



## Human Rights and Labor Rights Due Diligence Report 2022

### THE BOARD OF DIRECTORS' REPORT ON HUMAN AND LABOR RIGHTS

XXL's principles and guidelines for safeguarding human and labor rights include clear expectations and requirements as to how we, our suppliers and sub-suppliers regarding sustainability, fundamental human rights, decent working conditions, safe workplaces, fair wage and compliance with international human and labor rights conventions.

Today, the XXL Sport & Villmork AS Chief Executive Officer and the XXL ASA Board of Directors have discussed and approved XXL's Integrity Due Diligence Report for the year 2022. The Report has been prepared in accordance with the Norwegian Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (the Transparency Act) of June 18, 2022 No. 99 Section 5 Duty to account for due diligence.

Alna, June 19, 2023

  
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Chair

  
Kjersti Hobøl  
Vice Chair

  
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Employee Representative

  
Kai Arne Nordhaug  
Employee Representative

  
Cristina Moreno  
Employee Representative

## 1. About XXL

XXL Sport & Villmark AS, a subsidiary of XXL ASA, was founded in 2000. XXL ASA is listed on Oslo Børs and head quartered at Alna in Oslo, Norway. XXL currently has 85 stores throughout the Nordics and is the leading sports and outdoor retailer with stores and e-commerce in the region. At the end of the reporting period, the Company had more than 5 000 employees.

### XXL SPORT & VILLMARK AS

XXL has 38 stores in Norway and offers sports and outdoor equipment in all categories to all kinds of customer groups in the Norwegian market, focusing mainly on recognized brands from international suppliers. Currently, this constitutes about 90 % of XXL's revenues. In the Sustainable Brand Index 2023, Norwegian consumers elected XXL as the most sustainable brand in Norway in the "Clothes & Fashion – Stores" category.

### XXL GROSSIST NORGE AS

XXL purchases its goods through XXL Grossist Norge AS, a subsidiary of XXL Sport & Villmark AS. In addition to running XXL's centralized Buying & Category function, Grossist Norge also operates XXL's Central Warehouse Norway. Grossist Norge buys goods from suppliers/producers mainly located in Europe. A smaller part of the goods is bought from countries located outside the EU/EEA, among them in Asia and America.

### ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)

XXL also purchases goods from OEM-businesses through an agent. These goods and goods from other producers are sold by XXL as Private Label. The OEMs are mainly located in Asia, primarily in China and Taiwan.

### WEST SYSTEM NORGE AS

West System Norge AS er a 100 % owned subsidiary of XXL Sport & Villmark AS. West System is Scandinavia's leading retailer of small crafts/boats, motors, kayaks, and canoes. The Company operates on the whole separately from XXL Sport & Villmark AS' supply chain. See

[www.westsystem.no](http://www.westsystem.no)

## 2. Human Rights

Our business is based on all human's right to live a free life and with possibilities to live choose a lifestyle adapted to their conditions and interests. Our Purpose, *All Sports United. Sports Unite All*, promotes fellowship and equality.

### CULTURE

Our Core Value *Caring* describes our way of thinking, our attitudes and our behavior including regarding taking care of human rights in our internal and external environment. We believe that through making sports and outdoor goods within reach of everybody regardless of age, gender, skin color, and geography, we contribute to increasing quality of life and improving public health. We are proud of our partnership with BUA (Barn, Unge, Aktivitet/Children, Youngsters, Activities) which is a concept with the intention to break down socioeconomic barriers, promote an including society, and make physical activity accessible to all.

## GUIDELINES

We believe that a significant part of our opportunity to avoid adverse consequences of our enterprise is to actively work to ensure decent working conditions for our employees and for people employed throughout our value chain. This includes seeing to that their labor rights are safeguarded, that the HES conditions at their workplace are fully satisfactory, and that they receive a living wage as a minimum. XXL's Human Rights Policy is included in our Code of Conduct and in our Supplier Code of Conduct. The Policies emphasize our commitment to conduct our business legally and in accordance with the highest ethical standards. To maintain focus and ensure continuous compliance with changing national and international laws and guidelines, our Policies and Guidelines are continuously monitored and updated as needed.

Our rules and guidelines include all key elements of the United Nations (UN) Declaration of Human Rights and the International Labour Organization's (ILO) Core Fundamental Principles and Conventions on Labor Standard. They are prepared in consultation with our employees' representatives and approved by the XXL Board of Directors.

