

Sustainability Report 2023

# More fit for the future

NILÖRN

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## About this report

This is Nilörngruppen AB's statutory Sustainability Report for the 2023 fiscal year, prepared according to the Swedish Annual Accounts Act and UNGC's Communication on Progress requirements. It covers all Nilörngruppen's operations unless otherwise stated, concerning reporting of specific indicators from our sites. The report has been submitted by the Board of Directors, together with the Annual Report. The Annual Report can be found on our corporate website.

Since 2017, Nilörn has been a signatory to the UN Global Compact Corporate Responsibility Initiative. As a signatory, we voluntarily agree to align our culture, day-to-day operations and strategy with the ten universally accepted UNGC principles in the areas of human rights, labour, the environment, and anti-corruption. This commitment requires us to communicate how we align our work and contribute to the ten principles.

Nilörn applies GRI's principles for reporting, provides contextual information about the organisation and reports on all company material topics. Our GRI index is available on page 75.

In 2022 Nilörngruppen AB acquired the partner company Bally Labels AG in Switzerland. In 2023 an additional 10% was acquired and the total holding thereafter amounts to 90%. Nilörn Vietnam was established in 2023 and will be included in the reporting from 2024.

The report is published digitally on the Group's website ([www.nilorn.com/sustainability](http://www.nilorn.com/sustainability)) and is the basis for the annual Communication on Progress report required from participants of the UN Global Compact.

Nilörngruppen AB is listed on Nasdaq OMX Nordic Small Cap. We strive to live up to our stakeholders' expectations. Feedback on our sustainability practices and reporting is welcome. Please contact us at [csr@nilorn.com](mailto:csr@nilorn.com).



# CEO statement

Throughout the past year, Nilörn has demonstrated resilience and adaptability in the face of global challenges, including extreme weather events and geopolitical tensions. As a multi-national corporation, we have successfully navigated through these complexities, addressing supply chain disruptions and evolving consumer behaviours. I'm proud to report that Nilörn has taken important strides forward, particularly with our solution Nilörn:CONNECT, in supporting our clients' journey towards Digital Product Passport. Our commitment to sustainability remains unwavering.

## Our approach to sustainability

Sustainability remains central to our business philosophy, and in 2023, we expanded our efforts across our organisation. We continued to prioritise sustainable materials in our products, increasing the use of recycled materials and supporting our clients in achieving recyclability and sustainable labelling. We want to be part of the transformation towards a circular economy through collaboration with clients, suppliers, and partners. Our commitment to the UN Global Compact underscores our dedication to upholding its principles of human rights, labour standards, environmental stewardship, and anti-corruption efforts. Our guiding principle remains "walk the talk."

## Addressing stakeholder expectations

We recognise the importance of traceability in fostering responsible value chains, both environmentally and socially. Throughout 2023, we remained vigilant in monitoring sustainability regulations and refining our social and environmental policies to align with legal requirements and stakeholder expectations.

In our ongoing efforts to reduce our climate impact, we are proud to contribute to positive change in the textile industry by assisting clients in reducing their carbon footprints through material innovation,

product development, and digitalisation. We are taking proactive steps to minimise our environmental footprint, including intensifying efforts in product development, assessing the environmental impact of our care labels, and increasing our use of renewable energy sources. Through comprehensive Environmental Training initiatives, we continue to foster knowledge sharing and raise awareness across our organisation.

As a global employer, we are equally as serious about our efforts to be an inclusive and culturally responsible workplace for the people who make up Nilörn. We remain driven by our purpose to "Add value to your brand".

## Looking ahead

Looking ahead, we are enthusiastic about the role of technology in advancing sustainability. Nilörn has entered into a strategic partnership with Worldfavor, a renowned company within the area of empowering a sustainable future. This collaboration enhances the completeness of Nilörn's solution, Nilörn:CONNECT, and strengthens our offering to customers, providing support on their journey towards the Digital Product Passport.

We commit to our core values of Innovation, Respect and Responsibility, and I am proud of the collective effort of our employees in making Nilörn a company fit for the future.

Borås, 2023.03.27



Krister Magnusson  
CEO Nilörngruppen AB

"...we are proud to contribute to positive change in the textile industry by assisting clients in reducing their carbon footprints through material innovation, product development, and digitalisation"





## Nilörn in brief

### Our operations

Founded in Sweden in 1977, Nilörn now has an international reach. We develop and refine brands, primarily in the fashion industry, with identity and value at the core of what we do. With a strong focus on design and sustainability, we assist clients around the world in creating unique and attractive brand experiences for their customers – where both tactile expression and visual aesthetic combine to maximise impact.

### Sustainability

We shall be our clients' trusted partner on their journey towards a sustainable future, thereby contributing to the transformation of the global fashion industry. We believe that sustainability is an integral part of becoming more fit for the future.

### Our mission

**We guide  
our clients in the  
world of labelling**

Nilörn has been recognised as a Nasdaq ESG Transparency Partner since 2019. The recognition is presented to companies that display a high level of transparency to their investors regarding Environmental, Social and Governance (ESG) issues.



**> 1500**  
Clients

**86**  
Countries where we serve clients

**> 1.5**  
Billion labels delivered

**586**  
Employees

**870**  
MSEK Turnover

**19**  
Local offices and production:

Bangladesh, Belgium, China,  
Denmark, Germany, Hong Kong,  
India, Italy, Japan, Pakistan, Portugal,  
Spain, Sweden, Switzerland,  
The Netherlands, Turkey, United Kingdom,  
USA, Vietnam

# The Nilörn offer

Nilörn is a leading development hub focusing on strengthening our clients' identities. Our business of visualising and refining brands rests on six pillars: Sustainability, Design, Product Development, Production, Logistics and Global Presence. With these building blocks, we provide a comprehensive offer to enable our clients and their brands to develop. In short, we add value to your brand.



The Nilörn core values help guide every employee on a daily basis in all work situations. They form a common platform and strengthen our teamwork.

- Innovation – offer innovative and superior solutions
- Respect – respect and trust each other
- Responsibility – take ownership



## Sustainability

Sustainability is a central part of our business. Our strategy is based on Nilörn's mission, "Adding value to your brand", together with the UN Global Compact's ten principles on human rights, labour law, the environment and anti-corruption, the global Sustainable Development Goals (SDGs) and the materiality analyses carried out together with stakeholders. The strategy is built around three pillars: Climate & Nature, Circularity and People & Society.



## Design

Unique design and tailor-made concepts for various client sectors. An experienced and multi-skilled team delivers creative, intelligent and original solutions.



## Product development

Based on design and high-quality technical solutions, we develop products using the latest materials and techniques in all areas of branding, like labelling and packaging. Development happens in close cooperation with our clients and through our own design collections, which provide great opportunities to investigate and refine.



## Production

Thanks to our well-established network of production partners and our own production, we can collaborate with both small and large clients with a presence in several markets, which, as a rule, require local sourcing solutions.



## Logistics

We deliver products to our clients' suppliers through our strategically located distribution units. This means local service and short lead times. Our online platform provides both clients and manufacturers with a complete overview, from an effective ordering process to follow-up and reporting possibilities.

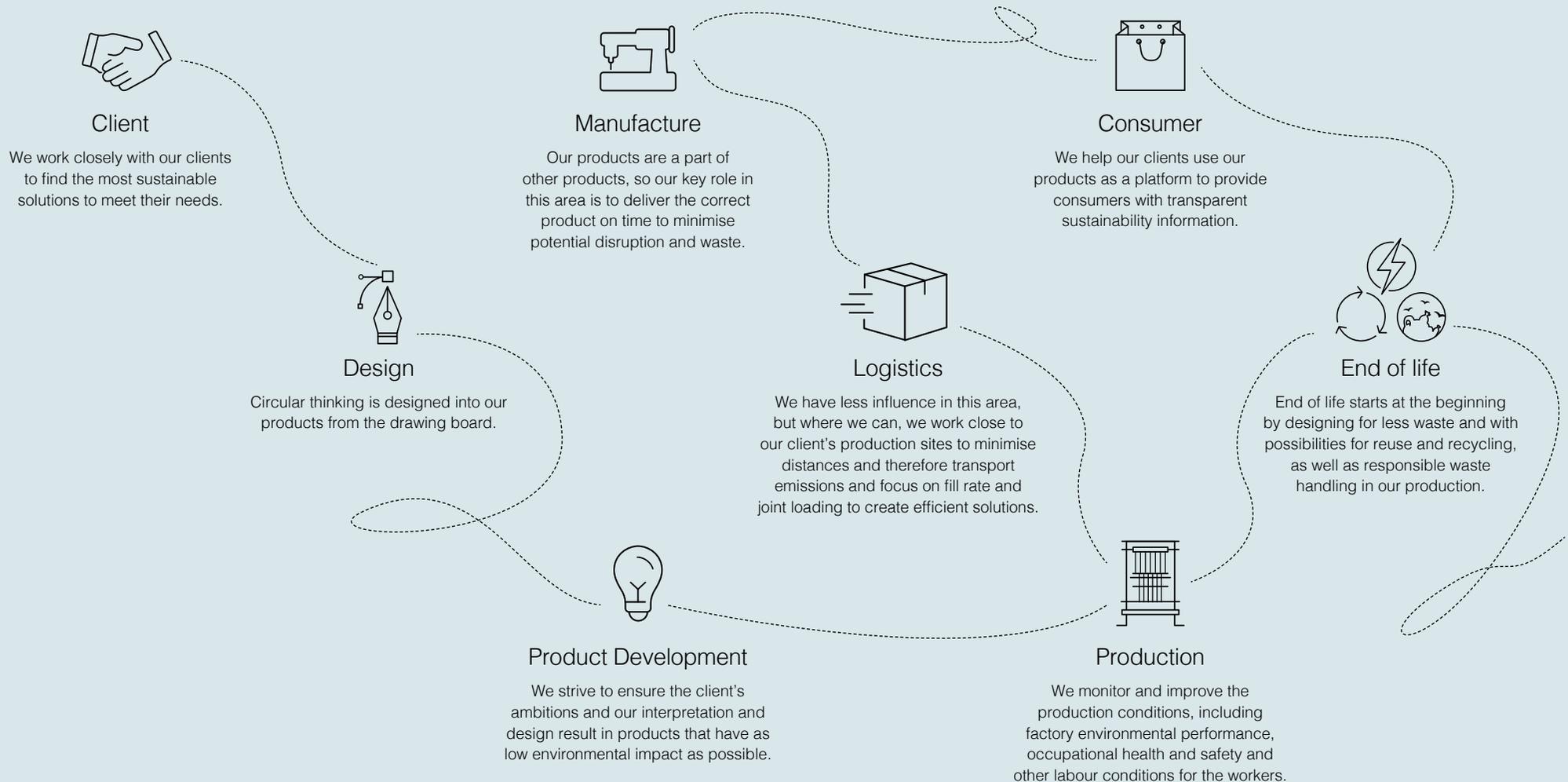


## Global presence

Nilörn operates worldwide with local production in several countries across multiple continents. This global presence gives us an immense knowledge of different business cultures and proximity to the market.

# Nilörn value chain

We integrate a sustainability perspective in every part of our value chain, whether directly or by influencing our partners and spreading best practice.



# Nilörn's sustainability approach

Nilörn's general sustainability target is that we, together with clients and other stakeholders, work to actively contribute to the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs), with a particular focus on climate and nature, circularity, people and society. Our global presence calls for global responsibility and our approach begins with ensuring we operate our business responsibly.

We aim to be leaders in sustainability in our industry and provide our clients with sustainable and innovative products and services. We believe our products play an important role in the transition of the fashion and textile industry; through carrying legally required labelling, guidance and recommendations, they support consumers in making informed choices.

Sustainability is embedded in our culture and by signing the UN Global Compact, we commit to the continual improvement of our practices. We drive sustainable development and awareness within our own organisation as well as our suppliers, clients and other stakeholders. We focus our initiatives on areas where we have the most significant impact and the best opportunity to contribute to positive development.

## Governance

We believe that sustainability is an integral part of becoming more fit for the future.

In 2023, Nilörn further strengthened activities to identify and integrate ESG related topics. This included the Sustainability Manager joining the Management Team and the implementation of a CSRD Task Force.

Nilörn's sustainability strategy is based on our mission, "To guide our clients in the world of labelling", together with the UN Global Compact's ten principles on human rights, labour law, the environment and anti-corruption, the global Sustainable Development Goals (SDGs) and the materiality analyses carried out together with stakeholders.

The strategy is built around three pillars: Climate & Nature, Circularity and People & Society.

For us, sustainability means working towards meeting the needs of people and society, without compromising the needs of future generations. In other words, acting in the long-term interests of the many. Nilörn believes in taking a holistic approach including the entire design process, manufacturing and supply chain.



## Policies

To ensure the proper implementation of our strategy, we have developed several internal policies that support our vision and values:

- ☐ Policy on Raw Materials with Animal Origin
- ☐ Anti-corruption policy
- ☐ Code of ethics and business conduct
- ☐ CSR policy
- ☐ Environmental policy
- ☐ Human rights policy

The Supplier Code of Conduct, together with responsible sourcing policies in our Supplier Handbook, sets out the expectations of suppliers and business partners. How we work with the policies is presented in each of the following sections for Environment, Social and Governance.

# Commitment to the UN Sustainable Development Goals

We support the SDGs and how they address the global challenges we face. Though all the goals are key to achieving a more sustainable society, Nilörn's impact, both positive and negative, is most significant to six goals: SDG 5, 6, 8, 12, 13 and 17.

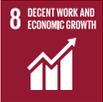
The global goals for sustainable development

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	THE GLOBAL GOALS For Sustainable Development



## The SDGs, identified targets and how our actions contribute

For more information on how Nilörn's material topics align with the SDGs and how we contribute to achieving the 2030 Agenda, see the table below:

GLOBAL GOAL	DESCRIPTION	TARGET	NILORN'S CONTRIBUTION TO THE GLOBAL GOALS	NILORN MATERIAL TOPIC
	Achieve gender equality and empower all women and girls	5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	We regularly monitor and take active measures to prevent discrimination and promote equal rights and opportunities regardless of gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age. Gender equality is a critical issue for global supply chains in particular, as there is an opportunity to make a big impact by creating jobs and sources of income for women.	Diversity, equality and inclusion Human rights Local communities
	Ensure availability and sustainable management of water and sanitation for all	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	In our supply chain, we can work with water issues directly by being more efficient in the processes that require water and ensuring proper waste-water treatment. Access to water and sanitation are human rights, we promote proper WASH-facilities in production and supply chain. We also indirectly take part in projects aiming at improving the conditions further upstream, such as through our engagement with WaterAid and Cotton made in Africa, read more on page 42.	Biodiversity and ecosystems Resource efficiency (energy, waste, water) Health and safety Human rights Knowledge sharing Local communities
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms. 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	We commit to implementing social standards, such as living wages and decent working conditions in our supply chain. New suppliers are screened, and we encourage our suppliers to adopt quality, environmental and occupational health and safety management systems and certifications and to include certification schemes used by suppliers in our criteria for the choice of suppliers.	Resource efficiency (energy, waste, water) Diversity, equality and inclusion Economic development Health and safety Human rights Ethical business and anti-corruption

## The SDGs, identified targets and how our actions contribute

For more information on how Nilörn's material topics align with the SDGs and how we contribute to achieving the 2030 Agenda, see the table below:

GLOBAL GOAL	DESCRIPTION	TARGET	NILORN'S CONTRIBUTION TO THE GLOBAL GOALS	NILORN MATERIAL TOPIC
	Ensure sustainable consumption and production patterns	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	We have adopted policies to choose preferred materials, increasing the use of recycled materials and acting for sound chemical management. Nilörn has joined the bluesign® system to put the whole production chain in focus and strive to protect health and the environment across the entire chain of production. Since 2020, we have implemented Higg FEM in our production and supply chain. Read more about it on page 20.	Biodiversity and ecosystems GHG emissions Materials Product development Resource efficiency (energy, waste, water) Health and safety Human rights Ethical business and anti-corruption Knowledge sharing
	Take urgent action to combat climate change and its impacts	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Increasing the use of green electricity, installing solar panels on roofs and working to reduce energy consumption in our own units all help combat climate change. We are also implementing Higg FEM to better understand energy use in our supply chain. We assure all employees participate in our Basic Environmental Training. Climate change has a high impact on water, through our partnership with WaterAid we address the issues in our operations and supply chain.	GHG emissions Product development Resource efficiency (energy, waste, water) Knowledge sharing
	Strengthen the means of implementation and revitalize the global partnership for sustainable development	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.	The achievement of the SDGs depends on the collaboration of many different actors, including businesses. As a small but global player, Nilörn cooperates with others and participates in business initiatives, such as UN Global Compact, Sedex and RISE Chemicals Group. Also, by aligning with standards and certifications like bluesign®, OEKO-TEX® and GRS.	Materials Product development Resource efficiency (energy, waste, water) Knowledge sharing

## How we work

To ensure integration of sustainability and CSR aspects into key functions such as purchasing, production and human resources, Nilörn has established cross-regional teams that meet regularly and where all regions are represented. Daily CSR and sustainability activities are facilitated by the sustainability team and led by the Sustainability Manager, who is responsible for the company's sustainability policies and processes, is part of the Management Team and reports to the CEO. Our Group CSR Manager is based in Nilörn East Asia, Hong Kong, and our CSR Specialist Supply Chain Europe is based in Hilden, Germany. The team supports our sustainability work alongside local staff in our sourcing and production countries.

We participate in meetings with the Board of Directors, which is the ultimate responsible for overseeing our sustainability impacts. Participation in board meetings happens at least twice a year and includes approval of material topics and reporting, training covering upcoming CSRD was conducted 2023. New members of the board receive an introduction to Nilörn CSR & Sustainability work and the board is also informed about upcoming legislations. Nilörn's Advisory Panel consists of the Group Sales Manager, IT Manager, Chief Financial Manager, Head of Design, Retail Information Service Manager, Head of Production & Supply Chain and Sustainability Manager. Meetings are held monthly.

Nilörngruppen is governed by its Board of Directors, that, during 2023, held eight meetings, in which our CEO and selected Advisory Panel members participated.

### CSR and Sustainability Advisor Team

Our CSR and Sustainability Advisory Team (CSAT) aims to coordinate group-wide priorities and ensure best practice sharing across the organisation and further integrate CSR and sustainability into daily operations and document and share knowledge. The CSAT consists of staff from different Nilörn offices, representing the design department, product development, production, purchasing, sales and CSR.

### CSRD Task Force

Nilörn has formed a CSRD Task Force, consisting of CFO, CEO, Purchasing Manager, CSR Manager, HR Manager, Managing Director Nilörn UK and the Sustainability Manager. The team's main focus in 2023 has been to prepare for and implement the CSRD related reporting and monitor the double materiality analysis process. Other topics are how to manage ESG risks and opportunities.

## Meet the CSR & Sustainability Advisory Team



Anna-Karin Wårfors  
Sustainability Manager



Mohammad Abdul Quayum  
Managing Director Bangladesh



Ginny Jones  
Key Account Manager



Beatrice Kristoffersen  
Group CSR Manager



Christin Kan  
Product Development Manager

"We aim to stay abreast of continuous advancements in the field, foster mutual learning and provide support to the Nilörn organisation, our suppliers and clients."



Elizabeth Sampaio  
Managing Director Portugal



Sylvia Voigt Le Drézen  
CSR Specialist Supply Chain Europe



Jennifer Elze  
Compliance Specialist Labeling



Fredrik Clason  
Marketing Manager



Anne Chan  
Group Purchasing Manager



Christina Heines  
Material and Innovation Specialist

# Key activities

Nilörn identifies and improves ESG issues that are important to sustainable growth and fulfilment of social and environmental responsibilities.

We focus on issues that have a high impact on our business and stakeholders. We are proud to share our achievements and external recognition.

## More Fit for the Future Highlights 2023



Myriam Van Der Cruyssen and Bart Van Trimont, Nilorn Belgium

### Nilorn Belgium receives Voka Charter Sustainable Entrepreneurship Award

Nilorn Belgium was awarded by the Voka Charter Sustainable Entrepreneurship for our continued sustainability policy and actions implemented in 2022 in line with the SDGs. The practical program is developed by the Flemish Chambers and, together with participating companies, they create an action plan, and annual evaluation determines which companies receive the award.

"It was both a challenge and a joy participating in the Voka Charter Sustainable Entrepreneurship, knowing that we can help provide a better future. No matter how small or big the efforts made, every step counts. We truly believe companies should take a clear stance and show they can make a difference." Bart van Trimont, Managing Director Nilorn Belgium

### Nilorn Vietnam

Nilörn extended its worldwide reach by establishing a new office and distribution in Ho Chi Minh City, Vietnam. This strategic initiative enables us to enhance client support, establish proximity to the supply chain and ensure fast lead times. Nilorn Vietnam is an FSC™ certificate holder.

### Sedex Xplore Sustainability

Nilörn Group CSR Manager participated in the first in-person Sedex conference since 2019. Over 600 attendees from across business and industry learned about tech and data solutions, made connections and networked, to take away actions to implement in our business. Read more about how we work with Sedex on page 45.

