Acne Studios

Sustainability Report

FY 2022/2023

Contents

Introduction 4

Our approach to sustainability 5

Sustainability strategy 8

Our collections 11
— Design for longevity 12
— Preferred materials 15
— Low-impact production 18

Our partners 22
— Strategic partnership 23
— Traceable supply chain 27
— Protecting workers' rights 31

Our impact 36
— Reduced climate impact 37
— Circular packaging 42
— Towards zero waste 45

Our workplace 49

Annex 1:
Acne Studios preferred material
& denim wash classification 53

Annex 2:
Animal welfare policy 55

Annex 3:
Fair wear foundation monitoring process 56

Annex 4:
Detailed climate footprint results 57

Introduction

We are proud to present the second sustainability report since we launched our revised strategy where we committed to nine ambitious long-term targets. Our first year was about launching the strategy in the organisation and towards our suppliers, this second year has been about anchoring it and engaging more deeply with everyone involved. After two years of dedication from our teams and partners, we are pleased to share progress and new results on our targets.

Progress highlights
Highlights of this year include the increased use of preferred materials to 68% of our collection weight. We have achieved visibility in a larger share of our supply chain, reaching 76% traceability in tier 2 compared to 43% last year. Furthermore, we reduced our Scope 1 & 2 Greenhouse gases (GHG) emissions by 63% through the purchase of renewable electricity across all our markets. Finally, we have completed our climate roadmap, which will guide us towards halving our annual GHG emissions by the financial year (FY) 30/31, compared to FY 20/21.

Key enablers
During the year we have been focusing on key enablers, including improved internal communication, supplier engagement, and effective management of sustainability data. We have created a communication calendar and held numerous meetings and workshops to discuss solutions, actions, and progress on our targets. Sustainability has been a topic in every supplier meeting at our HQ. The sustainability team also toured Italy visiting key suppliers to follow up on the 2-day supplier forum held in Stockholm in autumn 2022. These discussions have revealed that sustainability is high on everyone's agenda and a large share of our key suppliers is installing solar panels, recruiting sustainability expertise, and has their own sustainability strategies. Data management has been central in all above discussions. Efficient and accurate data handling is needed to verify complex supply chains, emission reductions, and sustainability improvements overall. It is also crucial to comply with upcoming European Union (EU) legislation. Therefore. we are pleased to be able to share more data and KPIs in this year's report than before.

Creative manifesto
Another key achievement is that we completed our creative manifesto. It defines how design and sustainability are integrated into an ambition of progressive creativity in everything we do. We believe creativity is our greatest asset and how we utilize it is our greatest responsibility. Our creative manifesto represents our shared values and defines a set of principles that will guide us towards our sustainability targets. Together with the manifesto, a new sustainability webpage will be launched to better communicate our sustainability commitment towards our customers.

Next year
In the year to come, we will continue to build and strengthen our strategy with focus on enabling results on our nine long-term targets. A significant milestone will be to launch and integrate our climate roadmap across the organisation, involving all departments and functions. Furthermore, we will continue to develop our strategic partnership strategy as an essential link to ensure we have the right suppliers on board to support our sustainability commitments.

Our approach to sustainability

Our fundamental mission is to be a progressive luxury house significant for our times. We are now in more challenging and unpredictable times than ever. There is an urgency to reduce global GHG emissions and as well to end the rapid loss of biodiversity. Global political instability requires us to have a more holistic approach on our business strategies as well as being strongly anchored in our believes and values. Significant for our times means for Acne Studios to be courageous and creative within the planetary boundaries, and to put sustainability at the core of what we do.

Materiality assessment

To define Acne Studios sustainability strategy and key priorities, we continuously evaluate the sustainability challenges that are most relevant for our industry, our stakeholders, and our business operations in a materiality analysis. This is made by creating a list of relevant issues throughout our value chain based on interactions with stakeholders and major industry benchmarks. We select and prioritise these topics based on their impact on our economic, social and environmental performance, and their level of importance for society and our stakeholders. The result of the materiality analysis is integrated into our sustainability strategy, and the importance of issues is reflected in the ambitions of our long-term targets.

Acne Studios materiality matrix

Importance for stakeholders ↓ / Importance for Acne Studios →	Moderate	High	Very high
Very high	Transparency	Business interest & purpose, gender equality, living wages	Product quality & craftmanship, climate change, biodiversity, respect for human and worker rights
High	Water stewardship, packaging	Circular design, customer awareness, chemical management & pollution, sustainability standards in supply chain	Preferred and recycled material sourcing, purchasing practices, waste management, traceability
Moderate		Employee satisfaction & development	Product innovation, customer satisfaction

Focus areas in our sustainability strategy:

— Design for longevity
— Preferred materials
— Low-impact production
— Traceable supply chains
— Protecting worker rights
— Strategic partnerships
— Reduced climate impact
— Circular packaging
— Employee satisfaction

Stakeholder engagement

Many people and organisations influence or are influenced by the choices we make as a company. The 'stakeholder interactions chart' shows our most important stakeholders and how we interact with them. Our stakeholders are not limited to those listed; we also maintain contact with educational bodies, students, trade associations and media. Our cooperation with other brands, civil society and policy makers is often part of our involvement in multi-stakeholder industry initiatives. Our stakeholders input on environmental, social and governance issues is key to continuously refine our sustainability priorities.

Collaboration in multi-stakeholder industry initiatives is an effective way to stay up to date on developments, share knowledge, exchange points of views, and ultimately to change the industry for the better. The input from these initiatives is an important contribution to our continuous materiality analysis. This overview lists all industry initiatives we take part in and the focus areas they relate to.

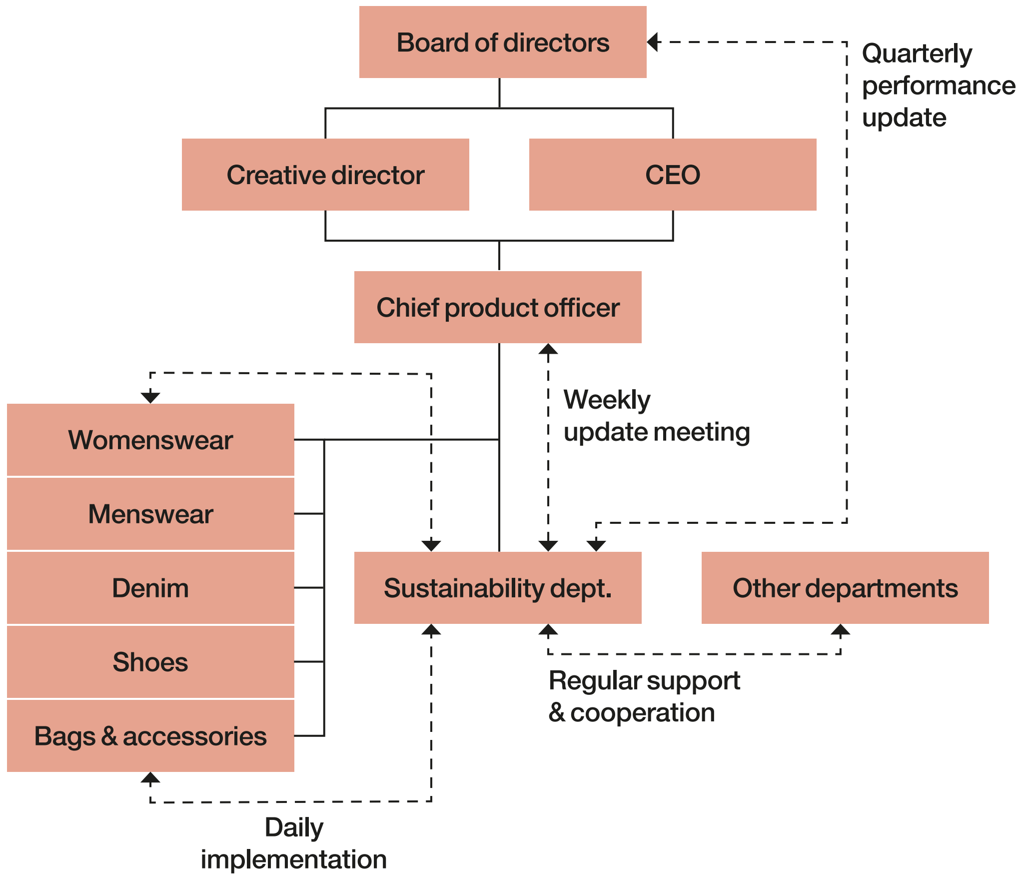
Stakeholder interactions	
Consumers	In store communication, Social media engagement and newsletter information, Customer service.
Wholesale Partners	Dialogue on sustainability strategy and progress, regular verification of product communication.
Colleagues	Seasonal CEO meeting, Internal workshops, Intranet.
Suppliers	Worker complaints procedure, Supplier audits, management & worker trainings.
Business partners	Dialogue on sustainability strategy and progress surveys.
Industry initiatives	Digital and in person meetings, industry group roundtables, surveys, partner collaborations.
Civil society	Yearly contribution initiative, digital and in person presentations of civil society partners for employees.
Other brands	Collaboration in mutual projects, Information sharing.

Industry initiatives	Focus areas
Textile exchange	Preferred materials, traceable supply chains
Fair wear foundation (FWF)	Protecting worker rights, traceable supply chains
Italy fashion working group (IFWG)	Protecting worker rights
Swedish textile initiative for climate action (STICA)	Reduced climate impact
Leather working group (LWG)	Low-impact production, traceable supply chains
Swedish shoe environmental initiative (SSEI)	Low-impact production, circular packaging
Chemical group at rise	Low-impact production
SFA learning & innovation network	All

Integration of sustainability

To implement our sustainability ambitions, responsibilities are integrated in the organisation and in our business strategy. Our CEO has the overall responsibility for our sustainability strategy. The sustainability team lies within our product and design department and is responsible for presenting sustainability strategies and targets and to incorporate these into our organisation. The sustainability team has regular collaborations with departments such as PR & marketing, supply chain and human resource, depending on specific projects and targets. Every financial year, our management team sets annual business targets in which our sustainability targets are integrated. These targets are signed off by our CEO and Board of Directors. The Board of Directors also officially approves our sustainability report before publishing.

Integrating sustainability into our business, means ensuring that the people who move us forward are respected, included, and empowered. We are committed to supporting the people in our workforce and explain our strategy in the section 'Our Workplace'.



Sustainability strategy

Creative manifesto: the baseline for our sustainability strategy is our creative manifesto. It represents our shared values and defines a set of principles which are guiding us towards our sustainability targets.

Progress through creativity

— Design lasting icons. Create desirable products that stand the test Dof time with considerations for their entire life cycle.

— Create with impact in mind. Choose quality materials and solutions consciously to minimise environmental impact.

— Strive for progress together. Build partnerships with suppliers that share our sustainability values for people and nature.

— Be curious and honest. Implement a culture of transparency and learning within our supply chain and towards our customers.

— Act on climate. Adapt our business model to reduce the carbon footprint across our operations in line with climate science.

Progress overview

Our sustainability strategy is organised by three core pillars: our collections, our partners, and our impact. Under these pillars we have set targets across nine focus areas, each of which are connected and come together to deliver our vision for progressive creativity. These nine focus areas and targets also form the structure of our sustainability reporting. The strategy is designed to enable a transparent verification, both internally and externally, on the result of each target. Below table presents this year's key progress towards our long-term target for each focus area.

Every year we set several milestones per focus area to define what we plan to focus on and achieve for the next year. We have re-grouped the milestones for each target, compared with previous year's sustainability report, to make clear what the progress and plans are per focus area.

	Progress through creativity		
	Focus	**Long-term target**	**Key progress fy 22/23**
Our collections	DESIGN FOR LONGEVITY	100% of our collection designed according to longevity principles by FY 30/31	Defined key principles in our design for longevity strategy
	PREFERRED MATERIALS	100% use of preferred raw materials in our collection by FY 26/27	68% of our collection made in preferred raw materials
	LOW-IMPACT PRODUCTION	100% use of low-impact processes in production by FY 26/27	21% of our collection made with low-impact processes
Our partners	STRATEGIC PARTNERSHIPS	>50% of order value with suppliers that share our sustainability ambition by FY 26/27	41% of order value with product suppliers scoring high in our sustainability evaluation
	TRACEABLE SUPPLY CHAINS	100% traceable supply chain down to raw materials by FY 26/27	100% tier 1 and 76% tier 2 traceability as well as 73% tier 4 country of origin verification*
	PROTECTING WORKERS RIGHTS	100% monitoring of workers' rights across our supply chain by FY 26/27	Leader in social responsibility as verified by Fair Wear
Our impact	REDUCED CLIMATE IMPACT	50% absolute reductions of scope 1, 2 & 3 emissions by FY 30/31 vs. FY 20/21	63% reduction of scope 1 & 2 GHG emissions and completed our 2030 climate roadmap
	CIRCULAR PACKAGING	Circular packaging across all our operations by FY 26/27	Launch of our circular packaging policy
	TOWARDS ZERO WASTE	Reducing, reusing and recycling of waste across all our operations by FY 26/27	Waste reduction initiatives and KPIs initiated across all operations

*Tier 1 suppliers are those involved in product manufacturing. Tier 2 refers to material production and tier 4 to raw material creation via farming or fiber production.

Category scorecards

We have created a sustainability scorecard to review the results on each of our product categories. This year we piloted the scorecard with key performance indicators (KPIs) for our denim collection. This is going to be a direct tool for our internal teams to follow the progress and learn what improvements to focus on. It is also a holistic and transparent way to keep our customers updated on our sustainability results which sometimes are complex. Next year, we aim to fine tune the scorecard and report on further KPIs aswell as more categories and provide an overview of the full collection progress.

Denim sustainability scorecard FY 22/23		
Our collections	**Our partners**	**Our impact**
DESIGN FOR LONGEVITY 93% designed for recyclability	STRATEGIC PARTNERSHIPS 99% tier 1 suppliers more than 5 years 51% tier 2 suppliers more than 5 years	REDUCED CLIMATE IMPACT 7% tier 1 production with renewable energy 2% tier 2 production with renewable energy 55% tier 1 & tier 2 production in same region
PREFERRED MATERIALS 92% use of preferred amaterials 2% use of recycled materials	TRACEABLE SUPPLY CHAIN 100% factory traceability tier 1 85% factory traceability tier 2 88% factory traceability tier 4 country of origin	CIRCULAR PACKAGING Not yet verified
LOW-IMPACT PRODUCTION 27% fabrics GOTS certified 71% styles meet low-impact wash criteria	PROTECTING WORKERS RIGHTS 95% tier 1 production in EU 63% verified living or CBA wages in tier 1	TOWARDS ZERO WASTE 100% denim cutting waste recycled

Our collections

We are what we create, from our women's and men's ready-to-wear, to our iconic denim, footwear, and leather goods. Every decision we make when designing, producing and presenting our collections should be taken with sustainability in mind. We want to create lasting icons through intentional design for longevity, by choosing preferred materials and by using low-impact production processes. The following pages provide information on how we achieve this.

