



ODLO international annual csr report 2010





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«ODLO acts with social and ecological responsibility».

foreword by ceo andreas kessler

Dear ODLO friends

Sustainability is gaining increasing significance – not least in the sporting industry. Consumers expect sustainable, high-quality products. They want to be sure that the products were made in an ecologically and socially responsible way.

To ODLO, Corporate Social Responsibility (CSR) represents a core issue. This Sustainability Report 2010 will tell you what social and ecological responsibility means to ODLO, what our key areas of focus were over the past year and what challenges we are facing in our daily work in order to be able to deliver to you a sustainable product.

From athletes for athletes.

Best regards

Andreas Kessler
CEO



management summary

Picture

ODLO offers an all-year-round range of functional sportswear.

A leading producer of functional sportswear, ODLO produced more than six million garments last year, which represents another record result. Approximately two thirds of our products have been produced in Europe, most of them in our own production facilities.

ODLO strives to expand its European productions even more. On the one hand, Asia is currently unable to satisfy the increasing demand for production capacity due to major social upheavals and the effects of the world economic crisis. On the other hand, ODLO holds a great potential in Europe with its two modern

production plants in Portugal and Romania as well as a number of compolyesterent, longstanding partners. ODLO is increasing the production

capacity in its own production facilities, ensuring highest functionality and quality.

ODLO is very much interested in manufacturing its products in a socially and ecologically responsible way. In co-operation with the Fair Wear Foundation, social audits were carried out at our producers' production plants. By the end of 2010, more than 87% of the total volume was audited or was produced in «safe countries». Measures for improvement of working conditions in the various production

countries were implemented and the ODLO Corporate Social Responsibility Management System was further extended in 2010. The results are detailed in the present report. Please refer to chapter «Goals and Achievements 2010».

Last year, ODLO launched the ODLO Climate Initiative 2011 – 2013 and is continuously implementing measures towards improving the company's ecological footprint. A life cycle assessment has shown that the production of a long-sleeved shirt from the originals collection «ODLO warm» generates nearly 9kg of CO2 equivalent (greenhouse potential), which corresponds to a car drive of 45 kilometres. As much as 40% of emissions are generated during the utilisation phase, i.e. when washing the products. Polyester does well ecologically as compared to cotton or wool, which is detailed in chapter «Ecological Footprint».

The new Internet tool «Product Life Cycle» takes ODLO one step further towards reaching more transparency. In eight modules, ODLO shows how a product is developed – from the idea and the production to its use (www.odlo.com > Product Life Cycle).

The CSR Report 2010 is available in three languages: German, English and French.

CSR is an ongoing process at ODLO.



the ODLO brand

Picture

ODLO stands for uncompromising functionality, wearing comfort and quality – from the skin outwards.

Brand Philosophy

ODLO is the inventor of functional sports underwear. As the market and technological leader with over 60 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 perfects the layers between the athlete's body and the elements. 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 and Austria. The ODLO brand is distributed in more than 20 countries worldwide. For further information, please visit 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 convincing 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 demands 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 wearing 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 contributes to the buying decision of many of our customers.

ODLO uses neither cotton nor wool. Most of the products are made of pure polyester, the best functional material on the market.

«I have chosen ODLO as my partner because I'm convinced of its high quality standards, its sustainable production and its corporate management».



the ODLO company

Picture

Ole Einar Bjørndalen,
Norway, multiple World
Champion in biathlon.

Passion for Sports

The ODLO brand today represents a synonym for functional sports underwear. 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 latest fibres and processing technologies.

Behind ODLO is an organisation which, for more than 60 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 or multiple orienteering world champion Simone Niggli-Luder, the Swiss Nordic Ski Team with Olympic champions Dario Cologna (cross-country skier) and Simon Ammann (ski jumper) or the Scott-Swisspower Mountain-bike 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. Additionally, the company founder developed for his son, Odd Roar junior, a member of the youth speed-skating team, some special training tights made of Helanca fibres to protect him from the cold.

In 1963, Odd Roar introduced the further development of this prototype to the market: the first functional stretch outfit for cross-country skiers and speed-skaters made of the revolutionary, synthetic Helanca fibre. As early as in 1964, the entire Norwegian national team was compolyestering in the innovative outfits at the Winter Olympics. And by 1972, 25 national teams were wearing ODLO compolyesterition sportswear at the Olympic Games in Sapporo.

In 1973, ODLO TERMIC, the first fully synthetic sports underwear, was put on the market. Here, again, speed-skaters provided the inspiration. Up to that point in time, they had only worn a pair of briefs under their racing outfits, even at temperatures of minus 20 degrees, because the existing cotton underwear had proven to be totally unsuitable.

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 1987, Lofterød established ODLO International AG in Hünenberg near Zug (Switzerland), the new headquarters of the ODLO brand, together with some Swiss partners. In the same year, ODLO launched the revolutionary ATHLETIC CLOTHING SYSTEM, based on the three-layer principle. The first layer, the underwear, ensu-



Picture left
Entrance hall of the new
ODLO building.



Picture right
«evolution»
sports underwear.

the ODLO company

res optimal moisture regulation, the second layer assists with temperature control, and the third layer protects from wind and weather. Further product lines were introduced to the market in subsequent years, such as Running, Outdoor, Bike, Nordic Walking and Kids.

ODLO was ahead of the times in the mid-1990s when it launched a recycling programme. Customers could give their old ODLO products back to have them recycled. However, a lack of demand at that time led to the offer being withdrawn 5 years later.

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 on to the market. Further innovations followed: the universal, highly functional T-shirt «just one», a garment which provides custo-

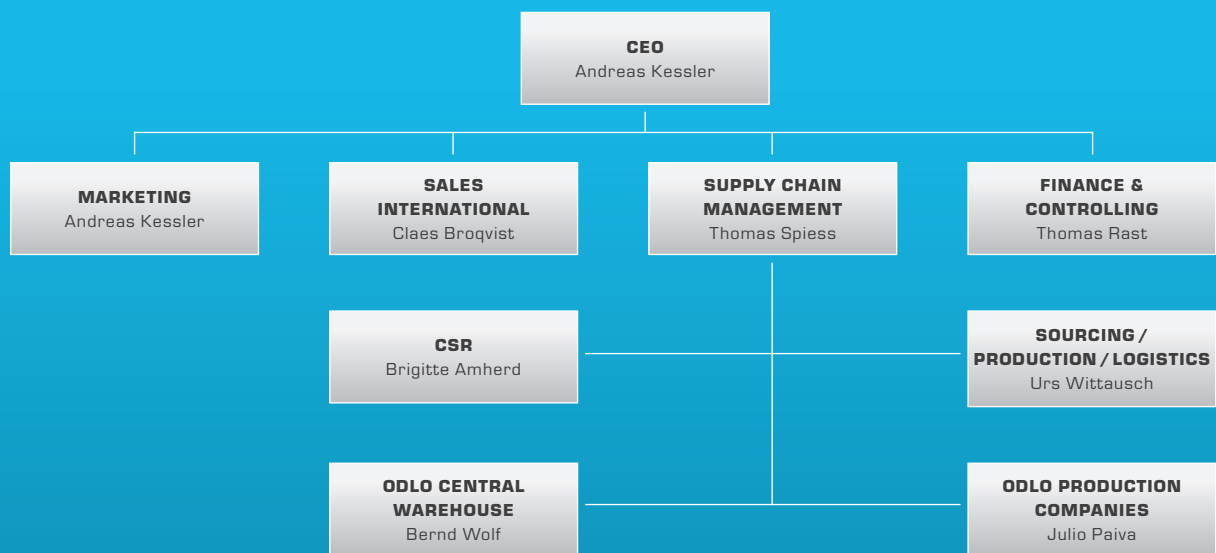
mers with an optimal body-climate in summer, as well as the new, all-year-round quality underwear «cubic», an ultra-light, knitted construction which, with its three-dimensional, cubic structure, ensures an optimal body-climate. The company constantly invests in the sustainability of its supply chain. ODLO Portugal as the company's own factory is constantly expanded and improved in its technology. In 2003, an efficient central warehouse was built in Bruggen,