Our corporate policies include, inter alia, our Code of Conduct, Anti-Corruption Guide, Supplier Code of Conduct and Compliance Governance and Procedures. In these documents we specify our principles and requirements regarding compliance, including with regard to human and labor rights in our business and in the businesses of our suppliers and sub-suppliers.

When entering into agreements with new suppliers the suppliers need to sign a Declaration of Compliance where they commit themselves and the involved sub-suppliers to conform to the requirements, expectations, and guidelines described in our Supplier Code of Conduct. The signed Declaration of Compliance is enclosed with the parties' contract. We are working to further develop our supplier selection procedure where, among other things, due diligence of potential suppliers and involved sub-suppliers is required. The purpose of due diligence is to avoid entering into supplier agreements that may entail that we will become or risk becoming complicit in violation of fundamental human rights.

## SUSTAINABILITY

Our Sustainability Strategy described in our Annual Report and Sustainability Report 2022 is the key element in the planning and execution of our environmental and social engagement. The results of already initiated and upcoming activities based on our due diligence assessments will be published in our Sustainability Report 2023.

We conduct stakeholder dialogues to obtain accurate and quantitative information about our stakeholders' opinions and viewpoints regarding our business conduct and performance. In 2022, we conducted debt interviews with different stakeholders and approx. 5 200 responded to our stakeholder survey. The results are published in our Sustainability Report 2022. The feedback of our stakeholders is a valuable contribution to our efforts to reach our goals. Going forward, we will continue this open and good dialogue and will report the essence also in next year's Sustainability Report.

XXL's Children's Foundation donated in 2022 winter clothing and sports clothing and equipment at a value of NOK 3 million as support to the people of Ukraine.

## GOVERNANCE

XXL's guidelines for legal and ethical business conduct are discussed and approved by the Board of Directors each year. Corporate Management and the Board's Audit Committee are actively involved in discussing any updates, changes and actual cases related to the contents and application of the guidelines. The XXL Group CEO has the overall responsibility for implementing the guidelines and for promoting adherence through acting as a good example and seeing to that all XXL leaders and employees are familiar with the guidelines and trained how to comply with its provisions and

expectations. We believe that our comprehensive management system is a strong contributor to prevent adverse consequences of our operations.

Personnel responsible leaders at all levels have the responsibility to see to that the guidelines are applied throughout the organization. This also includes commitment to act in the case of observed or suspected unlawful or unethical conduct.

To make sure that leaders and employees are provided with the necessary training, support, and advice, XXL ASA Board of Directors has appointed a Group Ethics & Compliance Officer (ECO). In addition, an Ethics & Compliance Associate (ECA) has been appointed to each operational unit. The ECAs work closely with the local management and the ECO.

## **CONSCIOUSNESS AND TRAINING**

To further raise the consciousness and support the application of our guidelines we have developed a module-based e-learning program. The program is quiz-based and aims to provide our board members, leaders, and employees with good understanding, specific knowledge, and practical support on how to comply with our rules and guidelines. We believe that conducting our business with strong insight and focused consciousness will strengthen human and labor rights not only in our value chain but also outside our operations.

## **REPORTING CHANNELS AND GRIEVANCE MECHANISMS**

We continuously work to prevent and reduce the risk of adverse consequences related to how we conduct our business, how we act as an employer, how we interact with our business partners, and how we relate to society as a whole. Despite this, we realize that in our organizations or supply chain censurable situations may occur giving reasons to report concerns or complaints. We focus on building a speak-up culture in our organizations where trust and confidence to notify us of censurable conditions is key, and we expect the same from our business partners. We believe that the most effective way to ensure respect for human and labor rights is to enable people to speak up. No one that shares their thoughts and viewpoints in good faith shall be retaliated or exposed to sanctions of any kind.

Our external Whistleblowing Channel is easily available at XXL ASA' website. Here, customers, business partners, and other externals may submit their notifications in a safe and secure manner. Anyone who wants to make a report may do so anonymously. XXL's Whistleblowing Channel is operated by an external service provider that ensures confidential reporting as well as independent and professional processing of notifications. We regard our Whistleblowing Channel as a critical tool for dissemination of conditions and makes it possible for us to react and correct. The Channel provides direct contact with people that observe or suspect violation of our rules and guidelines which cater for an open and specific dialogue. We appreciate this opportunity to learn and improve.

Internally XXL employees may address concerns or complaints verbally or in writing to line management, their representatives, the ECA, or as a last resort to the Chair of the Board. All reports regardless of channel or source shall immediately be followed up and managed by our external professional service provider in line with the Company's procedures for handling concerns or complaints. The procedures have been developed in cooperation with the employees' representatives and ensure that the rights and interests of both notifiers and the accused parties are protected.

