



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

# Account reporting year 2024 Redegjørelse for rapporteringsåret 2024

for Aclima AS



*Ethical Trade Norway has assessed the report of Aclima AS to meet the criteria of our Base Level. More information about our Base Level can be found [here](#).*

# 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 UNGP and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

**Heidi Furustøl**

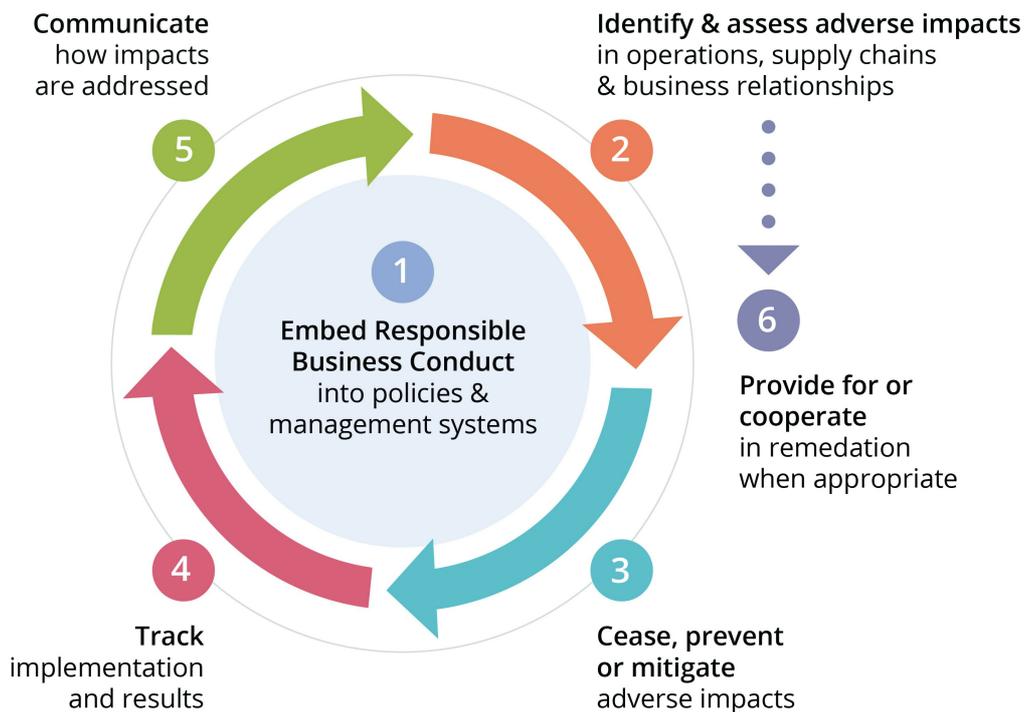
*Executive Director*

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

Since my first years in Aclima in the early 90's, the company has grown into a recognized brand specializing in functional wool clothing. Our focus is primarily baselayers, but Aclima also offers a wide range of midlayers. Despite market fluctuations, we keep prioritizing sustainability and innovation. Our dedication extends from sourcing fibre and materials to production processes, emphasizing eco-friendly practices.

At Aclima, we primarily want to use 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, ensuring transparency and responsibility through 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 manufacturing facility 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 growth comes with responsibility for the people, animals and environmental conditions throughout our supply chain. We also show respect to our customers – proving to them that buying from Aclima is a conscious choice.

Aclima is part of the Swedish Open Air Group, and the entire group has committed to the SBTi. During 2024 Aclima has changed our heating source in Estonia from oil burners to electric heat converters, and we buy only certified green electricity. OAG has initiated several work group to work thoroughly through our sustainability challenges. This ongoing work also enhances knowledge and competence within our organization.

**" We are deeply committed to ethical sourcing and production, ensuring transparency and responsibility through our supply chain – aligning with the growing demand for more sustainable alternatives. "**



Hans Petter Jacobsen  
CEO

# Board Signature

This report is electronically signed. See last page for verification.

Camilo Sjödin  
Chairman

Kim Viitanen  
Board member



# Enterprise information and enterprise context

## Key enterprise information

### Enterprise name

Aclima AS

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### Head office address

Øvre Sund 1, 3018 Drammen

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### 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.

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### 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, Norway; while our Norwegian warehouse and accounting team is located in Krøderen. Being an ISO9001 and ISO14001 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 quality and ESG specialist, strongly supported by textile engineer. The work is anchored in the management and board via CEO.

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 2024. Most of the sport and outdoor 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.

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**Revenue in reporting year (NOK)**

313 300 000

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**Number of employees**

31

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**Is the enterprise covered by the Transparency Act?**

Yes

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**Major changes to the enterprise since last and current reporting period**

2024 has been an eventful year, bringing both major and minor changes for Aclima. Some key developments include:

**Acquisition of Distributor in Denmark**

Aclima AS has acquired our Danish distributor, which has three employees, as part of our strategy to enhance efforts in export markets.

**Operational Pressure and Organizational Growth**

Several departments experience significant workload due to tender processes. The PRO department has been established, with two new hires at the end of the year.

**New Positions Established in addition to the PRO-team:**

100% Warehouse Manager

100% Quality, HSE, and ESG specialist

40% HR and Organizational Development

100% Business Controller

We aim to continue growing in a sustainable way for both the company and all employees and anticipate that 2025 also will bring some new members to our amazing team.

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**Contact person for the report (name and title)**

Martine Stormoen, Quality- and ESG specialist

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**Email for contact person for the report**

martine@aclima.no

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## 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, 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 surplus material, partnering with a couple of Italian experts who have specialised in the recycling of fine wool. Fabrics are 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.

