



# ODLO international sustainability report 2012



## content

### **3 Foreword by Jonas Ottosson**

---

### **4 Management Summary**

---

### **5 The ODLO Brand**

---

5 Brand Philosophy

---

5 Quality, Materials, Prices

---

### **6 The ODLO Company**

---

6 Passion for Sports

---

6 History

---

8 Organisation Chart

---

8 Facts and Figures

---

### **9 CSR Vision**

---

### **10 CSR Strategy Overview**

---

### **11 ODLO Climate Initiative**

---

### **12 The ODLO Code of Conduct**

---

### **14 CSR Management System**

---

14 CSR Overall Responsibility

---

14 ODLO CSR Team

---

14 ODLO Management Instruments 2012

---

15 Communication, Training and Development

---

15 Fair Wear Foundation Membership

---

### **16 Goals & Achievements 2012**

---

16 Further Development of  
CSR Management System

---

16 Social Audits

---

17 Implementation of  
ODLO Climate Initiative 2011 – 2013

---

17 Training & Development of  
ODLO Employees

---

17 Internal CSR Initiatives and  
International Activities

---

18 Transparency and External  
Communication

---

### **19 Sourcing Strategy**

---

19 ODLO Production

---

20 Agents & Subcontractors

---

21 Sourcing Strategy

---

21 Pricing Policy

---

22 Organisation of the Sourcing Team

---

22 Selection Process for New Producers

---

### **23 Monitoring System**

---

23 Monitoring Instruments

---

24 Monitoring by Country

---

26 Explanations concerning Audits  
per Country

---

### **27 Production cycle**

---

27 Market Introduction of  
«evolution» green<sup>tec</sup> in 2012

---

28 Materials & Technologies

---

29 Transportation

---

### **30 Conclusions of 2012 and Outlook towards 2013**

---

### **31 Editorial Information**

---



ODLO acts with social and ecological responsibility.

## foreword by jonas ottosson

CEO ODLO Sports Group

Picture  
Jonas Ottosson.

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Dear ODLO friends,

2012 has been a year of many changes for ODLO, among them a great loss to ODLO, the passing away of Odd Lofterød, son of our founder, Odd Roar Lofterød. In his and his father's footsteps we follow by continuing to carry on the tradition of our brand: strong Norwegian roots with Swiss quality innovation. In autumn 2012 I entered the position of CEO, what I found at ODLO was a strong heritage, a true brand, impressive, innovative and high quality products, experienced staff and a well-deserved reputation as a good business partner – all in all a great platform to get the opportunity to work on a great platform to work with.

Although the supply situation in the Far East has started to stabilize, still the challenges in the recent years for the sports textile industry continued into 2012. However, thanks to a big share of production in our own factories in Europe, ODLO has managed to stay well balanced in its sourcing capacity. A new factory in Romania was inaugurated in September, doubling our production space and preparing us for even further growth of European manufacturing. A further milestone for ODLO in 2012 was the groundbreaking of our new distribution centre in Germany, which took place in December and is planned to be up and running in December 2013.

My experience at ODLO so far has showed that our employees are proud to work for a company with an ambition to always be One Step Ahead when it comes to sustainability and responsibility. Something I believe we share with our customers, which is why we will continue our efforts to act with social and ecological responsibility, and to be transparent when it comes to the communication of these efforts.

Jonas Ottosson,  
CEO





## management summary

Picture  
ODLO Running.

Sustainable action has been anchored in ODLO's corporate vision from the beginning: «We act with social and ecological responsibility». The three core values «Responsibility», «Actions» and «Transparency» reflect what is paramount to ODLO.

Since 2008, ODLO has been a member of the **Fair Wear Foundation (FWF)**, which strives to improve labour conditions in the textile industry worldwide ([www.fairwear.org](http://www.fairwear.org)). By the end of 2012, more than 90% of the company's total purchasing volume has been included in the ODLO monitoring system and comes from either an audited factory or factories in low risk countries, thus meeting the relevant FWF requirement.

With a view of channelling all efforts concerning ecological responsibility, the company launched the ODLO **Climate Initiative** based on the three areas of focus «Awareness & Responsibility», «Quality & Innovation of Products» and «Reasonable Use of Resources». The measures are to be implemented and communicated by the end of 2013.

In 2012 the ecological product line, evolution greentec, was introduced successfully to the market. In summer 2013 the next development of the greentec line will be introduced. Evolution greentec is the first and only seamless underwear made from 100% recycled polyester that can itself be 100% recycled.

With evolution greentec, ODLO has developed a unique and innovative type of underwear. It meets the highest standards of functionality and is specifically designed and produced with a green thread. The green thread stands for an outstanding level of sustainability and environmental compatibility. After years of development, a recycling concept has emerged that combines function, high-tech material and sustainability.

In autumn 2012, ODLO opened the new factory space in Romania. At the end of the year the ground breaking ceremony took place for the new international distribution centre that will concentrate the warehousing activities under one roof. Both infrastructure projects are basis for future growth of the ODLO Brand. This demonstrates that ODLO sees the advantages in own production and distribution at locations close to the main markets and geared up to meet the service requirements of our customers.

Thanks to the factory audits and the closely monitored corrective action plans in 2012, the situation at the ODLO production sites has improved further. The CSR team is proud to have created an even awareness of the importance of a continuous dedication to social and ecological issues on management and employee level in the own organisations and at the partner organisations



## the ODLO brand

Picture  
ODLO Bike.

ODLO perfects  
the layers between  
the athlete's body  
and the elements.

### Brand Philosophy

ODLO is the inventor of functional sports underwear. As the market and technological leader with 66 years' experience, ODLO has committed itself to producing the best functional sportswear for people who love exercise – in every weather and at every level of intensity. ODLO inspires people to go outside, to enjoy sports and to tackle new challenges. ODLO stands for uncompromising functionality, wearing comfort and quality – from the skin outwards.

In the European market, ODLO is the leader in the segment of functional sports underwear. In addition, ODLO offers successful product lines in the categories of Outdoor, Running, X-Country, Tec Shirts and Bike. ODLO has its own subsidiaries in Switzerland, Germany, France, Belgium/Holland, Austria, UK and Norway. The ODLO brand is distributed in more than 20 countries worldwide. For further information, please visit [www.odlo.com](http://www.odlo.com).

ODLO offers just one single brand – namely ODLO. As a result, all activities are bundled and designed to develop the brand. This one-brand strategy also contributes towards ensuring a sustainable supply chain.