Design for longevity

Target: 100% of our collection designed according to longevity principles by FY 30/31

Key progress: defined key principles in our design for longevity strategy

We believe that ensuring longevity of our products is the most important action to reduce our environmental impact. Designing for longevity means expanding our scope and considering the entire lifecycle of a product, including how it is used, cared for, repaired, passed on, reused, and, ultimately, recycled at the end of its life.

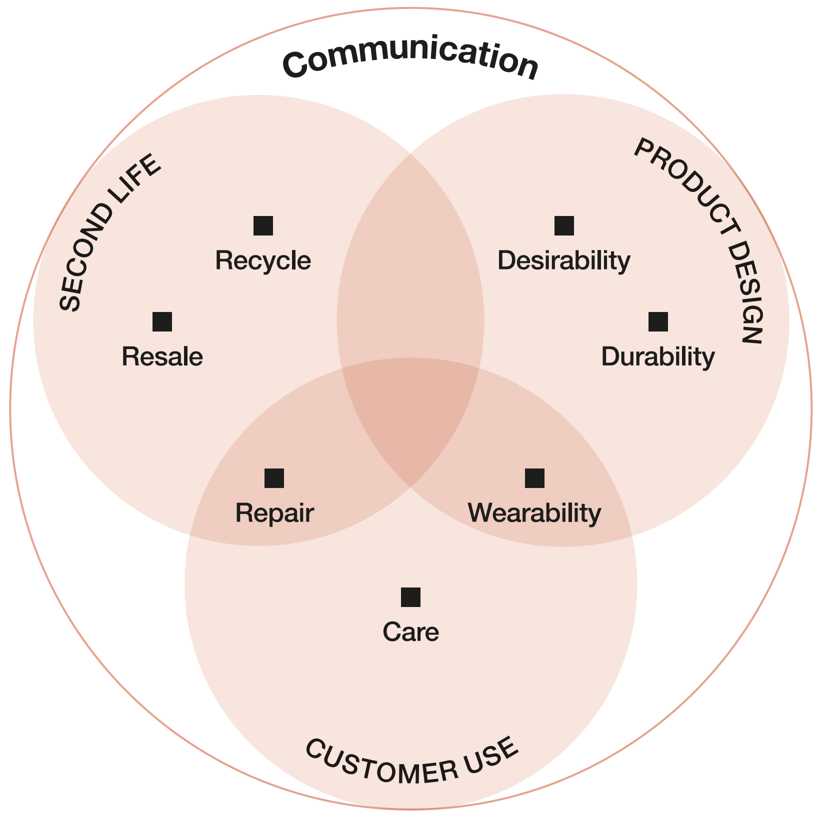
We are confident that we have a solid foundation. We create products that are desirable to our customers. We carefully choose our materials and constructions, and we have strong quality control processes in place. However, we not only want to say that we design for longevity, we also want to be able to validate that.

Our ambition is to implement design for longevity principles that define what needs to be considered when creating and promoting our products. The foundation when designing for longevity is to understand customer behaviour. Only by understanding and adopting our design and services to how our customers are using our products, can we truly say we enable design for longevity.

Design for longevity principles

Progress	Defined key principles for our 'design for longevity' strategy
Next steps	Create tools to translate longevity criteria to our collection

This year, we researched the factors that affect the lifespan of fashion products and identified internal tools needed to implement our longevity strategy. We have landed in seven principles for the product lifecycle: desirability, durability, wearability, care, repair, resale, and recycling. These principles are the foundation of our design for longevity approach. Another overarching key enabler is to promote sustainable consumption and fashion habits through encouraging and inspiring communication.



Next year, we plan to create a guide and evaluation system with product specific criteria across the seven principles to validate progress towards our design for longevity target. The focus will be on testing and working with these design principles and optimising the approach for each type of product in our collections. This will enable us to set specific KPIs for the coming year that also align with upcoming EU legislations on product design and circularity.

Understanding the product lifecycle

Progress	Conducted a workshop on consumer use of our denim
Next steps	Perform product use studies among employees

To improve product longevity, we need to understand our customers' habits and how our products are used. This year we have done extensive research and consulted with industry experts and academics specialised in fashion consumer behaviour. Multiple factors affect the lifespan of products, including the perceived value, changes in taste, wear and tear, and changes in size and fit.

These studies are not brand or industry specific and only capture the general customer's fashion habits. Therefore, we aim to collect more specific data on the use of our products. We started with an internal denim workshop to understand the purchase motive by asking questions such as what makes a denim a favourite, why it is no longer used, does it need repair or is it resold? We found that fit and quality are the primary motivation for prolonged usage.

Next year, we will continue this research and perform a more in-depth 'wardrobe studies' among employees on fashion habits and the durability of our products. This study will serve as input to create the product specific criteria within our design for longevity principles.

Product durability verification

Progress	Long-time quality assessments of our denim and jersey/fleece
Next steps	Integrate durability criteria in design for longevity principles

We want to assure our products live up to our high-quality standards and can stand the test of time. We have quality measures integrated into our development and production processes and follow up on customer feedback and claims. This year, we updated our claims data routines and found customer claims share of 0,56% of total sales quantity. This is higher than last year, mainly due to changes in reporting scope and methodology.

Within our design for longevity strategy, we want to deepen our already existing quality routines and verify the durability of our products after a long-time use. A project on prolonged durability assessment with long time wear and increased wash and lab tests was launched for our denim category in 2022 and this year we have performed extensive testing on a large share of our jersey/fleece range. We found that the majority of our denim and jersey/fleece falls into a high durability criteria. Next year we aim to perform durability verification on more product categories to report on product durability under our design for longevity principles.

Care and repair services

Progress	Updated care guide for our online store
Next steps	Develop strategy for a global product repair service

We aim to empower our customers in taking care of their garments, to maintain the quality and enable the longest lifetime possible. We advise customers on product care via care cards and care labels and by providing information in our stores. This year, we have developed a product care guide for our online store that informs customers on how to maintain quality and appearance over time.

We are offering repair service to our customers and our stores collaborate with local tailors and cobblers to repair eventual faults. At our HQ, we keep a large storage of spare parts that goes back several seasons to enable a continuous repair service. However, we would like to further formalise this process and make sure that we provide the same repair support across all our stores. Therefore, next year we want to develop a strategy for a global product repair service.

Alternative Business Models

Progress	Pre-studies done on market opportunities for resale
Next steps	Prepare for launch of alternative business model by 2025

As part of both our design for longevity strategy and our climate roadmap we are exploring new business models. Our focus is on researching resale opportunities and finding the most relevant set-up that aligns with our brand identity. To achieve this, we are working with the product and design team and our commercial teams. We believe that the success of a resale business model depends on the desirability and durability of our products and creating a unique selling proposition. We aim to launch our first alternative business model in 2025.

Product recyclability

Progress	>35% of collection valid for fiber-to-fiber recycling
Next steps	Develop recyclability guidelines for our products

Recyclability is one of the seven design for longevity principles. This year we have assessed that at least 35% of our collection can be recycled into new fibers based on recyclability criteria of major recyclers in the EU. This includes items that have a composition of more than 95% cotton and 100% wool, cashmere, polyester or polyamide. Styles that are not included are those that are made in mixed materials or contain plastic, thick prints or trims that are limiting the recyclability. While a larger share of our collection is potentially recyclable, we have taken a conservative approach due to the textile recycling industry still being under development.

We aim to create partnerships between our suppliers and recyclers, monitor technological innovations, and comply with the upcoming extended producer responsibility (EPR) regulations for textile waste. To comply with EPR legislation in France, we have become a member of ReFashion this year. Our plan for next year is to develop guidelines for our design and development teams on how to design for better recyclability, to be integrated in our design for longevity principles.

Preferred materials

Target: 100% use of preferred raw materials in our collection by FY 26/27

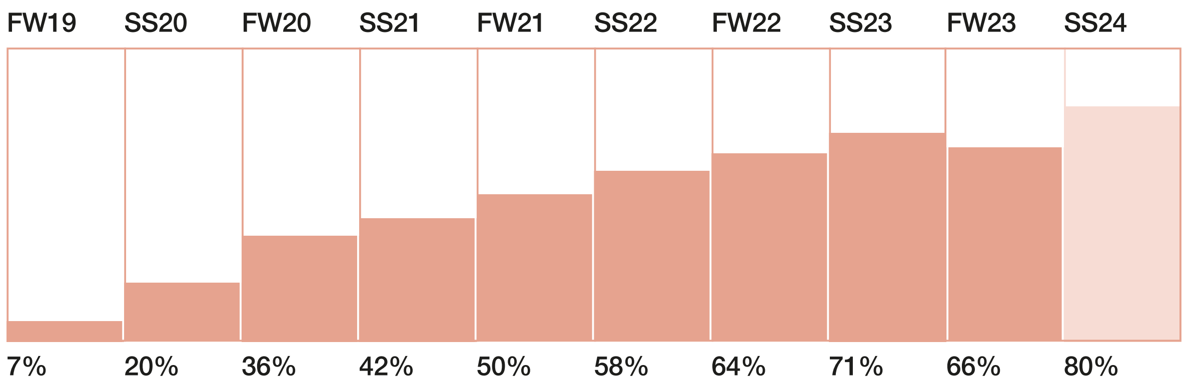
Key progress: 68% of our collection made in preferred raw materials

We carefully select each material in our collection based on the desired look, quality, and sustainability performance. The production of raw materials can have significant environmental and social impacts. To reduce these impacts, we are working to increase the use of preferred materials for several seasons.

Our fiber and leather classification tools, as shown in Annex 1, define which materials we consider preferred. Raw materials are 'preferred' if they are verifiably more sustainable in terms of biodiversity, climate, animal welfare or human rights. Since material selection has a big impact on our climate footprint, a special focus is on finding ways to reduce GHG emissions associated with our raw materials.

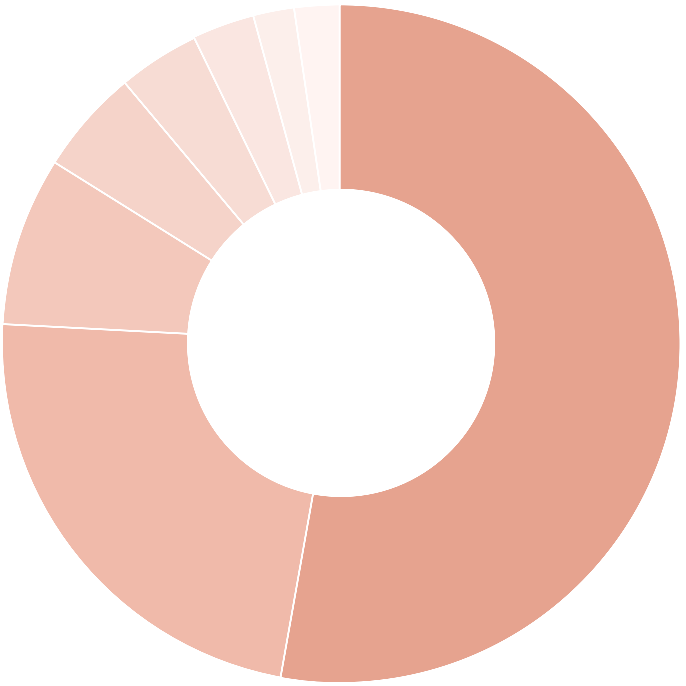
Seasonal preferred materials progress

Share of seasonal order weight



Preferred material types

Share of FY22/23 total preferred materials order weight



Progress	68% of collection made in preferred materials
Next steps	77% of collection made in preferred materials

This year, 68% of the total order weight of our collection was made from preferred materials. The preferred material we use most is organic cotton, followed by wool certified to the Responsible Wool Standard (RWS). Currently, 89% of our cotton use is organic and 84% of our wool is RWS certified.

FW23 is the first season that we see a decrease in the share of preferred materials. This is mainly due to structural changes in our collection range. As a response, we are adapting our internal targets as of FW24 to better fit these changes. We are also aware that the closer we get to our target of 100% preferred materials, the more challenging it will become to continue to make progress. This makes it increasingly important that we establish strong partnerships with material suppliers to collaboratively develop preferred material offerings, as explained in the section 'Strategic Partnerships'.

Recycled materials

Progress	10% of collection made of recycled materials
Next steps	Set recycled wool targets for woven and scarves categories

Currently, 10% of our collection is made of recycled materials. We want to increase the use of recycled materials as it is the most effective way to conserve natural resoures. This year, we focused on cotton and synthetics, where industry developments are most advanced. We have mixed recycled cotton into our organic cotton for several of our denim styles and increased the use of recycled polyester to 61% of our total polyester use. Since FW20, all down we use in our collection is recycled to prevent the need for new down production and related animal welfare issues.

To learn about recycling options for wool, we visited several recycling facilities in Italy this year. Most of our fabric mills are in Italy and a long history in wool recycling is present in this country. Next year, we will put extra focus on developing recycled wool articles in our woven and scarves categories together with our fabric mills.

Strategic wool sourcing

Progress	Developed low-impact wool sourcing strategy
Next steps	Launch first regenerative wool in knitwear collection

Wool is one of our favourite materials and we have been improving its sustainability impacts in several ways. We have minimum animal welfare requirements in place (see Annex 2), most of our wool is certified against high animal welfare and land management standards via RWS, and we work on increasing the use of recycled wool.

We now want to set concrete steps to lower the carbon footprint of virgin wool by sourcing wool from farms with proven lower impact on climate and biodiversity. This year, we have done extensive research on this topic by consulting suppliers, other fashion brands, wool associations, and certification organizations. We have mapped out opportunities to establish sourcing relationships with wool farms in Australia, New Zealand and South Africa that prioritise climate and biodiversity conservation by practicing regenerative farming methods. We aim to have this wool in our knitwear collection as of season SS25.

Strategic leather sourcing

Progress	Pilot project on biobased leather alternatives
Next steps	Develop low-impact leather sourcing strategy

Leather is used in our bags, shoes and for our outerwear range. This year, we launched a project to explore innovative biobased alternatives to leather for bags. We researched and evaluated different options but did not yet manage to find a suitable material that meets our look and performance requirements. We will continue to explore biobased options but also want to continue to focus on using better real leather. We are re-evaluating our leather classification tool to make it easier for our sourcing teams to identify and select preferred leather hides.

