

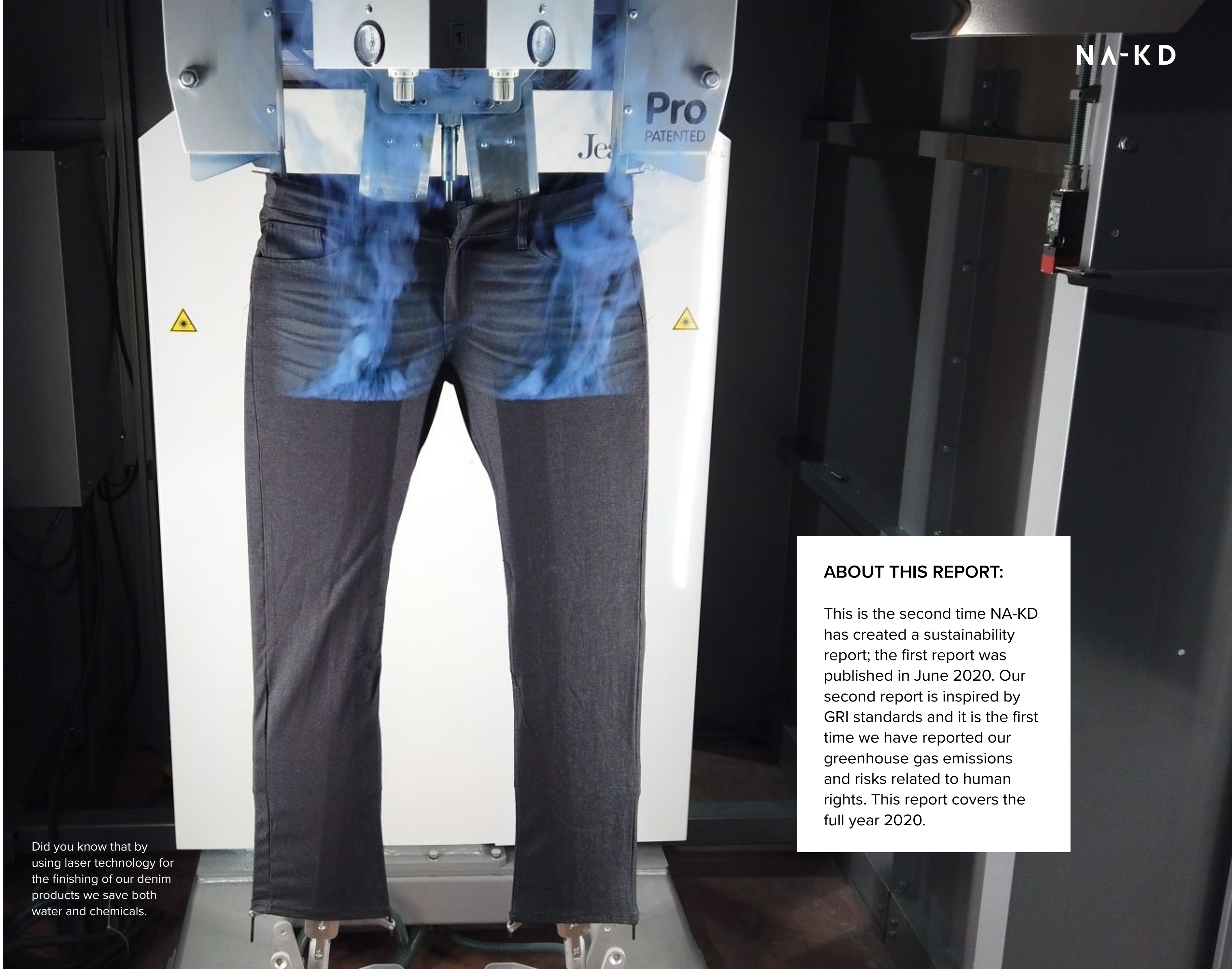
Sustainability report 2020

N A - K D



TABLE OF CONTENTS

About this report	1
Our story	3
Our operational footprint	4
A message from our CEO	5
2020 Highlights	6-7
Incidents 2020	8-10
Trends	11
Our mission and values	12
NA-KD 2020 in numbers	13
Our sustainability approach	14
An influencer’s voice on sustainability	18
Sustainability framework	
Sustainability framework	19
Climate action	21-28
– Reduce climate emissions by 50% by 2030	
– Inspire customers to a more sustainable wardrobe	
Circularity	29-33
– Designing for circularity	
– NA-KD Circle – our approach to a circular fashion business	
Sustainable products	34-41
– Make more sustainable products	
– Accelerating traceability and transparency	
Diversity and inclusion	42-53
– Giving voice to women	
– An inclusive workplace	
– Fair and equal jobs in our supply chain	
– Our role in society: Ignite a movement in the fashion industry that empowers and inspires all	
GRI inspired disclosure	54-55



Did you know that by using laser technology for the finishing of our denim products we save both water and chemicals.

ABOUT THIS REPORT:

This is the second time NA-KD has created a sustainability report; the first report was published in June 2020. Our second report is inspired by GRI standards and it is the first time we have reported our greenhouse gas emissions and risks related to human rights. This report covers the full year 2020.

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 250 million visitors in 2020 and our social media is one of the fastest growing too, with over four million followers. NA-KD ships to more than 50 countries each month, with 95% of sales coming from NA-KD's in-house brands with the ambition to reach 100% within 24 months. NA-KD is also represented by over 500 retailers worldwide and is listed on marketplaces such as Zalando and ASOS. NA-KD aspires to be a brand, not a platform or marketplace.

NA-KD is a privately owned limited company. Our largest shareholders are Northzone, Partech Growth, founder Jarno Vanhatapio and eEquity, each holding 10-20% of the company. NA-KD's biggest market is Germany, followed by Sweden and Scandinavia, the Netherlands, Belgium, and the rest of Europe. We sell to around 100 countries globally. Our total net sales in 2020 were 1951,9 MSEK, 70% of which came from our top five countries in Europe. During 2020, we sold over 9 million products.

NA-KD's headquarters are in Gothenburg, Sweden. We also have offices in Stockholm, Sweden, and since early 2020, a purchasing office in Istanbul, Turkey. At the end of 2020, NA-KD had 299 employees.

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). All warehouse operations are outsourced, but with NA-KD supervisors on site. At the end of 2020, NA-KD had 191 producing factories, mainly in China and Turkey, with the rest mostly in Portugal, Italy, Morocco, Pakistan, Bangladesh, Vietnam and Taiwan.

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 2020 and data gathered covers this year, unless otherwise stated. The sustainability report is part of the administrative report in our Annual Report for 2020 and is developed in line with legal requirements.

All KPI's 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.



Our operational footprint is vast and primed for further expansion



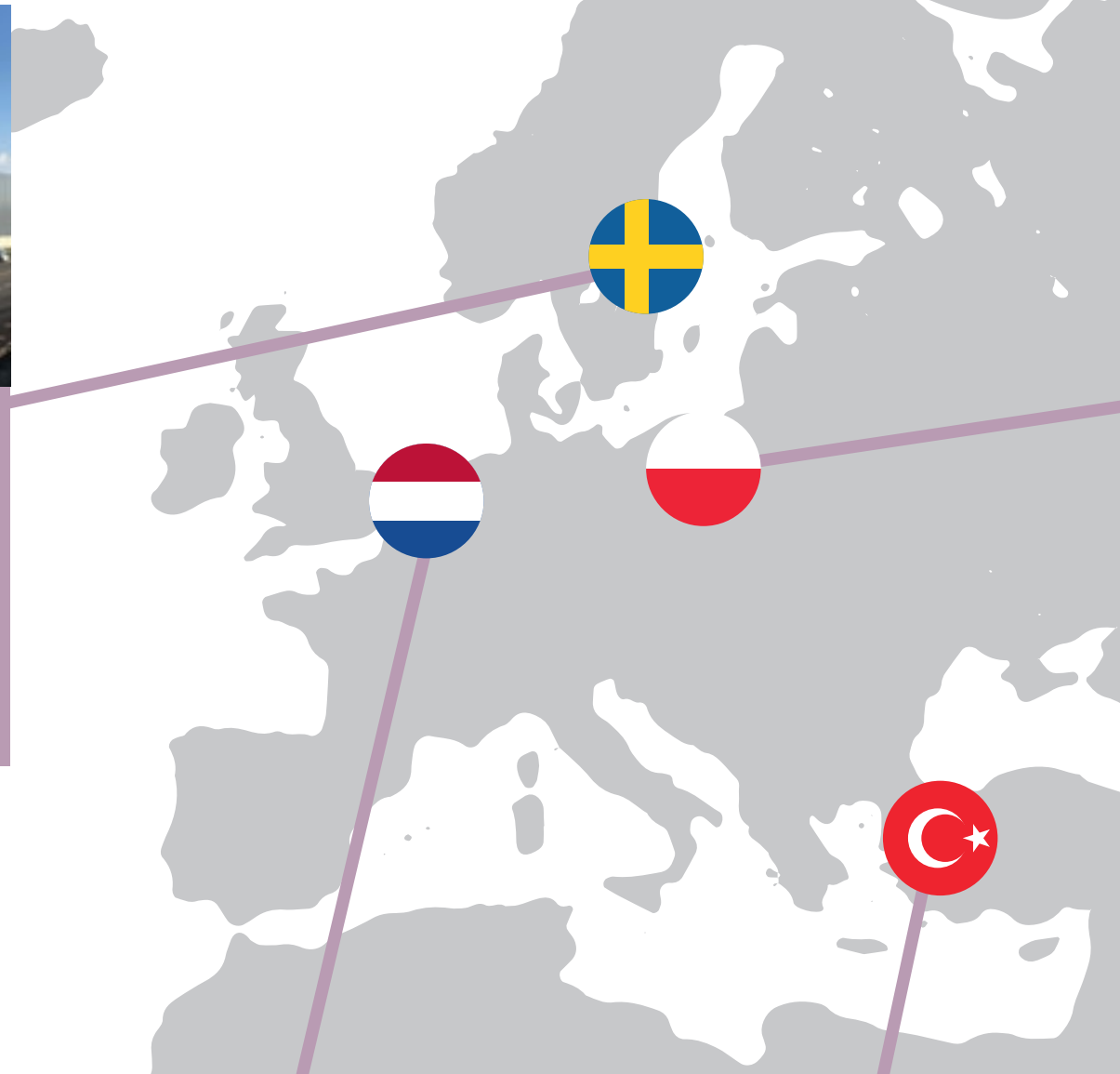
NA-KD HQ Sweden
Gothenburg, and smaller office in Stockholm



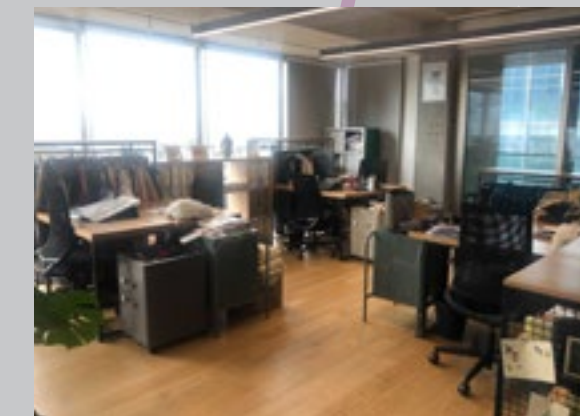
DC Landskrona, Sweden
33Km² fully automated picking. Initial dimensions: 100k bins, 100 robots, 16 ports, 1.5-2m pieces storage. Expandable 7x. 30 way parcel sorter
Automated packing to be installed in 2021. Semi 3PL.



DC Swiebodzin, Polen (3PL)
Opened May 2020, 1k m² space, return handling



DC Helmond, Holland (3PL)
30k m² space, automated sorting and packing. 55 way batch sorter, 2 bagging machines, 22 way parcel sorter. Storage capacity 5m pieces



Istanbul, Turkey
Production office

In 2020 NA-KD sold over 9 million products to 1.9 million unique customers in 100+ countries

“NA-KD aspires to be a brand for change. We want to be activists who challenge old truths in the fashion industry.”

The fashion industry is in need of change. That is why we started NA-KD – to do things in a smarter way. Every entrepreneur’s starting point.

We see a global industry where many are still struggling to cope with digital transformation and staying relevant to their customers. An industry that works hard to be more socially and environmentally sustainable.

It is my responsibility, as the leader of an entrepreneurial new player, to push the transformation to a more sustainable fashion industry. We also see this as a huge commercial opportunity with a paradigm shift in the fashion industry. A shift that started before the pandemic, which has since accelerated.

The last year has been eventful. We have taken decisive steps towards sustainability and made a number of important investments and launched several key initiatives. At the same time, we have paid attention to the things we can do better. It has become even more important for us to raise our ambition – as well as our openness – in order to make the fashion industry more sustainable for people and the planet.

NA-KD aspires to be a brand for change. We want to be activists who challenge old truths in the fashion industry. During 2020, we increased our share of more sustainable products from single digits to above 45% of all new NA-KD products. We are continuing on this path and are proud that we will reach over 60% by summer 2021. But this is not enough. To truly commit to climate action, we have joined the Swedish Textile Initiative for Climate Action and set a target to reduce our climate emissions by 50% by 2030 across the value chain. It will not be easy, but we know we have to do it. We have two reasons: to protect future generations and to grasp the huge commercial opportunity of becoming a more sustainable and aspirational brand for new consumers around the world.

We also know that incremental improvements are not enough. In the long term, we must find new and innovative solutions – new business models that make it possible to enjoy fashion with radically less impact. Looking for that type of solution is exactly what NA-KD does best.

We have developed NA-KD Circle: an integrated platform for selling and buying pre-loved NA-KD products. The second-hand market has really taken off globally in the last five years and has great business potential. These types of transformations are necessary to develop the fashion business long term. Because if we are honest, we all know we will have to buy fewer new garments in the future. It’s therefore crucial to develop solutions that make change possible, while still enjoying fashion as a means of self-expression, creativity and fun.

During the past year, we have also recruited a Head of Sustainability who has set an aspirational and ambitious sustainability direction for the company. We have divided our sustainability work into four areas: climate action, circularity, sustainable products, and diversity and inclusion. For each area, we have developed measurable goals.

Diversity and inclusion are topics we are extremely passionate about. That’s why we are proud that by mid-February 2021, 41% of our employees in Sweden are foreign born, and 62% of our managers are women. Also, our 42% female executive managers makes [NA-KD top of Allbright’s ranking](#) of Swedish Tech Companies on gender equality for 2020.

Diversity and inclusion are also passion points we share with our customers. And it is with their help that we’ll find our way forwards. We are starting a Creator’s Council through which content creators/influencers from several countries can share their views with us. The council will help us become more responsive and highlight which sustainability issues are important to our customers. This method is an important proof-point for how we want to work with sustainability in general. As with every other aspect of our business, we value collaboration with our customers and partners.

2020 proved to be a challenging year for people and many businesses. Of course, we have all been affected by the Covid-19 pandemic. For NA-KD, our priority in these challenging times has been the health, safety and wellbeing of

our employees, interns and everyone else working with and for us. We have followed the recommendations from Health Authorities and, through measures such as social distancing, providing hand sanitisers and working from home whenever possible, we have worked together to keep our spirits up and business strong. At the end of 2020, we also learned that we have an opportunity to improve our working conditions for employees and interns. You will find more information about our actions to accelerate into the next phase of NA-KD as a company and employer in this report.

Finally, we are a fast-growing company. This means that our potential impact will be big, whether positive or negative. Our growing size makes it possible to bring about change, the right way. That is what NA-KD is all about.



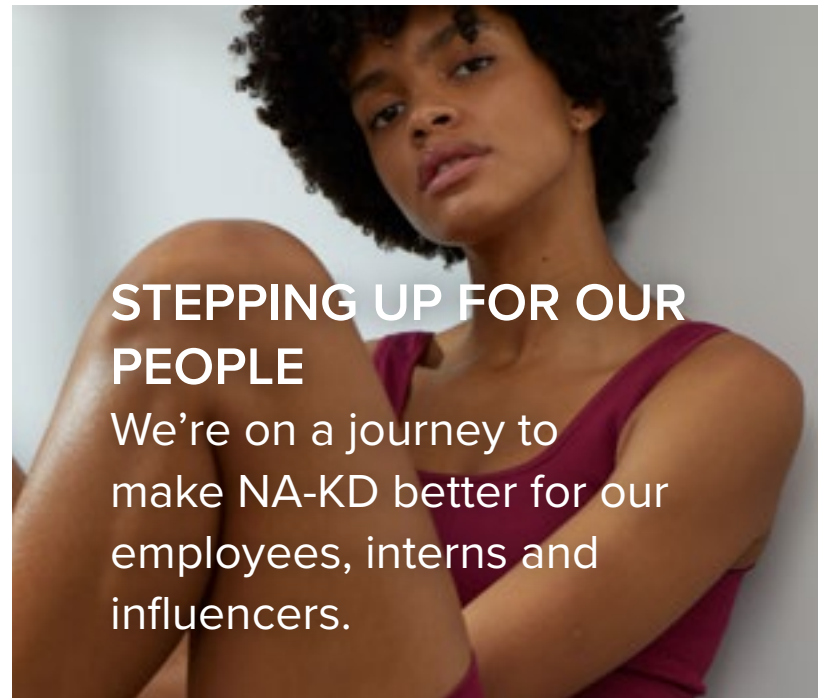
Jarno Vanhatapio,
Founder & CEO

Lightening growth in sustainable materials

By the end of 2020, over 45% of all new NA-KD items were made in more sustainable materials, up from single digits at the beginning of the year. By summer 2021, this figure will be 60%.



NO HALF MEASURES
We offset 100% of shipping & returns, and offset all sales during Black Week.



STEPPING UP FOR OUR PEOPLE
We're on a journey to make NA-KD better for our employees, interns and influencers.



THEIR IMPACT IS OUR IMPACT
Suppliers representing 81% of our spend have been audited for social issues (read more [here](#)), with suppliers representing more than 79% of our spend working together with us on their environmental data through Sustainable Apparel Coalition and the Higg Index (read more [here](#)).



70%
of all new denim styles are made in more sustainable cotton (organic or recycled).



SUPPORTING DIVERSE VOICES
We support diverse voices through partnering with over 6000 influencers from 18 different countries. We support BLM and LGBTQIA+ communities.

NO EXCUSE FOR SINGLE USE

All our shipping bags are made from 100% recycled plastic. We have added BDP™ (Biodegradable Organic Polymer) to most of our polybags, a compound that catalyses rapid organic breakdown.



COLLABORATING ON CLIMATE

NA-KD joined “Hållbar e-handel” and STICA – the Swedish Textile Initiative for Climate Action.



Calculating our climate emissions

We have calculated our climate footprint for the first time. In 2020, our business created 76,959 tonnes of CO₂e, and offset 17,200 tonnes of CO₂e. Our goal is to reduce our absolute emissions by 50% by 2030 compared to this baseline. A huge challenge for any company, and maybe even more so for a growing company like NA-KD!



A LAUNCHPAD FOR INNOVATION

Every year, over 22 million tons of plastics end up in the ocean. We joined hands with [Zouri shoes](#), who decided to do something about it. Their shoes are vegan, organic and with soles made from recycled ocean plastics. So far, Zouri has collected over 1000 kilos of trash from Portugese beaches.



