

NA-KD

Climate report 2023



Climate Action

At NA-KD, we recognize the fashion industry's substantial impact on climate and nature. We understand the interconnectedness of climate change, resource use, biodiversity, water scarcity, human rights and livelihoods. Our commitment is to address climate change, striving to protect and conserve biodiversity, clean water supply, ecosystems, and natural habitats affected by our operations.



Policies

In NA-KD's **Environmental Policy**, we state our commitment to address environmental challenges. This includes avoiding adverse impacts, promoting biodiversity, ensuring sustainable resource use, controlling pollution, and practicing responsible water stewardship that respects the needs of local communities. We strive for sustainable consumption and production through circular business practices, contributing to climate change mitigation and adaptation with a science-based approach supporting the 1.5-degree pathway. Our measures encompass reducing emissions from materials, volume reduction, optimizing transportation logistics, and supporting business partners in adopting energy efficiency and renewable energy. We aim to build a resilient business with a focus on climate adaptation, collaborating with suppliers to enhance climate resilience. We actively measure, monitor, and work towards reducing emissions across our value chain.

In NA-KD's **Code of Conduct**, we have outlined our dedication for the climate and our work towards minimizing our product's life cycle environmental impacts such as resource use, emissions, negative impacts on water and waste while moving towards a circular economy. This includes striving to reduce, reuse, repair, repurpose and recycle all materials that we use at NA-KD. We aim to choose recycled or reused alternatives when we make purchases, and increase our share of organic and recycled materials or other lower impact materials in our products. Reducing our carbon footprint across our value chain and shifting towards circularity are of utmost importance to us.

Material impacts, risks and opportunities

Environmental **risks** to our business, value chain, communities, and the planet include depletion of natural resources, climate change, biodiversity loss, land use change, water impacts, and changing consumption patterns. Many environmental risks are closely connected to human rights risks, such as land rights and livelihoods, the right to access clean water, and the impact of climate change on communities with inequitable access to resources or finance. More on this can be read on our Salient Environmental Impacts document [here](#).

NA-KD's main **impacts** on climate and nature is in the supply chain, particularly in fabric manufacturing and processes like dyeing and washing, which are often energy- and water-intensive. More on this can be read on our Salient Environmental Impacts document [here](#). These processes account for approximately 80% of our greenhouse gas emissions and it's also where the industry has their biggest challenge regarding water pollution. The fashion and textile industry contribute significantly to global greenhouse gas emissions, with production, transport, use, and disposal of textile products generating substantial emissions that contribute to global warming.

It is important to consider how our products impact the environment throughout their life cycle. We have identified risks in various areas, such as getting raw materials, manufacturing, transportation, and changes in what customers want. More information about the risks related to climate change are on page 54 of this report.

Simultaneously, new EU climate legislation and garment emission taxes may raise production costs with renewable energy or lead to higher import prices due to taxes. This dual challenge could be both a risk and an opportunity, contingent on our capacity to transition from fossil fuels in our supply chain. We also face risks from extreme weather events that may disrupt distribution and production in specific countries. Additionally, changing customer attitudes and preferences, such as a heightened demand for low climate impact products and services, pose a risk that necessitates our adaptability to these evolving market dynamics.

Our customer-centric **opportunities** involve offering circular business models, low-impact products, and transparent communication on environmental and climate impact for informed choices. Choosing second-hand items has, on average, a 70 times lower impact than buying new, according to EuRIC. Our efforts to enhance material sourcing and adopt circular business models align with our climate, water, biodiversity, and chemicals goals. As a relatively small brand with limited leverage, collaboration with industry peers becomes a strategic opportunity.

By working collectively through initiatives like the Scandinavian Textile Initiative for Climate Action (STICA), we aim to influence our supply chain partners positively. STICA's aim is to support apparel and textile

companies to reduce its climate impacts in line with the 1.5 degree pathway while strengthening its global competitiveness. This collaborative effort allows us to support partners in transitioning to low-carbon production through energy efficiency and renewable energy adoption.

We also have an opportunity to partner on projects that introduce regenerative practices in agriculture, fostering plant diversity, restoring soil health, and promoting biodiversity, like the Better Cotton Initiative or by using certified organic cotton.

70 times

lower is the average impact of choosing second-hand items compared to buying new, according to EuRIC.

Strategy

To keep global warming below 1.5 degrees, in line with the Paris Agreement, we have an ambitious plan. Our goal is to reduce absolute climate emissions by 50% by 2030 across our value chain. To achieve this, we have developed a [climate action roadmap](#) where we ultimately need to reduce our overall resource use. This, by creating products our customers want, made with lower-impact materials and processes and increase our circular business models.

