

Acne Studios

Sustainability Report
Financial year 2020/2021

Summary

Recap of the year

This Sustainability Report covers the financial year (FY) 2021, which runs from 1 September 2020 to 31 August 2021. In short, the year can be summarised as follows:

- More than **800** employees of which over **250** are based at our Headquarters in Stockholm.
- **7** offices in **Stockholm, Italy, Paris, New York** and **Shanghai**.
- Roughly **2.37 billion SEK** turnover.
- **66** Acne Studios stores in **35** cities, **14** countries on **4** continents.
- E-commerce in 65 countries and through marketplaces in **190** countries.
- Wholesale distribution via around **750** stores and online shops in **48** countries.
- **60** suppliers with more than **200** production locations in **11** countries.

Sustainability highlights

- Independently verified as a 'Leader' on social responsibility by Fair Wear Foundation (FWF), now for seven years in a row.
- Developed a framework and calculated our full climate Scope 1, 2 & 3 impact including emissions of production of our products.
- Over 90% of the cotton used for our jersey/fleece and denim is now organically grown
- Adopted a long term target to reach 100% documented traceability along the supply chain down to raw material suppliers by 2030.
- Piloted and prepared for company-wide launch of an employee engagement pulse check tool.
- Launched comprehensive work on culture and values, engaging all employees.



Our Sustainability Ambitions

Acne Studios was founded in 1996 in Stockholm, Sweden, as part of the creative collective ACNE that focused on graphic design, film, production and advertising. Ten years later, in 2006, Acne Studios became a standalone fashion company. We continue to honour our multidisciplinary heritage and merge the worlds of art and fashion, by incorporating various elements of architecture, photography and Swedish culture into our designs.

Our collection includes men's and women's ready-to-wear, footwear, leather goods and denim. Over the years, Acne Studios has grown into a global fashion company that annually produces approximately 1.7 million products that are sold worldwide. Our social and environmental impact, and the responsibilities that come with it, have grown along with us. We believe that one of our main responsibilities is to create items of high quality that continue to be desirable and worn for a long time. This approach is not limited to the look of our products but also refers to their wider impact.

Challenges

Our environmental concerns are in line with worldwide challenges we are all facing; climate change, loss of biodiversity, increased pollution and scarcity of natural resources such as clean water and land for food cultivation. There is a clear connection between fashion and these problems. The production of a simple cotton T-shirt alone requires excessive amounts of water, chemicals and agricultural land. How this T-shirt is transported from factory to customer, how often the user washes this T-shirt and what happens after it is worn out also influence its total environmental impact. Several global reports have especially highlighted the urgency of environmental risks on loss of biodiversity and climate change that will directly impact our business operations.

Our biggest social challenges lie in our supply chain. The fashion supply chain is long, complex and labour intensive. Many workers worldwide, most of them beyond our direct business and control, depend on their job in the fashion industry. There is a risk of workers working long hours, earning low wages and working in unsafe conditions, especially in countries where they are not protected by solid labour legislation or where enforcement of such laws is weak.

Key Areas

The starting point of our sustainability ambition is that we want to be proud of our products; how they look, their quality and how they are made and used. The ambition is shaped further by our main social, environmental, and ethical challenges and how we take responsibility for these. Because our main challenges arise during the production of our collections, two key areas are structured around 'Our Products' and 'Our Suppliers'. However, we also want to take responsibility for our own employees and the environmental impact of our business operations. These challenges are included in the third key area 'Our Operations'. Together, these three key areas form our sustainability ambition:



Our Products

Design high quality products made for long term usage with carefully considered materials and techniques



Our Suppliers

Cooperate with transparent and responsible sourcing partners to promote fair working conditions in our supply chain



Our Operations

Be a responsible employer that considers the ethical and environmental impact of our operational activities

Sustainability Context

In this Sustainability Report, we explain how we have implemented our sustainability ambition within the company, what steps we have taken, and which results we have reached in the past financial year. The below chart lists, per key area, the topics that we focus on as part of our sustainability ambition and where in the report more information can be found on each topic.

Many people are affected by, or can influence, the choices we make as a company. When developing our sustainability ambition, we therefore always have our stakeholders in mind. An open dialogue with stakeholders is important to prioritise social and environmental actions and to continuously develop and improve our sustainability efforts. The chart shows our most important stakeholders per focus topic. Our stakeholders are not limited to those listed; we also maintain contact with other stakeholders such as educational bodies, students, trade associations, unions and media.

Key area	Focus topic	Page	Stakeholders
Our Products	Circularity	8	Customers, sourcing partners, NGOs & interest groups, other brands
	Raw Materials	9	
	Animal Welfare	9	
	Traceability	10	
	Production Processes	11	
	Chemical Management	11	
Our Suppliers	Labour Standards	14	Sourcing partners, NGOs & interest groups, other brands
	Purchasing Practices	15	
	Training	15	
	Transparency	16	
Our Operations	Climate Impact	19	Sourcing partners, Employees, sales staff, public authorities, logistics partners
	Our Workplace	22	
	Business Ethics	24	