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

16

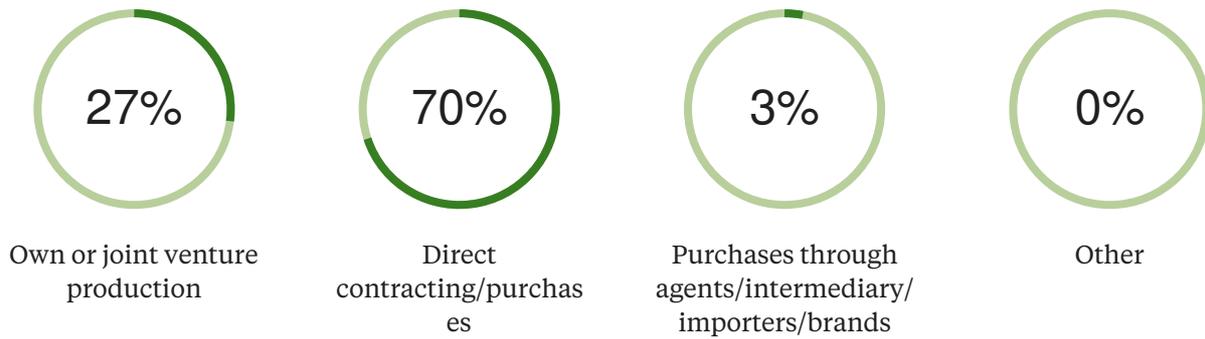
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### Comments

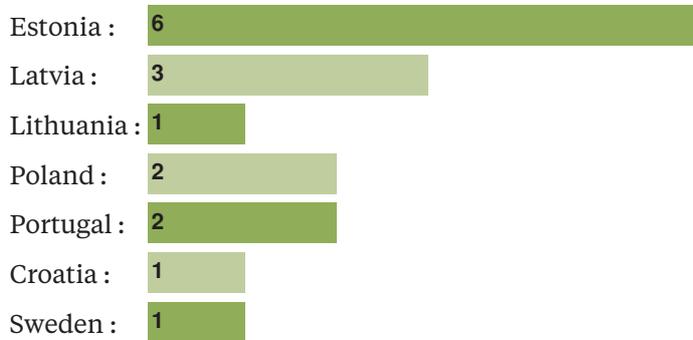
This number represents Tier 1: we worked with 16 suppliers of ready-made goods. Our own production (=Tier 0) is not counted here. In addition, Aclima has direct commercial relations within Tier 2: 3 fabric producers, 14 suppliers of accessories/trims and 3 suppliers of packaging; Tier 3: 2 yarn spinners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

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### 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

#### Number of workers

1 200

#### 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

<b>Merino wool</b>	Argentina Australia New Zealand South Africa
<b>Polyamide, polyester, modacrylic</b>	Global
<b>FR-viscose</b>	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.

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### Is the enterprise a supplier to the public sector?

Yes

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## Goals and progress

### Process goals and progress for the reporting year

1

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

**Status:** Completed

2

**Goal:** 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.

**Status:** Completed, will develop further in 2025

3

**Goal:** 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.

**Status:** Ongoing.

4

**Goal:** 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.

**Status:** This work will continue into 2025, where we will assess the optimal setup moving forward.

5

**Goal:** 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.

**Status:** Completed. Aclima AS was represented during the audit both to gain insights and to provide support where possible.

## Process goals for coming year

1

### **Focus on sustainable products**

- Work on developing Life Cycle Assessments (LCA) for our products to clarify our environmental footprint.
- Test out repair systems for consumers.

2

### **Focus on sustainable value chain**

- Review and update all document templates related to supplier assessment and evaluation.
- Continue to map our supply chain in greater detail.
- Ensure communication in all relevant languages for employees at our suppliers sites.
- Confirm that our subcontractors are aware of living wages and are actively working towards achieving them.

3

### **Ensure openness and transparency in our communication**

- Continue to expand the information on our website in all relevant languages regarding our sustainability efforts.

4

### **Continue to Embed responsible business conduct into policies and management systems**

- Develop an annual cycle for sustainability efforts.
- Integrate sustainability efforts more systematically into the organization and management team, to ensure effective communication flow and that all relevant stakeholders are kept informed.



# 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

<https://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 and the environment?

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](http://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 + OÜ) 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, and is a part of our onboarding program.

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## 1.B Organisation and internal communication

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

Due diligence at Aclima is organized within the framework of our quality management system and is aligned with the Norwegian Transparency Act and OECD Guidelines for Responsible Business Conduct. The process is embedded into internal guidelines and routines through several core structures:

- The ESG Specialist has primary responsibility for managing the due diligence process, this position reports directly to our CEO who follows up on this work. This process is strongly supported by the Production Manager, and Textile Engineer, in addition to the CEO, ensuring a multidisciplinary approach.
- The due diligence process includes annual risk assessments of our entire value chain, regular supplier evaluations, and the use of tools from Ethical Trade Norway, along with our quality system.
- Dedicated checklists such as the Visual Observation List and CSR Checklists are used during supplier visits and before entering into new supplier relationships. Our Production manager also has a major role in integrating due diligence work in the organization of Aclima OÜ in Estonia.
- We work to identify, prevent, and mitigate adverse impacts on people, animals, society, and the environment.

Due diligence is integrated into the company's operations to ensure consistent risk monitoring, transparency, and continuous improvement.

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### 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?

Aclima ensures that due diligence is embedded into daily operations and clearly defined for employees through policies, structured job descriptions, and ongoing internal communication.

Aclima follows the OAG internal Code of Conduct, which is presented to and signed by all new employees. Additionally, Aclima's own policy for responsible business conduct was introduced to all employees through a dedicated physical meeting when it was first established.

Several key managers at Aclima—who are in positions to drive change—have years of experience within the company and have worked with responsible business conduct as part of their roles. As the company has grown, and due diligence has become an increasingly strategic focus, we are now systematizing the work more clearly to ensure structured implementation.

#### **Job Descriptions & Responsibilities**

- Key roles such as the ESG Specialist, Quality Manager, Textile Engineer, and Production Manager have due diligence explicitly integrated into their job descriptions and core responsibilities.
- Cross-Functional Teams: Sustainability is a shared responsibility across the organization. Employees involved in sourcing, product development, and supplier management engage in due diligence tasks relevant to their departments.

#### **Embedding Due Diligence in Internal Processes**

- Weekly Team and Management Meetings: Due diligence topics, strategic priorities, and emerging risks can be discussed in weekly meetings, ensuring that sustainability remains an integral part of operational decision-making.
- Continuous Dialogue: Aclima maintains an open and low-barrier communication culture, where employees at all levels can raise relevant ESG topics, escalate concerns, or propose improvements—also directly with top management.
- Cross-Departmental Collaboration: To address sustainability challenges effectively, cross-functional teams collaborate on risk assessments, supplier evaluations, and sustainability initiatives.

