

# Acne Studios

Sustainability Report  
Financial year 2019/2020

## Table of contents

<b>Summary</b>	<b>3</b>
Recap of the year	3
Sustainability highlights	3
Our sustainability ambitions	4
<b>Our products</b>	<b>7</b>
Circularity	9
Raw materials	10
Animal welfare	11
Chemical management	13
Production processes	13
<b>Our suppliers</b>	<b>15</b>
Labour standards	17
Purchasing practices	20
Training	21
Transparency	22
<b>Our operations</b>	<b>34</b>
Environmental impact	28
Our workplace	31
Business ethics	34

# Summary

## Recap of the year

This Sustainability Report covers the financial year (FY) 19/20, which runs from 1 September 2019 to 31 August 2020. In short, the year can be summarised as follows:

- More than **700** employees of which over **200** are based at our Headquarters in Stockholm
- **8** offices in **Scandinavia, Italy, Paris, New York and Shanghai**
- Roughly **2.34 billion SEK** turnover
- **60** Acne Studios stores in **27** cities, **14** countries on **4** continents
- E-commerce accessible in over **190** countries
- Wholesale distribution via around **800** stores and online shops in **48** countries
- **60** suppliers with more than **200** production locations in **13** countries

## Sustainability highlights

- **30%** of orders in sustainable materials including **84%** of all jersey and fleece. In our Spring/Summer 2021 collection the total share will be over **40%**.
- Elevated previous recycled collections to a recurring **'repurposed collection'** with garments made from leftover fabrics using resourceful production techniques.
- Independently verified as a **'Leader'** on social responsibility by Fair Wear Foundation (FWF), for six years in a row.
- Committed to join **FWF transparency policy** and list our suppliers in their public database next year.
- Reduced the climate impact on our operations by **15%** compared with last year, mainly due to decreased business travel and transportation needs.
- Started a new **'people strategy'** to define our culture and values as well as setting a strategy for **diversity and inclusiveness**.



## 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 over 1.3 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 that are of high quality and 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.

This year specifically highlighted the importance of sustainability during the Covid-19 pandemic. It revealed the vulnerable interconnection of global supply chains as countries restricted international trade, supply chain logistics were disrupted and demand suddenly diminished. Consumers have become more mindful about the impact of their consumption as well as wanting to be reassured that the products they buy are made responsibly throughout every step of the process, from the raw materials down to the final product. You can read more about how the pandemic affected our suppliers and our workplace on p. 18 and p. 28.

### 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 direct 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	9	Customers, Sourcing partners, NGOs & interest groups, other brands
	Raw materials	10	
	Animal welfare	11	
	Chemical management	13	
	Production processes	13	
Our suppliers	Labour standards	16	Sourcing partners, NGOs & interest groups, other brands
	Purchasing practices	19	
	Training	20	
	Transparency	21	
Our operations	Environmental impact	26	Employees, sales staff, public authorities, logistics partners
	Our workplace	29	

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. Below overview lists all industry initiatives we take part in and which topics are addressed:

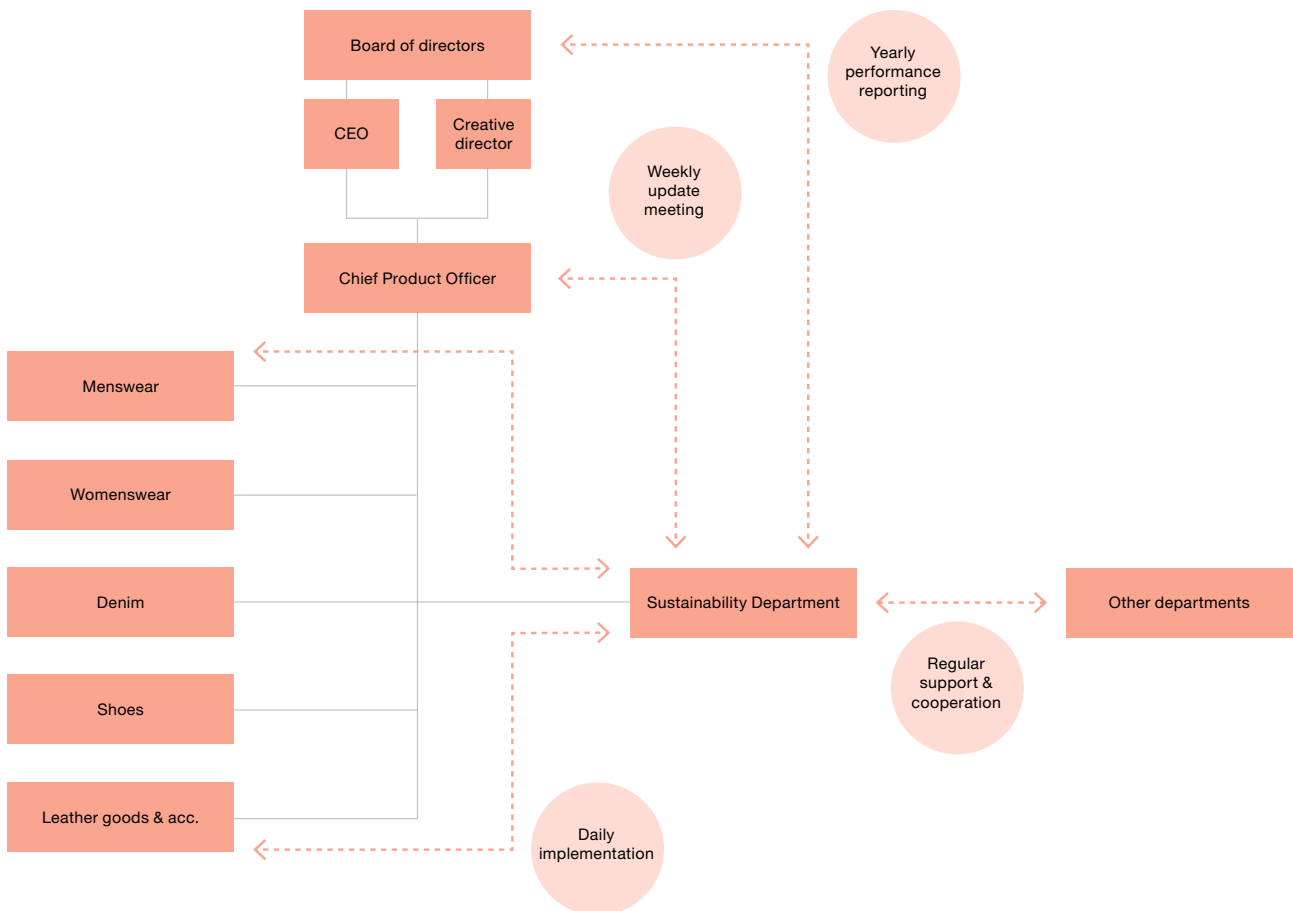
Key area	Industry initiative
Our products	Textile Exchange
	Leather Working Group (LWG)
	Swedish Textile Initiative for Climate Action (STICA)
	Swedish Shoe Environmental Initiative (SSEI)
	Chemical Group at Rise
Our suppliers	Fair Wear Foundation (FWF)
	Italy Fashion Working Group
Our operations	Swedish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

During the end of last financial year, we re-organised the former quality and sustainability department into a separate sustainability department. This department reports to our Chief Product Officer and is responsible for presenting sustainability strategies and targets and to implement these in our organisation. The sustainability department also has regular collaboration 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 that involve all departments. As of last year, our annual sustainability targets are included in this overall business strategy and therefore officially signed off by our CEO. Our Board of Directors also approves our annual sustainability report, and the auditing process that our financial report is subject to is extended to our sustainability report as well.



# Our Products



## Our products

Being proud of our products is the core of our business practices. At the same time, the creation of our products leaves behind a substantial environmental footprint. For this reason, a major part of our sustainability ambition is geared towards the design and production of our products. Our efforts are divided into five focus topics; Circularity, Raw Materials, Animal Welfare, 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 19/20
<b>Circularity</b>	We enable long term product use through high quality standards and reuse or recycling of materials	Elevated previous recrafted collections to a 'repurposed collection' made from leftover fabrics.
<b>Raw Materials</b>	We make active choices to increase the use of more sustainable materials in our collections	Reached 30% of orders in sustainable fibres including 84% of all jersey and fleece.
<b>Animal Welfare</b>	We demand an ethical treatment of animals and push for traceability to the origin of our materials	Became certified to the Responsible Wool Standard (RWS) and changed all down in our jackets to recycled down.
<b>Chemical Management</b>	We offer safe products that are free of hazardous substances in line with industry best practice	Performed over 1400 chemical tests at external laboratories to secure product compliance of our RSL.
<b>Production Processes</b>	We work with our suppliers to decrease the environmental impact of manufacturing	Created a sustainable denim wash benchmark to select better finishing techniques.