### Quality, Materials, Prices

To ODLO, quality and functionality always have top priority. Our sportswear is conclusive of this thanks to optimal climate regulation, comfort and high-quality materials and technologies. ODLO invests a great deal of time and money into research and development in order to satisfy the high expectations of athletes.

By the same token, ODLO wants to be able to offer these functional products to a broad public – everyone should have the opportunity to derive even more enjoyment from sports and leisure with the right clothing.

ODLO, therefore, offers a broad collection of functional sportswear in the medium to high price-range. Thanks to the long lifespan and the high wearer comfort of ODLO products, the investment is in any case worthwhile to the customer. The fact that the majority of products are manufactured in Europe also influences the buying decision of many of our customers.





## the ODLO company

Picture  
ODLO Tec Shirts.

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### Passion for Sports

The ODLO brand stands for high performance sportswear. What began in 1946 with two knitting machines and a vision of high-quality sportswear today continues as a true success story. A Swiss company with Norwegian roots, ODLO focuses entirely on the layering principle and the implementation of the latest fibres with the latest processing technologies.

Behind ODLO is an organisation which, for 66 years, has combined a traditional passion for sports with innovative strength and know-how. The collections are continually optimised in close co-operation with athletes. A variety of top athletes swear by ODLO, such as biathlon Olympic champion Ole Einar Bjørndalen, the Swiss Nordic Ski Team with Olympic champions Dario Cologna (cross-country skier) and Simon Ammann (ski jumper), the SCOTT Swisspower Mountain Bike Team and the German Ski Federation DSV skiing team.

### History

**In 1946**, Odd Roar Lofterød senior, an enthusiastic sportsman, founded the ODLO company in Norway. One year later, ODLO began producing ladies' underwear. In addition to the underwear, the company founder developed special training tights for his son who was

a member of the youth speed-skating team. These tights were made of Helanca fibres and provided further protection from the cold.

**In 1963**, Odd Roar introduced the further developed prototype to the market: the first functional stretch outfit for cross-country skiers and speed-skaters made of the revolutionary, synthetic Helanca fibre. **By 1972**, 25 national teams were wearing ODLO competition sportswear at the Olympic Games in Sapporo.

**In 1973**, ODLO TERMIC, the first fully synthetic sports underwear, entered the market.

**In 1979**, Odd Roar jun., son of the founder and someone who had grown up in an atmosphere of creative, entrepreneurial spirit, took over the ODLO Company.

**In 1986**, Lofterød together with Swiss partners established ODLO International AG in Hünenberg near Zug (Switzerland), the new headquarters of the ODLO brand. One year later, ODLO launched the revolutionary ATHLETIC CLOTHING SYSTEM based on the three-layer principle. Further product lines were introduced to the market in the subsequent 20 years, such as Running, Outdoor, Bike, Nordic Walking, Accessories and Kids. ODLO was ahead of the times **in the mid-1990s**



## the ODLO company

Picture  
ODLO Running.

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when it launched a recycling program. Customers could give their old ODLO products back to have them recycled.

Just in time for the turn of the century, ODLO achieved a fabric breakthrough: the development of the «effect by ODLO» fibre, thus bringing the first underwear containing odour-reducing silver ions onto the market. Further innovations followed: the universal, highly functional t-shirt «just one», as well as the new, all-year-round quality underwear «cubic».

The company constantly invests in the sustainability of its supply chain. ODLO Portugal, as the company's own factory, is constantly expanding and improving its technology. In 2003, an efficient distribution centre was built in Brüggen, Germany. In 2004, ODLO established its own production facility in Romania, a modern factory with 350 employees and 11 production lines on 5,250 square metres. Following the expansion of capacity in Romania in 2006, ODLO Portugal was newly structured as a competence and innovation centre with 55 highly qualified employees.

In 2008, ODLO joined the Fair Wear Foundation, an international non-profit organisation founded to improve labour conditions in the textile industry. In the same year, ODLO

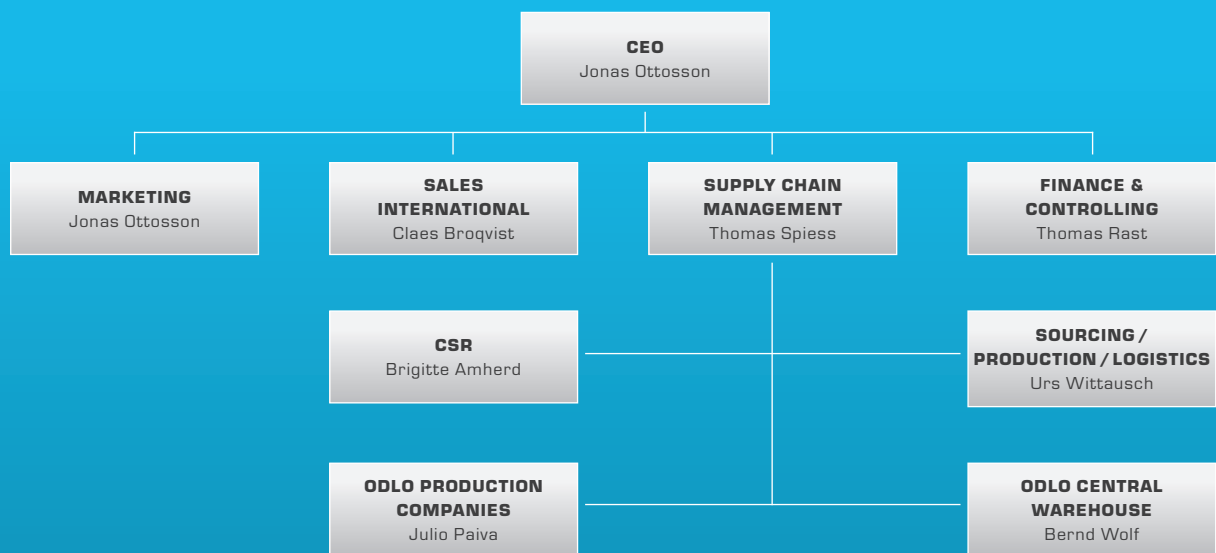
launched the functional, figure-hugging evolution sports underwear and the new sports bra range.

ODLO wanted to grow further and to be an attractive employer. The Swiss company, therefore, moved into a new building in Hünenberg in August 2009 with 4,500 square metres, where the employees not only have spacious, modern offices but also a lounge and a gym of their own.

