

# All sports united. Sports unite all.





# Revenue Development

(NOK Billion)





# Content

## **Integrated Annual report 2023**

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# Highlights

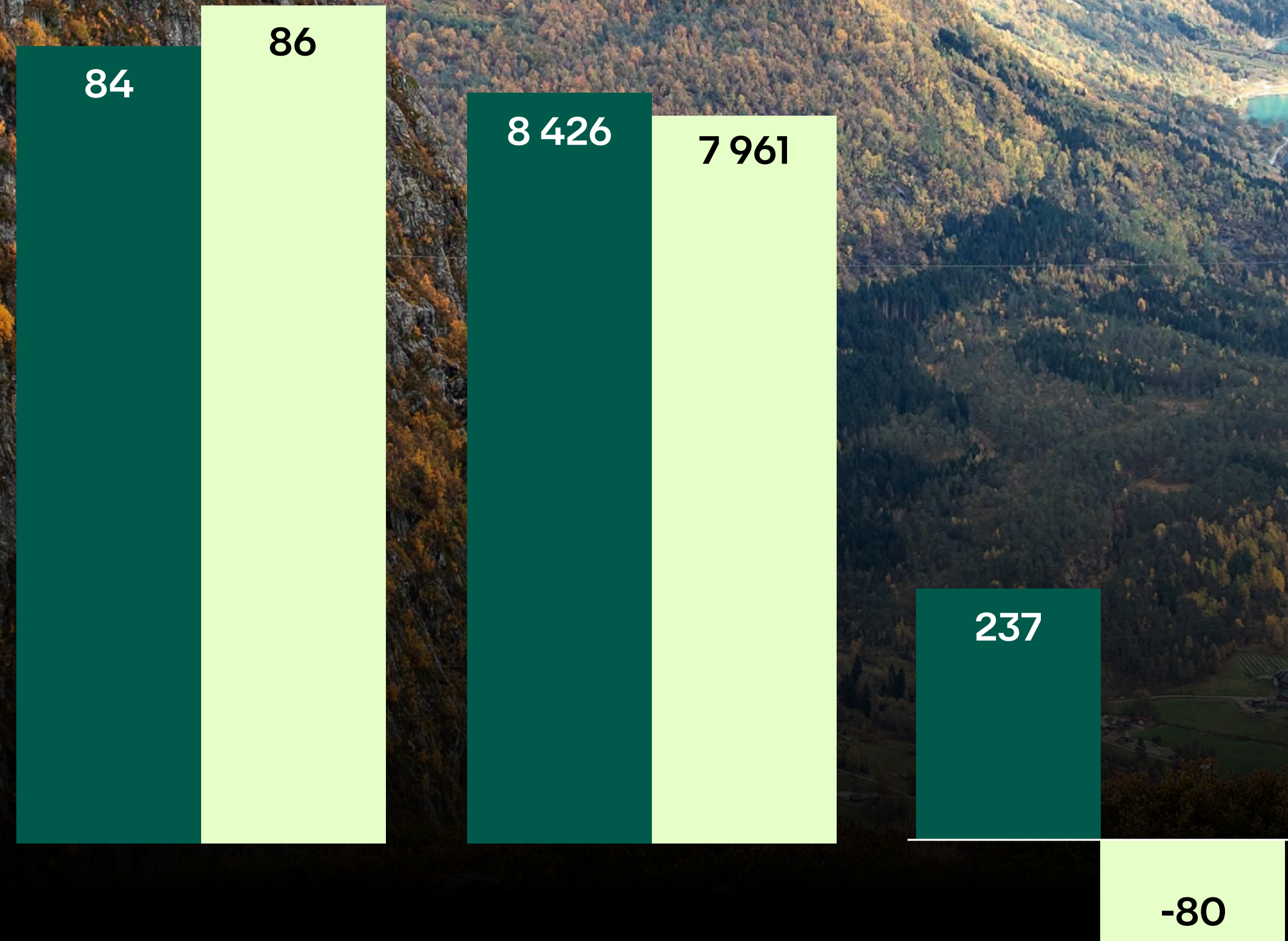
**Total revenues of NOK 7 961 million  
(NOK 8 426 million)**

**Negative EBITDA of NOK 80 million  
(NOK 237 million)**

**Net income of negative NOK 1 590 million  
(negative NOK 411 million)**

**Successful exit from Austria during 2023**

**New strategy plan "Reset and Rethink"  
launched July 2023**



▼ 2022  
▼ 2023

**Numbers  
of stores**

**Operating  
revenues**  
(Amounts in MNOK)

**EBITDA**  
(Amounts in MNOK)

1) Please refer to definitions at the end of the report for descriptions of alternative performance measures that are used in highlights and key figures (numbers in brackets are numbers for 2023 unless otherwise stated)



# Key figures / Group

(Amounts in  
NOK million)

	FY 2023 (Audited)	FY 2022 (Audited)
Operating revenue	7 961	8 426
<b>Growth (%)</b>	<b>-5,5 %</b>	<b>-12,2 %</b>
Gross profit	2 509	2 721
<b>Gross margin (%)</b>	<b>31,5 %</b>	<b>32,3 %</b>
<b>OPEX %</b>	<b>32,5 %</b>	<b>29,5 %</b>
EBITDA	-80	237
<b>EBITDA margin (%)</b>	<b>-1,0 %</b>	<b>2,8 %</b>
Impairment losses	576	1
EBIT	-1 409	-467
EBIT margin (%)	-17,7 %	-5,5 %
<b>Net Income</b>	<b>-1 590</b>	<b>-441</b>
**Basic Earning per share (NOK)	-1,93	-1,63
**Earning per share (adj)	-2,18	-2,15
**Average number of shares (1 000 shares)	822 974	252 437
Cash provided by operating activities	198	682
Like for like revenue growth	-9,3 %	-12,1 %
Number of stores at period end	86	84
New stores in the period	2	2
Closed stores in the period	-	2

\*\*Earnings per share: See Note 14



# Key figures / Segment

(Amounts in  
NOK million)

	FY 2023 (Audited)	FY 2022 (Audited)
<b>Norway</b>		
Operating revenue	4 049	4 394
<b>Growth (%)</b>	<b>-7,9 %</b>	<b>-10,2 %</b>
Gross profit	1 342	1 671
<b>Gross margin (%)</b>	<b>33,1 %</b>	<b>38,0 %</b>
<b>OPEX %</b>	<b>22,6 %</b>	<b>19,9 %</b>
EBITDA	425	661
<b>EBITDA margin (%)</b>	<b>10,5 %</b>	<b>15,1 %</b>
Number of stores at period end	39	38
New stores in the period	1	1
<b>Sweden</b>		
Operating revenue	2 387	2 488
<b>Growth (%)</b>	<b>-4,1 %</b>	<b>-16,0 %</b>
Gross profit	672	816
<b>Gross margin (%)</b>	<b>28,2 %</b>	<b>32,8 %</b>
<b>OPEX %</b>	<b>29,3 %</b>	<b>27,4 %</b>
EBITDA	-28	32
<b>EBITDA margin (%)</b>	<b>-1,2 %</b>	<b>1,3 %</b>
Number of stores at period end	30	29
New stores in the period	1	1
Closed stores in the period	-	2
<b>Finland</b>		
Operating revenue	1 525	1 543
<b>Growth (%)</b>	<b>-1,2 %</b>	<b>-11,5 %</b>
Gross profit	495	536
<b>Gross margin (%)</b>	<b>32,5 %</b>	<b>30,7 %</b>
<b>OPEX %</b>	<b>28,1 %</b>	<b>25,4 %</b>
EBITDA	67	82
<b>EBITDA margin (%)</b>	<b>4,4 %</b>	<b>5,3 %</b>
Number of stores at period end	17	17
New stores in the period	-	-
<b>HQ &amp; logistics</b>		
EBITDA	-544	-538
<b>EBITDA margin (% of Group revenues)</b>	<b>-6,8 %</b>	<b>-6,4 %</b>



# CEO Comment



This is my first Annual Report since stepping into the role as CEO of XXL in May 2023. I have been in retail, digital and physical, including various turnarounds and transformations, for many years, but with close to a year in the XXL jersey I can truly say that I feel privileged to lead a company with such a clear purpose. All Sports United – Sports Unite All. It is a commitment to our many colleagues, our customers and to the societies where we operate. As the Nordic market leader within sports and outdoor, we have a responsibility to foster an active and healthy lifestyle. We believe in the idea of democratizing sports. Through our wide range of products, now again increasingly at low prices, we make sports and outdoor activities accessible to the many and by that contribute to combatting inactivity. Sports and outdoor activities also unite people, it breaks down barriers and brings people together across the globe.

This past year, we have seen both tremendous head wind, strong strategic deliveries and not least 5000 colleagues that has really stepped up when facing difficult market conditions.

So, 2023 was, as 2022 before it, a challenging year for retail in Europe. The Nordic sports market has seen two years – eight consecutive quarters – with negative growth. Along with a few other consumer categories, our industry is maybe the one that has been hit the hardest. High inventory levels and weak demand, driven by record low consumer confidence levels, have led to increased promotional pressure and a squeeze on margins.

As 2023 concluded, we closed the most difficult year to date in XXL's history. The industry-wide struggle impacted us significantly. Despite these challenges, we are proud of the resilience and dedication shown by our 5,000 employees. In response to these challenges, we embarked on a new journey over the past year, beginning to lay the foundation for future proofing XXL in 2024 and beyond.

To strengthen XXL both financially, commercially, and operationally, we launched a new long-term strategy called Reset & Rethink, where the first part outlines how and what we will reset to re-envision what was once our winning formula, and the latter defines where we need to rethink to adapt and adjust for a new future ahead.

With Reset we address top line quick wins and cost-control through five must win battles. These are expected to deliver an EBITDA run-rate uplift of NOK 500-750 million. The first and most crucial one, is resetting category, i.e. how we buy, what we buy and how we build our assortment, which remains the widest in the market. Reducing buying of high and mid, and increasing low, price points is key. In Q4 we already saw a strong sales growth for lower

price points compared to 2022. Historically XXL has always been strong in low price points but still being able to sell through the entire price ladder. Strict capital and buying discipline have already given effects, with significant stock level increase within fast-moving, and corresponding reduction of slow-moving, products. We have throughout 2023 streamlined our inventory and taken decisive steps to normalize and then further optimize our inventory levels, reducing it by more than NOK 800 million. Related to this is availability, where lower price points will materially change inventory composition and product volumes going forward. Allocating more capital towards lower price points will increase both availability and conversion rates. We are also addressing store operations and we have initiated several actions to improve this core and vital aspect of our company. Among other things, we have made strategic exits from non-performing markets and ventures – exiting Austria, closing the XXL App and closing our online store in Denmark. Stronger price control is also leading to improved underlying gross margins, moving towards the target of 40 %. After having implemented best practice online improvements, we see clear positive shifts in online conversion rates cross all markets. We have also initiated a cost reduction program that will yield gross savings of NOK 300 million.

With Rethink we aim to accelerate key top line levers. To achieve this, we launched four strategic pillars.

Firstly, we have started to restructure our physical stores, with the goal of strengthening our store EBIT. We are rethinking store concept, and we are getting closer to our customers' needs through localizing the assortment. A big part of this is relocating and resizing stores. On the one hand, rent is our second largest expense, and we are critical of the rent increases we have seen in today's market. It is completely unacceptable, and we have been – and will continue to be – clear about this to our landlords. If we cannot find a solution, we will close stores and instead find alternative locations with better terms. We feel that landlords in general do not understand the seriousness of the situation. On the other hand, we see a smaller store as more effective in most aspects. The resized stores will also be upgraded to the latest concept. This gives us a more modern, efficient, and customer-friendly store, that still retains a full range of products, in other words, everything one needs for sports and wilderness. We also opened two new stores in 2023 – Lillehammer and Skellefteå – to great success!

Secondly, to increase e-com share we are accelerating e-com development. We are scaling personalization, developing a leading customer experience, and expanding online assortment. Thirdly, to improve gross margin, we have developed a new private label strategy where we plan to double down on own brands and in-

crease the private label share. I am especially proud of our partnership with Stormberg, with a lot of new products at lower price points that already hit our stores in 2023, and significant volumes are expected during 2024. Lastly, to elevate brand preference, we are leveraging our service offering. Developing and expanding and strengthening our instore workshops. 2023 marked a significant turning point for our workshops, transforming a NOK 29 million loss in 2022 into a triumphant profit. Our workshops have two customers: the sales departments and the customers returning for product repairs. This dual focus sets us apart from competition, allowing us to cater for both new and used products in an environmental-friendly way as well. Here we also see great potential to build a circular offering for our customers, but this is a priority that we will start to focus on in the second of half 2024, at the earliest.

In October, we relaunched our customer club in all markets. With the revamped club, our customers are getting points on all purchases, bonus checks and personalised offers. By the end of last year, after only three months of activation, we saw an increase of 8 % to a total of 3.6 million members.

I am also delighted to say that we have bolstered our senior leadership team with key appointments in 2023. Emelie Friis (CMO), Simen Helly-Hansen (CCO), Peter Jansson (SVP IT) and Dawid Gosciniak (COO) are all joining XXL with strong competence and long experience from the retail sector as well as strong track records.

As in previous quarters, we expect the market to remain challenging and uncertain into 2024, with generally high promotional pressure also in the winter season. However, we expect a gradual improvement from the second half of the year. The sports and outdoor market are still backed by strong megatrends which we will capitalize on in the mid to long run. Good health, regular exercising and well-being are keywords, as well as the fun and joy that comes from both playing sports and spending time in our great Nordic outdoors. XXL is thus extremely well positioned to continue to be the shopping destination that will enable people to live healthier, more exciting and joyful lives. Lastly, the Reset & Rethink plan is progressing well, and we are entering 2024 with gradually stronger prerequisites to succeed throughout the year and thus taking XXL back to a winning position as the unrivalled Nordic champion. I am really looking forward to work together with our 5 000 employees to achieve this in 2024.

XXL is, and remains, All Sports United – Sports Unite All!

Freddy Sobin  
CEO XXL



# Historical milestones

XXL has quickly grown to be a leading distribution channel for sports, outdoors and wilderness in Europe with the formula of cost-efficient operations, broad product range, focus on branded goods and high degree of service. XXL entered the Norwegian market in 2001, Sweden in 2010, Finland in 2014, Denmark in 2016 and Austria in 2017 with a concept that became a game changer in the sports retail market. Important historical milestones are listed below;

2000	2001	2002	2007	2010	2010	2011	2012	2012	2013	2013	2014	2014	2015	2017	2017	2019	2019	2020	2021	2022	2023	
	<i>Founded by Øivind Tidemand</i>	<i>The first XXL store was opened in central Oslo</i>	<i>Norwegian webpage was launched in Norway with 8 stores</i>	<i>Reached a 10 per cent market share</i>	<i>Private equity company EQT acquired majority stake in XXL</i>	<i>Opened the first three Swedish stores during a three month period</i>	<i>Opened central warehouse at Gardermoen, Norway</i>	<i>Swedish webpage was launched</i>	<i>XXL gained a 20 per cent market share in Norway with 18 stores</i>	<i>XXL became the market leader with 24 per cent market share</i>	<i>Established a market leader in Norway with a distribution in the EU</i>	<i>Entered the Finnish market with a launch of Finnish website</i>	<i>Successful IPO of XXL ASA at Oslo Stock Exchange</i>	<i>XXL became the largest sports retailer in the Nordics</i>	<i>Crossed 30 per cent market share and launched 15 per cent market share in both Sweden and Finland</i>	<i>Opened the first two stores in Norway and above launched Austrian website</i>	<i>Acquisition of West System Morge AS – a niche player within the watersport segment (XXL's first acquisition)</i>	<i>Private equity company ALTOR acquired a majority stake in XXL</i>	<i>Passed NOK 10 billion in annual turnover for the first time</i>	<i>Opened central warehouse in Austria</i>	<i>Decision to exit Austria during 2023</i>	<i>XXL closed it's operations in Austria</i>



# About us

**XXL is a true omni-channel sports retailer with the largest stores, well-functioning online websites, the widest assortment of products, focusing on well-known quality brands at the best prices in the market. The core objective revolves around customer satisfaction and cost consciousness and thereby maximization of the Group's profitability. XXL pursues a broad customer appeal, both in the stores and online, offering a wide range of products for sports, hunting, skiing, biking, and other outdoor activities, as well as sportswear, shoes, health & fitness and sports technology products. XXL is the leading sports retailer in the Nordics with stores and E-commerce in Norway, Sweden, and Finland.**

**XXL has a strong, performance-based culture throughout the organization. The business is based on trained, skilled, and enthusiastic employees strengthening the XXL brand every day. Motivated employees are crucial to maximize customer satisfaction. Big data, artificial intelligence and automation processes will strengthen the XXL value chain in the coming years.**

## Business model and value chain

We have a scalable retail model that drives efficiency and cost leadership. This model is a result of a large unit store format, controlled value chain, efficient logistics, centralized purchasing, and a fully integrated IT system resulting in a low-cost operating structure, which allows us to offer products at low prices. We have, and strive to maintain, lower operating expenses than all competitors. This is achieved by XXL's scale, integrated value chain and a continuous focus on costs. The Group exercises tight control over store-level expenses, central warehouse expenses, real estate costs and corporate overhead costs. The cost consciousness and low-cost base is critical to XXL as it enables XXL to meet competition by delivering price leadership and to constantly innovate and stay ahead of market development. Moreover, it has enabled XXL historically to have a higher EBITDA margin than its Nordic competitors over time.

XXL operates a fully integrated value chain that facilitates simple and lean operations, which results in low costs. XXL controls all the stores without joint venture or any franchise arrangements. This means that the Group has control of the product flow with continuous tracking of key performance metrics such as sales data and inventory levels. XXL maintains central purchasing and distribution functions to manage inventory planning, allocate flow of goods to the stores and oversee the replenishment of goods to the central warehouses

## Omni-channel

The Group has logistics and IT systems to support both e-commerce operations and sales through physical stores. As a result, Management considers the Group to be an omni-channel sports retailer. Omni-channeling allows the Group to provide its customers with flexibility and a seamless shopping experience by facilitating in-store shopping and online shopping, as well as a combination of the two. Additionally, omni-channeling also allows the Group to utilize customer data to optimize marketing and facilitate cross-selling and upselling. Moreover, the Group has introduced pick-up points in all its physical stores, thus enabling online shoppers to retrieve their goods from their nearest XXL store. All products purchased at the XXL websites can be returned to the physical stores, which also provides necessary services such as fittings and adjustments for all customers.

XXL has in 2023 further developed the omni-channel offering. To improve sold-out situations and broadening the available assortment, XXL has made all products in the Groups product range available for sales in all stores. XXL has continued to roll out new self-service pick-up solutions in some stores by using locker solutions for smaller stores and automated pick-up towers in larger stores. XXL was the first Nordic retailer to test out the tower solution which uses state of the art robotics and engineering. These self-service solutions provide for frictionless shopping and enhanced customer experience in stores as well as improved store efficiency and lower costs. XXL has also continued to install self-service cashier solutions in many stores in the Nordics with great feedback from customers and will continue to roll out more in the years to come.

## E-commerce operation

The Group's e-commerce operations are defined as its sales activities through online sales channels, contrary to sales through retail stores that are physical stores. For the year ended 31 December 2023, the revenue contribution from the Group's e-commerce activities corresponded to 23.8% of its total revenues.

The Group's websites in Norway (xxl.no), Sweden (xxl.se) and Finland (xxl.fi) function as extensions of the XXL brand and work as platforms for sale of goods, marketing of the XXL brand, as well as product education for its customers. The Group uses multiple channels to drive traffic to its websites, such as through newspaper advertisement, marketing material in its retail stores, search engine marketing, Internet advertisement placement, social media, and e-mail marketing such as through newsletters. Moreover, the Group has initiated several measures to improve customers' online shopping experience, such as through its automated personalization features and segmentation solutions on the landing pages and in its newsletters. The purpose of such initiatives is to improve relevancy and customer experience and enhance the efficiency for technical development. XXL has adopted parts of AI-generated images in production, with a view to a sustainable solution by reducing the need for expensive photoshoots and the environmental impact of the production process.

The websites are also used by the Group to provide its customers with information on upcoming events, promotions, new products, and store locations. The websites feature a similar range of products offered in the retail stores at generally the same prices as in the physical stores.

## Store concept

XXL stores aim at simplicity with highly uniform store layouts, a high degree of overlap in product ranges across stores and a lean cost structure. Each XXL store features specialist stores within a store concept for 1) sport, running & training, 2) leisure & youth, 3) outdoor & hunting, 4) ski, bike & tech. The ski/bike store changes in accordance with the relevant season and XXL has the flexibility of changing assortment quickly when needed. The fully integrated model of XXL with a centralized purchasing function can shift goods to regions with the highest demand and rapidly switching from winter to summer assortment. XXL also places a strong emphasis on maximizing customer convenience with respect to the entire shopping experience, from accessibility and parking to customer service and product placement. XXL uses a comprehensive product information system which allows customers to easily assess where products are located, with the key facts on each product. This leads to a high degree of self-service among customers and an efficient use of skilled staff. The Group focuses on providing the best customer service with trained category specialists for each section of the store.

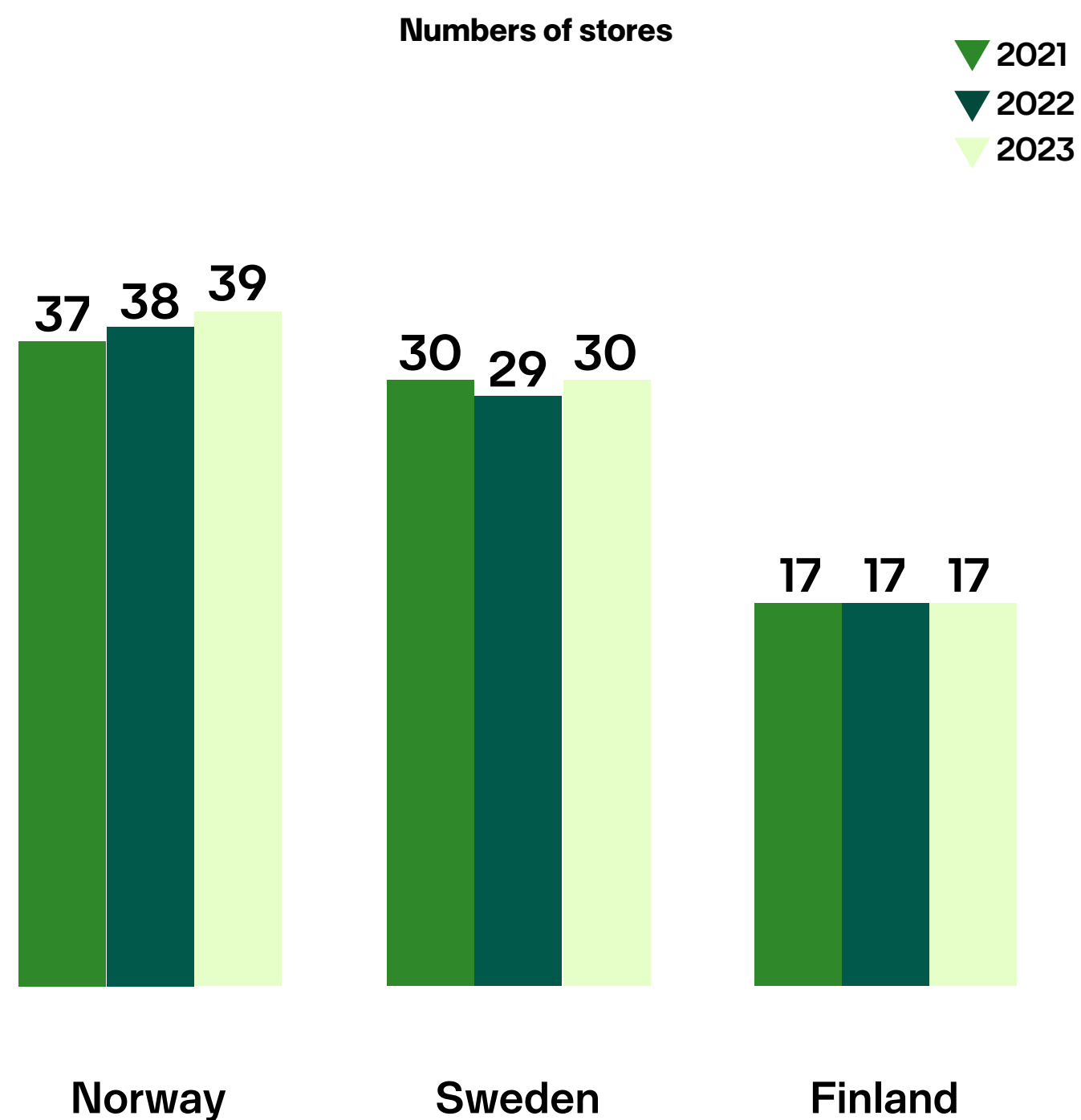
The majority of the Group's stores are in shopping centers and retail parks in high-density residential areas, with a substantial number of potential customers in the surrounding area and convenient access to transportation. XXL leases all its stores. XXL has successfully opened new stores in city centers as well as suburban areas. In larger cities, such as Oslo, Bergen, Stockholm, and Helsinki, XXL has opened more than one store. This allows us to take advantage of local synergies, for example in respect of marketing.



Local infrastructure, the presence of competitors, the condition of available buildings for lease (i.e. technical standard, features and size) and the logistical fit into XXL's support system are important factors in selecting locations for new stores. In addition, XXL has a strong focus on cost-efficiency and synergies when rolling out new stores. The Group operates in total 86 stores within Norway, Sweden, and Finland, with the distribution of stores set out in the table below. In 2023 XXL closed its' 8 stores in Austria. The Group opened in total two new stores during 2023, of which one was opened in Norway and one in Sweden.

## Products

Store development per country:



XXL aims to offer a full assortment of branded goods for a wide range of sports and outdoor activities. The product range includes branded goods from well-known international brands and strong national brands. Our product ranges are tailored to meet national brand preferences and local conditions at the best prices. We compare our prices to competitors daily and seek to always offer customers the best prices. The Group has a high degree of overlap in product ranges in the stores, but there are certain local and national differences in products and brand offerings due to demand and trends. The range of products available in XXL's stores and on the websites is based upon market development, customer preferences and our understanding of evolving customer needs.

XXL strives to offer a full range of equipment, sportswear, and shoes for almost all sports and outdoor activities. The Group pays close attention to the performance of each product and product category and makes continuous adjustments to the product range. The purchase department centrally decides the product assortments, quantities, and price for the products. The Group purchases branded goods from an extensive list of major sporting goods suppliers.

XXL also offers a limited but increasing range of products under private labels to complement the branded product range, mainly for brand insensitive products with relatively low-price points. Around 12 per cent of the operating revenues in 2023 were related to sales of private label goods.

The products are organized into four product categories to match the stores-in-store model and the E-commerce offering.

**1. Sport, Running & Training** covers sports equipment and sportswear for several sports including running, football, golf, water sports, racket sports and ice hockey to mention a few. It also covers fitness equipment like treadmills and rowing machines, as well as food supplements and nutrition.

**2. Leisure & Youth** include a wide assortment of clothes for men, women, and children for baselayers, outerwear, casual wear, sportswear, and swimwear to name some. The sector also covers lifestyle shoes and winter shoes for both adults and children.

**3. Outdoor & Hunting** stocks a wide range of products to cater for fishing, wilderness living and camping, such as tents, lavvos, sleeping bags, backpacks, cooking equipment as well as climbing gear. I also include firearms and ammunition, clothes, binoculars, optics, knives, and axes.

**4. Skis & Bikes** is the product category with the most seasonal fluctuations. This category covers skis and ski accessories, such as shoes, poles, clothes, and other equipment needed for cross-country and downhill skiing as well as snowboarding. On bikes the Group offers both high-end and everyday bikes for children, women, and men as well as bike equipment such as helmets, shoes, spare parts, and clothes. The Group sells a wide range of bikes such as hybrid bikes, mountain bikes, city bikes and electric bikes. The category also includes Sportstech that covers products that connect technology and sports/outdoor activities including sport watches, action cameras, drones, GPS, earplugs and headphones, portable loudspeakers, sunglasses, pulse meters, power banks and cycle computers.

## Services

Due to the Group's scale and highly efficient logistics setup, XXL can offer low prices and a price promise. Keeping costs low is critical for XXL to be able to maintain its price strategy of always having the lowest prices. If a product is found at a lower price at the time of purchasing from XXL, the customer is entitled to pay the same price as with the competitor. XXL also has a 100 percent satisfaction guarantee which a customer who is not satisfied with a product may exchange it for another product within the same product category within 30 days of purchase. In addition, unused products with receipt may be exchanged or fully refunded within 100 days of purchase (up to 365 days in Sweden). For its' XXL Reward-members, XXL offers 3 cost-free returns within 12 months.

Each store also has its own studio for services and maintenance of products such as ski preparations, boot fitting and annual bicycle maintenance. This builds loyalty and good customer experience and currently XXL is working on building an environmentally friendly workshop solution.

## Marketing

XXL recognizes the value of powerful marketing and has adopted a forceful marketing strategy with the aim to be the dominant force across targeted channels. Marketing activities principally relate to the promotion of XXL's stores and websites. We employ a range of marketing tools with direct marketing through weekly printed and digital newsletters as the backbone of the marketing strategy. We also use newspaper ads, TV-commercials, and different digital marketing. XXL uses multiple digital channels to drive traffic to the stores and websites such as search engine marketing, internet ad placement, social media, email marketing such as weekly newsletters and personalization/retargeting through CRM initiatives. The marketing activities mainly focus on smart marketing across channels to build brand awareness, improve customer loyalty, attract new customers, and increase sales.

To strengthen customer loyalty and satisfaction, XXL successfully launched a new reward bonus program for its customers at the end of 2023.

## Sourcing and purchasing

XXL purchases goods from suppliers inside and outside the EU. The Group's purchasing vehicles are XXL Grossist Norge AS for Norway and XXL Europe GmbH for countries outside Norway. All the purchases of the Group are made by one of these two companies. Merchandise is sold by XXL Grossist Norge AS to XXL Sport & Villmark AS for further distribution to Norwegian stores and online sales in Norway and similar sold by XXL Europe GmbH to XXL Sport & Vildmark AB in Sweden, XXL Sport and Outdoors OY in Finland and XXL. Group's private label products are produced by manufacturers abroad, primarily in China and Taiwan.

XXL possesses huge amount of data of which products that sells well and poorly in each market and geography. To ensure that the Group's product offerings are tailored to local market conditions and demand, the purchasing managers regularly meet with the



vendors, review trade sales, and evaluate merchandise offered by other sports retailers. In addition, they frequently gather feedback and new product reviews from store management and employees, as well as reviews submitted by the Group's customers.

### Logistics and distribution

The Group has two central warehouses, one at Gardermoen Norway (outside EU), one in Örebro Sweden. The Norwegian warehouse serves the Norwegian market, while the Swedish serves Sweden and Finland. All warehouses are equipped with state-of-the-art robotics (Autostore) which allows them to operate in an efficient and cost-effective way. In addition, XXL has developed customized order packing and shipping processes tailored to meet the specific requirements of the E-commerce business.

XXL has centralized inventory management. XXL implemented in 2019/2020 a new data driven and algorithm-based replenishment system with the result of significantly lower distribution of goods to the stores and more predictability for the central warehouses. It has reduced handling time for store personnel, provided more accurate and lower stock values combined and provides a more differentiated distribution of goods (by geography, season differences, size of store, relevant products).

We use third party transport providers to deliver stock to the warehouses and stores with one day delivery from the central warehouse to most of the stores and E-commerce delivery points.

### IT-systems

XXL has one key operating IT-system, Axapta, for management of supply chain, warehouse, E-commerce operations, stores, financial, accounting and payroll systems. The IT infrastructure of XXL is designed to be able to access real-time data from any store or channel. The network infrastructure is fully integrated and allows for quickly and cost-efficiently adding of new stores to the network. XXL has further incorporated reporting tools that allow comprehensive monitoring of business performance and benchmarking, which is critical to management's ability to drive strong store level performance. XXL launched in 2019 a new business analytics solution (PBI), providing significant improved insight within supply chain, stock management, sales, and pricing. The solution takes full advantage of one ERP system and the Group has developed several dashboards to support decision making and take more correct actions to resolve critical issues.

### Competitive landscape

XXL is currently serving the Norwegian, Swedish and Finnish sporting goods markets with an omni-channel offering through large unit stores and E-commerce. During 2023 XXL successfully exited its' operations in Austria, and the Danish e-commerce business will be departed in Q1 2024 XXL is offering a full range of sporting equipment and apparel at the best prices and focusing on branded products. The competitors consist primarily of focused sporting goods chains, independent specialty stores and to a lesser extent general department stores as well as online retailers. In each market, the four largest retailers have a combined market share of more than 50 per cent.

The most prevalent structure in the sporting goods market is companies operating under a franchise or buying union structure, where a local merchant operates a store and owns the operating company, while a central sports chain owns the brand and has a central warehouse and marketing function. Examples of these structures are Intersport and Sport 1 in Norway, Team Sportia and Intersport in Sweden, and Intersport in Finland. Chains primarily relying on a franchising structure typically also have, to a varying degree, some stores operated by the chain. Less prevalent in the markets are stores that are operated by a single company, such as XXL and Stadium in Sweden. In these cases, the store manager is an employee of the chain company, and the sports chain owns the operations of the individual stores. These chains have the benefit of having integrated value chains and flexibility to plan for optimal execution across the full store network.

In addition to the sports chains, there are several independent sports retailers and specialist stores that operate a single store or a small number of stores. Because of the advantage of being part of a larger system or buying group in terms of supplier terms, the number of independent stores and specialist stores has been declining for some time. In recent years, more producers have established stand-alone wholly owned brand stores.

Several discount and general retailers offer a range of sporting goods in addition to other general merchandise, and in many cases offer a wide range of products across the full spectrum of sport categories. Key players include Coop, Prisma and Citymarket.

With the rise of E-commerce, several pure online players focusing on sporting goods have emerged, including Fjellsport and Milrab in the Norway or Outnorth in Europe. Typically, also the sport retail chains operate with an E-commerce platform. In addition, there are general online retailers that offer selected sporting goods as part of their assortment such as e-Bay, Amazon and Zalando. The E-commerce market is also at the time being characterized by many niche players.

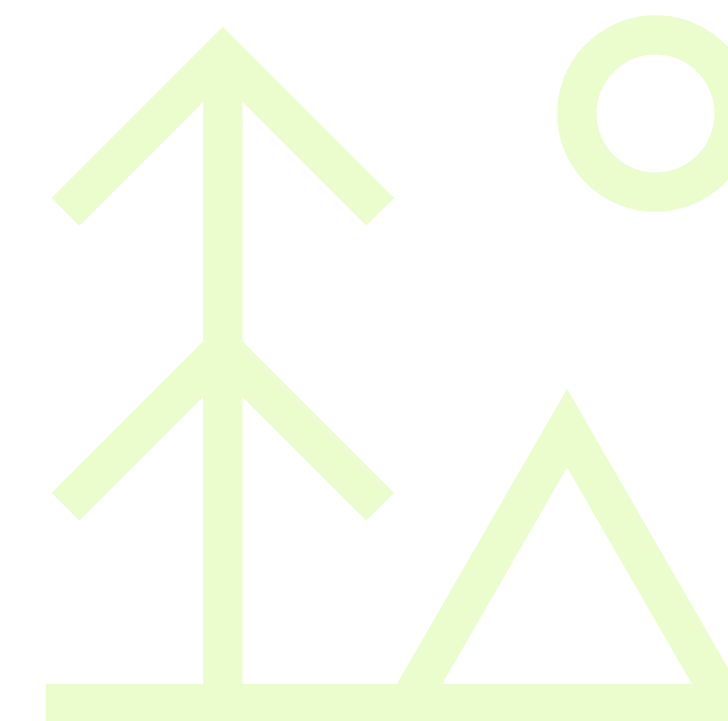
The sports retail industry has experienced a long-term trend of declining number of stores characterized by an increase in chain formation, high growth online and a reduction in independent stores. We believe this trend has been driven by the changing industry dynamics that resulted in part from XXL's introduction of large unit store concepts as well as the industrial transformation of sales over to online channels.

### Drivers and trends

The Nordic markets for sporting goods have for several years had growth, except for 2019, with a decline in Norway, a more stable market in Sweden and weak growth in Finland. During covid in 2020 and 2021 the market all over Nordics proved to be strong, due to more of the disposable income to buy sports- and outdoor equipment. In 2022 and 2023 all markets were negatively impacted by the weak consumer sentiment, as most of the retail sector, and reduced demand for sporting goods, and a higher share of consumer spending towards travel and services after years with pandemic. Declining markets, combined with a normalisation of the supply from Asia, have led to high inventory levels for several of the largest sport retailers in the Nordics, including the Group, and subsequently high promotion and discount activities.

The traditional sport retail market has, especially in Norway and Sweden, experienced high competition from retailers in lower price segments, especially from outlet store concepts, which have grown significantly during the last five to six years. Further, E-commerce is growing fast as a sales channel and continues to gain customers who previously shopped in physical stores. During covid in 2020 and 2021, the Group had significant competition from pure players within E-commerce who only rely on digital sales and do not have any physical stores. These E-commerce players constitute strong competition for the Group and offer other high-end brands and products than the Group has in its product offering and have in a short period of time gained significant market shares within some categories of sports and outdoors merchandise. This is in line with the trend that sales channels such as E-commerce, outlets and direct-to-consumer sales have gained market shares from the sports retail chains in recent years.

Further, consumers are becoming increasingly concerned with sustainability and the effects consumerism has on the environment, supporting the emerging trend of restrictive consumerism and consumer shaming. A survey performed by Finn.no and Opinion shows that three out of five have become more concerned with sustainable production and the environment than just a few years ago, while four out of five believe they will be more attentive to the environment in the future. This is in line with a global consumer trend of more conscious consumption to protect mankind, animals, and the environment. Alternative marketplaces for secondhand goods, sharing economy and clothing and equipment rental have also increased in popularity. There is, however, uncertainty regarding the size of the secondhand market and the extent to which it replaces trade in the traditional retail market.





## The Nordic sportinggoods markets are driven by a number of factors and trends. The most important are:

### General economic factors such as development of disposable income and consumer confidence

The Nordic economies are all among the most prosperous in the world as measured by GDP per capita.

XXL believes that the strategy of offering attractive value to consumers has made the business to some extent resilient in the face of adverse macroeconomic conditions, as consumers become more price-sensitive, which have strengthened our position relative to competitors.

### Health, wellness and physical activity trends

We believe health and wellness is a key trend among consumers and to identify themselves with an active lifestyle. Consequently, strong public promotion of, and a positive attitude towards, health and fitness are observable in all our markets.

Technology is also evolving into the sports industry and the market is experiencing increased demand for goods related to sports technology products and connected devices.

Environmentally friendly solutions are also in strong demand. The electric bicycle is a good example and is also used as a way of commuting, adapted to a broad range of users, and saves the environment.

### More interest in equipment-focused sports

Many of the most popular amateur sport competitions are equipment intensive such as bicycling, skiing and triathlons. We have seen a more sophisticated demand for a wider range of specialized products among consumers. The new generation of amateur, professional, and aspiring athletes has affected the traditional market for such merchandise through its strong purchasing power and preferences for high quality. Technology is also becoming more important with products such as sport watches, GPS, heart rate monitors, wearable technology, and cameras.

### Climate and seasonal patterns

Given the popularity of both winter and summer sports, most of the markets XXL is exposed to have a clear four-season sporting environment which is a key characteristic affecting the sporting goods market. The demand for sports retail merchandise changes dependent on the time of the year. Although the local weather can impact local sales, the overall sales across the regions are more resilient as weather conditions typically vary considerably within each country. The fully integrated model of XXL with a central purchasing function is to some extent less exposed to these seasonal and geographical variations, as we can shift merchandise to the regions with the highest demand.

### Fashion trends and retail industry fragmentation

Several of the categories we sell are heavily influenced by fashion trends and are increasingly becoming lifestyle products for the consumers. Sports shoes and sportswear are the clearest examples. The industry is expanding into products traditionally sold by specialist fashion and shoe retailers as well as other categories such as health & wellness and home products.





# Senior Executive Management Team



## Freddy Sobin

CEO

Freddy Sobin joined XXL ASA as CEO in May 2023. Sobin came from the position as CEO in Kicks Group, a leading Nordic retailer within beauty products with 230 stores in Sweden, Norway and Finland and strong online presence and growth. Sobin held this position since 2018. Before Kicks Group, he has served as CEO of Consortio Fashion Group, with Bubbleroom as the most known brand, for nearly seven years. He is also an experienced Board Member currently serving on the Board of Svensk Handel, Svenskt Näringsliv and successful retail companies like Salling Group (Denmark) and Bubbleroom (Sweden). Freddy Sobin holds an M.Sc. with Major in Business Management and Minor in Entrepreneurship from Stockholm School of Economics. Sobin is a Swedish citizen and resides in Sweden.



## Stein Alexander Eriksen

CFO and Interim CEO

Stein Alexander Eriksen has been the CFO in XXL ASA since October 2018. From July 2022 he is acting as interim CEO. Eriksen came from the position as CFO in Orkla Care, one of the key business areas in the leading European branded consumer goods company Orkla. Mr. Eriksen held several key financial positions during his career in Orkla, including SVP Finance in Orkla ASA and CFO in Lilleborg. He has also served as head of Business Controlling in RIMI, one of the former market leaders in Norwegian grocery retail. Stein Alexander Eriksen started his career as an auditor in Arthur Andersen and holds a M.Sc. in Economics and Business administration (Siviløkonom) degree from the Norwegian School of Economics. Mr. Eriksen is a Norwegian citizen and resides in Norway.



## Cristina Moreno

Managing Director Norway

Cristina Moreno was appointed as Managing Director in XXL Norway in March 2023. She came from the position as SVP Store Experience at XXL ASA. Moreno holds a degree in retail from the Norwegian business school BI. Prior to XXL she worked as a manager for Sportshuset. Moreno started together with the founders of XXL in 2001, and was one of the first employees. Moreno has held important roles in the company from the beginning, such as store manager, chain director and concept director. Through the history of XXL, she has been involved in all openings of XXL's stores in all countries. With over 25 years in the retail and sports industry, she possesses both strategic and operational knowledge. Cristina Moreno is a Norwegian citizen and resides in Norway.



## Anders Lindblom

Managing Director Sweden

Anders Lindblom has been the Managing Director for XXL Sweden since March 2020. He came to XXL from the position as Head Of Operations in Elgiganten AB where he has held several leading positions the last eighteen years. Prior to Elgiganten AB he worked twelve years for Siba AB in various managerial positions. He has extensive experience in store operations, omnichannel development and customer insights. Anders Lindblom is a Swedish citizen and resides in Sweden.



## Pasi Lämpsä

Managing Director Finland

Pasi Lämpsä has worked in XXL since April 2015 and has been the Managing Director of XXL Finland since September 2018. Prior to this position Lämpsä worked in various positions in XXL as Store Manager, eCommerce Manager of xxl.fi and xxl.se and eCommerce Operations Manager. Before joining XXL Lämpsä worked 8 years in different positions in Dressmann. Pasi Lämpsä is a Finnish citizen and resides in Finland.



# Board of Directors

In 2023 a new chairman and three new members were elected, bringing with them extensive experience from the retail industry and large corporations to the Board of Directors.

## Håkan Lundstedt

Chairman of the Board

Håkan Lundstedt has been President and CEO, and member of the Board of Synsam Group since 2015. Lundstedt was previously President and CEO of Mekonomen Group and CEO of Lantmännen AXA. Lundstedt is also currently Board member of Clas Ohlson AB. Lundstedt has Marketing studies from IHM Business School, Sweden.

## Tom Jovik

Board Member

Tom Jovik is a Principal at Altor Equity Partners and has been in the company since 2011. Prior to joining Altor he worked as management consultant for Arkwright. Jovik holds an MBA from the Wharton School of the University of Pennsylvania (US) and a degree from the Norwegian School of Economics (NHH). He is a Norwegian citizen and is resident in Norway.

## Kjersti Hobøl

Board Member

Kjersti Helen Krokeide Hobøl is CEO of Nille, a retailer with 360 stores, revenues of NOK 1.7 billion and 2,000 employees. She came to Nille from leading Kid Interiør over 8 years. In both of these jobs, she has taken over the management in a demanding situation and demonstrated strong ability to drive change, develop and improve business. From 2001 to 2010, Kjersti worked for DNB in the corporate market division, where she among other things built up a unit for handling demanding engagements. Kjersti studied economics at BI Norwegian Business School, and had various roles within finance in COOP and DNB early in her career. Kjersti combines strong operational retail expertise with a solid background from the corporate treasury and financing. She is a Norwegian citizen and resides in Norway.

## Ronny Blomseth

Board Member

Ronny Blomseth has been CEO of Power International since 2014. Blomseth was previously COO at Expert (now Power International) and CEO of Elkjøp Nordic. Blomseth is also currently Board member of Ark Bokhandel and has previously held Board member functions in Elektroimportøren and Europris. Blomseth has Marketing studies from BI Norwegian Business School.

## Kari Ekelund Thørud

Board Member

Kari Ekelund Thørud is Vice President of Ownership and Governance, Business Unit Energy in Norsk Hydro. Thørud was previously CEO of NordPool. She is Board member in Hafslund Oslo Celsio and has previous board experience from Sval Energi, Eidsiva Energi and Energi Norge. Thørud has business degrees (Siviløkonom) from Tecnológico de Monterrey and BI Norwegian Business School.

## Tor Andrin Jacobsen

Employee representative

Tor Andrin Jacobsen is a sales leader in XXL's store in Åsane, Bergen, and has been in the company since January 2009. He has held various positions in the company, from part time worker in store to substitute store- and sales manager in Norway. From 2016 has he also been responsible for education of all outdoor departments in new stores, both in Norway and Austria. Tor Andrin is educated nutritionist and also studies business economics at the University of Tromsø. He is a Norwegian citizen and resides in Norway.

## Kjell-Arne Fikerud

Board Member – Employee Representative

Kjell-Arne Fikerud is working at the Central Warehouse facility in Norway, with the fulfilment system Autostore. Fikerud has long experience within logistics serving for several industrial and retail companies before joining XXL.

## Helena Ebersten Henriksen

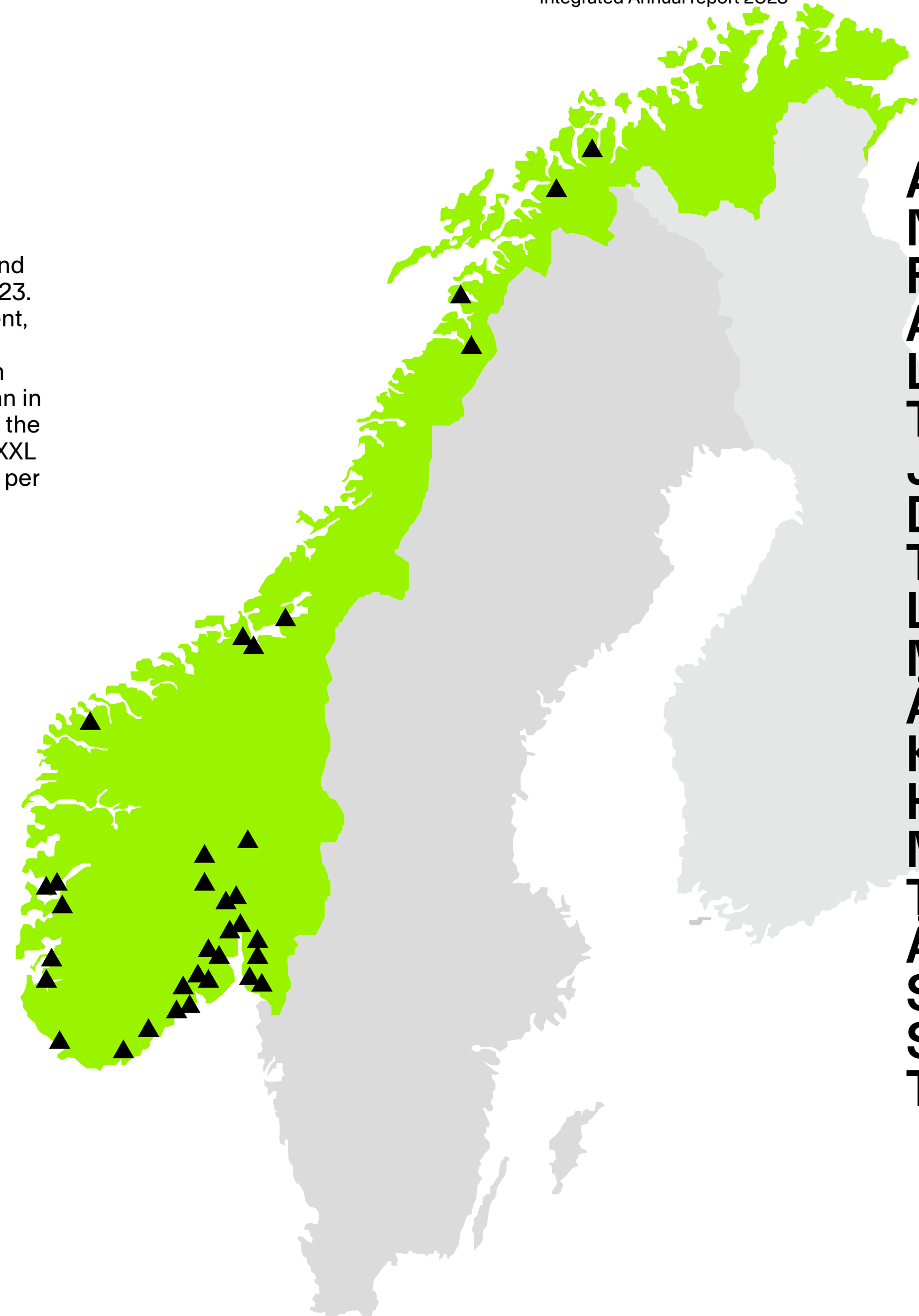
Board Member – Employee Representative

Helena Ebersten Henriksen is VP Category Leisure & Youth since 2016. She has been the responsible buyer for various categories within sports and outdoor after starting in XXL in 2010 as a Sales Manager.



### The Norwegian Market

XXL opened the first store in Norway in 2001, growing to 39 stores and E-commerce at the end of 2023 and revenues of NOK 4.0 billion for 2023. XXL's market share in 2023 was about 31 per cent, according to Sportsbransjen AS. The market increased with above 4 per cent each year from 2014 to 2021, while the market contraction began in 2022, according to Sportsbransjen AS. In 2023 the market showed a decline of 2.9 per cent, while XXL had in the same period a negative growth of 7.9 per cent, hence losing market shares.



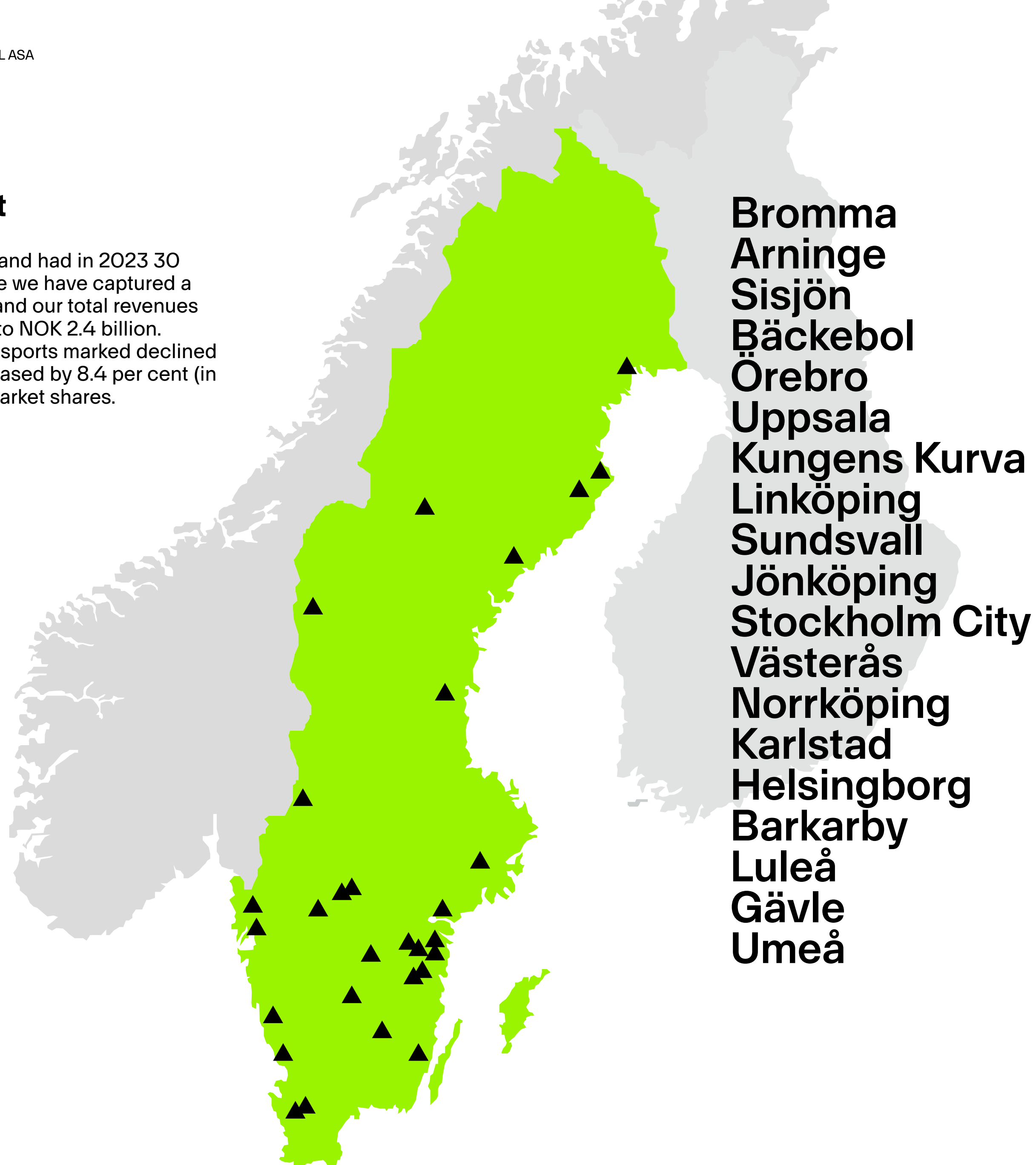
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- Tune
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- Drammen
- Tiller
- Lagunen
- Majorstua
- Asane
- Kristiansand
- Haugesund
- Moss
- Tromsø
- Alesund
- Strømmen
- Steinkjer
- Tønsberg

- Ski
- Fredrikstad
- Mo i Rana
- Hamar
- Bodø
- Harstad
- Sandefjord
- Sartor
- Skien
- Lyngdal
- Porsgrunn
- Buskerud Storsenter
- Sandvika Storsenter
- Arendal
- Bryne
- Storo
- Gjøvik
- Hønefoss
- Lillehammer



## The Swedish Market

In 2010 XXL started in Sweden and had in 2023 30 stores and E-commerce. To date we have captured a significant share of the market and our total revenues for 2023 in Sweden amounted to NOK 2.4 billion. According to SCB the Swedish sports market declined by 2.2 per cent while XXL decreased by 8.4 per cent (in local currency), hence losing market shares.



