



Due diligence for responsible business conduct with regards to people, animals, society and the environment

Account reporting year 2023

for Aclima AS



SUSTAINABLE DEVELOPMENT GOALS



To Readers Of The Report

Enterprises and the public sector have a great impact on people, society, the environment, climate, and animals and can both contribute positively to development, or negatively by causing harm. Enterprises therefore hold a central role in achieving UN's Sustainable Development Goals (SDGs) and the Paris Agreement's 1,5-degree target.

This report can be used as an account for the Transparency Act, but it has a broader scope with climate and the environment, circular economy, and anti-corruption indicators also being included. Our members are obligated to carry out due diligence and report annually on their work. Base level1 members also meet the Transparency Act's due diligence duty, and partially the Act's information duty.

Ethical Trade Norway's concept of responsible business conduct equals OECD's terminology and due diligence methodology. This is the systematic effort that enterprises do to identify, prevent, or mitigate adverse impacts and explain how they manage their risks of negative impact, as well as provide remediation to people, animals, society, and the environment where this is required – is called due diligence. Norwegian authorities expect all enterprises, regardless of their size, to carry out due diligence on society, the environment, and animals in accordance with the UN's Guiding Principles for Business and Human Rights (UNGPs) and OECD's Guidelines for Multinational Enterprises. This applies to enterprises, the public sector, and organisations.

Ethical Trade Norway's Declaration of Principles (our Code of Conduct) for Responsible Business Conduct covers the areas of decent work, human rights, environment/climate, anti-corruption, and animal welfare. This report is done in full transparency and in line with UNGPs and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

Heidi Furustøl

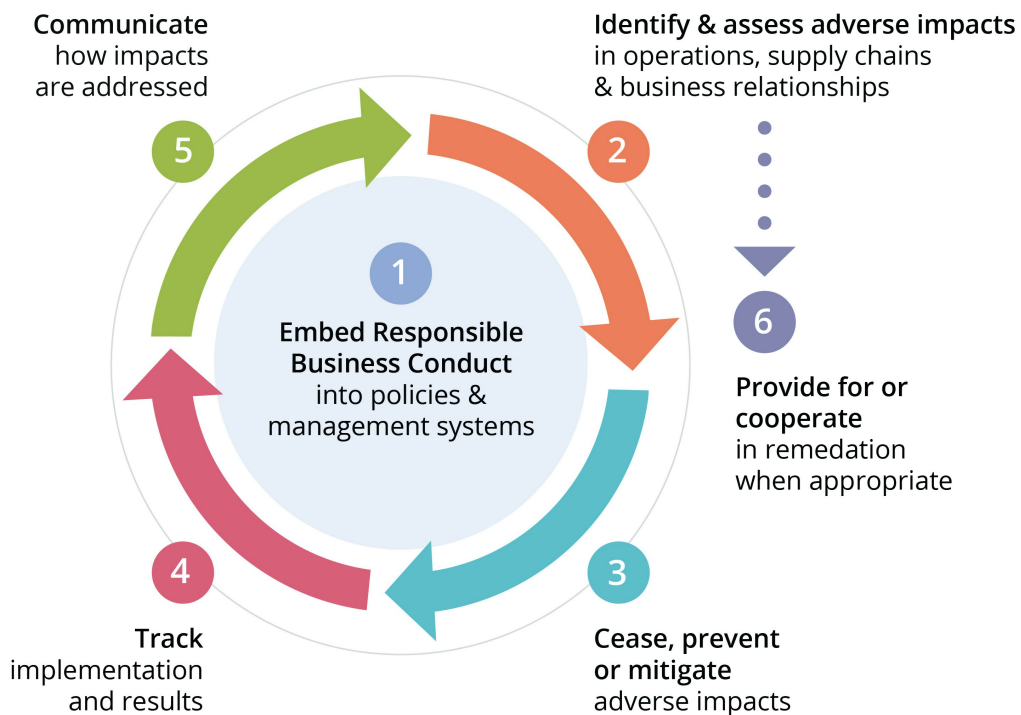
Executive Director

Ethical Trade Norway

Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.



Preface From CEO

My journey with Aclima began over 30 years ago in 1994 when the brand was still finding its' footing, focusing primarily on men's underwear and clothing. Since then, we have undergone a remarkable transformation, evolving into a recognized brand specializing in functional outdoor underwear. Amid market fluctuations, we remain steadfast in prioritizing sustainability and innovation. Our dedication extends from sourcing materials to production processes, emphasizing eco-friendly practices.

At Aclima, we place a strong emphasis on natural fibres, particularly wool, which we consider a high-tech fiber from Mother Nature herself. Recognizing its unique properties, we integrate merino wool into our garments, leveraging its' natural breathability, moisture-wicking abilities, and odour resistance. We are deeply committed to ethical sourcing and production practices, ensuring transparency and accountability across our supply chain – aligning with the growing demand for more sustainable alternatives.

We work closely with our merino wool suppliers, such as those involved in the ZQ and ZQRX programs, which not only guarantees responsible animal welfare practices but also promotes regenerative farming. By partnering with companies who prioritize animal wellbeing and environmental stewardship, we can trace the journey of our merino wool from farm to final product. This commitment to traceability not only ensures the quality and integrity of our garments but also reinforces our dedication to sustainability and ethical standards throughout our production process.

All yarn spinning, knitting and dyeing of our fabrics is done in collaboration with dedicated specialists and long lasting partners within the EU. Since 25 years Aclima has owned our own cut-and-sew factory in Estonia, while a continuous growth of our business the last few years has led to an increasing demand for cooperation with external manufacturers.

In our minds, it's only natural that increased growth comes with even greater responsibility for the people, animals and environmental conditions throughout our supply chain, but also with bigger commitments to our customers – proving to them that buying from Aclima is to make a conscious choice.



Hans Petter Jacobsen
CEO

Board Signature

Aclima AS

The board of Aclima AS hereby confirms to have received and reviewed the report which has been worked out and published for Ethical Trade Norway – and which also forms the foundation for our account reporting in line with The Transparency Act:

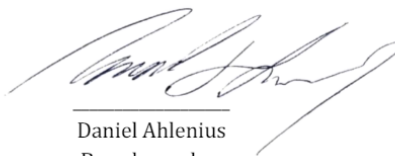
Due diligence for responsible business conduct

Account reporting year 2023

for Aclima AS



Camilo Sjödin
Chairman of the board



Daniel Ahlenius
Board member



Jan Eivind Johansen
Board member



Lars Eivind Johansen
Board member

Stockholm / Drammen

28.05.2024

Enterprise information and enterprise context

Key enterprise information

Enterprise name

Aclima AS

Head office address

Øvre Sund 1, 3018 Drammen

Main brands, products and services offered by the enterprise

Aclima designs, develops and manufactures technical and functional wool clothing, socks and accessories that are marketed and sold under Aclima's own brand, directly to business customers in the workwear segment, and to contractual customers in the public sector such as military, police and coast guard.

Description of enterprise structure

Founded in 1939, Aclima has evolved greatly over the years to become the company it is today. Previously a family-owned enterprise, Aclima was acquired by the Sweden-based corporate group Open Air Group (OAG) in December 2021, something that has strengthened the opportunities to keep evolving in an increasingly complex and challenging market.

The main office of Aclima which includes top management, design and development, quality and sustainability management, marketing, sales, e-com and IT, is situated in Drammen; while our Norwegian warehouse and accounting team is located in Krøderen. Being an ISO 9001 and ISO 14001 certified company, Aclima has established a rigid management system with procedures and routines that are under constant revision and improvement.

The overall responsibility for ESG and due diligence for responsible business conduct lies with the CEO, while the fundamental work with these topics is led by our textile engineer, strongly supported by our quality manager and our supply chain expert who together form the ESG-working group in Aclima. The work is anchored in the management and board via CEO and our sales manager who is also a board member.

Aclima AS has a daughter company in Valga, Estonia: Aclima OÜ. Established as our own cut-and-sew factory in 1998, the Estonian branch has grown to also include activities such as purchase planning of yarn, fabric and trims, production planning for both in-house and subcontracting garment manufacturing, project coordination and administration. The management in Drammen and the functions of development, production and ESG all work closely together with the team in Valga. Communication between our sites happens on a daily basis and physical visits occur frequently.

The core of Aclima's business is design & development, manufacturing, marketing and sales of functional merino wool clothing. The segments we operate in are sport & outdoor for the private market, work wear for the professional market, and contractual deliveries for public procurement customers. The latter has increased significantly over the last few years and is now making up a major share of our total sales - approximately 60% of the turnover in 2023. Most of the sport & outdoor and pro segment sales go through retailers or B2B customers. A smaller part is sold via Aclima's own web shop and our outlet store at the Krøderen warehouse.