In 2011, a comprehensive CSR development project culminated in the launch of evolution greentec, an integral and sustainable concept. evolution greentec is the first and only seamless underwear made from 100 % recycled polyester that can itself be completely recycled.

A further development in 2011 saw the expansion of ODLO's own production and distribution capacities. In the medium term, the production area in ODLO's factory in Romania was doubled. ODLO is decisively expanding its distribution center in Germany – thus strengthening its European base.

In 2012 the Board of Directors of ODLO has named the Swede Jonas Ottosson (52) as the new CEO of the Group.



## ODLO sports group – facts and figures 2012

Picture  
Organisation chart  
ODLO International  
as of 30.09.2012

ODLO Sports Group AG 2012	ODLO Sports Group AG 2012
<b>Headquarters</b> ODLO Sports Group AG, Switzerland CH-6331 Hünenberg, Bösch 47	<b>Production</b> 2 collections with a total of 5.63 million delivered garments
<b>Brand established in</b> 1946	<b>Sales</b> ODLO Sports Group CHF 146 million
<b>Board of Directors</b> Michel Perraudin, Chairman of the Board Cathrine Lofterød Fegth, Member of the Board Tore Rynning-Nielsen, Member of the Board Sverre B. Flåskjer, Member of the Board Arnaud Lipkowicz, Member of the Board	<b>Points of sales (POS) 2012</b> ODLO products are offered in more than 4,500 points of sale worldwide, mainly at the specialist sports retailers. The Swiss company also runs its own ODLO stores. ODLO has subsidiaries in: Germany, France, Switzerland, Austria, Netherlands / Belgium, UK and Norway. ODLO stores overall: 20 monobrand stores, 19 franchise stores, 12 outlets. Importers for 18 other countries with a worldwide distribution.
<b>Management</b> Jonas Ottosson (CEO) Thomas Spiess (Supply Chain) Claes Broqvist (Sales) Thomas Rast (Finance)	<b>Product segments</b> ODLO is the European market leader in the segment of functional sports underwear. Further collections are offered in the Outdoor, Running, X-Country, Bike, Tec Shirts, Accessories and Kids categories.
<b>Employees (FTE)</b> Totally 745, of which 113 are based at the Swiss headquarters in Hünenberg	<b>Further information</b> <a href="http://www.odlo.com">www.odlo.com</a>



Responsibility – we care!  
Actions – we do it!  
Transparency – we share!



## csr vision

Picture

The three core values of the ODLO CSR vision are responsibility, actions and transparency.

Sustainable action has been anchored in ODLO's corporate vision from the beginning: «We act with social and ecological responsibility».

The three core values «Responsibility», «Actions» and «Transparency» reflect what is paramount to ODLO.

### **We care:**

As a Swiss quality company with a family tradition, sustainability is very important to us. We want to assume our responsibility so that we can all continue to enjoy sporting activities in the nature well into the future.

### **We act:**

We want to act in the form of small, specific steps, fully aware of the fact that we only have limited resources and have to be economically successful. We therefore have to come up with a selection of sensible measures which we can implement.

### **We share:**

We take full responsibility of what we do. We want to inform publicly about our measures and progress and also communicate any setbacks if and when they arise.



## csr strategy overview

Picture  
ODLO Outdoor.

The ODLO CSR strategy defines ambitious goals, responsibilities and milestones. The CSR strategy is an internal and confidential paper which is discussed and approved by the Executive Board on an annual basis. The following extract provides an overview of its content.

The CSR strategy for the coming years has the following areas of focus:

### Social responsibility

Be a fair and attractive partner to the producers and ensure that they correctly apply the Code of Conduct.

Be a fair and attractive employer to our own employees (headquarters, subsidiary companies, own production plants).

Realise the measures stipulated by the Fair Wear Foundation as an outcome of the Management System Audit.

Follow up on Corrective Action Plans (CAPs) as the outcome of social audits at the production plants.

Follow up on the Employee Survey, which takes place every two years.

### Ecological responsibility

Assume ecological responsibility.

Ensure stakeholders' safety and health within the scope of capabilities.

Implement the ODLO Climate Initiative with its 3 programmes:

- Awareness & Responsibility
- Quality & Innovation
- Use of Resources

Membership of international working groups & initiatives.

### Transparency, communication, organisation

Further increase transparency internally and externally.

Continuously develop management and employees.

Implement CSR in the Management by Objectives (MBO) process (annual goals, annual assessment, development of measures).



## ODLO climate initiative

Picture  
The ODLO Climate Initiative 2011–2013 comprises three areas of focus.

### **The ODLO Climate Initiative comprises three areas of focus:**

Each area of focus comprises several measures. These are to be implemented and communicated between 2011 and 2013.

#### **Awareness & Responsibility:**

Awareness for CSR matters is to be continuously raised among all employees. Ecological and social aspects are to be included in each decision-making process. The know-how and sense of responsibility of each individual is to be increased by incorporating training, communication and the integration of CSR into the management by objectives (MBO) process.

ODLO founded an «Eco Rep» group to spread the awareness even more to every individual in the company. The Eco Rep group is constantly working on activities to make daily life at work and at home more sustainable (i.e. collect waste paper to reuse for note pads).

#### **Quality & Innovation of Products:**

ODLO develops products with a very long lifespan, an important aspect of sustainability. This will remain unchanged in the future. New, environmentally-friendly materials are continuously examined and – wherever it makes sense – integrated.

#### **Reasonable Use of Resources:**

ODLO strives to use resources responsibly, reuse or continue to use them wherever possible. Recycling options are carefully considered and implemented where they make sense.





## the ODLO code of conduct

Picture  
ODLO production plant  
in Romania. Each  
producer has to sign  
and implement the strict  
code of conduct.

---

As early as in the nineties, ODLO had signed a code of conduct with its producers. At the beginning of 2009, ODLO revised that code of conduct according to the requirements of the Fair Wear Foundation and had it re-signed by each of the producers.

This most restrictive code on the market is based on the conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights.

Its major points are:

### **Employment is freely chosen**

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

### **No discrimination in employment**

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

### **No exploitation of children**

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, no 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 (between the age of 15 and 18) shall not perform any work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals (ILO Convention 182).

### **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).

# the ODLO code of conduct

## **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.

## **No excessive working hours**

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 has committed itself to the correct implementation of this code of conduct.



## csr management system

Picture  
ODLO X-Country.

Picture left  
ODLO CSR Team 2012.