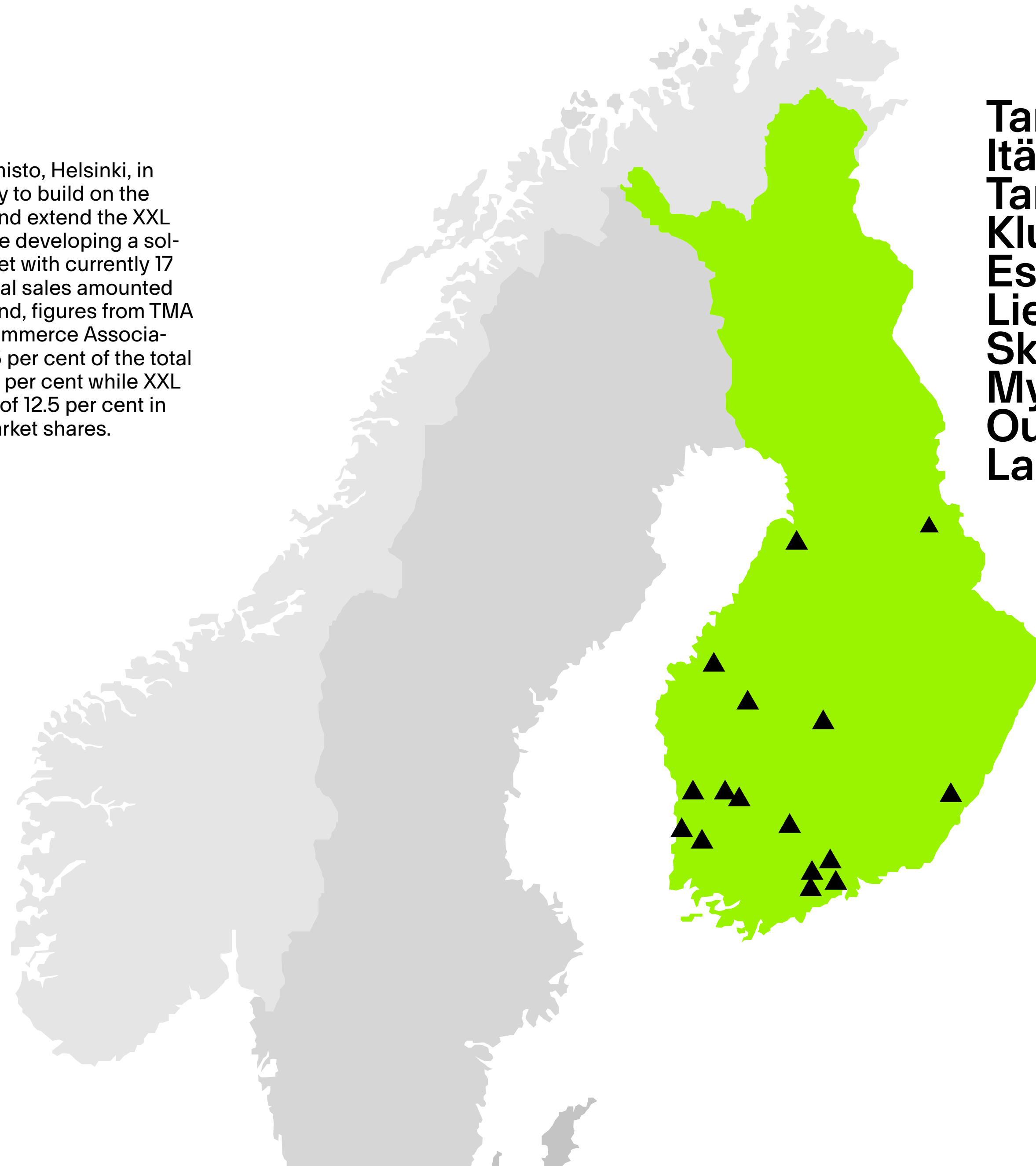
Bromma  
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 Kungens Kurva  
 Linköping  
 Sundsvall  
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 Stockholm City  
 Västerås  
 Norrköping  
 Karlstad  
 Helsingborg  
 Barkarby  
 Luleå  
 Gävle  
 Umeå

Östersund  
 Växjö  
 Kalmar  
 Länna  
 Halmstad  
 Malmö Trianglen  
 Malmö Emporia  
 Sickla  
 Charlottenberg  
 Borlänge  
 Skellefteå



## The Finnish Market

XXL opened the first store Tammisto, Helsinki, in April 2014 as part of the strategy to build on the successful entry into Sweden and extend the XXL concept to new markets. XXL are developing a solid presence in the Finnish market with currently 17 stores and E-commerce and total sales amounted to NOK 1.5 billion in 2023. Finland, figures from TMA (Finnish Fashion and Sports Commerce Association) which represents about 75 per cent of the total market, showed a decline of 3.9 per cent while XXL experienced a negative growth of 12.5 per cent in local currency, hence losing market shares.



**Tammisto**  
**Itäkeskus**  
**Tampere Kaleva**  
**Kluuvi**  
**Espoo**  
**Lielahdi**  
**Skanssi**  
**Mylly**  
**Oulu**  
**Lahti**

**Vaasa**  
**Lappeenranta**  
**Jyväskylä**  
**Kuopio**  
**Pori**  
**Redi**  
**Seinäjoki**



## Our strategy

# To strengthen customer experience & operational efficiency

XXL has since July 2023 implemented its Reset & Rethink strategy with aim for an EBITDA uplift of 500-750 million in 12-18 months. The Reset & Rethink strategy encompasses the five “Must-Win Battles” Category Reset, Availability, Store Operations, Pricing, and E-Commerce Profitability. The strategy is progressing well and is expected to boost performance in 2024.

Other initiatives that have been executed and will improve the overall profitability is exiting the unprofitable operation in Austria, launching of a new customer bonus program. The company will continue its focus on cash management, cost reductions and exploring new ways of working. XXL will exit Denmark in Q1 2024 to focus on its three core geographies: Norway, Sweden and Finland.





## Our vision

# To be the preferred destination for the sports and outdoor enthusiasts

Our vision is to be the preferred destination for the sports and outdoor enthusiasts.

XXL is in the sports and outdoor segments of the market. In this part of the market, we target the active people – the enthusiasts. Those who already find joy in sports and outdoor activities, and those who have just started. For our target group, we want to become a complete destination for sports and outdoor gear—a place they actively want to visit. To achieve that, we also need to become preferred in two other important dimensions - with our suppliers and our employees.





## Our purpose

# All sports united. Sports unite all.

As a market leader within sports and outdoor gear, we feel we have a great responsibility to foster an active and healthy lifestyle. We believe in the idea of democratizing sports. Through our wide range of products and great prices we can make sports and outdoor activities accessible to the many. All in one place, all in one destination. And thereby make more people live more active lives.

Sports and outdoor activities unite people. Regardless of age, gender, skin color, geography or financial position, everyone can participate — on their own terms. This way, sports break down barriers and brings people together across the globe. In a common movement and a common spirit. At XXL, we are true believers of that spirit. We want even more people to discover the joy of being active. And doing what they love. By making our wide assortment of affordable sports and outdoor gear accessible to the many — we can make it happen.





# Social responsibility

## Charity

50 per cent of the surplus generated from fees associated with XXLs sale of shopping bags has been allocated to the XXL Children's Foundation. In 2023, the XXL Children Foundation has donated NOK 250,000 to the organization Bring Children from Streets, earmarked for building a dormitory with a capacity of 400 sleeping places at the First Lady School in Uganda.

The remaining 50 per cent of the surplus is designated for other charitable initiatives within XXL, aligning with our commitment to mobilize the Sports Unite All dimension. In 2023, several initiatives have been funded. BUA, a non-profit foundation that works to make sports and outdoor equipment easier and more accessible to more people. Grow the Game, a concept owned by XXL with Bauer as a partner is all about lowering the barrier caused by expensive equipment for participation in hockey. Grow the Game donates hockey equipment to a selected hockey club in Norway, Sweden, and Finland. Joshua King football school, is about including children who are often left out of social and inclusive activities in general, is supported with equipment. The event engaged approximately 500 children in a community where sport activities and inclusion help to break down barriers in society. XXL has also been engaged in support to the Norwegian Childhood Cancer Society.



## Our value propositions

Our value propositions describe what we strive to offer in the continuous pursue to create the best value for our customers.

### Great brands.

We offer all the brands and models expected from a true sports and outdoor destination —by our target group: the enthusiasts. Both within sports and outdoor - equipment and apparel.

### Great prices.

Large purchasing volumes and efficient operations allow us to keep our prices down. Our prices are either better than our competitors, or on par with them. Never higher. At XXL, we offer our customers the best deals guaranteed.

### Great selection.

Our breadth of categories and wide assortment within each category is unparallel to any other sports retailer. We offer the enthusiasts products at all relevant price ranges.

### Great expertise.

Investing more than others in staff training gives our customers access to the best trained employees in the industry. Both through our stores, e-com, workshops and service offering. Supportive self-service tools (on-and offline) complement our knowledgeable staff.

### Great accessibility.

With big stores in great locations and our strong eCom platform, our wide assortment is always highly accessible to our many customers. Flexible and efficient delivery options is a given when shopping at XXL.



## Our corporate values

In order to attain our wanted position, deliver on our value proposition and ultimately reach our vision we need to act in ways that support that. Our values guide us to the right behaviors.

# Customer first

At XXL, we always put our customer first. We all share the belief that this is what makes us profitable, which in turn lets us invest in our own business and people.

# Knowlegdeable

As a sports and outdoor specialist, our own know-how is key. We have relevant expertise in all categories we represent — and we are generous with our knowledge.

# Passionate

We have a deep passion for sports and outdoor. Helping our customers find just the gear, for their individual needs, is what makes us thrive.

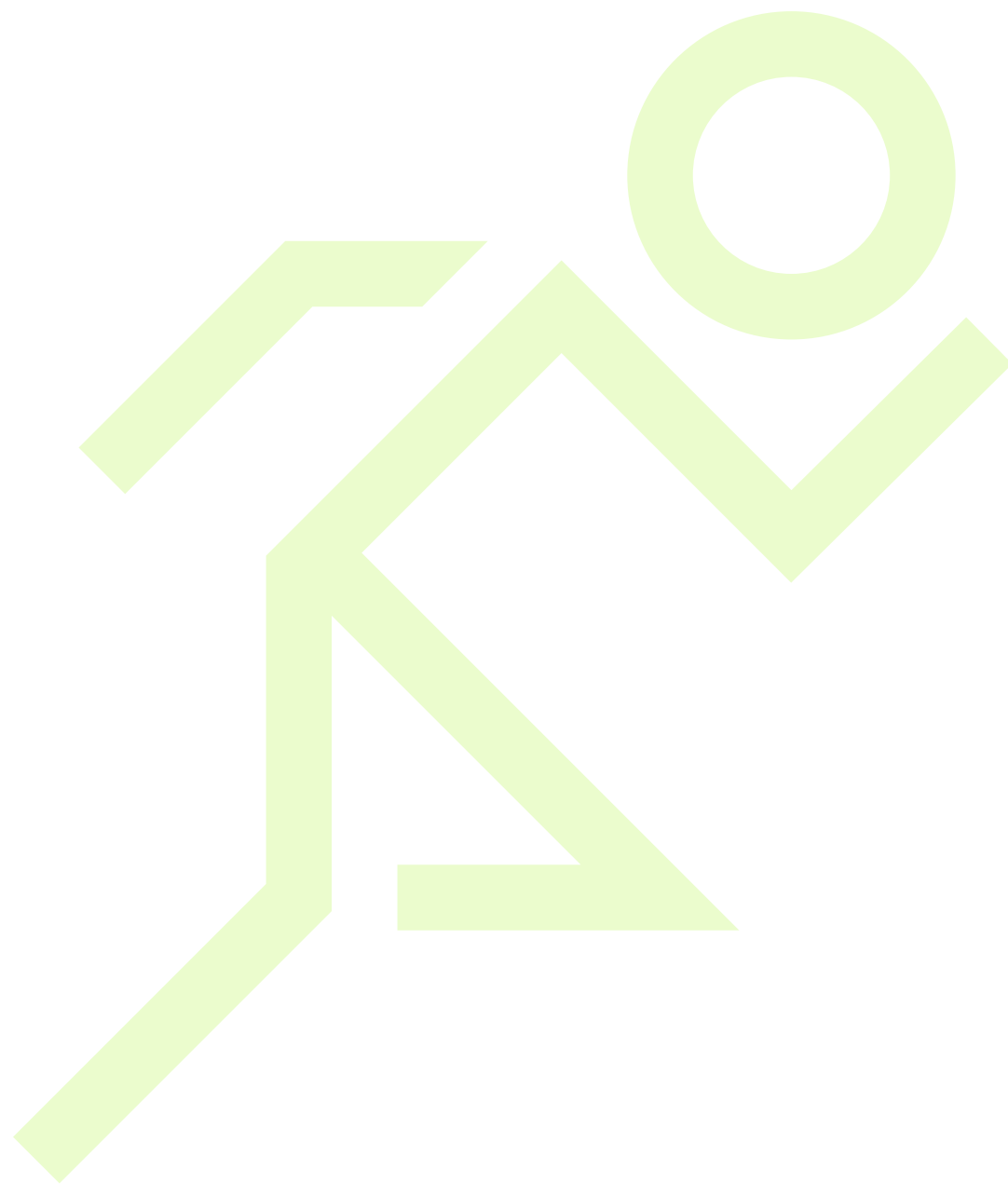
# Caring

We care genuinely about our customers, suppliers, the environment —and about each other. We honor great sportsmanship and celebrate as a team.



# Reset & Rethink strategy

The Group has since July implemented its' Reset & Rethink strategy, which aims for an EBITDA uplift of 500-750 million in 12-18 months. The Reset & Rethink strategy encompasses the five "Must-Win Battles" Category Reset, Availability, Store Operations, Pricing, and E-Commerce Profitability.



## The five must-win battles

### 1. Category reset (NOK 300-350 million)

Category Reset entails rebalancing the inventory and purchasing to be more weighted on goods with low-price points. Also, more of the capital will be used towards building controlled brands, whereof the minority investment in Stormberg, a strong Norwegian outdoor brand, played a major part in achieving this.

### 2. Availability (NOK 50-100 million)

With the Category Reset it will be possible to increase Availability of fast-moving low-price point products, which is expected to reduce storage time and improve sales and margins.

### 3. Pricing (NOK 50-100 million)

XXL aims to regain its market leading position in the low-price point segment through inventory rebalancing and market leading prices with data-driven pricing routines supported by electronic price tags balanced by strict price controls to strengthen the underlying gross margin performance.

### 4. Store operations (NOK 50-100 million)

Store Operations involves refocus on up-sales and add-sales lists and strategies reintroduced from Category and Buying department. Also, it includes training of sales staff, RFID tag, standardization of store operations, staff planning, loss prevention and measures to increase the customers' in-store experience.

### 5. E-commerce (NOK 50-100 million)

E-Commerce is expected to grow going forward and XXL will increase its' profitability by enhancing the online experience, reducing returns and unprofitable "ship-from-store" orders. The strategy is progressing well and is expected to boost performance in 2024.

## Other key initiatives to boost the Group's performance

### 1. Completed: Reward 2.0

To strengthen customer loyalty and satisfaction, XXL successfully launched a new reward program for its customers at the end of 2023.

### 2. Completed: Exit Austria

During 2023 XXL exited the unprofitable Austrian market, thus reducing the complexity of the business. Only an insignificant liability remains on the balance sheet.

### 3. Ongoing: Cash & Liquidity

During 2023 XXL successfully reduced its working capital and thus freed up substantial cash. The Group continues its focus on liquidity and cash management to finance its' transition and growth. In 2023 XXL successfully refinanced its' credit facilities. The strong focus on liquidity control continues into 2024.

### 4. Ongoing: Cost-out program

We need to adapt the cost to income. Effective actions have already been taken in 2023 especially on personnel cost in the stores. The cost cut program continues in 2024 with several measures to be implemented, both organic and structural. The Group targets gross effects from these actions of around NOK 250-300 million with full run rate effect by the end of 2024. The long-term goal of XXL is an Opex share of 30% relative to income.

### Strategic targets

XXL's target and goal going forward is to gradually gain market share in all markets and continue the growth in the E-commerce channel.

XXL is in the phase of implementing several strategic initiatives and projects to improve profitability and operational efficiency going forward. The longer-term target is "40-30-10" on gross margin, OPEX and EBITDA respectively excluding IFRS 16 effects.

In line with the existing strategy, XXL will continue to invest in operational efficiency, selective new store openings, E-commerce platform, existing stores, infrastructure, and IT. Total CAPEX for XXL Group in 2024 is expected to be around NOK 100-150 million,

Going forward XXL has not planned any store openings in 2024, but the long-term ambition is 2-3 stores per year, including relocations of existing stores. XXL opened 2 new stores in 2023, whereof 1 in Norway and 1 in Sweden. At the same time XXL will be downsizing several existing stores. The Group will continue to focus on optimizing the store portfolio.



# Sustainability statements

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# XXL Highlights 2023 - Sustainability



50 per cent of the surplus generated from fees associated with XXLs sale of shopping bags has been allocated to the XXL Children's Foundation. In 2023, the XXL Children Foundation has donated NOK 250,000 to the organization Bring Children From Streets, earmarked for building a dormitory with a capacity of 400 sleeping places at the First Lady School in Uganda.

The remaining 50 per cent of the surplus is designated for other charitable initiatives within XXL, aligning with our commitment to mobilize the Sports Unite All dimension. In 2023, several initiatives has been funded. See more information in the Social responsibility description on page 22.

Total tCO<sub>2</sub>e/ 1,000 items sold:

**3.55** -0.86% (2022)

Total emissions tCO<sub>2</sub>e:

**174 101** -35% (2022)

Share of waste recycled:

**83.8%** -5.4% (2022)

Factory audits:

**64**

Days of training:

**1750**

Total tCO<sub>2</sub>e/ MNOK revenue:

**21.9** -8.3% (2022)

Recycled materials in plastic shopping bags:

**100%**

FTE:

**2 529** -377 (2022)

Note: The sustainability statement concerns information from the Austrian operation to include the full scope of GHG emissions, emission intensity and employee related information. Information is provided separately for each entity and consolidated.



# XXL Sustainability approach



**XXL Sustainability strategy is connected to the groups overall strategy. Our purpose, All Sports United, Sports Unite All can be reflected in UNs Sustainability Goal nr. 3: Good health and well-being.**

### **All sports united**

We live in a world where obesity and welfare diseases are increasing and where too many people live unhealthy lives. As a market leader within sports and outdoor gear, we have a great responsibility to be part of the solution. We believe in the idea of democratizing sports. Through our wide range of products and great prices we can make sports and outdoor activities accessible to the many, all in one place, all in one destination. And thereby make more people live more active lives.

### **Sports unite all**

Sports and outdoor activities unite people. Regardless of age, gender, skin color, geography or financial position, everyone can participate, on their own terms. This way, sports break down barriers and brings people together across the globe. In a common movement and a common spirit.

At XXL, we are true believers of that spirit. We want even more people to discover the joy of being active. And doing what they love. By making our wide assortment of affordable sports and outdoor gear accessible to the many.

We can make it happen.

### **Sustainability aspects**

XXLs sustainability aspects is organized into five strategic sustainability areas.





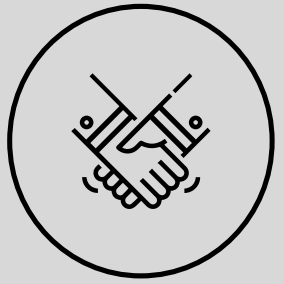
- Products and supply chain
- Circular business models
- Social responsibility
- Climate and environment
- Corporate governance





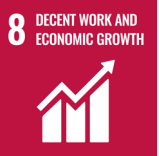
As a fundament to reach our goals, partnerships with our stakeholders are essential.



# Overall sustainability aspect

**Purpose:**  
All Sports United - Sports Unite All

<p><b>Product and supply chain</b></p>  <p><b>Essential sustainability themes:</b></p> <ul style="list-style-type: none"> <li>• Sustainable and traceable production and goods in the value chain</li> <li>• Sustainable products and brands</li> <li>• Responsible purchasing practices</li> <li>• Material selection and reduced material consumption</li> </ul>	<p><b>Circular business models</b></p>  <p><b>Essential sustainability themes:</b></p> <ul style="list-style-type: none"> <li>• Product quality and duration</li> <li>• Repairs and services</li> <li>• Reuse, resale and other sharing models</li> <li>• Recycling and upcycling of products and materials</li> </ul>	<p><b>Sosial responsibility</b></p>  <p><b>Essential sustainability themes:</b></p> <ul style="list-style-type: none"> <li>• Decent working conditions</li> <li>• Good work environment</li> <li>• Fundamental human rights</li> <li>• Training and personal development</li> <li>• Diversity and equal opportunities</li> <li>• Community engagement</li> </ul>	<p><b>Climate and environment</b></p>  <p><b>Essential sustainability themes:</b></p> <ul style="list-style-type: none"> <li>• Climate change and greenhouse gas emissions</li> <li>• Material consumption</li> <li>• Waste management</li> <li>• Climate-friendly logistics and transportation</li> <li>• Energy consumption and energy efficiency</li> </ul>	<p><b>Corporate governance</b></p>  <p><b>Essential sustainability themes:</b></p> <ul style="list-style-type: none"> <li>• Anti corruption and ethical conduct</li> <li>• Due diligence</li> <li>• Anti-competitive behavior</li> <li>• Compliance and governance procedures</li> <li>• Board oversight</li> </ul>
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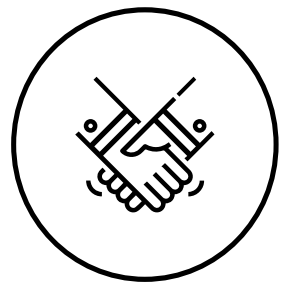

				
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Partnerships with stakeholders to reach our goals

Note: The sustainability areas are included in separate section in the sustainability statement.



Sustainability areas	Essential sustainability themes	Commitments	UN SDG's
 <p><b>Product and supply chain</b></p>	<ul style="list-style-type: none"> <li>• Sustainable and traceable production and goods in the value chain</li> <li>• Sustainable products and brands</li> <li>• Responsible purchasing practices</li> <li>• Material selection and reduced material consumption</li> </ul>	<p>XXL is dedicated to offering sustainable and socially responsible products that minimize adverse environmental, social, and economic effects. We prioritize the safeguarding of public health and the environment across the entire lifecycle of our products - from the extraction of raw materials to their ultimate disposal. As a responsible market participant, we strive to balance profitability with environmental and social accountability, creating long-term value for all stakeholders.</p>	
 <p><b>Circular business models</b></p>	<ul style="list-style-type: none"> <li>• Product quality and duration</li> <li>• Repairs and services</li> <li>• Reuse, resale and other sharing models</li> <li>• Recycling and upcycling of products and materials</li> </ul>	<p>We are dedicated to improving the quality, durability, and reparability of our products, wherever possible. We are committed to promoting and expanding our repair services to ensure our products have a long lifespan, reducing waste and increasing sustainability. Additionally, we are actively exploring new circular business models that align with changing consumer trends and behaviors. Our aim is to reduce the impact of climate change and to identify new business opportunities through innovative and sustainable practices. As a responsible company, we strive to create long-term value for our stakeholders while reducing our environmental footprint.</p>	
 <p><b>Social responsibility</b></p>	<ul style="list-style-type: none"> <li>• Decent working conditions</li> <li>• Good work environment</li> <li>• Fundamental human rights</li> <li>• Training and personal development</li> <li>• Diversity and equal opportunities</li> <li>• Community engagement</li> </ul>	<p>XXL is dedicated to providing a safe and secure working environment, protecting labor rights and promoting equal opportunities for all our employees. We are committed to offering relevant training and education to employees at all levels of our organization. XXL is focused on fostering an organizational culture that promotes equality and prevents discrimination based on various factors, such as gender, pregnancy, maternity leave or adoption, care tasks, ethnicity, religion, beliefs, disabilities, sexual orientation, gender identity and gender expression, and their combinations. We will ensure that all genders have full and equal participation and leadership opportunities at all levels of our company. We strive to create a diverse and inclusive workplace that values and respects all employees, which is essential for sustainable growth and long-term success.</p>	
 <p><b>Climate and environment</b></p>	<ul style="list-style-type: none"> <li>• Climate change and greenhouse gas emissions</li> <li>• Material consumption</li> <li>• Waste management</li> <li>• Climate-friendly logistics and transportation</li> <li>• Energy consumption and energy efficiency</li> </ul>	<p>XXL is committed to taking decisive action to combat climate change and reduce its impact on the environment. We are focused on increasing our share of renewable energy and implementing energy efficiency measures to reduce our carbon footprint. Additionally, we aim to reduce waste generation through proactive prevention, reduction, and effective recycling and reuse strategies. We will work towards decreasing material consumption related to our operations to minimize our environmental impact. The Group recognizes that climate change poses significant risks to the company and to the society at large, and is committed to proactively managing these risks through sustainable practices. As a responsible market participant, we strive to balance profitability with environmental and social accountability, creating long-term value for our stakeholders.</p>	
 <p><b>Corporate governance</b></p>	<ul style="list-style-type: none"> <li>• Anti corruption and ethical conduct</li> <li>• Due diligence</li> <li>• Anti-competitive behavior</li> <li>• Compliance and governance procedures</li> <li>• Board oversight</li> </ul>	<p>XXL is dedicated to conducting its business with the utmost ethical standards, in compliance with the laws and regulations of the countries in which the company operates. Additionally, we aim to adhere to locally accepted standards of good corporate citizenship, promoting responsible and sustainable business practices in our companies and value chains worldwide. We are committed to upholding and respecting human and labor rights, as well as protecting the environment. The Group recognizes the importance of ethical and sustainable business practices in building long-term trust and value with our stakeholders.</p>	



# General information



**The sustainability statement describes XXL's governance and performance in material sustainability topics, including sustainability metrics and indicators to describe the performance in relevant sustainability areas. This introductory section presents XXL sustainability impacts, risks, and opportunities identified, explaining XXL's reporting principles that guide the sustainability statement.**

## **Principles for Sustainability Reporting**

XXL's reporting aims to offer stakeholders a comprehensive and balanced overview of factors, engagements, practices, and outcomes for 2023. The sustainability statement aligns with the consolidated basis used for financial reporting. It transparently outlines the preparation groundwork for sustainability data related to non-consolidated entities within XXL's upstream or downstream value chain.

## **Reporting Standards and information on statutory disclosure requirements.**

XXL adheres to the Norwegian Accounting Act and other relevant regulations in preparing its sustainability statement. Disclosures required by the Norwegian Equality and Anti-Discrimination Act are included in the own workforce section. Compliance with requirements from the Norwegian Transparency Act 2021 is disclosed in the sections Human Rights, Own Workforce, and Workers in the value chain.

XXL has reported with reference to the Global Reporting Initiative (GRI) Standards. The GRI index is provided as an annex to this report. In response to the EU Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), XXL restructured its sustainability reporting for FY 2023, with full compliance expected in the 2024 annual report.

## **Reporting Scope and Specific Circumstances**

The sustainability statement covers the period from January 1 to December 31, 2023, for XXL. Data from discontinued or closed-down operations are included for the portion of the reporting period during which they were operational, unless stated otherwise. Emissions intensity (tCO<sub>2</sub>e) per employee for discontinued operations are excluded due to misleading information when employee headcount is due to December 31. Minority-owned operations are excluded from the consolidated metrics.

## **Reporting Systems**

XXL employs specific systems for collecting annual environmental data, including climate, energy, resources, and waste metrics. Health and safety data for XXL's workforce derive from incident reporting from CEMAsys deviation log. Workforce diversity and additional metrics stem from the company's CORE system and employee surveys. Data concerning the value chain workforce are gathered through due diligence surveys and audits conducted by XXL representatives or external 3rd party inspectors. Consumer data originates from customer satisfaction surveys and related public available statistics, with supplementary metrics calculated from external sources.

## **Preparation Basis and Limitations**

The basis for calculation and estimation methodology for computing and presenting sustainability metrics is detailed in the notes, clarifying direct measurements or estimations from various sources. Data is collected from XXL's operational units via local systems, manual data collection or predominantly rooted in process data, calculations, and purchasing information. Control functions and procedures ensure data integrity and completeness. Nevertheless, the scope of XXL's sustainability statement and the absence of universally endorsed reporting norms may introduce some uncertainties in reported data, as described in respective topic notes regarding estimation sources or potential inaccuracies. Discontinued operations have represented further challenges to collect data where they are no longer available through our existing channels for data collection. The operational boundaries of reporting on XXL's own operations covers XXL and its subsidiary entities in Norway, Sweden, Finland, Austria and Denmark. It includes all locations and facilities, meaning all stores, central warehouses, headquarter and office facilities.



# Double materiality assessment

As a key element of our work to prepare for the CSRD reporting, we have conducted a double materiality assessment with reference to the draft ESRS published November 2022.

To do this, we have built on the approach we have previously used to assess the materiality of sustainability aspects. This approach has previously used two dimensions to assess materiality: Importance to XXLs strategic goal achievement, and the importance to stakeholders.

We have conducted the double materiality assessment by applying the limited guidance available from EFRAG, and developed a step-by-step process, scoring matrices, and a model for aggregation and prioritization.

### The groups of stakeholders involved in assessing our sustainability-related impacts:

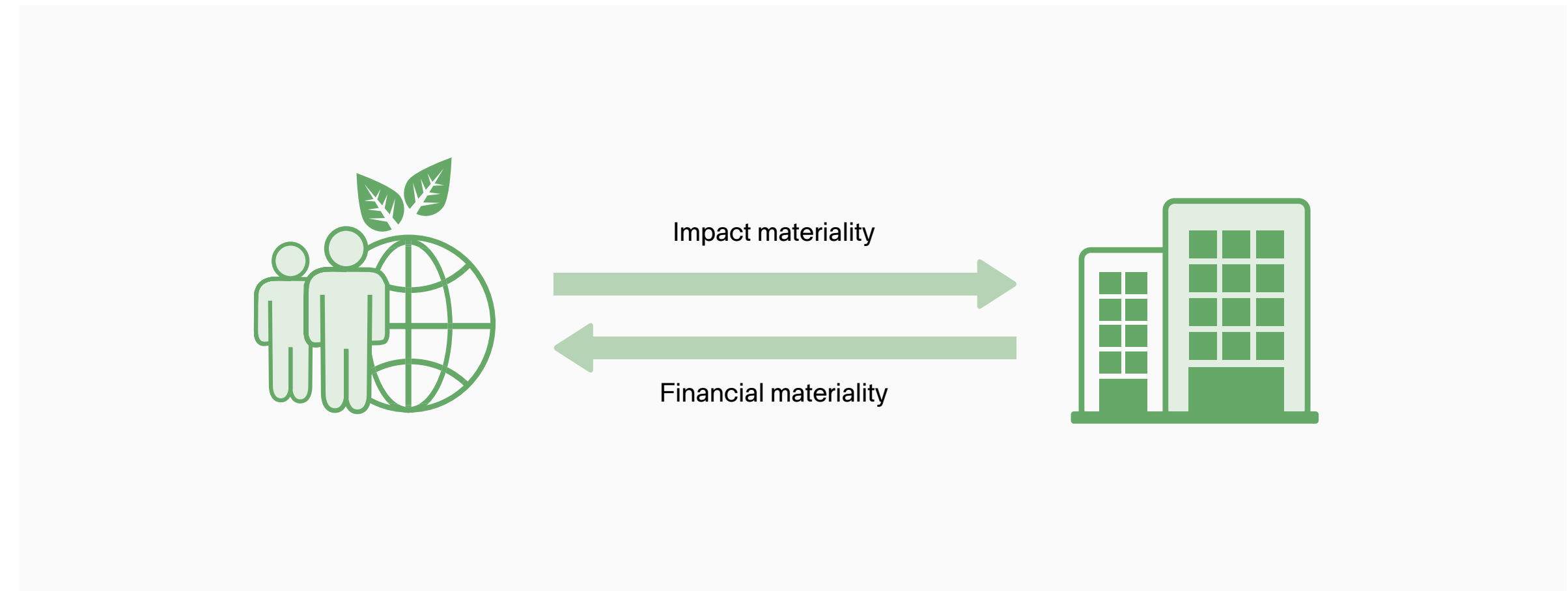
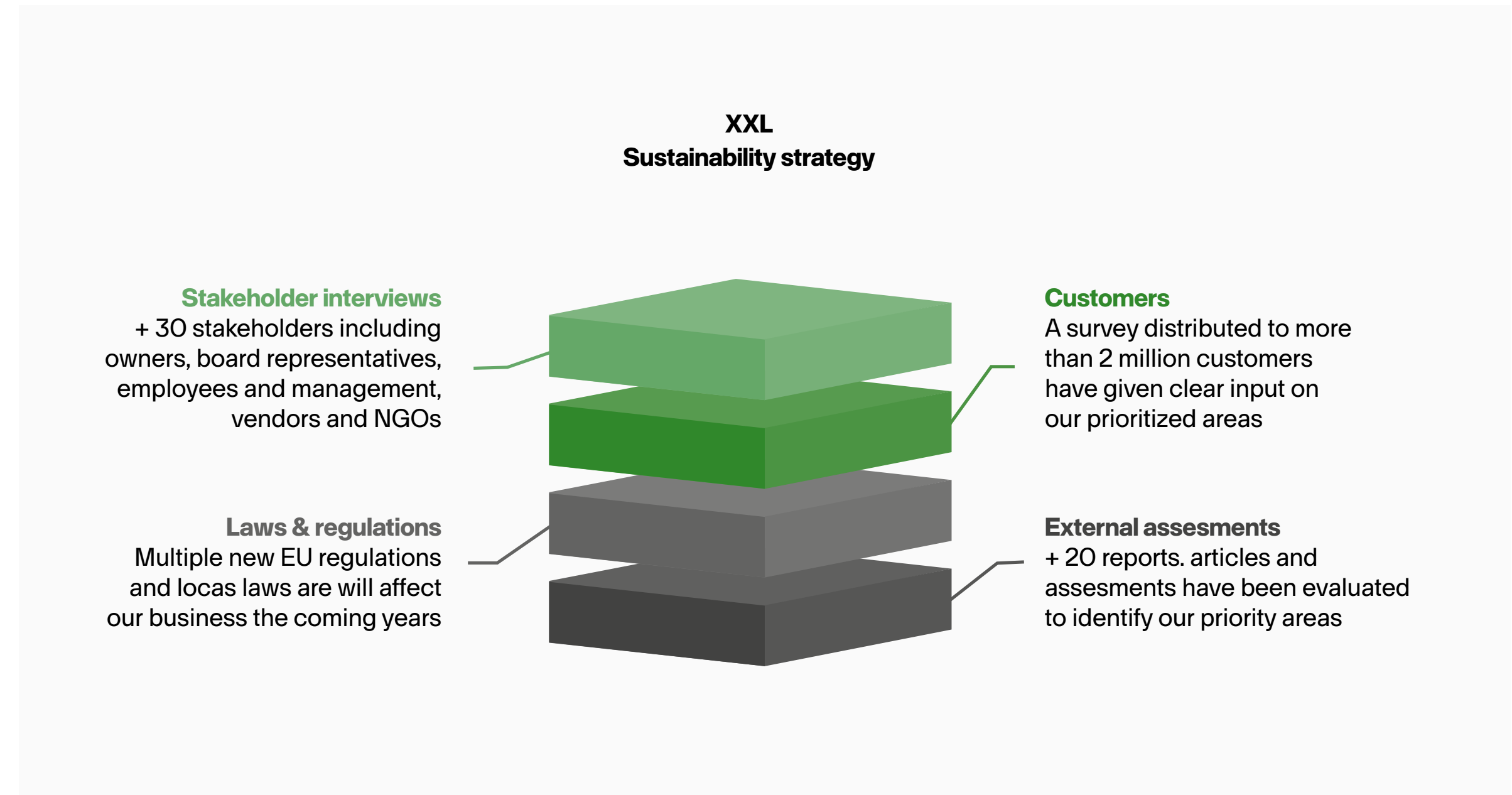
- Employees at XXL
- Customers
- NGOs
- Shareholders and owners
- Senior management representatives
- Board members
- Suppliers
- Key Personnel

For double materiality assessment we used four main input areas to define the material aspects: Interview with our main stakeholder groups, customer and employee surveys, regulators, public authorities documents, external studies and reports.

In the future, we will further refine our materiality assessment process and methodology on a dynamic approach based on the final ESRS and supplementary guidance.

We are convinced that the outcome presented below is a true and fair picture of our impacts, risks and opportunities but we also acknowledge that our methodology has limitations. Consequently, we will be further developing our double materiality assessment based on the final implementation guidance published by EFRAG in 2024.

The following pages provide detailed information on the results of our double materiality assessment and the process we have already applied, or planned to implement in the future.





# Double materiality assessment / outcome

## Outcome

We have identified our impacts on the environment and society (impact materiality assessment) as well as the sustainability-related risks that we are exposed to (financial materiality assessment). The outcome is aggregated per ESRS topic, showing that E1, E5, and G1 are our most material sustainability matters.

The environmental impacts and risks we have within E1 and E5 are closely linked to our business model as a retail company distributing sporting goods equipment to the consumer market. Consumer goods require both various raw materials, energy consuming processes, and logistic solutions and transportation over long distances with a negative impact on climate and environment.

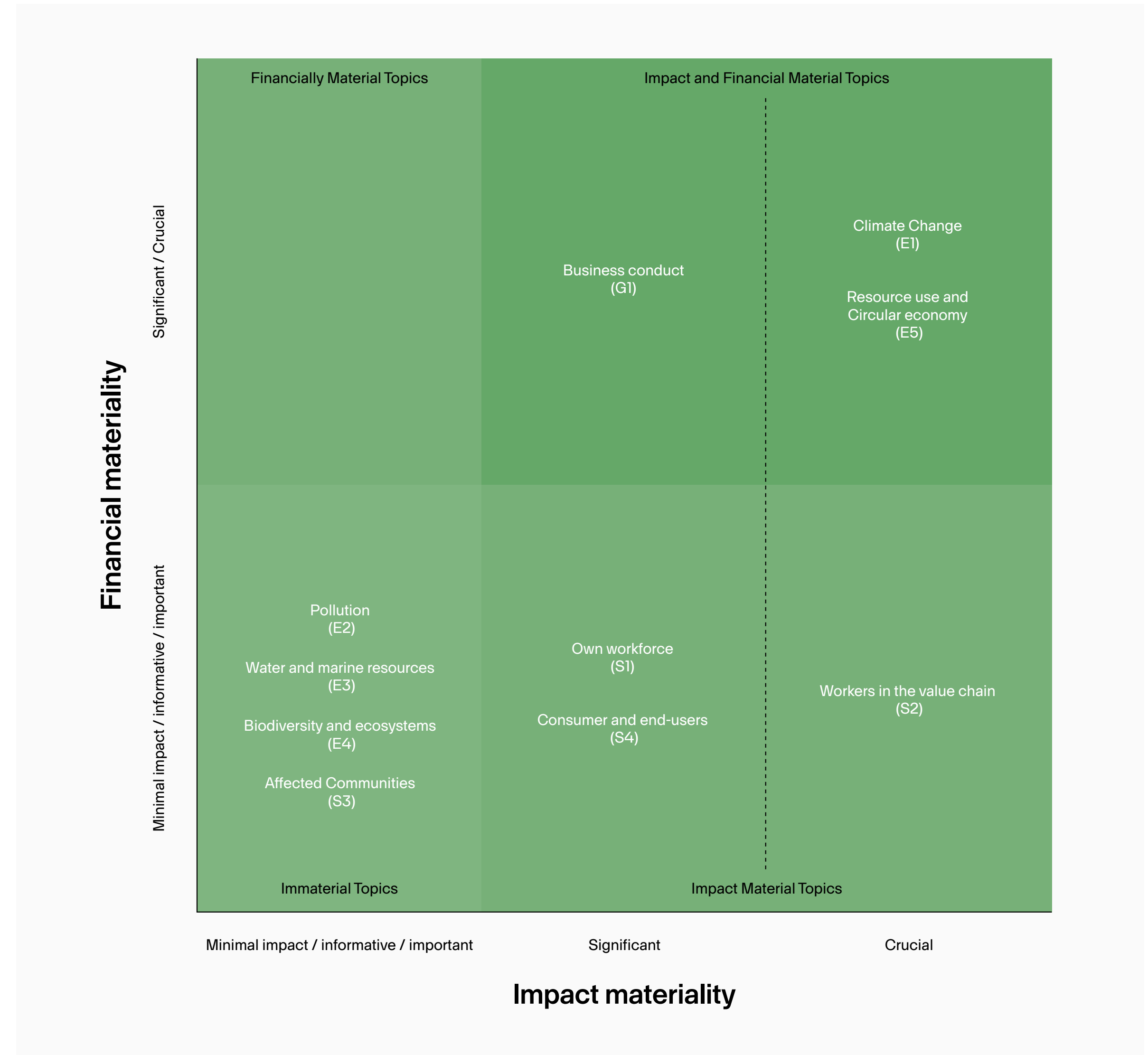
The operation also affects employees, workers in the value chain and our customers, which is reflected in the impacts, risks and opportunities we have within S1, S2 and S4.

## Materiality Matrix

The illustration demonstrates where our material impacts (crucial) and our material risks and opportunities occur across our full value chain. Brief descriptions of our material impacts, risks and opportunities are included on the pages that follow. More information on how we respond to the effects of our impacts, risks and opportunities can be found within the different sections of the statement.

## The following main considerations have been applied:

- Positive/ negative impacts. Both positive and negative impacts have been assessed.
- Actual/ potential impacts have been identified as actual or potential.
- Risks/ opportunities: Sustainability-related risks and opportunities were assessed, but will be further refined in 2024 as we proceed with integrating sustainability related initiatives throughout the organization.
- Own operations/ value chain Impacts and risks were assessed for our own operations, and for the value chain where relevant and possible.





## Material sustainability-related impacts, risks and opportunities

The following tables list the sustainability-related impacts, risks and opportunities (IRO) we have identified and assessed as material as a result of our double materiality assessment process. As shown in the materiality matrix, six out of the ten ESRS topics are material to XXL. Each material ESRS topic is presented in the following tables, where we specify the sub-topics that our material impacts, risks and opportunities relate to.

In addition, we indicate in the tables whether the impacts, risks and opportunities are in our own operations (OO), value chain (VC) or External (EX). We also show whether our impacts are positive or negative. Impacts are actual impacts unless stated that they are potential impacts.

Brief descriptions of the material impacts, risks and opportunities are included in the tables. More information on how we respond to the effects of our impacts and risks is included in the topical sections under 'Environment', 'Social', and 'Governance'.

This year, our scoring of impacts, risks and opportunities has included mitigation actions that are already part of our daily operations to reduce or mitigate any negative impacts or risks.

In 2024, we will further refine our double materiality process and methodology based on the EFRAG guidance.

## Impact risks and opportunities (IRO)

Type of impact and where they occur	Material impact, risk or opportunities	Description
<b>E1 Climate Change</b>		
<b>Impact:</b>		
Positive impact (EX)	Emission reducing initiatives (I)	By reducing emissions, the company contributes to mitigating climate change, which can preserve ecosystems and protect communities.
Negative impact (EX)	Emissions from purchased goods and services	Emissions from purchased goods and services represent a negative impact that contribute to climate change, affecting biodiversity, weather patterns, and human health.
<b>Risk:</b>		
Transition risks (OO)	Political and regulatory development	Changes in the political and regulatory landscape can lead to risks to existing business models and profitability if the company does not succeed in adapting in time.
Physical climate risks (OO)	Acute Climate risks	<b>Acute</b> physical risks may have financial implications such as direct damage to assets in our home markets where floods and extreme weather conditions may occur.
	Chronic Climate risks	<b>Chronic</b> physical risks such as rising sea levels, rising average temperatures, and ocean acidification may affect XXL's supply chain over time. Access of raw materials, uncertain deliveries and disruptions can lead to a more volatile market.
<b>Opportunities:</b>		
Innovation (OO)	Products and circular business models	Evolving consumer trends and behaviors are unveiling new opportunities, as products characterized by low carbon footprints, along with circular business models and low carbon technologies, become increasingly profitable. This shift stands in contrast to the declining viability of linear business models and products with substantial emissions. The trend is further supported by the introduction of political and regulatory frameworks, such as producer responsibility schemes and related fees, which incentivize sustainable practices.
Access to green financing (OO)	Taxonomy aligned activities	Significant contribution to circular economy no significant harm to climate change mitigation, climate change adaptation or any of the other environmental objectives can give access to green financing.
<b>E5 Resource Use and Circular Economy</b>		
<b>Impact:</b>		
Positive impact (EX)	Circularity	Enhanced utilization of recycled materials in the production of new goods, broadening the range of sharing services, and refining the repair and upcycling services all contribute to a decrease in the consumption of raw materials, which, in turn, also has a beneficial effect on reducing emissions.
Negative impact (EX)	Overuse of resources	Intensive exploitation of virgin resources, drawn from both renewable and non-renewable reserves, contributes to the depletion of raw materials and environmental degradation.
<b>Risk:</b>		
Supply chain risks (VC, OO)	Resource scarcity	Resource scarcity can pose a risk supply chain disruptions due to resource shortage, and increased prices on raw materials.
Reputation risks (OO)	Public perception	Reputational damage may occur if XXL is seen as wasteful or unsustainable due to high material consumption of non-recyclable materials, or if product quality and duration is below expectation.
<b>Opportunities:</b>		
New markets (VC, OO)	Circular business models	Circular business models represent new opportunities as evolving political and regulatory landscapes, coupled with shifting consumer trends and behaviors, lay the groundwork for enhanced profitability and an increased consumer willingness to pay
Reduced cost (VC, OO)	Minimization strategies	Raw material efficiency in production of products and packaging represents an opportunity of reduced production cost. Sale of used products and up-cycling activities increase products life-time and generates profitability without overuse of resources.

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Type of impact and where they occur	Material impact, risk or opportunities	Description
<b>S1 Own Workforce</b>		
<b>Impact:</b>		
Positive impact (OO)	Employee well-being and safety	Focus on a good and safe working environment with focus on reducing inequalities, elimination discrimination and sexual harassment and increase employees well-being.
Negative impact (OO)	Workload and low resource capacity	High workload, reduced worklife balance and shortage of human resources lead to health issues and low morale.
<b>Risk:</b>		
Financial (OO)	Absence	Disproportionately high absence from illness results in increased cost and potential decreased productivity and profitability.
Talent attraction and retention (OO)	Employer branding	Risk of increased retention and low attractiveness as an employer if the workforce is not managed well.
<b>Opportunities:</b>		
Productivity (OO)	Training and personal development	Enhanced competens, training and personal development increase productivity and reduce employee retention.
Talent attraction (OO)	Employer branding	A well managed workforce, good communication and employer branding attracts top talents to the company.
<b>S2 Workers in the Value Chain</b>		
<b>Impact:</b>		
Positive impact (VC)	Value chain management	Monitoring and action plans through audits, certifications and high ethical standards in addition to industry initiatives on integrity due diligence enhance the value chain management and improves fair labor practices.
Negative impact (VC)	Labor rights and human rights	Deviation to international standards of labor rights and human rights that can harm workers.
<b>Risk:</b>		
Human rights (VC)	Supplier breach of contractual agreements on human rights and labor rights commitments.	Breach of international conventions on fundamental human rights and labor rights may lead to severe consequences for workers, workers families or workers communities.
Compliance risk (VC)	Regulatory environment	Changes in political and regulative landscape may impact socioeconomic and geopolitical conditions affecting workers in our value chain.
Reputational risk (OO)	Public perception	Risk of reputational damage that can affect consumer trust and confidence in the brand if non-conformity with international workers rights.
<b>Opportunities:</b>		
Responsible brand (OO)	Consumer trust	Building a responsible and attractive brand that consumers trust.
Upskilling (VC, OO)	Profitability	Creating shared value through upskilling in the supply chain. Increased quality and durability requires skilled workers throughout the value chain.



Type of impact and where they occur	Material impact, risk or opportunities	Description
<b>S4 Consumers and End Users</b>		
<b>Impact:</b>		
Positive impact (VC, EX)	Product safety Public health	Protection of human health is a fundamental part of XXLs internal control system and quality management system. Systematical approach to product safety ensures compliance with local and international requirements for product safety. Availability and affordability of sport and recreational equipment is anchored in XXLs core values and is defined as a driver of positive impact.
Negative impact (OO, VC, EX)	Hazardous chemicals	Substances of very high concern known to represent risk of exposure and damage to human health.
<b>Risk:</b>		
Marketing and communication (VC, OO)	Greenwashing	Misleading and inaccurate information on products, brands and activities and their sustainable attributes may lead to greenwashing and consumer distrust.
Legal (VC, OO)	Compliance	Legal risks from non-compliance with consumer protection laws.
<b>Opportunities:</b>		
Increased market share (OO)	Consumer demands	Capturing market share by meeting consumer demand for products meeting their expectation to value for money, quality, durability and functionality.
Loyalty (VC, OO)	Transparent and responsible marketing	Fostering consumer loyalty through transparent and responsible marketing offering great value and customer satisfaction.
<b>G1 Business Conduct</b>		
<b>Impact:</b>		
Positive impact (OO, VC)	Ethical standards	Contribution to improve ethical standards and due diligence in own operations and throughout the value chain.
Negative impact (OO)	Trust and stability	Practices that can undermine market trust and economic stability.
<b>Risk:</b>		
Legal (OO)	Compliance	Legal risks associated with non conformity and breaches of local and international laws and regulations
Reputational (OO)	Public perception	Reputational risks associated with unethical behavior and non-conformity with legal requirements.
Strategic (OO)		Strategic risks if the company's conduct is not aligned with societal expectations.
<b>Opportunities:</b>		
Differentiation (OO)	Good business conduct	Differentiation in the market through high standards of business conduct.
Financial stability (OO)	Ethical practices	Long-term financial stability and business sustainability through ethical practices.

Impacts and where they occur:  
(OO) Own Operations  
(SC) Supply Chain  
(EX) External impact (Society, environment)

Note: (1) Emission reducing initiatives refers to several internal and external initiatives such as energy efficiency, use of renewable energy, effective logistics and transportation, lower material consumption, quality and long-livety of products, circular business models and effective waste management and recycling.

Please see our topical sections for more information on impacts risks and opportunities.



# Double materiality assessment / methodology

The double materiality methodology has been developed based on the principles outlined in the draft European Sustainability Reporting Standards (ESRS) from November 2022 and incorporates insights from existing guidelines. Insights gained from the 2023 process, along with engagement with relevant stakeholders, participation in network and industry association meetings, CSRD Gap analysis and consideration of the final ESRS and the latest guidance, will be instrumental in refining this methodology. This process aims to ensure that the methodology remains fully aligned with the double materiality requirements set forth for 2024.