Turnover in reporting year (NOK)

350 000 000

Number of employees

35

Is the enterprise covered by the Transparency Act?

Yes

Major changes to the enterprise since last and current reporting period

There hasn't been any major organizational changes in Aclima during 2023.

Contact person for the report (name and title)

Sara Almgren, Textile Engineer

Email for contact person for the report

sara@aclima.no

Supply chain information

General description of the enterprise's sourcing model and supply chain

From the start, Aclima has set a clear strategy to establish ownership of our processes. Naturally, this brings a strong need and wish to build longlasting relationships and close cooperation with suppliers, part of that being to keep most of them as close as possible to home.

All design, product development and pattern making is done in-house at Aclima AS and OÜ. The raw material sourcing and fabric development is done by Aclima AS in very close collaboration with yarn spinners, knitters, weavers, and dyeing/finishing mills, who are all located within the EU.

Wool fiber - especially the certified and traceable ZQ and ZQRX merino - is secured via stable contracts and booked a long time in advance, to be delivered for spinning and knitting according to current production needs. The sheep farms are located in New Zealand, Australia, South Africa and Argentina, while the initial treatment of wool tops (before fibers can be spun to yarn) is made in China.

Aclima OÜ is a major support in the purchasing and planning once the materials are called-off from contracts. They are also responsible for purchasing accessories and trims, such as labels and packaging, from selected European suppliers.

Garment manufacturing is taking place at Aclima OÜ and approved sub-contractors, who are all located within the EU as well. For the smaller product groups such as socks and wool detergent, Aclima is currently sourcing via agents who buy directly from European factories that are known to Aclima.

In addition to conventional production, Aclima has established a method for recycling our own cut-off waste, partnering with a couple of Italian experts who have specialised in the recycling of fine wool. Waste is colour sorted and collected in our own factory in Estonia, sent to Italy where it's mechanically processed, mixed with GRS-certified recycled nylon (to ensure durability), spun to new yarn and finally knitted and woven into new fabrics. The product concept that we have proudly developed, using these textile-to-textile (T2T) recycled fabrics, is called ReBorn.

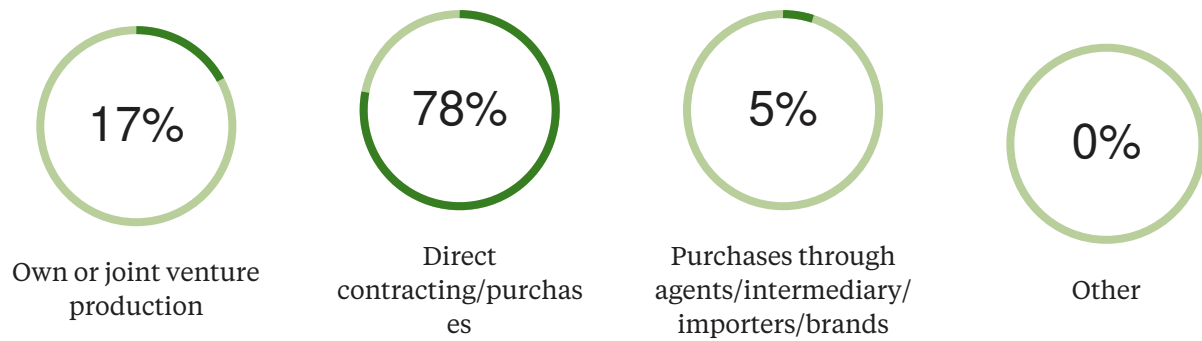
Number of suppliers with which the enterprise has had commercial relations in the reporting year

16

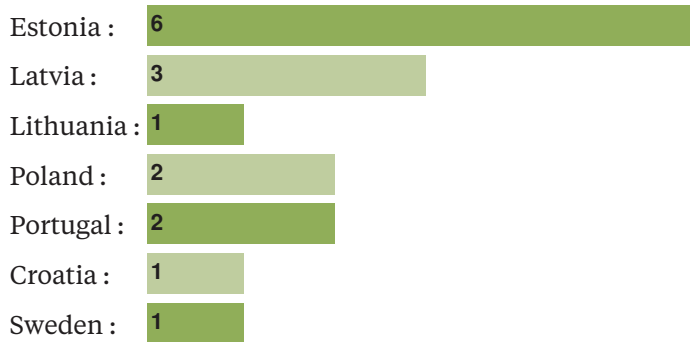
Comments

This number represents Tier 1: we worked with 16 suppliers of ready-made goods. Our own production (=Tier 0) is not counted here. In addition, Aclima has direct commercial relations within Tier 2: 3 fabric producers, 14 suppliers of accessories/trims and 3 suppliers of packaging; Tier 3: 2 yarn spinners and Tier 4: 1 partner supplying certified merino wool.

Type of purchasing/ suppliers relationships



List of first tier suppliers (producers) by country



Our own production unit (=Tier 0) in Estonia is not included.

State the number of workers at first tier producers that the enterprise has an overview of, and the number of suppliers this overview is based on:

Number of workers

1 200

Number of suppliers this overview is based on

13

Numbers of workers per supplier (calculated average)

93

Comments to number of workers

The factories vary from small to medium sized. Some of the sewing factories have as few as 15 workers and some have as many as 200. At the time of writing this report, we had not received updated numbers from all 16 of our T1 suppliers.

Key inputs/raw materials for products or services and associated geographies

Merino wool	Argentina Australia New Zealand South Africa
Polyamide, polyester, modacrylic	Global
FR-viscose	Austria

Merino wool is definitely both the biggest raw material input and the key input connected with most high-risk-factors in Aclima's supply chain. This is due to the fact that the source of the fiber is quite far away from us, both geographically and process-wise, and there are many social, environmental and animal welfare-related aspects connected to the use of wool. This is especially the case in the earliest stages of sourcing and processing, all the way from how the sheep are bred and farmed to the stage of spinning the fiber to yarn. Much of the risk is already reduced by choosing ZQ- and ZQRX-certified wool, but some aspects will always remain.

Aclima is still using some non-certified merino as well - namely in production for certain public procurement customers. The reason for this is that many such contracts were signed several years ago, tender applications for those contracts being submitted some time before that again, and at the time there was no realistic possibility to win those contracts using certified fiber - due to price. Cost-effective offers have been prioritized over more sustainable options in the past, however we do see some major changes rising in this sector as well. Not least, the recently updated Public procurement act in Norway will set a new standard.

All that said, there are certain guarantees from our fiber and yarn suppliers, also when it comes to the non-certified wool: there is always a zero-tolerance to mulesing, which is an absolute requirement as stated in Aclima's public policy and supplier guidelines (code of conduct), thereby clearly communicated to all our suppliers.

Regarding the petroleum-based fibers that we use, there are of course risks of negative impact connected to the fossil industry itself, being a non-renewable source. However, when possible Aclima will always consider to use recycled synthetics - preferably GRS-certified and not contributing to breaking closed-loop systems (such as the PET bottle recycling loop).

We have a mindset of always using as high wool content as possible in our materials, so the share of synthetic fibers in our products is not very big. However, it is sometimes necessary to use other fibers in order to enhance durability or other properties of the wool garments. Polyamide is especially suitable for durability, but we are looking into other options such as hemp or lyocell. In certain products for the professional market, we also use modacrylic and FR-viscose (inherently flame retardant fibers) to some extent.

Is the enterprise a supplier to the public sector?

Yes

Goals and progress

Process goals and progress for the reporting year

1

Goal: Main goal: achieve base level in our ETN-membership.

Status: This proved to be harder than expected, due to sick leave, an otherwise high workload, and thereby reduced capacity of the team.
The goal is forwarded to 2024, while the sustainability (ESG) working group is strengthened with another resource, in order to ensure the goal can be reached during 2024.

2

Goal: Supply chain mapping and risk analysis to be completed.

Status: Aclima already has very good insight in almost the entire supply chain from T1 to T4, although there had so far not been drawn up a clear and completed picture of all contributors and their locations. During 2023, we have managed to map out most of the suppliers and some related activities (such as transport). The goal is forwarded to 2024, as we will continue the mapping more in detail.
Since we know the supply chain well, we also have some initial understanding of where the biggest risks lie, however a completed risk analysis is also forwarded as a goal for 2024.

3

Goal: Making progress in the reduction of GHG-emissions, in line with the committed SBTi goals.

