

sustainability  
report  
2019

**N A - K D**

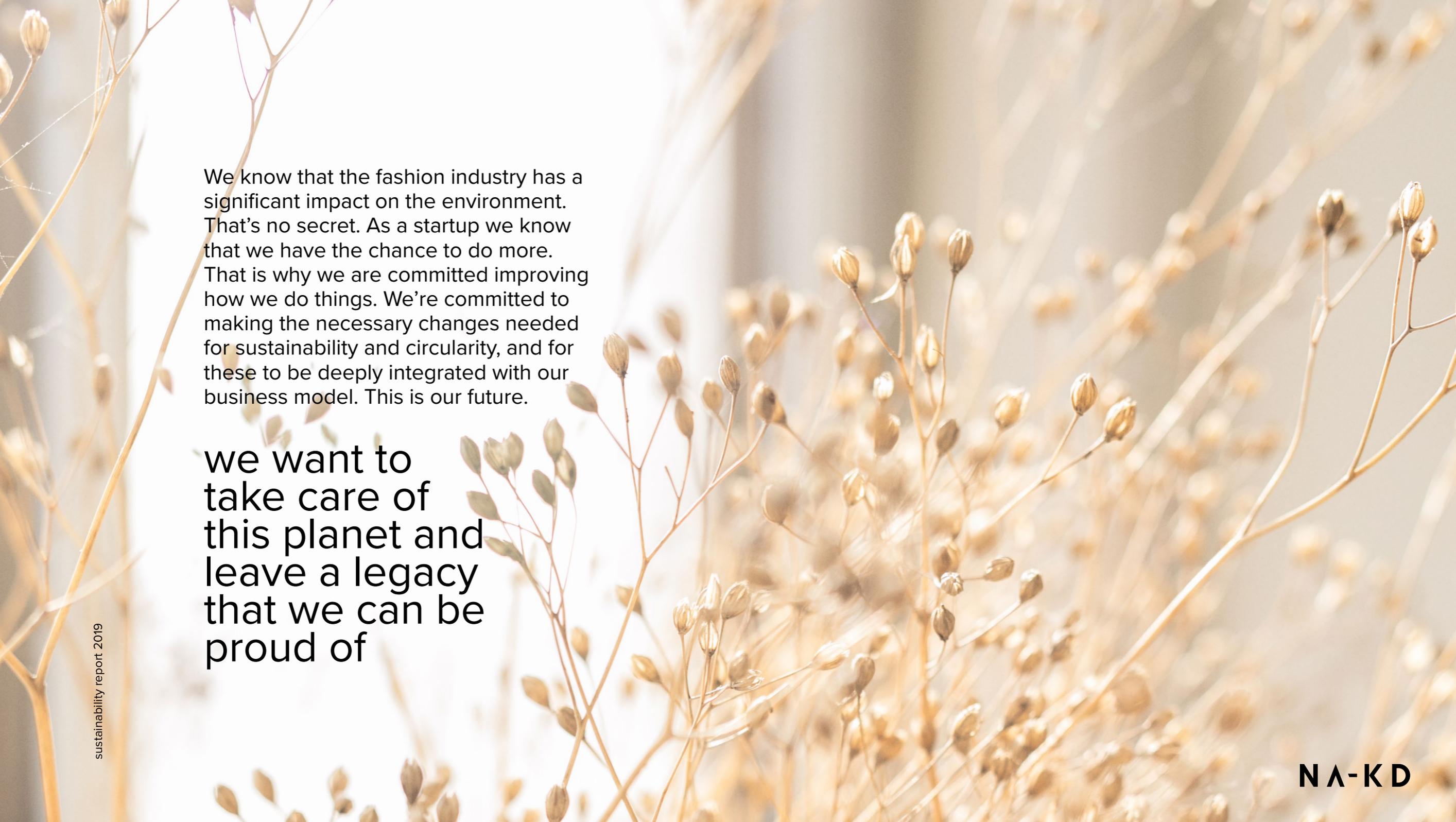


NA-KD.com launched in January 2016 and is one of the fastest growing fashion e-commerce brands in Europe.

