

**Sustainability report  
2021**

**N A - K D**



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## FINANCIAL NUMBERS

61

On average, a NA-KD pre-loved product saves 2.6 kg CO<sub>2</sub>e, compared to if the same product would have been sold as new.



### ABOUT THIS REPORT:

This is the third time NA-KD has created a sustainability report, which is made annually. The last report was published in April 2021. This report is made according to Global Reporting Initiative's (GRI) Standards "Core" option and covers the full year of 2021. The sustainability report is also made in accordance with expectations in the Swedish Annual Accounts Act 6 chapter 11§. The report has not been third-party verified.

Read more on [page 54](#)

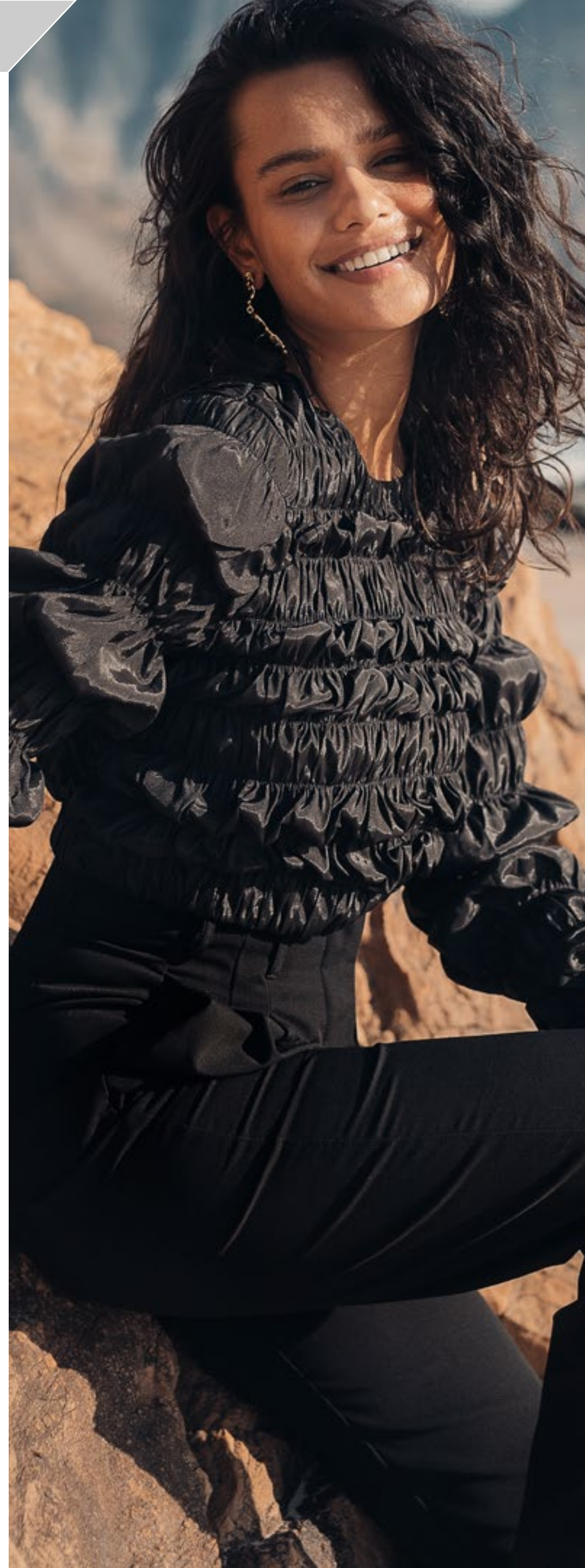
# Our story

NA-KD launched in January 2016 and is one of the fastest-growing e-commerce fashion brands in Europe. Our website had over 220 (250) million visitors in 2021 and our social media is one of the fastest-growing, with over four million followers. The majority of our customers are young women, and they are our number one priority. In 2021, we shipped products to customers in more than 80 (50) countries each month, and our customers can also find NA-KD's products on marketplaces such as Zalando and ASOS. To get even closer to our customers, we launched the NA-KD App for iOS devices in 2021. Our customers seem to like it as it is already responsible for 20% of our global sales, while geographical implementation is still ongoing. In the beginning of 2022, the NA-KD App will also be available for customer using android devices.

In 2021, NA-KD also launched a new business model, enabling our customers to seamlessly sell and buy pre-loved NA-KD products on our site. This is our biggest sustainability initiative to date, and you can read more about it in this report. We also launched Kids by NA-KD and continued to expand BTY by NA-KD, which was launched late 2020.

Most of our customers are in Germany, Scandinavia, and the Netherlands, which are our biggest markets. Our total net sales in 2021 was 2,299 MSEK (1,871.3 MSEK). The majority of our sales came from Germany (31%), Netherlands (12%), Sweden (12%), Denmark (12%), Norway (8%), and the rest of the world (25%). During 2021, we sold over 12 (9) million products. Our headquarters are in Gothenburg, Sweden. We also have offices in Stockholm, Sweden, and a purchasing office in Istanbul, Turkey. At the end of 2021, NA-KD had 327 (299) employees.

To create the best and latest fashion for our customers, we are working together with independent producers. At the end of 2021, NA-KD had 199 (191) producing factories, the majority in China and Turkey. Our warehouse operations and logistics are key in making sure the right product is being shipped to the right customer. We have a new warehouse in Sweden, which started its operations in August 2020. We also have a warehouse in the Netherlands and, since May 2020, a warehouse in Poland (which handles most of our returns). Due to Brexit, we also initiated a small third-party operated warehouse in the UK in June 2021 to handle local returns. All warehouse operations are outsourced, but with NA-KD supervisors on all main sites.



## NA-KD 2021 in numbers

321

FTE's by the end of the year

80+

countries that we ship to each month

111

collab drops

12m

products sold

2.2m

unique customers during the year

22.9%

growth

A message from our CEOs

## “By 2030, a significant share of our business should consist of circular business models.”

I would like to start to point out some of the opportunities ahead for NA-KD and the fashion industry – from both a business and sustainability perspective. The global apparel market is projected to grow from 1.5 trillion U.S. dollars in 2020 to about 2.25 trillion dollars by 2025.<sup>1</sup> The industry is growing fast, and as a digital native business, we are well-positioned to be a part of that growth.

The challenge is the supply, both from a business and from a sustainability perspective. If demographic and lifestyle development patterns continue as they are now, global consumption of apparel will rise from 62 million metric tons in 2019 to 102 million tons in 10 years' time.<sup>2</sup> There is already a shortage of textile fibres in general today, but even more so when it comes to more sustainable fibres. There are two main long-term strategies to solve this. The first is to facilitate the transition to greener fibre production and the second (and even more long term) is to develop new business models that limit our dependence on virgin materials.

2021 showed how vulnerable the global fashion supply chain is. Higher prices on diesel, the Suez Canal traffic jam and container shortages

all slowed down the whole system and drove up prices. That in turn made retailers and brands rush to look for production closer to their market, which drove up prices and prolonged lead times even further.

Working more closely with our suppliers is a way to increase a more resilient supply chain and it's also the way forward when it comes to sustainable transformation. A large part of our carbon footprint comes from our suppliers' energy use. Supporting them in their transition to green energy is crucial to limiting our climate impact and reaching our science-based climate targets by 2030. In order to keep up, we recently hired a Climate Action Manager. Our ambition is clear. Our business will grow but we are determined to decrease our carbon footprint and become among the top 1% most sustainable fashion companies in the world. We need transparency in the industry at large to allow us to benchmark and validate that.

The parallel and longer-term strategy for decoupling business growth from our climate footprint is to limit the need for virgin materials. In other words, developing circular business models. Here, our direction is also clear. By 2030, a significant share of our business should consist of circular business models; a bold but necessary step that will make us more sustainable and less vulnerable to supply chain disruptions. During 2021, we took a decisive step by beta launching NA-KD Circle. Over 40,000 pre-loved garments were sold through

this platform, and although that is only a fraction of the 12 million pieces we sold in total, it is an important step and we have already learned important lessons. The first is that integration is everything – preloved and new products must be presented side by side. The second is to make it as effortless as possible to pass on preloved items. This is a challenge we need to work on. For now, NA-KD Circle is a costly business – but we are convinced that what we are witnessing is a shift in consumer behaviour and that business models and logistics solutions will mature, and profitability increase in the coming years.

One last thing I want to address is the culture and governance of NA-KD. Back in 2020, we experienced some critique in the media regarding working conditions at NA-KD. However, our employee satisfaction has increased steadily since 2019. The media attention gave us a reason to take a step forward. We realised how important it is for a rapidly growing company to invest in culture and governance. Therefore, we have grown our HR department twofold and renewed our internal code of conduct. Onwards and upwards.



Jarno Vanhatapio,  
Founder & former CEO

## “This is a journey which requires all of us to step up our game and succeed, together.”

At NA-KD we have always approached sustainability with high ambition and dedication to make a real and tangible impact. We have made a great start on our sustainability journey, thanks to our dedicated employees in all departments working for more sustainable solutions. Launching NA-KD Circle last year was an important step for us in our exploration of innovative circular business models. We will continue to drive the fashion industry towards a more sustainable industry together with our customers, business partners, industry peers and policy makers.

This is a journey which requires all of us to step up our game and succeed, together.

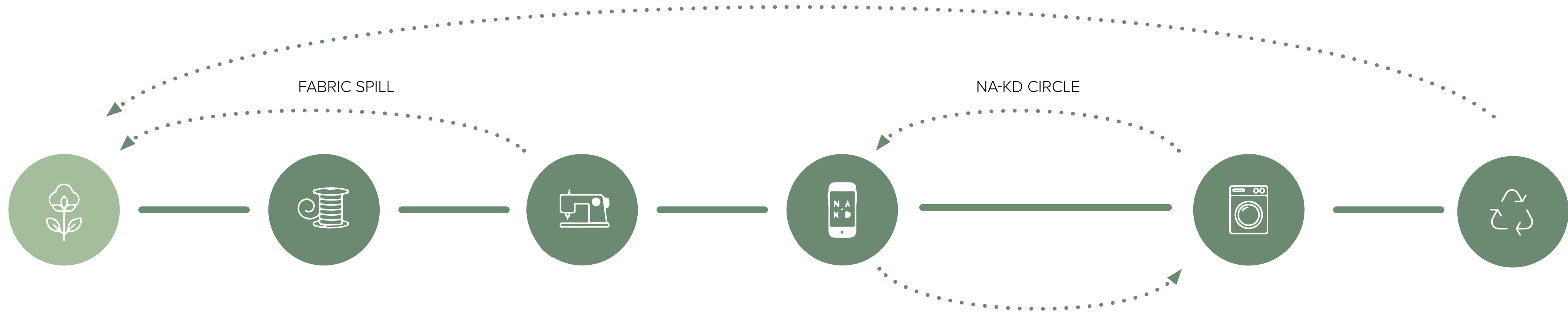


Oscar von Konow,  
interim CEO, as of April 2022

1) [www.statista.com](http://www.statista.com)

2) [www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente](http://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente)

# Our value chain



## RAW MATERIAL EXTRACTION

Cultivation and extraction of raw materials from the earth, plants, or animals. The most commonly used materials by NA-KD in 2021 were organic and conventional cotton as well as virgin and recycled polyester. Recycled materials are still mainly pre-consumer waste such as from excess materials and waste during the manufacturing stage, and for polyester it is primarily recycled plastic bottles and fishing nets. Our goal is that by 2025, we want to have 50% of product materials from recycled materials. In 2021 we increased this share to 15%, from 3% in 2020.

## YARN AND FABRIC PRODUCTION

Processing of raw materials into yarn and other intermediate products. Production and finishing of materials (e.g. fabric, trims) that go directly into finished product. We have set out on a mission to increase traceability and transparency in our value chain, knowing that this is also where we have the greatest impacts on the environment. Read about our goals and efforts on traceability on [page 41](#).

## MANUFACTURING OF PRODUCTS

Assembly and manufacturing of final products. NA-KD works together with 199 independent producers, primarily in China and Turkey. In total, over 19,000 people are employed throughout the factories making our products. Since summer 2021, NA-KD customers can see on our website in which factory each product has been made.

## NA-KD.COM

NA-KD has 327 employees, primarily based at our HQ in Gothenburg, Sweden, with a smaller office in Stockholm and a production office in Istanbul, Turkey. We also have a few employees working remotely, primarily engineers. For NA-KD, working in symbiosis with creators and influencers is part of our DNA. In 2021, we collaborated with over 10,600 influencers.

## CONSUMER USE

At NA-KD, we are obsessed by our customers. If it matters to them, it matters to us. In 2021, NA-KD sold over 12 million products to over 2 million unique customers in 80+ countries.

## END OF LIFE

80% of all discarded textiles are doomed for landfill or incineration and, every second, the equivalent of one truck of textiles is landfilled or incinerated. Slowly, the industry is transforming and technologies are approaching to increase and scale the share of textiles that are recycled.

**NA-KD Circle**

Only 20% of textiles are reused or recycled. At NA-KD, we believe this is a shame. In 2021, we launched NA-KD Circle; enabling our customers to seamlessly sell and buy pre-loved NA-KD fashion on our website. We hope and believe this will grow to become a significant part of our business in the future. Read more on [page 22](#).

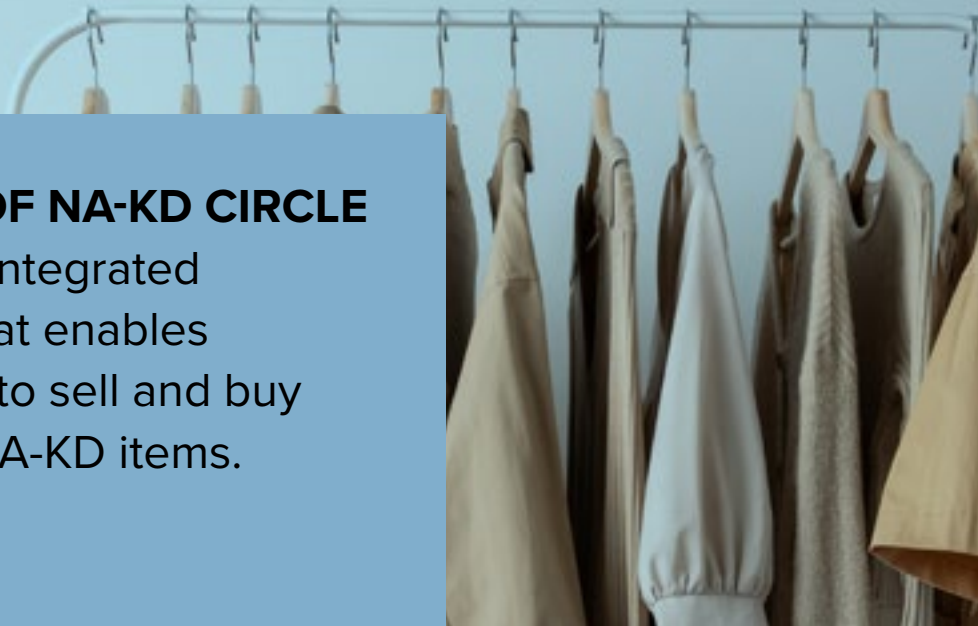
# 2021 Highlights

We're on a fast-paced sustainability journey, and we want to bring all stakeholders with us along the way. Transparently. Through ups and downs. Through tough challenges, as well as celebrating our achievements together. It is only by collaborating with our different stakeholders that we will be able to reach our bold sustainability targets. Here, we share some of our highlights during the last year.

## NA-KD Circle

### LAUNCH OF NA-KD CIRCLE

– our fully integrated platform that enables customers to sell and buy preloved NA-KD items.



**BEING TRANSPARENT** with producing factories for our products on our website.



**JOINING THE INTERNATIONAL ACCORD FOR HEALTH and Safety** in the textile and garment industry.



**INCREASING** our share of more sustainable materials, up from 19% in 2020 to 44% of all purchased materials in 2021, by weight.



**BEING A GROWING BUSINESS,** we still managed to decreased our absolute emissions with 5% – and to reduce emissions for each product (& service) sold by 28%.



# Incidents 2021

## MEDIA CRITIQUE IN 2020

In December 2020, NA-KD was criticised on social media and in the media. This criticism was mainly about shortcomings in working conditions in Sweden, inclusivity and the company's internship program. NA-KD immediately paused the internship program – and appointed the auditing and consulting firm EY to conduct an independent investigation, with suggested areas of improvement.

### Our actions and results

EY conducted over 90 in-depth interviews with employees and supplemented this with a comprehensive survey answered by 87% of the employees. EY's survey examined the criticism directed at the company and the results of this work was presented in a report, summarised in three areas: 1) Working conditions, 2) Internship program, and 3) Inclusivity. During 2021, NA-KD has taken a number of actions based on the report:

## Working conditions

- In April, we launched our updated company values with workshops and dialogues in respective teams.
- We have extended the NA-KD academy with various training on topics such as work task structure, labour law and excel trainings. To facilitate collaborations between departments we have also set up regular departmental presentations.
- We have implemented a clearer Human Resources Business Partner structure to support all managers.
- In July we launched our new HR portal, where all employees have access to organisational structure, work descriptions and internal policies. We are providing training on all of them (starting with our updated Code of Conduct, see "Inclusivity").
- New format and structure for internal information sharing with weekly newsletters and Quarterly Townhalls.
- Clarification to all employees that the company has a 40 hour working week on average and a clear process in the event that an employee would experience being unable to carry out the work during that time.
- Quarterly performance review process implemented.

- "Office Council" with employee representatives implemented to address the physical workplace environment.

## Internship program

- We launched a new revised internship program in spring 2021 and we now only offer internships with clear guidelines for interns within the framework of various vocational educations, colleges and universities.
- All supervisors are given coaching and training in leadership.
- New onboarding program for new employees, including interns.

## Inclusivity:

- Training and workshops together with the Rainbow fund for all employees on issues of gender equality, awareness of gender, gender identity, ethnic identity and sexuality.
- Update of NA-KD's internal Code of Conduct with mandatory face-to-face training of all staff (carried out digitally for remote workers). This includes an updated section on diversity and inclusivity, as well as harassment, discrimination and victimisation.
- Implementation of a whistleblower policy, process and tool to secure anonymity. This is part of the Code of Conduct training.

- Establishment of an external advisory board, a "Creators' Council", composed of a diverse group of individuals that have acted as external advisors to help shape the future of NA-KD.
- At the end of the year we started to offer Swedish classes to employees from other countries, to support their integration into the Swedish society.

## TRAGIC ACCIDENT IN WAREHOUSE OPERATED BY THIRD PARTY

In 2021, there was a tragic and fatal accident in one of NA-KD's warehouses operated by a third party. External (The Swedish Work Environment Authority (SWEA) and The Swedish Police Authority) as well as internal investigations by NA-KD's partner were initiated after the accident. Final results from SWEA showed that the working environment and security lives up to expectations and no further actions are needed. At time of writing the police investigation is still ongoing. To offer our employees and our partners employees a safe working environment is of highest priority for NA-KD and despite that no deficiencies have been identified, additional security measurements have been added by NA-KD's partner.

For a full description of findings, please see our Sustainability Report for 2020.

## The Big Picture – trends we've spotted for 2022 and beyond

As a brand aiming for sustainability, NA-KD is **celebrating a new era of green politics** and progressive leadership. The EU's Green Deal and EU Textile Strategy are raising the bar for the fashion industry significantly. COP26 also marked a milestone with participating states agreeing to a phase down of fossil fuels to be replaced with renewable energy. With all this, we are likely to see a much-needed transformation of the fashion industry within the coming 5–10 years.

Meanwhile, investors seek greater transparency in non-financial reporting and customers and other stakeholders are also seeking greater **transparency about where and how products are made, and with what impact**. Tech is making this knowledge possible. Technological solutions to recycling and upcycling textiles are moving fast too, and NA-KD predicts this will scale industry-wide within a couple of years.

There is no doubt that the pandemic has led to **an increase of e-commerce** when customers have sometimes been more or less forced to shop online. Also, downloads of e-commerce apps is rapidly increasing. This benefits NA-KD but it also suggests a more crowded marketplace.

**Prices for raw materials vital to the fashion industry are all on the rise.** Cotton prices are at their highest level in ten years due to the US ban on cotton from Xinjiang in China. Extreme weather, including droughts and heat waves, have also wiped out cotton crops across the U.S, which is the biggest exporter of the commodity in the world. At the same time, a rise in crude oil prices is impacting the price of petroleum based fibers, such as polyester and nylon. Together with a global shipping crisis with lack of containers and heavy price increases, this puts a lot of pressure on the fashion industry. At NA-KD, we foresee this trend to continue throughout 2022.

Lastly, strong voices continue to demand **actions against the climate crisis**, especially among Gen Z. Brands need to deliver ambitious targets and tangible results. The mainstreaming of more sustainable materials is a positive step. Circularity is next: business models based on subscription, shared ownership and re-use. NA-KD will be part of driving this to become the 'new normal', with the launch of NA-KD Circle in 2021 being our biggest sustainability initiative to date.



## Fashion fit for the future

We want future fashion to be grounded in equality, diversity and a deep respect for nature. To get there, we will use our creativity, agility, lots of energy and an honest and open relationship with our customers.

### NA-KD's defining features

NA-KD is a global vertical direct-to-consumer fashion brand. We have a data-driven 'online first' approach and our customers are our number one priority.

We know our customers well. The majority are Gen Z and Y: women born between 1979 and 2007. Our customers want us to be authentic, trustworthy and relatable – and to share their values on how we treat people and the planet. We don't only speak to our customers; we also speak through them. In 2021, we launched NA-KD Circle, enabling our customers a fully integrated platform where they can sell and buy NA-KD pre-loved fashion. During 2021, we also launched the NA-KD App, where NA-KD Circle will also be an integral part. These are two ways to further increase our symbiosis and close relationship with our customers.

We are disruptive in how we think and grow. For us, collaborating with influencers is just who we are. These collaborations are fuelled by influencer culture, bring energy and creativity to the mix, and of course drive traffic to na-kd.com. During 2021, we had 111 (118) collaborations where influencers designed their collections together with us, and worked with over 10,600 (6,000) influencers in total.

Our company values have been defined by asking our stakeholders what makes NA-KD what we are, our core and DNA. They are included in our onboarding of new employees and we work with them on a regular basis, through workshops, activities and in company meetings. They are also part of our performance reviews. The CEO and Executive Management team are utterly responsible for our values, which are available in English, our corporate language.

## Our values

**CURIOSITY -**  
We see no limits

**MOMENTUM -**  
We get good stuff done, fast

**INTEGRITY -**  
We live by our values

**INCLUSION -**  
We give everyone an opportunity to succeed

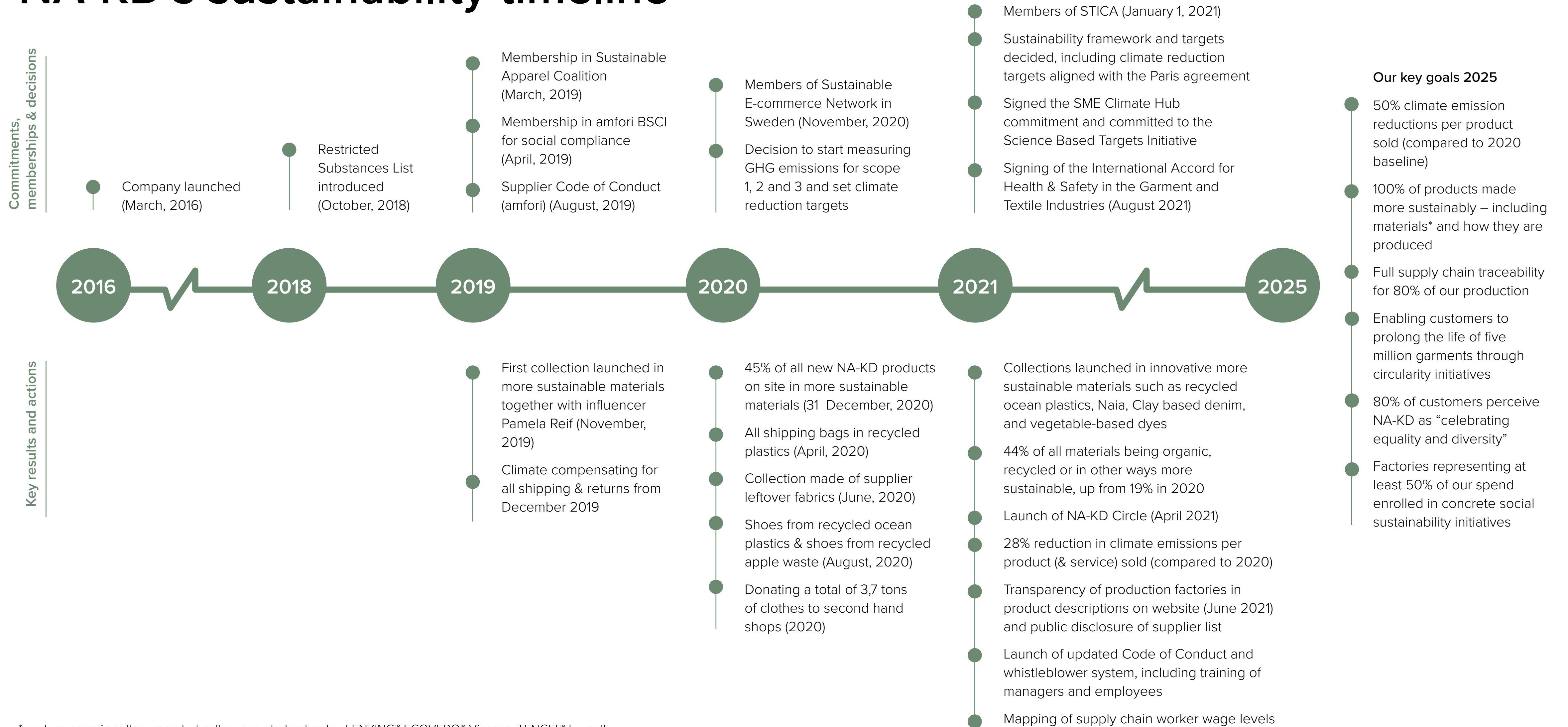
**COLLABORATION -**  
We win together

**CUSTOMER OBSESSION -**  
We are customer obsessed

**ACCOUNTABILITY -**  
We own our actions and excel



# NA-KD's sustainability timeline



\* such as organic cotton, recycled cotton, recycled polyester, LENZING™ ECOVERO™ Viscose, TENCEL™ Lyocell, TENCEL™ Modal, Naia, and other organic/ recycled and/or more sustainably produced materials.