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 compolyesterence 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. Both innovations are in-house developments of the Swiss sportswear manufacturer.

ODLO wants to grow further and 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 do not only have spacious, modern offices but also a lounge and a gym of their own.

Since 2008, ODLO
is a member of
Fair Wear Foundation



facts and figures 2010

Grafik
Organisation chart.

ODLO Sports Group AG 2010	ODLO Sports Group AG 2010
Headquarters ODLO Sports Group AG, Switzerland CH-6331 Hünenberg, Bösch 47	Sales 2010 ODLO Sports Group CHF 173.3 million
Brand established in 1946	Production 2010 2 collections with a total of 6.2 million garments
Board of Directors Tore Rynning-Nielsen, Präsident Odd Roar Lofterød Sverre B. Flåskjer Arnaud Lipkowitz Michel Perraudin	Points of sales 2010 ODLO products are offered in more than 4,500 sales points worldwide, mainly in the specialist sports trade. The Swiss company also runs its own ODLO stores.
Management Andreas Kessler (CEO, Marketing) Thomas Spiess (Supply Chain) Claes Broqvist (Sales) Thomas Rast (CFO)	Germany 1,450 PoS (8 mono-brand stores, 5 outlets) Switzerland 900 PoS (4 mono-brand stores, 1 outlet) France 1,200 PoS (15 franchise stores, 3 outlets) Austria 400 PoS (3 mono-brand stores, 1 outlet)
Employees 2010 Totally 680, of which 100 are based at the Swiss headquarters in Hünenberg	Further information www.odlo.com

Responsibility – we care!
Actions – we act!
Transparency – we share!



csr vision

Grafik

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 open air 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 stand by 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 2011– 2013

Picture

ODLO Running product line. Sports in harmony with nature.

The ODLO CSR Strategy for the next 3 years defines ambitious goals, responsibilities and milestones. The CSR Strategy is an internal and confidential paper, which is discussed and approved by the Executive Board of Directors on an annual basis.

The following extract provides an overview of its content:

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 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
- Resources

Membership of international working groups & initiatives (European Outdoor Group EOG, World Federation of the Sporting Goods Industry WFSGI).

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 2011 – 2013

Grafik
The **ODLO Climate Initiative 2011–2013** 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.

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, more 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

Pictures

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 a correct implementation of this code of conduct.



csr management system

Picture left
ODLO CSR Team 2010.

Picture right
**ODLO X-Country
product line.**

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 overall 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.

ODLO CSR Team 2010

ODLO assigns a CSR team to ensure the implementation of the vision and strategy. In 2010, the team was composed of the following members:

CSR Delegate:

Thomas Spiess

CSR Manager:

Brigitte Amherd

Head of Sourcing & Production:

Klaus Hohenegger (until November 2010)

Urs Wittausch (since December 2010)

Administrator Sourcing & Production:

Stéphanie Näf

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 the 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 continual further development of CSR at ODLO.

ODLO Management Instruments 2010

ODLO internally

- CSR Vision and Strategy
- CSR Budget
- Monthly meeting of CSR Team
- Quarterly 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:

Target groups	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
Workers of own production (ODLO Portugal & ODLO Romania)	Newsletter Information board	Monthly Ongoing communication
Management of production plants	Direct contact (on-site visits, video-conference, phone, e-mail) Corrective Action Plan (CAP)	Ongoing 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 they 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).

Members of the FWF work towards improving the labour conditions in factories that produce sewn textiles all over the world. The basis of collaboration between the FWF and its members is the Code of Labour Practices (see also the web page Code of Labour Practices). Eight labour standards form the core of the Code of Labour Practices. Members of the FWF undertake to comply with this Code of Labour Practices.

The FWF verifies whether companies comply with the Code of Labour Practices through factory audits and a complaints procedure, through management system audits at the affiliates and through extensive stakeholder consultation in the production countries. The 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. The FWF has a complaints procedure that enables factory workers to anonymously bring to light any abuses related to labour conditions.



goals & achievements 2010

Picture

ODLO Kids product line.
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 2010, the main measures taken to develop the system further were:

- Development of the ODLO CSR Strategy for the years 2011–2013
- Definition and documentation of all CSR processes in the ODLO Process Model
- Management System Audit at the ODLO International headquarters by the Fair Wear Foundation in September 2010
- Introduction of a quarterly CSR Reporting System for the attention of the Executive Board
- Introduction of a uniform checklist for inspections at production plants

Social Audits

ODLO cultivates long-term partnerships with its producers. In 2010, 18 producers were active for ODLO apart from our own 2 factories in Portugal and Romania (20 production plants in total). The Fair Wear Foundation carried out independent social audits at two of them:

- Producer in China (1.07% of volume, 1.43% of value of products), June 2010
- Producer in India (1.37% of volume, 1.67% of value of products), July 2010

With regards to the following producers, ODLO has reverted to audit results carried out by third parties and integrated them into the ODLO Monitoring/CAP System:

- Producer in Israel (11.32% of volume, 13.20% of value of products), audits carried out by the Better Work Programme of the International Labour Organisation (ILO), Business Social Compliance Initiative (BSCI) and Sedex Members Ethical Trade Audit (SMETA)
- Producer in Vietnam (4.05% of volume, 10.67% of value of products), audits carried out by the Fair Labour Association (FLA) in 2007 and other major sporting equipment companies in 2009 and 2010

More than 87% of the overall value of goods has, therefore, been audited or is being produced in «low risk countries» such as Portugal and Germany.

The majority of results were positive, i.e. the factories audited have already reached a good working standard, although there still is potential for improvement. Under chapter «Monitoring by Countries», the results are illustrated and commented in detail. All the audits gave rise to so-called Corrective Action Plans (CAPs). The findings detailed in these CAPs are now being addressed by the audited producers under the supervision of ODLO. It is expected that the producers will have achieved further improvements by the time they are inde-



goals & achievements 2010

pendently audited again by the FWF (in approximately 3 years).