The website has monthly over 10 million visitors and the brand is one of the fastest growing in social media with over 2.5 million followers.

NA-KD.com ships to more than 100 countries every month, the majority of sales coming from NA-KD in-house brands such as 'NA-KD Trend' and 'NA-KD Boho'.

The brand NA-KD is also represented by over 600 retailers across the globe and is listed on marketplaces such as Zalando and ASOS.



We know that the fashion industry has a significant impact on the environment. That's no secret. As a startup we know that we have the chance to do more. That is why we are committed improving how we do things. We're committed to making the necessary changes needed for sustainability and circularity, and for these to be deeply integrated with our business model. This is our future.

we want to  
take care of  
this planet and  
leave a legacy  
that we can be  
proud of

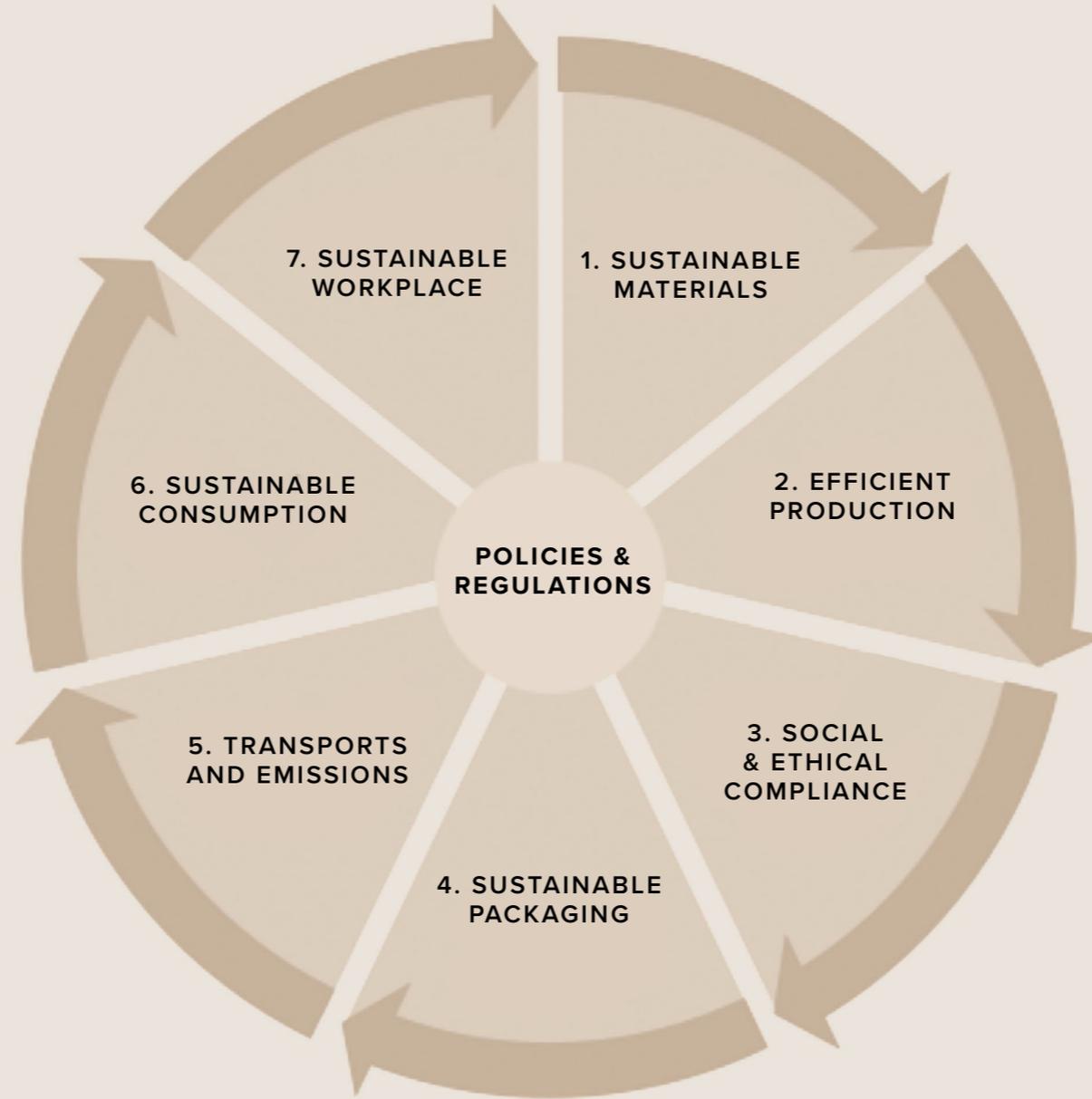
## sustainability at NA-KD

Clothing has complex supply chains that makes it difficult to account for all of the emissions that come from producing a pair of trousers or a new coat. Then there is the way that clothing is transported, and the way it is disposed of when the consumer no longer wants it.

To address all the negative impacts of our value chain, and integrate sustainability in every part of our business we've identified seven key areas of focus. These commitments allow us to make sure we are on the right path towards sustainability and help us to break down the overall goal into initiatives for our teams.

At NA-KD the work with sustainability is driven by our CSR department, and implemented with the support of different business areas, including purchasing, operations, finance, marketing and HR. The work is reviewed quarterly by the management team and the Company Board.

/ sustainability at NA-KD  
**NA-KD sustainability  
framework**



/ sustainability at NA-KD

## NA-KD policies, sustainability and risks

At the center of this framework, and the foundation of our sustainability work, lie our policies and regulations that govern our own and our partner's decisions and actions. These policies span over several areas, and are essential to help us manage the different risks across our business, primarily:

