

O'NEILL EUROPE

SUSTAINABILITY REPORT 2020



OUR ACHIEVEMENTS: A 2020 OVERVIEW

63%

of all O'Neill styles were classified as Blue

40%

the minimum requirement of preferred materials per style to be classified as Blue

1476

more Blue options were offered in the O'Neill product range compared to 2019

5,678,048

plastic bottles were diverted from landfills with REPREVE®*

662

people would typically be provided enough drinking water for 1 year with water savings from REPREVE®*

* values based on cumulative totals since REPREVE® and O'Neill partnership began



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INTRODUCTION

INTRODUCTION

In this update of O’Neill Europe’s sustainability report for 2020 we have done our best to navigate a year presenting unique challenges with resilience. During this period we have taken each experience to learn and shape O’Neill Blue, our values and path forward. Beyond this year, we will continue Our Ocean Mission together with our teams and partners and focus on the long-term journey towards our 2030 sustainability goals.

In this report you can read the actions we have taken in 2020 towards Our Ocean Mission including:

- Minimizing our environmental impact as a business
- Innovating and increasing the LCA savings within our product categories
- Improving our supply chain and working conditions
- Focusing our efforts into action following the challenges faced this year

Please join us in review of what we have achieved, the challenges we still face and the roadmap we set for ourselves to protect our shared playground for generations to come.

Do you have questions about O’Neill Europe’s sustainability activities? Please contact CSR@oneill.com

Renske Lambert Global Ocean Mission Manager
Janine Martens Global CSR Manager

A MESSAGE FROM OUR CEO

After a year of great uncertainty and major global shifts it has become a top focus to protect the welfare of all our partners and see how we can better the lives of our workers.

At O'Neill, we are on an ocean mission towards our sustainability goals with deep care for the way we design our products, work with our people and respect our planet.

The year 2020 presented great challenges and we have taken many learnings to better ourselves while staying committed to our long-term sustainability goals.

In this update of our sustainability efforts, we have focused on resilience in the year 2020. We are proud to have had close relationships with our partners and open communication as we navigated a pandemic and learned to do better together.

We will continue using this momentum to challenge ourselves and better our environmental footprint to protect our oceans for generations to come.

Thank you for following our journey.

Peter Truijen, CEO

BRAND MISSION

An aerial, top-down view of a person surfing on a dark blue ocean. The surfer is positioned in the lower right quadrant, riding a white surfboard. The water is deep blue with some white foam from the surfboard's wake. The overall mood is serene and adventurous.

BORN OUT OF CALIFORNIA SURF,
WE CREATE LEADING-EDGE PRODUCTS FOR
ACTIVE AND ADVENTUROUS SPIRITS
TO ENJOY OUR PLAYGROUND LONGER.

BRAND VALUES

We seek to create groundbreaking products that inspire an adventurous spirit in all those who enjoy our shared playground.

From this perspective come the O'Neill brand values that shape our organization.

CURIOS:

We are constantly pioneering, experimenting and searching to become better.

ENERGETIC:

We are active people. We are full of positive energy. We never stop and always go the extra mile.

INCLUSIVE:

We are part of a community. Everybody is invited and truly welcome to join.

RESPONSIBLE:

We have a natural drive to take care of each other, our products, our planet and brand. Together, we will do our part.

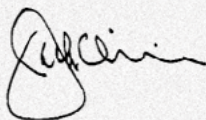
RESILIENT:

We are adaptable to change under any circumstance. We choose to become strong, healthy and successful in the face of adversity.

OCEAN MISSION

'THE OCEAN IS ALIVE AND
WE'VE GOT TO TAKE CARE OF IT.'

JACK O'NEILL

A handwritten signature in black ink, appearing to read 'Jack O'Neill', positioned below the printed name.



OCEAN MISSION

In 1952, Jack O'Neill invented the wetsuit because he "just wanted to surf longer." This 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.

Our Ocean Mission is O'Neill's commitment to protect the oceans for generations to come. This is how we stay close to Jack's original words,

**"THE OCEAN IS ALIVE AND
WE'VE GOT TO TAKE CARE OF IT."**

The sustainability report for 2020 is motivated by our continued commitment to protect the oceans while improving the quality of our products and conditions for our people and planet.

OCEAN MISSION COMMITMENTS



“WE ARE ON A MISSION TO PROTECT
OUR OCEANS FOR GENERATIONS TO
COME AND GIVE BACK TO THE
PLAYGROUND O’NEILL WAS FOUNDED ON.”

OCEAN MISSION COMMITMENTS

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

I. TO MAKE BETTER PRODUCTS

O'Neill Blue products were designed for durability, more circularity and towards a better future. That's why we currently have a minimum requirement of at least 40% preferred materials in a style to be classified as O'Neill Blue, and we will continue to raise this bar in seasons to come. In the future our goal is to have all our garments under the O'Neill Blue label.

2. TO IMPROVE OUR SUPPLY CHAIN

Our goal is to use a majority of sustainable production practices throughout the supply chain at O'Neill. We strive towards total compliance to our code of conduct and to have full visibility and transparency into our supply chain. The continued collaboration in multi-stakeholder projects remains a top priority to improve our value chain.

3. TO CHANGE HOW WE WORK

We move closer to better business practices through continuous internal training around purchase practices, ensuring forecasting precision and minimizing our footprint with every step.