To integrate climate action into our business strategy, an estimated result of our objective to reduce climate impact with 50% per product (£ service) sold by 2025, is followed up on a quarterly basis in the companies OKRs. Annual absolute emissions are closely monitored and transparently shared with all employees, promoting accountability and awareness.

"We need to make more money for every piece we produce and every CO₂e that we use."

Our objective

Reduce our absolute emissions across our value chain in line with the Paris Agreement.

Targets

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

2021 2022 2023

-73	-74	8.9
-28	-48	-42
-6	-36	-55
3	3	16
15	21	26
-7	-33	-58

Transition plan for climate change mitigation

The baseline period for our transition plan corresponds to the full year of 2020 and the transition plan for reducing the carbon footprint extends to the year 2030. In 2021, we did our first climate audit for FY2020, where we identified our system boundaries and scopes according to the GHG-protocol.

During 2022, we 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 that our climate action roadmap is fully aligned with our financial goals and integrated in our overall business strategy. The transition plan was approved by the CEO. We had two important goals to consider when creating our climate action roadmap: our financial goal and our emission reduction goal. Looking at different growth and emission reduction scenarios it became clear that we need to decouple growth from volume if we are to reach our goals. There are four important parameters for this roadmap: increase our full-price sell-through rate, lower our emissions in the production of new products, increase revenue from circular business models, and decrease our overproduction.

Please see an overview of the climate action roadmap [here](#). Read more on the next page for a description for each scope, decarbonisation levers, key actions and our progress.

Decarbonization levers, actions and results

In 2023, we achieved a 55% reduction in absolute emissions from our 2020 base year, maintaining revenue compared to the same base year, with significantly reduced purchasing volumes. Our emissions per product sold increased slightly from 4 CO₂e in 2022 to 4.4 CO₂e in 2023 due to a small decrease in sales, but nearly reaching our 50% reduction target for 2025, with a total decrease of 42% since 2020. By reducing our production volume, we significantly lowered our carbon footprint.

This reduced emissions from materials, manufacturing (tier 1 production), and transportation (inbound shipping). We used the Greenhouse Gas (GHG) Protocol to calculate our 2023 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

Total Emissions	2020 base year	2022	2023	Difference since base year	
				Absolutes	Percentage
Total Scope 1 CO ₂ e emissions (tonnes)	10	8,9	10	0	0%
Total Scope 2 CO ₂ e emissions (tonnes)*	177	38	194	17	10%
Total Scope 3 CO ₂ e emissions (tonnes)	70,048	45,682	31,945	38,103	-54%
Total CO ₂ e emissions (tonnes)**	70,764	45,729	32,149	38,615	-55%
CO ₂ e per product (£.service) sold (kg)	7,6	4,0	4,4	3,2	-42%

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

Scope 1 and 2

Our own emissions

In scope 1 and 2 we have our own emissions. These stand for less than 0.1% of our total emissions and include our company cars where our goal is to replace petrol and diesel cars with fossil-free alternatives. For company operated facilities our goal is to change to renewable electricity and heating sources in all of our own facilities. Our emissions in scope 2 have increased due to our new warehouse in the Netherlands, where we are yet to install solar panels.

Decarbonisation levers and key actions

1. Replace company cars to fossil free alternatives:
 - 0 out of 1 company car are fossil free, decreased amount of company cars from 3 to 1.
2. Switch to renewable energy for all our facilities:
 - The solar panels on our Swedish warehouse roof supplied over 38% of its electricity needs in 2023, totaling 173,148 kWh.

Scope 1 and 2	2020 base year	2022	2023	Difference since base year
Scope 1 emissions	10	8,9	10	0%
Company cars	5,1	8,9	10	96%
Refrigerant leakage	5	0	0	100%
Scope 2 emissions	176,8	37,5	194	10%
Electricity	121,5	2,7	160	32%
Heating	55,3	34,8	34	-39%
Total (tonnes CO ₂ e)	181,9	46,4	204	12%

* 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.

Scope 3

In scope 3 we have our value chain emissions. These stand for the main part of our total emissions, over 99%, where raw materials and the production of materials is the biggest source of NA-KD's emissions. This chapter is structured into different sub-areas, such as production (tier 1, tier 2-4, packaging materials), shipping (inbound, outbound, samples and internal transfers, returns), circular business models and business travel.