Status: Being a part of Open Air Group (OAG) Aclima commits to SBTi goals and have noticeable impact on the group's total result, since our own factory in Estonia is included in the scope. The current target for OAG is to reduce scope 1 and scope 2 GHG emissions with 42% by 2030 from a 2021 base year, and to measure and reduce scope 3 emissions.
In 2023, Aclima's most important contributions to the target were:

- Installing solar cell panels on the roof of our factory building
- Committing to a replacement of the factory's current oil heating system and all non-green electricity, by switching to 100% green energy for both heating and purchased electricity within 2024

4

Goal: All T1 suppliers shall sign the updated guideline for suppliers (Code of Conduct): version 3.

Status: 100% of the T1 suppliers signed the new CoC.
The biggest T2 suppliers (fabric producers and dye house) have also signed it.

Goal for coming years

1

Main goal: achieve base level in our ETN-membership within 2024.

2

Risk analysis to be completed in 2024, based on the current Supply chain mapping - while also continuing to map suppliers and activities more in detail to be able to re-assess the risks going forward.

3

Continue to follow up on the progress of our SBTi goals over the coming years. This includes measuring the impact of current actions, and defining new proper actions to keep contributing to the target.

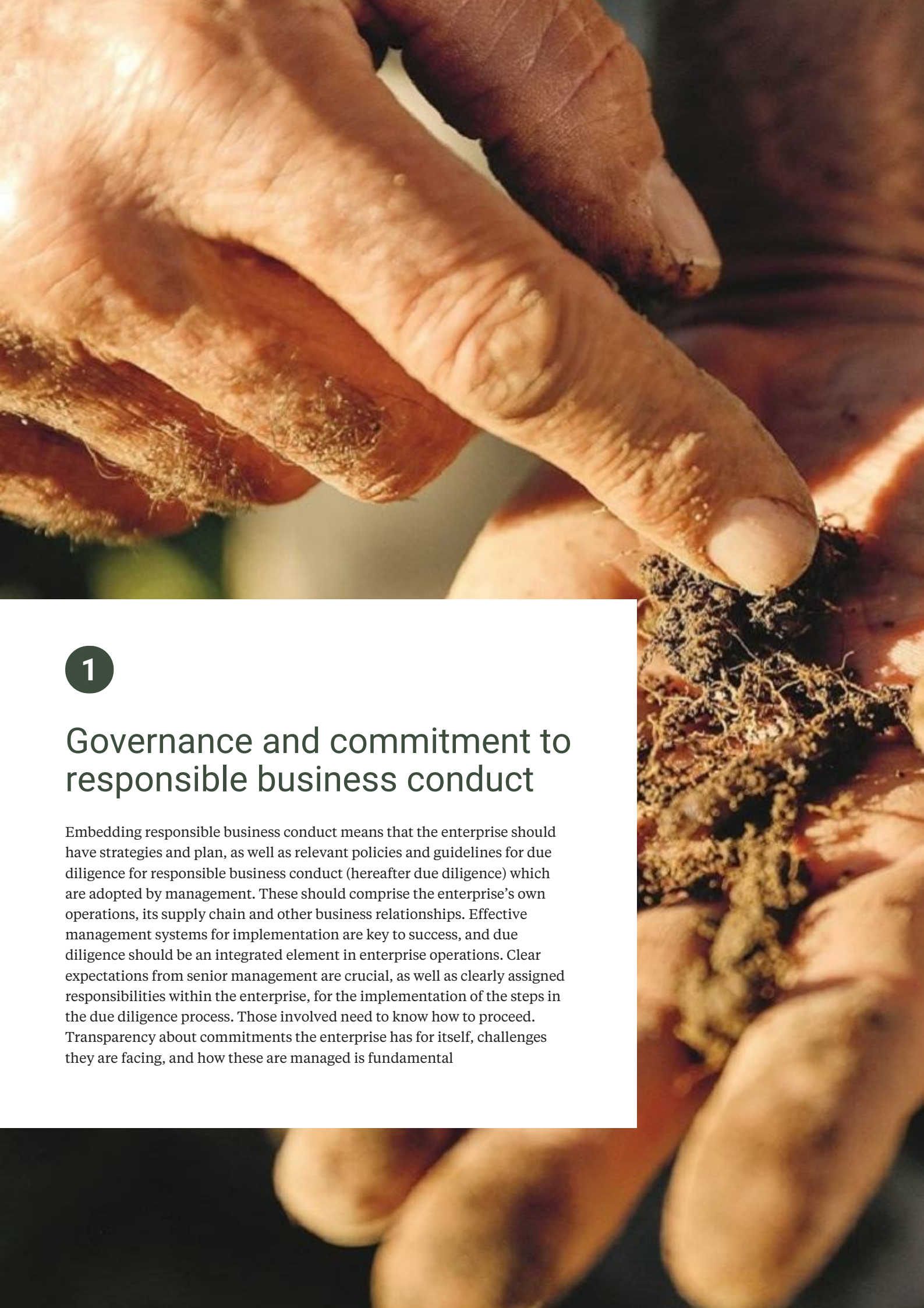
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Establish a working group for ESG, initially setting up some basic routines and meeting schedules, with main focus on creating an action plan, defining needs for training, and anchoring those plans with the management and board.

The working group shall be based in the Drammen main office but with aim to include at least one colleague from Aclima OÜ.

5

Certify our Valga factory according to SMETA pillar 2 (Sedex) within 2024, not least because there are increasing demands for certified production in the public procurement sector.



1

Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the enterprise should have strategies and plan, as well as relevant policies and guidelines for due diligence for responsible business conduct (hereafter due diligence) which are adopted by management. These should comprise the enterprise's own operations, its supply chain and other business relationships. Effective management systems for implementation are key to success, and due diligence should be an integrated element in enterprise operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the enterprise, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed. Transparency about commitments the enterprise has for itself, challenges they are facing, and how these are managed is fundamental

1.A Policy for own enterprise

1.A.1 Link to publicly accessible policy for own enterprise

www.aclima.no/userfiles/file/Aclima%20Company%20Policy%20for%20responsible%20business%20conduct%20V1.pdf

1.A.2 What does the enterprise say publicly about its commitments to respect people, animals, society, the environment and climate?

We strive towards responsible business conduct by practising the risk-based approach of due diligence in our own business and throughout the supply chain, while expecting our suppliers and partners to follow the same approach. As stated in our Policy for Responsible Business Conduct, our own commitment is clearly incorporated in our company vision:

Aclima shall be the most preferred brand of functional wool clothing with high quality. This is something we shall achieve while paying respect to people, animals and nature.

The most important commitments we make according to our policy, are to constantly review and adapt our own sourcing, purchasing and partnership practises, and follow up directly with our suppliers to help them manage and meet the expectations we have on them. Namely, the guidelines we have given them for requirements and conditions concerning workers' and human rights, environmental aspects and animal welfare.

As a brand under OAG and a contributor to our joint sustainability strategy in the group, Aclima commits to work actively with especially three of the UN Sustainable Development Goals (SDGs), that have been selected based on where our business(es) can contribute the most to positive change:

- 8. Decent work and economic growth
- 12. Responsible consumption and production
- 13. Climate action

See more public statements regarding sustainability on our website: www.aclima.no/sustainability

This site is only in Norwegian at the moment, as we are still working on transferring the same public statements to the English version of our website.

1.A.3 How has the policy/commitment been developed and how is it embedded in the enterprise?

For many years, Aclima has been working in close collaboration with fiber suppliers, yarn spinners, knitters and garment manufacturers, in order to keep a close connection to almost the whole supply chain. Long-term partnerships have been a cornerstone in our business and is therefore something that was truly anchored in management at an early stage when the company only had a few employees.

However, as Aclima has experienced a vast growth over the last few years, we have not only extended our own work force but also connected to a number of new suppliers in order to keep up with the demand - and it's worth mentioning the demand itself, leading to a gradually larger and larger production volume and impact on the world around us. The cornerstones and principles from early days have always remained at the core of the company, but we saw an urgent need to focus more actively on driving responsible business conduct.

Becoming a part of a corporate group (OAG) and a member of Ethical Trade Norway (ETN) early in 2022, has really boosted our knowledge and provided us with new tools to address an increasingly wide range of challenges - and opportunities.

The policy for Aclima (AS + ÖÜ) is strongly based on the principles of ETN and the joint sustainability strategy of OAG, while keeping Aclima's own core values intact. The policy has been communicated to all employees.

1.B Organisation and internal communication

1.B.1 How is the due diligence work organised within the enterprise, embedded in internal guidelines and routines, and why?

As Aclima is an SME organization with quite few employees, most of us hold some kind of key role. Reporting lines are short and everyone in the management group work closely together, and with the other employees, on a daily basis. Work with due diligence is centered in the organization, and to some extent embedded in our ISO management system.

