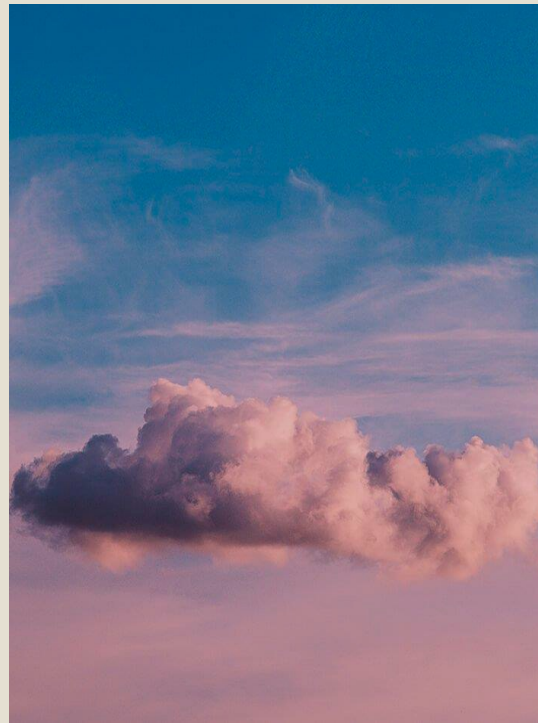


NA-KD OFFSETTING REPORT

For Transports

Sustainability Dept

December 2022



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HOW WE AVOID, REDUCE AND OFFSET EMISSIONS FROM OUR TRANSPORTS

On the road, on the sea, in the air. Everything that ships create a carbon footprint. Having over two million customers all over the world, we send a lot of orders every day.

We are continuously working to reduce emissions from our transportations, with a focus on keeping our transports options on the ground.

To take full responsibility, we're considering every step, working to find the best possible routes and modes of transportation, with as low emissions as possible.

From inbound shipments, to warehouse, last mile, and return.



HOW WE AVOID EMISSIONS

For our inbound transports our biggest emissions come from air freight. To avoid these emissions we work to find a better structure in our product development process to still keep deadlines, but reduce the need for air shipments. Since 2020, we have had a purchasing office in Turkey. The Turkey office 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 also have a warehouse closer to our customers in Landskrona, Sweden.

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. This means that we may keep trusted long-term suppliers in China and rather collaborate with them on sustainability initiatives than shift these suppliers closer.

We will also avoid emissions from our inbound transports as we are reducing our volume of new productions.

HOW WE REDUCE EMISSIONS

To reduce emissions from air shipments for our inbound transports, we have introduced trains as an option for transport from China to Europe. Trains are often faster than ships and produce less emission than air transport. In addition to trains, we have also introduced a combined solution of air and sea transport. This solution produces less emission since it only uses air transport for a shorter distance, but is still faster than sea transport only. We also work to consolidate our shipments and have so far been able to increase our consolidation level from China. We continue to challenge our freight forwarders to offer low-emissions transport options, electrical vehicles, hydrogen fuel etc.

For our customer deliveries, the outbound transports, we introduced fossil-free delivery options in several markets in 2021. In 2020, we already had a collaboration with Budbee, and have now also introduced Instabox, Helthjem in Norway, and Paack in the UK. We are working to find similar solutions for additional main markets. During 2021, we also removed air delivery to all customers in cases where road transport was a viable option. Our goal is to offer fossil-free deliveries in all of our main markets by 2023 and by 2030 deliver at least 75% of shipments fossil-free.