## Circularity

Making a garment that lasts, from a quality perspective and as a desirable item, reduces our product's environmental impact in a life cycle perspective considerably. Design, quality and sustainability are therefore closely connected for us. 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

Strong effort is put into assuring that our products live up to our high-quality standards and can stand the test of time. We have an in-house quality lab where we test materials and garments according to international standards and work with external testing laboratories where necessary. In addition, our own quality auditors are present at our suppliers' factories during production to do quality inspections. Wear testing is an important part of our quality assurance process as well. Only by using a product will you understand what can be done better. Customer claims are always evaluated to learn where we can improve to prevent issues in the future. Because of this strategy, our customer claims rate has steadily decreased in the past years across all our markets. This year our share of customer claims was reduced from 0,4% to 0,3% based on returns per products sold.

### Care and repair

We want to enable our customers to take care of their garments to maintain the quality. From a life cycle perspective, the energy and water used for washing and tumble drying represents a big share of the environmental impact of garments. We consider this when we decide on care instructions and want to inspire our customers to be aware of the impact of their own behaviour. For example, this year we added a new circularity text in our care label as below:

- Make your garment last. Wash less and with care. If required, repair or resell when worn.

In our stores, customers receive the necessary information to take care of their products. In case of quality claims, we cooperate with local tailors and shoemakers to repair simple production faults. In the unfortunate event that one of our items gets damaged during wear, we have a storage of spare parts such as zippers and buttons. This archive goes back several seasons and is used to assist customers when repairing their Acne Studios products.

### Reuse and recycling

We believe that a product that is not sold or used is a waste, both of natural resources and the passion put into it. For this reason, we carefully plan our orders and sales to prevent overproduction. Fabrics and materials that are left from sample developments are donated to various design schools in Sweden. We also work together with our suppliers to make sure leftover fabrics are used, for example when repeat orders are placed, for special retail orders or with which to make prototype samples.

Planning and estimating sales were even more important this financial year when several of our stores were closed and sales decreased due to the pandemic. We had to reconsider our order estimations to avoid ending up with unsold products, whilst respecting the business agreements made with suppliers. As a result, some fabrics that were ordered and produced for styles that were affected by order reductions during the spring, will instead be used for repeat orders in coming seasons.

Since SS19 we have made three 'recrafted capsules' from deadstock fabrics and garments. This year, we elevated this concept to recurring 'repurposed capsules'. With this collection, we want to use our creativity to give excess fabrics a new look and to create something new from what already exists.

In case unsold garments remain after the seasonal sales, we sell them in our outlet stores and in external outlets in the UK and the US. Samples produced during development are sold in our archive stores and in our online pop-up stores. We also have an internal store at our warehouse for our employees where we sell returned or unsold items that we can't sell anymore via our other channels.

## Raw materials

We carefully select the raw materials we use for our products. Each material in our collection has specific characteristics and is chosen based on the desired look and performance. Since we aim to make items that last, a precondition is to choose durable materials. We measure our material use annually and cotton remains our most important fibre. It is the main fibre used in our jersey, fleece and denim products and is present in many other product categories as well. Wool is our second most used fibre type. It is mainly used in knitwear but also in woven categories such as outerwear and suiting. Leather is used for garments, shoes, bags and accessories and is our third key material.

### Sustainable fibre benchmark

We have developed the Acne Studios sustainable fibre benchmark to assess the environmental impact of the materials we work with. To create this, we used benchmarks such as the MADE-BY environmental benchmark, Higg MSI and the Textile Exchange preferred material index as a starting point. We consider materials ranked as 'recommended' to be more sustainable.

The benchmark will be continuously updated based on newly developed materials, scientific research or industry best practices. It forms the basis for our sustainability targets on raw materials and is used as a guide for our designers, fabric team and product developers. We want to encourage them to pick the best options available, with preference for the 'recommended' materials. This year, we added more sustainable cellulosic fibres to the recommended category of the benchmark.

Recommended	Good	Discouraged	Banned
Organic linen	Conventional linen	Conventional cotton	Fur
Crailar® linen	Conventional hemp	Non-traceable wool*	Angora
Organic hemp	Silk	Lyocell (unbranded)	Mulesed wool
Organic cotton	Jute	Modal (unbranded)	Non-RDS down
Recycled cotton	Ramie	Viscose (unbranded)	
Organic silk	Natural bamboo	Bamboo viscose	
Peace silk	Traceable wool*	Rayon	
Organic wool*	Lenzing modal	Cupro	
Recycled wool*	Lenzing viscose	Virgin polyamide	
Responsible wool (RWS)	Polylactic acid (PLA)	Virgin polyester	
Recycled down		Acrylic	
Responsible down (RDS)		Polyurethane	
Monocel®		Elastomultiester	
Tencel®		Elastane	
Refibra®		Acetate	
Eco Pure modal		Triacetate	
Ecovero®	*Wool refers to all animal hair fibres incl. mohair, cashmere, alpaca. The Acne Studios Wool Sourcing Requirements give further details on traceable wool.		
Recycled polyamide			
Recycled polyester			

## Sustainable materials target

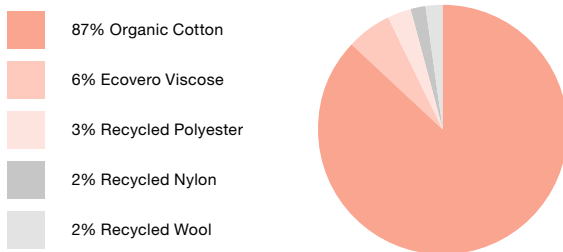
Last financial year, we adopted the long-term sustainability target to use 100% sustainable materials by 2030, of which at least 40% should be recycled materials. We consider all materials classified as 'recommended' in our sustainable fibre benchmark as sustainable. An implementation strategy has been developed and we set targets per product group for each season. This has helped us to analyse and communicate our targets to our internal teams. This year, we have expanded this strategy by integrating the targets in our range plan and by having regular progress meetings for each product group at crucial moments in the collection development calendar.

For all sustainable materials we require certification to verify the integrity of the materials and chemistry we use, including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Wool Standard and the Lenzing certification number.

For last financial year 2018/2019, 9% of our delivered collection was made of sustainable materials and we set the target to reach 20% sustainable materials share next year. We were able to set a big step forward and reached nearly 30% sustainable materials on delivered order weight for financial year 2019/2020. This result was mainly achieved by using organic cotton in over 80% of our jersey/fleece and over 40% of denim orders. Apart from organic cotton, we also use recycled- polyester, nylon, cotton, wool, cashmere and elastane, and the Lenzing materials Tencel, Ecovero, Refibra and Modal in small quantities.

## Sustainable materials distribution

of total sustainable material use in financial year 2019/2020



## Sustainable material use per season

share of total order weight



## Animal welfare

Animal materials are often durable and of high quality, which is why they are an important part of our collection. Wool is the second biggest fibre we use. This includes mohair, cashmere, alpaca and merino wool but regular sheep wool represents the biggest part. Leather occupies the third place. Apart from these animal materials, we also use down in our winter jackets.

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. We have the following restrictions on 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.
- We only use mohair from South African farms that have passed an audit according to the MSA Sustainable Guidelines.

### Zoom in: Recycled down

For several seasons, we used down certified by the Responsible Down Standard (RDS) to ensure animal rights were met. Since the Spring/Summer 2020 collection, we changed to using recycled down that is certified according to the Global Recycled Standard (GRS). This down is coming from post-consumer goods and is cleaned and re-used for insulation in our down jackets.

We choose down for our jackets since it is a lightweight, breathable and very warm insulation material. With the same properties as virgin down, recycled down is a more sustainable alternative as no new material is added to the production cycle and there is no risk of animal welfare issues.

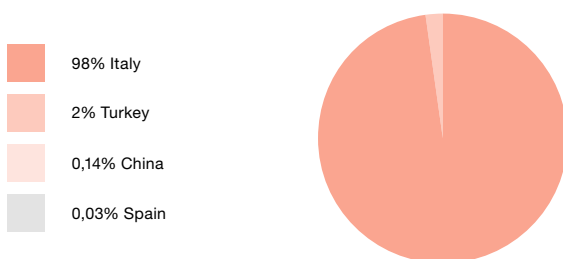
## Traceability

Animal welfare is a concern at the very start of the supply chain - i.e. the farm. Fashion supply chains are generally long, making traceability crucial to ensure that our animal welfare requirements are followed.

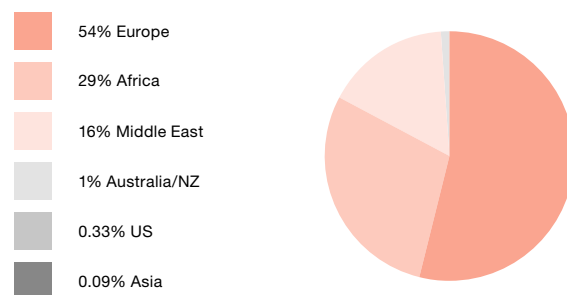
We source almost all our leather directly from tanneries and always know where our leather hides are being processed. Currently, 95% of the leather for our bags, small leather goods and shoes is from Italian tanneries. For the leather used in our garments 77% is from tanneries located in Italy and 23% is from Turkey where the leather garments are manufactured.