The overall responsibility for due diligence lies with the CEO, while the day-to-day work is led by our textile engineer, strongly supported by our quality manager and our supply chain expert who together form the ESG-working group in Aclima.

The work is anchored in the management and board via CEO and our sales manager who is also a board member. Our product development & production manager has a major role as well, not least in integrating due diligence work in the organization of Aclima OÜ in Estonia.

1.B.2 How is the significance of the enterprise's due diligence work defined and clarified for the employees through their job description (or the like), work tasks and incentive structures?

Several managers in Aclima - who really have key positions to make change - also have years of experience within the company, working somewhat with responsible business conduct during all this time. Since our work force has grown at the same time as strategic work with due diligence has become increasingly important, we are nowadays organizing the work more systematically. The employees working directly with due diligence, as mentioned in 1.B.1, have sustainability tasks mentioned in their job descriptions.

There is an internal code of conduct for all companies within OAG, which is presented to - and signed by - all new employees. Aclima's own policy for responsible business conduct has been presented to all employees at a physical meeting when it was established, and the ESG-working group - supported by management - will continue to share information and expectations with all employees at given times.

Whenever necessary to discuss strategic plans, priorities, or unexpected issues, the significant matters can be brought up in weekly team and/or management meetings, and be further addressed via continuous dialogue. In our small organization, there is in general a low bar for any employee to raise relevant topics and initiate discussions openly, also with top management.

1.B.3 How does the enterprise make sure employees have adequate competence to work on due diligence for responsible business conduct?

Two of three employees in the ESG-working group (established in 2024) have some experience with due diligence from previous employments, and have also participated in several courses and webinars the last two years. The third employee, recently joining the working group, has received some introduction to the topic internally, but will get more training during 2024 - especially by taking courses arranged by for example ETN. Other employees, including management, are encouraged to participate in relevant webinars and courses on a regular basis.

Relevant topics related to the work with due diligence will be shared and discussed during sales meetings (two times per year) but it is on the agenda of the ESG-working group to widen the platforms for where and how to share and inform.

Aclima is a member of Scandinavian Outdoor Group (SOG) and TEKNO - the Norwegian textile sector association under The Federation of Norwegian Industries. Several of our employees frequently attend seminars and other information-sharing events from these communities, in order to keep ourselves up to date on relevant sustainability topics, among other things.

1.C. Plans and resources

1.C.1 How are the enterprise's commitments to respect people, animals, society and the environment embedded in strategies and action plans?

Aclima commits to the joint sustainability strategy for OAG. However, there is an aim to establish our internal strategy as well, to better reflect the focus areas and challenges that lie in our own supply chain, and the demands or expectations that external parties - such as ETN, public procurement customers (current or potential ones) and consumers - have on our business.

To develop a strategy and action plan shall be a sub-goal for 2024, as part of the main goal to achieve ETN-member base level.

1.C.2 How is the enterprise's strategies and action plans to work towards being responsible and sustainable followed up by senior management and the board?

At the moment, top management and the board are working closely with the common goals for OAG. Climate action (reducing GHG-emissions) and sustainable choices for material sourcing are important topics, where Aclima has already made some solid progress.

Once Aclima establishes our own action plan, which will include the common goals, management will need to address the follow-up of this as well.

1.D Partnerships and collaboration with business relationships, suppliers in particular

1.D.1 How does the enterprise emphasise the importance of responsible and sustainable business conduct in its business relationships, particularly in the supply chain?

As mentioned earlier in the report, long-term business relations are of high importance to Aclima, and so is responsible production planning and reliable order placements. In all our business relations, the goal is to always have a two-way communication and to establish trust. Aclima has a steady history of not pushing prices unnecessarily, but rather trying to meet our suppliers at a fair compromise.

When it comes to the expectations we have on suppliers, at the moment we have focused on sharing and communicating the last version of code of conduct with all 1st tier suppliers. The most important 2nd tier suppliers are also aware of the guidelines, and have signed them.

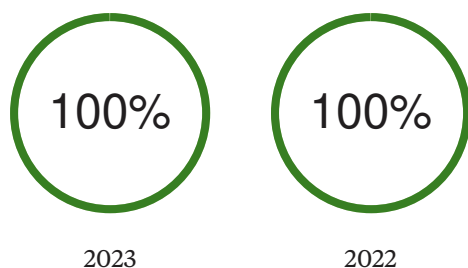
Supplier evaluation is a main procedure in Aclima's ISO system, that was reviewed in 2023 with a defined need to include more aspects related to due diligence. As a part of addressing this need, we have established a new form for supplier assessment that shall (as a minimum) be filled out during the first visit at a new potential supplier and their production facilities. In addition we have updated another of our forms, a visual observation checklist, that shall be used together with the main assessment at first visit - and then again each time any of our suppliers are paid a visit by representative(s) from either Aclima AS or OÜ.

Link to Aclima's guidelines for suppliers:

www.aclima.no/userfiles/file/Aclima%20Guidelines%20for%20suppliers%20-%20Code%20of%20Conduct%20V3.pdf

Indicator

Percentage of the company's suppliers that have accepted guidelines for suppliers



These numbers represent Tier 1 suppliers.

1.E Experiences and changes

1.E.1 What experiences have the enterprise encountered during the reporting period concerning responsible business conduct, and what has changed as a result of this?

In 2023, Aclima adopted our new company policy on responsible business conduct, while revising our supplier guidelines (including code of conduct) to a new version. Even though several of the related topics have been part of the business practice for many years, the new commitments will drive us in a more clear direction, enhancing our consciousness and pushing us to work more systematically.

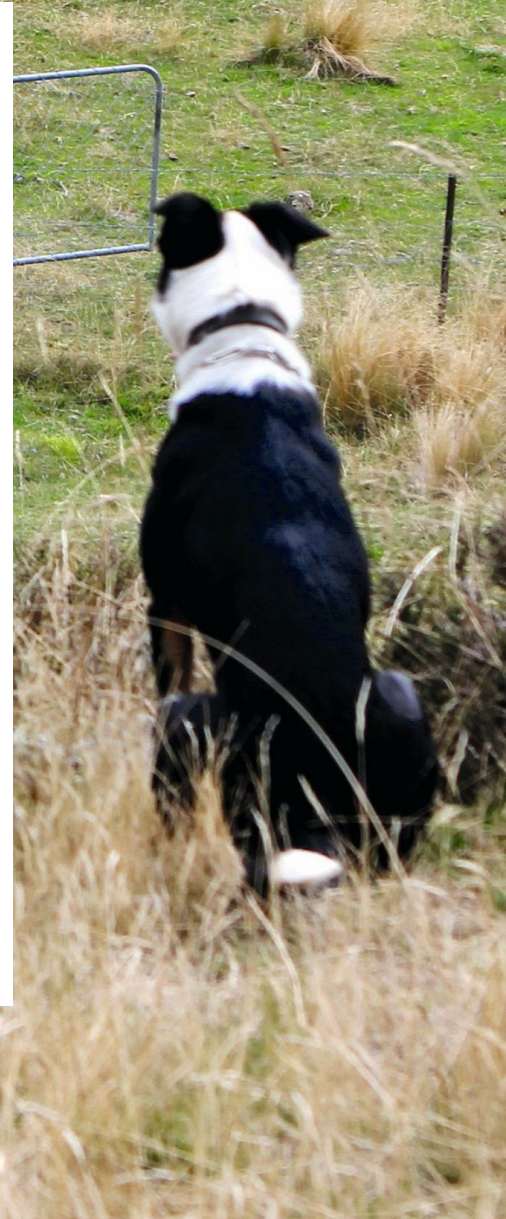


2

Defining the focus for reporting

Identify and assess the enterprise's impact on people, animals, society and the environment

“Identify and assess” is about identifying the enterprises's risk for, and actual negative impact on, people, animals, society and the environment, including in the supply chain and through business relationships. As a first step the enterprise should get an overall risk picture, before subsequently prioritising further mapping and measures where the risk of negative impact is the greatest, i.e. salient issues. The enterprises's involvement in the negative impact on people, animals, society and the environment is central to determine which measures the enterprise should implement in the next step of the due diligence model. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.



2.A Mapping and prioritising

PRIORITISED ACTUAL OR POTENTIAL NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.

2.A.1 List the enterprises's actual negative impacts and/or prioritized significant risks of negative impact/harm on people, animals, society and the environment. Take note that the prioritized risk that you list in the table below will be exported to step 3 of this report, where you will be asked to answer how you work with stopping, preventing, or reducing the negative impact.