Our scope 3 emissions

Emissions category	2020 base year	2022	2023	Difference since base year
Tier 2-4: Material and textile production*	47,217	31,595	19,683	-58%
Tier 1: Manufacturing**	9,668	3,294	2,845	-71%
Transports and distribution***	9,843	7,304	6,873	-30%
Packaging****	2,353	1,504	1,122	-52%
BTY by NA-KD	-	65	0	-100%
Rental business model	0,3	0	0	-100%
Third party warehouses	949	946	636	-33%
Business travel	531	953	727	37%
Production of energy used within own operations	16	14	45	181%
Refrigerant leakage	5	8	7	39%
Total (ton CO ₂ e)	70,582	46,062	31,945	-55%

Production, tier 1

For tier 1 we aim to reduce our emissions with three different actions. The first one is to change the location of the production to countries with grids with lower emissions with the goal of 75% of the production. The second one is to support our tier 1 facilities to change to renewable energy. Our goal is that 75% of our volume in tier 1 production will be produced with renewable energy 2030. The third action is to reduce our volumes, which will reduce the virgin production and the emissions connected.

Decarbonisation levers and key actions

- Change production locations to low emission grid locations:
 - In 2023, 36% of our production was in low emission grid locations.
- Enable and support factories to switch to renewable energy:
 - Through the Swedish Textile Initiative for Climate Action (STICA), we have together with our industry peers, invited suppliers and performed webinars to increase climate awareness for tier 1 and tier 2 factories with the purpose to encourage our supply chain partners to start their climate journey, set reduction targets and build their own climate action roadmaps. The first webinar included a climate change awareness session, which had a focus on risk and opportunities within fashion and textile supply chains. The second webinar focused on Environmental

Management Systems and Energy efficiency solutions and the third one was focusing on different renewable energy solutions. The webinars were held for suppliers in both Turkey, China and India, with country specific risk and opportunities and renewable energy solutions.

- In 2023, 9 of our tier 1 factories used renewable energy, either through solar panels or IRECs.
- Reduce our volumes:
 - We reduced our purchasing volume with 22% in 2023 compared to 2022.
 - In 2023, tier 1 manufacturing** emissions accounted for 8.9% (7%) of the total, decreasing by over 14% (55%) to 2,845, tonnes of CO₂e from 3,294 tonnes in 2022, primarily due to reduced volumes.

Produced volume with renewable energy in Tier 1	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Target:											
Produced volume with RE in tier 1	0.63	1.35	3	8	12	20	30	40	50	60	75%
Actual in %	4	3	3	16							

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 14% 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%

*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.

Production, Tier 2-4

For tier 2-4 we aim to reduce our emissions with three different actions. The first one is to reduce our volumes. This will give the highest reduction in emissions. The second one is to use a higher amount of low impact fibers and solution-dyed fibers. The third one is to increase the use of renewable energy in our tier 2 facilities, i.e. the fabric mills. The goal is to have 26% of the volume made with renewable energy by 2030.

Decarbonisation levers and key actions

1. Reduce our volumes:

- In 2023, we reduced our purchasing volumes from 2541 tonnes to 1613 tonnes, corresponding to a 37% reduction in weight and 37% reduction in emissions compared to 2022. This reduction is attributed to a strategic change in our purchasing strategy, emphasizing core products and reducing the number of styles by 44.4%.

2. Increase the share of lower impact materials in all our products:

- In 2023, we increased our share of lower impact materials from 31% to 38%.

3. Increase use of renewable energy in tier 2 facilities:

- In 2023, we started to map out our tier 2 facilities. By the end of the year we had identified 192 mills that we work with, and will continue with this mapping throughout 2024.

Top emission materials tonnes (t CO₂e)

Emissions category	2020 base year		2022		2023	
	share	share	share	share	share	share
Polyester	13,583	29.0%	9514	30.1%	4,838	25.0%
Recycled polyester	768	1.6%	3027	9.6%	3,169	16.0%
Viscose	4,852	10.3%	3,276	10.4%	2,056	10.0%
Acrylic	5,101	11.0%	1959	6.2%	2001	10.2%
Cotton	6,058	12.8%	2,182	6.9%	1,388	7.1%
Lenzing Ecovero Viscose	597	1.3%	1589	5.0%	1,250	6.4%
Polyamide	3,244	6.9%	1,940	6.1%	1,177	6.0%
Wool	1,026	2.2%	1,095	3.5%	937	4.8%
Organic cotton	13,583	9.6%	2,488	7.9%	902	4.6%
Polyurethane	2,512	5.3%	1,490	4.7%	416	2.1%

Production, Packaging materials

For packaging our focus is to change virgin material to recycled content for plastic and cardboard. This will have the biggest impact on reducing the emissions for our packaging.