## Methodologies and assumptions

### Scope

Our assessment encompasses both our internal operational boundaries and our extensive value chain. Within our own operations, we evaluated impacts on people and the environment, alongside identifying potential risks and opportunities to our business. Our value chain analysis predominantly concentrated on upstream activities, yet it also extended to assessing the downstream impacts, particularly those associated with climate change stemming from the usage and end of life treatment of our sold products.

The value chain assessments were anchored in our internal expertise, with a primary focus on our first-tier suppliers. The Integrity Due Diligence (IDD) survey employed a risk-based methodology, extending from Tier 1 to Tier 4 suppliers, particularly emphasizing the evaluation of impacts concerning 'Workers in the value chain' as outlined in ESRS S2 with the focus around fundamental human rights and decent working conditions as outlined in the OECD Guidelines for multinational enterprises and the Norwegian Transparency Act on 1st of July 2022.

Our impact assessment framework considered both positive and negative impacts, as well as actual and potential impacts, across various sustainability dimensions. Looking ahead to 2024, we aim to enhance our financial impact assessment. This will involve evaluating potential sustainability-related risks that could adversely affect our financial standing, employing a quantitative approach to assess the financial implications of these risks. Additionally, our strategy identifies substantial business opportunities, particularly in areas related to climate change mitigation and the adoption of circular economy principles.

### Stakeholder Engagement

In our double materiality assessment, we involved internal experts from various group functions to ensure a robust and comprehensive analysis. While we conducted direct consultations with stakeholders affected by our operations to gauge their perspectives on our business impacts, external stakeholders were not engaged in reviewing the results of our double materiality assessment. Nevertheless, we maintain ongoing dialogue with our stakeholders, facilitating a dynamic and annual re-evaluation of material aspects.

## Scoring Impacts

Following the ESRS guidelines, we applied the parameters of scale and scope to evaluate the 'severity' of our impacts. Stakeholder perspectives, gathered through surveys and detailed interviews, were given weight according to stakeholder group categories, complemented by quantitative metrics and operational context to determine scale and scope. The assessment of irremediable character is planned to be integrated into future materiality updates.

**Scale Evaluation:** We determined the magnitude of each impact on people or the environment. The 2023 evaluation leveraged insights from internal experts, internal datasets, and publicly available information.

**Scope Evaluation:** We gauged the breadth of each impact, considering variables such as the number of affected employees, financial expenditures, or other relevant metrics.

**Irremediable Character Evaluation:** This future assessment will measure the difficulty of remedying the damage, considering both costs and timeframes, and will refine our future assessments.

Additionally, for potential impacts, we assessed 'likelihood' as an extra parameter. For actual negative impacts, the dimensions of 'scale,' 'scope,' and 'severity' were evaluated and equally weighted. For potential negative impacts, 'severity' and 'likelihood' were balanced at a 50/50 weighting. Positive actual impacts were analyzed based on 'scale' and 'scope,' treated with equal importance. Similar to negative potential impacts, 'likelihood' was also factored into the assessment for positive potential impacts.



# Interests and views of our stakeholders

Stakeholder group	How engagement is organized	Purpose of engagement	Examples of outcome from the engagement	Key Concerns	Activities to address these issues
<b>Employees</b>	Employment relations and occupational health and safety representation. Employee-elected board members. Personal development dialogues Surveys and workplace assessments	Including employees perceptions and experiences Contributing to a sustainable workplace and working life. Customer oriented feedback	Improvement and action plans Strategic inputs Communication with management Local initiatives	Decent working conditions for employees in XXL, training and competence development, work environment, Sustainable products and brands, Quality and durability, Sustainability and traceability in the value chain.	HR management, HSE system, implement strategic goals for gender equality and reduced inequality, personal development and motivation training, Code of Conduct and guidelines for business ethics, value chain management, product assortment strategy, annual sustainability reporting.
<b>Customers</b>	Customer service dialogues Customer surveys	Customer oriented feedback Market trends Customer behavior Expectations Trust and satisfaction	Product/service improvement Adapt to changing customer needs Test-pilots on sharing economy and re-use models Information and marketing campaign Product safety improvements	Product quality and longevity, decent working conditions for employees in XXL, expertise and competence, work environment, responsibility and commitment towards communicated sustainability work, quality and product safety, sustainability and traceability in the value chain.	HR management, Customer service in stores, online and through social media, information in marketing material and product guides, product labels and descriptions in stores and online, sustainability strategy, product development, circularity, value chain management, product assortment strategy.
<b>Suppliers</b>	Supplier Due Diligence Workshops and industry collaborations Human rights and on-site assessments Direct supplier relations Supplier surveys	Compliance, with our Supplier Code of Conduct Promoting responsible sourcing Protecting Fundamental Human Rights and Labor Rights. Ensuring a respectful working environment Decarbonising supply chain	Supplier improvement plans Due diligence Logistics and transportation improvements Product assortments and brand strategies Supply chain improvements	Requirements, Cooperation and partnerships to reach sustainability goals, marketing and visibility of sustainable products and brands, eco labelling, education of employees.	XXL requirement framework, Supplier Code of Conduct, circular business models, eco-labels in marketing, product training, transparency and traceability, material consumption and sustainable supply chain management.
<b>Investors</b>	ESG ratings Investor calls, questionnaires and e-mails Investor updates Roadshows General meetings	Understanding expectations to sustainability Attracting investors Enhancing transparency	Improvement plans Responses Internal communications Materiality priorities	Economic growth, corporate governance, business model adapted changing consumer behavior, compliance.	Cost efficiency, annual review by the Board of Directors of governance and sustainability, Sustainability strategy, circularity, attractive products and brands, risk assessment, value chain management.



Stakeholder group	How engagement is organized	Purpose of engagement	Examples of outcome from the engagement	Key Concerns	Activities to address these issues
<b>Board Members</b>	Board meetings and regular governance work Surveys and interviews Committees	Policymaking and commitment Adhere to business implications and financial impacts. Ensure monitoring of compliance	Aligning business model and strategy Value creation and risk mitigation Enhanced governance of financial and sustainable activities. Value creation and positive impact from sustainable strategic initiatives.	Economic growth, corporate governance, business model adapted changing consumer behavior, compliance, decent working conditions for employees	Cost efficiency, annual review by the Board of Directors of governance and sustainability, Sustainability strategy, circularity, attractive products and brands, risk assessment, value chain management
<b>Management</b>	Management relations Strategic reviews Workshops and projects	Execution of strategies Integration of policies in the organization	Effectivity and efficiency New business areas Reduced risk of compliance breaches	Economic growth, corporate governance, business model adapted changing consumer behavior, compliance, decent working conditions for employees	Cost efficiency, reporting mechanisms (OGSM, analytics), strategy & strategic reviews, control mechanisms, engagement surveys
<b>NGOs</b>	Invites to strategic inputs Sporadic dialogue Partnerships Access requests for information	Insights Addressing concerns in the communities Efforts to combat negative impacts.	Increased attention to human rights Focus on material choice and material consumption from products and packaging. Political influence on laws and regulations concerning sustainable activities. Compliance on new regulations.	Decent working conditions for employees in XXL, training and competence development, work environment, freedom of organization, Sustainable products and brands, Quality and durability, Sustainability and traceability in the value chain.	HR management, HSE system, implement strategic goals for gender equality and reduced inequality, personal development and motivation training, Code of Conduct and guidelines for business ethics, value chain management, product assortment strategy, annual sustainability reporting.
<b>Media</b>	Case-by-case of public interests Quarterly presentation Incidents and acute events Consumer oriented informative cases	Public interests Attract investors and talents Communicate strategies Information to customers	Positive coverage Transparency regarding progression on new initiatives Recalls and comprehensive cases.	Adverse environmental impact, work environment, economic performance, responsible marketing.	Responsible marketing and pricing practice, HR governance, communication department, quarterly result presentation and annual report.



# Climate Change

## Why it matters

XXL's commitment to ethical business conduct and compliance with international and domestic regulatory frameworks, recognizing the critical importance of environmental stewardship in our operations. Our business, closely linked to the natural environment through its promotion and enabling of outdoor sports and recreational activities, hinges on the preservation and resilience of these ecosystems.

Our effort to combat climate change is underpinned by strategic imperatives crucial for safeguarding the continuity and integrity of the environments essential to our business model. We have a high attention on the escalating physical climate risks within our markets, such as shorter winter seasons and increased weather volatility, which pose significant operational and strategic challenges in our home markets. Secondly, actual and potential impacts on our value chain due to climate change can affect profitability, and access of raw materials and components critical to our ability to deliver products and meet our customers' needs and expectations.

Addressing these issues is not merely about risk mitigation; it is a core business imperative. If we do not proactively engage with the impacts and risks, it can affect our brand reputation, invites adverse media attention, and have financial consequences. Conversely, by embracing a leadership role in environmental responsibility, it can have a competitive advantage compared to other market players. Therefore, our commitment to sustainability is not only a response to external challenges but also a strategic differentiator that enhances our competitive edge.





## XXL's Approach to Climate Change Mitigation and Adaptation

### Governance related to climate change

XXL integrates climate change mitigation into our corporate governance principles, demonstrating a commitment to responsible environmental stewardship. The Board of Directors plays an important role, overseeing management, activities, and climate-related risks, ensuring adherence to internal control systems that reflect the company's corporate values, ethical and social responsibility guidelines. These governance practices are articulated in the Governance section of this report, providing transparency and accountability.

### Strategy

XXL has an ongoing work to develop a transition plan for climate change mitigation encapsulates strategic measures aimed at reducing greenhouse gas (GHG) emissions and adapting business operations to the changing climate. The XXL sustainability strategy is integrated into business planning processes and corporate strategies, ensuring that climate considerations are integral to decision-making and risk management, and aims to align with the ambition of limiting global warming in accordance with the Paris Agreement, and at the same time ensure economic growth and profitability.

### Impact, Risk and Opportunity Management

The company employs a robust framework for identifying and managing climate-related risks and opportunities, incorporating them into daily operations across business segments. The senior management team, under the Board's supervision, ensures effective risk management, utilizing tools for environmental requirement frameworks, risk assessment, carbon accounting, and supply chain management. These efforts demonstrate XXL's proactive approach to mitigating climate impacts and adapting to the direct and indirect consequences, safeguarding the company's reputation and financial performance while seizing competitive advantages.

### Climate risk

Climate changes represents both physical hazards and socioeconomic impacts. Science finds that rising average temperatures are associated with the frequency of floods and heat waves and intensification of drought and increased sea levels. At the same time climate changes have a potential impact on people's livability and workability and represent a risk of damage to physical assets and infrastructure, and destroy ocean and terrestrial ecosystems TCFD analysis has not yet been conducted, but is planned to conduct in 2024.

### Acute Climate risk

Acute physical risks may have financial implications such as direct damage to assets in our home markets where floods and extreme weather conditions may occur. However, the likelihood of such damage could represent a high risk for the group's ability to operate is low.

Supply chain risks and resilience in the context of the global Covid-19 pandemic have been high on the group's agenda, and in many ways highlighted the consequences we can experience from other acute events. A changing climate, and greater frequency and severity of hazards may increase disruptions in supply chains that interrupt production, raise costs, hurt corporate revenues, and lead to higher prices or shortages for consumers. Raw material producers of amongst other cotton are vulnerable for climate change.

### Chronic physical risks

Chronic physical risks such as rising sea levels, rising average temperatures, ocean acidification and extended periods of increased temperatures may lead to the further development of chronic climate events, such as desertification. Similarly, extended periods of increased average temperatures might affect the ecosystem, agriculture in particular. Raw material producers such as cotton farmers are vulnerable for climate change.

As climate change makes extreme weather more frequent and/or severe, it increases the annual probability of events that are more intense and supply chain disruptions can become more common. In our home market, climate change affects several prerequisites as winters are shorter and milder on average affecting market conditions for several product groups.

Over time, chronic effects of climate change and more extreme weather may affect XXL's supply chain. Supply chains and deliveries may become more uncertain. Disruptions because of climate change can also lead to a more volatile market.

### XXL's approach to Climate risks

XXL has put in place supply chain management tools, risk assessment, processes and governance procedures to assess climate risk in our product category and supply chain management. Strong operational control and an active dialogue with our suppliers and producers is a necessity to assess the magnitude of the impact climate change represents to our business in order to mitigate the negative impact on climate. In general, sport equipment suppliers have a high consciousness regarding the negative effect of climate change, and works to reduce their own adverse impact.

Extended use of recycled materials will contribute to reduce risks of parts of the acute and chronic events that may lead to disruptions of supply chain. Raw material producers exposed to adverse impact from climate change, both acute and chronic, represent a risk factor as disruptions may become more common. At the same time, it is important to recognize the fact that use of natural derived materials are important to reduce the consumption of oil-based materials.

Changing and unstable climate conditions in our home markets requires higher strategic agility to adapt various conditions and changing consumer needs due to seasonal changes. The group has implemented several measures to improve the ability to adapt product portfolio and exposure in stores, e-commerce channels and marketing campaigns, is increasingly important to maintain traffic to the store and increase market shares.

### Transition risks in relation to climate change

Retail is not in itself a very CO<sub>2</sub> - intensive industry. However, significant emissions in the value chain related to production and transport of goods can be affected through regulations in many different ways. Pledges under the Paris Agreement and the action plan provided by the European Green Deal will constitute both direct and indirect consequences for all companies and their activities. EU and domestic political and regulatory development will continue to drive major carbon pricing developments representing financial risks on a medium time horizon if we do not succeed with decarbonisation of our direct and indirect emissions. Liability risk could increase, with potential large financial consequences, if the policy framework on climate is not strong. Producer Responsibility schemes can make severe impact to our business model if we fail to adapt to requirements of material consumption and less carbon intensive materials and production methods. Technological development and deployment can represent a risk if we do not continuously adapt to new technologies such as electrification of transport and renewable energy. Traceability in the value chain is a technological opportunity that can provide customers with valuable insight and contribute to lower emission requirements throughout the value chain. Transparency could be a competitive advantage over those customers who want to make better climate choices.

The retail industry is sensitive to changing consumer trends. The changes can come quickly when they first occur, for example because of changes in attitudes among consumers to a product or sector's climate footprint. The consumer response could be different for various product groups. For textile products, water consumption related to cotton production is an important issue. For hardware and other capital goods, short life of the products, small degree of reuse, quality and reparability can be an issue that is gaining more weight.

### XXL's approach to climate-related transition risks

Our sustainability double materiality approach addresses the most material aspects of our organization. Transition risks related to political and regulatory development is identified to come primarily from regulations with intention of climate change mitigation. XXL has set a goal of reducing the company's greenhouse gas emissions in line with the EU's objectives. In order to do so we have initiated several carbon reducing in-house initiatives described under Emission reduction activities in this section of the report, and by completing the GHG inventory and set a base year to 2020 as first step to a net-zero strategy. A project to develop a transition plan is scheduled in 2024.

One example is building solar power plants on rooftops of our store facilities to increase the share of renewable energy sources. Another is to revise our policy for business flights in order to reduce both costs and greenhouse gas emissions.

A key factor in our business model is efficient logistics, where reduced packaging volume in addition to effective and cost efficient transportation systems, requirements to forwarders.

### Metrics and Targets

XXL's commitment extends to setting quantifiable targets for climate change mitigation and adaptation, reflecting a strategic alignment with broader environmental objectives. Targets are under development and will be aligned with XXL's financial performance metrics, underpinning our dedication to environmental responsibility and aligning with global efforts to combat climate change without compromising profitability. XXL plans to define and publish targets related to climate change mitigation and adaption without compromising profitability. XXLs performance and historical data is available in the Notes to Climate change in page: 43-46



## Emission reduction activities

### Minimize environmental footprint

Every part of our operations impact the environment. Environmental issues integrates into day-to-day work in stores, logistics and offices. XXL plans to revise our business travel policy. Like everyone else, last year we drastically changed our working behavior. Although most XXL employees has their working days at our stores, traveling restrictions made changes to our academy training portfolio, moving most of XXL academy in to e-learning modules.

Our back-office functions and administration extensive had use of home office, digitized solutions and video conferences. In XXL we recognize the benefits of physical meetings and the value of social gatherings. At the same time, the digitization of our society has taken a great leap providing opportunities for cost reduction, effectiveness and reduced environmental impact. Our traveling policy will build on the positive correlation between physical meetings and digitization and eliminate unnecessary business travels in XXL.

XXL is committed to minimizing its environmental impact and makes all reasonable efforts to reduce the use of resources such as energy, water and raw materials. Our key climate measure is to improve the energy efficiency of all parts of the organization. According to GRI we are obliged to disclose our Greenhouse gas emissions. In accordance with the GHG Protocol the emissions are disclosed under three different scopes. Mobile and stationary combustion is disclosed under Scope 1, Electricity, heating and cooling under Scope 2, and indirect emissions under Scope 3 from purchased goods and services, upstream transportation and distribution, capital goods, fuel- and energy-related activities, business travel and waste generated in our operations.

The figures above include all our locations and facilities, meaning all our stores, the three central warehouses and headquarter and office facilities. For those stores that are not part of the centralized electricity agreement we have made assumptions and calculations based on estimates from an average store. Transportation only includes our outsourced transportation between our central warehouses and our stores and not the transportation the suppliers commence directly to our stores. The footprint is calculated in accordance with the GHG Protocol covering scopes 1, 2 and 3.

### Goods transportation

A significant source of emissions in our own operation is upstream transportation and distribution. We have outsourced the transportation of goods to third parties and they have their own ambitions and policies of sustainability and targets to reduce their emissions. We monitor their work closely. Bring/ Posten Norge is the most important logistics partner to XXL. We appreciate the effort they are doing with respect to reducing the emissions of their vehicle fleet by focusing on eco-driving, biogas, biodiesel and electricity in addition to optimized routes, continuously updating the fleet and collaborations with green partnerships.

XXL sets clear environmental requirements for its transport suppliers with regard to euro class, speed limitation and training in environmentally efficient driving. The suppliers must approve the Group's environmental statement and answer an annual self-assessment of their environmental performance. The total emission from goods transportation in XXL in 2023 was 1,633 tCO<sub>2</sub>e.

The central warehouses are located strategically with respect to delivery routes, main roads, railways and airports. The use of central warehouses reduces goods transportation by taking over transportation directly from suppliers to the stores. Consequently, fewer vehicles are on the road. Around 97.5 per cent of the goods were delivered through the central warehouses. An increase of 1.5 per cent compared to 2022. We have a centralized logistics department working on streamlining the transportation and distribution network in order to reduce the distances, optimizing loads, cargos and scheduling. Posten Norge has introduced climate-neutral services packs, meaning B2C e-com deliveries will be distributed by zero-emission alternatives or climate compensated by offsetting.

### Online sales

The Group's e-commerce operations are defined as its sales activities through online channels, contrary to sales through retail stores that are physical stores. We favor the choice for the customers of picking up the products in one of our stores, as this is a free shipping alternative. This way, we could coordinate the freight of the online orders with goods delivered directly to the stores from the central warehouses.

### Waste management

XXL aims to minimize waste and maintain high recycling rates in our warehouses and stores. There are in general two main waste components in the XXL chain, namely packaging (cardboards and paper) and combustible waste (wood and pallets mainly).

In total 3,268 tonnes of waste was generated from entities under XXLs operational control in 2023, representing 69.52 tCO<sub>2</sub>e, an increase of 1.35 tCO<sub>2</sub>e compared to 2022. See Resource use and Circular economy section and Note E5.3 Resource Outflows - Waste for more information on waste in XXLs operations.

### Recycling materials

A well-functioning recycle system and reporting is important to succeed with our goal, but equally important is the preventive measures done with products and packaging. We use our market position to influence producers and importers to minimize packaging and use recycled and renewable material in products and packaging if possible. Our business model and effective logistics makes it possible to reduce large quantities of packaging. Less waste, recyclable materials and a high recycling factor will significantly affect the cost of waste handling in a positive direction.

In addition to an extensive repair and service offering, XXL is investigating opportunities in the circular economy that could extend the services for product repairs, add new initiatives for new business models and service as a collecting point and sales channel for returned and claimed products. Changing consumer trends, producer responsibility schemes, and expectations and requirements from the financial market to extend circular activities will provide increased profitability for circular economy in the coming years. XXL aims to be the frontrunner in circular sport retail and see an advantage in our omni-channel structure compared to web-based market participants with a high linear risk.

### Producer responsibility

XXL has membership in organizations for producer responsibilities for packaging, electrical and electronic equipment and batteries and support many local initiatives in the communities we operate in by donation of complaint and returned goods in partnership with our suppliers.

Electronic waste (EE labeled) can be returned to our stores. We have recycling routines and sell used packaging and cardboards to specialist partners. In Norway XXL has a membership in Norsirk (collecting electrical and electronic devices and batteries for recycling) and similar in other markets. The producer responsibility schemes contribute to lower the material consumption footprint consequently also greenhouse gas emissions will drop as an effect.

### Energy Consumption

XXL has established a centralized electricity agreement with the third party company Fortum Energy for delivery of electricity to all our facilities in Norway and some in Sweden. They have their own stated sustainability ambitions and policies that we monitor closely. The energy production already has a high portion of renewable energy, based on hydropower plants, waste heat from the incineration of residual waste and deliberate use of other renewable energy sources.

The target of full phase out of fossil oil and gas as a source of heating to our central warehouses was achieved during 2023. The Norwegian Central Warehouse, closed its oil and wooden chip boiler late 2022, while the natural gas boiler in our Austrian Central warehouse was removed due to the discontinued operation and close down of Austrian Central warehouse mid-year 2023. For other facilities not covered by the contract with Hafslund, the electricity is part of the rental agreement. More specifically for our central warehouse outside Oslo, we have a contract with Dalkia (Veolia) for heat delivery.

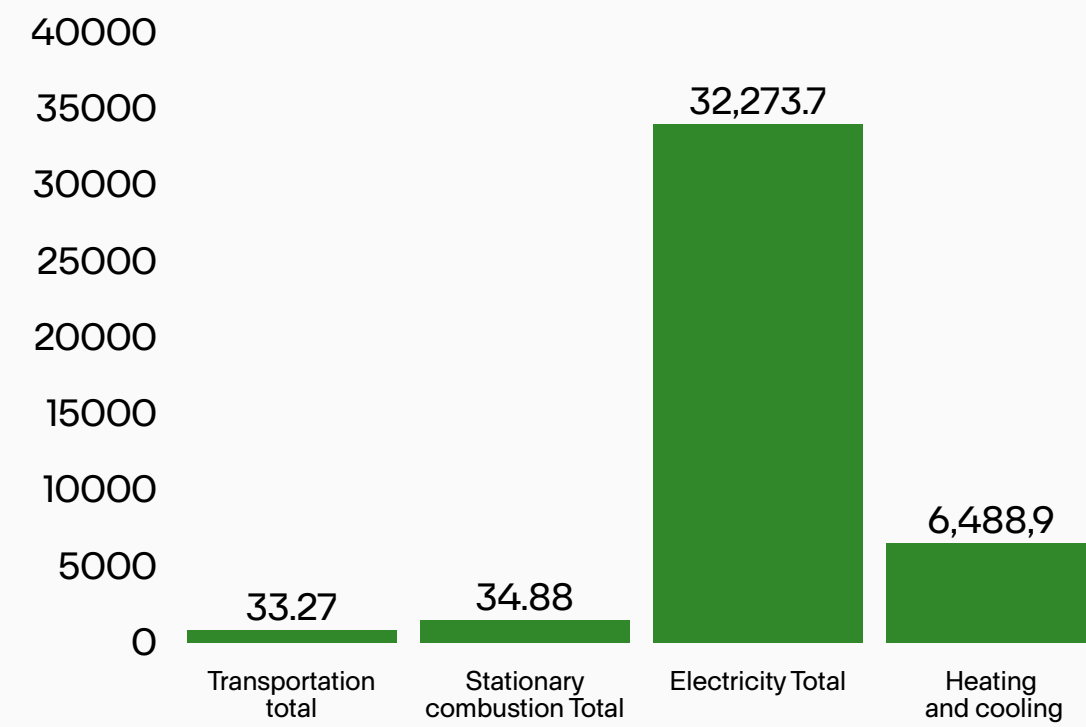
The total energy consumption for the year 2023 in the XXL Group splits as shown in the graph on page 42. The figures include all our locations and facilities, meaning all our stores, the three central warehouses and headquarter and office facilities. For those stores that are not part of the centralized electricity agreement we have made assumptions and calculations based on estimates from an average store. In a way of further reducing the electricity consumptions, we started a project in 2015 of changing the lighting in all our stores in Norway to more efficient solutions using LED-lights. We extended this process even further by entering an agreement with the Norwegian company Termoenergi Norge AS for mapping of energy conservations plans for our stores. This is deducted in close cooperation and support from the organization Enova and began in the spring 2016.

We had a three years plan to upgrade all our Norwegian stores accordingly based on initiatives such as installation of energy monitoring systems, change procedures and training of personnel, automatic control units for light control, upgrade to LED-lights, implementing operation centrals for heating, ventilation and fan coils and upgrading to heat pumps were not able to use tele heating networks. We have seen significant savings in energy consumption from the project started when improving stores over time, and are on track for our target of a 40 per cent reduction of energy consumption. New store concepts, with reduced store sizes, energy effective solutions and increase of renewable energy are effective measures for reducing the emissions related to energy consumption in our operation.



### Energy consumption per category

Amounts in MWh



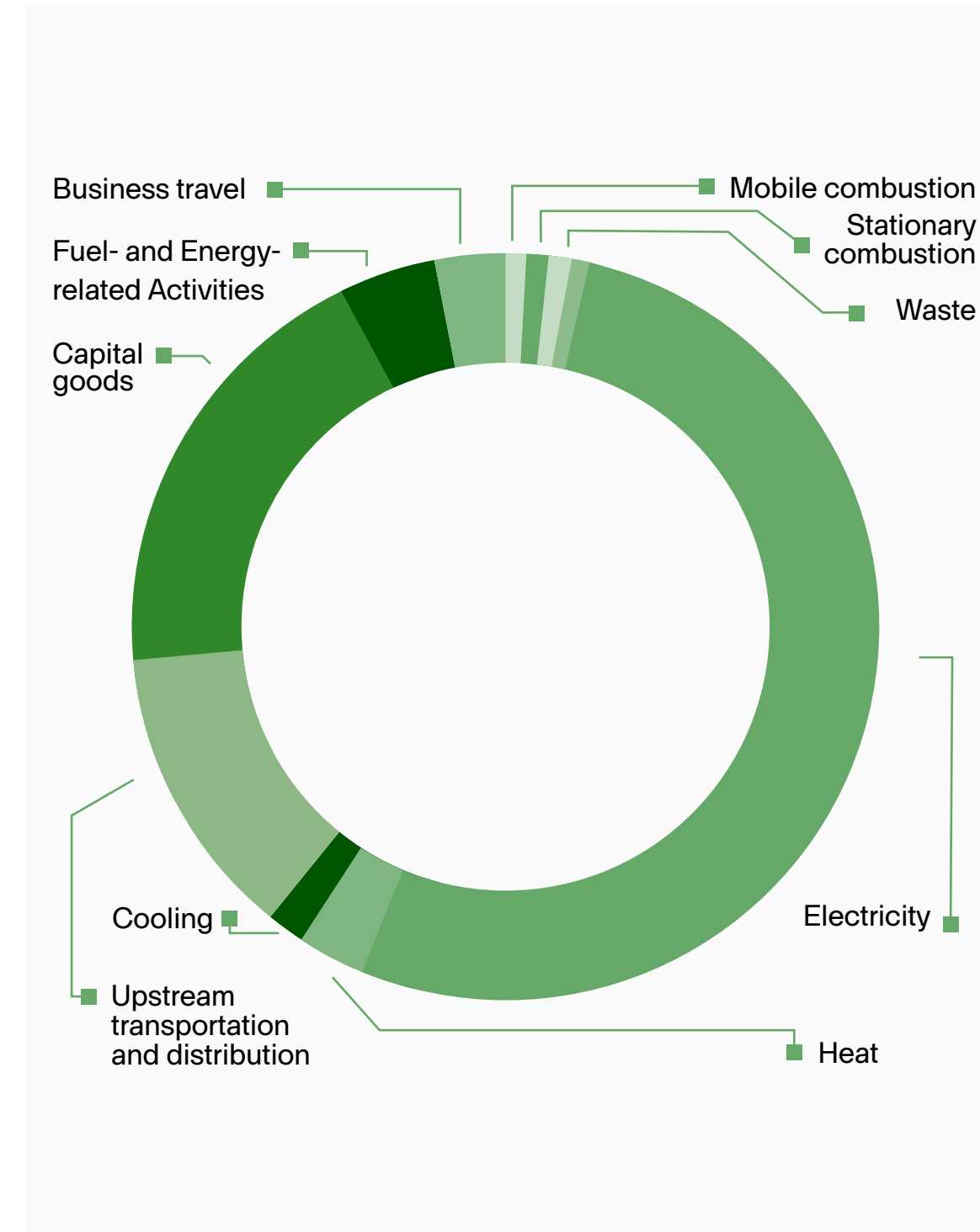
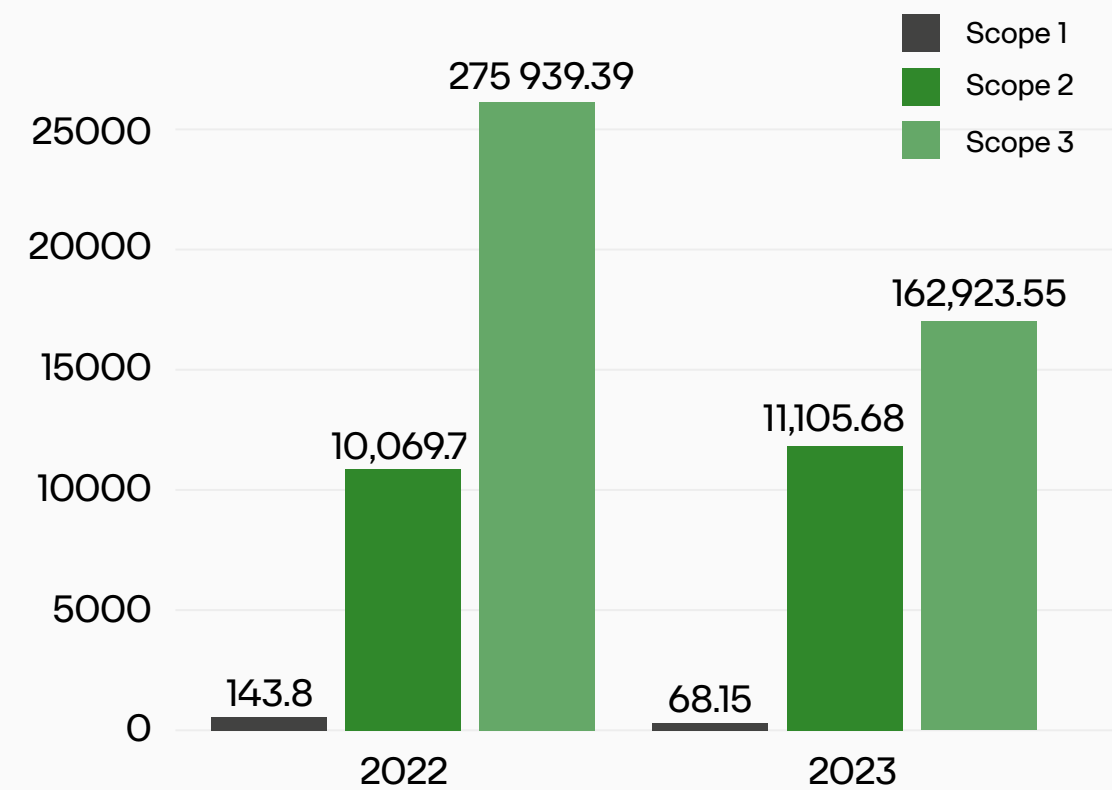
### Renewable Energy

We are working with a partner to increase renewable energy production on our facilities. Solar power plants are already in place on the rooftop of store facilities in Lielähti, Lappenranta and Espoo in Finland and in Örebro, Sweden. In 2022, the Group installed the first solar power plant on the Norwegian central warehouse. We are continuously working to extend the use of solar power plants in more stores and different markets. The solar power gives us significant cost benefits and an improved rate of renewable energy. In addition the project will yield more efficient electricity usage as the solar power panels have an insulation effect in the winter time and a reflective effect in the summer leading to less electricity usage overall. We are working with our property owners on constantly improving energy efficiency and environmental friendly solution. Increasing the number of charging stations outside our stores for guests with electric cars is an example of this.

The solar power plant in our Central Warehouse in Norway has made a significant contribution to the reduction of greenhouse gas from the facilities. In total for all XXL operations, the share of renewable energy was 19 per cent in 2023, an increase of 8 per cent from the 11 per cent in 2022.

Note: Due to change of reporting practice for emissions and implementation of carbon footprint management tool from Normative, the historical figures is based on different methodical data. This year XXL has recalculated historical data to base the climate accounting on the same methodical approach. Both data quality and granularity are improved and the complete GHG inventory are made from 2020, which is also set as a base year. XXL Carbon accounting report is published as an appendix to this report and can be found in XXL ASA web pages - Sustainability.

### GHG Emissions - yearly (tCO<sub>2</sub>e)



Emissions intensity (tCO <sub>2</sub> e / M)	Emissions (tCO <sub>2</sub> e)
Scope 1	0.02
Scope 2	1.13
Scope 3	31.61
Scope 1 + 2	1.15
<b>Total</b>	<b>32.76</b>

Scope	Scope per category	Emissions (tCO <sub>2</sub> e)
1	Stationary combustion	34.88
	Mobile combustion	33.27
2	Electricity	10 786.76
	Heat	283.78
	Cooling	35.14
3	Employee commuting	11 563.77
	Upstream transportation and distribution	1 633.09
	Capital goods	997.87
	Use of sold products	909.53
	Fuel- and Energy-Related Activities	815.82
	End-of-life treatment of sold products	506.56
	Business travel	419.94
	Waste generated in operations	69.52



## E1.1 Notes to Climate Change

### E1.1 Total greenhouse gas emissions in consolidated activities

#### Reporting Principles for XXL ASA's Sustainability Statements:

XXL ASA diligently reports both direct and indirect greenhouse gas (GHG) emissions within its consolidated operations, breaking down these emissions by business entities and per scope. This reporting adheres to the guidelines established by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol, adapting the operational control principle to ensure accuracy and consistency.

The emission calculation is prepared on within the organizational boundaries of XXL ASA and subsidiary entities under the operational control approach. Minority ownership is not included. In terms of direct GHG emissions (Scope 1), XXL ASA calculates these based on specific operational activities and the consumption of fossil fuels within its operations. These activities are mainly concentrated to the phased out activities of stationary combustion boilers in the Norwegian and Austrian Central Warehouses, and mobile combustion derived from company cars. The calculation methods and emission factors are aligned with the Scope 1 definition under the GHG Protocol, converting all emissions data into carbon dioxide equivalents (CO<sub>2</sub>e) for standardized reporting.

For indirect GHG emissions (Scope 2), XXL ASA assesses emissions arising from our electricity consumption. This includes GHG emissions associated with purchased electricity and, XXLs consumption of solar power produced on some of our locations. Adhering to Scope 2 of the GHG Protocol, XXL employs the location-based method following the revised Scope 2 Guidance, which utilizes emission factors from authoritative sources like the International Energy Agency (IEA). The method reflects the specific energy context of XXL's operations, especially in locations with distinct electricity grid mixes. Consistent with our commitment to transparency and traceability, XXL ASA reports our indirect emissions following both location-based approach and market-based method.

GRI reference: GRI Standards 305-1 (2016) and 305-2 (2016).

Scope	Scope category	2023	2022
Scope 1	Stationary combustion	34.9	77.7
	Mobile combustion	33.3	66.05
		68.15	143.8
Scope 2	Electricity	10 786.8	9 616.8
	Heat	283.8	265.6
	Cooling	35.5	187.3
		11 105.7	10 069.7
		928.7	452.9
Scope 3	Purchased goods and services	146 011.45	250 756.7
	Upstream transportation and distribution	1 633.1	3 721.3
	Capital goods	997.9	2 142.9
	Fuel- Energy-Related Activities	815.8	679.9
	Business travel	419.9	370.15
	Employee Commuting	11 563.8	16 828.3
	Waste generated in operations	69.5	68.2
	Use of Sold Products	909.5	837.79
	End of life treatment of sold products	506.6	534.30
		162 927.55	275 939.4
<b>Total Emissions (Market Based)</b>	<b>Scope 1, 2 and 3</b>	<b>174 101.4</b>	<b>286 152.8</b>
<b>Total Emissions (Location Based)</b>	<b>Scope 1, 2 and 3</b>	<b>163 924.4</b>	<b>276 536.0</b>

#### Greenhouse gas emissions per country – consolidated activities

tonnes CO <sub>2</sub> e	2023	2022
<b>Norway</b>	83 111.7	121 744.4
Direct	12.2	20.99
Indirect	83 099.45	121 723.4
<b>Sweden</b>	79 712.9	152 451.9
Direct	40.9	17.3
Indirect	79 672	152 434.6
<b>Finland</b>	8 910.6	11 117.5
Direct	15.02	38.9
Indirect	8 895.6	11 081.7
<b>Austria</b>	177.07	711.7
Direct	34.9	69.6
Indirect	142.2	642.1
<b>Total GHG Emissions</b>	<b>174 101.38</b>	<b>286 152.8</b>

### E1.2 Total greenhouse gas emissions Scope 1+2

#### Reporting principles

Total direct and indirect (Scope 1 and Scope 2) GHG emissions in XXL. The emissions are reported by country. GHG emissions have been calculated based on the principles of the WRI/WBCSD GHG Protocol.

GRI reference: GRI Standards 305-1 (2016) and 305-2 (2016).



### Scope 3 Greenhouse gas emissions

(tonnes CO<sub>2</sub>e)

	2023	2022
<b>Upstream Scope 3 emissions</b>	<b>161 511.5</b>	<b>274 567.4</b>
Purchased goods and services	146 011.45	250 756.7
Upstream transportation and distribution	1 633.1	3 721.3
Capital goods	997.9	2 142.9
Fuel- and Energy-Related Activities	815.8	679.9
Business travel	419.9	370.15
Employee Commuting	11 563.8	16 828.3
Waste generated in operations	69.5	68.2
<b>Downstream Scope 3 Emissions</b>	<b>1 416.1</b>	<b>1 416.1</b>
Use of Sold Products	909.5	837.7
End of life treatment of sold products	506.6	534.3
<b>Total Scope 3 GHG Emissions</b>	<b>162 927.55</b>	<b>275 939.4</b>

### E1.3 Indirect (scope 3) greenhouse gas emissions

#### Reporting principles

XXL's indirect (Scope 3) GHG emissions are reported for emissions related to purchased goods and services, upstream transportation and distribution, capital goods, fuel and energy related activities Business travel, Employee Commuting, Waste generated in operations, Use of Sold products and End of life treatment of sold products.

Purchased goods and services, capital goods and Business travel expenses are calculated by spend based assessment.

GRI reference: GRI Standards 305-3 (2016).

The baseline emissions related to Scope 3 have been recalculated. Purchased goods and services, capital goods, employee commuting, end of life treatment of sold products and use of sold products. due to improved data models and better granularity of data and fully completion of GHG inventory.

XXL's upstream Scope 3 emissions are dominated by emissions from purchased goods and services, mail from production and transportation of products provided from external suppliers.

XXL has no downstream activities under Scope 3.



#### Emissions intensity – tCO<sub>2</sub>e / MNOK Revenue

	2023	2022
Scope	tCO <sub>2</sub> e/MNOK Revenue	tCO <sub>2</sub> e/MNOK Revenue
Scope 1	0.009	0.016
Scope 2	1.40	1.13
Scope 3	20.47	31.61
Scope 1+2	1.40	1.15
<b>Total</b>	<b>21.87</b>	<b>30.92</b>

#### Emissions intensity – tCO<sub>2</sub>e / employee

	2023	2022
Scope	tCO <sub>2</sub> e/employee	tCO <sub>2</sub> e/employee
Scope 1	0.027	0.036
Scope 2	4.39	2.55
Scope 3	64.42	70.95
Scope 1+2	4.42	2.58
<b>Total</b>	<b>68.84</b>	<b>69.41</b>

#### Emissions intensity – tCO<sub>2</sub>e / 1000 items sold

	2023	2022
Scope	tCO <sub>2</sub> e/1000 items sold	tCO <sub>2</sub> e/1000 items sold
Scope 1	0.001	0.002
Scope 2	0.23	0.17
Scope 3	3.32	4.62
Scope 1+2	0.23	0.17
<b>Total</b>	<b>3.55</b>	<b>4.52</b>

## E1.4 Greenhouse gas emissions intensity

### Reporting principles

GHG intensity are reported based on net revenue, which is an ESRS requirement, but not an operational target as this value varies based on market prices, employee base and volume of products sold.

GHG intensity indicator of employees and GHG intensity by number of items sold reflect the performance in a more realistic way.

GHG intensity based on net revenue is calculated based on Scope 1 and Scope 2, Scope 3, Scope 1+2 and Total GHG emissions, divided by total revenue as reported in the consolidated income statement, Employee FTE (full time equivalents) and Actual number of items sold.

GRI Reference: GRI Standards 305-4 (2016).

Emission intensity per scope.



### Energy Consumption per category / MWh

Scope	Category	2023	2022
Scope 1	Stationary Combustion	172.1	883.4
	Mobile Combustion	135.4	250.65
Scope 2	Electricity	32 039.9	38 992.1
	Heat	6 196.1	5 760.9
	Cooling	292.8	407.3
<b>Total Energy Consumption</b>		<b>39 039.9</b>	<b>46 294.3</b>

### Renewable energy share per country

	2023	2022
Norway	14 %	18 %
Sweden	20 %	0 %
Finland	12 %	8 %
Austria	92 %	38 %
<b>Total Renewable energy</b>	<b>19 %</b>	<b>11 %</b>

### Energy Intensity

	2023	2022
Energy Intensity / MNOK	4.9	5.21
Energy Intensity / Employee	15.4	11.7
Energy Intensity / 1000 Items sold	-	-
<b>Total Renewable energy</b>	<b>0.8</b>	<b>0.76</b>

## E1.5 Energy consumption

### Reporting principles

Total energy consumption in XXL's consolidated activities, reported by scope and category.

Energy consumption includes energy generated by Solar power plants on XXL operations facilities as well as purchased energy.

Energy sources reported includes heating, cooling and steam generated in XXL's operations as well as energy related to mobile combustion by company cars.

GRI Reference: GRI Standards 302-1 (2016)

## E1.6 Renewable energy consumption

### Reporting principles

Renewable energy consumption is estimated based on total energy consumption in total and by country, and data on country specific energy mix in the electricity grid from the International Energy Agency (IEA).

Electricity derived from biofuels, waste, hydro, geothermal, solar, wind and tide are considered renewable.

GRI Reference: GRI Standards 302-1 (b) (2016).

## E1.7 Energy intensity

### Reporting principles

Energy intensity based on net revenue is calculated based on total energy consumption in XXL's consolidated activities, divided by total revenue as reported in XXL's consolidated income statement.

Energy intensity indicator of employees and by number of items sold gives a more realistic impression of the development.

GRI Reference: GRI Standards 302-3 (2016).



# Resource Use and Circular Economy

## XXL ASA's Approach to Resource Use and Circular Economy

### Objective

XXL ASA is committed to optimizing resource use and advancing circular economy principles throughout its operations and value chain. This commitment is aimed at reducing environmental impact, minimizing waste, and promoting resource efficiency, aligning with broader sustainability goals and industry best practices.

Sustainable Supply Chain Management is a material topic for XXL, and the company is committed to managing its supply chain in a responsible and sustainable manner. We recognize that our supply chain activities have a significant impact on the environment and society, and we are committed to addressing these impacts by adopting a comprehensive approach to supply chain management.

To manage our supply chain effectively, we have implemented due diligence procedures in line with the Norwegian Transparency Act and preparing for the expected EU Corporate Sustainability Due Diligence Directive (CSDDD) proposal. Thorough assessment of our most significant impacts and risks described in the section risks and opportunities and, we have engaged with our suppliers and producers on an increasingly basis to assess their performance, identify areas for improvement, and provide support and training.

We are continuously working to establish robust governance structures and processes to ensure effective management, and as a part of this process, we have assigned clear roles and responsibilities, established performance metrics and reporting mechanisms, and provided training and support to employees and suppliers. As a part of the ongoing strategic sustainability work, we plan to improve sustainable procurement practices to ensure that we are sourcing products in a more environmentally and socially responsible manner.

XXL recognizes that sound management of the supply chain is critical to our business success, and we are committed to ongoing improvements in this area. The board regularly monitor and evaluate the Group's performance.

By adopting a comprehensive approach to Sustainable Supply Chain Management and implementing due diligence procedures in line with regulatory requirements, XXL is reducing risks, enhancing reputation, and creating long-term value for our stakeholders.

### Material Consumption

Material Consumption is a key material topic for our company, and we are committed to managing our consumption of materials in a responsible and sustainable manner. As a distributor of consumer products, we recognize that our material consumption has a significant impact on the environment, climate and society, and we are committed to addressing these impacts by adopting a comprehensive approach to low-carbon material consumption management.

To effectively manage our material consumption, we are working on several initiatives aimed at reducing our consumption of materials, enhancing resource efficiency, reduced emissions and minimizing waste generation. An important element to achieve this goal, is partnerships with our producers and suppliers. To succeed, we are reliant of decouple material consumption and waste generation from economic growth and find new ways to expand our business through circular business models circularity of resources. The ongoing work on a new sustainability strategy will define concrete targets to reduce material consumptions and greenhouse gas emissions including procedures for tracking our progress against these targets.

In addition to the measures mentioned above, new regulations requires enhanced eco-design practices to ensure that our products are designed to be environmentally sustainable from the outset. This involves taking into account the full lifecycle assessment of a products, from raw material extraction to disposal, and incorporating end of life considerations into the design process.

We also prioritize the selection of sustainable materials, including recycled material, natural fibers, and renewable resources, to reduce our reliance on non-renewable resources and minimize our environmental impact. We work closely with our suppliers to ensure that they share our commitment to sustainable material sourcing, and we prioritize suppliers who meet our expectations regarding responsible material sourcing, and manage to do so in a cost efficient way.

Our approach to material consumption management is aligned with circular economy principles, including reducing waste generation, promoting the reuse and recycling of materials wherever possible, and supporting the development of circular business models.

By adopting a comprehensive approach to material consumption management and implementing sustainable procurement practices, eco-design, and sustainable material selection, we also see a possible financial and competitive advantage due to lower impact from the extended producer responsibility schemes.

### Repairs and up-cycling of products

The Group is committed to extending the lifespan of our products through our focus on repairs and up-cycling. Our aim is to minimize waste generation and promote the circular economy. We provide repair services for our products and work to ensure their durability and reparability. We also encourage our customers to repair and maintain their products through various initiatives such as repair- and maintenance guides, or to deliver their products to our workshops and gunsmiths. Furthermore, we explore new circular business models to meet the changing consumer trends and behaviors and to reduce the impact from climate change while finding new business opportunities.

To achieve these goals, we work closely with our suppliers and partners to ensure that our products are designed with repair in mind. New regulations such as the right to repair sets thresholds for businesses to ensure products reparability. XXL have over time worked to improve the services and technology solutions to meet future requirements.

We regularly review and assess our processes to identify opportunities for improvement and innovation when it comes to our service offerings. We monitor and report on our progress and engage with our stakeholders to gain their feedback and input.

Our approach to repairs and up-cycling is an integral part of our commitment to sustainability and responsible business practices. We believe that by promoting circular economy, we can increase value for our stakeholders while minimizing the impact on the environment from our operation.



### Quality and durability of products

At XXL we understand the importance of offering high-quality and durable products that meet the needs of our customers while also minimizing our environmental impact. We are committed to improving the quality and durability of our products, and at the same time ensure affordable and accessible for all people.

To ensure the quality and durability, we have implemented stringent quality control measures at every stage of our production process of our own brands. We also work closely with our suppliers to ensure that the materials used in our products meet our high standards for quality and durability. Our products undergo rigorous testing and evaluation to ensure that they meet or exceed industry standards for safety, performance, and durability. Furthermore, we continuously encourage our suppliers to explore new materials and technologies to develop more sustainable and durable products.

Overall, we are committed to continuously improving the quality and durability of our products and minimizing our environmental impact. By providing products that are built to last, we aim to promote a more sustainable and responsible approach to consumption.

### Transparency and traceability in the value chain

At XXL, we are committed to promoting transparency and traceability throughout our entire value chain. We recognize the importance of understanding the environmental and social impacts of our business operations, and the impact they have on our stakeholders. We strive to operate with integrity and ethics, and as such, we take our responsibility towards transparency and traceability seriously.

To ensure that we meet our commitments, we have established a range of policies and practices that guide our approach to supply chain management. These include due diligence procedures for identifying and mitigating potential risks, and working with suppliers to ensure that they adhere to our environmental and social standards.

We also recognize the importance of engaging with our stakeholders, including customers, employees, suppliers, and communities, to understand their expectations and concerns. Through regular communication, we seek to build trust and foster long-term relationships that promote sustainability and transparency.

Furthermore, we are committed to using technology and other

innovative solutions to improve our transparency and traceability efforts. We are exploring new ways to track and monitor our supply chain, including the use of digital tools that enable us to trace products and materials from source to end-user.

Overall, we believe that transparency and traceability are essential components of a sustainable business, and we are committed to continually improving our practices in this area.

### Regulatory framework

XXL has established a framework of environmental requirement (XXL ER), containing environmental requirements and other related specifications for orders placed by XXL. The framework has two parts, legislations and chemical restriction list, and is available for all suppliers online. The supplier should ensure compliance to laws, legislations and regulations, EC directives and guarantee that all products delivered to XXL comply with the requirements included in the XXL ER document. It is XXL's responsibility to inform supplier, supplier's responsibility to inform sub-supplier involved in the production chain, about requirements in the XXL ER and assure that they comply with it.

All suppliers are obligated to perform necessary tests and ensure their product meet the XXL ER. The tests should be performed at accredited laboratories at their own expense. Producers, importers and suppliers are responsible for collecting and distribute mandatory product information to downstream users.

Deviations from the requirements results in products that cannot arrive at the XXL warehouse until necessary documents and test result are approved by XXL in writing. XXL also reserve the right to cancel or claim orders if products or tests do not comply with the XXL ER.

### Internal control system (XXL ICS)

XXL require EC Declaration of conformity to control CE marking for all PPE products and EC Type Examination certificates to control required certification, tests and quality assurance for class 2 & 3 PPE products. XXL has an extended focus on PPE products in Internal Control Audits according to the Internal Control System (XXL ICS) and in buying routines.

### Internal audits

As we have inspected numerous items over the years, we now have better data used for risk assessment of products and suppliers. The inspection criteria has been updated to conduct inspections of whole product groups instead of a selection of products from several product groups. In addition we have

commenced inspections of items where we have been notified of future changes in regulations or by inspecting random samples, on behalf of concerns brought to our attention by consumers, media, authorities or others. This way our inspections are done more efficiently and purposefully.

Test results are shared with the supplier in question and corrective actions are secured when elements of non-compliance are discovered. We also use third party acknowledged laboratories for such product testing. In general most of the noncompliance deviations spin around minor elements such as language on labelling, importer information and contact details. In other cases, more serious violations of the product regulations. Any noncompliance of regulations result in necessary corrective actions In 2023 XXL conducted 12 internal audits, 8 products failed and need improvement for future deliveries.

### Quality Control

The need for improvements are identified, corrective action plans analyzed. Better working conditions, decent wages, health and safety in factory are always discussed with the suppliers. The development and bulk samples are tested if they meet partner's quality assurance standard. The requested tests depend on the type of product. Additional check is done by making physical and chemical tests in their own internal laboratory. The risk assessment is done for every new article, the human health and environmental safety is evaluated and tested, necessary certificates are arranged documenting compliance with XXL ER Chemical List, equivalent to a RSL for substances restricted under REACH from ECHA.. The products are occupied with necessary documentation (test reports, certificates where applicable, certificates of origin). Majority of materials used in products are Oeko-tex certified.

XXL agents or 3rd party inspection company is allowed to inspect during production at any time. Every shipment is inspected and the inspection report is evaluated, both by our local agents and by XXL personnel. AQL 2,5/4.0 major/minor general inspection level II are base for the inspection if nothing else have been informed. The defects found during inspection are removed or replaced by new products. If the amount of founded defects exceeds the AQL major/minor limit, then the time is given to producer for making additional internal control for 100% production and to improve products or replace defected ones. After given term the inspection is repeated.

The root cause analysis done in purpose to prevent issues in future, the corrective actions planned and implemented. We have during 2023 enhanced our Quality Management System in XXL (XXL QMS), and improved system and standards for quality control.

In 2023, 470 pre-shipment inspections was conducted on XXL OEM product shipments. The goal was reached and 100% of our shipments were inspected. 12 nonconformities were discovered. All nonconformities were corrected and re-inspected before shipment. 15 audits still pending QC results, while 2 re-inspection audits are placed on hold.