We hired our first Head of Sustainability, Anna Winde

Incidents 2020

SECURITY

Having identified a data security incident on one of our servers in October, 2020, we immediately contacted potentially affected customers. No payment details, passwords or social security numbers were at risk because this information is not stored by NA-KD. However, customer details – including names, addresses, phone numbers, purchase history and email addresses – may have been affected.

While it is likely that our rapid response to the incident meant the threat was unsuccessful, we decided to communicate to potentially affected customers as a precaution. This isn't a legal obligation, but of course we want to be as transparent as possible, in line with our values.

As soon as we learned about the incident, we took immediate steps to protect our customers. We immediately launched an investigation, engaging an established third-party cyber security and forensic expert to evaluate the incident. We filed an initial police report. In accordance with the EU General Data Protection Regulation (GDPR), we also contacted the Swedish DPA (Datinspektionen), the lead supervisory authority pursuant to Article 56 of the GDPR. They have since

informed us they are pleased with our incident response and see no need for further investigation.

There is no evidence indicating that the information on the affected server was misused. As always, we encourage our customers to be aware of potential scams that ask for personal or sensitive information. NA-KD will not contact its customers in any way to ask for their credit card number or any other sensitive, personal information.

However, we understand that this incident is not what our customers expect from us. We are truly sorry for any inconvenience this situation might have caused. We want to continually protect our customers' information and are implementing additional security measures to protect our customers' privacy and make sure this type of incident does not occur again.

MEDIA CRITIQUE

Background

In December 2020, NA-KD was criticised on social media and in the media. This criticism was mainly about shortcomings in working conditions, inclusivity and the company's internship program. NA-KD immediately paused

our internship program – and appointed the global auditing and consulting company EY to conduct an independent investigation.

Conclusions

EY has conducted over 90 voluntary in-depth interviews with employees within the company and has supplemented this with a comprehensive digital survey that was answered by 87% of employees. EY's survey examines the criticism directed at the company and the results of this work have been presented in a report. EY summarises their conclusions in the following three areas: 1) Working conditions, 2) Internship Program, and 3) Inclusivity. The following section will cover these three issues in-depth.

In addition to previously taken measures, NA-KD has produced an action plan with a number of concrete initiatives to address these issues.

NA-KD's promises and actions to become better as a company and employer

1. WORKING CONDITIONS

NA-KD has a performance-based and sales-oriented culture that means that several interns and employees have experienced negative stress and felt an unspoken pressure to work more than and outside normal working hours. The company has many younger managers who often manage others for the first time in their career. The company has not yet had time to put all processes and structures in place, which has occasionally contributed to a perceived ambiguity among the employees.

Actions

- The sales-focused culture must to a greater extent be balanced through long-term value-creating goals. The strategy and goals have been revised and will be launched in March 2021. This will also be supported by increased transparency and information sharing within the company.
- A comprehensive initiative has begun to further clarify tasks, organisation, policies, processes and structures.
- All managers will be given additional coaching, leadership training, and information pertaining to employment law and working conditions in 2021.

- We follow the Swedish Work Environment Authority's recommendations to further develop and ensure a good working environment.
- Clarification to all employees that NA-KD has an agreement that stipulates a 40-hour working week on average and a clear process if and when an employee feels unable to carry out their work in that time.
- We will continue to work with the tool Winningtemp to measure employee wellbeing and mood, while also complementing it with frequent and recurring surveys.

2. INTERNSHIP PROGRAM

The company needs to create structures, clearer guidelines and frameworks for its internship program. The sales-oriented culture at the company has also led interns to experience stress in order to achieve goals.

Actions

- Set structures for a new formalised internship program with clear guidelines for interns within the framework of various vocational educations, colleges and universities. All supervisors will be given coaching and training in leadership. The new program will be launched in April 2021.
- NA-KD has clarified that there is a clear distinction between employees and interns regarding goals and tasks.



3. INCLUSIVITY

The company has a very diverse group of employees* and the EY investigation found no evidence of structural racism. As with society as a whole, continued education on the topics of gender, equality and inclusivity structures is recommended. The work is important both internally and in the company's external communication and visual presentation.

Actions

- All employees should sign NA-KD's Code of Conduct. An expanded section on gender equality and inclusivity will be added. The company's policy is further clarified: "Harassment of any kind and racism are red line firing offences no matter how senior or talented you are."
- During Q2-2021, external training will be started for all employees on issues of gender equality, awareness of gender, gender identity, ethnic identity and sexuality. We will collaborate with Regnbågsfonden and "The Other Box".

- A "D&I Council" of staff with different positions and backgrounds will meet regularly to discuss concrete actions for the company's positive societal development. The council will be created during Q2-2021.
- Together with Klarna, we will establish a study on the effects of the pandemic on mental health.
- NA-KD will introduce a digital service for whistleblowing with the company Goth Ethics. The service is global and covers the company's employees and with a potential to expand to business partners.
- The company aims to further contribute to positive societal development in matters of diversity and inclusion through its visual presentation and choice of models.
- We will set up an advisory board in the form of a creators / influencer council composed of individuals that will act as external advisors to help shape the future of NA-KD.

**NA-KD Natasha Billing,
Brand Director comment:**

"We are very pleased to have received support from EY to shed light on and receive advice on these important matters. We are grateful that both current and former interns and employees stepped forward and shared their experiences – both positive and negative. This whole process accelerates our work to make NA-KD an even better company, employer and corporate citizen."

The Big Picture – trends we've spotted for 2021 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 Taxonomy raise the bar for human rights and environmental due diligence. More nations are setting ambitious climate commitments. China promises zero emissions by 2060; the EU is aiming for a 55% reductions by 2030. Plus, the US re-enters the arena by re-joining the Paris Agreement and an ambitious commitment from President Biden is likely to follow, maybe even before this report is published.

Global demand for fashion in 2021 could be 15% lower than in 2019, according to McKinsey's The State of Fashion 2021. However, this accompanies a shift online as 71% of fashion executives expect their online sales to grow by 20% or more in 2021. This benefits NA-KD but it also suggests a more crowded marketplace. Meanwhile, investors seek greater transparency in non-financial reporting, the EU Taxonomy requires reporting on climate-related mitigation and adaptation which is likely to extend to the fashion industry in the near future.

Lower paid workers are among those most impacted by the Covid-19 pandemic leading to **consumers demanding more from the brands they love to end exploitation** and offer dignity, security and justice to workers. As more brands respond to the call to stand up publicly for their values, we will continue to see widespread representation on issues as important – and traditionally divisive – as Black Lives Matter (BLM), LGBTQIA+ and elections.

Customers and stakeholders are also **seeking greater transparency about where and how products are made**. 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.

Lastly, thanks to the raised voices of Greta Thunberg and Gen Z, the world is finally **demanding action against the climate crisis**. 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.

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 customer, we also speak through them.

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 2020, we had 118 collabs where influencers designed their collections together with us, and worked with over 6000 influencers in total.

During spring 2021, we are launching our Creators Council – gathering eight influencers from diverse backgrounds, with diverse perspectives. We will listen to their ideas about how we can turn NA-KD into an even better company, brand and business.

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 2020 in numbers

6m

almost 6 million
YouTube views

370k+

active site users daily

4m+

followers on social
media

3.4m

newsletter subscribers

#beNAKD #nakdfashion

Most common
hashtags

620k

new insta followers

59k+

Facebook fan growth

86k+

new TikTok followers

94k+

impressions per Instagram
story

266

FTE's by the end of the
year

100

Sales to more than
100 countries.

1235%

growth since day one

1.9m

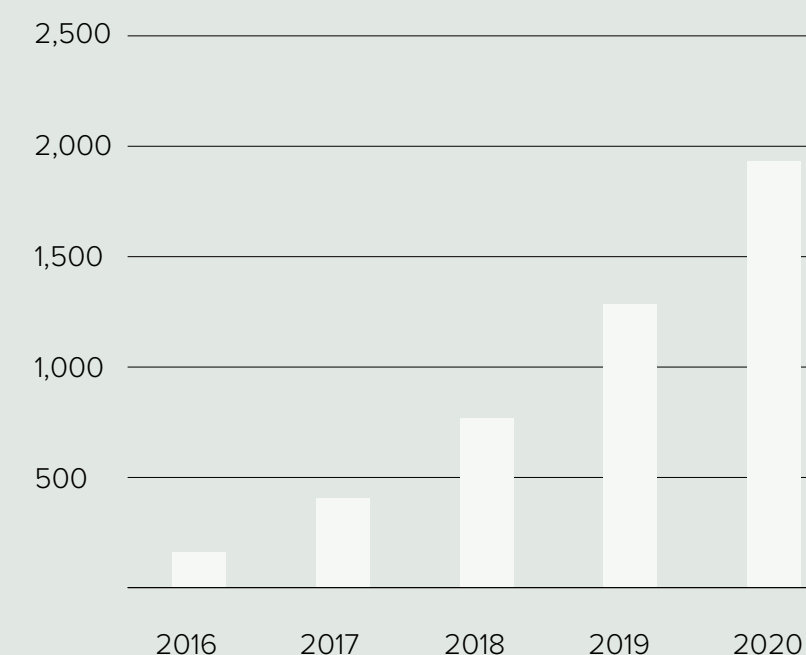
Almost 1.9
million unique
customers
during the year.

9m

over 9 million sold
items

118

collabs



Turnover (MSEK) per year 2016-2020

12,333 KWh

of electricity produced from
solar panels on our Landskrona
warehouse, starting in
September 2020

Our sustainability approach

MATERIALITY ASSESSMENT

Our sustainability strategy is grounded in a materiality assessment, an approach that allows us to build a really 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 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
- Suppliers relations
- Chemical management
- Transport
- Packaging
- Marketing communication

Drive

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

Priority



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 include our customers, influencers, employees, owners, suppliers, as well as academia and wider society. Our approach to sustainability involves close collaboration with these stakeholders – it’s only with their help and support 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 pre-loved items? To make sure we’re truly listening to what our customers want and need from us when it comes to sustainability, we are launching quarterly customer surveys.

/ Customer Survey Results



From a survey in January 2021, our customers’ top priorities are for NA-KD to improve the materials we use, to take climate action by setting clear science-based targets, and to make our packaging more sustainable. They also want us to ensure we have eradicated all forms of forced labour and child labour throughout our value chain. Circularity topics, such as garment recycling re-use / re-sell, are also important.

In the survey, we asked our customers to rank NA-KD's sustainability work on a scale of one to five, where one is 'not good' and five is 'best in class'. We scored an average of 2.78. From our brand pulse survey in February 2021, we see that between 20% to 48% of our customers (depending on country) perceive NA-KD as “being a responsible brand that cares for people and planet” Hence, there is a great opportunity for us to do more while communicating our actions and progress to our customers in a transparent way.

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 are launching our Creators Council, gathering eight influencers from different backgrounds, with diverse perspectives. We will listen to their opinions on how we can turn NA-KD into an even better company, brand and business.

EMPLOYEES – Our employees 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 employees are so important in our sustainability journey: their ideas and ability will take us to the next level. The physical and mental wellbeing of our employees is of outmost importance to NA-KD. We are also dedicated to ensuring everyone has an equal opportunity to succeed. [Read more](#) on how we are striving to improve in this area.

OWNERS – Our owners believe in us as a business. They trust that we can overcome obstacles and will win the hearts of many 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.

SUPPLIERS – NA-KD does not own any factories but work with supply chain partners for the making of our products. At the end of 2020, we had 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 suppliers that offer innovative and more sustainable materials and production methods.

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.

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. Ultimately, this is key to creating a socially inclusive, equitable and environmentally sustainable society.



// By making it as easy as possible to shop pre-loved items, we hope to extend the life of our clothes and contribute to consumption habits that are better for the environment.

We are dedicated to contributing to the Sustainability Development Goals as formulated by the United Nations. For the sake of our future, for all of us, of course – 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:



NA-KD'S SUSTAINABILITY

GOVERNANCE – NA-KD’s highest governance body is our Board of Directors, on which the largest shareholders are represented. Our CEO reports to the Board of Directors.

NA-KD’s Executive Management Team is lead by our CEO and includes managers from all areas of the company: Operations, Marketing & Communications, Purchasing, Business Intelligence, Human Resources, Finance, Growth and Corporate Social

Responsibility (CSR). The Board of Directors is ultimately responsible for NA-KD’s sustainability work, though the Executive Management Team holds responsibility for its strategic and operational execution. The work is led by the Head of CSR.

Policies and regulations

NA-KD POLICY	SUSTAINABILITY AREA	ADDRESSING RISK AREA
Code of Conduct	Climate, Equality & Diversity, Sustainable Products	A, C, D, E
Human Rights Policy	Equality & Diversity, Sustainable Products	A, C, E
Environmental Policy	Climate, Circularity, Sustainable Products	A, D, E
Restricted Substances List	Climate, Circularity, Sustainable Products	A, B, C, D, E
Work Environment Policy	Equality & Diversity	A, B, C, E
Equal Treatment Policy	Equality & Diversity	B, C, E
Alcohol and Drugs Policy	Equality & Diversity	B, C
Pension Policy	Equality & Diversity	B, C
Whistleblowing policy	Equality & Diversity, Climate	A, B, C, D, E
Animal welfare Policy	Sustainable Products	D, E
Anti-bribery policy	Equality & Diversity, Sustainable Products	A, E
Conflict of interest policy	Equality & Diversity, Sustainable Products	A, E
Data protection policy	NA	A, E
Anti-Money laundering and Counter Terrorism Financing Policy	NA	A, E

Risk Impact: **A:** Regulatory **B:** Operations **C:** People **D:** Climate & Environment **E:** Reputational

“Sustainability should be important for everyone.”

We know we need to change to continue to live in a beautiful world. And so I want us to find a better way to continue with fashion and all the things that make our life more inspiring. I have a huge opportunity to reach out to my followers and show them you can look great and still care about sustainability.

I've been collaborating with NA-KD since 2018. In the beginning, I was working with NA-KD on a story haul basis. As the hauls did so well, we then started working together on releasing the first Reborn collection, and this is when we discussed the importance and idea of not using plastic bags. Then everything happened so fast

and turned into a whole collaboration with our Reborn collections. For our second collection, we were able to use biodegradable bags for the products. NA-KD took it from there and started working with more sustainable fabrics and more sustainable production processes.

It's great that we started it together – they saw my interest in sustainability and it turned into a great opportunity for collaboration. We have a lot in common – of course, a love of fashion, but also being so young, which enables flexibility and a will to change. It's a fast-moving company, which means we can bring an idea to life so quickly. They give me freedom to do what I want so I can decide on every sample and implement changes.

“As long as you communicate and share the same goal, you can achieve great things.”

I trust NA-KD, which is the most important thing to me. Whatever I release has to meet a certain standard and include more sustainable aspects. I was never able to find those cute summer dresses made out of more sustainable materials at an affordable price point. With Reborn, I can walk around in the dresses I designed all summer long (and the summer after that). Beautiful clothing in more sustainable materials is a dream come true. It showcases the endless opportunities of what sustainable fashion can be.

“Showing people that clothes can be beautiful, have less impact and be affordable at the same time is what I love most about the Reborn collection.”

This year, we have three more collections coming up, showcasing the different sources of the materials with themes inspired by the ocean and land. They have amazing innovative fabrics in them that will take the Reborn collection to the next level.

It's important to get everyone on this sustainability journey. I try to talk to my followers about it and whenever I launch my collections, I explain what the different sustainability concepts mean like recycled materials or biodegradable properties. I am not perfect, and we shouldn't be too hard judging people – every step in the right direction is something positive. I hope my followers see that, feel inspired by it, and feel like they can do something good as well. Even though we're not perfect, be humble and try.

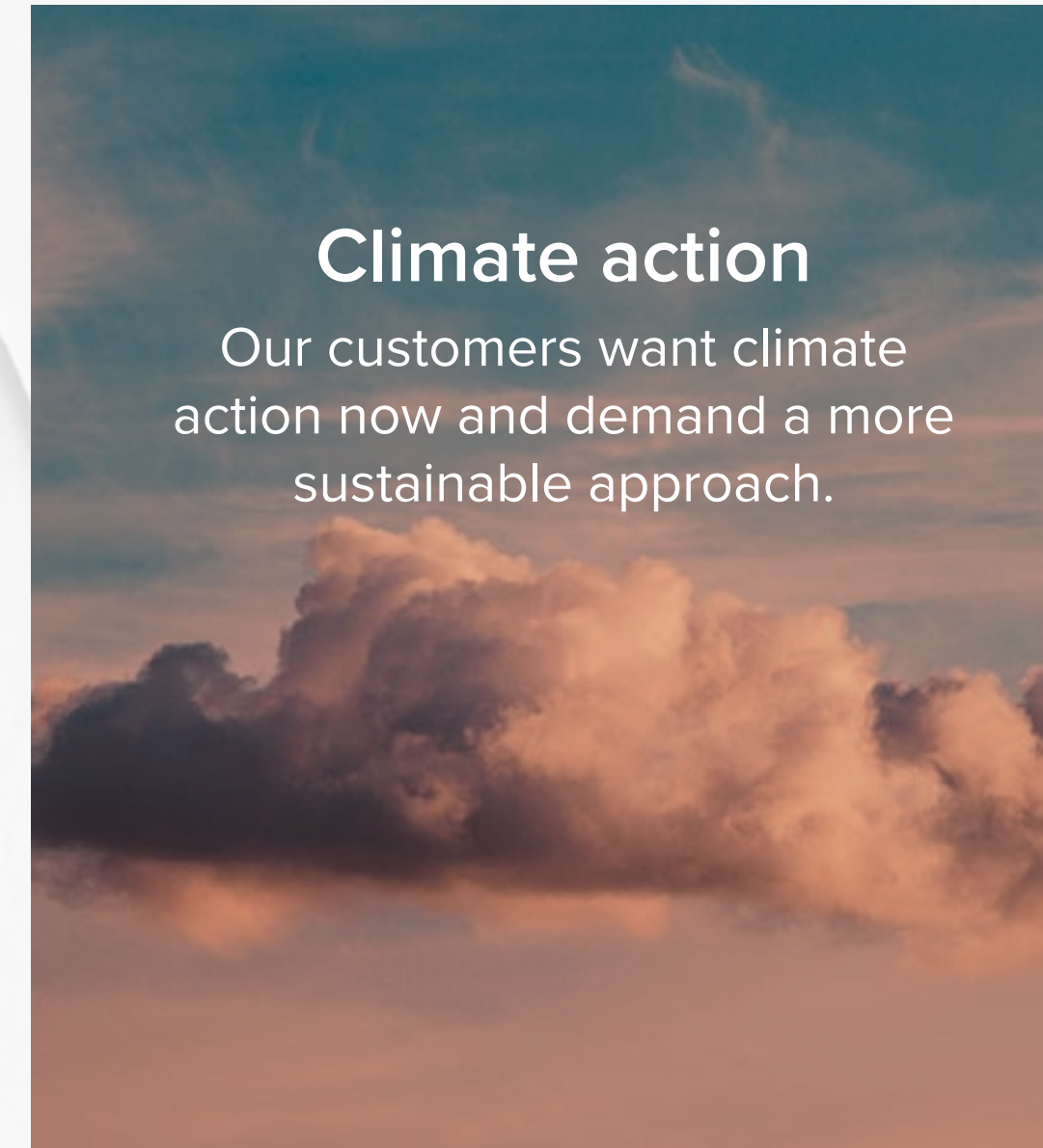


Pamela Reif is one of the biggest names in German fashion. She has an Instagram account of 7.5 million followers, with a big audience growing in China. She has released three collections together with NA-KD and was the first design partner for NA-KD Reborn. Pamela has three more NA-KD Reborn collections launching 2021.