Unfortunately, the audit in India has brought to light significant shortcomings. Despite the fact that the operations are being managed satisfactorily considering local circumstances and that new jobs have been generated, the situation does not live up to ODLO's expectations. Together with the producer and the FWF, further proceedings will be discussed and determined over the next weeks. If the producer fails to establish significant improvements in 2011, ODLO will have to find an alternative solution.

Launch 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 in 2010:

- Internal analysis of the ecological situation (SWOT), spring 2010
- Product life cycle analysis of the core sports-wear product «ODLO warm» together with myclimate, winter 2010 (carbon footprint)
- Presentation of the ODLO Climate Initiative 2011 – 2013 at the International Marketing & Sales Meeting, November 2010

The results are detailed in chapter «Ecological Footprint».

Training & Education of ODLO Employees

The following measures have been taken in 2010:

- FWF Workshop in Italy, with 3 ODLO employees participating, July 2010
- CSR Workshop at the International Marketing and Sales Meeting, November 2010
- Information about CSR to all ODLO employees in all countries by means of the internal newsletter «Inside»
- CSR Info – internal and external information provided by the CSR Team



goals & achievements 2010

Picture
ODLO employees
at an internal sports
event.

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 2010**
For the 4th consecutive time, 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).
- **Donations of clothes**
In 2010, ODLO again donated clothes worth approximately EUR 50,000 to people in Haiti and Pakistan through the organisation «Human Plus» (www.human-plus.org). «Human Plus» vouches for fast, unbureaucratic help to victims of war and natural disasters. Further charitable actions included the support of an SOS Children's Village and of «Families helping families – Ukraine for children's homes and deprived families».
- **Training initiative**
In order to give young, ambitious athletes the opportunity to enter the professional world, ODLO now offers a commercial apprenticeship (in co-operation with the organisation Vinto). The candidate for 2011 has already been recruited.

• 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

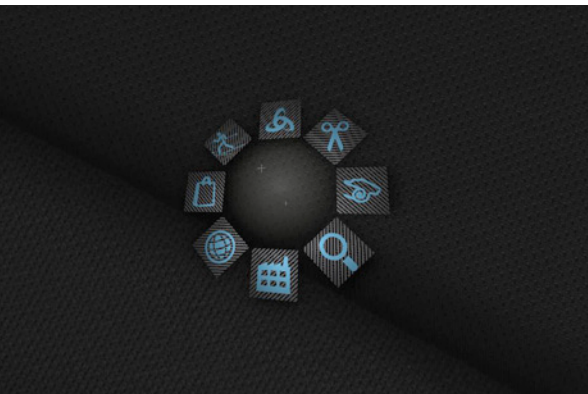
The Swiss headquarters in Hünenberg offers to its employees a variety of activities, which are good for their health. The ODLO health package includes sports (own gym), nutritional consulting, lectures on health-related topics and workplace ergonomics.

• Further activities

Blood drive as well as various charity events organised by employees of ODLO Portugal. Donations of money to the international relief action «jeder Rappen zählt» to support children in war zones.

ODLO was involved in the following CSR initiatives of the international sports industry:

- Membership of the World Federation of the Sporting Goods Industry WFSGI, sustainability working group (www.wfsgi.org)
- Membership of the European Outdoor Group EOG (www.europeanoutdoorgroup.com)



transparency and external communication

Picture left
ODLO Product Life Cycle
on www.odlo.com.

Picture right
**ODLO outdoor
productline.**

In 2010, ODLO launched a new, comprehensive Internet-based tool called «ODLO Product Life Cycle» to present the various stages in the life of a product, from its development to the production and finally to its use. To ODLO, this marks another step towards enhancing transparency.

The eight different modules relate to the following topics: brand, innovation & design, materials, testing, production, distribution, marketing & sales and how ODLO's functional sportswear is put to use. The short films are based on interviews with Odd Roar Lofterød, Chairman of the Board and son of ODLO's founder, as well as CEO Andreas Kessler, Head of Logistics Thomas Spiess, Head of Product Development & Design Andrea Eichinger and CSR Manager Brigitte Amherd. The information about the company's own production site in Romania is particularly informative. The modules can be accessed on www.odlo.com, under «product life cycle».

The following further tools used in 2010 for CSR communication and accessible via www.odlo.com are:

- ODLO website / CSR website
- ODLO Internet Newsletter
- CSR Report 2010
- Press releases

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



sourcing strategy

Picture

ODLO Tec-Shirt
product line.

ODLO produces 2 collections per year. In 2010, a total of 6.2 million garments were produced and a turnover of CHF 173.3 million was achieved.

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, the 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. That is where the large sports underwear are

manufactured, whilst ODLO Portugal is managed as a technology and compolyesterence centre. **In 2010, nearly two thirds of products (64%) were manufactured in ODLO's own factories - a unique situation in the textile industry!** Compared to 2009, ODLO's own production was even increased (volume + 7.59%; value + 4.86%). **In 2010, a total of 78% of garments were produced in Europe including the Middle East.**

Production table by country for 2010

Country of production	Number of producers	Value %	Volume %
ODLO Romania	1	37.46	49.80
ODLO Portugal	1	9.74	14.18
Total own production Europe	2	47.20	63.98
Germany	1	2.87	1.33
Portugal	1	0.16	0.57
Romania	1	1.29	0.44
Italy	1	0.02	0.004
Israel	1	13.20	11.32
Total Europe and Middle East	7	64.74	77.65
China	6	14.24	9.78
Vietnam	1	10.67	4.05
Thailand	2	7.09	5.39
South Korea	2	0.42	0.60
India	1	1.67	1.37
Taiwan	1	1.16	1.16
Total Asia	13	35.26	22.35
Total	20	100.00	100.00



sourcing strategy

Picture

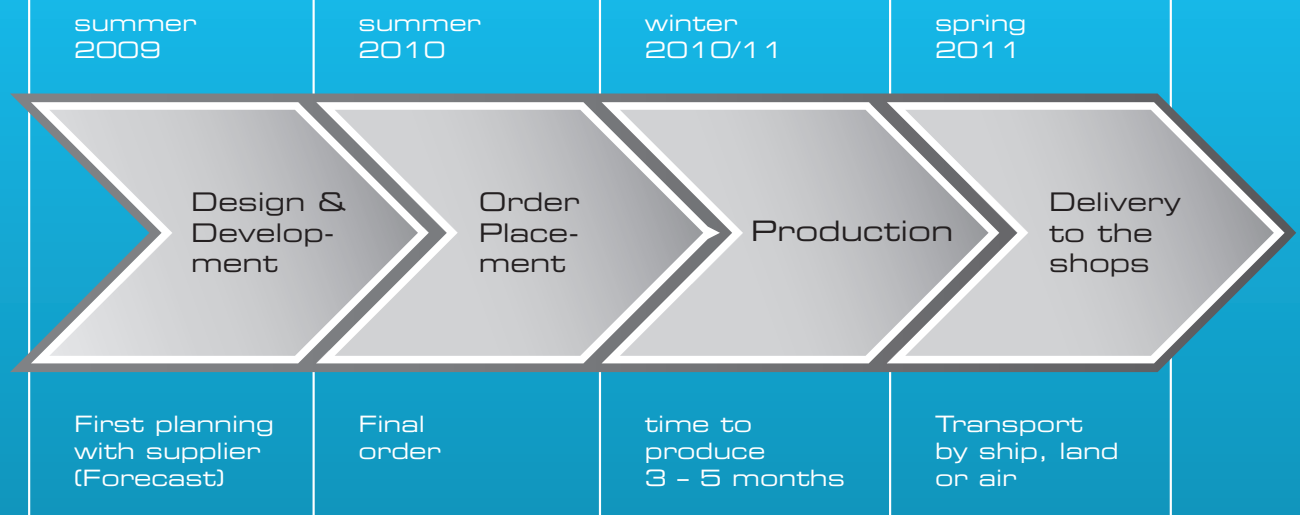
ODLO Running product line.