Like wool, we also want to explore possibilities to source low-carbon hides from farms with regenerative practices. We will start by gathering information and best practices via suppliers, other brands and the Leather Working Group (LWG). Since leather is a by-product of the meat industry, there is little transparency in its supply chains. This makes it challenging to find farms with better practices. A highlight this year was our collaboration with Swedish heritage brand KERO for a footwear capsule collection in which we did have traceability of the leather back to Swedish farms.

Biodiversity strategy

Progress	Launched first regenerative cotton denim
Next steps	Complete WWF biodiversity risk mapping

Over 70% of our raw materials are natural and origins directly from plants or animals. We want to reduce our impact on nature and protect and restore the ecosystems that our supply chain relies on. As described in our wool and leather strategy, we are currently setting up partnerships to source from regenerative farms. For cotton, we already have the first RegenAgri certified cotton in our denim collection since FW23. RegenAgri is a programme that supports farms with the transition to holistic farming by increasing soil health, encouraging biodiversity, reducing GHG emissions and sequestering CO_2.

We aim to integrate biodiversity into our preferred material strategy. As a first step, we will conduct a biodiversity risk mapping through World Wildlife Fund (WWF) to identify our biodiversity hotspots. We are also part of several working groups to support to industry solutions. We contribute to several Textile Exchange groups, including the Regenerative Agriculture Community of Practice and the Animal Fibers and Materials Regenerative Measurements and Metrics Working Group. Within the Swedish Textile Initiative for Climate Action (STICA), a brand collaboration that is explained in section ‘Reduced Climate Impact’, we are leading the working group on raw materials that is currently focused on cotton and reducing the climate impact of growing of this fiber.

Low-impact production

Target: 100% use of low-impact processes in production by FY 26/27

Key progress: 21% of our collection made with low-impact processes

Production processes such as tanning, dyeing, washing, and finishing invariably leave an environmental footprint due to the consumption of energy, water, and chemicals. Our goal is to minimise this through use of production processes with a verified lower impact. While over 50% of our materials are produced within the EU, where the use of best available technology is likely, we aim to verify this transparently through reliable data or certifications.

At a minimum, all our materials must comply with our Restricted Substance List (RSL). Additionally, we have developed a low-impact production verification guide that outlines the certifications and standards we recognise as best practice. To progress towards increasing use of low-impact processes, we have identified key focus areas and set annual milestones to guide our efforts.

Low-impact production criteria

Progress	21 % of collection made in low-impact processes
Next steps	Integrate suppliers reported data in low-impact criteria

Last year, 21 % of our collection was made with verified low-impact processes on both material and garment production level. This includes LWG certified tanning, Global Organic Textile Standard (GOTS) certified dyeing on our jersey/fleece range and the use of low-impact denim treatments.

Due to our varied product range, we have created a simplified but still measurable guide for how to assess a low-impact production in terms of water, energy, waste, and chemical management that can be applied to most of our articles. The guide is based on certification standards and well-known measurement tools that either assess environmental performance on factory or individual article level.

We will continue to increase the overall share of the collection made under low-impact processes next year. We also aim to continue to assess the reported environmental data from our suppliers and define how to incorporate that in our low-impact strategy.

Low-impact production verification guide

Factory level verification	Article/style level verification
Certifications: LWG, Bluesign, Oeko Tex Step Memberships: Clean by Design, ZDHC, Higg Index Alternatively: Verified progress on suppliers own E-KPI's or own environment targets.	Certifications: GOTS, GRS, Bluesign Standards: EPD's, LCA's, Jeanalogica EIM Alternatively: Use of techniques verified with data as having lower environmental impact.

LWG audited tanneries

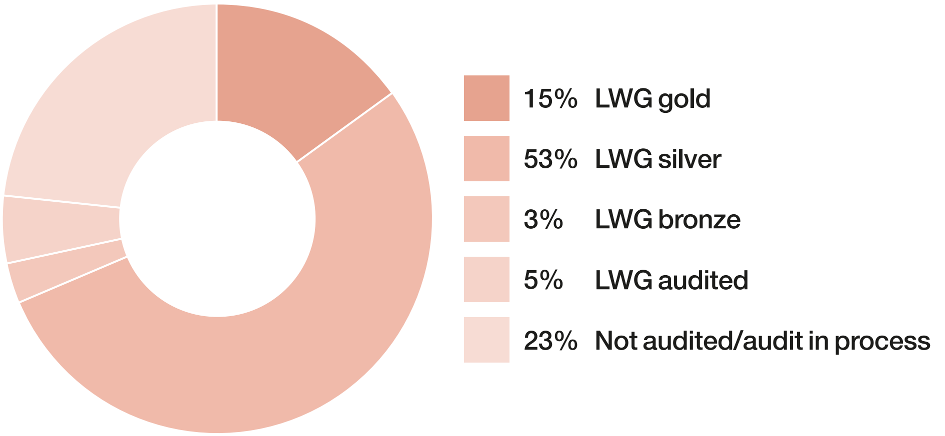
Progress	69% of leather made in LWG Gold or Silver certified tanneries
Next steps	Increase share of LWG Gold and Silver certified tanneries

The Leather Working Group (LWG) is a not-for-profit organisation that promotes sustainable and responsible practices in the leather industry. Member tanneries are audited to verify their environmental performance in terms of water, chemical and energy efficiency as well as traceability and finally ranked based upon performance.

This year, 77% of our total leather material use was from LWG audited tanneries of which 69% from gold and silver ranked tanneries, meeting our low-impact criteria for leather. This is a significant increase from last year when it was 40%. We aim to continue to work towards our ambition of only using LWG certified tanneries during the next year.

LWG certified tanneries

Share of weight in FY22/23



Low-impact certifications

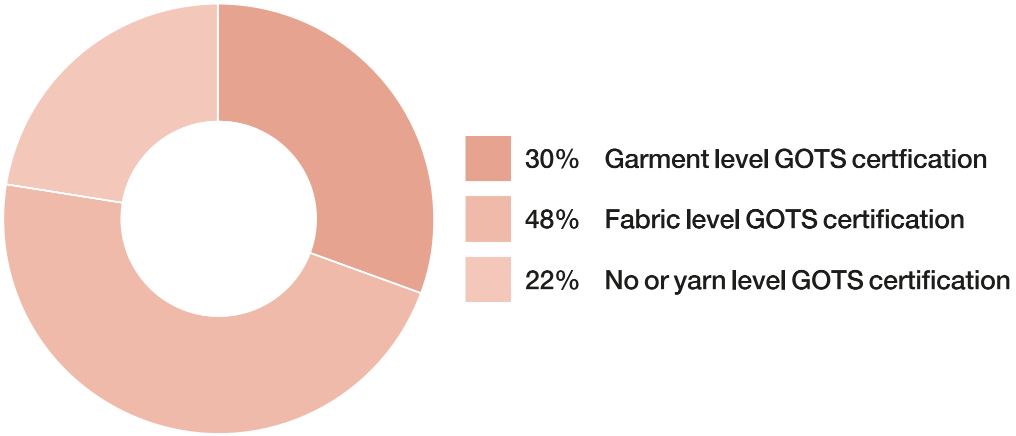
Progress	30% of our jersey/fleece garments are GOTS certified
Next steps	Increase the share of garment level certification

Part of our low-impact strategy is to increase the share of third-party certifications for processes made on fabrics and finished products. This year, 30% of our jersey/fleece collection was GOTS certified. That means that, on top of using organic certified fibers, the substances and dyes used meet strict environmental and toxicological criterias. It also means all production facilities in the value chain have been audited for social standards. A limitation on GOTS, however, is that it doesn't assess energy and water use.

Next year, we aim to increase the amount of garment level GOTS certification on more jersey /fleece groups as well as introduce it for denim. We are also researching Bluesign certified polyester and nylon. Bluesign is an environmental certification for processing of, primarily, (and often recycled) synthetic fibers, which also provides increased transparency.

GOTS certification overview

Share of jersey and fleece order weight



Garment treatments

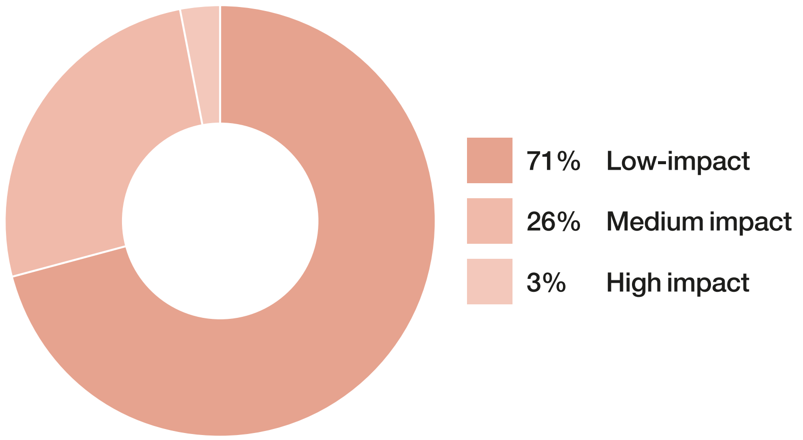
Progress	71 % of our denim washed with low-impact treatments
Next steps	Streamline low-impact verification for all garment treatments

The majority of our denim go through a garment wash and we also use garment finishes on our jersey/fleece collections to achieve a certain look. For several seasons, we have been gathering data from our denim washes according to the Jeanalogica Environmental Impact Measuring (EIM), as described in our denim wash classification tool in Annex 1, and we aim to use less impactful techniques such as ozone and laser treatments. Today 71 % of our denim orders were 'low-impact' in terms of water, energy and chemical use.

This year, we have continued to assess the environmental performance of our jersey/fleece treatments, conducting a pilot on five core groups. Our development team has also been introduced to innovative treatments through a research trip to Portugal, where all our jersey/fleece is produced. Next year the focus will be to gather data and streamline verification across all our garment treatments. We are also converting the denim wash criteria we apply to Jeanalogia v.2, which has stricter requirements than the previous version.

Denim wash impact FY 22/23

Share of 5-pocket denim order weight



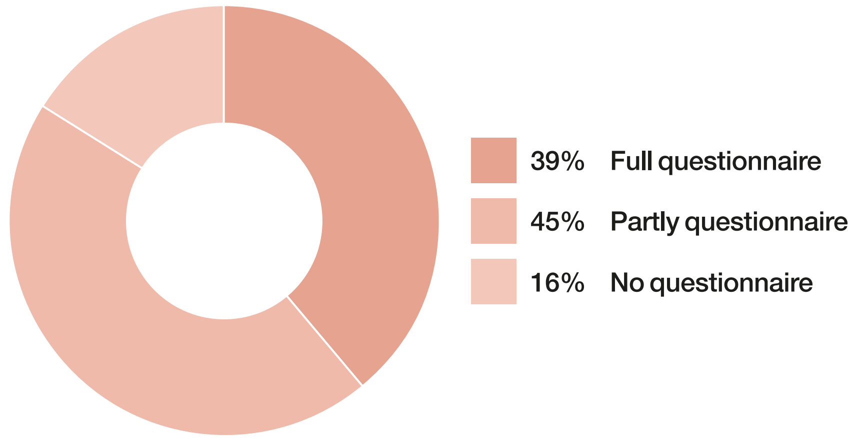
Environmental data from suppliers

Progress	>80% of our material suppliers provide environmental data
Next steps	Improve the data gathering process for material suppliers

Majority of our materials are produced in Europe, where environmental standards are generally high. To better verify this, we ask our suppliers to fill in our environmental questionnaire where we gather information on environmental management systems as well as water, energy, chemical and waste data. We request it from both product and material suppliers, but the material suppliers are more critical as they are performing environmentally intense wet-processes. So far, 90% of our product manufacturing and 80% of material production is covered by suppliers responding to our environmental questionnaire. Some have filled in the full questionnaire and some partly, for example, by only providing data on energy consumption, which we use for our climate footprint report. We will continue to analyse their response as well as looking into improving the data-gathering process next financial year.

Supplier environmental questionnaire

Share of response of total order weight FY 22/23



Our partners

Our ability to push the boundaries of creativity and sustainability is inherently linked to the success of our partners. We prioritise building strong, transparent relationships with our suppliers so that we can work together to achieve our long-term sustainability goals. We believe that collaborating in industry initiatives is also essential to gaining expertise and adopting best practices. The following pages explain how we are fostering strategic partnerships, ensuring traceability, and protecting workers’ rights in our supply chains.

Strategic partnership

Target: more than 50% of order value with suppliers that share our sustainability ambition by FY 26/27

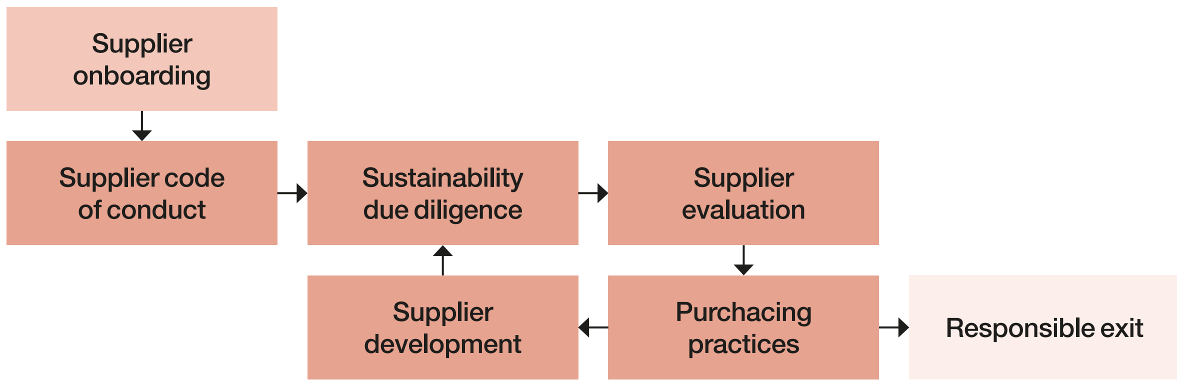
Key progress: 41% of order value with product suppliers scoring high in our sustainability evaluation

Our suppliers are integral to our success. We aim for excellence and seek to partner with the best suppliers who share our vision and ambition for sustainability. At the same time, we strive to be a valuable partner for them, enabling us to achieve our common targets.

To make our collections, we work with a concentrated base of suppliers located mainly in Europe and Asia. We value long-term collaboration and have been working with half of our product suppliers for more than five years and 20% for more than a decade.

