

NA-KD

Climate Report 2022



This document is an extract from NA-KDs upcoming Sustainability Report for 2022

Key goals, targets and KPIs

- By 2025, reduce emissions from our own operations by 80% (scope 1 & 2)
- By 2025, reduce emissions by 50% per product (& service) sold (scope 1, 2 & 3)
- By 2030, reduce absolute emissions by 50% (scope 1, 2 & 3)
- By 2030, have 75% of our production volume being made with renewable energy
- By 2030, have 75% of our last mile truck deliveries fossil free
- By 2030, reduce emissions by 45% from product materials through volume reduction and moving towards using best available technology

All of the above is compared to a 2020 baseline.

Key actions

- Switch to renewable energy in our own operations
- Continue to work to reduce emissions from our transportation
- Enable and support factories to switch to renewable energy
- Increase the share of organic, recycled or other lower impact materials in all our products, to reach 100% in 2030
- Increase the share of recycled materials for synthetic fibres and metals, to reach 100% in 2030
- Support supply chain partners to use water, chemicals, and materials more efficiently
- Accelerate the shift to circular business models and services

OUR PROGRESS

Decoupling growth from volume

In 2022, we managed to maintain our revenue with significantly reduced purchasing volumes, which led to a decrease of our absolute emissions by 35% from our base year 2020. Further, we are proud that the emissions per product (& services) sold decreased from 5.4 kg CO₂e in 2021 to 4 kg CO₂e in 2022 – corresponding to a 27% decrease during the year. This means that we have almost reach our 50% reduction target for 2025 with a total 48% decrease since 2020.

Still, we are humbled that this will be more and more difficult as we continue on our path to reduce our absolute emissions by half by 2030, while growing our business in a profitable way. Therefore, it becomes even more important to integrate climate action into our business strategy. To have a chance to reach our targets, we need to decouple growth from volume, use less CO₂e per new product produced and have a large part of our business come from circular business models. To achieve our goals and to integrate them into our business, we have developed our climate action roadmap, a yearly plan to reach our targets by 2030.

Our climate calculations

We used the Greenhouse Gas (GHG) Protocol to calculate our 2022 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 (STICA).

	2020			Difference since base year	
	base year	2021	2022	Absolutes	Percentage
Total Scope 1 CO ₂ e emissions (tonnes)	5	8.8	8.9	3.9	78%
Total Scope 2 CO ₂ e emissions (tonnes)*	176.8	40.8	37.5	-139.3	-79%
Total Scope 3 CO ₂ e emissions (tonnes)	70,582	66,530	46,015	-24,567	-35%
Total CO₂e emissions (tonnes)**	70,764	66,580	46,062	-25,465	-35%
CO₂e per product (& service) sold (kg)	7.6	5.5	4.0	-3.6	-48%

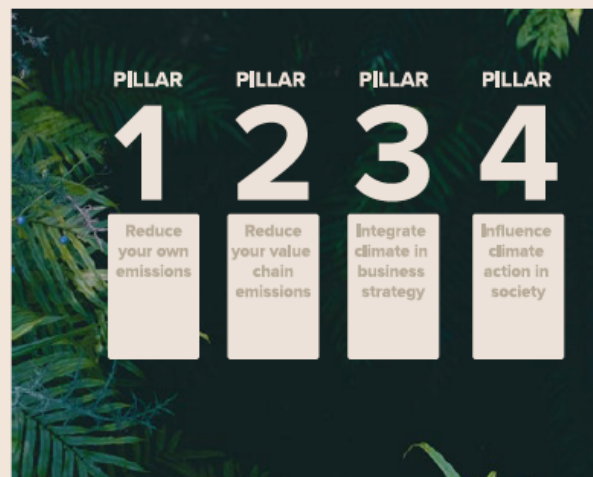
Calculations in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

* Scope 2 emissions under the market-based approach is equal to 40.8 tonnes CO₂e. Under the location-based method (using grid average emission factors), scope 2 emissions were 8.3 tonnes CO₂e.

** Further details in the GRI Index.

Reporting according to 1.5°C Business Playbook

The 1.5°C Business Playbook is a tool to support corporate commitments on climate action. It provides a framework for all companies to reach net-zero emissions rapidly through the adoption of an exponential trajectory of at least halving their greenhouse gas emissions every decade to approach net zero by 2050, and integrating climate in their business strategy. As signatories to the SME Climate Hub commitment, NA-KD's progress on climate action for 2022 is reported according to this framework.