#### **Future Improvements**

We recognize an opportunity to further strengthen responsible business conduct within the management team in a more strategic and structured manner. As part of our ongoing improvements, we will develop a task-specific timeline to ensure that due diligence remains a standing topic on the management agenda and is consistently followed up at an executive level.

This structure reinforces that responsible business conduct is not only a compliance task but a core element of Aclima's business strategy.

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

To ensure employees have the necessary competence:

- **Biannual ESG Sessions:** ESG is a permanent topic in our biannual sales meetings, where most of our staff are present. These sessions provide an opportunity to inform employees about key ESG issues, updates on ongoing initiatives, and any changes in regulations or expectations related to human rights, environmental impact, and animal welfare.
- **Ethical Trade Norway Resources:** Employees have access to training resources and tools provided through Aclima's membership in Ethical Trade Norway, ensuring they stay updated on international best practices.
- **Workshops and Seminars:** Aclima actively encourages employees, particularly those in production, procurement, and ESG roles, to participate in external workshops, industry forums, and networking events to enhance their understanding of current ESG challenges and solutions. ESG topics are also central in the industry organizations where Aclima is a member, including the Scandinavian Outdoor Group (SOG) and TEKO – the Norwegian textile sector association under The Federation of Norwegian Industries. Several employees frequently attend seminars and information-sharing events within these communities to stay informed on sustainability best practices, regulatory updates, and industry innovations.
- **On-the-Job Learning:** Employees directly involved with suppliers participate in on-site visits and audits, providing hands-on experience in applying due diligence principles. We work on further developing our visual observation list as a supportive tool on visits.

This continuous learning approach ensures that employees have both the knowledge and tools necessary to make informed decisions that align with Aclima's sustainability goals.

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## 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. Our commitment to responsible business conduct is embedded at the strategic level through our ESG strategy, which aligns with the company's vision:

"We aim to be the most preferred brand for high-quality, functional wool clothing — developed with respect for people, animals, and nature."

Key strategies and action plans include:

- Animal Welfare: Sourcing wool from ZQ-certified farms and actively monitoring supplier compliance.
- Environmental Responsibility: Implementing Life Cycle Assessments (LCA) and mapping Scope 2 and 3 emissions.
- Social Responsibility: Promoting living wages throughout the supply chain.
- Governance: Regularly updating policies to align with the Norwegian Transparency Act and OECD guidelines and maintaining open communication with stakeholders.

These commitments are translated into clear KPIs, tracked through annual sustainability reports and integrated into day-to-day operations.

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### 1.C.2 How are the strategies and action plans for sustainable business conduct followed up by senior management and the board?

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.

Aclima's senior management and board are actively involved in overseeing the company's sustainability strategies:

- Board Oversight: The board receives regular updates on ESG progress through annually report.
- Leadership Involvement: The Managing Director is directly involved in the due diligence process and leads the integration of ESG goals into the overall business strategy.
- Internal Reviews: Senior management reviews progress against action plans during biannual management meetings, ensuring that sustainability remains central to company decision-making.
- Stakeholder Engagement: Both management and the board participate in dialogues with key stakeholders, including owners, suppliers, and industry networks, to maintain transparency and align strategies with broader ESG expectations.

This level of oversight ensures that ESG efforts are not isolated but embedded into the company's core strategic direction.

## 1.D Partnerships and collaboration with business relationships

### 1.D.1 How does the enterprise communicate the importance of responsible business conduct in its business relationships?

Our approach to responsible business conduct is reflected throughout the entire value chain. We prioritize responsible and sustainable business conduct in its supply chain through:

- **Supplier Code of Conduct:** All 1st tier suppliers, and most 2nd tier suppliers have signed and are required to adhere to Aclima's Supplier Code of Conduct, which covers human rights, labor rights, environmental practices, and anti-corruption policies.
- **Due Diligence Tools:** Regular use of tools like the Visual Observation List and CSR Checklists during supplier visits, and annual supplier evaluations ensures ongoing monitoring of supplier practices.
- **Supplier Engagement:** Aclima maintains long-term relationships with its suppliers, focusing on mutual trust and collaboration to improve working conditions, reduce environmental impact, and ensure animal welfare. Responsible production planning and reliable order placements are a priority to give our suppliers predictability. Aclima has a steady history of not pushing prices unnecessarily, but rather trying to meet our suppliers at a fair compromise.
- **Incentivizing Sustainability:** Aclima encourages suppliers to transition to green energy, reduce waste, and align with higher social standards by prioritizing partnerships with those demonstrating strong ESG performance.

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### Indicator

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



These numbers represent Tier 1 suppliers.

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



We aim to build strong and long-term relationships with our partners. In 2024, we have continued working with most of our existing partners and have not entered into collaboration with new partners.

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**Percentage of payments in time to our 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 2024, we have worked to establish a solid foundation and structure for sustainability efforts within the organization. This work will continue into 2025.

So far, we have allocated dedicated resources to this initiative and focused on internal capacity building. We have conducted workshops to engage all leadership and personnel managers in discussions on strategy and key decisions.

Within our parent company, Open Air Group (OAG), a Double Materiality Assessment (DMA) group has been established, where we are represented, and we have made significant progress in our DMA efforts.

#### SMETA 2-Pillar Audit at Aclima OÜ – Autumn 2024

In autumn 2024, Aclima conducted a SMETA 2-Pillar audit at its own factory, Aclima OÜ in Estonia. The audit was carried out by SGS, a third-party auditor, and followed the Sedex (Supplier Ethical Data Exchange) framework, based on the ETI Base Code and applicable local legislation.

The audit focused on two key areas:

- Labour standards
- Health and safety

The process included management interviews, documentation reviews, physical inspections of the factory, and confidential interviews with employees—individually and in groups—across departments. This approach ensured a comprehensive and credible assessment of working conditions and compliance.

Key findings and outcomes:

- Eye wash station: Not present in areas where chemicals are handled. This has now been installed.
- MSDS (Material Safety Data Sheets): Some were outdated and only available in English. All have now been updated and translated.
- Evacuation assembly point: Was not physically marked. This has since been clearly signposted.
- Positive finding: The presence of an AED (defibrillator) and staff trained in its use.

The audit also confirmed a strong system of employee well-being initiatives, such as early paid sick leave, health checks with vaccinations, transportation support, and wellness offerings. Additionally, environmental measures like solar panels and green energy use were positively noted.