## Our sustainability approach

### MATERIALITY ASSESSMENT

Our sustainability strategy is grounded in a materiality assessment, an approach that allows us to build a very clear picture of how we are affecting the world around us. This process involves identifying areas of impact – such as

materials, diversity or climate – and then ranking them according to their importance to our stakeholders and our ability to drive change. This process enables us to act quickly on important issues that will deliver the most progress against our sustainability goals.

### Manage

- Water
- Biodiversity
- Microplastic
- Anti-corruption
- Waste Reporting

### Develop

- Fair and equal jobs across the value chain
- Supplier relations
- Chemical management
- Transport
- Packaging
- Marketing communication

### Drive – our most material topics

- Circular products and business models
- Climate actions
- More sustainable materials
- Transparency
- Diversity and inclusion
- Female empowerment

Priority

## Elaboration on our most material topics

### CIRCULAR PRODUCTS AND BUSINESS MODELS

– this is about thinking circular in everything we do as well as increasing revenue streams from new business models. We need to do this journey in collaboration with our customers, and with support of policy decisions and regulation to drive change towards circularity. The main risks are connected to not succeeding with this transformation and hence losing out on future competitiveness, lost revenue streams as well as not being able to meet our climate reduction targets.

**Related policies:** *Environmental Policy, NA-KD Code of Conduct, Supplier Code of Conduct.* Read our progress in the chapter on Circularity, [page 19](#).

**CLIMATE ACTIONS** – reducing climate and environmental impact from our business and products is a key business driver. Focus is twofold on transitioning to circular business models and minimising negative environmental impact from the making of new products, which is the part of the value chain with biggest impacts. For most of our key stakeholders, this is a prioritised topic, as urgent climate action is needed for the sake of the survival of humanity – and as businesses that adapt to and rethink their business models, are likely the winners in the long run.

**Related policies:** *Environmental Policy, NA-KD Code of Conduct, Supplier Code of Conduct.* Read our progress in the chapter on Climate Action, [page 26](#).

**MORE SUSTAINABLE MATERIALS** – Our customers are our number one priority, and more sustainable materials are their number one priority when it comes to sustainability. Hence, customer demands, in combination with expectations from other stakeholder groups to focus on our materials makes this a material issue for NA-KD. The risks of not transitioning towards more sustainable materials is both loss of customer retention and attraction, as well as greater negative environmental impact from raw material production and not being able to reach our climate reduction targets.

**Related policies:** *Environmental Policy, NA-KD Code of Conduct, Material Ethics & Animal Welfare Policy, NA-KD Restricted Substances List.*

Read our progress in the chapter on Sustainable Products, [page 35](#).

**TRANSPARENCY** – Transparency and honesty are what build the foundation of any stakeholder relationship. To future-proof our business, NA-KD is on a journey to become even more transparent, as this is also an area of high attention for EU policy makers with the upcoming EU Textile Strategy. The risks of not being transparent is to lose credibility and trust from our stakeholders, and ultimately lose sales.

**Related policies:** *NA-KD Code of Conduct.* Read our progress in the chapter on Sustainable Products, [page 41](#).



**DIVERSITY AND INCLUSION** – The main focus for NA-KD in this area is in our own operations and employees' work situation. It is also a significant part of how we communicate to and with our customers and creative business partners, and naturally also vital in our work with supply chain business partners. The risks for not addressing diversity and inclusion, or any potential human rights impacts across our value chain, can be immense – for both people and our business. We make products for people, made by people, and that's why people are at the core of what we do.

**Related policies:** *NA-KD Code of Conduct, Human Rights Policy, Work Environment Policy, Equal treatment policy, Supplier Code of Conduct.*

Read our progress in the chapter on Diversity & Inclusion, [page 42](#).

**FEMALE EMPOWERMENT** – NA-KD is a brand for everyone, but our primary target group is women. We want to lift women's voices and empower women everywhere, wherever they are. This is especially important for our creators and our colleagues, as well as stakeholders in wider society. Also, for the women making our products in supply chain, where women stand for almost 60%\* of the workforce in the cut and sew factories that we work with.

**Related policies:** *NA-KD Code of Conduct, Human Rights Policy, Work Environment Policy, Equal treatment policy, Supplier Code of Conduct.*

Read our progress in the chapter on Diversity & Inclusion, [page 42](#).

\* Based on third party verified social audit data conducted in 2021 and covering 87,25% of business volume.

## Stakeholders

A stakeholder is an individual or group that has an interest in a company and can either affect or be affected by its business. Our key stakeholders have been selected based on who we interact with, that can impact NA-KD as a business, and

that we in turn impact with our business. They include our customers, colleagues, influencers, owners, business partners, as well as academia and wider society. Our approach to sustainability involves close collaboration with these stakeholders – it’s only together with them that we’ll achieve our goals.

**CUSTOMERS** – Our customers are always our number one priority, and we are obsessed with understanding them – if it matters to our customers, it matters to us. The journey to becoming more sustainable – for our business and our industry – is full of challenges, and we will only succeed by collaborating with our customers. For example, how can we best support them to adopt more sustainable consumption behaviours – such as selling and buying preloved items? To make sure we’re truly listening to what our customers want and need from us when it comes to sustainability, we are conducting customer surveys and have a close ongoing dialogue through our dedicated customer services team and through our social media team.

From our brand pulse survey in January 2022, we see that customers’ perception of NA-KD as “being a responsible brand that cares for people and planet” has increased from 29% to 56%. Even though we’re moving in the right direction, there is still a great opportunity for us to do more while communicating our actions and progress to our customers in a transparent way.

From a survey in January 2021, our customer’s top three sustainability priorities for NA-KD are:

1. More sustainable materials in products
2. Climate action and science-based targets
3. Packaging

**COLLEAGUES** – Our colleagues make us who we are. Without their creativity, passion and talent, we would not be able to serve our customers the way we do. That’s why our colleagues are so important to our sustainability journey: their ideas and ability will take us to the next level. The physical and mental wellbeing of our colleagues is of utmost importance to us. We are also dedicated to ensuring everyone has an equal opportunity to succeed. Listening to our colleagues, through their feedback in our employee satisfaction tool Winningtemp, continuous dialogues, and surveys, the top three things for NA-KD to focus on in our sustainability work are:

1. More sustainable materials in products
2. Climate action and science based targets
3. Transportation

**What do you think are the most important 3 topics for NA-KD to focus on with our sustainability work?**

	Responses - TOTAL
More sustainable materials in products	47%
Climate action and science-based targets	23%
Transportation	22%
Working conditions in supply chain	19%
Packaging	17%
Emission reductions in supply chain	14%
Fair living wages	14%
Forced labour and child labour	14%
Waste management	13%
Single use plastics	12%
NA-KD Circle	12%





**INFLUENCERS** – We’ve always worked symbiotically with our influencers. They speak our minds and we truly want to amplify diverse voices from around the world through our platforms. To further engage with and listen to our influencer community, during spring 2021, we launched our Creators Council, gathering eight influencers from different backgrounds with diverse perspectives. We have listened to their opinions on how we can turn NA-KD into an even better company, brand and business. We also have an ongoing dialogue with all creators that we work with in our daily work. From the Creators Council’s perspective, the top three areas for NA-KD to focus our sustainability work on are:

1. Inclusivity in sizing – in who we work with for collabs, in our product ranges and how these are presented to customers
2. Inclusivity in ethnicity – on the website, in who we work with, and in all our marketing
3. Be transparent and honest

**BUSINESS PARTNERS** – NA-KD works with a variety of business partners: from producing vendors, to wholesale and retail partners, as well as logistics and distribution partners. Key for our operations are our producing vendors. We do not own any factories but work with supply chain partners for the making of our products. At the end of 2021, we had 199 (191) tier 1 factories making the products we sell. Together, we are constantly working towards improving their environmental and social performance. We are always on the lookout for producers that offer innovative and more sustainable

materials and production methods. We have continuous dialogues with our suppliers and during 2021 have started more regular meetings with our key suppliers focusing the dialogue on sustainability. Based on these dialogues, the top three things for NA-KD to focus our sustainability work on are:

1. More sustainable materials and certificates management
2. Investments in renewable energy and chemicals
3. Support to sub-suppliers (fabric manufacturing and dyeing) in improving environmental and social performance

**OWNERS** – Our owners believe in us as a business. They trust that we can overcome obstacles and will win more customers in the long run – all in a more sustainable way. They guide our long-term vision and strategy, and are therefore critical partners in our sustainability journey. During the first half of 2021, individual stakeholder dialogues were performed with all main shareholders of NA-KD. Based on these as well as continuous dialogues through Board meetings, the top three things for NA-KD to focus our sustainability work on according to our owners are:

1. Make NA-KD Circle and circular business models a significant part of the business
2. Customers’ perception of the NA-KD brand as inclusive
3. That NA-KD is part of taking the lead towards a more sustainable fashion industry

**ACADEMIA & RESEARCH** – We all need to listen to the science on climate change. It’s telling us that we must act quickly and decisively to reduce global emissions by at least 50% by the end of the decade. For the fashion industry to transform into a more sustainable and circular industry, we need new, scalable solutions for recycling textiles and keeping resources in a closed-loop system. We strive to continuously monitor the latest research and science on climate change and more sustainable fashion practices in general. Based on this, the top three areas science tells us to focus on are:

1. Transforming supply chains to fossil-free production
2. Transition to circular business models
3. Think holistically and include all aspects of sustainability, e.g. water, biodiversity, as well as working conditions and human rights

**SOCIETY** – At NA-KD, we always have an ear to the ground for new social and cultural movements and trends. We stand by our values of equality and diversity and give our support to BLM and LGBTQIA+ rights. We are also convinced that our momentum, collaboration and authenticity around climate change issues will bring more people with us on our sustainability journey. Our collaboration with this stakeholder group includes NGOs, policy makers, our peers and multi-stakeholder initiatives like the International Accord for Health & Safety in the textile and garment industry and STICA. Based on this, the top three areas to focus on are:

1. Climate Action
2. Transparency & Communication
3. Women and workers’ rights

We are dedicated to contributing to the Sustainable Development Goals as formulated by the United Nations. For the sake of our future and for all of us – but also because that’s just the way we want to do business. Our sustainability work is a fundamental part of who we are.

### The five Sustainable Development Goals we contribute to the most are:

<p><b>5 GENDER EQUALITY</b></p> 	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> 	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> 	<p><b>13 CLIMATE ACTION</b></p> 	<p><b>17 PARTNERSHIPS FOR THE GOALS</b></p> 
<p><b>Related key KPIs:</b></p> <ul style="list-style-type: none"> <li>• By 2025, 80% of customers perceive NA-KD as “celebrating equality and diversity”</li> <li>• A balanced representation of female/male/non-binary people throughout the organisation; both from a functional and managerial perspective</li> </ul>	<p><b>Related key KPIs:</b></p> <ul style="list-style-type: none"> <li>• Equal employee satisfaction between gender/age/ departments</li> <li>• By 2025, factories representing at least 50% of our spend enrolled in concrete social sustainability initiatives</li> <li>• By 2025, factories representing 80% of our spend showing high performance in social audits (at least B in amfori BSCI audits, or similar in other systems)</li> </ul>	<p><b>Related key KPIs:</b></p> <ul style="list-style-type: none"> <li>• Enabling our customers to prolong the life of five million garments by 2025 through circularity initiatives</li> <li>• By 2025, 100% of products to be made more sustainably – including materials and how they are produced</li> <li>• By 2025, have 100% circular packaging, meaning made from recycled materials and reusable, recyclable or compostable</li> <li>• By 2025, have 50% of product materials from recycled materials</li> </ul>	<p><b>Related key KPIs:</b></p> <ul style="list-style-type: none"> <li>• By 2025, reduce emissions from our own operations by 80%, compared to 2020</li> <li>• By 2025, reduce emissions by 50% per product (&amp; service) sold, compared to 2020</li> <li>• By 2030, reduce absolute emissions by 50%, compared to 2020</li> </ul>	<p><b>Contribution in 2021:</b></p> <p>NA-KD joined the Swedish Textile Initiative for Climate Action and the International Accord for Health and Safety in the Textile and Garment Industry. We are also an active member of the Sustainable Apparel Coalition since 2019, and the amfori BSCI (Business for Social Compliance initiative). In all these networks we work together with our industry peers to drive social and environmental change together.</p>



## NA-KD's Sustainability Governance

NA-KD's highest governance body is the Board of Directors, where the five largest shareholders are represented. Our CEO reports to the Board of Directors.

NA-KD's Management Team is led by our CEO and includes managers from all areas of the company: Operations, Marketing & Communications, Purchasing, Sourcing, Business Intelligence, Human Resources, Finance, Growth, Engineering and Sustainability. The Board of Directors is ultimately responsible for NA-KD's sustainability work, and the Management Team is responsible for its operational execution. The work is led by the VP Sustainability.

NA-KD's sustainability work is guided by our internal Code of Conduct, which was updated during 2021, and communicated to all employees in June followed by training. Read more on [page 46](#). NA-KD set out our sustainability strategy – Deliver fashion fit for the future – at the beginning of 2021. The strategy has been prioritised as one of four key strategic objectives for NA-KD as a business. Starting in Q4 2021, we are also working to break down our sustainability objective and KPI's in all teams based on what is most relevant to their daily tasks.

As a next step to integrate our sustainability performance and governance into our core business, the sustainability strategy and key KPIs are (since late 2021) part of NA-KD's quarterly strategic performance management process. There is one key sustainability metric for each one of our four strategic focus areas in our sustainability framework (Circularity, Climate action, Sustainable products and Diversity & inclusion).

The KPIs being monitored at Management level on a quarterly basis are:

**Circularity:** # of garments sold with prolonged life through circularity initiatives

**Climate Action:** Reduction of CO<sub>2</sub>e per product (& service) sold

**Sustainable Products:** % of products released with more sustainable materials

**Diversity & Inclusion:** Percentage of customers perceiving NA-KD as celebrating equality and diversity (employee satisfaction is also measured as part of NA-KD's strategic quarterly follow-up)

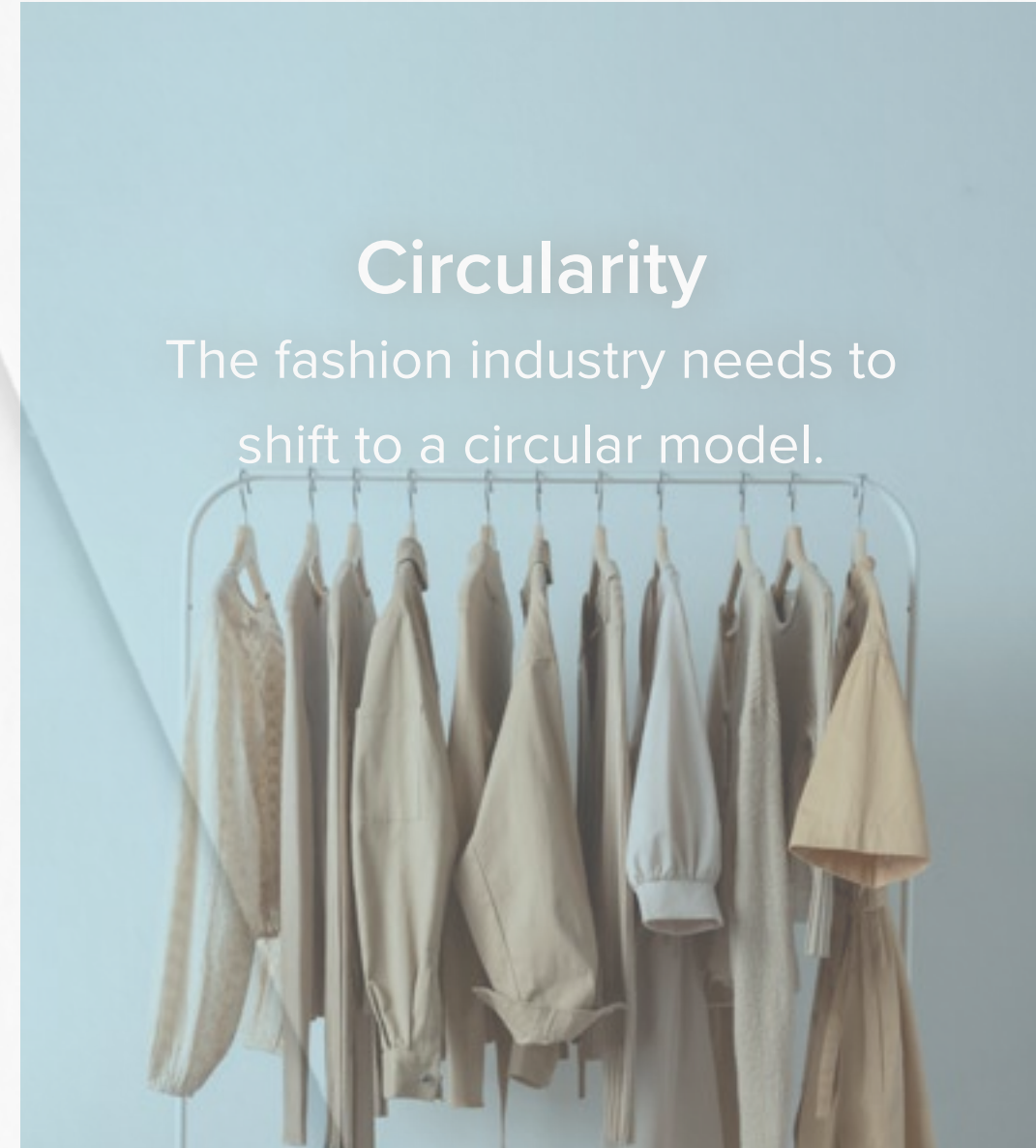


# Sustainability framework – Fashion fit for the future

We want future fashion to be grounded in equality, diversity and a deep respect for nature. To get there, we will use our creativity, agility, lots of energy and an honest and open relationship with our customers.

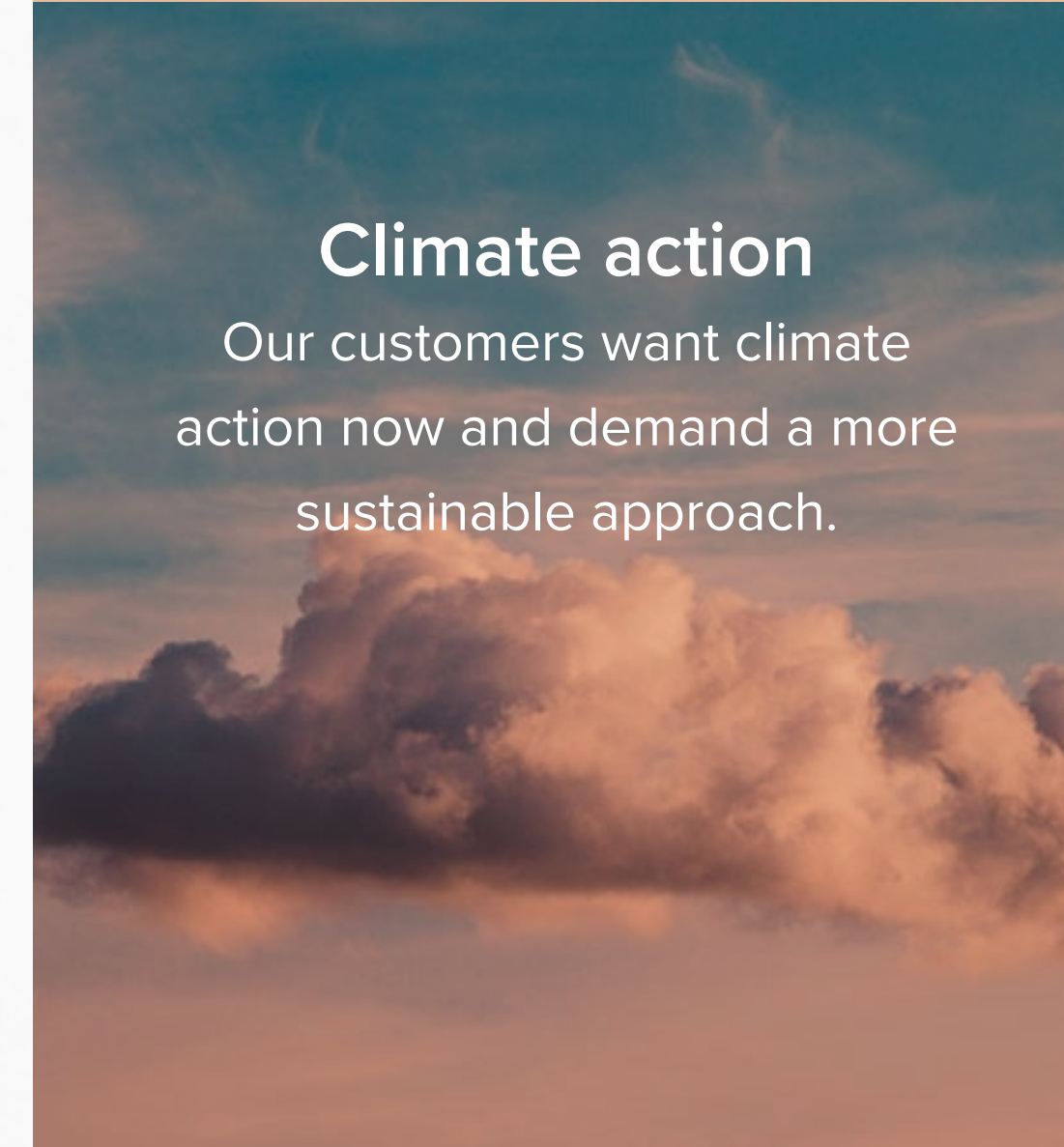
## Circularity

The fashion industry needs to shift to a circular model.



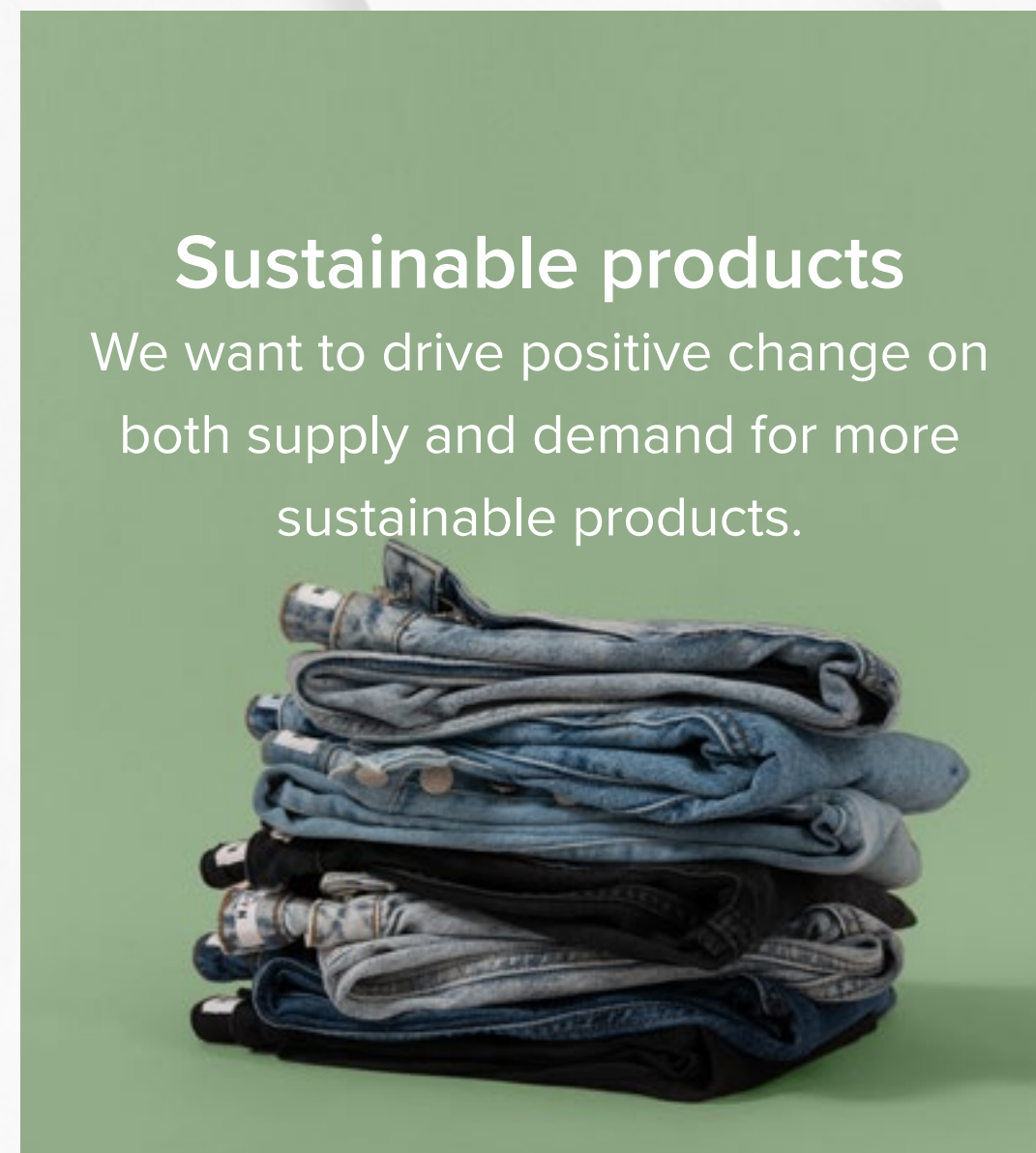
## Climate action

Our customers want climate action now and demand a more sustainable approach.



