



ENVIRONMENTAL POLICY

Introduction and purpose

Sustainability is a key part of L-Fashion Group's (hereinafter "Luhta Group") strategy and company values. Anchored on Luhta Group's mission and values, we aim to create timeless design and products which last from one generation to another. Luhta Group recognizes that its business activities and whole value chain operations affect the environment in many ways, including climate change, pollution of air, land and water, water consumption and effluences, biodiversity as well as resource usage and waste. Luhta Group also recognizes that these environmental impacts can have a significant effect on people and society. Therefore, Luhta Group is committed to continuously analyze, prevent, mitigate and remediate the negative environmental impacts and to address environmental risks and opportunities. Luhta Group is committed to high ethical standards and conduct its business with applicable global and local environmental legislation, regulations, guidelines, standards and recommendations valid at any time in the countries in which it operates. Luhta Group takes environmental sustainability into account in all its activities including own processes, material use, supply chain operations and overall sustainability of the products, for example. Luhta Group sets metrics and targets to track the effectiveness of this policy and actions throughout its value chain. Luhta Group strives to cooperate closely with its value chain partners and take into account the views of its stakeholders in minimizing adverse environmental impacts in its value chain.

This policy is applicable to all Luhta Group's own operations, suppliers and business partners. The goal of this policy is to reduce both direct and indirect negative environmental impacts to protect and preserve nature for future generations. This policy covers Luhta Group's environmental commitments, goals and requirements for 1. Luhta Group's own operations, 2. Luhta Group's suppliers and/or business partners in upstream value chain, and 3. Luhta Group's downstream value chain.

1. Environmental impacts in Luhta Group's own operations

Luhta Group is committed to minimising and preventing environmental impacts in its own operations including but not limited to with the following targets and actions:

- **Climate Change:** Luhta Group's target is to reach net-zero greenhouse gas emissions across the value chain by 2050. Luhta Group has set short- and long-term climate targets for Scopes 1,2 and 3 and the targets have been validated by Science Based Targets initiative (SBTi). Luhta Group is committed to reduce emissions across the value chain in line with its climate transition plan. Luhta Group calculates yearly its greenhouse gas emissions in line with GHG-protocol, follows the progress with achieving the targets, and reports results yearly as part of its sustainability reporting.
- **Biodiversity:** Luhta Group's goal is to reduce adverse impacts on nature and prevent biodiversity loss. The primary focus is on minimizing deforestation risks, advancing circular economy initiatives, utilizing more sustainable materials, and reducing overproduction.

- **Product design:** Luhta Group's goal is to have 100% circular economy aligned collections by 2040. In product designing and production, Luhta Group focuses on high quality and timeless and long-lasting design so that our products can be in use for as long as possible.
- **Energy and waste:** Luhta Group uses renewable energy sources and improves energy efficiency in its own and rental properties whenever possible. Luhta Group pays attention to reducing the amount of waste and sorting it properly. Luhta Group is currently preparing for the Packaging and Packaging Waste Regulation (EU) 2025/40 whereas it will first focus on recyclability of the packaging materials and reducing packaging materials where possible.
- **Production and material sourcing:** Luhta Group's goal is to develop ways to optimise production and material usage to reduce the use of resources, chemicals and water in production. Luhta Group is continuously exploring the possibilities of the use of more environmentally sustainable materials (e.g. renewable, recycled, and innovative materials) as well as production technologies and processes to reduce environmental impacts in cooperation with its supply chain partners.
- **Logistics:** Luhta Group prefers low-emission modes of transportation. Luhta Group also develops efficiency and optimisation of logistics operations. Luhta Group always prefers sea and road transport and do not allow air freight except in very exceptional cases. Exceptions must be approved by division directors. In addition, Luhta Group strives to minimise the customer returns.
- **Travelling:** Luhta Group has a travel policy that aims to reduce emissions from travelling. Luhta Group also aims to replace its company cars with electric cars in the near future.

2. Environmental impacts in Luhta Group's upstream value chain

Luhta Group requires all its suppliers and/or value chain partners to comply with all relevant national and international global environmental laws and regulations. Luhta Group expects its suppliers and/or partners to continuously improve their environmental and chemical management processes and to reduce the adverse environmental impacts of their operations (including but not limited to prevention of harmful soil change, emissions, waste production and pollution, air and water pollution, harmful noise emissions and excessive water consumption).

- **Emissions and energy use:** Luhta Group expects its partners to implement effective environmental management practices to minimize greenhouse gas emissions for example by improving energy efficiency and using renewable energy sources. Luhta Group also engages its suppliers/business partners to set their own science-based climate targets (e.g. in accordance with Science Based Target Initiative, SBTi) by 2028. Luhta Group commits to informing and training its partners about setting the climate targets.
- **Water and effluents:** Luhta Group expects its suppliers and supply chain partners to monitor and strive to reduce the use of freshwater and promote water reuse in their operations where possible. Luhta Group's suppliers and supply chain partners should also have adequate wastewater management processes and controls that comply with the local regulations, and they shall reduce and/or eliminate water effluents regarding hazardous substances.