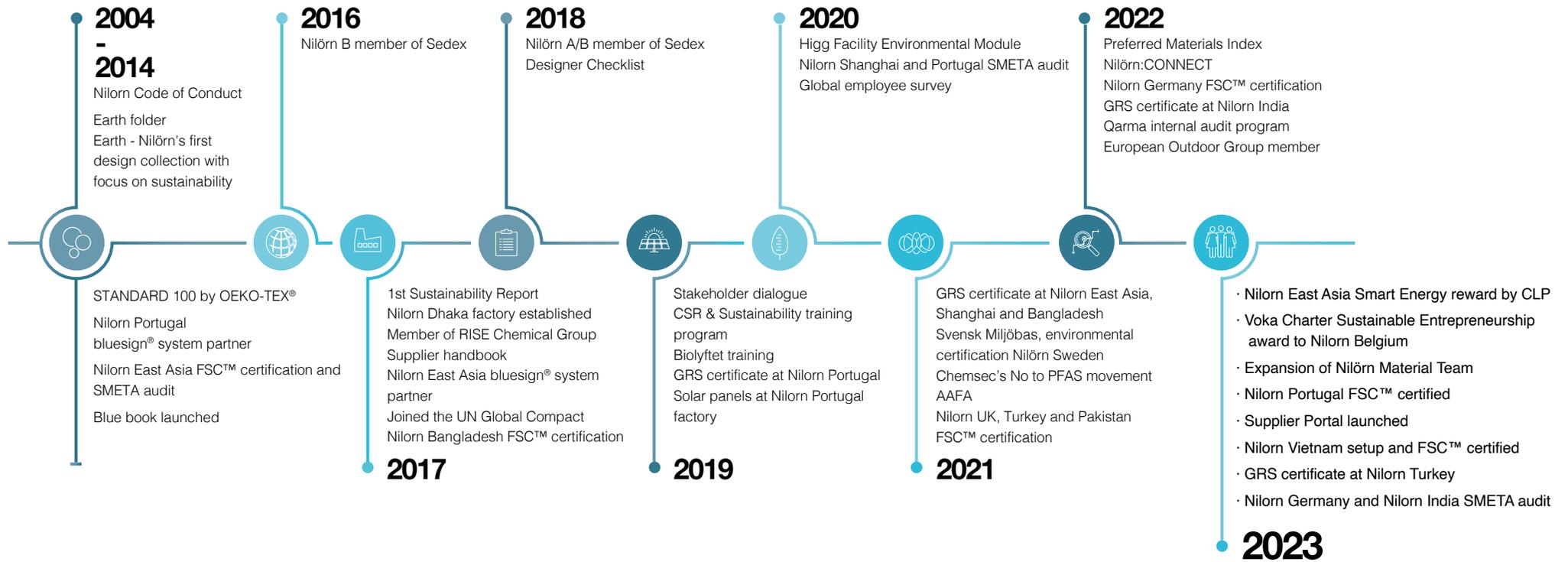


### Waste reduction

We conducted two deep-dive studies to identify hotspots for manufacturing waste in the production of rotary printed and woven labels in our Portugal and Hong Kong production units. The findings will support our routines and reduce the amount of wasted textile material. We also expanded the separation of textile waste scraps from the weaving and label making processes in Nilorn Portugal. They are sent to a recycler in Spain where they enter a mechanical recycling process and later re-enter the European textile value chain, most common as nonwovens and cleaning textiles. Read more on page 41.

FOCUS AREAS		TOPICS	TARGET 2025	STATUS 2023	SDG		
ENVIRONMENT	Climate & Nature	Biodiversity and ecosystems	100% of preferred suppliers have an environmental audit	94% of purchase volume in risk countries is with a SMETA or similar audited supplier, the audit includes a basic environmental follow up. In addition we are implementing Higg FEM, currently for 76% of purchase volume	     		
			100% of packaging products delivered are recyclable or reusable	How to measure still to be set up			
		GHG emissions	Reduce air transportation by 50% (base year 2019) Clients choose alternatives to air transportation	Air transport share 11% 2023 (34% 2019), new target to be set in 2024 A new reporting tool developed by logistic department, which allows for detailed client bespoke reporting, this will support the ongoing work to move away from air transportation			
			50% of preferred suppliers energy is from renewable sources	How to measure still to be set up			
		Resource efficiency (energy, waste, water)	100% renewable energy purchased electricity for Nilörn own units 100% of waste water returned to the environment safely Zero waste to landfill for Nilörn own units	95% of our electricity in 2023 came from renewable sources (including RECs) Our Bangladesh factory is the only Nilörn production unit which requires an ETP. Remaining Nilörn production units dispose the water to municipal waste water systems 83% of our waste is currently sent to recycling			
	Circularity	Materials	100% of communication and packaging materials in recycled and/or certified material 100% certified recycled polyester (GRS/RCS) in core textile products 100% certified paper (FSC™, pefc) in core products Traceability of materials	100% of the headquarters marketing material is 100% FSC™ paper or recycled LDPE, compilation of the status for local offices initiated 2023 45% of all delivered polyester core labels was in recycled polyester 61% FSC™ certified paper Initiated but not completed			
		Product development	100% of chemicals used will conform to, or will enable end products to conform to, our environmental and social guiding principles	Group chemical management system is initiated but not completed			
		SOCIAL	People & Society	Diversity, equality and inclusion		40-60% gender balance in Nilörn units, and aim for 50% on Group level	We currently have a 43% female and 57% male gender split. Striving to reach greater gender balance at all levels of the organisation
				Health and safety		Awareness and usage of provided Personal Protective Equipment (PPE) bluesign® System Partner Responsible sourcing including Restricted Chemical List	Training programs arranged in production and distribution centres Nilörn East Asia and Nilörn Portugal are bluesign System Partners. In 2023 Nilörn Bangladesh initiated the application process Implemented, managed by Group Sourcing team
				Human rights		All Nilörn production and distribution centres are SMETA audited 100% of preferred suppliers have a social audit Procedure in place for HRDD, including supply chain data along with gender information. 100% of preferred suppliers sign General Agreement and Supplier Handbook, including Code of Conduct	Nilörn Bangladesh, Germany, Hong Kong, India, Portugal, Shanghai, Turkey & UK are SMETA audited. Still to be audited is Nilörn Pakistan 94% of purchase volume in risk countries is with a SMETA or similar audited supplier Routine in place, 2023 introduced Retraced platform for supply chain data collection Signed by 95%
Economic development Local communities	We are an employer of choice, with a retention rate above 95% Nilörn is involved in communities around our facilities 100% of Nilörn units offers an employee engagement program			83% retention rate No comprehensive Group overview of assessments and programmes available Our program together with WaterAid, includes all Group employees			
GOVERNANCE	Circularity	Product development	The Nilörn Preferred Material Index 100% of Nilörn internal design collections in sustainable materials Design for cyclability Traceability of products, connected product solutions Map our supply chain back to raw material level enabling full supply-chain traceability	Implemented 2023 87% of the design collections represent a more preferred material Process initiated Nilörn:CONNECT implemented 2023, development ongoing Initiated but not completed, started to use the Retraced platform 2023			
		People & Society	Ethical business and anti-corruption	All employees take part in and agrees with anti-corruption policy Zero tolerance for corruption and encouraging use of whistleblowing tool 100% of preferred suppliers sign General Agreement and Supplier Handbook, including anti-corruption policy	Part of the onboarding program No incidents reported 2023 Signed by 95%		
			Knowledge sharing	We continuously increase number of training hours/employee in all parts of the organisation Take an active role in sharing knowledge and educating our supply chain	Training hours per employee 12 (11 hours 2022) Launched a Supplier Portal to facilitate communication, invited to onboard the Retraced platform		

# 19 years of sustainability commitment



# Management approach for material topics

To meet GRI's revised standards, Nilörn conducted an impact materiality analysis and stakeholder dialogue in autumn 2022. In light of the increased reporting requirements set by CSRD, we conducted as well in 2023 an analysis on Nilörn's sustainability risks and opportunities that are financially material. In this section we describe our process to identify and assess Nilörn's most significant impacts on people and the environment, as well as the sustainability matters that have, or may have, major financial effects on the company. We also describe how we review our strategic priorities and address the sustainability matters identified as being material for Nilörn.

## Double materiality

The materiality analysis process has evolved and the traditional view is now complemented with that of double materiality, in which financial materiality and impact materiality each represent an equally important perspective. Through the involvement of the Group's key stakeholders and internal and external experts, the process seeks to analyse the most significant impacts to identify material topics, taking into account – especially for negative impacts – the due diligence process and the relative results. For this analysis, Nilörn's starting point has been its whole value chain, including upstream, own operations and downstream activities.

Nilörn will need to report sustainability information in line with the requirements in Corporate Sustainability Reporting Directive (CSRD)

and the European Sustainability Reporting Standards (ESRS) starting FY 2024. In preparation for this, we have conducted a double materiality assessment in two steps. Nilörn focused first on the Group and value chain impacts on people and the environment, thereafter we scoped our assessment on Nilörn's financial risks and opportunities from sustainability issues. We used various complimentary methodologies, namely a context analysis through desktop review, semi-structured interviews with both internal and external stakeholders, and workshops with key internal roles to adjust and validate the results of the materiality assessments.



## Impact materiality

To meet GRI's revised standards, Nilörn conducted a materiality analysis and stakeholder dialogue in autumn of 2022, which was updated in 2023 taking into consideration the new EU requirements — the CSRD and ESRS — made available by the European Financial Reporting Advisory Group (EFRAG).

The materiality analysis aims to identify Nilörn's material topics, based on the company's most significant impacts on the economy, environment and people, including human rights. In this process, Nilörn's actual and potential, negative and positive impacts were mapped and the perspectives of several stakeholders were included. The process of identifying the material topics included the following steps:

### Step 1: Mapping Nilörn's sustainability context

To understand the impact that Nilörn has or can have on the outside world, we mapped Nilörn's activities and business relationships. This step increased our understanding of the industry in which Nilörn operates, the industries that we encounter within the value chain and the specific challenges that exist in these industries, as well as in society. An overview of Nilörn's value chain, which was the starting point for our analysis, can be found in page 6. For this analysis, we took into consideration the geographies where our offices, production sites, suppliers and clients are located, both in Europe and Asia.

### Step 2: Identification of actual and potential impact

To produce a preliminary list of Nilörn's actual and potential impacts, we carried out a desktop analysis based on our industry and value chain. The analysis was based on a review of internal documentation and external sources. Including Nilörn's existing process to manage relationships with suppliers and internal policies, as well as thematic reports and risk assessment of the textile industry. All topics from ESRS 1 paragraph AR 16 were considered as well. In connection with this step we conducted a stakeholder dialogue with the aim to gain a better understanding of our operations, identify the impact that Nilörn has on the outside world, as well as the severity of the impact. The dialogue was conducted through ten qualitative interviews with different stakeholders.

## Material impacts

	Climate & Nature	Circularity	People & Society
ENVIRONMENT	Biodiversity and ecosystems GHG emissions Local communities Resource efficiency (energy, waste, water)	Materials Product development	
SOCIAL			Diversity, equality and inclusion Health & Safety Human Rights Economic development Local communities
GOVERNANCE		Product development	Ethical business and anti-corruption Knowledge sharing

The following stakeholder groups were interviewed. No affected stakeholders have been involved in the process beyond the following groups:

- Nilörn representatives
- Investors
- Experts within textile industry and circularity
- Clients

The results of the stakeholder dialogue directly informed the impact Nilörn has or can have and how significant it is.

### Step 3: Assessment of the significance of the impact

The mapping and stakeholder dialogue resulted in a gross list of Nilörn's positive and negative impact that we have, or may potentially have, on the environment, economy and people, including human rights. The significance of the impact was then assessed quantitatively using the results of the stakeholder dialogue and external sustainability experts. Nilörn's impacts were compared with each other and negative impacts and positive impacts were analysed separately. Significance of negative impacts was assessed based on severity, a combination of scale, scope and irremediability for actual negative impacts, along with likelihood of potential negative impacts. Significance of positive impacts was assessed based on scale and scope for actual positive impacts, together with likelihood of potential positive impacts. Impacts in the gross list were given a reasonably expected time horizon for the impact to occur, with the time horizons varying from

short-term to medium- and long-term. In line with ESRS' time intervals for the time horizons, the short-term time horizon is one year, which is the reporting period as per our financial statements. Medium-term is between one and five years, and long-term is more than five years.

### Step 4: Prioritisation of the most significant impacts

Based on the analysis in step 3, the impacts were prioritised from highest to lowest. A threshold was set based on discussions both internally with Nilörn's CSRD Task Force and with external sustainability experts. For the assessment of impacts, a severity scale between 1-15 was used. Negative actual impacts assessed at 10 or higher on the severity scale and negative potential impacts assessed at 8 or higher on the severity scale along with the likelihood of 4 or more, were considered above the threshold and therefore deemed material. Regarding issues related to human rights, severity has been prioritised over likelihood, in line with ESRS. Positive actual impacts that scored 6 or higher on the scale and positive potential impacts that scored 6 or higher together with a likelihood of 4 or more, were deemed to surpass the threshold and thus considered material. All negative human rights impacts were prioritised and are considered material for the Group. The table on the next page shows the results, which have been validated by Nilörn's management team and other key representatives. Twelve impact areas were identified as most significant and therefore correspond to our material topics. These will guide the content of Nilörn's sustainability report and sustainability work going forward.

## Financial materiality

In order to understand Nilörn's actual and potential risks and opportunities related to sustainability issues, a desktop analysis was carried out based on the Group's industry and value chain. The analysis was based on a review of internal documentation, such as existing risk reports and risk assessment methodologies, and external documents, such as industry risk reports and publicly available information from industry peers and business partners. We also reviewed Nilörn's material impacts identified in 2022, for which internal and external stakeholders were involved. These impact areas were used as a starting point to identify potential risks and opportunities arising from Nilörn's negative and positive impacts. This desktop analysis resulted in a draft list of financial risks and opportunities related to sustainability issues. We made sure that all sustainability topics within ESRS 1, AR 16 - Sustainability matters to be included in the materiality assessment were considered before reaching a short list of potential risks and opportunities.

The 22 risks and opportunities listed were discussed during a workshop with representatives from the management team and other key representatives from regional offices and the sustainability area. List of topics changes compared to 2022 are that materials are included in product development and added topics are climate change, IT security and supply chain. Participants assessed the likelihood and significance to the financial performance of the company, including whether each material impact could derive in actual or potential disruptions in: Production, costs associated to reputational risks, more difficult access to finance, physical damages to Nilörn's facilities, eventual costs associated to penalties or compensations, or changes in costs for human and natural capital. Dependencies on specific raw materials, such as natural fibres produced in countries strongly affected by climate change, and key business relationships with suppliers, were also evaluated during the discussion. This was done both in line with ESRS criteria for financial risks and opportunities, and the existing methodology used at Nilörn Portugal for business risks.

Nilörn's risk management process will be reviewed in 2024, including how risks are identified, assessed and managed. The definition of likelihood was extended to take into consideration both past and future risks, and the definition of financial impact was redefined to take into consideration sustainability opportunities. For both risks and opportunities, we used a quantitative scale of one to four to assess both low to very high likelihood and magnitude of the financial impact. During this assessment, short-, medium-and long-term time horizons were considered as per ESRS definitions.

During a second session involving the same group of Nilörn representatives and external sustainability experts, Nilörn set a threshold to prioritise risks and opportunities. We used the same scale and definitions used in Nilörn's Portugal risk assessment called

"severity" consisting of a quantitative of 1 to 16, where risks are prioritised depending on how immediate corrective action needs to be. This will allow for consistency when prioritising financial risks that arise from sustainability matters and other business risks.

For financial opportunities, we developed a threshold called "significance" where each actual or potential positive deviation in expected financial performance was considered valuable enough to take action within the next year quarter. Risks having a severity of 9 to 16 and opportunities with a significance above 5 were considered material for the group. Seven risks and two opportunities were identified as Nilörn's material financial risks and opportunities (see table below). These will guide the content of Nilörn's first sustainability report in line with ESRS standards and sustainability work going forward.

### Material risks and opportunities

	Climate & Nature	Circularity	People & Society
ENVIRONMENT	<b>Climate change (R)</b> Physical damages to facilities	<b>Resource efficiency (R)</b> Overproduction of waste and inefficient use of resources	
SOCIAL			<b>Human rights (R)</b> Breach of human rights (e.g. labour rights, rights of vulnerable groups), within the value chain  <b>Health and safety (R)</b> Occupational health and safety and work environment at Nilörn
GOVERNANCE		<b>Product Development (O)</b> Digitalisation, including product traceability	<b>Ethical business and anti-corruption (R)</b> Corruption in own operations, upstream, and downstream  <b>Governance (R)</b> Global instability  <b>Supply Chain (O)</b> Engagement with suppliers  <b>IT security and data management (R)</b> Cyberattack

# Stakeholder engagement

In addition to the stakeholders specifically interviewed for our materiality analysis, we engage regularly with key stakeholders, through a variety of mechanisms, as this helps us understand, prioritise and manage our sustainability impacts as an organisation as well as evolve our client offer. The table below outlines how we engage with stakeholders affected by and/or who have an influence on our activities and the topics they have identified as key for Nilörn's work:

STAKEHOLDER	DIALOGUE/CHANNEL	FREQUENCY	PRIORITISED QUESTIONS	WHAT DO WE DO?
<b>Employees</b>	Appraisal talks Employee survey Sales and Sourcing conference Internal trainings Intranet	Annual Twice a year Annual Ongoing	Human rights Health and Safety Ethical business and anti-corruption Diversity, equality and inclusion	Employee development, see page 53 Focus on training, see page 53 Digital material library Employee survey, see page 52
<b>Clients</b>	Meetings Fairs Social Media Newsletter	Ongoing Three times a year Ongoing Seven times	Materials Product development Knowledge sharing Biodiversity and ecosystems	Using digital meeting tools Attending fairs Share knowledge, e.g. compliance updates
<b>Investors and Lenders</b>	Financial reports and briefings Annual meeting Webpage	Annual Quarterly Annual Ongoing	Ethical business and anti-corruption Biodiversity and ecosystems	Stable and long-term total return Corporate governance Transparent report Responding to ESG surveys
<b>Suppliers</b>	Dialogue Supplier package Supplier assessments	Ongoing	Resource efficiency Ethical business and anti-corruption Health and Safety Human rights Knowledge sharing Product development	Nilörn General Agreement and Supplier Handbook, see page 52-53 Supplier Code of Conduct Virtual audits and Sedex, see page 46, 61
<b>Society</b>	Collaboration with universities and schools Networks and working groups Survey	Ongoing	Materials Product development Knowledge sharing	Participate in networks such as UN Global Compact, AAFA RISE Chemicals group and TEKO Follow initiatives such as Ellen MacArthur Foundation Textile & Fashion 2030
<b>Nature</b>	Tools as WWF Water Risk Filter and WWF Biodiversity Filter	Ongoing	Resource efficiency Biodiversity and ecosystems	Implement routines for evaluation of impact, risk and opportunities on nature using the tools, see page 26

# Environment

The “E” in ESG refers to the organisation’s environmental impacts and risk management practices.

Environmental management.....	20
Climate and nature .....	21
Circularity and resource efficiency.....	29

# Environmental management

Our environmental management system is based on Svensk Miljöbas (The Swedish Environmental Base). The association's environmental management system is directed towards smaller organisations and their need to present well-functioning and documented environmental work to clients and other stakeholders. The standard for operations is based on ISO 14001, but with simplified documentation requirements, and focuses on actual environmental improvements and open environmental reporting.

Nilörn's environmental policy serves as our internal compass, providing the foundation for our approach to incorporating environmental responsibility into our operations. This policy applies to all Nilörn employees, and we commit to assess, reduce and prevent environmental risks and impacts associated with our activities, products and services.

Within Nilörn's business units, we use our internal environmental checklist. This questionnaire is crafted to facilitate the analysis of environmental engagement, highlighting areas for improvement and showcasing completed initiatives. Additionally, the Nilörn internal control program incorporates environmental considerations, with further details available on page 69.

The supply chain has a significant environmental impact. From sourcing raw materials to manufacturing and distribution, every step plays a role in generating carbon emissions and other environmental issues. As far as our suppliers are concerned, our supplier program and audits includes environmental practices and Supplier Handbook contains a dedicated section addressing environmental and chemical compliance. To monitor and evaluate environmental performance, we are integrating the Higg Index Facility Environmental Module (FEM).



# Worldly and Higg Index

The Higg Index is a suite of tools for the measurement of value chain sustainability. The Index is developed by the Cascale (previous Sustainable Apparel Coalition) and hosted exclusively on the Worldly platform. It has now grown to become the leading module to measure brands', retailers', and facilities' environmental and social impact and performance. The modules use a scoring system based on self-assessment and verification. The Higg Index provides a holistic overview that empowers businesses to make meaningful improvements to protect the well-being of factory workers, local communities and the environment. It also enables and encourages the industry to become transparent by communicating sustainability information publicly.

Higg has three tools for different types of businesses: Product, Facility and Brand & Retail Tools. We work with the Facility Tools, while several of our clients use the brand and retail tools. The Higg facility tools offer yearly social and environmental assessments that facilitate conversations among value chain partners to improve socially and environmentally at every tier in the global value chain. Within the facility module we work with the Higg Facility Environment Module (FEM) and the Higg Facility Social Labour Module (FSLM).

The FEM module supplies information about the environmental performance of individual facilities, empowering them to scale improvements. The Higg FEM assessment tool standardises how facilities measure, evaluate and improve their performance every year, providing facilities with a clear picture of their impacts.

In 2023, we continued to include more external production units with 76% of our purchase spent in 2023. By working with the Higg Index and the measurable data, we have a tool to set objectives that can be followed up and for our clients that also use Higg, we can easily share data in the platform.

The Higg FEM assesses the following:

- Environmental management systems
- Energy/greenhouse gas emissions
- Water
- Wastewater
- Air emissions
- Waste
- Chemicals



# Climate and nature

We focus on reducing climate impact across the value chain, and as the majority of our products are produced by external suppliers, a significant part of our impact is in the supply chain. Since implementing the Higg FEM with external production, we continue to have a better understanding of the supply chain and the impacts of production. The Higg FEM also helps us share good practice and actions taken with clients.