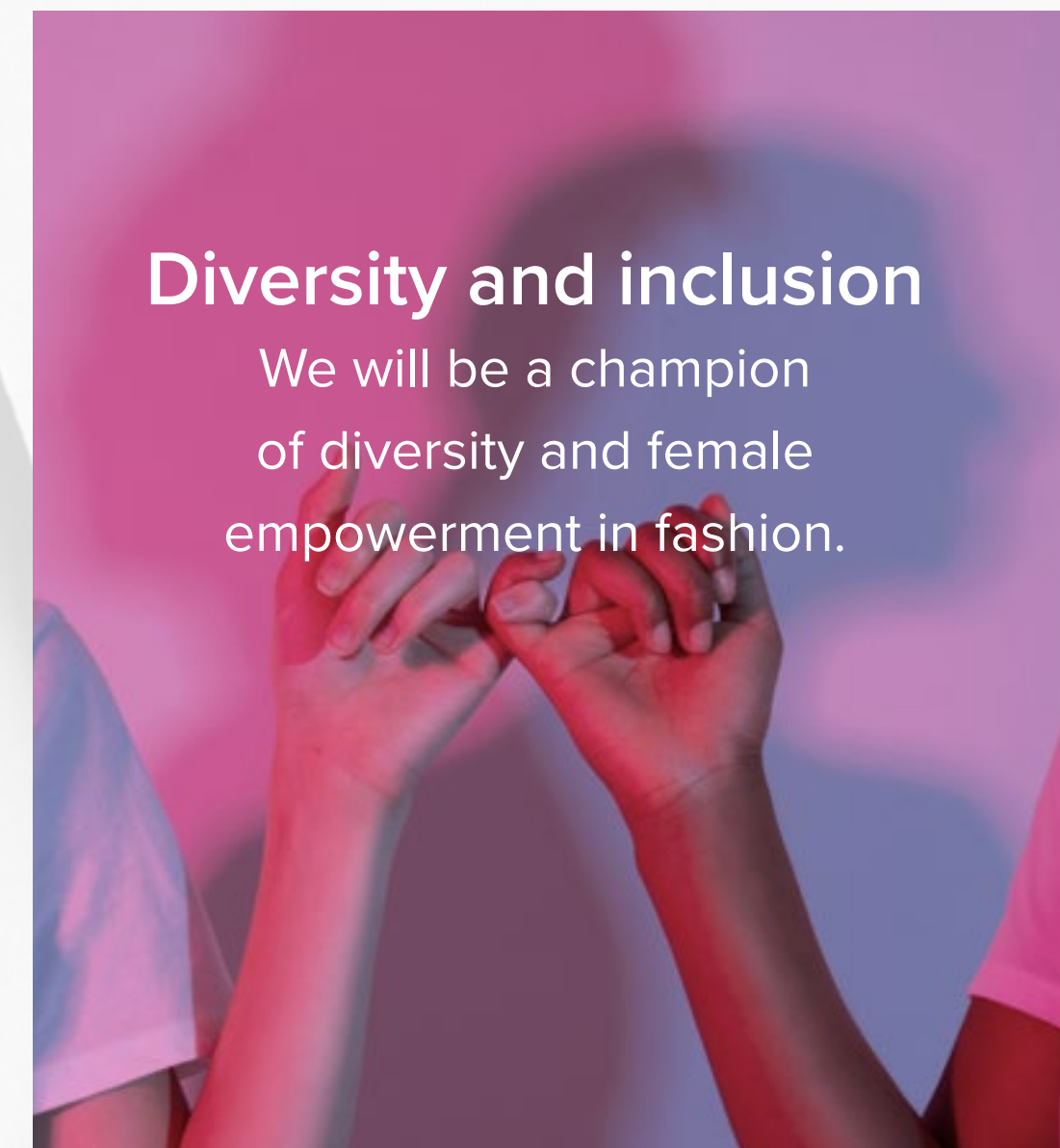
## Sustainable products

We want to drive positive change on both supply and demand for more sustainable products.



## Diversity and inclusion

We will be a champion of diversity and female empowerment in fashion.



# 2021 Key target summary

	FY2020	FY2021	Final Status	Target
<b>Circularity</b>				
Enable our customers to prolong the life of five million garments by 2025 through circularity initiatives	4,763	34,900	39,663	5 million
By 2022, launch at least one collection designed for circularity	–	–	status 2021: none	1
By 2025, have 100% circular packaging, which means it is made from recycled materials and is reusable, recyclable or compostable	N/A	3.9%	3.6%	100%
By 2025, have 50% of product materials from recycled materials	3%	15%	15%	50%
By 2025, reuse or recycle 100% of packaging materials from all our sites	87%	87%	87%	100%
<b>Climate action</b>				
By 2025, reduce emissions from our own operations by 80% (scope 1 & 2)	186.4 t CO <sub>2</sub> e	49.7 t CO <sub>2</sub> e	73%	80%
By 2025, reduce emissions by 50% per product sold (scope 1, 2 & 3)	7.5 kg CO <sub>2</sub> e	5.4 kg CO <sub>2</sub> e	28%	50%
By 2030, reduce absolute emissions by 50% (scope 1, 2 & 3)	69.514 t CO <sub>2</sub> e	65.798 t CO <sub>2</sub> e	5%	50%
<b>Sustainable products</b>				
By 2022, use 100% more sustainable materials* in all our denim	65%	88%	88%	100%
By 2025, 100% of products to be made more sustainably – including materials* and how they are produced	19%	63%	63%	100%
By 2025, have 100% of production made in tier 1 factories that work with environmental and social performance according to industry standards	79%	88%	88%	100%
By 2025, reach full supply chain transparency for at least 80% of our production	–	initiated	80%	
<b>Diversity and inclusion</b>				
By 2025, 80% of customers perceive NA-KD as “celebrating equality & diversity”	41%	61%	61%	80%
By 2025, factories representing at least 50% of our spend enrolled in concrete social sustainability initiatives	0%	0%	50%	
By 2025, factories representing 80% of our spend showing high performance in social audits (at least B in amfori BSCI audits, or similar in other systems)	N/A	15.2%	15.2%	80%
Equal employee satisfaction between gender	0.3	0.2	0.2	0
Equal employee satisfaction between age	0.8	0.6	0.6	0
Equal employee satisfaction between departments	3.2	1.7	1.7	0

\* such as organic cotton, recycled cotton, recycled polyester, LENZING™ ECOVERO™ Viscose, TENCEL™ Lyocell, TENCEL™ Modal, Naia, and other organic/ recycled and/or more sustainably produced materials.

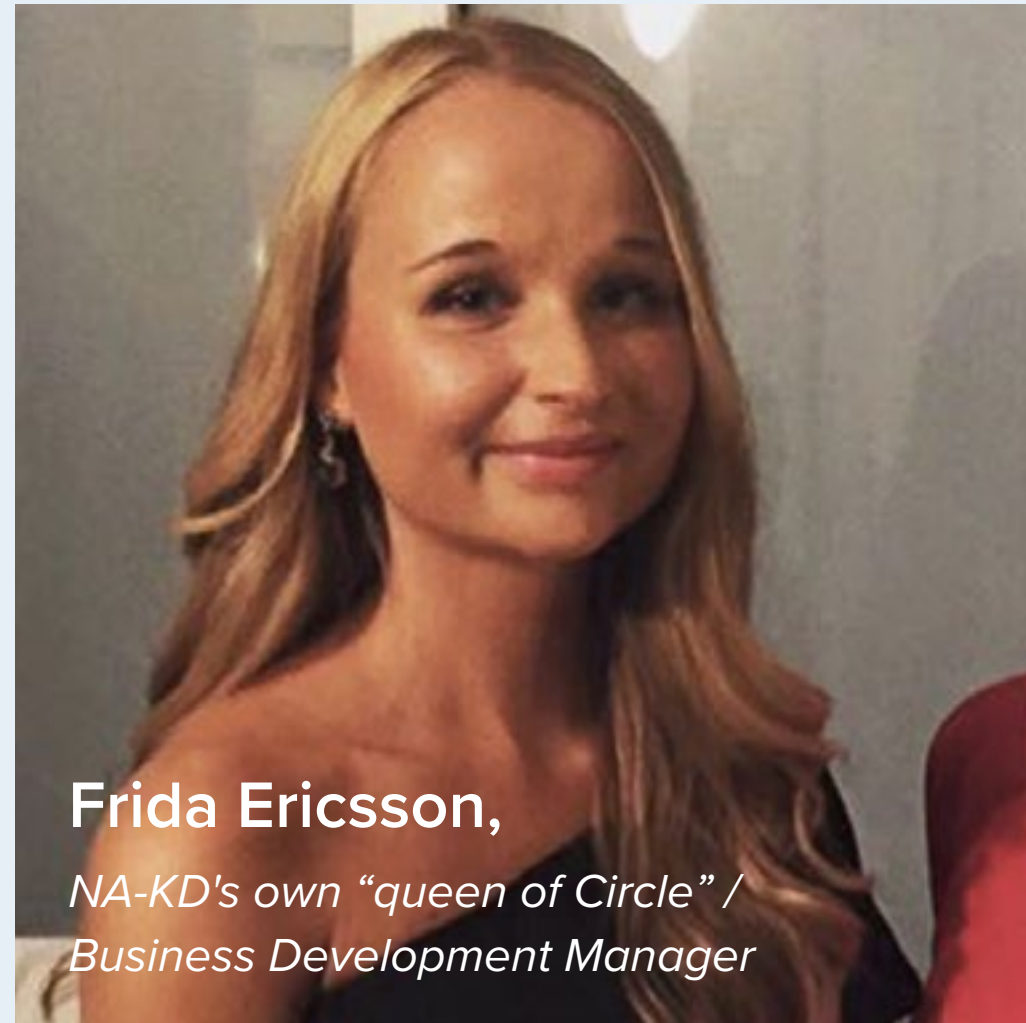
# Circularity

The fashion industry needs to shift to a circular model. For NA-KD, that means being smart about the materials and design we use in our products and packaging. And it means prolonging the lifecycle of everything we make through innovative business models, like re-selling, upcycling and subscriptions – in close collaboration with our customers.

NA-KD Circle 



## Five voices about NA-KD Circle



**Frida Ericsson,**

*NA-KD's own "queen of Circle" /  
Business Development Manager*

### Tell us about developing NA-KD Circle?

It has been a truly exciting journey! The project has been special not only due to its breadth and scope but also due to it being a new business area, although integrated into our existing one. Circle has been a highly prioritised project internally and we have always had a clear vision: building a second-hand service that is as easy and frictionless as possible for both buyers and sellers. The goal is to prolong the life of as many garments as possible, and a seamless customer experience

has been prioritised above profitability. Developing something as big as Circle from scratch implies that there is a large job to be done in defining all the activities needed to develop the product and to create a successful launch. Circle has really been a company-wide team effort where all departments have had to be involved to make it come to life.

### What was the biggest challenge with NA-KD Circle?

The biggest challenge has been to identify all departmental and system dependencies and to understand who to involve, consult and inform regarding various topics. Another challenge has been the substantial technical scope and the technical product management.

### What is the plan in the future for NA-KD Circle?

We have high ambitions. Of course we want to grow the number of products that get a new home through NA-KD Circle, and the ultimate goal is that all products we sell should be given a second life when their current owner does not use them anymore. There are so many exciting features we want to launch and improvements we want to make to improve both the buying and selling experience further. This includes operational improvements like shipping options, creating a community around the service to make it more of a social and inspirational experience, develop CRM activities including gamification and rewards, and to simplify the seller process, to name a few.

## Josefine Wistrand

*Customer*

### What were your thoughts when you first heard about NA-KD Circle?

I was thrilled. The "My Closet" section that popped up on the site last year made me dig through my own closet for clothes I didn't wear that would serve better in another person's home.

### What is your experience from using NA-KD Circle – how is it compared to other ways of buying/selling second hand?

NA-KD Circle is really smooth! You don't have to photograph the clothes or write a description, UPS always picks up your sold items the next day, and the cash credit you receive is good.

### Have you changed your consumption habits for fashion? Are you shopping more second hand today?

I mainly shop my clothes second hand, the red outfit in my picture is all thrifted!

### What are your expectations of a fashion brand when it comes to working with sustainability?

I expect fashion brands to strive for sustainability as much as they can, and NA-KD is a pioneer on this front in my opinion! I think more stores should offer their buyers to sell their clothes second hand.

## Anna Winde,

*VP Sustainability*

### Why did NA-KD launch NA-KD Circle?

We aim to be among the top 1% most sustainable fashion brands in the world. Launching NA-KD Circle is a key milestone for us on that journey, enabling our customers to consume fashion in a more sustainable way.

### What is the biggest challenge with circularity?

The challenge is twofold. We have to find partners that are set up to run e.g. logistics for a circular model (and not only linear), and we need to inspire our customers to sell the unused items in their wardrobes and buy pre-loved instead of new.

### In what way will NA-KD Circle be part of fulfilling your sustainability targets?

As we are a growing company, reducing our absolute emissions is a challenge beyond anything else. To be able to reach this, we must make circular business models a significant part of our revenue.

### How do you make sure you are not just driving more consumption?

This is the tricky part. Pre-loved fashion is better from an environmental perspective if it replaces the consumption of new clothing, not if it is complementary. By integrating NA-KD Circle on our website, we make it easier for customers to choose a pre-loved item instead of a new one.



**Kajsa Arvidsson**  
*Influencer*

### What do you see as the biggest challenges with today's fashion consumption?

I believe a large portion of the problem is our own consumption habits. We tend to blame the big fashion giants and look at production chains when in fact it starts with us. Demand and supply. I try to plan every purchase, and ask myself "when do I need this and why?" My thumb rule is to never shop on an impulse.

### What can you do as an influencer to drive a more sustainable behaviours with your followers?

Encourage people to shop consciously, buy more sustainable materials, sell the stuff they don't need second hand.

### What response do you see from your followers on communication such as on NA-KD Circle?

It is a great solution. They can get rid of the things they no longer use and know it's going to be taken care off.



**Mija Pulodi**

*Product manager Circle & Sustainability (IT)*

### What was behind the decision to develop NA-KD Circle?

We wanted to empower our customers to make more sustainable choices when visiting NA-KD. We also wanted to ensure a seamless experience while selling and purchasing their items..

### Which achievement connected to NA-KD Circle are you most proud of?

Thousands of customers have already sold and bought Circle items. What is even more important is that we keep improving our customers' experience and try to make it even more seamless, by analysing product data and iterating the customer journey to make Circle appealing to even more customers.

### What role do you see technology having in enabling a more sustainable consumption?

Thanks to technology, and the creativity of our employees, we reduce friction and enable our customers to both sell their clothes and find the right second hand outfit, all in one place.

## NA-KD Circle – our approach to a circular fashion business

*We want to prolong the life of our products through new business models and close customer collaboration.*

While many point to fast fashion as the main reason our industry has such a large environmental footprint, we believe the root of the problem – and therefore its solution – lies elsewhere. 80% of all discarded textiles are doomed for landfill or incineration. Only 20% are reused or recycled. Every second, the equivalent of one truck of textiles is landfilled or incinerated.\*

This make-use-dispose linear system is deeply unsustainable, whether it's fast or slow. At NA-KD, we are committed to being part of making the fashion industry circular. Most garments, on average, are worn only seven times. Research from Mistra Future Fashion & Ellen MacArthur Foundation shows that doubling the number of times a garment is worn can reduce its climate footprint by up to 50%.

A big challenge is to change customer views on consumption behaviour in general. To make it as natural to sell and buy second hand, or rent your clothes, as it is to buy something new. Circular business models need to become the new norm. At NA-KD, we believe we need to collaborate

to make this transition; within the industry, with policy makers and with our customers. Yet another challenge is to design products that last, and products that are made to be made again, either through re-make or recycling, or both. In this respect, NA-KD is on a journey. A journey that we happily share with our customers and other stakeholders.

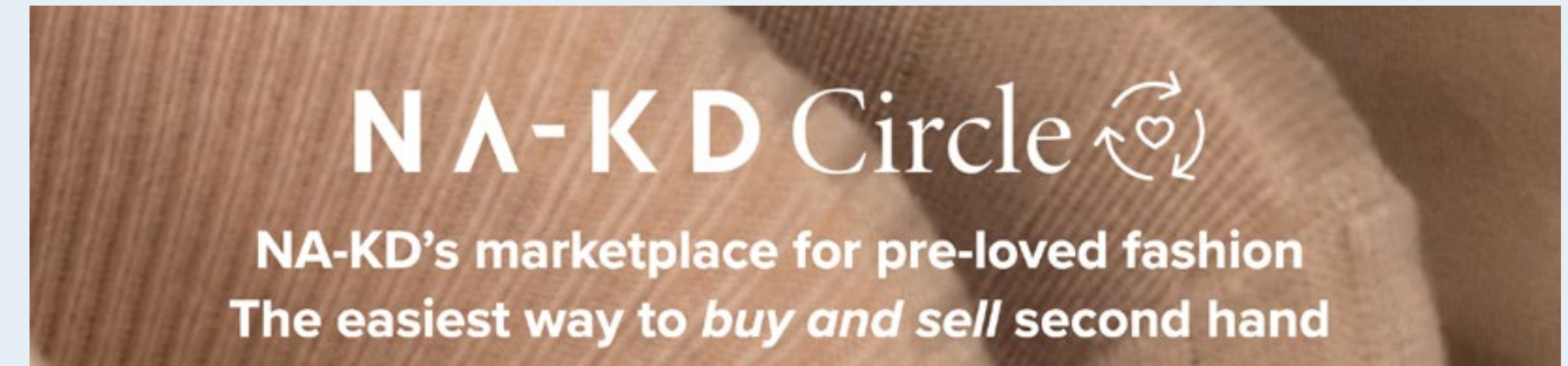
To be able to reach our climate reduction targets, circular business models must become a core part of our business model in the future. We know this is the right path to walk, yet recognise the challenges of this transition.

### Goals, targets and KPIs:

- Enable our customers to prolong the life of five million garments by 2025 through circularity initiatives
- Saved tons of CO<sub>2</sub>e through circularity initiatives

### Key actions

- Launch of circular business model in 2021
- Encourage more circular consumer behaviour
- Explore rental/subscription models
- Influencer campaigns for pre-loved / circularity



## OUR PROGRESS

### Launching NA-KD Circle

In spring 2021, we launched our biggest sustainability initiative to date: NA-KD Circle. It's a completely integrated marketplace for pre-loved fashion, where we enable and encourage customers to sell and buy their pre-loved items seamlessly on NA-KD.com. One of the best things we can do for the planet is to get more use out of clothing we already have. NA-KD Circle buyers get to shop at a discount. Sellers get store credits to use on NA-KD.com. The clothes get a second life. It's a win-win-win. We believe it should be as easy to sell and buy pre-loved items as new items. Therefore, NA-KD.com customers now have the unique opportunity to choose if they want to buy an item as new or in a pre-loved condition. During 2021, more than 40,000 garments got a new owner through NA-KD Circle.

### Driving behavioral change

We believe that selling clothes and giving them a second life when they are no longer used by their owner is a habit that customers have to learn. As a company, we have to enable and

encourage this behaviour which is what we aim to do with NA-KD Circle. We already have insight into this learning amongst our customers as currently 50% of our customers who list their items for sale are 'returning sellers', i.e. customers who already listed items for sale. We hope that Circle will continue to drive this behavioural change and the end goal is that all our clothes (that are eligible for second hand sale) will be given a second life once their current owner does not use them anymore. Looking at NA-KD Circle buyers, we see that the ratio between new and existing customers is similar to overall sales, which means that our NA-KD Circle customers are not only new but that the demand for second hand clothing already exists amongst our current customers – they only had to be given the chance to buy second hand items to drive this change. Furthermore, NA-KD Circle buyers generally don't only buy second hand items, which also suggests that our existing customers are interested in second hand clothing as long as they find something they like, through an attractive inventory.

\*Ellen MacArthur Foundation

### Rental

In 2021, we continued our collaboration with Hack Your Closet. This young entrepreneurial female-driven fashion company offers a subscription model as a more sustainable way for customers to update their closets. In 2021, 6,794 NA-KD garments were sent to Hack Your Closet customers, up from 4,763 in 2020. For us, this is a great way to learn more about consumer behaviour when it comes to the rental business model. One of those learnings being that garments that can be rented all year, like denim and blazers, work well with Hack Your Closet's subscription model.

In 2021, Hack Your Closet performed a climate impact study together with the Research Institute of Sweden and EIT Climate-KIC, and validated by Miljögraff. NA-KD has taken part of the findings, which you can read about next.

### Climate impact

We have calculated the climate impact from our NA-KD Circle business for 2021. For these calculations, we have looked at the additional emissions occurring after a customer has indicated that she wants to resell an item in her wardrobe, until that product reaches its new owner. These impacts are based on the transport of the products from the seller, to the NA-KD warehouse (sometimes directly to the new customer) and to the new customer.

*” On average, each sold NA-KD pre-loved product saves 2,6 kg CO<sub>2</sub>e, compared to if the same product would have been sold as new.*

For further details on how we have calculated this, please see our [website](#).

For our rental business with Hack Your Closet, we have (with permission) reused their calculations to look at the impact from NA-KD clothes being rented through their platform. According to Hack Your Closet's calculations, one box of clothing is equal to 0.8kg CO<sub>2</sub>e. With four items per box, the rental of actual NA-KD garments give 0.05 kg CO<sub>2</sub>e/item, which is 99% less than buying a new item.\*

\*This is an average estimation and does not take into account the actual composition of garments that NA-KD has provided to Hack Your Closet. The calculations include transportation and laundry of garments.



## Designing for circularity

*We want to use all resources in the smartest way possible, with a focus on products and packaging.*

Circularity only works if its principles are applied across the entire fashion value chain. When we're designing products, we need to plan for longevity and try to make sure that, when they reach the end of their life, they can be easily



Sustainability report 2021

recycled. We need to work with our industry peers to increase the share of recycled materials used in products. Meanwhile, reselling, recycling and upcycling need to become core components of our business.

### Goals, targets and KPIs:

- By 2022, launch at least one collection designed for circularity
- By 2025, have 100% circular packaging, which means it is made from recycled materials and is reusable, recyclable or compostable
- By 2025, have 50% of product materials from recycled materials
- By 2025, reuse or recycle 100% of packaging materials from all our sites

### Key Actions

- Materials strategy for increased product recyclability – develop and implement circular design principles
- Train internal staff on design for circularity
- Increase share of recycled and recyclable materials
- Initiatives for upcycling waste – launch collection of upcycled textiles
- Circular packaging strategy
- Explore tool to measure circularity
- Educate customers on circularity
- Reduce overstock by better predictions and innovative customer collaboration in product development

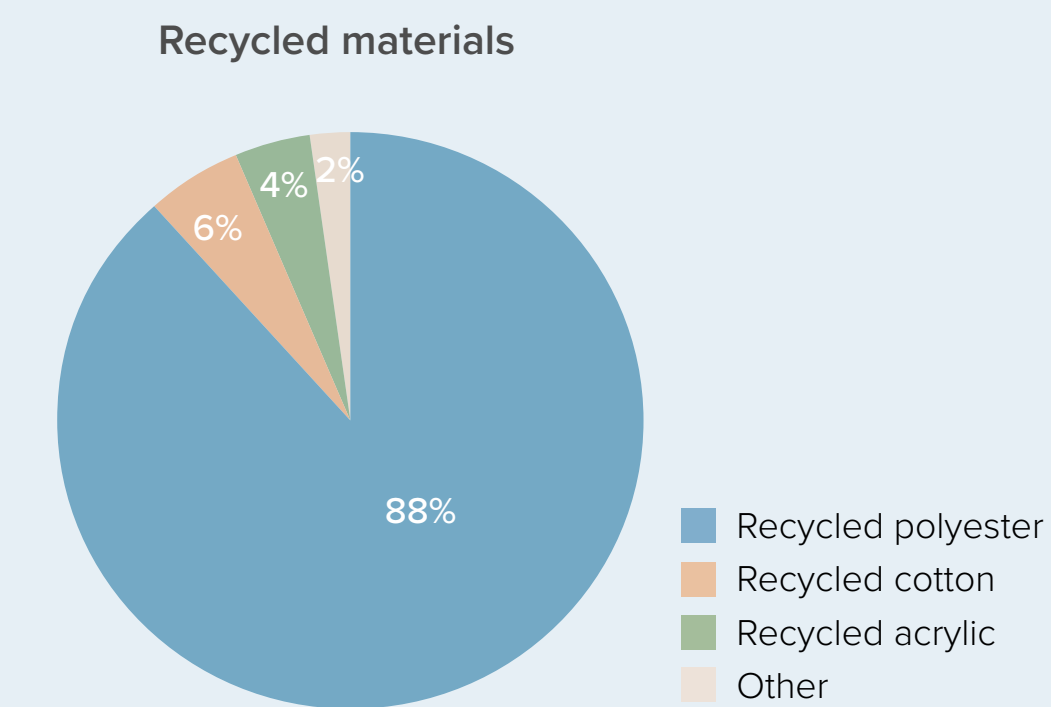
## OUR PROGRESS

### Recycled Materials

Recycled materials prevent materials from going to landfill, they also reduce the need for virgin materials and therefore the use of chemicals, energy and water.

Recycled fabric is mostly created from textile remnants in production and only to a small extent from used garments that have been collected for recycling. The recent emergence of technologies that can recycle fibres to make new yarns and fabric is tremendously exciting. Although this tech is not yet available at scale, the industry is heading there fast.