The pre-shipment inspections act as prevention of shipping the unacceptable quality products or products with wrong barcodes or cartons marked incorrectly and other issues.

The development and bulk samples are tested if they meet partner's quality assurance standard. The requested tests depend on the type of product. Additional check is done by making physical and chemical tests in their own internal laboratory. This year some more testing equipment was bought. The human health and environmental safety is evaluated and tested when necessary. The restricted substances list is followed.

### Resource Inflows and Circular Economy Integration:

XXL has close dialogue with our producers and suppliers of the increased need to monitor and manage material inflows, focusing on increasing the use of renewable and recycled materials. This approach will reduce dependence on virgin non-renewable resources and supports the transition to a more circular economic model. The need for more accurate data has been materialized in a cooperation facilitated by Bundesverbandder DeutschenSportartikelIndustrie(BSI) and European Outdoor Group (EOG) in the Sustainability Data Exchange (SDEX) template. XXL supports the initiative and emphasis to our suppliers the need for quality data going forward. The template consist of detailed material.



### Waste Management and Resource Outflows

XXL adopts a stringent waste management strategy, aligning with the waste hierarchy to prioritize prevention, reuse, and recycling. Detailed disclosures on waste generation, segregation, and treatment our commitment to waste minimization and resource recovery.

XXL discloses the composition and treatment of waste streams, emphasizing efforts to reduce hazardous waste and improve recycling rates, thereby mitigating environmental impacts and supporting resource conservation.

We aim to minimize waste and maintain high recycling rates in our warehouses and stores. There are in general two main waste components in the XXL chain, namely packaging (cardboards and paper) and combustible waste (wood and pallets mainly)

Packaging is recycled and recovered in full. The second is categorized as incinerated waste. In total 83,8 per cent of the waste in the group is categorized recycled, 12,6 per cent is categorized as incinerated waste. The share of recycled waste increased with 5.4 per cent compared to 2022. In 2024 our target remains at 87 per cent.

XXL has membership in organizations for producer responsibilities for packaging, electrical and electronic equipment and batteries and support many local initiatives in the communities we operate in by donation of complaint and returned goods in partnership with our suppliers.

Electronic waste (EE labeled) can be returned to our stores. We have recycling routines and sell used packaging and cardboards to specialist partners. In Norway XXL has a membership in Norsirk (collecting electrical and electronic devices and batteries for recycling) and similar in other markets.

### Impact, Risk, and Opportunity Management

XXL assesses and discloses material risks and opportunities related to resource use and the circular economy, incorporating these considerations into strategic planning and operational practices. This assessment helps identify areas for improvement and innovation, driving progress toward circularity.

XXL policies and strategies address the transition from linear to circular resource use, outlining actions to enhance resource efficiency, minimize waste, and foster the regenerative use of natural resources. Going forward an integrated. The Impact risks and opportunities related to resource use and circular economy is outlined in the General information section - Impact, Risks and opportunities (IRO) Table.

### Metrics, Targets, and Financial Implications

Going forward, XXL will set and report on specific, measurable targets related to resource use and circular economy objectives, tracking progress aligned with the groups overall strategies as to enhance performance and impact in correlation to economic growth and profitability.

We will also to a greater extent evaluate the financial effects of its resource use and circular economy practices, and provide insights into how these efforts contribute to financial resilience and long-term value creation for the group.

### Transparency and Stakeholder Engagement

XXL ASA commits to transparent reporting and stakeholder engagement, sharing detailed information on resource use, circular economy initiatives, and progress toward established targets. This transparency fosters accountability and supports collaborative efforts to advance circular economy principles across the industry.

This disclosure framework reflects XXL ASA's approach to managing resource use and embracing circular economy principles, demonstrating commitment to sustainable business practices. The views and interests of our stakeholders are reflected in the on page 38-39 in this report.

### Motivation for recycling

There are two main motivation factors for our group to recycle waste. Firstly, we have a stated goal of reducing waste to lower our environmental impact. A well-functioning recycle system and reporting is important to succeed with our goal, but equally important is the preventive measures done with products and packaging. We use our market position to influence producers and importers to minimize packaging and use recycled and renewable material in products and packaging if possible. Our business model with effective logistics and transportation makes it possible to reduce large quantities of packaging materials as the products can be shipped in larger packages that require less protection packaging such as plastic packaging. The second motivation factor is reduced cost. Less waste, recyclable materials and a high recycling factor will significantly affect the cost of waste handling in a positive direction.

In addition to an extensive repair and service offering, XXL are investigating opportunities in the circular economy that could extend the services for product repairs, add new initiatives for new business models and service as a collecting point and sales channel for returned and claimed products. Changing consumer trends, producer responsibility schemes, and expectations and requirements from the financial market to extend circular

activities will provide increased profitability for circular economy in the coming years. XXL aims to be the frontrunner in circular sport retail and see an advantage in our omni-channel structure compared to web-based market participants with a high linear risk.

### Waste reduction

We will continue to work on reducing the amount of waste, focusing on increasing the recovery rates even further, and creating a circular economy. An after-sales manager is in place in all countries coordinating storage routines including new initiatives to reduce waste. In 2017, XXL started to take a fee on plastic shopping bags in all countries. This has resulted in a significant drop in the volumes of shopping bags by around 30 per cent.

The project also raises funds to XXL Children's Foundation and other social engagement activities. XXL has also converted to paper shopping bags in some markets and introduced recycled and reusable shopping nets. In 2023, the Group will continue its effort to reduce waste and increase the fractions of material.

The result of this work is a total waste reduction of 963,982 kg and an decrease of recycled waste of 4.7 per cent.



# E5 Notes on Resource use and circular economy

## Resource Inflow – Products

2023

Waste type	Weight (t)
Textiles	5 317,42
Iron & Metal Scrap	4 067,31
Msw Recycled	3 642,04
Aluminium	3 346,30
Colored Plastic	1 450,49
Combustable Waste	199,05
Electrical Equipment	119,12
Rubber recycled	107,09
Clear Plastic Waste, Recycled	15,64

## Resource Outflow – Products

2023

Waste type	Weight (t)
Textiles	6 308,51
Iron & Metal Scrap	4 825,39
Msw Recycled	4 320,86
Aluminium	3 970,00
Colored Plastic	1 720,84
Combustable Waste	236,15
Electrical Equipment	141,32
Rubber recycled	127,05
Clear Plastic Waste, Recycled	18,56

## E5.1 Resource inflows

### Reporting principles

Resource inflows are the key raw materials used in the purchased goods to XXL entities in 2023.

Calculation methodology. Resource inflow related to Purchased goods and services are calculated based on the same fraction of materials from outflow of resources adjusted for total weight of products purchased compared to products sold. Total resource inflow is 18264,47 tonnes of materials where Purchased goods and services represent majority of indirect emission to the group by, 146011,45 tCO<sub>2</sub>e

GRI reference: GRI Standards 301-1 and 301-2 (2016).

## E5.2 Resource outflows – Products

### Reporting principles

Resource outflow of products derived from end of life treatment of sold products calculation. The total emissions related to the end of life treatment is 507 tCO<sub>2</sub>e. The share of recycled materials is calculated to 78 per cent in total. Accurate data related to resource inflow of material and waste treatment methods for purchased goods and services are expected as part of new products SDEX initiatives from EOG/BSI going forward.



<b>Resource Outflow – Waste</b>		<b>2023</b>
<b>Waste type</b>		<b>Weight (t)</b>
Cardboard waste, recycled		2 220,73
Corrugated Cardboard		1326,18
Cardboard Waste, recycled		1 015,85
Msw Combustion		1 011,16
Metal waste, recycled		342,53
Wood		130
Clear Plastic Waste, recycled		95,12
Msw Recycleed		44,54
Electrical Equipment		44,2
Paper		
Colored Plastic Recycled		38,54
Fine Combusted Materials		10,19
Textiles		6,43

### **E5. 3 Resource outflows –Waste**

#### **Reporting principles**

Waste generated by XXL's consolidated activities, reported by waste category, covering the main sources of resource outflow from waste. The total resource outflow from waste is 3.268 tonnes of material in total. The total greenhouse gas emissions related to waste from own operations are 69,52 tCO<sub>2</sub>e. The Waste by fraction type and treatment is presented in the annex XXL Climate Accounting Report 2023.



# Statement on EU taxonomy for sustainable economic activities

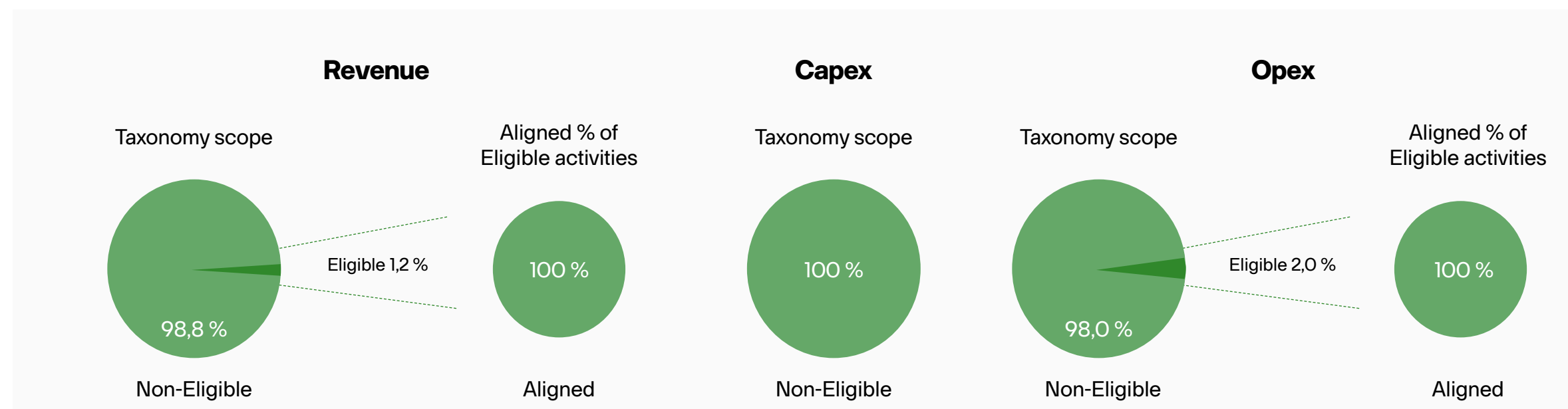
The EU Taxonomy represents a key element of the European Commission's Sustainable Finance Action Plan, serving as an instrumental framework to channel capital flows into sustainable ventures. Entities within the EU, impacted by this regulation, were mandated to initiate reporting based on a specified set of criteria for the financial year 2021 within the calendar year 2022. This initial phase of reporting was circumscribed to encompass economic activities delineated by two environmental objectives: Climate Change Mitigation and Climate Change Adaptation.

In 2023, the European Union advanced its regulatory framework by issuing delegated acts that expanded the taxonomy to incorporate activities linked to the remaining four environmental objectives, alongside augmenting the scope under the original two objectives. Consequently, EU-based organizations under the obligations of these reporting mandates are now required to assess and disclose their engagement in all listed activities and their conformity with the criteria established in the initial Climate Delegated Act.

Parallel to the EU's trajectory, the Norwegian government has articulated its intent to align with the EU's implementation schedule. However, on 16 November 2023, when Norway's Ministry of Finance announced an unexpected delay in incorporating these delegated acts into the EEA agreement within the anticipated timeline of 2023. As a result, Norwegian entities are exempt from the expanded reporting obligations and are expected to focus solely on reporting their eligibility and alignment concerning the activities delineated in the initial Climate Delegated Act for the fiscal year 2023.

As a non-financial company XXL reports on revenue (turnover), capital expenditure and operating expenses that are associated with Taxonomy-eligible and Taxonomy-aligned economic activities, in accordance with regulation EU (2020/852) and the supplementing delegated acts.

## Summary of performance



XXL has identified one relevant activity from the mandatory reporting scope of the EU Taxonomy. Electricity generation using solar photovoltaic technology is an activity which contributes to the Revenue KPI.

The introduction of activities under the Environmental delegated act contributes to add two material eligible activities for XXL. Repair, refurbishment and remanufacturing represent the highest portion of the Revenue and Opex KPIs. 100 % of the eligible activities identified are aligned.

The non-eligible scope of Revenues, Capex and Opex is high, regardless of high focus on sustainability in the organization. These activities are not yet captured by the EU Taxonomy and XXL will be able to increase the eligible portion significantly when the main sales activities are included in the EU taxonomy.



## Identifying eligible activities

### Mandatory reporting scope

One activity has been identified within the mandatory reporting scope for 2023. The activity is introduced by the amendment to the Climate Delegated Act under the Environmental objective Climate Change Mitigation. The activity will be evaluated on the Revenue, Opex and Capex KPIs against the aligned criteria.

#### Electricity generation using solar photovoltaic technology

(Climate change mitigation – 4.1)

XXL has together with the landlord installed solar photovoltaic technology on the entire roof of the Central Warehouse located in Norway and sell the excess power to the grid. The license has been approved and XXL is now an electricity supplier. The activity generates electricity using solar PV technology and meets the substantial contribution criteria of the EU taxonomy.

The products found to be relevant for this activity for XXL fit in the following NACE codes:

- D35.12 Production of electricity from renewable sources.

### Voluntary reporting scope

Two activities have been identified from the voluntary reporting scope for XXL. The activities are introduced by the Environmental Delegated Act under the Environmental objective Transition to a Circular Economy. All activities are evaluated on the Revenue, Opex and Capex KPIs against the aligned criteria

#### Repair, refurbishment and remanufacturing

(Transition to a Circular Economy – 5.1)

The repair, refurbishment and remanufacturing activity is a key activity in all stores that XXL operates in Norway, Sweden and Finland. XXL can perform repair, refurbishment and remanufacturing of bikes, skis, rackets, shoes, golf clubs, ice skates and rifles.

The products found to be relevant for this activity for XXL fit in the following NACE codes:

- C33.1.1 Repair of fabricated metal product
- C33.1.9 Repair of other equipment

To make a substantial contribution to the environmental objective transition to a circular economy, XXL's repaired products must be conducted with the intention to extend the lifetime of the products. The replaced or broken parts in the repaired products must also either be reused, recycled, or disposed in accordance with applicable EU and national legislations. All XXL's repairment activities fulfils the technical criteria for substantial contribution.

#### Sale of spare parts

(Transition to a Circular Economy – 5.2)

The sale of spare parts is another activity relevant for all stores and omni channels that XXL operates. Spare parts, as defined in the EU Taxonomy, are separate parts of a product that can replace a part of a product with the same or similar function. The product cannot function as intended without that part of the product.

The products found to be relevant for this activity for XXL fit in the following NACE codes:

- G47 Retail Trade

### Non-material eligible activities

XXL has defined a material threshold of NOK 0.5 million for material eligible activities. XXL has several activities that are eligible, but with non-material effect of revenue, opex and capex.

XXL sublease all the premises in which the stores are operated and most of the capex related to effective energy use is held by the landlord. XXL has initiated and paid the cost related to activities to control and monitor the ventilation and power use in the stores.

XXL has initiated several pilot activities within the circular economy. These initiatives have been conducted as pilot tests of circular business models and have a potential of become material eligible and aligned activities if scaled. Examples on these types of activities is refurbishment and sale of used textile and outdoor products, and product as a service initiative such as rental and leasing concepts for costumers.







Taxonomy – aligned Capex			Substantial contribution							Does not significantly harm (DNSH)							(20) Taxonomy Aligned propotion of turnover (2022 (%))	(19) Category (enabling activity)	(20) Category (transitional activity)
			(5) Climate change mitigation	(5) Climate change adoptation	(7) Water	(8) Polution	(9) Circular economy	(10) Bio- diversity	(11) Climate change mitigation	(12) Climate change adoptation	(13) Water	(14) Polution	(15) Circular economy	(16) Bio- diversity	(17) Minimum Safeguard				
Code	Capex NOKm	Proportion of capex 2023 (%)																	
<b>Economic activities</b>																			
<b>A. Taxonomy – Eligible activities</b>																			
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>																			
Repair, refurbishment and remanufacturing	5.1 (CE)	0,0	0 %	N / EL	N / EL	N / EL	N / EL	Y	N / EL	Y	Y	Y	Y	Y	N.A	Y			
Sale spare parts	5.2 (CE)	0,0	0 %	N / EL	N / EL	N / EL	N / EL	Y	N / EL	Y	Y	Y	Y	Y	N.A	Y			
Electricity generation using solar photovoltaic technology	4.11 (CCM)	0,0	0 %	Y	Y	N / EL	Y	N / EL	N / EL	Y	Y	Y	Y	Y	N.A	Y			
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)</b>		0,0	0 %																
<b>Capex of sustainable activities (not taxonomy-aligned) (A.2)</b>		0	0 %																
<b>Capex of taxonomy-eligible activities (A.1+A2)</b>		0,0	0 %																
<b>B. Taxonomy – Non-eligible activities</b>																			
Capex of taxonomy-non-eligible activities (B)		129,0	100 %																
<b>Total ( A + B )</b>		129,0	100 %																

**CE** Circulare Economy

**CCM** Climate change mitigation

**Y** Yes (taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective)

**N** No (taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective)

**N / EL** Not eligible (taxonomy-non-eligible activity for the relevant environmental objective)



Taxonomy – aligned Opex			Substantial contribution							Does not significantly harm (DNSH)							(20) Taxonomy Aligned propotion of turnover (2022 (%))	(19) Category (enabling activity)	(20) Category (transitional activity)
			(5) Climate change mitigation	(5) Climate change adoptation	(7) Water	(8) Polution	(9) Circular economy	(10) Bio- diversity	(11) Climate change mitigation	(12) Climate change adoptation	(13) Water	(14) Polution	(15) Circular economy	(16) Bio- diversity	(17) Minimum Safeguard				
Code	Opex NOKm	Proportion of Opex 2023 (%)																	
<b>Economic activities</b>																			
<b>A. Taxonomy – Eligible activities</b>																			
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>																			
Repair, refurbishment and remanufacturing	5.1 (CE)	41,2	1,6 %	N / EL	N / EL	N / EL	N / EL	Y	N / EL	Y	Y	Y	Y	Y	N.A	Y			
Sale spare parts	5.2 (CE)	20,8	0,8 %	N / EL	N / EL	N / EL	N / EL	Y	N / EL	Y	Y	Y	Y	Y	N.A	Y			
<b>Opex of environmentally sustainalbe activites (taxonomy-aligned) (A.1)</b>		62,0	2,4 %																
<b>A.2. Taxonomy-eligible but not environmentally sustianable activites (not taxonomy-aligned) (A.2)</b>																			
<b>Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)</b>		0	0 %																
<b>Opex of taxonomy-eligible activites (A.1+A2)</b>		62,0	2,4 %																
<b>B. Taxonomy – Non-eligible activities</b>																			
Opex of taxonomy-non-eligible activities (B)		2 525,9	97,6 %																
<b>Total ( A + B )</b>		2 587,9	100 %																

<b>CE</b>	Circulare Economy
<b>CCM</b>	Climate change mitigation
<b>Y</b>	Yes (taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective)
<b>N</b>	No (taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective)
<b>N / EL</b>	Not eligible (taxonomy-non-eligible activity for the relevant environmental objective)



# Own Workforce

## XXL ASA's Commitment to our own workforce

### Overview

XXL acknowledges the critical importance of ensuring a safe, inclusive, and equitable work environment for all our personnel, including permanent and temporary employees, agency staff, and contractors. XXL values human life and well-being above all and is committed to upholding the health and safety of our workforce, recognizing that these factors are pivotal not only for ethical reasons but also for enhancing operational efficiency and reducing costs.

We view our workforce as vital to our success, understanding that employee well-being, competence, motivation, and satisfaction directly influence the quality of service and operational efficiency. The company is dedicated to safeguarding employees' rights and fostering a culture of continuous learning, equality, and opportunity, attracting and retain talents and achieving organizational objectives.

### Risks and Opportunities

Adverse conditions related to work environments or working conditions can disrupt business continuity, legal proceedings, fines or other financial consequences, or harm XXL's reputation and public perception of the brand. Complying with regulations concerning working conditions and equal treatment is fundamental to mitigating risks and maintaining a positive standing in the markets that we operate.

High absence rates can result in increased cost and potential decreased productivity and profitability if we fail to monitor the workforce sufficiently, be aware of any early signs and and mitigate potential.

XXL leverages our positive influence on employees by offering secure employment, competitive wages, comprehensive training, and career opportunities within an inclusive environment. Discrimination and harassment is possible risks XXL must monitor closely, and risks of discrimination and barriers for equality are elaborated in the disclosures pursuant to the Norwegian Equality and Anti-Discrimination Act below.

Enhanced competence, training and personal development increase productivity and reduce employee retention rate and at the same time attracts top talents to the company.

### Our Approach

XXL aligns our health and safety standards with recognized frameworks and conducts thorough incident analyses to foster organizational learning. Employee engagement is a cornerstone of XXL's approach, especially concerning health, safety, and diversity matters, facilitated through various platforms and initiatives to ensure inclusivity and equity. Our Approach on how XXL works to promote gender equality and prevent discrimination is elaborated in the disclosures pursuant to the Norwegian Equality and Anti-Discrimination Act below.

### Health and Safety Leadership

Emphasizing visible and committed leadership, XXL ASA implements a robust management system for health and safety, driven by the CEO and executive management teams. The company prioritizes through employee-representation committees creating hazard-free workplaces, promoting well-being, and implementing proactive measures to prevent incidents. Going forward, XXL has hired a Senior Vice President (SVP) of Security at XXL ASA. The role will be central in enhancing the company's health and safety leadership. High expertise in risk assessment enables is necessary to identify potential hazards, adapt strategies proactively, and make informed decisions critical for maintaining workplace safety. As a strategic leader and trusted advisor, the SVP Security shall collaborate with various levels of management, providing insights that shape the company's strategic direction and enhance its capability to address complex challenges. The SVP Security shall also promote teamwork across the organization, establishing a culture of risk awareness and resilience. Furthermore, the SVP Security function shall work with continuous improvement, advancing XXL's risk management practices and ensuring the company remains at the forefront of industry standards and preparedness for future challenges.

### Absence from illness

The Group's absence from illness rate was 6,5 per cent in 2023, a decrease of 1,34 percent points compared to 2022. XXL is satisfied with reaching a level of sick leave below 7 per cent. The Group has implemented several measures to decrease the absence rate. Updated guidance and instructions in personnel-, management- and HSE handbook, special attention, workshops for leaders and dialogue between employee representatives and management. Regular mapping of sick leave in each store, personal individual follow-up, facilitation and focus on psychosocial work environment are proven and effective measure to reduce the sick leave in our organization and will be continued in 2024.

### Cultural and Strategic Alignment

XXL's culture and strategic efforts in talent acquisition, competence development, and leadership underscore our commitment to workforce excellence. Our four Core Values CUSTOMER-FIRST, KNOWLEDGEABLE, PASSIONATE, CARING defines the foundation of our culture. Through targeted initiatives and policies, XXL aspires to foster an organizational culture that values diversity, encourages professional growth, and aligns with our strategic goals.

### Monitoring and Continuous Improvement

XXL's board, senior management team and our HR department actively monitors and evaluates our workforce-related practices, setting and reviewing targets to enhance health, safety, and inclusivity. The company is dedicated to adapting our strategies based on feedback, assessments, and changing industry standards, ensuring continual progress toward our workforce objectives. The disclosures pursuant to the Norwegian Equality and Anti-Discrimination Act below elaborates the systematical monitoring and mitigating effort regarding discrimination of our workforce.

### Engagement and Representation

Through regular dialogues, surveys, and collaborative platforms, XXL ASA ensures that employee voices are heard and considered in decision-making processes, promoting a participatory work culture and reinforcing the company's commitment to our core values and ethical standards. XXL has 3 employee representatives in the Board, representing the three units: XXL Headquarter, XXL Store operations and XXL Warehouse and logistics

### Benefit plan obligations and retirement plan

Norwegian employees has a 2 per cent of salary retirement plan (OTP). In Sweden employees has a 4.5 per cent by (FORA) up to SEK 557,250, and 30 per cent above. In Finland there is a 1.5 per cent retirement plan with a transition period from 2017 to 2025 for employees in the age group 53 years to 62 years, where there are 1.7 per cent.

### Training and education of employees

As part of the Groups commitment to promoting sustainability, XXL recognizes the importance of investing in the training and education of our employees.

In 2023, we remained committed to enhancing our employees' skills and knowledge through various training initiatives.

The Group has three main areas of employee training and development: online training, onsite training, and on-the-job training.





### Analytics

Our online and onsite training systems and routines do not provide sufficient information and statistics according to reporting requirements. To enhance learning engagement and ensure better reporting, we are introducing a new online learning platform in the fall of 2024.

### Online training

Our online training platform, the Academy, offers over 1,000 micro-courses covering product, sales and service, routines, and compliance training.

### Onsite

The onsite training includes face-to-face training and webinars, and there has been established a training centre at Finnskogen, Norway, in 2007, which offers almost 90 beds and excellent training facilities indoor as well as outdoor. The Groups Talent Program has been a great success, with more than 280 leaders completing the program since 2010.

XXL has always offered preseason product and sales training within each category at Camp XXL, where employees can meet the most important suppliers, test the products, and learn about season strategies.

### Compliance training

There has also been implemented an e-learning program to facilitate the effective implementation and compliant application of the standards and guidelines set in XXL Code of Conduct and Anti-Corruption Guide. This program includes realistic situations reflecting relevant legal or ethical topics, challenges, and dilemmas that any XXL board member, employee, or business partner may face. Upon completion of the program, the respondent signs a Declaration of Compliance form to certify that they have read, understood, and will comply with the XXL Code of Conduct. At XXL, we are committed to developing our employees, fostering a strong corporate culture, and promoting sustainable business practices.

See Business Conduct section and Note G1.2 Compliance training for more information regarding Compliance training.

### In-the-store training

XXL offers mandatory training both online and onsite. Additionally, there are local training initiatives within individual departments. Currently, these trainings are not reported or recorded. Examples include sales and product training at the various stores. See note S1.5 Training and development.



# Disclosures pursuant to the Norwegian Equality and Anti-Discrimination Act

## Equality statement 2023

### Introduction

At XXL, we are committed to promoting inclusion, equality, and diversity at all levels of our organization. These values are at the core of our mission to democratize sports and make outdoor activities accessible to everyone, regardless of age, gender, skin color, geography, or financial position. We believe that sports and outdoor activities have the power to unite people and break down barriers, and we are dedicated to making this a reality for as many people as possible.

As a market leader in sports and outdoor gear, we recognize our responsibility to foster an active and healthy lifestyle. We are proud to offer a wide range of products at great prices, making sports and outdoor activities more accessible to the many. At XXL, we believe that sports should be for everyone, and we are committed to creating a safe and inclusive workplace where employees can be themselves and feel valued.

We are dedicated to developing an organization that promotes equality and prevents discrimination, including but not limited to gender, pregnancy, maternity leave or adoption, care tasks, ethnicity, religion, beliefs, disabilities, sexual orientation, gender identity, and gender expression. XXL aims to achieve a gender balance and diversity at all levels in the organization, including talent assessment and leadership development. We believe that a diverse and inclusive workplace not only fosters innovation and creativity but also leads to improved business outcomes.

At XXL, we are proud to be a part of a global movement that promotes the joy of being active and doing what you love. By making our wide assortment of affordable sports and outdoor gear accessible to the many, we are working towards a more active and healthier world. We are committed to promoting inclusion, equality, and diversity in all aspects of our business and will continue to strive towards a better future for all.

## Our Approach on how XXL works to promote gender equality and prevent discrimination

### Principles, procedures, and standards for equality and against discrimination

At XXL, we are committed to promoting diversity and preventing discrimination in all areas of our organization, including recruitment, pay, working conditions, promotion, development opportunities, and facilitation. Our goal is to ensure that all employees have the opportunity to balance work and family life, irrespective of their gender, ethnicity, religion, disability, sexual orientation, or gender identity. We are also dedicated to creating a workplace where everyone is free from harassment, sexual harassment, or gender-based violence. As a responsible employer, we have established comprehensive documents outlining our principles, standards, and procedures for managing our business, including updated ethical guidelines related to discrimination and harassment. We have also reviewed our internal and external whistleblowing systems in accordance with national regulations as well as EU regulations, with the participation of AMU. To ensure that all employees are aware of our ethical guidelines, we provide specific e-learning programs, including training in our whistleblowing routines and the principles for protecting whistleblowers, which are integrated into our onboarding process. Equality and non-discrimination are also incorporated into our personnel policy. Our system and standards aim to recognize and promote employees who exhibit a can-do attitude and commitment, regardless of their background, gender, or sexual orientation. At XXL, inclusion means that every employee feels like a valued member of our team. Our reward system is mainly based on achieving team goals rather than individual accomplishments. XXL's personnel, management, and HSE handbook outlines our key principles, procedures, and standards for our employees' employment relationship. Our HSE handbook is a reference work and a living system for reporting and documenting various incidents and deviations. We have also established a digital non-conformance system where employees must register and document non-conformances that are followed up by the responsible persons. Our systematic approach to working with HSE has led to improved routines, reduced absenteeism, and a greater degree of employee participation. As we move forward, we remain committed to facilitating HSE work to protect our employees' health and working environment.

## XXL's work to ensure equality and non-discrimination

XXL is committed to promoting equality and preventing discrimination through our ongoing efforts to strengthen inclusion and diversity in the organization. We believe in providing equal opportunities to all employees, regardless of their gender, ethnicity, religion, disability, sexual orientation, or gender identity. This work includes structured recruitment processes, equal pay for equal work, training and education, risk management, and dialogue between employee representatives and management. To increase the proportion of women in management positions, all leaders in XXL will focus on diversity in recruitment processes going forward. We are committed to implementing best practices that will accelerate the achievement of gender balance in managing positions and contribute to a more diverse organization.

Where we have the opportunity we collaborate with NAV in Norway and Arbetsförmedlingen in Sweden to provide work training, competence development and a way back into working life for employees of varied age and background, providing close follow-ups in areas such as finances, physical health, and mental health. We continuously investigate new opportunities and areas for our inclusion work, and have participated in innovation design processes with focus on inclusion.

The combination of building social and professional competence has proven to be a key element in the inclusion of individuals in our organization. We believe that XXL's ongoing efforts to promote equality and prevent discrimination will help us create a diverse and inclusive workplace where everyone can thrive.

How XXL identifies risk and what special risks for discrimination and barriers to equality exist XXL has a framework in place to identify various risk areas within the organization, including HSE and compliance work, which help to prevent and address any violations, leading to a better work environment and reduced adverse events. However, there are special risks associated with having many young employees in part-time or temporary positions, which may increase the likelihood of abuse or harassment. To mitigate this risk, XXL has established ethical guidelines, a whistleblowing system, and channels to report any instances of abuse or harassment.

Moreover, XXL has conducted a survey to assess the risk of involuntary part-time work, and the results will be presented to the AMU in different unour of the organization, where risk assessment and action plans will be developed. At the end of 2023 we have less than 0,5 % part-time employees at the group head office in Norway, and there is no risk revealed. In Norwegian



stores, we have 1310 part time employees as of year end 2023. All part-time employees received the survey, and 41 % responded. The gender balance (45,6 % women and 54,4 % men) and the age distribution of the respondents was representative for the population. 50,1 % of the respondents say they are satisfied with their part-time position, 35,8 % say they would like to continue with a part-time position although in a higher job percentage and 14,2 % say they would like to work in a full-time position. Our management work continuously with offering full time positions or a higher percentage of part-time positions to our part-time employees that announce their interest. The HR team will work together with AMU and the operations management to structure the process to further potential over the next years.

Furthermore, XXL has identified gender balance as another risk area in the company, particularly in the proportion of female managers at the top three levels, which may limit the development opportunities for competent employees. The company has been working to address this issue through HSE and involvement of employee representatives. In 2023, XXL conducted a mapping of pay gap in different levels of the organization, which showed that men, on average, have a higher salary than women due to the higher number of men in top management positions.

XXL uses whistleblowing channels and employee surveys to identify other risks related to discrimination and barriers to equality, such as gender, pregnancy, parental leave, adoption and care tasks, ethnicity, religion, outlook on life, disability, sexual orientation, gender identity, and gender expression. The whistleblowing routines and channels are functioning well and accessible to all employees, and anonymous employee surveys are conducted regularly to gather feedback and assess the effectiveness of XXL's policies and practices.

### **Causes of risks and barriers, including measures**

XXL has many young and part-time employees. This is due to the nature of the business, which is characterized by seasonal fluctuations, and the need for flexible solutions that make it possible for workers to combine work, studies, and leisure time. The results of the involuntary part-time survey reveal that there are several reasons why employees work part-time. For example, being a student and appreciating the flexibility provided by a part-time job is one reason. However, many employees express a desire for higher fixed employment rates or full-time employment. The reasons for this vary, but some employees report that their employer has not offered them a higher position, while others state that their specific request for a higher position has been rejected. Only a few employees report heavy work, health challenges, family life, or other duties as reasons for working part-time.

To reduce and prevent involuntary part-time, XXL plans to implement various measures, such as improved work planning, updated employee interview formulary, training and leadership programs for both employees and managers, and systematic work with results of employee surveys. In addition, XXL will look into the permanently calculated labor demand in each department store and assess the possibilities for an increased share of fulltime employees. Clarification of expectations when recruiting and when there is an increased need for part-time use is another important measure.

The use of temporary employment and part-time employees has been discussed in the local AMU's every year. The Norwegian work environment act, which states that full-time is the norm in Norwegian working life and part-time employees are given a strengthened preferential right to a full-time position, will be adhered to by XXL. The company has prepared to adhere to the norm over time, by looking into the current balance between the part-time and full-time employees in cooperation with employee representatives.

In terms of pay and benefour, XXL has over the last years worked on a structured process for yearly salary reviews. The process will ensure equal pay for equal job roles, and aims to close pay gaps over time. XXL conducted a mapping of salaries and benefour for FY2023 that reveals pay gaps in some job roles. As a measure to close the pay gap, XXL will continue to work systematically with review of all positions, including a benchmark against other comparable retailers, and update categorization of the organization's levels in regards to pay transparency mapping in 2024.

## **How XXL identifies risk and what special risks for discrimination and barriers to equality exist**

### **The result of the work**

XXL has established a dedicated Ethics & Compliance organization. The board of XXL ASA has engaged an external Ethics & Compliance advisor who is also the recipient of reports of concern reported through XXL's external whistleblowing channel.

Rightsizing and reorganization processes in 2023 made it necessary and desirable to have an extra close collaboration and open dialogue with the employees and their representatives. This work and the good collaboration in the new organizational structure where we have also strengthened our competence and capacity with the local HR-resources has continued. Information provided in the HSE handbook, including clarification of the organization of diversity and gender equality work, has been a priority task for the leaders in the new organizational structure and the HR department, in collaboration with the employee representatives, the safety representatives and other employee representatives in AMU.

Employer surveys and our whistleblowing channels are important tools to identify certain risks of discrimination and barriers to equality in XXL, especially related to sexual orientation, gender identity and complex discrimination.

XXL is taking various measures to reduce and prevent discrimination and barriers to equality. These measures include improving work planning, updating employee interview formulary, conducting systematic work with results of employee surveys, and assessing the possibilities for an increased share of fulltime employees. Additionally, XXL plans to close the pay gap by conducting a more systematic review of all positions and updating categorization of the organization's levels in regards to pay transparency mapping.

The XXL management team are responsible for all measures related to risks identified for discrimination and barriers to equality.



# S1 Notes on Own Workforce

## Number of employees

Country	2023		2022		2021		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Norway	904	1 376	1 402	1 968	1 155	1 600	1 077	1 545
Sweden	573	784	995	1 338	658	945	629	907
Finland	348	370	623	606	459	409	470	460
Austria	-	1	183	197	124	138	133	142
Denmark	-	1	-	1	-	1	-	1
Switzerland	1	2	1	2	1	2	1	2
Group	1 826	2 534	3 204	4 111	2 397	3 095	2 309	3 054

## Gender balance per region

Country	2023		2022		2021		2020	
	Female Share	Male Share	Female Share	Male Share	Female Share	Male Share	Female Share	Male Share
Norway	40 %	60 %	42 %	58 %	42 %	58 %	41 %	59 %
Sweden	42 %	58 %	43 %	57 %	41 %	59 %	41 %	59 %
Finland	49 %	51 %	51 %	49 %	53 %	47 %	51 %	49 %
Austria	0 %	100 %	48 %	52 %	47 %	53 %	48 %	52 %
Denmark	0 %	100 %	0 %	100 %	0 %	100 %	0 %	100 %
Switzerland	33 %	67 %	33 %	67 %	33 %	67 %	33 %	67 %
Group	42 %	58 %	44 %	56 %	44 %	56 %	43 %	57 %

## S1.1 Permanent employees gender split by region

### Reporting principles

Employees by gender are classified as registered in our CORE system. Data presented represent status at year end, December 31.

Part-time employees include all persons being employed in positions that are not full-time (less than 100 percent).

GRI Reference: GRI 2-7 (2021).

Country	2023	
	FTE Hours	FTE
Norway	2 220 660	1 170
Sweden	1 853 748	932
Finland	822 900	422
Austria	2 002	1
Denmark	1 411	1
Switzerland	5 850	3
Group	4 906 571	2 529



## S1.1 Permanent employees gender split by region

(continued)

### Temporary Employment

Country	Average FTE 2023	Percent of each gender	
	Total	Female	Male
Norway	45	39 %	61 %
Sweden	61	42 %	58 %
Finland	9	78 %	22 %
Austria	-	0 %	0 %
Denmark	-	0 %	0 %
Switzerland	-	0 %	0 %
Group	115	43 %	57 %

### Part Time workers

Country	HC 2023 Total	Actual Part-time Percent of each gender		Involuntary Part-time Norway Percent per gender		
		Female	Male	Female	Male	Other gender identity
Norway	1 358	42 %	58 %	37 %	63 %	0 %
Sweden	729	48 %	52 %	NA	NA	NA
Finland	467	51 %	49 %	NA	NA	NA
Austria	-	0 %	0 %	NA	NA	NA
Denmark	-	0 %	0 %	NA	NA	NA
Switzerland	-	0 %	0 %	NA	NA	NA
Group	2 554	46 %	54 %	NA	NA	NA

Country	Temporary Employment Number of employees	Actual Part-time Number of employees	Non-employee workers FTE
Norway	130	1 358	45,7
Sweden	136	729	15
Finland	17	467	-
Group	283	2 554	60,7



## S1.2 Gender and compensation

### Reporting principles

Number of employees per gender per job level is based on number of employees that received a salary in 2023.

Data on gender pay gaps are based on local payroll systems, and the average salary per gender per job level is calculated based on real paid out amount through 2023. The gender pay gaps reported in this note are based on requirements in the Norwegian equality and anti-discrimination act.

GRI-reference: GRI Standards 405-2 (2016).

Country	Gender Balance in different levels of Group			Wage Differences			Sum Benefits Taxable
	Female	Male	Female Share	Total Salary (inc. Bonus, overtime etc.)	Fixed Salary	Irregular benefits (Bonus, overtime etc.)	
Total GROUP	1 827	2 533	42 %	97 %	98 %	59 %	59 %
Level 1	–	1	0 %	0 %	NA	NA	NA
Level 2	2	6	25 %	57 %	73 %	0 %	0 %
Level 3	6	24	20 %	82 %	83 %	30 %	30 %
Level 4	31	98	24 %	96 %	95 %	135 %	135 %
Level 5	72	105	41 %	93 %	93 %	65 %	65 %
Level 6	1 715	2 299	43 %	100 %	101 %	84 %	84 %

Country	Gender Balance in different levels of organization Norway			Wage Differences			Sum Benefits Taxable
	Female	Male	Female Share	Total Salary (inc. Bonus, overtime etc.)	Fixed Salary	Irregular benefits (Bonus, overtime etc.)	
Total GROUP	1 402	1 968	42 %	95 %	96 %	51 %	51 %
Level 1	–	1	0 %	NA	NA	NA	NA
Level 2	2	3	40 %	48 %	69 %	0 %	0 %
Level 3	6	16	27 %	80 %	82 %	30 %	30 %
Level 4	21	56	27 %	96 %	97 %	130 %	130 %
Level 5	37	61	38 %	94 %	94 %	75 %	75 %
Level 6	838	1 239	40 %	99 %	99 %	83 %	83 %



## S1.2 Gender and compensation

(continued)

Country	Gender Balance in different levels of organization Sweden			Wage Differences			Sum Benefits Taxable
	Female	Male	Female Share	Total Salary (inc. Bonus, overtime etc.)	Fixed Salary	Irregular benefits (Bonus, overtime etc.)	
Total GROUP	573	784	42 %	101 %	101 %	93 %	51 %
Level 1	-	-	0 %	NA	NA	NA	NA
Level 2	-	2	0 %	NA	NA	NA	NA
Level 3	-	8	0 %	NA	NA	NA	NA
Level 4	6	29	17 %	85 %	85 %	121 %	121 %
Level 5	19	31	38 %	93 %	93 %	137 %	137 %
Level 6	547	714	43 %	103 %	103 %	89 %	89 %

Country	Gender Balance in different levels of organization Finland			Wage Differences			Sum Benefits Taxable
	Female	Male	Female Share	Total Salary (inc. Bonus, overtime etc.)	Fixed Salary	Irregular benefits (Bonus, overtime etc.)	
Total GROUP	349	369	49 %	100 %	100 %	95 %	95 %
Level 1	-	-	0 %	NA	NA	NA	NA
Level 2	-	1	0 %	NA	NA	NA	NA
Level 3	-	-	0 %	NA	NA	NA	NA
Level 4	4	11	27 %	104 %	104 %	92 %	92 %
Level 5	15	12	56 %	95 %	95 %	76 %	76 %
Level 6	330	345	49 %	100 %	101 %	95 %	95 %



**Turnover**

Country	Turnover	Turnover Female	Turnover Male
Norway	37 %	37 %	37 %
Sweden	49 %	51 %	49 %
Finland	45 %	46 %	45 %
Austria*	100 %	100 %	100 %
Denmark	0 %	0 %	0 %
Switzerland	0 %	0 %	0 %
Group	42 %	43 %	42 %

Note: The operation in Austria has been discontinued, consequently all stores and operation in the Austrian entity has been closed down during 2023.

**Board of Directors Age and gender**

Country	Female	Male
Below 30 years	0	0
30 – 50 years	2	2
Above 50 years	1	3

**Age distribution**

	Below 30 years	30 – 50 years	Above 50 years
Executive management	0	4	1
Group	2 633	1 576	151

Note: See gender distribution per level in Note S1.2

**S1.3 Turnover by gender****Reporting principles**

New employees and turnover by employment type in XXL's consolidated activities and significant location of operation.

Employee turnover rate includes resignations, retirements and manning reductions of all permanent employees.

Voluntary employee turnover rate includes permanent employees who voluntarily resigned in the reporting period.

GRI references: GRI Standards 401-1 (2016)

**S1.4 Diversity of governance bodies and employees****Reporting principles**

Total reported full time and part time employees in XXLs consolidated activities, by gender. Percentage of individuals in XXLs consolidated activities in governance bodies and employees by gender and age distribution.

GRI Reference: GRI 2-7 (2021), 405-1 (2016).

Country	Average numbers of weeks	
	Female	Male
Norway	18,4	8,6
Sweden	18,6	6,6
Finland	9	0,4
Austria	-	-
Denmark	-	-
Switzerland	-	-
Group	17,9	7,4



### Diversity development

	2023	2022	2021	2020
Gender Balance – Women overall	42 %	43 %	44 %	43 %
Gender Balance – Women level 1-3	26 %	–	25 %	–

Note: Please see Note S1.7 for diversity indicators per level.

### Training development

	Total hours	Average hours per employee
<b>Training hours completed by XXL Employees</b>	<b>41 867</b>	<b>9,6</b>
Online training	24 800	5,7
On-site training	15 200	3,5
Compliance training	1 867	0,5

Note: Estimation methodologies applied to training hours: estimated average completion time for compliance training are set to 0.5 hours.

### Recordable injuries

	2023	2022	2021	2020
Injuries	31	25	11	2
High consequence	–	–	–	–
Work-related fatal	–	–	–	–

The increase in injuries is mostly related to improved reporting routines in the organization.

## S1.5 Diversity in management

### Reporting principles

Diversity data for the Company management (Level 1-3 combined) and group in total for XXL ASA are counted per year end.

Diversity in management is reported for levels 1, 2 and 3. Level 1 refers to the CEO, level 2 refers to Senior Management Team (SMT), level 3 refers to persons reporting to SMT, The Extended Management Team (EMT)

GRI-reference: GRI Standards 405-1 (2016)

## S1.6 Training and development

### Reporting principles

Training and development statistics is based on training that is completed and registered by XXL employees in our systems. In-store training courses that are conducted locally are not always registered and thus not included in the reported metrics.

The metrics include both mandatory and voluntary training. See also Note G1.3 on compliance-related training, specifically.

## S1.7 Work related injuries

### Reporting principles

Health and safety data are registered in CEMAsys Deviation log, the reporting tools for health, safety, security and environmental incidents. The data covers employees and contractors at all consolidated units within XXL, including operation offices and administrative functions.

Deviations are registered by category, type of event, location.

Employees are workers under direct supervision of XXL. Health and safety statistics for employees are included for the period they are employed by XXL

None High consequence injuries or work-related fatalities has been recorded.

GRI reference: GRI Standards 403-9 (2018).



### Sick Leave by region

Country	FTE Hours	Sick Leave Hours	Sick Leave
Norway	1 990 271	139 319	7 %
Sweden	1 667 078	106 693	6,4 %
Finland	827 444	44 682	5,4 %
Austria	-	-	0 %
Group	4 472 215	290 694	6,5 %

### Sick Leave – group development

	2023	2022	2021	2020
Sick Leave – Group	6,5 %	7,8 %	7,8 %	8,6 %

## S1.8 Sick leave

### Reporting principles

Sick leave includes all absence due to illness, measured as number of days lost due to sick leave as a percentage of possible working days excluding holidays. Sick leave is recorded based on local definitions, which may differ between countries.

GRI reference: GRI Standard 403-10 (2018)



# Workers in the value chain

## XXL ASA's Commitment to Workers in the Value Chain

### Why it matters

XXL recognizes the critical importance of promoting and protecting workers' rights throughout our value chain. Our commitment extends beyond compliance; it is integral to our values and codes. We strive to create a positive impact, ensuring that all our business practices are aligned with high standards of ethics and integrity.

With a network spanning over 500 tier-1 suppliers globally and serving millions of customers, XXL plays an important role in influencing the value chain within the sport retail industry. Recognizing this extensive reach, ensuring a responsible value chain is integral to XXL ASA's commitment to corporate social responsibility and ethical business practices.

XXL is committed to a holistic approach that not only addresses environmental sustainability but also emphasizes social equity and justice. This commitment is reflected in our efforts to ensure that our operations and supply chain actively contribute to positive social outcomes, including improvement of workers conditions and environment if they not already exists.

Failing to do so can result in negative impact on workers lives and livebility, their families and surrounding communities. For XXL, reputational damage and legal implications potential impacts that can occur if we does not demonstrate high level of integrity and compliance with international laws and regulations.

## XXL's Approach to Workers in the Value Chain

Our engagement with the network of suppliers requires a systematical risk-based approach to uphold human and labor rights. XXL sets high standards through our XXL Supplier Code of Conduct regarding workers' rights and engages in proactive industry collaborations to enhance their practices and commitments in this area. Through these efforts, XXL aims to ensure that a significant number of individuals within our value chain have access to fair employment, where their rights are safeguarded and respected.

However, given the diverse range of products and geographical spread of our supply chain, there are inherent risks associated

with workers' rights, particularly in regions or industries known for labor rights challenges. Potential adverse impacts might include violations of workers' rights, unsafe working conditions, and incidents resulting in harm or distress to individuals.

Through our comprehensive human rights due diligence process, XXL has identified key human rights concerns that may affect workers in our value chain. We are dedicated to continuously monitoring these risks, engaging with stakeholders to address concerns, and implementing strategies to mitigate potential negative impacts, ensuring that our value chain remains ethical and responsible.

To mitigate the risk of negative impacts on workers within our supply chain, XXL ASA employs a integrity due diligence process. This process is detailed in our Human Rights chapter, which elaborates on our commitments and practices in upholding human rights and labor standards. Our approach to responsible sourcing and supply chain management is grounded in internationally recognized frameworks, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Our methodology encompasses three fundamental steps:

**Due Diligence and Assessment:** Conduct thorough assessments to identify and understand the impacts of our supply chain, focusing on risk areas related to Fundamental Human rights and labor rights, workers health and safety, and anti-corruption.

**Engagement and Collaboration:** Work closely with our producers and suppliers to communicate our expectations and collaborate on enhancing their sustainability practices, ensuring they align with our standards and commitments.

**Continuous Monitoring and Improvement:** Implement ongoing monitoring mechanisms to track performance and progress, addressing any identified issues promptly and effectively, and striving for continuous improvement in our supply chain's sustainability performance. Please see the Human Rights section for further details about Hydro's human rights commitment and management.

Through these concerted efforts, XXL works dedicated to advancing a responsible supply chain that not only respects the environment but also upholds the dignity and rights of workers involved.

### Policies and Strategies

XXL's robust policies underscore our dedication to upholding fundamental human and labor rights. These include our Code

of Conduct and Supplier Code of Conduct, which set clear expectations for ethical behavior and respect for worker rights. We require all our suppliers to adhere strictly to these standards, reinforcing a shared commitment to ethical practices and continuous improvement.

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 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 own operations, our suppliers and sub-suppliers operations.

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.



## Risk Identification and Management

### Due Diligence Process

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 have 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 Industry, and other major industry players have joined forces in developing a common due diligence concept, which has been used in our joint effort to improve our common value chains.

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

### Risk Assessment

Our Supplier Integrity Due Diligence Survey serves as a critical tool in assessing suppliers' compliance with our ethical standards. Through this process, we pinpoint risks, prioritize interventions, and engage with suppliers to rectify issues, ensuring alignment with our commitment XXL's Norwegian operations have several hundred 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.

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. t to responsible business practices.

### 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
- AntiCorruption.

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 anticorruption. 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.

## Engagement and Development

### Collaborative Initiatives

XXL believes in the power of collaboration to enhance compliance and foster positive change. We engage with various stakeholders, including NGOs, local communities, and industry associations such as the Norwegian Sporting Goods Industry, our suppliers and competitors to exchange insights and best practices. Our approach is geared towards building capacity and promoting sustainable improvements within our supply chain.

### Supplier Development

We actively support our producers and suppliers through dialogue, intanal and external audits, resource sharing, and joint initiatives aimed at elevating compliance and fostering ethical business operations. Our goal is to empower suppliers, ensuring they can meet our standards and contribute positively to our mutual objective of enhancing workers' rights.

## Grievance Mechanisms

XXL ASA acknowledges the importance of safeguarding the rights and well-being of workers throughout our value chain. We are committed to preventing and mitigating any adverse impacts on these individuals that may arise from our business operations, employment practices, or our interactions with partners and the broader community. Recognizing that issues may arise despite our vigilant efforts, we have established robust mechanisms to enable the reporting of concerns or grievances related to workers in our value chain.

To foster a culture of transparency and accountability, we encourage open communication across all levels of our organization and our supply chain. Our external Whistleblowing Channel, prominently accessible on the XXL ASA website, is designed for use by anyone—employees, suppliers, business partners, or other external stakeholders—who wishes to report violations or concerns related to workers' rights. Managed by an independent service provider, this channel guarantees confidentiality and an unbiased review of all submissions, providing a secure channel for voicing concerns without fear of retribution.

Internally, XXL ASA empowers its employees to report issues directly to their supervisors, HR representatives, or through designated channels within the organization, ensuring concerns

related to the value chain are addressed promptly and effectively. For matters necessitating elevated attention, employees can inform their grievances to higher authorities, including the Ethics and Compliance Officer, or even the Chair of the Board.

Regular dialogues and performance reviews within XXL provide additional platforms for addressing supply chain worker-related concerns, reinforcing our commitment to an open, responsive, and respectful work environment. Our network of buyers, agents, HR personnel, safety delegates, and worker representatives stands ready to assist and advocate for workers in the value chain, ensuring that every concern is heard and acted upon. Through these comprehensive grievance mechanisms.

## Information Requests

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)

## Performance and Impact

### Monitoring and Evaluation

We are committed to transparency and accountability. Through regular monitoring and evaluation, we assess our producers' and suppliers' adherence to our standards, document our findings, and take corrective actions when necessary.

The annual Due diligence report are published by June 30th every year on the following location: <https://www.xl्ला.com/corporate/corporate-responsibility/>

At XXL, we are committed to promoting transparency and traceability throughout our entire value chain. We recognize the importance of understanding the environmental and social impacts of our business operations, and the impact they have on our stakeholders. We strive to operate with integrity and ethics, and as such, we take our responsibility towards transparency and traceability seriously.