In 2020, we applied the Higg Index for both internal and external production units, and in 2022, we took the next step towards external verification. In 2023, Nilorn East Asia Hong Kong, Bangladesh, Germany, Portugal, Turkey and UK, all had a verified Higg FEM.

By working with the Higg FEM and the measurable data, we can set objectives that can easily be followed up. When seeing our environmental impact and its sources we can make decisions about where developments are required. We also collaborate with our clients directly on the Higg platform so that they can easily track and follow our modules.

We use Higg FEM as a tool to implement and improve a responsible chemical management program in our manufacturing facilities. Our chemical management system includes chemical assessment,

purchase and incoming control, chemical inventory management, chemical health and safety to workers, chemical storage and handling, output management, process control and continuous improvement, which align with the requirement of ZDHC Chemical Management System Framework and Higg FEM chemical section.

Our operations must be compliant with all regulations relevant to our business together with our clients' requirements. Chemical testing is based on Nilörn's Restricted Substance List (NRSL) as part of our responsible sourcing program but also for specific client requirements. Bureau Veritas is the nominated laboratory, but we also work with client-nominated laboratories. Read more about chemical management on page 27.



## Nilörn has adopted “Klimatlöftet” (The climate pledge)

Klimatlöftet is a one-year project within “Climate 2030 – Västra Götaland in transition” and is aimed at small and medium-sized companies that want to reduce their climate impact. The focus is on typical emission areas that companies have and can influence. It is about sustainable transport, renewable and resource-efficient services and products, climate-smart food, and increased climate and energy performance in buildings and premises. Companies that adopt climate pledges receive support through a program such as webinars, advice, workshops and collaboration for one year, starting October 2023.

### Nilörn Sweden has adopted the following pledges:

3. A policy for sustainable business travel.
6. Fossil Free Sweden's company car challenge.
8. Distance work policy that allows full-day home working.
25. 100% renewable electricity in the company's electricity contract.
28. More efficient electricity use.

We'll participate in webinars, review and update current policies and evaluate what can be implemented in other countries.

Nilörn stands behind the vast scientific consensus that human-made emissions are a major contributing factor to climate change. We also recognise that businesses, as major emitters of greenhouse gases, have a significant role to play in reducing emissions. Strengthening biodiversity and nature has an impact on mitigating climate change.

# GHG emissions

Measuring and reducing our climate impact is one of our key priorities. We measure our business's own impact, both direct (Scope 1) and indirect (Scope 2 and parts of Scope 3). We have a complex organisational structure, which makes our emissions mapping and follow-up challenging but we see the benefits of implementing Higg FEM.

The biggest challenge in developing our targets will be with the inventory of our Scope 3 emissions, especially the upstream and downstream product life-cycle emissions. We are already working with key suppliers to develop transparency on emissions caused by materials and finished products that we buy, but we still have some way to go before we have a full picture. Our ambition is to submit our targets to the Science Based Target initiative in 2024.

In 2023, we expanded the scope of our carbon footprint reporting to include commuting. We conducted a survey to gather information on our employees' commuting habits.

Purchased renewable - electricity (incl. RECs) MWh	2 276
Produced renewable - electricity MWh	154
Non-renewable electricity MWh	126
Heating MWh	364

(Not including Nilorn Switzerland and USA)

GHG emissions, tCO <sub>2</sub> e	2023
<b>Scope 1</b>	
Leased and owned cars, fuel combustion in own production	109
<b>Scope 2</b>	
Heating and energy usage all Nilörn own locations *	462
<b>Scope 3</b>	
Cat. 1 - Purchased goods and services	24 664
Cat. 3 - Fuel- and energy related activities	271
Cat. 5 - Waste generated in operations	24
Cat. 6 - Business travel	222
Cat. 7 - Employee commuting	238
Cat. 4 and 9 - Upstream and downstream transportation and distribution **	4 617
<b>Total tCO<sub>2</sub>e</b>	<b>30 607</b>

\*Market based. Not including Nilorn Switzerland and USA.

\*\*WTW, Well-to-Wheel.





## Employee travel

Our 2025 target to reduce business travel emissions by 20% (base year 2018) was naturally affected by the pandemic restrictions. In 2022 and 2023, our travel increased, but we are still below 2018 levels. We see the result of changing habits to use online meeting tools, the switch to electric and hybrid vehicles and less air travel.

From 2023, hotel stays will be included in reporting, but total emissions from business travel (285 tonnes CO<sub>2</sub>e) are still 42% lower than in 2018 (494 tonnes CO<sub>2</sub>e). We are now targeting a 50% reduction by 2025.

Our internal car policy encourages the use of lower emission electric and hybrid cars when replacing a car. Charging points for electric cars have been installed at Nilörn units in Belgium, Portugal, Sweden and the UK. Three cars replaced by electric or hybrid cars in 2023.

### Compensating for emissions

We have chosen to climate compensate both for travel to the annual sales and sourcing conference held in Sweden in September 2023 and for the CSR team's air travel during the year, a total offset of 115 tonnes CO<sub>2</sub>e (Atmoz Consulting AB, Gold Standard project Karnataka Solar, ID 7534).

**42%**  
**Business travel**  
**CO<sub>2</sub>e emissions**  
**reduction vs. 2018**

# Logistics and transportation

We are close to the ready-made garment industry in many parts of the world through our own companies and a network of strategic partners.

As we reflect on our journey through 2023, it's evident that the landscape of logistics and transportation has been dynamic, presenting both challenges and opportunities. Following a record-breaking 2022, we experienced a decrease in volumes, indicating a shift in the global market. A notable transition was the movement of production from Asia to Portugal, significantly increasing the workload for our Portuguese warehouse. In anticipation of future needs, we are actively exploring the renovation of our Portuguese facility in 2024 to improve our capacity to handle larger volumes.

## Adaptations and Strategic Shifts

In response to the persistent high post-pandemic freight costs, we intensified our consolidation efforts for shipments from Asia to Germany, successfully increasing the consolidation rate from 44% in 2022 to 88% in 2023. This strategic move not only optimised our operations but also contributed to cost reduction. Moreover, our expansion into Vietnam, coupled with the establishment of a 3PL warehouse solution and plans for our own facility in 2024, marks our entry into new markets and strengthens our global presence.

## External Challenges

The geopolitical tension in Ukraine has temporarily suspended our ambitions to enhance rail transport between Asia and Europe, underscoring the impact of external factors on our strategic decisions.

## New Opportunities

While air freight represents a smaller portion of our total shipping volume at 10.60%, it contributes disproportionately to our environmental footprint, accounting for 93.60% of total carbon dioxide equivalent (tCO<sub>2</sub>e) emissions in our 2023 transportation metrics.

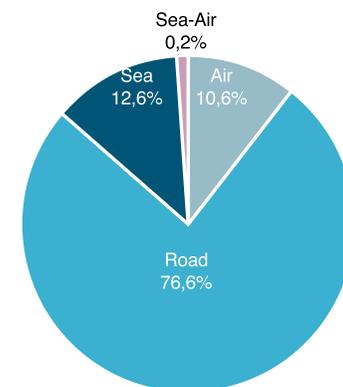
In alignment with our environmental commitment, our aim to achieve a 50% reduction in air transport emissions by 2025, using 2019 as our baseline year was achieved in 2023 and new target will be set in 2024. In pursuit of this goal, we have initiated a collaboration with our logistics partner DSV, exploring the potential of combined sea-air transport as a viable, more sustainable alternative. This innovative logistics strategy, which involves routing shipments through Dubai, has yielded impressive results: a 50% enhancement in delivery speed relative to sea freight alone and a 45% decrease in both costs and emissions when compared to conventional air freight methods.

## New Systems

In 2023, we introduced our internal Freight Handling Solution, a step forward in our ongoing technological evolution. This practical tool simplifies the process of integrating and comparing various freight contracts we hold globally. It's designed to improve operational efficiency by enabling faster, more straightforward decision-making through

immediate access to shipment cost information. While not revolutionary, this system supports a gradual shift towards more sustainable sea freight options by making cost and efficiency comparisons more accessible. As we look to the future, we are mindful of the challenges and uncertainties posed by new regulations like ICS2 and EUDR. Our proactive approach to these changes ensures that we are well-prepared to navigate the complexities of the global logistics landscape.

Shipments by mode of transport



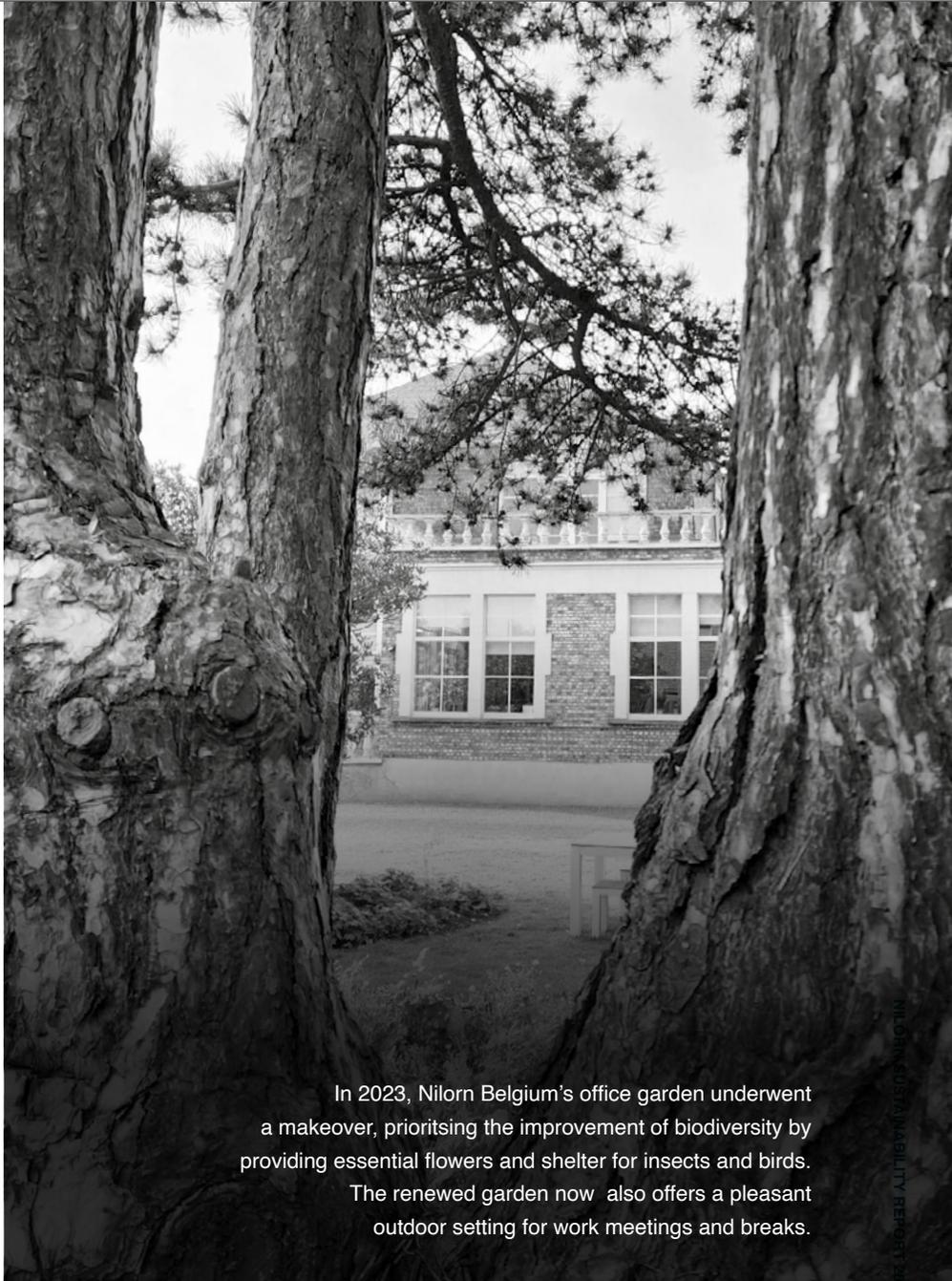
# Biodiversity

Nature plays a crucial role in achieving the Sustainable Development Goals, and biodiversity, being a multifaceted issue, is of paramount importance for Nilörn. Our impact extends from the materials we use and the surroundings of our production sites to the broader supply chain, encompassing biodiversity-related human rights aspects like local communities and workers.

To enhance our understanding of the biodiversity impacts associated with our business, we have chosen to use the WWF Biodiversity Risk Filter tool. This tool is designed to assist both investors and companies in comprehending the risks posed by nature loss. It helps identify and mitigate biodiversity-related risks across our operations, value chains, and investments. Currently, the tool assesses two types of biodiversity-related business risks: Physical and Reputational. The Biodiversity Risk Filter tool covers various biodiversity aspects, such as freshwater, marine, forest, grasslands and wetlands. It includes specific indicators from

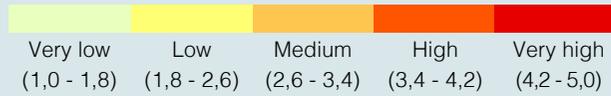
the WWF Water Risk Filter, such as water scarcity, water quality, and the fragmentation status of rivers. While the Biodiversity Risk Filter offers a general high-level assessment of biodiversity-related risks, the Water Risk Filter provides a more detailed evaluation of water-related risks, including operational risk assessment, higher resolution datasets and scenario risk assessment. Therefore, the tools are intended to be complementary and offer unique features for assessing and responding to biodiversity and water-related risks. For more information about our efforts related to water, refer to page 42.

The UN Convention on Biological Diversity (CBD) defines biodiversity as “the variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems.”



In 2023, Nilörn Belgium's office garden underwent a makeover, prioritising the improvement of biodiversity by providing essential flowers and shelter for insects and birds. The renewed garden now also offers a pleasant outdoor setting for work meetings and breaks.

### WWF Biodiversity Risk Filter levels



### Nilörn's production units

High	Bangladesh, Hong Kong and Turkey
Medium	United Kingdom
Low	Germany and Portugal

It is crucial for us to acknowledge the risks that may pose harm to local communities neighbouring our business sites. Nilörn's operations, including raw material sourcing and waste water discharge, hold the potential to impact the quality of life for these communities. Moving forward, we will integrate the biodiversity filter into our processes and actively address any grievances raised by local communities. We are aware of that we also need to assess biodiversity risks across the company's value chain.

The Risk Filter aims to support companies in the initial phases of the corporate biodiversity journey through four key steps:

- Inform** Understand sector-level impacts and dependencies on biodiversity.
- Explore** Identify and focus on high-risk locations and activities to prioritise detailed value chain mapping.
- Assess** A detailed assessment of physical, regulatory, reputational and market risk and opportunity types across all provided company operational and value chain locations, allowing companies to prioritise locations for action.
- Respond** Identify appropriate corporate-level actions from the offered portfolio of response options.

# To understand, assess and respond to our biodiversity risks

We have done an initial corporate level screening using the WWF BRF of our own production units to get the first overview with the two risk types – physical and reputational.

We are on the first step, where we create awareness and gain understanding of our companies' dependencies and impacts on biodiversity and the financial materiality. Dependency in this case means that the chosen industry relies on ecosystem services for example, provisioning of water and timber, regulating or mitigating. Conversely, industries impact biodiversity in the places they operate through direct or indirect exploitation, pollution, land use change (including the conversion, degradation, and modification of ecosystems) etc.

Raw materials critical to biodiversity in our supply chain include timber and cotton. Cotton production consumes a lot of water, for example, and deforest-

ation is a threat to biodiversity. Roughly 40% of Nilörn Group's sourced products are paper-based, underlining the importance of sustainable sourcing practices. We have a policy for wood-based products to leverage our ambition to ensure that our timber products originate from sustainably managed forests, which minimise impacts on soil health, water resources and biodiversity.

Acknowledging these risks is our first step in addressing the critical issue of increasing biodiversity and nature loss. With the Nilörn Basic Environmental training 2023, we raised awareness about biodiversity and ecosystems among our employees. In 2024, we will explore the BRF tool further.

A million species may be facing extinction, with the biggest drivers of biodiversity loss being human-induced land, freshwater and sea use change, overexploitation, invasive species, pollution and climate change. Species are disappearing at tens to hundreds of times the natural rate.

*(WWF-A Biodiversity Guide for Business, 2022)*

# Chemical management

Nilörn operates six production sites and uses external production to manufacture a diverse range of products using various materials. The production processes, particularly dyeing and printing, involve the use of chemicals.

Establishing an effective chemical management system is crucial for promoting responsible chemical control within our manufacturing facilities. In 2023, we implemented a holistic chemical management system in our production sites. This system aligns with the requirements specified in the chemical section of Higg Facility Environmental Module (FEM), it aims to prioritise worker safety, minimise environmental impact, and ensure that the finished products comply with all relevant regulatory requirements and our clients' quality standards.

Our commitment to chemical management goes beyond addressing restricted chemicals in finished products. We actively monitor and manage haz-

ardous substances used in production processes, even if they do not appear in the final product. In line with this, Nilörn Restricted Substance List (NRSL) incorporate the ZDHC MRSL, which demonstrate our dedication to promoting sustainable manufacturing practices and minimising the impact of hazardous chemicals throughout the production chain. This proactive approach ensures that our products not only meet regulatory and client quality standards but also uphold stringent chemical management guidelines for the well-being of workers and the environment.



The Swedish Chemicals Group is a part of RISE – Research Institutes of Sweden.

Nilörn is since 2017 a member of the Swedish Chemicals Group run by RISE.

## “NO TO PFAS”

The issue of PFAS has gained significant attention across industries, prompting the implementation of stricter regulations worldwide. In 2023, a proposed restriction of around 10,000 PFAS was made by the EU REACH regulation, which is under evaluation by European Chemical Agency (ECHA). In the US, the Environmental Protection Agency (EPA) published the reporting rule, requiring the submission of PFAS manufacturing and importing data from 2011 by year 2025. Several states in the US, led by Maine and Minnesota, are now legislating PFAS requirements for all products.

PFAS are commonly used in the textile value chain to achieve desired properties like oil, water, stain, and grease resistance. When used, they are easily discharged into the environment, contaminating groundwater and soil. Several PFAS substances have proven to be carcinogenic, toxic, harmful for foetuses and can disrupt the body's endocrine, or hormonal, system. Nilörn is part of ChemSec's\* corporate PFAS Movement. We started the “No to PFAS” project in 2021 to conduct a survey and on-site audits within our supply chain. The conclusion is that PFAS have not been detected or found in any Nilörn products. To ensure full compliance with regulations and maintain “PFAS-free” products, surveillance testing has been conducted on different product categories in 2023, and the testing result showed that no PFAS were detected in all the tested products. Moving forward, we will closely monitor the updates of the regulations and at the same time continue implementing our surveillance testing to ensure that our products consistently adhere to the regulatory requirements.



\*ChemSec – the International Chemical Secretariat – is an independent non-profit organisation that advocates for substitution of toxic chemicals to safer alternatives.

# Regulations

Compliance with consumer product regulatory requirements worldwide is of utmost importance for our clients operating in the global market. Notably, two significant regulations that need to be considered in production are REACH and California Proposition 65.

REACH is an EU regulation that enhances protection for human health and the environment from chemical risks. Manufacturers, importers, and users of substances within the EU have the responsibility to ensure that the substances they handle do not pose any risks. To stay updated with the regulation, we are members of the Swedish Chemicals Group and incorporate their Chemical Guidance into our restricted substances standard, which, along with the AFIRM RSL, forms the basis of the Nilörn's Restricted Substances List (NRSL).

California Proposition 65 is a regulation aimed at informing Californian consumers about potential risks associated with certain products. It maintains a list of chemicals believed to cause cancer, birth defects, or other reproductive harm. Through our membership in AAFA (American Apparel & Footwear Association), we stay informed about the status of Prop 65 to ensure that we can promptly address any updates in the listed chemicals and continue to provide compliant products to customers.



# Circularity and resource efficiency

Our mission is to add value to our clients' brands. We do this through collaboration and supporting them in making more informed and preferably responsible decisions. It means developing products in close cooperation with our clients, together reducing their environmental impact. Today, materials are at the core of many of our clients' product design and sustainability strategies. Some of them strive for a more circular business model, which naturally leads to sourcing and producing using materials that are easier to repurpose, reuse and recycle.

Nilörn is committed to optimising the use of resources, minimising waste and ensuring that materials and products comply with our own and our stakeholders' standards.

We believe the products we develop and deliver play an important role in the transition of the fashion and textile industry. Carrying legally required labelling, guidance and recommendations supports consumers to make informed choices. We guide our clients through what can often be complex information process, as well as procedures related to Extended Producer Responsibility. We can provide support for more preferred and/or certified materials to enable clients to improve their sustainability performance.

## Sustainability starts with design

Our commitment extends beyond specific customer assignments to the creation of our own design collections that are distributed twice a year. Here, we develop and design original label concepts using the latest technologies and materials.

The interest in alternative materials is becoming increasingly important, both for our clients and in alignment with our commitment to producing more sustainable products. We identify numerous opportunities to incorporate solutions with lower environmental impact into the products and services we deliver. These options must be carefully evaluated to ensure we are making sound decisions.

### Designer's checklist

Our product development is guided by three core principles: reduce, recycle and rethink. The environmental footprint of a product is predominantly determined during the early stages of development, where design plays a pivotal role. The following checklist, created by our design department, serves as a valuable tool to steer designers through the product development process.

#### We ask ourselves:

- Does the product serve its purpose and is it functional?
- Could we use recycled or certified materials?
- Is the material suitable for the product?
- Will the item be easily recyclable?
- How can we reduce resource use and create less waste?
- Is longevity or reuse possible instead of single-use?
- Will it age with beauty?



## Circularity in product development

Integrating circular practices is not only relevant to our clients, but also a way of thinking, designing and producing. We see it as a necessary transition to meet our internal goals to use materials that have a lower environmental impact and that can be recycled or reused.