Salient issue	Related topic	Geography
<p>Access to adequate break room</p> <p>In December 2022, Aclima became aware that a new supplier located in Latvia did not have a break room for their employees to take safe meal breaks in. Instead, the workers had to eat their lunch in the same area where they were working, or potentially outdoors. Despite of this fact, a cooperation had already started with the supplier, since our company representatives who visited the factory had given their approval to work with them - based on Aclima's guidelines at the time.</p>	Occupational Health and safety	Latvia
<p>Welfare for merino sheep</p> <p>Animal welfare (or the lack thereof) will <i>always</i> be a prioritized risk of negative impact in Aclima's supply chain. Even though we have chosen to source certified wool since several years, some of our wool is still not certified and thereby not completely traceable, and even though fiber/yarn supplier guarantees non-mulesing we must assume that there is a high risk for some violations against the 13th principle of our code of conduct.</p>	Animal welfare	Argentina Australia New Zealand South Africa

JUSTIFICATION FOR THE PRIORITISATION OF RISKS OF NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

2.A.2 Describe: a) the enterprise's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period: b) eventual aspects of the enterprise that have not been covered in this report (product groups, own products, departments etc.) and why you not chose to prioritize these in the continued work: c) how information was gathered, what sources were used, and which stakeholders have been involved/consulted: d) whether you have identified areas where information is lacking in order to get an overview, and how you are planning to proceed to collect more information/handle this.

a)

Current risk assessment is based on our general knowledge and understanding of our supply chain. However, we would like to refer to our goal of completing a more comprehensive risk analysis in 2024.

b)

At this stage, we have focused on mapping suppliers in all tiers who contribute to our main product groups, and chosen not to focus on low-volume items such as socks and wool detergent. For those products we have also partnered with the same suppliers since many years, and know that the production sites they are using have been stable over time.

Regarding our own business (T0) and other activities or partnerships that we conduct, downstream or upstream, the aim is to also continue mapping out these clearly in order to define possible risk areas.

c)

As mentioned, our current view of high-risk areas is based on general experience and the most obvious facts, which the ESG-working group together with management could identify so far, with some support also from ETN and the sustainability coordinator in OAG.

d)

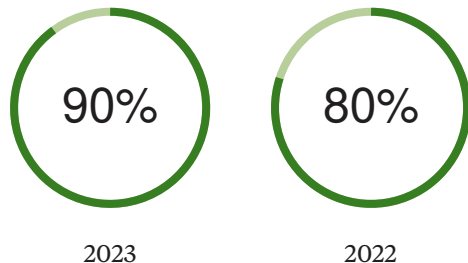
Going upstreams to tiers 3 and 4, Aclima don't have much direct insight in processes like washing, scouring, and superwash treatment of wool. We know where the processing sites are located (close to Shanghai in China), and that the facilities are certified according to ISO 14001 and the EU Ecolabel among other things. Our yarn supplier is working closely with this company, so we can always request more information through them - but it also takes some time to figure out exactly what kind of things we should ask for.

Meanwhile, having basically all our production in tier 1 and 2 located in Europe gives some security, but we know that issues with OHS, wages and overtime may occur everywhere. We are aware that further analysis of typical challenges in certain countries or regions will be necessary, in order to identify if there are any salient issues.

We have access to many resources and tools, not least via the ETN member platform, so it's just a matter of prioritizing what and where we should focus on digging up more details. Once our risk assessment is completed this should be the next step.

Indicator

Percentage of suppliers that have been identified and mapped



The numbers refer to an approximate degree of mapping the entire supply chain of Aclima from tier 0 (our own activities) upstream to raw material sources in tier 4; defining most of the processes and activities within each tier, identifying who is involved and where they are located. The part which is still not mapped out, mainly consists of suppliers of synthetic fibers and raw material for some trims (labels and packaging). Supporting activities or flows like transport routes are not mapped in detail yet, either.

A more comprehensive risk assessment that shall be carried out in 2024, will most probably make us aware of some challenges that we haven't necessarily paid attention to earlier, and this will help us to prioritize further mapping of high risk areas, activities and/or suppliers, in order to address the most salient issues.

ADDITIONAL SEVERE IMPACTS

2.A.3 Describe any other negative impacts on people, animals, society and the environment that were identified in the mapping of the enterprise, supply chain or other business relationships during the reporting period and how these have been handled.

Since all Aclima's business partners in spinning, knitting, dyeing and sewing are located in Europe, we trust that the necessary occupational health and safety precautions are well implemented as well as other aspects related to worker's rights. That said, we are well aware that situations will occur, where employees work more overtime than allowed (especially if they are bound to piece rate salary), or won't wear personal protective equipment (PPE) when they are instructed to. In 2023 we have looked into a few such cases.

It is of course the management's responsibility on each production site, to monitor overtime hours and provide sufficient supply of PPE together with information about the risks of not using it. However, even if Aclima will step in to discuss these things with the factory management, cultural differences or contradictory opinions between management and workers might make it difficult to address the root cause and really make a change to the situation. In the cases we looked into this year, our experience is that we had a constructive dialogue with the suppliers in question, and that they were willing to make some changes.

These are clearly topics that we need to follow up continuously and keep talking to our suppliers about.



3

Management of salient issues

Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings from the risk assessment in a good way. The most salient negative impact on people, animals, society and the environment should be prioritised first. This does not mean that other risks are insignificant or that they are not handled. The way the enterprise is involved in the negative impact is key to taking the appropriate action. Negative impact that the enterprise causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the enterprise, e.g. in the supply chain, the business must use its leverage to influence the entity causing the negative impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the enterprise's own policy documents and management systems. Effective management of the negative impact on people, animals, society, and the environment is a major contribution to the achievement of the Sustainable Development Goals (SDGs).

3. A Cease, prevent or mitigate

3.A.1 For each salient risk, add a goal, progress status and describe the measures you have implemented to handle the enterprise’s prioritized negative impact on people, animals, society, and the environment

<p>Salient issue</p>	<p>Access to adequate break room</p> <p>In December 2022, Aclima became aware that a new supplier located in Latvia did not have a break room for their employees to take safe meal breaks in. Instead, the workers had to eat their lunch in the same area where they were working, or potentially outdoors. Despite of this fact, a cooperation had already started with the supplier, since our company representatives who visited the factory had given their approval to work with them - based on Aclima's guidelines at the time.</p>
<p>Goal :</p>	<p>The sudden realization that one of our sub-contracting factories was lacking a proper break room for workers, led us to defining two goals:</p> <ul style="list-style-type: none"> • In general, our routines for supplier evaluation must be improved • Specifically, we shall ensure that all workers in our supply chain have access to a suitable break room, with enough space to sit down, access to fresh water and appropriate facilities to store food and drinks
<p>Status :</p>	<p>The particular situation has been solved. Further attention is needed to follow up on the general goals.</p>
<p>Goals in reporting year :</p>	<p>The break room situation at the particular factory must be solved as soon as possible. Aclima's supplier assessment routines shall be looked over.</p>

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Immediately after discovering the issue, Aclima reached out to the factory management and explained that we expect them to arrange a proper solution. We asked them to set up a realistic action plan for how and when this could be implemented, which they did. Luckily, there was a free space in the same building that could be cleared out and refurbished to meet the needs.

Representatives from both Aclima AS and OÜ followed up with factory manager via e-mail dialogue and physical visits, until a break room was installed later in 2023.

Meanwhile, we have reviewed our internal procedure documents, routines and tools for supplier assessment.

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

The initial target, as suggested by and agreed with the factory management, was to have a break room ready by June 2023. However, it took a bit more time than expected with the renovation and getting all furniture and supplies installed. By October, the new facilities were finally ready to be used by workers.

In terms of Aclima's routines, we have revised our visual observation checklist and supplier assessment form, as also mentioned in section 1.D.1.

This topic will require some more attention going forward, to see how the new forms work out in practice, how much we can manage to map out by using them, and to re-assess any needs of further revising or improving our routines and procedures for supplier evaluation.

<p>Salient issue</p>	<p>Welfare for merino sheep</p> <p>Animal welfare (or the lack thereof) will <i>always</i> be a prioritized risk of negative impact in Aclima's supply chain. Even though we have chosen to source certified wool since several years, some of our wool is still not certified and thereby not completely traceable, and even though fiber/yarn supplier guarantees non-mulesing we must assume that there is a high risk for some violations against the 13th principle of our code of conduct.</p>
<p>Goal :</p>	<p>Increase the percentage of certified wool, in order to ensure better control of animal welfare aspects.</p> <p>The ultimate goal is of course to source 100% certified wool. Our initial target, set in 2022, was to reach this goal within 5 years. However, it's not really possible to predict when we'll be able to offer certified wool only, in products to the public procurement segment.</p>
<p>Status :</p>	<p>The share of certified wool has unfortunately decreased in 2023, due to the fact that Aclima's order volumes to public procurement customers have grown substantially while our sport & outdoor sales within the private market have declined.</p>
<p>Goals in reporting year :</p>	<p>Increase the percentage of certified wool - this goal will be continued until we reach the ultimate target: 100% certified.</p>

Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :

Aclima could have reached this goal years ago, if our business didn't depend as much on obtaining procurement contracts. As mentioned earlier in the report, quality requirements and price sensitivity have so far been the major factors to consider in order to stand a chance of winning.