To ensure that we meet our commitments, we have established a range of policies and practices that guide our approach to supply chain management. These include due diligence procedures



for identifying and mitigating potential risks, and working with suppliers to ensure that they adhere to our environmental and social standards.

We also recognize the importance of engaging with our stakeholders, including customers, employees, suppliers, and communities, to understand their expectations and concerns. Through regular communication, we seek to build trust and foster long-term relationships that promote sustainability and transparency.

Furthermore, we are committed to using technology and other innovative solutions to improve our transparency and traceability efforts. We are exploring new ways to track and monitor our supply chain, including the use of digital tools that enable us to trace products and materials from source to end-user.

Overall, we believe that transparency and traceability are essential components of a sustainable business, and we are committed to continually improving our practices in this area.

XXL has been working closely with a trusted partner, a Norwegian third party with long experience of building own brands and controlling the manufacturing chain. Our partner joined in all related communications and meetings with manufacturers of our own brands and worked systematically to develop an understanding of the importance of the social, environmental safety, business ethics, brand quality requirements and sustainability.

The partner was following the changes on the EU and Norwegian regulations and directives due to new substances restrictions or updated limitations. The changes related to their products are updated in their requirement book, as well communicated with manufactures and the actions are discussed.

The partner used a system for starting-up a new supplier, it is selected very carefully by communicating with supplier, physically visiting the factories by few persons from partner's company, building the trust in relationship, evaluating the work conditions, workers safety and other things related to XXL Code of Conduct.

Due to strategic changes, XXL has made changes to this partnership. A decision to hire in-house capacity with a product compliance and circularity specialist was taken due to these strategic changes.

Before starting business, every manufacturer need to pass ethical audit which is performed by independent 3rd part audit company.

The ethical audit is based on ETI base code. It evaluates various aspects like freely chosen employment, freedom of association and the right to collective bargaining, no child labor, no discrimination, no harsh or inhumane treatment, safe and hygienic working conditions, adequate wages.

The ethical audits are performed according the SA8000 standard or Sedex (SMETA). The Code of Conduct is discussed and signed by all suppliers/ manufacturers. XXL requires that manufacturers, importers and suppliers in the value chain works actively with their own internal environmental and social governance. That includes a clear strategy related to reducing their operations environmental impacts from production and other activities. All our new supplier agreements have included the XXL Supplier Code of Conduct.

All our buyers and purchaser are instructed to make an audit when visiting production facilities of our suppliers. Key parameters to look at constitute factory licenses and relative document check, production capacity and procedure check, product testing, child labor, pollution, worker protection and security check.

In addition we cooperate with a local agent in China which also commence local audit of factories. If violations of the Supplier Code of Conduct are detected with a supplier a concrete plan will be established. The first time a supplier violates the contractual requirements depending on the level of deviation, they generally get a second chance to correct the problem. We will not continue to conduct business with factories where serious offence is repeated and we will then terminate the contract.

Serious violations of the requirements will result in immediate termination of contract or quarantine for delivering goods to XXL. 64 audits were conducted, and revealed no moderate or major violations to social or environmental requirements. Our Sourcing agent in China conducted 470 pre-shipment quality control inspections. 12 nonconformities were discovered.

All nonconformities were corrected and re-inspected before shipment 15 audits still pending QC results.

Management of other material topics are disclosed separately in other sections of this report.

## Governance and Compliance

### Internal Oversight

XXL's governance structure, including the oversight by our Board of Directors and senior management, ensures that our commitment to workers in the value chain is deeply embedded in our corporate strategy and operational practices. We maintain compliance mechanisms and to uphold our standards and commitments.

### Board of Directors Supervision

The Board of Directors at XXL ASA ensures oversight regarding the integration of workers' rights and welfare within the company's value chain management. By closely supervising daily management activities and assessing the company's engagement and impact on workers across the supply chain, the Board prioritizes social responsibility alongside business operations.

### Risk Management and Internal Controls

Risk management related to workers in the value chain is embedded in XXL's daily business practices, orchestrated by the Executive Management team. This approach ensures that worker-related considerations are central to XXL's operational strategies and business segments, promoting ethical and sustainable labor practices throughout the supply chain.

### Audit Committee and Worker Welfare

The Audit Committee diligently oversees aspects of XXL's operations that impact workers, ensuring the alignment of our practices with international labor standards. It monitors the effectiveness of policies and procedures designed to safeguard workers' rights, addressing risks and implementing controls across the value chain.

### CEO's Role in Upholding Workers' Rights

Guided by explicit directives from the Board, the CEO of XXL plays a crucial role in ensuring the company's compliance with labor laws and ethical standards. This includes responsibility for fostering a culture of respect and dignity for workers, ensuring transparent communication of labor practices, and promoting safe and fair working conditions.

### Management of Workers' Rights Risks

Managing risks associated with workers' rights within the value chain falls under the collective remit of XXL's leadership, particularly the Executive Management and business segment heads. They are tasked with identifying, assessing, and mitigating potential risks to workers, ensuring that XXL's supply chain is free from exploitative practices.

### Transparency and Reporting

XXL ensures transparency regarding its impact on workers in the value chain through detailed reporting and communication with stakeholders. This includes regular updates on initiatives, progress in improving labor conditions, and the management of worker-related risks, emphasizing our commitment to accountability and continuous improvement in worker welfare.

### Governance and Ethical Conduct

Upholding high ethical standards, XXL ASA's governance structures include specific guidelines on workers' rights, encompassing anti-discrimination, fair labor practices, health and safety, and the right to collective bargaining. These standards guide our actions and decisions, reinforcing our dedication to the dignity and well-being of workers throughout our value chain.

### Training and Awareness

Education and awareness are cornerstone elements of our strategy. We conduct regular training sessions and awareness programs for our employees and management, emphasizing the importance of labor rights, ethical conduct, and our collective responsibility to uphold these principles within our operations and supply chain.

## Commitment to Improvement

### Future Goals

XXL is dedicated to continuous improvement and innovation in our approach to workers' rights in the value chain. We are committed to setting and achieving measurable goals, staying abreast of industry best practices, and adapting our strategies to meet evolving challenges and opportunities, all with the aim of fostering a more sustainable and ethical supply chain. This detailed disclosure offers a clear, structured, and transparent view of XXL's strategies, actions, and commitments regarding the welfare and rights of workers throughout our value chain, reflecting a proactive and responsible corporate ethos.



# S2 Notes on Workers in the value chain

## Supplier Metrics

	2023
Total number of supplier	533
Total spend on suppliers (NOK million)	4 917
% spent on local suppliers	69 %

## Factory Audits (Original Equipment Manufacturers - OEM)

	2023	2022	2021
Factory Audits	64	67	73
Non-conformities	21	37	41
Major violations	-	-	-
Improvement audits	21	37	41
OEM Due Diligence Assessment	88	-	-
Termination of contracts due to non conformity	-	-	-

## S2.1 Supplier metrics

### Reporting principles

The data for the supplier metrics are retrieved from XXLs ERP system, and consist of all purchase goods in 2023.

Local suppliers are defined as suppliers situated in the same country as the site making the purchase. Selection of local partners and suppliers/contractors shall be based on competitive bidding to the extent feasible, and in compliance with competition laws and regulations.

## S2.2 Supplier due diligence

### Reporting principles

Manufacturer and Supplier audits is based on both on-site or desktop audits conducted by either XXL, XXL's representatives or onsite audits conducted by a third party on behalf of XXL or associations such as BSCI Amfori.

GRI reference: GRI Standards 308-2 (2016) and 414-2 (2016).



# Consumers and End Users

## XXL ASA 2023 Sustainability Disclosure: Consumers and End-users (ESRS S4)

### Introduction

XXL is committed to upholding the highest standards of consumer engagement and product safety, reflecting our core values of trust and customer satisfaction. In line with the ESRS S4 standard, this section outlines our comprehensive approach to managing impacts on consumers and end-users across our operations and value chain.

XXL has been focusing on enhancing our customer experience and loyalty through initiatives like renewing the customer loyalty club, XXL Reward. This initiative aims at increasing buying frequency and share of wallet, indicating the company's efforts to enhance customer loyalty and satisfaction. Despite facing a challenging fiscal year with negative growth, XXL is actively implementing strategic measures, such as the "Reset & Rethink" plan, to improve market position and customer experience.

XXL is the largest among major sports retailers in the Nordics, showing broad appeal to customers across several countries. We continue to invest in customer experience enhancing projects, both in-store and on its E-commerce platform, indicating a strategic focus on maintaining and improving customer satisfaction and loyalty.

### Policies and Commitments (S4-1)

XXL ASA maintains robust policies such as the XXL Code of Conduct and supplementing policies and guidelines ensuring product safety and consumer well-being. Our internal control and quality management systems are integral to our commitment, ensuring compliance with local and international safety standards. We systematically address product safety, incorporating direct feedback or consumer surveys to drive continuous improvement

### Corporate Commitment to Compliance and Integrity

XXL emphasizes adherence to all applicable laws, rules, and regulations in each jurisdiction where the company operates, promoting legal and ethical business practices. The Code of Conduct, reflecting the organization's commitment to compliance and integrity, serves as a foundational guide for all individuals affiliated with XXL, including employees, management, and business partners. XXL encourages a culture of compliance and integrity across its operations, ensuring all actions align with its Core Values: CUSTOMER-FIRST, KNOWLEDGEABLE, PASSIONATE, and CARING.

### Corporate Citizenship and Environmental Responsibility

XXL recognizes the role as a corporate citizen and dedication to sustainable and responsible business decisions benefiting the company, society, and the environment. The Code outlines XXL's commitment to reducing our environmental impact and supporting community welfare. This commitment extends to ensuring product safety, promoting public health, and fostering a responsible approach to resource utilization and environmental conservation.

### Engagement with Employees and Business Partners

The Code mandates that all XXL employees and business partners adhere to the company's ethical standards, reinforcing a unified commitment to fair and responsible business conduct. Through its Ethics & Compliance Framework, XXL ensures that all stakeholders are aware of and comply with the Code, fostering an environment of transparency and accountability.

### Health, Safety, and Equality

XXL ASA is committed to the well-being, safety, and equitable treatment of all employees, as highlighted in the Code's sections on health, safety, security, and anti-harassment. By upholding fundamental human rights and labor standards, XXL demonstrates its dedication to fostering a respectful and inclusive workplace, which is essential for maintaining consumer trust and loyalty.

### Implementation and Monitoring

The Code requires all XXL employees and relevant stakeholders to complete training programs, enhancing their understanding of the company's ethical guidelines and their application in day-to-day operations. Compliance with the Code is monitored and enforced through a structured governance framework, ensuring that XXL's commitments to consumers and end-users are upheld across all aspects of the business.

### Reporting and Accountability

XXL's speak-up culture and whistleblowing mechanisms, as detailed in the Code, encourage employees and stakeholders to report any violations or concerns, ensuring that all potential issues are addressed promptly and effectively. This transparency and responsiveness are crucial for maintaining high standards of consumer and end-user care.

By integrating these principles from the XXL Code of Conduct into our policies and commitments under the ESRS S4 standard, XXL ASA demonstrates our dedication to responsible, ethical, and consumer-focused business practices, reinforcing the commitment to sustainability and corporate responsibility

### Engagement and Remediation Processes (S4-2, S4-3)

We actively engage with consumers to gather insights and address concerns, leveraging direct feedback mechanisms and customer satisfaction surveys. This engagement is pivotal in shaping our product offerings and enhancing consumer trust. In instances of negative impacts, we have established channels for consumers to raise concerns, ensuring prompt and effective remediation.

### Customer-Centric Values

XXL's core values—Customers First, Passionate, Knowledgeable, and Caring—underpin their approach to customer engagement, illustrating the company's commitment to creating value and positive experiences for customers. These values guide their business conduct, shaping interactions and fostering a culture that prioritizes customer satisfaction and loyalty.

### Stakeholder Engagement and Materiality Assessment

The company has undertaken a comprehensive stakeholder engagement process to gather insights and expectations from various groups, including customers. By incorporating feedback from over 5200 employees and consumers, XXL has aligned its strategic priorities with stakeholder interests, particularly emphasizing sustainable practices and customer-centric initiatives.

### Sustainable and Ethical Practices

XXL's commitment to ethical business conduct and sustainability is communicated transparently to customers, reflecting its dedication to responsible practices. The focus on sustainable and traceable production underlines the company's effort to meet consumer expectations for environmentally and socially responsible products.

### Response to Market Challenges

Adapting to market challenges, XXL has maintained a focus on delivering value through quality products that meet consumer demands for durability and sustainability. This approach is reflected in their commitment to offering products that not only satisfy customer needs but also align with broader societal values related to health, well-being, and environmental responsibility.

### Actions and Effectiveness (S4-4)

XXL ASA takes proactive measures to mitigate negative impacts on consumers, including rigorous monitoring of hazardous substances and ensuring transparency in marketing and communication to prevent misinformation and build consumer trust. Our efforts extend to enhancing product longevity and promoting public health through accessible and affordable sporting goods.



### Product Safety

XXL ASA's approach to ensuring high product safety standards, protecting consumers and end users in compliance with applicable laws and regulations, is comprehensive and detailed, as outlined in their Internal Control System and Purchasing Manua.

### XXL internal controls and purchasing practices

The XXL Internal Control System and the Purchasing Manual are structured frameworks ensuring product safety and compliance, reflecting the commitment to consumer and end-user protection. This commitment aligns with the policies addressing material impacts on consumers and end-users, demonstrating proactive measures to manage and mitigate risks.

### Risk Assessment and Documentation

XXL's product evaluation process, involving risk assessments and comprehensive document duty to act diligently outlined in the General Product Safety Directive (GPSD) and the Norwegian Product Control Act (Produktkontrolloven) for organizations to conduct due diligence, ensuring products are safe and comply with relevant laws and regulations in respect to product safety.

### Supplier Commitment and Compliance

The stipulation for suppliers to adhere to XXL's environmental and safety standards, including the necessity for clear labeling, documentation, and compliance with national and international regulations, engaging with business partners to uphold consumer and end-user well-being. The XXL framework for product safety and chemical regulations are published in a web-page available for XXLs suppliers, producers and internal stakeholders at the XXL ASA web page.

### Sustainability and Ethical Considerations

XXL's focus on sustainable and ethical sourcing, as outlined in the purchasing manual, supports a perspective on long-term value creation for consumers and end-users, emphasizing the importance of integrating ethical and sustainable practices in business operations.

### Monitoring and Improvement

The establishment of an internal audit system to regularly review and assess product compliance and safety reflects the ESRS guidelines for ongoing monitoring and improvement, ensuring that the company's practices evolve in line with emerging consumer needs and regulatory development.

By aligning our internal control system and purchasing protocols with international standards, XXL not only adheres to its stringent

requirements but also demonstrates our commitment to the welfare of our customers, fostering trust and ensuring long-term brand loyalty.

### Metrics and Targets (S4-5)

Our objectives for consumer and end-user engagement are clearly defined, with targets aimed at increasing consumer satisfaction, ensuring product safety, and enhancing market share by aligning with consumer expectations for quality and sustainable practices. We closely monitor and report on these targets to ensure accountability and continuous improvement.

### Compliance and Continuous Improvement

We remain committed to adapting our strategies based on evolving best practices and stakeholder feedback to ensure that we continue to meet and exceed the expectations of our consumers and contribute positively to their well-being. This section exemplifies our dedication to transparency and accountability, reflecting our broader commitment to sustainability and responsible business practices as outlined in the ESRS framework and supported by our double materiality assessment.

Acknowledging the importance of innovation and continuous improvement, XXL is committed to enhancing our customer engagement strategies by integrating sustainability initiatives into our business. Several initiatives, such as investing in renewable energy and promoting products with more sustainable attributes, demonstrate our forward-thinking approach to creating value for customers by positive contributions and reduced negative impact on society.

By embedding these principles into our effort for customer engagement, XXL ASA underscores the commitment to being a customer-first organization that prioritizes sustainable, ethical, and responsible business practices, thereby enhancing our reputation and fostering long-term customer loyalty.

### Customer Privacy and Consumer data

Globalization and digitalization of the retail industry and society in general are affecting the daily operations and the way we work. It is all about technology and working processes will more and more rely on the use of data and automation for future success and efficiency.

Data protection and information security will play an important part in this landscape and XXL must ensure that all data processed is kept sufficiently accessible and confidential. Data

must at all times be protected against unauthorized access and only accessible to those who need it, when they need it. Violations of data protection could have serious consequences in terms of loss of reputation, loss of revenues or increased costs and could affect of both customers and our employees.

XXL comply with the new EU regulation (2016/679 - GDPR) which took place in May 2018 when a data protection policy was adopted in the XXL Group and all its subsidiaries. The policy applied in all processing of personal data in XXL, including processing of personal data about employees and others who perform work or service for XXL. Employees and others involved in XXL's processing of personal data are required to familiarize with and follow the policy.

The following principles applies in the processing of personal data in XXL:

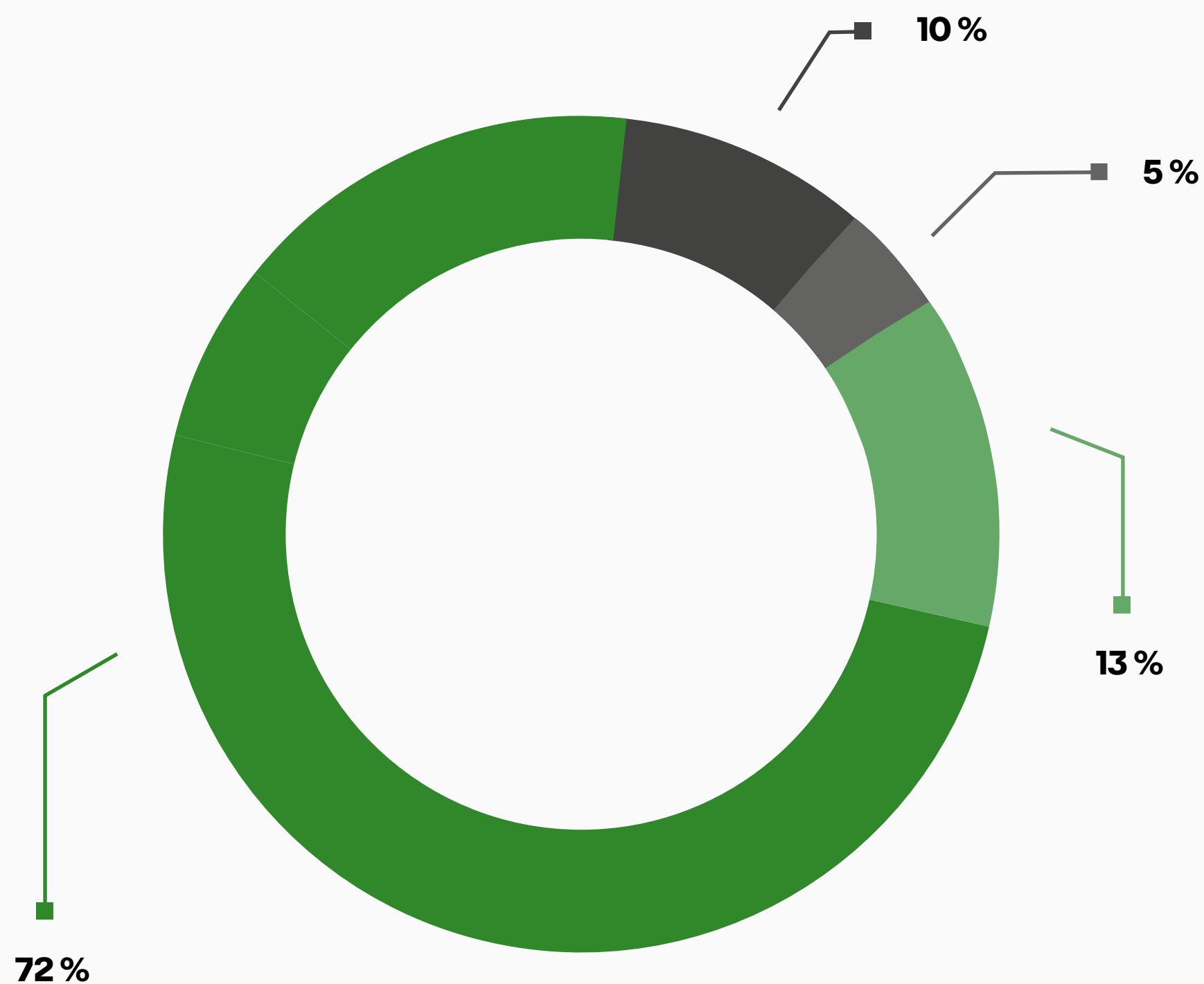
1. Processed lawfully: All processing of personal data in XXL shall be done in a lawful, fair and transparent manner. Despite this, transparency shall not apply if this principle violates the principles of confidentiality or may pose a risk to the privacy of individuals.
2. Purpose limitation: Personal data shall only be processed for specified and explicit purposes. Personal data shall not be processed for a purpose other than that for which the personal data have been collected.
3. Rights of the data subject: It must be ensured that the data subject, including employees, has the possibility to exercise their rights under the legislation.
4. Data minimization: All processing of personal data shall be adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed.
5. Requirements for IT systems: The IT systems and IT solutions used by XXL shall support the obligations under the legislation and shall not prevent compliance with the legislation or rights of the data subject.
6. Accuracy: Personal data shall be ensured accuracy and shall be rectified upon request or when it is revealed that the personal data is incorrect and kept up to date.

### Processing of personal data

XXL processes personal data as a part of the administration of the relationship with its employees and the relationship with its customers and suppliers. A list of processing of personal data in XXL is established with detailed information on purpose, the lawful ground, geographical location, which personal data that are being processed and where the data is obtained. The policy further



**Customer satisfaction**



	2023	2022
Happy Index	82	74

regulates requirements related to processing of special categories of personal data, personal data relating to criminal convictions and offences, processing of personal information concerning minors, transfer of personal information to others such as data controllers and third parties, deletion of personal information, access to personal information and securing confidentiality.

It is important that all data subjects know what kind of processing of personal data that is made in XXL and receive that personal data processed if requested by the person concerned. On request a data subject will receive information on processing of his or hers personal data and, if requested, get a copy of all information stored on themselves. Such access and/or printing shall be given without unnecessary delay and within 30 days after receiving the request. Data subjects could request erasure of data and when erasing personal data XXL must ensure that safe erasure is performed.

**Impact, Risks and opportunities on Consumers and End users**

XXL ASA's commitment to sustainability is intricately linked with our dedication to consumer engagement and product safety, pivotal in cultivating trust and loyalty that directly impacts our market position and financial performance. XXL has a structured approach to enhancing consumer and end-user experiences, crucial for our sustainable growth and resilience in the competitive retail sector.

**Impact Analysis**

**Outward Impact on Consumers and End-Users**

Our initiatives aimed at improving product safety and enhancing customer experience contribute positively to consumer well-being, fostering loyalty and repeat business, crucial for our revenue streams. For instance, our XXL Reward program not only boosts consumer engagement but also provides valuable data that inform product development and marketing strategies, enhancing our competitive edge and market share.

**Inward Financial Impact**

Consumer perceptions and our responses to their needs and expectations have direct financial implications. Positive consumer engagement translates into strong brand equity, driving sales and profitability. Conversely, societal shifts toward sustainability can impose pressures, necessitating adaptive strategies to align with consumer expectations for responsible products, impacting cost structures and investment priorities.

**Risk Assessment**

**Consumer and End-User Related Risks**

Actual risks involve product safety incidents or breaches in consumer data protection, potentially resulting in regulatory fines, litigation costs, and brand damage. Potential risks include evolving consumer preferences toward sustainability, requiring agile adaptation in our product offerings and supply chain practices to avoid obsolescence and maintain market relevance.

**Financial Risks from Societal Impacts**

Societal demands for transparency and accountability in environmental and social practices can lead to increased operational costs and necessitate strategic shifts. Failure to adapt could result in diminished consumer trust, impacting sales and investor confidence, thereby affecting our financial stability and growth prospects.

**Opportunity Exploration**

Leveraging consumer and end-user engagement presents substantial opportunities for financial enhancement. By integrating consumer feedback into innovation, we can develop differentiated, sustainable products that command premium pricing and open new market segments. Additionally, our commitment to sustainability can enhance investor appeal, facilitating access to capital at favorable terms.

Fostering a strong sustainability ethos aligns with consumer values, especially among environmentally conscious demographics, enhancing brand loyalty and market share. Proactive engagement in sustainability practices can also mitigate regulatory risks, avoiding costs associated with non-compliance and positioning XXL ASA as a leader in corporate responsibility.

**Conclusion**

XXL ASA's strategic focus on consumers and end-users within our sustainability framework is not only a moral imperative but a core business strategy that drives financial performance. Our commitment to this approach will continue to evolve, reflecting our dedication to sustainable success, financial resilience, and long-term shareholder value.



# S4 Notes on Consumers and end users

## Internal Audits

	2023	2022	2021
Number of Audits Conducted	12	31	11
Non-conformities (fail)	8	6	3
Minor deviations (improvement request)	4	–	8
Major violations	–	–	–
Recalls from end users	3	3	5

Note: Recalls from end users mainly derivated from voluntary recall by producer

## Product claims

	2023	2022
Number of product claims	110,551	116,120
Claim rate (Share of item sold)	0,48 %	0,47 %

## S4.1 Product Safety

### Reporting principles

Product safety is fundamental for business operation in the business-to-customer markets, where our responsibility is to protect consumers and end users from hazards related to use or exposure of our products. We measure the internal audits by number of conducted audits, Non-conformities and severity (major or minor) In addition the cases of recalls from consumers and end users are registered.

## S4.2 Claims

### Reporting principles

Claims are affecting both the group's profitability, and customer satisfaction. Claims are measured in number of product claims, and the claim rate compared to number of items sold.



# Human rights

## Importance of Human Rights at XXL

We believe that our strongest opportunity to avoid adverse impact of our operations regarding human rights, is through making sure that the human and labor rights of our employees and workers employed by our business partners throughout the value chain are respected and actively complied with, to ensure that their working conditions and environment is decent, safe and healthy, and that they receive fair living wage.

## XXLs Approach to Human Rights

XXL conduct its supply chain due diligence in accordance with the Norwegian Transparency Act and the OECD (Organisation for Economic Cooperation and Development) Due Diligence Guidance for Responsible Business Conduct. Our Due Diligence Report is adopted by the Board updated annually. The XXL ASA annual update on Transparency Act - Due Diligence Report is published within June 30th every year on the following location: <https://www.xxlasa.com/corporate/corporate-responsibility/>

## XXL's Commitment to Human Rights

Our dedication to human rights is codified in the XXL Code of Conduct and Supplier Code of Conduct, affirming our commitment to the dignity, respect, and rights of individuals and communities we interact with. This commitment is operationalized through our engagement with The United Nations (UN) Declaration of Human Rights and The International Labour Organization's (ILO) Core Fundamental Principles and Conventions on Labour Standards), guiding our practices and ensuring alignment with international standards.

## Embedding Human Rights in Our Operations

### Prioritize Human Rights Risks

Through our annual risk assessment process and ongoing monitoring related to the groups duty to act diligently and the annual due diligence reporting, we identify and act upon human rights risks pertinent to our operations and supply chain. In line with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the OECD Due Diligence Guidance for Responsible Business Conduct, we prioritize due diligence according to context and nature of operation factors. For XXL suppliers of purchased goods this means ITUC GLOBAL RIGHTS INDEX 2019 The World's Worst Countries for Workers for the Country-of-origin criteria, and 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.

### Policy Commitment and Governance

XXLs Human Rights Policy is included in our Code of Conduct and our Supplier Code of Conduct. The policies emphasize our commitment to conduct our business and ourselves legally and ethically. The policies are continuously monitored and updated to ensure compliance with national and international legislation and guidelines as well as to maintain attention and awareness.

XXL supports and respects the fundamental human rights and labor rights proclaimed in international human and labor rights conventions. We are committed to implementing and enforcing effective systems to minimize risks of human and labor rights violations in our own operations and our supply chain.

Everyone working in or for XXL has the right to freedom of thought, conscience, religion, opinion and expression, freedom of peaceful assembly and association. XXL will never employ, contract or use child labor (as defined by the ILO Convention No. 138) or any form of forced labor and will not tolerate working conditions or treatment that is in conflict with international laws and practices. We have a zero-tolerance approach towards modern slavery and human trafficking.

We are committed to the protection of labor against any kind of harm and exploitation and providing a safe and healthy working environment for all labor involved in our operations. We are

taking all necessary steps to prevent accidents and occupational diseases, mitigate hazards, establish controls, and monitor performance.

XXL is a drug and alcohol-free workplace. We will not tolerate anyone being under the influence of drugs or alcohol while at work for XXL. Employees must be conscious about work-related events where alcohol is served and show moderation. XXL respects the rights of all employees to form and join trade unions of their choice and to bargain collectively in accordance with local laws and principles. XXL will not interfere, nor sanction anyone as a result of such activities.

We recognize the importance of fair wages. Workers' wages and benefits shall at least equal the legal or industry minimum standards. XXL shall comply with applicable working time regulations reflected in national legislation or industry standards and are committed to comply with internationally proclaimed employment standards and the demands of family and life outside work.

We respect the privacy rights of each individual that we interact with both internally and externally. All personal data will be treated in compliance with applicable legislation and the General Data Protection Regulation (GDPR).

### Stakeholder engagement and collaborations

We maintain active dialogue with stakeholders, including NGOs, customers, employees, suppliers and producers, to deepen our understanding and enhance our human rights impact. In 2022, XXL initiated an industry-wide cooperation facilitated by the Norwegian Sporting Goods Association. The aim of this cooperation is to promote due diligence throughout the Norwegian sporting goods industry value chain, and to include all stakeholders in this effort. XXL and other large sport retail companies launched an Integrity Due Diligence Survey to assess the current state of compliance with the requirements of the Norwegian Transparency Act.

### Promote Transparency and Accountability

Regular updates and disclosures regarding our human rights practices is important to demonstrate our commitment to transparency, informing stakeholders of our progress and challenges.



### **XXL's Human Rights Management and handling of censurable conditions**

Underpinned by our core values and international human rights principles, XXL's human rights management framework emphasizes risk identification, stakeholder engagement, grievance mechanisms as explained in the business conduct section, social audits including action plans as described in the chapter Workers in the value chain, remediation efforts, and transparent reporting. We strive to ensure that our human rights commitments are not only articulated but also demonstrably integrated into our corporate culture and operational practices.

Grievance, or complaint, mechanisms are an important part of XXLs work to identify and assess impact on individuals and groups. Grievances may be of any kind, including social and environmental issues as well as other violations of the group's ethical guidelines.

Examples, but not limited to notifiable incidents or conditions:

- Violation of applicable laws and regulations
- Breaches, detected or reasonably suspected, of XXL Code of Conduct
- Breaches of health, safety, and environmental regulations
- Human and labor rights violations
- Discrimination or harassment
- Threats to life or health
- Corruption, including bribes and facilitation payments
- Fraud, theft or embezzlement
- Tax violations
- Misuse of inside information

XXL ASA and its subsidiaries is committed to managing its supply chain in a responsible and sustainable manner. We recognize that our supply chain activities have both potential and actual impact on environment and society, and we are committed to addressing these impacts by adopting a comprehensive approach to supply chain management. This includes amongst other things social audits and due diligence procedures elaborated in the section workers in the value chain.

### **Human rights training**

Internal competence and capacity building on human rights, such as through training, systems and tools, improves effectiveness on how we manage human rights aspects in our organization. Human rights section as part of XXLs Code of Conduct and Supplier Code of Conduct, also translated into simplified Chinese language is included in the Code of Conduct

All XXL employees, managers and board members are required to familiarize themselves with the contents of the Code and comply with the provisions and intentions. To help you understand the policies and principle stated in the Code and the Anti-Corruption Guide, and how to identify and deal with any ethical challenges that you or your colleagues may face, XXL has developed a Company-tailored, e-learning based training program. All XXL board members, managers, employees and contracted staff are required to complete the training program as part of their orientation program and will be required to repeat the training as decided by the ECO. The training module is complemented by final test, and a signing of a delaration of compliance with the Code.

See page 83 on Compliance Training section for more information.



# Business Conduct

## XXL ASA's Approach to Business Conduct

### Objective

XXL ASA is committed to upholding the highest standards of business conduct, reflecting our dedication to ethical business practices, behavior, transparency, and accountability. This commitment permeates every aspect of our operations, guiding our interactions with employees, suppliers, customers, and other stakeholders.

### Corporate Governance

XXL ASA's Board of Directors plays a crucial role in establishing and overseeing our business conduct governance framework, embodying ethical leadership. XXL Code of Conduct is an integral part of our corporate governance regime. It mandates compliance with applicable laws, regulations, and ethical business conduct, emphasizing the importance of integrity, transparency, and accountability.

The Board reviews XXL's corporate governance and compliance policies annually in order to evaluate their effectiveness, resolve necessary updates to reflect evolving best practices and regulatory requirements, and ensure application of the standards of our Code of Conduct across all levels of the organization.

Stakeholders are informed about XXL's governance practices and ethical performance, fostering trust and confidence in the Company's commitment to responsible business conduct.

XXL reports regularly on ethical business conduct and risk management activities in its annual and sustainability reports.

## XXL Code of Conduct

Our Code of Conduct (hereinafter the Code) affirms XXL's commitment to integrity and fairness in all business dealings, underscoring its dedication to ethical practices and business conduct across its operations. Its policies and standards are based on the Company's core values: Customer-first, Knowledgeable, Passionate, and Caring. The Code provides the framework for what XXL considers to be responsible business conduct and defines the requirements that apply to all individuals working for XXL or having any kind of professional relationship with XXL. Its policies and rules guide all employees, management, board members and anyone representing or acting on our behalf in their daily activities and decision-making processes.

The Code states our focus on building a speak-up culture of trust where employees feel safe and comfortable to ask questions or raising concerns, highlighting our zero-tolerance policy against retaliation or sanctions for good faith reporting of complaints and concerns.

The Code applies to XXL board members, managers, employees, and other internal staff in all entities wholly owned or controlled by XXL (hereinafter XXL Group).

The Code should be considered as a guiding instrument. It does not provide an exhaustive overview of what is responsible conduct. The ultimate responsibility to act in accordance with applicable law, the Code, and ethical norms that are generally endorsed in society always remains with the individual.

Any changes to or waivers to the Code may only be made by the XXL ASA Board of Directors. Employees or managers failing to comply with the Code may face disciplinary action, and in the most severe cases, termination of employment in accordance with local applicable legislation.

To facilitate the understanding and application of the Code, an XXL Code of Conduct In Brief-version has been provided for internal use in all relevant XXL languages. Furthermore, we have provided an XXL Anti-Corruption Guide, also available in all relevant XXL languages, as a practical tool aiming to raise everyone's awareness of some key corruption risks and dilemmas they may face, and what to do.

The Code and all supporting documents are available on our intranet, XXL Intranet/Workplace, and are published in full version available for external stakeholders at: [www.xxlasa.com/corporate/xxlcode-of-conduct/](http://www.xxlasa.com/corporate/xxlcode-of-conduct/)

Note: Latest version of XXL Code of Conduct was published June 27, 2022.

### Compliance Governance and Procedures

XXL Compliance Governance and Procedures document explains the roles and responsibilities of specific internal stakeholders regarding the implementation and application of the Code. The document also covers our Procedures for handling of reported concerns and for Monitoring Compliance.

The XXL Group Ethics & Compliance Officer (ECO), appointed by the Board, spearheads the implementation of the Code, oversees compliance training, and manages the handling and investigation of reported concerns, ensuring a professional, structured, and responsive approach to compliance issues.

### Supplier and Business Partner Relationships

XXL's Supplier Code of Conduct (hereinafter the SCoC) sets forth XXL's requirements and expectations regarding legal and ethical conduct in the businesses of our partners in the supply chain and other business partners, emphasizing the importance of compliance with internationally endorsed human rights and fair labor practices, environmental responsibilities, and combating corruption.

The SCoC applies to all XXL business partners that supply goods and/or services, act on behalf of or have other kind of collaborations with the Company such as, e.g., suppliers, sub-suppliers, vendors, consultants, landlords, agents, service providers and organizations, etc.

XXL engage in due diligence and risk assessment processes to manage relationships with suppliers, ensuring they align with our standards. This includes monitoring and improving their social and environmental performance, reflecting our commitment to sustainable and ethical supply chains. In accordance with the Norwegian Transparency Act, XXL conducts due diligence of suppliers in our value chain and other business partners identified based on risk-assessments. The Company's public Due Diligence Statement 2022 is available on [www.xxlasa.com](http://www.xxlasa.com) and local XXL Companies' websites. XXL is currently preparing for the 2023 Statement.

A SCoC Declaration of Compliance is standard Appendix to our contracts with Business Partners who are required to certify compliance with XXL Supplier Code of Conduct when signing new or extended contracts with XXL.

See the Workers in the value chain Section for information about XXL's supply chain and how we approach suppliers and business partners.





## Reporting of complaints and concerns and Whistleblower Protection

### Whistleblowing

Our external Whistleblowing Channel, managed by an independent service provider, allows for confidential reporting of complaints or concerns regarding observed or reasonably suspected violations of applicable laws or regulations and censurable conditions in XXL's enterprises or workplaces.

XXL's policies empower employees, managers, and other internal staff to report complaints or concerns. Multiple internal reporting channels are also available for this purpose, including direct communication with supervisors, HR, the ECO, the ECAs, or the Chairman of the Board. Internal stakeholders may also report through employee representatives, safety delegates, or another representative.

Complaints or concerns may be reported verbally or in writing. XXL Whistleblowing Channel is available to all XXL employees, managers, business partners and anyone who wants to report complaints or concerns, including reporting anonymously.

### Zero tolerance for retaliation of whistleblowers

XXL does not tolerate any retaliation or sanction against anyone who in good faith has reported a detected or reasonably suspected violation, even if the concern turns out not to be real. Any internal stakeholder who knowingly makes a false report with the purpose of harming another individual will be subject to disciplinary action.

### Handling of reported concerns

XXL's Procedures for handling of reported complaints and concerns are stated in the XXL Compliance Governance and Procedures document. The Procedures include principles and routines that reflect applicable legislation in all XXL companies, and have been discussed and agreed with the employees' representatives.

All reported complaints and concerns are handled by XXL Group Ethics & Compliance Officer. The reports and the handling process are treated with the strictest confidentiality. All personal data about the person reporting a concern and the accused/alleged party/parties are treated strictly confidential and in compliance with the General Data Protection Regulation (GDPR).

In 2023, a total of 37 complaints and concerns were reported

covering in total 24 cases/incidents. This is an increase of 9 reports and cases compared with 2022. The investigation of three of the notifications disclosed no evidence of censurable conditions.

### Training and Awareness

Continuous training and awareness initiatives help embed a culture of integrity and compliance throughout the XXL organizations. To promote understanding and enforcement of our Code of Conduct, XXL provides mandatory module and quiz-based e-learning programs tailored to the Board and individual employee and management categories. The e-learning based program covers key ethical topics such as anti-corruption, bribery prevention, prevention of harassment of any kind, and ethical business practices, addressing some of the most important the risks and responsibilities relevant to the individual category.

### Declaration of compliance

All XXL employees, managers and board members are required to familiarize themselves with the contents of the Code and to certify that they will comply with its policies, standards, and intentions by signing the XXL Code of Conduct Declaration of Compliance Form. The Form is an integral part of the training program.

### Monitoring Compliance

Compliance monitoring through self-assessment surveys and audits is conducted as needed to assess compliance with our Code of Conduct, identify improvement opportunities, and establish the basis for implementing corrective actions where necessary.

The Board reviews corporate governance and compliance policies annually, evaluating their effectiveness and making necessary updates to reflect evolving best practices and regulatory requirements.



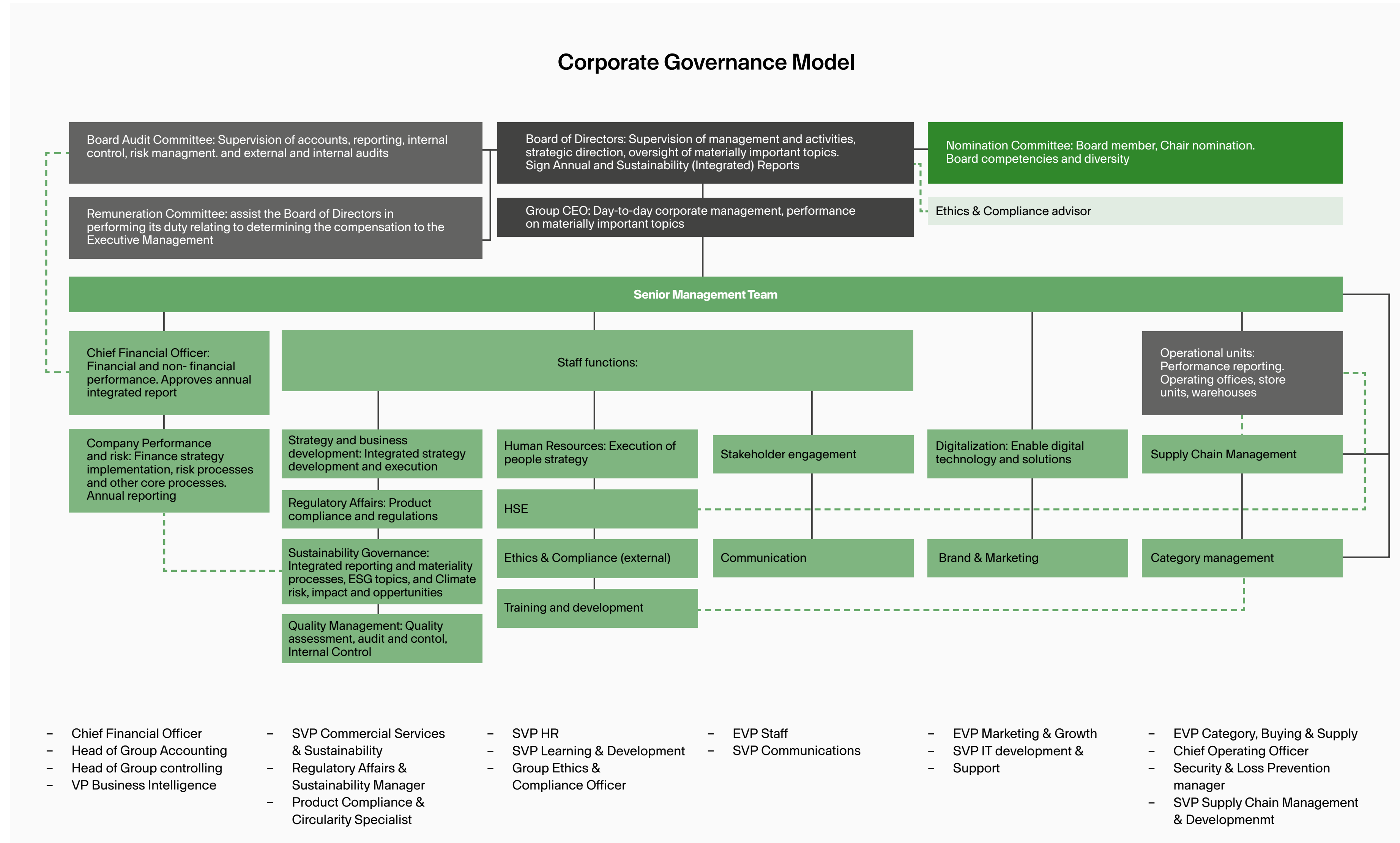
# Governance Structure and Compliance

## Board of Directors and Executive Management

The XXL ASA Board of Directors resolves our compliance policies and procedures, ensures oversight of compliant ethical conduct, reflecting their commitment to maintaining high standards business practices and conduct.

The governance structure integrates comprehensive risk management and internal controls, emphasizing transparency, accountability, and ethical business practices.

XXL's Executive Management is tasked with the day-to-day operational adherence to these standards, ensuring that the Company's strategic objectives are aligned with ethical practices and conduct and legal compliance.





### **Risk Management and Compliance**

XXL's approach to risk management includes identifying, assessing, and addressing ethical and compliance risks aligned with our business strategy.

The Company actively manages risks related to corruption, fraud, and unethical behavior, with policies and procedures designed to mitigate these risks effectively.

### **International economic environmental and social charters or initiatives the Group endorses include**

- UN Convention on Human Rights.
- ILO Declaration on Fundamental Principles and Rights at Work.
- Business Social Compliance Initiative (BCSI).
- OECD Guidelines for Multinational Enterprises.
- Norwegian Transparency Act.
- Norwegian Penal Code.
- UK Bribery Act.
- U.S. Foreign Corrupt Practices Act.

### **Membership of industry associations**

- Sportsbransjen AS – participation in the interest organization for the sporting goods industry in Norway, promoting sports, outdoors and healthy lifestyle in Norway and dialogue in such matters towards the society and authorities in general. Owner through Sportskjedene AS, ownership structure of the major sport chains in Norway for the shareholding in Sportsbransjen AS.
- NHO – The Confederation of Norwegian Enterprise (in Norwegian Næringslivets Hovedorganisasjon; NHO) is Norway's major organization for employers and the leading business lobby. Over 30 000 companies are currently members of the organization. They range from small family owned businesses to multinational companies in most sectors.

The Confederation of Norwegian Enterprise – NHO - is the leading voice of business and industry in Norway. Having expert knowledge and an extensive business network, the NHO plays an important and constructive role in the Norwegian society. The main objective is to create and sustain conditions that secure the competitiveness and profitability of business and industry, and thereby maintain the basis for a good standard of living, sound economic growth and sustainable development.

### **Sustainable brand index 2023**

The official ranking results of Sustainable Brand Index™ 2021 in Norway show that XXL Norway is an industry winner within Clothes & Fashion - Stores. Being an industry winner in Sustainable Brand Index, means that the brand XXL is perceived as the most sustainable B2C brand within your industry according to Norwegian consumers.

Sustainable Brand Index™ measures the perception of stakeholders on the sustainability work of the biggest B2C brands across industries and countries. Being an industry winner means that our brand are perceived as the most sustainable brand within the Clothes & Fashion - Stores industry according to Norwegian consumers.

XXL appreciate the results of the ranking and see it as a proof of increased reputation and public perception of our brand.

### **Transparency and Reporting**

XXL is committed to transparency in its governance and ethical practices, regularly reporting on compliance, ethics, and risk management activities in its annual and sustainability reports.

Stakeholders are informed about XXL's governance practices and ethical performance, fostering trust and confidence in the company's commitment to responsible business conduct.

Incorporating the information extracted from the XXL ASA Annual Report 2022 into this disclosure framework ensures that the ESRS G1 Business Conduct report for XXL ASA is reflective of the company's actual practices and commitments.

### **Tax related cases**

Reference is made to the tax note (on page 115) in the Consolidated Financial Statements



# G1 – Notes on Business Conduct

## Whistleblowing Cases 2023 - Grouped by Case Category

Reported Cases; Categories	No. Of Reports/ Allegations	Whereof No. of rejected Reports	No. Of confirmed Reports	No. of Cases
Substance abuse; censurable behavior	13	–	13	5
Theft/Fraud/Conflict of Interest	9	1	8	8
Discrimination	4	1	3	3
Sexual Harassment	6	–	6	4
Harassment	5	1	4	4
<b>Total</b>	<b>37</b>	<b>3</b>	<b>34</b>	<b>24</b>

## Whistleblowing Cases 2023 - 2021

Reported Cases; Categories	2023	2022	2021
Substance abuse; censurable behavior	5	–	–
Theft/Fraud/Conflict of Interest	8	7	6
Discrimination	3	–	1
Sexual Harassment	4	5	7
Harassment	4	2	2
Breach of appl. Law or Regulations	–	1	2
<b>Total</b>	<b>24</b>	<b>15</b>	<b>18</b>

## G1.1 Non-compliance with business conduct standards

### Reporting principles

Observed or reasonably suspected non-compliance cases, including alleged violations of applicable law or regulations and of XXL Code of Conduct, are normally reported to line management, XXL Ethics & Compliance Officer (ECO), local Company's Ethics & Compliance Associates (ECAs), or submitted through XXL's confidential Whistleblowing Channel. Reports are also conveyed by employees' representatives or safety delegates on behalf of a concerned colleague.

Reports may be related to the same case/issue; hence, the number of reports is higher than the number of cases. XXL considers reported complaints and concerns to be potential sources of information regarding opportunities to further develop and improve policies or practices.

The ECO considers all reports and dismisses any report that is clearly ill-natured or that show no evidence or indication whatsoever of a censurable condition.

### Whistleblowing Cases 2023 - Grouped by Case Category

All confirmed 2023-reports have been diligently investigated by the ECO in accordance with XXL Procedures for handling of reported complaints and concerns. Investigation Reports are referred to the relevant senior manager who decides adequate actions. All serious violations have resulted in dismissals or strict cautions.

### Whistleblowing Cases 2023 - 2021

The increase in number of cases reported in 2023 may be a consequence of XXL's focus on building a speak-up culture based on trust and everyone's commitment to contributing to prevention of non-compliant business practices or censurable behavior in the workplace. Also, in 2023, XXL Board members, management, employees, and other internal staff repeated their XXL Code of Conduct Training Program further raising awareness and understanding of the standards and rules stated in the Code. The increased number of confirmed cases in 2023 may be a positive result of this initiative.



### Compliance training – Code of Conduct

Categories	Total Number	Completed	Completion Rate
BoD, SMT, ECO & ECAs	23	23	100 %
HQ employees	179	161	90 %
HQ managers (excl. SMTs and ECAs)	55	49	89 %
Norwegian Store Employees	1 725	1 480	86 %
Swedish Store Employees	936	843	88 %
Finish Store Employees	550	540	98 %
Swedish Warehouse employees	133	126	95 %
Norwegian Warehouse employees	90	88	98 %
Norwegian Store Managers	39	39	100 %
Swedish Store Managers	29	29	100 %
Finish Store Managers	16	16	100 %
Norwegian Warehouse managers	7	7	100 %
Swedish Warehouse managers	7	7	100 %
<b>Total Group</b>	<b>3 816</b>	<b>3 408</b>	<b>89 %</b>

## G1.2 Compliance training

### Reporting principles

Compliance training includes e-learning courses related to compliance and business conduct. Compliance training is reported based on training modules completed. IT Security and weapon routines trainings are not included in Group Code of Conduct training overview.

## G1.3 Current income tax

Reference is made to the Annual Accounts 2023 for XXL Group and the income tax note (note 7.)



# Estimation Methodology

Emissions Source	Scope Description
Electricity (landlord managed retail facilities)	Where actual data is not available, electricity usage is estimated for landlord-managed retail facilities in Norway, Sweden and Finland. Square footage of is used, leveraging actual FY 2023 square footage data, along with electricity intensity (kWh per square meter of known FY 2023 XXL electricity usage in retail facilities). Electricity usage for the following retail units were estimated for FY 2023: Norway: 302 - Stavanger, 306, Tune, 309 Tiller; Sweden: 526 - Emporia; Finland: 702 - Itäkeskus, 703 - Kaleva, 704 - Kluuvi, 708 - Mylly, 709 - Oulu, 712 - Lappeenranta, 714 - Kuopio;
Waste generated in own operation (landlord managed retail facilities)	Where actual data is not available, Waste generation is estimated for landlord-managed retail facilities in Norway, Finland and Austria. Number of items sold is used, leveraging actual FY 2023 number of actual items sold, along with waste generation data of known FY 2023 in other XXL retail facilities). Waste generation for the following retail units were estimated for FY 2023: Norway: 308 - Drammen, 310 - Lagunen, 311 - Majorstua, 317 - Ålesund, 318 - Strømmen, 319 - Steinkjer, 324 - Bodø, 325 - Harstad, 328 - Skien, 331 - Buskerud, 335 - Storo, 338 - Alta; Finland: 707 - Skanssi, 708 - Mylly, 709 - Oulu, 710 - Lahti, 711 - Vaasa, 712 - Lappeenranta, 713 - Jyväskylä, 714 - Kuopio, 715 - Pori, 716 - Redi, 717 - Seinäjoki ; Austria: All stores
Calculation Methodology	<p><b>Updating Our Calculation Methodology for Greater Accuracy</b></p> <p>In the interest of transparency and accuracy, we continuously scrutinize our environmental reporting methods and strive for the most accurate representation of our overall GHG contributions. In February 2024, Normative, our carbon accounting provider, introduced an improved version of their GHG emissions calculation model for spend-based calculations. More specifically, the latest version (3.8.2) of the database Exiobase 3 has been adopted and monetary emission factors have been updated accordingly. This upgrade introduces refined, spend-based emissions data, leading to a more precise carbon footprint measurement.</p> <p>Adopting this updated methodology may result in differences in our reported emissions, as our environmental impact is now depicted with increased specificity. While these shifts may affect comparative figures from previous reports, they are essential strides toward more impactful and informed sustainability strategies. We remain dedicated to advancing our sustainability journey with the utmost integrity and transparency.</p>



# Board of Directors' Report

**2023 was a challenging year for the retail industry in Nordics, and sports was no exception. Weak consumer sentiment led to reduced demand for sports and outdoor equipment in all markets where XXL is present. Through sales campaigns and capital control XXL successfully reduced its' inventory level from 2022, being at a healthy level at year-end 2023.**

**After several years with significant losses in Austria, XXL successfully exited the market in 2023. The company will continue to consolidate markets and sales channels by closing its' operations in Denmark by Q1 2024.**

**Total operating revenue in 2023 was NOK 7 961 million (NOK 8 426 million) equaling 5.5 per cent decline compared to 2022, and Net Income was negative of NOK 1 590 million (negative of NOK 411 million).**

**After the Balance Sheet date XXL has raised NOK 500 million in new equity.**

Both 2022 and 2023 have been challenging years for the sports industry and XXL Group as a whole. XXL aims to fortify its' market leading position in Norway, Sweden and Finland with the Reset & Rethink strategy which was launched in 2023. In short, XXL aspires to apply its' historical winning recipe adapted to a new reality with the support of technology and data-driven decision-making.

