



STRATEGY
AF change

Together we play for the planet. Let's play it fair.

INTRODUCTION

When in July 2020 we built an interdepartmental team whose first task was to assess the whole OTCF company in terms of the environmental impact of our operations and suggest solutions, we knew from the start that as a company we were part of the problem.

According to UN data, the clothing industry is responsible for about 10% of greenhouse gas emissions (it emits more carbon dioxide than international flights and entire maritime shipping). Based on the Ellen McArthur Foundation 2017 Report, the industry's share in carbon dioxide emission may increase to 26% by 2050. Moreover, in accordance with the data of the World Resources Institute, the clothing industry is the second largest global consumer of water. It takes about 200 tonnes of water to produce one tonne of clothes.

These and other facts about the clothing industry guided us as we worked on the first version of our 4F environmental strategy, which involved 12 people. There was not a single person from the HR or marketing department there. One of the first words we wrote down was our motivation (WHY were we doing it) that comprised three simple points: the planet is in a dire condition, clothing companies have impact on it, and we need to take responsibility for our actions as a company. These three statements were there to stay, and it was a no-brainer for our group of twelve. It was clear from the very beginning that we must either take matters seriously or we will get no results.

Two years later, we are seeing genuine results of our actions.

A lot has changed over these 24 months!

Together with Ubrania do Oddania, we're cleaning up after the entire clothing industry in Poland and giving clothes a second life. Selected 4F stores offer pre-owned clothes and we have set up an Ubraniomat (automatic device for clothes collection) at the Bonarka shopping centre in Cracow. Our collections feature more and more items with the Wear_Fair label, or products manufactured in a more sustainable way. We have switched from plastic packaging (shipping envelopes and bags at stores) to paper packaging in both online and brick-and-mortar stores. Anyone on the outside will notice these changes, but there are many more changes happening inside the company. They are taking place in our offices, stores and warehouses. They apply to both processes and resources. Now, as we look back at the two years of our efforts, we know one thing for sure: None of that would have happened without the people and investment in the key area of our strategy: Philosophy. From the very beginning, we knew that no change in action is possible without an earlier change in thinking. Every single one of us that joined the 4F Change team did so voluntarily, out of concern for the common good that is our Planet. Each of us had worked for its benefit earlier, and each of these activities started with a personal change in thinking.

OUR STRATEGY

See how we take small steps toward a great change.

Ecological solutions are not a temporary trend, but an urgent call for action. We're aware of the impact the clothing industry has on the planet. We take responsibility for our impact and want our actions to bring social change.

think_fair

We are changing our thinking through education. We are learning how our personal attitudes influence the planet. We are giving our employees the insight and the tool for change.

act_fair

We are altering our actions in terms of both processes and workplaces. We focus on acting with respect for people and the environment.

create_fair

We are implementing changes in the process of creation. We are gradually changing our products to become more sustainable and extending the lifecycle of those already made.

live_fair

We take care of our surroundings by engaging our employees in environmental projects and partnerships with individuals and organisations working for the benefit of the planet.

OUR MOTIVATION



The dire condition
of the planet



The impact of
clothing brands



We take
responsibility

#think_fair

PHILOSOPHY



Dołącz do nas!

Our actions are inspired by Kaizen ("kai" = changes, "zen" = for the better), the Japanese philosophy of continuous improvement. For companies, it involves constant, never-ending efforts to enhance already existing processes. The change takes place gradually, by selective elimination of all actions that have a negative impact on the environment and society, and through the effort of all employees involved in the process. At OTCF, we apply the Kaizen philosophy to all tasks related to sustainable growth. We make changes through little steps, constant improvement of existing processes or placing the driving force in the hands of the employees.

What we did between 2020 and 2022

Plans for years 2023-2026

We're starting with ourselves

We started the change with ourselves. We're aware of the dire state of the planet and the impact of clothing brands on the environment. That's why we took responsibility for our actions.

How?