4. TO GIVE BACK TO SOCIETY

In 1996, Jack O'Neill created the Sea Odyssey to educate students on the importance of maintaining a strong relationship with the sea and environment. To this day we are finding new ways to give back and follow Jack's original legacy (discover more at oneill.com)

2030 GOALS

2020 ACHIEVED

2021 GOAL

2025 GOAL

PRODUCT

All O'Neill Blue products made only with materials classed as better or best (based on O'Neill Preferred Materials List)

63% of all O'Neill styles are classed as O'Neill Blue

80% of all O'Neill styles are classed as O'Neill Blue

100% of all O'Neill styles classed as O'Neill Blue. All O'Neill Blue products made with materials classed as Good, Better and Best. (based on the O'Neill Preferred Materials List)

PEOPLE

Ensure all people in our value chain are paid a fair living wage, have a safe work environment, and are not exposed to forced labor or corruption

Continuous collaboration in multi-stakeholder projects to improve our value chain

TRANSPARENCY & TRACEABILITY

100% of styles traceable Tier I - III

Visibility of Tier I & 70% Tier II

Signed Transparency Pledge
Launch the Worldfavor platform to expand our visibility throughout our supply chain

100% of styles traceable Tier I - II
100% All key raw materials traceable & certified

PLANET

Reduce product impact annually

66% of all styles with LCA savings known (REPREVE® styles)

LCA savings of at least half of our range to be known
Improve supply chain with LCA savings

CIRCULARITY

50% circular product model achieved by reducing our waste stream to a minimum and creating collections made with renewable, recycled and/or recyclable fibers
Increased opportunities for closed loop collections

Kick off the road to circular design
Launch Surplus programs

Circular product design innovation developed for 2022 launch
Collaboration launched with Circular Design Lab of TU Delft (Working with TU Delft students on variety of Circular Design projects)

100% of our packaging is reusable, recyclable or compostable by 2025
Continuous Surplus program expansion:
20% recycling/upcycling waste/leftover materials in our range

PRODUCT





PRODUCT

MAKING BETTER PRODUCTS

We believe in the continued improvement and innovation of our products while minimizing our impact on the 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.

In 2020, we have raised this bar to a minimum of 40% and in 2021 we will have surpassed this number and move towards a new goal of at least 50% sustainable materials in each O'Neill garment.



SUSTAINABLE MATERIALS

The Challenge

We know from the industry benchmark the largest part of a product's environmental footprint, including carbon emissions, use of chemicals, water and energy consumption, comes from the production of fabrics and raw materials.

By focusing our efforts on this stage of the product life cycle, we can make big strides to decrease our impact on the environment and include consumers in this positive shift.

Our Commitment

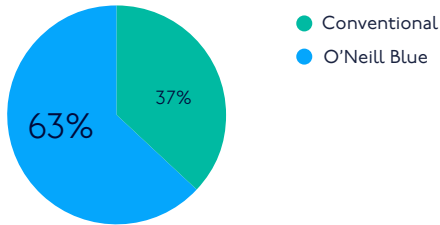
Our choice of materials determines a large part of the overall environmental impact of our products. We are committed to ensuring that all raw materials used in our products are grown and manufactured responsibly in a way that preserves resources and respects human and animal rights.

Our Progress

TOTAL O'NEILL BLUE CLASSIFICATION 2020

(classification by style-options designed with preferred materials)

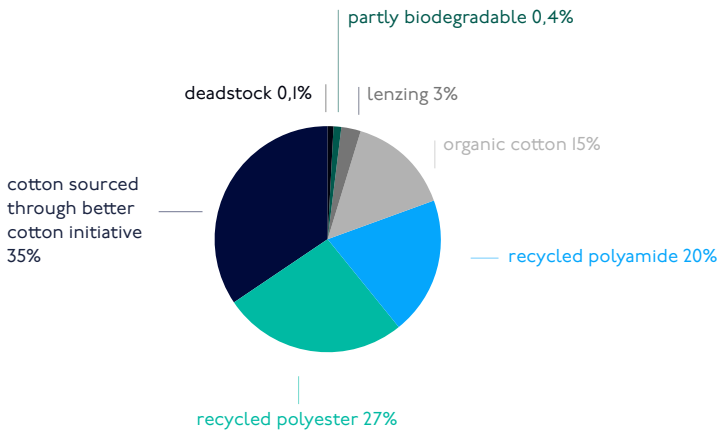
STYLE OPTIONS:



O'NEILL BLUE MATERIALS CLASSIFICATION 2020:

(preferred materials classification by style-options designed in O'Neill Blue range)

STYLE OPTIONS:



PREFERRED MATERIALS

This year we developed a Preferred Materials List to guide our product team in their choices as we look to reduce the overall impact of our products. [See O'Neill Preferred Materials List on page 20.](#)

The list is based on data and research gathered by a number of reputable organisations, including Higg Materials Sustainability Index (MSI) and Made By's Environmental Benchmark for Fibers. We aim to maximize our use of materials from this list while ensuring that product durability and performance are not compromised.

We will continue to update this list as more information becomes available and material options evolve.

Natural materials

- Organic cotton
- Cotton sourced through the Better Cotton Initiative (BCI)

Recycled materials

- Synthetics
- Semi synthetics lenzing modal
- Leftovers materials

Materials from animal origin only came from wool for 6 styles in 2020 and those styles represent 0.05% of our total material share. Although we still use a limited amount of wool in our products, we will investigate the possibility of sourcing non-mulesed wool in the coming years.

The Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL) help 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).

Since December 2018, we have been per-fluorinated (PFC) free by substituting this harmful chemical for CO treatment as a safer alternative in our garments. PFC's are known for discharging into the environment and releasing very harmful chemicals in the process.

Our mission is to get 100% of our collection to carry the O'Neill Blue label. We have set out a target to reach this goal by 2025.