To get a more detailed insight into our leather supply chain beyond the tanneries, we have developed a traceability questionnaire that all our tanneries need to fill in. It includes questions about the origin of the hide and the animal, and how the hides are traced at the tannery and in their supply chain. It provides us with a better insight in the traceability systems that are used in our supply chain and how far we can trace leather back to its source, substantiated with documentation. Currently, the majority of the leather for our garments, shoes and bags is from animals raised in Europe.

### Tannery country of origin



### Animal region of origin



Next to leather, another animal material that we use in our collections is wool. We also implemented requirements to increase transparency for our wool materials including cashmere, mohair and alpaca. We require country of origin documentation in the form of an official shipping document or country of origin certificate for all our wool. In addition, for mohair we request traceability back to the farm and for merino wool originating from Australia we ask for a non-mulesing declaration, as the risk for this animal-unfriendly practice is present here. We directly ask the mills that spin our yarns to provide us with the required documentation and, if needed, we reach out to companies further down the chain to get insight in the supply chain and information on where our wool is from.

Our ultimate goal is to have a documented overview of all parts in the supply chain of our animal derived materials, including a verified assurance that the farms and following steps are in compliance with animal welfare standards. This is a big challenge that is currently hard to reach due to the complex setup of the fashion industry. That is why we aim to achieve this goal step-by-step together with our suppliers, in collaboration with other brands and within industry initiatives. We are a member of the Leather Working Group and part of their Animal Welfare Group. We also participate in Textile Exchange's Responsible Leather Round Table and their working groups focused on mohair, alpaca and cashmere.

#### Zoom in: Responsible Wool Standard (RWS)

As mentioned earlier, wool is the second biggest fibre we use in our collection, after cotton. Even though wool is a high-quality fibre with many great properties, it is also linked to challenges such as overgrazing due to mismanagement of farmland or the animal unfriendly mulesing practice.

Early 2020 we became certified according to the Responsible Wool Standard (RWS) so we could source responsible wool and trace the fibres all the way from the farm to the end product. The goal of RWS is to protect the sheep that supply the wool and the land on which they graze. The standard cover farm level practices including handling, nutrition, shearing, medical treatments and sustainable grazing methods.

We set the target to change all wool in our Spring/Summer 2021 FACE collection to RWS wool. In collaboration with supplying partners, we booked RWS wool months before it was knitted into sweaters and hats for our collection. All our suppliers, from farms to spinners to garment manufacturers, are RWS certified to ensure that the wool comes from certified farms and is not mixed with fiber from other sources during production.

Next year, we will continue to increase the use of RWS wool in other products in our collection.

## 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. The basis for monitoring the use of chemicals is the Acne Studios Restricted Substances List (RSL). This list is in line with legislation in our sales countries and industry best practices. All our suppliers need to sign the RSL and confirm compliance with it. We perform assessments and laboratory tests of our products to monitor compliance and work together with our suppliers on proper use of chemicals.

During social audits at our production facilities, it is always checked whether chemicals are stored and handled correctly. Suppliers should always provide Material Safety Data Sheets for the chemicals they use, store chemicals in a separate space and with secondary containment to prevent leakage. In addition, workers should receive the right personal protective equipment (PPE) and training to increase awareness and knowledge on how to handle chemicals and use the PPE correctly.

Because we want to be proactive regarding harmful chemicals and stay up-to-date on developments in the chemical field, we are a member of an industry initiative called 'Kemikaliegruppen'. This network is run by the research institute Rise and consists of over 100 member companies. The membership includes participation in seminars on chemical matters and updates on industry best practices and new regulations. We are also a member of 'BLC Leather Technology' to get further support on chemical management of leather products.

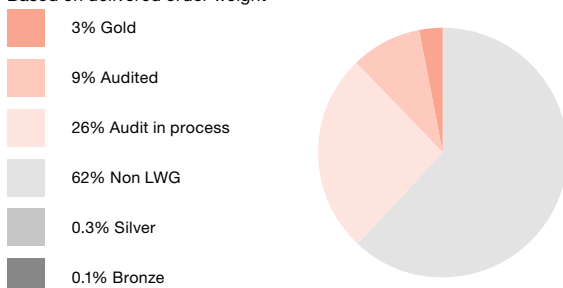
## Production processes

In addition to raw materials, production processes such as tanning, dyeing, printing, washing and finishing can also leave a heavy mark in terms of greenhouse gas emissions, water pollution, water consumption and energy use. There are various actions that can be taken to reduce these impacts depending on the processed material, wanted design and technology used. Most of our materials are processed in Europe where it is more credible that best available technology is used and where risks in terms of water pollution and chemical use are generally low due to strict regulations. However, there are still important environmental factors for us to consider in our processes. During this year, we continued our focus on two areas; leather tanning and denim washing.

Most of our leather is processed in Italy. It is either chromium, synthetic or vegetable tanned. The method used is determined by the desired design and quality but, if possible, a preference is given to chromium-free tanning. Next to assessing the tanning techniques, we urge our tanneries to become a member of the organisation Leather Working Group (LWG), as explained in the zoom in section about the leather benchmark. LWG focuses on improving environmental standards through trainings and on auditing to check the environmental performance of tanneries in terms of water, chemical and energy efficiency as well as transparency. Currently, we work with 14 tanneries that are a member of the LWG and represent 12% of our total leather use. Eight of these tanneries are rated as 'audited', two bronze, one silver and three gold. Many of our Italian tanneries have indicated to us that they are interested in joining LWG but that, due to Covid-19, an audit cannot yet be done by LWG. We expect to increase the share of leather from LWG audited tanneries in our collection next year.

### LWG status tanneries

Based on delivered order weight



**Zoom in: Leather benchmark**

Our target to reach 100% sustainable materials by 2030 also applies to our leather. For leather, there are no sustainable standards in place that cover all main social and environmental challenges in the industry and are backed by a certification system. For this reason, we made our own leather benchmark that provides guidance to our designers, product developers and tanneries.

Leather Benchmark				
	Recommended	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

We consider leather sustainable if it falls in the recommended category for below topics:

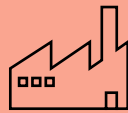
- 1. Animal welfare**  
Favourable conditions for farming in combination with strong animal welfare regulations are important to guarantee a good treatment of animals. For this reason, the country where the leather is from is an important indicator for animal welfare standards. We developed a ranking of countries by risk level based on the country profiles developed by LWG’s Animal Welfare Group.
- 2. Traceability**  
The traceability ranking is based on how detailed the tannery fills in our traceability questionnaire. If a tannery can show traceability back to, at minimum, the slaughterhouse via physical marking or robust paperwork, we consider the leather to have a recommended level of traceability.
- 3. Tanning**  
Acne Studios is a member of the Leather Working Group and we expect our tanneries to work towards this as well. LWG member tanneries get audited to check their environmental performance related to the protocol. Based on their audit scoring, tanneries are ranked as gold, silver, bronze or audited.

We support our tanneries to work towards this, but also have minimum requirements for our tanneries; We ban leather from Brazil due to deforestation and Bangladesh because of environmental risks in pre-tanning. We also require all our tanneries to, at minimum, answer all questions in our traceability questionnaire and indicate to us when they plan to become an LWG member.

All our denim finishes are done in Italy with a small number of wash houses. Last year, we developed an environmental questionnaire for these wash houses to map their progress on low impact practices in terms of water, chemicals and energy use but also on their machinery and availability of measurement tools. We also developed a capsule collection made with low impact washing techniques and piloted the switch of some carry over styles to more environmentally friendly techniques. This year, we translated the results of the questionnaires and test runs into an Acne Studios Denim Wash Benchmark that classifies denim treatments according to their environmental impact. We already use several denim finishes that we classify as more sustainable and we will measure and share results on this in next year’s sustainability report.

As part of our target to reduce our climate emissions by 30% by 2030 and to reach zero emissions by 2050, we will start measuring the climate impact of our products, including the production processes, next year. We initially planned to do this calculation in this financial year but because it is a process that requires a lot of work from us and from our suppliers, we decided to postpone it due to Covid-19. We will do the calculation in collaboration with STICA, the Swedish Textile Initiative for Climate Action (STICA), an initiative that we have been a member of since the beginning of 2019, and who support Scandinavian brands to set science-based targets and to ultimately reduce their climate impact in line with the Paris Agreement.

# Our Suppliers



## Our suppliers

We want to develop and produce our collections together with suppliers that not only share our passion to make strong products but are also committed to do so in an ethical manner. Our suppliers are located all over the world and labour laws and legislations differ a lot from region to region. It is crucial for us that all our products worldwide are produced in a way that matches our norms and values. 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 19/20
Labour standards	We look after fair jobs for those who contribute towards the creation of our products	Around 95% 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	Organised onsite FWF trainings for 3 suppliers to increase knowledge of labour costing and the link between wages and prices
Training	We contribute to knowledge and communication within factories on labour rights	Organised trainings for Italian suppliers on how to manage the Covid-19 consequences for their business and workers.
Transparency	We share supplier information with Fair Wear Foundation and consumers	Received FWF's highest grade, 'Leader', in their annual Brand Performance Check for the last six years.