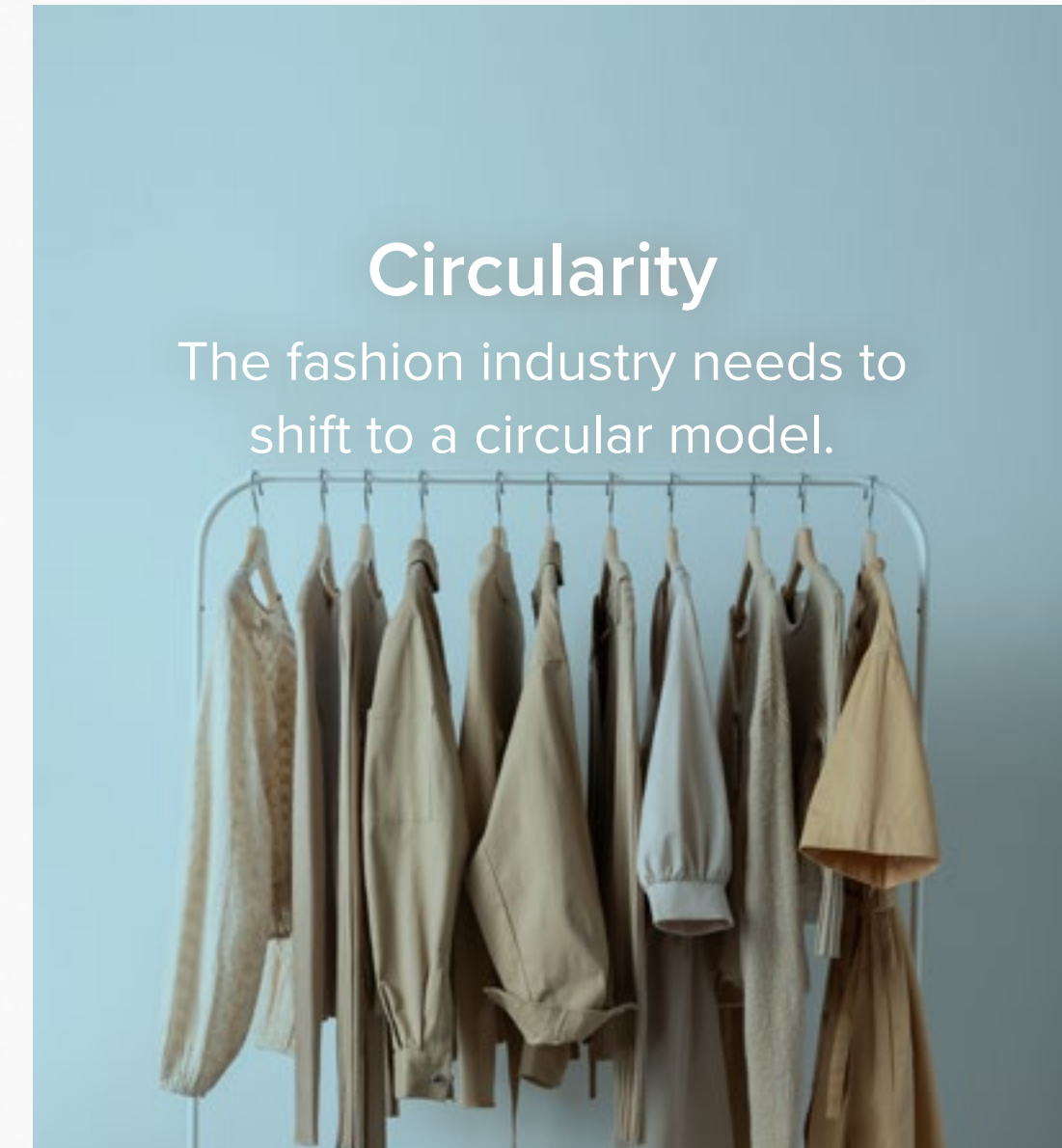


Sustainability framework – Fashion fit for the future

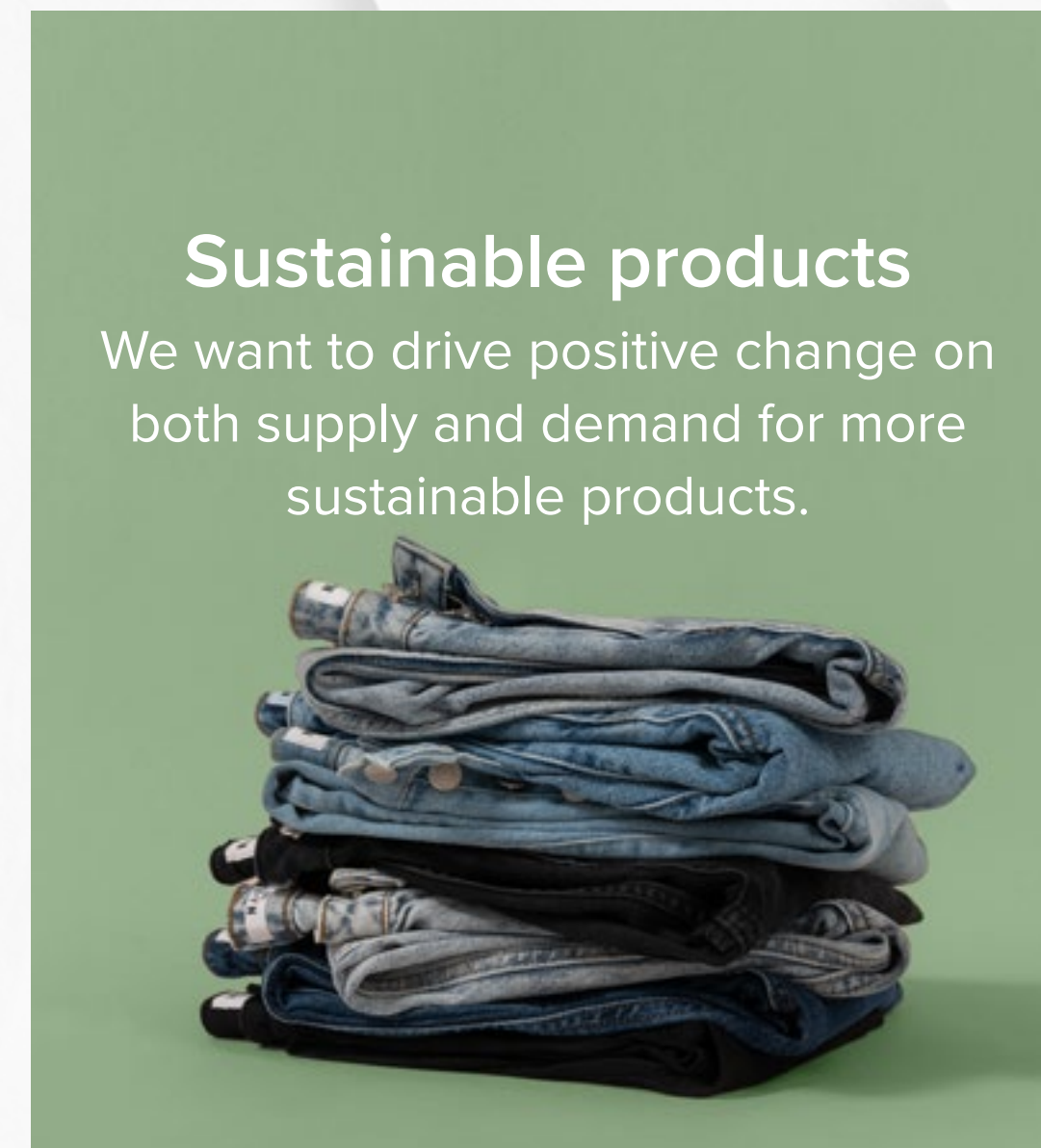
We want future fashion to be grounded in equality, diversity and a deep respect for nature. To get there, we will use our creativity, agility, lots of energy and an honest and open relationship with our customers.



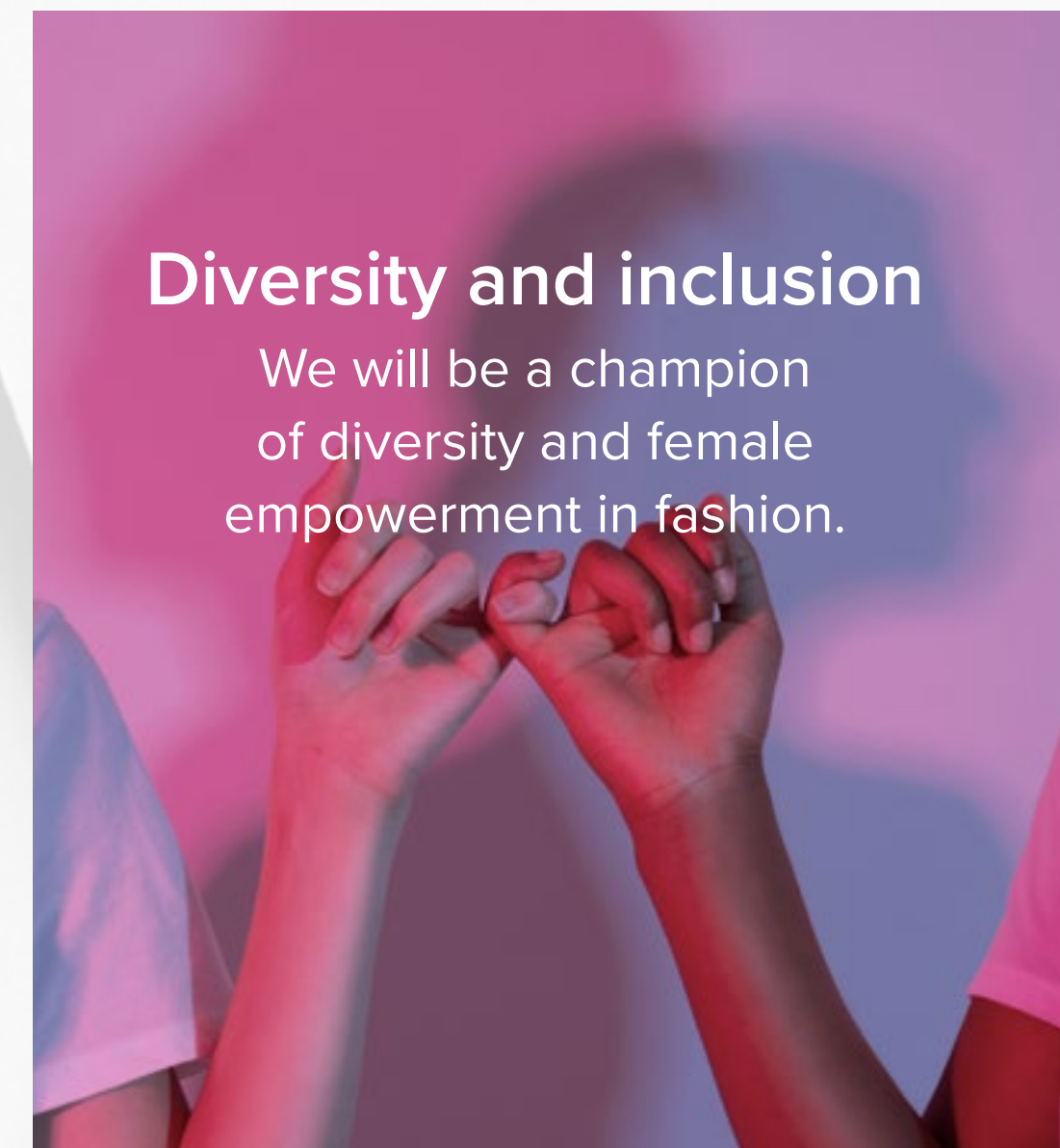
Climate action
Our customers want climate action now and demand a more sustainable approach.



Circularity
The fashion industry needs to shift to a circular model.

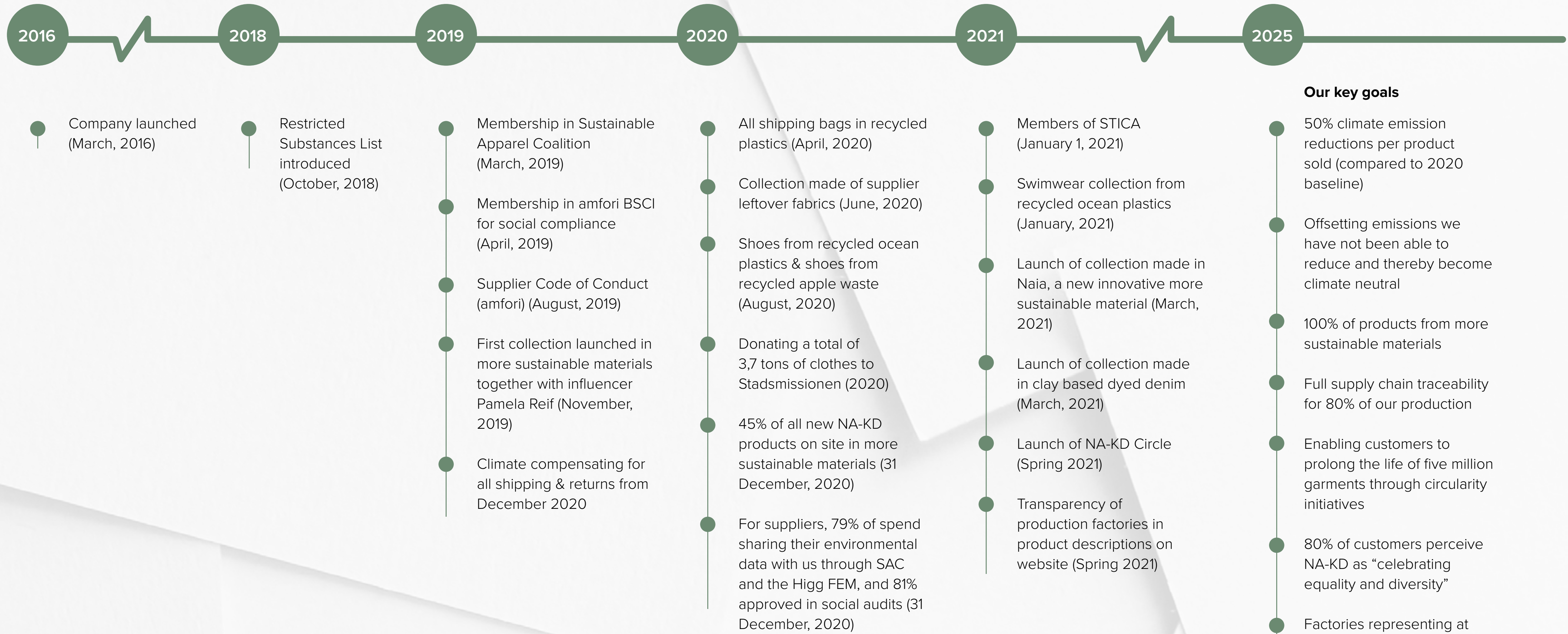


Sustainable products
We want to drive positive change on both supply and demand for more sustainable products.



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

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

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

Inspire customers to a more sustainable wardrobe

Climate action

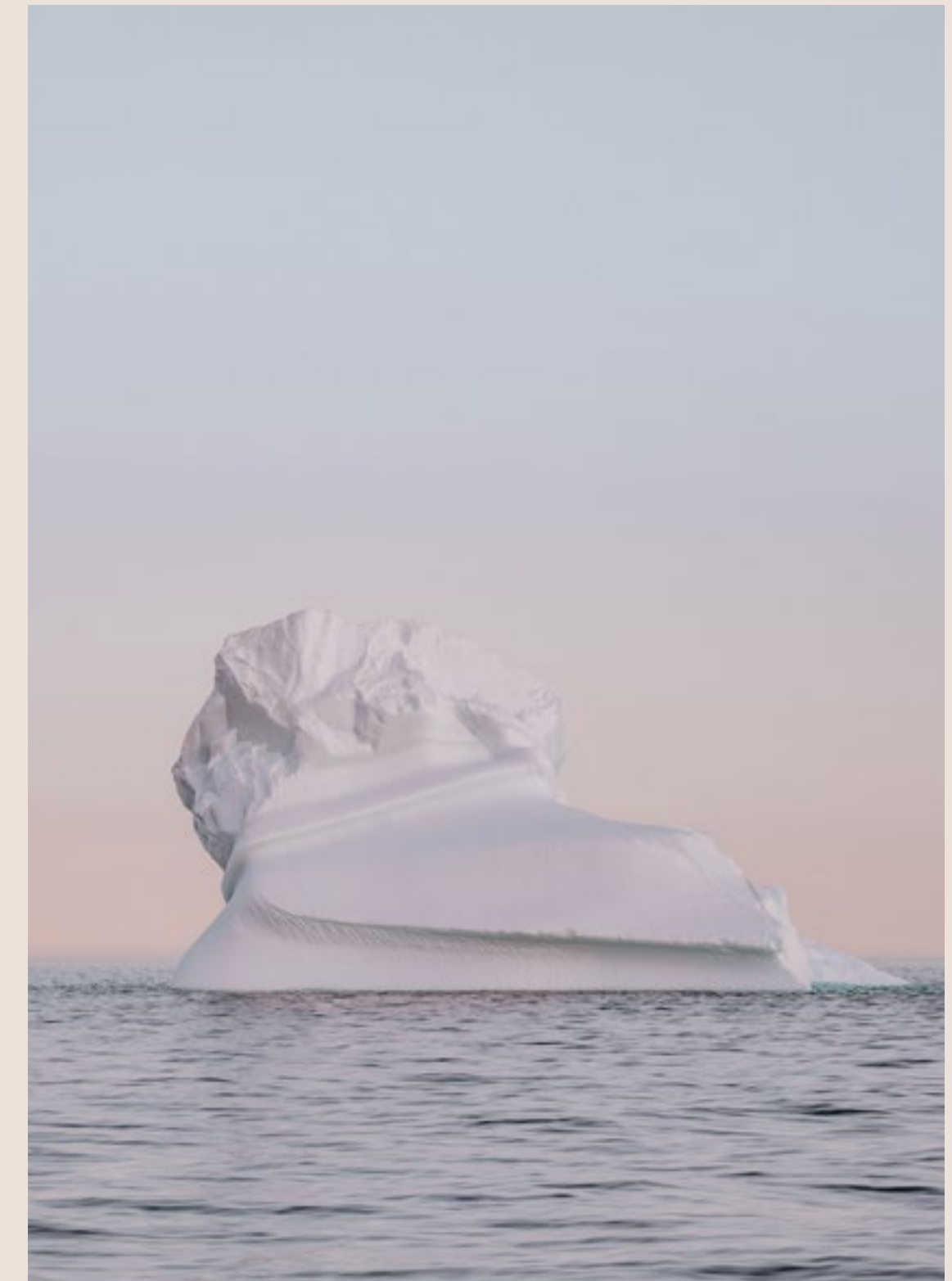
“NA-KD has set an ambitious goal to reduce our absolute climate emissions by 50% by 2030. Being a growing company, this will truly be a challenge. But we know that bold ambitions and actions will drive the change we need.”

Climate change is the most daunting challenge that humanity has ever faced. Its consequences will affect our planet and everyone living on it – for centuries to come. As humans, we are taking a grave risk in destabilising the natural ecosystems and resources that support us. A stable climate is essential, for all our sakes.

To reduce the risk of runaway climate change, we must all work together to limit average global warming to a maximum of 1.5°C above pre-industrial levels. Our climate has already warmed by 1°C, so we cannot delay.