In 2021, 15% (3%) of our materials came from recycled materials (corresponding to a little bit over 616 tonnes), and our goal is to increase this to 50% by 2025.



“Other” refers to recycled polyurethane, polyamid, brass, zinc, wool, rubber, copper, iron and elastane.

### Packaging

Our simple packaging principles are, save space, pack light and pack safe. We need to make sure nothing gets damaged or soiled during transport and that all materials have as little impact on the planet as possible.

We are constantly working to increase the share of recycled materials in our packaging. As an e-commerce brand, this is core to our business and close to our hearts. Because we mainly sell soft products, most of our shipments go in low-volume bags rather than cardboard boxes. In 2021, 100% of our shipping bags were made from recycled plastics (80% from post-consumer plastics and 20% plastic waste recovered from industrial processes in Sweden, and in the Netherlands 100% from plastic waste from industrial processes). Going forwards, we are looking to further optimise our packaging use by, for example, making our bags thinner. We are constantly evaluating our packaging solutions and supporting further research to minimise their environmental and social impact.

During late 2021, we conducted a pilot where we tested shipping bags made of paper, to see how they work both operationally and to evaluate customer experience. We will extend the pilot to early 2022, and plan to follow-up by looking at available research on packaging, looking at all aspects of sustainability before we evaluate if we should change to shipping bags in paper or not.



About 50% (50%) of our polybags – the plastic bag protecting individual garments – is made of recycled plastics. We speed up nature’s composting process by adding Biodegradable Organic Polymer (BDP™) to the plastic bags we use. If BDP plastic gets into landfill, it eventually breaks down into organic compost waste, water and biogas.

We use paper envelopes to package certain items, such as sunglasses and earrings. Our small and medium sized envelopes are partly made using fast-growing grass instead of paper from trees.

**Waste**

Our suppliers send products to our warehouses from around the world. Obviously, they use packaging to protect those goods. This can create a lot of waste. In 2021, this created 1,756 (1,241) tons of waste, of which 87% (87%) was recycled.

**Waste**

	2020		2021	
	waste (kg)	whereof recycled materials	waste (kg)	whereof recycled materials
Cardboard (well-papp)	904,650	904,650	1,480,815	1,477,815
Plastics	205,549	105,549	198,145	12,877
Wood	72,770	72,770	26,210	26,210
Textile	0	0	1,006*	4
Hazardous waste	0	0	1	0
Other	58,332	0	49,860	12,780
<b>TOTAL</b>	<b>1,241,301</b>	<b>1,082,969</b>	<b>1,756,037</b>	<b>1,529,686</b>
<b>Total Recycled</b>		<b>87%</b>		<b>87%</b>

Figures for 2020 waste data have been corrected with updated data from our warehouse in Poland, which explains the difference on the 87% recycled waste compared to the 88% reported last year.

\*non-recycled textile waste is due to a shipment from a factory which unfortunately arrived to our warehouse moldy and beyond saving.

**Water consumption**

The water consumption in the textile supply chain is dominated by cotton cultivation, but the manufacturing processes in factories do also consume water. NA-KD's transition to more sustainable materials and production processes means less water is being used. As an example, using organic cotton instead of conventional cotton and using Naia instead of conventional viscose, both save a lot of water. In 2022, NA-KD will start mapping our tier 2 and 3 suppliers, meaning the water intense dyehouses and fabric houses. This is a first important step for us to be able to work more focusing on water consumption and waste water management.

**Returns**

98% (97%) of goods returned to NA-KD in 2021 were quality checked and put back in our warehouses, ready to be bought by another customer.

The remaining 2% (3%) were unfit for resale to our customers. We sell these products on the second-hand market, mainly in Eastern Europe.

We’re committed to doing everything we can to keep our products in circulation, avoiding landfill or incineration. We are also committed to lowering returns. During late 2021, we initiated a project to work with the tiny percentage of our customers who have extremely high return rates – by changing their habits, we hope to significantly reduce the impact of our returns. Read more on [page 34](#).

**Our Environmental Policy**

Our everyday choices make a big difference in the long term. At NA-KD, we have set up principles and systems to reduce the environmental impact of our day-to-day operations. You can read about our approach in our [Environmental Policy](#) and in our [Code of Conduct](#).

**In the office**

We keep our office spaces as free from single-use plastics as possible. Our kitchens are fully equipped with plates, bowls, cutlery, mugs and glasses. We have a waste management system at our offices which enables employees to recycle plastics, food waste, cans and other waste in an efficient manner.

Our goal is to transition to 100% recycled paper for in-house printing, with double-sided printing and copying as the default setting for company

printers. In the first half of 2021, we installed separate paper recycling bins in our offices, and will promote scrap paper re-use for taking notes.



# Climate action

Our customers want climate action now – and demand a more sustainable approach. We will partner with them, and our industry peers, to create a more sustainable fashion industry, which includes delivering on our ambitious plan to reduce absolute climate emissions by 50% by 2030 across our value chain.

## Reduce climate emissions by 50% by 2030

*We will reduce our climate emissions by 50% by 2030, and by 50% per product (& service) sold by 2025.*

The fashion industry has a huge environmental footprint. Depending on what research you look at, and how you define the industry, fashion is responsible for between 3–10% of total global greenhouse gas emissions. Even at the lowest range, that's big enough to demand rapid action.

At NA-KD, about 80% of our greenhouse gas emissions come from the sourcing of raw materials, yarn and fabrics, and garment manufacturing. These numbers are similar across the fashion industry. Garment production also has other environmental impacts, including water usage, scarcity and discharge, chemical use and potential pollution, plus soil degradation and biodiversity loss.

It's essential we address the impact of our products throughout their lifecycle. After their manufacture, our products' impact comes from transportation, from how customers care for them, and finally from their disposal – particularly if that is to landfill. Due to the big impact from the making of products, the most important thing is that the products that have already been produced are worn and used as long as possible.

### Key goals, targets and KPIs

- By 2025, reduce emissions from our own operations by 80% (scope 1 & 2)
- By 2025, reduce emissions by 50% per product (& service) sold (scope 1, 2 & 3)
- By 2030, reduce absolute emissions by 50% (scope 1, 2 & 3)

All of the above is compared to a 2020 baseline.

### Key actions

- Switch to renewable energy in our own operations
- Work to reduce emissions from our transportation
- Enable and support at least 20 producers to switch to renewable energy by 2025
- Reach our target of 100% of products to be made more sustainably by 2025 – including materials and how they are produced
- Reach our target of 50% recycled materials by 2025
- Support supply chain partners to use water, chemicals and materials more efficiently
- Accelerate the shift to circular business models and services

## OUR PROGRESS

### The challenge of being a growing company

*Growing our business volume by 22.9% last year we still decreased our absolute emissions by 5%. Further, we are proud that the emissions per products (& services) sold decreased from 7.5 kg CO<sub>2</sub>e in 2020 to 5.4 kg CO<sub>2</sub>e in 2021 – corresponding to a 28% decrease.*

In 2021, we managed to grow our business and decrease absolute emission at the same time. Still, we are humbled that this will be more and more difficult as we continue on our path to reduce our absolute emissions by half by 2030, while still growing our business. Therefore, it becomes even more important to integrate climate action into our business strategy. To have a chance to reach our targets, a large part of our business must in the future come from circular business models. We are also working with our customers, suppliers, industry peers, as well as governments and policy makers, to accelerate progress.

In 2021, we committed to having our targets approved by the Science Based Target initiative (SBTi). However, as an SME, the SBTi will only review our scope 1 and 2 targets – and will not include our scope 3 targets. We, on the other hand, recognise that this is not enough since we know that scope 3 stands for over 99% of our emissions. We have therefore chosen to go even

further and encouraged the SBTi to review their practices and to also include a review of scope 3 targets for SMEs (at least where these make up a significant part of total emissions).



## Our climate calculations

We used the Greenhouse Gas (GHG) Protocol to calculate our 2021 climate impact. The GHG Protocol is a global, standardised framework to measure and manage greenhouse gas emissions. The Protocol measures:

- Scope 1: Direct emissions from our own operations
- Scope 2: Indirect emissions from energy that we buy
- Scope 3: Indirect emissions from upstream and downstream our value chain

Our climate calculation is also based on and aligned with the standards set forth in the Swedish Textile Initiative for Climate Action.

	2020	2021	Difference
Total Scope 1 CO <sub>2</sub> e emissions (tonnes)	10.1	8.8	-13%
Total Scope 2 CO <sub>2</sub> e emissions (tonnes)*	177	41	-77%
Total Scope 3 CO <sub>2</sub> e emissions (tonnes)	69,327	65,749	-5%
<b>Total CO<sub>2</sub>e emissions (tonnes)*</b>	<b>69,514</b>	<b>65,798</b>	<b>-5%</b>
<b>CO<sub>2</sub>e per product (&amp; service) sold (kg)</b>	<b>7.5</b>	<b>5.4</b>	<b>-28%</b>

Calculations in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

\* Scope 2 emissions under the market-based approach is equal to 40.8 tonnes CO<sub>2</sub>e. Under the location-based method (using grid average emission factors), scope 2 emissions were 8.3 tonnes CO<sub>2</sub>e.

Further details in the GRI Index.

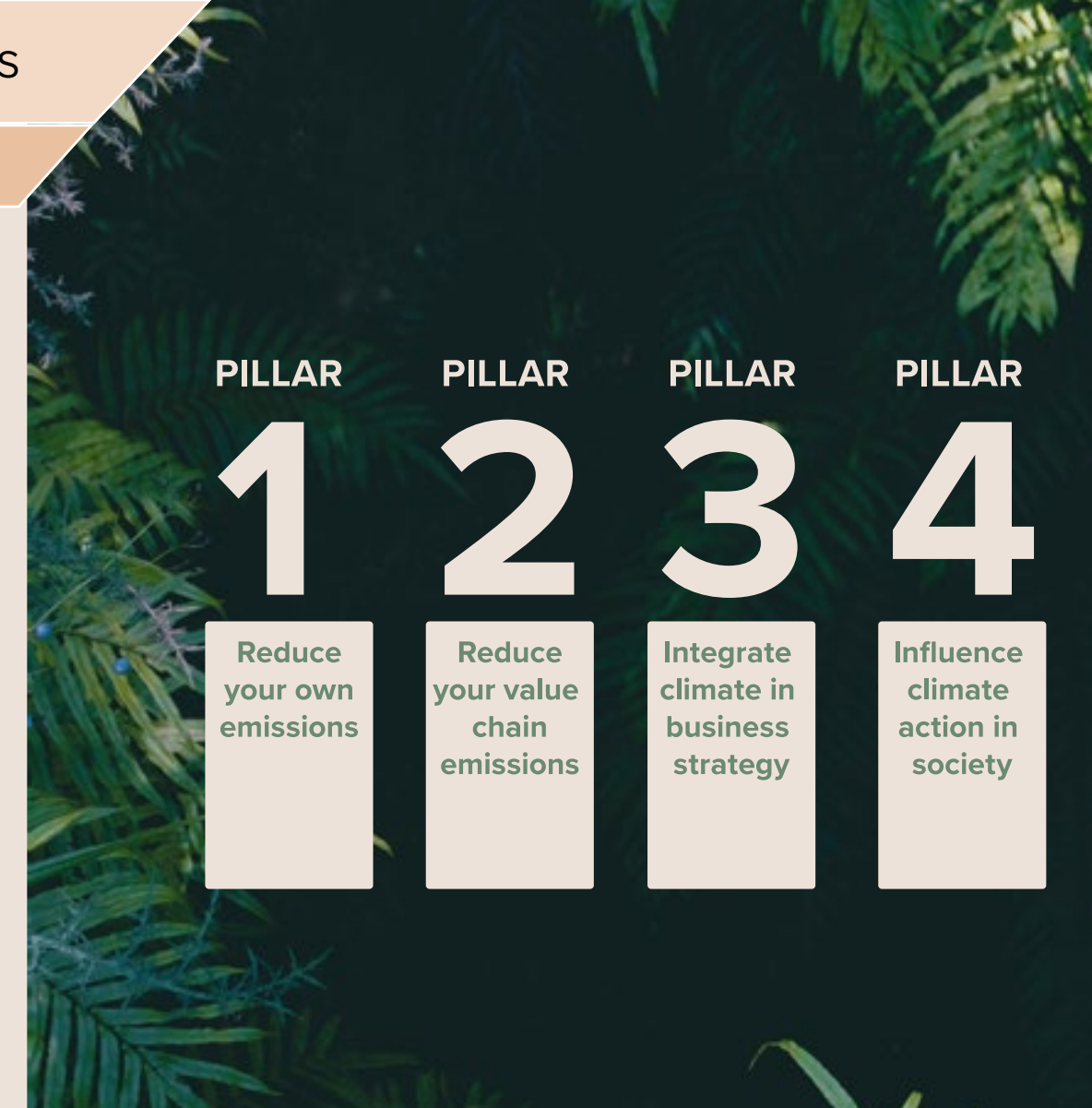
## In 2021, NA-KD signed the SME Climate Hub commitment:

Recognising that climate change poses a threat to the economy, nature and society at large, our company commits to take action immediately in order to:

- Halve our greenhouse gas emissions before 2030
- Achieve net zero emissions before 2050
- Disclose our progress on a yearly basis

In doing so, we are proud to be recognised by the United Nations Race to Zero campaign, and join governments, businesses, cities, regions, and universities around the world that share the same mission.

In 2020, the 1.5 degree business playbook was launched as a tool to support corporate commitments. It provides a framework for all companies to reach net-zero emissions rapidly through the adoption of an exponential trajectory of at least halving their greenhouse gas emissions every decade to approach net zero by 2050, and integrating climate in their business strategy. NA-KD's progress on climate action for 2021 is reported according to this framework.



## PILLAR 1

### Reduce your own emissions

The first pillar is about our own emissions. These stand for less than 0.1% (0.3%) of our total emissions in 2021. Regardless it is important that we as a company work to reduce ALL our emissions, even if they are small. The majority of scope 1 and 2 emissions are related to the electricity and in our buildings. To reduce these, in the beginning of 2021, we changed to renewable energy for our headquarters in Gothenburg where the majority of our employees are working, and for our warehouse in Landskrona, which is also part of our scope 2 emissions. We also have solar panels on the roof of our Swedish warehouse that supplied 167,416 kWh of electricity for the site during 2021, representing over 30% of total electricity use during the year.

### Scope 1 and 2

	2020	2021	Difference
<b>Scope 1 emissions</b>	<b>10.1</b>	<b>8.8</b>	<b>-13%</b>
<i>Company Cars</i>	5.1	8.8	
<i>Refredrigant leakage</i>	5	0	
<b>Scope 2 emissions</b>	<b>176.3</b>	<b>40.9</b>	<b>-77%</b>
<i>Electricity</i>	121.5	2.8	
<i>Heating</i>	55.3	38.1	
<b>TOTAL (tonnes CO<sub>2</sub>e)</b>	<b>186.4</b>	<b>49.7</b>	<b>-73%</b>

Further, we are working with our landlord for our headquarters in Gothenburg to ensure electric charging is available so that we can transition our small company car fleet to electric cars. However, the company car fleet increased from 2 to 4 in 2021, and unfortunately these cars were not electric. Hence the increase of emissions from our company cars.

We are happy to see that our total scope 1 and 2 emissions decreased from 187 tonnes of CO<sub>2</sub>e in 2020 to 49.7 tonnes of CO<sub>2</sub>e in 2021 – a reduction by 73%, and a great step in the right direction towards our goal of reducing our scope 1 & 2 emissions by 80% by 2025, compared to 2020.

Our scope 3 emissions

Emissions category	2020	2021
Tier 2-4: Material and textile production*	45,975	43,876
Tier 1: Manufacturing**	9,668	7,315
Transports and distribution***	9,843	9,209
Packaging****	2,353	3,651
BTY by NA-KD	-	610
Rental business model	0.3	0.8
Third party warehouses	949	761
Business travel	530	313
Production of energy used within own operations	7	14
<b>Total (tonnes CO<sub>2</sub>e)</b>	<b>69,327</b>	<b>65,749</b>

Top emission materials

	2020		2021	
	tonnes CO <sub>2</sub> e	share	tonnes CO <sub>2</sub> e	share
Polyester	13,583	29.5%	9,293	21.2%
Organic cotton	4,545	9.9%	7,653	17.4%
Recycled polyester	768	1.7%	4,396	10.0%
Acrylic	5,101	11.1%	4,093	9.3%
Viscose	4,852	10.6%	3,607	8.2%
Cotton	6,058	13.2%	2,830	6.4%
Lenzing Ecovero Viscose	597	1.3%	2,509	5.7%
Polyamide	2,004	4.4%	2,449	5.6%
Polyurethane	2,512	5.5%	1,944	4.4%
Wool	1,026	2.2%	1,235	2.8%
Elastane	638	1.4%	711	1.6%

PILLAR 2

Reduce your value chain emissions

The second pillar is about NA-KD's value chain emissions – what we have done to reduce these and what our actions are going forward.

Material & Textile production

The raw materials and the making of materials and textiles is the biggest source of NA-KD's emissions. In 2021, these emissions decreased from 45,975 tonnes of CO<sub>2</sub>e in 2020 to 43,876 tonnes of CO<sub>2</sub>e. A decrease of 4.6%, despite the fact our purchased material weight grew by 3%. This is due to the rapid transition NA-KD is carrying out to use more sustainable materials. Read more on this in our chapter on Sustainable Products below.

Tier 1 Manufacturing

Emissions from tier 1 manufacturing\*\*, the cut and sew of the products, stood for 11% (14%) of total emission in 2021, and reduced to 7315 tonnes of CO<sub>2</sub>e from 9668 tonnes of CO<sub>2</sub>e in 2020. A decrease of more than 24%.

Going forward, we will continue to put a lot of effort and energy into supporting our supply chain partners to reduce their climate impact.

For example, by encouraging them to switch to renewable energy and increase overall energy efficiency. We strongly believe in working together in the industry to drive this needed change together. During 2021, we started collaborating with industry peers through the Swedish Textile Initiative for Climate Action, working with our two main producing countries: Turkey and China. To drive this progress forward, we have recruited a Climate Action Manager that joined NA-KD as of January 2022.

With the support of the Sustainable Apparel Coalition, we use the Higg Index – a platform of tools for measuring sustainability performance. The Higg Facility Environmental Module (Higg FEM) assesses environmental impacts of production facilities in the most critical areas. In 2021, factories representing 88% of our spend reported their environmental performance in the Higg FEM, including five new factories. Our next step is to roll out the Higg FEM self-assessment to our supply chain partners in tier 2 and upwards (including fabric manufacturers, laundry and dyeing mills), where we believe we will find a higher environmental impact in terms of both energy, water and chemical usage. Our goal is to have 100% of our tier 1 producers reporting

their environmental performance through the Higg Index FEM latest 2025 and as we increase transparency for tier 2 and beyond, we will set targets for these suppliers as well. Our third party verified FEM score across participating supplier factories was 51.4 out of 100 (50 in 2020) – based on combined average scores for energy (79), water use (69), waste water (53), waste management (36), air emissions (31), chemicals (31,6) and environmental management systems (59).

As of the verified Higg FEM reporting in 2021, for 2020, six of our producing facilities have solar panels installed. In 2022, we will develop a more detailed climate action roadmap with clear goals for decarbonising our supply chain.

Higg FEM

	2020	2021	2022	2023	2024
Goals (FEM)	10%	25%	50%	80%	80%
Actual (FEM)	79%	88%			
Goals (vFEM)	pilot	10%	25%	40%	50%
Actual (vFEM)	pilot	15%			

as % of spend

\* For tier 2-4, emission factors used are from the Higg Materials Sustainability Index (MSI) database 2022.

\*\* Data collection and calculation for suppliers in tier 1 is based on the Higg FEM database and hence delayed one year due to data availability. Suppliers with emission data in this database stand for 36% (45%) of quantity and total emissions and the average from this data was used to calculate emissions for the remaining producing units.

\*\*\* Our 2020 numbers for transport and distribution have been updated with calculations based on the GLEC framework. Please see next page for more detailed information.

\*\*\*\* For packaging, consumption data of shipping bags, polybags and cardboard was used to cover packaging to customers, and waste data from warehouses to cover transport from suppliers to NA-KD.

**Transport progress**

In 2021, we manage to lower our transport emissions from 9,843 to 9,209 tonnes of CO<sub>2</sub>e, a reduction of 6.4%. This despite a growing business and a global shipping crisis. Our transport emissions per sold product decreased with 29%, from 1.06 kg CO<sub>2</sub>e to 0.76. Read below what our actions were to succeed with this achievement.

Since 2020, we have a purchasing office in Turkey, which allows us to source more of our production closer to our markets. This cuts our mileage and reduces the need for samples to be sent to our HQ in Sweden. To increase our efficiency and further lower emissions, we have also opened a new warehouse closer to our customers, in Landskrona, Sweden.

During 2021, the global shipping crisis put a lot of pressure on our inbound transportation. Sea transporters have had lack of capacity, delays and price increases. To avoid air transport, we have introduced train as an option for transports from China to Europe. Train is often faster than ships, with less emissions than air transport. In addition to train, we have also introduced a combined solution of air/sea – less polluting with using air transports for a shorter distance but still a quicker solution than sea transport only. We are also working to consolidate our shipments, and have been able to increase our consolidation level from China by 22.5% 2021 compared to 2020.

Looking ahead, we will continue to lower our emissions by moving more of our production closer to our customers. This is an ongoing long-term process that includes weighing up the value of existing supplier relationships, meaning that we may keep trusted long-term suppliers in China and collaborate with them on sustainability initiatives, rather than shifting these suppliers closer. Further, we are continuing to challenge our freight forwarders to offer more sustainable transport options, electric vehicles, hydrogen fuel etc.

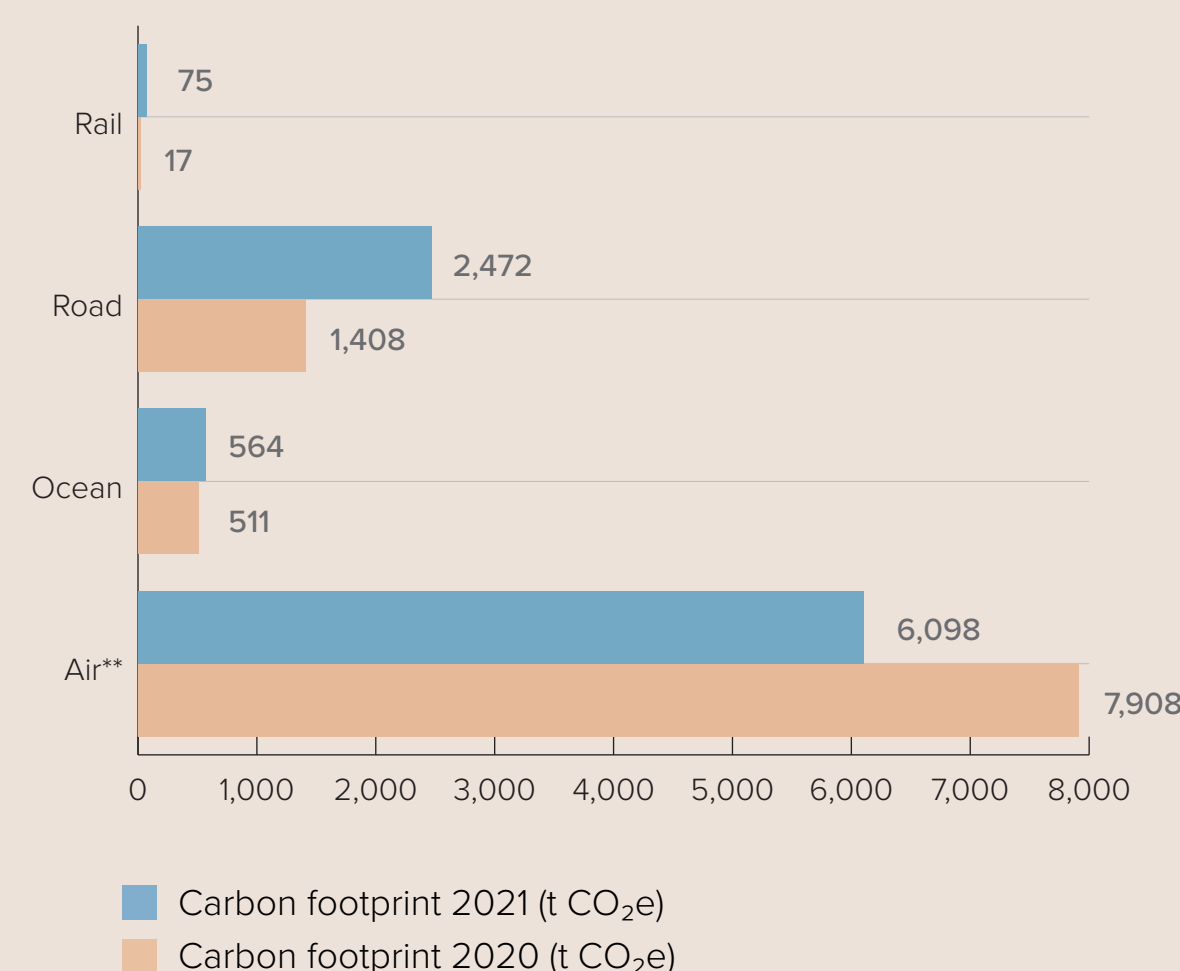
For our customer deliveries, we have introduced fossil free delivery options in several markets in 2021. In 2020, we already had a collaboration with Budbee, and have now also introduced Instabox and Helthjem in Norway. We are continuously looking at how to find solutions for additional main markets. Our goal is to offer fossil free deliveries in all our main markets by 2023. During 2021, we also removed air delivery to all customers when road transport is a viable option.