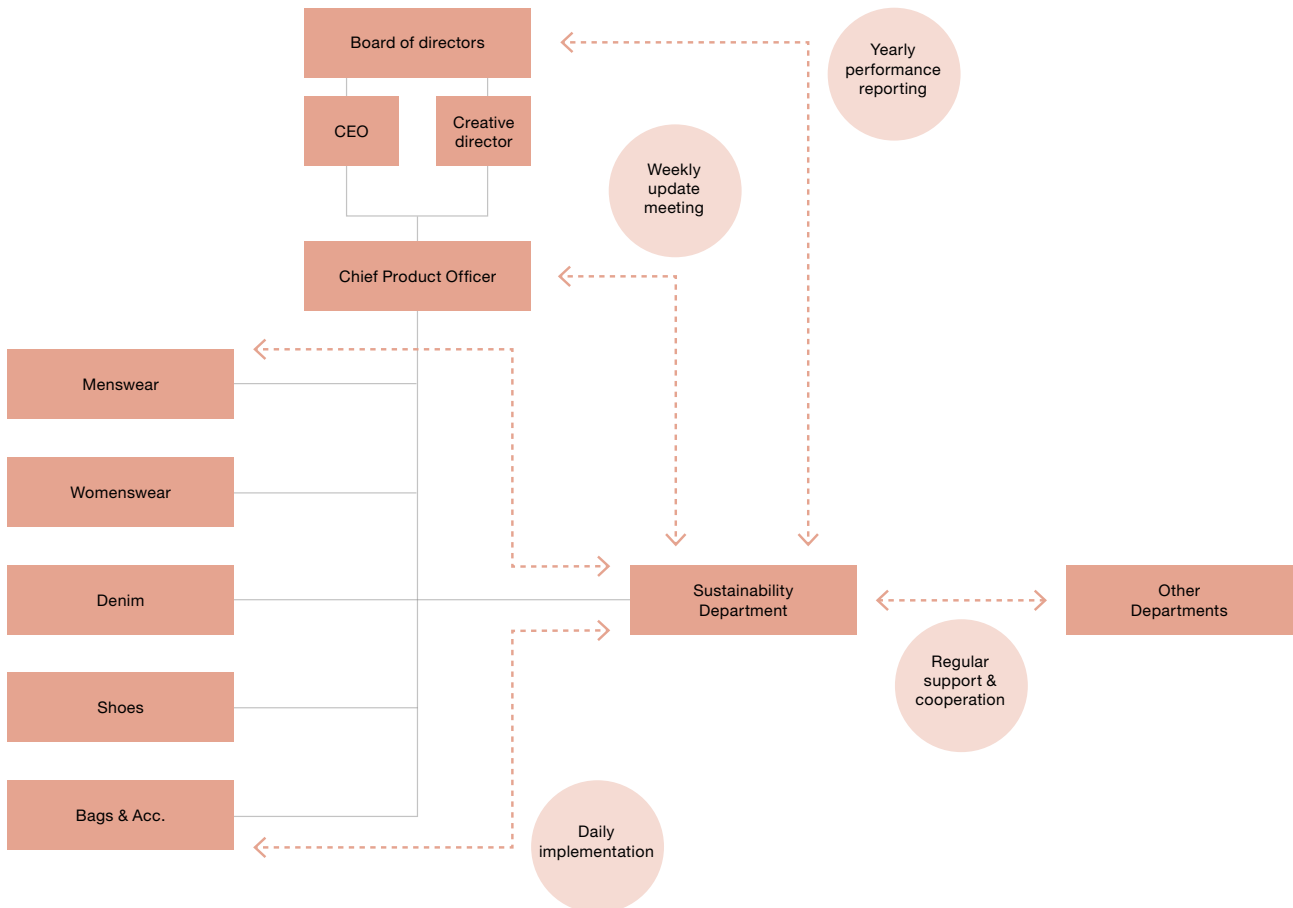
Our cooperation with other brands, civil society and policy makers is often part of our involvement in multi-stakeholder industry initiatives. Cooperation and dialogue in such industry initiatives is an effective way to stay up to date on developments, share knowledge and exchange points of views, and ultimately to change the industry we work in for the better. The overview below lists all industry initiatives we take part in and which topics are addressed:

Key area	Industry initiative
Our products	Textile Exchange
	Leather Working Group (LWG)
	Swedish Textile Initiative for Climate Action (STICA)
	Swedish Shoe Environmental Initiative (SSEI)
	Chemical Group at Rise
Our suppliers	Fair Wear Foundation (FWF)
	Italy Fashion Working Group
Our operations	Swedish Textile Initiative for Climate Action (STICA)

Integration of Sustainability

To implement our sustainability ambition, responsibilities are integrated in the organisation and in our business strategy. Our CEO has the overall responsibility for our sustainability strategy. The sustainability department lies within our Product and Design department and is responsible for presenting sustainability strategies and targets and to integrate these into our organisation. The sustainability department also has regular collaborations with departments such as PR & marketing, supply chain and HR, depending on specific projects and targets.

Every new 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.



Our Products



Our Products

Creating a desirable product range is the core of our business practices, but the creation of our products leaves behind a substantial environmental footprint. A major part of our sustainability ambition is geared towards the design and production of our products. Our efforts are divided into six focus topics: Circularity, Raw Materials, Animal Welfare, Traceability, Chemical Management and Production Processes.

Design high quality products made for long term usage with carefully considered materials and techniques		
Focus topic	Commitment	Highlights FY 20/21
Circularity	We believe in circularity through longevity and enable long term product use through high quality standards and reuse or recycling of materials	Launched 4 desirable repurposed collections made with 14 000 meters of deadstock material
Raw Materials	We make active choices to increase the use of sustainably preferred materials in our collections	Over 90% of the cotton used for our jersey/fleece and denim is now organically grown
Animal Welfare	We demand an ethical treatment of animals throughout our supply chain	For SS22 season 20% of our wool is certified by the Responsible Wool Standard (RWS) on animal welfare and sustainable farm management
Traceability	We push to have a documented overview of all production steps down to raw materials	Adopted long term target to reach 100% documented traceability along the supply chain down to raw materials by 2030
Chemical Management	We offer safe products that are free of hazardous substances in line with industry best practice	Performed over hundreds of chemical tests at external laboratories to secure product compliance of our RSL.
Production Processes	We decrease the environmental impact of manufacturing together with our suppliers	52% of our denim in SS22 collection will be produced in low impact denim washes

Circularity

Longevity has always been essential to us. We built Acne Studios from a place where creativity was at its core, where we design and develop desirable and high-quality products that last. Extending a product's life is the best way to decrease its environmental impact. We want our customers to value our products and be able to use them for a long time. This respect for our product and its materials is reflected in everything we do, from our design constructions, quality assurance processes, after sales support to customers and reuse and recycling strategies.

Quality Assurance

A strong effort is put into assuring our products live up to our high quality standards and can stand the test of time. Key quality measures integrated in our daily operations are for example:

- Quality testing of materials and products at our in-house quality laboratory.
- Extensive wear testing of majority of collection before production launch.
- Acne Studios employed quality auditors regularly present at suppliers.
- Customer claims and feedback evaluated for continuous improvements.