The fashion sector is a significant contributor to climate change. 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.

The climate crisis is also a water crisis. Globally, humans are using water at an unsustainable rate – most significantly through agriculture. Meanwhile, the effects of climate change are disrupting previously stable water systems: flooding and droughts are more frequent and increasingly unpredictable; diminishing glaciers are supplying less and less freshwater. Access to clean water is a human right, and the inequality that already exists in our world – across gender, race and livelihoods – will become more pronounced as the water crisis worsens. Of course, water is also critical to the fashion industry. Considering the critical situation, how we manage water use (and reduce water contamination) has never been more important.



Reduce climate emissions by 50% by 2030

We will reduce our climate emissions by 50% by 2030, and by 50% per product sold by 2025 – what's left, we will offset to become climate neutral.

The fashion industry has a huge environmental footprint. At NA-KD, over 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.

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). By doing so, we hope to better influence

our supply chain partners to improve their environmental performance.

Goals, targets and KPI

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

All of the above compared to a 2020 baseline

Key actions

- Switch to renewable energy in our own operations.
- Work to reduce emissions from our transportation.
- Support supply chain partners to reduce emissions by, for example, helping them switch to renewable energy.
- Reach our target of 100% more sustainable materials by 2025.
- 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 fast growing company

We will not let ourselves or our customers

down: we are determined to meet our ambitious commitment to reduce absolute climate emissions by 50% by 2030, and by 50% per product sold by 2025 – and to offset what we are not able to reduce to become climate neutral. We will do this by cutting our own emissions and working with our industry peers and business partners to reduce emissions in our value chain. Our biggest challenge is to reduce our absolute emissions while being a young and fast growing company. With NA-KD's pace of growing our business, we are likely to increase our absolute emissions by 2025, even if we reach our target of reducing emissions by 50% for each product we sell. A figure which for 2020 was at 8,3 kg CO₂e per product sold.

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, employees and industry peers, as well as governments and institutions, to accelerate progress.



On January 1st, 2021, NA-KD became a member of the [Swedish Textile Initiative for Climate Action \(STICA\)](#). STICA exists to support the apparel

and textile industries and their stakeholders in the Nordic region to, at the very least, reduce greenhouse gases in line with 1.5 C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. Ultimately, 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.





Our climate calculations

We used the Greenhouse Gas (GHG) Protocol to calculate our 2020 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.

Because this is the first time we've measured our climate impact in this way, we can't yet compare our performance to previous years. We will do so from next year's report.

	2020
Total Scope 1 CO ₂ e emissions (tonnes)*	10
Total Scope 2 CO ₂ e emissions (tonnes)**	177
Total Scope 3 CO ₂ e emissions (tonnes)***	76,772
Total CO ₂ e emissions (tonnes)***	76,959

*Scope 1 emissions for NA-KD are represented by company operated vehicles and reffridgerant leakage in offices, pop-up stores and the Swedish warehouse. 29% of emissions in scope 1 & 2 comes from estimates.

**Scope 2 emissions under the market-based approach is equal to 176,8 tonnes CO₂e. Under the location-based approach (using grid average emission factors) scope 2 emissions were 86,7 tonnes CO₂e.

***Our GHG emission accounting and reporting is aligned with the GHG Protocol. The calculations are based on 83% actual data and 17% estimates. The calculations cover NA-KD private label and collabs, representing about 94% of our business volume, i.e. emission from purchased product of external brands are not included. Emission factors for all fuel and energy related activities are from Trafikverket, Energimarknadsinspektionen, IEA, AIB European residual mixes, and Värmevärde: SNV 2018.



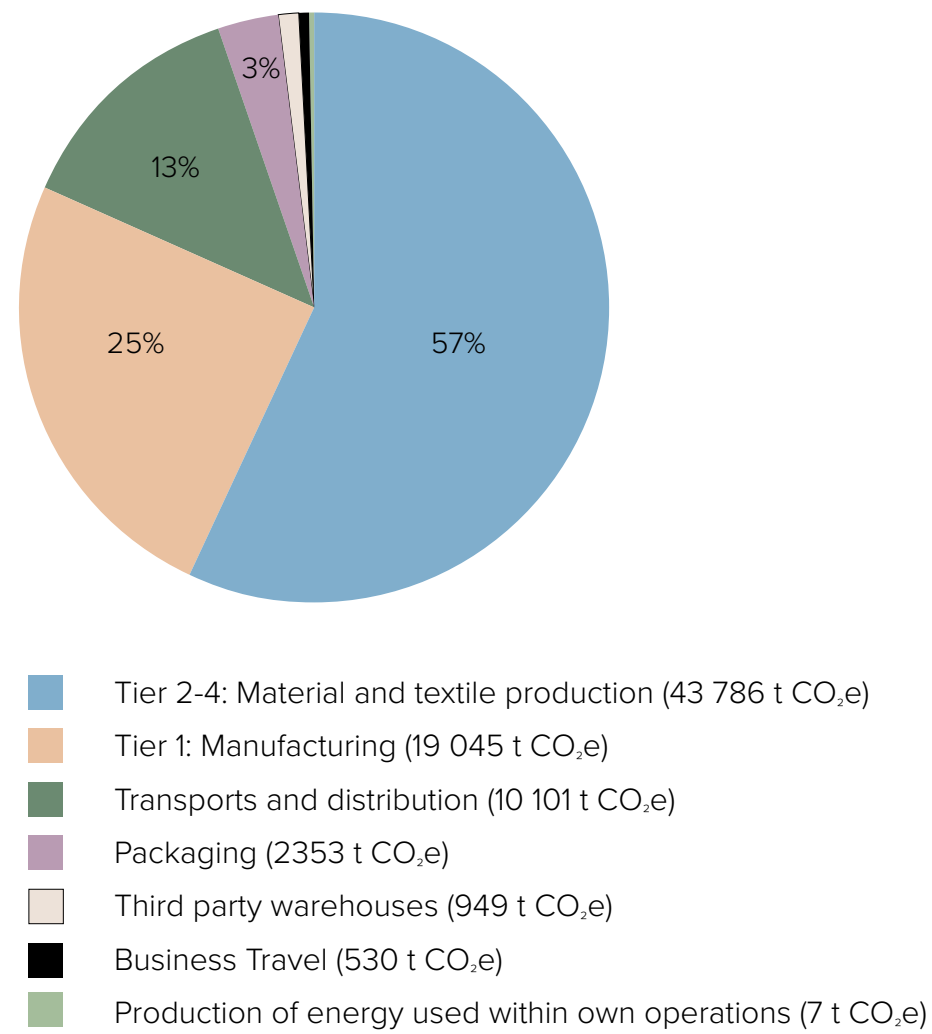
Energy use in our operations

In August 2020, we opened our new warehouse in Landskrona, Sweden.

The warehouse has a solar panel roof that supplied 12333kWH of electricity for the site during 2020, representing 7% of total electricity use during the fall.

The warehouse has a smart electricity function, with lights that only switch on when required. We're also proud of its smart climate control, which recirculates heat from the exhaust air. In 2021, we will explore whether we can install more solar panels and source a greater percentage of our electricity from the roof. We will also look into changing all our electricity to renewable sources.

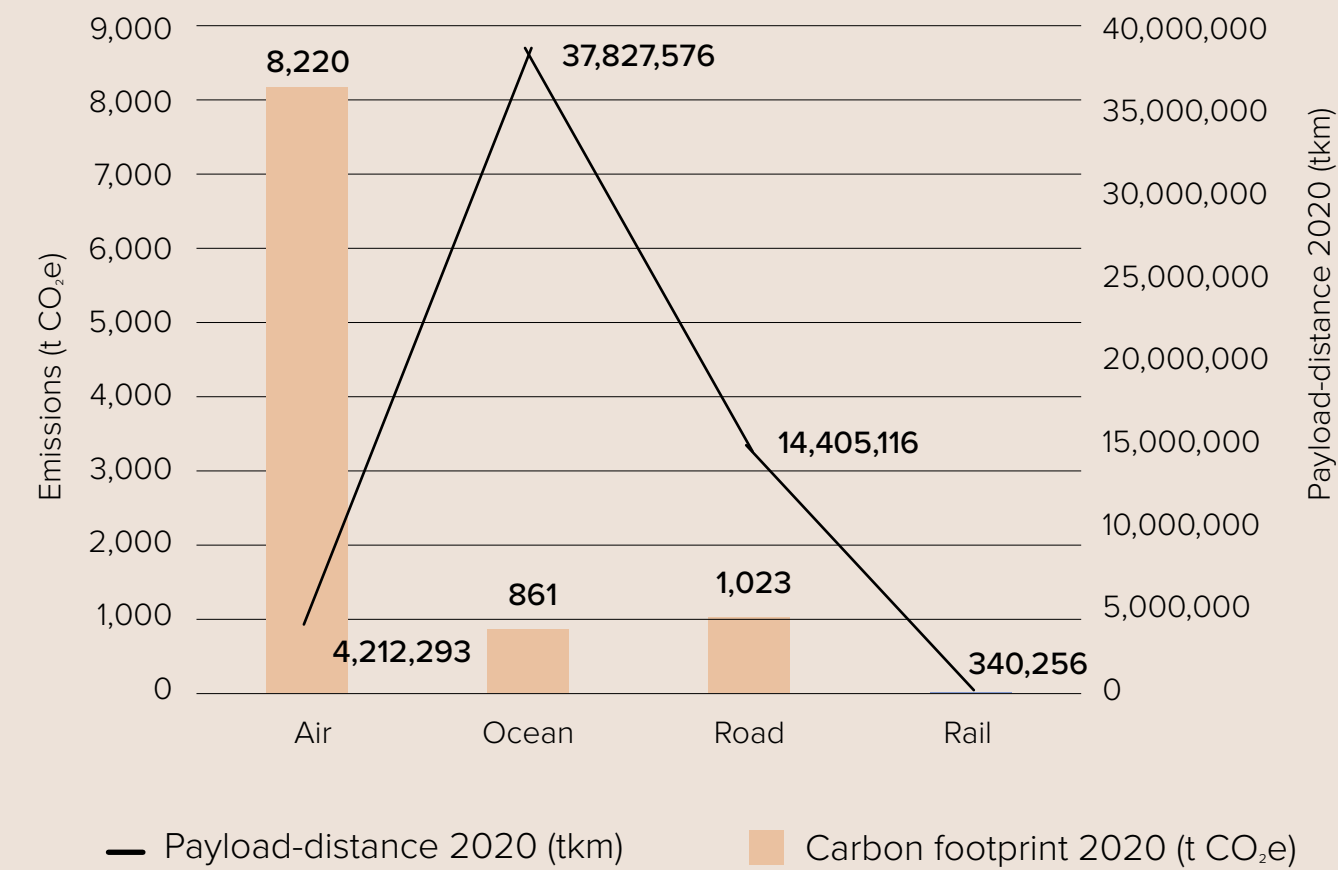
Our scope 3 emissions*



Out total scope 3 emissions, split into more details. Read about our actions to reduce them in this chapter, and about our actions on packaging in the chapter on circularity.

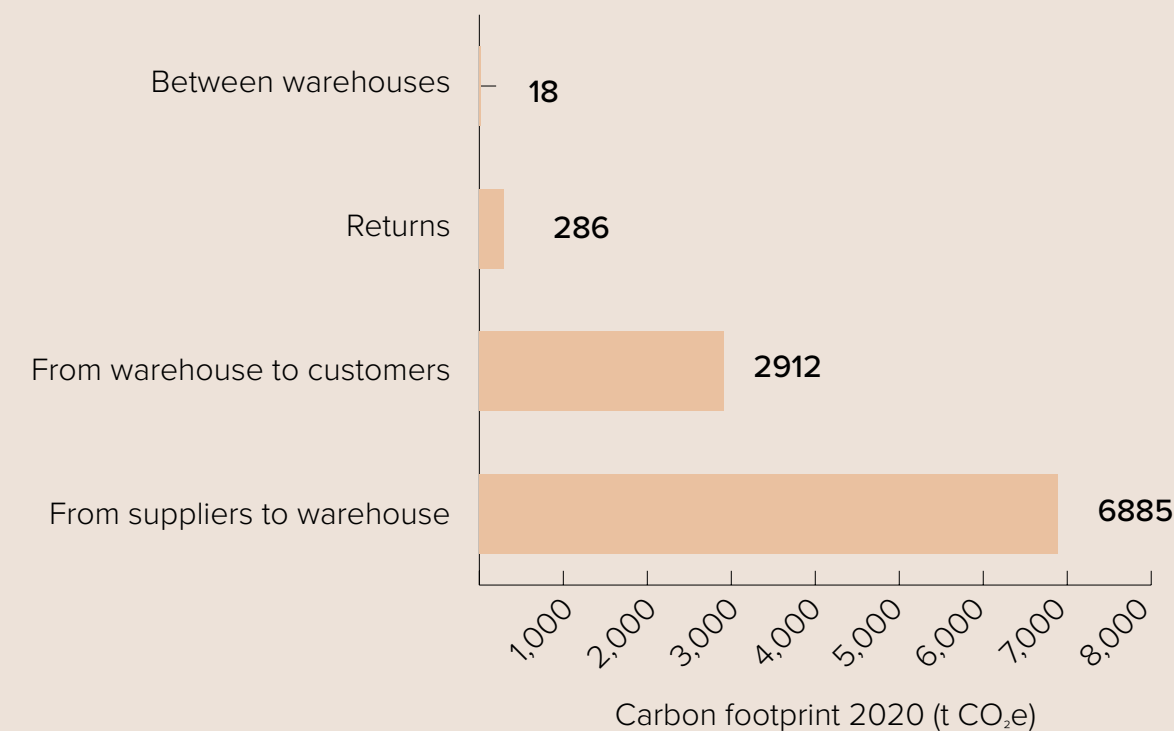
*Data collection and calculation for suppliers in tier 1 is based on the Higg FEM database. Suppliers with emission data in this database stand for 45% of quantity and total emissions and the average from this data was used to calculate emissions for the remaining 55%. For tier 2-4, calculations are based on material weights, with estimates made for about 50% of items (consisting of more than one fabric, i.e. outer shell and lining). Emission factors used are from the Higg Materials Sustainability Index (MSI) database, with ~1.5% from estimated values. 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. 64% of emissions from packaging are from estimations. Higg MSI data was used also here for emission factors.

Emissions per transport mode*



As an e-commerce company, transport is key to our business. We are therefore making every effort to reduce air transport, which still makes up most of our emissions from transportation despite low usage.

Our total transport emissions (t CO₂e)



Most of our transport's CO₂ footprint comes from transporting our products from our suppliers to our warehouses. This is mainly because: 1) many of our suppliers are located far away, in China, and 2) we sometimes have to transport our products by air. This is something we are working hard to limit.

Transport progress

In early 2020, we opened 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. For urgent transport, we now use trucks from Turkey to our warehouses in Netherlands and Sweden – avoiding air transport. This is a concrete example of how we work hard to reduce our need for air transport, which represents the largest share of our transport emissions. To increase our efficiency and further lower emissions, we have also opened a new warehouse closer to our customers, in Landskrona, Sweden.

We are working closely with our shipping and distribution partners to improve efficiency by optimising use of space in containers and trucks. We favour working with partners who are serious about climate action and have clear reduction targets for their carbon emissions.

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.

*For air transports, emission factors used come from Air cargo transport baselines 2020, 2021 and 2022 for regional, continental and intercontinental air transports respectively. Emission factors for Ocean transports come from NTM Calc, Road transports from Road cargo transport baselines 2020 global average, and Rail from NTM rail cargo transport baselines 2020.

We believe industry collaboration is essential to both facing the reality of climate change, and finding and implementing solutions to it – swiftly and decisively.

We joined the Swedish initiative “Sustainable E-commerce” in November 2020 - a nonprofit organisation that exists to create more sustainable e-commerce in Sweden.

Progress on reducing supply chain impacts

We are committed to making continuous improvements to our environmental impact. From cotton fields to finished item, over 80% of our climate impact comes from materials and production. Working with our supply chain partners to lower this and other environmental impacts, is very important to us at NA-KD. Going forward, we will 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.

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. The tool helps us identify sustainability hot spots, track and monitor individual facility performance

against industry standards and benchmarks. It guides us in targeting producers with initiatives that will make substantial difference, e.g. switching to renewable energy sources, and empowers our producers to scale sustainability improvements. The 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, etc), where we believe we will find the highest water use and wastewater risks.

The Higg FEM assesses:

- Environmental Management Systems
- Energy Use and Greenhouse Gas Emissions
- Water Use
- Wastewater
- Emissions to Air
- Waste Management
- Chemical Management

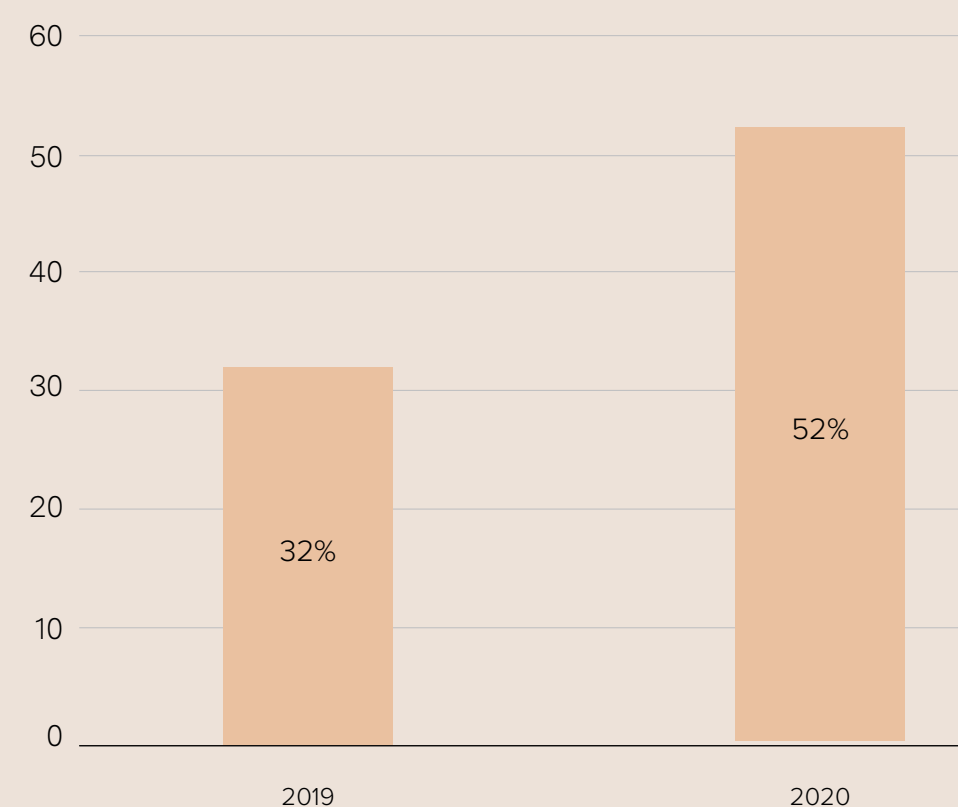
To further focus our efforts to reduce environmental impact in our supply chain, we need to be able to trace each product via its various factories, back to its origin. Read more about our commitment and work to increase traceability and transparency [here](#).

During 2020, 52% of our suppliers (representing 79% in terms of spend) shared their environmental data with us through the Higg Index FEM 2019 self-assessment. This corresponds to 101 out of 191 producers in tier 1.