**Fossil free deliveries**

	2020	2021
Fossil free delivered orders	7%	15%
kg CO <sub>2</sub> e / delivery	0.62	0.45

Note: Fossil free deliveries is based on amount of orders delivered during the year. CO<sub>2</sub>e/delivery is based on total last mile emissions divided by the number of deliveries during the same year.

**Emissions per transport mode\* (t CO<sub>2</sub>e)**



\*The accredited transport emission calculations are done according to the GLEC framework. All specific emission factors can be found within the GLEC framework. For air transport, emission factors used are based on the ICAO/IATA methodology, which differs for regional, continental and intercontinental air transports. For ocean transport, emission factors are used from the CWGC framework, which corrects for worldwide container trade lanes. For road transport, GLEC default values are used which are primarily based on HBEFA, NTM, UK BEIS, Base Carbon and Smartway USA. Emission factors for road shipments are partly modelled based on payload, if so, this is done according to the CLECAT methodology. For rail GLEC default values are used. All emission factors are updated yearly. The used GLEC update is from February 2021.

\*\*Scope 3 emissions using RFI 2.7 for our air transport emissions is equal to 6,098 tonnes CO<sub>2</sub>e (STICA standard). Using RFI 1, the scope 3 emissions were 2,300 tonnes CO<sub>2</sub>e.

**Our total transport emissions**

	2020 (t CO <sub>2</sub> e)	2020 GLEC (t CO <sub>2</sub> e)	2021 GLEC (t CO <sub>2</sub> e)
From suppliers to warehouse	6,885	6,604	5,907
whereof samples			215
From warehouse to customers	2,912	2,579	2,114
Returns	286	660	617
Between warehouses	18	0	356
<b>Total</b>	<b>10,101</b>	<b>9,843</b>	<b>9,209</b>

Most of our transport's CO<sub>2</sub> footprint comes from transporting our products from our suppliers to our warehouses (64%). This is mainly because: 1) many of our suppliers are located far away, in China, 2) we sometimes have to transport our products by air. This is something we are working hard to limit. For 2020, we calculated our transport emission calculations with the Global Logistics Emissions Council (GLEC) framework. As this is more granular than standard calculations, it enables more concrete actions for our logistics team, and therefore we are using the GLEC framework for our logistics emission calculations for 2021 as well. This table shows the difference compared to the emissions we reported on last year. Differences are due to both different assumptions being made, as well as more granular data being used with the GLEC framework. For 2021, we are also including emissions from transportation of our samples for the first time, which stood for 2,3% of our transport emissions.

## PILLAR 3

### Integrate climate in business strategy

The third pillar is about integrating climate action into our core business. It is about moving towards products and services that help customers avoid and remove emissions and implement circular business models.

The launch of NA-KD Circle in April 2021, our fully integrated marketplace enabling customers to sell and buy pre-loved NA-KD items, is moving towards a circular model. The emissions from buying an item on NA-KD Circle is on average 2.6 kg CO<sub>2</sub>e less than buying the same item as new. We are also exploring rental as a business model together with Hack Your Closet. To learn more about our circular business models and the difference on climate impact and the change of consumer behaviour this may drive, please see [page 22](#).

To integrate climate action into our business strategy, our sustainability strategy “Fashion fit for the future” is, as of 2021, one of four key change objectives for NA-KD as a company. Reducing climate impact with 50% per product (& service) sold by 2025, compared to 2020, is one of the key targets in this strategy and an estimated result is followed up on a quarterly basis in the Executive Management team since the end of Q3 2021. Our absolute emissions are also followed closely annually.

Further, during the second half of 2021, a raw material impact tool has been created and implemented for the purchasing department. This enables colleagues to see the change in impact on climate and water depending on a product’s composition and use of materials. It has been based on the Material Sustainability Index 3.2 by the Higg Co, and is an important step to further integrate material impacts into our design, sourcing and purchasing practices.

## PILLAR 4

### Influence climate action in society

The fourth pillar is about accelerating climate action by working with the industry, governments, employees and civil society groups, and to fund quality climate projects, counterbalancing remaining residual emissions (so called offsetting).



As a relatively small brand that often creates small collections, we don’t always have the leverage we need to get our supply chain partners to make a change. We’re proud to be teaming up with our industry peers by joining the Swedish Textile Initiative for Climate Action (STICA) since the beginning of 2021. By doing so, we hope to better influence our supply chain partners to improve their environmental performance. STICA’s aim is to ensure the



Swedish and Nordic textile industry does more than its share by becoming the first climate positive apparel and textiles industry in the world – well before 2050.

Through our collaboration with STICA, NA-KD participated in a multi-stakeholder dialogue in October 2021 on the forthcoming EU Textile Strategy to impact policy makers to enable SMEs to accelerate climate action.

We are also members of the Swedish initiative “Sustainable E-commerce” – a nonprofit organisation that exists to create more sustainable e-commerce in Sweden, where our VP Sustainability is also part of the Advisory Committee.

To drive climate action in society and influence policy makers, NA-KD was part of 600+ companies calling on #G20 leaders to halve emissions by 2030 and to end support for coal power in the pivotal moment ahead of #COP26 through the We Mean Business Coalition.

Further, during 2021, sustainability dialogues have been held with all main shareholders of NA-KD, and all colleagues have been invited to a dedicated Climate Action training session. Finally, during autumn 2021, a dedicated Slack channel on sustainability has been introduced for all NA-KD employees to further stimulate internal inspiration, dialogue and action, with lively discussions on climate action for both business and individuals.



### NA-KD's offsetting

In parallel to halving emissions by 2030 on a global scale, natural carbon solutions, such as forests and wetlands, must be protected and restored to safeguard the climate. It is important that business sectors causing the emissions today take responsibility to accelerate the investments required to protect and restore, either in projects that remove carbon from the atmosphere, or projects that avoid emissions.

At NA-KD, we offset all emissions from our transport since the end of 2019 (from suppliers, to warehouse, to customers, NA-KD Circle shipments between customers, and potential returns). Our primary focus for our climate action is to always reduce the impact of our transports. When a customer visits a bricks-and-mortar store to look at, try on and buy their clothes, they usually have the option to walk, cycle or take public transport to the store – all of which are low-impact choices. However, as an e-commerce company, we rely on often carbon-intense transport to ship our products from suppliers, and to and from our customers. We are therefore working closely with our transport providers to reduce emissions as much as possible.

Looking ahead, the transport industry is transitioning – slowly – towards greater sustainability. We are in close dialogue with all

our logistics providers to support and push for this transition, with the goal to make climate-neutral transport solutions available at the scale we need them as quickly as possible.

For 2021, we offset the 9,209 (10101) tons CO<sub>2</sub>e that were created by our transport through investments.

We are investing in [the Cecic Zhangbei Dayangzhuang wind farm project](#) in the Hebei province in China. It is planned to install and operate 66 wind turbines. The electricity will be sold to the North China Power Grid. The proposed project will therefore help reduce GHG emissions compared to the high-growth, fossil-fuel power plant scenario. It will also promote sustainable development by creating local employment opportunities and reducing other particulate pollutants associated with power plants.

We are also investing in the [Geycek wind farm project](#) in Turkey near Kırşehir in the south east of Ankara. The annual net electricity generation of the project is estimated at 346,000 MWh. The power output will be exported to the Turkish grid and sold to the Turkish Electricity Transmission Company (TEIAS), enabling a greater share of green energy in the Turkish grid.

Our offsetting process is accredited by the Gold Standard. This is a certification for non-governmental emission reduction projects in the Clean Development Mechanism (CDM), the Voluntary Carbon Market and other climate and development interventions.

We were able to support these amazing projects through our collaboration with Tricorona Climate Partner. Because project success relies on investment from offsetting, our contributions have helped speed up the transition to a fossil-free society.

And finally, to influence climate action in wider society we also have our second objective related to Climate Action: Inspire customers to have a more sustainable wardrobe.

**Our total offsetting for 2021 was 9,209 tonnes of CO<sub>2</sub>e**





## Inspire customers to have a more sustainable wardrobe

*We want to encourage and collaborate with our customers to jointly create a more sustainable fashion industry.*

Nine out of ten people say they would consider mending their clothes if they knew it would help the environment. 70% say they think about the impact of how they wash their clothes, particularly when it comes to microplastics. More than 50% of people say they use their clothes for less than four years\*.

[Studies from Mistra Future Fashion](#) show that using a garment 80 times instead of 40 can reduce its climate footprint up to 50%. There is therefore significant potential for consumers to reduce their impact through a relatively simple change in behaviour. In Sweden, 36% of people throw old garments into landfill instead of selling, donating or recycling them\*. Although this number has decreased, it is still too high.

### Goals, targets and KPIs

- Share of customer buying more sustainable products
- Customer survey on sustainable customer behaviour

### Key actions

- Encourage more sustainable consumer behaviour
- Inspire customers to take better care of their products so they last longer
- Educate customers on more sustainable fashion consumption
- Better and more transparent customer communication on NA-KD's climate impact, actions and results

### OUR PROGRESS

NA-KD has set bold targets to reduce our emissions by 50% by 2030 while continuing to grow our business. We want to become an industry leader as we make this transformational change, using our influence to support and guide our customers. Today, most of our customers are women, mainly young women – who, according to research, are more likely to take climate action.\*

” *We think educating our customers about how they can lower their fashion footprint is a really exciting way to accelerate our progress.*



In 2021, we saw 75.9% of our online customers bought more sustainable products on our website. At the end of the year, almost 63% of our sales were from more sustainable products looking at both online and wholesale, up from 22% at the end of 2020. Our customer survey shows that more sustainable materials are our customers number one priority.

Every garment we sell has a Clevercare.info label, which contains information on how to best care for the garment in a smart and more environmentally friendly way. With the update of our [website](#) in April 2021, we are also communicating clear tips and tricks to customers regarding how to care for their clothes, and how to let clothes live longer.

\*According to [Swedish Nature Conservation Authorities](#)



### Communicating through social media

At NA-KD, interacting with influencers is a core part of our business, and this area is no exception. Through a number of influencers that we work with, customers have been able to see how NA-KD garments can be styled together to create multiple outfits from a few pieces of clothing, which also pushes for the garments to be reused as much as possible. We have also used our own social media channels and made quizzes for customers in IGS on “how to care for your clothes”. Together with our external advisory board of influencers, which we call Creators’ Council, we have had dialogues on how to communicate sustainability angles in the best possible way for our audience to understand, creative ideas on how to do more activations and also how to become more sustainable as a brand.

During 2021, our biggest impact to enable our customers to have a more sustainable wardrobe is our launch of NA-KD Circle. Read more on [page 22](#). The importance of selling and buying pre-loved items is also something we are trying to convey to customers through social media and our collaboration with influencers. One example is when our VP of Sustainability met with Sweden’s Minister of Business and the famous Swedish influencer Margaux Dietz. They spoke about how the fashion industry can become more sustainable and it gave us the opportunity to reach Margaux’s followers with the message of how to consume fashion in a more sustainable way. The YouTube video also showed followers how easy it is to sell products on NA-KD Circle with an immediate 160% increase in listed items for sale the day after the video was published.

The YouTube video has so far reached over 64,000 followers. In total we have reached four million customers through our social media and influencer channels regarding how to have a more sustainable wardrobe.

### Reducing returns

In 2021, we launched a project to reduce returns. As part of this work we have blocked over 4,000 customers that have extremely high return rates. By identifying these customers and communicating our Fair Use Policy (which outlines that we investigate any breach or abuse of our free return policy), we hope to be able to significantly reduce the impact of this small group. We are always working on improving the information, pictures and videos on site to provide our customers with as good information as possible and to allow customers to make as good decisions as possible upfront and to avoid unnecessary returns.

Overall, to encourage and collaborate with our customers to jointly create a more sustainable fashion industry, is an area where we are excited about stepping up our efforts even more and see great potential in collaborating with our customers towards more sustainable wardrobes.

# 4.2m+

followers on social media

# 82k+

new TikTok followers

# 50k+

Facebook fan growth

# 164k

new Instagram followers

## #beNAKD #nakdfashion

Most common hashtags

\*According to [Swedish Nature Conservation Authorities](#)

# Sustainable products

We will make our products more sustainable by using lower impact materials and making sure everything we make lasts as long as possible. To help our customers make more sustainable choices, we will tell them how, where and with what impact our products are made. We want to drive positive change to both supply and demand for more sustainable products.



## Make more sustainable products

*We want all of our products to be made more sustainably by 2025 – including materials and how they are produced.*

When it comes to more sustainable products, choosing the right material is paramount. The right choice means a smaller environmental footprint and less harm to both humans and wildlife. The fabrics we use that are more sustainable are certified by independent third-party accredited agencies.

A fabric’s raw materials affect its durability and environmental performance. More sustainable materials typically come from renewable or recyclable sources – and use less water, energy or chemicals in their production than conventional alternatives. The road isn’t always easy, thanks to increasing raw material prices, plus rapidly increasing demand for more sustainable products. For recycled materials, the quality is not always as good as for virgin materials, and not as strong. This can impact both durability and quality of the end product. But we are confident that there are solutions and are determined to reach our targets within this area.

### Goals, targets and KPIs:

- By 2022, use 100% more sustainable materials\* in all our denim
- By 2025, 100% of products to be made more sustainably – including materials and how they are produced
- By 2025, have 100% of production made in tier 1 factories that work with environmental and social performance according to industry standards

### Key actions

- Set a clear sustainable materials strategy
- Explore and implement additional certificates/initiatives for more sustainable materials and/or production methods
- Support current suppliers and onboard new suppliers that fulfil environmental and social requirements
- Training of purchasing department

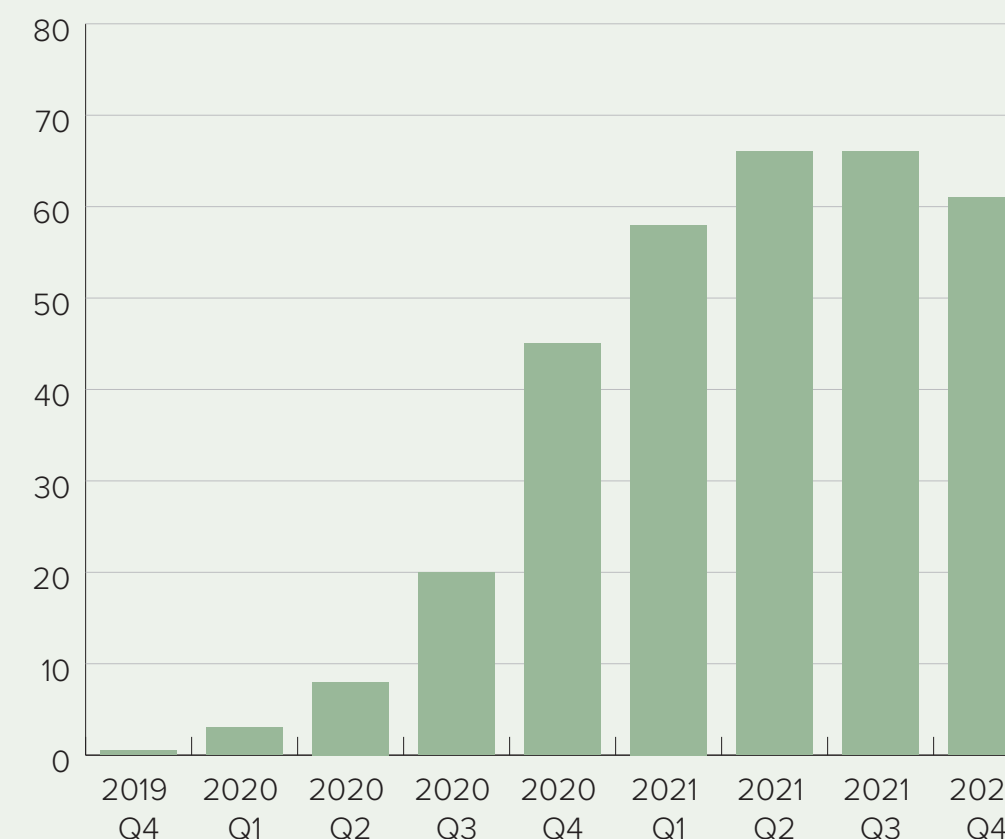
### OUR PROGRESS

#### Rapidly increasing our share of more sustainable materials

The end of 2019 marked the real start for NA-KD’s sustainability journey with our first collection made using more sustainable materials in November 2019. At the end of 2020, we had

reached over 45% of new NA-KD products being made from more sustainable materials. For our collabs, that figure was above 50%. We have continued on the same path and in 2021, 63% of all new NA-KD products were made using more sustainable materials, compared to 19% in 2020. This corresponds to 44% (19%) of all materials used (in weight).

Share of new NA-KD products being made more sustainable



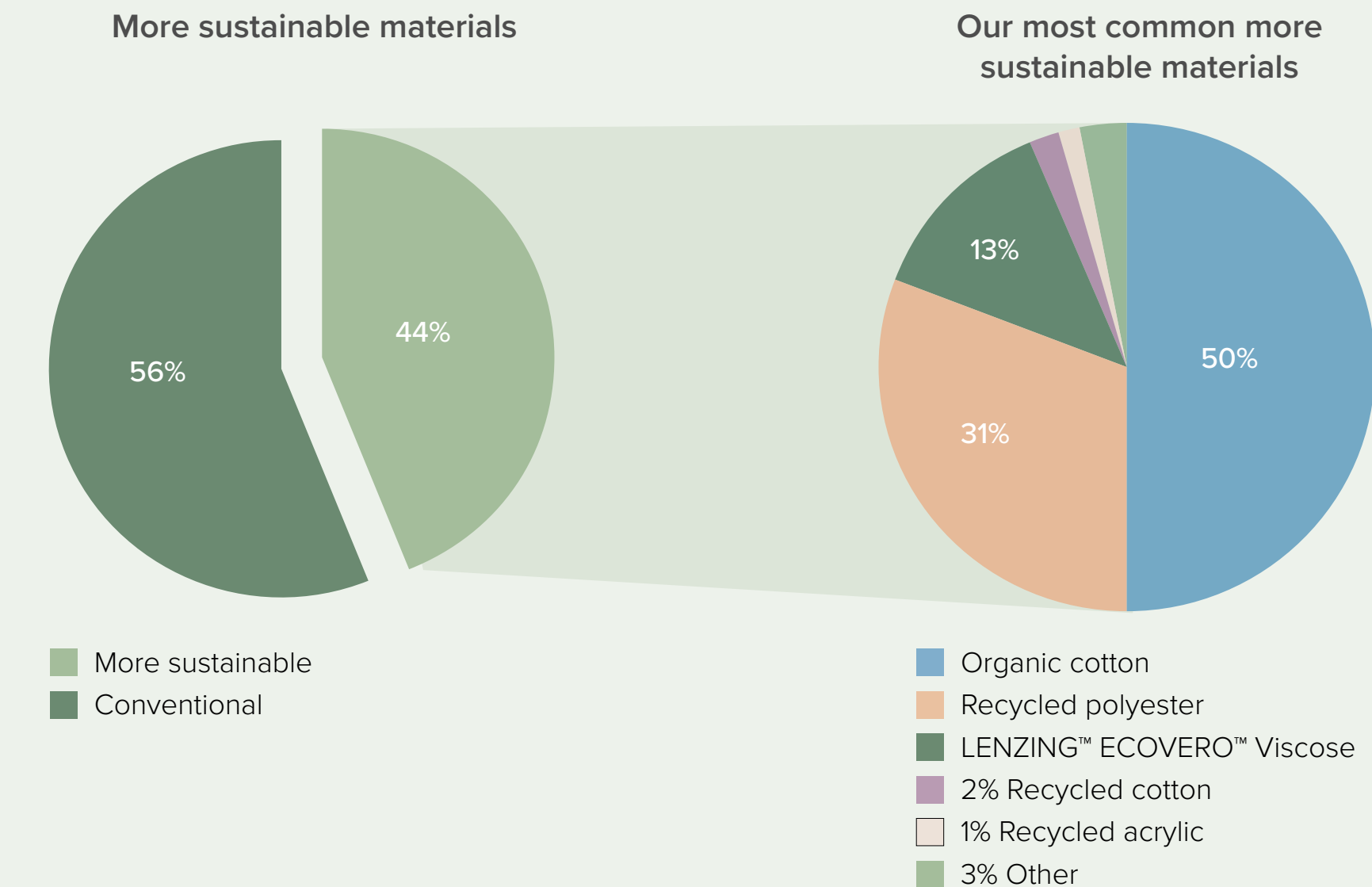
During 2021, we saw an increase from 19% to 63% of all new NA-KD products made more sustainably – including materials and how they are produced. Our goal is to reach 100% by 2025 at the latest.



\* Such as organic cotton, recycled cotton, recycled polyester, LENZING™ ECOVERO™ Viscose, TENCEL™ Lyocell, TENCEL™ Modal, Naia, and other organic/recycled and/or more sustainably produced materials

Materials used by weight

	2020	2021
Synthetic materials	2,270	2,199
Cotton	1,174	1,224
Man-made cellulosic fibers	364	469
Linen	23	27
Wool	10	49
Leather	7	5
Other	115	115
<b>Total weight (ton)</b>	<b>3,963</b>	<b>4,089</b>



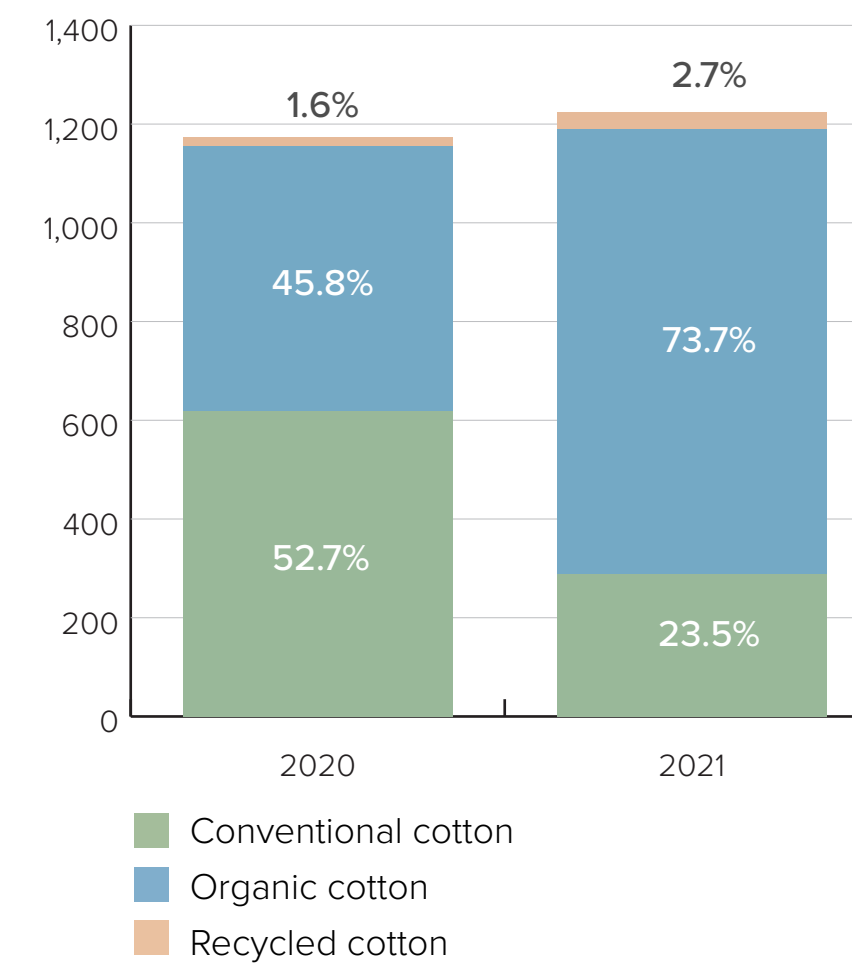
Cotton

Cotton requires lots of water during preparation of the textile. It takes on average approximately 2,500 litres of water to make a single cotton T-shirt. The use of organic cotton cuts water use by 70% (on average). In 2021, we increased our use of organic cotton from 46% to 74% of all our cotton.

Although we see a positive shift towards organic farming in many parts of the cotton sector, there are risks of not meeting the continuously increasing demand for organic cotton in the upcoming years. Unfavourable weather conditions, the pandemic and reports

of forced labour conditions in parts of Chinese cotton production poses huge challenges for sourcing more sustainable cotton. This led to a significant shortage of organic cotton in several regions during 2021, which will most likely continue during 2022. It is clear to us at NA-KD that there is an acute need for stronger industry collaboration to increase the traceability and transparency of cotton from the farm to the final product, to ensure a truly sustainable organic cotton production for both humans and the planet. You can read more on our ambitions for traceability on [page 41](#).

Our cotton (tonnes)



In total, more than 76% (47%) of all our cotton in 2021 was either organic or recycled.



**Polyester & polyamide**

Polyester and polyamide are man-made fibres that come from fossil oil – and therefore non-renewable sources. We are determined to expand the share of our polyester and polyamide fabrics that are made from recycled fibre, which in turn will reduce our climate impact. In 2021, we increased our share of recycled polyester to 39%, up from 7% in 2020. Polyester fibre is very durable and, if washed and cared for in a mindful way, it will have a very long life.

The demand for recycled polyester is increasing drastically in our industry. We therefore expect

a challenge in sourcing recycled polyester and other artificial fibres made from plastic waste. At the same time, fashion companies are competing with other industries over a limited recycled material supply base.

**“Man-made cellulosic fibres”**

Man-made cellulosic fibres are mainly made from wood, from dissolved pulp. They are more commonly known as Viscose, Lyocell, Modal and Naia. We are continuously working to increase our share of certified and more sustainable cellulosic materials, and increased this share to 53% in 2021, up from 19% in 2020.