HOW WE REDUCE EMISSIONS

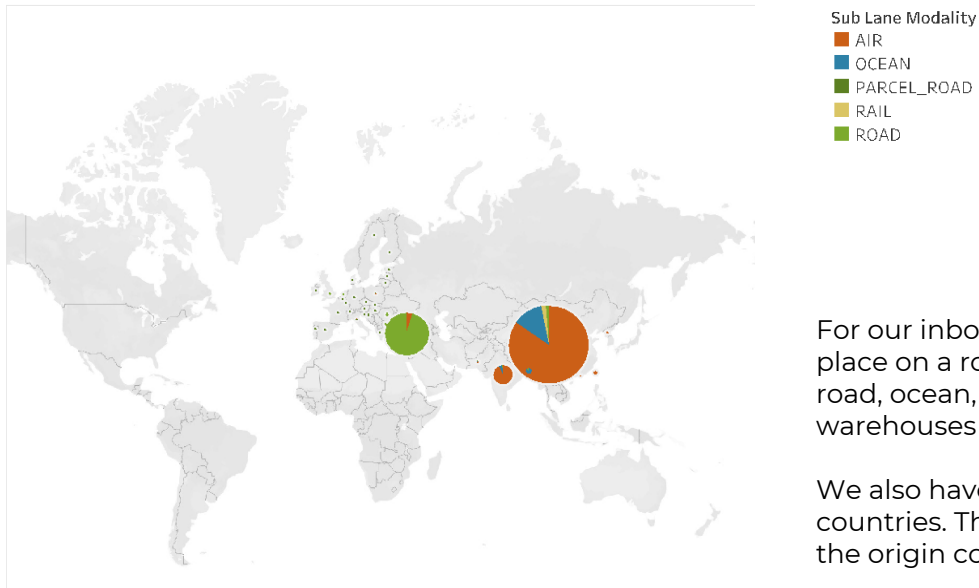
We believe that it is important that business sectors causing emissions today take responsibility and accelerate the investments required to keep global warming under 1,5 degrees. This can be made either by projects that aim to remove carbon from the atmosphere or by projects that aim to avoid emissions. At NA-KD, we offset all emissions from our transport since the end of 2019. This includes transport from suppliers to warehouses, from warehouses to customers, NA-KD Circle shipments between customers, and potential returns.

For each year we offset the full amount of tons CO₂e that were created by our transport through investments. We choose projects in our production countries that aim to help the transition toward a fossil-free society. So far, we have invested in a wind farm project in Hebei province in China, a wind farm in Turkey near Kırşehir in the southeast of Ankara, a wind power project in India, and a solar power project in Jaisalmer in India.

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. Read the standard [here](#). We are able to support these amazing projects through our collaboration with Atmo Consulting AB.

WHERE OUR EMISSIONS TAKE PLACE

Emissions per origin country

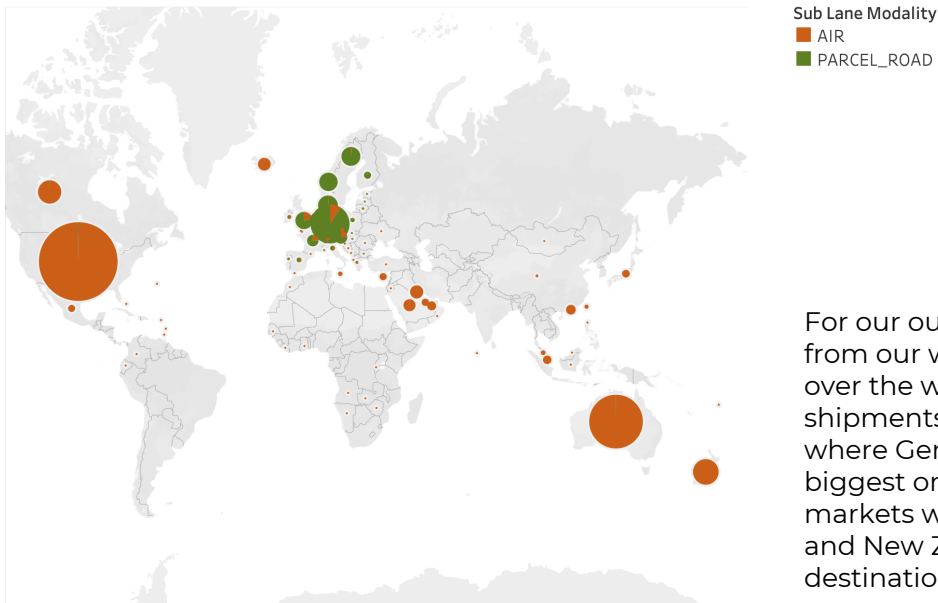


For our inbound transports our main emissions take place on a route from China, Turkey, and India by road, ocean, rail, and/or air transport to our warehouses in the Netherlands and in Sweden.

