

Responsible Sourcing Policy

Version 1.0

This policy is developed by the Varner CSR team and is regularly revised by both Varner and expert organizations.

ABOUT VARNER

Varner is a leading Scandinavian fashion retailer comprised of the following private brand and retail concepts: Bik Bok, Carlings, Cubus, Dressmann, Dressmann XL, Urban, Volt and Wow. Responsibility is one of our core company values. Our Varner branded products are produced in selected countries in Asia and Europe. We cooperate closely with selected suppliers and factories and focus on mutually supportive relationships. We have production offices located in our four biggest production markets, China, Bangladesh, India and Turkey. Read more about the company here: www.varner.com.

CRITERIA FOR COOPERATION WITH SUPPLIERS

We believe in long term and mutually supportive relationships with suppliers. Transparency is a key criterion for cooperation. We expect transparent conduct from all suppliers as well as from our own employees.

We believe that ethical and honest behavior is a fundamental requirement for conducting business with us. Our key supplier selection criteria within our procurement process covers environmental standards, sustainability and ethics. We assess suppliers against a broad range of issues. Each supplier must comply with local laws and regulations as well as the sustainability requirements defined by us.

We have developed a Supplier Code of Conduct that describes our specific sustainability requirements. We have policies covering the most salient issues in our supply chain, which are modern slavery, child labour, migrant labour, homework production, anti-bribery and anti-corruption. We have also developed requirements for product safety and chemical handling.

APPROVAL PROCESS OF NEW PRODUCTION MARKETS AND NEW FACTORIES

Before entering new production markets we perform a risk mapping of social, environmental and governance related challenges and issues in the respective country. We perform stakeholder mapping and include relevant stakeholders such as NGOs, unions, industry associations and governmental authorities in our risk assessment. Based on the information and mapping, we evaluate whether or not to initiate relationships with suppliers located in this region.

Before we initiate a contractual cooperation with a supplier in an approved market, we perform a thorough assessment of the supplier based on the key criteria mentioned above. No production can start until Varner has approved the factory. We develop risk profiles for each supplier and do not approve suppliers below our standards. Onboarding sessions are conducted for all new suppliers and factories.

The Corporate Social Responsibility department has the mandate to approve or reject markets, suppliers and factories independent from any other business function.

VARNER DUE DILLIGENCE PROCESS

Varner's approved suppliers are continuously evaluated with respect to their ability to meet our requirements and expectations. This is part of our due diligence process. More specifically, we assess suppliers in fields such as environmental performance, health & safety, human rights and labour rights. We map risk and conduct inspections, meetings and visits at each factory every year where we assess factories against the requirements in our code of conduct. Interviews and talks with key stakeholders at the factory is a key part of the process. We have a worker engagement approach where we listen to the workers in order to understand the actual situation at each factory.

We do regular assessments in tier 1, 2 and 3 in our supply chain. We audit and assess factories in our supply chain according to an assessment cycle where the factory risk determines the frequency of assessments. All factories are assessed at least once per year. Inspections are mostly semi-announced or unannounced and we aim to have as few

announced inspections as possible. Inspections are conducted both by our internal staff and by third party auditing companies.

If we find a breach of our requirements during an inspection, we clearly communicate the issue with the factory management. From there, we develop a corrective action plan where all identified issues need to be corrected within a given time. The factory management input their perspective on how the issue will be handled and resolved within a realistic timeline. The focus is on long-term improvement and development to meet our sustainability standards.

Some breaches may be more severe and require a proactive and systemic approach. A key part of our due diligence process is remediation support. We commit to follow up any situation closely and provide assistance where possible to resolve the case. If remediation support is necessary, we consider this on a case-by-case basis. We have established cooperation with expert-organizations that contribute to remediation support if a serious breach is identified at one of the factories producing for us.

STRATEGIC APPROACH

Varner's supplier portfolio is revised and managed on a continuous basis. We aim to work with profitable and financially stable suppliers who are leaders in their field and have a clear and consistent vision and synergy with our strategic business objectives.

We aim to purposefully work with our selected strategic suppliers to continuously improve sustainability standards in our value chain. We initiate strategic and mutually beneficial projects with suppliers that meet our economic, ethical and sustainable standards.

PROCEDURE FOR PHASING OUT SUPPLIERS

We aim at working together with suppliers to improve. If a supplier or factory is not willing to cooperate to resolve identified issues after several attempts from our side to highlight the importance of this, we will consider a phase out and a discontinuation of the cooperation.

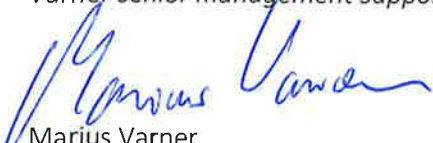
There may be a wide range of reasons that lead to the discontinuation of cooperation with a supplier. Non-conformance to terms of contract, such as Varner sustainability requirements, quality requirements, delivery instructions, clauses of integrity and corruption or unauthorized production would in many cases lead to a phase out plan. Other reasons may be declining business need, price issues, changes in the supplier organization, supplier perceived to be financially unstable, strategic shifts in the Varner supplier portfolio or supplier not being perceived to fit Varner future sourcing needs.

We have developed a procedure for phasing out suppliers. The procedure is intended to ensure that discontinuation or closure of a supplier is done in a responsible manner that seek to take into account the interest of affected parties (internal and external). This includes a written explanation of the phase out, consultation with all relevant parties, a phase out plan with timeline and a termination of cooperation letter signed by our Global Production Manager.

REPORTING ON BREACHES

Suppliers, their workers and contractors are required to report actual or suspected breaches of our requirements to their Varner representative. All matters will be treated swiftly and confidentially.

Varner senior management support this policy.



Marius Varner
CEO