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 2010, with one third-party company accounting for the majority of volume. ODLO is planning to incorporate these third-party companies in the monitoring system and in the producer register in the same way as all the other producers in 2011 and has decided to audit the third-party company accounting for the majority of volume as early as in 2011. All third-party companies manufacturing for ODLO are to sign the ODLO code of conduct in 2011.

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 stands surety for its subcontractors. To the present day, ODLO only included the main producers in its producer register and correspondingly audited them. In 2011, ODLO will expand the producer register to include the subcontractors involved in the manufacturing process as well.



sourcing strategy

Grafik

ODLO produces 2 collections per year.

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 the ODLO management.

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.

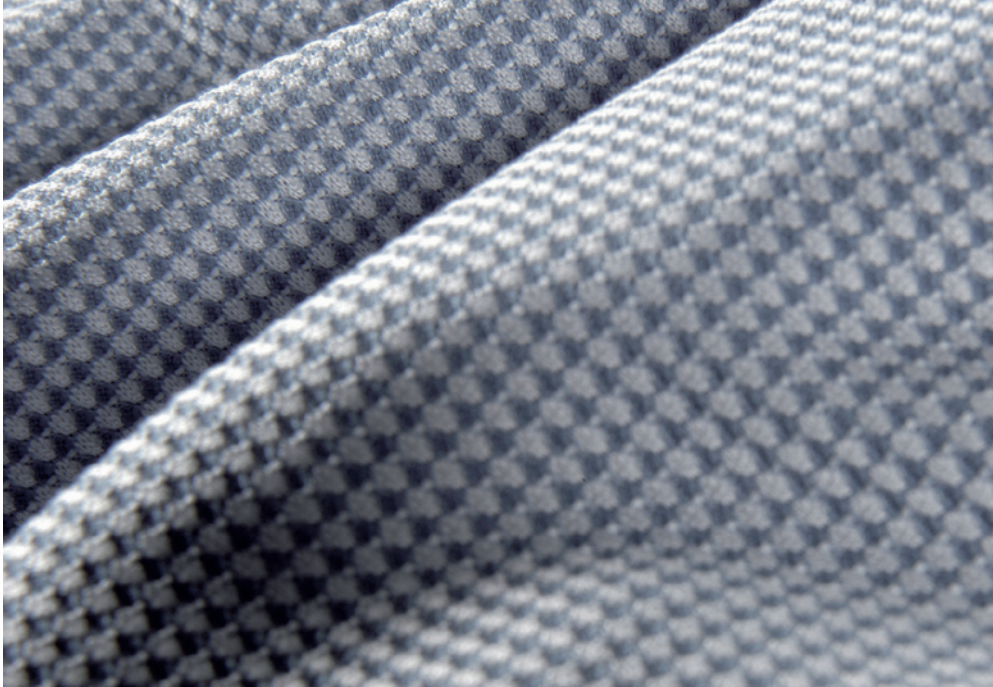
Co-operation Period with Producers

Co-operation period	Number of producers
More than 15 years:	2 producers
More than 10 years:	3 producers
7 - 10 years:	3 producers
4 - 7 years:	7 producers
Less than 4 years:	5 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. there is no additional competition among the producers.



sourcing strategy

Picture

More than 70% of fabrics are developed exclusively for ODLO.

Organisation of the Sourcing & Production Team

ODLO has a small Sourcing & Production 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 promotes flexible information and short decision-making routes.

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
- ODLO quality standards can be complied with
- Passing the producer assessment

Selection of 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)

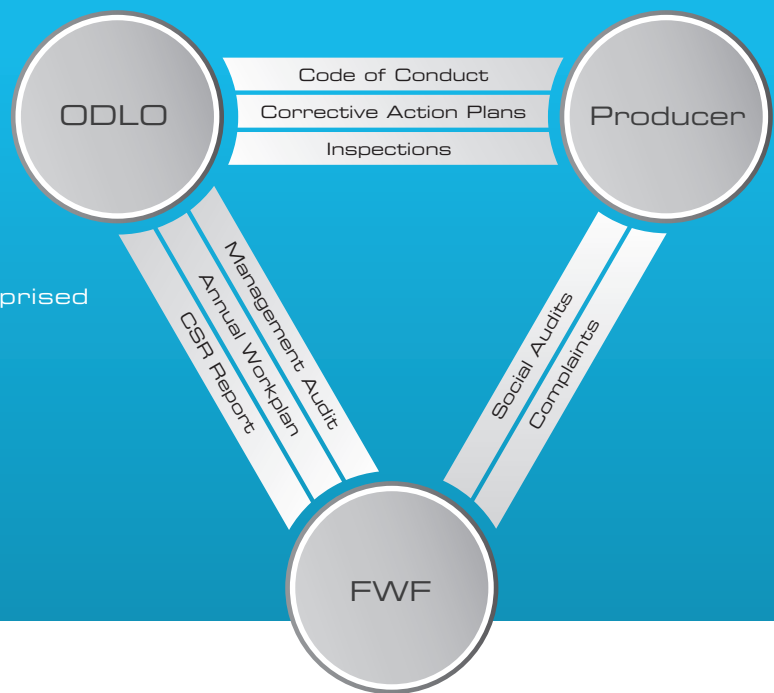
Step 2: Search for new producer if no existing partner can deliver additional quantities or new parts

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

ODLO Monitoring System

The current monitoring system is comprised of the following instruments:



monitoring-system

Diagram
ODLO monitoring-system.

The current monitoring system is comprised of the following instruments:

Code of Conduct (CoC) & 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 (once or twice 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.