## Labour standards

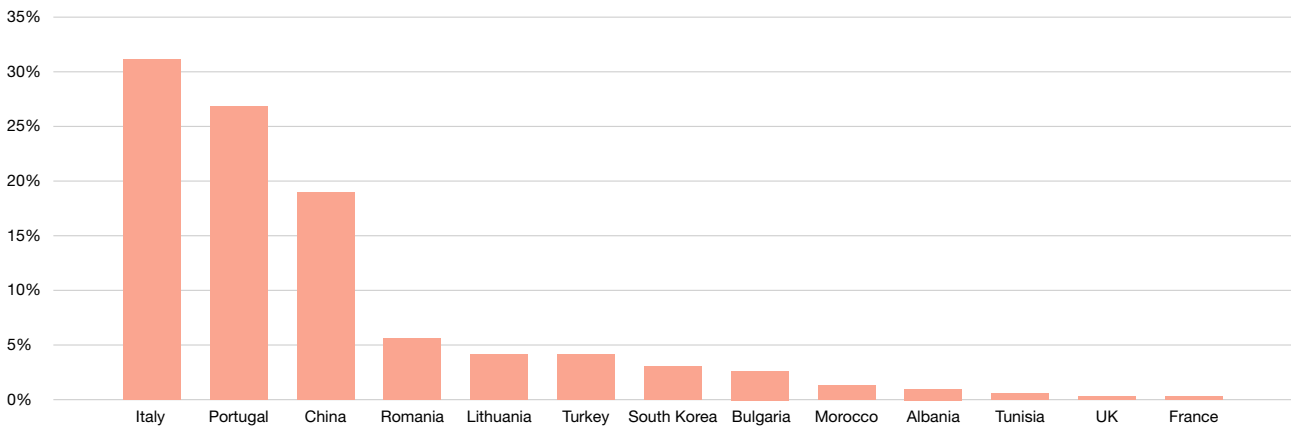
Acne Studios' collections are mainly produced by suppliers in Europe, China and Turkey. Looking at order value, 70% of our production is done in Europe. Europe is a preferred region because of its experience with high end products, social and quality standards are generally high and, as they are closer to our headquarters, it makes it easier to control production and to visit suppliers regularly.

This year, we placed orders with 60 suppliers, using almost 200 production locations located in 13 countries. Our top ten suppliers stand for nearly 60% of the order value. The high number of production locations is due to the number of subcontractors that our suppliers use. In Italy and Portugal especially, production tends to be spread out over several production locations that are responsible for different production steps, rather than having one large factory that does all production in-house.

We want to have a stable supplier base and this year, around 50% of the order value was produced at factories we have been working with for more than five years. Most of our orders are placed at suppliers where our orders stand for 10% or more of their total capacity. This is positive because the more important we are as a customer the easier it is to collaborate and achieve improvements in terms of working conditions.

### Production countries

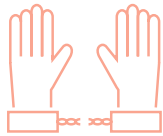
Based on order value



## Monitoring process

We carefully select our sourcing partners and aim to build a trustworthy relationship with them. The basis for this is the Code of Labour Practices. We are committed to implementing the eight standards of our code in our supply chain to ensure that our products are made in a fair and safe way. Our membership of the Fair Wear Foundation is key to achieving this. Since 2008, we have been a member of Fair Wear Foundation (FWF). Together with FWF we have developed a process to monitor and improve working standards at the factories that make our products. We have chosen FWF to collaborate with because of their all-round approach:

1. **Multi-stakeholder collaboration** - FWF works with brands, factories, trade unions, NGOs and governments. This gives us access to local expertise in labour rights. We also exchange best practices with other brands.
2. **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.
3. **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.
4. **Worker complaint system** - We have implemented a grievance mechanism in factory. Through this channel, workers can anonymously inform us in case there are work related issues in the factory.
5. **Transparency and accountability** - FWF provides an external verification of our performance via a yearly Brand Performance Check (BPC).



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



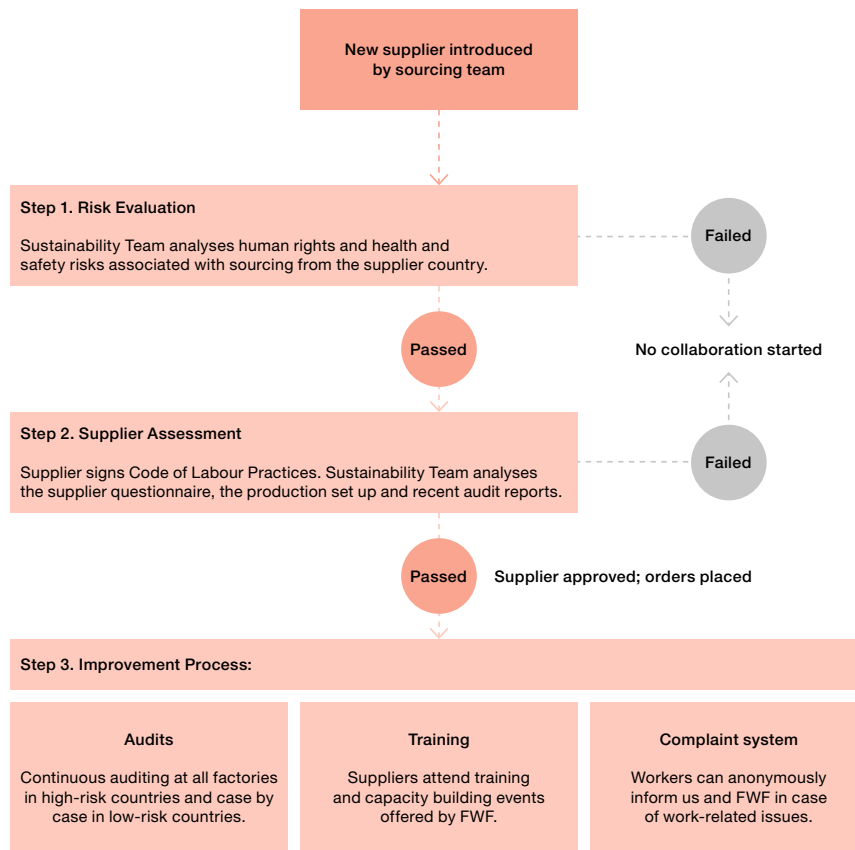
7 Safe and healthy working conditions



8 A legally binding employment relationship

## Acne Studios Code of Labour Practices

All our suppliers are included in our monitoring process, which is explained in below graph. This financial year, around 95% of our suppliers are in low-risk countries or audited at least once in the past three years. The additional 5% have not been audited because we worked together with them for a one-time, small scale collaboration only or because the audit is planned for next year.



### Zoom in: Worker complaint system

All production locations that produce for Acne Studios have one or more worker information sheets posted at visible spots (i.e. notice boards). In case a worker has a complaint about the working conditions that they have not been able to solve with their managers, worker representatives, via trade unions or NGOs, they can contact the FWF complaints handler via a phone number given on the sheet to anonymously inform us.

We take all complaints seriously and evaluate together with FWF and the supplier how they can be solved. Complaints are published via a complaints report on FWF's website that shows the status (i.e. new, under remediation, resolved) to ensure transparency at all stages.

This year, we have not received complaints. This can mean workers have not experienced issues that they could not solve without the support of the complaint channel. However, getting complaints can also be a positive sign as it shows that workers understand their rights. That is why we require factories to inform workers on a regular basis about the content of the worker information sheets, for example via introduction trainings for new employees, by regular update trainings, by adding the worker information sheets to salary slips or by organising FWF trainings at the factory that include worker rights and the use of the complaint channel.

## Purchasing practices

We continuously evaluate how we can adapt our purchasing practices to facilitate suppliers' compliance with our requirements. For example, we plan and book capacity as early as possible, so suppliers have enough time to deliver our orders, we pre-book production time slots before the sales period for an increasing part of our collection and we also pre-book materials wherever possible to prevent delays due to unforeseen issues with our fabric, yarn or leather supply. In addition, production is spread as much as possible to reach more continuity in our orders and to minimise peak production. We do this by expanding the delivery period and the number of drops.

### Raising awareness

Our sustainability team is closely working together with the development and production teams to ensure that the results of monitoring our suppliers are factored in our sourcing decisions. This process is covered in our Acne Studios Sustainable Sourcing Policy that is shared with everyone in the team. In practice, apart from regular updates on developments, the sustainability team has a meeting with each head of department and with the managers of each product group on the sourcing plans and monitoring results per supplier before every seasonal order placement. To make sure all new suppliers are approved by the sustainability team before orders are placed, the sustainability team is responsible for adding new production locations in our Product Lifecycle Management (PLM) system.

We have also developed and implemented a rating system for suppliers on sustainability performance. The sustainability team rates all our suppliers and updates the ratings on a seasonal basis. This rating is part of our company wide supplier ranking that also includes performance in quality, development and production. Suppliers according to this system and updates the ratings on a seasonal basis.

#### Zoom in: Wages

All our suppliers are required to pay at least a minimum wage and to work towards living wage levels. The sustainability team always tracks wage levels in production countries and develops a wage gap analysis of our suppliers to identify the difference between factory wages and living wage levels.