O'NEILL PREFERRED MATERIALS LIST

1. BEST

RECYCLED COTTON
*Global recycled Standard (GRS) certification required

TENCEL™ LYOCCELL

*Lenzing verification letter required

REHBRAN™

*Lenzing verification letter required

DEADSTOCK MATERIALS

*Deadstock verification required

ORGANIC LINEN

*Global Organic Textile Standard (GOTS) certification required

ORGANIC HEMP

*GOTS certification required

JUTE/ORGANIC JUTE

*GOTS certification required

RAMIE

POST-CONSUMER RECYCLED LEATHER

*GRS certification required

2. BETTER

MECHANICALLY RECYCLED NYLON, POLYESTER
*Outerwear, accessories, swim
*GRS/RCS certification required

ORGANIC COTTON/
TRANSITIONAL COTTON

*GOTS or OCS certification required
*Proof of transaction certificate required

COTTON SOURCED VIA BCI

*Initiative to improve cotton farming globally

FAIR TRADE COTTON

*Fair Trade certification required

CANOPY™ (GREEN SHIRT) VISCOSE

*Must be FSC certified
*Green shirt ranking in Canopy hot button report

CONVENTIONAL LINEN

CONVENTIONAL HEMP

TENCEL™ MODAL

*Lenzing verification letter required

RECYCLED WOOL

*Cardno regenerated CO2 Neutral Products
certification or GRS certification required

RECYCLED ACRYLIC

*Outerwear, accessories, swim,
*GRS certification required

3. GOOD

CHEMICALLY RECYCLED NYLON?
*Outerwear, accessories, swim

CHEMICALLY RECYCLED POLYESTER?¹

*Outerwear, accessories

PU LEATHER³

*Poly(vinyl)pyrrolidone blend

*Recycled content blends preferred

*Polyurethane Laminate (PUL)

*Must use water-based solvents

ALPACA OR YAK WOOL

*Traceability in order to ensure animal-friendly practices

ORGANIC WOOL

*GOTS certification required

POLYETHYLENE (PE)

THERMOPLASTIC POLYURETHANE RUBBER (TPU)

THERMOPLASTIC ELASTOMER (TPE)

THERMOSET POLYURETHANE (PU) RUBBER

RESPONSIBLE WOOL/MERINO WOOL
Responsible Wool Standard (RWS)
certification required

*Must be in a blend with recycled content fiber
*Non-mulesed sheep

4. NOT PREFERRED CERTIFIED FIBERS

FSC CERTIFIED VISCOSE

LEATHER

*Leather (cow, goat, pig)

*Ensures the Five Freedoms of Animal Welfare and protects land, particularly

from deforestation

*Vegetable tanned or chrome-free tanned

*Leather Working Group (LWG) certified

(rated Gold or Silver with traceability score)

*Or have other third-party verification meeting equivalent ecological criteria
*Certified by-product

*Leather and skins must be sourced from by-products of the meat industry. Chain of custody documentation to farm level preferred

5. DO NOT USE (Unless <20% of content)

CONVENTIONAL COTTON

CONVENTIONAL WOOL

CONVENTIONAL VISCOSE

CONVENTIONAL NYLON

CONVENTIONAL POLYESTER

CONVENTIONAL ACRYLIC

SPANDEX, ELASTANE*

BANNED

PVC

FUR

ANGORA

¹Feedstock can be PET or polyester garments

²If closed loop, chemically recycled then considered as "BETTER"

³PU leather has a significantly lower environmental impact than conventional leather. Must test for durability with testing partner

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

We are proud to partner with the Better Cotton Initiative (BCI) to responsibly transform the way we use cotton. Better Cotton is sourced via a system of mass balance and is not physically traceable to the end products. See bettercotton.org/learnmore for details.

The Better Cotton Initiative/BCI connects people and organisations throughout the cotton sector, from field to store, to promote measurable and continuing improvements for the environment, farming communities and the economies of cotton-producing areas.

Today, Better Cotton is not traceable. It is not possible to define the exact percentage of Better Cotton that a garment may contain since the system allows Better Cotton to be mixed with conventionally grown cotton; we call this a mass balance system.



Photo by Nick Kane on Unsplash

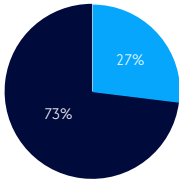
Organic Cotton

No genetically modified crops or toxic chemicals are used in the cultivation of organic cotton. This material was selected 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

The table below shows the achievements and progress of cotton use in our collections:

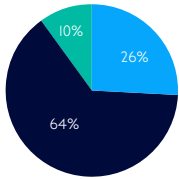
2018 achieved

27%
Organic Cotton



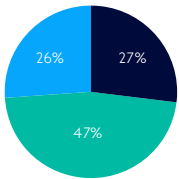
2019 achieved

36%
Organic Cotton &
Cotton sourced via BCI



2020 achieved

73%
Organic Cotton &
Cotton sourced via BCI



2022 goal

100%
Responsibly
sourced Cotton



● Organic Cotton ● Cotton sourced via BCI ● Conventional Cotton

SYNTHETICS

We use ECONYL® and REPREVE® as our synthetic fibers in most of our technical garments. The recycled polyester and regenerated nylon in the fibers helps to repurpose harmful waste that would otherwise end up in waterways and landfills.



ECONYL®

Through our partnership with ECONYL®, Nylon waste (i.e. fishing nets), otherwise polluting the earth, is transformed into ECONYL® regenerated nylon. ECONYL® regenerated nylon is a product that helps us close the loop. Made from waste, it's infinitely recyclable.