### CSR Overall Responsibility

ODLO International's Executive Board bears overall responsibility for CSR. It defines the CSR strategy. Significant strategic decisions are taken by the entire Executive Board.

Within the Executive Board, the Head of Supply Chain Management as the CSR delegate is entrusted with the implementation of the CSR strategy. He is supported by the CSR Manager and the CSR Team.

### ODLO CSR Team 2012

ODLO assigns a CSR Team to ensure the implementation of its vision and strategy. In 2012, the team was composed of the following members:

CSR Roles	Team Members
CSR Delegate	Thomas Spiess
CSR Manager	Brigitte Amherd
Head of Sourcing & Production	Urs Wittausch
Administrator Sourcing & Production	Jason Peyer
Fabric Development Manager	Regina Goller

In addition, every ODLO employee is obliged to act with social and ecological responsibility in his or her field of work.

All managers at ODLO are responsible for implementing the CSR strategy in their own fields of activity, placing the necessary emphasis on the topic and providing incentives for the continuous development of CSR at ODLO.

### ODLO Management Instruments 2012

#### ODLO internally

- CSR Vision and Strategy
- CSR Budget
- Monthly meeting of CSR Team
- Report to Executive Board
- CSR Workplan (annual planning)
- CSR contributions to ODLO Inside Newsletter
- International CSR presentations

#### ODLO externally

- Code of Conduct
- CSR questionnaire for producers
- Social Audits, Fair Wear Foundation
- CSR Report
- Corrective Action Plans (CAPs)



# csr management system

## Communication, Training and Development

The following platforms have been implemented and are used by the CSR Team:

Members	Internal platforms	Timing
CSR Team	CSR Team Meeting	Monthly, project-specific
Executive Board	CSR Strategy Meeting Executive Board Meeting	Yearly Project-specific
ODLO headquarter staff	Information Meeting	Up to 6 times per year
ODLO international staff	International Marketing & Sales Meeting Newsletter	Twice a year Monthly

Target groups	Platforms for Informing Producers	Timing
Management of own production plants (ODLO Portugal & ODLO Romania)	Direct contact (phone, e-mail) Management Meeting  International Marketing & Sales Meeting	Ongoing communication Continuously, if required up to 4 times a year Twice a year
Employees of own production plants (ODLO Portugal & ODLO Romania)	Newsletter Information board	Monthly Ongoing communication
Management of manufacturers	Direct contact (on-site visits, video-conference, phone, e-mail) Corrective Action Plan (CAP)	On-going communication  Quarterly update
Workers of production plants	Information board	Information by producer

## Fair Wear Foundation Membership

ODLO is a member of the Fair Wear Foundation, which strives to improve labour conditions in the textile industry worldwide. FWF verifies that producers abide by this code and achieve adequate progress. Governed by trade unions, NGOs and business associations, FWF's independence is guaranteed. Transparency and accountability are key principles ([www.fairwear.org](http://www.fairwear.org)).

FWF members work towards improving the labour conditions in factories that produce sewn textiles all over the world. The basis of collaboration between FWF and its members is the code of labour practices. Eight labour standards form the core of this code of conduct. FWF members undertake to comply with the code of labour practices.

FWF verifies whether companies comply with the code of labour practices through factory audits and a complaints procedure, through management system audits at its members and through extensive stakeholder consultation in the production countries. FWF shares its knowledge and (local) contacts with its member companies, providing them with access to information on local legislation, labour standards and culture.

Members are required to set up a coherent monitoring system, including factory audits, factory training and factory visits. FWF has a complaints procedure that enables factory workers to anonymously bring to light any abuses related to labour conditions.



## goals & achievements 2012

Picture  
**ODLO Kids.** Future  
generations, too, should  
be able to experience an  
unspoilt nature.

---

### **Further Development of CSR Management System**

Social and ecological responsibility has been anchored in the fundamental values and thinking of ODLO since the very beginning. Since 2009, the standardised ODLO CSR Management System has been implemented. In 2012, the main measures taken to develop the system were:

- Fulfilment of the ODLO CSR Strategy for the years 2012 – 2015
- Management system audit at the ODLO International headquarters by the Fair Wear Foundation in October 2012
- Increase in transparency within the entire value chain

### **Social Audits**

ODLO cultivates long-term partnerships with its producers. In 2012, 14 producers were active for ODLO not including our 2 own factories in Portugal and Romania (16 producers in total).

Extract from the management system audit report of FWF: All audits carried out so far have resulted in corrective action plans (CAPs). The findings detailed in these CAPs are

now being addressed by the audited producers under the supervision of ODLO and FWF.

All producers had committed themselves to continuous improvement in 2012 and therefore we were able to close all pending findings according to the CAPs. Under chapter «Monitoring by Countries», the results are illustrated and commented on in detail.

Special monitoring was required for ODLO's producer in India over the past few years. Here, an audit carried out in 2010 had brought to light significant shortcomings. Despite the fact that operations were being managed satisfactorily considering local circumstances and that new jobs have been generated, the situation did not live up to ODLO's expectations. Together with the producer and FWF a tight, binding roadmap was defined during several meetings. An independent consultant is supporting the producer in implementing the measures on site.

Thanks to the support of the local consultant, major steps could be performed in summer 2012 and all of the open issues in the CAP have been dealt with. The next audit of FWF is scheduled in the second half of 2013 in order to track progress.



## goals & achievements 2012

### **Implementation of ODLO Climate Initiative 2011 – 2013**

In 2010, ODLO conceived and launched the ODLO Climate Initiative 2011 – 2013, a programme for comprehensively improving the ecological footprint. The following results have already been achieved by 31.12.2012:

- Product lifecycle analysis of the sportswear core product «ODLO evolution warm» in comparison to «evolution greentec warm» in co-operation with myclimate in autumn 2011
- Investigation of new, more ecological materials and technologies, e.g. dope dyeing (currently the most environmentally-friendly dyeing technique), CO2 dyeing; 2012
- Research of recycling own production waste, long term project that started in 2012
- Co-operation with suppliers of environmentally-friendly materials such as Polartec, the market leader for ecological materials, continued 2012
- Change of padding material to «primaloft Eco» version (80 % recycled PES)
- Change from C8 to C6 based DWR finish in most water resistant/-proof materials.
- Continued with evolution greentec in winter 2012 and launch of greentec light for summer 13 (integrated recycling concept)

### **Training & Development of ODLO Employees**

In 2012, training and development of ODLO employees focused on «evolution» greentec, using all ODLO communication platforms. All other CSR matters have been communicated in the internal newsletter or directly to the employees.