The fact that Aclima always had a clear strategy of producing all yarn, fabric and assembling the garments within Europe, gives no room to further increase product cost by sourcing a more expensive raw material. Thus, offering certified merino wool to customers in this sector has not been realistic for us earlier.

Therefore Aclima has tried - and will continue trying - to influence the customers within this sector, both through direct dialogue and via so called RFI:s (Request For Information) which is a form of voluntary self-validation for contractors, often released prior to an official tender announcement.

We will also consider to offer products made of certified wool in our tender applications, even if there is no such requirement in the specification.

Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :

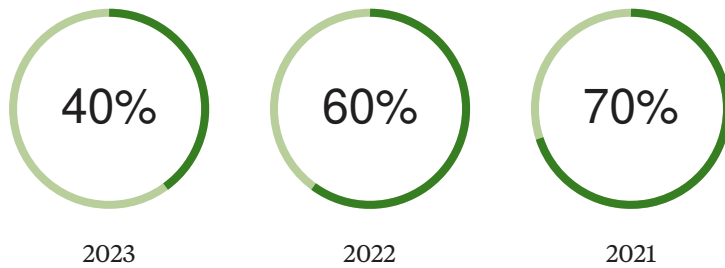
We hope to see that more and more of public procurement authorities understand the value of certified wool, and will choose to revise their requirements accordingly. Some of our typical customers in this segment are already showing a lot of progress in the field, but it's hard to predict what each and every one of the authorities can or will do, and when.

The recently updated Public procurement act in Norway might help to set a new standard, although the focus in the act clearly lies on weighting in social and environmental requirements, not with specific attention to animal welfare as that is not necessarily a relevant topic in all forms of procurement.

As mentioned, Aclima will continue to try and influence the set of requirements from the public sector, while hoping that we could be selected as the preferred supplier of wool underwear even if the products we offer are a bit more costly due to certified material.

Indicator

Share of certified wool - by volume



As explained above, the volume of non-certified wool increased in 2023, following a major growth of business in the price sensitive public procurement sector - a growth that started to really take off in 2022. As a natural consequence, the certified share has now decreased two years in a row, compared to previous year.

It should be mentioned that even for non-certified fiber, Aclima still has high demands on animal welfare. Among other things, we refer to the "Five Freedoms" from the Prevention of Cruelty to Animals Act and we have a zero tolerance to mulesing, clearly stated in our code of conduct which is part of both our company policy for responsible business conduct and our guidelines for suppliers.

3.B OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

Describe the enterprise's general measures to cease, prevent or mitigate negative impacts, including in the supply chain.

3.B.1 Reduction of nature- and environmental impact

The main operations in Aclima's supply chain that require use of water, chemicals and energy, are: scouring, superwash treatment, dyeing and finishing.

Since we still need to make a more comprehensive risk analysis in order to prioritize actions, at the moment we basically have some general assumptions about what measures would be necessary in order to reduce negative impact.

Scouring

The process of degreasing and removing dirt and other residue from wool tops clearly demands a certain amount of water, detergents and energy. Aclima has one main provider of this service in our supply chain and we know that they hold a number of certificates, including ISO 14001 and the EU Ecolabel. Still, we should find out more about the supplier's facilities, processes and routines to get an idea about their impacts on a local level.

Superwash treatment - Hercosett 125

A chlorine based treatment that is followed by adding a thin polymer film to the wool fibers, preventing them from felting. The major reason for Aclima to use wool with this "total easy care" finish is to ensure easy maintenance for our customers. By making the wool products more resilient to certain washing and drying conditions, we noticeably reduce the risk of high shrinkage and felting - something that could in worst case lead to the garment being unusable after only a few times washing. This "less-shrinking" feature is especially important for our public procurement customers and their end users, and in many contracts it's even a must-have in order to fulfil basic quality requirements.

The same supplier who does the scouring of wool tops also adds the superwash treatment to our fibers. Besides learning more about their routines connected to these processes and how negative impact could potentially be reduced in the current systems, we are also aware that more sustainable alternatives to superwash wool exist. The challenge is that those options still don't seem to have good enough effect compared to Hercosett 125. One or two variants have been tested out by Aclima in the past, but the results were deemed not satisfying. We will continue to look for a realistic substitute, through dialogue with our fiber and yarn suppliers and by following the technical development in the field.

Dyeing and finishing

All dyeing of wool fiber (tops dyeing), yarn and fabric is done at our partners' facilities in Europe, which means that Aclima representatives have quite close access to visiting these mills. The tops dyeing plant is based in Germany, and the owners have recently made some major investments which led to a 50% reduction in both energy, gas and water usage in 2023. Fabric dyeing and finishing mills in Denmark and Poland are also invested in using green energy, building energy- and water saving internal systems and improving their waste water treatment.

We believe that any further influence on these activities from Aclima's side, is very limited at the moment.

3.B.2 Reduction of greenhouse gas emissions

The Science Based Targets initiative (SBTi) helps corporates to set targets, and to follow them, in order to comply and achieve the goal of the Paris agreement. Referring to Aclima's current and continuous goal no. 3, as stated in the introduction, Open Air Group has committed to SBTi goals which we have made important contributions to during 2023. That said, the current specific target of reducing GHG emissions with 42% by 2030 only includes scope 1 and scope 2.

However, another goal is set: to start measuring scope 3 emissions in order to find ways of reducing climate impact also within this scope. For several of the companies in OAG, scope 3 is clearly the part of our business(es) with the biggest climate impact - but where it's hardest to identify, find and collect all relevant and reliable data. Some standard key figures can be used in order to calculate assumed impact though, and for Aclima's part it's doubtless that wool as a raw material contributes largely to our total footprint as it is considered to have relatively high CO₂e/kg.

With no plans to switch out our wool portfolio with alternative materials, we have to find other ways to make a difference.

3.B.3 Adapting own purchasing practices (sourcing)

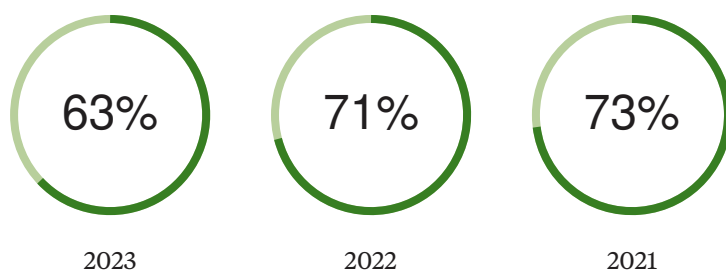
Aclima prioritizes long-term relationships with all our suppliers; yarn spinners, knitters, dye houses and garment manufacturers.

Although there are apparent peak seasons in sales, production planning is made with as even flow as possible throughout the year, in order to secure a more predictable and stable work environment for our suppliers. While making use of low season and producing some of our orders more in advance than necessary, Aclima AS and OÜ also take responsibility to store ready-made goods in our own warehouses instead of pushing sub-contractors to do this.

The aim for price negotiations is to always be fair and prepared to compromise, which is an important part of both long-term business relationships and stable, reliable product quality.

Indicator

Percentage of the company's suppliers with whom the company has had a business relationship for more than three years



These numbers reflect relationships with T1 suppliers (total 16 suppliers in 2023).

Due to the fact that Aclima's revenue has been growing immensely the last few years, there's been an acute need to find more production capacity and therefore we have started up more new collaborations lately, compared to earlier years. Since many of our sub-contractors in T1 are relatively small companies, it has not necessarily been possible to get more capacity with the existing suppliers.

3.B.4 Choice of products and certifications

Certified merino is a major priority for Aclima, as wool is the core of our business. Unfortunately, we have not managed to increase the share of certified fiber in total. See further explanations for this including the indicator with comments under 3.A.1. But working closely with the ZQ and ZQRX programs of New Zealand Merino Company (NZM) we *have* managed to increase the RX share of all ZQ-certified fiber to at least 40% in 2023.

