

Sustainability report

Nelly Group AB (Nelly) sees it as both an opportunity and an obligation to act from an economically, socially and environmentally sustainable perspective.

The company works hard to take even more responsibility for sustainable development.

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THE 2023 SUSTAINABILITY REPORT includes Nelly Group AB (publ) (Nelly) and its wholly owned subsidiary Nelly NLY AB. This is Nelly's seventh sustainability report prepared as per Chapters 6 and 7 of the Swedish Annual Accounts Act. The sustainability report contains non-financial information, including work relating to environmental issues, human rights, staff and anti-corruption. The auditor's opinion on the statutory sustainability report is on page 114. Nelly reports on its sustainability work in the focus areas Respect the Planet, Fair & Equal and Empower Femininity.

Nelly's sustainability work is overseen operationally by the Production, Sourcing and CSR Manager in collaboration with the sustainability team, which consists of key individuals from several departments to ensure that all areas of operations focus on sustainability. The management team has ultimate responsibility for sustainability work.

Nelly's management team consists of the Chief Executive Officer, Chief Financial Officer, Chief Sales Officer, Chief Assortment Officer, Chief Technology Officer and Chief Operations Officer.

The CEO is responsible for administrative compliance with the Board's guidelines. The CEO and management are responsible for strategy, financing, financial control, risk management, internal and external communication, reporting and other tasks.

'Our sustainability work is a continuous journey of improvement that must never come to an end. While we should be pleased to achieve progress and pass milestones, we need to constantly set new goals and focus areas for our continued work. This report covers the most important parts of Nelly's sustainability work in 2023.'

Helena Karlinder-Östlundh, CEO

Nelly's sustainability initiatives

Nelly sells clothes and accessories, primarily via e-commerce and to a target group of young women, with the Nordic region as its principal market. Nelly caters for its male target group via NLY MAN. The business model is based on its own designs and brands and a supplementary range of products from external brands. Nelly's own brand products are purchased from manufacturers in China, Turkey, India, the UK, Bangladesh and Cambodia. The products are transported to Nelly's logistics centre in Borås, marketed primarily digitally and sold mainly via Nelly.com and NLYMAN.com.

NELLY'S THREE FOCUS AREAS

Nelly's business model contributes to manufacturing, transport and storage, which have a major impact on people and the environment. This means that Nelly needs to assume responsibility to reduce negative impacts and help build a more sustainable society. The company has a sustainability strategy for the entire value chain. Its approach to sustainability is through the following three focus areas:

- **Respect the Planet** – to reduce our impact on the environment and climate, and to offer more sustainable products
- **Fair & Equal** – for how the company treats people and has an impact on them throughout the value chain
- **Empower Femininity** – to create a community in which the company's principal target group, young women, feels respected and celebrated

With clear goals, the sustainability work is an important, integral part of Nelly's operations. Nelly's long-term focus involves:

- Working constantly to achieve the company's sustainability goals in the short and long terms
- Continually improving transparency and communication with customers and stakeholders
- Working actively and creatively in all three sustainability areas: Respect the Planet, Fair & Equal and Empower Femininity
- Incorporating and evaluating new business models for long-term sustainable business

The main focus in 2023 was on climate initiatives linked to the company's overall climate goals and on offering more sustainable textile products by means of dedicated work to increase the proportion of more sustainable materials in the products. Good long-term relationships with suppliers for the company's own production are essential to ensure a shared approach to sustainability challenges. Travel to visit new and existing suppliers was resumed and combined with collaboration on digital platforms. The company continues to engage with suppliers to raise awareness and promote the transition to renewable energy. This work has been extended from Turkish suppliers to include suppliers in China as well. Encouraging suppliers to make the transition to renewable energy is a priority focus area as this has a large positive impact on reducing emissions linked to the production of textile materials, which accounts for a large proportion of Nelly's total emissions.

Nelly's risk and materiality analysis was renewed in 2020 and forms the basis of the company's sustainability work. The aim of the risk and materiality analysis was to identify the most important sustainability issues and define the sustainability-related risks that may affect the company. It is important to understand stakeholders' requirements and expectations in relation to sustainability work to ensure that we focus on the right factors. Investors, customers, suppliers and other partners are examples of stakeholders that are important to the company. Dialogue with stakeholders linked to requirements for and expectations of the company's sustainability work is conducted through board meetings, supplier meetings, collaboration forums and customer contacts. The work on the risk and materiality analysis was started by representatives of management and the sustainability team. Risks were identified and the materiality analysis was used to establish important goals and KPIs. A number of sustainability issues were identified based on The Textile

Exchange, SASB Materiality Map, the company's stakeholders and other actors in the industry. A check was then carried out to ensure that the company was addressing the most important sustainability issues.

MATERIAL SUSTAINABILITY ISSUES FOR NELLY

The sustainability issues identified as material for Nelly's operations and their impact are listed below. The sustainability issues are linked to the focus areas Respect the Planet and Fair & Equal and are monitored with KPIs for each issue. Initiatives in the Empower Femininity area are carried out based on one or more of the company's principles for the area and are not measured using fixed KPIs (see page 44).