Care and Repair

We want to enable our customers to take care of their garments to maintain the quality and enable the longest lifetime possible. In addition, from a life cycle perspective, energy and water used for cleaning garments represents large environmental impact. Key actions taken to address this:

- Below circularity text added in all our care labels:
"Make your garment last. Wash less and with care. If required, repair or resell when worn."
- Stores collaborating with local tailors and shoemakers to repair simple production faults.
- Large storage at our headquarters with spare parts that goes several seasons back to offer continuous repair service.

Waste Management

We believe a product not sold or used is a waste, both of natural resources and the passion put into it. For us it is also key that customers purchase our products because of need and desirability not due to temporary mark downs. Therefore, we focus on our full price strategy, we discount products at the end of the season, never in campaigns such as Black Friday.

Our target is that within three years 91% of our products should be sold within the current season at full price - today we are at 88%. Below shows examples on measures to minimise waste during development and production of our products:

- Use of AI analysis to improve sales forecasting.
- Actively integrating left over materials to be used in coming collections.
- Designers committed to continuity materials usage for more than two seasons.
- Piloting virtual sampling to reduce physical samples during development.
- Introduced virtual showroom to reduce number of sales collections.
- Since 2019 creation of 'Repurposed capsules' made solely of deadstock materials.
- Employee claims store at Stockholm warehouse of unsold products and customer claims.
- Donation to design schools in Sweden of sample fabric rolls and trims.
- Creation of gift packaging made of deadstock materials.

We are aware that there are more things to do to reach our ambition to minimise our waste. The target for next year is to identify key waste KPIs so we can properly measure our results on both material, product, and production waste.

Raw Materials

Each material in our collection has specific characteristics and is carefully selected based on the desired look, quality and performance. In 2018, we adopted the long term target to use 100% preferred materials by 2030. Raw materials are 'preferred' if they are more sustainable from an environmental and animal welfare perspective.

Preferred Fibers

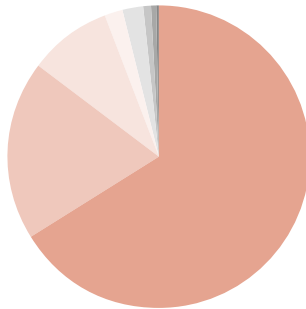
We have a fiber and leather tool to classify the sustainable impact of our materials and to define which materials we consider preferred and contribute to our target. See the appendix for our classification tools.

- For season FW21, 50% of our collection order weight is made of preferred materials.
- For season SS22, we expanded our target to include linings and shoe components.
- For season FW22, we plan to change our best-selling Canada scarf to wool certified by the Responsible Wool Standard (RWS) on animal welfare and sustainable farm management.
- For season SS23, our target is that 70% of our collection order weight is made of preferred materials.

Preferred material distribution

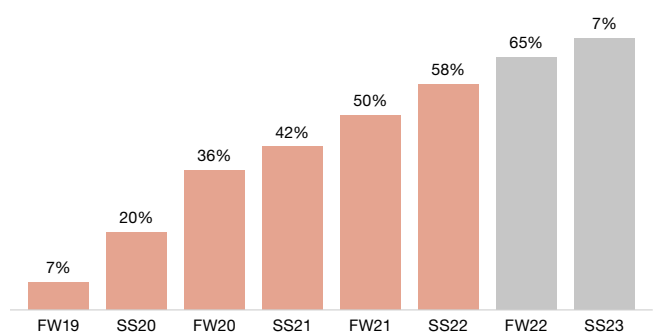
FW21

66%	Organic Cotton
19%	RWS Wool
9%	Recycled Polyester
2%	Recycled Nylon
2%	Ecovero Viscose
0.8%	Recycled Wool
0.6%	Preferred Leather
0.2%	Other



Preferred material progress

By total material weight



Animal Welfare

Animal derived materials are durable and of high quality, which is why they are an important part of our collection. Wool is the second biggest material we use while leather occupies the third place. Animal welfare is included in our preferred material target since wool and leather are only classified as preferred when high animal welfare standards are met.

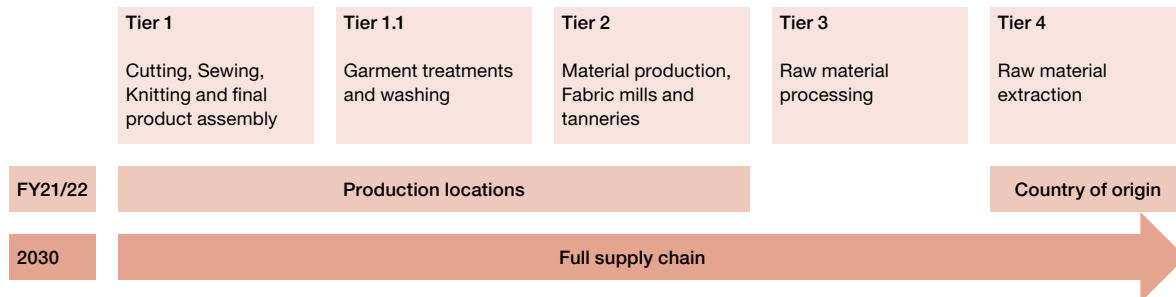
To ensure a good treatment of animals in our supply chain, we have the following minimum requirements for the use of animal materials:

- We have a complete ban on angora since 2013.
- We do not accept mulesing of merino sheep.
- We only use recycled down.
- 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.
- We only use mohair from South African farms that have passed an audit according to the MSA Sustainable Guidelines.

Traceability

Fashion supply chains are long and complex, making traceability essential to check if our sustainability requirements are followed. Our ultimate goal is to have a documented overview of all steps in the supply chain, including a verified assurance of compliance with animal welfare and social standards. We have set the target to reach this by 2030.

We want to move fast and are currently getting our internal systems ready to reach our traceability target, ease the manual work and ensure validity of information. A newly hired project manager will lead this project.