ECONYL® x O'Neill LCA*:

We have used over 40 tons of ECONYL® regenerated nylon in our collections so far. By using 40.114 kg of ECONYL® regenerated nylon yarn, O'Neill Europe saved:

- 268.363 kg of CO2/year, and
- 2.841.275 MegaJoule/year of primary energy

* LCA: Life Cycle Assessment



REPREVE®

We work with our partners at REPREVE® using two of their recycled fibers, Recycled Nylon and Recycled Polyester in our designs. REPREVE® is made of high-quality fibers from 100% recycled materials, including post-consumer plastic bottles and pre-consumer waste. The yarn is spun using the highest quality recycled fiber chips and flakes certified by U TRUST® to verify claims. This form of synthetic fiber relies on fewer greenhouse gases and conserves water and energy in the process.

REPREVE® x O'Neill LCA

So far O'Neill products have included 5,678,048 bottles recycled into REPREVE® polyester yarn, and 67kg REPREVE® recycled nylon.

By using REPREVE, O'Neill Europe saved:

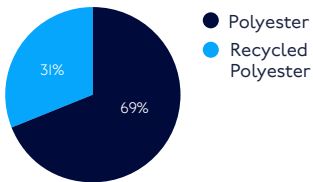
- ♦ 96 tons of waste which would otherwise end up in landfills
- ♦ 146,784 kgs of CO2 emissions from ending up in airways
- ♦ 1,512,564 kWh of energy
- ♦ 483,385 liters of water



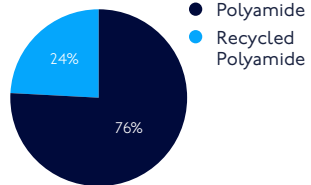
In 2020, recycled polyester (including REPVEVE®) made up 31% of our garments containing polyester materials.

All recycled polyamide (including ECONYL® & REPVEVE®) made up 24% of our garments containing polyamide materials.

2020 | POLYESTER MEASURED IN WEIGHT



2020 | POLYAMIDE MEASURED IN WEIGHT



SUSTAINABLE MATERIALS

O'NEILL BLUE COLLECTIONS

**2020
ACHIEVED**

67% of all O'Neill styles are classed as O'Neill Blue

**2021
GOAL**

80% of all O'Neill styles are classed as O'Neill Blue

**2022
GOAL**

90% of all O'Neill styles are classed as O'Neill Blue

**2025
GOAL**

100% of all O'Neill styles are classed as O'Neill Blue

All O'Neill Blue products are made with materials classes as Good, Better and Best
(O'Neill Preferred Materials List)

**2030
GOAL**

All O'Neill Blue products are made only with materials classed as Better or Best
(O'Neill Preferred Materials List)

COTTON

73% sourced responsibly

85% sourced responsibly

100% sourced responsibly

INSULATION

All insulation consists of at least 70% recycled content

All insulation is 100% recycled

PEOPLE



PEOPLE

IMPROVING OUR SUPPLY CHAIN

The Challenge

Results from an assessment of the key sustainability risks in our operations and value chain identified human rights and labor issues, environmental risks and the risk of corruption as high risk in countries where we buy our products. This assessment is based on the OECD guidelines for Multinational Enterprises along the garment and footwear supply chain.

Included as the biggest social risks were workers who do not have fair working conditions, working hours, payment of living wage, and those who do not have rights to freedom of association.

Filing complaints for workers is often difficult since factory management can come back with repercussions towards the complainant. In an unsafe working environment, the complaints are not always handled fairly, which makes workers face verbal and physical abuse, and sometimes the risk of losing their jobs.

Brands can help by starting an open dialogue and offering support. Involvement of local parties like work representatives, unions and NGOs support the process, so both factory management, workers and their representatives feel safe and confident to engage.

Our Commitment

There are many factors that need to be improved in countries where we produce our goods. Mutual trust and partnership is the key improvement to ensure fair wages, social dialogue and workers rights.

We're working to ensure that forced labor, child labor, gender issues and discrimination do not find ways into our product supply chain. This includes the ongoing promotion of the right to freedom of association (FoA) for advance safety.

In the long-term we strive to be fair and reliable business partners by building relationships based on mutual trust and respect.

Our Progress

We continue to be committed to ensuring that the people who work for our suppliers have fair working conditions, reasonable working hours and a wage that meets their cost of living as part of our improvement plans in process.

To make sure we are moving towards this vision we require suppliers to adhere to our code of conduct. This is a key element in the contracts we have and covers areas such as freedom of association, wages, working hours and workplace safety. While also standing behind a zero tolerance of forced labor and child labor. In addition, our suppliers must comply with our business ethics requirements and anti-corruption practices.

We perform inspections and continuous follow-up visits at every one of our supplier facilities in order to drive improvements of working conditions. If we identify a need for improvement, the supplier is required to create an action plan, clearly stating when the actions are to be completed.

COVID-19

Under normal circumstances, we visit our suppliers as often as possible for routine audits and to maintain a close and trusting relationship. In 2020, due to the COVID-19 pandemic we were only able to perform a few in person audits. Despite many uncertainties the year brought, we have maintained a strong dialogue with our suppliers regarding the challenges of the pandemic to ensure they have implemented appropriate safety measures for their facilities. Our strong, long-term relationships have enabled us to adapt and succeed together and continue on with a shared vision for Our Ocean Mission.

