



SUSTAINABILITY REPORT 2019

O'NEILL EUROPE

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About this Report

This is the second sustainability report from O'Neill Europe after signing the Dutch Sustainable Clothing and Textile Covenant, three years ago.

In this report, you will find our sustainability results for 2019, in which we produced our Winter 2019/2020 and Spring/Summer 2020 collection. Included are the actions we are taking to improve our supply chain, working conditions and environmental impact as a business.

Do you have questions about O'Neill Europe's sustainability activities? Please contact Janine Martens, CSR manager: CSR@oneill.com



A Message from Our CEO

Doing the right thing by our people and for our planet is more relevant now than ever.

At O'Neill, we have made a clear long term to sustainability commitments regarding our collections, way of working and pro-active involvement in efforts to protect our planet and ocean.

We already made quite some progress; but we understand that this is a never-ending journey. We will continue to do the hard work needed and won't lose sight of our long-term vision to protect the oceans.

In this update of our sustainability efforts we have focused on our actions in the year 2019.

We are proud to have made major steps with our O'Neill Blue collection in terms of raw materials with 41% of all apparel products produced using sustainable materials, an increase of 15% when compared to 2018. This means that we have already reached our 2020 goal, one year earlier than predicted. We will continue using this momentum to challenge ourselves and keep operating with a strong vision towards the environmental health and wellbeing of our partners, vendors and team.

Thank you for following our ocean mission.

Peter Truijen, CEO

Our Ocean Mission

O'Neill was born when Jack O'Neill created his first wetsuit to connect us to the oceans through surf. 50 years later the core of our company still remains strong as a brand founded in nature and it is our responsibility to give back. O'Neill Blue is our first step in this direction.

Our sustainability report for 2019 is motivated by a commitment to protect our oceans while improving the conditions of our people on a global scale.

At O'Neill Europe, our sustainability strategy is split into four pillars with the following objectives and long-term plans:

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- To Make Better Products**
 - To Improve Our Supply Chain**
 - To Change How We Work**
 - To Give Back to Society**

Our Mission

In 1952 Jack invented the wetsuit, because he “just wanted to surf longer”. That passion inextricably connects O’Neill to water. As a brand created to enjoy nature, we see it as our responsibility to actively protect it and contribute to a cleaner, more sustainable world. In 1996 Jack O’Neill created the Sea Odyssey to educate students on the importance of the relationship between the living sea and the environment.



“We are on a mission to protect our oceans for generations to come and give back to the playground O’Neill was founded on.”

Making Better Products

We believe we can continue to create great products without compromising the safety of our environment.

For us, this means increasing the amount of sustainable materials in our collection overtime by selecting environmentally friendly raw materials that do not lose sight of final garment quality.

With the launch of O'Neill Blue in 2015, we introduced new guidelines that categorized a product as sustainable when at least 30% of the main fabric was made from sustainable materials. To date we have surpassed this number and are moving towards a new goal of at least 40% sustainable materials in all our garments by 2020.



“We are constantly refining and innovating our strategy to source and use more sustainable and raw materials ”

Cotton

Since cotton makes up 50% of our garment designs, we have committed ourselves to sourcing 100% of our cotton as ‘more sustainable cotton’ by 2022. To us, more sustainable cotton means cotton sourced through the Better Cotton Initiative (BCI) or categorized as organic and/or recycled cotton.

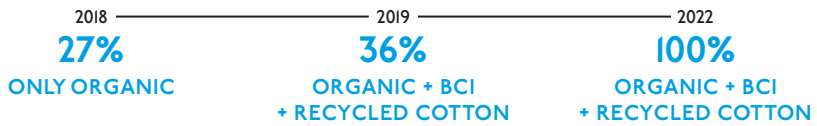
BETTER COTTON INITIATIVE

Since January 2019 we have been proud to partner with the Better Cotton Initiative (BCI) to responsibly transform the way we use cotton. The BCI connects people and organizations in the cotton sector from field to store to promote measurable and continued improvements for the environment, farming communities and economies of cotton-producing areas. The initiative trains farmers on better practices and by buying a BCI labeled garment, customers support long-term plans to make the program available worldwide.

To this day, it is not possible to determine the exact percentage of better cotton that a garment contains since the system mixes better cotton with conventionally grown cotton.