We have set up a project together with our development and production teams to get a better idea of the share of labour costs in our prices. We have added labour costs and labour minutes to our costing sheets to achieve this. As a pilot, we have selected suppliers in China and Turkey to fill in the new costing sheets for carry over styles. We have presented the project to these suppliers at our Headquarters and asked them to fill in the costing sheet with our help. Due to the pandemic, we were not able to include more suppliers in this project, but we will next year.

FWF has developed a labour minute value and product costing calculator that brands and suppliers can use to get an insight in the link between wages and prices. The local FWF teams in Turkey and China have visited three of our suppliers in these countries to introduce the factory management to the tool and to support them in using it. We will now continue the discussion with these suppliers to evaluate the outcomes

## Training

Via our monitoring process, we follow the situation at our production facilities. However, monitoring alone does not solve possible issues found during audits. That is why training for factory management and workers is part of our collaboration with suppliers as well. We encourage suppliers to attend training events offered by FWF. This could either be seminars in certain countries focusing on specific topics or the Workplace Education Programme (WEP) that is held at individual factories. The purpose of WEP is to improve communication within factories on labour issues, aimed at both management and workers. We also arrange our own trainings, for example in countries where FWF is not represented. Currently, around 40% of our production locations in high-risk countries<sup>1</sup> have undergone a WEP training in the past 3 years and 22% of our production locations in low risk countries have received a training that we set up in collaboration with other professional trainers.

### Zoom in: Covid-19

The global Covid-19 pandemic impacted us and our suppliers worldwide. Together with our suppliers we are working to adapt to the current situation. In this process, we aim to protect the financial integrity of Acne Studios while upholding our principles of responsible business conduct. We follow our responsible sourcing guidelines in this process. In the first half of 2020, when the pandemic hit the world for the first time, this meant in practice that we dealt with the Covid-19 crisis according to the following principles:

- We honored all product orders for which manufacturing had started and these were paid according to earlier agreed terms. Reasonable delays in production were accepted without penalties or cancellations.
- For later orders that were not in production yet, revisions were unfortunately inevitable considering the country wide lockdowns affecting both our sales and supplier's capacity. Raw material orders affected by such reductions or cancellations were honored, if needed with adaptations in payment and delivery terms.
- We continued to monitor the working conditions and health and safety situation in our suppliers' production facilities, with support of FWF and in an adapted form if needed.

All measures have been discussed closely with our suppliers, fabric mills and sales channels. To evaluate the impact of Covid-19 on our suppliers and to support them with the negative consequences on a broader level, the sustainability team did the following:

- FWF collaboration - FWF has provided guidance to member brands on how to respond to the Covid-19 pandemic and has generated country profiles with detailed information on the impact of and responses to Covid-19 per country. FWF also checked if we dealt with Covid-19 in a fair way towards our suppliers via a questionnaire, by organizing webinars on the impacts of Covid-19 and by calling a selection of factories to ask which challenges they faced. One of our suppliers indicated to have financial issues and, even though we did not reduce any order volumes at this facility, we followed up to see if and how we could support. The factory eventually received government support and we also audited them to get a better insight in the situation.
- Risk evaluation - We made a risk profile for each supplier based on the leverage that we have at the supplier, the production set-up as subcontractors are more vulnerable for the negative impacts of Covid-19, the access to government support, and our reduction of future orders at this supplier.
- Supplier feedback - We reached out to main suppliers and suppliers with a high-risk profile to learn more about the financial situation of the supplier, the health and safety measures at the factory and support for workers. We also forwarded the FWF country profiles for guidance on government support regulations.
- Training - Since Italy is one of our most important production countries and it was hit hard by the first Covid-19 wave, we organized two online trainings together with the Italy Fashion Working Group. In the first session suppliers received information on how to manage Covid-19 regulations and request government support, while the second session was meant to answer questions.

<sup>1</sup> Based on order value

## Transparency

We share names and details of all our production facilities with Fair Wear Foundation via their database. These details include: the address, the number of workers and division by gender, other brands the factory works for, production steps done in-house and the contact details of the factory manager.

Each year, a Brand Performance Check is executed by Fair Wear Foundation. During this check, FWF gets insight into our sourcing processes, our order data, and monitoring activities. The outcome of this Brand Performance Check is published on the website of FWF and on our own website. In the last six years, Acne Studios has received FWF's highest grade 'Leader' for our achievements. A recap of our scoring in the past six years is given below.

FWF mentions the following about the Leader status: 'This category is for member companies who are doing exceptionally well and are operating at an advanced level. Leaders have made substantial progress in monitoring production locations and demonstrated remediation at the factory level. Leaders show best practices in complex areas such as living wages and freedom of association. They also continuously look at their internal processes and supply chain, making improvements and adjustments on a regular basis.'

	FY 18/19	FY 17/18	FY 16/17	FY 15/16	FY 14/15	FY 13/14
FWF Ranking	Leader	Leader	Leader	Leader	Leader	Leader
Share under monitoring*	96%	98%	95%	92%	92%	91%
Share visited	91%	92%	91%	83%	79%	85%
Share in low risk countries	59%	59%	56%	59%	59%	52%
Share with relationship for > 5 years	48%	46%	39%	45%	37%	52%
Number of complaints received	0	0	2	0	2	1

\* Share of production locations based on order value

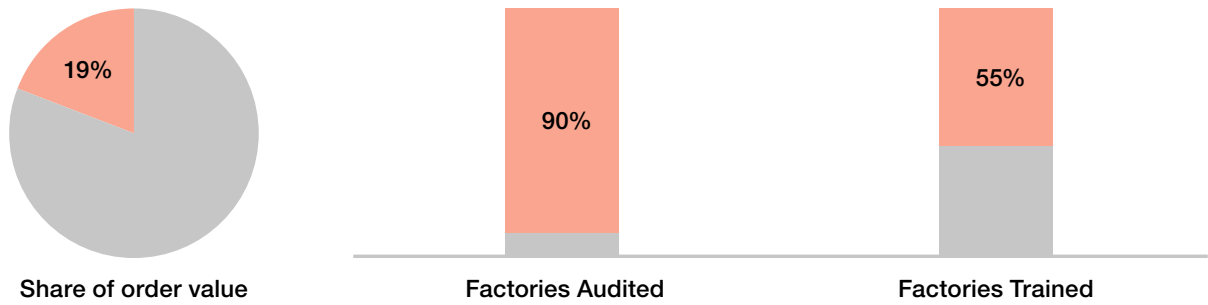
Our Brand Performance Check for this year takes place at the end of 2020 and for this reason, the scoring cannot be given yet in the overview. The Brand Performance Check for 2019/2020 will have an extra focus on how we dealt with the consequences of the Covid-19 pandemic. Our monitoring process had to be adapted to the Covid-19 situation this year, meaning that we have done less onsite activities, such as joining audits, organising trainings or other visits. Also, the regular visits by our development and production teams have been greatly reduced due to travel restrictions. Instead, we have moved our communication with suppliers to more contact by email, phone and digital tools.

Nearly 90% of our orders is from the countries China, Italy, Portugal, Romania and Turkey. Below we describe our activities in these countries in more detail and give a recap of developments in our other sourcing countries.

## Status overview

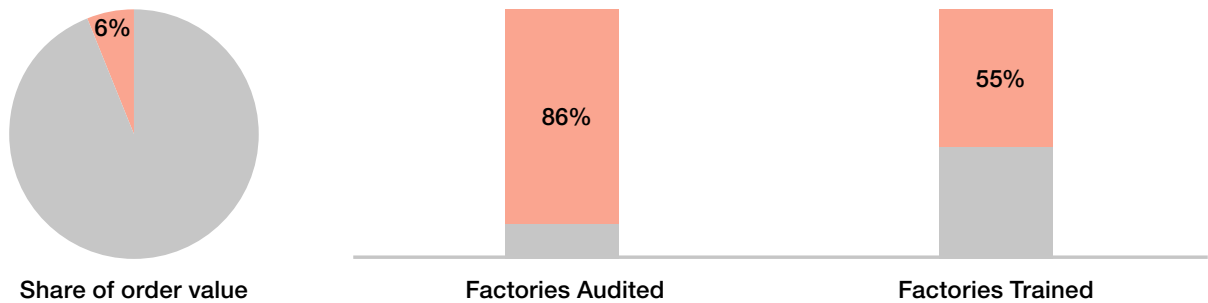
### China

In China we produce knitwear, woven (mainly outerwear), non-leather bags and shoes at nine suppliers with a total of 18 factories. This year, we added two important suppliers to our sourcing network; a supplier for our wool coats and a bag supplier. Since both suppliers have shared recent audit results and follow-up activities with us, we did not audit them yet. We did audit a long-standing knitwear supplier, also to get an idea of the Covid-19 situation. It was found that not all workers had been paid correctly during the eight days that the factory was ordered to close to prevent Covid-19 spreading. With support of FWF, the factory management corrected this and retroactively paid the correct amounts to workers.