XXL also has a channel for reporting and recording of HES deviations. Employees may report deviations regarding our HES routines, accidents or near miss, and suggested preventive measures. A QR-code that links directly to the HES reporting channel, is available in our Employee Handbook and on posters at the workplace and makes it simple to report any deviations. Reports are automatically uploaded to our reporting-tool and are continuously followed up by the local personnel responsible leader.

Our standardized employee dialogue concept («medarbejdersamtaler») encourages employees to mention any concerns or complaints, if appl., with their direct leader. Our leaders, HR-staff, safety deputies, and employee representatives are also important contacts for employees who have something important they want to bring up.

### 3. Due Diligence

The Board of Directors and its Audit Committee have been continuously updated about the Transparency Act and contributed to XXL's compliance process by adopting the implementation of a due diligence process. Already before the Transparency Act came into force, XXL had initiated a project with the assignment to establish a supplier integrity due diligence concept and execution procedures. The project was intensified after the Transparency act came into effect. XXL's due diligence concept and procedures has been developed based on the principles and guidelines of the OECD Due Diligence Guidance for Responsible Business Conduct.

Being the leading player in the sports industry, XXL contacted the Norwegian Sporting Goods Industry and other major industry players to investigate opportunities to cooperate in conducting a common due diligence. The industry players share more supply chains. XXL's idea of a common approach was to ensure effectiveness of the due diligence process for the suppliers and in addition leverage the industry's opportunities to achieve our requirements and expectations regarding human and labor rights. Based on this, XXL, the Norwegian Sporting Goods, and other major industry players have joined forces in developing a common due diligence concept, which has been used in 2022.

XXL acknowledges that business partner due diligence is a continuous process. Going forward we will further develop and improve our concept.

#### **RISK ASSESSMENT**

XXL's Norwegian operations had in 2022 approximately 470 active suppliers. It would have been disproportionate to conduct due diligence of all of these suppliers. Through a preliminary risk assessment, we identified which of our suppliers represented the greatest risk of adverse consequences of our business and consequently were prioritized for our supplier due diligence 2022.

The criteria used for the preliminary risk assessment and selected for the due diligence were mainly country of origin and product category. Even if we are aware that the risk assessment is supposed to cover more stakeholder groups than labor, we choose to use ITUC GLOBAL RIGHTS INDEX 2019 The World's Worst Countries for Workers for the Country-of-origin criteria. Regarding product criteria we used the Product Categories High Risk List of the Norwegian Agency for Public and Financial management (DFØ) that shows the product categories with the highest risk of violating the fundamental human rights in the supply chain.

#### **SBF SUPPLIER INTEGRITY DUE DILIGENCE SURVEY**

Based on the risk assessment the Norwegian Sporting Goods Industry (SBF), XXL, and the other major industry players selected 37 suppliers that should be included in the due diligence 2022. The selection includes both Norwegian and international suppliers.

Basing itself on the process already initiated by XXL, the team established a Supplier Integrity Due Diligence Survey Questionnaire that covers the topics that SBF decided to focus on regarding human and labor rights. The Questionnaire includes 41 statements and covers the following 4 Sections: Compliance Management System, Fundamental Human and Labor Rights, Health & Safety and Anti-Corruption. Through the Survey we have been able to collect information about the current state of the selected suppliers and their involved sub-suppliers (each statement to be responded to twice) regarding human and labor rights.

We are aware that the due diligence requirement of the Transparency Act does not include anti-corruption. However, we are of the opinion that corruption impacts human rights, hence we included anti-corruption in our Survey.

The Questionnaire Statements are grouped into 3 Risk Categories. A Performance Level Matrix where the Statement Risk Category and the Response Rate of the individual supplier's selected response option are matched, the basis for identifying risk significance and prioritizing actions is established.

**SBF SUPPLIER INTEGRITY DUE DILIGENCE SURVEY – RESULTS REPORT**

Despite repeated reminders, 8 out of the 37 suppliers that were selected for the due diligence 2022 have chosen not to complete the Survey. These 8 suppliers are consequently recorded as high-risk suppliers and will be followed up accordingly.