As of 2020, we have incorporated the Higg Index in our Sustainability Criteria for producers. That

means all new producers must sign up to the Higg FEM after they start working with us. The producers not registered fall into three groups. The first group is those specialising in product categories not covered by the Higg FEM, such as cosmetics. The second group consists of newly onboarded producers with no prior experience of the Higg Index or FEM self-assessment, who require time to study the module before registering. The third group of producers are those we are in the process of phasing out in 2020 and early 2021, and that we therefore do not require to join the Higg Index.

Producers working with Higg FEM





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. It is worth noting that most of that 36% are male and aged 45 or over, and the reason given for this behaviour is lack of knowledge about what to do with old clothes*.

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

Goals, targets and KPIs

- #SoMe posts to educate the customers on the impact of fashion and what they can do to reduce it.
- 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

Care for clothes and reducing returns

NA-KD has set bold targets to reduce our emissions by 50% by 2030 while continue 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.

Every garment we sell already has a [Clevercare.info](#) label, which contains information on how to best care for the garment in a smart and environmentally friendly way.

In early 2021, we are launching a project to reduce returns by working with those customers who have extremely high return rates. About 0.05% of our customers have placed several orders with multiple items during the last 12 months, and returned everything. 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.

Overall this is an area where we are excited about stepping up our efforts and see great potential in collaborating with our customers towards more sustainable wardrobes!

Climate offsetting during 2020

Climate offsetting for transport

Our primary focus is to 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 carbon-intensive transport to ship our products 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.

NA-KD was one of the pioneers in offsetting shipping, delivery and returns already since end of 2019.

Because this is the first time we are reporting on our offsetting, we have included this extra month in our offsetting totals. For 2020, and December 2019, we offset the 11,785 tons CO₂e that were created by our transport.

Climate offsetting for Black Week 2020

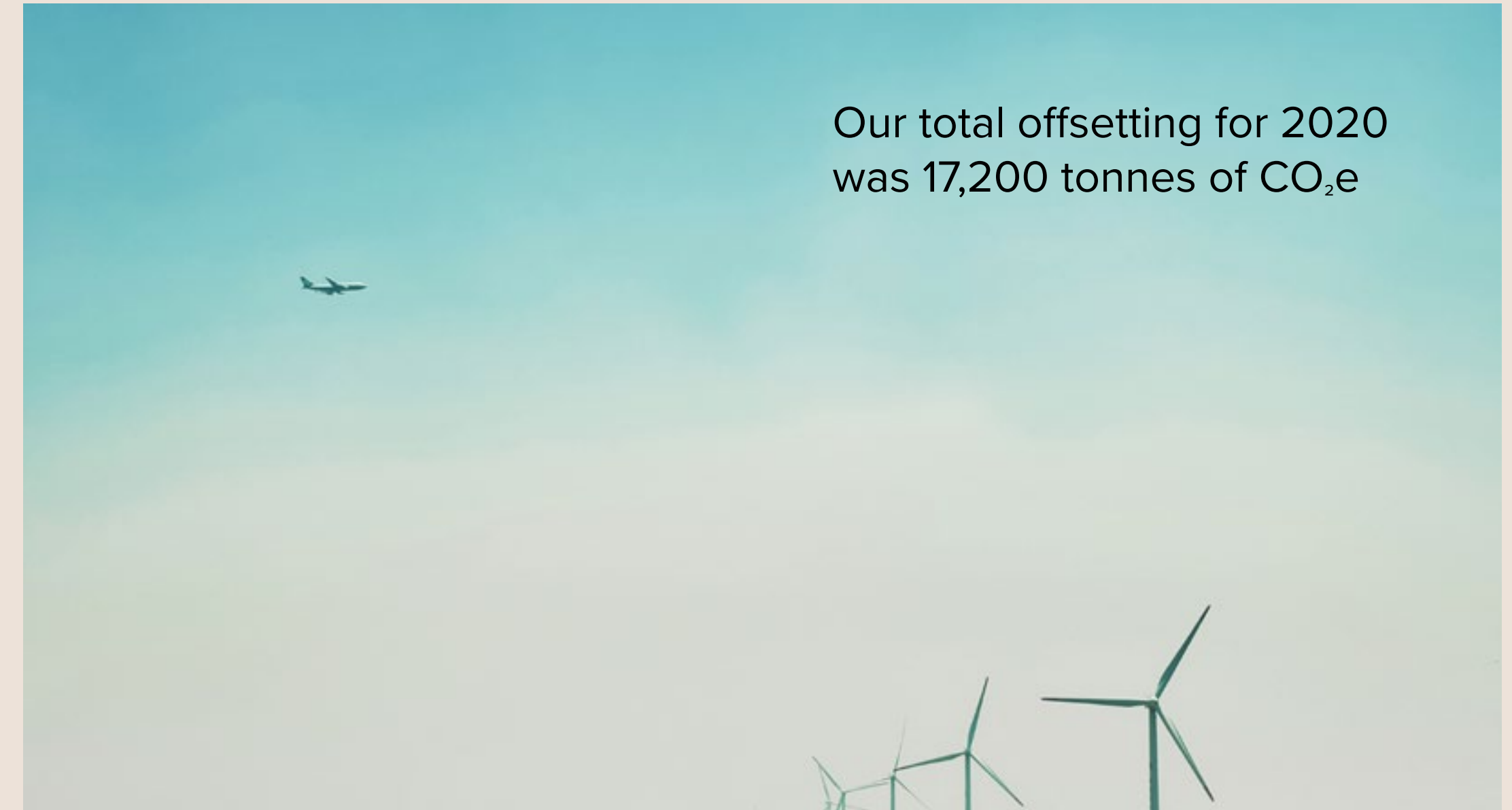
9.22% of everything we sold during 2020 was sold during Black Week (21st to 30th November). By offsetting all our climate impact during Black Week, we therefore offset 9.22% of our total impact. This is equivalent to 7,099 tonnes of CO₂e.

Our offset projects

We are investing in a [wind power project in Hindustan in India](#). This project has 75 wind turbines, powering 29,000 Indian homes and saving about 101,000 tons of CO₂e annually. The project employs 115 people, providing fair working conditions and social security. It has also contributed to 250 water cleaning tanks, which provides clean water to villages in the area.

We are also investing in a [solar thermal power project in the Jaisalmer district in India](#). The project comprises state of the art solar thermal power generation. The electricity generated from this project is sent to the combined regional grid in northern, eastern, western and north-eastern grids of India. The project employed nearly 1,000 people during the construction phase, and has created 169 permanent positions for local residents, which increase the employment rate in the local community. Because the project is situated in a rural area, it has also helped to improve basic infrastructure, such as roads.

We are offsetting via these two projects for our transport emissions.



Our total offsetting for 2020 was 17,200 tonnes of CO₂e

For our Black Week offsetting, we invested in a [wind energy project](#) in Palladam, Tamil Nadu, in India. The project contributes to the Sustainable Development Goals 7, 8 and 13 on clean energy, decent work and climate action, respectively. Overall, the project is estimated to save more than 42,000 tons of CO₂e annually by replacing energy from grid connected power plants. The project also supports at least 10 locals to get permanent jobs instead of working in agricultural fields and paid on a day by day basis.

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.

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 lifetime of everything we make through innovative business models, like re-selling, upcycling and subscriptions – in close collaboration with our customers.

/ Designing for circularity

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

NA-KD Circle 



Circularity

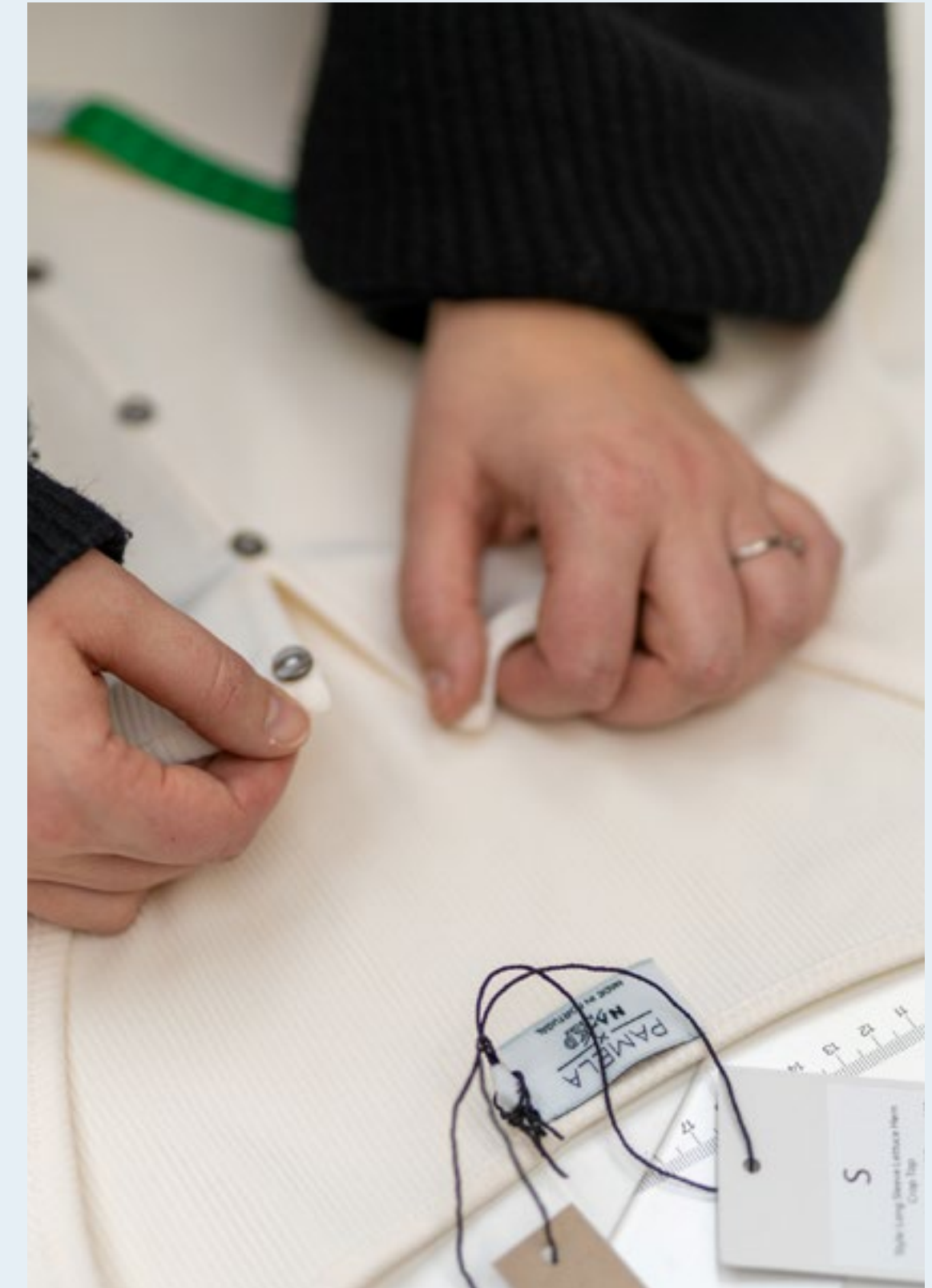
“Our goal is to enable our customers to prolong the life of five million garments by 2025.”

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. The average number of times a garment is worn has decreased by 36% in the last 15 years. 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 believe the solution is for fashion to become a fully circular system.

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 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.

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 humble for the challenges of this transition.



[*Ellen McArthur Foundation](#)

Designing for circularity

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

Goals, targets and KPIs:

- By 2022, launch at least one collection designed for circularity.
- By 2023, have 100% circular packaging, meaning made from recycled materials and 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

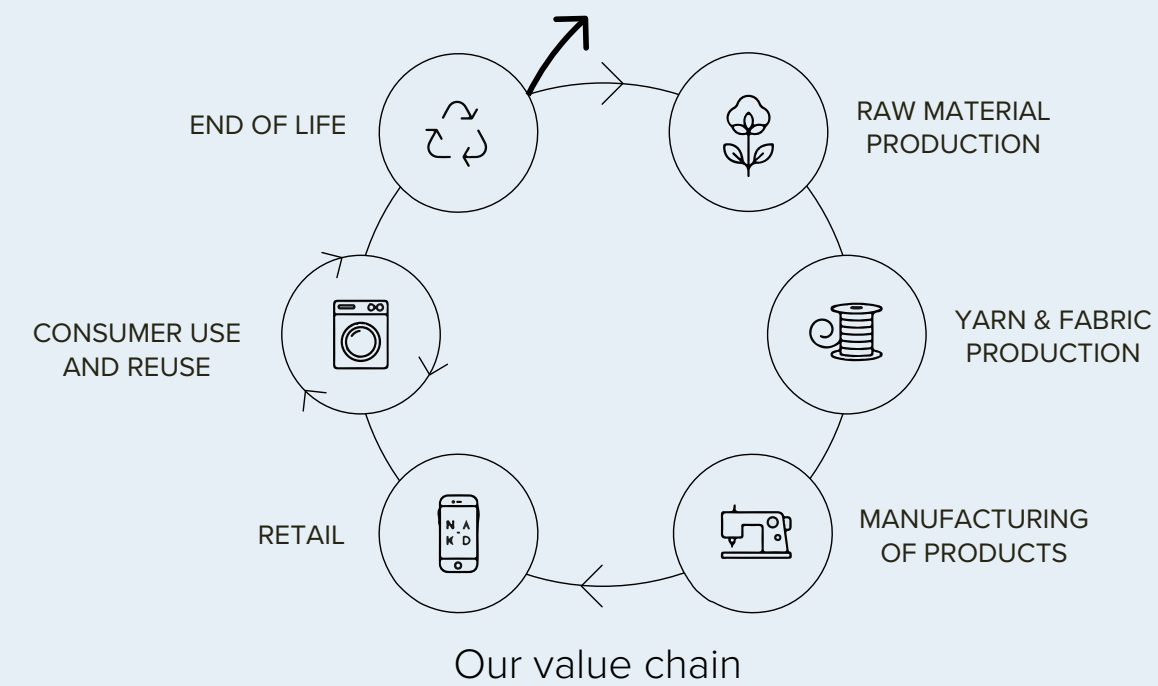
Design

In June 2020 we launched a collection from left-over fabrics.

“What a beautiful fabric! What is it?” During a showroom visit, our chief purchasing officer noticed a beige mélange fabric swatch hanging on the rack. The supplier excused themselves; they only had limited quantities because it was left over from another production. We decided to buy the swatch anyway, plus a few other leftovers. Three weeks later, we delivered a whole collection of jersey tops and dresses.

At NA-KD, we’re proud of our flexible design process. It means we make use of small quantities and reduce waste – even from our competitors’ productions.

We often buy leftover fabrics to use for smaller productions of smaller items but there are other ways to reduce fabric waste. Whenever there seems to be an unnecessary amount of fabric spill, we strive to squeeze in a smaller design item using the same material. This could be a face mask produced by the same cotton fabric we use for our jeans, or a scrunchie out of the same faux leather we bought for a blouse. Reducing fabric waste in this way is a win-win for producers, us and the environment. Going forward we will put more focus on longevity, not only by how we design our products, but also by offering our customers mending kits and guppy bags that prevents microplastic pollution from washing synthetic clothes.



Dress part of our collection made from left-over fabrics in June 2020.

Recycled Materials

Recycled materials are much better for the environment. Not only do they 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 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 2020, 3% of our materials came from recycled materials and our goal is to increase this to 50% by 2025.

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.

There are many sustainability issues to consider when choosing packaging. To make sure we’re making as little impact as possible, we factor in:

- how the material is grown or developed.
- the energy and resources required by its manufacture, and the pollution it creates.
- whether it can be made using recycled content.
- its end-of-life – how able and likely is it to be reused, recycled or disposed of properly.
- how it impacts transport emissions.

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.



Since April 2020, all our shipping bags have been made from recycled plastics

(80% from post-consumer plastics and 20% plastic waste recovered from industrial processes). Before April 2020, 80% of our bags were made from recycled plastics. We have a bagging machine in the Netherlands, so 100% of the recycled plastics in our bags shipped from this warehouse comes from plastic waste from industrial processes (50% prior to 2020).

According to a life cycle assessment study, shipping bags made from recycled plastics have the smallest CO₂ footprint compared to other materials, when you factor in raw material use, film, handgrip, printing, making and distribution, and end of life. Compared to other packaging alternatives, recycled plastic shipping bags can transport more goods per volume thanks

to lower amounts of air being shipped. 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.

About 50% of our polybags – the plastic bag protecting individual garments – are made of recycled plastics. However, even recycled plastic breaks down slowly. 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. As of

November 2020, 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 2020, this created 8,737 tons of waste, of which 88% was recycled.

In Sweden, our warehouse recycled 100% of its waste,

in the Netherlands almost 93%, and in Poland 59%. In total, 100% of cardboard was recycled and 70% of all plastics. The missing 30% came from plastics that are not currently recycled in Poland.

Returns

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

The remaining 3% are unfit for resale to our customers. We sell most of these products on the second-hand market, with a minority sent for recycling.

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. We have recently launched 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 [here](#)). We are also investigating the opportunities of mending some of our returned goods, so more products can go back on our shelves after return.

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](#).

Single-use plastic free

We keep our office spaces as free from single-use plastics as possible. Our kitchens are fully equipped with plates, bowls, cutlery, coffee mugs and glasses. We give our employees water bottles to reduce their use of single-use bottles.

Waste management

During 2020, we introduced a waste management system at our offices. This enables employees to recycle plastics, food waste, cans and other waste in an efficient manner.

Paper Use

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

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.

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%. We believe this has huge potential to reduce the overall impact of fashion.

According to [reports](#), 20% of Generation Z say they prefer second-hand clothes, compared to 6% among millennials. The younger generation is leading the change and adopting new behaviours faster. Gen Z is our target audience and we are confident they will join us on this journey to extend the lifetime of their NA-KD products.

Goals, targets and KPIs:

- Enabling our customers to prolong the life of five million garments by 2025 through circularity initiatives.
- Saved tons of CO₂e through circularity initiatives.

Key actions

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

OUR PROGRESS

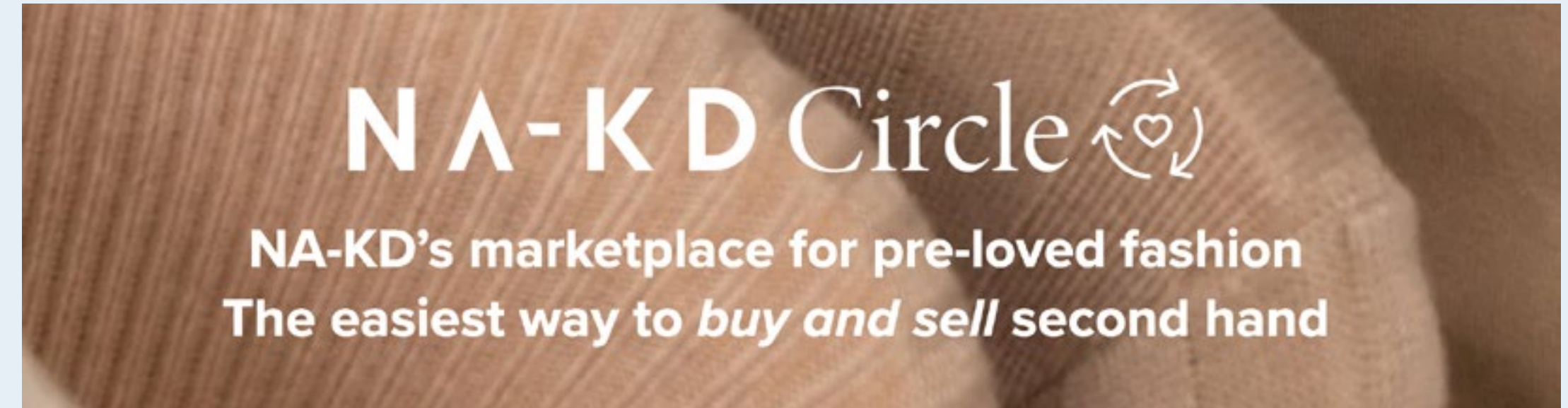
Exploring circular business models

As we experiment with new circular business models, we need to bring consumers with us, so they are on board with enjoying fashion in a different way. Brands like NA-KD will not transform the fashion industry by ourselves, we need to collaborate with our customers and our industry peers.