PILLAR 1

Reduce your own emissions

The first pillar is about our own emissions. These stand for less than 0.1% (0.1%) of our total emissions in 2022. Regardless, it is important that we as a company work to reduce ALL our emissions, even if they are small. The majority of scope 1 and 2 emissions are related to the electricity and heat in our buildings. To reduce these, in the beginning of 2021, we changed to renewable energy for our headquarters in Gothenburg where the majority of our employees are working, and for our warehouse in Landskrona, which is also part of our scope 2 emissions. During 2022 we also changed to renewable energy in our office in Stockholm. We also have solar panels on the roof of our Swedish warehouse that supplied 178,267 kWh of electricity for the site during 2022, representing over 43% of total electricity use during the year.

Scope 1 and 2

	2020	2021	2022	Difference
Scope 1 emissions	5.1	8.8	8.9	-75%
Company Cars	5.1	8.8	8.9	
Refrigerant leakage		0	0	
Scope 2 emissions	176.8	40.9	37.5	-79%
Electricity	121.5	2.8	2.7	
Heating	55.3	38.1	34.8	
Total (tonnes CO₂e)	181.9	49.7	46.4	-74%

In order to report our climate data in time we have changed the reporting period for our scope 2 emissions from 1st of January to the 31st of December to the period 1st of December to the 30th of November for 2022 years calculations.

Due to the change to renewable energy during 2021, we managed to reduce our own emissions by 72%, compared to 2020, a great step in the right direction towards our goal of reducing our scope 1 and 2 emissions by 80% by 2025. We are happy to see a further reduction, even if it's a smaller one, for 2022 compared to 2021 by 6.4%, from 49.7 tonnes of CO₂e in 2021 to 46.5 tonnes of CO₂e in 2022. This means we have now reached a total reduction of 74% for scope 1 and 2 emissions compared to our base year.

Our scope 3 emissions

Emissions category	2020	2021	2022	Difference since base year
Tier 2-4: Material and textile production*	47,217	43,876	31,595	-33%
Tier 1: Manufacturing**	9,668	7,315	3,294	-66%
Transports and distribution***	9,843	9,209	7,304	-26%
Packaging****	2,353	3,651	1,836	-22%
BTY by NA-KD	-	610	65	-89%
Rental business model	0.3	0.8	0	-100%
Third party warehouses	949	1,268	946	0,3%
Business travel	531	588	953	80%
Production of energy used within own operations	16	14	14	-14%
Refrikerant leakage	5		8	58%
Total (tonnes CO₂e)	70,582	66,531	46,062	-35%

Top emission materials

	2020		2021		2022	
	tonnes CO ₂ e	share	tonnes CO ₂ e	share	tonnes CO ₂ e	share
Polyester	13,583	29.0%	9,293	21.2%	9,514	30.1%
Viscose	4,852	10.3%	3,607	8.2%	3,276	10.4%
Recycled polyester	768	1.6%	4,396	10.0%	3,027	9.6%
Organic cotton	13,583	9.6%	7,653	17.4%	2,488	7.9%
Cotton	6,058	12.8%	2,830	6.4%	2,182	6.9%
Acrylic	5,101	11.0%	4,093	9.3%	1,959	6.2%
Polyamide	3,244	6.9%	2,449	5.6%	1,940	6.1%
LENZING™ ECOVERO™ Viscose	597	1.3%	2,509	5.7%	1,589	5.0%
Polyurethane	2,512	5.3%	1,944	4.4%	1,490	4.7%
Wool	1,026	2.2%	1,235	2.8%	1,095	3.5%
Elastane	638	1.4%	711	1.6%	672	2.1%

* For tier 2-4, emission factors used are from the Higg Materials Sustainability Index (MSI) database 2022. For further details please see GRI index.

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

***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.

PILLAR 2

Reduce your value chain emissions

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

Material & Textile production

The raw materials and the making of materials and textiles is the biggest source of NA-KD's emissions. In 2022, these emissions decreased from 43,876 tonnes of CO₂e in 2021 to 31,595 tonnes of CO₂e, a decrease of 28%. This is due to a decrease in volumes that comes from a strategic change in our purchasing strategy, where we during the year have focused our procurement on NA-KD's core products and reduced the number of styles. In total we have reduced our emissions for material and textile production by 33% from our base year.

Tier 1 Manufacturing

Emissions from tier 1 manufacturing**, the cut and sew of the products stood for 7% (11%) of total emission in 2022, and reduced to 3,294 tonnes of CO₂e from 7,315 tonnes of CO₂e in 2021. A decrease of more than 55%. This reduction is mainly due to the reduced volumes.