ORGANIC COTTON

No genetically modified crops or toxic chemicals are used in the cultivation of organic cotton. This material was selected by us to ensure our oceans, rivers and lakes remain free from harmful toxins. Organic cotton is able to promote healthier soils while caring for farmer health by using natural processes over artificial ones. You can read more about organic cotton and its benefits at www.aboutorganiccotton.org.



Synthetic Fibers

In 2019 we started using ECONYL® and continued with REPREVE® as our synthetic fibers found in most of our technical garments. The recycled polyester and recycled nylon in the fibers helps to offset harmful wastes that discharge into streams and preserves the world's supply of nonrenewable resources.

ECONYL® RECYCLED NYLON

We use ECONYL® made from discarded fishing nets and fabric scraps sourced from marine environments around the world. This allows each garment to be recycled again and again contributing to a circular world with less waste.

RECYCLED YARNS BY REPREVE®

We use REPREVE® in our designs made from recycled PET bottles cleaned and woven into yarn. The yarn is spun using the highest quality recycled fibre chips and flakes certified by U TRUST® to verify claims. This form of synthetic fibre relies on fewer greenhouse gases and conserves water and energy in the process.

In 2019, recycled polyester from REPREVE® and other sources made up

6% of our garments. While recycled polyamide from ECONYL® and other sources made up 50% of our garments. Our future commitment is to continue increasing our share of recycled synthetic fibres by 5% each year.

CHEMICAL MANAGEMENT

We have developed a Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL) which helps us regulate safety for our partners, customers and planet. To meet our company wide chemical safety standards, we've distributed these guidelines to serve as a handbook for our suppliers and to ensure safety for everyone involved. Included in the RSL, we have banned certain chemicals like polyvinyl chloride (PVC).

PFC-FREE

Since December 2018, we have become per-fluorinated (PFC) free by substituting this harmful chemical as a water-repellent in our garments. PFC's are known for discharging into the environment and releasing very harmful chemicals in the process. We have now switched over to C0 treatment as a safer alternative.

PACKAGING

To transport our products from factories to our stores, we started using poly bags in 2018 made from 50% recycled materials. In 2019 and beyond we are working on creating more sustainable solutions for cartons and packing material.

MATERIAL INTEGRITY

To ensure we are making accurate claims about our recycled materials, we have developed a traceability system. We work on this with our suppliers and request they provide affidavits, tracing documents and transaction certificates. This is how we make sure that what we claim is correct and offer transparency to our customers. In the future our goal is to keep adding more features that allow us to openly share information.



GARMENT INNOVATION



During FW 2019 we developed our first performance snow made with bionic yarn from coastal and marine recycled plastic and PFC free waterproofing treatment. The stoppers on the jacket were also made from 100% recycled ocean waste.

We are proud to have brought this design to our customers and will continue exploring innovative ways to move our future garments in a similar direction.

JACKET MADE FROM BIONIC® FABRIC
100% RECYCLABLE AND CLIMATE NEUTRAL MEMBRANE
3L | 20K/20K | STRETCH



BIONIC YARN: Fabric contains bionic yarn (Coastal and Marine Recycled Plastic Textiles).

RECYCLABLE MEMBRANE: Recyclable waterproof membrane (100% recyclable PES membrane).

PFC FREE DWR: PFC free DWR (the waterproofing treatment is free from harmful petrofluorinated compounds).

OCEAN WASTE TRIMS: We don't stop at the fabric we have developed a full range of trims containing recycled materials or biodegradable plastics, e.g stoppers made from 100% recycled ocean waste.



COLLECT
 Recycled materials collected from land, marine and coastal environments



RECYCLE
 Waste products recycled to textile yarn



REUSE
 Processed yarn used to create O'Neill products



Improving Our Supply Chain

At O'Neill Europe, dedicated people from around the world work to make products that keep the original Californian Lifestyle alive. To us, it is fundamental that people are treated fairly in the process. O'Neill Europe's code of conduct sets this standard for everyone from our HQ staff to manufacturers in our supply chain.

Our code is based on the Amfori BSCI Code of Conduct and includes the following topics: human Rights, legal compliance, equality, remuneration and working conditions, discrimination, harassment, and child and young workers labor. When signing on with suppliers they are required to review and agree to our code of conduct to ensure our supply chain runs responsibly.