Management System Audit:

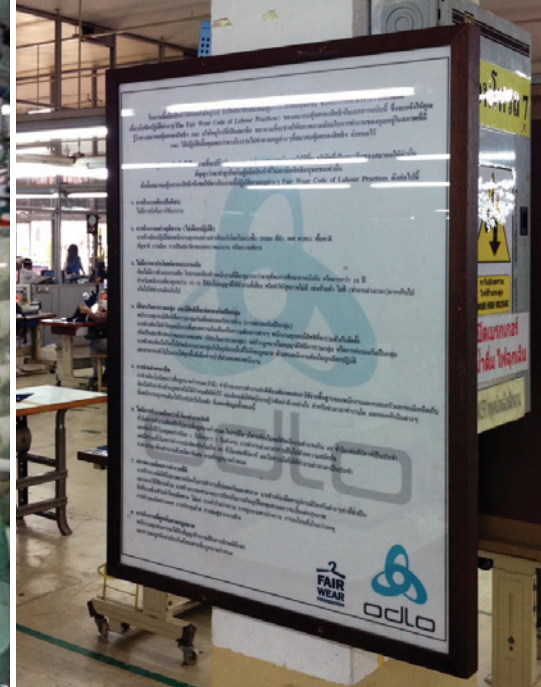
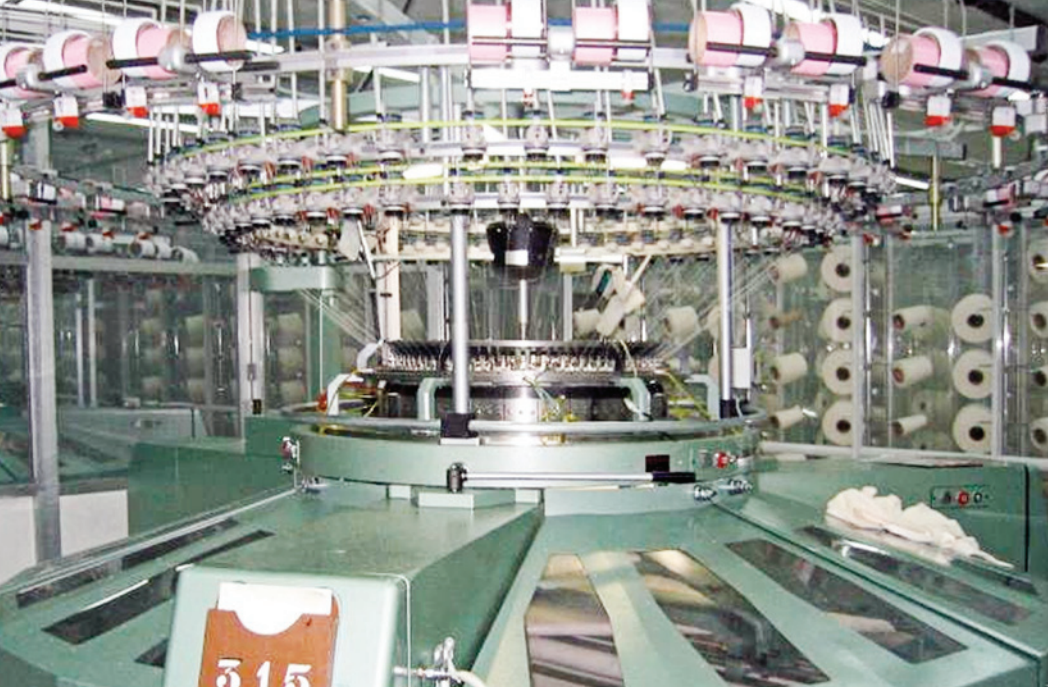
At regular intervals, the FWF also audits ODLO to support FWF processes. The results are published on the FWF website and are integrated into the CSR Workplan and the CSR Report.

CSR Workplan:

ODLO draws up a workplan every year (annual planning), which is then submitted to the FWF. This confidential document details the activities planned for the following year. The workplan for 2011 was submitted to the FWF on time at the end of 2010.

CSR Report:

The present report functions as a controlling instrument and is published.



monitoring by country

Picture left
Circular knitting machine.

Picture right
ODLO Code of Conduct published in the factory building of an Asian producer.

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:

Country	Producer identification number	Date of audit (completed)	Next audit (planned)
Thailand	4	April 2009	2012
Romania	2	September 2009	2013
China	3	November 2009	2013
China	9	June 2010	2014
India	7	July 2010	2011

monitoring-system

CAP reports by category and country 2010:

During the two audits carried out in China and India in 2010, the FWF identified a total of 56 measures (so-called findings). The first table groups these findings according to the core elements of the CoC.

48 findings that emerged during the 2009 and 2010 audits carried out by FWF could be dealt with in the past year. This means that the producers have taken the necessary measures to remedy the situation by their own account. This will be verified by FWF during their next audit. As per end of December, 62 findings were still unsettled.

This summary considers four CAPs of producers no. 2, 4, 7 and 9 (all of them audited by FWF). All other CAPs were not integrated in the summary in 2010 because they lack a unified format. This will be achieved during the next year.

New findings emerged during the FWF social audits in 2010:

Area of reporting	Country	Producer number	No. of findings
Management	India	7	8
	China	9	9
Forced labour	India	7	0
	China	9	0
Discrimination	India	7	1
	China	9	0
Child labour	India	7	0
	China	9	0
Freedom of association	India	7	1
	China	9	2
Payment of living wages	India	7	4
	China	9	0
Overtime	India	7	1
	China	9	3
Health and safety	India	7	23
	China	9	4
Total			56

CAP progress report as at 31.12.2010 (summary):

Area of reporting	Closed findings	Open findings
Management	9	14
Forced labour	0	1
Discrimination	2	1
Child labour	0	0
Freedom of association	5	5
Payment of living wages	4	6
Overtime	3	8
Health and safety	25	27
Total	48	62



explanations concerning audits per country

Picture

ODLO Bike product line.

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 producer. Up to the date of the audit, no ODLO products had been manufactured in this production plant. Several issues were found that needed improvement. These included findings related to the factory licences, the absence of formal working contracts and the time records. What is very common in Asia is that the workers were not aware of their rights and were not organised in a workers' committee or union. No non-compliances were found regarding forced labour and child labour. There has been a finding concerning the fact that not all workers are being paid at least the legal minimum wage and social duties.

Current working conditions are not sufficient to continue co-operation with this factory from ODLO's perspective. ODLO is currently searching for a solution together with the producer. By the end of August 2010, ODLO International AG wrote a management letter and contacted the producer several times (i.e. on-site visit of Management Team in December 2010). ODLO offered to increase the purchase price if needed to enable the factory to increase wages.

For family reasons (splitting-up of company, responsibilities to be clarified), the producer has not been able to implement any measures so far. Further actions will be discussed and defined together with the producer and FWF over the next few weeks. If no significant improvements are made in the course of 2011, ODLO will have to find another solution.

China:

China and other Asian countries are currently facing great social upheavals. Apart from higher wages – Chinese wages rose by up to 30 per cent in 2010 – the Chinese market increasingly calls for goods designed for domestic consumption. China is turning from an export nation into an import nation.

In China, two factories were audited. The audits showed that the FWF Code of Labour Practices was not posted in the factories. Workers were not well enough aware of their rights, although in one factory there was a union. The workers' representatives were, however, not elected democratically. ODLO is discussing to offer factory training, which will give workers more insight into their rights and obligations. No non-compliances were found for the code elements of forced labour, child labour and discrimination. In both factories, excessive overtime was found. For one of the factories, a complaint was received on the use of overtime. ODLO has started a dialogue on improving forecasting and planning.

explanations concerning audits per country

That could contribute to reducing excessive overtime. Not all workers in the factories were covered by social security schemes for occupational injury and medical insurance, as this is very common in China. One of the two producers has launched an application for affiliation with FWF. This step is welcomed by ODLO. The decision by FWF is still pending.