- We appointed an interdepartmental team that developed the 4F Change strategy and started rolling it out.
- We investigated the entire company for environment-oriented actions and began introducing changes (see: Workplace, Product, Environment).
- We launched an internal educational campaign in a regular series of "Change Week" workshops and webinars

We perceive change as a continuous process, in which we value the following the most:

- developing the interdepartmental team that carries out tasks emerging from the 4F Change strategy;
- continuously educating employees in ESG areas and raising their commitment;
- sharing knowledge outside with clients, business partners, organisations etc.

Education within the organisation

- Constant learning through collaborations with experts and organisations, such as Planeta 10, Ubrania do Oddania, Polski Pakt Plastikowy, Carbon Footprint Foundation, Wodociągi Kraków, Operacja Czysta Rzeka, Tatra National Park, Accenture, Sustainable Fashion Institute, dr Marta Karwacka, Zosia Zochniak, Tomek Bocian, Anna Pięta, Kasia Zajęczkowska, Szymon Opryszek.
- Mutual education within the organisation during workshops, webinars, and events during "Change weeks".
- 4F Change Academy for the 4F chain of stores.

Changemakers

In 2020, we established the Changemakers initiative, in which employees from various departments volunteer to support environmental initiatives.

Changemakers are people who want to have an impact on whatever happens in the company and seek ideas for more sustainable actions in their private life, inspiring others to do the same.

We aspire for everyone to be a Changemaker: not only OTCF S.A. employees, but also our clients, ambassadors and partners. Our goal is for each of us to take care of the environment.

#act_fair

WORKPLACE



What we did between 2020 and 2022

Plans for years 2023-2026

Offices

In our offices, we have introduced waste segregation, purified water dispensers, energy efficient light bulbs, and reduced the amount of printed copies. In Cracow, we began moving to our new office with sustainable solutions for energy, lightning, water, air conditioning and heating. We have also set up stations with electric car chargers in Cracow and Czeladz, where our warehouse is located.

- Working to reduce our carbon footprint within the first and second scope by cutting the amount of fossil fuels used in transport, heating, and energy.
- Developing a decarbonisation strategy for the entire company.

Warehouse

In August 2021, we moved to a new Logistics Centre in Czeladź which has a Very Good BREEAM* certificate. The centre has environmentally friendly solutions such as:

- energy efficient lightning,
- electric car charging stations,
- windows with low heat penetration rate,
- electric forklifts,
- collective transport for employees,
- reduction of stretch film used,
- recovery of carton packaging for reuse,
- streamlining logistics processes (increased efficiency, reduced energy consumption).

- Modern waste management (collection and recycling).
- Technological solutions for recycling plastic packaging (poly bags) in line with the guidelines of the Polish Plastics Pact.
- Solar panels.
- Expanding the fleet with electric cars.
- Educational workshops for warehouse employees in various areas of the 4F Change strategy.

Brick-and-mortar stores

- In 2022, we launched Wear_Fair zones in 12 brick-and-mortar stores in Poland (Warsaw: Westfield Arkadia shopping centre, Galeria Młociny, Galeria Północna; Cracow: Bonarka City Center shopping centre, Centrum Serenada; Gdansk: Galeria Bałtycka; Katowice: Galeria Katowicka; Łódź: Galeria Łódzka; Rzeszów: Galeria Rzeszów; Bielsko- Biała: Galeria Sfera; Szczecin: Outlet 4F; Wrocław: Pasaż Grunwaldzki).
- In November 2022, we made all 4F stores in Poland collection points of pre-owned clothing.
- We reduced the environmental impact of the entire chain of stores in the areas of waste segregation, energy, lightning, air conditioning and heating.
- We switched from disposable plastic bags to paper bags.

- In June 2022, we launched the first Ubraniomat 4FxUDO (automatic clothes collection device) at the Bonarka shopping centre in Cracow.
- We developed the Wear_Fair program. We collect clothes at every 4F store and will expand the network with more Wear_Fair zones.
- We expanded the Wear_Fair product range (with both new and pre-owned items).
- 4F Change Academy for employees at brick-and-mortar stores.
- Environmental education for store employees.
- Educating customers in the entire sales network.
- Educational efforts in collaboration with shopping centres.