Stakeholder feedback after the audit was very positive, and the experience provided valuable insights for operational and strategic improvements at Aclima OÜ.



## 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 prioritized significant risks and/or actual negative impacts on people, animals, society and the environment.

Salient issue	Related topic	Geography
<b>Living wages in Tier 1</b>	Wages	Croatia Portugal
<b>Welfare for merino sheep</b>	Animal welfare	Argentina Australia New Zealand South Africa
<b>Climate and Environmental Responsibility</b>	Environment Emission Energy	Global

The table above outlines the key negative impacts and risks we have chosen to prioritize, along with the countries where these risks are most relevant. This prioritization is based on a risk assessment conducted in 2024. The risks are listed in no particular order, as we consider all of them equally important.

While we acknowledge the existence of additional risks beyond those listed, they have not been assigned top priority due to their relatively lower negative impact and our limited influence further down the value chain. We have chosen to focus on risks where we have the ability to drive meaningful change.

It is also important to note that many of these risks cannot be mitigated by Aclima alone. Addressing them effectively requires international collaboration and engagement at the governmental level.

## 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 prioritized b) activities or sections of the enterprise not covered in this report , if any (product groups, own products, departments etc.), and why c) how the information was gathered, what sources were used, and which stakeholders have been involved d) whether you have identified areas where information is lacking, and how you are planning to proceed to collect more information about this.**

a)

As part of our quality management system, we conduct annual risk assessments based on internal expertise, Ethical Trade Norway's risk assessment tools, and local knowledge from our own factory, along with risks identified by our subcontractors. Moving forward, we recognize the need to consolidate and streamline processes within these risk assessments to enhance efficiency and effectiveness.

b)

At this stage, we have prioritized mapping suppliers across all tiers that contribute to our main product groups, while low-volume items such as socks and wool detergent have not been the primary focus. However, for these lower-volume products, we have maintained long-term partnerships with the same suppliers, ensuring stable production sites over time.

Regarding our own business (T0) and other upstream and downstream activities or partnerships, our objective is to continue mapping these areas systematically to identify and define potential risk factors.

c)

Information for our risk assessments is gathered through internal sources, Ethical Trade Norway's risk assessment tools, and external sources. The ESG Specialist holds the primary responsibility for collecting relevant data and resources as needed. The Managing Director, Production Manager, and Textile Engineer are also actively involved in the assessment process. Additionally, our ESG Coordinator from Open Air Group provides valuable input to ensure a comprehensive evaluation.

d)

When examining tiers 3 and 4 of our supply chain, we acknowledge that Aclima has limited direct insight into processes such as washing, scouring, and superwash treatment of wool. However, we do know the location of the processing sites (near Shanghai, China) and that these facilities hold ISO 14001 and EU Ecolabel certifications, among others. While we maintain close collaboration with our yarn supplier, who works directly with these processing facilities, obtaining specific, detailed information requires targeted inquiries, which we aim to refine over time.

At the same time, having all our tier 1 and 2 production based in Europe provides a certain level of security. However, we recognize that issues related to occupational health and safety (OHS), wages, and overtime can arise anywhere. Conducting further analysis of common challenges in specific countries or regions will be essential in identifying any salient risks requiring deeper attention.

We have access to a range of resources and tools, particularly through the Ethical Trade Norway (ETN) member platform. The key challenge is prioritizing areas for deeper investigation. Once our risk assessment is finalized, our next step will be to determine which aspects require further attention and analysis to strengthen our due diligence efforts.

## 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.

## ADDITIONAL SEVERE IMPACTS

### 2.A.3 Describe other risks of negative impacts on people, animals, society and the environment that were identified but not prioritized, and how these have been handled.

Since all Aclima's business partners in spinning, knitting, dyeing, and sewing are located in Europe, and we have worked with them for many years, we trust that occupational health and safety (OHS) measures and workers' rights protections are well implemented. However, we acknowledge that challenges can still arise, such as excessive overtime (particularly when employees are on piece-rate salaries) or non-compliance with personal protective equipment (PPE) requirements.

In 2024, we investigated a few such cases. While it is the responsibility of factory management to monitor working hours and ensure the proper use of PPE, we recognize that cultural differences or differing perspectives between management and workers can sometimes make it difficult to fully address the root causes of these issues. That said, our experience this year has been positive, with constructive dialogue leading to solutions where suppliers were willing to implement changes.

One case involved an employee who voluntarily worked excessive overtime, exceeding acceptable limits. The challenge for management was balancing regulatory compliance while retaining skilled workers who might otherwise leave for competitors offering more hours. Through open discussion, all parties agreed the situation needed to change, and a solution was reached without dismissal.

Another case involved PPE non-compliance, where the protective gear was perceived as bulky and impractical, leading the employee to remove it at times. This issue was ultimately resolved through a planned modernization of machinery, eliminating the need for specific PPE while still maintaining high safety standards.

These cases emphasize the importance of continuous engagement with suppliers, proactive problem-solving, and open dialogue to ensure safe and fair working conditions. We remain committed to following up on these issues regularly and keeping workplace safety and labor rights at the forefront of our supplier discussions.



### 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 Describe goals and progress status for the measures you have implemented to reduce the enterprise's prioritized negative impact

	<p><b>Living wages in Tier 1</b></p>
<p><b>Goal :</b></p>	<p>We recognize that living wages may pose a risk in some of the countries where we have subcontractors in tier 1, and we aim to investigate this further.</p> <p>We became aware of this at the end of the year through Ethical Trade Norway's risk assessment tool. We have a strong relationship with our suppliers in the relevant countries and will initiate a dialogue with them. In addition, we will conduct a more thorough review of CSR conditions among all our Tier 1 suppliers in 2025 which will help to gain further clarity on the situation.</p> <p>In 2024, we have worked on developing documents and tools to support us in this effort.</p>
<p><b>Status :</b></p>	<p>Further attention is needed to follow up on this goal.</p>
<p><b>Goals in reporting year :</b></p>	<p>In 2024, we have focused on developing a robust system to support our efforts in assessing the environmental and CSR conditions at our suppliers. While we have strong relationships with them and frequently visit all Tier 1 and Tier 2 suppliers, we recognize an increasing need for more structured documentation regarding working conditions and sustainability performance.</p> <p>It has been important for us to ask relevant and meaningful questions that provide value to our assessments while ensuring that the process does not create an excessive burden for our suppliers. Additionally, we prioritize clear and accessible language, ensuring that questions are not only understandable but also perceived as relevant by our suppliers.</p> <p>Before conducting assessments, we always start with conversations to inform our suppliers about what to expect and why we are requesting this information. We strongly believe that this open dialogue will help strengthen and guide our relationships in the future.</p>



### **Describe already implemented or planned measures :**

During our work on supplier evaluation and assessment routines, we identified the need for clear responsibility delineation between Aclima AS and Aclima OÜ. In practice, these processes are carried out through close collaboration and discussions, but to clarify communication pathways for subcontractors, we have established a responsibility matrix.