Although labels, trims and packaging are only a small part of a garment, they can make a big impact. Providing the right trims is key to ensuring its cyclability. Labels encourage durability by providing instructions on how to wash, dry and repair to minimise damage. Furthermore, clear instructions that remain visible on a label until a garment's end of use help ensure recyclability.

With the aspiration to enhance our understanding of circularity and the impact on our offer, Nilörn joined Textile & Fashion 2030 – a national platform for sustainable fashion and textiles in Sweden. The initiative is led by Smart Textiles, part of Science Park Borås at the University of Borås, in collaboration with the Swedish School of Textiles, the Swedish Fashion Council, the RISE Research Institutes of Sweden, the Swedish

Trade Federation, and TEKO, the Swedish Trade and Employers' Association for companies working in the textile and fashion industry. We engaged in seminars, and in 2023, collaborative workshops were conducted by experts from Science Park Borås. These sessions included preliminary discussions on Nilörn's offerings, sustainable business models, and circularity and involved representatives from various departments within the company, including material and innovation specialists, sales, managing directors, product development, CSR, sustainability, and compliance.

**80% of a product's environmental impact is determined at the design stage**

Source: European Commission, Sustainable Product Policy



## Nilörn's material team

Fostering an innovational spirit throughout the group.

In 2021, we established our material team, an internal working group whose purpose is to drive product innovation as well as evaluate new materials and integrate them into our product offering.

The team makes this wealth of information available to colleagues and clients so they can easily make better material choices. For example, through our digital material library, which enables easy access to in-depth material information and documentation. In 2022, the team took the next step and developed the Nilörn Preferred Materials Index (PMI), an internal tool that helps us identify materials and fibres we consider "preferred". In 2023, we established a new role to connect the material team with local Product Development departments: the material team delegates help us to foster an innovational spirit throughout the group and support a better understanding of our new materials' characteristics - for example, technical properties, constraints or availability - at local sites.

We need to stay ahead of market demands and trends and lead in material excellence for branded products. The material team's vital work will continue in 2024 and support us in reaching our targets and goals.



**...the material team delegates help us to foster an innovational spirit throughout the group and support a better understanding of our new materials' characteristics**

# Material and product innovation

We aim to keep ourselves up-to-date and open to explore next-generation materials and innovative production processes as they emerge. Our material specialist is working with the global material team to drive forward material innovation at Nilörn and integrate new materials into our product offering.

Each new material that we consider adding to our range goes through an initial funneling process where we examine aspects such as functional properties, price level and availability together with its sustainability performance and end-of-life options.

## Examples for new developments in 2023:

### FSC™ Mix paper strings - solution for monomaterial hangtags

Using paper strings for hangtags is beneficial from a recycling perspective, since the complete tag including the string can be disposed of in the paper waste stream.

One drawback of standard paper strings is that – in comparison to textile strings - they tend to be stiff and don't drape so well on the garment. Our improved FSC™ certified paper strings are softer and more flexible compared to the standard version.

### MADE WITH MIRUM® - trims and patches free from plastic

One drawback of conventional leather alternatives is that they use synthetic polymers like polyurethane. MIRUM®, made by NFW, is a 100% bio-based, plastic-free complement to leather. A durable

premium material crafted from certified and traceable natural rubber, plant and mineral pigments, plant-based oils and waxes and a natural fabric backing. It is used for luxury accessories, fashion, footwear, automotive, upholstery and home goods. Nilörn introduces MIRUM® for labels and trims.

MIRUM® is circular by design: it can be recycled by NFW, reengineering cuttings, scraps, and worn-out 100% bio-based consumer products. If for any reason MIRUM® exits this production cycle, its natural ingredients can return to the nature safely.

### Circular by design

MIRUM® is both 100% recyclable and 100% safe for the environment.

It is made from all natural ingredients that are mixed and formed with mechanical processing, using only high pressure and heat.



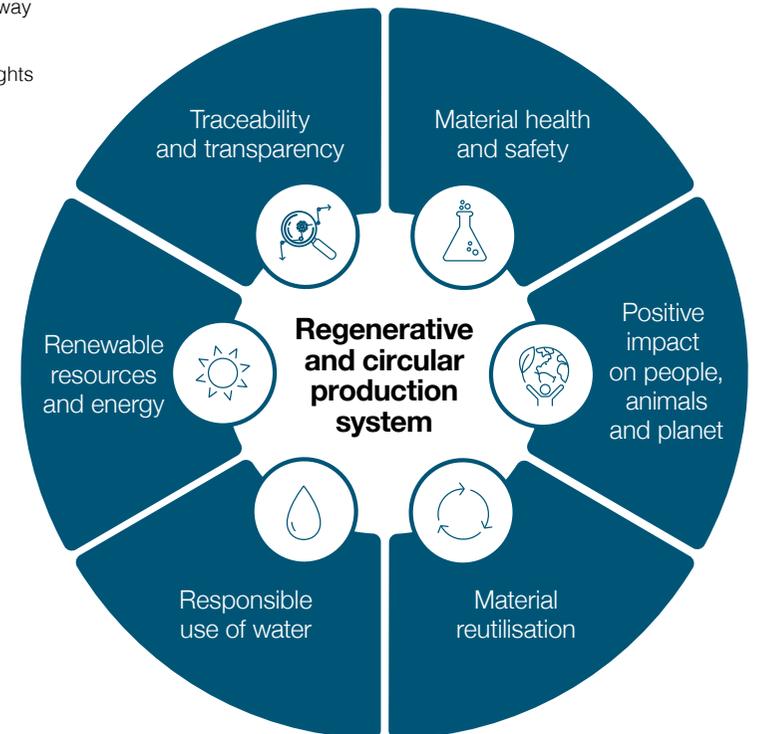
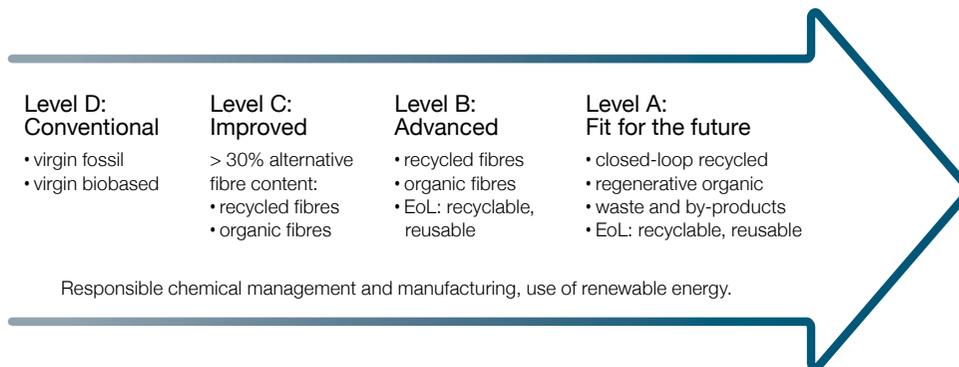
# Nilörn Preferred Materials Index

Materials offer benefits and challenges specific to their functionality and limitations. For each material, we can evaluate and source responsibly produced alternatives. We consider these options “preferred materials”. Nilörn’s material team has developed an internal roadmap: The Nilörn Preferred Materials Index (PMI), to provide guidance on alternative material sourcing.

## Roadmap to new material sourcing

The Nilörn Preferred Materials Index reflects our vision for the fibres and materials we preference. It is guided by our raw materials policy and supports our internal materials strategy. The index is based on circular principles and covers social, environmental and animal welfare:

- **Material health and safety:** Raw materials are safe for people and the environment at all use phases
- **Renewable resources and energy:** Fibres are derived from biobased and/or recycled sources, renewable energy is used for processing
- **Material reutilisation:** Products and fibres can potentially be reused and/or recycled after end of life
- **Traceability and transparency:** Trace raw materials through the supply chain and back to its origin
- **Water stewardship:** Water is used in a socially equitable, environmentally sustainable and economically beneficial way
- **Positive impact on people, animals and planet:** Responsible use of land and soil to help ensure human rights and animal welfare



# Commitment to preferred materials

Nilörn's responsibility involves selecting and offering more alternative materials. Our clients seek alternatives both for trims and packaging, and many of them set clear targets to increase the use of what we class as "preferred" materials. This means supporting clients to fulfil an increasing demand for renewable, recyclable and fossil-free materials. Not only do we hope to support clients who already have a sustainability strategy, but we also wish to encourage and guide clients who are comparatively new to these issues. Nilörn collections are a tool to encourage the latter to choose alternative solutions and inform them about the benefits to help them in their transition.

## Responsible and informed choices

Being a producer of trims and packaging for the textile industry, we use a broad range of materials. Nilörn's goal is to continuously increase the recycled content of our products and introduce bio-based options over fossil-based where possible. Part of this is also ensuring that our raw materials are traceable and responsibly sourced. We rely on material certifications to guide our choices. Material certifications and standards relevant for materials are OEKO-TEX®, FSC™, GRS, Cradle to Cradle®, Blue Angel and bluesign®.

We wish to support our clients in making responsible and informed choices. Therefore, we integrate circular thinking into our design and provide in-depth material information for our products.

Our material categories include woven and printed textiles, plastics, natural materials, metals, heat transfers, leathers, leather alternatives and paper. Within each category, we offer more responsible options, certifications and standards (see all our standards on pages 62-64).



# A better offering

## Textiles, woven and printed

We increase the content of recycled yarns and fabrics and introduce plant-based options. Examples are recycled polyester and nylon, organic cotton and TENCEL™ Lyocell.

## Plastic trims

We increase the content of recycled plastics for trims and introduce plant-based options. Examples are recycled TPU (thermoplastic polyurethane), silicone and PLA (polylactic acid).

## Natural trims

We supply natural materials for trims as an alternative to plastic. Examples are corozo, coconut and mother-of-pearl.

## Metals

We offer recycled metal and stainless steel as alternative options to conventional metal.

## Heat transfer

We encourage the use of heat transfers that are made using plant-based or recycled ink, recycled glue and carrier material.

## Leathers

We aim to ensure high animal welfare standards and increase the use of LWG leather. We supply recycled leather as an alternative to virgin leather.

## Leather alternatives

We introduce leather substitutes with a strong focus on recycled or plant-based alternatives. Examples are fabrics like Jacron or Piñatex® and vegan imitation leathers with recycled or plant-based compositions.

## Paper

We increase the use of certified and recycled papers for our products. We introduce paper materials made from alternative and waste fibres. Examples are sugarcane paper, papers made from agriculture waste or waste cotton.

## Packaging

We supply solutions for packaging in both certified or recycled qualities. For polybags and mailers we use recycled LDPE from pre- or post-consumer plastic waste or fibre-based options like kraft paper, glassine paper or Paptic®.

**If you want an easy way to find out about all our materials, standards and sustainability offer, take a look at our blue book, an easy-to-use guide to sustainability at Nilörn.**

# The Nilörn materials strategy

– our vision for choosing preferred fibres and materials

When it comes to raw materials our focus is on climate change mitigation and waste reduction. Our aim is to reduce our impact by preferencing materials sourced, for example, from regenerative and circular production systems.

Our goal is to continuously increase the recycled content of our products and introduce biobased options instead of fossil-based materials wherever possible. We support material recycling and encourage the use of agricultural waste and food production residues as feedstock for biobased materials. We also support the use of renewable energy and see the huge benefit in tracing raw materials to their origin.

By using recycled, renewable and traceable materials, we hope to substantially reduce the impact of our products. Likewise, when supporting our clients to choose alternative materials, we aim to foster sustainable consumption with a lower impact on the planet.

Nilörn's material targets:

## Targets for 2025

100% certified paper (FSC™, PEFC) in core products

100% certified recycled polyester (GRS/RCS) in core textile products

100% of Nilörn internal design collection in preferred materials

100% recycled certified material in LDPE garment bags

## Status 2023

61%

45%

87%

82%



## Nilörn vegan approved

Our internal vegan standard for labels and trims ensures they are free from animal ingredients or by-products in both material and manufacturing.

Nilörn approved vegan products have gone through a stringent assessment by our suppliers, product development and compliance teams, working together to ensure adherence to vegan requirements.

There is no legally binding definition of the requirements of vegan products. We have built the Nilörn vegan policy on learnings from the industry and how other brands approach their requirements.

### Are all vegan products sustainable?

Vegan products do not necessarily have a production process without an impact on the environment. Likewise, vegan products are fair for animals, but not automatically fair for people. In an ideal world, veganism promotes the development and use of animal-free alternatives for the benefit of animals, humans and the environment. We aim to cover both — vegan requirements and responsible production.

**In an ideal world,  
veganism promotes  
the development and  
use of animal-free  
alternatives**

## Animal welfare

For Nilörn and our clients, animal welfare is a high priority, so our choice of materials is guided by ensuring that animals in our supply chain are protected. In 2017, we published our first policy on raw materials with animal origin. From 2021, it was included in the Nilörn Supplier Handbook. We require that all our suppliers adhere to baseline requirements for the materials used in our products, and as we sometimes use materials of animal origin, we recognise our responsibility to protect animal welfare. All suppliers or companies subscribing to this policy must follow national and international legislation. Animal-based materials are only obtained as a by-product and not for the sole purpose of the slaughter of an animal and never from vulnerable or endangered species.

Nilörn participates in two initiatives run by the German aid by trade foundation (ABTF) – the Good Cashmere Standard® and the standard Cotton Made in Africa (CMIA) for sustainable cotton from Africa.

### The Good Cashmere Standard® (GCS)

The Good Cashmere Standard® is an independent standard for sustainable cashmere, developed by the Aid by Trade Foundation (ABTF), that aims to improve the welfare of cashmere goats, the working conditions of farmers and to protect the environment. Developed in 2019 with respect to the five freedoms in close collaboration with animal welfare specialists and cashmere production experts, the standard aims to improve the well-being of cashmere goats, the working conditions of farmers, and their living environment. Before verification, each farm must complete a self-assessment, and farmers and cashmere producers need to meet social, environmental and animal welfare criteria. Certificates are reviewed on an annual basis.

The standard focuses on cashmere production in inner Mongolia, and in 2020, the first cashmere farmers were certified. In 2023, 13 cashmere producers with 9.100 farms and around 4.3 million goats participated in the verification process. The certificate authorises them to use the GCS label. Partnering brands can then communicate to consumers that the cashmere wool used has been sustainably produced. Nilörn is proud to be a nominated producer of all GCS standard labels.

“The Retail Summit 2023 arranged by the Good Cashmere Standard in Milan was an inspiring event that brought together passionate individuals from the fashion industry to discuss the future of natural fibres and the importance of animal welfare.”

*Christina Heines, Nilörn Material and Innovation Specialist*

# Life-cycle assessment (LCA)

In 2022, we initiated an LCA screening process for our care labels product group to enhance our understanding of their lifecycle. The scope of the LCA includes the entire product lifecycle, from raw materials to manufacturing, distribution and end-of-life considerations. Expanding our efforts in 2023, we incorporated the woven labels product group and constructed a model using Simapro Explore. This interface allows us to examine the impact of various parameters on the

outcomes. For this project, we collaborated with Miljögraff, a Swedish environmental consultancy specialising in LCAs and eco-design.

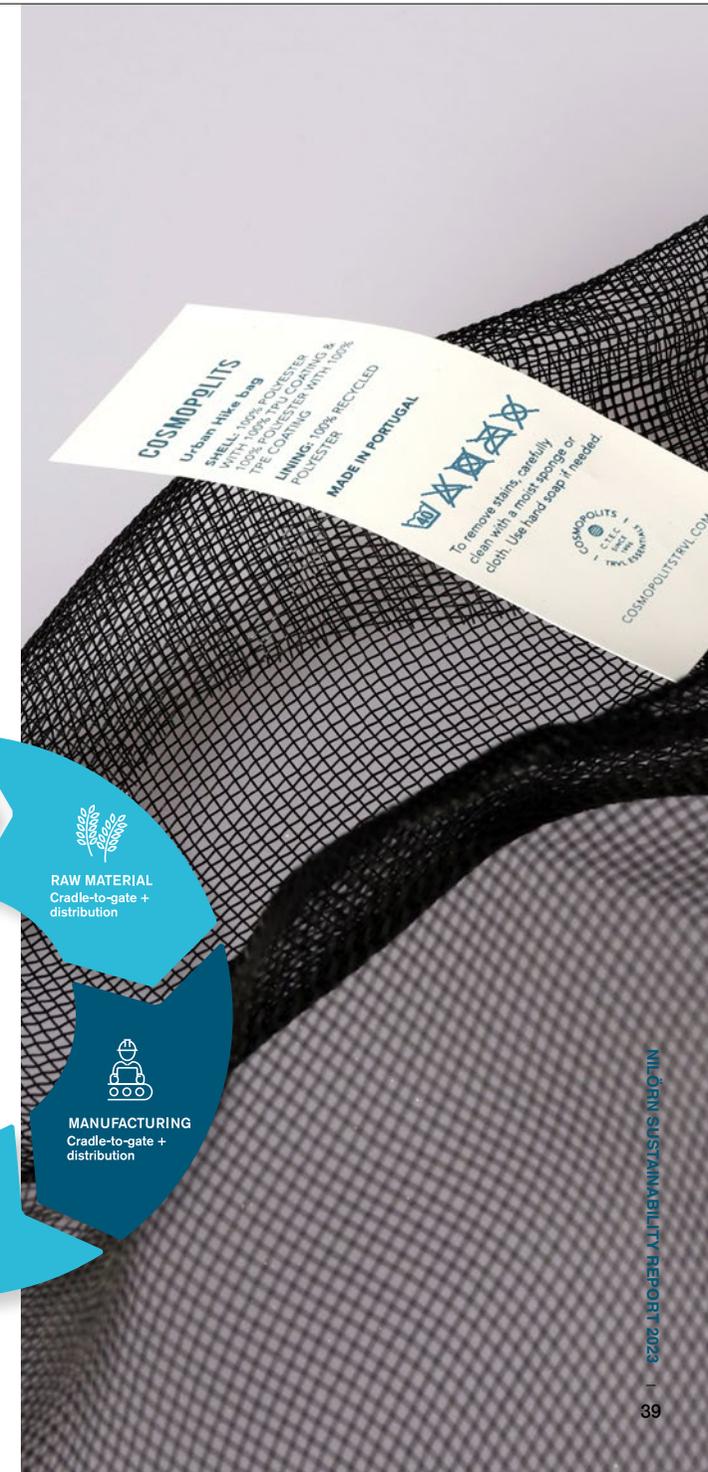
## Our findings

While doing the LCA for a recycled polyester label, we found certain hotspots. Energy consumption has the highest impact in all life-cycle stages, and the most impact occurs when producing raw materials.

Life-cycle stages of the studied care label



# The most impact occurs when producing raw materials





Nilorn Portugal's production unit's rooftop with solar panels

# Renewable energy

The LCA presented above underscores the imperative of transitioning towards greater reliance on renewable energy in our production. While a few of our suppliers currently use renewable energy, the extent is limited.

We monitor the energy consumption and sources across all our offices and production facilities to ensure alignment with our renewable energy goals. Assessing the availability of renewable energy is a crucial step in facilitating this transition. Our operations in Belgium, Denmark, Germany, Portugal, Sweden and the UK already use renewable energy through agreements. However, in some countries where we have production and warehouse operations, the availability of renewable energy is limited. In Bangladesh, Hong Kong, India, Pakistan, Turkey and China, our team acquires renewable energy certificates (RECS) for portions of the total kWh.

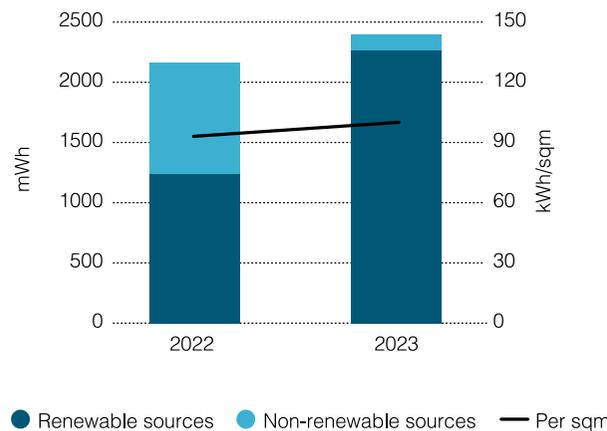
We aim to reach 100% purchased electricity from renewable sources by 2025 across our facilities (including RECs). For 2023 we reach 95%. In 2023, electricity consumption across our facilities increased 11% compared to 2022, mainly in our distribution centers in China and Germany.

## Nilorn East Asia

In 2023, Nilorn East Asia with the support of CLPe Solutions Limited (CLPeS), had a walkthrough energy audit conducted. The audit aimed to pinpoint energy-saving prospects and evaluate the indoor environment conditions of the premises. Several energy management opportunities were recognised, such as improving staff awareness of energy efficiency and substituting the remaining fluorescent lamps with LED lamps. This action will not only decrease heat generation but also minimise the demand for air-conditioning.

## Nilorn Portugal

Among Nilörn Group's production units, Nilorn Portugal consumes the highest amount of energy, accounting for 962,000 out of the total 2,402,000 kWh. In 2019, the facility installed 460 solar panels. By 2023, these solar panels contributed to 16% of the factory's total electricity consumption, with the remaining sourced from purchased electricity generated through renewable hydro energy. An expansion of the factory is planned, allowing for a more extensive installation of solar panels.



**95% renewable sourced purchased electricity**

# Waste

Efficiency is part of our approach to managing our waste impacts during the production phase. As a manufacturing company, we purchase, use and transform materials in production, which in turn creates waste.