Production Locations

We already have full and verified insight in all tier 1 and tier 1.1 production locations via our Fair Wear Foundation (FWF) membership. We have direct contact with our tier 2 suppliers, as we nominate or buy materials ourselves, but we do not yet have full traceability of all production locations they use. Our aim is to reach full traceability of all our tier 2 production locations next year.

Raw Materials

To meet our animal welfare requirements, we already have full traceability on the country of origin of leather and wool, but still need to achieve this for other raw materials. Next year, we aim to reach at least verified country of origin traceability of all raw materials in Tier 4.

Production Processes

In addition to raw materials, production processes such as tanning, dyeing, printing, washing and finishing leave a mark in terms of greenhouse gas emissions, water pollution, water consumption and energy use. So far, we have focused on two areas: leather tanning and denim washing. For other production processes, we will roll out a strategy to work towards low impact production processes in 2022.

Denim Washing

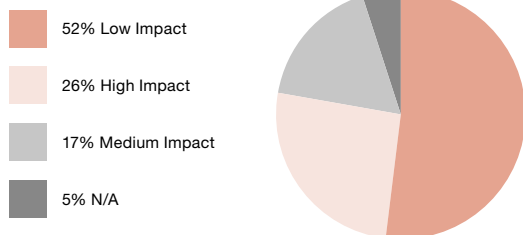
All our denim is produced in Italy and denim washing and treatments take place there as well.

We developed a classification tool for denim to score the environmental impact of washes in terms of energy, water and chemical usage. This tool is based on Jeanalogica EIM score. For the criteria's please see appendix.

- We started to use the classification tool for SS22, in that season, 52% of our denim used low impact washing techniques.
- We aim to reach 65% low impact denim for FW22, and 70% for the SS23.

Denim wash impact

Season SS22



Leather Tanning

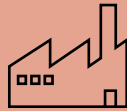
Almost 100% of our leather is tanned in Italy. We require our tanneries to work towards becoming a member of the Leather Working Group (LWG). Member tanneries are audited by LWG to check their environmental performance in terms of water, chemical and energy efficiency as well as transparency.

Chemical Management

Products sold by Acne Studios should always be safe to use for our customers and should comply with all applicable rules and regulations. Below key actions are taken to uphold this standard:

- Regularly updated Restricted Substance List (RSL) according to legislation in our sales countries and industry best practices.
- Compliance of our RSL confirmed by suppliers through tech sheets created for each article.
- Chemical tests performed on materials and products during development and production.
- Membership in 'Kemikaliegruppen' held by the research institute Rise.
- Membership in 'BLC Leather Technology' on chemical support on leather.

Our Suppliers



Our Suppliers

We want to develop and produce our collections together with suppliers that share our passion to make strong products and are committed to do so in an ethical manner. To achieve this, we work on four focus topics: Labour Standards, Purchasing Practices, Training and Transparency.

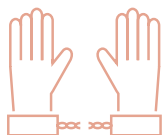
Cooperate with transparent and responsible sourcing partners to promote fair working conditions in our supply chain		
Focus Topic	Commitment	Highlights FY 20/21
Labour standards	We look after fair jobs for those who contribute towards the creation of our products	Around 90% of our suppliers are in low-risk countries or audited at least once in the past three years
Purchasing practices	We facilitate our suppliers' compliance with labour standards through our sourcing decisions	We moved to open costing in our product sourcing to evaluate how the prices that we pay affect wage levels at our suppliers
Training	We contribute to knowledge and communication within factories on labour rights	We surveyed 72 Italian suppliers on their training preferences, so we can adapt our trainings for next year to their needs
Transparency	We share supplier information with Fair Wear Foundation and consumers	We received FWF's highest grade, 'Leader', in their annual Brand Performance Check for the last seven years

Labour Standards

Our collections are mainly produced by suppliers in Europe and China, representing around 90% of total production. In Europe over half of production is made in Italy and Portugal. This concentrated supplier base makes it easier to control production and to visit suppliers. Europe is a preferred region because of its experience with luxury products, high social and quality standards and the proximity to our headquarters. We aim to have a stable supplier base and long-term partnerships.

Fair Wear Foundation

Since 2008, we are a member of Fair Wear Foundation (FWF). With our 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 and the right to collective bargaining



3 No discrimination in employment



4 No exploitation of child labour



5 Payment of a living wage



6 Reasonable hours of work



7 Safe and healthy working conditions



8 A legally binding employment relationship

We have chosen FWF to collaborate with because of their strong all-round approach:

- Multi-stakeholder collaboration** - FWF works with brands, factories, trade unions, NGOs and governments. This gives us access to local expertise and best practices of other brands.
- In-depth factory assessments** - FWF's audits are not following a 'pass or fail' methodology but are focused on getting to know the real situation at factories.
- Offsite worker interviews** - FWF audits include offsite worker interviews. Offsite interviews take place outside of the factory premises and allow workers to talk freely and at an impartial location.
- Worker complaint system** - We have implemented the FWF grievance mechanism in each factory, so workers can anonymously inform us in case of work related issues.
- Transparency and accountability** - FWF provides an external verification of our performance via a yearly Brand Performance Check (BPC).

We have developed a process to monitor and improve working 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

Auditing at all factories in high-risk countries and case by case in low-risk countries.

Training

Suppliers attend training and capacity building events offered by FWF.

Complaint system

Workers can anonymously inform us and FWF in case of work-related issues.

Purchasing Practices

The way we source our products has an influence on the ability of our suppliers to meet our requirements on overtime, wage levels and other social standards. We book materials and production capacity as early as possible and as spread out as possible, so suppliers have enough time to schedule and produce our orders. Every season starts with a plan that is made in close collaboration with suppliers to align on capacity and timing, and ends with a review with suppliers to evaluate if adjustments need to be made.

- In 2021, we set up a buying strategy for our core denim and wool fabric to commit to quantities each year, instead of season, to secure availability and prevent material delays that can affect production.
- Suppliers still face temporary lockdowns and capacity restrictions due to Covid-19. We adapted our production plan and digitalized part of our supplier contact to make up for reduced visits.

Wage Setting

All our suppliers are required to pay at least a minimum wage and to work towards living wage levels.