Based on requirements within the contract market, we recognize the importance of verifying whether suppliers have and follow a quality management system. Using the ISO 9001 standard as a foundation, we have developed a matrix to help suppliers without formal quality certification articulate how they manage quality within their organization.

By setting these requirements for suppliers, we are also contributing to structuring CSR work internally, ensuring that suppliers can demonstrate how they manage key areas such as competence development, training, internal communication, incident management, and HSE (Health, Safety, and Environment) practices.

Finally, we have developed a detailed questionnaire that addresses sensitive topics such as wages, working conditions, contracts, health, and safety. For us, it is crucial to ask these questions, as they form part of a comprehensive assessment in determining whether we choose to enter into a partnership with a supplier.

While structured evaluation is essential, our on-site observations and direct experiences during supplier visits also play a significant role in the final decision-making process. Gut feeling, combined with what we have witnessed firsthand, strongly influences our overall assessment.

Going forward, we will review and refine our assessment tools during visits to suppliers with whom we already have an established partnership. These visits take place at least annually, but in most cases, they occur far more frequently. Through experience, we have found that using a structured checklist during these visits is an effective way to ensure that we consistently observe key factors such as cleanliness, noise levels, emergency exits, and first aid kits while walking through the factory.

Our approach is that since we are already on-site, we should take the opportunity to check fundamental aspects that may easily be overlooked in the daily routine. This practice not only supports our due diligence efforts but also helps both suppliers and their employees stay aware of these critical factors. In some cases, such measures can positively impact the work environment and even prove essential in emergency situations.

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

We expect that these measures will systematize our supplier management processes and help us identify any deviations that need to be addressed. Additionally, this structured approach will support our commitment to transparency, making it easier for us to communicate openly with end consumers about our value chain and the steps we take to ensure responsible business practices.

For the upcoming reporting year, our main task will be to put these initiatives into practice and begin the mapping process. We will start with a small group of suppliers before conducting a full review and evaluation of how the process works. This will allow us to make necessary adjustments before expanding the approach to the rest of our supply chain.

We will actively consider supplier feedback throughout this process and hope that they will also recognize the value of collecting detailed information in a structured manner. Our goal is to ensure that this approach benefits both our organization and our suppliers, fostering greater transparency and continuous improvement in our supply chain.

	<p><b>Welfare for merino sheep</b></p>
<p><b>Goal :</b></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 remains challenging predict when we will be able to offer certified wool only, in products to the public procurement segment.</p>
<p><b>Status :</b></p>	<p>The share of certified wool has unfortunately decreased in 2024, due to the fact that Aclima's order volumes to public procurement customers have grown substantially while our sport and outdoor sales within the private market have declined.</p>
<p><b>Goals in reporting year :</b></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 :**

The public procurement market is key to increasing our share of certified wool. We are continuously working to influence decision-makers and promote the adoption of more sustainable sourcing requirements within this sector. We could have achieved this goal years ago if our business were not heavily reliant on securing procurement contracts. However, quality requirements and price sensitivity have been the primary factors influencing our ability to compete in this segment.

Aclima has always maintained a clear strategy of producing all yarn, fabric, and assembling garments within Europe, leaving little room to further increase product costs by sourcing more expensive certified wool. As a result, offering certified merino wool to customers in this sector has not been a viable option in the past.

To drive change, Aclima has actively worked—and will continue to work—on influencing customers in this sector, both through direct dialogue and via Requests for Information (RFIs). These RFIs, a voluntary self-validation process for contractors, are often released prior to an official tender announcement, providing an opportunity to advocate for sustainability-driven specifications.

Additionally, we will consider including products made from certified wool in our tender applications, even when such certification is not explicitly required in the specifications.

By collecting more data on the emissions and impacts associated with our production, we hope to provide quantifiable arguments for using certified wool in the future. Our aim is that this data-driven approach will support informed decision-making and contribute to positive change within the industry.

**Describe actual or expected results of the measures, 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.

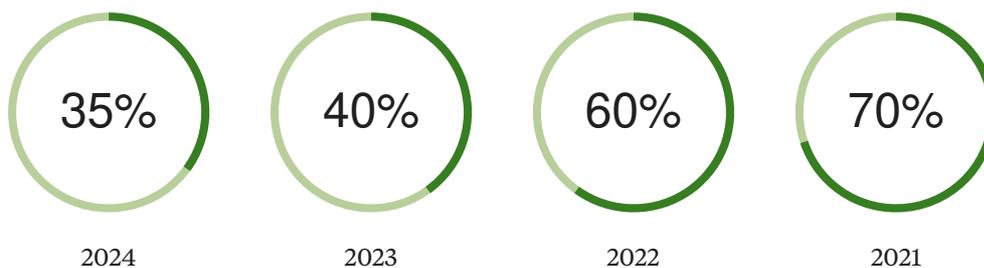
The recently updated Public procurement act in Norway might help to set a new standard, although the focus in the act clearly lies on weighting in social and environmental requirements, not with specific attention to animal welfare as that is not necessarily a relevant topic in all forms of procurement.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

The end of 2024 reminded us that even with some of the industry's highest animal welfare standards, we must remain vigilant and transparent as a producer. At the turn of the year, images of sheep mistreatment during shearing on allegedly ZQ-certified farms were released. We have been closely monitoring the situation and remain committed to ensuring the highest standards of animal welfare in our supply chain. Both New Zealand authorities and New Zealand Merino, which operates the ZQ program, have responded with full transparency, clearly stating that such actions are completely unacceptable. Efforts are currently underway to identify where these incidents took place and to implement corrective actions based on the findings. Regardless of the outcome, New Zealand Merino has confirmed that it will tighten protocols and take active, intensive measures to safeguard animal welfare across all certified farms.