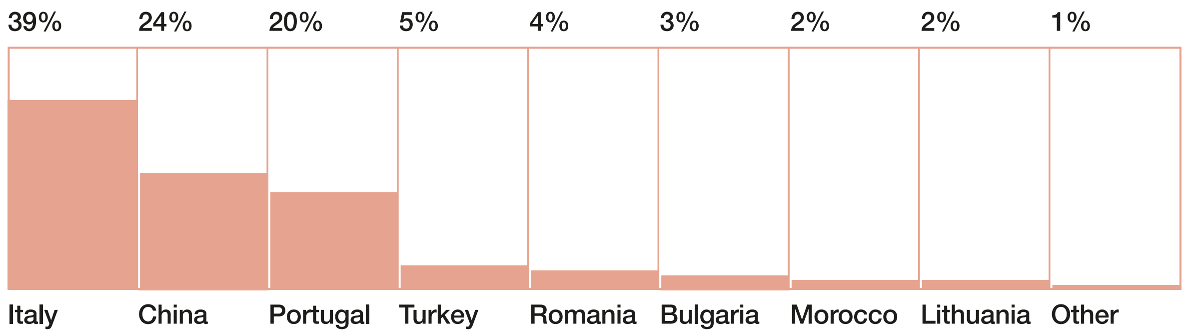
We have defined below process to structure our sustainability work with suppliers. Our supplier code of conduct forms the basis for the business relationship which is followed by continuous sustainability due diligence and structured supplier evaluations. These evaluations steer our purchasing practices in the right direction, along with projects focused on supplier development.

Strategic partnership process



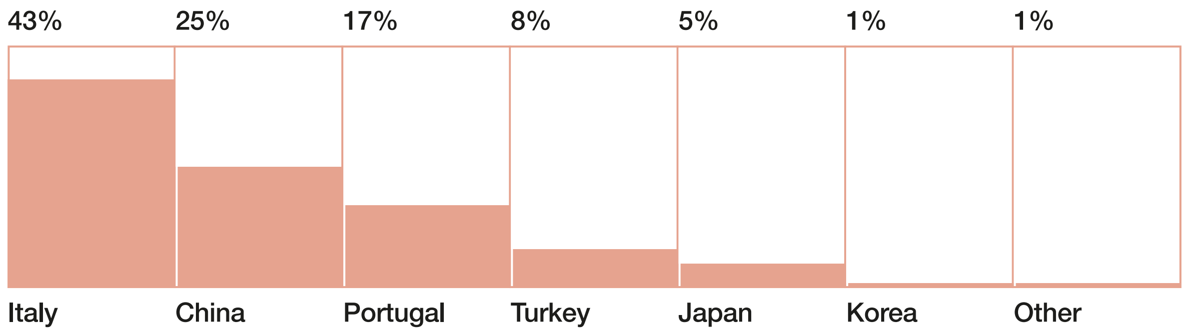
Tier 1: Product manufacturers

Country of origin based on order value



Tier 2: Material manufacturers

Country of origin based on order value



Sustainability due diligence

Progress	Implemented code of conduct for non-production suppliers
Next steps	Implement revised code of conduct for tier 1 & 2 suppliers

Sustainability due diligence is a crucial part of our strategic partnership strategy. To ensure our suppliers meet our standards, we created a supplier code of conduct. This year, we launched the code for our non-production suppliers, such as transport, store development, IT, and other service providers. So far, 55% of these suppliers have confirmed the code. Next year, we will roll out the code further to ensure that all our non-production suppliers commit to it. The code explains our sustainability commitments and aligns them with the expectations we have on business ethics, social standards, and environmental management.

In terms of our product suppliers, we have performed human rights due diligence for over 10 years through our membership with Fair Wear. Next year, we will create a sustainability code of conduct for both our material and product suppliers. It will be a two-way code, meaning that we also include what our suppliers can expect from us as a partner. We also want to develop a responsible business conduct policy that will explain our procedures and policies and will expand the scope of our policies to better align with upcoming Corporate Sustainability Due Diligence Directive (CSDDD) legislation.

Supplier onboarding and exit

Progress	Launched work group on supplier onboarding process
Next steps	Develop and implement supplier onboarding and exit process

This year, we launched a working group to update our supplier onboarding process. We believe this is needed to become more proactive in our sourcing and to be able to conduct sustainability assessments of potential suppliers at an earlier stage than today. In relation to this, we also foresee that we need to be more proactive when phasing out business relationship with suppliers. Therefore, the aim for next year is to finalise and implement both revised supplier onboarding and responsible exit procedures.

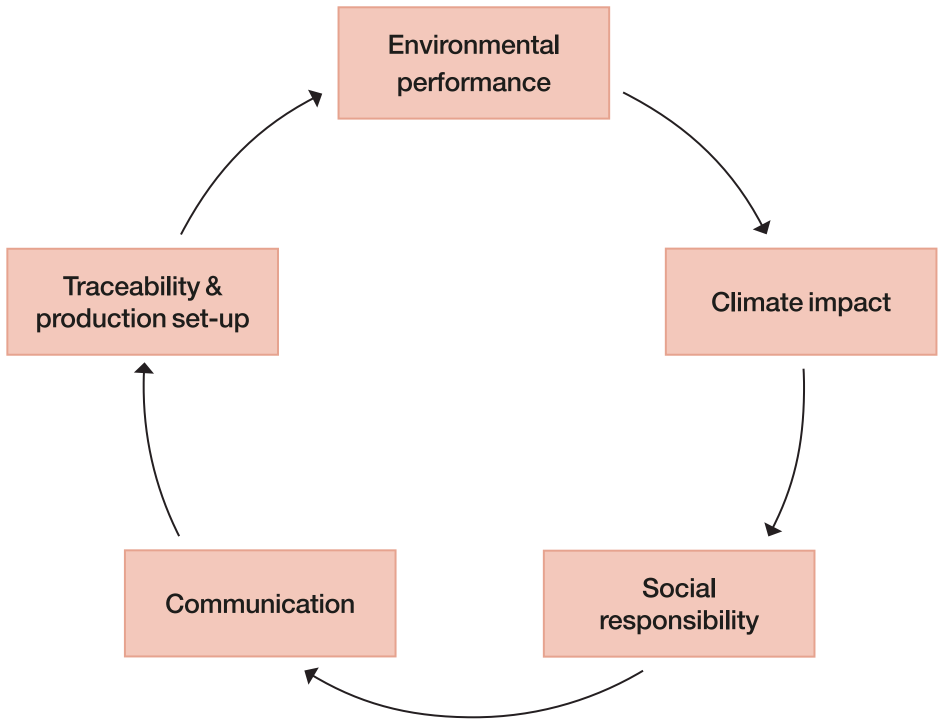
Supplier evaluations

Progress	41% of orders with suppliers scoring high on sustainability
Next steps	Define supplier engagement classifications

This year, we have further improved our seasonal and annual supplier evaluation processes. Within these, we jointly evaluate our suppliers against development, quality, production, and sustainability criteria. In terms of sustainability, suppliers are assessed on communication, traceability, environmental, social and climate performance. These evaluations are linked to our long-term strategic partnership target where we want more than half of our material and garment suppliers to score as high performers by FY 26/27. Today, around 41 % of order value comes from product suppliers that are scored as high performers on sustainability. Even if our main suppliers score high, their subcontractors are also included in the score. This means that it can be a longer process to improve performance for suppliers that use several subcontractors. Production set-up and subcontracting management is therefore high on the agenda in our discussions with supplier.

We intend for the evaluation process to become a tool to consciously direct our sourcing to those suppliers we see as strategic partners and who share our sustainability ambitions. Therefore, we will create a classification of our suppliers based on the type of production and collaboration we have and aspire to have with them. Next year we will also work further and share the progress on the supplier evaluation of our material suppliers.

Supplier sustainability criterias



Purchasing practices

Progress	Further implementation of open costing
Next steps	Perform supplier feedback survey

In our ambition to direct our sourcing to suppliers that meet our sustainability ambitions, we also need to address our own purchasing practices. We aim to have a proactive dialogue with our suppliers on our plans and be clear with what they can expect from us as a business partner. As one example, we want to understand whether our prices are supporting them to pay their workers living wages. We have introduced our open costing sheet that includes a request for labour costs and minutes in FW22. For season SS23, we asked open costing for all our carry over styles and, as of FW23, for all styles. We are still in the process of receiving this information structurally from all our suppliers. To support here, we have focused on offering in-person trainings for suppliers on the Fair Price tool, developed by Fair Wear, which facilitates fact-based costing to ensure prices sufficiently cover all labour expenses. To date, we have organised 7 trainings, which represent 17% of our order value.

For next year, we aim to perform a survey to collect feedback from our suppliers on the expectations and needs they have from us as a business partner.

Supplier development

Progress	Organised a digital supplier forum for Asian suppliers
Next steps	Create a development plan for key suppliers

After the pandemic period, we held a two-day supplier forum in Stockholm to strengthen our collaboration with our most important European product and material suppliers and to update them on our business strategy and sustainability targets. Since Asian suppliers were still facing travel restrictions, we organised a digital forum for them early this year. Our suppliers frequently visit our headquarters throughout the year. We have now implemented a process to ensure that every department can schedule time to meet with the visiting supplier and sustainability is always part of the meeting agenda.

We intend for the supplier evaluation process to become a tool used to consciously direct our sourcing to those suppliers that share our sustainability ambitions. This also means that we want to support our suppliers and discuss progress with them. Based on the supplier evaluation outcomes, we will identify key suppliers that we want to collaborate with on capacity building, pilot projects or investments to improve their sustainability performance.

Traceable supply chain

Target: 100% traceable supply chains down to raw materials by FY 26/27

Key progress: 100% tier 1 and 76% tier 2 traceability as well as 73% tier 4 country of origin verification

Having a good understanding of our full supply chain is the basis of our sustainability strategy. We are working towards full traceability of all steps involved in making our collections. Our ultimate target is to have a documented overview of all production locations throughout all tiers in our supply chain from product manufacturing (tier 1), material production (tier 2), raw material processing (tier 3) down to raw material sites, such as cotton farms (tier 4). This is essential to be able to evaluate and minimise our social and environmental risks and to ensure that our sustainability standards are met. Prioritising traceability is also driven by customer demands and upcoming legislation.

Acne Studios value chain

TIER 1
Product manufacturing

TIER 2
Material production

TIER 3
Raw material processing

TIER 4
Raw material creation

Tier 1 & 2 traceability

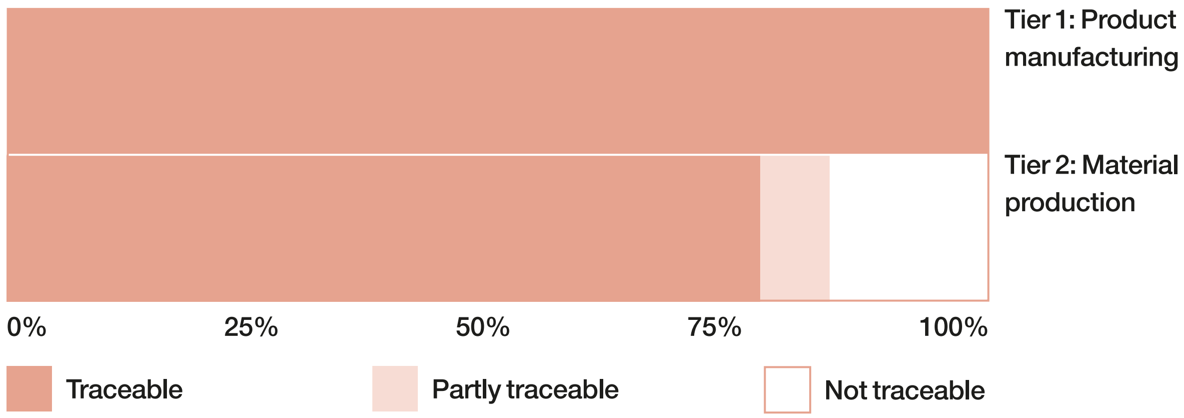
Progress	100% tier 1 and 76% tier 2 traceability in FW23
Next steps	Improve traceability with Italian and Asian tier 2 suppliers

Our membership in Fair Wear has pushed us forward to achieving full traceability of tier 1 production locations since several years back. This year, we have increased our tier 2 traceability to 76% of our main materials. This means that we have a detailed mapping of the production steps and locations for our fabrics, leathers, and yarns.

Next year, we aim to achieve full tier 2 traceability and will focus on suppliers that still struggle to provide this. For instance, our Italian supply chains for woven and scarves are complex and involve many different facilities, while some of our Japanese material suppliers and Italian tanneries work with agents that are not used to sharing detailed traceability information with brands. Traceability is part of our supplier evaluation process, and we will eventually direct our sourcing to suppliers that are willing to share this information with us.

We have also worked on simplifying our traceability request and increase suppliers understanding of why we require this information. We will continue with this next year, for example, by exploring options for suppliers to use our supplier portal to provide traceability information directly into our Product Lifecycle Management (PLM) system.

Traceability status FW23



Tier 3 & 4 traceability

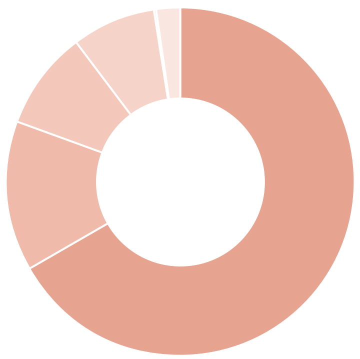
Progress	73% tier 4 country of origin traceability
Next steps	Define a strategy to achieve tier 3 and 4 traceability

We ask country of origin information for all our raw materials to evaluate risks and impacts. We request this at order placement, and for our certified preferred materials, we verify it after shipment via the certification process. This information feeds into our risk analyses and strategy on climate, biodiversity, and human rights.

To get traceability of all processes made and production locations used in tier 3, and to achieve tier 4 traceability on site level, it is crucial to further optimise our data management and supply chains. The more stable and efficient our supply chains are, the easier it is to reach and maintain full traceability. A strategy on how to further improve this will be developed in line with our 'Preferred Materials' and 'Strategic Partnerships' work. Since traceability is an industry-wide challenge, we are part of LWG's traceability working group to collaborate and help drive improvements in leather supply chain traceability.