During 2022 we have been able to deepen our collaboration with industry peers through the Swedish Textile Initiative for Climate Action (STICA). Focus has been to engage in the working groups for our main producing countries, Turkey and China. The groups' purpose has been to find collaborative ways to support supply chain partners to reduce climate impact, by encouraging them to switch to renewable energy and increase overall energy efficiency. During the year we have set up shared supplier lists, had common supplier meetings and collaborated with the Turkish organisation TurSEFF (Turkey Sustainable Energy Financing Program) to organise two climate awareness webinars for our tier 1 and tier 2 factories in Turkey. TurSEFF also has a program established to provide financing for Sustainable Energy and Resource Efficiency investments to be implemented by the public and private sectors, where our suppliers can get both technical and financial support for their facilities. Going forward, we will continue to put a lot of effort and energy into supporting our supply chain partners to reduce their climate impact. We strongly believe in working together in the industry to drive this needed change together.

With the support of the Sustainable Apparel Coalition (SAC), we use the Higg Index – a platform of tools for measuring sustainability performance. The Higg Facility Environmental Module (Higg FEM) assesses environmental impacts of production facilities in the most critical areas. In 2022, 59 factories, representing 78% of our spend, assessed their environmental

Produced volume with renewable energy

	2020	2021	2022	2023	2024	2025	2030
Goals	0.6%	1.4%	3%	8%	12%	20%	75%
Actual	0.4%	1.6%	2.7%				

Note: As of the verified Higg FEM reporting in 2022, for 2021, 5 of our producing facilities have solar panels installed and 2 have renewable energy certificates, covering 1.6% of our production volume. Additionally, 2 facilities have shared certificates with NA-KD outside of Higg FEM, making our total volume produced with renewable energy 2.7%.

Higg FEM

	2020	2021	2022	2023	2024
Goals (FEM)	10%	25%	50%	80%	80%
Actual (FEM)	79%	88%	78%		
Goals (vFEM)	pilot	10%	25%	40%	50%
Actual (vFEM)	pilot	15%	11%		

As % of spend.

performance in the Higg FEM, including 35% of new factories. Our next step is to roll out the Higg FEM self-assessment to our supply chain partners in tier 2 and upwards (including fabric manufacturers, laundry and dyeing mills), where we know we have a higher environmental impact in terms of energy, water and chemical usage. Our third party verified FEM score across participating factories was 45.5 out of 100 (51.4 in 2021) – based on combined average scores for energy 73.5 (79), water use 63.7 (69),

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waste water 48 (53), waste management 30.6 (36), air emissions 26.1 (31), chemicals 24.6 (31.6) and environmental management systems 51.7 (59).

Transport progress

In 2022, we managed to lower our transport emissions from 9,209 to 7,304 tonnes of CO₂e, a reduction of 21%. The reduction is partly due to reduced volumes, but also a decrease in inbound air shipments and increase of fossil free deliveries to our customers. Our total transport emissions per sold product decreased with 41% since our base year, from 1.06 kg CO₂e to 0.6. Read below what our actions were to succeed with this achievement.

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

In 2021 we introduced train as an option for transports from China to Europe, but due to the war in Ukraine this has not been an option during 2022. Still, we have managed to decrease our air shipments from China due to better planning and slightly improved lead times on the ocean freight market. We are always aiming to consolidate our shipments, in 2022 the consolidation rate

was reduced compared to 2021 though driven by lower volumes.

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

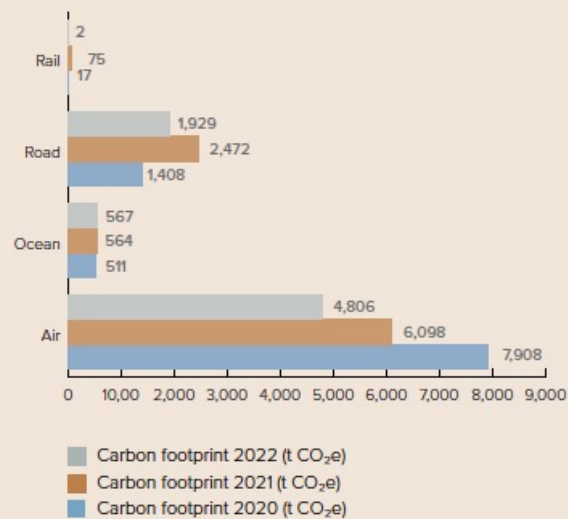
For our customer deliveries, we have introduced fossil free delivery options in several markets. In 2020, we started our collaboration with Budbee, and during 2021 we introduced Instabox in Sweden and Helthjem in Norway. During 2022, we started a collaboration with Paack in the UK, Cyclooon in the Netherlands and Airmee in Sweden as well as launching Budbee in additional countries. Existing fossil free services have also been promoted during 2022, and the share of fossil free deliveries increased from 15 to 21% in 2022. In addition to this we have services where transport is partly fossil free and we are working with our partners to increase this share. We are continuously looking looking to find to find fossil free solutions for additional main markets. Our goal is to offer fossil free deliveries in all our main markets by 2023.