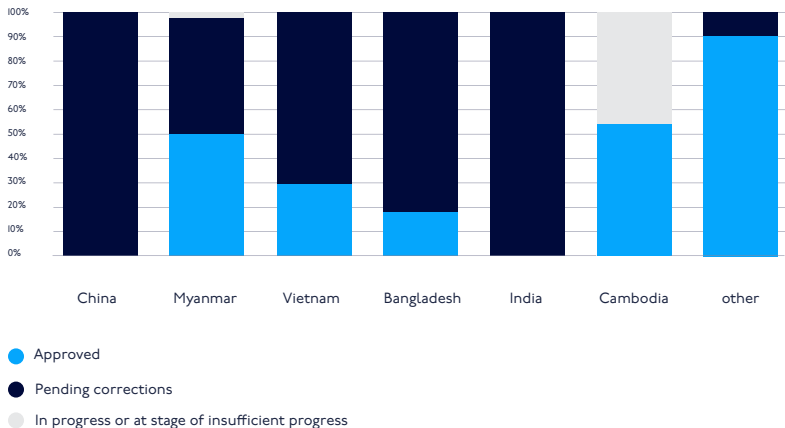
Social compliance status

The majority of suppliers we work with are members of and audited by organisations like Amfori BSCI, WRAP, Sedex. 100% of these audits were approved or have pending corrective actions. These social compliance results are part of the sourcing scorecard for factories.

The use of supplier ratings support:

- The integration of supplier performance in areas of social compliance and environmental responsibility into sourcing decisions
- Transparency of supplier performance relative to other suppliers
- Quality of internal communication

These scores dictate the level of monitoring and training required and are taken into consideration when allocating orders and while making changes in suppliers.



BEYOND AUDITING – FACTORY SUPPORT PROGRAMS

Arisa

In 2020, we continued to improve labor and living conditions in Tamil Nadu and India through a collective project together with Arisa, local NGO SAVE as well other brands and retailers. The focus of the program is to support garment and textile suppliers in Tamil Nadu improving worker management relations through awareness of worker rights and responsibilities. The initiative seeks to establish functioning worker-management committees in compliance with Indian labor laws and regulations.

There is a proven connection between business challenges (e.g. on-time deliveries, productivity, absenteeism, labor turnover) and social compliance issues (e.g. working hours, occupational health and safety, discrimination, wages and social benefits). That's why gaining insights into the root cause of business and work challenges is key to successfully finding a solution. Functioning worker management committees that foster meaningful dialogue between workers and management help the factory management to understand the root causes and solve problems in a cooperative manner inside the factory.

Amplify

O'Neill Europe is part of a collective project called Amplify. As part of the agreement of sustainable garments and textiles we collaborate with other brands and retailers to deepen our knowledge of freedom of association. Through this project we are engaging with our supplier in Cambodia to support them in improving the social dialogue between local trade unions and their factory management.

Grievance Mechanisms

There are several ways we can receive grievances.

Under the Agreement of Sustainable Garments and Textiles, complaints and disputes can be submitted and are handled by an independent complaints and disputes committee. Disadvantaged parties may also submit a complaint. They can do so individually or be represented by an organisation acting on their behalf.

Next to the complaint system of the AGT; Amfori BSCI and the RSC in Bangladesh have a complaints procedure. However this system does not cover the entire network of factories in our supply chain. Part of the factory improvement program is a workers' helpline. Workers in the region Tamil Nadu can now call this line of SAVE to file a complaint.

Our Roadmap

Through collaboration with local partners and increased insight into our value chain we are creating a positive impact on the lives of the workers who produce our products. In 2021 we continue to train and support our buyers and merchandisers on best practices for their engagement with our suppliers. Additionally, we are focused on setting up a complaints register where we can monitor complaints and take steps to help them get resolved.

OUR VALUE CHAIN - TRANSPARENCY & TRACEABILITY

The Challenge

We believe transparency can lead to positive changes in the industry. That's why it's important for us to know how and where our products are made, to be able to prioritise risks, and to work towards improvements.

Our Commitment

Traceability is one of the crucial challenges to overcome in fashion's complex global supply chains. Although we've scored 100% traceability on all manufacturing facilities in Tier I, we'd like to expand this with visibility into our Tier II in the coming years.

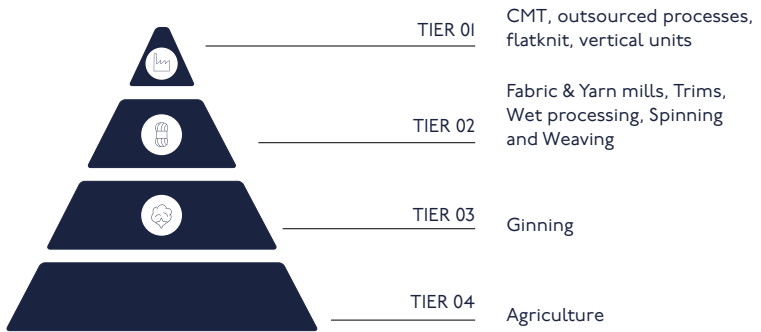
By 2025 we've placed a target of 100% visibility for Tier I & II.

Since not all garments are produced by the same supplier, the supply chain can be incredibly complex with challenges verifying best practices at every stage. We want to change that. 100% traceability is our end-goal to ensure our high standards around environmental protection, social welfare, chemical use and animal welfare are adhered to.