- This year, we started using an open costing sheet for sourcing that asks our suppliers for information on their price built up, including information on labour costs and minutes. End 2021, we will evaluate this process, analyze the received data and how the prices that we pay affect wage levels, and set a further strategy accordingly.

Raising Awareness

Our sustainability team works closely together with the development and production teams so that our suppliers' performance on social standards is factored into our sourcing decisions:

- Before every seasonal order placement, a meeting takes place with the managers of each product group on the sourcing plans and social standards status per supplier.
- The sustainability team is responsible for adding new production locations in our Product Lifecycle Management (PLM) system to be sure all suppliers are assessed before orders are placed.
- Suppliers are rated on sustainability performance as part of our seasonal supplier ranking that also includes performance in quality, development and production.

Training

The main purpose of supplier trainings is to explain what our code of labour practices means for them in practice, and to improve communication on social standards between management and workers. We arrange trainings with FWF or develop our own trainings in countries where FWF is not represented.

- Suppliers in China and Turkey, responsible for 37% of our production, have been trained on labour standards, workplace communication and grievance mechanisms.
- In July 2021, we organised a survey for Italian suppliers with the Italy Fashion Working Group. This is a collaboration between international brands that produce in Italy to share experiences and collaborate on social improvements in Italian supply chains. Input on training needs from 72 suppliers of eight brands were collected. Based on the outcomes, we will plan our training activities for next year.

Transparency

Each year, a Brand Performance Check (BPC) is done by Fair Wear Foundation. During this check, FWF evaluates our yearly performance and gets insight into our supplier base, sourcing processes, order data, and monitoring activities. A recap of our scoring in the past seven years is given below. The check for FY 20/21 will take place end 2021.

Financial Year	19/20	18/19	17/18	16/17	15/16	14/15	13/14
FWF Ranking	Leader	Leader	Leader	Leader	Leader	Leader	Leader
Share under monitoring*	88%	96%	98%	95%	92%	92%	91%
Share visited*	78%	91%	92%	91%	83%	79%	85%
Share in low risk countries*	62%	59%	59%	56%	59%	59%	38%
Number of complaints received	2	0	0	2	0	2	1

* Share of production locations based on order value

Status overview

Nearly 90% of our orders are from the countries China, Italy, Portugal, Romania and Turkey. Below we describe our activities in these countries in more detail.

China

- Audits made last year: 8
- An increased risk of excessive overtime was found during audits caused by the pandemic aftermath.
- Even though the audit reports indicated that our production lead times are sufficient, we will evaluate how to further support our suppliers to reduce overtime.

Romania

- Audits made last year: 3
- End 2020, we received a worker complaint on lack of worker-management communication and confusion amongst migrant workers on Covid-19 restrictions.
- This year, the factory was audited, worker representatives were elected, complaint boxes were installed and a training on social standards and communication was planned at the factory.

Turkey

- Audits made last year: 2
- We received a worker complaint about a worker-supervisor dispute and lack of understanding of Covid-19 government support measures.
- An extra audit is planned for end 2021 at the factory, with focus on worker interviews and a separate session with worker representatives to get their feedback.

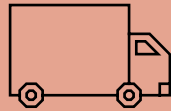
Italy

- Audits made last year: 5
- Covid-19 restrictions limited our audits to five production locations for shoes (2), bags (2) and woven garments (1) at the beginning of the year
- We did a survey amongst Italian suppliers to receive input on how to support suppliers on social responsibility, including training needs.

Portugal

- Audits made last year: 0
- Due to the unpredictability of the pandemic, our suppliers worked with additional subcontractors next to their regular factory base.
- We worked with our suppliers to get a full overview of production locations that was updated before, during and after production.

Our Operations



Our Operations

'Our operations' includes how we take responsibility of our employees and how we work to promote an ethical business behaviour. This is explained in the focus topics Our Workplace and Business Ethics. The focus topic Climate Impact covers how we want to measure and reduce our climate emissions in-line with our long term target.

Be a responsible employer that considers the ethical and environmental impact of our operational activities		
Focus Topic	Commitment	Highlights FY 20/21
Climate Impact	Reduce our climate impact with 50% by 2030 according to and reach zero emissions by 2050	Calculated our first full climate report including emissions from our products
Our Workplace	We offer an inspiring and challenging workplace for diverse talent worldwide	Launched a comprehensive work on culture and values, engaging all employees
Business ethics	We conduct business with integrity, honesty and transparency	Adopted long term target on traceability and human rights due diligence in our supply chain.

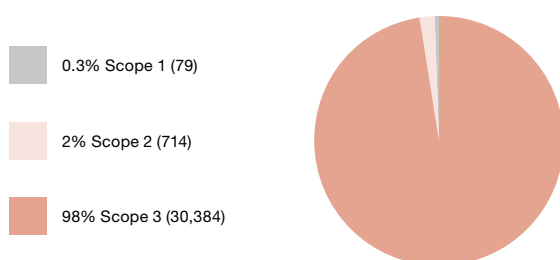
Climate Impact

We understand the global urgency on climate change and are committed to reduce our climate impact in line with what is needed to meet the Paris agreement and limit temperatures not to rise more than 1,5 degrees. Our target is to 'Reduce our climate impact with 50% by 2030, according to base year 2018/2019, and reach zero emissions by 2050'.

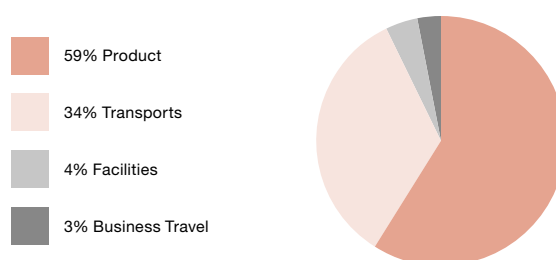
In 2019 we became an active member of STICA, the Swedish Textile Initiative for Climate Action, where we together with several Scandinavian brands collaborate to find climate solutions for our industry and where we jointly report the progress publicly every year. To collaborate with other brands is crucial for us to be up to date on best practice in this fast-developing and urgent challenge.