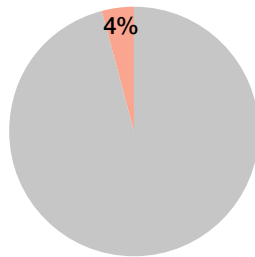
### Romania

In Romania, we produce woven garments and some of our sneakers at eight suppliers with a total of 11 factories. We performed audits at three factories at the end of the last year and we have since been working with them on the Corrective Action Plan. This year, two more audits were planned that had to be postponed due to Covid-19. Previous audits show that the health and safety situation at our Romanian factories is relatively good. The main challenge remains that communication channels for workers (i.e. worker representatives or suggestion boxes) don't function well. This is due to the lack of knowledge among management and workers about the purpose of such worker rights. To improve this, we will plan WEP trainings at Romanian factories.



## Turkey

In Turkey we produce all our leather garments at two suppliers. At one of these suppliers we did an audit and WEP training last year and focused on follow-up this year. This supplier is also involved in the wage project that is explained in the zoom in section on wages. At the other supplier we did a WEP training this year that was received well by workers and management. Normally, we ask management to follow up with further training sessions but due to Covid-19, the management chose to post more worker information sheets instead of organising gatherings, to keep workers separated.



Share of order value



Factories Audited

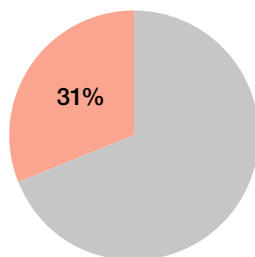
Factories Trained

## Other high risk countries

We have collaborated with a supplier in South Korea for several years that worked with a group of specialised homeworkers, in addition to the main factory. This year, we decided to slowly phase out production and change to a supplier that can do all the work in-house at one facility. The last time we audited and organised a training at this facility was more than three years ago, meaning that this facility does not reach FWF's monitoring threshold. However, our focus this year has been on a good closure of the relationship instead of starting a new monitoring cycle. In Bulgaria we work with a shoe supplier that was audited for the second time last year. Most findings were related to administration of wages and working hours and improvements were made this year. Our woven supplier in Morocco was audited this year. Since FWF is not active in Morocco we did SMETA audit. The findings were mainly related to health and safety and relatively easy to improve. The supplier is providing us with photos of the changes made at the factory. A subcontractor of our biggest shoe supplier is in Albania. We planned to audit this facility but due to Covid-19 it was postponed to the end of 2020. In Tunisia we also work with a shoe subcontractor that represents a very small share of our order value and is used for special leather shoes.

## Italy

In Italy we produce shoes, bags, accessories, denim and part of our knitwear and woven styles. We work with 29 suppliers in a total of 86 factories. For years we have done audits in Italy with a focus on factories with a higher risk profile, such as migrant labour. We planned eight audits that were postponed due to Covid-19 but were able to organise two trainings together with the Italy Fashion Working Group (IFWG). The purpose of IFWG is to share experiences and collaborate between brands to make improvements. We organised one training for suppliers on social sustainability and supply chain management. The training had a 'train the trainer' component for direct suppliers to learn how to take more responsibility for and support their subcontractors. We also organised a training on Covid-19, as explained in the zoom in section about Covid-19.



Share of order value



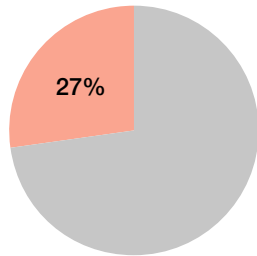
Factories Monitored

Factories Trained

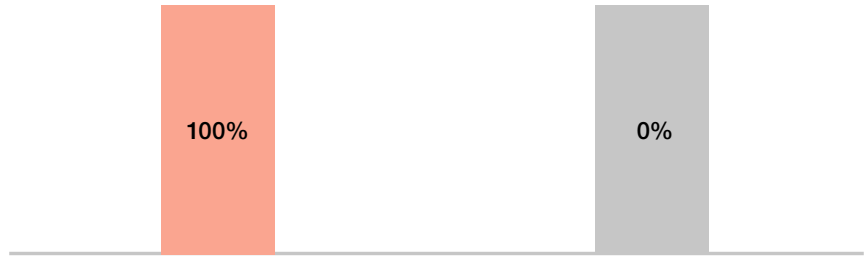


## Portugal

All our jersey/fleece is produced in Portugal with eight suppliers and 46 factories. The main monitoring activity in Portugal is making sure that we have full insight in our supply chain. Portugal's production set up is comparable to Italy and is characterised by suppliers working with many relatively small production facilities. The main difference is that Portugal has fewer migrants working in the fashion sector, reducing the risk for exploitation or other labour rights violations. We have a local quality inspector in Portugal that visits our production facilities there. Several of our production facilities in Portugal have been audited by other brands that have shared the results and remediation activities with us.



Share of order value



Factories Monitored

Factories Trained

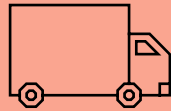
## Other low risk countries

In Lithuania, we are working with an agent that places production at several factories. Since Lithuania is classified as a low-risk country, we follow the monitoring procedure of low-risk countries. However, our agent arranges independent audits at own initiative at most of the factories. Findings are mainly on health and safety and improvements are followed up on and verified by our agent. In France, we work together with a small supplier that produces special woven pieces that are offered in low quantities.

## External collaborations

End of 2019, we launched a collaboration with Mulberry that was jointly designed and produced. The production took place at two of Mulberry's supplying factories, one in the UK and one in China. To make sure the factories complied to the social standards of Acne Studios, they filled in our questionnaire. Mulberry has also shared the latest audit reports, CAPs and follow-up developments of the factories with us. We have agreed with Mulberry that, due to competitive reasons, they did not share the names of the suppliers in the UK and China with us. Instead, the suppliers signed the questionnaire and shared the audit results with us anonymously.

# Our Operations



## Our operations

'Our operations' includes how we, as a company, take responsibility of our employees worldwide 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 Environmental Impact covers how we can reduce the environmental impact of our operational processes such as packing, shipping and storing our products, visiting our suppliers and running our offices and stores.

Be a responsible employer that considers the ethical and environmental impact of our operational activities		
Focus Topic	Commitment	Highlights FY 19/20
<b>Environmental impact</b>	We reduce the environmental footprint of our daily business operations	Reduced climate impact from operations by 15%, due to reduced business travel and transport needs
<b>Our Workplace</b>	We offer an inspiring and challenging workplace for diverse talent worldwide	Started a new 'People Strategy' to define our culture and values as well as setting a strategy for diversity and inclusiveness
<b>Business ethics</b>	We conduct business with integrity, honesty and transparency	Uphold fair and collaborative supplier agreements throughout the financial wake of the pandemic

## Environmental impact

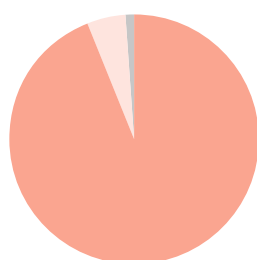
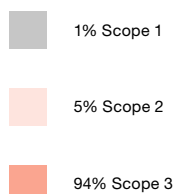
Analysing the climate impact of our operations includes all the activities within our own stores, warehouses and offices worldwide and the emissions from the shipments and travels we do. The climate report is done together with the consultant '2050' according to the Greenhouse Gas (GHG) protocol, which is including emissions according to Scope 1, Scope 2 and part of Scope 3. In our reporting we also divide the emissions in below three operational categories.

- **Facilities** - Energy consumption from stores, offices and warehouses
- **Travels** - Business travel by employees
- **Logistics** - Shipments of products from factory, via warehouse to store or end consumer

The climate impact of our operations this year amounted to 12 800 tons of CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Figure 1 shows the emissions per scope according to the GHG protocol and figure 2 shows the emissions divided into the three operational categories. The main impact comes from shipping our products (70%) followed by emissions from travel (18%). The carbon footprint of running our offices and stores accounts for 12%.

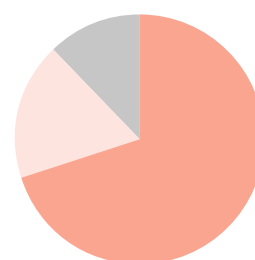
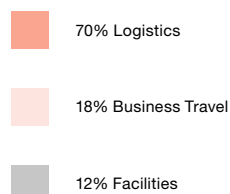
### Emissions per scope

(ton CO<sub>2</sub>e)



### Emissions per operational category

(ton CO<sub>2</sub>e)



Compared with last year the emissions from our operations have decreased by 15%. The emissions from business travel reduced by 33% due to limited travel during the pandemic. The logistic emissions were reduced by 13%, also mainly due to condensed business and transport needs. The emissions from facilities increased by 20% due to opening seven new stores during the year.

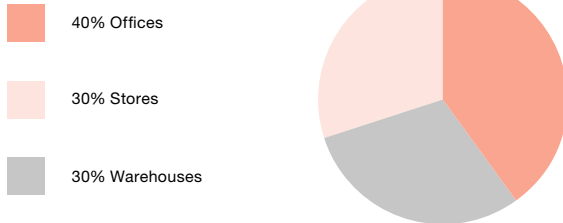
Our ambition is to also calculate the emissions from producing our products, which we are aware is our key emission source. This process is started and will be finalised during the coming year together with a detailed roadmap on how to achieve the long-term target to reduce all our emissions with 50% by 2030.