#create_fair

PRODUCT

We started the change with ourselves, taking responsibility for the full life cycle of our clothes: from design, production and delivery, to collecting unwanted clothes from our customers and giving them a second life. We created the Wear_Fair Program which includes two types of products:

1. New products that contain sustainably sourced materials, certified by independent certifying institutions or licences. We list their detailed composition on tags and product sheets in the online store.
2. Products that were reintroduced into circulation once they have been renewed, repaired, revived or made from other items: pre-owned and/or unused, so upcycled.

Learn more at [4fchange.com](https://www.4fchange.com).

For us, a sustainable way means one that is in line with sustainable growth: one that involves reasonable management of available resources to ensure that they satisfy the needs of current and future generations. We strive to ensure that our products are designed and manufactured by considering their total impact on the environment and society, bearing in mind such issues as: carbon footprint, materials, production methods, product lifetime, second circulation and recycling.

Materials we use:

- Recycled: polyester, polyamide, cotton (planned for years 2023-2026).
- Sourced from organic farming and those being converted to organic: cotton, linen.
- Sustainably sourced: wool, down, feather.

What we did between 2020 and 2022

Plans for years 2023-2026

Textile circularity

In June 2021, we established collaboration with the leader of the circular fashion market, Ubrania do Oddania, thanks to which we:

- launched clothes collection in 4F stores and online (see Reports);
- introduced pre-owned clothes for sale in 4F stores (see Store list).

- Increased the amount of collected clothes produced by 4F and other brands.
- Increased the amount of pre-owned 4F clothes made available on the market again.
- Developed the garment repair program.
- Created upcycled collections made from clothes that cannot be repaired.

Pre-owned items

First RENEWED and REPAIRED clothes appeared in our stores in January 2022. In March, REPAIRED products joined them, and in the fourth quarter, UPCYCLED garments entered our stores.

- We increased the number of products in second circulation in all four categories.
- We expanded the sales network with more brick-and-mortar stores and e-commerce.

New Wear_Fair products

Since 2020, we've been steadily increasing the number of collections produced more sustainably, for example, in our:

- "Water element" yoga collection in Spring/Summer 2021;
- "Wear Fair" sport style collection in Spring/Summer 2022;
- "Embrace your nature" 4FxAL collection in Spring/Summer 2022;
- products in other collections, such as ski, trekking, and running collections.

By 2026, we want 4F collections to have at least 25% products with sustainable materials (see page 8).

Renting clothes

In January-March 2022, we launched a skiwear rental service for the very first time. We're implementing the project using the Proof of Concept method, which allows us to learn and test various solutions. The aim is to prepare for the so-called "wardrobe of the future" which, besides new clothes, will feature more pre-owned and rented items.

Clothing rental service in our permanent offer.

What we did between 2020 and 2022

Plans for years 2023-2026

Eco design

In 2022, we set up a team focusing on developing and implementing the strategy for eco design, so an approach that takes into account the following components: renewability, origin of fibres and materials, processing fibres into textiles, working conditions and the total carbon footprint of products.

- Implementing a new approach to design for all 4F products.
- Courses for designers.

Recycling of materials

Currently, the entire clothing industry is seeking solutions for the recycling of materials. In March 2022, the EU published the textiles strategy, which stipulates that by 2030 textiles in the EU market should be durable, recyclable, and contain recycled fibres.

- Initiating activities within the circular model, in which textiles will be rendered available for recycling, which will result in the creation of new fibres and fabrics, and thus new garments.
- Increasing the share of recycled materials in 4F collections.

Chemical safety

We completed chemical testing for at least 10% of the production.

How do we test chemical safety at OTCF?

To check chemical safety, selected products from every vendor are tested for harmful substances in independent, accredited laboratories. When non-compliance is detected, such products are not approved for marketing and the vendor is required to implement a recovery plan.

- Covering all OTCF vendors by the RSL policy
- RSL (restricted substances list) in an OTCF policy which the vendors are informed about and which contains the list of chemical substances that, due to their harmful impact on the environment, animals and humans, are prohibited for use during production or their quantity is limited. OTCF requires the vendors to comply with the requirements and limits set forth in the policy.