RISK ANALYSES

We based the risk analysis on the OECD Guidelines for Multinational Enterprises along the garment and footwear supply chain in order to avoid and address the potential negative impacts of our activities and supply chains. The OECD Guidelines help to implement the due diligence recommendations contained in the UN Guiding Principles on Business and Human Rights. The risk identified for the analysis come from various sources, such as NGO, union and industry research, combined with audit results and historical data. We

determined the risks per country and we therefore have combined the risks on country level with the improvement plans which came forward through the audits.

IMPROVEMENT PLANS

O'Neill Europe requires production sites to implement an inspection by an independent party either once or every two years depending on their previous score. The reports are available via the BSCI platform, and through intermediaries. Based on the results the factories are asked to draw up improvement plans. We then monitor the progress and effectiveness of the plan. We store this data and share it with our intermediaries and employees from the product department, so that they can remain in contact with our suppliers.

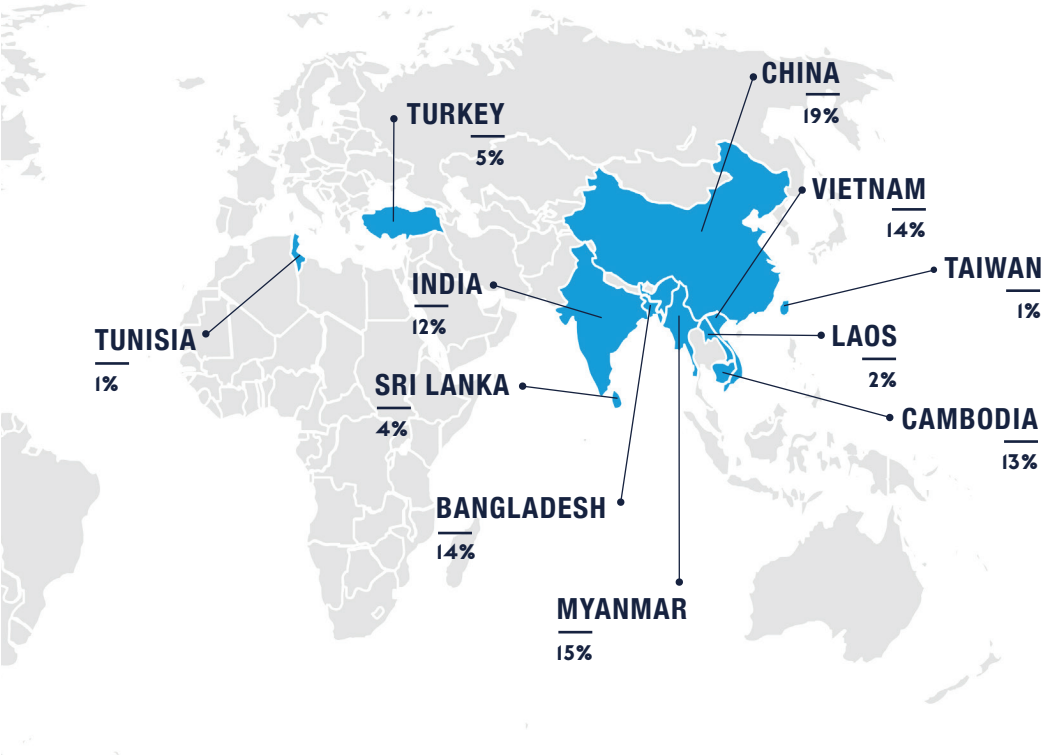
2019 RESULTS

In 2019, the results were quite similar to the results of 2018. More than half of the factories we purchase from achieved good audit results. This means at least an “A” or “B” BSCI rating or equivalent if a SMETA, WRAP or SA8000 audit had been performed.

As for the second half, we observed opportunities for improvement, especially in the number of working hours given to labor and the level of safety in working conditions.

BY COUNTRY

Below, we breakdown our largest production efforts by country and the areas of improvement that have emerged from the audits connected to 2019. In the future we are focused on supporting our suppliers in implementing plans for improvement based on the results of each region determined in the risk analysis.





CHINA

Compared to 2018, the most common complaints were concerning working hours and unfit business processes. We recognize this is a structural problem within the industry and O'Neill Europe has worked on a plan to change production habits to promote change. A few ways we have done this is by shifting production of NOS-items to low-seasons and offering factories more possibilities to produce at an early stage. None of the factories have shown safety and health issues in 2019.