Fossil free deliveries

	2020	2021	2022
Fossil free delivered orders	7%	15%	21%
Kg CO ₂ e / delivery	0.62	0.45	0.54

Note: Fossil free deliveries is based on amount of orders delivered during the year. CO₂e/delivery is based on total last mile emissions divided by the number of deliveries during the same year.

Emissions per transport mode* (t CO₂e)

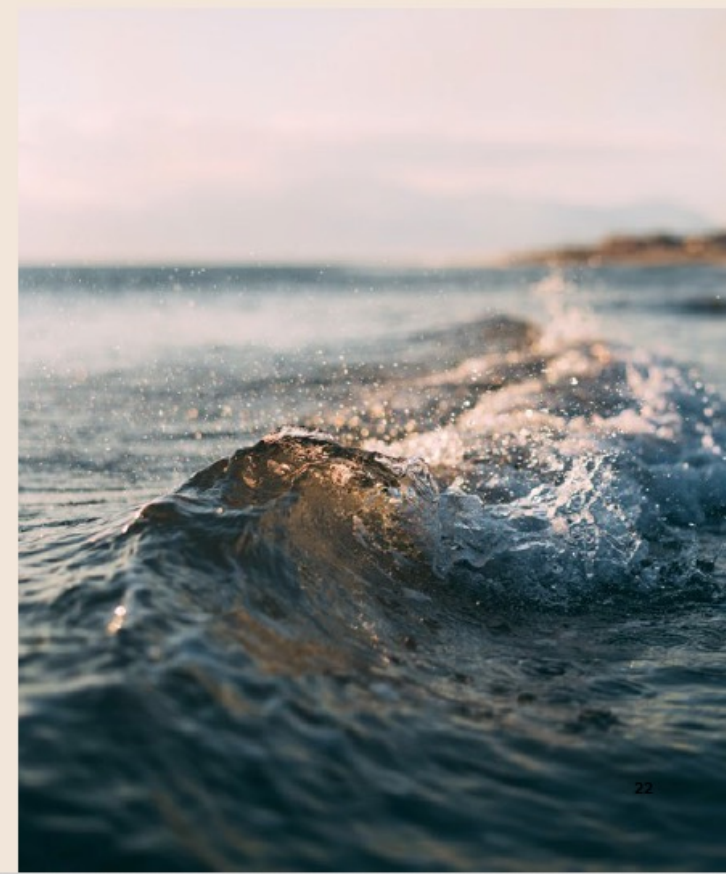


* Air transport emissions using RFI 2.7 is equal to 4,806 tonnes CO₂e (STICA standard). Using RFI 1, the air transport emissions were 1,780 tonnes CO₂e.

Note: All transport emissions are calculated using a "well-to-wheel" analysis.

Our total transport emissions

	2020 (t CO ₂ e)	2021 (t CO ₂ e)	2022 (t CO ₂ e)
From suppliers to warehouse	6,604	5,907	3,541
whereof samples		215	4
From warehouse to customers	2,579	2,114	2,237
Returns	660	617	707
Between warehouses	0	356	814
Total	9,843	9,209	7,304



PILLAR 3

Integrate climate in business strategy

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

To integrate climate action into our business strategy, our objective to reduce climate impact with 50% per product (& service) sold by 2025

compared to 2020 is one of the key targets in our strategy, and an estimated result is followed up on a quarterly basis in the Executive Management team since the end of Q3 2021. Our absolute emissions are also followed closely annually.

During 2022, we have created our Climate action roadmap, in close collaboration between the sustainability, purchasing and logistic departments, our financial department and

our CEO. This to make sure the climate action roadmap is fully aligned with our financial goals and integrated in our overall business strategy.