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- **Chemicals:** The use of chemicals in production processes should always comply with international and national legislation. Luhta Group has communicated to its entire supply chain that the regulations, guidelines, standards and recommendations (including but not limited to REACH, POP, SVHC-list, and RSL-list) that Luhta Group is committed to comply with in the course of its business are also mandatory for all Luhta Group's partners and/or suppliers. Luhta Group complies with the REACH Regulation (EC) No. 1907/2006 and the POPs Regulation (EU) 2019/1021, including all their applicable annexes, amendments and updates in force. Moreover, Luhta Group follows the European Chemical Agency's (ECHA) list of avoidable Substance(s) of Very High Concern ("SVHCs") and controls that the SVHC's in its products do not exceed 0,1% (w/w). Luhta Group expects its suppliers and business partners to follow the candidate list updates regularly. Luhta Group also complies with the international "Restricted Substances List" and "Packaging Restricted Substances List" provided by the AFIRM Group and expects its suppliers and business partners to comply with the latest valid version (please see related documents). Luhta Group continuously monitors developments and updates in chemicals legislation and also requires its suppliers and/or partners to act accordingly and expects third-party certifications to be provided to comply with the requirements (i.e. OEKO-TEX® STANDARD 100).
- **Waste and hazardous waste:** Luhta Group's supply chain partners should always strive to improve their waste management processes for example by reducing, recycling and reusing waste in their operations. Hazardous waste should always be treated in accordance with local law and requirements. Luhta Group prohibits its partners and suppliers from exporting and/or importing hazardous waste under the Basel Convention on the Control of Transboundary Movements of Hazardous Waste and their Disposal. Luhta Group prohibit handling, collection, storage and disposal of waste in a manner that is not environmentally sustainable and/or safe.
- **Environmental management systems and certifications:** Luhta Group recommends its suppliers and partners to have relevant environmental management systems and/or certifications (e.g., ISO 14001 (EMS), OEKO-TEX® STeP) and to comply with ZDHC Manufacturing Restricted Substances List (MRSL) requirements (please see related documents), achieving at least Supplier to Zero Level 1 and progressing towards Levels 2–3. Luhta Group also recommends its suppliers to conduct Amfori BEPI environmental risk assessments.

3. Environmental impacts in Luhta Group's downstream value chain

Luhta Group constantly develops its circular economy business models and measures. Luhta Group's circular economy strategy is founded on adherence to the waste hierarchy, with the primary objective of preventing waste generation at every stage, including production, product use, and final disposal. The next priorities are repair, remanufacturing, repurposing, and material recovery, such as recycling materials into fibers.

- **Production optimization and outlets:** Luhta Group's aim is to have no unsold products. Luhta Group mainly manufactures products to order, which prevents them from being left in stock. Luhta Group has outlets in Finland and Germany, where any remaining unsold

products are finally sold. Luhta Group never disposes of saleable products for textile recycling or by incineration.

- **ReUse:** In Finland, Luhta Group currently takes responsibility for the whole life cycle of its products by taking back used products and selling them on second-hand platform. Products are refurbished and repaired accordingly when needed. If there is no possibility to repair the product, materials are properly recycling the material through our partner.
- **Reclamations and repair:** Luhta Group is actively engaging with its customers regarding circular economy. Luhta Group offers spare parts and product repair services to customers where possible. Luhta Group's goal is to avoid product reclamations, and its aim is to offer product repair in place of reclamation, in accordance with the customer's wishes. Luhta Group's ambition for the future is that products can be repaired locally for the operators in the store.
- **Textile recycling:** If products cannot be sold through our ReUse platform and/or repair, Luhta Group properly sorts them and delivers them to its partners at different stages of the circular economy value chain. Therefore, Luhta Group always seeks resource efficient solutions and sends products for material recycling only when required by regulation or when they cannot be repaired or repurposed.
- **Communication with customers:** Luhta Group instructs its customers on the correct care of their products to ensure they last as long as possible. Luhta Group continuously improves its communication with its customers and provides up-to-date information on the environmental impact of our products and materials and the measures taken.

Related documents

This policy is a complementary document to Luhta Group's Supplier and Partner Code of Conduct. This policy relates to following documents and attachments:

- [AFIRM Restricted Substances List](#)
- [AFIRM Packaging Restricted Substances List](#)
- [ZDHC Manufacturing Restricted Substances List](#)

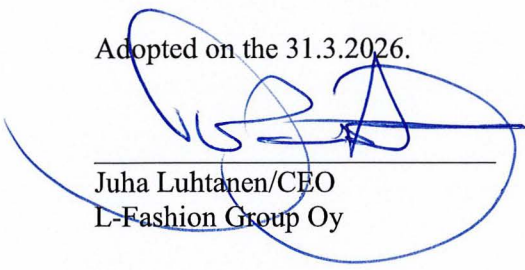
Approval and updates

This policy has been approved by Luhta Group's Board of Directors and CEO. This policy is reviewed annually and updated as necessary, but at least every three years.

Version history

- 001 New policy (1.5.2023)
- 002 Updated policy (12.12.2023)
- 003 Updated policy (21.3.2025)
- 004 Updated policy (17.12.2025)
- 005 Updated policy (31.3.2026)

Adopted on the 31.3.2026.



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