VIETNAM

O'Neill Europe has partnered with factories in Vietnam for over 15 years, relying on the region for performance

garments. We value Vietnam's high-quality standards and efficiency which is generally seen as an attractive place to produce. Under Vietnamese labor laws, frequent health checks for hazardous occupations are required every six months, this also includes sewing factories.

Audits in this region often find failures to comply with safety regulations. Following this finding, we have discussed an improvement plan with our supplier and pending the next audit, we will assess the effectiveness of the improvement plan. With regards to freedom of association workers do not have the right to establish the union of their choice, which we can only address collectively.

BANGLADESH

In June 2018, O'Neill Europe signed The Bangladesh Transition Agreement which financed and implemented a joint program for fire safety, construction safety and electrical safety. This meant that under the agreement all factories in Bangladesh where O'Neill Europe produces are inspected for fire hazards and to maintain building and electrical safety.

Starting at the end of May 2020 The Transition Agreement changed to the RMG Sustainability Council (RSC). The RSC will bring together industries, brands and trade unions to carry forward sustainable solutions that improve workplace safety in Bangladesh.

To strengthen the global brands' active participation in the RSC the new legally binding agreement will take into account the following:

The Safety and Health complaints mechanism formerly established under the Accord.

The transfer of all operations, staff, infrastructure, and functions from the Accord Office in Dhaka to the RSC.

Carrying over all factories currently covered by the Accord to the RSC to maintain the same safety status.

The Documentation decisions, policies and protocols developed by the Accord to be adopted by the RSC.

Maintaining all existing transparency features of the Accord, including full public disclosure of inspection results and remediation activities.



At the end of 2019, factories under the Accord producing for O'Neill Europe had an average correction rate of 95% with regards to initial findings. For the coming years O'Neill Europe will continue our commitment to safe working conditions in Bangladesh.

CAMBODIA



In early 2019 we were contacted by CNV International about a strike in one of the factories where products were being purchased. This resulted in a constructive dialogue between the head of sourcing and the owners of the factory. The outcome was that a trade union in the factory was formed in order to reach a collective labor agreement. Over time the dialogue between O'Neill management and the committee was able to improve and communication began staying more open.

Beyond 2019 we will continue strengthening engagement and building the relationship, also by involving local trade union CCWADU.

INDIA

Over the last two years we have participated in a multi-stakeholder initiative called, “remedies towards a better workplace”. The objective was to strengthen policies and practices with our suppliers in Tamil Nadu in order to address child labor and other socially related issues. Through engaging with the local NGO SAVE and building our relationship with suppliers, training programs have begun being given in factories.

The project resulted in better insights to working conditions and challenges facing our suppliers, and an improved understanding of social risks. Based on these learnings, the following results were achieved with our supplier:

Improved collaborations and dialogue inside the factory around working conditions and daily operations.

An elevated overtime payment structure.

Access to social security for all workers in the factory.

The joint internal celebration of events including the factory birthday.

We also collaboratively mapped the upstream garments and textiles supply chain and we have set up a child labor policy including a remediation strategy which is shared with our business partners.

As next steps for the coming year(s) we will continue to improve labor conditions and living conditions in Tamil Nadu, India. Our focuses and efforts will include combatting child labor, forced labor, discrimination and gender-based violence and improving health and safety, wages and freedom of association.

MYANMAR

In 2019 we worked with one factory in this region to determine and set concrete actions to improve the business processes together with external consultant 'Impactt'. We chose this approach to support the factory and develop long-term cooperation. We will continue to monitor how things develop on-site and believe a proactive approach to improving working conditions achieves much more than turning our backs.

TRANSPARENCY AND TRACEABILITY

At O'Neill Europe, we focus on building long term relationships with our key supply chain partners by investing in the success of our partnerships. That's why before we accept any new potential vendor, we require they disclose their direct supply chain, going past Tier I direct suppliers to encompass outsourced suppliers and fabric suppliers.

In 2019 we launched a new system which ensures that we have instant access to updated information about our supply chain. This data is used to develop the supply chain maps, which

are published via the Open Apparel Registry site by the Dutch Agreement on Sustainable Garments and Textiles. The Open Apparel Registry (OAR) is an open source map and a database of production locations worldwide. The covenant supplies a file of almost 6,000 unique locations making public where all participating companies purchase their products. By gaining more insights into the chain, companies can act on the identified risks raised by signals and the data.