## Waste as part of a circular textile industry

We have been actively exploring options to enhance the reuse of waste generated from our production processes. Initial trials are underway in collaboration with Nilorn Portugal and a Spanish textile recycling company to assess the potential of repurposing textile waste from label production. Within the production unit, we collect and segregate textile waste scraps generated during weaving and label-making processes. Subsequently, these scraps are dispatched to a recycling facility in Spain, where they are used to create mainly nonwovens and cleaning textiles. The mechanical recycling process involves combining textile waste with used pet bottles to produce yarns with desired properties. Developments are ongoing to create filament yarns but it is currently used for staple yarns.

Plastic stretch film used to protect goods during transport, is a valuable recycling asset. At our European distribution centre, we separate the film and send it for recycling. After the material is washed, a German recycling company recycles it mechanically and produces a granulated transparent material. This material can be used to produce new transparent film. The film will enter the market for recycled materials and be used, for example, as packaging/garment bags.

## Zero waste to landfill

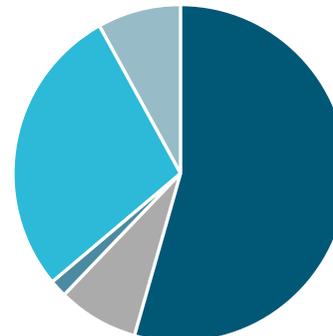
We are actively pursuing the ambitious objective of zero waste to landfill by 2025. This takes into account the challenges posed by the international markets we operate in and the complexity of infrastructures, waste streams, and management systems. Our commitment involves minimising the volume of waste generated and implementing efficient sorting practices wherever possible.

The outsourcing of waste collection, transportation, recovery and disposal is managed independently by each of our production units. These units ensure compliance with all relevant permits, including those related to waste disposal. The details regarding the final disposal of waste fractions differ among the countries in which we are active. Despite our efforts to gather information through research, data collection remains a challenging task. In 2023, the proportion of recycled waste in the overall waste data stands at 83%, compared to 86% in 2022.

Our efforts to promote waste reduction and sorting include enhancing sorting capacity within our production units. Given that the primary components of our products are polyester, paper and plastics, the predominant waste stream from our production units consists of non-hazardous textile waste, such as polyester yarn and fabric. As detailed on page 29, the design process plays a pivotal role in waste reduction and streamlining recycling efforts.

## Waste (tonnes)

- PAPER 97
- PLASTIC 14
- ORGANIC WASTE 3
- OTHER 50 (including textile)
- HAZARDOUS WASTE 14



# Water

In our efforts to minimise our water impact, we have set the objective of ensuring safe wastewater discharge. This involves monitoring and controlling the use of chemicals and obtaining production certifications. Although the majority of our manufacturing processes are not water-intensive, we are dedicated to reducing our overall impact on water resources. This commitment is particularly crucial in regions facing high-water stress, such as Bangladesh. In these areas, water conservation takes on heightened importance. Additionally, to prevent our products, including plastic garment packaging, from entering natural waterways, we prioritise the production of recyclable items.

Annual assessments of water consumption are conducted across all our facilities through sustainability data reporting. Water management is a focal point in both SMETA audits and Higg FEM assessments. The majority of Nilörn's total water withdrawals are allocated to manufacturing processes, with the remainder utilised for domestic purposes like sanitation or garden maintenance. In our Dhaka-based Bangladesh factory, situated near a river, we repurpose some water from the effluent treatment plant for gardening and fire drills. In other locations, wastewater is directed to municipal treatment plants.

Given the water-intensive nature of certain processes in our supply chain, such as dyeing, it is imperative for us, as part of the textile industry, to be mindful of water usage. Some of our suppliers operate in regions facing high water stress, and several conduct assessments using the WWF Water Risk Filter. The integration of Higg FEM provides us with a comprehensive understanding of water consumption throughout our supply chain.

Water is a fundamental human right, but one-tenth of the world's population does not have access to clean water. Lack of clean water has severe consequences in many areas. Women and children are often hit the hardest. In many parts of the world, it is the responsibility

of women and girls to find and fetch water. Collecting water takes so much time and energy that girls miss out on education and women find it difficult to work or be active in society.

With the guidance of WaterAid's team of local experts, our Bangladesh facility has improved its procedures for the mandatory drinking water testing to ensure that the test samples remain uncontaminated. In 2023, the factory's training program underwent an update, incorporating additional wash-related topics and addressing their implications on the surrounding environment. Recommendations have been provided to enhance the existing water and sanitation standards for nearby living accommodations, this will be further addressed in 2024.

We are proud to support WaterAid's work and we also participated in "March for Water" 2023.

## Water usage and discharge

	BD	DE	HK	PT	UK	TR
Source	Groundwater	Municipal water	Local water authority	Local water authority	Municipal water	Municipal water
Volume used (m <sup>3</sup> )	1863	165	396	1363	147	277
Discharge method	ETP	Municipal wastewater	Municipal wastewater	Municipal wastewater	Municipal wastewater	Municipal wastewater
Wastewater discharged (m <sup>3</sup> )	0	148	396	1227	140	277



WaterAid is an international organisation that works for a world where all people have access to clean water, toilets and hygiene. Every year, the organisation changes the lives of millions of people through increased access to clean water, toilets and hygiene in the world's poorest communities.

WaterAid collaborates with local partners for sustainable and long-term solutions, and influences decision-makers globally and nationally to increase priorities and efforts for these basic needs.

WaterAid is active in 30 countries worldwide and since its inception in 1981, over 28.5 million people have gained access to clean water and over 29 million have gained access to toilets as a result of WaterAid's work.



# Social

Social factors affect a company's performance, and the "S" pillar in ESG refers to an organisation's relationships with stakeholders. People and society is one of our three focus areas.

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# Ethical behaviour and human rights

We actively endorse the principles of human rights and respect the basic rights and freedoms everyone is entitled to, regardless of nationality, gender, religion, race or any other status. Nilörn aims to avoid causing or contributing to adverse human rights impacts in areas we can directly influence, through management control and addressing such impacts if they occur. Wherever possible, we also strive to identify, prevent or mitigate adverse indirect human rights impacts that may be linked to our operations, products and services through business relationships. This is part of our human rights policy.

# Sedex

For Nilörn, Sedex supports the management of our complex supply chain and allows us to share data with clients. We are an A/B-member (buyer/supplier).

Sedex, supplier ethical data exchange, is a non-profit membership organisation and online database used by more than 74,000 members in over 170 countries, which allows companies to store and view data on ethical and responsible business practices. Members also have access to a range of resources and reports, including industry-specific questionnaires and risk analysis tools. Sedex does not set any standards or determine the policy of its members. Sedex provides a place to store all ethical audit reports, with a summary of non-compliances held in a common format. Since all social audits, such as BSCI, SA8000 and ICTI, can be uploaded to the Sedex platform, it also reduces administration.

The Sedex Members Ethical Trade Audit (SMETA) is a common audit methodology and report format aiming to drive consistency of data from the auditing process. Smeta is the world's most used ethical

audit format. The audit checks specifically against the ETI Base Code and how it is distributed to employees and the supply chain, relevant local laws, environmental performance, subcontractors/home workers, eligibility to work and understanding the ETI Base Code.

We continue to engage more of our external supply chain in Sedex and now more than 94% of our buying volume in risk-classified countries is third-party audited. Small suppliers can be a challenge, with bespoke products that are not part of the core business. However, our program to reduce the number of suppliers will also support our goal of 100% third-party audits by 2025.

## SMETA audit steps

1

### Submit a self-evaluation form

All audited sites are required to complete an assessment form prior to the audit.

2

### Conduct a SMETA audit on site

Auditors check if the social and environmental management documentation meets the SMETA criteria. Audit duration depends on the number of employees and locations.

3

### Issue a report and CAPR

After the SMETA audit, a corrective action plan is created together with a detailed audit report (SMETA report & CAPR), these can be uploaded to the Sedex database.



# Supplier evaluation and vendor rating

All our preferred suppliers are evaluated annually. Topics evaluated include delivery reliability, product quality, service, product development, economy and environmental approach. Third-party standard certifications, together with site visits, are normally part of this evaluation process. The supplier is graded per the evaluation, and, if necessary, an action plan is developed for improvements. The evaluation is used for follow-up activities, such as supplier training and development.

As a part of our continuous work in developing and increasing the standard of our supply chain, a Vendor Rating was introduced in 2021. The Vendor Rating is a tool connected to our business system Microsoft Dynamics NAV for categorising suppliers. It gives an overview of all suppliers and the possibility to categorise suppliers using an internal rating. There are ten criteria included in the rating and for each criterion achieved the score increases. At this initial step we focus on soft criteria, for example, third-party social audit status, Higg Index involvement and Nilörn site visit reports. The total score

is converted to a letter from A-D, where A is the highest rating. The tool will support us in tracking and improving supplier performance and this is communicated internally to our purchase organisation when placing orders. This is beneficial for both our suppliers and us, as we strive towards working with higher-rated suppliers and it pushes suppliers to strive for the highest rating. We have started work on adding "hard criteria" to the vendor rating, e.g. delivery reliability and partial deliveries, and this will be finalised in 2024.



# Human rights

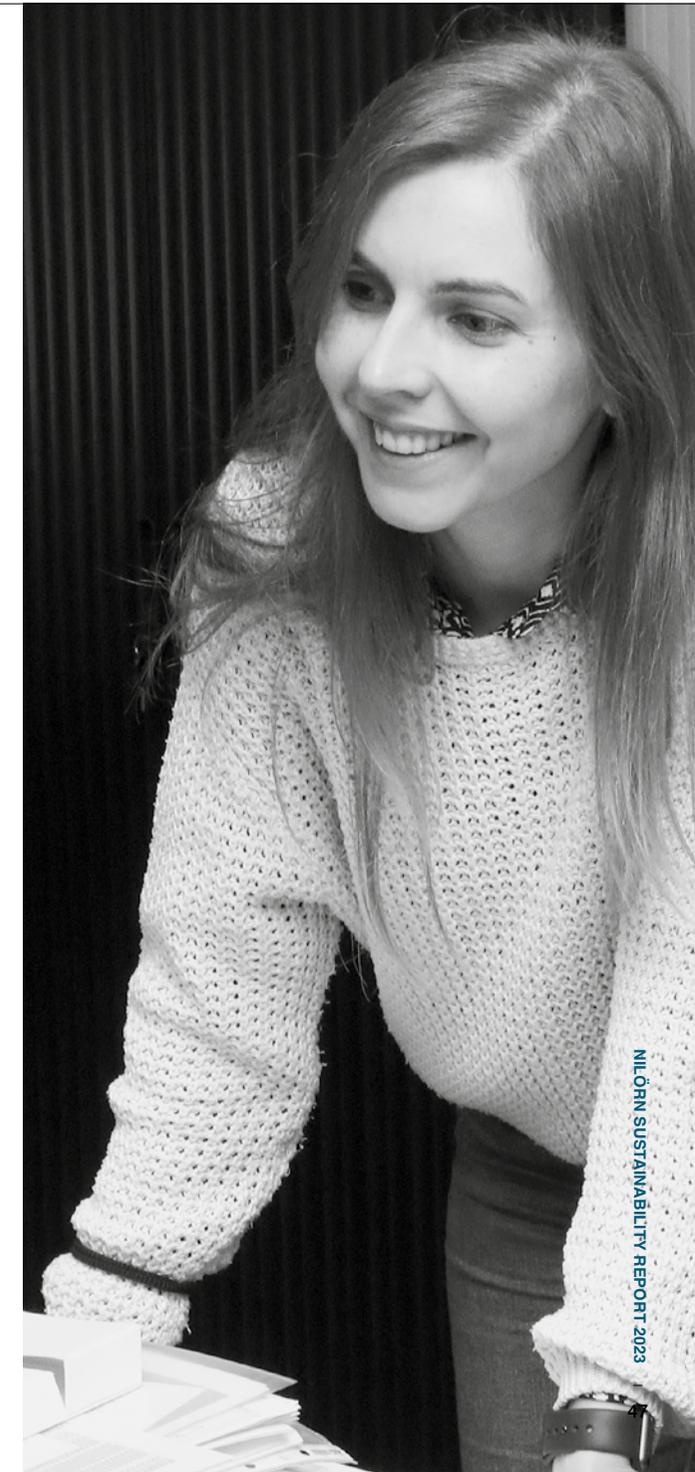
Nilörn's approach to human rights is based on UN Guiding Principles on Businesses and Human Rights and the "Protect, Respect and Remedy" framework. As a globally operating company we recognise our responsibility to respect international standards and practices, such as those of the United Nations (UN) Universal Declaration of Human Rights and Fundamental Rights at Work by the International Labour Organisation (ILO). Our commitment to operating with respect for human rights is reflected in company policies and procedures and Nilörn is a signatory of the UN Global Compact.

We seek to play an active role in the promotion of human rights and to work proactively to respect that all people are entitled to basic rights and freedoms, regardless of nationality, gender, religion, race, or any other status. Nilörn aims to avoid causing or contributing to adverse human rights impacts in areas which we can directly influence, through our management control and addressing such impacts if they occur. Wherever possible, we also strive to identify, prevent, or mitigate adverse indirect human rights impacts that may be linked to our operations, products and services through business relationships. Nilörn has zero tolerance for slavery and human trafficking.

Discrimination, the importance of diversity and the need for equal access to opportunities are risk areas in complex supply chains. By identifying and mapping supplier's sites against known risks, awareness can be raised and actions planned.

## Modern slavery

Modern slavery is a term that captures a range of human rights issues, including forced labour, bonded labour, human trafficking and child slavery. Since 2017, Nilörn has published a statement in line with the UK Modern Slavery Act 2015, detailing the steps we take to ensure that modern slavery and human trafficking are not taking place in our operations and in the supply chain. The statement is published on the Nilörn website. It reflects our zero-tolerance approach to modern slavery in every form, and the different forms of modern slavery are covered by the focus areas of our supply chain audits. Employees or third parties who identify a potential or actual violation of these commitments or requirements are encouraged to file an anonymous report to our whistleblowing tool.



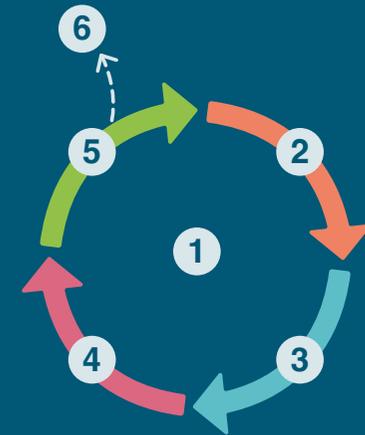
# Human rights due diligence procedure

The Human Rights Due Diligence Procedure (HRDDP) is part of Nilörn's responsible business practices and functions as a base and structure for the CSR (Corporate Social Responsibility) work at the company. The HRDDP aims to assure that human rights are not violated and includes routines for building internal awareness and understanding of where the company's activities may have the potential to intersect with human rights or infringe upon the enjoyment of human rights by others, as well as how to prevent or mitigate such potential human rights impacts and remediate actual impacts that have occurred.

Nilörn seeks to do business with suppliers who share similar values and respect human rights. We require our suppliers to take actions that are consistent with the Nilörn supplier Code of Conduct. Suppliers are required to have processes in place to ensure that they do not take part in human trafficking or modern slavery.

By signing the UN Global Compact, we commit ourselves to continually improving our practices and to complying with laws and regulations and acting in accordance with commonly accepted best practices.

The procedure follows the OECD 6-step Due Diligence Guidance for Responsible Business Conduct.



## 1 Embed responsible business conduct

Our policies include a commitment to respect human rights

- Human rights statement
- Corporate responsibility and sustainability policy
- Supplier Code of Conduct
- Homeworkers policy
- Supplier handbook
- Slavery and human trafficking statement
- Anti-corruption and bribery policy
- Gender equality policy
- Anti-harassment and bullying policy
- Public interest disclosure "whistleblowing" policy

## 2 Identify and access adverse impacts

We use due diligence to identify and address human rights challenges. To support this process, we introduced a due diligence toolkit including:

- Collecting supply chain information (agreements, audit reports, certifications, licenses and permits, etc.)
- Evaluating and revising supply chain information
- Risk assessment and identification

## 3 Cease, prevent or mitigate

- Third-party social audits, with follow up and tracking of any issues that might have occurred
- Supplier visits done internally by Nilörn
- Training internally and for suppliers

## 4 Track

We track information and documentation is done through the individual company systems and cooperation platforms, such as Microsoft Dynamics NAV, Sedex, Higg and Qarma. Record keeping and continuous follow up.

## 5 Communicate

We communicate internally and externally on expectations to manage and mitigate human rights risks in our business operations and supply chains. Examples are:

- Sustainability report
- Vendor rating
- Webpage
- Policies
- Grievance and remediation systems

## 6 Provide for or cooperate

Our process for remedy of any actual impact caused by the company will depend on the nature and extent of the adverse impact. Standards and networks will be used, examples of organisations that Nilörn participate in which supports our management of human rights risks over time:

- AAFA
- European Outdoor Group
- TEKO
- Sedex
- Worldly

# Diversity, equality and inclusion

The company strives to offer a workplace characterised by diversity where employees can reach their full potential and contribute to developing a high-performing organisation.

By ensuring diverse and equal opportunities at Nilörn, we aim to provide a workplace where all employees feel welcome and cherished, regardless of their gender identity, sexual orientation, ethnicity, faith or background. Moreover, our employees' physical and psychosocial health and safety are a cornerstone to conducting our business responsibly and ethically. We also focus on upholding our business ethics, guiding co-workers to behave accordingly, and nurturing diversity at our offices, from the recruitment processes to employees' growth and promotion.

To be an attractive employer we take our responsibility for creating fair and equal opportunities for men, women and non-binary people

seriously in the countries where we are present. Our internal policies and business practices incorporate this vision in everything that we do, from our facilities to management team, in all our locations.

Diversity and equality at Nilörn are paramount. They are part of our values, they support our business goals and are considered a key aspect of employee well-being. Our focus lies in creating a diverse workplace where all employees have equal opportunities, regardless of their socioeconomic background, religious beliefs, gender, sexual orientation or ethnicity. Diversity of people is a diversity of ideas, skills, and experience. A broader range of perspectives means we can better understand and meet the needs of our clients.

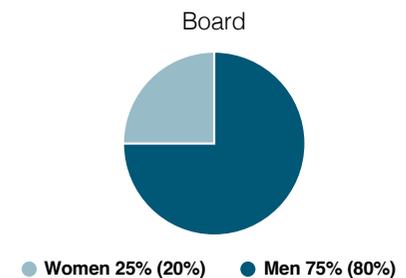
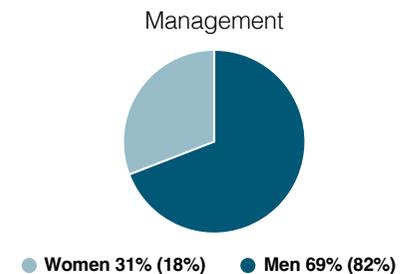
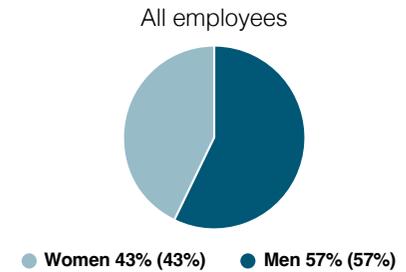
Our human resource policy regulates what the company expects of its employees and what employees can expect of the company. The HR policy mainly regulates management responsibility for developing staff, information supplied to all employees, annual performance reviews, payments. The overall objective is that work on gender equality should be a natural and integral part of all our activities and apply to all staff at all levels.

We also believe it is important that Nilörn employees feel comfortable voicing dissenting opinions and concerns in the workplace. Our employees can communicate their concerns to managers, through our employee surveys and anonymously via the whistleblowing tool.

Employees of Nilorn Belgium, Denmark and the worker committee in Nilorn Bangladesh are covered by a collective bargaining agreement (4%). Nilörn Sweden follows the union agreement (Unionen). We also have an internal system that ensures proper implementation of our policies and routines. To find out more about our internal controls on policy implementation, go to page 69. No incident of discrimination was identified in 2023.



Gender distribution 2023  
Numbers of employees: 586 (591)



100% >50 years old

Previous year in brackets.

The average number of employees is calculated as on average of full-time equivalent (FTE) numbers per year.

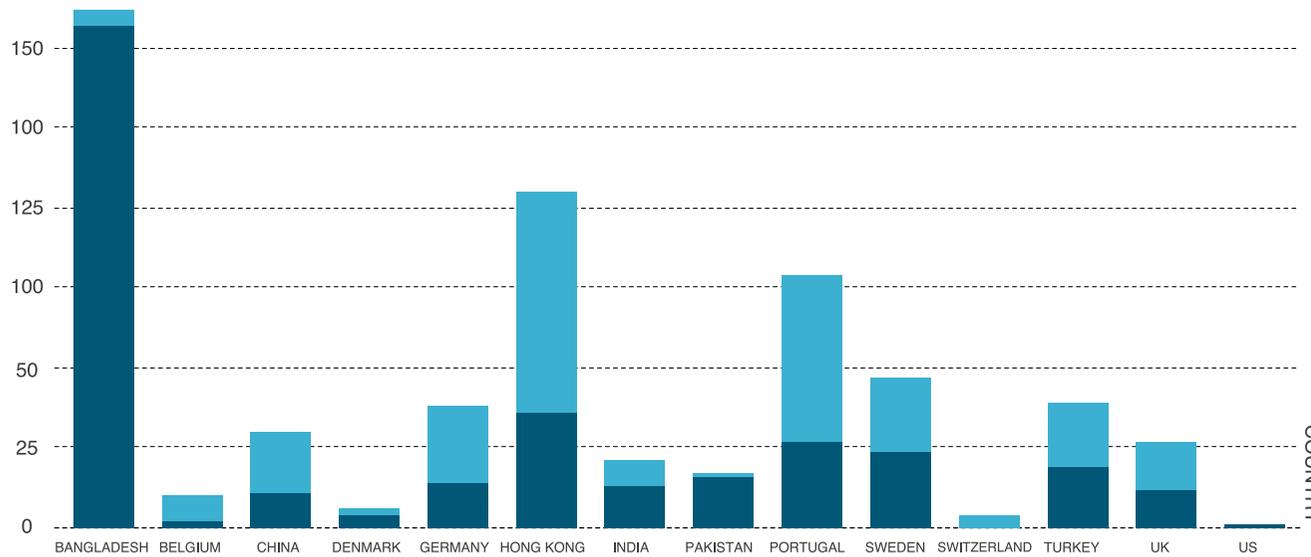
The gender distribution in the entire Group is 43% women and 57% men. 31% of managers are women. The long-term target is that neither men nor women will account for less than 50%. The focus for the coming years is to increase the age balance and improve the gender distribution in the total workforce and among senior executives, it is a high priority throughout the organisation. Challenges for a more even gender distribution include low staff turnover in some regions, structural factors in our industry and that the business is conducted in countries where gender roles are largely traditional. In total 98 new employees (21 women and 77 men) joined Nilörn and the employee turnover was 17% (2022 16%).