Our goal is to enable our customers to prolong the life of five million garments by 2025.

Achieving this ambitious goal will involve a range of initiatives, including NA-KD Circle. This service will allow customers to seamlessly sell and buy pre-loved items on the same platform as new items. We aim to complement this new business model with additional ones, such as rental, subscription and upcycling.

We will also seek out further innovative opportunities to collaborate with our customers to increase circularity and prolong the lifetime of garments. In 2020, we started 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. Over 2,500 NA-KD garments are now sent to Hack Your Closet customers monthly. Most customers subscribing for NA-KD garments are aged between 25 and 34.

Launching NA-KD Circle

In spring 2021, we are launching our biggest sustainability initiative to date: NA-KD Circle. Our marketplace for pre-loved fashion where we will 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 easy to sell and buy pre-loved items. Starting soon, NA-KD.com customers will be able to choose

if they want to buy an item as new or in a pre-loved condition. All in the same place. When customers want to sell their NA-KD clothes, they simply log into their "wardrobe" and mark them "for sale". When the item is bought, the seller ships the product for free to the buyer. Smooth, seamless and sustainable.

How it works:

1. NA-KD as the intermediary: NA-KD buys items from customers within the European Union, and re-sells these to other customers globally (separately or as part of a 'regular' order).
2. Customers selling directly to other customers: Customers in Sweden can sell and ship items directly to other customers.

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

/ Make more sustainable products
Accelerating traceability and transparency



Sustainable products

“At the end of 2020, 45% of all new NA-KD products were made using more sustainable materials.”

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 more sustainable fabrics we use 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 production methods required to make a material often have a greater environmental impact than the material itself.

Increasingly, customers want to know where the products they are buying come from, as well as their environmental and social impact. We gladly take on the responsibility and challenge of providing this information! However, we know it won’t be easy: the fashion supply chain is long, complex and often opaque.



Make more sustainable products

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

Goals, targets and KPIs:

- By 2022, have 100% more sustainable cotton in all our denim (organic or recycled).
- By 2025, have 100% of products from more sustainable materials*.
- By 2025, have 100% of tier 1 suppliers assessing & improving their environmental & social performance according to industry standards.

Key actions

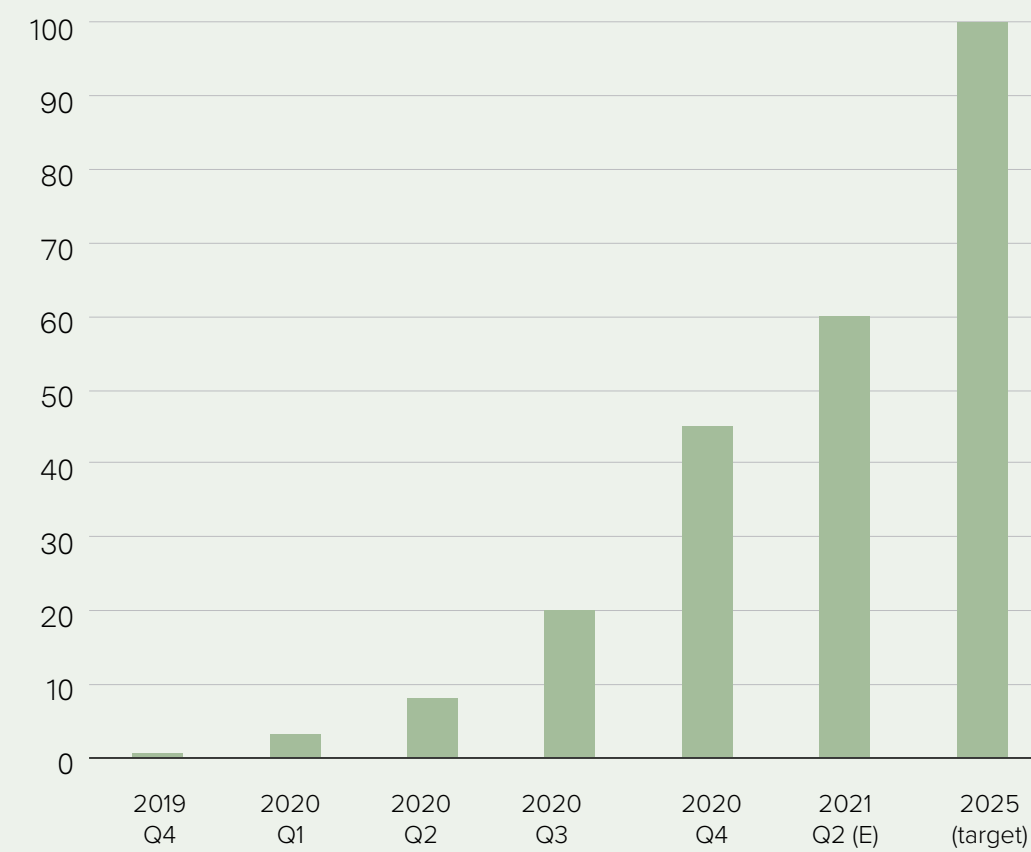
- Set a clear sustainable materials strategy.
- Explore and implement additional certificates/ initiatives for more sustainable materials and/ or production methods.
- Support current suppliers and onboard new suppliers that fulfil environmental and social requirements.
- Training of purchasing department.

* 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 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 start of 2020, we had single digits of new NA-KD products made from more sustainable materials. By the end of 2020, we reached over 45%. For our collabs, that figure was above 50%. Having started this journey to work with more sustainable fibers, as a next step we will look even closer at how our products are made. This will include looking at both chemical usage and wet processes.



During 2020, we saw an increase from close to 0% to above 45% of all new NA-KD products made using more sustainable materials. Our estimates for end of Q2 2021 is 60%, and we’re aiming for 100% by 2025 the latest.



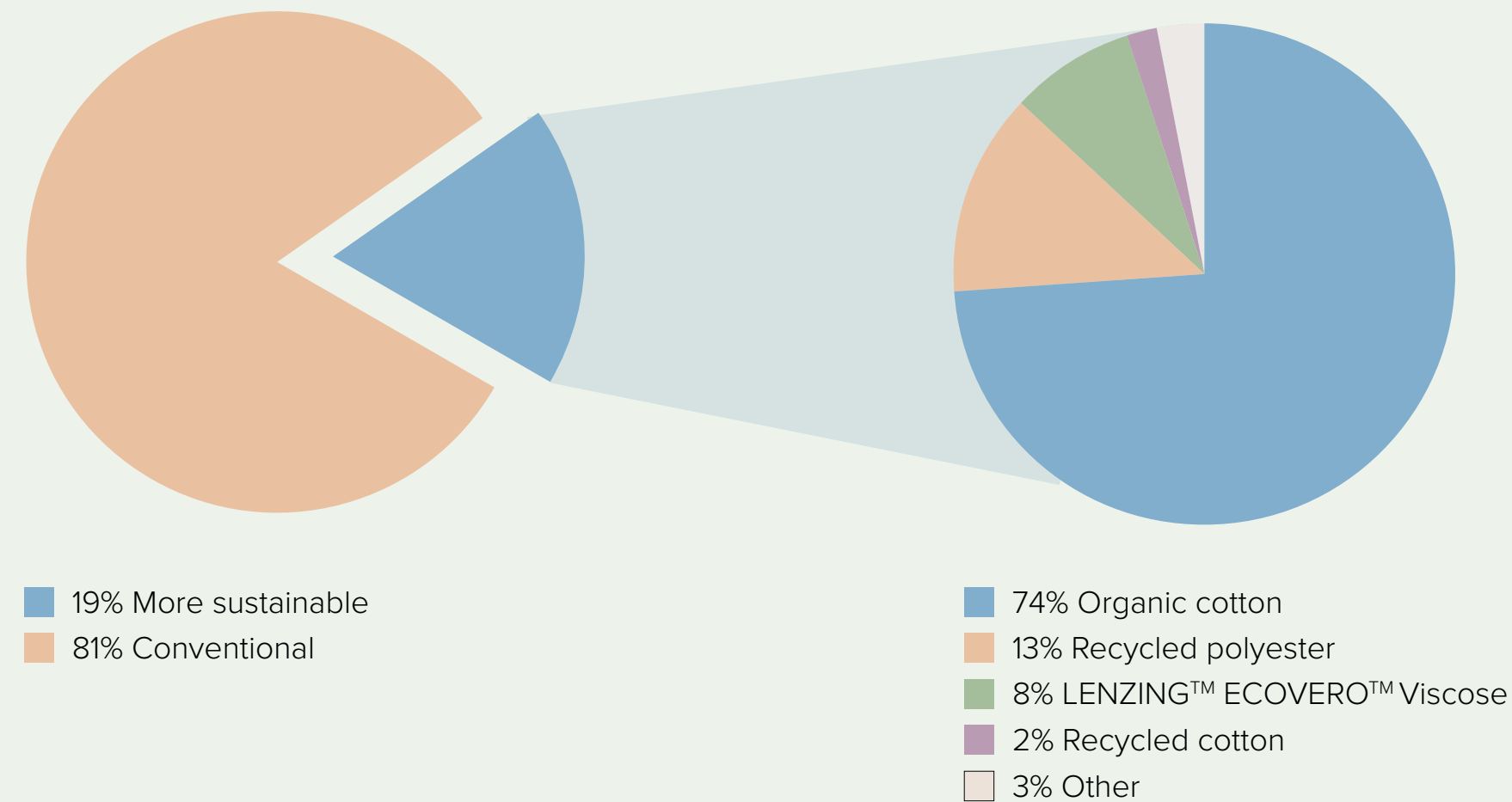


At the end of 2020, 45% of all new NA-KD products were made using more sustainable materials.

– corresponding to 18% of all materials used for our private label and collabs (in weight). Our private label and collabs represent 94% of our total material consumption.

[Shoes](#) from apple waste. Frumat's Apple Skin is a biobased leather alternative created from the apple industry food waste. With the help of this technology we were able to create a range of more sustainable sneakers.

More sustainable materials as share of total in weight



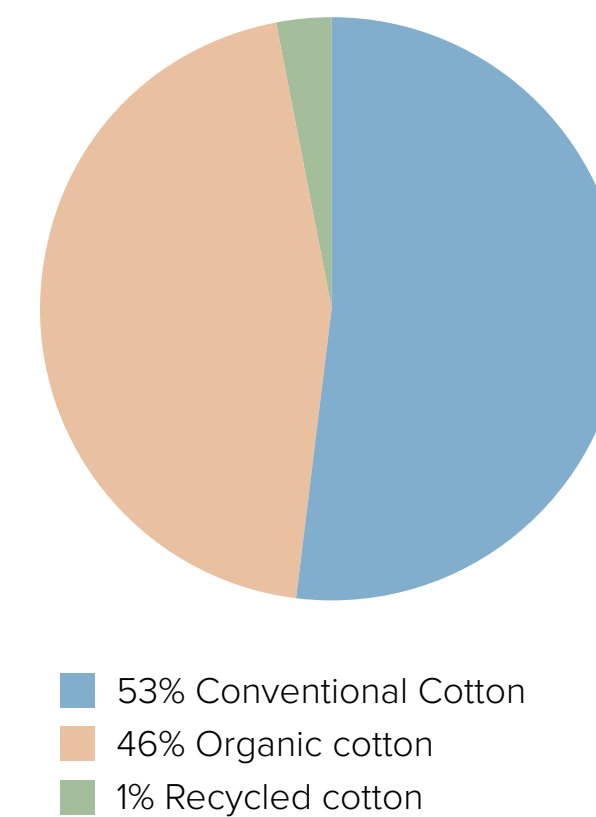
Cotton

The cotton plant thrives in warm climates. Because it requires a lot of water to grow, farmers often rely on artificial irrigation as well as cultivation. Cotton also requires lots of water during dyeing and preparation of the textile. It takes 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.

Although 2020 has seen 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 global pandemic and reports of forced labor 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 the latter part of 2020, which we will most likely see the effects of during 2021. 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 [here](#).

Our cotton 2020



In total, more than 47% of all our cotton in 2020 was either organic or recycled.



Man-made fibres

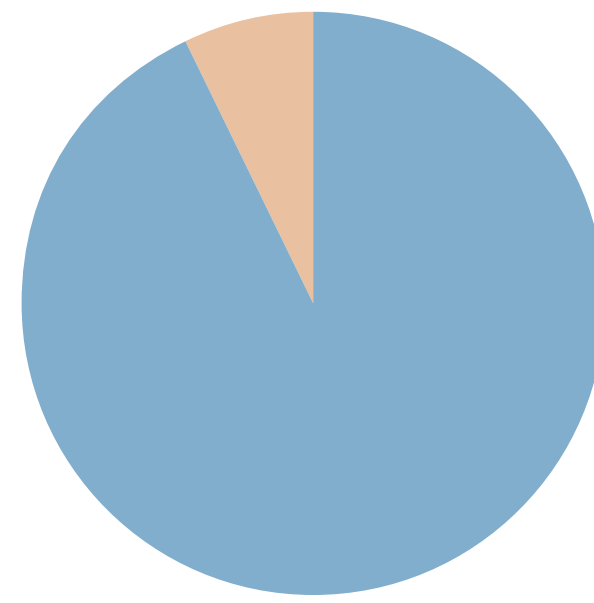
Polyester and polyamide are man-made fibres that come from fossil oil – and therefore non-renewable sources. We are determined to expand the share of our polyester and polyamide fabrics that are made from recycled fibre, which in turn will reduce our climate impact. Polyester fibre is very durable, and if washed and cared for in a mindful way it will have a very long life. Mindful care can be as simple as airing clothes instead of washing them, and hang drying instead of tumble drying. This reduces abrasion and lowers the release of microplastics.

The demand for recycled polyester is increasing drastically in our industry. We therefore expect a challenge in sourcing recycled polyester and other artificial fibers made from plastic waste. At the same time, fashion companies are competing with other industries over a limited recycled material supply base. Moving forward, we will continue to increase our use of recycled polyester and polyamide, with our target of having 50% of our materials from recycled materials by 2025. We are eager to take on the challenge of redrawing our material use and increasing the lifecycle of our products.



[Swimwear](#) from SEAQUAL® YARN, made of 10% upcycled marine plastic waste and 90% recycled PET plastic.

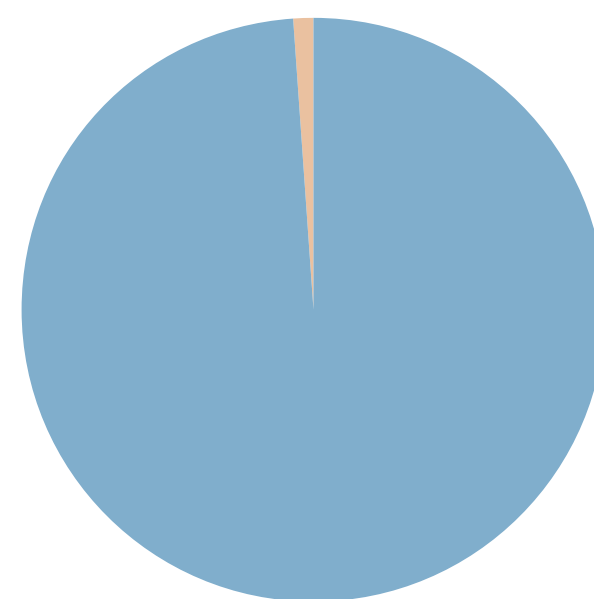
Our polyester 2020



■ 93% Conventional polyester
■ 7% Recycled polyester

In 2020, 7% of our polyester was from recycled polyester, and 1% of our polyamide was from recycled polyamide. In 2021, we have a strong focus on sourcing more of these materials from recycled sources.

Our polyamide 2020



■ 99% Conventional polyamide
■ 1% Recycled polyamide



100% More sustainable denim

All NA-KD denim that we design from here on will be made from more sustainable cotton, either recycled or organic. We will also track our chemical, water and energy use, and worker health through the Environmental Impact Measuring (EIM) tool. We'll start with selected denim styles and share the results publicly. We'll put a score on each garment's hang tag so our customers can see the impact of their choice.

Chemicals

We apply the precautionary principle in our environmental work. We have adopted a preventative approach with a restricted substances list that goes beyond REACH legislation. This is now a part of all supplier contracts. We also actively promote the use of non-hazardous chemicals and production techniques using no or fewer chemicals. For example:

1. In Turkey, we recently started working with fabrics dyed using waste from fruit and vegetable crops. Such as lemon,

pomegranate, rose petals, lavender and walnut shells to colour denim and jersey. The process requires 25% less water and creates an anti-allergenic garment.

2. We use the Jeanologia technology to manufacture our jeans, a process that uses up to 85% fewer chemicals, up to 98% less water, and up to 79% less energy. To create a worn look, Jeanologia uses laser technology – which has a much lower impact than traditional sandblasting, hand sanding and PP spray.

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.
- 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 Animal Welfare Policy.

We don't sell any products containing real fur, down or feathers. On the rare occasions that we design with leather, we source it as a by-

product from the meat industry. We never use the skin from exotic or endangered animals like lizards, alligators, snakes or crocodiles. We only use wool from animals that have been treated ethically, and only ever mulesing-free wool. We don't sell virgin cashmere or mohair products because we know there are associated animal welfare and environmental issues.

All our products are cruelty-free, which means they are not tested on animals. As of 2021, all our makeup products are also vegan.

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 our tier 1 suppliers should assess and improve their environmental and social performance according to industry standards by 2025.

Products labelled “More sustainable” on our website are:

- made in more sustainable materials
- 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 Code of Conduct (valid for all suppliers)

Part of our Supplier Code of Conduct concerns Ethical Business Behaviour. 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 all part of the social audits that our suppliers are required to perform.



NA-KD Reborn

NA-KD Reborn features our most sustainable pieces. Up until now, all our products made in more sustainable materials have been part of this collection. Going forwards, we will continue to push the bar higher. As more sustainable materials (like organic and recycled cotton, and recycled polyester) become more normal and part of our everyday collections, we want our NA-KD Reborn collections to go a step further. They will be made using innovative low-impact materials or production techniques, such as from recycled fishing nets or using chemical-free dyes from fruits and vegetables.

Accelerating traceability and transparency

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

Goals, targets and KPIs:

- By 2021, be transparent with production factories for products on our website.
- By 2025, reach full supply chain transparency for 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. CO₂, 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. However, during the last two years we have reached full transparency for our tier 1 factories. 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 2020, we had 191 suppliers, mostly in China, Turkey, Portugal, Italy, Morocco, Pakistan, Bangladesh, Vietnam and Taiwan. Because NA-KD's supplier base is constantly growing, 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 2020](#), only 40% of brands publish their tier 1 suppliers on their websites.