Leather animal origin

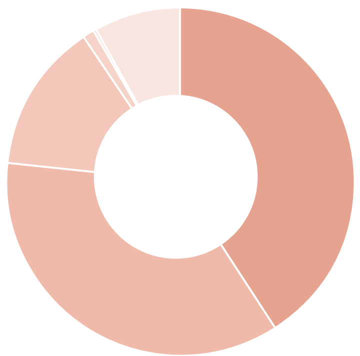
Share in FY 22/23 order weight



67%	Europe
14%	North America
9%	Africa
8%	APAC
0.3%	Asia
2%	Unknown

Wool animal origin

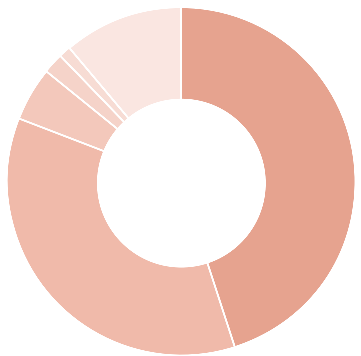
Share in FY 22/23 order weight



41%	APAC
36%	Africa
14%	South America
1%	Europe
0.3%	Asia
8%	Unknown

Cotton fiber origin

Share in FY 22/23 order weight



45%	Asia
36%	Europe
5%	Africa
2%	North America
1%	South America
11%	Unknown

Traceability data management

Progress	Pilot of supplier portal including routing function in PLM
Next steps	Digitalise traceability routines in PLM or another system

In our plan to optimise and update our PLM system, several projects and related working groups have been set-up. One of the biggest running projects is to provide suppliers access to our PLM system via a supplier portal. This would enable efficient sharing of information that is relevant for the development, production, and traceability of our collections. This year, a pilot of the supplier portal has been done with two suppliers. This pilot is being evaluated before a second pilot with more suppliers will begin.

We also developed a so-called routing system to track our tier 1 and 2 production set-up in PLM. Our materials, production and sustainability teams worked closely with Centric, our PLM provider, to develop this system. It was piloted for season SS23 by two production teams for the woven and leather categories. The other production teams have now been introduced to the system and trained on how to use it. However, we are still evaluating whether to roll out this system or whether to work with an external traceability platform that would also enable tracking of tier 3 and 4 production locations.

Transparency

Progress	Launched tier 1 transparency through Fair Wear on OSH
Next steps	Launch tier 1 transparency for Acne Studios on OSH

This year, we started publishing our product factories on the Open Supply Hub (OSH). As of now, OSH displays information of about 50% of our production locations based on FOB order value. To achieve this, we have asked approval of all our production locations for publication and integrated this approval request into our onboarding process for new factories. We aim to further increase the share of published factories next year.

Our production locations are currently published as part of an overview of factories that Fair Wear member brands source from. This means that our production locations are shown as factories supplying to a Fair Wear member brand, but with no link to Acne Studios yet. As a next step, we want to specify on OSH which factories we work with. This is planned to be launched during next year.

Digital product passport (DPP)

Progress	Launched a working group on DPP implementation
Next steps	Implement DPP and product authenticity for 2025

This year, we launched an internal working group on Digital Product Passports (DPP). Product passports are a tool to share information about our products and supply chains with our consumers. The purpose of the working group is to find a system that enables consumers to authenticate our garments to prevent fraud, affirms the value of our products in resale markets, and provides sustainability information about the product. This system will also enable us to comply with future EU legislation on public product information. Our target is to implement the first version of DPP in parts of our collection in 2025.

Protecting workers' rights

Target: 100% monitoring of workers' rights across our supply chain by FY 26/27

Key progress: leader in social responsibility as verified by Fair Wear

We want to develop and produce our collections together with partners that share our passion for making strong products and are committed to doing so in an ethical manner. Our Code of Labour Practices (see Annex 3) forms the basis of our commitment to responsible sourcing. We strengthen this commitment as a member of Fair Wear, a multi-stakeholder initiative that we work with since 2008 to improve conditions for workers in the fashion industry.

Our main responsibility lies with our direct product suppliers, but our supply chain stretches further. We, therefore, align our workers' rights approach with the OECD Due Diligence guidance. This means we are working to identify and prioritise actual and potential risks for people in our supply chain. Based on this risk assessment, we decide which prevention and resolution activities to carry out. We currently focus on vulnerable groups in our supply chain, such as migrant workers, and on supply chain-wide issues, such as fair wages.

Advance Fair Wear leader status

Progress	Integration of new Fair Wear due diligence requirements
Next steps	Finalise tool to assess human rights risks in factories

Fair Wear support us on the monitoring of labour standards at our product suppliers. Each year, they evaluate our performance through a so-called Brand Performance Check. We have been graded as a leader in social responsibility for the last nine years.

Fair Wear continuously updates the way they verify member brands' performance. This year, they adopted a more risk-based approach in line with the OECD guidance. They also launched a new system to support brands with mapping their suppliers and prioritising actions based on risks. We took part in the pilot group to test this system and joined a working group to evaluate how suppliers can access the system as well. Next year, we will adapt the tool to best fit our supply chain.

In total, we work with 59 product suppliers that together use 300 production locations. Over 80% of our FOB orders are placed at production locations in Italy, China, and Portugal. On the next page, we describe our activities and progress this year in our five main production countries in more detail.

Financial year	21/22	20/21	19/20
Fair wear ranking	Leader	Leader	Leader
Share monitored	74%	94%	88%
Share visited	N/A**	N/A**	78%
Share in low-risk countries	63%	64%	62%
Number of complaints	1	2	2

* First year that Italy was considered a high-risk country by Fair Wear. This means monitoring requires auditing in addition to other monitoring activities such as our onboarding process.
**Due to Covid, factory visits were not considered by Fair Wear for these years

Italy

39% SHARE OF ORDER VALUE

46% FACTORIES MONITORED

21% FACTORIES TRAINED

- 33 suppliers, 160 factories
- Production of leather shoes, bags, scarves, denim and part of our knitwear and woven categories.
- We audited 8 subcontractors with good performance overall. Some non-compliances were found on employment of migrant workers and payment of wages and benefits. We will work with our suppliers to solve this.
- We trained 11 direct suppliers with a series covering an introduction to social standards, corporate culture and subcontractor management.
- 14 direct suppliers participated in a training from the International Office of Migration (IOM) on risks in Italy concerning foreign migrant workers. We aim to provide in-depth follow-up trainings with IOM next year.

Portugal

20% SHARE OF ORDER VALUE

1% FACTORIES MONITORED

0% FACTORIES TRAINED

- 8 suppliers, 60 factories
- Production of jersey/fleece and part of our shoes category.
- Our jersey/fleece production is allocated across a network of small facilities. We collaborated with our suppliers to improve and standardise the onboarding process for new subcontractors.
- No audits and trainings were done as Portugal has a low risk level in terms of labour rights.
- Next year, we do a risk assessment to evaluate whether there is a need to deepen our activities in the country.

Romania

4% SHARE OF ORDER VALUE

94% FACTORIES MONITORED

60% FACTORIES TRAINED

- 3 suppliers, 10 factories
- Production of woven and part of our shoes category.
- We organised the first WEP Basic training for workers and management at our key woven supplier.
- We also offered this supplier a training on the Fair Price tool. Workers receive living wages already and the training was meant to support the supplier in sustaining these wage levels.
- We also organised a WEP Basic training at a shoe subcontractor. The feedback from workers and management was positive and confirmed they received useful information about workers' rights and applicable legislation.

China

24% SHARE OF ORDER VALUE

95% FACTORIES MONITORED

70% FACTORIES TRAINED

- 10 suppliers, 43 factories
- Production for knitwear and woven category.
- 2 audits were organised at a woven and a shoe factory. We found the need for further training on our labour standards due to a low awareness amongst workers.
- 7 Workplace Education Programme (WEP) Basic trainings were organised at 7 factories to provide both management and workers with knowledge on labour standards.
- We trained 3 factories on the Fair Price tool to support accurate price setting. At our main knitwear supplier, the training was done with two other Fair Wear member brands. Next year, we will work together on a plan to reach living wage levels for all factory workers.

Turkey

5% SHARE OF ORDER VALUE

100% FACTORIES MONITORED

88% FACTORIES TRAINED

- 3 suppliers, 6 factories
- Production of leather outerwear and part of our denim.
- In previous audits we found that grievance mechanisms did not function properly at two leather suppliers. We organised trainings to improve dialogue between management and workers. All management and over 70% of the factory workers attended.
- Trainings of the Fair Price tool were done at the two leather suppliers as well. We prioritised Turkey since inflation has been rampant in the past years and a gap between living wages and actual factory wages is present.

Payment of living wages

Progress	52% of orders at factories paying workers a CBA or living wage
Next steps	Launch wage project in Italy

We want factory workers to receive fair wages that are paid in a timely manner, and we are committed to creating conditions that support this. All our suppliers pay national minimum wages at the least and often have wage levels above industry average. To define what we consider a fair wage, we follow the Anker methodology, as endorsed by the Global Living Wage Coalition, and the Fair Wear Wage Ladder. In countries or regions where there are no living wage benchmarks from these methodologies available, we evaluate whether our suppliers pay wage levels according to Collective Bargaining Agreements (CBAs) negotiated on a national level. Currently, 52% of our FOB is purchased at factories that pay a living wage or CBA wage. We evaluate wage levels at our factories based on wage data from audit reports and information received directly from our suppliers.

To gain a better understanding of wages in Italy, we plan to launch a wage project in the coming year. We have prioritised Italy due to higher risks related to several CBAs being negotiated outside of official national agreements and with the involvement of local trade unions or manufacturing associations. Additionally, there are significant differences in wages between regions and vulnerable migrant workers in the sector. As part of this project, we will collect wage data from all our Italian production locations. This data will then be used to identify any gaps and to plan remediation actions to be taken. We will also check the presence and extent of any pay gap due to gender or migrant status.

Supplier trainings

Progress	Workers' rights trainings performed at 32% of our factories
Next steps	Set up onboarding training for all new production locations

Each year, we offer trainings to our suppliers and their workers on different topics related to our Code of Labour Practices, depending on risks present and demand from our suppliers. This year, we performed trainings at 27 production locations, representing 32% of our placed orders.

To make sure that management and workers at all our production locations have a good understanding of our Code of Labour Practices, we are expanding our onboarding process to include a training for all new facilities. We now started providing informative videos to factory management and ask them to train their workers. As a next step, we want to ensure that all workers receive the same qualitative onboarding training. As most of our suppliers are based in Europe, where production is typically divided over multiple facilities, we collaborate with over 200 small-scale production locations in Italy and Portugal. This makes it challenging to organise an in-person training for every facility. For this reason, we grouped together with Fair Wear and other member brands that produce in Europe to develop digital training sessions. We hope to launch the first digital trainings next year.

Human rights due diligence

Progress	Launched a social questionnaire for wool and leather suppliers
Next steps	Start risk assessments and monitoring for material suppliers

Human rights due diligence for our product suppliers (tier 1) is managed via our Fair Wear membership. To expand our scope to the rest of the supply chain, we started by increasing traceability of all tier 2 factories involved in the production of our materials. Now that we have this information for almost all our materials, we want to start our monitoring process for these suppliers. As a first step, we asked our wool and leather material suppliers for their social auditing history. For FW23, 30% of them have been audited for social standards. This has given us valuable information for the human rights risk assessment we plan to finalise next year. To finalise the assessment, we will evaluate risks in our material supply chain based on factors including location, production processes and audit history. We will then use the assessment to decide on monitoring and remediation activities to prioritise. This could mean that we do more audits, organise checks on specific human rights risks, or provide trainings to support management and workers.

Our impact

Our business choices reflect our environmental impact. We choose our materials and suppliers with care and ensure they align with our sustainability ambitions. Beyond that, we operate and adapt our business model in ways that help preserve natural resources. By adopting better practices, we want to reduce climate emissions across our operations, manage our waste in a responsible way and have a circular approach to the use of packaging. The following chapter explains how we work towards this and what we want to achieve.

Reduced climate impact

Target: 50% absolute reductions of scope 1, 2 & 3 emissions by FY 30/31 vs. FY 20/21

Key progress: 63% reduction of scope 1 & 2 emissions and launch of the 2030 climate roadmap

We are committed to reducing our climate impact in line with science-based targets and the Paris Agreement. To do our part in keeping global warming below 1.5°C, we have set an ambitious goal for 2030 to reduce our annual emissions across our direct operations and supply chain (Scope 1, 2 & 3) by 50% as compared with the baseline FY 20/21. This commitment is guiding our course for progress and we are measuring the carbon impact of our activities every year. Since 2019, we have been an active member of STICA, the Swedish Textile Initiative for Climate Action, where we, together with other brands, collaborate to find climate solutions for our industry and where we jointly report the progress publicly every year.

2030 climate roadmap

Progress	Completed our 2030 climate roadmap
Next steps	Launch and integrate roadmap in business strategy

This year, we have finalised our climate roadmap, which lists and quantifies the actions required to meet our FY 30/31 climate-reduction target. It has been made through outlining a growth scenario based on our business plan, including estimating our emissions in year 2030 if we would continue with business as usual. From that scenario, we have detected emission hotspots and realistic measures we need to take through internal workshops and data modeling. We identified the key focus areas that will drive most of our reductions: decoupling, including introduction of alternative business models, reduction of air shipments, a focus on low-emitting, animal-based raw materials and the use of renewable energy at suppliers. These seven areas contribute to almost 80% of the emission reductions that we now need to work on. However, in total, there are over 35 actions listed in the roadmap

Key 2030 climate roadmap actions

1. Significantly decrease carbon intensity in relation to turnover growth.
2. Introduce alternative business models (resale).
3. Source wool and leather with significantly lower emissions.
4. Significantly increase the use of recycled materials.
5. Significantly increase the use of renewable energy at our suppliers.
6. Significantly reduce use of air transport in shipments.
7. Reduce business travel emissions in line with pandemic levels.

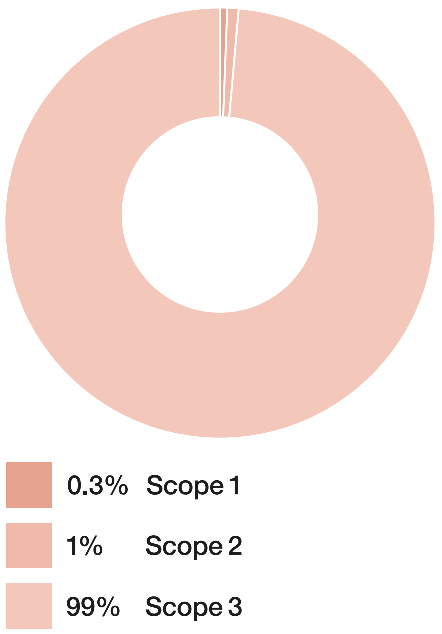
across all our operations, for example, on packaging, store operations, and business travels, that will help us towards halving the emissions.

The results from this year's climate footprint report show that our total emissions have increased with 3% in FY 22/23, an absolute increase from 36 933 tonnes CO2e last year to 37 881 tonnes CO2e. Overall, we see emission reductions in almost all areas such as transports and on raw materials, however we see a high increase of emissions from business travel which is the main reason for the total emissions to not reduce this year. To decrease the use of air travel is part of the actions in our roadmap. For more details see Annex 5.