### % of employees per category, gender and age

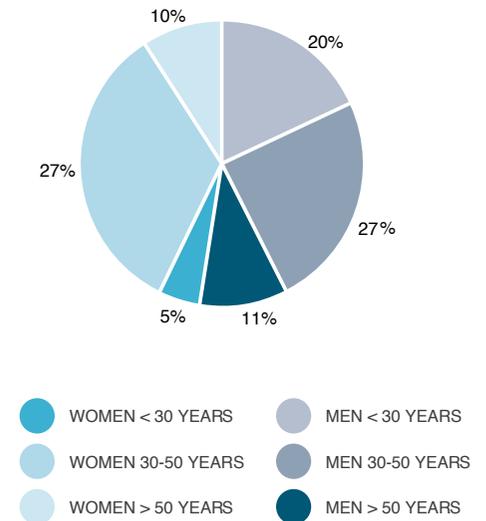
	< 30 years		30-50 years		>50 years	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managing Director			0,3%	0,3%	1,2%	0,3%
KAM			0,8%	1,0%	1,3%	1,5%
Account Manager / Client Service	1,2%	1,2%	1,3%	8,4%		2,2%
Sourcing (incl PD)	0,3%	0,5%	2,3%	4,4%	0,2%	1,0%
IT / RIS	0,5%	0,2%	1,5%	0,5%	0,5%	
Design		0,2%	1,2%	1,0%	0,5%	0,3%
Finance	0,5%	0,7%	1,8%	2,9%	0,5%	0,3%
Admin (CSR / HR)		0,3%	0,5%	0,8%	0,2%	0,8%
Production	14,4%	1,2%	11,2%	5,4%	3,0%	3,2%
Logistic / Warehouse	3,5%	0,2%	7,0%	2,5%	2,7%	
New hires	44	5	30	13	3	3
Fulltime employees who ended their employment	33	6	19	28	9	5

### Gender distribution per country

EMPLOYEES  
175



### Age distribution



# Health and safety

Nilörn aims to be an employer of choice by offering a more sustainable, caring and safe working environment.

As per the Swedish Work Environment Act, we, as employers, bear the responsibility for occupational health and safety. At our headquarters, we collaborate with employees and safety representatives to address and manage the work environment and occupational health and safety. This involves the systematic identification, prevention, investigation and follow-up of work-related activities that could lead to occupational illnesses or accidents, encompassing both physical and psychosocial well-being. This collaborative effort involves an external health service provider and safety representatives. Each Nilörn unit has a designated worker consultation process, such as a worker committee, suggestion box, or worker representative. In Bangladesh, a worker participation committee is elected in accordance with legal requirements.

Occupational health and safety are currently managed at each Nilörn location based on national legal requirements. All production units are expected to adhere to established standards covering emergency

procedures, risk assessment, safety training programs, chemical management and personal protective equipment. Occupational health services are provided for employees, with a doctor and nurse available during working hours at the Bangladesh factory. In other countries, this service is either provided by external service providers or the public health system. Nilörn places a strong emphasis on preventive actions and raising awareness in occupational safety, aiming to eliminate risks and hazards in advance whenever possible. Each production unit conducts risk assessments, and training programs are managed locally. Various wellness programs and initiatives are implemented across the group, including wellness grants, access to fitness clubs, regular health examinations, additional consultancy as needed, expanded coverage for healthcare professionals, health insurance, eyesight tests, e-bikes, and services for personal support and life management.

Nilörn employs a decentralised approach to identifying and investigating risks and hazards in the workplace. Each facility within the group is responsible for defining action plans to prevent and mitigate identified risks and ensuring the follow-up of their implementation. Employees have the option to directly report potential issues to each Managing Director, and regular safety rounds are conducted at our production facilities. We advocate for a safe, healthy, and secure environment in both our offices and production facilities, as well as in the activities of our external suppliers.

One way we recognise risks and strive for enhancements is through incident reporting. In 2023, a total of four incidents were reported, with all occurrences in the production. Hand injuries emerged as the most prevalent type among the reported incidents.



# Employee engagement and competence development

Nilörn conducts a biannual employee survey, giving voice to employees and addressing workplace well-being and satisfaction. The survey comprises five multiple-choice questions (scale 0 – 10) and one open-ended question, maintaining respondent anonymity with only the country revealed. Questions are translated into local languages for accessibility. The number of responses in 2023 decreased slightly from 506 in 2022 to 493. Despite uniform averages among questions in 2023, significant variations across markets were observed. Areas with the highest values included corporate values and conducive work conditions. In 2023, four countries were identified for improvement, with subsequent actions taken.

## Net promoter score for employees

The eNPS score (Employee Net Promoter Score) indicates the extent to which employees serve as ambassadors for our organisation. eNPS is based on the question: on a scale of 0 to 10, how likely are you to recommend this workplace to a friend or someone from your professional network?

eNPS can range from -100 to 100. However, a score above zero is generally considered positive. Scores within the range of 10 to 30 are typically deemed good, while a score of 50 is excellent. In 2023, there was a negative trend resulting in an eNPS of 27. We take the eNPS decline seriously and have attributed it in part to downsizing in several countries. Monitoring this trend, we have initiated clear follow-up measures for continuous assessment and intervention if needed.



## Building winning teams

Competent and committed employees form the basis for Nilörn to be innovative and competitive. We work responsibly for the well-being of both our employees and the environment.

In September 2023, Nilörn's global team met in Borås, Sweden. We held workshops at the University of Borås and an outdoor team-building activity around the cities' walk of art.

# Employee development in focus

Securing and retaining highly skilled employees provides us with a significant competitive edge, and to achieve this, it is crucial to provide an outstanding work environment that fosters the growth and development of our staff.

We are firm believers that all employees should enjoy their work and experience job satisfaction. We want all employees to develop and grow along with the company. Training opportunities are an important tool to continuously increase skills and professional development. This is also a way to retain experienced co-workers and attract new talent. Furthermore, capacity-building is key to increasing all employees' knowledge and awareness of issues that are important for the sustainable growth of Nilörn and our clients managers bear the responsibility for crafting employees' training agendas. Nilörn conducts regular monitoring of employees' general motivation and well-being through annual development appraisals. Every employee is entitled to an annual performance review with their respective managers, and in 2023 a total of 609 reviews were conducted, also including employees who ended their employment during the year.

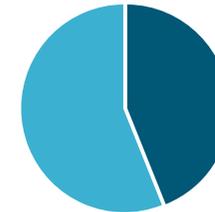
## Upskilling our people and sharing knowledge

Our onboarding program ensures that newly hired individuals gain a comprehensive understanding of Nilörn and its operational procedures, establishing the foundation for effective collaboration. In 2023, we conducted two induction sessions, during which all new group employees participated in a comprehensive presentation led by the management team. This provided an excellent platform to discuss our identity, work processes, responsibilities and extend a warm welcome to new members.

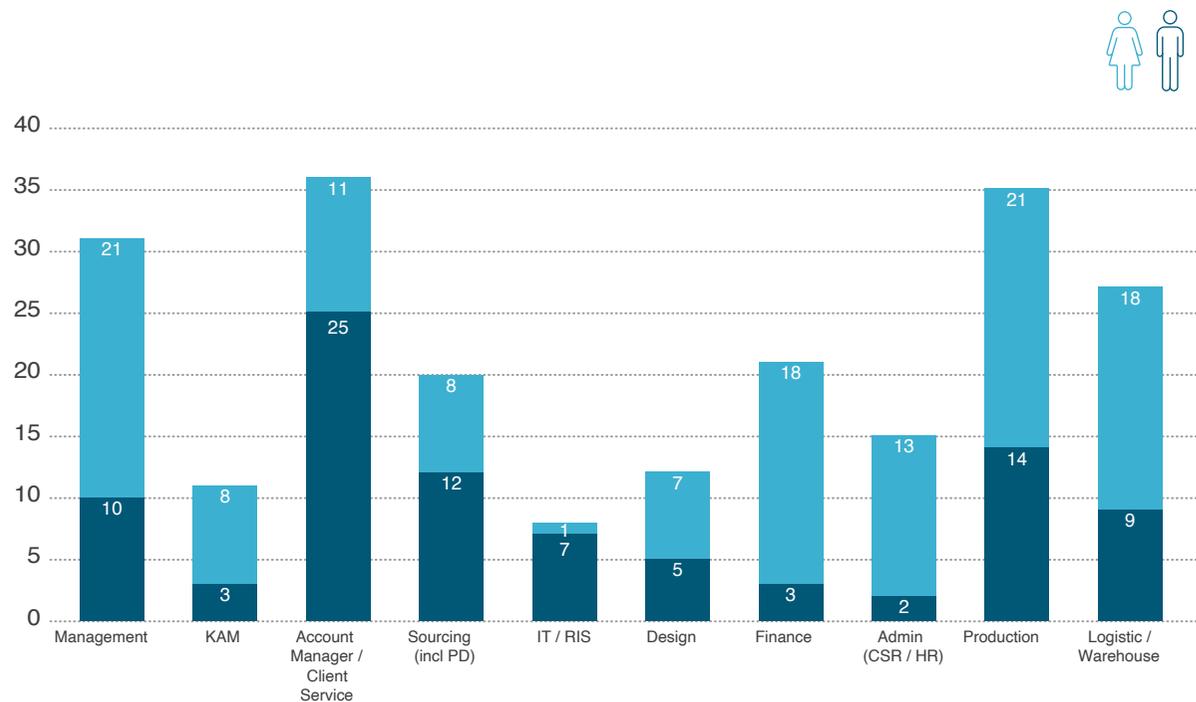
As a component of the Nilörn Sweden environmental certification, all employees are obligated to undergo fundamental environmental training. This mandatory training occurred in October 2023.

In 2023, we continued our online training, with eight webinars covering topics including how to work with FSC™ and vegan approved items and environmental related labelling requirements. The average hours of training per employee was 12 hours.

Average hours of training woman (14) and men (11)



Average hours of training per department



## March for Water

Access to clean water is a human right and a prerequisite for health. One in ten people globally lack clean water. The March for Water campaign highlights the global water crisis and raises awareness of the problem. Through an app provided by WaterAid, we log steps and physical activities, so we can challenge ourselves and compete internally between departments and countries. All part of showing solidarity for people who don't have easy access to clean water.

Together we registered over 74 million steps and the campaign reached an incredible 650 million steps!



# 74 million steps

# Collaboration for impact

The group maintains a dialogue with stakeholders and is a member of several associations at global, regional and national levels. We participate in initiatives and collaborations to demonstrate our commitment to social and environmental engagement and it gives us the opportunity to exchange knowledge and experiences with representatives across the industry. We believe that collaboration is necessary to drive change.

## The American Apparel & Footwear Association

In 2020, Nilörn became a member of The American Apparel & Footwear Association (AAFA), which represents more than 1,000 brands, retailers and manufacturers. AAFA provides exclusive expertise in trade, brand protection, and supply chain and manufacturing to help its members navigate the complex regulatory environment. AAFA was formed in 2000 through the merger of the American Apparel and Manufacturers Association (AAMA) and Footwear Industries of America (FIA).

## Fedustria VZW

Fedustria VZW is the merger federation of the former non-profit organisations Febeltex and Febelhout and represents companies from the Belgian textile, wood and furniture industry. Fedustria's mission is to assist companies in successful development by safeguarding and strengthening their competitiveness. Nilorn Belgium has been a member since 2001 and the membership gives us access to information, support and training in areas like communication, sales, environment and sustainability.

## Dansk Fashion and Textile

Dansk Fashion and Textile (DM&T) is the trade association for Danish textile and clothing companies, representing more than 375 companies. DM&T is nationally responsible for GINETEX, the international association for textile care labelling, in Denmark and gives its members advice, inspiration, networking and political work and marketing. Nilorn Denmark has been a member since 1979.

## Swedish Textile Importers Association

The Swedish Textile Importers Association provides importers of textiles and related businesses with industry-specific services, helping us keep track of important regulations and information, such as customs duties, rules of origin, labelling and CSR. Nilörn has been a member since 2004.

## SwedCham Hong Kong

The objectives of the Swedish Chamber Of Commerce in Hong Kong are to promote, study, extend, advance and protect business relations, investments and interests of Swedish and other organisations in Hong Kong. SwedCham participates actively in the International Business Committee (IBC), which provides a sounding board and forum for lobbying and discussion for international business representatives with the government on matters of interest for chamber members. Nilorn East Asia has been a member since 2017.

## UK Fashion and Textile Association

The UK Fashion and Textile Association (UKFT) is a British network for fashion and textile companies, bringing together designers, manufacturers, agents and retailers to promote the business and industry in the UK and throughout the world. UKFT has a unique position, representing businesses from spinning, weaving and knitting to catwalk and aftercare. UKFT is the UK representative of Ginetex. UKFT works with approximately 2,500 companies and as a member, we get access to industry-specific business information, export advice and networking. Nilörn has been a member since 2017.

## TEKO

TEKO is the Swedish trade and employers' association for companies working in the textile and fashion industry with over 350 member companies. They represent the sector, both nationally and internationally, in all questions of common interest and inform clients, suppliers, media, the public and the government about the Swedish textile and clothing industry, its companies and products. TEKO is also the national member for Sweden of Ginetex. TEKO has a dedicated sustainability group made up of member companies, including Nilörn.



# Governance

The “G” in ESG refers to how an organisation is led and managed – the fundamental basis for creating ESG value.

Being present in various locations, we meet different cultures and preferences.

Our core ethical values apply to all locations where we operate, which is why we have developed governance documents that guide all Nilörn employees' behaviour at work, setting high ethical standards and good practices to prevent improper conduct. This area of work is material to Nilörn given that our business is spread over 19 countries where different cultures and social norms may affect business behaviour.

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# Ethical business and anti-corruption

To avoid unethical behaviour from our employees and in our business relations, we have a responsibility to uphold the highest ethical standards wherever we conduct business. For this, we have developed a set of policies and business practices. Both the employee and the management handbook are available via the intranet, providing easy access to policies, routines, etc.

Our code of ethics, company core values, practices and policies guide the actions and behaviour of employees to act in an ethical manner that goes beyond compliance. It also means fostering an environment where our employees can speak up if they have questions or encounter violations. All employees receive information about business ethics and anti-corruption through our policies, which are available on our intranet. Every Nilörn office and facility manages its own system or mechanism for reporting irregularities and dissenting opinions and concerns in the workplace, whether relative to corruption or discrimination, so that employees are heard and to identify areas that require special attention. Depending on our offices, the HR or Finance Manager is responsible for collecting cases or suspicions of unethical behaviour. They are also responsible for managing and following up with appropriate measures to resolve each case.

All our employees receive information about business ethics and anti-corruption through our policies



## Nilörn code of ethics and business conduct

This code shall guide our daily work within Nilörn and it covers areas including:

- Compliance with laws and regulations
- Respect in the workplace
- Protection of company property
- Professionalism

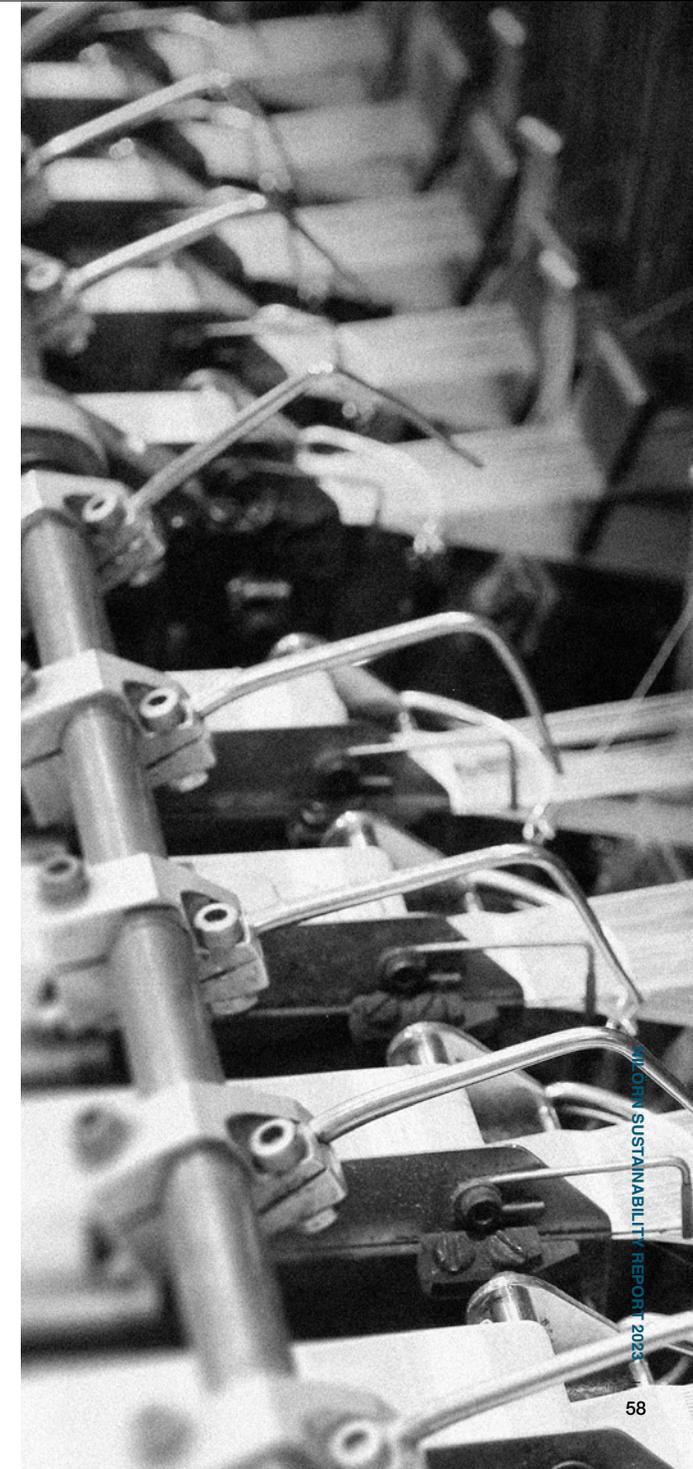
Nilörn's principles and work to prevent bribery and other types of corruption are summarised in the global anti-corruption policy. The policy contains the organisation's mandatory rules and restrictions

regarding gifts and other appreciations. It also describes the procedures for employees to raise ethical questions or report breaches or suspected breaches of the code.

566 of Nilörn employees signed the anti-corruption policy in 2023. No incidents of corruption were registered in 2023, neither at local locations, at Group level, via our whistleblowing system or in connection with suppliers.

## Whistleblowing

Nilörn has a centralised whistleblowing function to enable employees and other stakeholders to report suspected serious irregularities or misconduct. The function allows for a homogenous process to voice inappropriate conduct and help us maintain our strong values and code of ethics. Employees and suppliers receives information about the possibility to report incidents through meetings, the intranet and our website. All whistleblowing reports are shared with and investigated by the CFO, CEO and two independent board members. The final report is shared with the Board of Directors. The effective use of the whistleblowing system will be reviewed every year to make sure that employees are aware of and feel comfortable using it. This is done by the Group CFO and communicated internally. There have been no incidents reported via the whistleblowing function in 2023.



# Supplier governance

Our commitment to sustainability extends throughout our entire supply chain. We recognise that by engaging in a meaningful way with our suppliers, we can ensure that both our company and our partners uphold the highest standards in labour, human rights and environmental practices.

Our global supply chain and multiple locations create advantages such as shorter delivery times, lower freight costs, and reduced environmental impact. We proactively collaborate with our partners to address these challenges and ensure responsible business practices, including adequate labour conditions and respect for human rights.

We are committed to maintaining the highest labour standards not only within our organisation but also throughout our supply chain. This commitment is achieved through close collaboration with our business partners, fostering a shared understanding of the importance of labour rights and fair working conditions. Together, we work towards the common goal of providing the highest labour standards for all employees involved in our supply chain.

Through supplier engagement, responsible resource usage, labour standards, transparency and collaboration, we aim to create a sustainable and resilient supply chain that aligns with our values and contributes to a more sustainable future. In 2023, we launched our supplier portal. It supports communication with our suppliers with the aim to align with Nilörn's sustainability and compliance requirements:

- Markets news and regulations
- Vendor rating
- Product compliance
- Supplier handbook

## In 2023, we launched our supplier portal

# Responsible sourcing

We have established a supplier selection process that considers sustainability criteria alongside traditional factors such as quality price, and reliability. We prioritise suppliers who demonstrate strong environmental performance, social responsibility, and ethical business practices. By working with responsible suppliers, we aim to mitigate potential risks and contribute to positive social and environmental outcomes.