We fully support these efforts and will continue to demand accountability, transparency, and the highest ethical standards in our sourcing practices. This will be ensured through close and open dialogue, regular follow-ups on written reports, and updates on the current situation. Additionally, we will monitor the effectiveness of new measures and engage in discussions about future planned actions to ensure continuous improvement.

## Indicator

### Share of certified wool - by volume



As explained above, the volume of non-certified wool decreased in 2024, 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.

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	<b>Climate and Environmental Responsibility</b>
<b>Goal :</b>	Contribute to -42% ghg emissions by 2026 within OAG group
<b>Status :</b>	Ongoing. We will continue to set new targets within environmental and climate impact, as this is directly linked to our core values. As a production company, we recognize our responsibility to minimize our footprint and will remain committed to continuous improvement in sustainability.
<b>Goals in reporting year :</b>	Transitioning to green energy at our factory in Estonia

**Describe already implemented or planned measures :**

We have taken significant steps toward greener energy solutions at our factory in Estonia. Air-to-air heating systems are now installed, along with solar panels on the roof, further reducing our environmental footprint and increasing energy efficiency across our operations.



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

We are working to map our Scope 2 and Scope 3 emissions to gain a clearer understanding of our overall climate impact.

Going forward, we will implement additional measures and projects to reduce our emissions and lessen our overall environmental footprint.

In 2025, our focus will be on data collection and the development of quantifiable emission data related to our products. This initiative will enable us to make data-driven decisions in product development, ensuring that we actively work to minimize emissions throughout our value chain. Additionally, this effort will provide end consumers with transparent and reliable product information, allowing them to make informed purchasing decisions based on sustainability and environmental impact.

Within the year, we will launch repair services for our end consumers, helping to extend the lifespan of our products and reduce waste. This initiative aligns with our commitment to circularity and responsible consumption.

Additionally, we will place greater focus on care and maintenance in the aftermarket, ensuring that our products remain as environmentally friendly as possible throughout their lifespan. Through clear communication and accessible information, we take responsibility for guiding consumers on best practices for washing, maintaining, and preserving their Aclima garments.

We also aim to increase awareness within the company regarding business travel, considering both frequency and mode of transportation. While in-person meetings can provide significant social and operational benefits, particularly when visiting supplier facilities, we recognize the need to balance travel with sustainability considerations.

Moving forward, we will evaluate when and how travel is necessary, seeking to reduce emissions where possible while ensuring that critical supplier relationships and operational needs are maintained effectively.

## 3.B Other actions related to management of negative impact

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

The primary operations in Aclima's supply chain that involve the use of water, chemicals, and energy include scouring, superwash treatment, dyeing, and finishing.

While we have general assumptions about the measures needed to reduce negative environmental impact, further data collection and collaboration with our suppliers will be essential in identifying and implementing effective solutions. This includes optimizing water and chemical use, transitioning to greener energy sources, and ensuring compliance with best environmental practices in all relevant processes.

#### 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 recognize that Aclima's ability to further influence these activities is currently limited. However, we remain committed to collaborating with our suppliers, advocating for best environmental practices, and exploring opportunities to encourage sustainable improvements where possible. Through transparency, engagement, and responsible sourcing, we will continue to monitor and assess potential areas for future impact.

### 3.B.2 Reduction of greenhouse gas emissions

The Science Based Targets initiative (SBTi) provides corporations with a framework to set and follow emission reduction targets in alignment with the Paris Agreement. As part of Open Air Group (OAG), Aclima has actively contributed to the group's SBTi commitments, playing a key role in advancing sustainability efforts throughout 2024.

Currently, the specific SBTi target within OAG focuses on reducing greenhouse gas (GHG) emissions by 42% by 2030, but this only includes Scope 1 and Scope 2 emissions. While this is a crucial step, Aclima recognizes the importance of addressing Scope 3 emissions, which represent the largest share of our overall climate impact.

Together with OAG, Aclima has set a new goal: to start measuring Scope 3 emissions in order to identify opportunities for climate impact reduction within this category. For several companies within OAG, Scope 3 emissions represent the largest share of total emissions—yet they are also the most challenging to measure due to the complexity of identifying, collecting, and verifying all relevant data.

While standard key figures can be used to estimate emissions, it is clear that for Aclima, wool as a raw material significantly contributes to our total carbon footprint due to its relatively high CO<sub>2</sub>e per kg.

Since we have no plans to replace wool with alternative materials, we must instead explore other ways to reduce our environmental impact. This includes optimizing supply chain efficiency, improving energy use in production, extending product lifespan through repairs, and collaborating with industry partners to drive sustainability improvements across the value chain.

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### 3.B.3 Improvements in own purchasing practices

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.

For customers where we produce directly to order, we make it a priority to clearly communicate the importance of timely ordering. We emphasize that delays in their orders have significant ripple effects throughout the supply chain, impacting production efficiency and scheduling for our suppliers and their employees.

This is not only crucial for individual production planning, but also serves to raise awareness about responsible purchasing practices—extending the understanding of supply chain dynamics all the way to the end consumer.

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## 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 2024).

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 wool remains a key priority for Aclima, as wool is the foundation of our business. While we have not yet managed to increase the total share of certified fiber, we continue to work closely with the ZQ and ZQRX programs of the New Zealand Merino Company (NZM). As a result, we have ensured that at least 40% of all ZQ-certified fiber used in our production is ZQRX-certified.

The ZQRX program focuses on regenerative farming, incorporating soil health, biodiversity protection, water conservation, carbon sequestration, and rural community development. Farmers certified under the RX standard are continuously assessed against 15 key indicators in the ZQRX Index, a tool designed to educate, monitor progress, and tailor improvements to suit different farm sizes and locations.

In addition to our commitment to responsible wool sourcing, Aclima has long prioritized the use of Oeko-tex 100-certified materials, ensuring that nearly our entire product range meets this high environmental and health standard.

Furthermore:

- All paper used in product packaging is FSC-certified.
- All plastic garment bags are made from sugarcane-based bioplastic.

### ReBorn: Closing the Loop in Wool Recycling

We are especially proud of the ReBorn product concept, which integrates 100% recycled fabrics into our garments. What sets this initiative apart is that approximately 70% of the fiber content in these fabrics comes from our own production waste. In collaboration with trusted recycling partners, we have established a closed-loop textile-to-textile recycling system.