We also have smaller volumes from 32 other countries. The picture below shows emissions from the origin country in 2021.

WHERE OUR EMISSIONS TAKE PLACE

Emissions per destination country

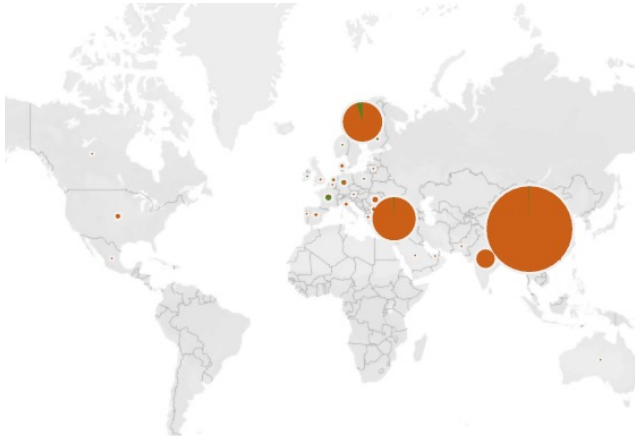


For our outbound transport, emissions take place on a route from our warehouses in the Netherlands and Sweden to all over the world. These routes include both road and air shipments. Our biggest markets by volume are in Europe, where Germany, Denmark, Sweden, and Norway are our biggest ones. Still, our largest emissions are found in the markets where we ship by air, which are the USA, Australia, and New Zealand. The picture below shows emissions per destination in 2021.

WHERE OUR EMISSIONS TAKE PLACE

Our returns originate from the same destinations as our outbound shipments and go to our warehouse in Poland. From here we also have internal transfers that go between our warehouses in Sweden, the Netherlands, and the UK.

Further, we have internal samples that are shipped mainly by air. These are both product development samples as well as samples sent to our influencers around the world. The left picture below shows the origins of these shipments and the right their destinations.



APPENDIX 1.

Balance sheet and Methodology

Table 1 – Yearly emissions from baseline 2020 and forward

Scope 3- Transport and distribution in CO2e	2020	2021
Air freight	7 907,6	6 098
Sea freight	510,6	564
Train freight	17,1	75
Road freight	1 408,1	2 472
Total CO2e	9843	9209

Methodology

The carbon footprint for the baseline period has been quantified and reported in line with the Greenhouse gas (GHG) protocol reporting standards:

- GHG protocol Corporate Standard
- GHG Protocol Scope 2 Guidance
- GHG Protocol Corporate Value Chain (scope 3)

Our climate calculation is also based on and aligned with the standards set for the [Swedish Textile Initiative for Climate Action](#). The STICA guidelines differ from other standards and have for example a higher emission factor for air shipment with an RFI of 2.7.

All transport emission calculations are done according to the GLEC framework. The GLEC (Global Logistics Emission Council) framework is an international standard for calculating transport emissions.

Our tier 1 supplier data is based on self-assessments done in the Higg FEM data, both verified and unverified. Our tier 2-4 material and production data are based on Higg MSI data, which is global average data and not specific data from our own production. You can read more about the Higg index tools [here](#).

Furthermore, the organisational boundaries are set based on an operational control approach and Scope 2 emissions are calculated using a market-based approach.

All relevant greenhouse gases are included in the calculations. Total emissions are measured in CO₂ equivalents (CO₂e). Our yearly emission calculations and results are reported in our sustainability report [here](#).



APPENDIX 2. Climate Action Roadmap – with annual targets for transports

See the full report on our climate action roadmap [here](#).