- Information about CSR to all ODLO employees in all countries by means of an internal newsletter
- CSR information – internal and external information provided by the CSR Team

### **Internal CSR Initiatives and International Activities**

Internal CSR initiatives are initiated by individual members of staff, managers, teams or the HR department. These initiatives include:

- **«Bike to work» initiative**, June 2012  
For the 6th consecutive year already, ODLO International took part in the «bike to work» initiative organised by the umbrella association «Velo Schweiz». For a full month, employees rode to and from work by bicycle, thus making both an ecological and a sporting contribution. ([www.biketowork.com](http://www.biketowork.com))





## goals & achievements 2012

Picture  
Dario Bologna



- **Sports events**

ODLO supports a variety of internal and external sports events, thus promoting both popular sports, employees' health and the development of young athletes.

- **«feel fit» health package for ODLO employees**

The Swiss headquarters in Hünenberg offers to its employees a variety of activities that are good for their health. The ODLO health package includes sports (own gym), nutritional consulting, lectures on health-related topics and workplace ergonomics.

- **Social activities at ODLO Portugal**

During 2012 ODLO Portugal participated in different social activities such as working in a food bank or raising money for the institution «In the middle of Nowhere» to support the local community and associations.

- **Aid supplies for victims in Syria.**

Human Plus E.v. has organised several aid shipments. Human Plus Germany stands for fast, unbureaucratic aid for victims of war or natural catastrophes. ODLO contributed textile to the shipment.

### **Lunch with Friends of ODLO**

Also in 2012, the initiative «Lunch with Friends of ODLO» attracted some interesting personalities to Hünenberg. Alexandra Engen gave some personal insights into the GHOST Racing Team and answered questions of employees in a casual and charming way.

### **Transparency and External Communication**

In 2012, ODLO used the following tools for external communications:

- ODLO website / CSR website ([www.odlo.com](http://www.odlo.com))
- ODLO Internet Newsletter
- CSR Report 2011
- Press releases / Press conferences and product launch (e.g. greentec launch in Blaubeuren)

For ecological reasons, ODLO refrains from publishing a CSR flyer but makes all information available paperless on its website.



## sourcing strategy

Picture  
ODLO Romania  
production.

### ODLO Production

For decades, ODLO had manufactured its products predominantly in its own factory in Portugal. With the growth of the company and the expansion of the product range ODLO required more production capacity and additional know-how over the last years. After careful research, management decided in favour of a small number of producers, with whom ODLO entered into long-term partnerships.

In 2004, ODLO also built a modern factory in Romania. The capacity of that factory was doubled in 2012. In Romania, large volumes of ODLO sports underwear are manufactured, whilst ODLO Portugal is managed as a technology and competence centre.

**In 2012, 62 % was manufactured in ODLO's own factories - a unique situation in the textile industry. A total of 78 % of garments were produced in Europe including the Middle East.**

Production table by country for 2012

Country of production	Number of producers	Value %	Volume %
ODLO Romania	1	38.8	53.2
ODLO Portugal	1	6.2	8.6
<b>Total own production Europe</b>	<b>2</b>	<b>45.0</b>	<b>61.8</b>
Germany	1	5.8	3.1
Israel	1	13.5	12.0
Romania	1	2.2	0.9
<b>Total Europe and Middle East</b>	<b>5</b>	<b>66.5</b>	<b>78.0</b>
China	8	25.4	15.0
Thailand	2	6.1	5.3
India	1	2.0	1.6
<b>Total Asia</b>	<b>11</b>	<b>33.5</b>	<b>22.0</b>
<b>Total</b>	<b>16</b>	<b>100.00</b>	<b>100.00</b>





## agents & subcontractors

Picture  
Production in China.

---

### **Agents**

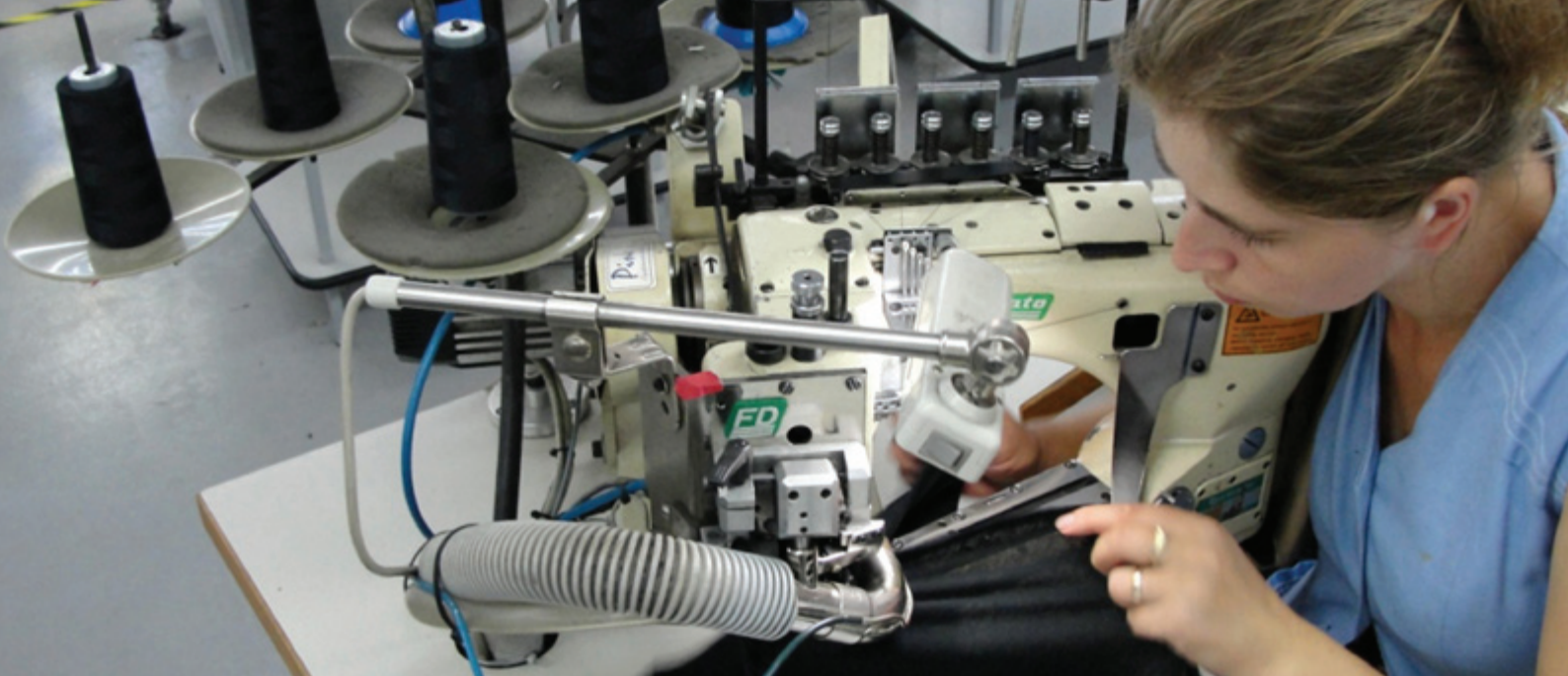
Agents, as opposed to producers, do not have their own manufacturing facilities but commission third-party companies. ODLO has been working with an agent in China for some years. This agent is listed in the above chart as a producer. According to the agent, 3 third-party companies have been commissioned in 2011, with one third-party company accounting for the majority of volume. This third-party company was, therefore, audited in 2011 (for results see country information).