Thailand:

In Thailand, one audit was conducted, which showed that some workers did not have a formal working contract. Taking leave was restricted for workers, which is not according to the law. Several issues were found related to occupational safety and health at the workplace that needed improvement. Excessive overtime was found and overtime compensation was not adequate. No findings were reported on child labour. ODLO summarised all the findings in a CAP and was in close contact with the factory on the progress. Most improvements were realised by the end of 2010.

Romania:

An audit conducted in the factory in Romania showed that workers were not familiar enough with the FWF Code of Labour Practices. Workers' representatives were in place but were not active as such because of a lack of awareness on their roles. No findings were reported on forced labour, child labour and discrimination and no excessive overtime was found. Regarding safety and health at the workplace, however, there was need for improvement. Although the legal minimum wage was paid and even more for most workers, a step-wise increase towards a living wage will be needed. As far as the CAP is concerned, ODLO was in close contact with the factory and FWF. Several improvements were realised by the end of 2010. The wage issue will need a longer time-span to work upon.

Vietnam:

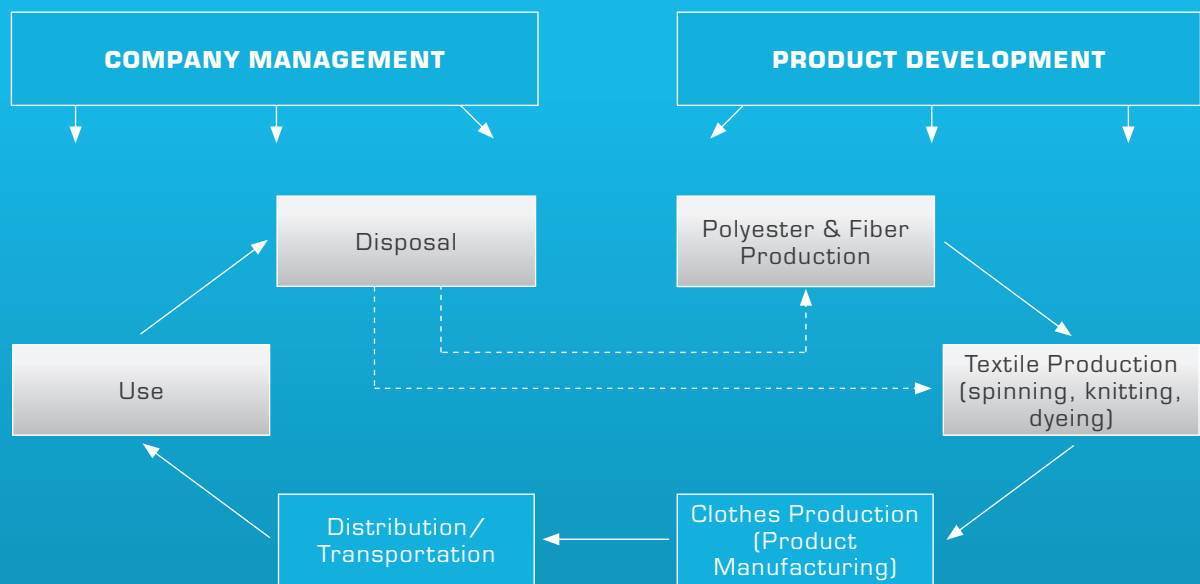
The producer in Vietnam has been audited by the Fair Labor Association (FLA). ODLO requested earlier audit reports and found out that almost all findings have already been dealt with. ODLO is following up on the remaining ones.

Visits

to the factory by the Head of Sourcing & Production of ODLO confirmed the good conditions prevailing in the factory.

Israel:

The producer in Israel also has a production location in Jordan. That producer participates in the Better Work Programme of the International Labour Organization (ILO) to improve working conditions. ODLO received earlier audit reports and prepared a CAP to follow up on the findings. ODLO is planning to carry out an audit in Israel in 2011.



ecological footprint

Grafik

Model for analysing the ecological footprint.
ODLO has a direct influence on the blue areas and an indirect influence on all the other areas.

In 2010, ODLO started a project aiming at analysing the ecological footprint of the company step by step and at implementing meaningful measures for reducing emissions. The procedure is explained subsequently:

1. Internal, cross-functional SWOT analysis
2. Life cycle assessment of the core sportswear product «ODLO warm» in co-operation with the Swiss climate champion myclimate (www.myclimate.org)
3. Transport analysis
4. Discussion of measures by CSR Team and Executive Board (ongoing)
5. Integration of results in the ODLO Climate Initiative 2011 – 2013, see chapter «CSR Strategy»

The most essential **strengths** of ODLO from an ecological point of view are:

- High quality standard facilitates sustainable products (lifespan)
- Entire sports underwear is certified according to Oeko-tex 100 standards
- Almost all of the ODLO fabric producers are certified according to Oeko-tex 100 or Bluesign
- High purity of materials (polyester) facilitates disposal / recycling
- High degree of own production (ODLO Portugal and Romania), which increases control
- Few producers, longstanding partnerships
- International CSR Team represented in the Executive Board

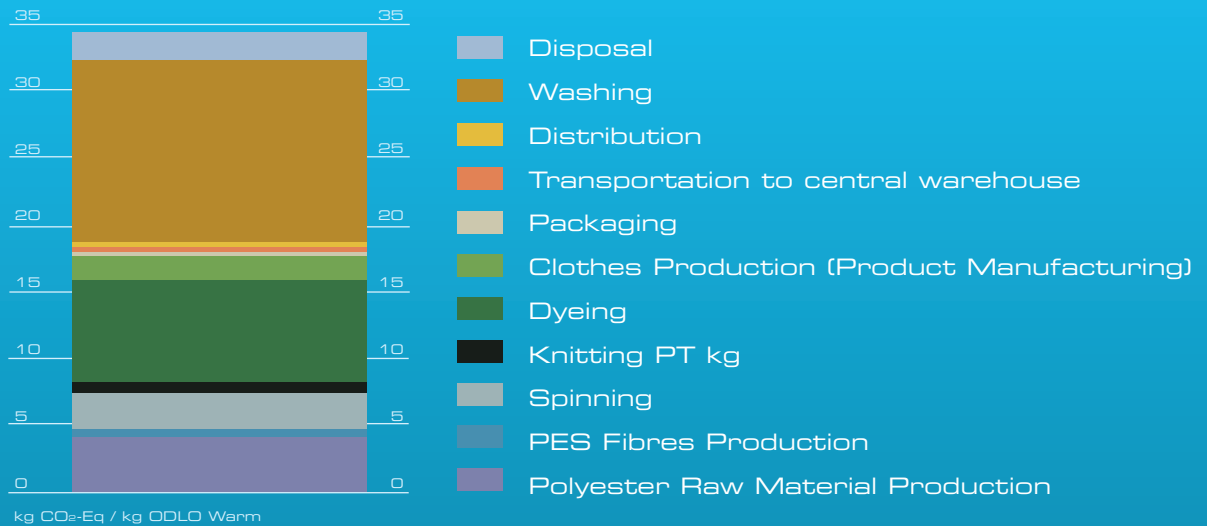
- Experienced Product Development Team based directly at the headquarters in Hünenberg, Switzerland
- Short routes of transport thanks to European production
- Packaging of underwear made of cardboard featuring the «Green Dot»

The most significant **areas for improvement** that can be influenced by ODLO are:

- Raising of ecological awareness among employees so that ecological aspects are increasingly included in decision-making processes
- Elaboration and introduction of CSR product development guidelines
- Consideration of ecological innovations (materials, technologies)
- Reduction of energy consumption and exploitation of recycling possibilities (e.g. fabric waste, packaging, energy, office waste, etc.)