### **A. Regulatory**

arising from the laws and regulations in force in the different countries where we conduct our business;

### **B. Operations**

risks in the supply chain ranging from manufacturing all the way to the distribution of clothing and apparel to the end-customer;

### **C. Human resource**

risks that arise out of dependence on key personnel, identifying and retaining talent, as well as in maintaining an appropriate work environment;

### **D. Reputation**

risks which have direct impact on the way NA-KD is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

/ sustainability at NA-KD

## NA-KD policies, sustainability and risks

### CORRESPONDS TO SUSTAINABLE AREA

1. Sustainable materials
2. Sustainable production
3. Social & ethical compliance
4. Sustainable packaging
5. Transport and emissions
6. Sustainable consumption
7. Sustainable workplace

### RISK IMPACT

- A. Regulatory
- B. Operations
- C. Human resource
- D. Reputation

NA-KD policy impact	corresponds to sustainability area	risk impact
Code of conduct	2, 3	A, C, D
Animal welfare policy	1	D
Environmental policy	1, 2, 3	A, C, D
Restricted substance list	1, 2, 3	A, C, D
Anti bribery policy	3	A, D
Conflict of interest policy	3	A
Data protection policy	NA	A
Whistleblowing policy	3	A, B, C, D
Anti Money Laundering and Counter Terrorism Financing Policy	NA	A
Human resource related policies: - pension policy - alcohol and drugs - equal treatment - work environment	8	C

/ sustainability at NA-KD  
sustainable materials



At the beginning of 2020, we announced our ambition that by 2025 all our materials will be sustainable. By that we mean that our garments will be made from sustainable cotton (organic, BCI or recycled), sustainable natural fibres (cellulosic or linen) and recycled polyester.

We track and are constantly increasing the amount of natural fibres (such as viscose or tencel), ecologic cotton or recycled polyester in our garments. We push the bar in terms of sustainable materials through our NA-KD Reborn collections and influencer collaborations. NA-KD Reborn is a 100% sustainable collection where everything, from trims to the polybags that the clothes are packed in, are either recycled or non-harmful to the climate. By March 2020 more than 20 producers hold valid certificates required for production of NA-KD Reborn products.