**100% more sustainable denim**

At NA-KD, all denim that we design from here on will be made from more sustainable materials. In 2021, this was true for 88% of our denim, up from 65% in 2020. We use the Jeanologia technology to manufacture some of our jeans and in 2021 we made over 27,000 products with this technology which uses 80% fewer chemicals, up to 85% less water, and up to 50–60% less energy. To create a worn look, Jeanologia uses laser technology – which has a much lower impact than traditional hand sanding and PP spray. We will also track our chemical, water and energy use, and worker health through the Environmental Impact Measuring (EIM) scorecard. For all our denim produced with the Jeanologia technology we have a score on each garment’s hang tag so our customers can see the impact of their choice.

**Chemicals**

We apply the precautionary principle for everything we do and have particularly highlighted that this applies to everything in the environmental area in our internal Code of Conduct, which was updated in 2021. We

have adopted a preventative approach with a [restricted substances list](#) that goes beyond REACH legislation. This is part of all supplier contracts. We also actively promote the use of non-hazardous chemicals and production techniques using no or fewer chemicals. Please see examples for our Reborn collections below.

**Details**

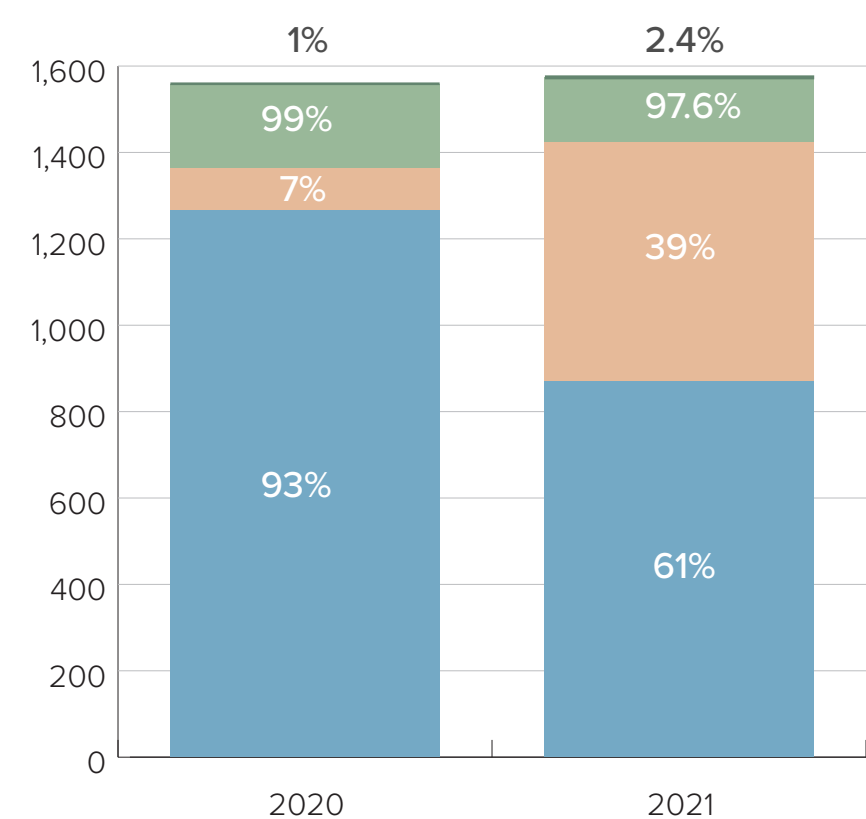
- All our hang tags are made from recycled paper
- All our care labels are made from recycled polyester
- All strings for our hang tags are made from recycled polyester, and during 2022 we will change them to recycled paper to make it easier for our customers to recycle together with the hang tag
- All patches on the upper back of our jeans are made from paper

**Animal-friendly design**

We believe fashion should be compassionate so we don’t sell products that harm animals in any way. NA-KD is a proud member of the Fur Free Retailer Program. This work is guided by our [Material Ethics and Animal Welfare Policy](#), which was updated during 2021.

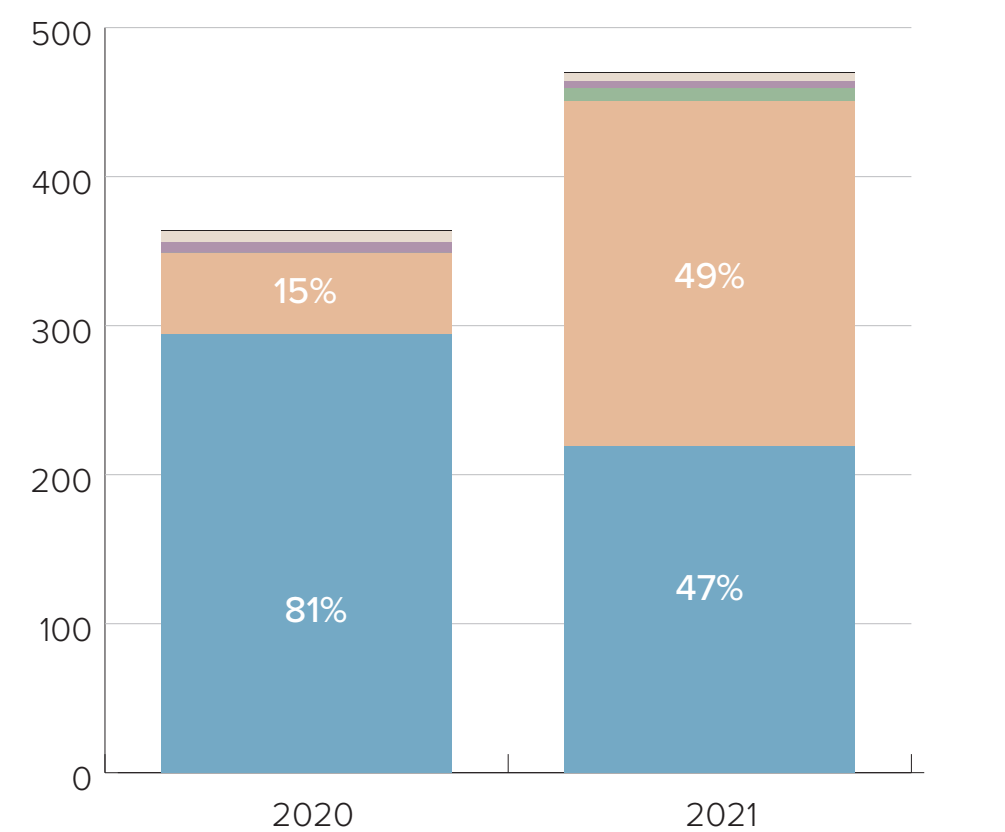
We only use down and feathers which is a by-product from the meat industry, and do not allow any use of feathers and/or down from vulnerable or endangered species. On the rare occasions that we design with leather, we source

**Our polyester and polyamide (tonnes)**



- Polyester
- Recycled polyester
- Polyamide
- Recycled polyamid

**Our man-made cellulosic materials (tonnes)**



- Viscose
- LENZING™ ECOVERO™
- TENCEL™ Modal 1.1% (1.9%)
- TENCEL™ Lyocell 1% (2.1%)
- Livaeco Viscose 0.1% (0%)
- Acetate Naia™ 1.7% (0%)
- Acetate 0.1% (0.1%)

it as a by-product from the meat industry. We only use wool from animals that have been treated ethically, and only ever mulesing-free wool, and only accept cashmere from farm animals that are treated ethically / sourced from producers with good animal husbandry. We always ask for certificates and proof from suppliers in the case that we use these materials. We don't sell virgin mohair products and we never use the skin from exotic or endangered animals like lizards, alligators, snakes or crocodiles.

None of our products are tested on animals. As of 2021, all our makeup products are also vegan.

#### Using gold for our jewellery

We use small amounts of gold for our gold-plated jewellery. However, gold is a potential conflict mineral and hence should be subject to further due diligence to ensure that the gold we use is sourced from approved smelters and avoid the risk of sourcing gold that risks financing gross human rights violations in DRC or its nine surrounding countries. NA-KD has therefore, during 2021, conducted a due diligence in alignment with the Responsible Mining Initiative through which we have gathered information from the producer we use that all the gold used for gold-plating of NA-KD jewellery is from an approved smelter.

#### Requirements for our “More sustainable” labelling

We want all our products to be made more sustainably by 2025 – including materials and how they are produced. That's why we have also set a target that 100% of production made in tier 1 factories should work with environmental and social performance according to industry standards by 2025. In 2021, 88% of our production volume was produced in factories that live up to these requirements.

Products labelled “More sustainable” on our website are:

- Made in more sustainable materials, with a certificate to prove this
- Produced in factories that participate in our Environmental Performance Program using the Higg Index
- Produced in factories that have a valid social audit and are continuously improving their working conditions (valid for all suppliers)
- Produced in factories that have signed our Supplier Code of Conduct (valid for all suppliers)



NA-KD Reborn features our most sustainable pieces. Up until early 2021, all our products made in more sustainable materials were part of this collection. As from mid 2021, we started to push the bar higher. As more sustainable materials (like organic and recycled cotton, and recycled polyester) become part of our everyday collections, we want our NA-KD Reborn collections to go a step further. They will be made using innovative and/or low-impact materials or production techniques. Here are a few examples from our Reborn collection during 2021:

**HERBAL/VEGETABLE DYE DENIM** – In Turkey, we are working with denim and jersey dyed using waste from fruit and vegetable crops such as lemon, pomegranate, rose petals, lavender and walnut shells. The process requires 25% less water and creates an anti-allergenic garment.

**NATURAL CLAY BASED DYES** – More sustainable than the chemical processing of regular denim – using 70% less water and 35% less electricity. Plus, 100% of the waste water goes back to agriculture. Each item from the collection is made from at least 95% organic cotton and because the colours come from nature, they're skin-friendly without harsh chemicals.

**SWIMWEAR IN RECYCLED OCEAN PLASTICS** – It's made of post-consumer recycled plastics where about 10% is upcycled marine plastics from the oceans like pet bottles and fishing nets.

**NAIA** – A cellulosic material made from responsibly sourced pine and eucalyptus. It's a more sustainable option to polyester, nylon and viscose.

**HEMP (AND LINEN)** – Hemp is made from the Cannabis Sativa plant and is much more durable than cotton. If a typical cotton T-shirt lasts for 10 years, the hemp product can last for double or triple that time.



HERBAL/VEGETABLE DYE DENIM



NATURAL CLAY BASED DYES



NAIA



SWIMWEAR IN RECYCLED OCEAN PLASTICS



HEMP (AND LINEN)



## Accelerating traceability and transparency

*We want our customers to know the origin and impact of their wardrobe.*

We gladly take on the responsibility and challenge of providing this information. However, we know it won't be easy because the fashion supply chain is long, complex and often opaque.

### Goals, targets and KPIs:

- By 2025, reach full supply chain transparency for at least 80% of our production
- By 2025 at the latest, be transparent on product climate footprint

### Key actions:

- Implement system support for product traceability
- Improved and transparent customer communication on product sustainability (e.g., CO<sub>2</sub>, water consumption, chemical use)
- Work together with supply chain partners to access environmental and climate data

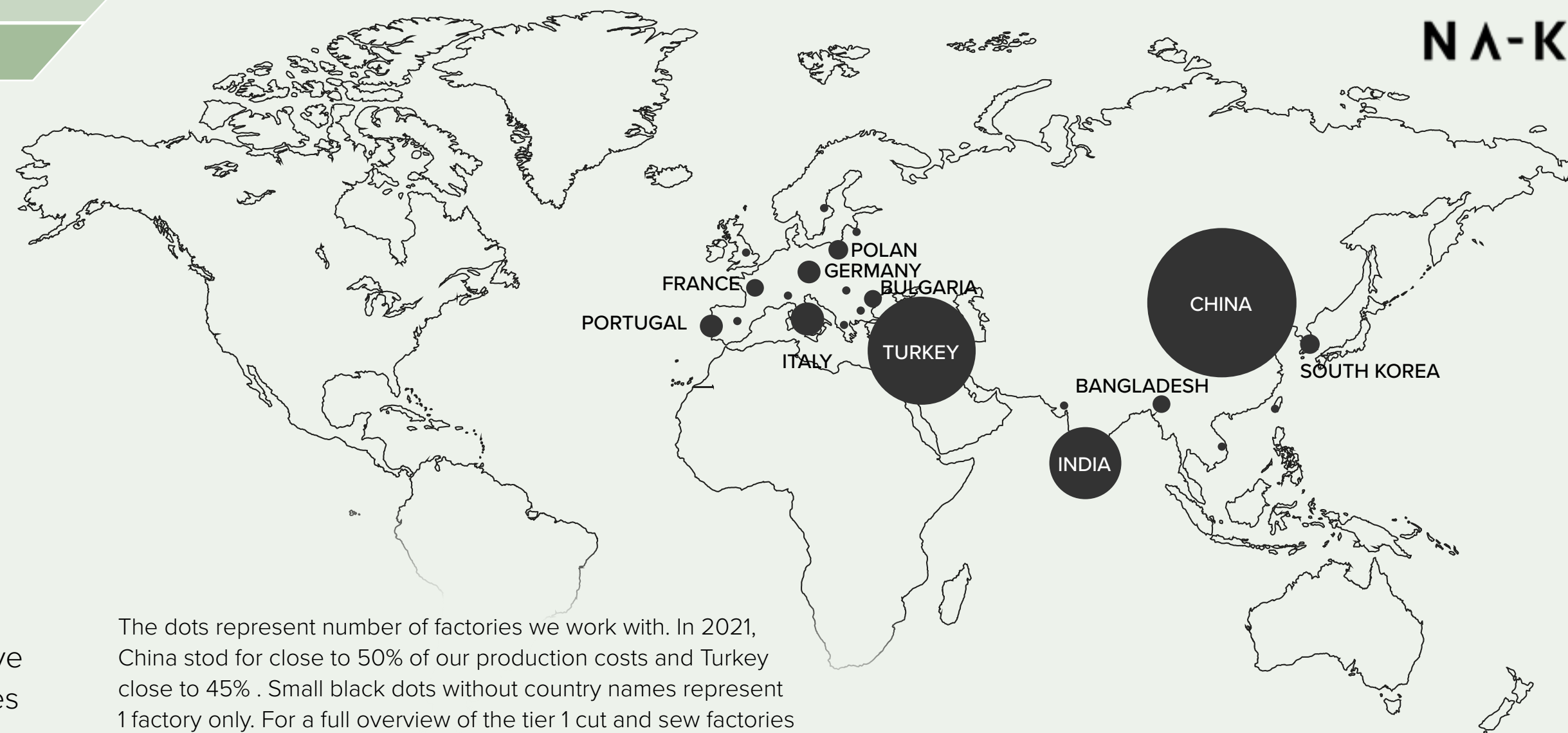
## OUR PROGRESS

” *Our long-term goal is to achieve full supply chain transparency.*

This will be a long journey and will likely take many years. As of 2021, we have full transparency of our tier 1 factories which are available in our supplier list on our [website](#). These are the factories actually producing our garments – where the cutting, sewing and finishing takes place. The next step is to improve transparency in tier 2 and above, which includes all the producers of the fabric, yarn and raw materials that we use.

At the end of 2021, we worked with 199 (191) active producers, mainly in China, Turkey and India, and also a few in Italy, Germany, Portugal, Poland, South Korea, Bangladesh, Bulgaria and France. Because NA-KD's supplier base is constantly evolving, our transparency work involves both onboarding new suppliers and identifying opportunities for improvement and risk mitigation within our existing supplier base.

According to the Fashion Transparency Index 2021, only 47% of brands publish their tier 1 suppliers on their websites. We believe this needs to change. In spring 2021, we published [our list on producing factories](#) on our website and this list will be updated twice per year. To begin with, this list includes factory name and address. As we move forward, it will be improved with additional information on each



The dots represent number of factories we work with. In 2021, China stood for close to 50% of our production costs and Turkey close to 45%. Small black dots without country names represent 1 factory only. For a full overview of the tier 1 cut and sew factories we work with, please see the supplier list on our website [here](#).

factory. Additionally, in June 2021, we introduced transparency on product level as well, making it possible for our customers to see which factory has made which product. As we believe strongly in industry collaboration, our tier 1 factories are now also listed in the Open Apparel Registry, which is an open-source tool mapping garment facilities worldwide.

To enable our traceability journey, in 2021, we initiated implementation of a system called Trustrace. By the end of 2021, the majority of our tier 1 producers have been invited to our Trustrace platform. In 2022, we will start to pilot traceability of selected products. We're excited to see the power of our new tool, enabling us to get traceability all the way to material origin. As a next step on this journey, we are also eager to see how we can get this information

across transparently to our customers and other stakeholders.

By 2025 at the latest, we want full traceability for at least 80% of our production – from tier 1 right back to raw materials. Although communicating with our customers on the products origin and journey is important, our main motivation is to work more closely with our business partners throughout the supply chain. We want to proactively support them to improve working conditions, progress climate reduction initiatives and ensure their agricultural practices conserve biodiversity, water and soil. We will make sure we communicate transparently about the social and environmental impact of our products in a clear, honest and innovative way to our customers and other stakeholders.

# Diversity and inclusion

Fashion should empower and inspire. We will enable our customers, creative partners, employees, and those working in our supply chain to raise their voices and fulfil their potential. From our warehouses and factories, to our offices and studios, we will advocate for equal rights and live by our commitment to diversity and inclusivity. We will be a champion of diversity and female empowerment in fashion.

## Giving voice to women

*We want to empower and enable our customers to raise their voices.*

Everybody has the right to speak their mind and express their thoughts and opinions. But today, many are silenced because of their gender, ethnicity, religion or sexual orientation. We will not have an inclusive society until we provide equal conditions for all people to express themselves, to develop and succeed. Different parts of the world have different challenges: in some places, ethnicity is the main driver of repression; in others, it's gender. In most, several points of discrimination intersect.

We are using our business and social channels to empower our customers to raise their voices – whoever they are, wherever they live. We do this in several ways. We celebrate that beauty comes from difference by showcasing work from diverse young talent. We listen to and learn from our customers and creators. And we accelerate career opportunities for young women, especially those in the creative industry.

### Goals, targets and KPIs

- By 2025, 80% of customers perceive NA-KD as “celebrating equality & diversity”
- Influencers representing all five continents

### Key actions

- Launch Creators Council
- Secure diversity both in front of and behind the camera
- Highlight diversity and equality issues through selected influencers
- Continue to cast Black, Asian and minority ethnic (BAME) models, ensuring everyone can see their own skin tone celebrated on our website and in our marketing campaigns
- Continue to develop inclusive beauty products, including shades and formulas that meet the diverse needs of our BAME customers
- Over the next two years, we will invest 2.5M EUR into female-founded fashion, lifestyle and beauty businesses, using our platform to help them to succeed



## OUR PROGRESS

### Working with creators

In 2021, we worked with more than 10,600 (6,000) influencers, in 15 (18) different countries and representing all continents of the world. We will focus even more on achieving broad representation in the months and years ahead to create equal conditions for success for our creative collaborators.

During spring 2021, we launched our Creators Council – gathering eight creators and influencers from diverse backgrounds, with diverse perspectives. We listened to their ideas about how we can turn NA-KD into an even better company, brand and business during five sessions throughout the year where they shared their experiences, thoughts and creative ideas with the NA-KD team.

### Highlighting diversity and equality issues through collaborations and influencers

During 2021, we launched several collections for modest dressing, one of them being together with influencer @khaoulaboumeshouli. A great example of creating fashion for the broader audience where we strive to be inclusive for all women to be able to dress in NA-KD fashion.

We are also super-proud of our first genderless collection that we did together with fashion and style icon Fredrik Robertsson. A collection that is part of our collaboration with the Rainbow fund, to which NA-KD also donated 500,000 SEK in 2021.

Further, we also started to offer more inclusive sizes to our customers, and based on inspiration from our Creators' Council, we created an underwear collection in several nude shades for women of all colour that was launched at the start of 2022. Being more inclusive in the colour tones we use is also a focus for BTY by NA-KD.

### NA-KD Art

NA-KD Art is a quarterly creative avant-garde collection designed by NA-KD. It presents collections with a higher degree of fashion containing carefully selected innovative and exclusive qualities. NA-KD Art is currently our most high-class concept and during 2021 we presented four collection drops.

### NA-KD by You

Using Instagram Stories, we asked our followers to vote for their favorite product cuts, styles, colours and names. This became NA-KD by You – a 100% co-created collection with key pieces in neutral tones. We ran the campaign for the first time in 2019, and again in 2020 and 2021. A difference this last year was that instead of a co-creation, customers voted for their favourite dress. We invited 25 customers to apply to be models for the campaign, mainly from Europe but also from the USA and the Philippines, whereof one man.

### Female-founded fashion

We've set out to invest 2.5M EUR into female-founded fashion, lifestyle and beauty businesses, using our platform to help them succeed. During 2021, the first female-founded business was supported as we launched Dashl on NA-KD.com with selected beauty products. We have also supported their business by acting in an advisory role for sustainability and social compliance matters tied to Dashl's supply chain operations. Dashl was founded in 2016 in Stockholm by two women with the aim to digitalise, modernise and make the fashion industry more sustainable through technological solutions. With a focus on fair working conditions, Dashl has over 350 women freelancing, with the opportunity to work flexible working hours, on their own terms and with an opportunity to become economically independent by bringing beauty to customers' homes and workplaces through digital appointments.

### Customers' perception

Through our customer survey's we can see that our actions give results. In our survey early 2022, we can see that 61% of our customers perceive NA-KD as "celebrating diversity and equality", up from 41% in our survey early 2021.





## An inclusive workplace

*We want to create a culture of belonging with equal status, rights, conditions and opportunities for all.*

The more diverse a company, the better it performs. According to McKinsey research, companies that rank in the top quartile for gender diversity in executive teams are 25% more likely to have above-average profitability than companies in the bottom quartile. The research also showed that companies in the top quartile for ethnic and racial diversity are 36% more likely to outperform industry peers. When it comes to the fashion industry, while women make up two thirds of the workforce, this ratio is not represented at executive levels.

Making diversity and inclusion the norm won't just improve corporate culture, it will also lead to growth and great performance.

### Goals, targets and KPIs

- A balanced representation of male, female, non-binary people through the organisation; both from a functional and managerial perspective
- Maintain our high level of foreign-born co-workers
- All staff and recruitment partners to take regular diversity and inclusion training
- All staff to take anti-harassment and bullying training during 2021
- Equal employee satisfaction between gender/age/departments

### Key actions:

- Updating our internal Code of Conduct
- Training plans and development with focus on leadership, culture, diversity and inclusion
- Provide continuous unconscious bias training for all staff and management
- Implement flexible approach to holidays
- Continue with social media content featuring our employees and their testimonials
- Establish internal diversity and inclusion council

## OUR PROGRESS

### Continuously improving our workplace

During 2021, we had a strong focus to improve NA-KD as an employer and workplace. Following the media-critique in late 2020, we started off 2021 with an in-depth third-party investigation of our working conditions, which resulted in a long action list that we have worked through during the year. We also offered all our employees extra counselling support throughout this period of time, on top of the regular counselling we offer. You can find the results of that action list on [page 7](#).

Our focus on improving our workplace continues relentlessly. We have a strong focus on health and safety, where in particular mental health and wellbeing is a focus area. We believe that our workplace improvements, including clarifications of organisational and role responsibilities, in combination with leadership training and support from HR, as well as bi-weekly one to ones and quarterly performance reviews, will all have a positive impact on colleagues' mental wellbeing. In case needed, we offer free counselling support through a third party.

We want to enable all colleagues to grow, develop and make a difference. We believe in giving responsibility early in the career as a means to grow as an individual. To support personal and professional development, we have implemented a structured annual training cycle for all managers, and provide quarterly performance reviews for all.

Total number of employees by employment contract (permanent and temporary), by gender.

	Women	Men	Total
Permanent	241	65	306
Temporary	20	1	21
Consultants	15	33	48
<b>Total</b>	<b>276</b>	<b>99</b>	<b>375</b>

Total number of employees by employment type (full-time and part-time), by gender.

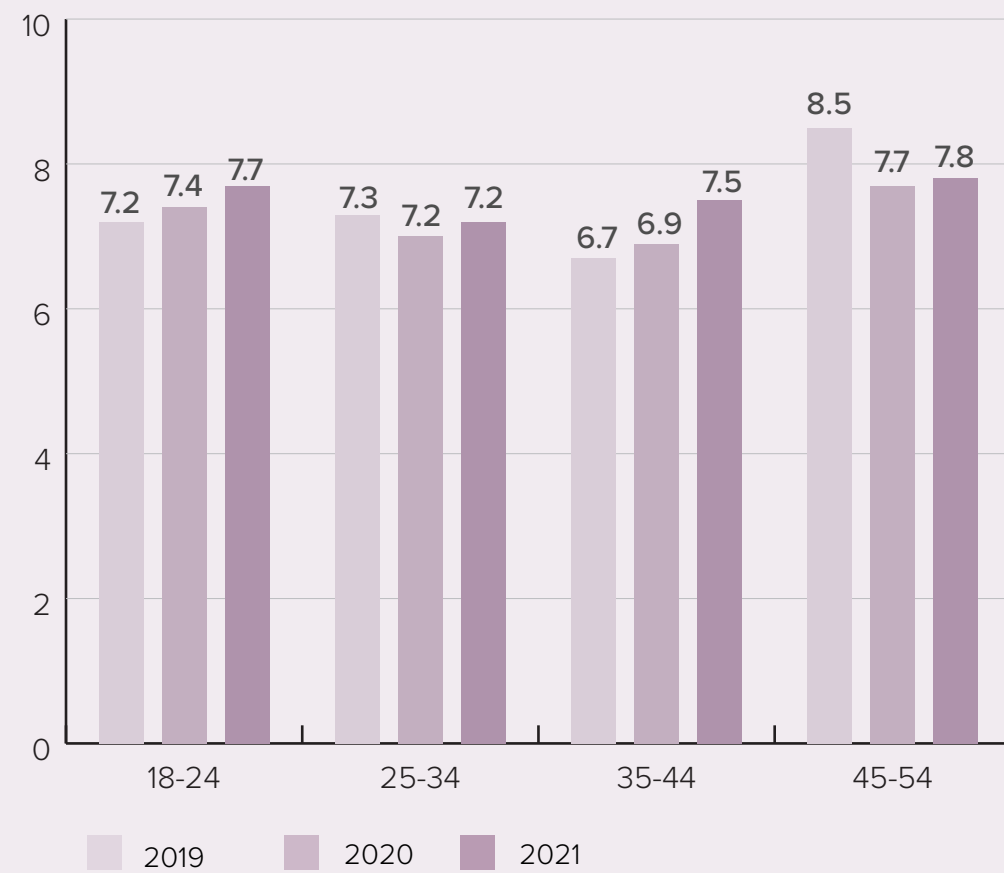
	Women	Men	Total
Full time	245	63	308
Part time	16	3	19
<b>Total</b>	<b>261</b>	<b>66</b>	<b>327</b>

Total number of employees by employment contract (permanent and temporary), by region.