## Facilities

Emissions from energy used in our facilities represent 12% of Acne Studios' total emissions. This includes energy from heating, cooling, lighting and GHG emissions from refrigerants. Most of our activities take place at our head office in Stockholm, where most of our employees are based. In addition, we have offices in Paris, Empoli (Italy), Oslo, Shanghai and New York. Our main warehouse is in Sweden, but we also have third party warehouse operations in the United States and China. We have 60 own stores globally. Franchise stores have not been included.

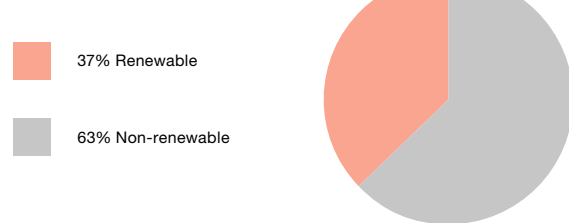
### Emissions per facility type

(ton CO<sub>2</sub>e)



### Renewable vs non-renewable

Energy use (kWh)



The most effective way to reduce emissions from our facilities, is to convert to renewable energy. Currently, 37% of our facilities run on renewable energy. We hope to increase this share next year in line with our long-term targets. We will focus on the facilities with the highest emissions first. One example is our warehouses in US and China that together stand for 40% of the total emissions from facilities as they don't run on renewable energy and make up a large proportion of our total square metres.

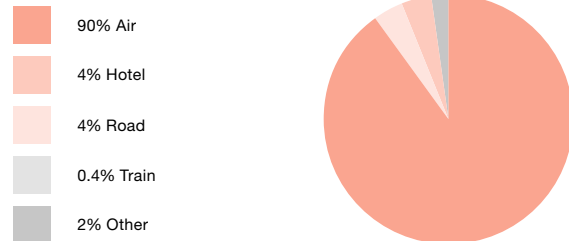
## Travels

Emissions from business travel represent around 18% of Acne Studios' total emissions. It includes travel by air, train, and road (taxi, rental car, private car and leased car) and hotel nights. Air travel accounts for most of the emissions with 90%.

Emissions from business travel decreased significantly (33%) this year. The travel restrictions imposed globally due to the pandemic forced us to manage our operations remotely. The learnings from this fast switch in organising our work digitally will definitely be kept. New reduced travel budgets and routines were developed this year to limit unmotivated business travels. These will stay even when travels restrictions are eventually lifted, and we start to travel more.

### Emissions per business travel mode

(ton CO<sub>2</sub>e)



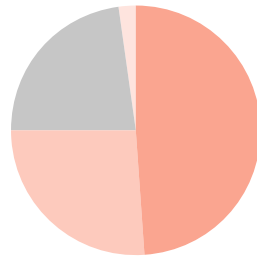
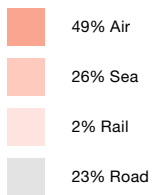
## Logistics

Making up 70% of our total emissions, transportation of our products contributes most to our carbon footprint from operations. Production at our suppliers mainly takes place in Europe and Asia. After production, the goods are transported to our stores, wholesale partners and online consumers via our warehouses in Sweden, the United States or China. We work together with several local and international logistic partners for these transports.

Air freight represents 49%, while 23% is done by truck, 26% by boat and 2% per train.<sup>2</sup> While air freight represents half of our shipments, it is responsible for 95% of these emissions. In terms of climate impact, it is a very ineffective shipping method which we steadily aim to decrease.

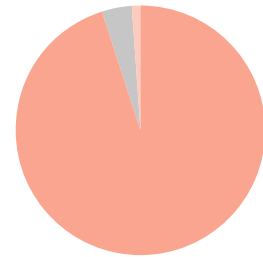
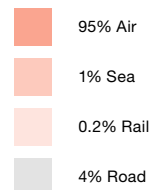
### Shipment per transport mode

(tkm)



### Emissions per transport mode

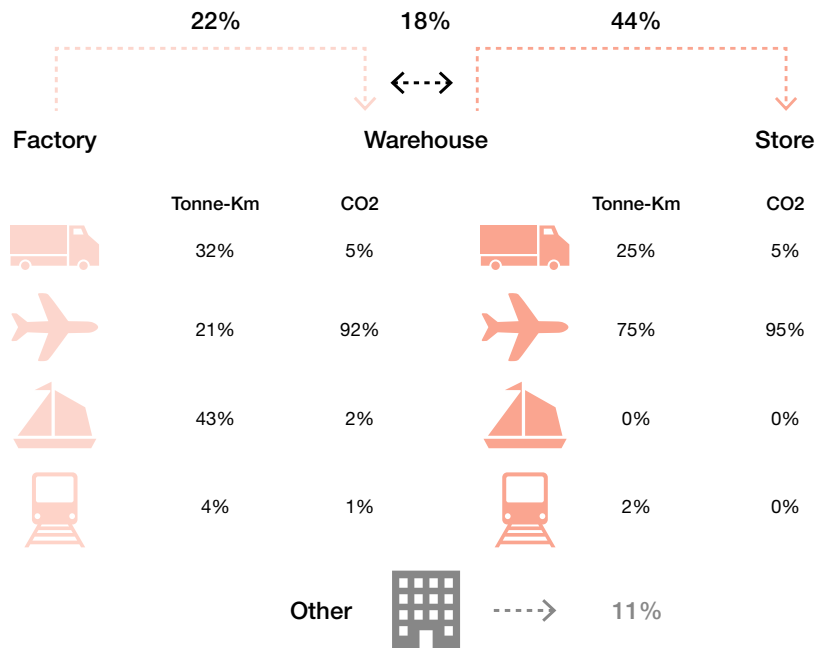
(kg CO<sub>2</sub>e)



Emissions from shipments are divided on inbound (22%), outbound (44%), intracompany (18%) and other (11%) shipments. Inbound shipments are transports of finished goods from suppliers to our warehouse, while outbound shipments cover transports of these goods to our consumers via stores or e-commerce. Intracompany are transports of goods between our warehouses and other transports are all shipments that are needed for our internal operational activities. The below graph shows the share of emissions per shipment type and mode of transport.

### Inbound, outbound, intracompany and other shipments

Share of emissions, per mode of transportation



<sup>2</sup> Calculated in tonne-km, which is the transport of one tonne of goods by the given transport mode (road, air, sea) over a distance of one kilometre

Last year we set targets to reduce both emissions from inbound shipments and outbound shipments, mainly focusing on reducing the share of air shipments. Overall, we met the targets as total emissions from logistics decreased by 13% this year. Most of it was due to reduced transport needs due to the pandemic. For example, we decreased the share of inbound shipments by air by 5%, and increased the share of train and sea by 3% and 4%, respectively. This was mainly due to better production planning.

At the start of the year we made a detailed study together with a consultant to analyse if our logistics would be more efficient if warehouse locations were moved, or if we opened a warehouse in Hong Kong to cover shipments to the rest of the Asia-Pacific market, as the current Chinese warehouse only manages local orders. The result showed that opening a warehouse in Hong Kong would be very beneficial for us, and not only for reducing emissions from transports. However, due to the pandemic this plan has been postponed for now.

Unfortunately, other projects and workgroups on climate reductions for logistics were also postponed due to the pandemic, as a lot of special solutions in our supply chain flow had to be created when suppliers and even warehouses were closed temporarily. During the pandemic many issues had to be managed case-by-case and outside our normal practices. However, a detailed study has been made this year on which routes in our supply chain are creating our main emissions, and a working group within the sustainability team, supply chain, DTC and production department will take on the results of this study in the coming year to set a detailed plan on long term reductions.

## Packaging

Various types of packaging are used in transportation of our products to and from warehouses and as part of the buying experience for our customers. The packaging used by our suppliers for shipping to our warehouses is arranged by our supplier, but our consumer-facing packaging is designed and developed by our marketing department. This includes packaging such as shoe boxes, paper bags and e-tail boxes.

Packaging is designed in such a way that it is desirable and useful for our customers, instead of solely a method to protect the product that is thrown away after use. This year we carried out a rebranding project where our logo and most labels and packaging materials were updated. As before, we don't use plastic shopping bags and all paper bags used in our stores are certified by the Forest Stewardship Council (FSC). Most other paper packaging used is either FSC certified or made from recycled cardboard. The new Acne Studios logo labels are all made in recycled polyester certified by GRS. Within the rebranding project we also changed our old hangtags, which were previously in plastic, to FSC certified paper. What was not fully implemented within the rebranding project was our e-commerce packaging, which we will continue to work on in a sustainability perspective together with an external consultant during the coming year. The target for this project is that we want our e-commerce customers to have a 'minimum-waste and easy recyclable customer experience'.