We believe this needs to change. In spring 2021, we will introduce information on producing factories for products on our website.

To start, this will include factory name and address. This information will be available for all

new products, and as we go forward will be complemented with additional information on each factory.

We are currently implementing a system that will help us create traceability in our supply chain. By 2025 at the latest, we want full traceability for 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
- An inclusive workplace
- Fair and equal jobs in our supply chain
- Our role in society: Ignite a movement in the fashion industry that empowers and inspires all



Diversity and inclusion

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

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

- Influencers representing all five continents
- Reach and maintain a culture of inclusivity in marketing and partnerships (measured in % of spend).
- Increase the % of diverse creatives we work with internally to better represent diversity in our marketing campaigns.
- By 2025, 80% of customers perceive NA-KD as “celebrating equality & diversity”.
- By 2025, 60% of customers perceive NA-KD as being “in tune with what matters to them”.

Key actions

- Launch Creators Council.
- Secure diversity both in front of and behind the camera.
- Highlight diversity & 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.
- Increase our pool of BAME content creators and creatives to create truly inclusive 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 2020, we worked with more than 6,000 influencers, representing 18 different countries. 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.

Showcasing diverse talent

Our Autumn/Winter 2020 collection was our biggest creative collaboration to date. We worked with three female screenwriters to

create 18 short stories that portray the lives of modern women. The screenwriters were TikTok and YouTube star [Amelia Gething](#), co-founder of Hobnob Journal [Fanny Ekstrand](#) and full-time screenwriter and producer Farima Karimi. Each created a narrative connected to seasonal key trends. Free to express their unique style and point of view, each writer created distinctive stories with a playful tone.

NA-KD Art

NA-KD Art is a quarterly creative avant-garde collection designed by NA-KD. It presents

collections with young female artists, giving them a stage for their art and celebrating art and fashion, creativity and freedom.

We kicked this concept off in Q3 2020, presenting two collection drops with female artist [Koketit](#). We also co-designed a tote bag with Koketit and donated all profits to the [Girl Effect](#). This incredible NGO uses the power of media to help girls in countries like Ethiopia, South Africa, Indonesia and India stay in control of their bodies, health, learning and livelihoods.

NAKD By You

Using Instagram Stories, we asked our followers to vote for their favourite 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.

We invited customers to apply to be models for the campaign, and invited five successful applicants to our headquarters in Gothenburg. They participated in a photoshoot and appeared in a live stream the day the collection launched. In 2020, we also paired them with talented female artists who added their creativity to the images. We love the end results.

“Clothes aren’t going to change the world, but I hope people wearing them will.” – Customer model





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.

While employees and stakeholders are demanding this change, customers want to buy from companies whose values reflect their own. In fact, customers will boycott brands that do not add substance to their claims, and reward those who embed change throughout their organisation. For NA-KD, we're focusing on improving in all the areas that have been identified in our internal investigation from the beginning of 2021 (read more [here](#)). We must

improve our workplace and become a better NA-KD.

Goals, targets and KPIs

- A balanced representation of women/men/non-binary 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 & 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 & development with focus on leadership, diversity & 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 & Inclusion council.

OUR PROGRESS

Adapting worklife to a pandemic

2020 proved to be a challenging year for people and many businesses. The Covid-19 pandemic made the health, safety and wellbeing of our employees, interns and everyone working with and for NA-KD more important than ever. We

	Men	Women	Total
Permanent	56	201	257
Temporary	3	39	42
Total	59	240	299
Full-time	56	221	277
Part-time	3	19	22
Total	59	240	299

Number of employees at the end of 2020. All employees are based in Europe, including Turkey and Poland

acted swiftly to protect those needing to work in our office (such as in our photo studio) by asking all other employees to work from home. We have followed recommendations from health authorities to the best of our ability, though we recognise that there is a long learning curve to living and working safely in a pandemic. Measures such as social distancing, providing hand sanitisers and working from home whenever possible were implemented. The second quarter of 2020 was a busy time for NA-KD, as customers turned increasingly to e-commerce – while, at the same time, some colleagues had to leave the company due to business uncertainty when the pandemic hit. As time went by, another challenge materialised:

* which is substantially above average compared to Swedish industry

mental wellbeing. People are social beings, so we prioritised keeping our teams connected through daily stand-ups and video meetings. Additionally, turning our homes into offices can make it hard to separate work life and private life. To minimise stress, we created wellbeing guidelines for our people, on everything from the importance of routines, to having clear lunch breaks and staying active outdoors.

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 [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 [Regnbågsfonden](#), which is working for for LGBTQIA+ rights.



We strongly believe that creating a workplace where everybody can speak up and be heard is essential – both for people and our business. In 2021, we are therefore launching our internal diversity and inclusion council with employees from different parts of the organisation.

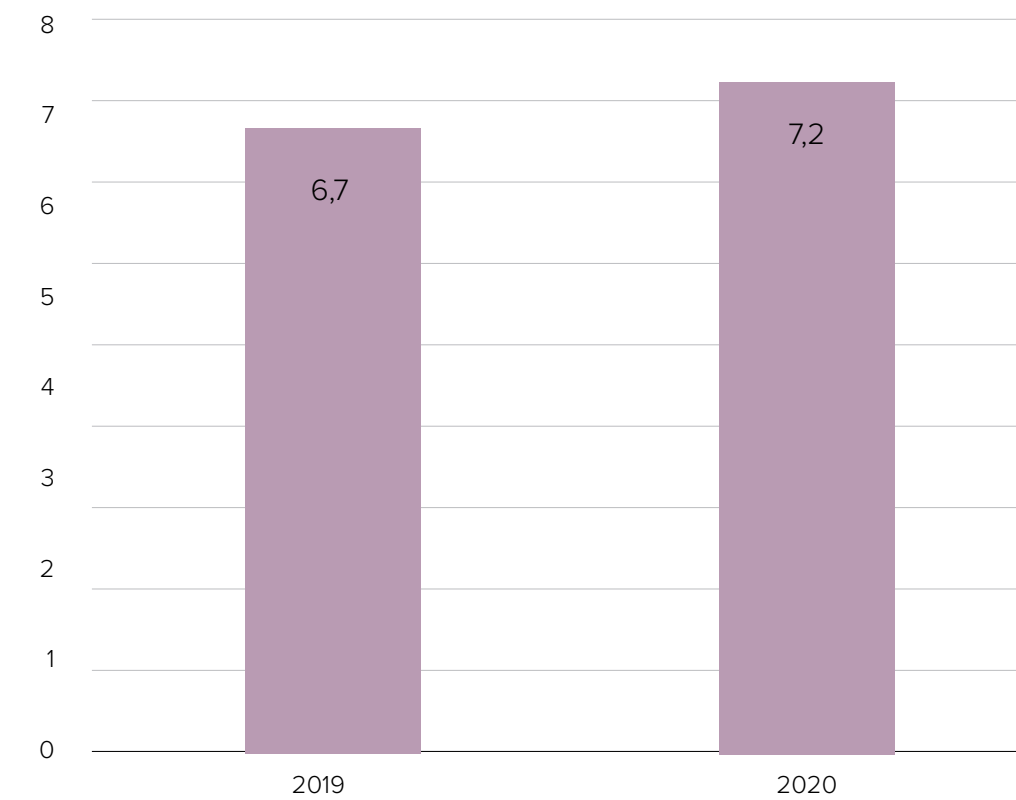
Employee satisfaction and speaking up

We use the Winningtemp platform to enable everyone at NA-KD to get heard. 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 87% in 2020. We are proud to report that, even given these tough times, overall satisfaction during 2020 was 7.2 for employees and interns on a scale of 1-10, compared to 6.7 at the end of 2019. However, given the media events connected to working conditions at NA-KD at the end of 2020, we know that there is room to improve. You can read more on our actions on this [here](#).

/ numbers

Employee satisfaction



Representation of women at different organisational levels as NA-KD at the end of 2020



38.5%

female executives by the end of the year

60%

60% female managers by the end of the year

79%

female employees by the end of the year

123

Number of permanent hires during the year

266

FTE's by the end of the year

24

Temporary contracts by the end of the year

41%

Percentage of foreign-born employees

30+

nationalities in our teams

It follows that we want our employees to speak up if something is troubling them. We provide pathways for anyone who wants to talk to their manager, their manager's manager or HR. However, we know that sometimes speaking up is not easy to do. Winningtemp enables employees to raise concerns about their work environment in a completely anonymous way. An employee only needs to come forward if they feel comfortable doing so. During 2020, 23 cases were reported; 11 connected to discrimination and 12 to harassment and bullying. In four of the cases, we were able to get more information and dialogue with employees to secure further investigation and actions. In early 2021, we are reviewing our whistle-blower policy and will implement a new and improved system to complement Winningtemp.

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.



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. Everyone has the right to non-discrimination, health, fair and equal compensation and collective bargaining. If someone’s work contributes to our business, we have a responsibility to respect their rights.

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 just begun; we are both energised and humbled by the challenges ahead. Read more about our efforts on traceability [here](#).

The global Covid-19 pandemic has made garment supply chain workers even more vulnerable. With less demand for products, many brands have cancelled their orders. For NA-KD, however, the pandemic led to growth as more customers turned to online shopping. This

allowed us to increase orders, which helped our supply chain partners keep their businesses going through the most turbulent times of the pandemic.

As a fashion e-commerce brand, NA-KD is built on the contributions of thousands of people.

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

In this section of the report, we share how we are working to respect and enhance people’s wellbeing throughout our supply chain. We are humble enough to know that we can always do more and better.

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 & 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.

OUR PROGRESS

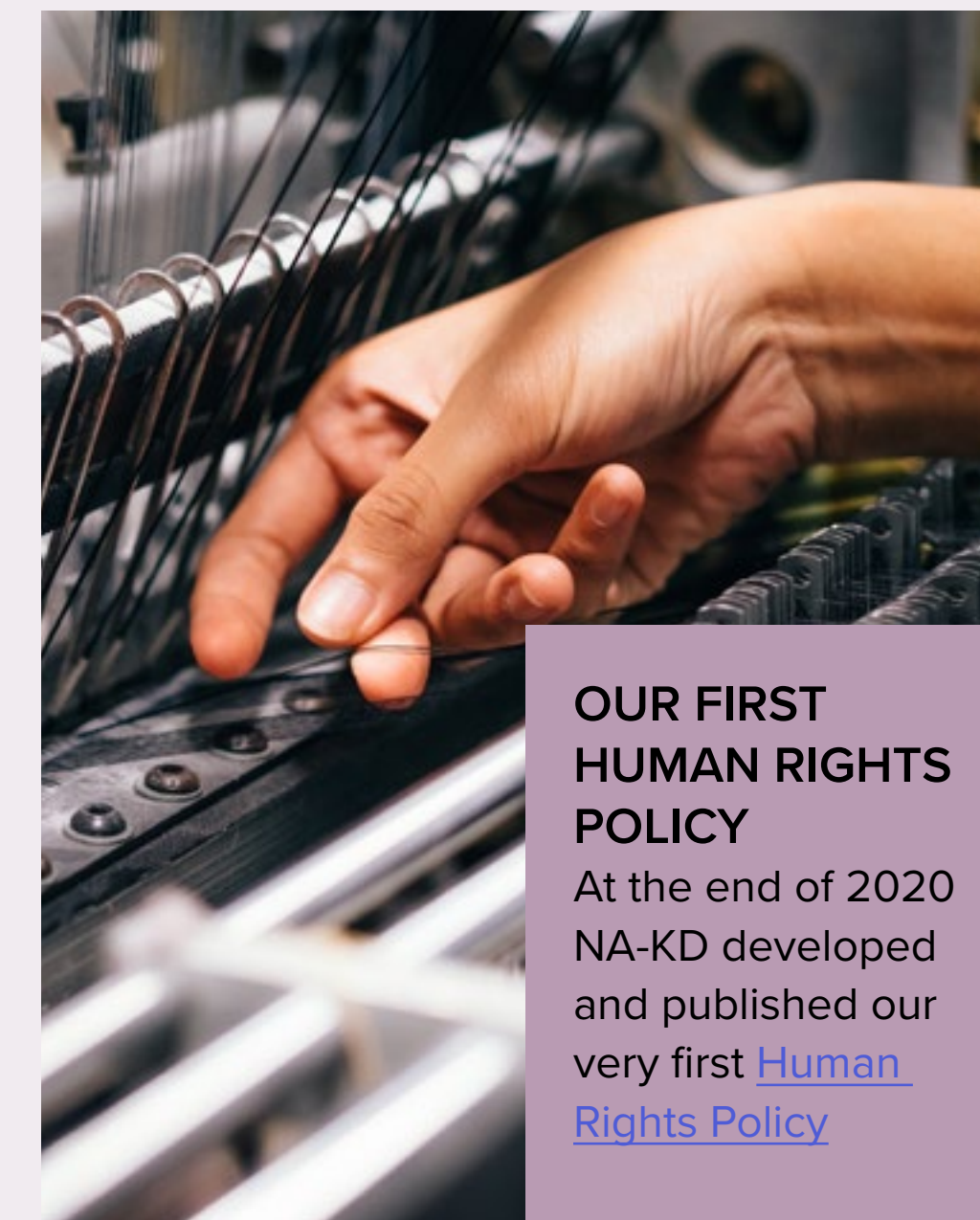
Our supply chain is a crucial piece of our sustainability puzzle

People in our value chain must be treated with respect and dignity; equality must be evident in everything we do. It is NA-KD’s responsibility to respect and promote human rights throughout our entire value chain. Our new [Human Rights Policy](#) guides us in this work. It was developed in line with the UN Guiding Principles on Business and Human Rights (UNGPs).

Respect for Human Rights – Our responsibility

We are currently accelerating the implementation of our Human Rights Policy. In line with the UNGPs, we are conducting 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. We aim to use our leverage to make a positive impact in situations where we have no control. 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.

As part of this ongoing work, 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 on the next page.



OUR FIRST HUMAN RIGHTS POLICY
 At the end of 2020 NA-KD developed and published our very first [Human Rights Policy](#)

Our greatest risks of doing harm to people

DISCRIMINATION, HARASSMENT, VICTIMISATION AND VIOLENCE

This risk is present across our value chain. Given the high proportion of women working in the fashion industry, this risk applies particularly to women's rights. At NA-KD, this risk became a reality in our organisation at the end of last year (read more [here](#)). 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

The health and safety of workers has been an area of particular focus within the fashion industry for several years. Recently, we have seen how the lack of building and fire safety standards can end in tragedy and how important occupational health and safety measures are to protect the most vulnerable workers in our supply chains. With the Covid-19 pandemic, the focus on keeping workers safe and healthy has intensified further. Social distancing and other safety measures have impacted how we conduct our business – in our own operations, at our warehouses and in the factories in our supply chain. Our supply chain audits conducted in 2020 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).

LIVING WAGES

A living wage is sufficient to provide workers with income to support themselves and their families; it must cover their basic needs and provide some discretionary income. A legal minimum wage is not always a living wage. Although there is a risk of not providing living wages across our value chain, this risk is greatest amongst our manufacturing and service providers. We will work together with the industry to increase minimum wages to a fair 'living' level. While our supply chain audits do not reveal any severe risks, they do confirm the presence of some of these structural challenges that we must tackle with industry wide efforts.

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The right of workers to form unions or independent workers' associations and the right to engage in collective bargaining, are key enablers for better working conditions and fair wages. Protecting this right is the first principle in our Supplier Code of Conduct. Because independent unions are not allowed in all our producing countries, we encourage worker representation in other forms. 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.

DECENT WORKING HOURS

Again, the risk of excessive working hours is present across the value chain. Working hours should always comply with national law, the related International Labour Organisation conventions or the collective bargaining agreement (whichever gives the higher protection to workers). This issue is particularly prevalent in China, where many industries allow

excessive overtime hours. Our supply chain audits show this is the case for NA-KD's producers too, as the working hour issue lowers the score for our Chinese suppliers, regardless of how well they perform elsewhere in the audit.

SOCIAL SECURITY

The risks surrounding social security occur particularly in supply chain countries where state protection of social security rights is either lacking or not properly enforced. Recognition and predictability of employment is a pre-condition for stable income and healthcare. Precarious employment and self-employment increase risks around a lack of social security. We make it clear in our Supplier Code of Conduct that we do not accept any forms of precarious employment. Our supply chain audits show a higher prevalence of risks related to social security in China, where this is another structural challenge that requires collaboration across the industry to tackle.

FORCED LABOUR AND MODERN SLAVERY

We have zero tolerance for forced labour and modern slavery and take any signs thereof incredibly seriously. Migrant workers can be particularly vulnerable to the risks of forced labour. Read more in our latest [Modern Slavery Statement](#). 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. The amfori BSCI system encourages collaboration between its members to assess, prevent and act on forced labour findings.

CHILD LABOUR AND YOUNG WORKERS

We are fully committed to ensuring that all factories producing our products are free from child labour. We expect all our supply chain partners to establish robust age-verification as part of their recruitment process. We also recognise the importance of strengthening children's rights by providing fair wage levels to parents caring for children, as well as the right to social security. 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. The amfori BSCI system encourages collaboration between its members to assess, prevent and act on child labour findings. In addition to this, we have set up remediation procedures in accordance with amfori BSCI standards, which aim to protect the best interest of the child in case of any findings of child labour connected to our supply chain.

ACCESS TO CLEAN WATER

Access to safe, affordable and sufficient clean water is essential for all people. Because the fashion industry can contribute to water pollution and scarcity, our own supply chain's approach to wastewater treatment, water usage and efficiency are important. We recognise that people living close to our supply chain operations and raw material production are particularly at risk. We work with environmental assessments (e.g. the Higg FEM) to increase supply chain traceability and monitor water risks. This allows us to identify and support high risk factories in mitigating these risks and the related impacts on local communities.



Industry collaboration

NA-KD is a young, small company with less leverage in our supply chain than bigger industry players. It is therefore even more important that we collaborate with our peers to drive change and progress throughout global supply chains and towards a more sustainable fashion industry.

We are active members of [amfori](#), a business association aimed at improving social conditions in global supply chains, joining forces with almost 2,500 members. Together with our suppliers, we work according to the amfori Business for Social Compliance Initiative (BSCI) framework, which ensures all factories in our supply chain agree to the same principles, ethics and values for working conditions. We have adopted [the amfori BSCI Code of Conduct](#) as our Supplier Code of Conduct and require that all our suppliers sign this Code and conduct social audits on an annual or bi-annual basis depending on their performance.



Supplier Code of Conduct

The Supplier Code of Conduct is at the heart of our social and ethical compliance work. It is aligned with international recommendations, norms and conventions, including:

- The Universal Declaration of Human Rights.
- The Children’s Rights and Business Principles.
- UN Guiding Principles for Business and Human Rights.
- OECD Guidelines for Responsible Business Conduct.
- UN Global Compact.
- International Labour Organization (ILO) Conventions.

Through our Supplier Code of Conduct and its Terms of Implementation, we clearly communicate that our suppliers are expected to cascade their values further up their own supply chains.

We add the Supplier Code of Conduct to our purchase agreements, and all suppliers working with NA-KD need to sign it.