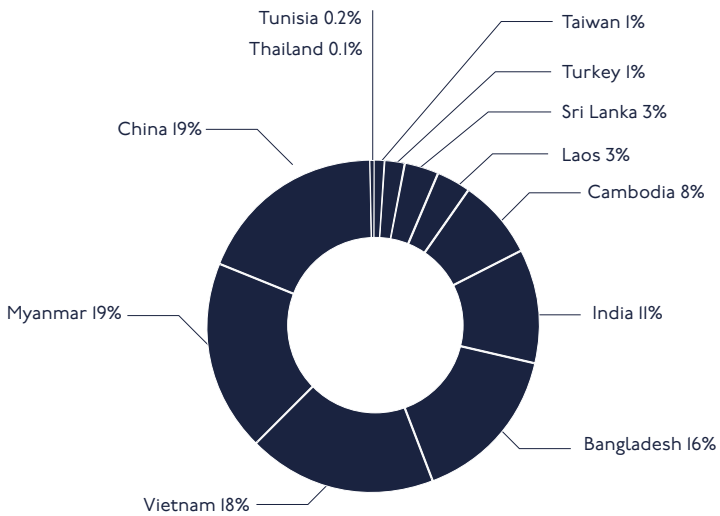
Our Progress

From raw materials to finished products our value chain takes on many steps. Please find on the next page an explanation of the supply chain tiers.

SUPPLY CHAIN TIERS EXPLANATION



OUR ALLOCATION SHARE



Since 2016, O'Neill Europe has shared its factory list with the Dutch Agreement on Sustainable Garments and Textile (AGT). The production locations of all the companies participating in AGT are disclosed on the Open Apparel Registry (OAR) website.

O'Neill Europe discloses the list of factories to give customers and stakeholders the possibility to address issues in the supply chain, to improve worker rights and increase the voice of workers by cooperating with factories, and other brands and stakeholders on relevant topics. The list provides a channel for others to alert us when issues are observed in the factories where we produce, so we can take immediate action. This is in accordance with our commitment to the Transparency Pledge.

We do not own any factories, we always work with independent manufacturers. After 1 year of partnership we disclose every Tier I manufacturing supplier factory where products are made for O'Neill Europe. We update the list every six months to ensure that the information provided is up to date and relevant to our stakeholders.

Our Roadmap

In order to continue to measure, monitor and make improvements to our supply chain we need to increase our visibility of the manufacturing practices involved.

At Tier I (clothing, footwear and accessories manufacturers) we have full visibility on all factories involved and our factory list is available on our website.

At Tier II (material suppliers) we have direct relationships with suppliers covering > 70% of materials we use in our products. At this level we are working to improve our understanding of the factories involved in the various stages of the material production, such as dyeing, lamination or knitting, and aim to have completed mapping of this level by 2025.

Beyond these top tiers we are also interested in the origin of our natural materials as animal welfare, human rights and environmental risks can all be found in these tiers.

In order to drive change in our supply chain, we will use Worldfavor's supply chain visibility platform to better monitor, deepen relationships and gain more visibility into every step of the value chain.

We will also join Zalando's pilot program with the Higg BRM module to gain further insight into our business's impact and join Zalando's effort in bringing the industry towards achieving change.



HEALTH AND SAFETY

The Challenge

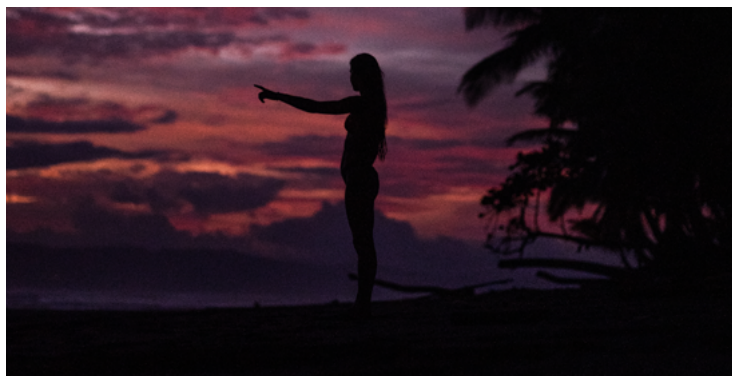
We have identified that worker safety is a risk in all countries where production for O'Neill Europe takes place. It is not only about the structural safety of buildings and fire safety, but also about a safe workspace without practices such as unsafe chemical use, noise, high temperatures without proper ventilation, and repetitive motion.

Our Commitment

All factories that manufacture our products are safe and healthy workplaces by 2030.

Our Progress

Bangladesh: as a signatory and contributor to the 2013 Accord and 2018 Transition Accord, O'Neill Europe is proud of the achievements of the Accord. As a result of signing we are committed to secure fire, building and electrical safety in the long-term at all our producing factories in Bangladesh. The Accord protocols, standards and resources have effectively transitioned into the RMG Sustainability Council (RSC) in 2020, which has equal representation of international brands, trade unions and manufacturers in the Board of Directors. We are focused on securing the independence, resources and financing of this organization to secure workplace safety for all workers in Bangladesh now and into the future.



At the end of 2020, factories under the Accord producing for O'Neill Europe had an average correction rate of 97% with regards to initial findings.

In other countries we are following up on non-compliances reported through audits to improve the environment for workers. As remediation the evacuation route is now clear for all workers, drinking points are separate from toilet areas and proper risk assessments are done by factory management.

Our Roadmap

As part of our path forward we would like to start research into possible initiatives that work on building safety in other countries like China, India and Myanmar. For the coming years O'Neill Europe will continue our commitment to safe working conditions in Bangladesh.



LIVING WAGES - A COMPLEX ISSUE

The Challenge

The topic of living wages in supply chains is a complicated one with issues such as lack of direct brand control over worker salaries, factories producing for multiple brands, limited consensus on what constitutes a living wage in different regions and a lack of proven methods for reliably getting the money to those that need it.

Our Commitment

The first step towards progress is understanding the current situation of wages in factories. Our ambition is to ensure all people in our value chain are paid a fair living wage.

A living wage is a minimum income necessary for a worker to meet the basic needs of him or herself and his or her family. A wage should be earned during regular working hours and is recognized as a basic human right.