We are continuously improving the data quality for the climate footprint with more actual data and more accurate estimations. To maintain comparability of emissions in line with our long-term target, base year emissions will be updated as needed. This year, updates on Scope 1 & 2 and business travel were made and, during coming years, production emissions will be evaluated for updates if needed.

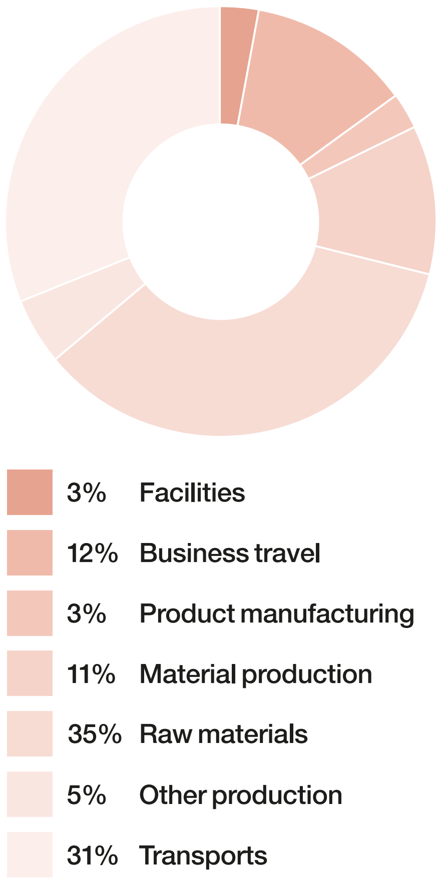
GHG emissions per scope

Share of emissions in FY 22/23

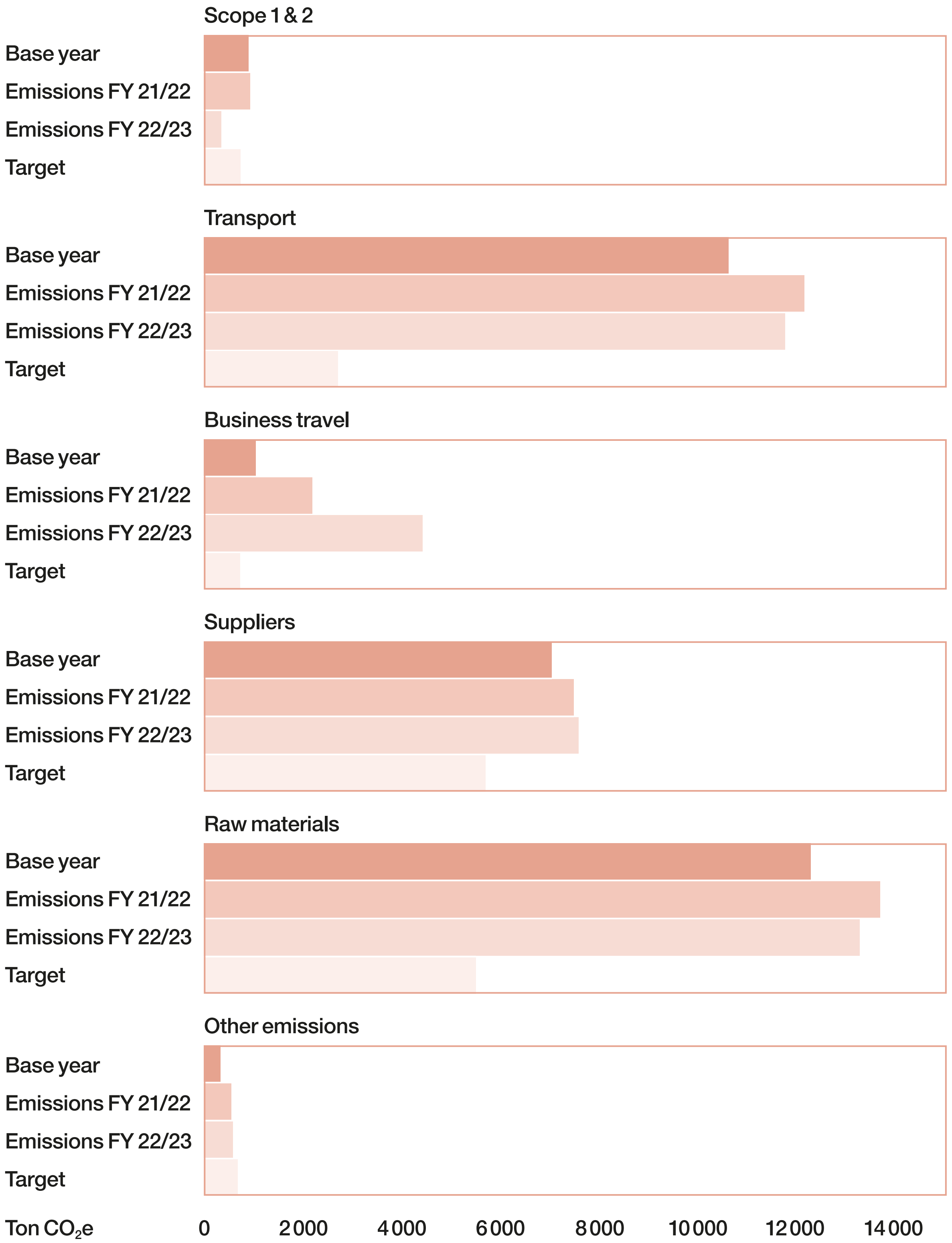


GHG emissions per operation

Share in FY 22/23



Climate roadmap progress overview



Scope 1 & 2 emissions

Progress	Reduced GHG emissions with 64% compared to FY21/22
Next steps	Expand use of energy meters and LEED certification in stores

Scope 1 & 2 consists of emissions generated from running our own stores, offices, and warehouses as well as the use of business cars. This year, we have reduced our scope 1 & 2 emissions by 64%, a total reduction of 63% compared to base year emissions. This means we are already now exceeding our long-term target. This has been achieved through the purchase of renewable energy certificates for the stores and offices where we don't have renewable energy certificates through our existing energy providers.

In addition to enable improve energy efficiency, we have run a pilot on installing store-specific energy meters in two stores, something that we now aim to have as a standard feature in all new store developments. We also made a carbon assessment of the materials used in our store concept that aims to guide us to use materials smarter in our interiors. Finally, we started the process of integrating Leadership in Energy and Environmental Design (LEED) certification into our store development, piloting with our new store in Shenzhen. The aim is to achieve five certified stores over the next year. LEED is a green building certification that includes strict requirements on design, construction, operations, and maintenance of buildings and retail spaces.

Decoupling use of natural resources

Progress	Reduced the carbon intensity per MSEK turnover with 11%
Next steps	Introduce alternative business models by 2025

We aim to grow our business in a way that continuously decouples our financial growth and profitability from the use of finite natural resources. While our turnover increased this year by 16%, our emissions increased by 3%, which is a first step in this direction. Business strategies to enable decoupling includes improved sell-through, increased sales in own channels as well as introducing alternative business models. We also aim to be able to present our customers a more high value offer. We have seen in the last two years that we have decreased the number of pieces sold whilst still meeting our financial growth targets. This year, we reduced carbon intensity by 11% from 13,3 to 11,8 tonnes CO_2e per million Swedish Kroner (MSEK) and we aim to reduce that even further next year. Our introduction of alternative business models is also linked to our 'Design for longevity' target and we aim to introduce this in 2025.

Reducing transport emissions

Progress	Decreased transport emission from shipments with 3%
Next steps	Open a local distribution center in Japan

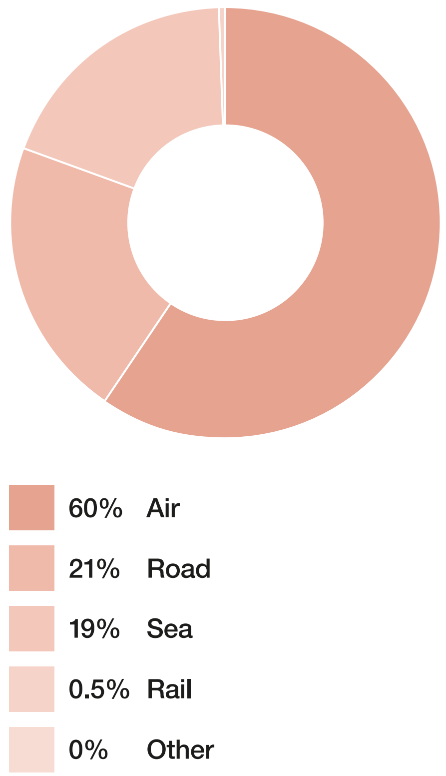
Transport accounts for 31% of our total emissions, where the majority comes from air shipments*. Around a third of our transport emissions come from inbound shipments from supplier to warehouse and more than half from outbound shipments from warehouse to stores and customers. This year, our total transport emissions reduced by 3%, mainly driven by reduced inbound air shipments. By splitting up our collection and revising our production plan, we have enabled larger inbound shipments to go by boat instead of by air. This strategy was rolled out for our season FW23, and, thanks to this, we can see a decrease in emissions from inbound shipments of 23% compared to last year.

The largest share of emissions come from outbound air shipments, where most shipments are made by air to enable precise deliveries to our customers. To target these emissions and enable other modes of transport, we are working towards increased distribution centers. This year, we will open our first local distribution center in Japan.

*According to the STICA guidelines a Radiative Forcing index (RFI) of 2,7 is added for all air freight emissions

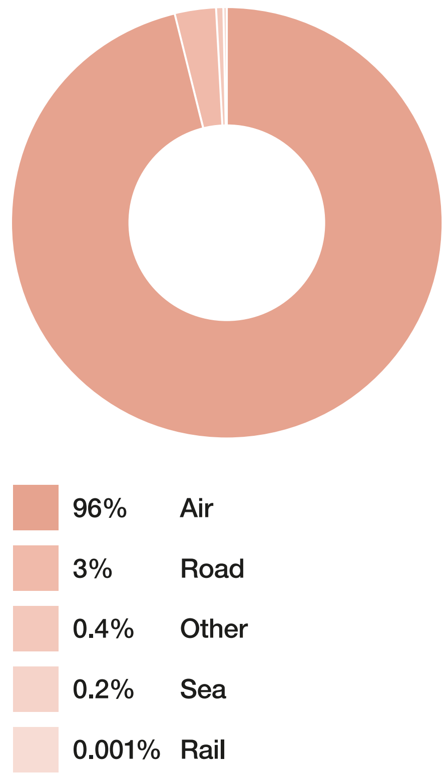
Transport work per transport mode

Share in FY 22/23



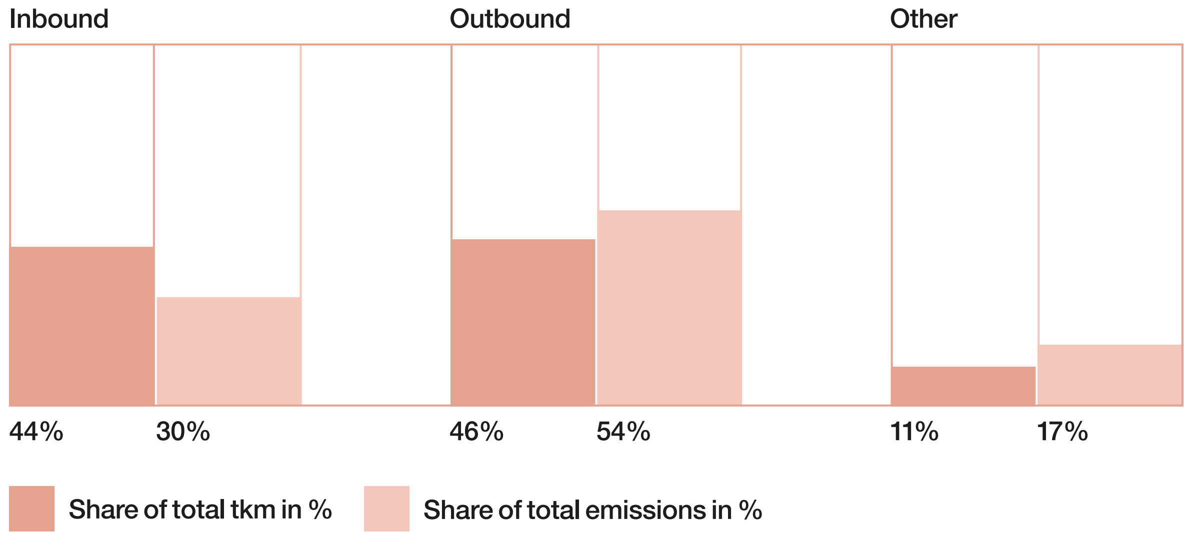
GHG emissions per transport mode

Share in FY 22/23



Transport directions

Share of transport work and GHG emissions in FY 22/23



Lower-impact raw materials

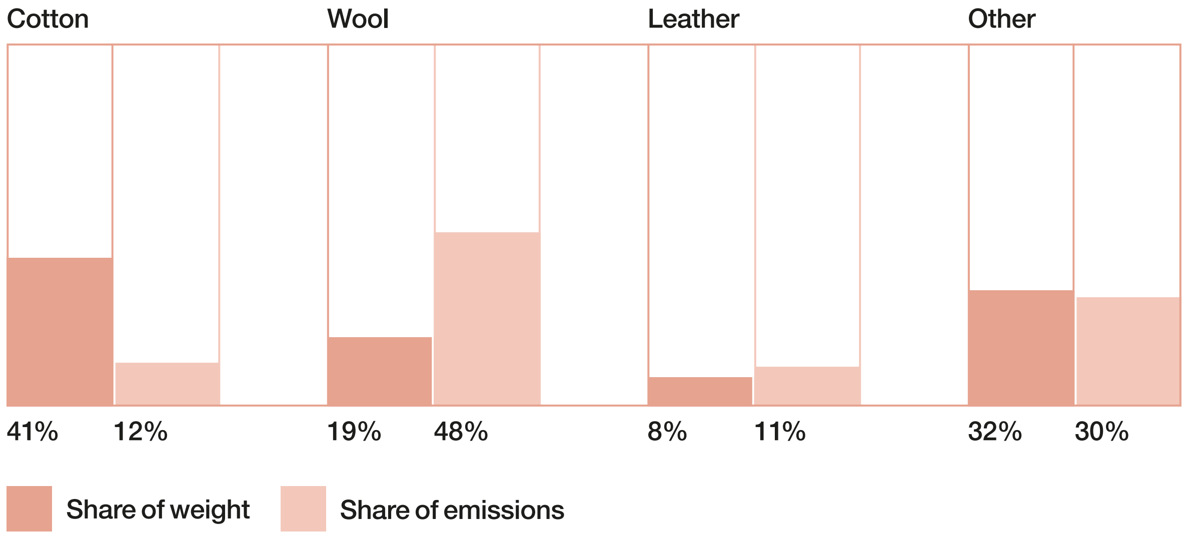
Progress	Decreased raw material emissions with 3%
Next steps	Align the climate roadmap and preferred materials strategy

Raw materials* stand for 35% of our total emissions, with over half coming from the sourcing of animal based materials such as wool and leather. This year, emissions from raw materials decreased by 3% compared to last year, partly due to a decrease in total material weight as well as shifts in the type of material sourced. We saw a significant drop in the use of wool, which stands for most of our raw material emissions and is the main driver of emission reductions. However, we also saw an increased use of leather and alpaca, which are high-emitting materials, and a reduced use of cotton, a low-emitting fiber and our largest material in terms of weight. All emissions from our raw materials are estimated by using global average values provided by the Higg Index so, to get better insight into the impact of the wool and leather that we source, we would need actual data coming from our own supply chain. Therefore, the actions in our climate roadmap will be integrated into our preferred materials strategy, with a strong connection to traceability down to raw materials.