The results of this analysis were incorporated in the ODLO Climate Initiative 2011 – 2013.

CO₂-equivalent emission during the entire life cycle of the core sportswear product «ODLO warm»



life cycle assessment 2010

Grafik

1 kilo of «ODLO warm» (originals) generates a total of 34 kilos of CO₂ equivalent according to a study conducted by myclimate.

Commissioned by ODLO, the Swiss non-profit organisation myclimate (www.myclimate.org) examined the carbon footprint of the core sportswear product «ODLO warm» (originals) (life-cycle assessment or product life-cycle analysis). The data was calculated per kilo and can, thus, be easily applied to each shirt, pair of trousers, etc.

The primary data required (e.g. energy and material requirement) were delivered by ODLO or measured and weighed by means of existing products. Background data (e.g. electricity, transports, etc.) were gathered from the «ecoinvent V2.2, 2010» database (database elaborated by the Swiss Federal Institute of Technology (ETH) Zurich and the Swiss Federal Institute of Technology (EPFL) Lausanne as well as the Paul Scherrer Institute (PSI), the Swiss Federal Laboratories for Materials Science and Technology (EMPA) and the Swiss Federal Research Station Agroscope Reckenholz-Tänikon (ART)) as well as by myclimate's own research. The inventory and impact assessment were carried out with the aid of the life-cycle assessment software EMIS (V5.5, 2009).

The scope of analysis involves the entire life-cycle of the products, from the extraction of natural resources, production, transport, usage to disposal. Similar to a study carried out by the European Environment Agency (EEA 1997), it was assumed that, during the utilisation phase, a garment is washed 75 times at 60 degrees before being disposed of.

Result 1

In order to produce 1 kilo of the core sportswear product «ODLO warm» (originals), around 18 kilos of CO₂ equivalent are required, with the best part accounting for the «Polyester raw material production» process (12%) and for the «Dyeing» process (22%).

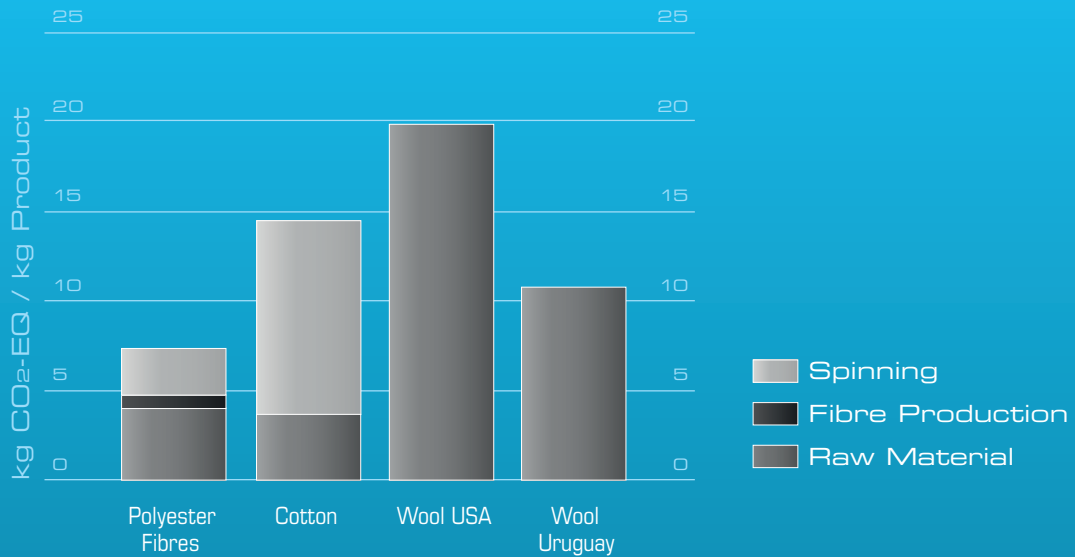
If the utilisation phase is also considered in the life cycle assessment, one kilo of the core sportswear product «ODLO warm» (originals) requires 34 kilos of CO₂ equivalent. This means that approximately 40% of total CO₂ emissions occur during the utilisation phase.

For comparison: 34 kilos of CO₂ equivalent per kilo of «ODLO warm» (originals) equal a car drive of 172km, assuming an emission of 0.2kg of CO₂ equivalent per km and person (according to database of ecoinvent V.2.2).

Result 2

Almost 9 kg of CO₂ equivalent are generated for one long-sleeved shirt of the «ODLO warm» collection, which corresponds to a car drive of 45 kilometres. As much as 40% of emissions, however, are generated during the utilisation phase.

CO₂ equivalent emission – comparison with cotton and wool



life cycle assessment 2010

Grafik

CO₂ emissions of polyester in comparison to woven cotton or wool from the USA and Uruguay (processes considered: raw material and fibre production including spinning), according to a study conducted by myclimate.

Polyester versus Cotton / Wool

In a second step, these CO₂ emissions as well as the water consumption were compared to available data on cotton or wool.

This comparison was made using generic data of the ecoinvent database (V2.2). As there are no existing inventories for knitted cotton fabrics, the processes were compared up to «spinning yarn». The ecoinvent inventory describes cotton from the United States. It can be assumed that the further processes are similar to those of PES yarn. Processes for wool only exist in a very general way for «wool direct from the farm». For wool, there are existing inventories from the USA or Uruguay.

Result 3

The core sportswear product «ODLO warm» (originals) achieves at least equal results compared to cotton and better results compared to wool as far as the CO₂ equivalent emission is concerned.

This result, however, has to be viewed with caution, since it depends very much on wool and meat prices and only applies to the US and Uruguayan markets.