Decarbonisation levers and key actions

Change to recycled content for plastic and packaging materials:

- In 2023, 70.4% of our packaging was made of recycled materials. Read more on page 38.

Recycled packaging materials	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Target: Recycled Plastic in %	63	65	70	75	80	85	90	95	100	100%
Actual	63	94	93							
Target: Recycled Cardboard in %	4	20	30	40	50	60	70	80	90	100%
Actual	4	61	65							

Shipping

- In 2023, we reduced transport emissions from 7,304 to 6,873 tonnes of CO₂e, a 6% (21%) decrease, partly due to reduced volumes, decreased air shipments, and increased fossil-free deliveries to customers. Our total transport emissions per sold product decreased by 11% (41%) since our base year but with a slight increase from 2022 to 2023, from 0.6 kg CO₂e to 0.9 kg. Read below on our transition plan for shipping, our decarbonization levels and actions.

Carbon footprint (tonnes CO₂e)

	2021	2022	2023
Air	6,098	4,806	5,048
Ocean	564	567	372
Road	2,472	1,929	1,453
Rail	75	2	0
total	9,209	7,304	6,873

Our total transport emissions (tonnes CO₂e)

	2021	2022	2023
From suppliers to warehouse	5,907	3,541	2,050
whereof samples	215	4	107
From warehouse to customers	2,114	2,237	3,522
Returns	617	707	987
Between warehouses	356	814	314
Total	9,209	7,304	6,873

Inbound

Our biggest reduction will be made by shifting air transportation to sea for the countries of origin where both sea and air transport flows are accessible. The use of fossil fuels in truck, boat, and air transport will be reduced in line with the respective transport sector's global goals for 2030 (IEA, 2022), which will have a general positive effect on our emission reductions. The number of shipments will automatically decrease in line with the reduced amount of purchased virgin produced.

Outbound

We aim to become more established in the US market and phase out sales to Australia and New Zealand due to the high emissions in distribution. In this case the transport flows via air to Oceania (i.e. Australia and New Zealand) will be exchanged to North America (i.e. USA). The use of fossil fuels in trucks will be reduced in line with our internal goal of achieving 75% fossil-free transport by 2030. The number of shipments will increase in line with the projection for an increase in sold volumes by approximately 6%.

Inbound targets	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Targets: Total	n/a			4	4	3	2	2	2	2	2
Actual				2							
Outbound targets	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual targets: Fossil free delivered orders (truck) in %	n/a		20	25	30	35	40	50	60	70	75%
Actual	7	15	21	26							
Kg CO ₂ e / delivery											

Decarbonisation levers and key actions

Samples and internal transfers

Our goal is to achieve a significant decrease in fossil fuel dependence for truck and air travel by 2030, as defined by the international benchmark set by the IEA (2022), which will have a general positive effect on our emission reductions. We also aim to reduce the emissions from shipping samples by focusing on different projects for digitizing the sample process. This will decrease the number of samples needed.

Returns

The use of fossil fuels in truck and air transport will be reduced in line with the respective transport sector's global goals for 2030 (IEA, 2022). As an increase of approx. 6% is projected for our sold volumes, including circular business models, the number of shipments will increase accordingly. Our target is to have a return level of approximately 30%.

1. Increase use of fossil free fuel in our transportation:
 - During the year, we have worked to consolidate our fossil free alternatives to reduce complexity and to secure functional deliveries, hence no new markets have been added with fossil free alternatives. We are now working with five partners for fossil free deliveries in six markets. Last mile fossil free deliveries were increased from 21% to 26% in 2023.
 - We aim to offer fossil-free deliveries in all main markets by 2030 at the latest.
 - Continue to challenge freight forwarders for sustainable transport options, including electric vehicles and hydrogen fuel.
2. Reduce mileage and consolidate shipments for inbound:
 - Introduced Barge, a river vessel as a means of transporting our containers from the port in Rotterdam to an inland terminal closer to our new warehouse in Duiven. With this change we can expect to reduce our last mile of inbound emissions (port to warehouse) by 40%.
 - In Sweden we reduced our last mile of inbound footprint by shipping all containers to Helsingborg Port instead of Gothenburg. This change means that we have reduced the last mile of inbound trucking from 237 km to 26 km.
 - We have continued to work on consolidating more shipments at origin to reduce our overall total shipments and increase the utilization of our containers. By aligning our Cargo ready dates with suppliers we have been able to consolidate more shipments and as a result we increased our fill rate from 80% (2022) to 86% - reducing our overall emission output per shipment.