*Includes raw material production and processing (tier 3-4) for fibers

Raw materials

Share of weight and GHG emissions in FY 22/23



Decarbonising at suppliers

Progress	Half of our product suppliers decreased their emissions
Next steps	Align the climate roadmap and strategic partnership strategy

Product and material suppliers stands for around 20% of our total emissions. These supplier emissions also include packaging and transports within their production. The majority of these emissions are from our material suppliers. Emissions from material suppliers increased by 1%, however, emissions from product suppliers decreased by 17% compared with last year. We are happy to see that almost half of our product suppliers decreased their emissions due to energy efficiency measures and the introduction of renewable energy. There are several reasons for higher emissions from our material production, however, it seems we have placed larger orders with suppliers that have increased their emissions rather than decreased, which is something we have to consider more carefully going forward and is part of our supplier evaluations and strategic partnership strategy.

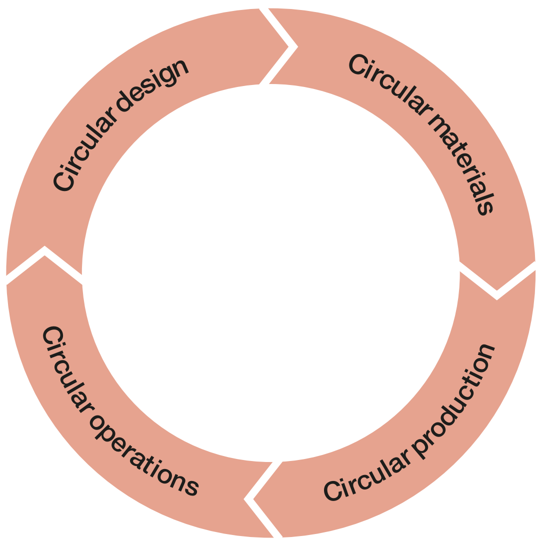
In order to meet our climate target, we need to collaborate with suppliers that use renewable energy and that continuously improve energy efficiency in production. We see that many are willing to invest in renewable electricity, but when it comes to renewable fuels, which is the main energy driver in material production, it involves larger investments or is simply not always accessible in all regions. To support our suppliers in the transition we offered our Chinese suppliers to participate in climate actions seminars held by STICA. Next year, we will continue the discussions on renewable energy, with a focus on our material suppliers as well as product suppliers that represent our largest impact to understand their main challenges and what support they may need.

Circular packaging

Target: circular packaging across all operations by FY 26/27

Key progress: launch of our circular packaging policy

Throughout our operations and sales, packages are used to protect and enhance our products. Our ambition is to implement a circular approach for all of these, from packages used during shipping and distribution, to product and sales packaging. All our branded product and sales packages are designed with desirability in mind to extend the lifespan before they eventually are recycled. This year, we have defined the Acne Studios Circular Packaging Policy further to include specific policies and ambitions. We have grouped it around four key circular areas; materials, design, production, and operations, with the overall ambition is to work towards closing the loop of our packaging material flows.



Circular design

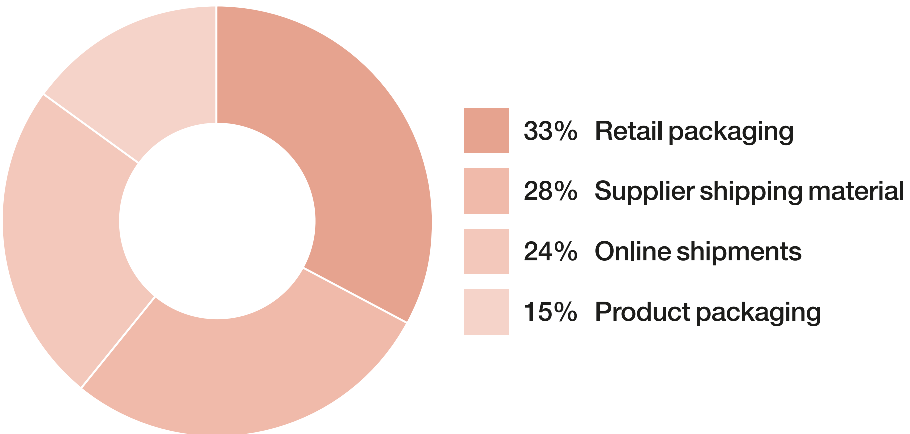
Progress	Measured packaging use and added recycling instructions
Next steps	Conduct a review of possibilities for packaging reduction

Our overall design ambition is to always consider purpose, construction, size, and weight to limit the unnecessary use of packaging materials. This year, we have improved the measurement of annual packaging use and now use 498 tonnes of paper, 93 tonnes of plastics and 50 tonnes cotton or leftover fabrics. See the 'division of packaging per operation' graph for a general overview. We still have challenges in gathering data in some areas, for example, packaging used by our suppliers, but we consider this a first baseline for future prioritisation.

All our packaging is designed in mono materials to enable recycling. This year, we have introduced material and recycling instructions for most of our branded packaging to enable correct consumer disposal. Next year, our aim is to include recycling instructions on remaining consumer-facing packages and to conduct a review of our packaging volumes to learn where we can reduce and reuse even further.

Division of packaging per operation

Share of packaging weight in FY 22/23



Circular materials

Progress	52% of paper packaging made of recycled paper
Next steps	Implement recycled polybags with our suppliers

The main priority is to always use as high a share of recycled materials as possible. This year, 52% of the total weight of our branded paper packaging was made in recycled paper. This includes our shopping bags, shoe boxes, tissue paper, online packaging, care cards and hang tags. Our target is that non-recycled paper must always be FSC certified, and we have been able to verify that 83% of our virgin paper packaging is FSC certified so far. We have also redeveloped our dustbags, used for our shoes and bags, which are now made from 80 to 100% recycled cotton. Lastly, our gift bags are made of repurposed deadstock fabrics, serving both our creative ambitions for customer experience and our desire to find a second use for the fabric.

All our branded Acne Studios packaging is plastic free. However, we still use plastics in our shipping materials such as polybags to protect our products. In 2022, we trialed the introduction of paper polybags. However, for quality, protection, handling and cost reasons, we will work towards making all polybags from recycled plastic instead. Today, our suppliers are responsible for purchasing polybags locally. We intent to implement for our suppliersto always source recycled plastics for our polybags with next year.

Circular production

Progress	Introduced local production of shopping bags and shoe boxes
Next steps	Research local production of our pink paper in Asia

A cornerstone in our circular packaging ambition is to choose the right supplier and location for production. According to our new policy, all suppliers should sign our Supplier Code of Conduct and products must comply with our Packaging Restricted Substance List. We also aim to increase the share of production made with renewable energy. Today, 43% of our packaging suppliers have confirmed to use renewable energy. Another key action to reduce the impact from our packaging is to strive for local production. This year, we have introduced regional production of our shopping bags and shoe boxes. Next year, we aim to research local production of our signature pink paper in Asia.

Circular operations

Progress	Set-up recycling of polybags in Sweden and China
Next steps	Implement recycling of polybags in our US warehouse

The last part of our circular packaging approach concerns our operations. The focus here is on making appropriate estimations before placing orders. This avoids leftover packaging, for example, when we introduce a new or seasonal design. Another important factor is to optimise packaging in our warehouses in terms of the size of boxes, the filling materials and possible reuse of packaging.

Finally, we strive for the full recycling of packaging waste in our internal operations. This year, we have started to remove the plastic polybags that were previously included in shipments to online customers. In doing so, we can ensure that they are recycled at our warehouses. Today, we have full recycling of packaging waste in the warehouse in Sweden and China and aim to implement that for our warehouse in the United States next year.

Towards zero waste

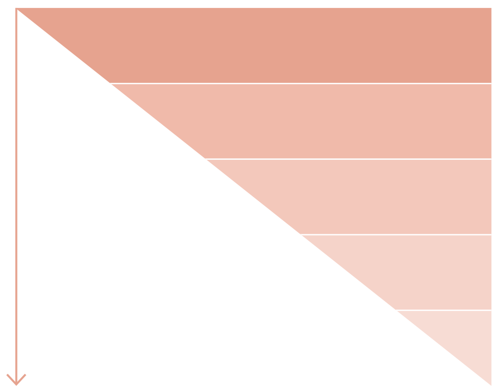
Target: reducing, reusing, and recycling of waste across all operations by fy 26/27

Key progress: waste reduction initiatives and kpis initiated across all operations

We aim to work towards zero waste across all our operations. From the development and production of our collections, the running of our stores, offices, and warehouses and during sales in regards of preventing unsold products and from organising events. Our zero-waste strategy follows the waste hierarchy, where we should primarily prevent and reduce waste and, consequently, reuse and recycle. This year, we have created a companywide zero waste policy, specifying our waste approach in all our key operations. The aim of this policy is to validate the waste management activities that we already have in place as well as define the future actions needed in the journey towards zero waste.

Our priority towards zero waste

Most farvoured option



1 Prevent
2 Reduce
3 Reuse
4 Recycle
5 Dispose

Least farvoured option

Stores, offices and warehouses

Progress	80% of Acne Studios facilities recycle the main waste streams
Next steps	Improve our process for the gathering of waste data

This year we made a mapping of the waste recycling set-up across all our stores, offices, and Swedish warehouse for the first time. In about 80% of our facilities, we separate and send our paper packaging waste for recycling. Paper packaging represents the main waste created in our stores. In our offices, we also separate waste into other waste streams. For example, in our HQ and Swedish warehouse, all waste streams are separated and sent for material recycling mainly and in some cases for energy recovery. We also did a first assessment of the total waste volumes generated in our operations based on reported and estimated data covering FY 21/22. Based on the existing recycling set-ups, about 70% of the total volume is projected to be recycled.

In many of our stores around the world, and in our US warehouse, recycling of plastic polybags has still not been implemented. As of this year, we have specified in our zero waste policy that all our facilities must handle waste according to local regulations, sort waste based on material type and implement a zero waste action plan for continuous improvements. Next year, we will continue with the implementation of our policy. We also want to improve the data gathering process and the assessment of waste so we can better evaluate and follow-up on improvements.

Development and production waste

Progress	Integrated our Repurposed collection in seasonal range plans
Next steps	Increase the share of carry-over and continuity materials

Waste is created during the development process from samples as well as leftover fabrics after the seasonal production is completed. Several waste preventing measures are in place, such as use of virtual sampling and digital showrooms to reduce the need of physical samples. In addition, we create gift packages made of deadstock materials and we donate leftover fabrics and trims from our atelier in Stockholm to Swedish design schools.

Since 2019, we have our repurposed capsule collections made of leftover fabrics. This year, we integrated it into our seasonal collections and 0,1% of the FW23 collection was made from repurposed fabrics, representing 110 kg materials. We want to increase this share and are now investigating how we can improve the process.

We also created a baseline study this year to verify our material pre-booking accuracy. After FW23 production was made, and after excluding 'continuity' and 'carry-over' fabrics that we will use in future seasons, we were left with 2259 kg of leftover materials representing 3% of total material booking. These are materials that can be used for future repurposed collections. If this is not possible, it should be resold, donated, or as a last resort, recycled according to our zero waste policy. One enabler to prevent production waste is to increase share of continuity materials with commitment of use for several seasons. In FW23, around 30% of the collection order weight consisted of continuity articles and we aim to increase this further next year.

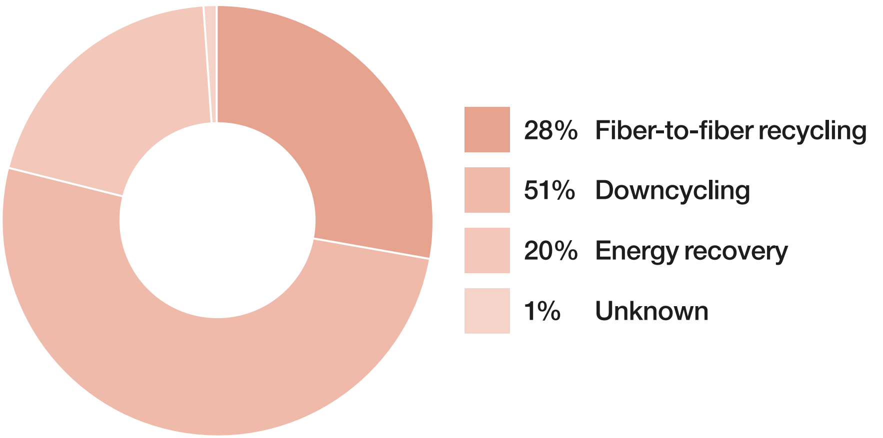
Supplier waste

Progress	79% of cutting waste from jersey/fleece and denim is recycled
Next steps	Continue to implement waste recycling at suppliers

In the garment manufacturing process, around 10-15% of the materials end up as waste after the fabric is cut into pattern pieces. Our goal is for this waste to be recycled into new fibers. In 2022, we initiated a cutting waste project with a survey to map the current situation at our denim and jersey/fleece suppliers whose main waste is cotton. The survey revealed that 79% of the cutting waste of these categories is currently being recycled by our suppliers. We assessed that 28% is recycled into new fibers and 51% is downcycled into other materials such as insulation or car fillings. We have been in contact with several fiber recycling companies in Italy, Portugal, Turkey, and Sweden to support our suppliers to find a suitable recycling partner. One of our key suppliers in Portugal is developing their own fiber recycling factory. Next year, we aim to continue these discussions with our suppliers and recycling companies to increase the share of fiber-to-fiber recycling. We also see potential to integrate these recycled fibers into our collections at a later stage.