As cut-offs are inevitable in any production process—regardless of how efficiently patterns are planned—we collect and color-sort fabric scraps from 100% wool fabrics at our factory in Valga, Estonia. These offcuts are then sent to specialized recycling experts in Italy, where they undergo a structured process:

- Wool shredding and fiber recovery.
- New yarn production from recycled fibers.
- Fabric manufacturing (knitting and weaving) using regenerated wool.

To improve durability, a small percentage of synthetic fibers (polyamide and polyester) is added to the recycled wool. These fibers are also recycled and GRS-certified. While some polyamide fibers are dyed to blend with the wool waste and create commercially viable colors, we completely avoid additional dyeing of the recycled wool yarns and fabrics.

Additionally, all trims used in ReBorn garments—including buttons, labels, and drawstrings—are carefully selected with a focus on sustainable sourcing.

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## Indicator

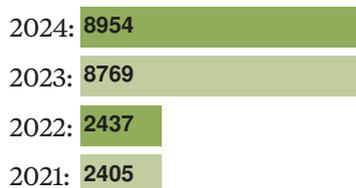
### Percentage of product range that has Oeko-Tex 100 certification



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.

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### 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 a small part.

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### 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.

Since part of our production runs through China, it is important to recognize that the right to unionize is not upheld throughout our supply chain, as it is legally restricted in the country. We acknowledges that this is a systemic challenge beyond what we can resolve alone.

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

Internally, we will focus on competence development and awareness around due diligence assessments by integrating this topic into existing meeting structures and fostering cross-departmental collaboration. By clarifying specific tasks related to due diligence and ensuring that it remains a standing agenda item in management meetings, we aim to significantly enhance internal awareness and expertise on this subject.

Our ESG Specialist frequently participates in trainings, seminars and webinars organized by Ethical Trade Norway, TEKO, NF&TA, and other industry forums and organizations. Summaries are always shared with management and other relevant stakeholders to ensure effective knowledge transfer. This practice helps to disseminate key insights, keep leadership informed of new developments, and support continuous improvement in our sustainability efforts.

ESG is always on the agenda during our biannual company-wide meetings, ensuring that due diligence assessments and the methodology we follow are naturally integrated into the information shared. This approach helps to reinforce awareness and understanding across the organization, keeping all employees informed and engaged in our responsible business practices.

#### Using Social Audit Insights to Improve Practices

The SMETA 2-Pillar audit conducted at Aclima OÜ in 2024 served as more than a compliance measure—it was a valuable opportunity for learning and improvement. The audit helped us identify areas for enhancement in workplace safety and documentation, while confirming the strength of many existing practices related to employee well-being and environmental performance.

As a direct result of the audit, we implemented several improvements, including:

- Installation of an eye wash station in areas where chemicals are handled
- Updating and translating MSDS (safety data sheets) to ensure accessibility for all staff
- Clearly marking the evacuation assembly point, which was previously undocumented, though known among employees

Beyond these actions, the audit prompted internal dialogue between site management in Estonia and our leadership team in Norway, strengthening coordination across our operations. It also highlighted the value of regular, structured evaluations in maintaining safe, fair, and responsible workplaces.

The audit's insights will also inform how we structure future follow-ups with suppliers and reinforce our expectations in areas such as health and safety, training, and transparency.

*“Looking back at the SMETA audit process, it was a valuable moment of self-assessment and growth for our company. The audit helped us better understand the strengths in our operations and occupational safety, as well as the areas where we can further contribute to employee well-being and environmental sustainability. It was not just a compliance check—but a meaningful opportunity to strengthen our internal systems and values.” Maive Saarepera, CEO Aclima OÜ*

These outcomes show how third-party assessments can drive real, actionable improvements, reinforce our values, and enhance long-term sustainability and resilience in our operations.

We hope that our increased focus on ESG and CSR—both when entering new partnerships and through ongoing supplier visits—will provide valuable insights that our suppliers can also benefit from. Additionally, our EPD (Environmental Product Declaration) project in 2025 will involve multiple subcontractors, who—just like us—will gain significant knowledge throughout the process. This collaborative learning approach will strengthen sustainability awareness and expertise across our supply chain.

### **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.

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### **3.B.8 Other relevant information concerning the enterprise's work to reduce, prevent, and manage negative impact**

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 position that enhances the opportunities to make positive change.

To ensure that we continuously explore new opportunities and developments within sustainability, our owners have mandated that we engage in at least one innovative project related to sustainability each year. This commitment drives continuous improvement, encourages new solutions, and possibly make real changes.



## 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 a) assignment of responsibility for tracking the effect and result of implemented measures, as well as how the tracking is carried out in practice, b) who is responsible for evaluating the enterprise's implementation and work with due diligence, and how the evaluation is carried out in practice.**

In 2024, we established a new position to ensure focus and progress in our sustainability efforts. The responsibility for monitoring impacts falls under this position. This role also holds responsibility for our quality and environmental management system, which follows the ISO 9001 and 14001 standards. We see significant advantages in consolidating these responsibilities into a single role, particularly when it comes to integrating sustainability efforts into all relevant processes and tasks across the organization.

The CEO closely follows this work, while both the Textile Engineer and Production Manager play a key role in the follow-up process, as they are more directly involved in daily operations and communication with subcontractors.

According to our standards, suppliers must be evaluated annually, a process conducted by the Production Manager. We recognize the need to place greater emphasis on social conditions in these evaluations and will work to strengthen this focus going forward.

In addition, an annual risk assessment is carried out for both Aclima and the supplier chain. The Quality Manager is responsible for ensuring this assessment is conducted, while the CEO plays a key role in the process due to their extensive insight and access to critical information.

Moving forward, we will involve a larger part of the organization earlier in the assessment process, with the goal of integrating risk management more effectively into the company's overall operations.

We have implemented a "Visual Observation List" that Aclima OÜ will use during visits to subcontractors. Any findings are reported directly to our Production Manager for follow-up.

The ESG Specialist is responsible for evaluating the work on due diligence assessments. This work is supported by multiple roles within the organization, as well as the Sustainability Coordinator at our parent company.

The work of systematically assessing, prioritizing, tracking/measuring and evaluating is in a starting phase. The working methodology that it's based on still needs to be properly implemented and integrated in the organization.