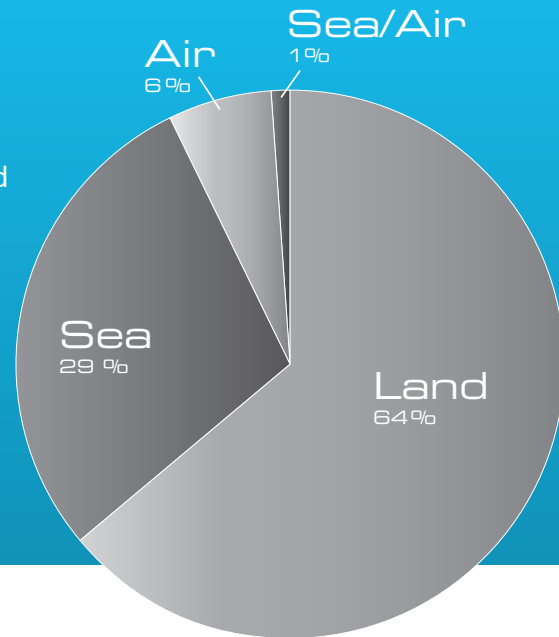
If the water consumption is considered as far as possible, then it becomes apparent that cotton requires by far the greatest amount of water, followed by wool. The production of PES fibres, in contrast, requires hardly any water.

Result 4

The production of polyester fibres used for the core sportswear product «ODLO warm» (originals) requires considerably less water than the production of cotton and wool.

More meaningful than the comparison of water consumption, however, would be the analysis of the effects on water shortage, as water consumption in Germany may not be compared to water consumption in Portugal or Australia. The calculation of water shortage, however, does not represent an integral part of life-cycle assessment software tools, which would require additional expenditures.

2010, 7 percent were shipped by air, respectively sea / air.



transportation

Grafik
Goods transported in
2010, broken down
into means of transport,
in percentage.

ODLO strives to arrange transportation by sea wherever possible, which represents the best alternative both from an ecological and economical point of view.

In 2009, only 2.4% of goods had to be transported by airplane, whereas in 2010, 7% of goods had to be transported by air or air/sea. This can be attributed to general delays in delivery in Asia due to capacity constraints/labour shortages. The entire textile industry was affected and had to order express deliveries. ODLO will continue to keep transportation by air at the lowest level possible.



conclusions of 2010 and outlook towards 2011

The Executive Board and the CSR Team are broadly satisfied with the results of 2010. The goals set have been achieved for the most part. The Strategy 2011 – 2013 has been elaborated, challenging the company to continue its improvement process.

Asia – and especially China – is undergoing great structural changes. Despite the fact that these developments can be rated as positive for employees and producers in the medium to long run (better working conditions and higher salaries have already materialised in 2010), many workers

in the factories affected had to work overtime at short notice in order to maintain readiness for delivery at least in parts. Still, ODLO, as most sportswear producers, was greatly affected

by delivery delays. As far as the working conditions are concerned, there still is need for improvement with all producers, and it is up to all parties involved to continue implementing the defined measures.

ODLO feels reassured by its consequent pursuit of an own production strategy, which represents a great competitive advantage gaining increasing significance. More and more athletes are interested in sustainable products. Capacities

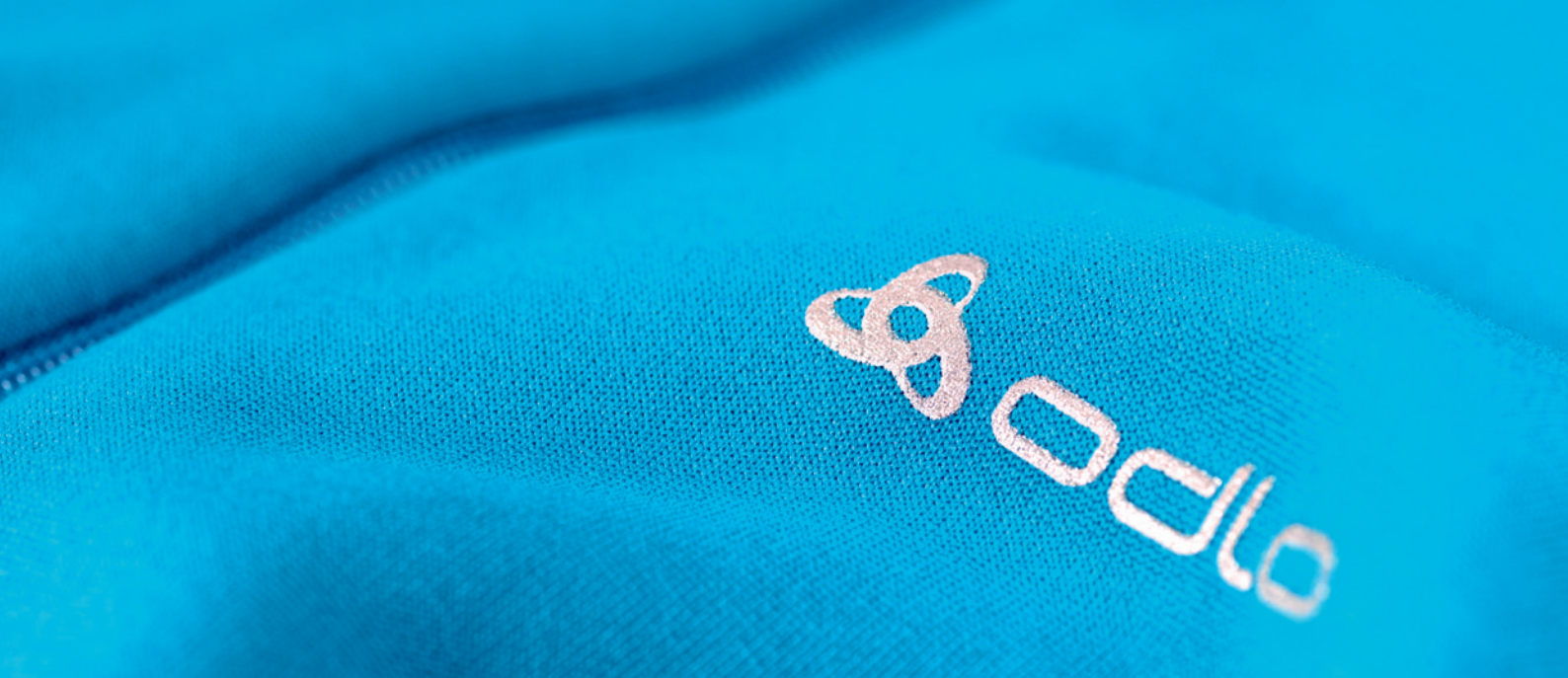
in ODLO's own production facilities will be further expanded over the next years in order to keep up with the continuously increasing growth.

As early as in 2008, ODLO became a member of the Fair Wear Foundation (FWF) as the first company specialising in functional clothing. This membership has proven beneficial to ODLO over the past year too. The independent organisation examines the activities of the producers and supports ODLO in its continuous process of change.

Various initiatives by non-profit organisations evaluated the corporate social responsibility of textile companies in 2010. In an extensive company survey conducted by the Berne Declaration (EvB) as part of the Clean Clothing Campaign, for example, ODLO was rated as a «progressive company» ranking among the top four textile companies. International media also placed a great emphasis on sustainability in 2010. Thanks to its commitment, ODLO was mentioned as a positive example in a variety of newspaper articles on production conditions.

ODLO acts on the assumption that its customers attach importance to sustainability and appreciate the measures taken. The CSR Team is happy to answer any queries or to accept suggestions.

ODLO feels reassured by its consequent pursuit of an own production strategy.



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