## Our workplace

People are at the centre of our operations; only with a committed and competent team, can we remain the progressive and creative business that we aim to be. This year we employed over 700 employees globally, of which more than 200 were stationed at our headquarters in Stockholm, with around 400 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' that we provide 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. Following are examples of policies or guidelines that are typically included in our 'Employee Handbook':

- Acne Studios Environmental Policy
- Drugs & Alcohol
- Work Environment and Fire Safety
- Equality & Diversity
- Harassment
- Flexibility & Availability
- Anti-corruption & Bribery

## **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.

## **Personal development**

As a basis for continuous development all employees have regular meetings with their manager to focus on personal development goals. We believe in and strive to work in relation to the 70-20-10 model when it comes to learning and development. According to this model, 70% of an employee's learnings should come from challenging assignments within the role, 20% from developmental relationships, such as more senior colleagues and 10% from formal educational events. We believe that a lot of the responsibility lies on the employees and the managers to learn from each other by upholding a tight dialogue and by working closely together. To cover the share of the formal educational events we offer our employees both internal and external courses on demand where applicable.

## **Employee surveys**

We have continued to work with the results from our latest employee survey provided by Great Place to Work, conducted in the Spring of 2019. The survey focuses on measuring the level of trust that our employees have in managers, the level of pride they have in their job and the extent to which they enjoy their colleagues. The overall results showed that 66% of our employees agree with the statement that Acne Studios is a great place to work. In comparison; the previous result from 2015 was 69% and the retail industry average for this year is 69%.

We saw positive response in terms of Acne Studios being a friendly place to work, that it is a workplace where employees can be themselves, that people are proud to tell others they work here and that employees are proud of our products and services. Lower scoring were topics such as being offered training to develop professionally, being involved in decision that affect one's jobs, remuneration and our facilities.

To follow up on the low scores concerning professional development and as another action to strengthen the employee engagement, we have during this financial year offered language courses, as well as a second round of courses in stress management and mindfulness.

## **People Strategy**

Following the Employee Survey results of 2019 we started working on a new approach to our company culture and values as a part of the employee experience and engagement. In the beginning of the financial year it was decided that as part of the new business plan, there would be a specific business initiative focusing on our people strategy. The first milestone of the initiative was to complete extensive research and analysis, which resulted in an initial proposal of what the People strategy could include at Acne Studios, focusing on culture and values. The initiative proceeded through workshops where employees from our global organisation gave their input on, calibrated, analysed and discussed the initial proposal to ensure its relevance and feasibility. The results from the workshops were then compiled, reviewed and formed a base that the board of directors continued working with by making a gap-analysis, as well as narrowing down our core values and associated behaviours. The board of directors also made a rough time plan and structure, including associated activities and new milestones, to implement the people strategy core values across the organisation. During the coming fiscal year our aim is to continue working with this initiative as a key part of our business strategy.

## **People portal**

We also launched our new global HRM-system and intranet called Acne Studios People Portal. It is currently available on all markets with the exemption of Asia, which is due to be launched in Autumn 2020. The People Portal serves as the global master system for all employee data, syncing with the global payroll partners & internal IT, and ensures GDPR compliance. The People Portal features highlights and events within the organisation, contact details for all staff and locations, organization charts as well as all Acne Studios Employee Handbooks including guidelines and policies. Our aim is to successively add functions and integrations such as an internal communication forum, recruitment system integration, a performance management module and make the People Portal our main channel for all employee-related processes.



### Zoom in: Covid-19 Management

The covid-19 outbreak came with severe business implications across almost all sectors worldwide including our global organisation. The health and safety of our employees was and has been our first priority throughout the crisis and we have taken several measures to protect our global staff.

In March 2020 we implemented a covid-19 focus group that met weekly to assess the status of the pandemic and to update the global organization of the development and current local guidelines. We have also consulted our security company to receive their expertise in certain errands. A covid-19 mail inbox was created to support employees with any related questions, with the guarantee of a reply within 24 hours.

The safety measures that has impacted our staff has varied depending on country and has included restricted travelling, wearing facemasks at work, working from home and temporarily closed stores. In order to secure as many jobs as possible short-time work was implemented in applicable markets, and as a final resort we have had to oversee our organizational structure and put an end to certain roles and jobs and find new ways of working. While the climate will remain tough due to the pandemic, we are now in a stable position to progress our business while embracing the new circumstances.

### Healthy work environment

We want to create a work environment that is safe and healthy for our employees where risks of 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 a 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

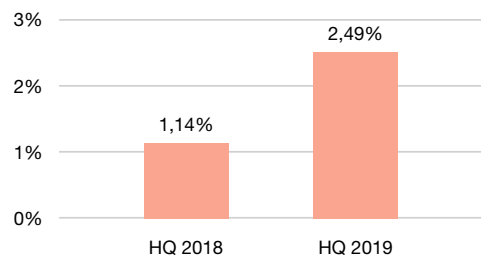
Within Sweden, Acne Studios has a systematic work environment process. An essential part of this process is close cooperation between Acne Studios and our safety representatives, who represent the employees in the work environment. We conduct yearly safety inspections carried out by department managers and safety representatives with assistance from the HR department. These inspections help us identify potential risks and to carry out action plans to prevent the identified risks. In order to create a safe work environment, all employees are encouraged to take their personal responsibility by following the rules, instructions and procedures that are in place and to identify and report accidents and near accidents.

### Work-life balance

We aim to be an employer who offers its employees possibilities of good work-life balance. This reduces risks of health-related problems for employees due to, for example, stress. During 2019, we offered courses in stress management and mindfulness to employees at our HQ. This was the second occasion of this course and it was well received and appreciated why we intend to continue to offer similar courses. We also have a policy regarding flexibility & availability in our internal Employee Handbook which encourages the dialogue between manager and employee regarding these topics. We believe it is essential that clear expectations are communicated between manager and employee.

In our systematic work environment process it is our goal to detect health risks early and 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. The below graph shows the sick leave figures during last year for employees at our headquarters in Stockholm. The total sick leave is 2,49 % of scheduled hours. It is an increase of approx. 1,35% from 2018 and it is above the average sick leave level for officials in Sweden.<sup>3</sup> The increase is partially explained by an internal update, meaning that a new group of employees was added and included in the HQ category.

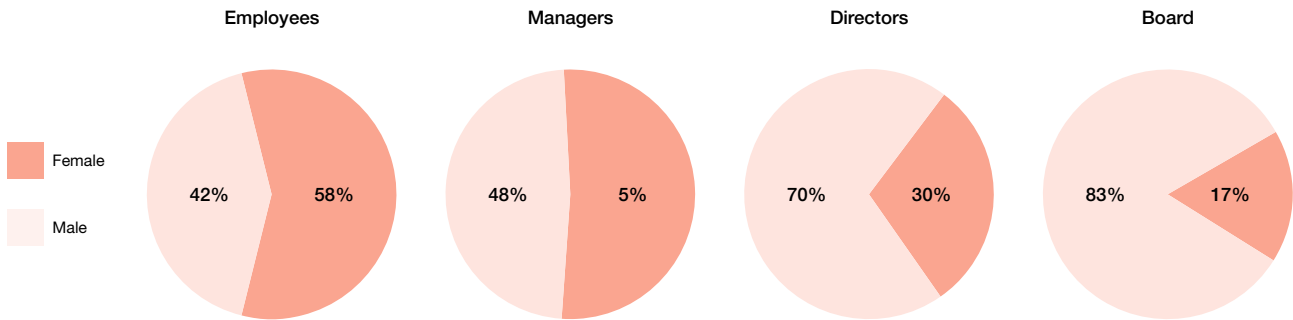
Sickleave HQ Sweden



<sup>3</sup> 2018 statistics from Svenskt Näringsliv showed 1,97% in sick leave for officials.

## Equality & Diversity

Diversity is central to our way of doing business. Based on our equality & diversity policy we actively work 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. Acne Studios has employees from many different nationalities represented at the HQ office and in other markets where we are present. We also encourage recruiting managers to try to achieve a diverse gender distribution when hiring new talents. It is our aim that the gender diversity among our leaders should reflect the gender diversity among our employees in the company. The number of members of our board is quite small and consist mainly of our owners and is therefore more challenging to change. The aim is to add one more female member during next year.



## Business ethics

We expect our employees as well as those we have agreements with, our suppliers, agents, vendors and other business partners, to act with integrity and honesty in all business relations. Since 2016 we have had an anti-corruption & bribery policy, which should be signed by all employees upon starting of employment. This includes, for example, that employees are required to take decisions with Acne Studios' interest and not personal interest in mind. In addition, we want employees that experience or witness corruption or bribery to feel confident to report this without risking any negative consequences. During 2019, we therefore implemented a whistleblowing policy and procedure to guide employees on how they should act when witnessing unacceptable circumstances, wrongdoing or malpractice. This procedure is described in our Employee Handbook.

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. To address this, we make financial screenings of new key suppliers and we are auditing suppliers in high-risk countries according to the Fair Wear Foundation Code of Labour practices. In the chapter 'Our suppliers' we describe how we address violations of the Code of Labour practices. In this chapter we also describe how we took responsibility for our supplier relationships and business agreements during the Covid-19 pandemic.