#live_fair

ENVIRONMENT



What we did between 2020 and 2022

Plans for years 2023-2026

4FxUDO Saving clothes

Together with Ubrania do Oddania, we are giving clothes a second life. As 4F, in January 2022 we launched a clothes collection service for both 4F garments and other products. We are now cleaning up not only after ourselves, but after the entire clothing industry. We have given our customers a chance to clean out their closets. Instead of ending up in a landfill, the items find new owners.

- Further development of joint projects, with a special focus on the impact of textile waste on the environment.
- Joint educational efforts.

Cleaning up the planet

In March 2021, we launched our first collaboration in the cleaning of Cracow and the surrounding area. We partnered with Planeta 10. Ever since that moment, we regularly clean up with various partners: Planet Heroes, Operacja Czysta Rzeka, and the Tatra National Park. Until now, our employees have collected over 15 tonnes of waste.

- Continuing to work with planet cleaning organisations.
- Engaging not only our employees, but also our customers.

Reducing plastic

In 2021, we joined Polski Pakt Plastikowy [Polish Plastics Pact], whose main goal is to change the current model of using plastics in packaging on the Polish market. Polski Pakt Plastikowy strives to develop a circular economy by employing innovations and reducing the use of plastics.

- Identifying and eliminating excessive and problematic packaging.
- Reducing the use of virgin plastics.
- Increasing the percentage of recyclable materials.
- Increasing the share of recyclables in packaging made of plastics.
- Improving quality and educating the customers about segregation, recycling, reuse, as well as reducing the consumption of packaging.

What we did between 2020 and 2022

Plans for years 2023-2026

Measuring the change

In April 2022, we began working together with Accenture to develop environmental metrics and an ESG data collection model.

- We measured progress in implementing and managing the sustainable growth strategy.
- We measured other essential environmental, social, and governance factors.
- We enabled data-driven decision making and thus improved asset allocation.
- We communicated the results of the actions and changes within the company in a reliable and credible manner.

Measuring the carbon footprint

In February 2022, we partnered with Carbon Footprint Foundation and began measuring the carbon footprint in all three scopes, based on source documents in line with the recommendations set forth in the ISO 14064 "Greenhouse gases" standard. The analysis helped to identify the most carbon-intensive areas of operation, namely:

- within the first scope: gas consumption,
- within the second scope: purchased electrical energy,
- within the third scope: production of materials used for manufacturing clothes and accessories.

- We regularly measured our carbon footprint.
- We developed a decarbonisation strategy for our company that is in line with the objectives of the Paris Agreement.

UN SUSTAINABLE DEVELOPMENT GOALS

In 2015, the UN member states unanimously adopted the 2030 Agenda: a program encompassing actions of unprecedented scope and importance, aimed at a concerted global effort to improve the quality of life for the entire global population. The Agenda covers 17 Sustainable Development Goals and 169 related tasks, which reflect the three areas of sustainable development: economic, social, and environmental.

At OTCF S.A., we want to contribute to the ongoing global transformation towards sustainable and equal future for everyone. As part of the 4F Change strategy, we have identified the areas where we can make a real difference and use our strengths and experience to create solutions and build programs supporting fight against climate change, gender equality, the improvement of life quality of our local communities and fight against the exclusion of disadvantaged rural areas.