COMPLAINTS AND DISPUTES

Under the Agreement of Sustainable Garments and Textile, We participate in an independent complaints and disputes committee that handles submitted disputes and complaints that fail to meet obligations. Disadvantaged parties may also submit a complaint. They can do so individually or be represented by an organization acting on their behalf. Next to the complaint system of the AGT; Amfori BSCI has a complaints mechanism. This system does not cover the entire network of factories in our supply chain. To give everyone the same chance, we are looking at other complaints mechanisms that cover all involved.



Changing How We Work

O'Neill Europe does not have any factories of its own and instead outsources all production practices through external manufacturers. We chose this approach to specialize our manufacturing on specific product categories such as taped garments and swimwear. These are complex designs that require both skilled technicians and an advanced manufacturing process.

O'Neill Europe has two main production seasons a year and makes several purchases in each season. We have developed a 'never out of stock' program that can help us by producing outside peak seasons. This allows for a more balanced production flow and helps to avoid production peaks which are the main cause of excessive overtime seen at some factories.

Our product director, category managers, head of sourcing and quality and CSR manager work together to develop our sourcing strategy. This ensures that our factory can meet the basic requirements in terms of technical ability, quality, production capacity and fair working conditions. The majority of our factories are visited by the product teams and colleagues from our buying office in Hong Kong and Thailand, or by our agents in other countries, to continually assess each collection and handle potential issues.



BETTER BUYING

In 2018 to understand the impact of good purchasing practices, we formalized our internal process by writing an continuous improvement manual together with the external consultant, Schuttelaar & Partners. In 2019 we focused on strengthening this manual and since November we have had an internal workshop with the Ethical Trade Initiative to have better insight in better buying practices.

The workshop has helped us define 3 priorities for 2020:

Identify the buyer lead per supplier.

Since most of our suppliers work with one or more categories it is beneficial to assign a lead to stay organized.

Strengthen the on-boarding process for new vendors.

This was already an important process across different departments. In order to follow the same approach for all vendors we need to introduce more structure.

Improve forecasting for each season.

Since we have two seasons per year, we are aware the demand on our suppliers could result in going over their capacity. Therefore we need to ask our suppliers their max capacity for O'Neill products. From there the production and planning team can calculate when orders need to be placed to better manage supplier capacity.

SUSTAINABILITY AT OUR HQ

In 2019, we started a task force with 10 colleagues to figure out how we can change our corporate culture and workplace. With all this support, we were able to discover and share how our teams can make a positive impact on the planet. This included offering refreshers on how to correctly compost, use in-house recycle bins, and the value of hosting Meatless-Monday in our canteen.

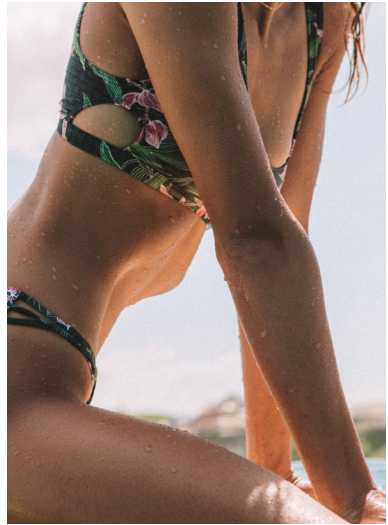
EDUCATIONAL FOCUS: MICROPLASTIC AWARENESS

We feel it is important to acknowledge that clothing is one of the top contributors to microplastics. Most micro plastics are invisible to the human eye and between 5 mm and 0,1 μm (1000 smaller than 1 mm). They have been found in the middle

of the Pyrenees with very low human activity, in the Antarctic, inside marine organisms like plankton and even human beings.

In 2019, we offered one-hour awareness sessions at our office to share existing research within our own company. The sessions started with basic definitions to understand the nature and origins of microplastics and from there, the discussions were directed towards the known dangers and possible solutions that exist.

Finally, to retain information we made a short booklet to explain good practices at home to reduce the harm of plastics and distributed it to our team members. Our goal is to continue creating awareness sessions on various topics and keep educating our office.





Giving Back to Society

On September 22nd 2019, 40 O'Neill Europe employees participated in the Dam Tot Dam Loop, a 10 mile run from Amsterdam to Zaandam. With the support of our team, we started a fundraiser for The Surfrider Foundation in Europe and in total collected €5,000 to donate. The foundation has existed for 25 years to protect and safeguard our oceans.