	Permanent	Temporary	Total
Nordic countries	287	21	308
Rest of Europe	0	0	0
Rest of the World (incl Turkey)	19	0	19
<b>Total</b>			<b>327</b>

Employee data as of end of 2021. NA-KD has no seasonal variations in number of employees. All information has been compiled through our HR system Alexis. Remote workers are include in the consultant numbers, as they are employed legally through a global payroll company.

Employee satisfaction connected to age



Employee satisfaction connected to gender



Employee satisfaction

	Employee satisfaction	Participation
2019	7.1	88%
2020	7.2	86%
2021	7.4	91%

Numbers for 2019 and 2020 have been updated with correct numbers as of end of each year

Employee satisfaction

We use the Winningtemp platform to enable everyone at NA-KD to get heard and measure employee satisfaction. Each week, all our employees can anonymously answer a few questions. These answers are then compiled into an overview, which shows the current mood at NA-KD and should be discussed within each team.

Becoming the best version of ourselves is an ongoing commitment. To keep reaching for it, we make sure all our employees can share their views on what we are doing right and where we can continue to improve. Our employee satisfaction survey had a high participation rate of 91% (86%) in 2021. We are proud to report that overall satisfaction during 2021 was 7.4 (7.2) for employees and interns on a scale of 1-10, compared to 7.2 (7.1) at the end of 2020. We know that there is always room to improve and we will continue to focus on our people and culture going forward.

Looking at our employee satisfaction from an inclusion perspective, we see a difference

between gender of 0.2 (0.3), age with 0.6 (0.8) and greatest difference between departments was 1.7 (3.2) in 2021. This shows that we as a company and culture are moving in the right direction to be more inclusive for all.

Equal rights

For us, it is a given that everyone has equal rights. This applies to how we serve our customers, how we treat our employees and how we work with those in our supply chain. We do not accept discrimination, victimisation or harassment in any form. We make this crystal clear in our updated Code of Conduct and in our [Equal Treatment Policy](#).

However, although we are learning fast, we know we have more to do before we can call ourselves truly diverse and inclusive. To help us get there faster, we are reaching out to experts and partnering with associations, such as the Rainbow fund, which is working for LGBTQIA+ rights. Through the Rainbow fund, during 2021, all NA-KD employees have received training on diversity and inclusivity and workshops in respective teams. This has led to the concrete actions that we now have gender neutral dressing rooms at our HQ in Gothenburg and we have added the possibility in our systems to select “non-binary / do not want to answer” connected to gender identity.

Updated Code of Conduct and trainings

During 2021, we updated our internal Code of Conduct, which states our minimum requirements for acceptable and unacceptable behaviour and

NA-KD 2021 in numbers

321

FTE's by the end of the year

33,3%

foreign born employees

30+

nationalities in our teams

42%

female executives by the end of the year

65%

female managers by the end of the year

75%

female employees by the end of the year

is applicable for every representative of NA-KD: managers, colleagues, consultants, interns and anyone else working for or on our behalf. It is based on international norms and guidelines such as the OECD Guidelines for Responsible Business Conduct, the ILO Declarations of Fundamental Principles and Rights at Work and the UN Guiding Principles for Business and Human Rights. The Code of Conduct covers three key areas: An inclusive workplace, Protecting the planet for future generations, and Conducting business ethically – which includes areas such as anti-corruption and bribery, money laundering, conflicts of interest, confidential information and data privacy.

During the second half of 2021, we have had mandatory in-depth training for all managers (79% has attended the training), in-depth training for all employees working in high-risk environments (sourcing, purchasing and wholesale) where 95% of employees attended. Further, all other employees have had training in their respective teams, reaching a total of 50% of employees. At NA-KD, this totals 70% of all colleagues being trained across all departments and organisational levels. Early 2022, we will continue with training for the managers and colleagues that have not yet participated in the training for some reason, and the training will be part of NA-KD’s onboarding process going forward. The Code of Conduct training includes training on anti-corruption and bribery.

During 2021, we have had a strong focus on trainings in general. On top of the Code of

Conduct training, all managers have received training in labour law, work environment and risk analysis, recruitment and how to perform salary reviews. For all employees, we have offered trainings on tools such as Google Analytics, Excel, how to plan your time/day and training on climate change and NA-KD climate action. For the first time, we are also following-up the average hour of training per employee, which was 9.7 hours in 2021.

**Speaking up**

We want our employees to speak up if something is troubling them. In 2021, we clarified this in a Whistleblowing Policy. All employees have been offered training as part of our Code of Conduct training. Through the Policy, we provide pathways for anyone who wants to talk to their manager, their manager’s manager or HR/legal/CSR. If any of that is not possible, we have implemented a whistleblowing tool where employees, or anyone else, can choose to report issues completely anonymously, unless they feel comfortable to come forward. The whistleblowing tool is publicly available on our website. Employees may also still report concerns anonymously through our employee satisfaction tool Winningtemp.

During 2021, 23 (23) cases were reported through any of the above-mentioned grievance channels; 9 (11) connected to discrimination and 14 (12) to harassment and bullying. In 4 (4) of the cases, we were able to get more information and hold dialogue with employees to secure further investigation and actions. Our continuous work

with our corporate culture and values (see page 9) and our updated Code of Conduct are two examples in how we strive to reduce the number of grievances.

**Anti-corruption**

NA-KD has a zero tolerance for corruption and all unethical behaviour. Our key policies in this area are our Code of Conduct, Anti-bribery and corruption policy and the Whistleblowing policy. Our policies provide practical guidelines on how to evaluate and avoid unethical behaviour and how to report any suspected dishonest or illegal activities. The policies are available on our intranet and all new employees are informed during onboarding.

Our employees working with external business relationships are at higher risk of exposure to corruption and bribery. Therefore, they have been given in-depth training on our Code of Conduct with significant focus on ethical business conduct, including anti-corruption and bribery. No complaints of corruption or anti-competitive behaviour were reported in 2021.

**Compensation and benefits**

We provide everyone who works for NA-KD with fair and market-based compensation for the work they do. During 2020, we implemented a pension and insurance program for our employees, and in 2021, we performed a salary mapping and analysis which led to some departments getting a general increase in salaries. In 2021, overall, female salary was 65% of male salary. One reason being more men

having positions that require higher education, and more women in support functions. NA-KD did not have a collective bargaining agreement during 2021. All our employees are entitled to parental leave and are covered by our occupational health and safety management system. Our employees are guided through our Work Environment Policy. We had no work related fatalities during the year in our own operations. One work related injury (not severe). Previous work related injuries are primarily related to stress.

**Representation of women at different organisational levels at NA-KD at the end of 2021 and 2020 respectively.**



All members of the Executive Board are between 30–50 years of age.

## Fair and equal jobs in our supply chain

*We respect human rights and will make it a priority to empower and enable all people across our supply chain to be able to fulfil their potential.*

Although many challenges with providing fair and equal jobs for everyone in the fashion industry's global and complex supply chains relate to structural issues and local legislation, that does not justify them. We believe that everyone should have the right to non-discrimination, health, fair and equal compensation, and the freedom to unionise and engage in collective bargaining. If someone's work contributes to our business, we have a responsibility to respect their rights, even if they work for another company or supplier that we do not own and have limited impact on.

The key to tackling issues of inequality and injustice in complex supply chains is traceability – we must know how and where our raw materials, fabrics, dyes and prints are being made in order to perform due diligence and strive to ensure fair and equal jobs. Our traceability journey has still just begun; we are both energised and humbled by the challenges ahead. Read more about our efforts on traceability on [page 41](#).

The Covid-19 pandemic has made garment supply chain workers even more vulnerable. With less demand for products, many brands have

cancelled their orders. Thanks to the further need for online shopping, NA-KD has managed through the pandemic without cancelling orders, thus helping our supply chain partners keep their business going through turbulent times.

**” Respect and support for human rights is our most basic responsibility.**

As a fashion e-commerce brand, NA-KD is built on the contributions of thousands of people. In this section of the report, we share how we are working to respect and enhance people's wellbeing throughout our supply chain.

### Goals, targets and KPIs

- By 2025, factories representing at least 50% of our spend enrolled in concrete social sustainability initiatives
- By 2025, factories representing 80% of our spend showing high performance in social audits (at least B in amfori BSCI audits, or similar in other systems)

### Key actions

- Continuously support factories with actions and improvement plans for working conditions and respect for human rights
- Identify and initiate social sustainability initiatives targeting women and workers' rights in our supply chain
- Supply chain wage mapping and strategy

## OUR PROGRESS

People in our value chain must be treated with respect and dignity; equality must be evident in everything we do. It is our responsibility to respect and promote human rights throughout our entire value chain. Our Human Rights Policy, developed in line with the UN Guiding Principles on Business and Human Rights (UNGPs), guides us in this work, together with our Supplier Code of Conduct.

### Respect for human rights – our responsibility

We are still on a path accelerating the implementation of our [Human Rights Policy](#). In line with the UNGPs, we are conducting risk-based due diligence across our value chain. Throughout our supply chain and business relationships, we strive to identify, assess, monitor and mitigate any potential human rights violations. In many cases, structural issues in local contexts are the most challenging aspects to tackle, such as excessive working hours and insufficient social insurance coverage in China. This requires joint action from the industry, from governments and other stakeholders, and we aim to use our leverage to make a positive impact, even in situations where we have no direct control.

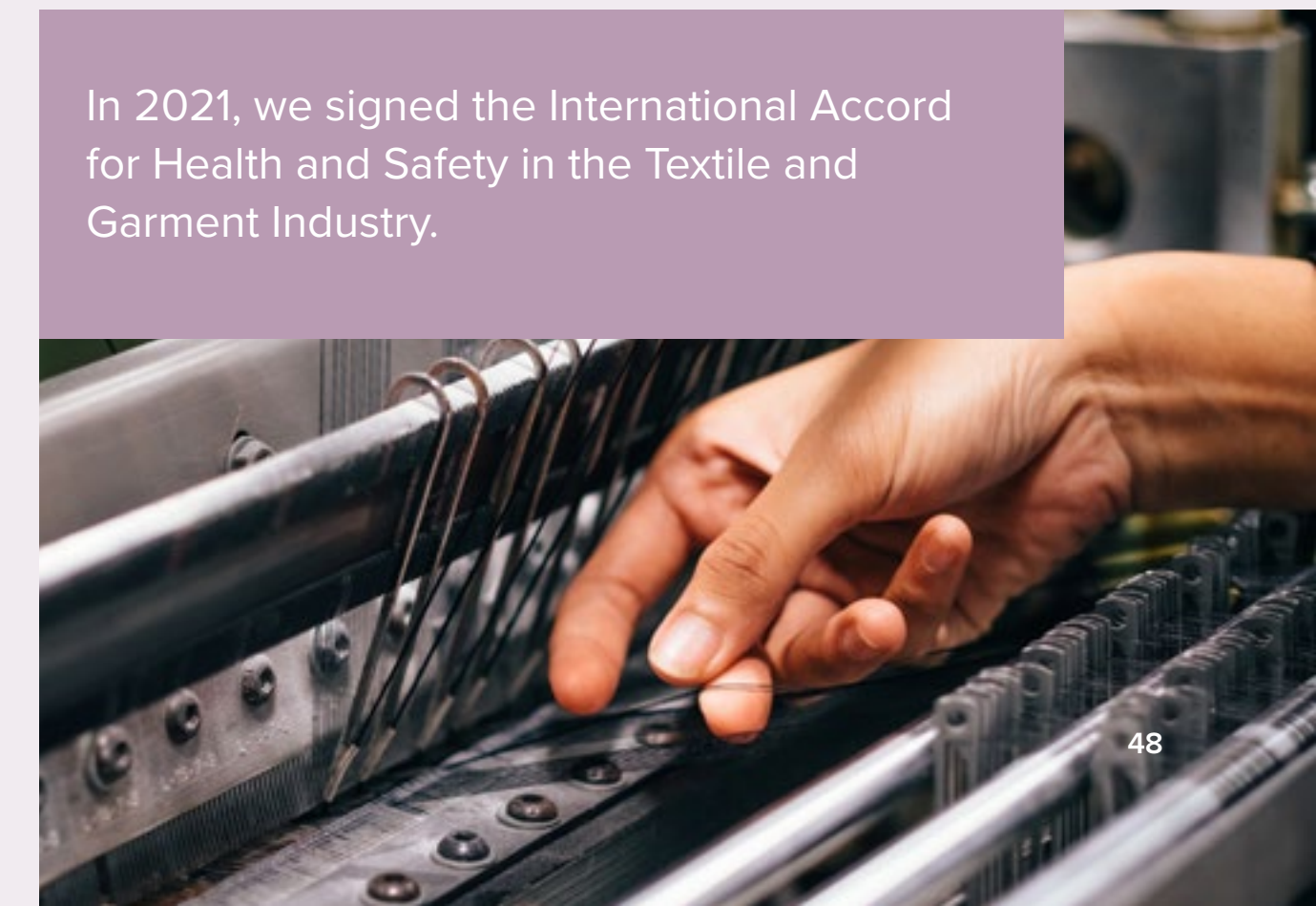
As part of our ongoing work for fair and equal jobs, we have identified our salient human rights – the rights where we see the greatest risk of doing harm to people throughout our value chain. You can read about them [here](#).

## Supplier Code of Conduct

We have adopted the amfori BSCI Code of Conduct as our Supplier Code of Conduct and require that all our suppliers sign this Code as part of the purchasing agreement and conduct social audits on an annual or bi-annual basis, depending on their performance. Through the Code and its Terms of Implementation, covering all our salient human rights, environmental protection and anti-corruption, we clearly communicate that our suppliers are expected to cascade these values further up their own supply chains.

We are explicit in our minimum requirements that we do not tolerate any forms of corruption, extortion or embezzlement, or any forms of bribery. We make it clear to all suppliers that personal information should be handled with care and needs to comply with applicable privacy and information security laws and regulations. This is also part of the social audits that our suppliers are required to perform.

In 2021, we signed the International Accord for Health and Safety in the Textile and Garment Industry.





**Conducting due diligence**

All our suppliers must hold a valid social audit or verified assessment at the start of their business relationship with NA-KD. The social audits cover the content of the Supplier Code of Conduct, including all salient human rights, working conditions and ethical business practices\*. The social audits are performed by a certified third-party auditing company, which gathers information via documentation and worker dialogues. We allow our producers to choose between our approved systems for social audits or verified self-assessments: Higg vFSLM and amfori BSCI as our preferred systems, as well as Sedex/SMETA and SA8000. This is to help relieve suppliers from ‘auditing fatigue’ while brands and retailers move towards a common social compliance standard across (and beyond) the fashion industry (see below). In 2021, 15% of our producers showed a high performance in social audits (at least B in amfori BSCI audits, or similar in other systems).

100% of our apparel, footwear and accessories producers show a valid social audit before we start working with them. Though, for the renewal

**Social audits in 2021\*\***

	# of Renewals	# of new factories audited	Total	% of spend
Europe	3	5	8	0.59%
Asia (tot)	106	29	135	86.7%
China	63	15	78	42.4%
Turkey	29	7	36	41.7%
India	8	6	14	1%
<b>Total</b>	<b>110</b>	<b>34</b>	<b>143</b>	<b>87%</b>

of audits and certificates, we have seen continued impacts of the pandemic also in 2021. Restrictions have slowed down audit operations in some regions, and some factories are facing similar delays in renewals of certificates and permits. Although NA-KD has continued to request semi-announced or fully unannounced social audits, we have also seen an increase in amfori BSCI and Sedex/SMETA member brands requesting fully announced audits, compared to 2020.

**SOCIAL AND LABOUR FINDINGS IN OUR SUPPLY CHAIN IN 2021**

**Discrimination, harassment, victimisation and violence** – While our supply chain audits show no evidence of such transgressions amongst our producers, we do see this as a prioritised area of our focus that requires industry-wide efforts to improve.

**Health and safety** – Our supply chain audits conducted in 2021 show that our producers are facing some common health and safety challenges (such as faulty equipment or inadequately stored chemical containers), of which the majority have proven fairly easy to correct. In some countries, Covid-19 restrictions have also caused delays in the issuance of permits and updated licenses by government agencies (e.g. environmental permits and building licenses).

\* Factories conducting Sedex SMETA 2-pillar audits are excluding business ethics. In total, 19 of factories audits did not do cover business ethics in their social auditing.

\*\* Numbers presented based on data available through third-party verified social audits (amfori BSCI, Higg vFSLM and Sedex SMETA) conducted in 2021, covering 87.25% of NA-KD’s total business volume (including active and inactive tier 1 producers). Numbers exclude factories with valid audit that are on a biannual audit cycle (e.g. factories with A- and B-ratings in amfori BSCI and factories with SA8000 certificates valid from calendar year 2019 or 2020).

**Living wages** – While our supply chain audits do not reveal any findings of workers paid below the local legal minimum wage, they do confirm the presence of gaps between local legal minimum wages and living wages, a structural challenge that we must tackle with industry wide efforts. Read more about our supply chain worker wages below.

**Freedom of association and the right to collective bargaining** – Our supply chain audits show that the producers in our supply chain are acting in line with this and are implementing alternative forms of worker representation where no independent unions are present. Factories representing over 90% of our production volume have some kind of worker representation, either union representatives or worker representation in other forms.\*\*

**Decent working hours** – Our supply chain audits show that compliance with decent working hours is a challenge for some of NA-KD’s producers too, as the working hours issue lowers the score for our Chinese suppliers, regardless of how well they perform elsewhere in the audit.

**Social security** – Our supply chain audits show a higher prevalence of risks related to social security in China, where this is a structural challenge that requires collaboration across the industry to tackle.

**Our approach to supply chain human rights due diligence:**

- 1. Supplier Code of Conduct:** Entry-level minimum requirements for all existing and new suppliers. Prerequisite for working with NA-KD since 2019.
- 2. Verified self-assessments or social audits:** Having a social and labour audit or verified self-assessment is an entry-level minimum requirement for all new suppliers in the textile, homeware and accessories production categories. We require social audits or assessments to be conducted and renewed annually or bi-annually; the regularity is prioritised on a risk-based approach.
- 3. Corrective actions:** A lower audit score and/or non-compliance issues requires a corrective action plan, in some instances with a follow-up audit.
- 4. Training and capacity building:** Through the amfori BSCI platform, the How to Higg guide and manufacturer forums, suppliers are encouraged to participate in capacity building programs, online and face-to-face. Additional training and guidance are offered on a needs-basis.

**Forced labour and modern slavery** – Our supply chain audits show no prevalence of forced labour or modern slavery amongst our producers. However, we notice the presence of migrant workers in some regions and have offered guidance and support to producers on the protection of especially vulnerable workers. For more information, please see our latest [Modern Slavery Statement](#).

**Child labour and young workers** – Our supply chain audits show that our producers set an age limit for workers that is in line with or higher than legal requirements and that they have policies in place to prevent child labour and protect young workers.

Our measures taken to eliminate forced labour and child labour is to both conduct social audits, offer our independent producers capacity building through the amfori Academy as well as to educate colleagues visiting factories on warnings signs to look for.

**Towards an industry standard**

We are members of the Sustainable Apparel Coalition (SAC) and are scaling up the use of the Higg Index facility tools, including the Higg Facility Social Labour Module (FSLM) with verification, in our supply chain. As a result of both the pandemic and a broader discussion on sustainability and transparency in the fashion industry, we see a need to move towards a common standard for assessing and reporting on social and labour practices in the supply chain. In 2021, we have actively participated in conversations and working groups with this purpose.

**vFSLM roadmap**

	2020	2021	2022	2023	2024
Goals	pilot	5%	20%	30%	50%
Actual	pilot	4%			

Our goal is for 20% of our production volume to report their social performance through vFSLM during 2022.

Our aggregated vFSLM score for participating factories in 2021 was 68.55. Aggregated section scores were: recruitment & hiring 88.73, working hours 82.09, wages & benefits 83, worker treatment 90.18, health & safety 85.19, termination 90.18, management systems 65.13 and above & beyond 20.8.

**Wages in our production supply chain**

A living wage is an income earned during normal working hours that meets the basic needs of workers and their families, with some left over for extra expenses or savings. Like most fashion companies, we don't own any factories or make our own clothes – we outsource production to independent manufacturers. This means we don't pay garment workers' salaries directly, and we cannot decide how much they are paid.

In 2021, we started looking into worker wages in our supply chain and map out the situation in the factories producing for NA-KD. This is a first step that will be the foundation for our work to define a living wage strategy in 2022. As a small brand and organisation, we are depending on using third-party verified data through social audits. Using this data, we have mapped worker wages, representation, count and gender divide. With close to 50% of our production volume in China



Wage data is collected from social audits and available for 75.27% of the total business volume. Specific numbers detailed only for key production markets. Numbers exclude factories with valid audit that are on a biannual audit cycle (e.g. factories with A- and B-ratings in amfori BSCI and factories with SA8000 certificates valid from calendar year 2019 or 2020).

2021 and 45% in Turkey, these two countries have been the main focus of our analysis. With India having over 20 producers for NA-KD, this country has also been included in the analysis despite a smaller production volume of just above 1%.

For the factories where third-party verified wage data is available for 2021, 100% of workers were paid at least the legal minimum wage in their local context. However, fair wages and living wages go beyond the statutory minimum wage set by governments. According to the verified social audit data we have for 2021, factories representing 66% of spend included in the mapping had performed a living wage calculation using an industry standard method (e.g. ISEAL/ Anker Benchmarks, Living Wage Foundation UK).

**Supply chain workers**

	# of workers in factories producing for NA-KD	whereof women
Europe	856	81%
Asia (tot)	18,558	56%
China	7,356	67%
India	1,727	22%
Turkey	6,942	54%
<b>Total</b>	<b>19,414</b>	<b>57%</b>

Numbers presented based on data available through third-party verified social audits (amfori BSCI, Higg vFSLM and Sedex SMETA) conducted in 2021, covering 87.25% of NA-KD's total business volume (including active and inactive tier 1 producers). Numbers exclude factories with valid audit that are on a biannual audit cycle (e.g. factories with A- and B-ratings in amfori BSCI and factories with SA8000 certificates valid from calendar year 2019 or 2020).

As a next step in this journey, we will set out the actions needed for our living wage strategy and support our producers through initiatives for fair working conditions.

We see great potential in gathering data on fair working conditions from third-party audits or verified assessments. However, there are challenges in translating data between systems today. Therefore, we will also continue to engage with industry organisations, auditing companies and other stakeholders for improvement of data quality and alignment between auditing frameworks, to ensure more robust wage data sets in the future.

### The International Accord

The health and safety of workers has been an area of particular focus within the fashion industry for several years. We signed the International Accord for Health and Safety in the Textile and Garment Industry, starting September 1, 2021. The International Accord is an independent, legally binding agreement between brands and trade unions which continues commitments to ensure a safe and healthy Ready-Made Garment industry in Bangladesh and further seeks to establish worker safety programmes in other countries producing textiles and garments. Our purpose is to enable a working environment in which no worker needs to fear fires, building collapses, or other workplace accidents that could be prevented with reasonable health and safety measures.

While our supplier base in Bangladesh is small, we want to join in the effort to protect the most vulnerable workers in our supply chains with the aim for positive outcomes of the initiative to spread to other production regions facing similar challenges.

### Risk-based due diligence at our warehouse in the Netherlands

In the beginning of 2021, we conducted a risk-based human rights due diligence at our third-party operated warehouse in the Netherlands. This was done following a risk assessment that identified that the presence of contracted migrant workers from Eastern Europe through employment agencies constitutes a risk for potential human rights violations. We assigned Enact Sustainable Strategies to perform the due diligence, which included dialogues with workers (performed off-site), inspection of working conditions and migrant workers living accommodations, dialogues with employment and recruitment agencies, dialogues with management of the third party operating the warehouse, as well as gathering and reviewing available documentation.

There were no findings nor suspicions of mistreatment of workers or severe human rights violations. The three main issues identified were lack of risk-based policies at the warehouse operator, lack of a worker's council, and opportunities to improve working time planning to offer part-time solutions to workers. After the due diligence, we have continuously followed up the action



plan together with our third party operating the warehouse and can see that they are taking appropriate actions. A supplier Code of Conduct has been developed and is under implementation, complemented with a checklist for recruitment agencies to avoid risks of human rights violations. Further, social audits have been implemented twice a year for recruitment

agencies and their workers. A workers' council will be started at the beginning of 2022 and there have been general wage increases including shift allowance for all hours.

## Our role in society: Ignite a movement in the fashion industry that empowers and inspires all

*We want to advocate for everyone's right to be who they are, to celebrate diversity and advance inclusion in our society.*

For many years, diversity in fashion has simply meant using a non-white face in marketing campaigns. But today, fashion companies are responding to pressure from customers, employees and other stakeholders to do more. Instead of relying on eye-catching imagery, we are expected to proactively advocate for diversity and inclusion. As a result, more and more fashion companies are making meaningful changes.