Our focus the past year was to get an accurate understanding of the carbon footprint of our supply chain. The graphs below show our emissions per operational category and per scope for the last two financial years. We have split emission on Products, Transports, Facilities and Business travel. The calculations have been made according to the GHG protocol together with the consultancy 2050. This year was the first time we gather and report on the emissions of our products. We have calculated it for both this financial year and the previous year for a better analysis.

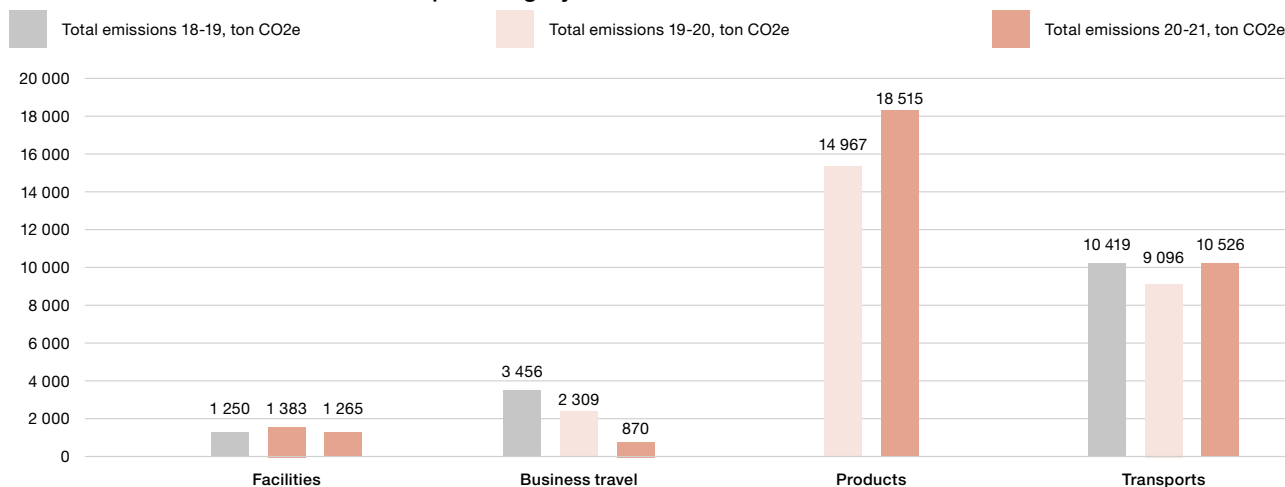
Total emissions per scope



Share of emissions per operation type



Total emissions FY19-20 and FY20-21 per category



Key conclusions on overall emissions:

- Our direct Scope 1 emissions and Scope 2 emissions from purchased electricity, make up 2% of total our emissions.
- Scope 3 emissions from production and all transportation of products, makes up 95% of our total emissions.
- Total emissions increased with 12% mainly due to increased production and transport volumes.
- More than half of total emissions arise from the manufacturing of our products.
- Transports gives around a third of emissions, mainly due to high share of air transports.
- RFI factor* applied for air transports is 2,7, in line with STICA guidelines.

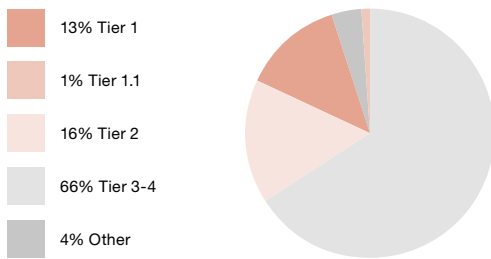
Product

The emissions released from producing our products are separated based on tiers of different production steps throughout our supply chain.

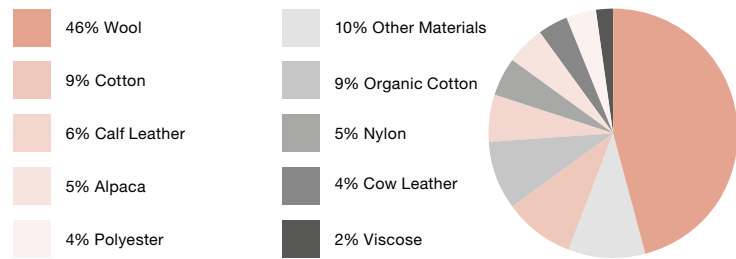


Energy data has been requested from the majority of our Tier 1 and Tier 1.1 suppliers and parts of our Tier 2 suppliers. Tier 3-4 emissions are based on MSI Higg data. Due to data restraints, it has not been possible to separate the Tier 3 and Tier 4 emissions.

Product emissions per Tier



Tier 3-4 emissions per raw material



Key conclusions on product emissions:

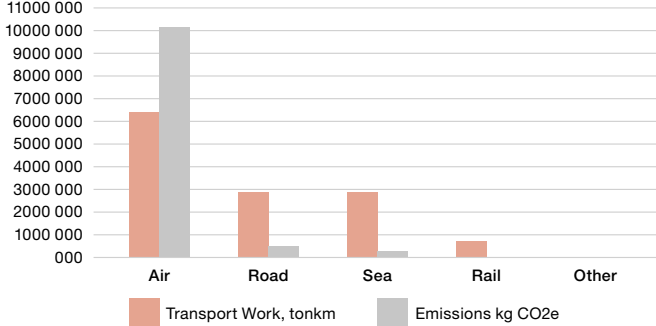
- Raw material extraction and processing gives our highest emissions (66%) mainly due to our large share of animal fibers and leather which can have up to five times higher emissions than for example cotton or polyester.
- It will be key to address the high emissions from our sourcing of wool. Wool stands for around 20% of our raw material use but creates almost half of our total product emissions, mainly originating from the methane release from sheep.
- Increased use of renewable energy in Tier 1 and Tier 2 would address around a third of our product emissions and will be an important measure to take.
- Further analysis needs to be made on Tier 3-4 especially as Higg MSI use global average emission data. In addition, product durability and end of life treatment must also be included for more holistic assessment of raw material usage.

Transports

Emissions from shipment of goods is measured and analysed based on transport mode and transport direction. Transport and emission data has been gathered from all our logistic forwarders. The data quality is evaluated by our climate consultant.