Inbound transports

Actions:

Shift air transport to sea transport. Electrification and biofuels in truck-, air- and sea freight. Localization and near-shoring.

Scenario description:

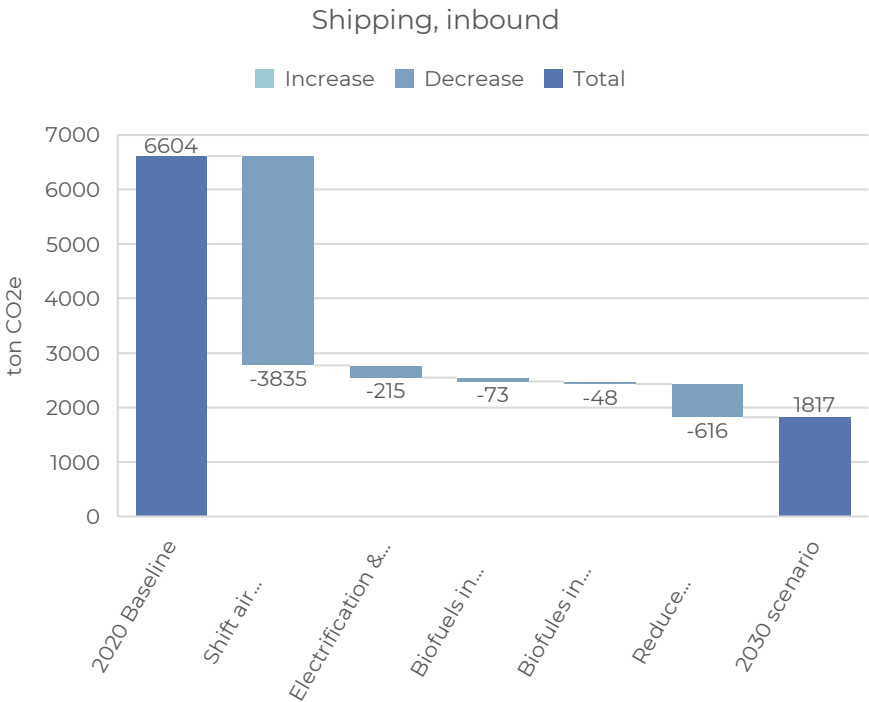
Our biggest reduction will be made by shifting air transportation to boat (to 50% or 75%) for the countries of origin where both boat and air transport flows are accessible during the base year. The use of fossil fuels in truck, boat, and air transport will be reduced in line with the respective transport sector's global goals for 2030 (IEA, 2022). The number of shipments will automatically decrease in line with the reduced amount of purchased virgin produced. Transport flows will also be adjusted as we shift more of our production to Turkey.

Table 2 – Reduction actions for shipping, inbound

Business area - Shipping inbound	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2 030
Total air transports											
CMB in %	9,1	3,9	4,7	4	3	3	2	2	2	2	2
Warehouse hub in USA											In use
Fossil free deliveries truck in %							5	10	15	20	25
Fossil free deliveries air in %							2	4	6	8	10
Fossil free deliveries sea in %							5	7	10	12	15



Table 3 – Overview for reductions for shipping, inbound



Shipping, outbound

Actions: Shift air transport to truck transport. Electrification and biofuels in truck and air freight. Localisation and near-shoring.