While brands don't pay out wages. Through their purchase practices they affect suppliers' capacity to pay workers timely and adequately. We are aware that we can make a significant difference by reviewing our order planning, forecasting and buying process.

Progress

Based on data received through audits we have conducted a detailed wage analysis from our suppliers which allows us to confirm that workers are being paid at least the legal minimum wage. In some cases we have noticed workers are also being paid above minimum wage.

Our Roadmap

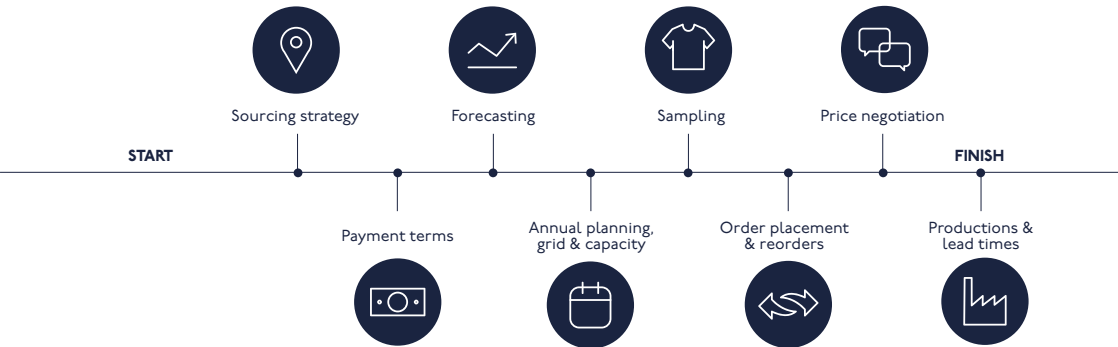
As steps for 2021, we will define wage targets that are local and relevant to workers at each of our suppliers. We will also work this coming year to identify the most appropriate targets to report against. The most effective way for living wages to be paid in a consistent and sustained manner across an industry is for minimum wages to be raised and to ensure healthy worker representation and negotiating ability to realise, for example, collective bargaining agreements which meet workers' needs. The audits and visits to our factories help identify cases where worker representation is being undervalued.

CHANGING HOW WE WORK

The Challenge

The way we buy our products can have a significant impact on the working conditions of a supplier, or fair wages for workers. In 2019, we analyzed our process of buying and investigated how O'Neill Europe purchasing practices are designed, the implications this might have for our suppliers and what we can do in our way of buying to improve. We believe this is the first step in improving supply chain management.

Purchasing practices are the way we interact and do business with our suppliers and the factories where they produce. This includes planning, sourcing, product development and purchasing. The behavior that we demonstrate as a purchasing party, and the values and principles that we apply as a starting point for cooperation with our suppliers, can have major consequences for employees in the supply chain.



Our Commitment

We want to improve our buying behavior by strengthening our internal guidelines and how buying influences the supply chain. Our priorities include creating buyer awareness as it relates to their direct and indirect impact on production processes, including forecast precision and the well-being of workers.

Our Progress

Our product director, 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 creation of new collections, marketing activities and the coordination of purchasing and delivery is done from O'Neill Europe's headquarters in Warmond (NL). Our suppliers are mainly located in Asia. They are managed by our purchasing offices in Hong Kong and Thailand, who oversee 80% purchase value of the productions. They also visit the factories frequently to carry out inspection checks.

In order to have an efficient process to create collections and produce them, we have an extensive flow of purchase practices. In 2019, we had an internal workshop with the Ethical Trade Initiative to have better insight into these buying practices. The workshop has helped us define priorities for 2020 and onwards.

Next to the workshop, we continue to use the PPSA tool from ACT annually to gain insight into our buying behavior. This tool has been developed by ACT, inspired by the agreement between global brands, retailers and trade unions to transform the fashion industry and achieve fair living wages for workers through collective bargaining at industry level. They created the PPSA tool to give participating brands insight into their purchasing practices.

Both the PPSA/ PPA self assessment tool and ETI workshop have taught us to prioritize buyer awareness as it relates to direct and indirect impacts on production processes. This includes forecast precision and the well-being of our workers.

COVID-19

In 2020, the fashion industry was faced with unprecedented challenges due to the COVID-19 pandemic. Our mission of mindful consumption gave us a foundation on which we were able to make quick decisions and find creative solutions – all of which were in line with our intended trajectory as a business. We reduced the size of our assortment and chose to focus on fewer and better garments for our consumers. Because we could not meet in person due to the pandemic, we maintained a dialogue with suppliers surrounding the challenges caused by the pandemic to ensure the appropriate implementation of safety measures at their facilities. Our strong, long-term relationships with our suppliers is what enabled us to adapt and succeed together.

Our Production Planning

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 be planned off-season. This allows for a more balanced capacity and production flow and helps to avoid production peaks which are the main cause of excessive overtime seen at some factories. We have also improved our forecasting which we share with our suppliers according to planning, to achieve greater production efficiency.

Our Roadmap

Since we have direct control over the way we purchase our goods we see it as our responsibility to make progressive changes.

From this business mindset, in the coming year we will:

- Work on our sampling model to redesign prototyping and explore the opportunities of digital sampling - saving material, transport, time and costs
- Train all buying and purchasing teams to raise awareness on the impact of their actions on the supply chain, and help them work in an ethical and responsible way
- Focus on precision of forecasting

As part of the new buying practices we will develop a clear exit strategy with suppliers. In case the relationship with a supplier and the factory ends, we will need to make sure that the workers are not adversely affected by the termination of our business relationship. This will also be part of a 2-way code of conduct definition.