## Supplier onboarding

New suppliers are reviewed by the CSR department and the 'Nilörn New Vendor Guideline' must be followed. The first assessment includes checking social audits the factory may previously have been subjected to and other areas such as production capacity and product quality.

New suppliers should preferably be visited prior to production; contractual agreements are entered into with suppliers, including their commitment to abide by Nilörn policies and guidelines. In 2023, Nilörn started to use the traceability and sustainability compliance management platform Retraced, for onboarding of suppliers.

The Nilörn Supplier Handbook is part of the general agreement shared with all new suppliers, it is regularly updated and it covers:

- Ethical business Practices
- Nilörn's Code of Conduct and other requirements of social compliance
- Chemical Management and Product Safety – Nilörn's requirement on RSL, ZDHC, REACH and other chemical regulations
- Quality and Testing – quality requirements and testing routines
- Product Development and Production Guidelines – development, production, delivery and packing guidelines

Total number of new suppliers assessed in 2023 according to both social and environmental criteria: 19 (100 % of all new suppliers).

In 2023, four business relationships were terminated after a dialogue with involved suppliers, due to not meeting the required compliance level.

In 2023, the Nilörn supplier presentation was updated to cover more areas. The presentation shows Nilörn's ambition in CSR and sustainability to communicate the way we work and what our clients can expect from us and our supply chain. It is available in five languages to be broadly accessible.

## Nilörn supplier Code of Conduct

Our supplier Code of Conduct is part of the agreement and serves as a common foundation for us and our suppliers in terms of acting in a responsible manner, including focusing on social responsibility and good working conditions. The supplier Code of Conduct requirements are based on the eti base code. The ETI Base Code, which is founded on the conventions of the international labour organisation ILO and is an internationally recognised code of labour practice.

This Code of Conduct is mandatory for all suppliers, their subcontractors and other business partners that do business with Nilörn. Companies applying this code are also expected to comply with national and other applicable laws, the provisions of this code constitute minimum and not maximum standards.

## The ETI Base Code is built around nine principles

- Employment is freely chosen
- Freedom of association
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is allowed

## We expect our suppliers to continuously reduce their impacts

We expect our suppliers to share our ambitions and work to measure and reduce their ecological and carbon footprint. We actively seek suppliers who hold certifications or accreditations related to responsible sourcing, such as Forest Stewardship Council (FSC), Sedex, GRS or other relevant certifications in our industry.

We expect our suppliers to gradually increase their share of certified supply chains and work with certification bodies to improve their methods. Furthermore, we promote the added value of certified timber from responsibly managed forests and actively engage with our customers to increase their demand for certified and responsibly sourced timber. We promote our global suppliers with the Higg FEM to evaluate their environmental footprint, helping us identify key areas for improvement and efficiencies at the manufacturing level.

## Risk assessment

Risk-scoping is conducted mainly through the Sedex risk-assessment tool Radar. The scoping is done twice annually to identify any new reoccurring risks based on the global situation.

The Nilörn country risk matrix is collectively based on:

- Sedex Radar tool
- BSCI risk classification
- Trade organisations news updated on new risks in supply-chain impacting our industry
- Nilörn Vendor rating
- Third-party social audits
- Nilörn supplier visits

### Supplier inspections and ongoing monitoring

We carry out internal inspections in combination with third-party audits through BSCI, Sedex and other initiatives. Most importantly, we focus on having close dialogue and frequent meetings with all prioritised suppliers. We carry out supplier visits both virtually and on site and we have implemented a digital tool to support the inspection process. It facilitates planning, follow up and administration.

In 2023, we were able to visit and present to many of our suppliers. Our supplier presentation gave the suppliers a better understanding of Nilörn, our goals requirements and targets. We also see it as an opportunity to educate and point out areas of improvement at the facility. By meeting and connecting with our suppliers we build stronger relationships and partnerships.

### Mitigating and preventing child labour

We consider children and underage workers to be a risk category, which is why we pay close attention to respecting their rights throughout the value chain of our activities. We reject the use of child labour, as defined by the legislation in force in the country where the activities are carried out. The workforce should always meet the minimum age requirement set by the ILO Convention No. 138. The risk of child labour is monitored using the Sedex methodology for audits alongside the Radar risk tool. Audit findings are accessible on the platform, with no instances of child labour reported in 2023. Additionally, the platform enables tracking of the count of young workers. Should any instances of child labour or other breaches of the Code of Conduct be discovered, the due diligence process outlined on page 48 is followed.

## 2023 in numbers:

# 109

Internal inspections including social and environmental assessments  
(101 onsite visits, 8 virtual)

# 128

Third-party social audits

# 42

Higg FEM verifications

# 14

Brand audits

# Certifications and standard

Sustainability is increasingly the focus for both our clients and us throughout our practices and business relationships. In some areas, the use of standards and labels is a way of clarifying the work. Some provide third-party verification of business practices and offer transparent communication about which standards we stand by. Many standards overlap in areas like social compliance, and some are specific to a certain topic, which makes it difficult to navigate. In the table below, we present an overview of the standards we most commonly use and their focus areas, and our supply chain documents:

REQUIREMENTS/STANDARDS	SOCIAL			ENVIRONMENTAL				MANAGEMENT		ETHICS	
	Human rights	Work conditions	Employment	Bio-diversity	Chemicals	Waste	Water	Environment & Social management system	Supply chain responsibility	Anti-corruption and bribery	Compliance to legislation
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Sedex/SMETA – Sedex has created the Sedex Members Ethical Trade Audit (SMETA)–a common audit methodology and report format aiming to drive consistency of data from the auditing process. The SMETA audit checks specifically against the ETI Base Code and how it is distributed to employees and the supply chain, relevant local laws, environmental performance, subcontractors/home workers, eligibility to work and understanding of the ETI Base Code. Read more about how we participate in Sedex on page 45.

	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
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BSCI – Business Social Compliance Initiative, an initiative of Amfori, is a common, standardised approach for monitoring social standards in all supplier countries for all consumer goods. BSCI is not a certification system; rather, it provides a specific process with uniform management instruments for members, suppliers, auditors and qualifiers. Nilörn is not a member of Amfori, but we have external suppliers that are audited and part of the BSCI.

	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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bluesign® – The bluesign® SYSTEM uses strict auditing and chemical management to eliminate harmful substances throughout the supply chain, including responsible use of resources, production with a minimum impact on people and the environment and the highest level of consumer safety. Nilörn Portugal has been a bluesign® SYSTEM PARTNER since 2012 and Nilörn East Asia since 2017.

					✓			✓			✓
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OEKO-TEX® STANDARD 100 – A worldwide consistent independent testing and certification system for raw, intermediate and end textile products at all stages of processing. OEKO-TEX® STANDARD 100 has been the base for Nilörn’s textile product offer for many years, and today we offer woven and printed certified labels as well as some metal and plastic accessories and heat transfers. OEKO-TEX® STANDARD 100 certification means that a product, material, accessory, or other textile-related good has been tested for substances that could harm human health.

REQUIREMENTS/ STANDARDS	SOCIAL			ENVIRONMENTAL				MANAGEMENT		ETHICS	
	Human rights	Work conditions	Employment	Bio-diversity	Chemicals	Waste	Water	Environment & Social management system	Supply chain responsibility	Anti-corruption and bribery	Compliance to legislation
					✓			✓	✓		✓
<p>OEKO-TEX® LEATHER STANDARD – An internationally standardised testing and certification system for leather and leather goods at all production levels, including accessory materials. The certification supports companies along the supply chain with the implementation of high human-ecological product safety.</p>											
	✓	✓	✓		✓	✓	✓	✓	✓		✓
<p>GRS – The Global Recycled Standard is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions. The objectives of the GRS are to define requirements to ensure accurate content claims and good working conditions and that harmful environmental and chemical impacts are minimised.</p>											
	optional	optional	optional		✓	✓	✓	✓	optional		✓
<p>RecyClass - a non-profit, cross-industry initiative facilitating the transition toward a circular plastic future. RecyClass aim is to improve the design of packaging so that it is easily recyclable into a quality secondary raw material to then be used in a new plastic product. RecyClass certifications are voluntary audit schemes, that demonstrate the degree of recyclability of plastic packaging and recycled content of plastics used in products.</p>											
	✓	✓	✓	✓				✓	✓	✓	✓
<p>FSC™ – The Forest Stewardship Council™ is an international non-profit organisation dedicated to promoting responsible forestry. FSC™ certifies forests all over the world to ensure they meet the highest environmental and social standards, and products carrying the label help assure consumers that they meet the requirements. The FSC™ system also provides a way of tracking forest products through independently verified Chain of Custody (CoC) certification, which verifies that a product contains wood from a certified forest and/or recycled material.</p>											
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<p>Cradle to Cradle Certified® – Is a set of design principles that stands for innovation, quality and beneficial design. We use a selection of Cradle to Cradle Certified® materials, including compostable textile fibre and stone paper. Cradle to Cradle Certified® is the global standard for products that are safe, circular and responsibly made. The certification helps companies to innovate and optimise materials and products according to advanced science-based measures.</p>											
	✓	✓	✓		✓	✓	✓		✓		✓
<p>Blue Angel – An environmental label that was initiated by the German government in 1978. The label is designed to act as a guide for sustainable purchasing for consumers and procurement departments. The label sets out specific standards that need to be met, with respect to environmental, health and performance characteristics. The Blue Angel promotes the concerns of both environmental protection and consumer protection. The ecolabel requires that plastic recycling follows the EUCertPlast certification scheme.</p>											

REQUIREMENTS/ STANDARDS	SOCIAL			ENVIRONMENTAL				MANAGEMENT		ETHICS	
	Human rights	Work conditions	Employment	Bio-diversity	Chemicals	Waste	Water	Environment & Social management system	Supply chain responsibility	Anti-corruption and bribery	Compliance to legislation
 <b>EuCertPlast</b>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
<p>EuCertPlast – A certification for plastic recyclers. The scheme focuses on traceability of plastic materials throughout the entire recycling process and supply chain, and on the quality of recycled content in the end product. The certification scheme itself works according to the European Standard EN 15343:2007.</p>											
	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
<p>The Leather Working Group (LWG) – A not-for-profit organisation that aims to improve the environmental impact of the leather industry by assessing and certifying leather manufacturers. LWG provides guidance and auditing tools so its members can make informed, sustainable choices.</p>											
 <b>Higg Index (FEM)</b>					✓	✓	✓	✓			
<p>Higg Facility Environmental Module (FEM) – The Higg Index, developed by the Cascale in 2012, has become the leading module for the standardised measurement of value-chain sustainability. The Index offers a suite of tools for different types of businesses. The Higg FEM allows us to understand our environmental impact and the causes, decide where developments are required and set and follow up on objectives. Read more about how we work with Higg FEM on page 48.</p>											
 <b>Higg Index (FSLM)</b>	✓	✓	✓					✓	✓		✓
<p>Higg Facility Social &amp; Labour Module (FSLM) – The Higg Index FSLM was developed by SAC for a standardised measurement of value chain sustainability. The FSLM measures the social impact of manufacturing across areas such as wages, working hours, health and safety and employee treatment. Read more about how we work with Higg FSLM on page 48.</p>											
<b>Nilörn supplier CoC</b>	✓	✓	✓						✓	✓	✓
<p>Nilörn Supplier Code of Conduct – The Code of Conduct is based on the ETI Base Code. We have a non-negotiable requirement that all suppliers commit to our standards and follow the Code of Conduct.</p>											
<b>Nilörn supplier handbook</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<p>Nilörn Supplier Handbook – Communication within the supply chain is key to ensuring the high standards that our clients and customers expect. The Supplier Handbook is one tool for communicating our ambitions and requirements, and it is a guideline for how to carry out daily business with Nilörn. Read more on page 60.</p>											
<b>Nilörn RSL</b>					✓				✓		✓
<p>Nilörn Restricted Substance List (RSL) – The RSL defines limits of hazardous substances in raw materials, finished goods and their components to ensure they are safe and comply with international laws. The list is a compilation of the AFIRM Group and the Swedish Chemicals Group. Our suppliers must ensure compliance with the Nilörn RSL.</p>											



The experience when you scan a QR code or tap a NFC tag can be changed over time

# Traceability and transparency

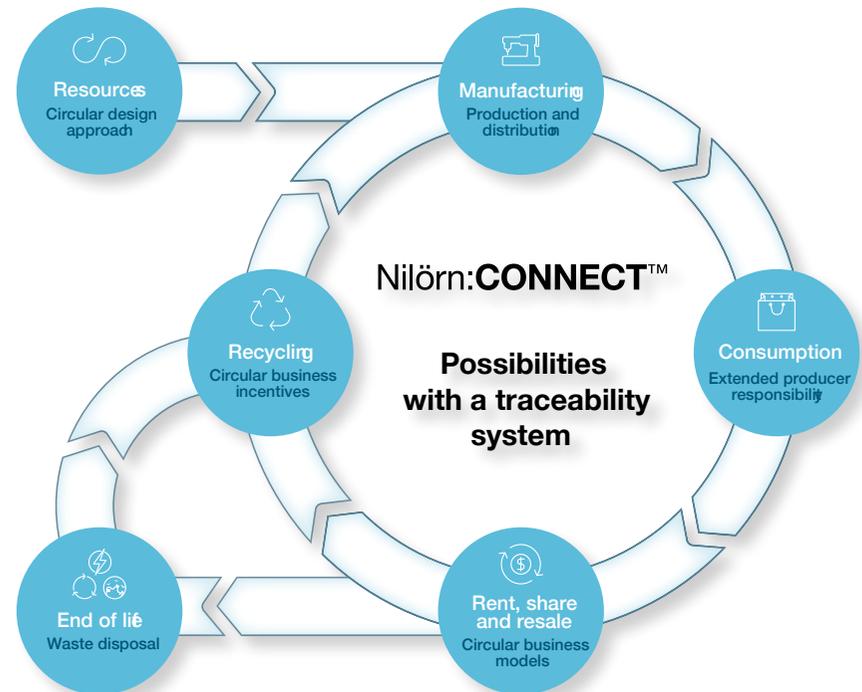
Traceability is one of the mechanisms that can be adapted to address issues such as the textile and apparel supply chain, product counterfeiting, inefficient recall practice and lack of visibility. Technology can enable traceability and transparency, and thanks to an effective traceability system, the story of the product can be seen and communicated.

## Nilörn:CONNECT™

Helping our clients become transparent

Nilörn:CONNECT is our platform for digital services to help our clients become more transparent about their sustainability work. On it, we can create a digital twin of each physical product, allowing brands to collect and share extended and unique information about individual products. In a market where consumers are demanding greater transparency and legal regulations and requirements, such as the EU's Digital Product

Passport, are increasing, brands that are ahead in this area will be at an advantage. This means brands need to have control and traceability of their products, like material composition, factories involved, working conditions, etc. Through Nilörn:CONNECT, we can help and encourage our clients to be accountable and transparent.



## Digital product passport

In March 2022, the European Commission presented its Ecodesign for Sustainable Products Regulation (ESPR) as part of the New Circular Economy Action Plan and Circular Economy Package. The proposed introduction of a Digital Product Passport (DPP) is expected to be a key enabler in promoting a circular economy.

The DPP facilitates collecting and sharing relevant data connected to a product with all actors during its life cycle. For example, consumers will have access to verified information about a product's environmental impact, enabling them to compare products and make wiser purchasing decisions. The DPP will also contribute to the extension of the product user phase and improve the management of products in terms of sorting or recycling once reuse and repair are no longer an option. Textile products are most likely included when it in 2026 is expected that EU delegated acts for the first product groups enter into force.

## Strategic partnership

In February 2024, Nilörn entered into a strategic partnership with Worldfavor, a renowned company within the area of empowering a sustainable future. This collaboration enhances the completeness of Nilörn's solution, Nilörn:CONNECT, and strengthens our offering to customers, providing support on their journey towards the Digital Product Passport.

## Data carriers/labels

Unique QR codes are the most common way to label individual products, which consumers can scan via a mobile phone. NFC is another option but currently has a much higher price point and is, therefore, mainly used for exclusive and high-value products. QR codes can also be combined with RFID to support stock management and consumer interactions with a single label.

For unique QR codes, the recommendation is to use the GS1 Digital Link-standard with a sub-domain of the brand's domain to avoid a solution vendor lock.

"We recommend starting with our basic solution and growing with additional functionality and experiences from there. For brands already using barcode and care labels from Nilörn most, if not all, information is already available to easily get started."

Martin Arvidsson,  
Retail Information Systems business area manager



# Quality management

Product quality is always a high priority at Nilörn. In 2023, we revised our restricted substances list (NRSL) to ensure alignment with the most updated version of RISE Chemical Group's chemical guidance and AFRIM RSL. The NRSL, combined with our Quality Performance Standard (NQPS), forms the foundation of our product compliance testing requirements.

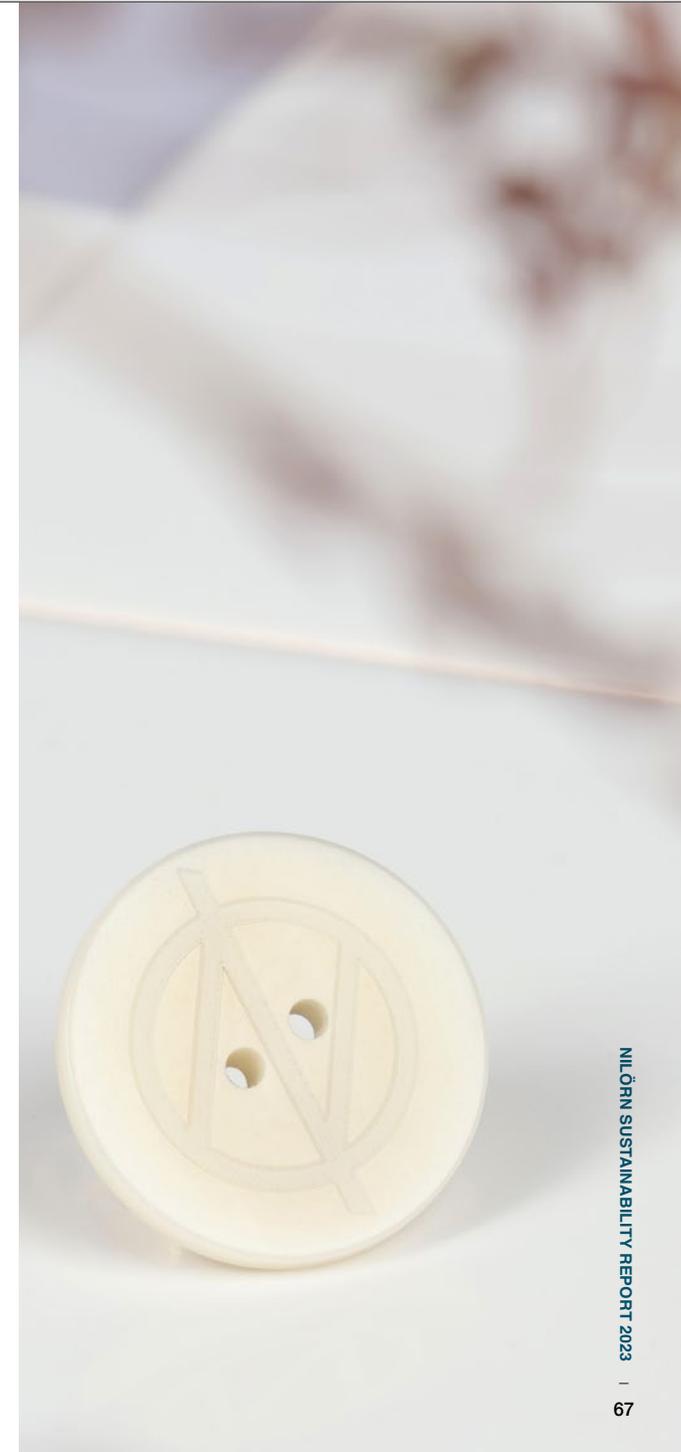
## Our quality standards

Nilörn Restricted Substance List (NRSL) is dedicated to addressing the potential risks posed by hazardous chemicals to both the environment and the well-being of workers and end customers. To achieve this, stringent restrictions are placed on these hazardous chemicals during the production process and in the final product. To establish a comprehensive standard to ensure global compliance, our NRSL draws upon the AFIRM Restricted Substance List and incorporates chemical guidance provided by RISE, along with specific requirements tailored from our clients. Currently, NRSL actively monitors 37 distinct groups of hazardous chemicals.

Nilörn Quality Performance Standard (NQPS) places a strong emphasis on ensuring the quality of our products throughout their intended use. We categorise the requirements based on different product groups and prioritise the use of internationally recognised testing methods, such as ISO/EN standards. This approach allows us to uphold high-quality standards and provide assurance to our customers regarding the performance and reliability of our products.

Recognising the importance of effective information management within our quality management system, we establish a standardise workflow to manage the quality of documents from our clients. The objective is to create a unified workflow and set up a centralised database for quality requirements from clients. The goal is to enhance effective and efficient communications within our Group where everybody can follow the same way of handling quality documents. With this centralised database, we can easily check and trace back client's quality requirements. It can also help ensure that client's quality requirements are reviewed and verified during product development and production stages.

In addition to the client's quality documents, we also created a third-party testing report database. The centralised database helps us track back past testing records. We can also extract testing data from the database for quality analysis to facilitate quality improvement and KPI setting. In 2023, over 600 test reports were uploaded to the database.



## Quality control – Qarma inspection platform

In response to the growing requirements for enhanced product inspection capabilities driven by increased business volume and a commitment to high quality standards, we adopted Qarma's online inspection platform in 2021, replacing our outdated inspection system.