The Results Report that includes the response of the 29 suppliers that completed the Survey, shows the following red-flagged subjects. The definition of a Red-flagged Subject is a subject that is addressed in a Highest Risk Category statement and where the suppliers’ response is negative. In other words, Red-flagged Subjects describe identified adverse consequences of our operations, or subjects that represent the risk of adverse consequences – as seen by the suppliers themselves (self-assessment):

<b>SECTIONS AND SUBJECTS</b>
<b>COMPLIANCE MANAGEMENT SYSTEM</b>
<b>Human and/or Labor Rights Policy:</b> Policies and Guidelines missing
<b>FUNDAMENTAL HUMAN AND LABOR RIGHTS</b>
<b>Risk of Child Labor:</b> Registration of employees’ date of birth missing. Audit impossible/difficult
<b>Risk of Forced Labor:</b> Prohibition of charging migrant workers for recruiting fees not applied Workers not having control over or access to private/personal documents filed by the employer Workers not having the freedom to give notice and resign without being fined or threatened to be fined
<b>Risk of Harassment:</b> Measures to prevent harassment including sexual harassment not applied
<b>Risk of Discrimination:</b> Measures to ensure equal opportunities for all and prevent discrimination not applied
<b>Risk of violation of Employment Agreements:</b> Workers do not have a lawful, signed employment agreement in a language they understand
<b>Risk of violation of Living Wage regulations:</b> Workers’ wage level is lower than lawful living wage
<b>Risk of violation of Social Benefits rights:</b> Workers do not receive statutory social benefits
<b>Access to Grievance Mechanisms missing:</b> Channels to report concerns or complaints missing
<b>HES</b>
<b>Security:</b> Workers are not provided with personal safety equipment or offered training to use it
<b>Decent Working Conditions:</b> Workers do not have a safe, suitable, and sanitary work place
<b>Prevention of Accidents:</b> Routines to prevent accidents have not been implemented
<b>ANTI-CORRUPTION</b>
General Risk for organized financial crime or financial deception, conflict of interests and improper influencing of stakeholders

## **XXL OEM SUPPLIER INTEGRITY DUE DILIGENCE SURVEY – RESULTS**

In addition to the SBF due diligence XXL has conducted a separate due diligence survey of our 76 OEM-suppliers. The OEMs are administered by our agent located in Guangzhou, China. The due diligence reports currently available show that the agent has a good overview of all producers, that all producers have signed the XXL Supplier Code of Conduct Declaration of Compliance and Anti-Corruption Guidelines, and that the agent has conducted Social Audits and other audits. The agent has provided documentation and reports based on the BCSI Smeta structure and audit reports from third parties (BSCI, SA8000, ETI, Costco, SEDEX). We will continue our review of the OEM-producers in 2023.

## **ACTION PLAN**

The due diligence reports have provided us with valuable information that will be followed up individually. XXL staff that will be assigned to take care of the dialogue with our suppliers will be provided with Guidelines, training, and necessary support regarding how the follow-up work should be performed. An essential part of this will be to ensure that the suppliers commit themselves through specify and anchor goals, action plans, and follow-up measures. We expect that these measures will reduce the risk and correct any actual adverse negative consequences of our operations through systematic and close dialogue with the directly affected as needed.

In cases where the suppliers, despite systematic follow-up and clear expectations, cannot or will not document or otherwise establish that they comply with our requirements and standards, will be sanctioned. Sanctions will be considered in each individual case.

XXL will initiate an audit of our supplier agreements. The purpose of the audit is to establish an updated overview and provide clarity regarding the contract partners obligations and rights among other regarding compliance with our standards and guidelines and our opportunity to access relevant documentation, and termination of agreements in case of serious breach of our standards and guidelines. In parallel, we will establish a revised template for supplier and third-party agreements.

Any claim for compensation for damages raised based on alleged adverse consequences of our operations will be considered and resolved as needed in each individual cause.

## **INDUSTRY COOPERATION**

Going forward, the SBF cooperation will continue through a dedicated Contact Committee. The Contact Committee's mandate will include cooperating on joint, coordinated measures both as regards activities towards our common suppliers and further development of the due diligence concept. This also includes the possibility for suppliers to continuously update their responses in order for us to monitor and control that the the suppliers work on the identified improvement areas. Suppliers will be held accountable for following up on identified issues in their supply chain.

## **OTHER BUSINESS PARTNERS**

XXL will during 2023 conduct due diligence of business partners other than the suppliers of goods. This will be reported in our 2023 statement.

## **INFORMATION**

Anyone has the right to send requests to XXL with questions regarding how we address actual or potential adverse consequences of our operations as to human and labor rights. This includes both information in general and information regarding specific products. Requests may be submitted through [inforequest@xxl.no](mailto:inforequest@xxl.no)