The launch of NA-KD Circle in April 2021, our fully integrated marketplace enabling customers to sell and buy pre-loved NA-KD items, is one step towards a circular model. The emissions from buying an item on NA-KD Circle is on average 2.6 kg CO₂e less than buying the same item as new.

partners to make a change. We're proud to be teaming up with our industry peers by joining the Swedish Textile Initiative for Climate Action (STICA) since the beginning of 2021. By doing so, we hope to better influence our supply chain partners to improve their environmental performance. STICA's aim is to support apparel and textile companies, as well as the entire Nordic apparel and textile industry, to reduce its climate impacts in line with the 1.5 degree pathway while strengthening its global competitiveness. Ultimately, STICA's aim is to ensure Sweden and the Nordic region do more than their share well before 2050.

Through collaboration with STICA, NA-KD contributed to the Sustainable Fashion Academy's position paper in November 2022 on the forthcoming EU Due diligence directive, to impact policy makers to make the Paris Agreement a mandatory amendment in the directive.

To drive climate action in society and influence policy makers, NA-KD was part of 200+ companies calling on #G20 leaders to halve emissions by 2030 and to end support for coal power in the pivotal moment ahead of #COP26 through the We Mean Business Coalition. We were also a part of the WeCanDoIT campaign together with 600 other business leaders, entrepreneurs, investors and influencers, representing about 100 billion USD in turnover.

PILLAR 4

Influence climate action in society

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



As a relatively small brand that often creates small collections, we don't always have the leverage we need to get our supply chain

NA-KD Climate Report 2022

About this document

This document is an extract from NA-KDs upcoming Sustainability Report for 2022. The report is made with reference to the GRI Standards and cover the full year 2022. The report has not been third party verified.

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 2022 and data gathered covers this year for all product categories and business operations, unless otherwise stated.

Further information on NA-KDs sustainability progress for 2022 will be communicated as part of our Sustainability Report, which will be published during late spring/early summer 2023.

Contact information: press@na-kd.com



Extract from NA-KDs GRI index for relevant indicators

GRI STANDARD	DISCLOSURE	LOCATION	NOTES
GRI 2: General Disclosures 2021	2-4 Restatements of information	see notes	The emissions for our scope 2 for the electricity and heating for 2020 are updated and slightly different from what was reported last year, 193 ton CO ₂ e instead of 177 ton CO ₂ e. Emissions from polyamide used in 2020 has also been updated as the wrong emission factor was used. This increased the emissions for 2020 by approximately 1,240 tons of CO ₂ e. The heating in one third-party warehouse has been updated for 2021, leading to an increase of 500 tons of CO ₂ e. Additionally, the emissions on flights has been adjusted which means that the emissions from business travel increased by approximately 280 tons of CO ₂ e for 2021. There are no other restatements of information.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p.2	5% of emissions in scope 1 & 2 comes from estimates. The emission factors used in the calculations come from the Swedish Transport Administration (Trafikverket). Calculations include CO ₂ emissions.
	305-2 Energy indirect (Scope 2) GHG emissions	p.2	The emission factors used in the calculations come from the Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Estimates for energy consumption for different facility types are from the Swedish Energy Agency. Calculations include CO ₂ emissions.
	305-3 Other indirect (Scope 3) GHG emissions	p.2-4	The calculations are based on 95% actual data and 5% estimates. Emission factors for all fuel and energy related activities are from the Swedish Transport Administration (Trafikverket), The Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Emission factors for business travel come from ICAO Carbon Calculator (adjusted for RFI 2.7), Trafikverket, Hertz Sustainability report 2019, the report "Branschläget 2018" by Svenska Taxiförbundet, NTM, and "Travel and climate, Methodology Report. Version 2.0," by Larsson & Kamb (2019). Our accredited transport emission calculations are done according to the GLEC framework. All specific emission factors can be found within the GLEC framework. For air transport, emission factors used are based on the ICAO/IATA methodology, which differs for regional, continental and intercontinental air transports. For ocean transport, emission factors are used from the CWGC framework, which corrects for worldwide container trade lanes. For road transport, GLEC default values are used which are primarily based on HBEFA, NTM, UK BEIS, Base Carbon and Smartway USA. Emission factors for road shipments are partly modelled based on payload, if so, this is done according to the CLECAT methodology. For rail GLEC default values are used. All emission factors are updated yearly. The used GLEC update is from February 2021. All scope 3 calculations include CO ₂ emissions.
	305-4 GHG emissions intensity	p.2	Including scope 1, 2, and 3 emissions. Calculations include CO ₂ emissions.
	305-5 Reduction of GHG emissions	p.2	Calculations include CO ₂ emissions.