such as animal welfare, factory registration, etc.

The Varner Intranet plays an important role where all existing documents, routines and tools can easily be found. In addition, there are many formal (and informal) meetings between the buyers and the Sustainability department.

Q5.2 Describe how your company communicates externally about its work with ethical trade:

Information about our CSR and Sustainability work is published on our web site. Contact details is available online and we strive to give feedback to all external queries. Varner has on several occasion presented its sustainability work at conferences and seminars. We are present in several international industry networks focusing on social and environmental improvements in production markets.

Q5.3 Please provide details on which themes your company has communicated with stakeholders about ethical trade in the reporting year. Show:

Which stakeholder groups were involved

Whether it was dialogue on impact by your company's supply chain activities

Whether it was communication of the results of your work with ethical trade

Topic/theme	Stakeholders	About impact of activities	About results communication
Migrant workers/Syrian migrants in Turkey	Suppliers, Association of Solidarity of Asylum Seekers and Migrants, other brands/ companies	Yes	No
Awareness of CoC requirements	Suppliers	Yes	No
Sustainability and social requirements, product related requirements	Customers, NGOs	Yes	Yes
* See also sections earlier in the report for more information about activities related to stakeholder dialogue in the supply chain			

Q5.4 Please provide an accurate web address where your company publishes information and/or reports about your work with ethical trade:

www.varner.com

Complaints Procedures

Q5.5 Describe how your company deals with complaints about non-compliance issues in the supply chain, divided by:

Tracking complaints made through established mechanisms such as supplier’s own systems, national authorities and international mechanisms such as OECD National Contact Points. We require the production facilities to develop internal complaints and grievances systems in order to enable workers to raise their issues to assigned persons/committees. The management is required to have a system in place to ensure the issues raised are resolved in a fair and efficient manner. We routinely check that these systems are available and effective for workers.

Your company’s own systems for receiving and dealing with complaints from both internal and external stakeholders.

The HR department together with the Security department in Varner are responsible for handling incoming complaints from both internal and external stakeholders. Internal mechanisms and policies have been developed. Complaints received by the Sustainability department directly from workers are - if needed - resolved in collaboration with relevant local organizations. The indicators show the number of CSR related complaints at the supply chain level received by the Sustainability department.

Indicator 5-1: Number of complaints received through established complaints mechanisms

Provide the number of complaints received through established complaints mechanisms relating to working conditions, human rights, environmental impact or corruption:

Complaints received through established complaints mechanisms	2015	2014	2013
Number of complaints received	0	1	1

Divide complaints thematically and describe measures taken to follow-up or remedy:

Topic of complaints received in 2015	Number	Follow-up measures taken
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Topic of complaints received in 2015	Number	Follow-up measures taken
n/a		

Promoting Ethical Trade and experience exchange

Q5.6 Has your company engaged in activities to promote ethical trade or share experience/knowledge in the reporting year?

Yes

If yes, describe activities and the target groups for these activities, for example:

- Suppliers
- Business and trade networks
- Authorities and/or public bodies
- Other

Type of activity	Number	Target group(s)	Description
Experience exchange	4	Norwegian Embassy India, Chilean Embassy in Norway, other Norwegian companies	Good practice cases
Experience exchange	15	Other brands/companies, various NGOs and organizations	Regular knowledge and experience exchange in ethical trade groups/forums in Turkey, India, Bangladesh and China, as well as ad hoc contact with other brands in all regions where relevant
Experience exchange	1	Norwegian Government (The Standing Committee of Business and Industry)	Risks and opportunities for the textile industry in India. Implementation of CSR in India.
Industry specific collaboration	1	Textile Industry Bangladesh	The Bangladesh Accord
Lobbying against authorities	1	Bangladesh Government, Textile Industry Bangladesh	The Bangladesh Accord

Type of activity	Number	Target group(s)	Description
Experience exchange	1	Bangladesh Government, Save the Children, other stakeholders	Shared experience in the event that the Bangladesh Government were outlining a new national plan on CSR activities
Lectures at seminars	2	Students, local government	Presentations about sustainability in Varner
Contributions to studies and research		Students (Bachelor or Masters degree)	Provide information about our Sustainability work related to different topics



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