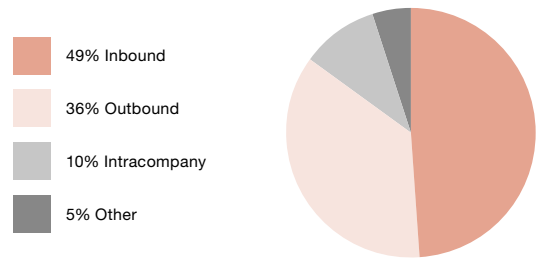
Transport mode

Emissions (kg CO2e) vs. transport work (ton km)



Transport direction

Share emissions in percentage



Key conclusion on transport emissions:

- Half of our transport work is done by air and stands for 96% of transport emissions. This means to reduce air transports is a key measure to take.
- Further analysis shows that air transports between Asia and the warehouse in Sweden is one of the main causes of air emissions which similarly should be addressed.
- Analysis to balance conflicting business targets set to avoid over production, such as delivery precision and sell through will be started within our commercial team, supply chain, and our production

Facilities

Energy use in stores, warehouses and offices lies within Scope 2 emissions. We purchase renewable electricity for our Scandinavian facilities and changed to renewable electricity for our Italian store and office this year.

Our target is that by next financial year only purchase renewable electricity for all our own facilities, through purchase of Renewable Energy Certificates, REC, either directly from our energy providers or on the respective energy market.

Travels

Emissions from business travel represent 3% of total emissions. Emissions from business travel decreased again significantly compared with last year due to the pandemic. The main emission comes from air travel.

2030 Climate roadmap

During this year we have established a much more detailed understanding of our full climate impact and have developed a framework to gather and analyse the emissions of our products. We have also started the process to engage our suppliers and get them onboard in our climate strategy. We know that improving our traceability levels, the data management and our sourcing strategies will be key in meeting our climate target. The goal for this coming financial year is to break down which emission reducing actions we need to take, and when, and create a detailed 2030 roadmap to be integrated in our business strategy.

Our Workplace

People are the centre of our operations; only with a committed and competent team, we can remain the progressive and creative business we aim to be. This year we employed over 800 employees globally, of which approximately 250 were stationed at our headquarters in Stockholm and around 450 employees are working in our stores. In addition, we also have offices in Paris, New York, Tokyo, Shanghai and Empoli, Italy.

Our basis for a constructive workplace, is a set of shared norms and values that are communicated to everyone in a clear way. These principles are laid down in our 'Employee Handbook' which is provided for all countries where we are present. This handbook introduces employees to the company and its history. It also explains policies, procedures, benefits, and working conditions that are applied within Acne Studios. Each local employee handbook informs employees about local regulations and benefits.

Employee engagement

All our employees should perceive Acne Studios as a workplace where they can feel content and engaged. To reach this, it is important to attract, recruit, retain and develop committed employees who are also given the opportunity to grow within the company. We always strive to ensure equal opportunities for every employee.

Frequent pulse surveys

We believe that engaged employees is critical for our business success and to reach this we want to measure engagement and wellbeing within the organization. During 2020 we started looking into a new employee survey tool. We have chosen a tool that provides a pulse survey that helps us measure different topics such as employee satisfaction, relationships, and work environment within the organization. The tool will provide specific insights to managers and the results will serve as a base for systematic team conversations lead by managers. We believe that the tool will help us track engagement levels, understand the organization and that the result can form as a base for our continuous work with the people strategy going forward.

Values and culture

In spring 2021, we launched a company-wide initiative on values and cultures. By the end of 2021, all our employees will have participated in values workshops, in which we explore and discuss our values. This comprehensive work will continue in 2022 and beyond. The ambition is to integrate our values in all core people processes, to ensure they become an integral part of how we attract, recruit, and retain our people, while also guiding us in how we should work together on a daily basis.

People Portal

Another tool to help our employees feel engaged and updated is our People Portal. During 2019 we launched our global HRM-system and intranet called Acne Studios People Portal and since autumn 2020 the portal is available on all markets. Our aim was to implement a global system that would reach all employees within the organization. Today the People Portal serves as the global master system for all employee data, synching with the global payroll partners & internal IT, and ensures GDPR compliance. The People portal features highlights and events within the organization, contact details to all staff and locations, organization charts as well as all Acne Studios Employee Handbooks including guidelines and policies. During 2020 we started to use the portal as an internal communication forum where we share news and important information.

Healthy work environment

We want to create a work environment that is safe and healthy for our employees where risks for injuries and work-related health issues are prevented. This is specified in our 'Work Environment Policy'. For Swedish employees we summarize our activities and findings in our 'Work Environment Report' that concerns both physical and social factors that affect our daily work. This report helps us to draw conclusions and set goals for the coming year.

Safety

Within Sweden Acne Studios has a systematic work environment process. An essential part of this process is close cooperation between Acne Studios and our safety representatives – who represent the employees in work environment errands.

In order to create a safe work environment all employees are encouraged to take personal responsibility by following the rules, instructions and procedures that are in place and to identify and report accidents, near-accidents. We have the following policies and guidelines at Acne studios within the area of working conditions to guide and support our employees:

- Work Environment
- Drugs & Alcohol
- Equality & Diversity
- Harassment
- Flexibility & Availability

Work-life balance

We aim to be an employer who offers its employees the possibility of a good work-life balance. This reduces risks of health-related problems for employees for example due to stress.

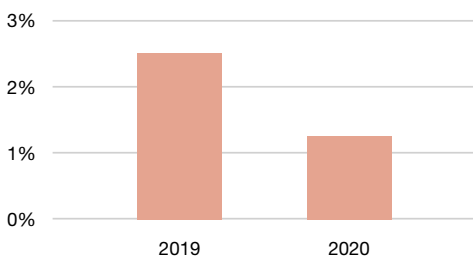
During 2021 we offered all employees a course in sustainable high performance. The course is available to all employees in our global People Portal. The course explains about stress management and the focus was to teach employees how to detect and manage stress in a constructive way. We also have a policy regarding Flexibility & Availability in our internal Employee Handbook which encourage the dialogue between manager and employee regarding work life balance. We believe it is essential that clear expectations are communicated between manager and employee.