All third-party companies of our agent have been included in our supplier register in 2011 and are now being continuously integrated in the ODLO monitoring system.

### **Subcontractors**

Some ODLO producers outsource certain processes (e.g. the sewing in of parts) to subcontractors. Others place commissions with subcontractors in case of capacity constraints. In any case, the main contractor vouches for its subcontractors. To the present day, ODLO only included the main suppliers in its supplier register and correspondingly audited them. In 2011, ODLO has expanded the supplier register to include the subcontractors involved in the manufacturing process as well. All these subcontractors are now to be included in the ODLO monitoring system.





## sourcing strategy

Picture  
ODLO Romania  
production.

The ODLO sourcing strategy is based on the following principles:

### Priority 1: Own production

To the extent possible in terms of capacity and know-how, new garments and/or additional production volumes are manufactured in our own factories in Portugal or Romania.

### Priority 2: Long-term partnerships

Whilst other producers make use of hundreds of producers and have them compete against each other or exchange them every season, ODLO aims for long-term partnerships with a small number of producers under the motto of «less is more».

The growth in sales targeted by ODLO should, to the extent possible, be achieved with those partners. New partners are selected according to a strict evaluation procedure.

This policy enables the producers to plan for the long term, thus increasing stability and job security.

### Co-operation period with producers (as at 31.12.2012):

Co-operation period	Number of producers
More than 15 years:	2 producers
More than 10 years:	4 producers
7 – 10 years:	5 producers
4 – 7 years:	2 producers
Less than 4 years:	3 producers

### Pricing Policy

ODLO calculates its prices using the «open costing principle». This means that for every product the sales price is calculated individually, taking into consideration the material and work costs, overheads (headquarters, marketing, etc.) and the profit margin. This price is negotiated directly with the producer.

ODLO does not work on the basis of tenders, i.e. no additional competition is created among the producers.



## sourcing strategy

Picture  
ODLO production cycle.  
ODLO produces two  
collections per year.

### Organisation of the Sourcing Team

ODLO has a small Sourcing Team consisting of 5 members, who work closely together with the Product Management Team. They all work in the same building at the Swiss headquarters, which ensures rapid distribution of information and short decision-making routes.

The producers are involved in the order planning process as early as during the development phase (11 months prior to the final order placement).

Both sides agree on lead times. Lead times (time between order placement and delivery) are dependent on the material as well as the complexity of the product (between 3 – 5 months).

Throughout the entire production cycle, the producers are in close contact with ODLO Management.

### Selection Process for New Producers

**ODLO applies a 4-step plan in selecting new producers:**

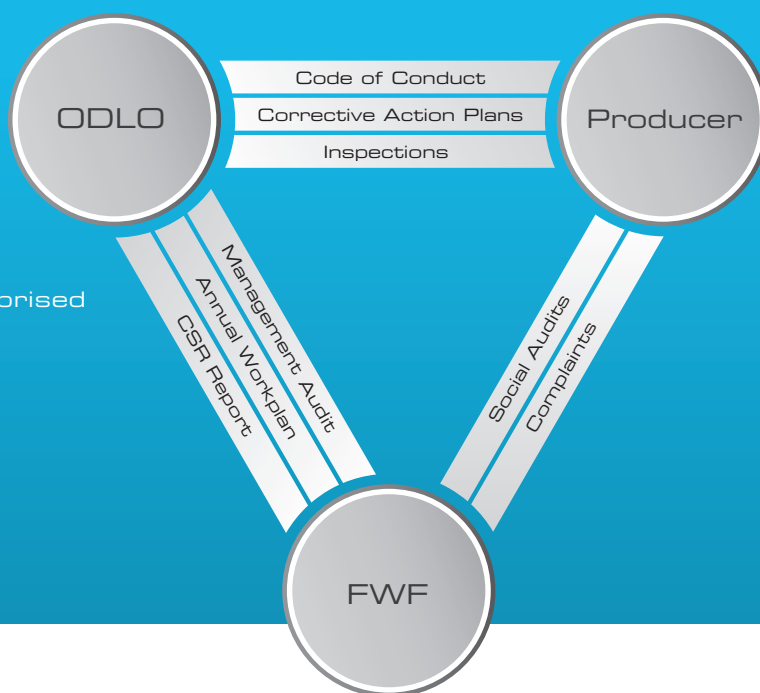
- |         |   |
|---------|---|
| Step 1: | Producer Meeting (Source Allocation Meeting) to discuss new collection (Head of Sourcing & Product Manager)   |
| Step 2: | Search for new producer if no existing partner can deliver additional quantities or new parts   |
| Step 3: | Visit to the new producer on site, examination of «ODLO Must Criteria», completion of a producer assessment (checklist) (Head of Sourcing & Production) |
| Step 4: | Final decision about co-operation with new producer by Executive Board  |

**The new producer must fulfil at least the following ODLO MUST Criteria:**

- A professionally managed company; state-of-the-art production
- Willingness to sign and comply with the ODLO Code of Conduct
- Compliance with ODLO quality standards
- Successful completion of the producer assessment

## ODLO Monitoring System

The current monitoring system is comprised of the following instruments:



## monitoring-system

Diagram  
ODLO monitoring  
system.

### Monitoring Instruments:

The current monitoring system is comprised of the following instruments:

#### Code of Conduct & FWF Questionnaire:

All producers have to sign the ODLO Code of Conduct (see chapter «Code of Conduct»), confirming that they have filled out the questionnaire truly and correctly and that they are prepared to work towards full implementation of the necessary measures within their company.