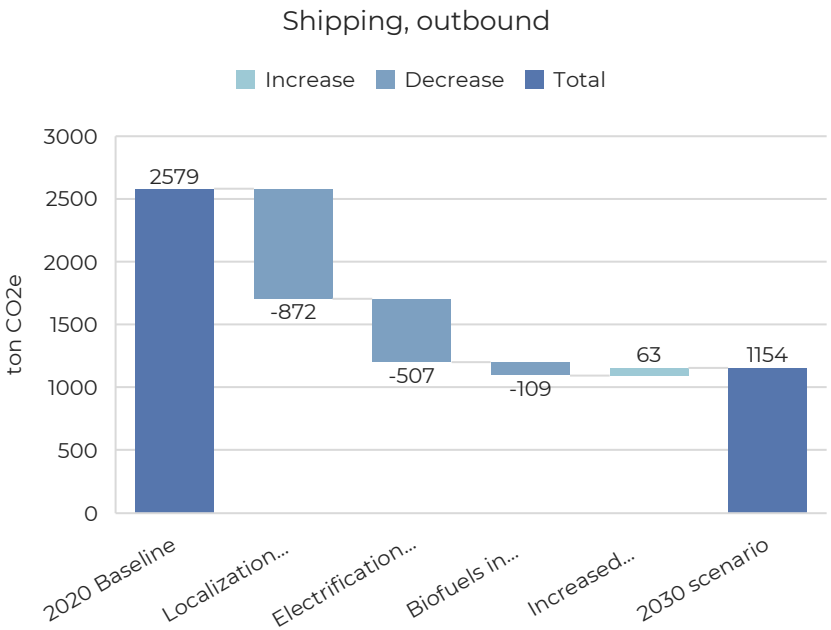
Scenario description:

Transport flows via air to Oceania (i.e. Australia and New Zealand) are exchanged to North America (i.e. USA). This will be made possible by the assumption that we become more established in the US market and phase out sales to Australia and New Zealand due to high emissions in distribution. 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%.

Table 5 – Overview for reduction actions for shipping, outbound

Business area - Shipping outbound	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Warehouse hub in the USA											In use
Fossil free deliveries truck in %	7	15	20	25	30	35	40	50	60	70	75
Fossil free deliveries air in %							2	4	6	8	10

Table 4– Overview of reductions for shipping, outbound



Shipping, samples, and internal transfers

Actions:

Electrification and biofuels in truck-, air- and sea freight.
Localisation and near-shoring.

Scenario description:

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). We will also reduce the emissions from shipping samples by focusing on different projects for digitising the sample process. This will decrease the number of samples needed.

Shipping, returns

Actions:

Shift air transport to sea transport. Electrification and biofuels in truck-, air- and sea freight. Localization and near-shoring.

Scenario description:

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 Circle, the number of shipments will increase accordingly. The number of returns will decrease to 30%.

Table 6 – Overview for reductions for shipping, returns



APPDENDIX 3.

NA-KD’s Offsetting

NA-KD’S OFFSETTING

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](#).

Our offsetting is not calculated as reduced emissions in our climate calculations. See the results of our yearly calculations [here](#) on pages 27-32.

Table 6 – Correspondence of total CO2e for our transports and distribution to total CO2e offsetting per year

Scope 3- Transport and distribution in CO2e	2020	2021
Total CO2e	9843	9209
Offsetting CO2e	10101	9209

APPDENDIX 3.

NA-KD's Offsetting

Table 7 – Description of our offsetting projects and cost per year

Offsetting year	Area, Country	Project	Standard	CO2e	Cost
2020	Hindustan, India	Wind turbines	Gold Standard	5050	> 40 €/tCO2
2020	Jaisalmer, India	Solar thermal	Gold Standard	5051	>40 €/tCO2
2021	Hebei, China	Wind turbines	Gold Standard	1209	>40 €/tCO2
2021	Kýrbehir, Turkey	Wind turbines	Gold Standard	8000	>40 €/tCO2

Read more about the Hindustan project [here](#)

Read more about the Jaisamler project [here](#)

Read more about the Hebei project [here](#)

Read more about the Kýrbehir project [here](#)

APPDENDIX 3.

NA-KD’s Offsetting

Table 8 – Correspondence between the geographical areas where the projects are carried out and where our emissions take place.

Main production countries in volume 2020	Offsetting countries 2020
China (51%)	-
Turkey (41%)	-
India (3%)	India

Main production countries in volume 2021	Offsetting countries 2020
China (51%)	China
Turkey (42%)	Turkey
India (3%)	-

This document is made in accordance with the Decree No. 2022-539 of April 13, 2022 relating to carbon offsetting and claims of neutrality in France.

Sustainability Dept

December 2022

NA-KD