We implement the Acceptable Quality Limit (AQL) sampling method within Qarma for our product inspections. This serves as our quality control benchmark, determining the acceptance or rejection of goods based on the quantity of defects within an inspection lot. Additionally, suppliers have the capability to conduct inspections online, generating a comprehensive QC report complete with images, which is then stored within the Qarma platform.

The routine has been implemented globally in Nilorn Shanghai, Hong Kong, Turkey, India, Bangladesh, Pakistan, Portugal and the United Kingdom. We have also created a series of procedures and working documents to guide each office in implementing Qarma.

In 2023, nearly 30.000 inspection reports were generated, on average, 2.500 per month.

# 30.000 inspection reports generated in 2023

# Sustainability risk management

Nilörn's risk management approach follows our decentralised structure, which also applies to our sustainability risks. All managers with operational responsibilities are expected to ensure that risks associated with their operations are appropriately identified, evaluated and managed. The board has overall accountability to Nilörn's owners, while operational-level risks are controlled by each country CEO, its management team and other relevant employees.

In 2023, we conducted a comprehensive risk assessment as part of the double materiality process and preparation for CSRD. The results will be incorporated into a company wide risk register during 2024.

## Internal control process

We conduct regular internal audits of premises' activities, which include effective implementation of policies such as the Code of Ethics and Business Conduct, the Code of Conduct for Suppliers and the Anti-corruption Policy.

To ensure all Group companies follow Group guidelines, we have introduced a control system to verify the various processes and ensure that financial reporting is correct. The process includes all Nilörn units. The controls for the various processes and risk elements are assessed through self-assessment, internal audit and internal meetings. The answers are verified by external auditors.

We do not have a separate internal audit function. However, we have a defined process for evaluating and monitoring internal control. A self-assessment is carried out by each group company for key areas where they assess whether they follow the routines set for the group. They also fill out a questionnaire regarding the internal control for monitoring functions, including areas like governance, risk

assessment, information/communication and monitoring and follow up. In addition, the companies are audited internally according to a rolling schedule based on size and unpredictability; this helps verify that the self-assessment is accurate. In 2023, Nilörn Turkey was audited on site and Nilörn East Asia Hong Kong and Shanghai had a remote audit. The outcome of the self-assessment, questionnaire and any internal audits are presented to the audit committee each autumn. No significant instances of non-compliance with laws and regulations were reported during 2023.

Nilörn production and distribution centres in Bangladesh, China, Germany, Hong Kong, India, Portugal, Turkey and UK are audited according to SMETA. Nilörn Pakistan will complete the SMETA audit in 2024.

In 2022, we also completed the Higg Facility Social & Labour Module (FSLM) in our Nilörn production units in Hong Kong, Bangladesh and Turkey. The FSLM module measures the social impact of manufacturing across areas such as wages, working hours, health and safety and employee treatment. As there is several similarities between the FSLM and the SMETA audit, we have focused on SMETA in 2023, mainly to limit duplication.

## Crisis preparedness

There is a structure with routines for managing crises within the Group to ensure crisis preparedness. Risks have been identified during a workshop with a team at the Head Quarters and added to the Management Handbook.

## Cybersecurity

As the digital landscape continues to evolve, it has become crucial for organisations to incorporate cybersecurity metrics into ESG frameworks. By implementing cybersecurity practices and reporting relevant metrics, companies can address stakeholder concerns, improve operational efficiency and strengthen risk management.

Examples of initiatives undertaken by the Nilörn IT department in 2023:

- Improving data security and establishing employee training
- Provide employee information regarding phishing email threats
- Monitoring potential hacking and information leakage threats
- Establish a governance model for efficient security management and to foster a culture of security awareness within the corporation.

RISK EXPOSURE	RISK DESCRIPTION	MANAGEMENT	WHERE IN THE VALUE CHAIN IS THE PRIMARY RISK
<p><b>Ethical business and Anti-corruption</b></p>	<ul style="list-style-type: none"> <li>• Risk of unethical behaviours and the impact on people and environment.</li> <li>• Risk of corruption, especially in high-risk countries.</li> </ul>	<ul style="list-style-type: none"> <li>• Our anti-bribery and corruption policy clearly identifies what conduct is prohibited and how to report suspected violations, the policy is signed by all employees and staff training was carried out in 2021.</li> <li>• The Supplier Handbook, including the Supplier Code of Conduct, was updated in 2023 and communicated with the suppliers.</li> <li>• Third-party social audit at production units, in 2023 94% of our purchase value in risk classified countries was at third-party audited suppliers.</li> <li>• Nilorn Code of Ethics and Business Conduct is a guide to the values, behaviours and ways of working for all our employees. A more hybrid work environment may imply a risk of less control, compliant behaviour for both working from home and office premises are monitored by each managing director.</li> </ul>	<ul style="list-style-type: none"> <li>• Client</li> <li>• Product development</li> <li>• Manufacturing</li> </ul>
<p><b>Biodiversity and Ecosystems</b></p>	<ul style="list-style-type: none"> <li>• Impact of less predictable and more severe weather.</li> <li>• Risk of our operations' impact on climate change through CO<sub>2</sub> emissions.</li> <li>• Use of fossil-based materials like polyester, managing increased demand of more environmentally conscious products by our clients.</li> <li>• Waste from productions impact on environment.</li> <li>• Products delivered may have an impact if not disposed correctly by end-consumer.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on improved efficiency to minimise environmental impact in our operations and supply chain, bluesign® certification being one method and Higg FEM supporting measuring.</li> <li>• Awareness of new regulations and market demands.</li> <li>• Measuring emissions from energy consumption, transportation and travel and continuing to introduce more renewable energy at our production sites and offices.</li> <li>• Focus on recycled raw materials where they are available and use of plant-based alternatives to reduce dependency on fossil-based materials.</li> <li>• Guide and inform about required labelling.</li> </ul>	<ul style="list-style-type: none"> <li>• Design</li> <li>• Product development</li> <li>• Production</li> <li>• Logistics</li> </ul>
<p><b>Health &amp; Safety</b></p>	<ul style="list-style-type: none"> <li>• Work-related injuries and sicknesses.</li> <li>• Risk that employees find the work environment unsatisfactory, resulting in difficulty in retaining and recruiting.</li> <li>• Fatal accidents, serious injuries or long-term absence.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous training of all employees in health and safety and effective management systems, including health and safety risk assessments.</li> <li>• Follow up on Code of Conduct via third-party audits and own inspections.</li> <li>• Screening of potential suppliers by the sourcing and CSR department.</li> <li>• Safe work practices via awareness building and adjusting workspace and/or place. We enable remote and agile working styles when possible.</li> </ul>	<ul style="list-style-type: none"> <li>• Client</li> <li>• Design</li> <li>• Product Development</li> <li>• Manufacturing</li> </ul>
<p><b>Human rights</b></p>	<ul style="list-style-type: none"> <li>• Risk of poor working conditions, discrimination and not demonstrating respect for human rights in our workplace and in the supply chain.</li> <li>• Valuable competence could be lost, thereby decreasing the innovative capacity.</li> <li>• Lack of diversity and equality.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement and follow up on Code of Conduct. Third-party social audit at own production units and external suppliers, along with own inspections.</li> <li>• Human Rights Due Diligence Procedure implemented.</li> <li>• Potential suppliers are screened by the sourcing and CSR department. In our Modern Slavery Statement, we report how we work to mitigate the risk.</li> <li>• When recruiting, aim to attract a more diverse workforce, including younger employees to the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Production</li> <li>• Manufacturing</li> </ul>
<p><b>Supply chain</b></p>	<ul style="list-style-type: none"> <li>• Risk of suppliers not complying with the Code of Conduct and not following national laws and regulations.</li> <li>• Lack of established supply chain of preferred materials.</li> <li>• Delivery disruptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to build strong supplier relationships, the updated supplier manual and policies state the prerequisites for our suppliers.</li> <li>• Use digital meetings and consider the use of new supply chain technologies to follow up on supplier compliance with social and environmental standards.</li> <li>• Potential suppliers are screened by the sourcing and CSR department.</li> <li>• We are members of Sedex and use the SMETA audit for suppliers.</li> <li>• Consolidate supply chain and focus on preferred suppliers.</li> <li>• Collaborate with supply chain for the development of new materials.</li> <li>• Working closer with logistic partners and increase consolidation of shipments to avoid delivery delays.</li> </ul>	<ul style="list-style-type: none"> <li>• Production</li> <li>• Logistics</li> </ul>
<p><b>Strategic</b></p>	<ul style="list-style-type: none"> <li>• Risk of not focusing the sustainability work appropriately, key areas are missed and/or questions are not handled properly.</li> <li>• Risk of thinking and acting only in the short term.</li> </ul>	<ul style="list-style-type: none"> <li>• The way we interact with clients and other stakeholders has changed. More digital solutions are available.</li> <li>• We communicate the sustainability strategy both internally and externally through personal meetings and digital channels.</li> <li>• We engage with the stakeholders to understand their expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• Client</li> <li>• Product development</li> <li>• Production</li> </ul>

# What's next?

Our long-term commitment to sustainability helps shape the way we work. Our strategy going forward is focused on involving the entire organisation, supporting our employees in driving change and working closely with our suppliers as they have a significant impact on our performance.

## The sustainability reporting landscape is rapidly changing

The EU Commission's Corporate Sustainability Reporting Directive (CSRD) will amend the existing Non-Financial Reporting Directive and will substantially increase reporting requirements. As part of our CSRD readiness work, we have identified gaps in our current reporting and these are now included when forming our reporting practice to assure we are meeting the new requirements.

Our principal focus areas:

- Prepare for updated ESG policy & compliance regulations
- Submit our targets to the Science Based Target initiative
- Further explore the WWF Biodiversity Stewardship Approach
- Consolidate supply chain, encourage partnerships
- Reduce dependency on virgin and fossil-based materials

# The EU Taxonomy

The European Commission describes the EU Taxonomy as a classification system that establishes a list of environmentally sustainable economic activities. It gives companies, investors and decision-makers appropriate definitions for which operations can be considered sustainable. The Taxonomy will play an essential role in scaling up sustainable investments in the EU and implementing the EU Green Deal.

Nilörn is obliged to report according to the EU directive on non-financial reporting and must state the extent to which the activities carried out meet the EU Taxonomy criteria.

In June 2023, economic activities related to the four new environmental goals as well as certain additional activities in environmental goals 1 and 2 were published. Nilörn has analysed all additional economic activities. A deeper analysis has been conducted on whether Nilörn Group's turnover related to packaging would be applicable within the Circular Economy goal 1.1 Manufacturing of plastic packaging products. Nilörn Group's assessment is that this turnover is not covered by the taxonomy since the Group does not have its own production of plastic packaging but purchases them from various suppliers. Therefore, no part of the Group's turnover is covered by the taxonomy.

However, there are capital expenditures related to purchases from suppliers whose activities are covered by the taxonomy in the form of additional leasehold assets (essentially renegotiated contracts in Hong Kong) applicable within economic activity CCM 7.7 Acquisition and ownership of buildings. Since the Group's premises are essentially located outside Europe, the compatibility of the property value (supplier's) taxonomy could not be ensured for the fiscal year 2023.

## Accounting Principles

Total turnover for 2023 is found on the net turnover line in the consolidated income statement in a separate document "Annual Report 2023."

Total capital expenditures consist of acquisitions of tangible fixed assets, intangible assets, and the current year's additional leasehold assets. These are found on the investment line for the year in notes 11, 12, and 13 in a separate document "Annual Report 2023."

Applicable capital expenditures consist of additional leasehold assets in the form of leased premises.

Total operating expenses consist of direct costs related to research and development that are not capitalized, building renovations, short-term leasing agreements, maintenance and repair, and all other direct expenses related to the daily maintenance of tangible fixed assets required to ensure the continuous and efficient functioning of these assets. The total Opex for Nilörngruppen consists of short-term leasing agreements and repairs and maintenance.

**Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023**

Financial year 2023	Year	Substantial Contribution Criteria								DNSH Criteria ("Does not Significantly Harm")						Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Taxonomy-aligned proportion of Turnover FY2021 (19)	Category transitional activity (20)
		Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)				
Economic Activities (1)		kSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which Transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-	-	-	-	-	-	-								-		
A. Turnover of Taxonomy eligible activities (A1+A2)		-	-	-	-	-	-	-	-								-		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
Turnover of Taxonomy-non-eligible activities		869769	100%																
<b>TOTAL</b>		<b>869 769</b>	<b>100%</b>																

**Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023**

Financial year 2023	Year	Substantial Contribution Criteria								DNSH Criteria ("Does not Significantly Harm")						Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Taxonomy-aligned proportion of Turnover FY2021 (19)	Category transitional activity (20)
		Code (2)	CapEx (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)				
Economic Activities (1)		kSEK	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which Transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings		CCM 7.7	21 108	53%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			21 108	53%	53%	-	-	-	-	-							-		
A. CapEx of Taxonomy eligible activities (A1+A2)			21 108	53%	53%	-	-	-	-	-							-		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
CapEx of Taxonomy-non-eligible activities			18 985	47%															
<b>TOTAL</b>			<b>40 093</b>	<b>100%</b>															

**Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023**

Financial year 2023	Year		Substantial Contribution Criteria							DNSH Criteria ("Does not Significantly Harm")						Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover FY2021 (19)	Category transitional activity (20)
	Economic Activities (1)	Code (2)	CapEx (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)				
		kSEK	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Of which Enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which Transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
					EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-	-	-	-	-	-	-								-		
A. OpEx of Taxonomy eligible activities (A1+A2)		-	-	-	-	-	-	-	-								-		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
OpEx of Taxonomy-non-eligible activities		7 533	100%																
TOTAL		7 533	100%																

**Niörngruppen conducts no nuclear energy or fossil gas-related activities**

**Nuclear Energy and Fossil Gas-related Activities**

Row	Nuclear Energy-related Activities	Yes/No
1	The company conducts, finances, or is exposed to research, development, demonstration, and expansion of innovative electricity production facilities that produce energy from nuclear energy processes with minimal waste from the fuel cycle	NO
2	The company conducts, finances, or is exposed to the construction and safe operation of new nuclear facilities for the production of electricity or process heat, including for district heating or industrial processes, such as hydrogen production, as well as for safety upgrades of these, using best available technology	NO
3	The company conducts, finances, or is exposed to the safe operation of existing nuclear facilities producing electricity or process heat, including for district heating or industrial processes, such as hydrogen production from nuclear energy, as well as safety upgrades of these	NO
<b>Fossil Gas-related Activities</b>		
4	The company conducts, finances, or is exposed to the construction or operation of electricity production facilities producing electricity using fossil gaseous fuels	NO
5	The company conducts, finances, or is exposed to the construction or operation of electricity production facilities producing electricity using fossil gaseous fuels	NO
6	The company conducts, finances, or is exposed to the construction or operation of electricity production facilities producing electricity using fossil gaseous fuels	NO

# GRI Content Index

Statement of use: Nilörngruppen AB has reported in accordance with the GRI Standards for the period 1-1-2023 to 31-12-2023  
 GRI 1 used: GRI 1: Foundation 2021  
 Applicable GRI Sector Standards: Not applicable

Number of disclosure	GRI Standard / other source	Location	Requirement(s) omitted	Omission
				Comment
<b>GRI 2: GENERAL DISCLOSURES 2021</b>				
<b>The organisation and its reporting practices</b>				
2-1	Organisational details	2, 4, 79		
2-2	Entities included in the organisation's sustainability reporting	2 <a href="#">Annual Report 2023 20</a>		
2-3	Reporting period, frequency and contact point	2		Annual reporting cycle, 1/1–31/12 2023 Report published 18/4 2024 Contact: csr@nilorn.com
2-4	Restatements of information	68-69		
2-5	External assurance	78		
<b>Activities and workers</b>				
2-6	Activities, value chain and other business relationships	5-6 <a href="http://www.nilorn.com/products/">www.nilorn.com/products/</a>		
2-7	Employees	49-50	2-7-b	Information unavailable: Nilörn does not have an employee breakdown by type of contract.
2-8	Workers who are not employees		2-8-a-c	Information unavailable: Nilörn does not have data on group level of workers who are not employed.
<b>Governance</b>				
2-9	Governance structure and composition	2, 11 <a href="#">Annual Report 2023 57</a>		
2-10	Nomination and selection of the highest governance body	<a href="#">Annual Report 2023 24-26</a>		
2-11	Chair of the highest governance body	<a href="#">Annual Report 2023 24 25</a>		
2-12	Role of the highest governance body in overseeing the management of impacts	<a href="#">Annual Report 2023 11</a>		
2-13	Delegation of responsibility for managing impacts	11		
2-14	Role of the highest governance body in sustainability reporting	2, 11		
2-15	Conflicts of interest	<a href="#">Annual Report 2023 25</a>		
2-16	Communication of critical concerns	58		
2-17	Collective knowledge of the highest governance body	11		
2-18	Evaluation of the performance of the highest governance body	<a href="#">Annual Report 2023 25</a>		
2-19	Remuneration policies	<a href="#">Annual Report 2023 25 42</a>		

Number of disclosure	GRI Standard / other source	Location	Requirement(s) omitted	Omission
				Comment
<b>Strategy, policies and practices</b>				
2-22	Statement on sustainable development strategy	3		
2-23	Policy commitments	7, 20, 21, 26, 48-49, 58, 70 <a href="http://www.nilorn.com/sustainability/">www.nilorn.com/sustainability/</a>		
2-24	Embedding policy commitments	7, 11		
2-25	Processes to remediate negative impacts	47-48	2-25-d, e	Information unavailable: Stakeholder involvement and efficiency of the grievance mechanism.
2-26	Mechanisms for seeking advice and raising concerns	47, 58		
2-27	Compliance with laws and regulations	58, 69		
2-28	Membership associations	27, 55, 62-64		
<b>Stakeholder engagement</b>				
2-29	Approach to stakeholder engagement	15, 16, 18		
2-30	Collective bargaining agreements	49		
<b>GRI 3: MATERIAL TOPICS 2021</b>				
3-1	Process to determine material topics	15-17		
3-2	List of material topics	16-17		
<b>Economic development</b>				
3-3	Management of material topics	40, 52		Information incomplete: Will be updated during 2024.
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	50		Information incomplete: Region and rate not reported.
<b>Ethical business and anti-corruption</b>				
3-3	Management of material topics	13, 18, 57-61, 70		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	57-58, 69-70		Information incomplete, missing breakdown on employee category and gender.
	205-2 Communication and training about anti-corruption policies and procedures	57, 58		
	205-3 Confirmed incidents of corruption and actions taken	58		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	9, 60		
	308-2 Negative environmental impacts in the supply chain and actions taken	20-22	308-2b,d,e	Information incomplete.
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	60		
<b>Materials</b>				
3-3	Management of material topics	13, 29-34, 39		
Own disclosure	Total polybags, textile and paper labels in recycled materials	36		
Own disclosure	Total amount of FSC certified paper of total paper	13		

Number of disclosure	GRI Standard / other source	Location	Omission	
			Requirement(s) omitted	Comment
<b>Resource efficiency</b>				
3-3	Management of material topics	13, 18, 29, 40-42, 70		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	22, 40		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	26, 26, 42, 54, 62-64	302-1d	
	303-2 Management of water discharge-related impacts	42		
	303-3 Water withdrawal	42	303-3b,c	Information unavailable.
	303-5 Water consumption	42	305-5b,c	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	41		
	306-2 Management of significant waste-related impacts	41		
	306-3 Waste generated	41		
<b>Biodiversity and ecosystems</b>				
3-3	Management of material topics	13, 18, 25-26, 70		
	304-2 Significant impacts of activities, products and services on biodiversity	26		
<b>GHG emissions</b>				
3-3	Management of material topics	13, 22-24, 70		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	22	305-1c,d,f	Information unavailable.
	305-2 Energy indirect (Scope 2) GHG emissions	22	305-1c,d,f	Information unavailable.
	305-3 Other indirect (Scope 3) GHG emissions	22	305-1c,d,f	Information unavailable.
<b>Health and safety</b>				
3-3	Management of material topics	13, 18, 51, 70		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	51		
	403-2 Hazard identification, risk assessment, and incident investigation	51, 70		
	403-3 Occupational health services	51		
	403-4 Worker participation, consultation, and communication on occupational health and safety	51	403-4b	Information incomplete: description of way of working, polices, meeting frequency.
	403-5 Worker training on occupational health and safety	51		
	403-6 Promotion of worker health	51		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51		

Number of disclosure	GRI Standard / other source	Location	Omission	
			Requirement(s) omitted	Comment
<b>Knowledge sharing</b>				
3-3	Management of material topics	13, 18, 53		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	53		
	404-3 Percentage of employees receiving regular performance and career development reviews	53		
Own disclosure	Drive messaging and innovation in industry	33-34		
<b>Diversity, equality and inclusion</b>				
3-3	Management of material topics	13, 18, 49-50		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	49-50		
	406-1 Incidents of discrimination and corrective actions taken	49		
<b>Human rights</b>				
3-3	Management of material topics	13, 18, 49-50		
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	61	408-1c	Information incomplete: Data collection is ongoing.
<b>Local communities</b>				
3-3	Management of material topics	18-22, 41		
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	9, 25-26, 42		
<b>Product development</b>				
3-3	Management of material topics	5, 13, 18, 29-37		
Own disclosure	Development of collections using more preferred materials	29-37		

Sustainability data for 2023 has been collected using a web tool developed by Position Green.





## Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Nilörngruppen AB (publ), corporate identity number 556322-3782.

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### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2023 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A statutory sustainability report has been prepared.

Borås, April 19 2024

PricewaterhouseCoopers AB

Nicklas Kullberg  
Auktoriserad revisor  
Huvudansvarig revisor

Mattias Palmqvist  
Auktoriserad revisor

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