3. Decrease air shipment:

- We reduced inbound air shipments by 60% through better planning.
- We consolidated air shipments by 0%.
- We reduced the amount of total air shipments in 2023 by nearly 300% with a total of 74 air shipments compared to 285 in 2022. This is partly due to the reduction in the amount of collabs, reduction in overall volume as well as working closely with suppliers to consolidate our orders when we know that there will be multiple air shipments in a short period of time from the same supplier or region.

4. Decrease returns:

- In mid-2022, we implemented a returns charge, eliminating free returns across all markets, something that we kept in 2023. This strategic move encourages customers to reconsider orders, aiming to minimize unnecessary transportation. To support informed purchasing decisions, we enhance on-site information, images, and videos.
- We reduced our return rate with 6.5 percentage points in 2023, compared to 2022.
- Return emissions increased by 40% compared to previous year. Mostly due to higher amount of air freights.

Circular business models

Circular business is an important part of our transition plan as it is an enabler to reduce a large part of our emissions and at the same time increase our growth. For example, regarding second-hand, we only have emissions from handling, transporting and packaging. Our goal is that circular business models should stand for 20% of our GMV by 2030.

Decarbonisation levers and key actions

1. Accelerate the shift to circular business models and services.
 - In 2023, we initiated a collaboration with Sellpy to further extend the lifespan of returned defected products, offering them a second chance. Read more on page 36.
 - We stopped with NA-KD Circle. Read more on page 36.

Overview & status of climate transition plan

Scopes	Business area	2020 Baseline (ton CO ₂ e)	Reduction % 2030	Reduction % 2023 from baseline
Scope 1 & 2	Company operated facilities	177	-75%	-23%
	Company cars	5	-80%	127%
Scope 3	Business travel	530	-49%	38%
	Production, tier 1	9,668	-56%	-71%
	Production, tier 2-4 Purchased material	45,975	-49%	-58%
	Packaging	2,353	-50%	-52%
	Shipping, inbound	6,604	-72%	-71%
	Shipping, outbound	2,579	-55%	37%
	Shipping, returns	660	-50%	49%
	Total	69,514	-53%	-55%
	Goal 2030			

NA-KD's Offsetting

In alignment with the global goal of halving emissions by 2030, protecting and restoring natural carbon solutions like forests and wetlands is crucial.

Sectors contributing to current emissions should take responsibility by investing in projects that either remove carbon from the atmosphere or prevent emissions.

At NA-KD, since the end of 2019, we have offset all emissions from our transport, encompassing suppliers, warehouse, customer shipments, NA-KD Circle shipments, and potential returns. Our primary focus is always to reduce the impact of our transports. We work closely with transport providers to minimize emissions, recognizing the carbon-intensity of e-commerce logistics. Looking ahead, we actively engage with logistics providers to transition towards lower carbon intensity and emission-free solutions.

For 2023, we offset 6873 tonnes of CO₂e from transport emissions through investments in projects accredited by the Gold Standard. For 2023 we have invested in the wind project Ortamandira WPP (GSID 2469) in Turkey. You can read more about the project [here](#). 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. You can find the standard [here](#).

Business travel

With production in Turkey and Asia we will always need to travel in order to work closely with our suppliers, but in this post-pandemic world, we have all learned new ways of communicating. That is why we believe that we can work closely with our suppliers even on a digital scale and therefore decrease the need for travels.

We also see a big potential to decrease our air travel when it comes to our marketing department. We will find new ways of planning photo shoots that can decrease both the need for air travel and the use of other transportation, i.e. trains. Trains stood for 0.9% of the total business travel emissions 2023 but have since base year increased with 223,325%.

Decarbonisation levers and key actions

Reduce air travel:

- Air travel decreased with 26% from 2022, but have increased from baseline with 26%.

Description of our offsetting projects and cost per year

Offsetting year	2023
Area	Ortamandira, Turkey
Project	Wind turbines
Standard	Gold standard
CO ₂	6,873
Cost	>40 €/tCO ₂
More info	Link here

Correspondence of total CO₂e for our transports and distribution to total CO₂e offsetting per year

Scope 3 Transport and distribution in CO ₂ e	2023
Total CO ₂ e	6,873
Offsetting CO ₂ e	6,873