RENEWED

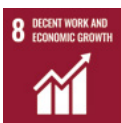
wear_fair



- 4F is a partner of the Aktywni dla Autyzmu [Active for Autism] campaign, we also support the DKMS Foundation and participate in the World Cleanup Day.
- We organise workout sessions for our employees, e.g. runs, pilates and yoga classes, full body workouts, and boxing classes. Our offices feature gyms dedicated to the employees, available 7 days a week. We encourage those working remotely to exercise at home by offering joint online stretching and spinal health classes.
- We educate our employees about improving their health and quality of life through a number of workshops (on nutrition or sleep hygiene) and events (e.g. Health Week).
- Employees have an impact on what's going on in the company. That's why we put all the new ideas into the Suggestion Box. It's a place where every employee can leave their idea for a new initiative.
- We're fully aware that it's important to take care of not only your physical, but also mental health. Recent years - especially the two years of the pandemic – have clearly showed that employee mental health is of crucial importance. That's why, we have partnered with the Mindgram platform. This is a solution which enables us to provide all employees access to psychological support and offers a world of personal growth opportunities. Interactive live meetings, the Mindspace - Podcast Zone, access to specialist care (a psychologist, nutritional psychologist, child and adolescent psychologist, business mentor) and a range of other tools available on the Mindgram platform can be very helpful in dealing with a wide spectrum of problems and supporting our mental health.
- We also cooperate with health care facilities through the 4F Pomaga Foundation. As part of the #4F Pomaga campaign, OTCF S.A. donated aid worth over PLN 3,500,000 to fight the coronavirus pandemic.
- We run projects supporting children and youth, e.g. by creating multifunctional sports fields for schools under the "W zasięgu sportu" program and helping to organise winter break activities as part of the "Sportowe marzenia" program. Besides long-term programs, we also provide immediate support whenever it is needed.
- Since February 24, we have been mobilising all resources to support our neighbours from Ukraine. We act on an ongoing basis, and respond to the most urgent needs. In a joint effort of the 4F Pomaga Foundation and OTCF, we have donated PLN 500,000 to aid Ukrainians. We have taken care of our employees and their relatives from Ukraine, and have donated thousands of clothes and shoes to the most needy, as well as 500 medicine cooler bags for the "Apteczka dla Ukrainy" project. We have delivered over 2,300 hot meals and over 20,000 servings of 4F Fuel food. We have provided transport and safe accommodation for many Ukrainian families. We have also volunteered at Salam Lab and supported the grassroots efforts of the OTCF employees. Together with the AZS AWF Rugby team, we organised a cycle of sports classes for nearly 150 Ukrainian children staying at a temporary housing centre in Serock. We have supported the "Trefl Kids" campaign, under which Trefl Sopot and Trefl Gdańsk provided free sports classes for children. In total, 1,307 children participated in 37 classes.



- We offer our employees numerous development programs and opportunities to advance their qualifications, e.g. the Young Leader Academy, training courses and growth programs for managers.
- We educate our employees about environmental protection through training courses, workshops, and webinars hosted by 4F experts and external specialists as part of the periodical Change Weeks (once in a quarter).
- In the 4F Pomaga Foundation, we educate society on public health, preventive medicine and physical activity, the best example of which is the "Zanotuj asystę" campaign, which raises awareness among employees about stem cells and encourages them to register in a bone marrow donor registry.



- We create new jobs every year.
- The number of employees in the company:

	939 people in 2019
	991 people in 2020
	1170 people in 2021
	1261 people in 2022
- In 2020 and 2021, we examined the respect for ethical and social issues in factories found in OTCF's vendor database. We carried out that goal by conducting social audits and checking factories certificates pertaining to social issues, such as BSCI or SMETA. By 2025, we plan to continue this review process for factories added to the database in subsequent years. Our goal is to identify areas of improvement and to collaborate with business partners in the implementation of corrective actions, including conducting training courses and providing substantive support for factories in key areas.





- We are gradually modernising our infrastructure, processes and logistics to ensure sustainable company growth while increasing the efficient use of resources and using clean and environmentally-friendly technologies and production processes (e.g. office space consolidation).
- We segregate waste, use purified water dispensers and energy efficient light bulbs, and reduce the amount of printed materials.
- In August 2021, our company opened the new Logistics Centre in Czeladź which has a Very Good BREEAM* rating at the SUSTAINABLE GROWTH GOALS level. In August 2021, our company opened the new Logistics Centre in Czeladź which has a Very Good BREEAM* rating at the SUSTAINABLE GROWTH GOALS level. We use LED bulbs with low energy consumption and long durability. They are also environmentally friendly due to the absence of mercury and other dangerous chemical substances. The facility has special, unique windows with a high degree of insulation, which contributes to a low heat transfer coefficient. Our company promotes the use of electric cars by providing employees with car charging stations. To reduce emissions, warehouse and office employees are provided with collective transport to work. We're still standardising waste segregation and utilisation. This is why we are introducing paper packaging in a significant portion of our sales. Recently, an apiary has appeared before our warehouse, so our company can do something for these exceptional insects.