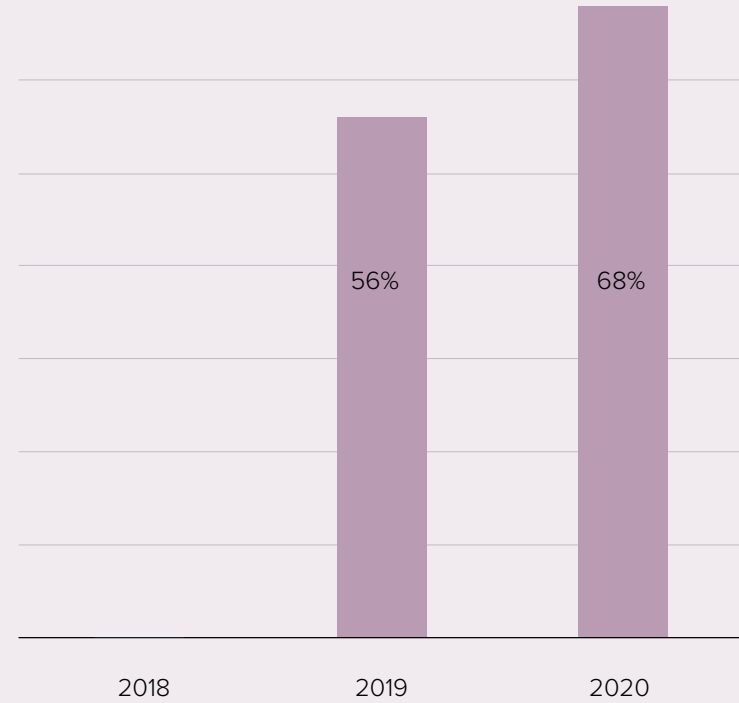
The Code of Conduct covers all our salient human rights, as well as environmental protection and anti-corruption. During 2021, we will start using a tool that improves traceability further up our supply chain. This will improve our capacity for due diligence for upstream businesses – including fabric mills, dyeing and printing factories.

Conducting due diligence

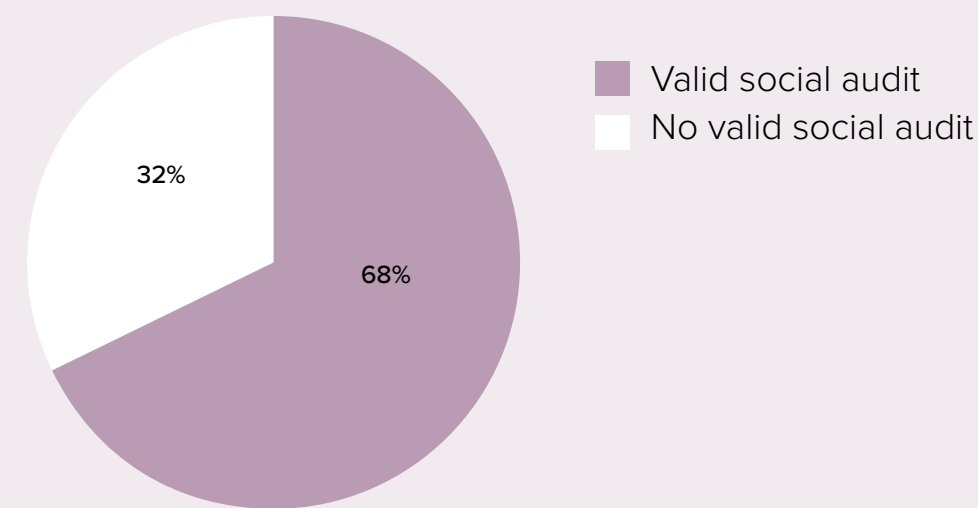
As of 2020, all our suppliers must hold a valid social audit at the start of their business relationship with NA-KD. The social audits covers the content of the Supplier Code of Conduct, including all salient human rights, environmental compliance and anti-corruption. Although amfori BSCI is our preferred system for social audits, we do accept other forms of social audits, such as Sedex/SMETA audits and SA8000 certification. These audits are performed by a third-party certified auditing company, which gathers information via documentation and worker dialogues.

For the amfori BSCI audits, each producer receives a rating based on their score in several performance areas covered in the Code of Conduct, where A is ‘Very Good’ and E is ‘Unacceptable’. Our goal is for producers representing 80% of our spend to achieve high performance – an A or B rating – in their BSCI social audit, or similar in other systems. The reason our goal is not 100% ‘high performance’ is because of some structural challenges concerning, for example, working hours and social insurance coverage in China: our suppliers there are unable to score a good grade, even if they show high performance in all other areas. These structural challenges go beyond our reach as a smaller company, but we are determined to actively participate in industry-wide collaboration to address them.

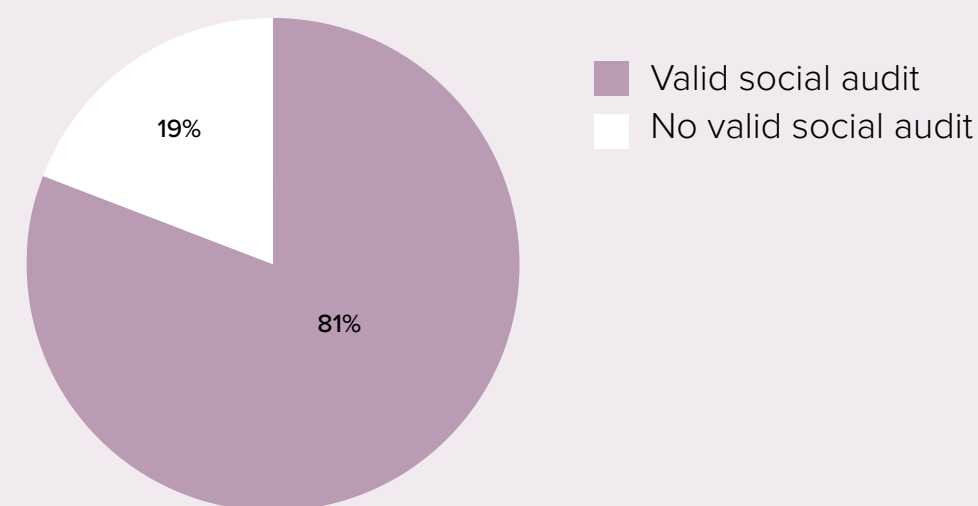
Share of producers with valid social audit



Based on numbers of producers



Based on % of spend



Effects of the pandemic

In 2020, Covid-19 put a halt to external audits being performed in most of the countries in which our producers operate. Although the restrictions impacting audits have lightened in some regions, auditing companies were still conducting audits at a slower pace towards the end of the year.

This means that approximately 30% of our producers are waiting to renew their audits or conduct their very first social audit in the first part of 2021.

Summing it up, we are close to 100% of our producers having a valid social audit.

To protect our factory workers and the auditors, we have allowed them additional time to conduct follow-up audits. We have also given many of our new producers more time to transition between auditing systems to conduct their first amfori BSCI audits.

As a result of the pandemic and a broader discussion on sustainability in fashion, we are now allowing our producers to choose between our approved systems for social audits (amfori BSCI, Sedex/SMETA and Higg FSLM). This will help relieve suppliers from ‘auditing fatigue’

while brands and retailers move towards a common auditing standard across the fashion industry. The pandemic-related travel restrictions have also made it difficult for NA-KD employees to visit suppliers and have direct dialogue with workers, which we are tackling with continuous online dialogue, monitoring and evaluation.

Capacity building program

Our producers are registered on the amfori BSCI sustainability platform within six months of joining us as part of their onboarding process, for supply chain mapping and capacity building purposes. We expect producers who use the amfori BSCI system for social audits to conduct a self-assessment and take part in the platform’s capacity building program before scheduling their first social audit. The capacity building scheme normally includes both online and face-to-face training, which we encourage all producers to take advantage of. During 2020, however, amfori face-to-face workshops were paused due to Covid-19 restrictions. In addition, the amfori BSCI platform update has resulted in delayed access to the amfori Academy online training for some of our producers. We aim to fill the gaps in terms of capacity building for our suppliers in 2021 and will continue to offer individualised and contextually informed guidance to our key supply chain partners.

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. Self-assessments:** We expect suppliers to perform a self-assessment based on amfori BSCI standards, as part of their social audit preparations. As of December 2020, we conducted our first pilot of social self-assessments through the Sustainable Apparel Coalition’s (SAC) Higg Facility Social and Labour Module (FSLM) and will continue to test this system during 2021.
- 3. Social audit:** Entry-level minimum requirement for all new suppliers. We require social audits to be conducted and renewed annually or bi-annually; the regularity is prioritised on a risk-based approach.
- 4. Corrective actions:** A lower audit score and/or non-compliance issues requires a corrective action plan, in some instances with a follow-up audit.
- 5. Training & capacity building:** Through the amfori BSCI platform, suppliers are encouraged to participate in capacity building programs, online and face-to-face.

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, they must 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-driver buyers" who will avoid, switch, boycott or favour brands based on their position on societal issues. This statistic is true across diverse markets, including China, Brazil, the US and Germany. Over 50% of 21-to-27-year olds in the US believe retailers have a responsibility to address wider social issues with regards to diversity. 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".
- By 2025, 60% of customers perceive NA-KD as being "in tune with what matters to them".
- 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

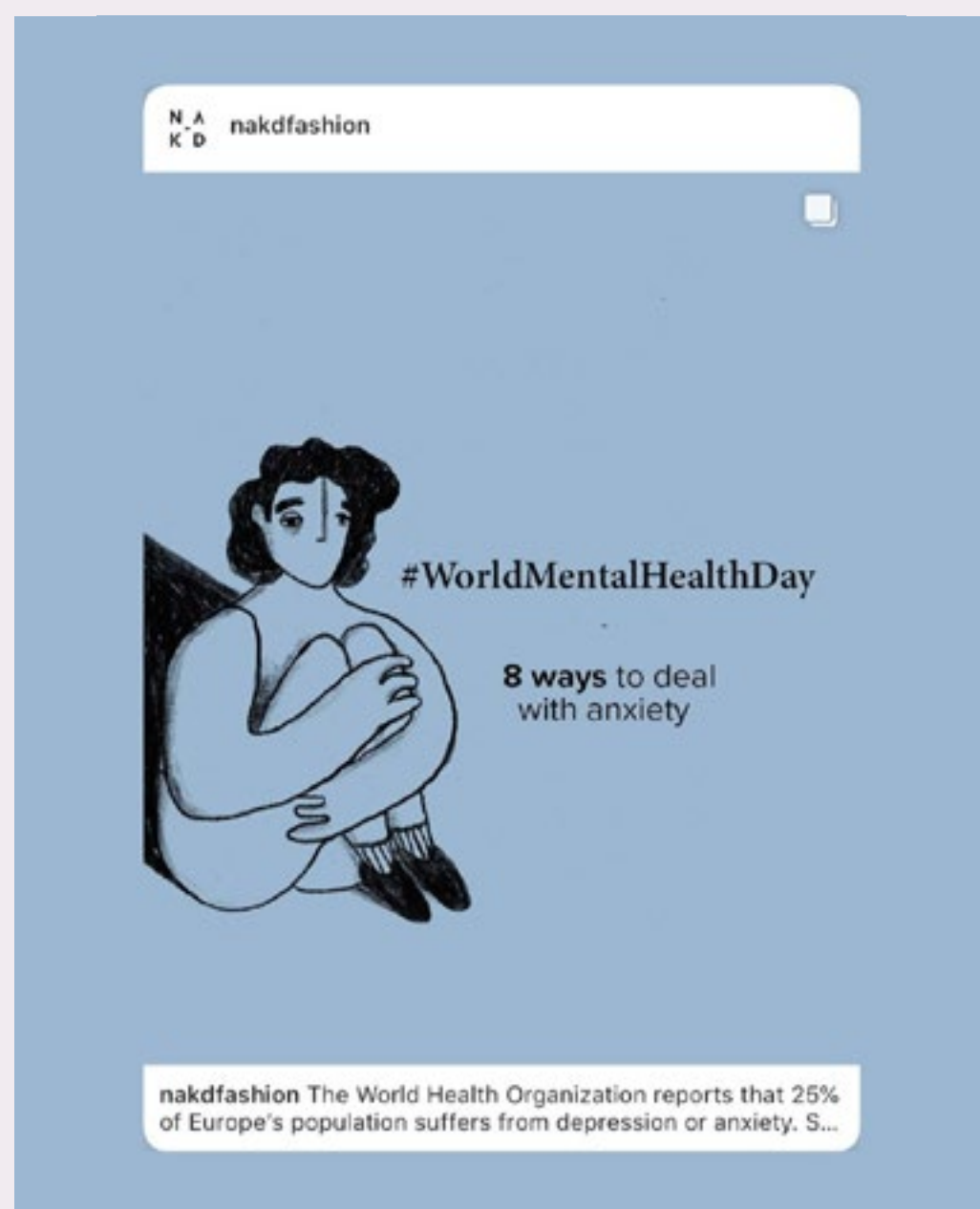
We believe in taking a stand based on our values. Everyone has an equal right to be who they are, without being judged, and to have access to the same opportunities for success. While diversity and inclusion is already important at NA-KD, we know we still have much to learn. We believe it is important to take an active stand and publicly support the values we believe in, which is why during spring 2020, we supported

the Black Lives Matter movement. To us, this movement represents a basic truth: everyone has the right to equal conditions for success. Pride celebrations were cancelled in June 2020 because of the pandemic. We made sure to support the LGBTQIA+ community through donations and by hiring diverse content creators. We invited them to create films on social media through which LGBTQIA+ people could tell their stories. We created a "Don't let go" t-shirt to raise money for the United Nations Free and Equal campaign.

The print symbolised holding on to your lover and the fight for equal rights.

NA-KD





Inspire girls to become whoever and whatever they want

There are some key levers for the world to reach the sustainable development goals. One of them is for more girls to attend school and get a higher education. Through our support to the [Girl Effect](#), by donating all profits from the sale of a NA-KD Art tote bag, designed by up-and-coming talent, and donations as part of our advent calendar, we are contributing to unlocking the power of girls through media. Giving them the confidence and curiosity to become whoever and whatever they want.

About The Girl Effect:

[The Girl Effect](#) creates content that helps girls make choices and changes in their lives. Igniting their confidence to act differently at a time that can define their future. So every girl can choose to be in control of her body, her health, her learning and livelihood. Arming them with skills to negotiate, and redefining what they are told is possible. Some of The Girl Effect's achievements:

- 1.2 million messages about sex and relationships on their chatbots (India and South Africa).
- 32% more likely to have the first dose of HPV vaccine if you have read their magazine versus non-readers (Malawi).
- 15,000 connections made to vetted sexual and reproductive health information and services (India).
- 32% more likely to make healthy food choices having seen their digital nutrition campaign (Indonesia).

Support young women's rights and mental health

Unfortunately, mental health continues to be a challenge for many young women around the world. Through our social media channels, we raised this topic on World Mental Health Day by asking creator and influencer Peg Parnevik to share '7 tips on how to deal with anxiety'. Peg spoke openly about her personal struggles with anxiety in short film clips. We also collaborated with a local artist for the accompanying social media post, which was one of our most saved Instagram posts during 2020.

We also donated part of our advent calendar profits to [Gurls Talk](#), a community-led non-profit organisation dedicated to promoting the mental health and wellbeing of adolescent girls and young women. Following model and activist Adwoa Aboah's personal experience with mental health, Gurls Talk was formed with the goal of creating safe spaces – both on and offline – where girls can access mental health resources, share their experiences and support each other so they never feel alone or unsupported. Gurls Talk seeks to provide accurate and accessible psychoeducation on a wide variety of topics relevant to girls and young women. Through podcast, live events, and an online community, Gurls Talk works to destigmatise mental health conversations while fostering a supportive community that gives all girls a voice.

During 2021, we will investigate the effects the pandemic has had on our customers and create

The Lockdown Report together with Klarna. This will be used as a foundation to support actions that will best support our community of customers.

Supporting our local community

At NA-KD, we create a lot of samples. These can be clothes used to create images for our website and social media channels, or clothes that have been tested and screened by our purchasing department. During 2020, we donated most of these clothes to charities. We gave 3.7 tonnes of clothing and apparel to [Stadsmissionen](#) in Gothenburg, where our headquarters is located. Stadsmissionen sells our donation in their second-hand shops, and the profits create employment opportunities for people outside the job market.

We also made a smaller donation to [Räddningsmissionen](#), which supports socially vulnerable women – including homeless women and victims of domestic violence, as well as women exposed to trafficking and prostitution. During 2021, we are extending our collaboration with Räddningsmissionen and will become Lead Partner to Agora, the part of their organisation focused on supporting vulnerable women. We are proud to support these organisations in our local community and hope more women are kept warm, can feel beautiful or got the chance to give a Christmas gift to their daughter, with the help of our donations.

NA-KD GRI inspired disclosure

This report has been developed inspired by GRI. Below list has not been formally GRI reviewed, but added for transparency reasons.

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. 3-4	
102-5	Ownership and legal form	p. 3	
102-6	Markets served	p. 3	
102-7	Scale of the organisation	p. 3	
102-8	Information on employees and other workers	p. 45-51	
102-9	Supply chain	p. 3, 24-25, 31, 41, 48-51	
102-10	Significant changes to the organisation and its supply chain	p. 3	
102-11	Precautionary Principle or approach	p. 38	
102-12	External initiatives	p. 17, 50	
102-13	Membership of associations	p. 7, 23, 24, 25, 38, 50	
102-14	Statement from senior decision-maker	p. 5	
102-15	Key impacts, risks, and opportunities	p. 14, 17, 49	
102-16	Values, principles, standards, and norms of behavior	p. 12, 17, 48, 50	
102-17	Mechanisms for advice and concerns about ethics	p. 46-47	
102-18	Governance structure	p. 17	
102-40	List of stakeholder groups	p. 15-16	
102-42	Identifying and selecting stakeholders	p. 15-16	
102-43	Approach to stakeholder engagement	p. 15-16	
102-44	Key topics and concerns raised	p. 14, 47	
102-45	Entities included in the consolidated financial statements	p. 3	This report covers Nakd One World AB
102-47	List of material topics	p. 14	
102-49	Changes in reporting	p. 2	
102-50	Reporting period	p. 2	
102-51	Date of most recent report	p. 2	
102-52	Reporting cycle	p. 2	
102-53	Contact point for questions regarding the report	p. 56	
102-55	GRI content index	p. 54-55	

GRI DISCLOSURE	MANAGEMENT	PAGE
103-1	Explanation of the material topic and its Boundary	p. 14
103-2	The management approach and its components	p. 14, 17, 23, 27, 31, 33, 36, 41, 43, 45, 48, 52
103-3	Evaluation of the management approach	p. 23, 27, 31, 33, 36, 41, 43, 45, 48, 52

	ECONOMICS	PAGE
201-1	Direct economic value generated and distributed	p. 13

	ENVIRONMENTAL	PAGE
301-1	Materials used by weight or volume	p. 36-38
301-2	Recycled input materials used	p. 31-32, 37-38
???	Share of more sustainable materials used in our garments	p. 36-38
305-1	Direct (Scope 1) GHG emissions	p. 23
305-2	Energy indirect (Scope 2) GHG emissions	p. 23
305-3	Other indirect (Scope 3) GHG emissions	p. 23-24
305-4	GHG emissions intensity	p. 23
308-1	New suppliers that were screened using environmental criteria	p. 25
306-2	Management of significant waste-related impacts	p. 31-33
306-3	Waste generated	p. 32

	SOCIAL	PAGE
405-1	Diversity of governance bodies and employees	p. 46
406-1	Incidents of discrimination and corrective actions taken	p. 8-10, 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. 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. 8

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 or csr@na-kd.com
We appreciate your feedback!