## Reset & Rethink Strategy

The Group implemented its' Reset & Rethink strategy in July 2023, which aims for an EBITDA uplift of NOK 500-750 million in 12-18 months. The Reset & Rethink strategy encompasses the five "Must-Win Battles" Category Reset, Availability, Store Operations, Pricing, and E-Commerce Profitability.

**Category Reset** entails rebalancing the inventory and purchasing towards goods with low-price points. Also, more of the capital will be used towards building controlled brands, whereof the minority investment in Stormberg, a strong Norwegian outdoor brand, played a major part in achieving this. With the Category Reset it will be possible to increase **Availability** of fast-moving low-price point products, which is expected to reduce storage time and improve sales and margins. **Store Operations** involves training of sales staff, RFID tagging for improved control of inventory, standardization of store operations, staff planning, loss prevention and measures to improve the customers' in-store experiences. With **Pricing**, XXL aims to regain its market leading position in the low-price point segment through inventory rebalancing and market leading prices with data-driven pricing routines supported by electronic price tags balanced by strict price controls to strengthen the underlying gross margin performance. **E-Commerce** is expected to grow going forward and XXL will increase its' profitability by enhancing the online experience, reducing returns and unprofitable "ship-from-store" orders. The strategy is progressing well and is expected to improve performance in 2024.

Other initiatives that have been executed and will improve the overall profitability is exiting the unprofitable operation in Austria and launching of a new customer bonus program. The company will continue its focus on cash management, cost reductions and exploring new ways of working. XXL will exit Denmark in Q1 2024 to focus on its three core geographies: Norway, Sweden, and Finland.

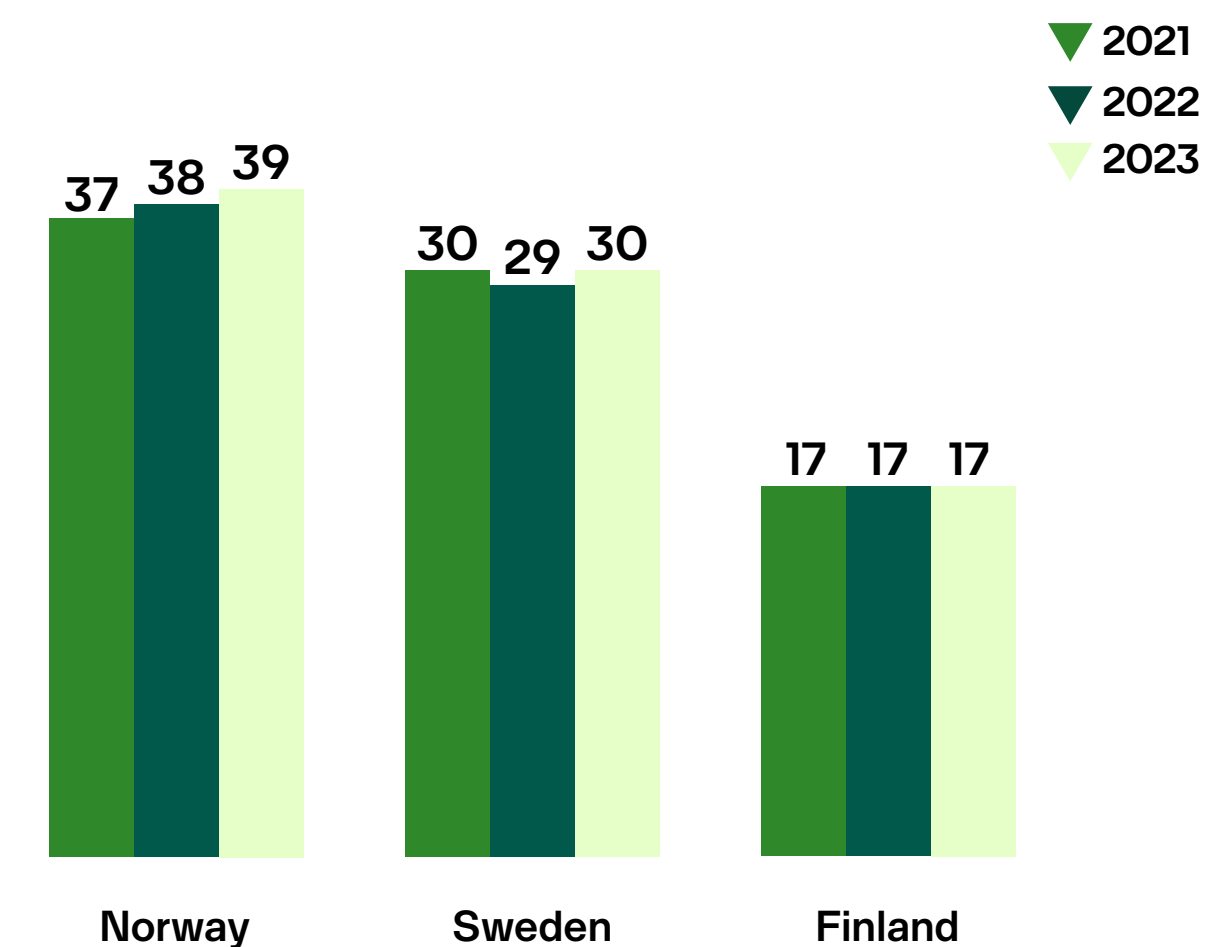
## Revenue development

Total operating revenue in 2023 was NOK 7 961 million (NOK 8 426 million) a decrease of 5.5 per cent. There was a negative like for like sales of 9.3 per cent adjusted for currency fluctuations. The decline vs 2022 were mainly explained by challenging markets, driven by low consumer confidence and reduced demand for sporting goods.

During 2023 XXL closed the remaining stores in Austria and opened two new stores in Lillehammer in Norway, and Skellefteå in Sweden.

E-commerce had a decline of 2.5 per cent for the year. The revenue contribution from E-commerce for the Group corresponded to 23.8 per cent in 2023 (22.8 per cent). The decline in E-com sales was mainly explained by post-covid effects of reopened stores and changed consumer habits back to traditional retail channels.

Numbers of stores



## Trends

In Norway, figures from "Sportsbransjen" (The Norwegian sports association) showed a market decline of 2.9 per cent for 2023 while XXL decreased by 7.9 per cent.

Sweden figures from SCB (Statistics Sweden) showed a market decline 2.2 per cent while XXL decreased by 8.4 per cent (in local currency).

In Finland, figures from TMA (Finnish Fashion and Sports Commerce Association) which represents about 75 per cent of the total market, showed a decline of 3.9 per cent while XXL had a negative growth of 12.5 per cent (in local currency). The loss of market shares, especially towards the outlet segment in all Nordic countries was undesirable and has spurred the Reset & Rethink strategy.

XXL believes that E-commerce will continue to increase its' share of sport retail. It is therefore of highly importance for XXL to be in front of this development and invest significantly in the E-commerce platform. XXL believes that having the combination of E-commerce and stores is the most convenient and winning model.

XXL will continue to utilize its scale to have the lowest operating costs through a centralized model and provide the broadest selection of attractive products at the best prices with the most qualified employees.



## Financial information

### Consolidated financial result

Total operating revenue in 2023 was NOK 7 961 million (NOK 8 426 million), a decline of 5.5 per cent. There was negative like-for-like growth in total of 9.3 per cent adjusted for currency fluctuations. The decline vs 2022 were mainly explained by challenging markets, driven by low consumer confidence and reduced demand for sporting goods in general. E-commerce is included in the like-for-like figure. EBITDA in 2023 was negative by NOK 80 million (NOK 237 million). The sales shortfall led to a drop in gross profit of NOK 213 million. In combination with a reduced gross profit, Opex increased with NOK 104 million explaining the negative change in EBITDA.

The revenue contribution from E-commerce for the Group corresponded to 23.8 per cent in 2022 (22.3 per cent). The decline on E-com was mainly explained by post-covid effects of reopened stores and changed consumer habits back to traditional retail channels.

Operating income decreased from negative NOK 467 million in 2022 to negative NOK 1 409 million in 2023, partly affected by sales shortfall and clearance campaigns, negative profitability effect of NOK 213 million, Opex increase of NOK 104 million, mainly explained by negative currency translation effects, and impairment of goodwill and Right-of-use assets amounting to NOK 576 million. The operating margin decreased from negative 5.5 per cent to negative 17.7 per cent and is explained by reduced revenue, increased Opex and impairment losses.

The Group had net financial expenses of NOK 186 million in 2023 compared to NOK 64 million in 2022. The increase in financial expenses is caused mainly by higher interest expenses and adverse currency fluctuations.

Loss before tax was negative of NOK 1 595 million (negative NOK 531 million) and Net income was negative by NOK 1 796 million (negative NOK 542 million) negatively affected by impairment of goodwill and right-of-use assets of NOK 576 million. Basic earnings per share for continuing operations were negative by NOK 1.93 (negative NOK 1.63).

### Consolidated Balance Sheet and Cash Flow Statement

Total assets were NOK 7 542 million at the end of 2023 (NOK 9 034 million). The reduction is mainly explained by inventory reduction of NOK 552 million and by goodwill impairment of NOK 522 million.

Net interest bearing debt was NOK 876 million (NOK 1 054 million). Net cash position was NOK 406 million (NOK 552 million). Adding available credit facilities, the liquidity reserve was NOK 760 million (NOK 746 million) at the end of 2023.

Group equity was NOK 2 310 (NOK 3 066 million) resulting in an equity ratio of 30.6 per cent (33.8 per cent).

Cash flow provided by operating activities was NOK 198 million (NOK 682 million). The change is mainly due to the weaker Operating result. The reduction in inventory is partly offset by the reduction in accounts payable. The difference between Operating Income and Operating Cashflow is NOK 1 607 million, mainly explained by depreciations of NOK 754 million, impairment of NOK 576 million and reduction of working capital of NOK 233 million.

Cash flow from operations does not consider GAAP differences (i.e. IFRS 16) which constitute the major difference between cash flow from operations and Operating income in the financial statements.

Cash used for investing activities was NOK 129 million (NOK 139 million). This is mainly related to investments in existing stores and proprietary software.

Cash used by financing activities amounted to NOK 285 million (cash used of NOK 164 million) in 2023. The figure includes capital raise of MNOK 1 001 and repayment of loans of MNOK 774 million.

### Parent company XXL ASA

In 2023, the Parent company XXL ASA incurred a net loss of NOK 606 million (NOK 48 million) Out of which NOK 522 million relates to impairment of shares in subsidiaries. Cash flow from operating activities was negative of NOK 966 million (NOK 52 million). The negative operational cashflow is mainly explained by income before income taxes of negative 84 million and increase of intra-group working capital of NOK 864 million. Cash provided through share issues was MNOK 974 which was predominantly used for financing of subsidiaries through intercompany accounts.

Total assets at Year-end amounts to NOK 3.641 million (NOK 3.777 million) and total equity is NOK 3 200 million (NOK 2.832).

### Allocation of net income (Group)

Due to the negative result the Board of Directors propose that no dividend distribution will take place for the fiscal year 2023. Long term XXL has a dividend policy with a target pay-out ratio of 40-50 per cent of annual net income.

## Risk management

Risk Management in XXL has identified five risk areas; being; financial risk, market risk, operational risk, management risk, and IT risk. The mitigation of risk is based on an approach based on whether it is safeguarding measure of a preventive or detective nature. The company evaluates risk based on three categories; Financial Impact on EBITDA, probability and severity of the respective risks.

Overall, XXL has seen an evolution of the company's risk profile in a context of increasing sustainability expectations as well as an uncertain geopolitical and competitive landscape. See more information on sustainability related risks in Impact, Risks and Opportunities table under the Sustainability Statements. Despite XXL's best efforts, the risk-mitigating initiatives may fail or prove to be inadequate to mitigate all risks. As risks increase, decrease or change and new risks emerge over time.

### Financial risk

XXL uses bank loans and existing cash flow from operating activities as its main source of funding to secure capital for the growth. For commercial hedging purposes, the Group uses derivatives. XXL does not apply hedge accounting or use any financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The main financial risks that the Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines to manage these risks.

### Credit risk

The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable.

### Interest risk

The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits.

### Market risk

The Group faces substantial competition in the sports retail industry from a wide range of different concepts, including pure online players. Actions taken by competitors, as well as actions taken by the Group to maintain its competitiveness and reputation, will continue to put pressure on the pricing strategy, net sales growth and profitability.

Customer preferences and trends in the sports and outdoor equipment market are volatile and tend to change rapidly. The business of the Group is dependent upon being able to anticipate, identify and respond to changing trends and customer preferences. If not, the sales may be lower than predicted and the Group faced with an increased amount of unsold inventory. This could lead to the need of more promotional sales and may also impact the XXL brand image and customer recognition.

The business is subject to seasonal peaks and the Group must actively manage the purchase of inventory. Sports retail in general is also to some extent affected by periods of abnormal, severe, and unseasonal weather conditions, such as unfavorable snow conditions. Efficient logistics of the Group provides for the ability to rapidly switch from winter to summer assortment.



The Group believes it is well-positioned with regards to relative price offerings in the markets, but consumer spending on sporting and outdoor goods may be adversely impacted by economic conditions such as consumer confidence, interest and tax rates, employment level, salary and wage levels, general business conditions, consumer credit and housing, energy, and food costs.

### Supply chain risk

Disruption to the supply chain leading to shortages of goods is a risk that has increased during the last years due to the increased challenging macro environment. The Group monitor the supply chain risk closely to make sure XXL take mitigating actions when necessary.

## Sustainability reporting

As a major player in the retail sector of sporting goods, the group is aware of the imperative to engage with environmental, social, and governance (ESG) issues proactively. Our corporate values is underpinned by the conviction that our business objectives must be pursued in a manner that is ethically sound, respectful of human dignity, and environmentally sustainable.

The evolution of sustainable development into a key competitive lever in today's fast-paced market environment is an acknowledgment of its role in securing market expansion, customer diversity, and innovation. The European Union's sustainable finance action plan has been a pivotal influence, reshaping investment landscapes and emphasizing the importance of sustainability. This plan aims to channel investments into sustainable ventures, diminish funding for industries that exacerbate climate change, manage environmental and resource-related financial risks, and encourage a shift towards transparency and sustainability in economic and financial decision-making.

In response to these shifts, XXL works to integrate sustainability initiatives, manage risks, mitigate negative impacts and pursue opportunities in both our own operations as well as our value chain. We are committed to embedding sustainability at the core of our business strategy and operations. Our intent is to maximize shareholder value while making meaningful contributions to societal well-being and environmental preservation. This commitment not only aligns with emerging global trends but also resonates with our dedication to fostering sustainable, inclusive growth. XXL has reported with reference to the Global Reporting Initiative (GRI) Standards. The GRI index is provided as an annex to this report. In response to the EU Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), XXL restructured its sustainability reporting for FY 2023, with full compliance expected in the 2024 annual report.

### Corporate Governance

XXL adheres to the Norwegian Code of Practice for Corporate Governance, ensuring alignment with governance standards for companies listed on the Oslo Stock Exchange. Compliance with the standards is detailed in the section Corporate Governance in XXL ASA, referencing relevant sections of the Code of Practice. XXL's corporate governance policy is rooted in the Code of practice, serving as a framework to uphold transparency and accountability, supporting our core objectives and shareholder interests.

Approved by the Board of Directors, XXL's governance documents establish clear principles for conducting business across all company units. The Board exercises oversight to ensure the implementation of robust governance practices, revising these documents annually to maintain relevance and effectiveness in promoting responsible corporate behavior.

Our evaluation of risks and impacts—both external and internal—facilitates a comprehensive understanding of our priorities in mitigating adverse occurrences that affect our financial stability and have detrimental effects on the environment and society. We recognize that our approach to addressing these challenges and seizing the opportunities they present is of increased value for our enduring financial health and competitive stance in the market.

The XXL Code of Conduct is anchored in the group's four core values: CUSTOMER-FIRST, KNOWLEDGEABLE, PASSIONATE, CARING. These values serve as the bedrock of our identity and guide our actions. The Code articulates our pledge to uphold the utmost legal and ethical standards in both our business operations and individual conduct. To ensure the Code's principles and the directives of our Anti-Corruption Guide are thoroughly understood and adhered to, we offer a case-based e-learning training program. This educational initiative is mandatory for all employees, including management and the Board of Directors, reinforcing our collective commitment to integrity and compliance.

The XXL whistleblowing channel is accessible to all employees, business partners, and external parties wishing to report actual or suspected violations of applicable laws, regulations, or deviations from the XXL Code of Conduct. We are dedicated to upholding the highest standards of ethical conduct, promoting an environment where speaking up is valued, and actively encouraging all stakeholders to voice any concerns. These contributions are vital for the continual ethical evolution and integrity of XXL.

The internal control functions oversee the group's activities, aiming to maintain high quality standards while identifying and mitigating potential risks and deficiencies. The comprehensive approach encompasses regular risk evaluations prior to procurement, in-store audits for internal control, meticulous pre-shipment quality assessments, and thorough audits at manufacturing sites. We consistently refine our internal protocols for product compliance, ensuring they are in alignment with both European Commission regulations and national legislative standards.

The group manages and controls risks, collaborating with the Board Audit Committee and external auditors. By utilizing expert insights and comprehensive analyses, the company aims to mitigate potential negative impacts on both itself and society. Recognizing the risks of inaccurate sustainability reporting and data errors, XXL ASA continuously improving stringent review and control processes across its operations to ensure data integrity.

### Organization

XXL is a sport retail chain, with stores and E-commerce in Norway, Sweden, and Finland. The Group successfully exited Austria in 2023. The Group's headquarter is in Oslo (Norway), and the Group also has an office in Stockholm (Sweden), Helsinki (Finland), as well as a procurement service office in Lucerne (Switzerland). By year end 2023

XXL had 39 stores in Norway, 30 in Sweden and 17 in Finland, as well as a central warehouse at Gardermoen (Norway) and Örebro (Sweden). After the closure from the Austrian market, the Group operates 86 stores.

### The working environment and the employees

The Group has 4 356 employees (incl. full- and part time) at year end 2023 (4 749 in 2022). Leave of absence due to illness totaled at 6.9 per cent of total working hours in the Group in 2023 (7.8 per cent in 2022). No incidences or reporting of work-related accidents resulting in significant material damage or personal injury have occurred during the year. See more information in the Sustainability Statement, Own Workforce section.

The Board would like to thank all the XXL employees for their dedication to the company and our concept. 2023 has been the most challenging year for the Group and we appreciate all your hard work and dedication.

### Equal opportunities

The Group aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion, and recruiting.

The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion, and faith. XXL is working actively, determined and systematically to encourage the act's purpose within the business through recruiting, salary and working conditions, promotion, development opportunities and protection against harassment. The Group is actively investigating and analyzing sources of discrimination in the organization.

The Group has traditionally recruited from environments equally dominated by both men and women. Out of the Group 4 365 employees there are 1 827 female employees which equals 42 per cent. We refer to the sustainability report for statement on gender equality and fulfilment of activity obligation. See more information in the Sustainability Statement, Own Workforce section.

### Norwegian Transparency Act

XXL has rigorously upgraded its supply chain due diligence frameworks to be in line with the OECD guidelines tailored for Multinational Enterprises. This enhancement is in direct response to the stipulations of the Norwegian Transparency Act, enacted on July 1, 2022, which mandates that Norwegian corporations systematically engage in due diligence to identify, mitigate, and disclose how they address both direct and potential adverse impacts within their supply chains. See more information in the Sustainability Statements, sections on Human Rights, Workers in the value chain and Business Conduct.

To fortify sector-wide adherence to these requirements, XXL has assumed a pioneering role in fostering collaboration within the Norwegian Sporting Goods Industry organization. This initiative aims to cultivate a consensus on supply chain due diligence standards that prioritize human rights and fair labor practices. By consolidating our efforts and adhering to unified principles, we anticipate a marked reduction in the risks associated with non-compliance and regulatory infractions.



Our proactive stance in this collaborative industry effort not only exemplifies our leadership but also signifies our unwavering commitment to ethical business conduct. By integrating these enhanced due diligence processes, XXL is setting a benchmark for corporate responsibility, and affirming our reputation for principled operational practices.

A statement detailing XXL's adherence to the diligent practices mandated by the Norwegian Transparency Act is accessible on the XXL's website, within the Sustainability section. The forthcoming 2023 update, which outlines the group's continuous commitment to these diligent practices, will be made available on XXL's website in June 2024. The board of directors confirms that XXL is compliant with the Norwegian Transparency Act. <https://www.xxlasa.com/wp-content/uploads/2023/07/The-Transparency-Act-Due-Diligence-Report-2022-ENG.pdf>

### EU Taxonomy

In compliance with regulation EU (2020/852) and its supplementing delegated acts, XXL, as a non-financial company, presents its report on revenue (turnover), capital expenditure, and operating expenses related to Taxonomy-eligible and Taxonomy-aligned economic activities. The report includes detailed information on our alignment with the EU Taxonomy framework shown under the Sustainability Statemts, Statement on EU Taxonomy for sustainable economic activities, outlining our activities in accordance with the specified regulations.

The Board of Directors is dedicated to incorporating risk management into strategic decision-making, enhancing profitability while maintaining a commitment to societal and environmental responsibility.

## Going Concern and Business Outlook

### Going Concern

In accordance with Norwegian accounting regulations, the Board of Directors confirms that the prerequisites of a going concern have been met in the presentation of the annual financial statements. 2023 has been the most challenging year for the Group and requires the board to elaborate on the going concern assessment, and the uncertainty relates to sales shortfall. At the end of 2023 XXL had a liquidity reserve of NOK 760 million and enforces strict control with capital allocation and cash management. The Reset & Rethink strategy is progressing well, and XXL is poised to make substantial improvements to its' operational and financial performance in 2024. The Board of Directors and XXL's management are closely monitoring performance and frequently updating cash-flow forecasts in order to take advantage of opportunities and mitigate potential downside risk. Going forward the combination of increased consumer confidence (CGI), stabilized inflation and expected lowering of the key interest rate indicates that the population will increase its consumer spending. The aforementioned internal and external factors are coherent with the Board of Directors' assessment of going concern.

### Subsequent events

On 21 March 2024 XXL announced a private placement of NOK 500 million with Altor Invest 5 AS and Altor Invest 6 AS (together "Altor"), Ferd AS and Frasers Group Plc. On 22 March a potential subsequent offering to other existing shareholders was announced. The net proceeds from the offering will be used for general business purposes, hereof NOK 300 million will be used to reduce the existing revolving credit facility with DNB ASA and Nordea Bank Abp.

More information about the private placement can be found on <https://newsweb.oslobors.no/message/614225>

### Outlook

XXL's target going forward is to over time gain market shares in all markets and continue the growth in the E-commerce channel.

XXL has implemented several strategic initiatives in relation to the Reset & Rethink strategy and will continue pursuing improved profitability and operational efficiency going forward. The longer-term target is "40 -30 -10" on gross margin, OPEX and EBITDA respectively and when excluding IFRS 16 effects. With FY2022 as a base, Reset & Rethink is expected to improve EBITDA by 500-750 million in the next 12-18 months. In addition to XXL's best efforts, the full potential of Reset & Rethink will unfold when the Nordic sports market recovers.

In line with the existing strategy, XXL will continue to invest in operational efficiency, selective new store openings, E - commerce platform, existing stores, infrastructure, and IT. Total CAPEX for XXL Group in 2024 is expected to be around NOK 100 - 150 million.

Going forward XXL plans for no new store openings in 2024, albeit considering relocating stores where the lease is expiring. At the same time XXL will be downsizing several existing stores, where the contract period is approaching an end. The downsizing strategy entails reduced store space, and thus the rent, but also maintaining XXL's wide assortment. The expected annual cost-saving from the store downsizing is NOK 20 million. The Group will continue to focus on optimizing the store portfolio.

## Responsibility Statement

We, The Board of Directors, confirm to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2023 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole, as well that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group. The board of Directors and Group leadership have "Directors and Officers Insurance". The insurance covers personal legal liabilities including defense- and legal costs.




# Board of Directors

Oslo, 23. April 2024



**Björn Einar Håkan Lundstedt**

Chairman of the Board



**Kjell-Arne Fikerud**

Board Member



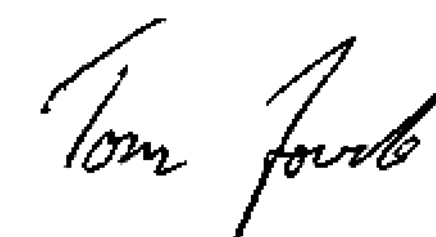
**Tor Andrin Jacobsen**

Board Member



**Kjersti Helen Krokeide Hobøl**

Board Member



**Tom Christian Jovik**

Board Member



**Helena Ebersten Henriksen**

Board member



**Kari Ekelund Thørud**

Board Member



**Ronny Blomseth**

Board Member



**Freddy Sobin**

CEO



# Corporate governance

## 1. Implementation and reporting on corporate governance

XXL believes that good corporate governance contributes to the best possible value creation and trustworthiness over time for all shareholders, the capital markets and for other key stakeholders. In order to secure strong and sustainable corporate governance, it is important to ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislations and regulations across the XXL Group.

The Norwegian Corporate Governance Board has for companies listed on the Oslo Stock Exchange issued the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). The Code of Practice is available on [www.nues.no](http://www.nues.no) and was last amended on 14 October 2021. XXL comply with the Code of Practice. Details are included in this report with section numbers that refer to the Code of Practice's articles. XXL's corporate governance policy is based on the Code of Practice, and as such designed to establish a basis for good corporate governance, to support achievement of the Group's core objectives on behalf of our shareholders and other stakeholders.

XXL has governance documents setting out principles for how business should be conducted. These apply to all XXL units. The XXL governance regime is approved by the Board of Directors, which has the overall supervision for corporate responsibility at XXL and ensures that the Group implements sound corporate governance principles. The Board of Directors revises the governance documents on a yearly basis.

Deviation from the Code of Practice (NUES) - none

## 2. Business - XXL's objectives and activities

XXL believes good corporate governance involves openness and trustful cooperation between all stakeholders in the Group – the owners, the Board of Directors and the Executive Management, employees, customers, suppliers, creditors, public authorities, capital markets and society in general.

By pursuing the principles of corporate governance, the Board of Directors and Executive Management shall contribute to achieving the following objectives:

- Openness – communication with the interest groups of XXL shall be based on openness in issues relevant to the evaluation of the development and position of the company.
- Independence – the relationship between the Board of Directors, the Executive Management and the owners shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment – one of XXL's objectives is equal treatment and equal rights for all shareholders.

- Control and management – good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

XXL's vision is to be the preferred sports and outdoor destination in the Nordics. This is reflected in the Section 3 of the Articles of Association, which reads "The Company's business operation is trade business within sport and wilderness products and other business operations that are naturally related therewith. The business can be conducted by the company itself, by subsidiaries or through participation in, or in cooperation with, others".

XXL is committed to interact in an open and responsible way with all the relevant stakeholders to be able to create a profitable business over time. Our corporate governance policies are designed in order to be true to this commitment, including the achievement of sustainable profitability for the stakeholders of XXL.

The Board of Directors set clear ambitions for the coming year in the budget process each year. Long term objectives, strategies and the risk profile are also evaluated annually or as necessary in connection with major events or structural changes during the year. Included in this is also the sustainability work of the Group which is linked to the overall strategy and evaluated yearly. XXL publishes an annual sustainability report covering the most important aspects of this work which is based on a broad stakeholder materiality analysis.

Deviation from the Code of Practice (NUES) - none



### 3. Equity and dividends

The company's equity should continuously be at a level appropriate to XXL's objectives, strategy and risk profile.

Long term XXL has a dividend policy with a target pay-out ratio of 40-50 per cent of annual net income. When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the Company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth. Dividend payments are subject to approval by the General Meeting. XXL paid no dividends in 2023.

Authorization to increase the share capital of the Company will be restricted to defined purposes and will in general be limited in time to no longer than the time of the next Annual General Meeting. If the authorization is for different purposes, the Company will present the authorizations to the shareholders as separate items. Authorizations to acquire own shares will also be restricted to defined purposes and if the acquisition is for several purposes, the Company will present the authorization as separate items to the shareholders. Such authority will state the maximum and minimum amount payable for the shares and applies for no longer than the time of the next Annual General Meeting. The aggregate nominal value of treasury shares acquired by the Company must not exceed 10 percent of the total outstanding shares in the company.

In the Annual General Meeting held on 6 June 2023, the Board of Directors was granted authorization to increase the share capital of the Company by a maximum of NOK 31,035,477 representing up to 20 per cent of the share capital at that time. The purpose of the authorization is for general financing and strengthening of equity. The authorization is valid until the Annual General Meeting in 2024, but no longer than to 30 June 2024.

The Board of Directors has also granted authorization to increase the share capital of the Company by a maximum of NOK 7,758,894.40 representing up to 5 per cent of the share capital at that time. The purpose of the authorization is to secure delivery of shares under the Company's share incentive programs. The authorization is valid until the Annual General Meeting in 2024, but not later than 30 June 2024.

The Board of Directors has also been granted authorization to repurchase the Company's own shares within a total nominal value of NOK 7,758,894.40 corresponding to up to 5 per cent of the Company's share capital. The main purpose of the authorization is to acquire own shares in order to use such shares in connection with XXL's share incentive programs. To the extent the shares are not required for the share incentive program after all, the shares shall be deleted in connection with a later reduction of the registered share capital. The maximum amount that can be paid for each share is NOK 50 and the minimum is NOK 0.1. The authorization is valid until the Annual General Meeting in 2024, but not later than 30 June 2024.

The two above mentioned authorizations must be viewed in connection so that the total utilization of both authorizations combined does not exceed 5 per cent of the Company's share capital.

Further, the Board of Directors was granted authorization to repurchase the Company's own shares within a total nominal value of NOK 7,758,894.40 corresponding to up to 5 per cent of the Company's share capital at that time. Shares in XXL acquired in accordance with this authorization are planned in order to optimize the Company's share capital structure. The maximum amount that can be paid for each share is NOK 50 and the minimum is NOK 0.1. The authorization is valid until the Annual General Meeting in 2024, but no longer than 30 June 2024.

Lastly, the Board of Directors was granted authorization to repurchase the Company's own shares within a total nominal value of NOK 7,758,894.40 corresponding to up to 5 per cent of the Company's share capital. Shares in XXL acquired in accordance with this authorization are planned for potential use as consideration shares with regards to acquisition of other businesses. The maximum amount that can be paid for each share is NOK 50 and the minimum is NOK 0.1. The authorization is valid until the Annual General Meeting in 2024, but no longer than 30 June 2024.

XXL held no own shares in treasury at the end of the year 2023.

In Q3 2023 XXL conducted a fully underwritten rights issue directed towards all shareholders, of NOK 0.40 per share and raised gross proceeds of NOK 500 million, to strengthen the liquidity of the Group. The rights issue was approved by an extraordinary general meeting on 17 August 2023.

In Q1 2024 XXL contemplated a private placement directed towards the 3 largest shareholders of NOK 0.70 per share and raised gross proceeds of NOK 500 million, to strengthen the liquidity of the Group. The private placement was approved by an extraordinary general meeting on 12 April 2024. More information about the private placement can be found on <https://newsweb.oslobors.no/message/614225>

Deviation from the Code of Practice (NUES) - none

### 4. Equal treatment of shareholders

Equal treatment of all our shareholders is core in how XXL approaches corporate governance.

The total share capital of the Company is NOK 665,429,772 divided into 1,334,852,101 ordinary shares (class A shares) and 328,722,329 non-voting shares (class B shares), in total 1,663,574,430 shares, each with a nominal value of NOK 0.40. The class A shares represent NOK 533,940,840.40 and the class B shares represent NOK 131,488,931.60 of the total share capital. All shares of the Company is registered with a register of securities.

Each class A share carry one vote, while the class B shares have no voting rights. Save for the above the class A shares and the class B shares rank pari passu and give equal rights to dividends and other distributions, and all other rights.

Any holder of class B shares can at any time request the exchange of, and exchange, any or all of its class B shares into class A shares (ref. Section 4-1 (2) of the Norwegian Public Limited Liability Companies Act) by notifying the Company, provided that such exchange does not result in the holder, taken together with close associates of the holder (as defined in Section 2-5 of the Norwegian Securities Trading Act), exceeding a shareholding of one-third of the total number of outstanding class A shares. Notwithstanding the above, a holder of class B shares may request the exchange of, and exchange, class B shares into class A shares if the holder has already triggered a mandatory offer obligation under the Norwegian Securities Trading Act and publicly announced that it intends to put forward a mandatory offer, provided that such mandatory offer has not been completed at the time of the request for exchange.

Shareholders are required to adhere to the above exchange regulations at their own risk, and the Company has no obligation to monitor, consider or express any opinion in this respect. The exchange ratio shall be 1:1, so that each class B share shall be exchangeable into one class A share.

In the event the Company resolves to carry out a rights offering of class A shares or other issuance of class A shares or other equity instruments with preferential rights for holders of class A shares, the Company shall also carry out a corresponding rights offering of class B shares or other issuance of class B shares or other equity instruments with preferential rights for the holders of class B shares at the same offer price, allowing each holder of class B shares to subscribe for class B shares and such other equity instruments in order to maintain its pro rata shareholding in the Company and preserve the value of the exchange right.

The Company shall as soon as practicably possible following receipt of a request for an exchange of class B shares into class A shares implement such exchange by procuring registration of the relevant amendments with the Norwegian Register of Business Enterprises and the issuance of the new class A shares in the securities depository. Further, the Company shall ensure that the new class A shares as soon as practicably possible become listed and tradeable at the stock exchange(s) and other regulated market place(s) on which the other class A shares are listed.

Where the Board of Directors resolves to carry out an increase in the share capital and waive the pre-emptive rights of the existing shareholders on the basis of a mandate granted to the Board of Directors, an explanation will be publicly disclosed in an announcement to the stock exchange in connection with the increase of the share capital.

XXL has established instructions for handling inside information, rules for primary insiders and insider trading which is closely monitored.

Any transaction the Company carries out in its own shares will be carried out either through the stock exchange or at prevailing market prices if carried out in any other way. Such transaction will be publicly disclosed in a stock exchange announcement immediately.

Deviation from the Code of Practice (NUES) - none



## 5. Shares and negotiability

The shares in both classes of shares are freely transferable. Upon a transfer of class B shares to a transferee who is not a close associate of the holder (as defined in Section 2-5 of the Norwegian Securities Trading Act), the relevant class B shares shall be exchanged for class A shares, except (at the election of the transferor) for a transfer to a third party acquirer in a mandatory tender offer.

There are no provisions in the Company's Articles of Association that limit the right for class A shares to own, trade or vote for those shares in the Company. The Articles of Association do not provide for any restrictions on the transfer of class A shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

Deviation from the Code of Practice (NUES) - none

## 6. General meetings

Through the General Meeting, shareholders exercise supreme authority in the Company. In accordance with Norwegian law, the Annual General Meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of Annual General Meetings, setting forth the time of the venue and the agenda, to be sent to all shareholders with a known address no later than 21 days before the Annual General Meeting, unless the Articles of Association stipulates a longer deadline, which is not currently the case for the Company.

Apart from the Annual General Meeting, Extraordinary General Meetings of shareholders may be held if the Board of Directors considers it necessary. An Extraordinary General Meeting must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5 per cent of the share capital demands this in writing. The requirements for notice to the Annual General Meeting also apply to Extraordinary General Meetings.

According to the Articles of Association, documents relating matters to be dealt with by the Company's General Meeting, including documents which by law shall be included in or attached to the notice of the General Meeting, do not need to be sent to shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents which relate to matters to be dealt with at the General Meeting are sent to him/her.

A shareholder may vote at the General Meeting either in person or by proxy appointed at their own discretion. In accordance with the requirements of the Norwegian Securities Trading Act, the Company will include the proxy form with the notice of General Meetings. Furthermore, the Company will appoint a person, normally the Chairman of the Board of Directors, who may act as a proxy holder for the shareholders. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the General Meeting, or who have otherwise reported and documented ownership to shares, are entitled to participate at General Meetings, without any requirement of pre-registration. Shareholders are also able to participate

and vote electronically. Shareholders who wish to participate in the general meeting must give the company notice of this in advance. Such notice must be received by the company no later than two working days prior to the general meeting. The board may, however, before the notice to the general meeting has been sent, set a later deadline for such notice. The shareholders may cast their votes in writing, including through electronic communication, in a period prior to the General Meeting. The Board of Directors can establish specific guidelines for such advance voting. The established guidelines must be stated in the notice of the General Meeting. The shareholders have the opportunity to be present at the General Meeting using electronic means.

The Chairman of the Board of Directors and the Chairman of the Nomination Committee, the Group CEO and CFO as well as the auditor will under normal circumstances be present at the General Meeting in person. Other members of the Board of Directors and subcommittees are entitled to attend when necessary.

The General Meeting elects the members of the Board of Directors, members of the Nomination Committee, determines the remuneration of the members of the Board of Directors and the members of the Nomination Committee, approves the annual accounts and the annual report, including distribution of dividend, and any other matters which are referred to the General Meeting by law or the Articles of Association.

Decisions that shareholders are entitled to make under the Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. Certain decisions, including resolutions to waive preemptive rights to subscribe in connection with any share issue in the company, to approve a merger or demerger of the company, to amend the Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the company or to authorize the Board of Directors to purchase shares and hold them as treasury shares or to dissolve the company, must receive the approval of at least two-third of the aggregate number of votes cast as well as at least two-third of the share capital represented at a General Meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association. Decisions that would reduce the rights of some or all of the company's shareholders in respect of dividend payments or other rights to assets or restrict the transferability of the shares, require that at least 90 percent of the share capital represented at the General Meeting in question vote in favor of the resolution, as well as the majority required for amending the Articles of Association. There are no quorum requirements that apply to the General Meetings.

The minutes from the General Meeting, as well as the register of participants at the General Meeting, will be posted on the Company's website no later than 15 days after the General Meeting was held, but generally as soon as possible after the end of the meeting. Information that a General Meeting has been held will also be made public through a stock exchange announcement as soon as possible after the end of the meeting.

The Annual General Meeting of 2023 was held on 6 June 2023. In addition, the Company hosted an Extraordinary General Meeting on 17 August 2023, related to the right issue as described in section 3 above.

## 7. Nomination committee

XXL has established a Nomination Committee pursuant to the Articles of Association and shall consist of two or three members who are shareholders or representatives of shareholders. The majority of the members should be independent of the Board of Directors and the Executive Management. Currently the Nomination Committee consists of three members, Øistein Widding (Chairman), Lars Erikssen and Christian Berg. The Nomination Committee shall give recommendations for the election of shareholder elected members of the Board of Directors, remuneration to the members of the Board of Directors including remuneration for subcommittees, the election of members to the Nomination Committee and remuneration to the members of the Nomination Committee. The General Meeting may adopt instructions for the Nomination Committee.

XXL has established an instruction for the Nomination Committee, which includes recommendations for the tasks described above. When nominating members to the Board of Directors, the Nomination Committee should look at competence and diversity, legal requirements, independence from any significant business associates, at least two of the members of the Board of Directors should be independent of the Company's principal shareholders and that members of the Executive Management should not be members of the Board of Directors. Remuneration of the Board of Directors should take into account the responsibility of the Board of Directors and that the proposal is suited to the character and time commitment of the tasks it carries out. According to the instruction for the Nomination Committee a certain amount of the annual remuneration is to be used to acquire shares in the Company. The recommendations from the Nomination Committee will be explained.

The Nomination Committee must look actively to the shareholders in order to try to ensure that its recommendations have their support. In its work the Nomination Committee will monitor the need for changes to the composition of the Board of Directors and will pay specific attention to the annual appraisal report for the Board of Directors. In addition, the Nomination Committee will perform individual discussions with the members of the Board of Directors as well as the Group CEO. It must ensure that information is made available on the Company's website of any deadlines for proposing candidates or making suggestions to the Nomination Committee regarding elections of members to the Board of Directors and Nomination Committee. The recommendations should be given together with the notice of the General Meeting.

Deviation from the Code of Practice (NUES) - none



## 8. Board of Directors – composition and independence

XXL's Board of Directors shall consist of a minimum of three and a maximum of seven shareholder elected members according to the decision of the General Meeting. In addition, the Board of Directors has employee elected representatives. Currently the Board consists of five shareholder elected members and three employee elected representatives. The Board of Directors is responsible for the management of the Company, including the appointment of the CEO to assume the daily management of the company. The composition of the Board of Directors in XXL ASA is in compliance with the independence requirements meaning that the majority of the shareholder elected members of the Board of Directors is independent of the Company's Executive Management and material business contacts. At the same time all the shareholder elected members of the Board of Directors are independent of the Company's main shareholders with one exception, meaning shareholders holding more than 10 percent of the total outstanding shares in the Company. In the Company's view all the shareholder elected members of the Board of Directors are independent from the Executive Management and material business contacts. Members of the Executive Management should not be a member of the Board of Directors. The term of office for members of the Board of Directors is a maximum of two years, but a member may be re-elected. Information regarding each individual member of the Board of Directors could at all times be found on the Company's website as well as in the Annual Report.

The members of the Board of Directors are encouraged to own shares in the company. Please see note 3 in the consolidated financial statement for the overview of share ownership and detailed background of the members of the Board of Directors.

Deviation from the Code of Practice (NUES) – none

## 9. The work of the Board of Directors

The conduct of the Board of Directors follows the adopted Board of Directors' rules of procedure, which states that the board members should perform their duties in a loyal manner, attending to the interests of the company. The Board of Directors prepares a plan for the ordinary meetings for each calendar year. The Board of Directors will meet several times a year and it will host additional meetings when required due to special circumstances. Between meetings, the chairman and the CEO have frequent contact on current matters and update the board members accordingly. The board meetings ensure that the Group's activities are organized in a prudent manner, maintaining systems, procedures and a corporate culture that promote high ethical conduct and in compliance with legal and regulatory requirements. Each board meeting includes a briefing by the CEO and a review of the latest financial development by the CFO. The Board of Directors keeps itself informed of the financial position of the company to ensure that the corporate accounts and asset management are subject to satisfactory controls.

The chairman of the Board of Directors ensures that board members are kept informed, convene and chair the board meetings and ensure that the matters are handled in accordance with applicable law and procedures. In the case of the chairman's absence, the Board of Directors elects a board member to chair the meeting. If the chairman of

the Board of Directors is, or has been, personally involved in matters of material significance to the company, such matters will be chaired by some other member of the Board of Directors. A member of the Board of Directors or the CEO could not participate in the discussion or decision of issues of such special importance to the member in question or to any closely related party to that said member.

The Board of Directors' rules of procedure include instructions on how the Board of Directors and the Executive Management handle agreements with related parties and whether an independent valuation must be obtained. There have been no significant transactions between the Company and closely related parties in 2023. If XXL should enter into agreements or transactions with closely related parties within the Company, or with companies in which a leading director or leading employee of XXL or close associates of these have a material direct or indirect interest, the agreements or transactions will immediately be notified to the Board of Directors. Any such agreements or transactions must be approved by the Board of Directors and be publicly disclosed if required. In the event of an agreement or transaction between the Company and closely related parties, the Board of Directors will arrange for an independent valuation overview from an independent third party, unless the agreement or transaction requires an approval of the General Meeting. Any such agreements will also be disclosed in the Annual Report.

For further information on closely related transactions, please see note 10 in the consolidated financial statements.

The Board of Directors has established a Remuneration Committee and an Audit Committee. The Remuneration Committee shall have at least two members of the Board of Directors and comprises for the time being of two members, Håkan Lundstedt (chairman) and Kari Thørud. The primary purpose of the Remuneration Committee is to assist the Board of Directors in performing its duty relating to determining the compensation to the Executive Management. The Remuneration Committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations. The Audit Committee shall compose of at least two members of the Board of Directors and the current members are Kjersti Hobøl (chairman) and Tom Jovik. The primary purposes of the Audit Committee are to act as a preparatory and advisory committee for the Board of Directors in questions concerning accounting, audit and finance. The Audit Committee monitors the financial reporting process and internal control, reviews the independent auditor's qualifications and independence and the Group's compliance with applicable legal and regulatory requirements. The Audit Committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

The Board of Directors carries out an annual evaluation of its performance. The evaluation report for the year 2023 has been presented to the Nomination Committee.

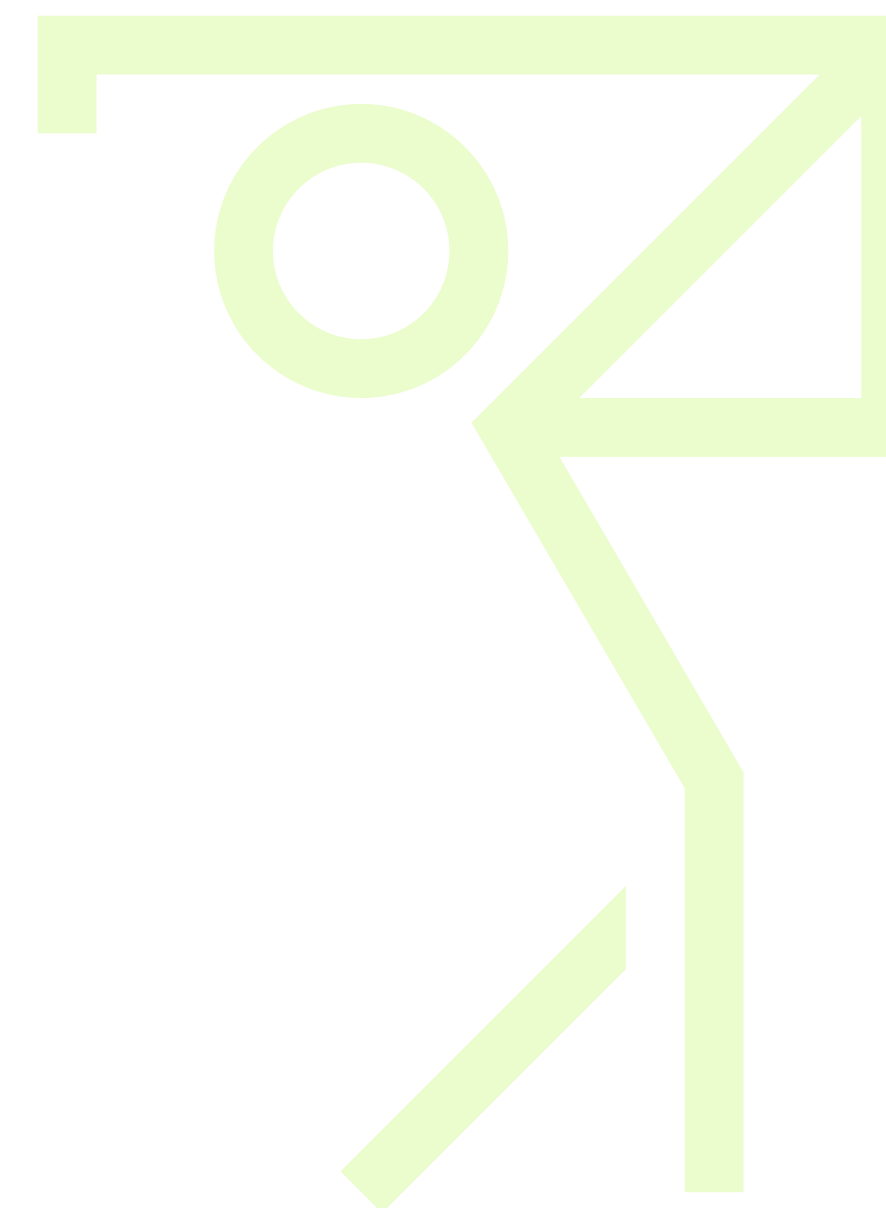
Deviation from the Code of Practice (NUES) - none

## 10. Risk management and internal control

The Board of Directors supervises the daily management and the activities and risks of the Company in general. XXL's risk management and internal control are an integral part of all daily business activities and are integrated in the business planning processes and corporate strategy. The day-to-day risk management is placed on the business segments and governed by the Executive Management team.

The Board of Directors carries out separate reviews of the most important risk exposures. The Audit Committee monitors on an ongoing basis the risk and control related to the financial situation including review and implementation of accounting principles and policies, the effectiveness of the Company's internal control, internal audit and risk management system. The Audit Committee has full access to all books, record and personnel of the Group, as well as the external auditor of the Company.

Instructions for the CEO's responsibilities and duties have been implemented by the Board of Directors to clarify the powers and responsibilities between the Board of Directors and the Executive Management team. The CEO has the right to represent the Company within the adopted budget and is responsible for implementing the resolutions adopted by the Board of Directors. It is the CEO's responsibility that the Compa-





ny's bookkeeping and accounting are performed in accordance with the law and that the management of company's assets is conducted safely. The Board of Directors ensures that the CEO uses proper and effective management and control systems, including systems for risk management. The internal control systems also encompass the company's corporate values, ethical guidelines and corporate social responsibility.

XXL operates internationally and is exposed to various financial risks such as currency risk, interest rate risk, liquidity risk and credit risk. The CFO has the day-to-day responsibility for managing activities related to this. In order to manage foreign currency risk exposure, XXL hedge approximately 50 per cent of its purchases of own produced goods (private label products). The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary. XXL monitors liquidity flows, short- and long-term, through reporting and forecasting, that better control the liquidity risk. The management of credit risk related to trade and other receivables is handled as part of business risk and is continuously monitored by XXL's finance department. The Group mitigates this risk by ensuring that all parties requiring credit, such as customers, are approved and subject to credit check. Policies are in place to ensure that sales are made with customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. XXL has agreements with third parties related to recoverability of trade receivables from online sales and supplier bonuses.

In order to comply with the arm's length principle as stated in applicable standards and laws and to maintain good control, XXL has established transfer pricing policy. The main purpose of this policy is to ensure that all significant intra group transactions are priced in accordance with the arm's length principle and relevant domestic tax regimes. It ensures a simple, coherent and logical transfer pricing methodology, and consistency and transparency on how the intra group prices are set and tested. It further minimizes the risk of double taxation and captures any relevant and significant issues and need for revisions.

The Group's accounting unit is responsible for the preparation of the financial statements and to ensure that they are in accordance with applicable laws, regulations and adopted accounting policies. The CFO and the controller functions are responsible for reporting to the Board of Directors and the Executive Management, as well as planning and coordinating the business plan process. The finance department prepares financial reporting and provides a set of procedures and processes detailing the requirements with which the local reporting units must comply. The Group has established processes and a variety of control measures that will ensure quality assurance in the financial reporting. The Group is reporting to the Board of Directors on a monthly basis. Several controls are established such as reconciliation, segregation of duties, management review and authorization. All monthly and quarterly reports are analyzed and assessed relative to budgets, forecasts, trends and the long-term business plan. The Executive Management comments on the financial results on a quarterly basis and the results are announced to the Oslo Stock Exchange.

The external auditor provides a description of the main elements in the audit, including opinions on internal control related to financial reporting. XXL is subject to a yearly external statutory audit.

XXL Board of Directors has also implemented ethical procedures in the company, subject to all employees and the members of the Board of Directors. These documents contain the basic principles of business practice, personal conduct, roles and responsibilities, covering topics including employee relations, anti-corruption, health, environment, human rights, anti-discrimination, handling business information, conflicts of interest, fair competition, money laundering.

Please also see the Sustainability report for 2023.

Deviation from the Code of Practice (NUES) - none

## 11. Remuneration of the Board of Directors

The remuneration of the Board of Directors will be proposed by the nomination committee and approved by the Annual General Meeting. The remuneration is a fixed annual fee and is not linked to the company's performance. It reflects the responsibility, qualifications, time commitment and complexity of the Company's activities in general and also separate fees for participation in committees of the Board. Shareholder elected members are not granted share options but are considered for investing in the XXL management investment program, and none of them (or any company associated with such member) have specific assignments for the Company in addition to their duties as Board members.

The Annual General Meeting decided that parts of the remuneration to the shareholder elected members of the Board of Directors are subject to being invested in shares in the Company. This means that shareholder elected members of the Board of Directors shall utilize  $\frac{1}{3}$  of their annual gross board fee (excluding any fee for committee work) to purchase shares in XXL until they (including their related parties) own shares in XXL at a value equivalent to two times their gross board fee (excluding any fee for committee work). These shares must be retained as long as the member serves on the Board of Directors.