PLANET



PLANET

CIRCULARITY - THE ROAD TO CIRCULAR DESIGN

The Challenge

Circularity influences the choice of raw materials as much as it does the final products we create. At O'Neill Europe we aim to rethink every step of the fashion life cycle, as we find ways to move towards business practices where waste is no longer an issue.

Circular business has the potential to reshape our industry and transform the way we produce and think about fashion. The fashion industry finds itself in the middle of a transition today. Retailers, brands, designers and manufacturers are all awakening to the fact that we need to transform our sector and move towards a new reality. A circular fashion system combines new business models with innovative design, technologies and materials, and eliminates waste and pollution. It has the potential to drive positive impact across the fashion value chain.

Our Commitment

We can innovate our way towards a circular business model with zero-waste. For us, this means reducing our waste stream to a minimum and creating collections made with renewable, recycled and/or recyclable fibers. The ultimate goal is to keep products and materials within the cycle and to maximize the value of resources.

Progress

2020 SURPLUS backpacks made of leftover materials.

2020 & 2021 Facemasks made of leftover active and swimwear materials.

We are currently in R&D phase for various innovative products to be launched in future seasons, with design for circularity as its top priority.

Our Roadmap

At the end of the chain, we focus on end of life management and encourage consumers to extend the lifetime of every single item. Lifetime extension through better product care, sharing and reusing the product are some ways we recommend to make the most of every product's lifecycle. We are currently exploring circular business models, production and value maximization (of resources and fashion items) to develop circular business practices.

MAKING OUR PACKAGING MORE SUSTAINABLE

The Challenge

Polybags are thin, transparent sleeves used routinely to protect items when they are transported and processed. The main purpose is to shield products against moisture, dirt and damage during storage, transportation and processing. Despite the protection benefit they offer, they often end up in landfills or are incinerated, leading to the release of dangerous pollutants into the atmosphere. Other times, they are simply discarded.

Fashion retail won't be able to eliminate packaging altogether because we need it to protect our products. Yet another issue in this context is online shopping returns, which also influence the transportation performance.

Our Commitment

Our aim is to have 100% of our packaging to be reusable, recyclable or compostable by 2025.

Our Progress

We already have a large share of more sustainable materials in our packaging. Below you can find our current breakdown as we move towards a more circular model.

ECOM Boxes:

Consists of 100% recycled carton

ECOM Bags:

Consists of 80% recycled plastic

RETAIL Shopping Bags:

Consists of 40% recycled plastic

PRODUCT Polybags:

We currently use 3 types of product polybags:

- A single use polybag which contains 50% recycled plastic
- A reusable ziplock polybag made with 30% recycled plastic, to pack women's wear, swimwear and activewear
- For pinnacle products we currently have 100% recycled poly bags available

Our Roadmap

We are continuously reviewing the amount of packaging that's needed to ship goods from our manufacturing countries. When we find that products are at no risk of being damaged, we can then dispense them with packaging. For customer returns, we are following developments closely in order to make the most efficient and sustainable decisions possible.

THANK YOU TO
OUR PARTNERS



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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 create positive change.

We feel it is important to include our stakeholders on our journey towards environmental responsibility. For this reason, we engage and seek collaborations with our stakeholders in multi-stakeholder initiatives – such as the Bangladesh Accord and the Dutch Agreement on Sustainable Garment and Textile. Engagement in multi-stakeholder initiatives and participation in joint projects make it possible for us to take our stakeholders expectations into account when setting our strategy and working towards continuous improvement. Although we are still working on long lasting change, we are proud of the steps we have taken and will continue engaging in an active and regular dialogue with our stakeholders so we can understand their expectations.

Lastly, a special thank you to our partners listed below for their influence in 2020 and the future impact we will work to achieve beyond this year.

Better Cotton Initiative (BCI)

The Better Cotton Initiative focuses on a worldwide transformation of conventionally grown cotton which will have a great effect on our environment. O'Neill Europe has been part of BCI since January 2019 to contribute to improving conventionally grown cotton.

BCI connects people and organizations throughout the cotton sector, from field to store, to promote measurable and continuing improvements for the environment, farming communities and the economies of cotton-producing areas. Our sourcing of cotton through BCI allows the initiative to reach and train farmers on more sustainable practices.

Therefore, when buying a garment with the BCI logo, you support the initiative and its long term commitment for worldwide transformation. When a garment features the BCI logo on the label, it means that the garment is sourced through the Better Cotton Initiative.

Today, Better Cotton is not traceable. It is not possible to define the exact percentage of Better Cotton that a garment may contain since the system allows Better Cotton to be mixed with conventionally grown cotton; we call this a mass balance system.

Bangladesh Accord

The Bangladesh Accord is a legally binding agreement between fashion brands and retailers, internal and local trade unions, and NGOs ending May, 31 2021. Hereafter, O'Neill Europe will stay committed to continue working towards a safe and healthy garment and textile industry in Bangladesh.

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. We make use of the code of conduct, management tools, monitoring system, capacity-building and external auditing. Due diligence is at the core of the system, so we implemented a risk-based approach in order to proactively identify, prevent and address adverse human right impacts detected in the supply chain.

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

The International Labor 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 Agreement for Sustainable Clothing and Textiles

On July 4th 2016, O'Neill Europe BV became a signatory of The Dutch Agreement for Sustainable Garments and Textiles. This is the first of its kind and is a Dutch covenant that follows on from the original Dutch National Action Plan, first presented in 2013. The aim is to bring positive and sustainable change to the textile and garment industry all over the world and is supported by trade unions, industry organizations, civil society organizations and the Dutch government.