Recycling of cutting waste

Denim, jersey and fleece share of weight in FY22/23



Sales and excess inventory

Progress	Annual net excess stock of 1,3% pieces produced vs. sold
Next steps	Plan shorter production cycles on high volume products

Our objective is to sell products based on their need and desirability, not because of temporary markdowns. To minimise unsold products, we maximise full-price sales and discount products only at the very end of each season. We have outlet stores and pop-up online archive sales to sell excess inventory. For the remaining products, we collaborate with external outlet providers. We had an annual net excess stock of 1,3%, that means that if we compare the number of pieces produced with the number of pieces sold throughout the year the net stock was around 20.000 items. We have an employee store in our Swedish warehouse to sell this excess stock. Our policy is to never send unsold products to incineration or landfill. In 2022, we collaborated with Renewcell to recycle longstanding excess stock of denim into cellulosic fibers. We are working towards improving our inventory management to prevent and manage longstanding excess inventory.

Next year, we will introduce production cycles with smaller orders that are reviewed every three months instead of doing a large forecast of sales every six months. We hope to by this enable a production that is as tailored as possible to our customers' preferences.

Events and fashion shows

Progress	90% of material used for fashion shows are reused or recycled
Next steps	Earlier sustainability consideration in the creation of our show

Since 2022 we have been participating in a study with the Paris fashion week organisation FHCM to use their eco-design tool for events. This includes reporting on actions to improve circularity on materials that are used during fashion show and an evaluation of the impact on climate and human resources. Since the SS23 show we have also collaborated with an external partner, Muto, to enable reuse and recycling of event settings. For our SS23 and FW23 shows, around 90% of the used materials were sent for reuse and recycling.

Next year, we want to set up a process to make sure sustainable impacts are considered from the start of the creative process that leads up to our fashion show, in terms of choice of materials and how to achieve a zero waste production.

Our workplace

Our people are our company's greatest asset. Attracting and retaining talent from all over the world and bringing the best out of our people is crucial to delivering on our strategic priorities. Our ambition is to be the employer of choice for people who want to work in a progressive and dynamic part of the luxury fashion industry.

We employ around 1000 people globally across 15 countries. We have offices in Stockholm, Paris, Empoli, New York, Shanghai, and Tokyo and operate stores in 15 countries. Approximately 300 employees are based in our Stockholm HQ and almost 600 employees work in our stores.

Acne studios apprenticeship program

In 2023, Acne Studios started a new apprentice program with a total of 63 apprentices. The program is 6 months long and starts in spring and fall. It offers an opportunity for students and recent graduates to apply their knowledge in a professional working environment and establish themselves in the fashion industry. The program combines on-the-job trainings with related practical and theoretical learning sessions within our product and design department. All apprentices have a mentor that supports them throughout the program.

Building our company culture

We believe that a shared company culture is key to empowering people and thereby driving both business and personal growth. An authentic culture is also critical to attracting and retaining talent, especially in today's competitive landscape.

Our four company values represent a shared set of rules and norms that we all must adhere to. We have worked systematically to define, communicate, and implement these values. During 2023, we had values sessions for all employees and managers to follow up workshops to introduce the values in 2021. All employees have participated, in-person or digitally, in workshops where our values have been explained, challenged and role modelled. In parallel, 50+ key leaders (primarily managers) have participated in several values leadership workshops to start building the right capabilities. We have also started to integrate our values in all core people processes to ensure they are a concrete framework for how we work together and become an integral part of how we attract and retain talent.

Accelerating employee engagement

Measuring employee engagement is a way to check the temperature of our company culture. It is also an indicator of how connected and committed our people are to our organisation. Our employee engagement tool, Winningtemp, aims to provide insights and feedback to drive change and strategy implementation. In detail, the purpose is to:

— Listen to our employees and enable them to share constructive feedback. The results form a basis for quarterly pulse check talks within teams.
— Empower managers with insights to improve collaboration and performance and to ensure well-being and motivation.
— Equip management with key insights to develop our people and organisation in order to achieve our strategic priorities.

We also conduct a biannual leadership index survey as a complement to Winningtemp tool. To ensure consistency, this will be a recurring initiative for all our managers. The purpose is to provide the right tools and guidance for managers to become a great leader, to ensure that our managers foster a culture in alignment with our values and inspire teams to reach their true potential, and to receive valuable feedback from our employees to guide leadership development strategies that create a better employee experience, develop leadership skills and overall company growth.

New onboarding experience

In 2023, Acne Studios has implemented a new onboarding process for a better and more consistent experience for new employees. This new process includes a values session for new employees, to ensure that they are aware of and act in accordance with our values. We also started the implementation of a new recruitment system, for a better candidate journey and a more sustainable recruitment process. In addition to this new system, we have implemented a digital reference check tool for a higher validity and unbiased reference check.

Providing a safe work environment
The safety and wellbeing of our people is first our priority. We work hard to proactively identify and mitigate risks and improve our work environment. In Sweden, where our HQ is based, we have a structured process in place that is centered around close collaboration with employee-appointed safety representatives. The process includes organised fire drills and appointed safety representatives on each floor. We offer Health & Safety trainings, including CPR, through an external provider to all employees in our Stockholm HQ. To date, we have trained 120 employees in CPR and we have since increased the number of defibrillators across our facilities.

Being a workplace for everyone

Gender diversity	FY21/22	FY22/23
All employees		
Women	59%	61%
Men	37%	37%
Non-binary/prefer not to say	0,4%	0,8%
Information missing	3%	1%
Managers		
Women	58%	60%
Men	42%	39%
Non-binary/prefer not to say	0%	1%
Management team		
Women	36%	45%
Men	64%	55%
Board of directors		
Women	29%	29%
Men	71%	71%

We aim to have an open company culture and strive to be progressive in everything we do. We are committed to diversity of all types and inclusive practices are integrated across our company values and ways of working. Our business is centred around creativity and we encourage different perspectives to make room for innovation and allow for better decision-making. All our people should be treated with dignity and respect and always feel safe; ultimately, they should feel that they can be themselves at work.

We will continue to integrate inclusive practices in all our core people processes. We aim to increase diversity in our recruitment. We will put greater focus on capability building and explore what diversity parameters we can and should measure and track across our employee base. Our ambition since many years remains that the gender diversity of our leaders should reflect the gender diversity of our employees.

Always acting ethically
In addition to physical safety, we aim to be a workplace where people feel comfortable raising their concerns about ethical issues or cases of non-compliance, without fear of retaliation. In 2022, we took important steps to further strengthen our work in this area by implementing an external reporting channel, available to internal and external stakeholders, as a complement to our internal procedures. This year, no concerns or complaints have been filed.

Acting with integrity is inherent in our company values and we expect all our employees to always act in an ethical manner. We have a zero-tolerance policy for bribery and corruption, as described in a policy document that all employees must read and confirm upon employment. In addition to defining our responsibilities in upholding ethical business practices, this policy also provides risk scenarios and guidance on how to act in case of suspicion of issues.

Annex 1

Acne Studios preferred material & denim wash classification

Fiber classification tool			
Preferred*	**Good**	**Discouraged**	**Banned**
Organic linen	Conventional linen	Conventional cotton	Fur
European Flax™	Conventional hemp	Non-traceable wool	Angora
Organic hemp	Silk	Lyocell (unbranded)	Mulesed wool
Organic cotton	Jute	Modal (unbranded)	Non-RDS down
In conversion cotton	Ramie	Viscose (unbranded)	
Recycled cotton	Natural bamboo	Bamboo viscose	
Organic silk	Traceable wool	Rayon	
Peace silk	Lenzing modal	Cupro	
Organic wool	Lenzing viscose	Virgin polyamide	
Recycled wool	Polyactic acid (PLA)	Virgin polyester	
Responsible wool (RWS)		Acrylic	
Responsible mohair (RMS)		Polyurethane	
Responsible alpaca (RAS)		Elastomultiester	
Recycled down		Elastane	
Responsible down (RDS)		Acetate	
Crailar®		Triacetate	
Agraloop BioFibre™			
Monocel®			
Tencel®			
Refibra®			
Eco pure modal			
Ecovero®			
LivaEco by Birla			
Eastman Naia™			
Circulose®			
Recycled polyamide			
Recycled polyester			
Biobased polyamide			
Biobased polyester			

*For all preferred materials we require verification via certification, including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Wool Standard (RWS) and Lenzing number verification.

Leather classification tool

	Preferred*	Good	Discouraged	Banned
Animal welfare	Low risk countries	Mid risk countries	High risk countries	Brazil, Bangladesh
Traceability	High	Standard	Poor	No traceability
Tanning	LWG gold/silver	LWG bronze/audited	No LWG member	No commitment
Vegan Leather	Bio based PU	Water based PU	Solvent based PU	PVC

*Preferred leather meets the following criteria:
- Low risk countries on animal welfare:
  European Union, United States, Canada, Japan, New Zealand, Australia, Uruguay
- Slaughterhouse traceability: Verified traceability back to slaughterhouse
- Tanning: LWG gold/silver: Tannery is audited by LWG and reached silver or gold score
- Vegan leather: Made of biobased PU that consists of at least 30% bio-based materials (i.e., agricultural waste) combined with water based PU)

Shoe classification tool

	Preferred	Good	Discouraged	Banned
Upper (40%)	See fiber, leather and vegan leather classification tool			
Soles* (60%)	Natural FSC rubber Bio-based TPU/EVA Recycled TPU/EVA/rubber	EVA Water-based TPU	Petroleum-based plastics/rubber	PVC

*We consider soles sustainable if they consist of 'preferred' sole materials, combined with 'good' sole materials.

Denim wash classification tool

	Low impact*	Medium impact	High impact	Banned
Water use, liter/garment	0-35	35-80	>80	
Energy use, kWh/garment	0-2	2-4	>4	Sandblasting
Chemical impact**	EIM Score: 0–25 Bluesign GOTS	ZDHC approved	N/A	

*All criteria are based on Jeanalogica's environmental impact measuring (EIM) scoring.
**In case EIM scoring of chemical impact is not available, we refer to usage of GOTS or Bluesign approved chemicals.

Annex 2

Acne Studios animal welfare policy

Animals are entitled to good treatment, and this must be respected through the adoption of good animal husbandry and the fulfilment of our animal welfare requirements. The Five Freedoms - adopted by the World Organisation for Animal Health (OIE) for animal welfare on the farm, in transit, at the market or at a place of slaughter – form the basis for this.

These freedoms are:

— Freedom from hunger and thirst
— Freedom from discomfort
— Freedom from pain, injury, and disease
— Freedom to express normal behaviour
— Freedom from fear and distress

We have the following restrictions in place for the use of animal materials:

— We have a complete ban on angora since 2013
— We do not accept mulesing of merino sheep
— We only use down certified to Responsible Down Standard (RDS) or Global Recycle Standard (GRS)
— We never use hides from animals that are only raised for their fur
— We only use hides that are a by-product from the meat industry
— Acne Studios does not accept any materials from endangered species stated on the CITES Appendix 1, 2 & 3 (following the Washington Convention)

Annex 3

Code of labour practices

With our Fair Wear membership, we ensure that those involved in making our products work under fair conditions. We monitor our suppliers based on the below code of labour practices:

1 Employment is freely chosen	2 Freedom of association & the right to collective bargaining	3 No discrimination in employment	4 No exploitation of child labour
5 Payment of a living wage	6 Reasonable hour of working	7 Safe and healthy working conditions	8 A legally binding employment relashionship

We have developed a process to monitor and improve social standards, by taking the following steps from the start of our supplier relationships:

Step 1. Risk evaluation

The sustainability team continuously assesses human rights and health and safety risks in our production countries and regions.

Step 2. Entry assessment

When starting a new relationship, suppliers need to complete a social standards questionnaire, explain their production set-up and show recent audit reports.

Step 3. Improvement process

Social audits

Suppliers are audited based on their risk profile.

Training

Suppliers and workers attend capacity building trainings.

Complaint system

Workers can anonymously inform us and Fair Wear in case of work related issues.

Annex 4

Detailed climate footprint results

Emission category	Total emissions 22–23, tones CO2e	Total emissions 21–22, tonnes CO2e	Total emissions 20–21, tonnes CO2e	Change from previous year, %	Change from base year, %	Share of total 22–23, %	General notes and emission factors
Facilities	850	1 478	1 225	-33%	-19%	3%	Decrease of emissions comes from purchase of renewable energy certificates. There is an overall increase in energy consumption partly as an effect of the opening new stores as well as an increased energy consumption per sqm both driven by increased fuel and electricity in existing stores.
Business travel	4 490	2 203	1 062	104%	323%	12%	Emissions based on DEFRA conversion factors. Overall increase in emissions from business travel is mainly connected to increased air travel distances. The increase is also connected to the overall increase of emissions from the aircraft fleet in Europe.
Production	20 807	21 128	19 285	-2%	8%	55%	The data quality has improved compared to base year where majority of data were based on Higg MSI. For FY 22/23 only tier 3-4 is based on Higg MSI.
Tier 1	1 327	1 523	2 640	-17%	-13%	3%	Emissions based on energy reported by suppliers. The reduction of emissions can partly be explained by the decrease of total order quantity last year but is also affected by a small shift from Asian to European suppliers. The major impact comes from emission reductions per produced unit compared to last year, both thanks to energy efficiency measures and increased use of renewable energy sources.
Tier 2	4 221	3 686	2 857	14%	48%	11%	Emissions based on energy data reported by suppliers. The increase in emissions compared to last year is explained by the overall increase in energy consumption per produced unit, both due to increased energy consumption as well as more data available. The increase compared to base year can also be explained by the inclusion of material wastage from the tier 1 processes that was introduced in FY 21/22.
Tier 3–4	13 242	13 660	12 259	-3%	8%	35%	Estimated emissions based on emission factors from Higg MSI. The decrease of emissions from last year can partly be explained by the total reduction of produced pieces as well as a shift in the use of material types. Total material weight was adjusted in FY 21/22 to consider wastage in tier 2.
Other	2 017	2 260	1 530	-48%	151%	5%	The reduction of emissions compared to last year can be explained by a shift from air to sea freights for key material groups. Increase of emissions from base year is explained by the extended scope and improved data quality for packaging material, other categories within 'other' has reduced.
Transports	11 735	12 124	10 593	-3%	11%	31%	
Air	11 302	11 624	10 060	-3%	12%	30%	The overall reduction of emissions compared to last year is explained by the shift from air freights to road and sea freights, mainly on inbound transport. The total increase compared to base year has decreased but is still there and explains the overall increase of emissions.
Road	356	319	388	12%	-8%	1%	
Sea	25	34	58	-27%	-58%	0,1%	
Rail	0	77	20	-100%	-100%	-	
Other	52	70	67	-26%	-23%	0,1%	
Total	37 881	36 933	32 164	3%	18%	100%	

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