For more information please see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

## 12. Remuneration of executive personnel

XXL Board of Directors has established a Remuneration Committee with a set of instructions for the Committee to follow. The Committee acts as preparatory and advisory body to the Board of Directors in relation to the Company's remuneration of Executive Management. The Board of Directors determines the remuneration of the CEO based on a proposal from the Remuneration Committee and approves the general terms of the Company's incentive plans for the Executive Management and key employees. The CEO determines the compensation to other members of XXL's Executive Management.

In accordance with the Norwegian Public Limited Companies Act, a statement related to the determination of salary and other benefits for the Executive Management will be prepared by the Board of Directors. The statement will be presented to the Annual General Meeting for voting and the statement will also be a separate appendix in the notice to the Annual General Meeting.

The Board of Directors has established guidelines for the remuneration to the CEO and members of the Executive Management. It is a policy to offer competitive remuneration based on current market standards, company and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus program. The Executive Management participates in the Company's insurances and is entitled to certain other elements like benefits upon termination, internet access and phone expenses. Executives on expatriate contracts have various other costs covered by the Company. The annual salary adjustment for employees in Norway forms the basis for the XXL's Executive Management salary development. Members of the Executive Management do not receive separate remuneration for board membership in XXL subsidiaries.

The Group has established a bonus scheme for the Executive Management, which is based on elements such as the Group's results before tax exceeding the budget and certain KPIs. Under the bonus scheme, members of the Executive Management may be awarded an annual bonus of up to 50 per cent of the respective employee's gross base salary. The annual bonus for Executive Management will be communicated by the Board of Directors each year. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

The Group has established an equity-based long term investment program for members of the Executive Management. The main objective of the Program is to align the long-term interests of the Executive Management with those of the shareholders of XXL ASA. The Group has a defined contribution plan which covers all of the XXL's employees.

The guidelines to be presented at the Annual General Meeting in June 2024 are disclosed in note 3 in the consolidated financial statements. For information on salary and other benefits for 2023 for the Executive Management see note 3 in the consolidated financial statements. For additional information about the pension plans see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none



### 13. Information and communications

XXL's communication with the financial market is based on openness and equal treatment of all shareholders. Investor Relations is a high priority and the Board of Directors has established an Investor Relations policy to build trust and awareness in the investor community. The XXL corporate website ([www.xxlasa.com](http://www.xxlasa.com)) includes an updated financial calendar, financial reports, announcements, contact details and other Investor Relations information. XXL regularly hosts meetings with investors and analysts, participates on investor conferences and arranges regular presentations and roadshows. To ensure all stakeholders have equal access to information at the same time, important events affecting the company are reported immediately to the Oslo Stock Exchange in accordance with applicable legislation and also at the same time on XXL's corporate website.

Deviation from the Code of Practice (NUES) - none

### 14. Take-overs

In accordance with the Norwegian Securities Trading Act and the Code of Practice, the Board of Directors has adopted guiding principles for how to act in the event of a take-over bid. The Board of Directors will not seek to hinder or obstruct any takeover bids. In a take-over process, the Board of Directors and Executive Management each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board of Directors will ensure that the shareholders have sufficient information and time to assess the offer and will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. Any agreements with the bidder that acts to limit the Company's ability to arrange other bids for Company's shares will only be entered into where the Board of Directors believes it is in the common interest of the Company and its shareholders.

If a take-over offer is made, the Board of Directors will obtain a valuation from an independent expert. On this basis, the Board of Directors will issue a statement making a recommendation as to whether shareholders should accept the offer or not. The valuation from the independent expert will be disclosed at the same time.

Deviation from the Code of Practice (NUES) - none

### 15. Auditor

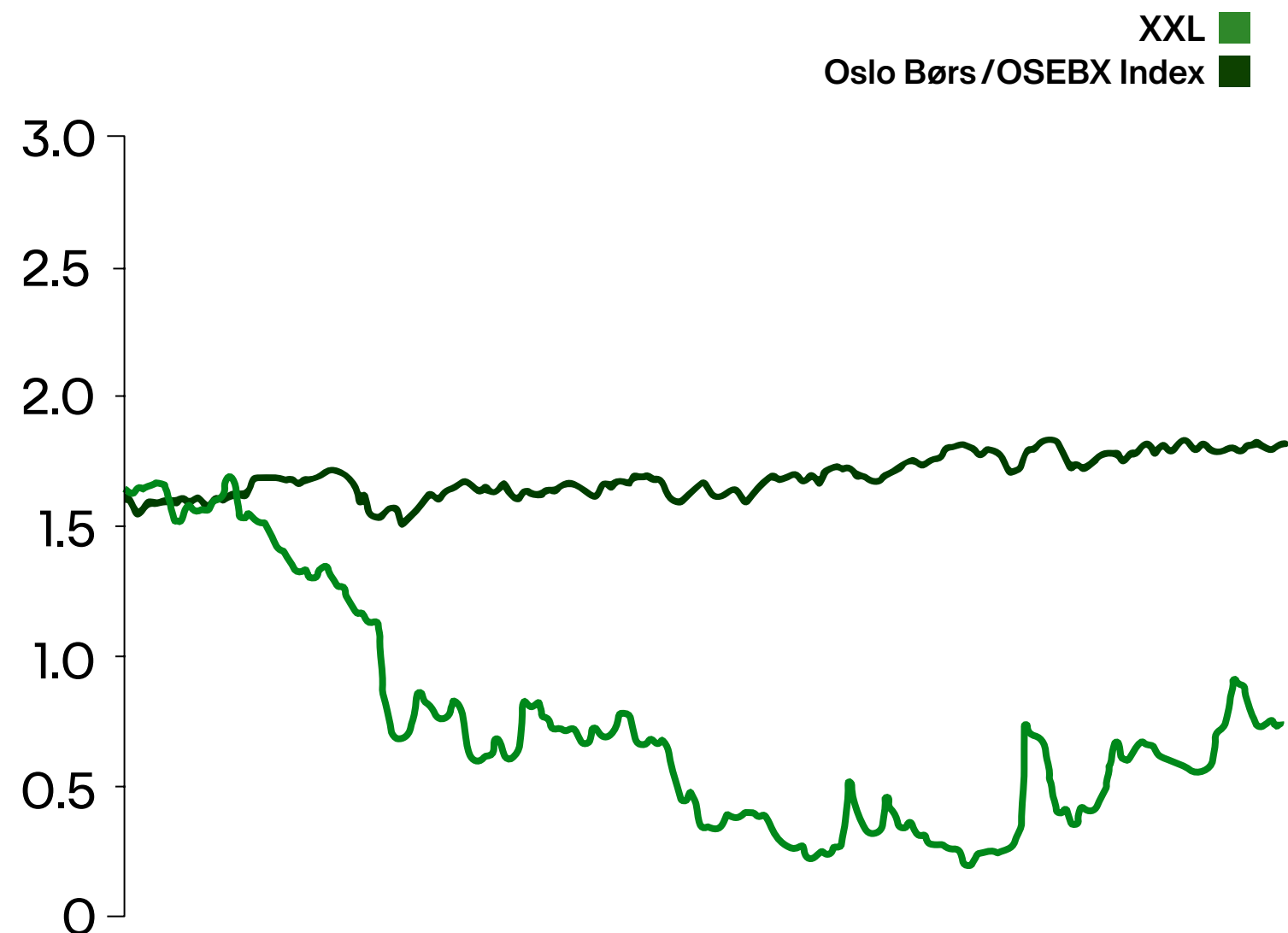
The external auditor participates in meetings with the Audit Committee or the Board of Directors when matters falling within the scope of the external auditors responsibilities are considered. The external auditor provides to the Audit Committee a description of the main elements of the audit for the preceding financial year, including in particular the elements that caused the most discussions with the Executive Management and material weaknesses uncovered related to internal controls of the financial reporting process and proposals for improvement. The auditor participates in meetings of the Board of Directors and the Audit Committee that approves financial statements. Once a year the Board of Directors holds a meeting with the auditor and no member of the Executive Management participates.

Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for XXL. The Board of Directors has established guidelines with respect to the use of the auditor by the company's executive personnel for services other than the audit. The Annual General Meeting is informed about the Company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit. Details are disclosed in note 3 to the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none



# The XXL share and shareholder information



**XXL and OSEBX Performance**  
(rebalanced to XXL)

XXL is committed to maintaining a consistent dialogue with the shareholders and potential investors. The communication with the financial market is based on openness and equal treatment of all shareholders. Good relations with the investor community contribute to building trust and reducing cost of capital. XXL gives high weight to providing accurate, clear, relevant, comprehensive and up-to-date information about the Company through stock exchange announcements, interim reports, annual reports, general meetings, presentations and meetings with investors and analysts.

The XXL share should be an attractive investment opportunity, providing competitive returns to the owners, both through dividends and by increasing the value of the equity through positive developments in the operations over time.

Extensive information about the Investor Relations policies and the XXL share is available on [www.xxlasa.com/investor](http://www.xxlasa.com/investor)

#### Financial calendar 2024

24 April	Q1 2024 results
4 June	Annual General Meeting
12 July	Q2 2024 results
6 November	Q3 2024 results

The quarterly results presentations take place at the XXL head office, Alna Center, Strømsveien 245, Oslo and through digital channels. The Annual General Meeting is hosted as a digital event.

#### Share performance

The XXL share started the year at a price of NOK 1.64 and closed the year 2023 at NOK 0.95, giving a negative return of 58 per cent. XXL's market value as of year-end 2023 was NOK 1 572 million. The highest closing price was NOK 1.67 and the lowest was NOK 0.58. The average daily volume in 2023 was NOK 2.9 million or 3.1 million shares.

#### Dividend policy

XXL ASA will over time target a dividend pay-out of at 40-50 per cent of the Group's annual net income. When proposing a dividend, the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the company. The Board of Directors will make an overall assessment in order to secure the Company with a healthy capital base both for daily operations and for future growth.

#### Shareholders

XXL ASA had on 31 December 2023 a total share capital of NOK 665,429,772 divided into 1,334,852,101 ordinary shares (class A shares) and 328,722,329 non-voting shares (class B shares), in total 1,663,574,430 shares, each with a nominal value of NOK 0.40. XXL ASA had 13,817 shareholders as of 31 December 2023. Non-Norwegians amounted to 18.3 per cent of the share capital, with shareholders from Belgium representing 13.8 per cent and shareholders from Sweden representing 2.4 per cent. The largest shareholder was Altor Equity Partners AS with 46.50 per cent of the share capital.

#### Annual General Meeting 2024

XXL ASA's Annual General Meeting is scheduled for Tuesday 4 June 2024 at 09.00 CET as a digital meeting. Attendance, electronically or by proxy should be registered within 3 June 2024 at 15.00 CET. Shareholders may register by submitting a registration form or electronically on [www.xxlasa.com](http://www.xxlasa.com) or at the Norwegian Central Securities Depository investor services website (VPS – [www.vps.no](http://www.vps.no)).



# Overview of major shareholders

as of 31.12.2023

	Total amount of shares	Ownership	Voting right
ALTOR INVEST 6 AS	386 836 522	23,3 %	16,7 %
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EUROCLEAR BANK S.A./N.V.	229 200 308	13,8 %	17,2 %
FERD AS	151 118 316	9,1 %	11,3 %
VERDIPAPIRFOND ODIN NORDEN	88 261 617	5,3 %	6,6 %
VERDIPAPIRFOND ODIN NORGE	44 923 725	2,7 %	3,4 %
STORMBERG GROUP AS	34 000 000	2,0 %	2,6 %
FUNKYBIZ AS	32 000 000	1,9 %	2,4 %
BJERKNES EIENDOM AS	24 711 124	1,5 %	1,8 %
MP PENSJON PK	20 202 619	1,2 %	1,5 %
NORDKRONEN II AS	19 889 159	1,2 %	1,5 %
AVANZA BANK AB	9 715 430	0,6 %	0,7 %
NORDNET BANK AB	7 301 237	0,4 %	0,5 %
J.P. MORGAN SE	6 793 957	0,4 %	0,5 %
OLA RUSTAD AS	6 779 158	0,4 %	0,5 %
AG HOLDING AS	5 000 000	0,3 %	0,4 %
NORDEA BANK ABP	4 891 097	0,3 %	0,4 %
STANZA AS	4 262 786	0,3 %	0,3 %
GENI HOLDING AS	4 194 932	0,3 %	0,3 %
NYE BERGHOL INVEST AS	3 750 000	0,2 %	0,3 %
Other	192 905 936	11,6 %	14,5 %
<b>Sum</b>	<b>1 663 574 430</b>	<b>100 %</b>	<b>100 %</b>

## Geographical shareholder distribution

Norway	81,68 %
Belgium	13,79 %
Sweden	0,24 %
UK	0,06 %
Other	1,53 %



# Consolidated Financial Statements



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# Consolidated Statement of total comprehensive income

(Amounts in  
NOK million)

	Note	2023	2022
<b>Operating Revenue</b>	<b>2</b>	<b>7 961</b>	<b>8 426</b>
Cost of Goods Sold		5 452	5 705
Personnel Expenses	3	1 657	1 665
Depreciation and Amortization	4, 5	754	703
Impairment Losses	4, 5, 18	576	1
Other Operating Expenses	6, 23	931	819
<b>Operating Income</b>		<b>(1 409)</b>	<b>(467)</b>
Net Financial Expenses	19	(186)	(64)
<b>Net Financial Income (Expense)</b>		<b>(186)</b>	<b>(64)</b>
<b>Income before tax</b>		<b>(1 595)</b>	<b>(531)</b>
Income Tax Expense	7	-5	(120)
<b>Net Income from Continuing Operations</b>		<b>(1 590)</b>	<b>(411)</b>
<b>Net Income Discontinued Operations</b>		<b>(206)</b>	<b>(130)</b>
<b>Net Income</b>		<b>(1 796)</b>	<b>(542)</b>
Net income attributable to non-controlling interest		-65	-20
Net income attributable to owners of the parent		-1 731	-522
<b>Basic Earnings per share (NOK)</b>	<b>14</b>	<b>-1,93</b>	<b>-1,63</b>
<b>Basic and diluted Earnings per share from discontinued operations (NOK)</b>	<b>14</b>	<b>-0,25</b>	<b>-0,52</b>
<b>Diluted Earnings per share (NOK)</b>	<b>14</b>	<b>-2,18</b>	<b>-2,15</b>
<b>Statement of other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		17	-
<b>Total other comprehensive income</b>		<b>17</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>(1 779)</b>	<b>(542)</b>

Notes 1 to 24 are an integral part of the Consolidated Financial Statements



# Consolidated Statement of Financial Position / Assets

(Amounts in  
NOK million)

	Note	31.12.2023	31.12.2022
<b>NONCURRENT ASSETS</b>			
<b>Intangible Assets</b>			
Trademarks	5	192	192
Proprietary software	5	58	53
Software	5	20	19
Deferred tax asset	7	253	166
Goodwill	5	2 222	2 744
<b>Total Intangible Assets</b>		<b>2 745</b>	<b>3 175</b>
<b>Property, Plant and Equipment</b>			
Construction in progress	4	5	6
Machinery and equipment	4	19	31
Land and buildings	4	18	19
Fixtures and fittings	4	447	556
Right-of-Use Assets	18	1 804	1 842
<b>Total Property, Plant and Equipment</b>		<b>2 293</b>	<b>2 455</b>
<b>Total Non-current Assets</b>		<b>5 039</b>	<b>5 630</b>
<b>CURRENT ASSETS</b>			
<b>Inventory</b>			
Inventories	8	1 776	2 328
<b>Total Inventory</b>		<b>1 776</b>	<b>2 328</b>
<b>Trade and Other Receivables</b>			
Trade receivables	12	98	136
Other receivables	12, 20	222	124
<b>Total Trade and Other Receivables</b>		<b>320</b>	<b>260</b>
<b>Cash and Cash Equivalents</b>			
Cash and cash equivalents	11	406	552
<b>Total Cash and Cash Equivalents</b>		<b>406</b>	<b>552</b>
<b>Total Current Assets</b>		<b>2 503</b>	<b>3 140</b>
<b>Total assets of disposal group held for sale</b>	24	<b>-</b>	<b>263</b>
<b>Total Assets</b>		<b>7 542</b>	<b>9 034</b>

Notes 1 to 24 are an integral part of the Consolidated Financial Statements

XXL Austrian segment is not classified as held for sale in 2023, see note 24



# Consolidated Statement of Financial Position / Equity and Liabilities

(Amounts in  
NOK million)

	Note	31.12.2023	31.12.2022
<b>SHAREHOLDERS' EQUITY</b>			
<b>Paid-in Capital</b>			
Share capital	13	665	101
Share premium	13	3 355	2 900
Other paid-in equity	13	44	40
<b>Total Paid-in Capital</b>	<b>13</b>	<b>4 065</b>	<b>3 043</b>
<b>Retained Earnings</b>			
Other equity	13	(1 754)	24
<b>Total Retained Earnings</b>		<b>(1 754)</b>	<b>24</b>
<b>Total Shareholders' Equity</b>		<b>2 310</b>	<b>3 066</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Non-Current interest bearing debt	21, 22	276	494
Non-Current lease liabilities	18	1 528	1 568
<b>Total Non-Current Liabilities</b>		<b>1 804</b>	<b>2 062</b>
<b>Current Liabilities</b>			
Accounts payable and supplier finance	16	908	1 214
Current Lease liabilities	18	585	533
Current interest bearing debt	21, 22	1 006	1 135
Tax payable	7	28	9
Public duties payable		342	360
Other current liabilities	17	560	495
<b>Total Current Liabilities</b>		<b>3 428</b>	<b>3 745</b>
<b>Total Liabilities</b>		<b>5 232</b>	<b>5 808</b>
<b>Total liabilities of disposal group held for sale</b>	24	-	<b>160</b>
<b>Total Equity and Liabilities</b>		<b>7 542</b>	<b>9 034</b>

Notes 1 to 24 are an integral part of the Consolidated Financial Statements

XXL Austrian segment is not classified as held for sale in 2023, see note 24



# Board of Directors

Oslo, 23. April 2024



**Björn Einar Håkan Lundstedt**  
Chairman of the Board



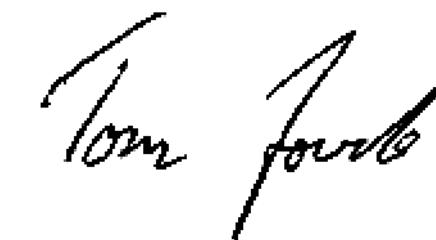
**Kjell-Arne Fikerud**  
Board Member



**Tor Andrin Jacobsen**  
Board Member



**Kjersti Helen Krokeide Hobøl**  
Board Member



**Tom Christian Jovik**  
Board Member



**Helena Ebersten Henriksen**  
Board member



**Kari Ekelund Thørud**  
Board Member



**Ronny Blomseth**  
Board Member



**Freddy Sobin**  
CEO



# Consolidated Statement of Cash Flows

(Amounts in NOK million)

	Note	2023	2022
<b>Operating Activities</b>			
Income before tax		(1 595)	(531)
Income tax paid		-	(38)
Depreciation and amortization	4, 5	754	703
Impairment	4, 18	576	1
Net financial expense		165	64
Changes in inventory		552	(374)
Changes in accounts receivable		(44)	337
Changes in accounts payable and supplier financing		(340)	572
Other changes		103	(96)
Cash provided (used) by operating activities from discontinuing operations		28	44
<b>Cash provided (used) by operating activities</b>		<b>198</b>	<b>682</b>
<b>Investing Activities</b>			
Investment in fixed assets	4, 5	(129)	(132)
Cash provided (used) by investing activities from discontinuing operations		-	(7)
<b>Cash provided (used) by investing activities</b>		<b>(129)</b>	<b>(139)</b>
<b>Financing Activities</b>			
Proceeds from share capital increase		1 001	-
Transaction costs		(35)	-
Sales/(purchase) of own shares		-	(8)
Dividends		-	(145)
Payments from and repayments of borrowings	21	(774)	(150)
Proceeds on debt	21	342	883
Interest payments		(95)	(61)
Interest on lease liabilities	18	(84)	(78)
Total leasing payments for the lease liability	18	(607)	(560)
Cash provided (used) by financing activities from discontinuing operations		(33)	(45)
<b>Cash provided (used) by financing activities</b>		<b>(285)</b>	<b>(164)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>(216)</b>	<b>379</b>
Cash and cash equivalents - beginning of year	11	575	173
Effect of foreign currency rate changes on cash and equivalents		24	-
Cash and Cash Equivalents - Assets held for sale - End of period		23	23
<b>Cash and Cash Equivalents - End of Year</b>		<b>406</b>	<b>575</b>

Notes 1 to 24 are an integral part of the Consolidated Financial Statements



# Consolidated Statement of Changes in Equity

(Amounts in NOK million)

	Share Capital	Share premium	Other Paid in Equity	Other Equity	Foreign Currency Rate Changes	Non-controlling interest	Total Shareholders' Equity
<b>Shareholders' Equity 31.12.21</b>	<b>101</b>	<b>3 049</b>	<b>36</b>	<b>583</b>	<b>(47)</b>	<b>30</b>	<b>3 753</b>
Net Income 2022	-	-	-	(522)	-	(20)	(542)
Foreign currency rate changes	-	-	-	-	-	-	-
<b>Transaction with owners:</b>							
Employee share incentive programme	-	-	4	-	-	-	4
Dividends	-	(145)	-	-	-	-	(145)
Purchase of own shares	-	(3)	-	-	-	-	(3)
<b>Shareholders' Equity 31.12.22</b>	<b>101</b>	<b>2 900</b>	<b>40</b>	<b>61</b>	<b>(47)</b>	<b>10</b>	<b>3 066</b>
Net income 2023	-	-	-	(1 731)	-	(65)	(1 796)
Foreign currency rate changes	-	-	-	-	17	-	17
<b>Transactions with owners:</b>							
Employee share incentive programme	-	-	3	-	-	-	3
Share issue	564	455	-	-	-	-	1 020
Purchase of own shares	-	-	-	-	-	-	-
<b>Shareholders' Equity 31.12.23</b>	<b>665</b>	<b>3 355</b>	<b>44</b>	<b>(1 670)</b>	<b>(30)</b>	<b>(54)</b>	<b>2 310</b>

Notes 1 to 24 are an integral part of the Consolidated Financial Statements

The share capital as of 31.12.2023 is 665 million NOK

The translation reserve is comprised of foreign currency rate changes arising from the translation of financial statements of the Group's foreign entities into NOK.



# Notes to the financial statements

## 1.1 Organization

XXL ASA was founded in Year 2000 and is incorporated and domiciled in Norway. The address of its registered office is Strømsveien 245, N-0668 Oslo, Norway.

XXL ASA's shares are listed on the Oslo Børs (OSL, Norway) with the ticker XXL.

The XXL is omni-channel sports retailer focusing on well-known quality brands at the best price of the market. XXL operates in Norway, Sweden, Finland, Denmark, and until end of 2023 in Austria. The group has successfully exited the Austrian market during 2023. XXL ASA is the ultimate parent of the group.

The consolidated financial statements for XXL ASA, including notes, for the year 2023 were approved by the Board of Directors of XXL ASA on 24 April 2024.

## 1.2 Basis of preparation

The Consolidated Financial Statements for XXL ASA ("the Group") are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the IFRS Accounting Standards as adopted by the EU as well as Norwegian disclosure requirements pursuant to the Accounting Act.

The Consolidated Financial Statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through other comprehensive income or the income statement.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events under similar conditions.

### Functional and presentation currency

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at closing rates at the reporting date are recognized in the income statement.

Non-monetary items are measured at historical cost translated using the exchange rates at the transaction date, except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The presentation and functional currency is NOK. Group entities with a functional currency other than NOK are translated at the closing rate at the reporting date for balance sheet items, including goodwill, and at transaction rate for income and expenses. Monthly average rates are used as an approximation for transaction rates. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity.

## 1.3 Basis of consolidation

The Consolidated Financial Statements include the parent company XXL ASA and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies.

### Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

## 1.4 Significant accounting policies

### Revenue recognition

The Group provides sporting goods and related equipment to its customers. Customers are individuals who shop at XXL stores and online. Revenue is recognized when it transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue excludes sales taxes, rebates, and trade discounts.

Each contract with a customer consists of one or more products, and each product or batch order of the same product constitute one performance obligation, since the customer can benefit from each good or batch on its own or together with other re-

sources already available. The fixed transaction price, which represents the stand-alone selling price of each product, is separately stated for each product or batch of products within the contract.

The group recognizes revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. The group therefore generally recognize revenue at the point of sale (retail) or delivery (internet sales). Payment within the retail sales channel takes place in the form of cash purchase or by the use of payment cards. Internet customers are invoiced either through debit/credit cards or through a 3. party sales finance provider, in both cases the Group receives payment within a couple of days. The group also has some business-to-business sales where it provides limited credit sales to the customers. This credit is mainly due 30 days after the purchase. Cash receivables through debit/credit cards or the sales finance provider is included in the line item 'Cash and cash equivalents' in the consolidated balance sheet.

The Group's policy is to provide the customer with a right of return within 100 days. As a consequence, revenue is reduced by the right to return. The value of right to return goods is estimated based on historical information. The liability related to the right of return is recognized in the line-item Other current liabilities in the consolidated balance sheet, while the associated asset is recognized in the line-item Inventory.

Customers can also purchase gift cards. At the point of sales of the gift card, a liability is recognized. Revenue is recognized at the point in time when the gift card is redeemed. Management estimates the expected value of gift cards that will expire unused based on historical information. The amount not expected to be redeemed is also recognized as revenue each month. The gift card liability is part of Other current liabilities in the consolidated balance sheet. Gift cards expires differently across the countries we operate, the lowest expiry time is two years and the highest is indefinite.

XXL launched in September 2023 an upgraded version of its loyalty program, XXL Reward, allowing customers to earn bonus points on every purchase from XXL and consequently receive bonus checks. The Reward bonus points are considered as a separate element of a sale with multiple elements. The portion of the price allocated to the bonus points is based on the stand-alone selling price. Revenue allocated to accrued bonus points is deferred and recognized as a contract liability, taking into consideration estimated redemption rates. The contract liability is included in the line-item Other current liabilities in the consolidated statement of the financial position. The bonuspoint liability is derecognized and recognized as other revenue when the bonus points expire. Unused bonus points expire one Year after the date of earning.



#### **Impairment of financial assets and non-financial assets**

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such indications can be significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; significant loss of market share; significant unfavorable regulatory and court decisions and significant cost overruns in the development of assets. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement.

#### **Contingent liabilities and assets**

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

A contingent asset is not recognized in the financial statements but disclosed in notes if it is probable that the benefit will flow to the Group.

#### **1.5 Significant management judgment in applying accounting policies**

When preparing the Consolidated Financial Statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### **Estimated impairment of goodwill, trademark, and Right of Use-Assets**

The Group tests for impairment of goodwill and trademark as necessary, or at a minimum annually (note 5). The recoverable amount of cash-generating units are based on the value-in-use calculation. The cash-generating unit for goodwill and trademark corresponds with our segment reporting. The Group tests for impairment of the Right-of-Use Assets if there is any indication that an asset may be impaired. IAS 36 is applied to account for any impairment loss identified, and the calculations requires use of estimates.

#### **Provision for obsolescence**

The group makes provision for obsolescence. These provisions are based on a detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. A provision for obsolescence is made when the net realizable value of the good is lower than the cost of the good. These provisions are estimate-based and require in-depth knowledge about goods and markets.

#### **1.6 New IFRS standards**

It has been determined that the amendments to standards and interpretations that became effective in 2023 did not have a material impact on the consolidated financial statements of the Group. Accordingly, the disclosure of accounting policies has been updated in compliance with the amendments to IAS 1. Furthermore, standards, amendments to standards, and interpretations that have been published but are not yet effective have also been evaluated. The Group does not expect these forthcoming changes to have a material impact on its future consolidated financial statements.



## Note 2 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that make strategic decisions.

The Group's business is the sale of sports and leisure equipment and leisure events. The Group's sales are made primarily from the Group's stores in Norway, Sweden and Finland. The Company's performance is reviewed by the chief operating decision maker as five reportable geographical segments, and in addition HQ & Logistics. Internet sales are included in each geographic segment based on the geographic location of the consumer. HQ & Logistics includes Group HQ costs, such as IT, Finance, Training and Administration. Group HQ also includes costs related to wholesale and central warehouses.

### 01.01.2023 - 31.12.2023

(Amounts in NOK million)

	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	4 049	2 387	1 525	-	7 962
Gross profit <sup>1</sup>	1 342	672	495	-	2 509
EBITDA <sup>2</sup>	425	(28)	67	(544)	(80)
Operating Income	(371)	(293)	(84)	(661)	(1 409)

### 01.01.2022 - 31.12.2022

(Amounts in NOK million)

	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	4 394	2 488	1 543	-	8 426
Gross profit <sup>1</sup>	1 535	713	474	-	2 721
EBITDA <sup>2</sup>	661	32	82	(538)	237
Operating Income	393	(168)	(48)	(644)	(467)

<sup>1</sup>Gross profit represent operating revenue less cost of goods sold.

<sup>2</sup>Our EBITDA represents operating income plus impairment losses, depreciation and amortization.

## Note 3 Personnel expenses

(Amounts in NOK million)

Employee benefit expenses	2023	2022
Wages, salaries	1 306	1 320
Social security costs	235	227
Pension expenses	82	81
Other benefits	33	37
<b>Total</b>	<b>1 657</b>	<b>1 665</b>

Average number of full time employees

2 527                      2 719

### Senior Executive management remuneration

The following benefits were provided to the members of the Executive Management for 2023:

(Amounts in NOK Thousands)

Name	Title	Currency	Salary	Bonus	Other	Pension	remuneration	Total	Number of shares in XXL ASA
Freddy Sobin	CEO	NOK	4 333	-	2 003	780	7 117	-	-
Stein Eriksen	CEO/CFO*	NOK	2 762	-	2 511	27	5 301	212 042	
Rest of the members of the Executive Management*		NOK	7 682	-	328	886	8 896	177 680	
<b>Total remuneration</b>		<b>NOK</b>	<b>14 778</b>	<b>-</b>	<b>4 843</b>	<b>1 693</b>	<b>21 315</b>	<b>389 722</b>	

\*CFO Stein Eriksen operated as CFO and interim CEO until May 2023

\*\* Rest of the members of the Senior Executive Management consists of 3 people

The following benefits were provided to the members of the Senior Executive Management for 2022:

Name	Title	Currency	Salary	Bonus	Other	Pension	remuneration	Total	Number of shares in XXL ASA
Pål Wibe	CEO	NOK	3 394	-	3 714	22	7 132	2 220 000	
Stein Eriksen	CEO/CFO*	NOK	2 500	-	2 506	25	5 031	46 848	
Rest of the members of the Senior Executive Management*		NOK	6 325	-	227	793	7 346	29 104	
<b>Total remuneration</b>		<b>NOK</b>	<b>12 220</b>	<b>-</b>	<b>6 447</b>	<b>841</b>	<b>19 509</b>	<b>2 295 952</b>	

\*CFO Stein Eriksen operated as CFO and interim CEO from July 2022

\*\* Rest of the members of the Senior Executive Management consists of 3 people

We refer to Remuneration Guidelines for determination of salary and other remuneration to the Senior Executive management. .



### Program for restricted share units

In 2015, the Board of Directors first implemented the RSU-Program where the participants have a right to acquire shares in the Company following vesting and attainment of certain performance targets. The latest RSU grant took place in February 2024, where a total of around 6,700,000 restricted share units with a strike price of NOK 0.7472 will be granted to the employees.

The participants in in the RSU-Program receive RSUs worth up to an average annual salary. The RSUs have a strike price equal to the volume weighted average price in the market the five trading days after the relevant year's Q4 results presentation. The RSUs are exercisable three years after grant, subject to the holder at the time of exercise being employed within the Group. Total profit through the exercise of the RSUs is capped at six

times the average annual salary at the time of exercise. If the profit exceeds this limit, the number of shares to be issued under the RSU-Program will be reduced accordingly. Any issuance of Shares under the RSU-Program will result in a dilution of existing shareholders not participating in the RSU-Program.

The exercise window for vesting restricted share units from 2021 was closed on 14 February 2024. Employees in XXL ASA have exercised 224,856 restricted share units representing 224,856 ordinary shares.

No RSU's were exercised during FY2023.

Set out below is an overview of the outstanding RSUs at the beginning and end of the financial year ended 31 December 2023, compared to the financial years ended 31 December 2022.

RSU	2023	2022
<b>Outstanding at the beginning of the period</b>	<b>885 466</b>	<b>693 760</b>
Released	-	220 728
Terminated	168 459	170 855
Granted	2 205 000	637 289
<b>Outstanding at the end of the period</b>	<b>2 922 007</b>	<b>885 466</b>
	<b>2023</b>	<b>2022</b>
<b>RSU program expensed for the year</b>	<b>4 730</b>	<b>5 097</b>

### Long term investment program

In accordance with the guidelines for determination of salary and other remuneration to executive personnel in XXL ASA, the Board of Directors of XXL ASA and the Nomination committee of XXL ASA have resolved to implement a new long term management investment program to align the long term interests of the executive management and the members of the Board with those of the Company's shareholders.

The new long term management investment program (the "New Investment Program") will replace the existing management investment program ("XMI1") announced by the Company on 7 January 2020 and approved by the extraordinary general meeting on 29 January 2020.

XXL has primarily offered certain board members and members of the executive management to participate in the New Investment Program by investing in a newly established management investment company, XXL Management Invest II AS ("XMI2").

To facilitate for such investment, XXL is acquiring 20,540 shares in XMI1 from the existing participants against cash payment and will after the acquisition own approximately 80% of the shares in XMI1. The participants participating in the New Investment Program will use their proceeds to invest in XMI2.

XMI2 will invest in financial instruments having a value that is linked to the value of the XXL shares. The instruments are sold by XXL to XMI2 with a 3-year lock-up and XMI2's investment will be funded partly in cash and partly through a seller's credit which will be converted into equity in XMI2.

### Former investment program ("XMI1")

Board of Directors, Management and others:	Title	Shares in XXL Management Invest AS	Indirect ownership of XXL Sport & Villmark AS
Anders Lindblom	Managing Director Sweden	1 255	0,1%
Päsi Lämpsä	Managing Director Luxembourg/Finland	1 195	0,1%
Kjersti Helen Krokeide Hobøl	Board Member	796	0,1%
Others		3 583	0,4%
<b>Total number of shares in XMI held by Board of Directors, Management and others</b>		<b>6 829</b>	<b>1,1%</b>

The total investment of XMI2 will at the implementation of the New Investment Program be in the total amount of NOK 26,350,000 (after deduction of the illiquidity discount of 25% due to the lock-up obligations). XMI2 will be financed solely by equity as follows:

- Management and board members will make a cash investment of NOK 8,783,333 by subscribing for ordinary shares (A-shares)
- The seller's credit of NOK 17,566,667 will be converted into redeemable preference shares (C-shares) subscribed for by XXL.
- XXL will also subscribe for one super voting B-share for the same price as each A-share.

XXL will be the majority shareholder and control XMI2 by holding the majority of the share capital (through the preference shares) and owning one B-share which gives XXL the majority of votes at the general meeting of XMI2.

The offers to both dispose shares in XMI1 and participate in the New Investment Program by investing in XMI2 have been accepted by certain members of the executive management and members of the Board.

XXL ASA has an ownership of 63% in XMI1 which holds holds 34,583 ordinary shares in XXL Sport & Villmark AS. XXL ASA provided XMI1 a loan in June 2020 which with accrued interest amounts to NOK 60.6 million. The loan carries an annual interest of 8% and is secured by a pledge in the shares in XXL Sport & Villmark AS.



**Board of directors remuneration 2023**

(Amounts in NOK Thousands)

Name	Title	Number of shares XXL ASA	Total remuneration
Hugo Maurstad	Chairman of the Board	-	450
Kjersti Hobøl	Board member and Chairman audit committee	150 291	410
Tom Christian Jovik*	Board and audit committee member	-	390
Ulrike Koehler	Board member	-	350
Øivind Tidemandsen	Board member	-	350
Cristina Moreno	Board member (employee representative)	-	75
Kai Arne Nordhaug	Board member (employee representative)	-	75
Tor Andrin Jacobsen	Board member (employee representative)	90 524	75

Board of directors remuneration for 2023 is remuneration that was paid in June 2023. The General meeting in June 2023 approved the Board of directors remuneration for the period June 2022-June 2023.

The following changes was made in the board of directors in June 2023; Håkan Lundstedt replaced Hugo Maurstad as chairman, Ronny Blomseth replaced Øivind Tidemandsen as board member and Kari Ekelund Thørud replaced Ulrike Koehler as board member. The remuneration for Håkan Lundstedt and the other new board members will be approved by the General meeting 4 June 2024.

\* Tom Jovik represents Altor in the BoD. Altor Invest 5 AS and Altor Invest 6 AS combined owns 444,950,700 ordinary shares (A shares) and 328,722,329 non-voting shares (B shares) in XXL ASA. Remuneration is paid to Altor and not Tom Jovik personally.

**Board of directors remuneration 2022**

(Amounts in NOK Thousands)

Name	Title	Number of shares in XXL ASA	Total remuneration
Hugo Maurstad	Chairman of the Board	2 600 000	450
Øivind Tidemandsen	Board member	34 500 000	350
Kjersti Hobøl	Board member and Chairman audit committee	35 000	410
Tom Christian Jovik*	Board and audit committee member	-	-
Ulrike Koehler	Board member	-	350
Christina Moreno	Board member (employee representative)	31 238	-
Tor Andrin Jacobsen	Board member (employee representative)	20 000	-
Kai-Arne Nordhaug	Board member (employee representative)	-	-
Robert Iversen	Election Committee	1 956 403	60
Øistein Widding	Election Committee	-	75

There are no loans or guarantees to the Managing Director or other related parties. The CEO and the Board do not have any agreement for compensation upon termination or change of employment / directorship.

**Pension**

The Group is required to have a compulsory pension in accordance with the Norwegian Accounting Act §7-30<sup>a</sup>. The Group has a pension plan that fulfills this requirement, which covers all employees and is a defined contribution plan.

**Audit Fees**

Divided by type of service (exclusive of VAT)

(Amounts in NOK Thousands)	2023	2022
Statutory audit	4 006	4 365
Other attestation services	313	194
Tax related services	-	32
Other services	626	238
<b>Total fees</b>	<b>4 945</b>	<b>4 830</b>



## Note 4 Property, Plant and Equipment

(Amounts in NOK Million)	Land and buildings	Transport and vehicles	Machinery and equipment	Fixtures and fittings	Construction in progress	Total
<b>Balance 01.01.22</b>	<b>29</b>	<b>4</b>	<b>332</b>	<b>1 635</b>	<b>17</b>	<b>2 017</b>
Additions	-	-	38	67	-	105
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	-	-	-	-	-11	-11
Net exchange differences	-	-	3	-1	-	2
<b>Balance 31.12.22</b>	<b>29</b>	<b>4</b>	<b>372</b>	<b>1 701</b>	<b>6</b>	<b>3 113</b>
Accumulated depreciation pr. 01.01.22	-8	-3	-283	-896	-	-1 190
Impairment	-	-	-4	-83	-	-86
Depreciation	-2	-1	-44	-156	-	-202
Net exchange differences	-	-	-3	2	-	-1
Accumulated depreciation pr. 31.12.22	-10	-4	-333	-1 133	-	-1 480
<b>Carrying amount pr. 31.12.22</b>	<b>19</b>	<b>-</b>	<b>39</b>	<b>568</b>	<b>6</b>	<b>633</b>
<b>Balance 01.01.23</b>	<b>29</b>	<b>4</b>	<b>372</b>	<b>1 701</b>	<b>6</b>	<b>2 113</b>
Additions	-	-	12	59	-	71
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	-	-	8	-53	-1	-46
Net exchange differences	-	-	-	1	-	1
<b>Balance 31.12.23</b>	<b>29</b>	<b>4</b>	<b>393</b>	<b>1 708</b>	<b>5</b>	<b>2 140</b>
Accumulated depreciation pr. 01.01.21	-10	-4	-333	-1 133	-	-1 480
Depreciation	-1	-	-41	-128	-	-171
Accumulated depreciation pr. 31.12.21	-11	-4	-374	-1 261	-	-1 651
<b>Carrying amount pr. 31.12.23</b>	<b>18</b>	<b>-</b>	<b>19</b>	<b>447</b>	<b>5</b>	<b>489</b>
<b>Fixed assets continuing operations</b>	<b>18</b>	<b>-</b>	<b>19</b>	<b>447</b>	<b>5</b>	<b>489</b>

Useful life	20 years	5 years	3-5 years	10 years	
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	None

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the difference between the proceeds and the carrying value of the assets is recognized as gain or loss.

The cost of fixed assets is the purchase price including taxes and expenses directly attributable to preparing the asset for use. Expenditures incurred after the asset has been put into operation, such as ongoing maintenance, are expensed, while other expenses that are expected to generate future economic benefits are capitalized.

The following useful lives are applied:

Land and Buildings	Transport and vehicles	Machinery and equipment	Fixtures and fittings
20 years	5 years	3–5 years	10 years

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings and equipment.

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the income statement within other income or other operating expenses.

## Note 5 Intangible assets

(Amounts in NOK Million)	Goodwill	Trademarks	Proprietary software	Software	Total
<b>Balance 01.01.2022</b>	<b>2 888</b>	<b>206</b>	<b>221</b>	<b>46</b>	<b>3 361</b>
Additions	-	-	38	9	46
Disposals	-	-	-	-	-
Net exchange differences	-	-	-	-1	-2
<b>Balance 31.12.2022</b>	<b>2 888</b>	<b>205</b>	<b>258</b>	<b>54</b>	<b>3 406</b>
Accumulated amortization pr. 01.01	-144	-13	-171	-29	-357
Disposals	-	-	-	-	-
Amortization	-	-	-35	-5	-40
Accumulated amortization pr. 31.12	-144	-13	-206	-34	-398
<b>Carrying amount pr. 31.12.2022</b>	<b>2 744</b>	<b>192</b>	<b>52</b>	<b>19</b>	<b>3 008</b>
<b>Balance 01.01.2023</b>	<b>2 888</b>	<b>205</b>	<b>258</b>	<b>54</b>	<b>3 406</b>
Additions	-	-	42	6	47
Disposals	-522	-	-	-	-522
Net exchange differences	-	-	-	-	-
<b>Balance 31.12.2023</b>	<b>2 366</b>	<b>205</b>	<b>300</b>	<b>60</b>	<b>2 931</b>
Accumulated amortization pr. 01.01	-144	-13	-206	-34	-398
Disposals	-522	-	-	-	-522
Amortization	-	-	-36	-6	-42
Accumulated amortization pr. 31.12	-144	-13	-242	-40	-439
<b>Carrying amount pr. 31.12.2023</b>	<b>2 222</b>	<b>192</b>	<b>58</b>	<b>20</b>	<b>2 492</b>

\*not including deferred tax

\*\*Amortization of Goodwill and Trademark relates amortization performed prior to the company IFRS conversion

Useful life	Indefinite	Indefinite*	5 years	3-5 years
Amortization method			Straight-line	Straight-line



In connection with impairment testing, goodwill is allocated to the related cash-generating units or groups of cash generating units.

Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and put the asset into use. Intangible assets acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customized software for IT and telecommunication systems is recognized as an expense as incurred.

All intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or as part of a cash-generating unit.

Intangible assets with indefinite lives are not amortized. Management reviews annually to determine whether the indefinite life assumption can be justified. If not, a change to the predetermined useful life is made.

#### Brand / Trademark

Trademark allocated as part of the purchase price allocation in 2010 (190 mNOK) and additions is capitalized and has indefinite life. Trademark is not amortized due to XXL's extensive spending on commercials and advertising, keeping the brand awareness growing. The value of trademark is tested annually for impairment. The carrying value is allocated to the group of cash generating units comprised of the shops in Norway (part of the operating segment Norway). The impairment assessment of trademark is included in the goodwill impairment test. See below.

#### Software - acquired and developed

Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the original hardware cost. Software is depreciated over three years. Expenses incurred due to service or maintenance are expensed unless the changes in the software increase the future economic benefits of the software.

#### Goodwill

The Group's recorded goodwill per 31.12.2023 is NOK 2.222 million (2022: NOK 2 744 million) which is fully allocated to the Norwegian segment. NOK 2 734 million of this amount is related to the acquisitions of XXL Sport & Villmark AS in 2010 and NOK 10 million is related to the acquisition of West Systems Norge AS in 2019. The carrying value is allocated to the group of cash generating units (CGU) comprised of the shops in Norway (part of the operating segment Norway). The management evaluates and monitors the goodwill based on the performance on an operating segment level. The recoverable amount of each operating segment is calculated based on a value in use method. In accordance with IFRS, we have used a 5-year budget period and terminal value in the impairment model. Both Goodwill and Trademark are included in the assessment for impairment.

The impairment testing includes estimates such as gross margin, cash flows, growth rates and calculation of cost of capital. These estimates may change over time and is currently impacted by higher interest levels. A brief summary of the most important assumptions and estimates is mentioned below.

#### Climate, transition risk and impact on assumptions

Climate, transition risk and impact on assumptions Climate risk is one of the risks factors that could affect the margin's for XXL in the coming years. As climate change makes extreme weather more frequent and/or severe, it increases the annual probability of events that are more intense and supply chain disruptions can become more common. In our home market, climate change affects several prerequisites as winters are shorter and milder on average affecting market conditions for several product groups. The retail industry is sensitive to changing consumer trends. The changes can come quickly when they first occur, for example as a result of changes in attitudes among consumers to a product or sector's climate footprint. The consumer response could be different for various product groups. For textile products, water consumption related to cotton production is an important issue. For hardware and other capital goods, short life of the products, small degree of reuse, quality and reparability can be an issue that is gaining more weight and that could lead to pressure on gross margin. Extended producer responsibility schemes can affect our business model in a negative sense if we fail to adapt to a requirements of material consumption and less carbon intensive materials and production methods.

More details about the abovementioned risks and XXL's response is released in XXL ASA Sustainability Report 2023.

#### Assumptions in the impairment test model

##### FUTURE CASH FLOWS

The first year's cash flow is based on budgeted figures for 2024, while the consecutive years are calculated based on estimated growth rates. The budget is based on history and the group's strategy plan and is approved by the Board of Directors.

##### GROWTH RATES AND MARGINS

The planned combined revenue growth in the period 2024-2028 is 5% and the long-term growth in terminal value is set to 2%. The growth rate is based on both expected sales in both physical stores and E-com. The growth in E-commerce sales have been substantial prior years, and we expect most of the growth in the next 5 years to derive from the E-com channel. FY2023 has been seen a decline in sales and margin, but with current initiatives an improvement in sales and margin is expected going forward. One of the measures is to increase the sales share of private label which is already initially showing promising results, primarily driven by the partnership with Stormberg, which is off to a solid start with good sales numbers, incremental gross margin uplift and high stock turn over. Other core improvement activities is covered by the improvement project "Reset&Rethink", which is expected to improve sales/margins in 2024 and beyond.

The EBITDA margin is estimated based on the current margin level and expected future market developments. The gross margin in the industry has been lower in the past two years compared to previous periods due to the low consumer confidence and reduced demand for sporting products. Both gross margin and EBITDA margin is expected to return to historical levels. Given the weaker margins observed over the last two years we have exercised prudence by reducing the margin from budgeted by approximately 3% in FY2024 being the starting point. The margin estimate is uncertain and will be affected by several elements in the coming years, such as changes in freight and commodity cost.

##### COST OF CAPITAL

Future cash flows are discounted to present value using the weighted average cost of capital (WACC). The WACC is estimated to be 13.2% pre tax (10.3% after tax), and is based on a risk free interest rate, a risk premium and cost of debt. Below are the most important parameters used in the calculation of the WACC.

- Risk-free interest rate is set to the 10-year government bond yield.
- Risk premium of 5.25 %, based available market data and observation of similar companies. A size premium is added with 1.2%.
- Beta value is set to 1.25 and based on a calculation of historical beta value for XXL ASA, as well as beta values observed from comparable companies.
- The current CIT rate in Norway of 22% in 2023 is used in the DCF model.

#### Sensitivity analysis in WACC:

(Decrease in the discount rate before no impairment of goodwill)

WACC	10,30 %	10,10 %	9,5 %	9 %	8,5 %	8 %	7,5 %	7 %	6,5 %
Headroom	-522	-344	-	357	790	1 295	1 892	2 610	3 538

#### Sensitivity analysis in long term growth rate and gross margin

The sensitivities are derived from changes in the terminal values. Increase/Decrease in the long term growth rate of 0.5% points has an impact of NOK ~ 200 million. Increase/Decrease in the terminal value gross margin of 0.5% points has an impact of NOK ~180 million. The Goodwill at 31.12.2023 is impaired by NOK 522 million being reflected in the table below.

#### Cash Generating Units (CGUs)

(Amounts in NOK million)

Shops in Norway	2023	2022
Goodwill	2 222	2 744
Trademark	192	192
Impairment	522	-
<b>Sensitivity</b>		
Discount rate after tax (WACC)	10,30%	8,62 %
Increase/ (-decrease) in the discount rate before possible impairment of goodwill	-0.8 p.p	1.5 p.p
Increase/ (decrease) in the terminal value gross margin before possible impairment of goodwill	2.6 p.p	-2.6 p.p



## Note 6 Other operating expenses

### Other operating expenses by nature

(Amounts in NOK million)	2023	2022
Cost of premises	222	190
Marketing expenses	434	375
Other operating expenses (incl. IT licenses, maintenance, legal fees and other)	275	254
<b>Sum</b>	<b>931</b>	<b>819</b>

## Note 7 Tax

### Income tax expense for the year

(Amounts in NOK million)	2023	2022
<b>Tax expense for the year</b>	<b>2023</b>	<b>2022</b>
Tax payable	28	9
Change in deferred tax asset	-87	-102
Adjustments for current tax of prior periods*	54	-
Other adjustments	-	-27
<b>Total income tax expense</b>	<b>(5)</b>	<b>(120)</b>

\* The adjustment relates to the Norwegian entities XXL Sport & Villmark AS and XXL Grossist AS which filed amended tax returns in 2022 with a net tax cost effect of MNOK 54 millions

<b>Effective tax rate</b>	<b>-4%</b>	<b>23%</b>
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### Current tax payable

Tax payable	28	9
<b>Total tax payable in the balance sheet</b>	<b>28</b>	<b>9</b>

Explanation of difference between Norwegian statutory tax rate of 22% and the effective tax rate

<b>Income before tax</b>	<b>-1 595</b>	<b>-531</b>
22 % tax of income before tax	-351	-117
Permanent differences (22%)	23	25
Unrecognised deferred tax assets	336	-34
Tax effect of impairment of goodwill	115	-
Other tax effects	-126	-
Foreign tax rate differences	-2	5
<b>Income tax expense</b>	<b>-5</b>	<b>-120</b>

### Specification of temporary differences

Asset (-)/liability	2023	2022	Change
Property, plant and equipment	27	8	19
Trade receivables	119	1	119
Inventories	-129	-378	249
Other current liabilities	-40	1	-41
Trademarks	190	190	-
Accrued income	-51	-	-51
Amortization of loan expenses	8	-	8
Financial derivatives	-	-8	8
Leasing (IFRS 16)	-308	-177	-131
<b>Total temporary differences</b>	<b>-185</b>	<b>-364</b>	<b>179</b>
Tax loss carried forward*	-2 437	-414	-2 024
Restricted interest carried forward	-56	-	-
Basis for deferred tax assets (-)	-2 678	-778	-1 900
Basis for deferred tax assets not recognised	1 527	150	1 377
Deferred tax assets not recognised	336	33	303
Basis for deferred tax recognised	-1 151	-628	-523
<b>Deferred tax liability in the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax asset in the balance sheet</b>	<b>-253</b>	<b>-166</b>	<b>-87</b>

\* the tax loss carried forward is located in different geographies and expire in line with local regulation. The expiry varies between 7 years (minimum) and indefinite

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the entity recently reported a profit or because assets with excess value have been identified. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised.

Tax expense recognized in the income statement comprises the sum of changes in deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Based on these evaluations, provisions for anticipated tax payments are made, as necessary.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income, based on the Group's forecast of future operating results which are adjusted for significant non-taxable income and expenses.

Deferred tax assets (-) / liabilities are presented net for the Norwegian entities.

Tax rate in Norway is 22%

Tax rate in Sweden is 20.6% for 2022, tax rate in Finland is 20% in 2022, tax rate in Switzerland is 12.2 % in 2022, tax rate in Austria is 25% in 2022.

*The Group operates in Norway, which has enacted new legislation to implement the global minimum tax rules (OECD - Pillar Two). The Group expects to be subject to these rules in relation to its operation in multiple jurisdictions, with the newly enacted tax legislation in Norway effective from 1 January 2024."*



## Note 8 Inventories

(Amounts in NOK million)	2023	2022
Goods purchased for resale	2 051	2 725
Reserve for inventory obsolescence	(274)	(397)
<b>Total inventories</b>	<b>1 776</b>	<b>2 328</b>

Cost is reduced by discounts from suppliers, unless these are determined to be separate services that are delivered to the supplier or reimbursements for joint marketing or similar activities. Sales support billed to suppliers for joint marketing is presented as a reduction in marketing costs under other operating expenses. Inventory cost is recognized based on weighted average.