The RX program stands for regenerative farming, and involves practices that support soil health, biodiversity, water, emissions removals, and the communities where the wool was produced. Growers approved to the RX standard are continuously assessed against 15 key indicators in the ZQRX Index - a tool designed to educate and track progress, on terms that are relevant and suitable to each farm's size and location.

Aclima has for many years prioritized to use Oekotex 100 certified materials, and basically our full product range (of garments) is certified accordingly. All paper used in product packaging is FSC certified, and all plastic bags used for packing garments are made of sugarcane based bioplastic.

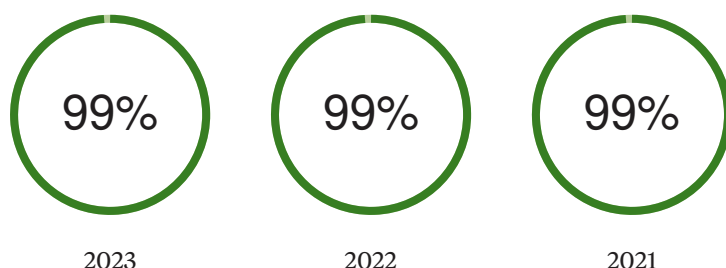
We are especially proud of the ReBorn product concept in Aclima, not only since it's great to offer garments made of 100% recycled fabrics, but mainly because the recycled wool in these materials (approx 70% of the fiber content) comes from our very own production waste. Together with our partnering suppliers, we have thereby created our own sort of "closed loop" textile-to-textile recycling system.

During production there will always be some cut-offs, no matter how efficient the pattern markers are planned out. In our own factory in Valga, Estonia, we collect and colour sort all the cut-out leftovers from 100% wool fabrics, and send them to our partner experts in Italy. The wool is shredded, new yarns are spun and the fabrics we have developed are knitted and woven. The synthetic fibers (polyamide and polyester) which are added by necessity - to increase durability of the recycled wool - are also recycled and GRS-certified. Some of the polyamide will be dyed in order to match the wool waste better and achieve commercially acceptable colours, but other than that we completely avoid any dyeing of these yarns and fabrics. All trims used on ReBorn styles - such as buttons, labels and drawstrings - are selected with care, focusing on sustainable sources.

In 2023 we have launched a number of new ReBorn styles, and set a goal to try and steadily increase the growth of total ReBorn sales going forward. Continuous fabric and product development is an important part in achieving this.

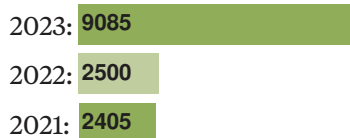
Indicator

Percentage of product range that has Oeko-Tex 100 certification



The only products in our range which do not have Oeko-Tex 100 certification, are the ones under our ReBorn concept, made with recycled wool from our own production waste. This material is not yet possible to certify, even though the components are waste from already certified virgin material. Because the volumes within ReBorn are still small (less than 1% of total sales) we have currently chosen not to apply for garment certification, for economic reasons. As soon as it's possible to certify the material (yarn and fabric) we will consider garment certification.

Number of garments sold under the ReBorn product concept



At the moment, it makes more sense to measure this in numbers rather than percentage of sales. Out of Aclima's total revenue, ReBorn is still less than 0.5%.

However, while comparing ReBorn volume isolated over the last three years we can happily state that in 2023 sales were boosted with more than 260% compared to 2022 and 2021.

3.B.5 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation

As part of our policy for responsible business conduct and our guidelines for suppliers, both including our code of conduct, the 2nd principle of the code is:

2. Freedom of Association and the Right to Collective Bargaining (ILO Conventions Nos. 87, 98, 135 and 154)

2.1. Workers, without distinction, shall have the right to join or form trade unions of their own choosing and to bargain collectively. The employer shall not interfere with, obstruct, the formation of unions or collective bargaining.

2.2 Workers' representatives shall not be discriminated and shall have access to carry out their representative functions in the workplace.

2.3 Where the right to freedom of association and/or collective bargaining is restricted under law, the employer shall facilitate, and not hinder, the development of alternative forms of independent and free workers representation and negotiations.

In the countries we operate in (basically all T1 suppliers are located within Eastern Europe) free union organisation is possible, but we know that many workers do not wish to be part of a union. According to our understanding, it has a lot to do with the heritage of social history after the fall of the Soviet Union.

3.B.6 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain

Aclima keeps a close dialogue with the factories who produce for us. When training new workers, the factory management may ask for orders with simple styles in order to let new workers get their routine and skills in place before taking on more advanced garments. Order placements are planned according to available capacity, equipment and workers' competence in factories.

When it comes to capacity building related to workers' rights and OHS, we still need to map out where it could be necessary for Aclima to contribute in some way.

3.B.7 Combatting corruption and bribery in own enterprise and supply chain.

As part of our policy for responsible business conduct and our guidelines for suppliers, both including our code of conduct, the 12th principle of the code is:

12. Corruption

12.1. Corruption in any form is not accepted, including bribery, extortion, kickbacks and improper private or professional benefits to customers, agents, contractors, suppliers or employees of any such party or government officials.

Our internal policy also defines further, that employees of Aclima AS and OÜ shall never offer or receive illegal or inappropriate monetary gifts or other remuneration to achieve private or business benefits in their own interest or in the interest of customers, agents or suppliers.

As a part of Open Air Group (OAG), all Aclima employees are additionally required to accept OAG's internal code of conduct, which amongst other things states a zero tolerance against all forms of corruption.

3.B.8 Other relevant information concerning the enterprise's work to reduce, prevent, and manage negative impact on people, animals, society and the environment

The design, development & production team in Aclima has a clear focus on functional and comfortable garments that look good without unnecessary details added. We have a carefully developed guide for design and product development, which includes the idea to only replace some colours gradually from one collection to the next, instead of pushing out new colours every season just to attract customers to buy more. Our aim is that all material and product development shall get enough time to find it's right quality and place, before we launch any new styles or concepts.

From time to time, Aclima will make use of deadstock fabrics by setting up special orders suitable for this, simply turning leftover fabrics in our Valga warehouse into sellable and useable garments. Usually, these garments will be sold in our outlet shop at the Krøderen warehouse but in some cases it might result in a limited edition colour for a certain product. We believe this is a true win-win situation, where we can give high quality fabrics the life they deserve in form of a product at the same time as we clear out space in our material stock, and be able to offer our customers great quality products for a very good price (in the case of outlet).

In a wider perspective, it's worth repeating that the close collaborations Aclima has with almost every contributor throughout our supply chain, really gives us a good starting point that enhances the opportunities to make positive change.



4

Track implementation and results

Tracking implementation of actions and results relates to measuring the effects of the systematic approach and own work in each step of the due diligence process, showing whether the enterprise conducts sound due diligence work. The enterprise needs to have procedures and routines in place in order to uncover and critically assess own conclusions, prioritizations and measures that have been made as part of the due diligence process. For example, is mapping and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect the actual conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the enterprise's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the enterprise alone or carried out in collaboration with others. The enterprise's experiences from working on due diligence should be used to improve procedures and routines in the future.

4.A. Track and assess

4.A.1 Describe the a) assignment of responsibility for tracking the effect and result of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, animals, society and the environment, as well as how the tracking is done in practice, b) who is responsible for evaluating the enterprise's implementation and work with due diligence, and how the evaluation is done in practice.

The work of systematically assessing, prioritizing, tracking/measuring and evaluating is in a starting phase. This due diligence report for 2023 is the first one that Aclima presents in this particular format, and the working methodology that it's based on still needs to be properly implemented and integrated in the organization.

The ESG-working group are in general charge of due diligence and will find suitable ways to delegate assignments. At the moment we are measuring some parameters, presented as indicators in this report, together with sales and production teams both in Norway and Estonia. Some tracking and measuring - especially regarding climate impact - is also done in close collaboration with the sustainability coordinator of OAG.

4.A.2 Describe how the enterprise ensures that measures taken to identify, prevent and reduce negative impact actually work

As mentioned earlier, the close and long-term relationships Aclima has built already with most of our suppliers is a great foundation for continuous dialogue, opening up for possibilities to discuss negative impact and find solutions together with these partners.

When it comes to specific measures, it is too early to say something concrete about to what extent they work, as we are in the starting phase of analysing things more systematically.



5

Communicate how negative impacts are addressed

A prerequisite for good external communication on due diligence for responsible business conduct is that it builds on concrete activities and results. Enterprises should make relevant documents concerning due diligence publicly accessible, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the enterprise's actual and potential negative impacts on people, animals, society and environment. Communication should include information about how the risks have been identified and handled, as well as the effect of the measures/activities. The Transparency Act (Åpenhetsloven) §5 requires companies to publicly account for their human rights due diligence on an annual basis.