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### **4.A.2 Describe how you track the effect, and/or demonstrate the probability of effect, of measures taken to reduce negative impact.**

For many years, we have worked to build strong and long-term relationships with our suppliers. This fosters open communication and trust, which are essential for conducting thorough and reliable due diligence assessments. We recognize the importance of placing orders early to provide our suppliers with security and stability.

We also emphasize this clearly to our customers, enabling us to work together to create the best possible conditions for production while avoiding overtime and unstable employment.

Reporting to Ethical Trade Norway also provides us with a strong framework for working on these topics.



## 5.A External communication

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

We are committed to clear and open communication with all our stakeholders, including owners, employees, customers, and suppliers.

- Employees are informed through weekly meetings with all staff or via email updates.
- Owners receive updates through board meetings and weekly meetings.
- Customers are informed about relevant matters via newsletters, emails, or directly from our sales team.
- Suppliers receive updates through emails and on-site visits. We strongly believe that meeting suppliers in person and witnessing firsthand how a production site operates fosters the best long-term relationships. This remains a key priority for us.

We actively respond to all inquiries from individuals, organizations, and the media. Additionally, we are happy to serve as a point of contact between parties whenever we believe it can contribute to greater transparency.

#### Close collaboration and communication with our factory in Estonia

We maintain close communication with our own factory in Estonia to ensure alignment, efficiency, and continuous improvement across production, sustainability, and product development. The Production Manager in Norway is also part of the leadership team at the factory in Estonia. Together with the local management team and the CEO in Norway, weekly administrative meetings are held to discuss key operational matters.

In addition to the administrative group, several cross-functional working groups are established between the companies:

- Production & Procurement: These teams maintain near-daily contact with production in Estonia, ensuring seamless coordination.
- Product Development: A dedicated working group consisting of representatives from both Norway and Estonia follows a seasonal timeline for collection development to ensure an efficient and structured workflow.
- Tender Coordination: The tender coordinator in Valga holds weekly meetings with the PRO team in Norway, maintaining ongoing collaboration.

Physical visits to Valga take place approx 10–15 times per year, primarily involving teams from management, production and product development.

As part of our sustainability commitments, we conduct annual review of Aclima OÜ's quality management system to ensure compliance with our environmental and CSR requirements.

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

### Our own platforms

Our primary communication channel is our dedicated sustainability webpage. Here, we share our company policy and supplier guidelines and our reporting to Ethical Trade Norway, which is also available on their website.

*Sustainability main page:* [www.aclima.no/sustainability](http://www.aclima.no/sustainability)

*Supply chain:* <https://www.aclima.no/arkiv/verdikjeden-vaar>

*Animal welfare:* <https://www.aclima.no/om-oss/dyrevelferd>

*Repair:* <https://www.aclima.no/arkiv/reparasjon>

*Care:* <https://www.aclima.no/om-oss/ta-vare-paa-ulla-di>

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](http://www.openairgroup.se/#sustainability)

It is also important to acknowledge the significant role of social media in today's landscape. We are mindful of our communication on these platforms and strive to increase awareness and engagement across all our channels. By sharing insights, best practices, and updates, we aim to foster a more informed and engaged community around sustainability and responsible business practices.

### Communication on Our Products

Each of our physical garments features a short description on the hangtag, outlining our sustainability efforts. Additionally, all certifications are clearly labeled to ensure transparency and easy access to information for our customers

### Engaging in Industry Networks and Knowledge Sharing

We actively participate in various industry networks, where we share our sustainability efforts, engage in meaningful dialogue, and learn from others. These networks include Ethical Trade Norway, NF&TA, Scandinavian Outdoor Group (SOG), Norsk Industri, and TEKO, among others.

Beyond our core engagement, we have also contributed to raising awareness by sharing insights and explaining the Transparency Act to textile companies outside of Norway within these networks. By fostering collaboration and knowledge exchange, we strengthen both our own sustainability initiatives and those of the wider industry.

### Open Dialogue and Media Engagement

We respond to all inquiries we receive and are always open to feedback, critical questions, and suggestions for improvement.

When engaging with the media, it is essential for us to reflect transparency, expertise, and humility. We acknowledge that while we are making significant progress, there is always more to learn and improve upon.

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

Aclima's website provides a brief introduction to our supply chain, with specific topics—such as animal welfare—covered in dedicated articles and news updates. We also address the Transparency Act in detail on our sustainability page: [www.aclima.no/sustainability](http://www.aclima.no/sustainability), and we encourage customers to reach out if they have any questions.

The most common way people contact us is via email at [aclima@aclima.no](mailto:aclima@aclima.no), where our customer service team is the first point of contact. Depending on the nature of the inquiry, questions may be redirected to the colleague(s) best suited to provide accurate and detailed responses. We are committed to open and transparent communication with all our stakeholders.



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 impact

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.

To ensure that remediation efforts align with our standards and guidelines at the supplier level, we closely monitor our partners and provide support and guidance throughout the process. Should a situation requiring remediation arise, we will seek assistance from relevant resource centers, such as Ethical Trade Norway, to obtain independent third-party input and expertise, ensuring that the process is handled thoroughly and effectively.

Going forward, we recognize the need to establish clearer routines and formalized written guidelines for grievance mechanisms and remediation processes, as well as how to handle potential severe breaches should they occur.

As part of our continuous improvement efforts, we will develop and implement these written guidelines during 2025 to ensure clarity, accountability, and consistency in our handling of such cases.

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

To our knowledge, there have been no instances where Aclima has caused harm to people, communities, animals, or the environment that would require remediation.

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## 6.B. Ensure access to grievance mechanisms

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

As part of Open Air Group (OAG), all employees at Aclima AS have access to a whistleblowing system through the Simployer platform. This system has also been implemented for Aclima OÜ in Estonia, ensuring that employees have a secure and confidential channel to report concerns.

We actively engage with our suppliers to understand how they respect workers' rights and whether they have adequate mechanisms in place for handling complaints—both directly and anonymously. Our supplier guidelines clearly state that we expect them to have a formal complaint system covering human rights, labor rights, environmental concerns, and corruption. To further reinforce this, the requirement is also included in our CSR checklist, which must be completed before entering into any new partnership.

Looking ahead, we see value in conducting an annual partner survey among our suppliers to gain a clearer indicator of how these systems are functioning and where improvements may be needed.

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