/ sustainability at NA-KD

## sustainable materials

The chemical requirements stated in the NA-KD Restricted substances List (RSL) apply to all NA-KD products and materials, including fabrics, garments, trims, accessories and packaging, and all NA-KD orders must comply with the minimum standards. The NA-KD RSL is developed together with TÜV Rheinland, and is stricter than EU REACH legislation. NA-KD does not accept any of its products to contain restricted or prohibited substances, in accordance with local and international regulations. This is agreed in the purchase agreement signed by all suppliers.

We are also part of the Fur Free Retailer program as our production is 100% fur-free. The program is the world's leading program to connect fur-free companies to consumers seeking ethical goods. The online Fur Free Retailer list provides consumers accurate information about a retailer's fur policy, allowing them to make an informed choice when shopping. The program specifically aims to encourage companies to go fur-free and further the spirit of ethical consumerism.

/ sustainability at NA-KD

## efficient production

NA-KD is committed to reduce the environmental impact from its production. To ensure an efficient and sustainable production we are members of the Sustainable Apparel Coalition (SAC). Through SAC we use the HIGG Index to measure our products and supplier's sustainability performance.

Continuous improvements to reduce environmental impact is an integral part of the day-to-day work at NA-KD and for its partners. This we do through The Higg Facility Environmental Module (FEM), the module is designed to:

- Measure and quantify the sustainability impacts of a facility
- Reduce redundancy in measuring and reporting sustainability performance
- Drive business value through reducing risk and uncovering inefficiencies
- Create a common means and language to communicate sustainability to stakeholders



/ sustainability at NA-KD

## efficient production

Through the Higg index we provide our suppliers with an Environmental Management System (EMS) that forms the basis for creating a process to identify, track and manage the environmental impacts of a facility over time. Higg index focuses on six areas of sustainability in our production:

1. Energy Consumption
2. Water
3. Biodiversity
4. Local & Accidental Pollution
5. Chemicals
6. Waste handling

The FEM enables rapid learning through identification of sustainability hot spots, existing level of performance, and improvement opportunities. This is thanks to the online information provided in each of the categories described above, as well as through the close follow-up we perform

on all reported results. Benchmarking results between factories inspires them to take on more sustainable initiatives, and to become more aware of their own factory's impact on the environment.

Within less than a year since becoming a member, we have introduced over 60 production facilities to the Higg Index and encouraged them to conduct a self-assessment of their environmental impacts using the module. In 2019, the first year we were members of SAC, the organisation set the target that 1-10% of our supplier base should perform the module. We succeeded by having 10% completing it. For 2020, the second year of SAC membership, the target according to SAC is 50%, we will have more than 80%!

/ sustainability at NA-KD

## social & ethical compliance

We are active members of Amfori, an association aimed at improving social conditions in global supply chains. We work according to their framework, together with our suppliers, to ensure that all of the manufacturing parties we are working with agree to the principles and values we stand behind, and strive to implement in our supply chain.

BSCI Code of Conduct (CoC) is at the center of our work with social and ethical production. The CoC is added to our purchase agreement and all parties working with NA-KD need to sign it. The code consists of 11 principles and draws on international labour standards protecting workers' rights such as International Labour Organization (ILO) conventions and declarations, the United Nations (UN) Guiding Principles on Business and Human Rights as well as

guidelines for multinational enterprises of the Organization for Economic Co-operation and Development (OECD):

- The Rights of Freedom of Association and Collective Bargaining
- Fair Remuneration
- Occupational Health and Safety
- Special Protection for Young Workers
- No Bonded Labour
- Ethical Business Behaviour - no corruption, extortion, embezzlement or bribery.
- No Discrimination
- Decent Working Hours
- No Child Labour
- No Precarious Employment
- Protection of the Environment



/ sustainability at NA-KD  
**social & ethical  
compliance**

Having the producers registered is a part of our onboarding, within 6 months from signing our purchase agreement the factory should be registered. This has resulted in us having 88% of our current factories active on the platform.

Apart from registering and taking part of the online training provided on the platform, we are also requesting that our producers acquire a BSCI-certified social audit. The audit is designed to assess all areas within the CoC. The audits are performed by a certified auditor, who gathers information, via documentation and interviews, for each of the performance areas.