5.A External communication

5.A.1 Describe how the enterprise communicates with affected stakeholders about managing negative impact

Aclima has a close and direct relationship to many of our suppliers in all tiers. We have a generally open dialogue with most of them on a regular basis, but still need to define concrete risks and parameters where we together should look at reduction of negative impact.

A relevant example of managing negative impact is the case of missing break room, as mentioned in section 2.A.1 and 3.A.1. The deviation was discovered during a supplier visit, where two representatives from Aclima AS and one from Aclima OÜ were meeting with a new sub-contractor in one of their factories. The topic was raised straight away, in direct dialogue with the company manager, who showed understanding for the need to improve such conditions in the workplace. Since management was clearly willing to solve the issue, Aclima never talked directly to any present workers about the situation. However, for future visits in this factory, it will be interesting to follow up and see how satisfied they actually are with the new solution.

Another realization from the break room case was, that Aclima need to improve our internal routines of supplier evaluation, to be able to discover such deviations at an earlier stage next time. That will help us to set clear expectations and initiate constructive dialogue with the supplier right from the start.

5.A.2 Describe how the enterprise publicly communicates its own work on identifying and managing negative impact/harm

On our website, Aclima has publicly shared our company policy and supplier guidelines, and we present some statements about the topics we care most about (only in Norwegian at the moment):

www.aclima.no/sustainability

This page is under current review, with the aim to become even more direct, transparent and informative about due diligence and sustainability initiatives in our business. That aim includes how to communicate in other ways as well, like in our social media channels. Last but not least, we describe our work most extensively through this very report - as a member of ETN we are proud to issue our first account report on due diligence in this format.

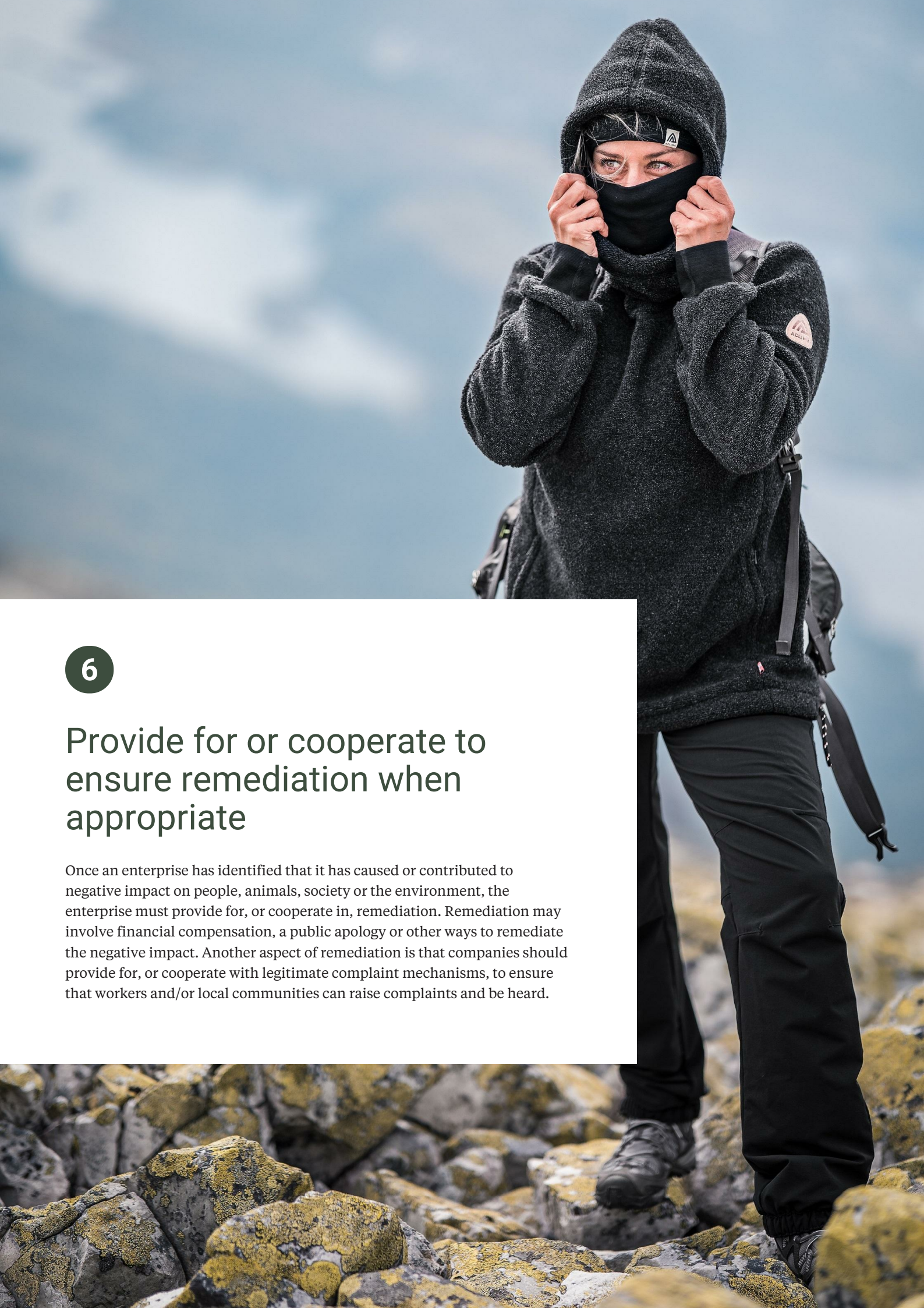
On the website of OAG, there is more information about the sustainability strategy and goals for the whole company group, among other topics you can read more about the commitment that is made in terms of climate action (SBTi goals):

www.openairgroup.se/#sustainability

5.A.3 Describe the enterprise's routines for maintaining and answering external inquiries related to the information requirement imposed by the Transparency Act

On Aclima's website there is a brief introduction to our supply chain, with some topics like animal welfare being covered in additional articles or news. We address the Transparency Act specifically on the page *www.aclima.no/sustainability* and encourage customers to contact us if they have any queries.

Most commonly, people reach out via e-mail, at aclima@aclima.no, and get in touch with our customer service first. Depending on the nature of the errand, questions may be redirected to the colleague(s) who are most competent to reply.



6

Provide for or cooperate to ensure remediation when appropriate

Once an enterprise has identified that it has caused or contributed to negative impact on people, animals, society or the environment, the enterprise must provide for, or cooperate in, remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. Another aspect of remediation is that companies should provide for, or cooperate with legitimate complaint mechanisms, to ensure that workers and/or local communities can raise complaints and be heard.

6.A Remediation

6.A.1 Describe the enterprise's policy for remediation of negative impacts on people, animals, society and the environment

As stated in our Policy for Responsible Business Conduct:

If Aclima's activities are found to cause or contribute to negative impact on people, animals, society or the environment, we will stop the activities and seek to provide remedy. If our supplier is responsible for the negative impact, the supplier is responsible for providing remedy.

6.A.2 If relevant, describe cases of remediation in the reporting year

Referring back to sections 2.A.1, 3.A.1 and 5.A.1, regarding the case of break room missing in one of the Latvian factories we work with:

In order to offer proper remediation, Aclima worked together with the factory management, encouraging them to establish a solution as soon as possible. Since they clearly showed willingness to make improvements, and presented a plausible plan for how to refurbish the available space and what utilities to install, it wasn't considered necessary for Aclima to talk further with the workers at the time. However, as already mentioned in 5.A.1, it will be interesting to follow up with the workers in future visits and see how satisfied they actually are with their new lunch room.

6.B. Ensure access to grievance mechanisms

6.B.1 Describe what the enterprise does to ensure that employees in own enterprise and other stakeholders, especially impacted workers and local communities have access to whistleblowing systems and grievance mechanisms when this is needed

As a part of OAG, all employees in Aclima AS have access to a web link for the group's internal whistleblowing system.

We need to consider how to implement a similar system for Aclima OÜ in Estonia, and start talking to our suppliers about what they do to respect workers' potential needs for filing complaints - directly or anonymously.

It is already clearly mentioned in our supplier guidelines, that we expect them to have a system in place to manage complaints related to human rights, labour rights, the environment and corruption. But we also need to find out to what extent this requirement is met, and how we can help to improve grievance mechanisms where needed.

Perhaps there even are some great practices out there in our supply chain, that we can both learn from and try spreading the word about. In a genuine supplier dialogue, we expect to learn as much from our partners, as they learn from us.

Contact details:

Aclima AS
Sara Almgren, Textile Engineer
sara@aclima.no