#### Social Audits by FWF:

ODLO commissions an external, independent organisation with performing the social audits. The majority of audit teams are trained by FWF to carry out factory audits.

#### Corrective Action Plans (CAPs):

To follow up on these audits, ODLO maintains a Corrective Action Plan (CAP) with all producers, listing the shortcomings found. At regular intervals, the producers report any progress made to ODLO by means of these CAPs.

#### Inspections by ODLO Staff:

ODLO employees visit the producers on a regular basis and inspect the working conditions on site, e.g.:

- Quality Assurance Team Asia and Europe
- Head of Sourcing and Production (3 – 4 times a year)

- Members of the Product Management Team
- Executive Board Members
- Other ODLO employees

During their visits, the ODLO employees fill out a checklist and report their findings to the CSR Team.

#### Complaints:

Employees of a producer can file complaints concerning their working conditions with an independent authority designated by the FWF. The authority forwards the complaint in anonymous form to the FWF which, in turn, informs ODLO.

#### Performance check:

At regular intervals, FWF also audits ODLO to support FWF processes. The results are published on the FWF website and are integrated into the CSR Workplan and the CSR Report.

#### CSR Workplan:

ODLO draws up a work plan once a year (annual planning), which is then submitted to FWF. This confidential document details the activities planned for the following year. The work plan for 2012 was submitted to FWF on time at the end of 2011.

#### CSR Report:

The present report functions as a controlling instrument and is publicly available.





## monitoring by country

Since ODLO's affiliation with the Fair Wear Foundation in 2008, the following audits have been conducted with our producers:

Independent audits carried out by the FWF by country (as at 31.12.2012):

Country	Producer identification number	completed				planned		
		2009	2010	2011	2012	2013	2014	2015
Thailand	4	•			•			•
Romania	1.1	•				•		
China	3	•				•		
China	9		•				•	
India	7		•			• *		
China	19.3			•			•	

\*Postponed from 2011 to 2013. In 2011 a roadmap was defined (ODLO & FWF) and an independent consultant was put in place on site. This is why an audit at an earlier point in time does not make sense. However, all findings are closed by end of December 2012.

# monitoring system

33 findings were still open at the end of 2011. An additional 41 findings emerged during the audit in 2012 in Thailand. All findings could be closed by the end of 2012.

## Corrective Action Plans (CAPs) by Category and Country 2012:

During the audit carried out at a subcontractor in Thailand in 2012, FWF identified a total of 28 measures (so-called findings). The table below groups these findings according to the core elements of the CoC:

New findings emerged during the FWF social audit in 2012:

### New findings that emerged during the FWF social audit in 2012:

Area of reporting	Country	Producer number	No. of findings
Management	Thailand	4	8
Forced labour	Thailand	4	1
Discrimination	Thailand	4	0
Child labour	Thailand	4	0
Freedom of association	Thailand	4	1
Payment of living wages	Thailand	4	2
Overtime	Thailand	4	2
Health and safety	Thailand	4	27
<b>Total</b>			<b>41</b>

### CAP Progress Report as at 31.12.2012 (Summary):

Area of reporting	Closed findings (during 2012)	Open findings (31.12.2012)
Management	17	0
Forced labour	1	0
Discrimination	0	0
Child labour	0	0
Freedom of association	3	0
Payment of living wages	12	0
Overtime	6	0
Health and safety	35	0
<b>Total</b>	<b>74</b>	<b>0</b>



## explanations concerning audits per country

Picture  
ODLO Bike.

---

In the following, we will comment on the most obvious shortcomings found as part of the social audits.

### India:

The audit performed in India was conducted at a new production unit of the supplier. Up to the date of the audit, no ODLO products had been manufactured in this production plant. Working conditions were insufficient for a co-operation with ODLO. The producer has shown understanding and commitment to improving the situation. During the past year, several meetings took place between the producer, ODLO and FWF. All parties agreed on a roadmap for improving the situation.

After consultation with FWF, ODLO commissioned an independent consultant in 2011 as well as 2012, who will support the producer in India in implementing the required measures.

In 2011, some shortcomings could already be rectified. They were mainly related to inconsistencies concerning factory licences, a lack of formal labour contracts and time reporting. As it is commonplace in Asia, the workers questioned were neither informed about their rights nor organised in a workers'

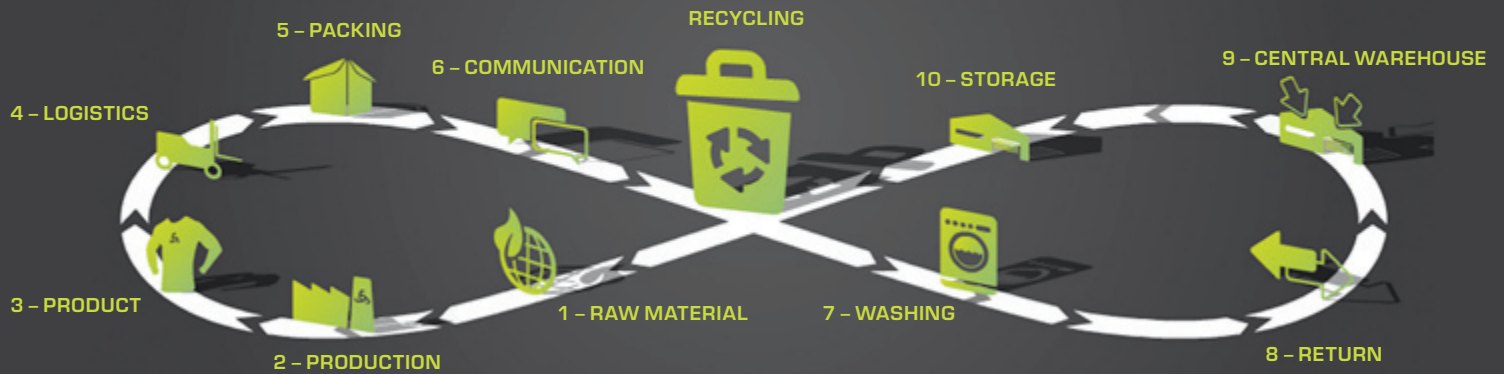
representation or trade union. As far as forced labour or child labour is concerned, no findings have been made. However, it was criticised that not all workers were paid the legally required minimum wage including social security.