To rate ethical business behavior the auditor evaluates (amongst other topics) whether the auditee can identify situations and activities where acts of corruption, extortion or bribery are most likely to occur in its business. The auditee must show in what way they are preventing corruption (e.g. through trainings of workers about the benefits of a work environment free of corruption), actively reward workers and

management's honest behaviour and how they take measures to prevent and fight any act of corruption.

The overall rating of an Amfori BSCI audit reflects the extent to which the auditee has integrated the amfori BSCI Code of Conduct into its daily business culture and operations. The rating is generated from the score in each performance area, A-E, where E is unacceptable.

Our aim is that all of our suppliers should complete a social audit within 6 months from signing the contract with NA-KD, and that all performed audits should have a C rating or higher. As our base of suppliers is constantly growing we still have a way to go here. In order to achieve the right balance of audit quality, and follow-up remediation work, NA-KD relies on a combination of BSCI audits and internal audits. 56% of our suppliers have a valid BSCI audit, 34% is planning for their first, and the remaining 10% holds an SMETA or equivalent audit.

## sustainable packaging

There are numerous ways packaging can be made more sustainable through substantially reducing environmental impact and the overall ecological footprint. Sustainable packaging complex, and there is no single clear solution. Different materials have different pros and cons, and a number of aspects need to be considered:

- How the material is grown or developed
- Energy, resource and pollution from manufacturing
- Ability to use recycled content
- End-of-life, ability and likelihood of being recycled or disposed of properly
- Impact on transport emissions

We are constantly considering these factors to evaluate the different sources of packaging in our business. Our main types of packaging are:

- Boxes used from production to warehouse
- Protective bags around individual items
- Shipping bags and/or cardboard boxes for customer deliveries and returns
- Pallets
- Other packaging materials

At NA-KD our cardboard boxes are made out of FSC certified paper. The FSC-certified material and the FSC label gives our consumers an assurance that we have chosen to source responsibly.

## sustainable packaging

In 2019 NA-KD switched from virgin plastic to 50% post-consumer recycled plastic. In 2020 all bags will be made of 100% recycled content, keeping plastic from being incinerated or being sent to landfill. Compared to virgin material bags, up to 40% of CO2 emissions per kilogram of product is saved.

All plastic packaging for NA-KD Reborn products is made from 100% recycled plastic with an added Biodegradable Organic Polymer (BDP™). It attracts microbes and allows them to consume the plastic in the same way they would organic matter. This means that the BDP ensures that the plastic doesn't cause microplastics. If thrown in landfill the

leftovers will eventually become the same as for organic waste - compost waste, water and bio gas. This essentially speeds up a process that would happen naturally. Our long-term goal is to use BDP in all our plastic packaging.

We reduce the need for pallets whenever we can, and use roll cages instead when possible. When we cannot omit the usage of pallets, we use pallets in a closed-loop system where they are used multiple times.

NA-KD is also a paying member of country-specific organisations that coordinate recycling, such as Der Grüne Punkt in Germany and FTI in Sweden.

/ sustainability at NA-KD

## transports and emissions

After production, one of the biggest negative environmental impacts of the fashion industry originates from transportation. Research shows that emissions from a typical online purchase and delivery is lower than an equivalent purchased in a physical store to which most people take their car.

We cannot avoid the need for transportation, but we can make sure that when we do, the transportation is efficient and 100% climate neutral.

We have teamed up with Tricorona Climate Partner to ensure that all of NA-KDs inbound and outbound transports are balanced with climate positive projects. Together with

several non-governmental organizations such as Greenpeace and World Wildlife Foundation Tricorona identifies and establishes Gold Standard™ climate projects around the world. We are currently supporting a windmill project in Hindustan, India. Read more about the project and Tricorona here: <https://www.tricorona.se/projekt>

Our global forwarding partner Flexport is working on efficient transportation by consolidating all shipments smaller than the equivalent of a standard 20' shipping container into grouped shipments. This way we decrease the number of shipments required, and also make sure that each container and truck is utilized to its fullest.