In November 2019, we built a virtual O'Neill Blue booth where customers could learn about our sustainability efforts, including our supply chain and the materials we use in our collection. We wanted this to act as a way to educate our customers and introduce a new level of transparency through collection insights. We hope to continue educating and keep communication open with our customers.

Looking Towards the Future

Following 2019 we are proud to be moving in a direction that matches our long-term sustainability goals and we recognize there's more work to be done. In 2020 and 2021 we will continue building on what we have already achieved.

Increasing our use of sustainable materials in the O'Neill Blue collection per product by at least 40% in the next year.

By 2021 90% of our apparel collection will carry the O'Neill Blue label. We are committed to source 100% of our cotton as 'more sustainable cotton' by 2022.

Ensuring 5 of our key mills attend basic chemical training to learn more about the requirements of sustainable chemical management.

Develop a roadmap for cleaner production methods.

Improving our current sustainable packaging and introducing new innovations.

Improving the labor conditions and living conditions of our partners together with external stakeholders.

Executing our ETI training efficiently by defining a buying lead, improving forecasting, and strengthening the on-boarding and acceptance process for new vendors.

Conducting an impact analyses through the entire supply chain to assess the effects of COVID-19.

Organizing a company wide beach clean up in partnership with a NGO while raising money to donate

Upcycle Leftover Bikinis

O'Neill worked together with the Cambridge School of Visual and Performing Arts worked together to see if they could do something creative with our leftover bikinis. Their goal was to find a solution to upcycle our leftover bikinis.

With CSVPA's focus on sustainability combined with the benefit of working with industry experts the opportunity was swiftly taken up and converted into a project. The second year fashion degree students were challenged to design a garment using the bikinis. Initially this appeared quite difficult but once they started cutting up the garments and re-working them into totally new fabrics some really interesting ideas emerged.

The project also ran in collaboration with Falmouth University and CSVPA's foundation course so that more bikinis could be used. The next step is to roll the project out to other institutions going forward. Students were challenged creatively and technically but with time invested produced some exciting results.

Thank You to Our Partners

We want to thank our main stakeholders, employees and customers who continue to support our business and evolve with us.

We would not be where we are today without your belief in our ocean mission. To our manufacturers, suppliers, quality assurance officers, logistics partners, NGOs, trade unions, research institutions and local authorities thank you for playing a valuable role in our advancements and being team players. Furthermore, we thank our colleagues from the outdoor and fashion industry and all those who have helped us make positive change.

Lastly, a special thank you to our partners below for their influence in 2019 and the future which we will shape together

Bangladesh Agreement

The Bangladesh Accord is a binding agreement between fashion brands and retailers, internal and local trade unions and NGOs. In 2018, we signed the Transition Agreement for three more years, which means that we will continue our efforts to improve building and fire safety and working conditions in factories.

Amfori - Business Social Compliance Initiative (BSCI)

O'Neill Europe has been a member of Amfori BSCI since 2009, with the majority of our factories audited according to the BSCI system. The mission of Amfori is for members to increase human prosperity, use natural resources responsibly and to trade globally. These are major challenges that we must tackle together. Only then will we make the difference needed and create positive change on a larger scale.

The BSCI Code of Conduct is based on the fundamental international labor standards aimed at protecting the rights of employees:

The International Labour Organization convention (ILO)

Declarations by the United Nations (UN)

Guidelines from the Organization for Economic Cooperation and Development (OECD)

The UN Global Compact Initiative

Modint

Modint is a business network of manufacturers, importers, agents and wholesalers of clothing, fashion accessories, carpets and interior textiles. The purchasing and production module gives us access to knowledge and non-public information about the industry. We regularly attend Modint workshops on relevant topics such as chemicals and sourcing but also on the mechanical safety of children's clothing related to cords, buttons and zippers.

Dutch Sustainable Clothing and Textile Covenant

O'Neill Europe was one of the first brands to sign the Dutch Sustainable Clothing and Textile Covenant in 2016. With this we commit ourselves to further improve working conditions, salaries and the environment - a shared approach of all signatories, NGOs and the government. As part of the covenant, we annually identify the biggest risks and develop a plan of action to tackle those risks.