Absence due to illness

We believe in detecting health risks early to be able to prevent poor wellbeing and sick leave. We follow up on sick leave regularly and implement rehabilitation plans for both repeated short-term and long-term sick leave. This is also an area that we educate our managers within.

The bar chart below shows the sick leave figures during last year for employees at our HQ in Stockholm. The total sick leave is 1,2 % of scheduled hours. It is a decrease of approximately 1,4 % from 2019 and we can see a decrease in both long term and short-term sick leave from 2019. We believe that one explanation behind the decrease is due to more employees working from home during the Covid-19 pandemic, so they haven't been calling in sick to the same extent as normal. We also believe that our continuous work with rehabilitation for both long term and short-term sick leave have had an impact on the reported sick leave.

Sick leave HQ Sweden



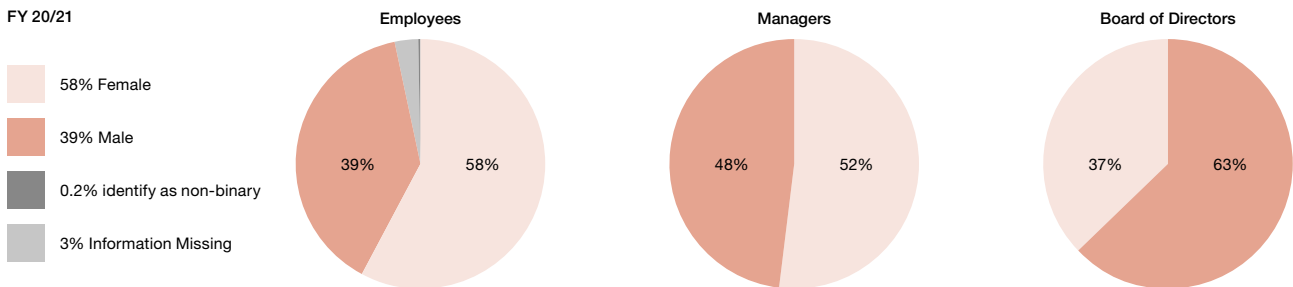
Equality & Diversity

Diversity is central in our way of doing business and we celebrate diversity of all types. We have an 'Equality & Diversity Policy' and based on this policy we work actively to prevent any form of difference in treatment or discrimination within the company. We want our employees to feel that they operate in a work environment in which all employees are treated equally and where differences between employees are enriching and strengthening to our brand and competitiveness. We want to achieve an environment where everyone is treated with respect and dignity.

Our aim is that the gender diversity among our leaders should reflect the gender diversity among our employees in the company. As a part of reaching gender equality, we encourage recruiting managers to aim for a diverse gender distribution when hiring new talents.

Gender distribution at Acne Studios

FY 20/21



Business Ethics

We expect all our employees as well as those we have agreements with including our suppliers, agents, vendors, and other business partners to act with integrity and honesty in all business relations. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery. Since 2016 we have an 'Anti-corruption & Bribery Policy', and all employees must ensure that they have read and understood the policy. The purpose of the policy is to set out responsibilities in observing and upholding our position on bribery and corruption and provide information and guidance on how to recognise and deal with bribery and corruption issues. The policy also includes potential risk scenarios and information on how to act and raise a concern in case of disclosure of any suspected danger or wrongdoing.

In addition, we want employees who experience, or witness corruption, bribery or comparable behaviour to feel confident to report this without risking any negative consequences. Since 2019 we have a global 'whistleblowing policy and procedure' that encourages and guides employees on how to act when witnessing unacceptable circumstances, wrongdoing, or malpractice. The procedure is described in our People Portal and available to all employees. We do not see any overhanging risk for corruption within the organization, but we believe that it is important to have routines in place to detect and prevent corruption.

The main risks of corruption are found in our supply chain, both between supplier and us but also at the individual supplier or between different suppliers working for us. The activities made to address this matter is to make screenings of new key suppliers in terms of financial stability but also that we are auditing suppliers in high-risk countries according to Fair Wear Foundations Code of Labour Practices. This gives us a good idea as to the status of their businesses and eventual risks of corruption. In the chapter 'Our suppliers' we describe further how we address violations to our Code of Labour Practices. For example, non-transparency and lack of honesty during social audits is consider findings that requires immediate action on, for us to be able to continue the business relationship. In the chapter 'Our products' is described our long term target on traceability and human rights due diligence.

Appendix - Classification Tools

Fiber Classification Tool			
Preferred*	Good	Discouraged	Banned
Organic linen	Conventional linen	Conventional cotton	Fur
Organic hemp	Conventional hemp	Non-traceable wool*	Angora
Organic cotton	Silk	Lyocell (unbranded)	Mulesed wool
Recycled cotton	Jute	Modal (unbranded)	Non-RDS down
Organic silk	Ramie	Viscose (unbranded)	
Peace silk	Natural bamboo	Bamboo viscose	
Organic wool*	Traceable wool*	Rayon	
Recycled wool*	Lenzing modal	Cupro	
Responsible wool (RWS)	Lenzing viscose	Virgin polyamide	
Responsible mohair (RMS)	Polylactic acid (PLA)	Virgin polyester	
Recycled down		Acrylic	
Responsible down (RDS)		Polyurethane	
Crailar®		Elastomultiester	
Agraloop BioFibre™		Elastane	
Monocel®		Acetate	
Tencel®		Triacetate	
Refibra®			
Eco Pure modal			
Ecovero®			
LivaEco by Birla cellulose			
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 certification.

Leather Classification Tool				
	Preferred*	Good	Discouraged	Banned
Animal welfare	Low risk countries	Mid risk countries	High risk countries	Brazil, Bangladesh
Traceability	Slaughterhouse	Animal country of origin	Hide country of origin	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
- 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

Denim Wash Classification Tool					
	Low Impact*		Medium Impact	High Impact	Banned
Water use (Liter/garment)	0-35		35-80	>80	Sandblasting
Energy use (kWh/garment)	0-2		2-4	>4	
Chemical impact**	EIM Score 2-25	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.