/ sustainability at NA-KD

## sustainable consumption

Counterproductive to our business model, the best thing one can do for the environment when it comes to sustainable consumption is to consume less. But as our brand implies, who wants to live their lives naked? To put less strain on our planet we need to increase the number of times a garment is worn. The average number of times a piece of clothing is worn decreased by 36% between 2000 and 2015 according to the European Parliamentary Research Service.

NA-KD is working actively to increase the number of times that an item can be used by extending its lifetime by caring for it better and also by making our business circular.

To help our customers to a sustainable consumption behavior we are offering clever care advice. This we do through our license agreement with Ginetex and their Clevercare guide for all of our products. The Clevercare symbol was developed by Ginetex to encourage customers to take care of their clothing in a more environmentally conscious way. Taking care of your garment in the correct way will extend its life significantly. Some easy ways to do so are washing clothing only when necessary, using the correct washing programme, avoiding dry cleaning and tumbling etc. Next time you are about to wash your clothes, screen them and hang them outside to ventilate if there are no visible stains, and for the dirty ones read the care label thoroughly.



NA-KD

/ sustainability at NA-KD  
sustainable  
consumption



## NA-KD Circle

Our largest commitment to sustainable consumption is NA-KD Circle, our very own circular marketplace. It connects NA-KD fans all over the globe to buy and sell pre-loved items. Not only is NA-KD Circle engaging with our cost-conscious customers, it also increases awareness of sustainability in our core target group. NA-KD circle will be an integrated part of our website, displaying products in the same way, with garments clearly marked as a pre-loved, and price dependent on the condition of the garment. The item will be sent from one NA-KD customer to another without our involvement, we will only facilitate the customer-to-customer sales opportunity.

## sustainable workplace

Although the highest potential positive impact from our sustainability lies within our supply chain and through working with external vendors, creating a sustainable workplace within NA-KD itself is important in the creation of a sustainable business, and in driving positive and long-term impact. A healthy working place at NA-KD is built upon our internal Human Resource-related policies for Work Environment, Equal Treatment and Alcohol and Drugs. In addition to these different policies, there is also an action plan for Victimization and Harassment. The purpose of our work environment management is to create a physically and mentally healthy workplace for all employees, where risks of occupational injuries and work-related ill health are prevented, and where there is compliance with the appropriate laws and regulations in the field of health and safety.

To ensure that all employees have knowledge of our policies and action plan, there is an employee information site which is integrated in our onboarding process. Each manager is responsible for following up to ensure that the information therein has been read and understood, and for clarifying roles and responsibilities in the event of situations not in line with our policies.

## sustainable workplace

We are constantly trying to foresee risks, and to prevent them from happening through systematic work. A process for reporting risks covering both the physical as well as the psychosocial environment, including monitoring and follow up has been created. To measure and follow up on our employees' wellbeing, we use a tool called Winningtemp. The tool gives the employees the possibility to anonymously answer questions every week, in various topics such as leadership, workload and the overall job satisfaction etc. It also gives us as employer the insight to identify focus areas. This has resulted in less absence

due to sickness, and during 2019 it was only 2,9%.

Apart from having policies and action plans for the people already onboard, we are actively working on diversity when recruiting. As our business is global we are dependent on competences and experiences from all over the world and backgrounds. This approach means that we have over 30 different nationalities are working at NA-KD, 59% of our managers are female, and the age range varies from our youngest interns at 15 to our oldest and co-founder who is 61 years old.

# NA-KD

*The content of this report refers to the Nakdcom Group where Nakdcom One World AB, org.no. 556971-2002, is the Parent Company. The Parent Company prepares consolidated financial statements for the Group. The Sustainability Report has been prepared for the group and forms part of the Board of Directors' Report in the Annual Report 2019 and has been prepared in accordance with the requirements of the Annual Accounts Act. The report refers to the financial year 2019 and the data collected is based on figures for the same time period, unless otherwise stated. The presented key figures in the report refer only to the Parent Company since no operational activities are conducted in the subsidiaries Odd Fashion of Sweden AB, Nakdcom AB, Nakdcom Australia Pty Ltd and Nakdcom PL Sp zoo.*