With the help of the local consultant, major steps could be performed in summer 2012 and all of the open issues in the CAP have been settled. In order to track the progress, the next audit of FWF is scheduled for the second half of 2013.

### Thailand:

In Thailand, an audit was conducted, which revealed that some workers did not have a formal working contract. Taking leave was restricted for workers, which is not in accordance with the law. Several issues were found relating to occupational health and safety at the workplace that needed improvement. Workers were required to work excessive hours and overtime compensation was not adequate. No findings were reported on child labour. ODLO summarised all the findings in a CAP and were in close contact with the factory regarding progress and could close all findings by the end of 2012.





## market introduction of «evolution» greentec in 2012

Picture  
evolution greentec.

In 2012, ODLO had success with the market introduction of its recyclable product line «evolution» greentec warm.

«evolution» greentec warm is the first and only seamless underwear made from 100% recycled polyester that can itself be 100% recycled.

With «evolution» greentec warm, ODLO has developed a unique and innovative type of underwear. It meets the highest standards of functionality and is specifically designed and produced with a green thread. The green thread stands for an outstanding level of sustainability and environmental compatibility. After years of development, a recycling concept has emerged that combines function, high-tech material and sustainability.

As the raw material for «evolution» greentec seamless underwear, ODLO exclusively uses off-grade granulate which is produced as a side-product in the manufacture of polyester yarn. This «waste» yarn produces a consistently pure-quality, hard-wearing end product.

«evolution» greentec goes through two recycling cycles: in the first one, waste (off-grade granulate) from thread production for «evolution» products is brought into the textile cycle, producing new high-quality «evolution» greentec products. In the second cycle, worn

«evolution» greentec garments are fed into a non-textile recycling process, for example to produce clothes hangers. «evolution» greentec packaging consists entirely of 100% recycled and recyclable cardboard.

The «evolution» greentec warm collection consists of four garments, each in two colours, for women and men. In summer 2013 the «evolution» greentec collection will be launched in light quality as well, which consists of four garments in three colours for women and three garments in three colours for men.

Taking ecological and economic considerations into account, the range and colours will be maintained for at least three years.



## materials & technologies

Picture  
evolution greentec.

---

ODLO uses only highly functional fibres. Approximately 70 % of fabrics are developed exclusively for ODLO. The fabrics offer optimal moisture transport and high breathability. A Fabric Development Team based at the ODLO headquarters in Switzerland endeavours to provide consumers only with the best fabrics. The Swiss company is entering into close relationships with research institutes.

ODLO strives to continuously reduce material consumption, e.g. by using laser cutting technology or by using lighter fabrics. The company is intent on keeping materials unmixed in order to create good conditions for recycling.

### **Oeko-Tex 100**

ODLO functional sportswear has been awarded the Oeko-Tex label «Confidence in Textiles», which certifies textiles that are free from harmful substances according to Oeko-Tex Standard 100. ODLO sportswear complies with current standards regarding human ecology: it contains no carcinogenic substances, no formaldehyde, is free from allergenic dyes and has a skin-friendly pH value.

### **Green Dot**

All ODLO underwear packaging features the «Green Dot», being entirely recyclable.

### **bluesign® system partners**

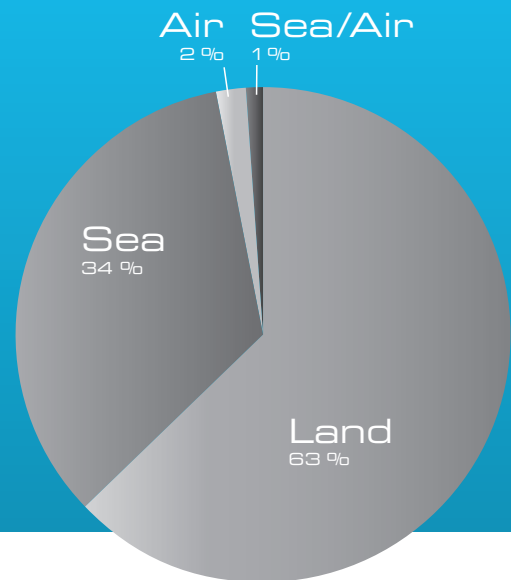
Several ODLO fabric suppliers are bluesign® system partners, such as Polartec, the inventor of modern synthetic fleece.

Bluesign® promotes an independent industry textile standard. The bluesign® standard is an input stream management system that covers all environmental, health and safety (EHS) aspects within the textile manufacturing chain.

### **REACH**

ODLO's entire European production is subject to the strict requirements of REACH. REACH stands for Registration, Evaluation and Authorisation of Chemicals. REACH is the new regulation concerning safe production and use of chemical substances of the European Union (EU) and came into force on 1<sup>st</sup> June 2007.

In 2012, 3 percent of products were shipped by air or sea/air.



## transportation

Grafik

Goods transported in 2012, according to means of transport, in percentage.

ODLO strives to arrange transportation by sea wherever possible, which represents the best alternative from both an ecological and economic point of view. The trend toward a rise of air transportation in the past few years has fortunately started to decline (2010, 7 % of goods had to be transported by air or air/sea and in 2011 even 10 %). ODLO is happy to be able to communicate that the share of transportation by air or sea/air is again down to 3 % in 2012.

There are two major reasons for this development. On one side the Asian market is much less tight than it has been in the past two years and on the other side ODLO invested in a sophisticated order tracking system (OSCA by Setlog) which provides the possibility to align production and demand in an optimal way with a positive impact on the share of goods to be transported by air.





## conclusions of 2012 and outlook towards 2013

Picture  
ODLO Muscle Force.

---

Corporate social responsibility is well established in the ODLO community. Employees are proud to work for a company with an ambition to always be one step ahead when it comes to sustainability and responsibility. **We believe that our customers care about ODLO's efforts to act with social and ecological responsibility** and be transparent in the communication of these efforts.

Continuous improvement of the processes involved in the management of our production and sourcing network has helped us to further reduce the amount of corrective actions.

More and more **production partners are starting to understand the importance of achieving high social and ecological standards in order to gain a competitive advantage.**

In 2012 we developed a survey that allowed us to better understand end consumers' behaviour and beliefs when it comes to the role ethical production and distribution plays in the selection of brands and products. How do our customers want to be informed about our ambitions for better working conditions and improvements concerning the ecological sustainability of our products and processes? More on this will follow in 2013.

We hope that you enjoyed reading this 2012 report. Any feedback concerning our methods to show transparency is highly appreciated.



## editorial information

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