According to McKinsey research, almost two thirds of consumers are self-proclaimed "belief-driven buyers" who will avoid, switch, boycott or favour brands based on their position on societal issues. Taking a public stand on diversity and inclusion topics is something that we're proud of at NA-KD and supporting wider social issues in alignment with our brand values is close to our hearts.

### Goals, targets and KPIs

- By 2025, 80% of customers perceive NA-KD as "celebrating equality & diversity"
- Identify and initiate at least four long-term shared value initiatives during 2021

### Key actions

- To use our voice in society to advocate through marketing and taking a stand as a company through our public affairs and relations activities
- Support for NGOs that support everyone's right to be who they are
- Inspire girls to become whoever and whatever they want
- We will support young women's rights and mental health, especially in the wake of the pandemic
- Continue to increase our inclusive sizing range to make sure that NA-KD fashion truly is for all

### OUR PROGRESS

#### Everyone's right to be who they are

We believe in taking a stand based on our values. Everyone has an equal right to be who they are, without being judged, and to have access to the same opportunities for success. While diversity and inclusion is already important at NA-KD, we know we still have much to learn. We believe it is important to take an active stand and publicly support the values we believe

in, which is why we support the LGBTQIA+ community through our collaboration with the Rainbow fund with a donation of 500k SEK, launching a genderless collection and by hiring diverse content creators.

#### Inspire girls to become whoever and whatever they want

There are some key levers for the world to reach the UN Sustainable Development Goals. One of them is for more girls to attend school and get a higher education. In March 2021, NA-KD participated as one of many companies together with Womengineer in the "Introduce a Girl to Engineering" day. This is a day when engineering and tech-savvy companies open their doors to non-binary and female 13–19 year olds, to show them what it is like to work as an engineer for a day. At NA-KD, we had about 20 young people visiting us digitally during the day, including a virtual tour of our autonomous warehouse and a lunch with our CEO.

#### Support young women's rights and mental health

Unfortunately, mental health continues to be a challenge for many young women around the world. During 2021, we investigated the effects the pandemic has had on our customers and created The Lockdown Report together with Klarna, with 8000 young women across Europe and USA. The results show that young women are taking action to create a better future – for themselves and society at large. They have built

stronger relationships with the people they love and taken control of their finances long-term. Many have also taken a more active stance in social and environmental issues with 1 out of 10 involved in political activism.





### Supporting our local community

At NA-KD, as in other fashion companies, product development generates a lot of samples. These can be clothes or accessories used by our photo studio to create images for our website and social media, or clothes that have been tested and screened by our purchasing department and garment technicians. During 2021, we donated most of these clothes to charities. We gave more than 13 tonnes (3.7 tonnes) of clothing and accessories to Stadsmissionen in Gothenburg. Stadsmissionen sells our donation in their second-hand shops, and the profits create employment opportunities for people outside the job market.

In 2021, we have also continued and extended our partnership with Räddningsmissionen (the Rescue Mission), a local NGO supporting people in vulnerable life situations. In 2021, we donated 100k SEK and became Lead Partner to Agora, the part of their organisation focused on supporting socially vulnerable women – including homeless women, victims of domestic violence, women exposed to human trafficking, as well as sex workers. The money was used to renovate their housing for women who flee the situation they are in. Additionally, we have continuously provide the Rescue Mission with donations of samples, carefully selected to meet the needs of the persons they support. In November 2021, we had the opportunity to host a very special shopping event as part of this collaboration. Our guests were 14 women receiving short- and long-term support through Agora. That evening, we treated them with a little extra – the guests received

a gift bag, snacks and alcohol-free drinks, and were invited to shop NA-KD products (for free). The hope is that this event will be the first of many opportunities for these women to meet and share experiences in a safe space.

**“One of the guests had fled from her situation just a few days before, only carrying the clothes she was wearing the evening of the event. It was amazing seeing the nervous and reserved women who entered the door later blossom, make new friendships and laugh.”**

*Madeleine Forsén,  
the Rescue Mission*

We are proud to support these organisations in our local community and hope more women are kept warm and can feel beautiful with the help of our donations.

### Know Your Lemons

In October 2021, we teamed up with Know Your Lemons to raise awareness and join the march against breast cancer. NA-KD made a 100k SEK donation to their cause. We featured Know Your Lemons on our website and through our social media channels, encouraging our followers to take part in the Know Your Lemons guide to self-exams, and donate (if they were able) to support their awareness campaigns and education. As part of the collaboration, NA-KD also invited the founder to hold a training session for our colleagues, educating them on the symptoms of breast cancer and providing a step-by-step guide to self-examination.

The Know Your Lemons® Foundation was founded by Corrine Ellsworth-Beaumont (MFA, PhD), with the mission to improve early detection for breast cancer worldwide, through creative and empowering education. As of 2021, they reached 1.3 billion people online through their #knowyourlemons campaign and Know Your Lemons app, and helped women and people with breasts discover potential symptoms of breast cancer in time to save their life. Their educational materials are available in over 31 languages and are being used in over 99 countries.

### Four shared value initiatives in 2021:

- Womengineer
- The Rainbow Fund
- The Rescue Mission / Agora
- Know Your Lemons

# About this report:

This is the third time NA-KD has created a sustainability report, which is made annually. The last report was published in April 2021. This report is made according to Global Reporting Initiative's (GRI) Standards "Core" option and covers the full year of 2021. The sustainability report is also made in accordance with expectations in the Swedish Annual Accounts Act 6 chapter 11§. The report has not been third-party verified.

There are no significant changes in the reporting structure compared to last year, apart from going from GRI inspired to GRI core compliant in our reporting. Some of our sustainability targets and KPIs have been revised for better adjustment to our context and reality. Information on changes is clearly stated next to the information in the report and/or in the GRI Index.

The primary target group for this report is our owners and investors. Other stakeholders such as customers, colleagues, business partners and other societal actors should also be able to understand and get information on our progress on our material topics and sustainability performance through this report.

## Reporting content

NA-KD's sustainability disclosures are prepared to provide stakeholders with relevant information about our environmental and social impact. In defining the report content, NA-KD applies GRI's reporting principles on stakeholder inclusiveness, sustainability context, materiality and completeness.

The content of this report covers the Nakdcom Group, where Nakdcom One World AB, registration number 556971-2002, is the parent company and prepares the consolidated accounts. The report covers the financial year 2021 and data gathered covers this year for all our product categories and business operations, unless otherwise stated. The sustainability report is part of the administrative report in our Annual

Report for 2021 and is developed in line with legal requirements.

All KPIs in this report covers the Swedish parent company, unless otherwise stated, as the Group's subsidiaries Odd Fashion of Sweden AB, Nakdcom AB i Sverige and Nakdcom PL sp z o.o in Poland does not have any significant operations and mainly follows the same principles as the parent company.

During 2021, there have been no substantiated complaints concerning breaches of customer privacy or losses of customer data.

## Strategic framework

During 2021, NA-KD created a strategic framework to drive sustainability performance; Fashion Fit for the Future. The framework focuses on four key areas, defined based on our stakeholder dialogues and materiality assessment, which is also what we report on in this report. The four areas are Climate Action, Circularity, Sustainable Products and Diversity and Inclusion. The framework has been decided by NA-KD's Executive Management Team and presented to and approved by the Board of Directors. While different stakeholder groups raise concerns or ask for specific information on different topics, certain sustainability topics are common for most stakeholder groups. Read more about our main stakeholder groups and their topics of interest, materiality and reporting on [page 11–14](#). Translated into GRI topics, please see reference in the GRI index below.

As part of our membership in the Sustainable Apparel Coalition, we report on our sustainability progress each year through the Higg Index Business Review Module. Our result for 2020 (reported in 2021) was 47.3% for the environmental part and 54.5% for the social part (third-party verified). Looking at our section scores: Management systems 55.6% for Environmental and 90.5% for Social, Brand 55.2% for Environmental and 54.1% for Social, and Operation & Logistics 61.9% for Environmental and 59.2% for Social. For retailer, our scores are lower as we are phasing out all external brands; 16.7% for Environmental and 14.3% for Social.

## About NA-KD

NA-KD is a privately owned limited company. Our largest shareholders as of 31 December 2021 are: Partech Growth FPCI 19.4%, Northezone VIII L.P. 19.3%, Jartsi Holding AB 10.1%, eEquity III 9.6% and Quadrille Technologies IV Companies SLP 6.5%.

During 2021 we got a new VP Sourcing, VP Brand & Marketing, VP Purchasing and Chief HR Officer. There have been no additional significant organisational changes during 2021.

# Risk management

## Climate change & environment; risks, implications and opportunities for NA-KD

RISK	RISK DESCRIPTION	NA-KD MITIGATION MEASURES	OUR RELATED POLICIES
<b>Increased costs and price volatility of raw materials</b>	Higher temperatures and water shortages combined with intensified extreme weather risks (rains and droughts) will likely affect the supply of cotton and other key raw materials for the textile industry.	Prepare for price fluctuations in budgets. Increase variety of more sustainable materials to reduce risk exposure, e.g. hemp, bamboo and recycled materials.	Code of Conduct Environmental Policy
<b>Supply chain disruptions: damaged manufacturing facilities and disrupted distribution networks</b>	Changes in intensity and frequency of extreme weather events like hurricanes, droughts, floods and changes in precipitation patterns (e.g. flooding of harbours). Production disruption may also occur due to social unrest and climate migration. Consequences could be increased production and transportation costs and products not being delivered on time, negatively impacting sales and margins.	Nearshoring manufacturing reduces risks of disruptions in transportation. This also increases short term flexibility.	Restricted Substances List Material Ethics and Animal Welfare Policy
<b>Changing consumer attitudes and purchasing behaviour</b>	Increasing consumer environmental awareness will affect buying and consumption behaviours negatively affecting the fashion industry in general. Gen Z customers are more prone to changed behaviours than earlier generations. Rising temperatures, unseasonable and unpredictable seasonal cycles may lead to that consumers not wanting to buy what they usually do at a certain time of year – which may lead to implications on inventory efficiency and cash flow. E.g. late start of winter plummets demand for outerwear.	Opportunity for alternative business models, such as NA-KD Circle, “re-take model” and rental business. Increase quality/longevity of products to fit a circular business module. Need to show real action and leverage from NA-KDs ambitious sustainability strategy with proven lower environmental impact than competitors. Continue to build trust among customers. Improve planning and buying accuracy.	
<b>Energy price increases</b>	Energy price increases during transition period to a green economy may impact costs for NA-KD, both directly and indirectly with increased energy costs for business partners that would spill over to increased costs for NA-KD.	Proactive agreements for own energy supply and increase own production of renewable energy by solar panels. Continue to work with supply chain business partners to transition to renewable energy sources.	
<b>Shortage of recycled materials</b>	The demand for recycled materials, and in particular polyester, is increasing rapidly from several industries, and risks causing a lack of supply over time with increased prices as an effect.	Continue to proactively look for new innovative alternatives to polyester. Support start-up businesses with orders of new more sustainable materials to enable scaling.	

## Risk management cont.

### People & Human Rights; risks, implications and opportunities for NA-KD

RISK	RISK DESCRIPTION	NA-KD MITIGATION MEASURES	OUR RELATED POLICIES
<b>PR risk if supply chain working conditions are not managed well</b>	If working conditions in supply chain (factories, warehouses, transportation) are not up to standards and this becomes known, there is a risk for negative PR, which may impact brand value and investor relations.	Continue with risk-based human rights due diligence through social audits. Training of purchasing staff prior to factory visits. Execute on sustainability strategy for fair working conditions and wages.	Code of Conduct Supplier Code of Conduct
<b>Difficulties in recruitment and retention because of a potential and negative PR event</b>	The younger generation is more values-driven so a PR event owing to social risks may impact retention and recruitment of sufficient, competent talent.	As above, plus communicate transparently on our actions, challenges and progress.	Human Rights Policy Work Environment Policy Equal Treatment Policy
<b>Legal risks if social working conditions are not managed well in own operations</b>	If we, or a close business partner where we have a legal responsibility, is not living up to legislation on working conditions (e.g. wages, occupational health and safety, working hours).	Continue to train our managers on internal policies. Launch of managerial handbook beginning of 2022. Continuous Code of Conduct training to all employees.	Alcohol & Drug Policy Rehabilitation Policy
<b>Financial risks if working conditions are not managed well and a PR crisis leads to loss of sales</b>	This is true for working conditions and potential human rights violations both internally as well as in our supply chain.	As all of the above.	
<b>Material supply shortage due to working conditions in supply chains (e.g. Xinjiang cotton)</b>	Poor working conditions and forced labour situations in some regions may impact cost and supply of raw materials (e.g. Lester in UK, Xinjiang in China, Myanmar).	Execute on our strategy for supply chain traceability to identify raw material origin and secure diverse spread of raw material sourcing to mitigate risks.	

For our greatest risks to people, please see our salient human rights [here](#).



## Risk management cont.

### Governance; risks, implications and opportunities for NA-KD

RISK	RISK DESCRIPTION	NA-KD MITIGATION MEASURES	OUR RELATED POLICIES
<b>New and rapidly changing legal and regulatory landscapes (local, national, regional)</b>	This may lead to increased costs due to resources required to comply, as well as impacting sales if not being able to comply. Foreseen price on carbon, regulations on transparency and reporting will increase costs and administration for all companies. Recent examples: Swedish producer responsibility, UK law on recycled plastics in packaging, the proposed NY Fashion Act and the EU Textile Strategy.	Monitor legal and regulatory developments closely. Execute on the ambitious sustainability strategy, product footprint and traceability plans to be one step ahead of legislation and keep costs under control.	Code of Conduct Anti-bribery Policy Anti-money Laundering and Counter Terrorism Policy
<b>Lack of harmonisation in legislation, causing admin and cost increases</b>	With rapidly changing regulations in local markets, this risks overburden global companies if legislations are not harmonised.	Monitor legal and regulatory development closely, and advocate for harmonised legislations.	Conflict of Interest Policy Tax & Fraud Policy
<b>Changes in regulations impacting how we work with influencers</b>	NA-KD today works in a symbiosis with influencers. If regulations change, it would affect this structure, significantly impacting the business.	Monitor development closely.	Data Protection Policy Trade Sanctions Policy
<b>Insecure supplier relationships following delayed payments</b>	To build close long-term supportive supplier relationships, it is fundamental to pay on time according to agreements.	Continued close, transparent and proactive dialogue with all our suppliers on payment terms and conditions, and ensure payments are done on time.	Whistleblowing Policy
<b>Financial risks: price on carbon / import tax on carbon to Europe / textile tax</b>	There are wide political discussions about setting a formal price on carbon, import tax on carbon to Europe (consumption based), as well as discussions on textile taxes connected to chemicals.	Monitor development closely and work to move away from carbon intense materials and production processes. Initiate work with internal shadow price on carbon.	
<b>Legal and PR risks if we do things wrong</b>	If NA-KD employees or close business partners do not adhere to applicable legal and regulatory frameworks, there is naturally a legal and PR risk associated with this.	Secure anti-corruption training of employees and everyone working on behalf of NA-KD. Continue with Code of Conduct training and training in all other policies, in particular for managers.	

# NA-KD GRI INDEX

According to Global Reporting Initiative's (GRI) Standards "Core" option and covers the full year of 2021.

GRI DISCLOSURE	GENERAL	PAGE	NOTES
102-1	Name of the organisation	see note	Nakd One World AB
102-2	Activities, brands, products, and services	p. 3	
102-3	Location of headquarters	p. 3	
102-4	Location of operations	p. 3	
102-5	Ownership and legal form	p. 54	
102-6	Markets served	p. 3	
102-7	Scale of the organisation	p. 3, 54, 61	
102-8	Information on employees and other workers	p. 45-51	
102-9	Supply chain	p. 3, 5, 24-25, 29-30, 41, 48-51	
102-10	Significant changes to the organisation and its supply chain	p. 3, 54	
102-11	Precautionary Principle or approach	p. 38	
102-12	External initiatives	p. 10, 27-28, 41, 44, 46, 51-53	
102-13	Membership of associations	p. 10, 15, 28-29, 31, 38, 48-51	
102-14	Statement from senior decision-maker	p. 4	
102-15	Key impacts, risks, and opportunities	p. 11-12, 15, 55-57	
102-16	Values, principles, standards, and norms of behavior	p. 9, 16, 46-48, 55-57	
102-17	Mechanisms for advice and concerns about ethics	p. 47-49	
102-18	Governance structure	p. 16	
102-40	List of stakeholder groups	p. 13-14	
102-41	Collective bargaining agreements	p. 47	
102-42	Identifying and selecting stakeholders	p. 13-14	
102-43	Approach to stakeholder engagement	p. 13-14	
102-44	Key topics and concerns raised	p. 11-12, 47	
102-45	Entities included in the consolidated financial statements	p. 54	This report covers Nakd One World AB
102-46	Defining report content and topic Boundaries	p. 54	
102-47	List of material topics	p. 11-12	
102-48	Restatements of information	see note	Climate calculations updated for 2020. Please see GRI 305-3. No other restatements during the reporting year
102-49	Changes in reporting	p. 30, 54	Changes in climate data for 2020. Please see GRI 305-3. No other restatements during the reporting year. See note for GRI 305-3

GRI DISCLOSURE	GENERAL	PAGE	NOTES
102-50	Reporting period	p. 54	
102-51	Date of most recent report	p. 54	
102-52	Reporting cycle	p. 54	
102-53	Contact point for questions regarding the report	p. 62	
102-54	Claims of reporting in accordance with the GRI Standards	p. 54	
102-55	GRI content index	p. 58-60	
102-56	External assurance	p. 54	

GRI DISCLOSURE	MANAGEMENT	PAGE	NOTES
103-1	Explanation of the material topic and its boundary	p. 11-12	
103-2	The management approach and its components	p. 11-12, 16, 18, 22, 24, 27, 33, 36, 41, 43, 45, 48, 52	
103-3	Evaluation of the management approach	p. 13-14, 16, 18, 22, 24, 27, 33, 36, 41, 43, 45, 48, 52	

	ECONOMICS	PAGE	NOTES
201-1	Direct economic value generated and distributed	p. 61	
205-2	Communication and training about anti-corruption policies and procedures	p. 47	
205-3	Confirmed incidents of corruption and actions taken	p. 47	

	ENVIRONMENTAL	PAGE	NOTES
301-1	Materials used by weight or volume	p. 37-38	For all NA-KD products and collabs, which stand for 97% of business volume in 2021
301-2	Recycled input materials used	p. 24-25, 37-38	For all NA-KD products and collabs, which stand for 97% of business volume in 2021
305-1	Direct (Scope 1) GHG emissions	p. 28	2% of emissions in scope 1 & 2 comes from estimates. The emission factors used in the calculations come from the Swedish Transport Administration (Trafikverket).
305-2	Energy indirect (Scope 2) GHG emissions	p. 29	The emission factors used in the calculations come from the Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Estimates for energy consumption for different facility types are from the Swedish Energy Agency.

305-3	Other indirect (Scope 3) GHG emissions	p. 28-30	The calculations are based on 89% actual data and 11% estimates. The calculations cover NAKD private label and collaborations, representing about 97% of our business volume, i.e. emission from purchased product of external brands are not included, and as of Q4 2021 we no longer purchase any external brands for sales. Emission factors for all fuel and energy related activities are from the Swedish Transport Administration (Trafikverket), The Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Emission factors for business travel come from ICAO Carbon Calculator (adjusted for RFI 2,7), Trafikverket, Hertz Sustainability report 2019, the report "Branschläget 2018" by Svenska Taxiförbundet, NTM, and "Travel and climate, Methodology Report. Version 2.0," by Larsson & Kamb (2019). We use gold for our gold-plated jewelry. For our 2020 calculations, we used the assumption that gold stood for 0.5% of the weight. We have now learned from our suppliers that it is more accurate to calculate with 0.00015% of the weight. Therefore, our emissions for 2020 have also been updated in this table with the more accurate estimation, which is why it differs from our reporting last year. Further, our tier 1 manufacturing figures for 2020 have also been updated due to correction of one producing unit which has reported figures wrongly for 2020, with an overall big impact on the total result.
305-4	GHG emissions intensity	p. 28	
306-2	Management of significant waste-related impacts	p. 25	
306-3	Waste generated	p. 25	
308-1	New suppliers that were screened using environmental criteria	p. 29	

SOCIAL		PAGE	NOTES
404-1	Average hours of training per year per employee	p. 47	
405-1	Diversity of governance bodies and employees	p. 46-47	
406-1	Incidents of discrimination and corrective actions taken	p. 7, 47	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 48-51	
408-1	Operations and suppliers at significant risk for incidents of child labor	p. 48-51	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	p. 48-51	
412-1	Operations that have been subject to human rights reviews or impact assessments	p. 48-51	
414-1	New suppliers that were screened using social criteria	p. 49	
414-2	Negative social impacts in the supply chain and actions taken	p. 48-51	
416-1	Assessment of the health and safety impacts of product and service categories	p. 38, 48-51	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 54	

# Financial numbers

## Consolidated income statement summary

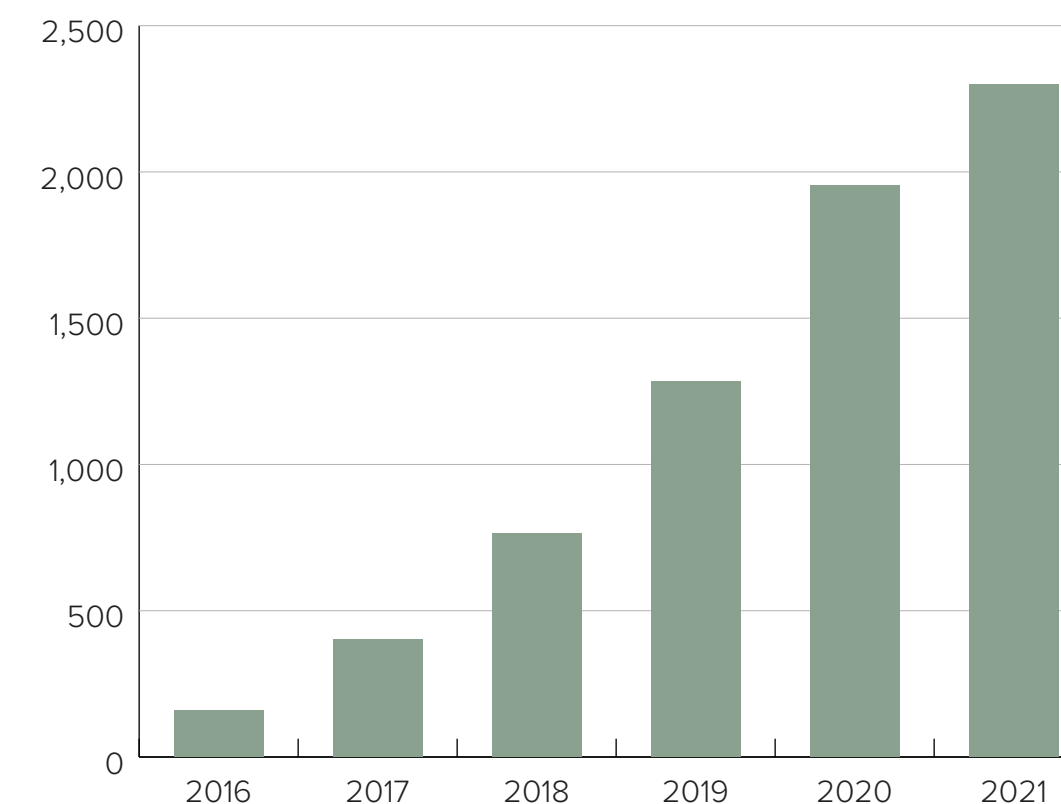
Amounts in MSEK	2021-01-01 – 2021-12-31	2020-01-01 – 2020-12-31
Net sales	2,299.2	1,871.3
Other operating income	111.1	146.1
<i>Operating expenses</i>		
Cost of goods sold	-1,275.1	-889.9
Other external costs	-1,274.9	-1,023.0
Personell costs	-180.4	-138.3
Depreciation and amortisation of tangible and intangible assets	-78.0	-42.2
Impairment for expected credit losses	-17.9	-15.5
Other operating expenses	-67.9	-57.0
<b>Operating loss</b>	<b>-483.9</b>	<b>-148.5</b>
<i>Result from financial items</i>		
Interest income and similar income	1.7	0.0
Interest expense and similar charges	-54.9	-37.0
<b>Loss before tax</b>	<b>-537.0</b>	<b>-185.5</b>
Income taxes	-6.5	35.0
<b>Net loss for the year</b>	<b>-543.5</b>	<b>-150.6</b>
<b>Applicable to</b>		
Parent company's shareholders	-543.5	-150.6

Percentage of employees per employee category in each of the following diversity categories.

	Female	Male
Permanent Employees	66%	22,00%
Fixed term employees	3.70%	0.50%
Hourly Employees	1.80%	0.00%
Consultants	1.80%	4.20%
<b>Total</b>	<b>73.3%</b>	<b>26.7%</b>

	under 30	30-50	above 50	Total
Permanent Employees	48.00%	43.20%	0.80%	<b>92.00%</b>
Fixed term employees	5.10%	0.80%	0%	<b>5.90%</b>
Hourly Employees	1%	0.80%	0%	<b>2.10%</b>
<b>Total employees</b>	<b>54%</b>	<b>45%</b>	<b>1%</b>	<b>100%</b>
Consultants	71%	29%	0%	100%

Turnover (MSEK) per year 2016-2021



# NA-KD

## **Thank you**

If you have any questions about this report, need help finding specific information or have any other questions on our sustainability ambitions and progress, policies or ways of working, please contact: [anna.winde@na-kd.com](mailto:anna.winde@na-kd.com) or [csr@na-kd.com](mailto:csr@na-kd.com)  
We appreciate your feedback!