- At 4F we care about diversity and compliance with human rights, labour rights and safety standards.
- Every new employee undergoes mandatory anti-harassment training.
- We employ 72% of women in managerial positions in the Polish market and abroad, which comprises 60.5% of all managerial positions.
- We strive to create workplaces which are accessible to everyone, and friendly to people of all abilities. By August 31, 2022, we employed 25 people with disabilities.



- With the 4F Pomaga Foundation we strive to respond to the needs of local communities. The "W zasięgu sportu" program is an example of these actions. Its goal is to build modern sports infrastructure: multi-functional sports fields for primary schools that currently lack such infrastructure or where its technical condition is poor. Thanks to the program, students of two schools: the Queen Jadwiga primary school in Siercza (Lesser Poland province, Wieliczka district, September 1, 2021), and also State Primary School in Kuniów (Opole province, Kluczbork district, September 1, 2022) received new multi-functional sports fields.



- We steadily increase the share of more eco-friendly materials in our collections, care for their durability and quality to make them last as long as possible
- By 2026, we want to introduce at least 25%

of products manufactured in line with the 4F Change strategy to 4F collections.

- We're implementing the 4F Change program and moving towards the transition from the linear model to the circular model: we are collecting clothes made by both 4F and other brands, and introducing pre-owned 4F clothing into circulation again.
- We're working to significantly reduce the amount of waste production by preventing, reducing, recycling and reusing. We joined Polski Pakt Plastikowy and we're implementing solutions aimed at recycling poly bags and other plastic packaging by 2026.
- We're implementing modern waste logistics, in particular through recovery of carton packaging for reuse, as well as selective waste collection and recycling in our offices and stores. Film from our warehouses is recycled.



- We're implementing the goals of the 4F Change strategy regarding the transition from the linear model to the circular one, as well as to increasing the share of collections designed and produced in line with the 4F Change strategy.
- We established cooperation with the Carbon Footprint Foundation and started measuring our carbon footprint. The analysis helped to identify the most carbon-intensive areas of operation, namely:
 - within the first scope: gas consumption,
 - within the second scope: purchased electrical energy,
 - within the third scope: production of materials used for the production of clothes and accessories.
- The carbon footprint was calculated on the basis of source documents in line with the ISO 14064 "Greenhouse gases" standard, based on "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard – Revised

Edition" of 21 March 2021; conversion factors in "Government of UK conversion factors for company reporting of greenhouse gas emissions" of 2021; and reference indicators for the emissions in the MARKET BASED framework, published by The National Centre for Emissions Management (KOBIZE).

- We want to develop the circular model by selling pre-owned clothes in RENEWED, REPAIRED, UPCYCLED and REVIVED categories, both in brick-and-mortar stores and online, as well as introduce repair service in 4F clothes.



- We established business partnership with Ubrania do Oddania, market leader in the second circulation of garments, and with Carbon Footprint Foundation, to measure our carbon footprint. We also joined Polski Pakt Plastikowy.
- We launched work on developing a decarbonisation strategy. For example, we began collaboration with Accenture and developed nearly 300 ESG indicators that we will measure in years to come.
- We value local collaborations, as we believe it is thanks to them that we can change our surroundings. That's why we work together with Planeta 10, Planet Heroes, the Tatra National Park (Volunteers for TPN), and Operacja Czysta Rzeka: local organisations focused on cleaning up cities, towns, green areas, national parks and forests.

JOIN US

We're convinced that change starts with individual, seemingly small decisions that we all make. Combined with similar decisions of other people, they lead to big change. We started our change from ourselves and we want to inspire others to follow. We believe in cooperation, and that's why we encourage you to join us. If you want to learn more about our activities, talk to us or if you have any questions, you are more than welcome to contact us.

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