## Note 9 Investment in subsidiaries

The Group has an ownership interest in the following subsidiaries:

Subsidiaries	Year of incorporation	Business location	Ownership percentage
XXL Sport & Villmark AS	2000	Oslo	100 %
XXL Grossist Norge AS	2000	Oslo	100 %
XXL Adventure AS	2002	Oslo	100 %
XXL Sport og Vildmark AB	2005	Stockholm	100 %
XXL Sports & Outdoor OY	2013	Helsinki	100 %
XXL Sports & Outdoor ApS	2016	Copenhagen	100 %
XXL Sports & Outdoor Gmbh	2016	Wien	100 %
XXL Europe Holding Sarl	2013	Luxembourg	100 %
XXL Europe Gmbh	2013	Luzern	100 %
XXL Online Gmbh	2013	Luzern	100 %
Level2Invest AS	2016	Oslo	100 %
West System Norge AS	2019	Oslo	100 %

Investments in subsidiaries are consolidated in the Consolidated Financial Statements.

## Note 10 Related party transactions

The Group's related parties include its key management, members of the board and majority shareholders. The Board members represent 26.9% of the shares (voting rights) in the Group, in addition to the shares they hold personally they also represent Altor Invest 5 AS and Altor Invest 6 AS. None of the Board members have been granted loans or guarantees. Furthermore, none of the Board members are included in the Group's pension or bonus plans.

## Note 11 Cash and cash equivalents

(Amounts in NOK million)	2023	2022
Bank deposits (restricted)	-	-
Cash	8	7
Bank accounts (unrestricted)	398	545
<b>Total cash and cash equivalents</b>	<b>406</b>	<b>552</b>

The Group has a multi-currency cash-pool owned by XXL Sport & Villmark AS, a fully owned subsidiary of XXL ASA, and operated by Nordea. XXL Sport & Villmark AS presents total bank deposits in the international cash pool, while subsidiaries/parent who participate in the cash-pool present their share of the international cash pool as intra-group balances in their stand-alone financial statements. For consolidated group reporting the cash balances are shown as the net balance as either cash or as short-term bank loan.

Cash includes cash in hand and bank deposits. Funds originally restricted for more than three months are not included in cash and cash equivalents.

The Group has undrawn credit facilities with DnB/Nordea for NOK 204 million per year-end 2023 (2022: NOK 161million).

## Note 12 Trade and other receivables

(Amounts in NOK million)	2023	2022
Trade receivables, gross	116	156
Allowance for credit losses	-17	-20
<b>Trade receivables 31.12</b>	<b>98</b>	<b>136</b>
Changes in allowance for credit losses		
<b>Beginning balance</b>	<b>-20</b>	<b>-18</b>
Change in the allowance	3	-3
<b>Allowance for credit loss expense</b>	<b>3</b>	<b>-3</b>
FX effect reserve balance sheet/profit or loss	-	-
<b>Ending balance 31.12</b>	<b>-17</b>	<b>-20</b>

The table below shows the aging analysis of trade receivables per 31.12

Year	Total	Not yet due	<30 days	>30 days	>60 days	>90 days
2023	116	52	13	7	1	38
2022	136	87	18	6	-	25

All of the Group's trade and other receivables have been reviewed for indicators of impairment and an allowance for credit losses has been reserved for amounts which are considered uncollectable.

### Other receivables

(Amounts in NOK million)	2023	2022
Accrued supplier bonus	52	77
Prepaid expenses	25	21
Other receivables	102	25
Public duties receivables	44	1
<b>Other receivables 31.12</b>	<b>222</b>	<b>124</b>



## Note 13 Share capital and shareholder information

The share capital of XXL is NOK 665,429,772 consisting of 1,663,574,430 shares in total being 1,334,852,101 ordinary shares (A shares) and 328,722,329 non-voting shares (B shares) with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2023:	Total amount of shares	Ownership	Voting right
ALTOR INVEST 6 AS	386 836 522	23,3 %	16,7 %
ALTOR INVEST 5 AS	386 836 507	23,3 %	16,7 %
EUROCLEAR BANK S.A./N.V.	229 200 308	13,8 %	17,2 %
FERD AS	151 118 316	9,1 %	11,3 %
VERDIPAPIRFOND ODIN NORDEN	88 261 617	5,3 %	6,6 %
VERDIPAPIRFOND ODIN NORGE	44 923 725	2,7 %	3,4 %
STORMBERG GROUP AS	34 000 000	2,0 %	2,6 %
FUNKYBIZ AS	32 000 000	1,9 %	2,4 %
BJERKNES EIENDOM AS	24 711 124	1,5 %	1,9 %
MP PENSJON PK	20 202 619	1,2 %	1,5 %
NORDKRONEN II AS	19 889 159	1,2 %	1,5 %
AVANZA BANK AB	9 715 430	0,6 %	0,7 %
NORDNET BANK AB	7 301 237	0,4 %	0,6 %
J.P. MORGAN SE	6 793 957	0,4 %	0,5 %
OLA RUSTAD AS	6 779 158	0,4 %	0,5 %
AG HOLDING AS	5 000 000	0,3 %	0,4 %
NORDEA BANK ABP	4 891 097	0,3 %	0,4 %
STANZA AS	4 262 786	0,3 %	0,3 %
GENI HOLDING AS	4 194 932	0,3 %	0,3 %
NYE BERGHOL INVEST AS	3 750 000	0,2 %	0,3 %
Other	192 905 936	11,6 %	14,5 %
<b>Sum</b>	<b>1 663 574</b>	<b>100 %</b>	<b>100 %</b>

All shares have been fully paid.

## Note 14 Earnings per share

(Amounts in NOK million)	2023	2022
<b>Net income from continuing operations</b>	<b>(1 590)</b>	<b>(411)</b>
Net income from discontinued operations	(206)	(130)
<b>Weighted average number of ordinary shares in issue</b>	<b>822 974 251</b>	<b>252 436 658</b>
Weighted average number of own shares	5 933 654	8 470 000
Weighted average number of shares used in calculating basic earnings per share	817 040 598	243 966 658
<b>Adjustment for:</b>		
<b>Basic earnings per share from continuing operations (NOK)</b>	<b>-1,93</b>	<b>-1,63</b>
<b>Basic earnings per share from discontinued operations (NOK)</b>	<b>-0,25</b>	<b>-0,52</b>
<b>Basic earnings per share (NOK)</b>	<b>-2,18</b>	<b>-2,15</b>

### Reconciliation weighted average number of ordinary shares

	2023	2022
<b>Number of shares opening</b>	<b>252 436 658</b>	<b>243 966 658</b>
Share issue A-shares	1 090 885 443	-
Share issue B-shares	328 722 329	-
Purchases/(Sales) of own shares	-8 470 000	-
<b>Number of shares closing (excluding own shares)</b>	<b>1 663 574 430</b>	<b>243 966 658</b>
Weighted average	822 974 251	252 436 658
<b>Basic and diluted Earnings per share (NOK)</b>	<b>-2,18</b>	<b>-2,15</b>

## Note 15 Security and guarantees

XXL ASA has a total loan engagement of NOK 1 300 million with DNB and Nordea as of December 2023 consisting of a Overdraft of NOK 150 million (NIL drawn at 31.12.2023) and a Revolving Credit Facility of NOK 1 150 million out of which NOK 946 million is drawn at 31.12.2023. The loans are secured by a negative pledge from the participants.

## Note 16 Accounts payable and supplier financing

The Group has entered a supplier financing arrangement with DNB. An account payable is derecognized, and a supplier financing payable is recognized when the financial liability to the supplier has been extinguished by DNB paying the supplier on behalf of the Group and a new liability to the bank has been agreed in its stead. The accounts payable is also considered extinguished and derecognized if the rights under the trade receivable are acquired from the supplier by the bank, and the Group is given significantly different terms by the bank. This may be the case if the payment terms are extended for the group. The cash flows from supplier financing are included in the operating activities in the Consolidated Statement of Cash Flows

(Amounts in NOK million)	2023	2022
<b>Accounts payable</b>	<b>908</b>	<b>1 226</b>

For supplier financing XXL has a contractual agreement with a bank. The balance at 31.12.2023 is NOK 40 million (2022: NOK 118 million)



## Note 17 Other current liabilities

(Amounts in NOK million)	2023	2022
Credit notes / gift cards customers*	123	138
Accrued salary and bonus	76	76
Accrued holiday pay	148	153
Other short term accruals and right of return	212	127
<b>Total other current liabilities</b>	<b>560</b>	<b>494</b>

## Note 18 Right-of-Use Assets and Lease Liabilities

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The corresponding liability is included as Current lease liabilities in the balance sheet.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a purchase value below 50 000.

As of 31 December 2023, XXL carry Right-of-Use ("ROU") assets of NOK 1 804 million on its balance sheet. The assets are mainly right-of-use of buildings used in the retail stores in the Nordic market as well as the central warehouses in Norway and Sweden.

During 2023 we have both seen adverse sales and margin development due to the macroeconomic environment and increasing market rates resulting in a higher discount rate. With this background there has been performed an analysis of the profitability on an EBITDA level of the stores on an individual level. The EBITDA level observed on a store level in 2023 is clearly reflecting the overall performance of the XXL Group in a difficult market throughout 2023. This development has served as an impairment indicator.

In order to make an assessment it is required to evaluate future sales development as well as ongoing initiatives to reduce operating costs including downsizing of store space, relocation and possible re-let opportunities of stores. In general, XXL enter into re-negotiation with the lessor when the lease is not economically viable, and we offer to extend the contract period if satisfactory terms are offered.

XXL's management also analyze on a continuous basis whether stores should be closed down based on future projections. The principal evaluation is whether a store has / is expected to provide a positive EBITDA result to contribute to XXL's centralized service cost. The compensation needed to pay the lessor for termination of the lease contract is also part of the evaluation. An impairment test has been conducted to measure the recoverable amount being the higher of the RoU asset's fair value less costs of disposal and its value in use. The value-in-use calculation is based on future expected cash flows of the cash generating units i.e stores, which includes an allocated share of overhead costs such as the central warehouse.

The Value-in-use calculation on the individual stores with impairment indicators was performed and showed an impairment was required. As the lease liabilities are part of XXL's recognized borrowings being financing activities, all payments associated with lease liabilities are excluded from the cash flows used to determine value-in-use.

### Methodology for impairment testing

The discounted free cash flow model is used to calculate the enterprise value for the remaining lease contract period for the cash generating units – i.e the stores tested. Individual value-in-use calculations have been performed for the stores with impairment indicators (negative EBITDA in 2023).

The first year's cash flow is based on budgeted numbers for 2024, while the consecutive years are calculated based on the company's 3 years operations plan. Revenue, GOGS and operating expenses budgeted for FY2024 for each store under review serves as the basis. The budget is based on history and the group's strategy plan and is approved by the Board of Directors. Retail growth from stores for the period after budget year 2024 is expected to return to pre-pandemic XXL levels. The projected average combined growth in the period 2024-2028 is appr 5% (which includes inflation).

XXL is currently working on several short-term actions and a longer-term strategic plan, called "Reset & Rethink", in order to improve profitability. Short term actions include resetting the operating model and ways of working. Five must win battles are also identified and is currently in execution within areas such as;

- Reset category strategies
- Secure product availability
- Store sales strategies and operations
- Pricing
- E-commerce profitability

### Cost of capital

The current higher interest environment is driving a higher capital cost for discounting of cash flows. Future cash flows are discounted to present value using the weighted average cost of capital (WACC). The WACC pre tax is estimated to be 13.2% and is based on a risk-free interest rate and a risk premium. Ref description under impairment of Goodwill. In the NPV analyses cash flows are calculated excluding tax payments.

### Conclusion

Impairment losses have been observed for 7 stores (CGU's) in Sweden and 2 in Finland. A total impairment loss is recorded in the amount of NOK 54 million.



### Right-of-Use Assets 2023

(Amounts in NOK million)	Buildings, machinery and vehicles
<b>Aquisition cost 01.01.2023</b>	<b>4 115</b>
Additions and adjustments	449
Change incentives	-32
Net exchange differences	126
<b>Aquisition costs 31.12.2023</b>	<b>4 658</b>
Accumulated depreciation 01.01.2023	-2 174
Depreciation	-580
Impairment losses (-) Reversal of losses* (+)	-54
Disposals	14
Transfers and reclassifications	-
Currency exchange differences	-60
<b>Accumulated depreciation and impairment 31.12.2023</b>	<b>-2 854</b>
<b>Total Right-of-Use Assets at 31.12.2023</b>	<b>1 804</b>
Lower of remaining lease term or economic life	0 - 9 years
Depreciation method	Linear

### Lease liabilities 2023

(Amounts in NOK million)	Total
<b>Summary of the lease liabilities in the financial statements</b>	
<b>Total lease liabilities 01.01.2023</b>	<b>2 203</b>
New lease liabilities recognised in the period	417
Total leasing payments for the lease liability	-607
Interest expense on lease liabilities	86
Reassessment of rental contributions	-21
Currency exchange differences	34
<b>Total lease liabilities at 31.12.2023</b>	<b>2 112</b>
<b>whereof</b>	
Current lease liabilities < 1 year	585
Non-current lease liabilities > 1 year	1 528

For maturity profile of the lease liabilities, please refer to disclosure note 20 for this information.

(Amounts in NOK thousands)

Expensed variable payments linked to performance or use <sup>1</sup>	-
Expenses related to contracts with exception for short term leases <sup>2</sup>	-
Expenses related to contracts with exception for low value assets (short term contract excluded) <sup>2</sup>	-

<sup>1</sup>All accrued expenses (any possible income subtracted) related to transactions classified as “variable payment I linked to performance or use” is included.

<sup>2</sup>All accrued expenses (any possible income subtracted) for contracts is included.

### Note 19 Net financial expenses

(Amounts in NOK million)	2023	2022
Other financial income	16	2
<b>Total financial income</b>	<b>16</b>	<b>2</b>
Interest expenses bank loans	107	50
Interest expenses on lease liabilities	84	78
Other financial expenses	11	14
Net realized / unrealized foreign exchange losses	1	-76
<b>Total financial expenses</b>	<b>202</b>	<b>66</b>
<b>Net financial expenses</b>	<b>-186</b>	<b>-64</b>



## Note 20 Financial instruments

The Group has the following financial instruments: trade receivables, cash and cash equivalent, lease liabilities, debt, accounts payable and supplier finance and derivatives.

All financial instruments except for derivatives are measured at amortized cost. Trade receivables meet the SPPI criteria of IFRS 9. FX derivatives used to secure purchases in foreign currency are measured at fair value and recognized in the P&L.

### Financial risk

The Group uses financial instruments such as bank loans. The purpose of these financial instruments is to raise capital for investments that are necessary for the Group's business. In addition, the Group has financial instruments such as accounts receivable, accounts payable, etc. which are directly related to its daily operations. For commercial hedging purposes, the Group uses derivatives. The Group does not apply hedge accounting. The Group does not use financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The financial risks that the Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines for how they are handled.

### Credit risk

The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits.

Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable (see note 12).

### Market risk - interest rate sensitivity

The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when deemed necessary.

The following table illustrates the sensitivity of the Group to potential interest rate changes.

The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates.

Interest rate sensitivity	Changes in interest rates in basis points	Effect on profit before tax (NOK 1 000)	Effect on equity (NOK 1 000)
2023	+50	-6 382	-4 978
	-50	6 382	4 978
2022	+50	-6 273	-4 893
	-50	6 273	4 893

The average effective interest rate of financial instruments were as follows:

	2023	2022
Overdraft	8,07 %	3,76 %
Bank syndicate	9,25 %	4,32 %

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's strategy for managing liquidity risk is to maintain sufficient liquid funds at all times to meet its financial obligations, both under normal and extraordinary circumstances, without risking unacceptable losses or damaging its reputation. The Group has large fluctuations related to restricted working capital due to seasonality and the timing of deliveries and payments.

### Market risk - foreign currency sensitivity

Exposures to currency exchange rates arise from the Group's purchases denominated in USD. Currency exchange rate exposure in EUR and SEK are limited due to the Group's setup with distributors in Sweden, Finland and an European wholesale service entity.

The following table shows currency effect on the Group's profit and equity if the exchange rates fluctuate with +/- 10% measured against NOK:

Foreign currency sensitivity	Changes in currency	2023		2022	
		Effect on profit before tax (NOK 1 000)	on equity (NOK 1 000)	Effect on profit before tax (NOK 1 000)	on equity (NOK 1 000)
EUR	+10%	19 936	15 550	24 166	18 850
	-10%	-19 936	-15 550	-24 166	-18 850
USD	+10%	71 248	55 573	93 077	72 600
	-10%	-71 248	-55 573	-93 077	-72 600

Furthermore, the carrying amount of its net investments in foreign companies fluctuates in Norwegian kroner compared to the local relevant currencies. Profit after tax for the Group is also affected by changes in exchange rates, as the results of foreign companies are translated into Norwegian kroner at the weighted average exchange rate for the period. The Group hedges its foreign currency in the form of forward contracts. Hedge accounting has not been applied. The contracts are settled continuously throughout the year and if the contract extends over the period end, it is recognized in the financial statements at fair value.

### Determination of fair value

The carrying amount of cash and cash equivalents and bank overdrafts is fair value. Similarly, the carrying amount of accounts receivable and accounts payable approximates fair value as the impact of discounting is not significant.

The fair value of capital leases is calculated as the present value of estimated cash flows discounted at the interest rate applicable for the corresponding assets and liabilities at the balance sheet date.

The fair value of long-term debt is similar to the par value plus accrued interest.

### The fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)



(Amounts in NOK million)

**The following categories of financial instruments are measured at fair value as of 31 December 2023**

<b>Assets/Liabilities carried at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit or loss</b>			
FX derivatives	-	-1	-
<b>Total</b>	<b>-</b>	<b>-1</b>	<b>-</b>

**The following categories of financial instruments are measured at fair value as of 31 December 2022**

(Amounts in NOK million)

<b>Assets/Liabilities carried at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit or loss</b>			
FX derivatives	-	8	-
<b>Total</b>	<b>-</b>	<b>8</b>	<b>-</b>

**Classification of financial assets and liabilities**

The Group has the following classification of financial assets and liabilities. See note 1 for a description of the various categories.

(Amounts in NOK million)

<b>Financial instruments</b>	<b>2023</b>	<b>2022</b>
<b>Financial assets at amortized cost</b>		
Trade receivables	98	136
Cash and cash equivalents	406	522
<b>Total current financial assets</b>	<b>505</b>	<b>689</b>
<b>At fair value through profit or loss</b>		
FX derivatives	-1	8
<b>Total financial assets (+) / liabilities (-) at fair value through profit or loss</b>	<b>-1</b>	<b>8</b>
<b>Other Liabilities at amortised cost</b>		
Interest bearing debt	1 258	1 630
Lease liability	2 122	2 101
Accounts payable and other short-term debt	1 468	1 708
<b>Total other financial liabilities</b>	<b>4 838</b>	<b>5 439</b>

## Note 21 Capital management

### Capital management policy and equity

The main objective of the Group's capital management is to ensure that the Group maintains strong credit ratings and thus affordable financing terms that are reasonable in relation to its activities. The Group manages its capital structure and makes necessary changes to it based on a current assessment of the financial condition of the business and prospects in the short and medium term.

Net debt is defined as interest-bearing debt (current and non-current), excluding lease liability, less cash. This definition is in line with our financial covenants. Equity includes all capital and reserves, paid and earned.

### Dividend policy

The Board of Directors has a long-term dividend policy of distributing 40-50 per cent of annual net income.

(Amounts in NOK million)	<b>2023</b>	<b>2022</b>
Interest bearing debt excluding lease liability	1 258	1 630
Cash	-406	-552
<b>Net debt*</b>	<b>851</b>	<b>1 077</b>
Equity	2 310	3 066
<b>Total equity and net debt</b>	<b>3 161</b>	<b>4 143</b>



## Note 22 Interest bearing debt

(Amounts in NOK million)

<b>Non-Current Interest-Bearing Liabilities due &gt; 1 year</b>	<b>2023</b>	<b>2022</b>
Bank loan	276	494
Non-current lease liability	1 528	1 568
<b>Sum Non-Current Interest-Bearing Liabilities</b>	<b>1 804</b>	<b>2 062</b>
<b>Current Interest-Bearing Liabilities due &lt; 1 year</b>	<b>2023</b>	<b>2022</b>
Current lease liability	585	533
Deferral of Swedish tax payments	366	-
Credit Facility	640	1 135
<b>Sum Current Interest-Bearing Liabilities</b>	<b>1 590</b>	<b>1 668</b>
<b>Total Interest-Bearing debt</b>	<b>3 394</b>	<b>3 731</b>
Total Interest-Bearing debt, excluding Lease Liabilities	1 258	1 630

The fair value of current and non-current debt approximately their carrying amount.

The Group has a long-term loan from a consortium of banks consisting of NORDEA BANK NORGE ASA and DNB BANK ASA with an undrawn balance of NOK 204 million as of 31 December 2023. The bank loans are denominated in NOK, SEK and EUR and the interest rates related to the bank loan is based on NIBOR, STIBOR and EURIBOR plus a margin. As of 31 December 2023 the margin is 4.25%.

The Group is measured on the following covenants as of 31 December 2023:

- Minimum liquidity of NOK 200 million
- The maximum amount of drawing is limited to 50% of the consolidated inventory book value.

As of 31 December 2023 the company is compliant with all covenants under the loan facilities.

XXL's Swedish subsidiary had received a temporary deferral until 12 September 2023 of tax payments for 2021 in the amount of SEK 366 million. The Company has applied to the Swedish tax authorities for a further deferral until 12 September 2024, and that application has now been approved. This means that the tax payments for 2021 in the amount of SEK 345 million will become due and payable on 12 September 2024, unless a further deferral is being granted.

The following table shows the maturity schedule of the Group's financial liabilities based on undiscounted contractual payments. In cases where the other party can demand early redemption, the amount is included in the earliest period payment that can be demanded. If liabilities are redeemed on demand, they are included in the first column:

<b>31.12.2023</b>	<b>Remaining period</b>						
<b>Financial liabilities</b>	<b>Under 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Bank loan	640	276	-	-	-	-	916
Deferral of Swedish tax payments	366	-	-	-	-	-	366
Interest	39	12	-	-	-	-	51
Lease liabilities (undiscounted cashflows)	446	466	374	324	211	281	2 113
<b>Total</b>	<b>1 491</b>	<b>754</b>	<b>374</b>	<b>324</b>	<b>221</b>	<b>281</b>	<b>3 445</b>

<b>31.12.2023</b>	<b>Remaining period</b>						
<b>Financial liabilities</b>	<b>Under 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Bank loan	1 135	494	-	-	-	-	1 630
Interest	69	21	-	-	-	-	90
Lease liabilities (undiscounted cashflows)	616	542	442	340	285	379	2 605
<b>Total</b>	<b>1 820</b>	<b>1 058</b>	<b>442</b>	<b>340</b>	<b>285</b>	<b>379</b>	<b>4 324</b>

### Reconciliation of interest bearing debt

	<b>2023</b>	<b>2022</b>
<b>Total Opening Balance</b>	<b>3 731</b>	<b>3 371</b>
Payments on new short-term debts	(1 009)	(150)
Proceeds from new short-term debts	247	883
Proceeds from deferral of Swedish tax payments	366	-
Total Leasing Payments for the lease liability	(607)	(602)
Interest expense on Lease Liabilities	86	81
<b>Changes with Cash effect</b>	<b>(916)</b>	<b>212</b>
New Lease Liabilities recognized in the period	417	229
Adjustment lease hold for sale	102	-
Amortisation of transaction cost of bank loan	7	9
FX effects on bank loans + lease liabilities	54	(90)
<b>Changes with non Cash effect</b>	<b>580</b>	<b>148</b>
<b>Total Closing Balance</b>	<b>3 394</b>	<b>3 731</b>



## Note 23 Ongoing process with tax authorities

XXL Sport & Villmark AS a fully owned subsidiary of XXL ASA had in June 2023 received a reassessment from the Norwegian tax authorities relating to the XXLgroup's international transfer pricing model. By the reassessment, the Norwegian tax authorities have increased the taxable income of XXL Sport & Villmark AS for the years 2015 to 2018 resulting in additional tax payable in Norway in the total amount of NOK 138 908 976 for these years. For the year 2019 the taxable income has been reduced with NOK 82 613 828.

Based on a demand from Norwegian tax authorities XXL has made a payment of NOK 90 million. The amount is not based on a qualitative assessment of what is the expected outcome of the case. XXL does not agree with the reassessment and is seeking to mitigate the net tax effects for the XXL group by adjustments to taxable income in another jurisdiction through mechanisms in relevant double taxation treaties.

XXL has requested for MAP/APA negotiations between the competent authorities in order to mitigate the net tax effects for the XXL group by adjustments to taxable income in another jurisdiction through mechanisms in relevant double taxation treaties between Norway and such jurisdiction and which could lead to a refund from that jurisdiction. XXL has also appealed the reassessment to the tax appeal board. The appeals process is put on hold pending MAP/APA negotiations which started in February 2024.

Due to the nature and complexity of the claim and the MAP negotiations a reliable estimate cannot be made to recognise a specific amount of uncertain tax liability in the financial statements for 2023 following the tax office decision dated 15 June 2023. Hence, the preliminary payment is recorded as a prepayment as at 31.12.2023.

## Note 24 Discontinued Operations

The board of XXL concluded its strategic review process of XXL's operations in Austria 21.12.2022

The decision was to exit the Austrian market during 2023 and the management considered that the disposal group was available for immediate sale in its present condition. Austria was consequently classified as a disposal group held for sale in the balance sheet and presented as discontinued operations in the income statement as of 31.12.2022. All XXL stores and operations in the Austrian market was closed during 2023.

## Summary of financial data for discontinued operations

(Amounts in NOK million)	FY 2023	FY 2022
<b>Total Operating Revenue</b>	<b>229</b>	<b>454</b>
Cost of goods sold	169	366
Personnel expenses	60	98
Other operating expenses	108	112
Depreciation	52	48
Impairment Losses (+) Reversal of losses (-)*	54	-14
<b>Total Operating Expenses</b>	<b>443</b>	<b>610</b>
<b>Operating Income</b>	<b>-214</b>	<b>-156</b>
<b>Net Financial Income (+) / Expense (-)</b>	<b>5</b>	<b>-6</b>
<b>Profit before income tax</b>	<b>-209</b>	<b>-162</b>
Income tax expense	3	-31
<b>Profit from Discontinued Operations</b>	<b>-206</b>	<b>-131</b>
Net cash flow from operating activities	28	44
Net cash flow from investing activities	-	-7
Net cash flow from financing activities	-33	-45
<b>Net change in cash and cash equivalents</b>	<b>-5</b>	<b>-8</b>

\*Impairment losses includes reversal of Right-of-Use assets due to fair value assesment

## Note 25 Subsequent events

On 21 March 2024 XXL announced a private placement of NOK 500 million and allocated 535 714 285 new ordinary shares (class A-shares) and 178 571 429 new non-voting shares (class B-shares) at a price of NOK 0.70 per share. The net proceeds from the offering will be used for general business purposes hereof NOK 300 million will be used to reduce the existing revolving credit facility with DNB ASA and Nordea Bank Abp. The private placement was subject to approval by an extraordinary general meeting, which was obtained on 12 April 2024.

XXL has also resolved to carry out a subsequent offering of up to 85 714 285 new class A-shares directed towards shareholders not allocated shares or participating in the private placement. The subscription will be equal to the subscription price in the private placement, i.e. NOK 0.70 per class A-share. The extraordinary general meeting of 12 April 2024 gave the mandate to the Board of Directors to commence the subsequent offering. The subscription period for the subsequent offering, if any, is expected to commence during Q2 2024 following approval of a prospectus.

More information about the private placement can be found on <https://newsweb.oslobors.no>



# Financial Statements XXL ASA



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# Statement of income

(Amounts in NOK million)

	Note	2023	2022
Personnel expenses	2	3	3
Other operating expenses	6	40	29
Impairment of shares in subsidiaries	4	522	-
<b>Total Operating Expenses</b>		<b>565</b>	<b>32</b>
<b>Operating Income</b>		<b>565</b>	<b>-32</b>
Other financial income		18	-3
Interest income group companies	6	6	5
<b>Total Financial Income</b>		<b>24</b>	<b>2</b>
Interest expense		-	-
Interest expense to group companies	6	41	27
Other financial expense		25	6
<b>Total Financial Expense</b>		<b>66</b>	<b>32</b>
<b>Net Financial Income (Expense)</b>		<b>-42</b>	<b>-30</b>
<b>Income Before Income Taxes</b>		<b>-606</b>	<b>-61</b>
Tax expense	3	-	-14
<b>Net Income</b>		<b>-606</b>	<b>-48</b>
Allocation of Net Income			
Other paid-in equity		-606	-48
<b>Total allocated</b>		<b>-606</b>	<b>-48</b>



# Balance sheet

## / Assets

(Amounts in  
NOK million)

	Note	31.12.2023	31.12.2022
<b>NONCURRENT ASSETS</b>			
<b>Intangible assets</b>			
Deferred tax asset	3	13	13
<b>Total intangible assets</b>		<b>13</b>	<b>13</b>
<b>Financial Assets</b>			
Investment in subsidiaries	4	3 095	3 614
<b>Total Financial Assets</b>		<b>3 095</b>	<b>3 614</b>
<b>Total Noncurrent Assets</b>		<b>3 108</b>	<b>3 627</b>
<b>CURRENT ASSETS</b>			
<b>Other Receivables</b>			
Trade and other receivables		18	-
Receivables from Group companies	5	514	150
<b>Total Other Receivables</b>		<b>532</b>	<b>150</b>
<b>Cash and Cash Equivalents</b>			
Cash and equivalents	7	-	-
<b>Total Cash and Cash Equivalents</b>		<b>-</b>	<b>-</b>
<b>Total Current Assets</b>		<b>533</b>	<b>150</b>
<b>Total Assets</b>		<b>3 641</b>	<b>3 777</b>



# Balance sheet

## / Equity and Liabilities

(Amounts in  
NOK million)

	Note	31.12.2023	31.12.2022
<b>SHAREHOLDERS' EQUITY</b>			
<b>Paid-in Capital</b>			
Share capital	8, 10	665	101
Share premium	8, 10	3 938	3 710
Own shares	8, 10	-	-182
<b>Total Paid-in Capital</b>		<b>4 603</b>	<b>3 629</b>
<b>Retained Earnings</b>			
Other equity	10	-1 403	-797
<b>Total Retained Earnings</b>		<b>-1 403</b>	<b>-797</b>
<b>Total Shareholders' Equity</b>		<b>3 200</b>	<b>2 832</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Interest bearing debt		-	-1
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-1</b>
<b>Current Liabilities</b>			
Accounts payable		2	-
Public duties payable		-1	-
Liabilities to group companies	5	440	946
<b>Total Current Liabilities</b>		<b>441</b>	<b>755</b>
<b>Total Liabilities</b>		<b>441</b>	<b>946</b>
<b>Total Equity and Liabilities</b>		<b>3 641</b>	<b>3 777</b>



# Board of Directors

Oslo, 23. April 2024



**Björn Einar Håkan Lundstedt**  
Chairman of the Board



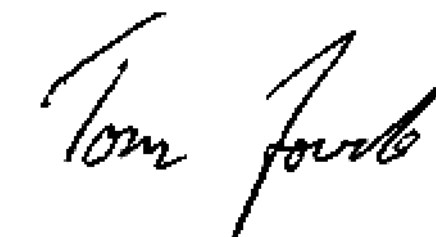
**Kjell-Arne Fikerud**  
Board Member



**Tor Andrin Jacobsen**  
Board Member



**Kjersti Helen Krokeide Hobøl**  
Board Member



**Tom Christian Jovik**  
Board Member



**Helena Ebersten Henriksen**  
Board member



**Kari Ekelund Thørud**  
Board Member



**Ronny Blomseth**  
Board Member



**Freddy Sobin**  
CEO



# Statement of Cash Flows

(Amounts in NOK million)

	2023	2022
<b>Operating Activities</b>		
Income before income taxes	-606	-61
Changes in Group receivables/ (payables)	-864	-
Impairment of shares in subsidiaries	522	-
Changes in other assets and liabilities	-19	114
<b>Cash provided (used) by operating activities</b>	<b>-966</b>	<b>52</b>
<b>Investing Activities</b>		
Investment in subsidiaries	-7	-3
<b>Cash provided (used) by investing activities</b>	<b>-7</b>	<b>-3</b>
<b>Financing Activities</b>		
Net proceeds share issue	974	-
Purchase of own shares	-	3
Prior year errors	-	84
Dividend	-	-146
<b>Cash provided (used) by financing activities</b>	<b>974</b>	<b>-59</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1</b>	<b>-10</b>
Cash and cash equivalents - beginning of year	-	10
<b>Cash and Cash Equivalents - End of Year</b>	<b>1</b>	<b>-</b>



# Notes to the financial statements

## 1. Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

### Classification and valuation of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle have been classified as current assets. Receivables are classified as current assets if they are expected to be realised within twelve months after the transaction date. Similar criteria apply to liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are reflected at nominal value.

Fixed assets are carried at historical cost. Fixed assets are written down to net realizable value if a value reduction occurs which is not expected to be temporary. Except for accruals, long term liabilities are reflected in the balance sheet at nominal value on the establishment date. Accruals are discounted to present value if the time value of money is material.

### Foreign currency

Foreign currency transactions are translated into Norwegian kroner using the exchange rate prevailing at the date of the transaction (spot exchange rate), while monetary items denominated in foreign currencies are translated at the rate per the balance sheet date.

### Trade receivables

Trade and other receivables are recorded at their nominal value less a provision for losses.

### Tax

Tax expense in the income statement includes the change in the deferred tax asset. Deferred tax is calculated at 22% based on the temporary differences between accounting and tax values, as well as any tax loss carryforwards at the end of the financial year. Taxable and non-taxable temporary differences that reverse or may reverse in the same period are offset. Recognition of the deferred tax asset on net deductible temporary differences that are not offset and carried forward is based on estimated future earnings. If a deferred tax asset that can be recognized, it is classified in the balance sheet.

### Deposits

Receivable/payable cash pooling arrangements are classified as balances with group companies.

All figures are stated in NOK million unless otherwise stated.

## 2. Personnel expenses

The Company had no employees in 2023.

There were no loans or guarantees given to the CEO, Chairman of the Board or other related parties.

Description of the option program and other incentive programmes are disclosed in note 3 in the Group Consolidated Financial Statements.

### Board of directors remuneration (figures in NOK thousand)

Name	Title	Fee	Total remuneration
Björn Einar H Lundstedt	Chairman of the Board	450	450
Kjersti Hobøl	Board member and Chairman audit committee	410	410
Tom Christian Jovik*	Board and audit committee member	390	390
Ronny Blomseth	Board member	350	350
Kari Ekelund Thørud	Board member	350	350
Kjell-Arne Fikerud	Board member (employee representative)	75	75
Helena E Henriksen	Board member (employee representative)	75	75
Tor Andrin Jacobsen	Board member (employee representative)	75	75

### Audit fees (figures in NOK thousand)

Divided by type of service (exclusive of VAT)

	2023	2022
Statutory audit	1 317	1 300
Other services	510	338
<b>Total fees</b>	<b>1 827</b>	<b>1 638</b>



### Note 3 Tax

#### Income tax expense for the year

Basis for tax payable	2023	2022
Income before tax	-606	-61
Permanent differences	513	-
Change in temporary differences	-	1
Interest limitation rules	-	-
<b>Basis for tax payable</b>	<b>-94</b>	<b>-60</b>

<b>Tax payable in the statement of income</b>	<b>-</b>	<b>-</b>
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<b>Taxable income</b>	<b>-</b>	<b>-</b>
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<b>Tax payable in the balance sheet</b>	<b>-</b>	<b>-</b>
---	----------	----------

Tax expense for the year		
Tax payable	-	-
Change in deferred tax	21	-8
Unrecognised deferred tax assets	-21	-
Prior years error	-	-6
<b>Total tax expense</b>	<b>-</b>	<b>-14</b>

#### Explanation for why tax is not 23% of income before tax

22 % tax of income before tax	-19	-14
Permanent differences (22%)	-2	-
Unrecognised deferred tax assets	21	-
<b>Expected tax expense</b>	<b>-</b>	<b>-6</b>
Effective tax rate	-0,0 %	22 %

#### Specification of temporary differences

Asset (-)/liability	Change	2023	2022
Amortization of loan expenses	-		1
<b>Total temporary differences</b>	<b>-</b>	<b>-</b>	<b>1</b>
Tax loss carry forward		-105	-60
Basis for deferred tax assets/liability		-105	-60
Basis for deferred tax assets/liability, not regonized		45	-
<b>Deferred tax assets (+) / liability (-) in the balance sheet</b>	<b></b>	<b>13</b>	<b>13</b>

### Note 4 Investment in subsidiaries

The Company has an ownership interest in the following subsidiary:

	Year of acquisition	Business location	Ownership percentage	Equity (100%) 31.12.2023	Net income (100%) 31.12.2023	Book value 31.12.2023
XXL Sport og Villmark AS	2015*	Oslo	99 %	(381)	(936)	3 077

The investment is booked using the cost method, less an impairment for the year of NOK 522 million

\*The subsidiary Gigasport AS was merged into parent XXL ASA in 2015. XXL Sport og Villmark is now directly owned by XXL ASA.

### Note 5 Balances with group companies

The Company has the following receivables and liabilities with group companies:

Liabilities	2023	2022
Other current liabilities	106	105
Cash pool arrangement	316	838
Accounts payables	18	-
<b>Total liabilities</b>	<b>440</b>	<b>943</b>
Receivables	2023	2022
Other non-current receivables from group companies	514	149
<b>Total receivables</b>	<b>514</b>	<b>149</b>

### Note 6 Related party transactions

Management remuneration is included in note 2 and intercompany balances are discussed in note 5.

The Company's transactions with related parties are as follows:

Interest income	2023	2022
XXL Sport og Villmark AS	-	-
XXL Management Invest AS	5	4
<b>Total interest income</b>	<b>5</b>	<b>4</b>
Interest expense	2023	2022
XXL Sport & Villmark AS	41	27
<b>Total interest expense</b>	<b>41</b>	<b>27</b>
Other operating expenses	2023	2022
Administrative services	19	18
<b>Total operating expenses with related parties</b>	<b>19</b>	<b>18</b>



## Note 7 Cash and cash equivalents

Cash and cash equivalents include the following items:

	2023	2022
Cash and cash equivalents	-	-
<b>Total cash and equivalents</b>	<b>-</b>	<b>-</b>

The Company is a part of a cash pool arrangement with XXL Sport and Villmark AS and other Group companies. The Company's share of the cash pool is NOK 316 million negative per the balance sheet date. The Cash pool balance is classified as current liabilities to Group companies in the balance sheet.

## Note 8 Share capital and shareholder information

The share capital of XXL is NOK 665,429,772 consisting of 1,663,574,430 shares in total being 1,334,852,101 ordinary shares (A shares) and 328,722,329 non-voting shares (B shares) with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2023:	Total amount of shares	Ownership	Voting right
ALTOR INVEST 6 AS	386 836 522	23,3 %	16,7 %
ALTOR INVEST 5 AS	386 836 507	23,3 %	16,7 %
EUROCLEAR BANK S.A./N.V.	229 200 308	13,8 %	17,2 %
FERD AS	151 118 316	9,1 %	11,3 %
VERDIPAPIRFOND ODIN NORDEN	88 261 617	5,3 %	6,6 %
VERDIPAPIRFOND ODIN NORGE	44 923 725	2,7 %	3,4 %
STORMBERG GROUP AS	34 000 000	2,0 %	2,6 %
FUNKYBIZ AS	32 000 000	1,9 %	2,4 %
BJERKNES EIENDOM AS	24 711 124	1,5 %	1,9 %
MP PENSJON PK	20 202 619	1,2 %	1,5 %
NORDKRONEN II AS	19 889 159	1,2 %	1,5 %
AVANZA BANK AB	9 715 430	0,6 %	0,7 %
NORDNET BANK AB	7 301 237	0,4 %	0,6 %
J.P. MORGAN SE	6 793 957	0,4 %	0,5 %
OLA RUSTAD AS	6 779 158	0,4 %	0,5 %
AG HOLDING AS	5 000 000	0,3 %	0,4 %
NORDEA BANK ABP	4 891 097	0,3 %	0,4 %
STANZA AS	4 262 786	0,3 %	0,3 %
GENI HOLDING AS	4 194 932	0,3 %	0,3 %
NYE BERGHOL INVEST AS	3 750 000	0,2 %	0,3 %
Other	192 905 936	11,6 %	14,5 %
<b>Sum</b>	<b>1 663 574 430</b>	<b>100 %</b>	<b>100 %</b>

## Shares held by Board of Directors & Chief Executive Officer:

	Title	Amount of shares
Ronny Blomseth	Board member	2 824 582
Kjersti Helen Krokeide Hobøl	Board member	150 291
Helena Ebersten Henriksen	Board member (employee representative)	62 112
Tor Andrin Jacobsen	Board member (employee representative)	90 524
Tom Christian Jovik*	Board and audit committee member	-

\* Tom Jovik represents Altor in the BoD. Altor Invest 5 AS and Altor Invest 6 AS combined owns 444,950,700 ordinary shares (A shares) and 328,722,329 non-voting shares (B shares) in XXL ASA

## Note 9 Current and non-current interest-bearing liabilities

Current liabilities	2023	2022
Amortization borrowing costs	4	1
<b>Sum</b>	<b>4</b>	<b>1</b>

## Note 10 Shareholder's equity

Changes in shareholder's equity	Share capital	Share premium	Retained earnings	Total equity
<b>Shareholder's equity 01.01.23</b>	<b>101</b>	<b>3 528</b>	<b>-797</b>	<b>2 832</b>
Net income 2023	-	-	-606	-606
Share issues	564	438	-	1 002
Transaction costs	-	-28	-	-28
Purchase of own shares	-	-	-	-
<b>Shareholder's equity 31.12.23</b>	<b>665</b>	<b>3 938</b>	<b>-1 403</b>	<b>3 200</b>



# Footnotes / Definitions

## Alternative Performance Measures (APM)

Certain financial measures and ratios related thereto in this quarterly report, including growth, gross profit, gross margin, EBIT, EBIT margin, EBITDA, EBITDA margin, working capital and Net Interest Bearing Debt (collectively, the “Non-GAAP Measures”), are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this quarterly report because they are among the measures used by Management to evaluate the cash available to fund ongoing, long-term obligations and they are frequently used by other interested parties for valuation purposes or as a common measure of the ability of a company to incur and meet debt service obligations. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to profit for the year, total operating revenues, operating income or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies. All amounts in tables below are in NOK million.

All APMs are related to Continuing Operations. We refer to note 10 for details on Discontinued Operations.

## EBIT

Our EBIT represents operating income

## EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a key financial parameter for XXL. Our EBITDA represents operating income plus depreciation.

	FY 23	FY 22
Operating Income	-1 409	-467
+ Depreciation	754	703
+ Impairment Losses	576	0
<b>= EBITDA</b>	<b>-80</b>	<b>237</b>

## Like for Like

Like for Like include comparable stores and E-commerce. Comparable stores are stores that have been open all months of the current year and all months of the previous year. Stores that have been relocated or significantly expanded are excluded from Like for Like stores.

## Gross profit / Gross margin

Gross profit represents operating revenue less cost of goods sold. Gross margin is gross profit in per cent of revenue.

	FY 23	FY 22
Operating revenue	7 961	8 426
÷ Cost of goods sold	5 452	5 705
<b>= Gross profit</b>	<b>2 508</b>	<b>2 721</b>
<b>Gross margin</b>	<b>31,5%</b>	<b>32,3%</b>

## Working capital

Working capital consists of trade and other receivables, accounts payables, inventory, public duties payable and other current liabilities.

## OPEX

OPEX is defined as other operating expenses including personnel expenses, but excluding depreciation, amortization and impairment of right-of-use assets

	FY 23	FY 22
Other operating expenses	931	819
+ Personnel expenses	1 657	1 665
<b>= OPEX</b>	<b>2 588</b>	<b>2 484</b>

## Net interest bearing debt (NIBD)

Net interest-bearing liabilities is defined as non-current interest-bearing debt and current interest-bearing liabilities less cash and cash equivalents. NIBD does not include lease liabilities due to IFRS 16. Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

	FY 23	FY 22
Non-Current Interest Bearing Debt	276	494
+ Current Interest Bearing Debt	1 006	1 135
÷ Cash and Cash Equivalents	406	552
+Cash and cash Equivalents (ASH)	23	23
<b>= Net Interest Bearing Debt</b>	<b>876</b>	<b>1 054</b>

## CAPEX

Capital expenditure is the sum of purchases of fixed assets and intangible assets as used in our cash flow. Capex is a measure of investments made in the operations in the relevant period and is useful to users of XXL's financial information in evaluating the capital intensity of the operations.

## Liquidity reserve

Our liquidity reserve is defined as our available cash and cash equivalents plus available liquidity through overdraft and credit facilities.

	FY 23	FY 22
Cash and Cash Equivalents	483	552
Cash and Cash Equivalents (AHS)	23	23
+ Undrawn Credit Facilities	204	171
<b>= Liquidity reserve</b>	<b>760</b>	<b>746</b>



# Footnotes / Definitions

## Leverage ratio

Leverage ratio is defined as NIBD/EBITDA, a measure for the strength of our financial position. See NIBD/EBITDA for explanation.

## E-commerce

Ecommerce is sales through online sales channels in comparison to sales through retail stores that are physical stores.

## Inventory per store

Total inventory excluding goods in transit (GIT) divided on number of stores and number of E-commerce markets at end of period.

$$\text{Inventory per store} = \frac{(\text{Inventory} - \text{GIT})}{(\text{Number of stores} + \text{Ecom markets})}$$

## IFRS 16 effects affecting EBITDA and EBIT

IFRS 16 was implemented for the Group 1 January 2019. EBITDA ex IFRS 16 effects and EBIT ex IFRS 16 effects represent our EBITDA and EBIT if IFRS 16 had not been implemented, respectively.

FY 23	XXL Group	Nor	Swe	Fin	HQ & Logistics
EBITDA reported	-80	427	-28	67	-544
IFRS 16 effects OPEX	-607	-244	-184	-126	-54
<b>EBITDA ex IFRS 16 effects</b>	<b>-687</b>	<b>183</b>	<b>-211</b>	<b>-59</b>	<b>-597</b>
<b>EBIT Reported</b>	<b>-1 409</b>	<b>-369</b>	<b>-293</b>	<b>-84</b>	<b>-661</b>
IFRS 16 effects affecting EBIT	-21	-37	-27	-4	-7
<b>EBIT ex IFRS 16 effects</b>	<b>-1 430</b>	<b>-406</b>	<b>-266</b>	<b>-89</b>	<b>-668</b>

## Pictures

All pictures in this report is with and by XXL employees





# Sports unite all





To the General Meeting of XXL ASA

## Independent Auditor's Report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of XXL ASA, which comprise:

- the financial statements of the parent company XXL ASA (the Company), which comprise the Balance sheet as at 31 December 2023, the Statement of income and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of XXL ASA and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2023, the Statement of total comprehensive income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders on 3 February 2011 for the accounting year 2011.





### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Valuation of inventories, Recognition of supplier bonuses and Impairment of goodwill* have the same characteristics and risks as in the prior year, and therefore continue to be areas of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p data-bbox="256 831 521 861"><i>Valuation of inventories</i></p> <p data-bbox="256 892 768 1005">The Group's Inventory amounts to NOK 1 776 million at the balance sheet date. A total obsolescence write-down of NOK 274 million was recognised in 2023.</p> <p data-bbox="256 1037 797 1320">Inventory is carried at the lower of cost and net realisable value in accordance with IAS 2. Valuation of inventory at net realisable value requires exercise of management judgement. The judgement specifically relates to detailed assessments of factors such as age distribution of inventory items, whether the goods are part of an active or expired product range, and historical levels of obsolescence, as well as the current market situation.</p> <p data-bbox="256 1339 776 1507">We consider valuation of inventory to be a key audit matter due to the high volume and heterogeneity of merchandise, the significance to the financial statements, as well as the judgement involved in determining the inventory's net realisable value.</p> <p data-bbox="256 1526 777 1640">See "Note 1.5 - Significant management judgement in applying accounting policies" and "Note 8 - Inventories" where management explains how they account for inventories.</p>	<p data-bbox="824 846 1354 1215">We evaluated management's policy for assessing the valuation of inventory. We tested management's assessment through a combination of audit procedures, including assessing whether management's assessment was corroborated by supporting documentation, challenging management's assumptions and observing the inventory. We were present at several stock takings, both in stores and in the central warehouses. In addition to observing the physical count, this allowed us to make our own observations of obsolete, damaged or aging inventory.</p> <p data-bbox="824 1224 1362 1539">Our procedures included reviewing whether management applied valuation policies consistently year-on-year. We obtained an overview of the aging profile of the inventory, and an assessment of whether the goods were part of an active or expired product range, which were all key inputs in management's estimation of net realisable value. Our audit procedures included tracing relevant inputs used in the calculation to supporting documentation, and challenging management on key assumptions.</p> <p data-bbox="824 1551 1365 1610">We noted no material errors during the course of our audit procedures.</p> <p data-bbox="824 1623 1369 1682">We also reviewed the disclosures provided in the notes and found them to be appropriate.</p>





### *Recognition of supplier bonuses*

The Group receives various types of supplier bonuses from its suppliers, as further disclosed in "Note 8 - Inventories". The bonuses are a significant component of the cost of sales. The supplier bonus receivable at year end amounts to NOK 52 million (Note 12 Trade and other receivables).

The supplier bonus agreements include volume-related bonuses, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from suppliers. The Group recognises supplier bonuses as a reduction in cost of sales when the performance obligations associated with the allowances have been met, for example when the product has been sold or when the marketing campaign has been held.

We consider recognition of supplier bonuses to be a key audit matter because of the magnitude of amounts involved, and the judgement required from management to determine the nature and level of fulfilment of the Group's performance obligations at the balance sheet date under the various supplier agreements, and to recognise the amounts in the correct period. Furthermore, estimating fulfilment of promotional programs, requires complete and accurate data on purchase and sales volumes, as well as a detailed understanding of the underlying contractual arrangements.

We obtained management's calculation of estimated supplier bonuses. We read and understood a sample of supplier agreements to gain an understanding of key terms in the agreements.

Our audit procedures included testing of completeness and accuracy of inputs to the calculations. To challenge management on the assumed volumes in the estimates, we considered, among other things, actual purchase volumes, terms in the agreements and the historical accuracy of management's estimates. Further, we tested the recoverability of invoiced supplier bonuses including the supplier bonus accruals.

We reviewed management's technical assessment and method to calculate the volume-based supplier bonuses. For a sample of supplier contracts, we also tested the classification of the related allowances, based on specific elements in supplier contracts.

We noted no material errors during the course of our audit procedures.

We also reviewed the disclosures in note 8 and note 12 and found them to be appropriate.





### *Impairment of goodwill*

Recognised goodwill of NOK 2 222 million is subject to annual impairment review as required by IFRS Accounting Standards. A total impairment of NOK 522 million was recognised in 2023.

We considered impairment of goodwill to be a Key Audit Matter due to the significance to the financial statements and the necessary level of management judgement when performing an impairment review. Valuation of goodwill is complex and requires judgement related to assumptions such as future revenue, costs and the level of reinvestment needed.

See “Note 1.5 Significant management judgement in applying accounting policies” and “Note 5 Intangible assets” where management explains how they account for goodwill and their impairment test.

We obtained management’s impairment review. We satisfied ourselves that the impairment review contained the elements required by the IFRS Accounting Standards.

We challenged management’s key assumptions used in the cash flow forecasts included in the impairment model. We tested the applied assumptions of future revenues, margins, costs and level of reinvestments against historical financial data, future budgets approved by management, and other obtainable market information such as relevant benchmarks for growth estimates. We also tested the mathematical accuracy of the cash flow models.

We evaluated the discount rate used by management by comparing its composition to empirical external data for future interest rates, relevant risk premium and debt ratio. We also examined management’s sensitivity analysis of key assumptions applied in the impairment assessment.

Based on our audit procedures we found management’s assumptions to be reasonable.

Finally, we considered the adequacy of financial statements disclosures in note 5 and found them appropriate.

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### **Other Information**

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors’ report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors’ report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors’ report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors’ report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors’ report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors’ report or the other information accompanying the financial statements. We have nothing to report in this regard.





Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

### **Report on Compliance with Requirement on European Single Electronic Format (ESEF)**

#### *Opinion*

As part of the audit of the financial statements of XXL ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name XXL ASA - Annual Report 2023.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.





*Management's Responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

*Auditor's Responsibilities*

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 23 April 2024

**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read 'Vidar Lorentzen', is written over a faint, light blue circular watermark or seal.

Vidar Lorentzen  
State Authorised Public Accountant