RESPECT THE PLANET:

- Greenhouse gas emissions
- Choice of materials
- Chemicals management
- Packaging
- Returns and transport
- End-of-life waste

FAIR & EQUAL:

- Gender equality, diversity and equal treatment
- Responsible supply chain
- IT security & customer privacy
- Anti-corruption and transparency

EMPOWER FEMININITY

NELLY'S OVERALL SUSTAINABILITY GOALS:

Annually – Nelly's own production will only take place at factories inspected by external inspectors. **2023 result: 98%** (92% in 2022). Read more on page 39 (the Responsible supply chain chapter)

2023 – Achieve net zero in our own operations (Scopes 1&2). Base year 2018. **2023 result: -89%** (-88% in 2022)

2025 – 50% of our textile products must be made of more sustainable materials. **2023 result: 38%** (28% in 2022)

2030 – Reduce absolute greenhouse gas emissions by at least 50% by 2030 (Scope 3). Base year 2020. **2023 result: -41%** (-16% in 2022)

** The goal of Net Zero in its own operations (Scopes 1&2) has not been achieved by 2023. Nelly is working towards achieving the target by 2025.*

THE UN SUSTAINABLE DEVELOPMENT GOALS

Collaboration between actors from the public sector, the business community and civil society is needed to achieve the UN Sustainable Development Goals. Nelly's day-to-day work mainly concerns six of the UN Sustainable Development Goals:

Focus area	Sustainability issues	Link to UN Sustainable Development Goals
Respect the Planet	<ul style="list-style-type: none"> · Greenhouse gas emissions · Transport · Packaging · Returns · Chemicals management · Choice of materials · Product quality · Product life cycle 	Goals 12, 13 and 17
Fair & Equal	<ul style="list-style-type: none"> · Psychosocial working environment · IT security and customer privacy · Anti-corruption and transparency · Responsible supply chain · Gender equality, diversity and equal treatment 	Goals 3, 5, 8 and 17 Goals 3 and 5
Empower Femininity		



GOAL 3: GOOD HEALTH AND WELL-BEING.

Nelly actively promotes employee well-being. The company does this in part by offering a contribution to preventive healthcare, ergonomic workplaces and recreational activities. Regular digital employee surveys are conducted for all employees to monitor health and safety and be able to take rapid action where necessary. See page 35 in the Employees chapter. The company also wants to help boost the self-esteem of its target group (see page 44 in the Empower Femininity chapter).



GOAL 5: GENDER EQUALITY.

Nelly carries out both promotion and prevention activities to prevent discrimination in the workplace. The company promotes the equal value of employees and ensures that everyone is treated with respect and dignity, as stipulated by the Swedish Discrimination Act. See page 35 in the Employees chapter. Nelly is a member of Amfori BSCI, a key focus of which is to combat discrimination and harassment in the production chain. See page 39 in the Responsible supply chain chapter. The company works actively to create a community in which its principal target group, young women, feels respected and celebrated. By designing collections and offering products for different body shapes and sizes, the company aims to offer garments suitable for a wide range of customers. See page 44 in the Empower Femininity chapter.



GOAL 8: DECENT WORK AND ECONOMIC GROWTH.

Nelly works to maintain long-term supplier relationships and create economic growth with decent working conditions. See page 39 in the Responsible supply chain chapter.



GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION.

For example by increasing the proportion of more sustainable materials and offering more environmentally-friendly packaging, the company contributes to more sustainable consumption and production. See page 25 in the More sustainable materials chapter & page 29 in the Packaging chapter.



GOAL 13: CLIMATE ACTION.

Nelly works with STICA (Scandinavian Textile Initiative for Climate Action) to reduce climate impact. Greenhouse gas emissions are calculated for the company's own operations (Scopes 1, 2) and the entire value chain (Scope 3). See page 21 in the Climate impact chapter.



GOAL 17: GLOBAL PARTNERSHIPS FOR THE GOALS.

The Sustainable Development Goals are easier to achieve with global partnership and collaboration. Nelly is involved in global partnerships through strong involvement in the international initiatives Amfori, Better Cotton, STICA and The International Accord. See page 17 in the Partnerships chapter.

RISKS

A risk and materiality analysis was carried out in 2020 to identify the sustainability-related risks that may have a negative impact on the company and to establish the main sustainability issues. With additional risks identified, these then formed the basis of the company's continued sustainability work and are reported with the measures taken by the company.

RISKS FOR EACH SUSTAINABILITY AREA

Focus area	Risk	Action
Respect the Planet	Production, warehousing and transport involve risks of environmental and climate impact, in part as a result of energy consumption, resource usage, waste and greenhouse gas emissions. Requirements from investors and customers to report on the company's climate impact need to be met. There is a risk of Nelly becoming a less attractive choice unless there is a clear action plan to reduce climate impact in place.	Nelly applies a continuous environmental strategy to reduce emissions and reports on climate impact in Scopes 1, 2 and 3.
Respect the Planet	Sustainably produced products and associated sustainability labels are becoming increasingly common among competitors and there is a risk of Nelly not offering sufficient more sustainable alternatives to customers and business partners.	Based on its sustainability strategy, Nelly is working to increase the proportion of more sustainable materials in its products and to ensure a sustainable supply chain for the products it produces. The company has also enhanced the transparency of its sustainability communication with customers and other stakeholders.
Respect the Planet	Increased demand for more sustainable materials may result in scarcity, with increased costs as a result.	Nelly has reduced variety in favour of greater purchasing depth. This entails better opportunities for negotiation and the ability to ensure the availability of more sustainable materials.
Respect the Planet	E-commerce means that products cannot be tried on in advance, which may result in returns and increased transport and emissions. In addition, there may be greater use of packaging, leading to unnecessary resource use.	Nelly takes a range of strategic action to reduce unnecessary returns and the use of packaging. Clear product descriptions and presentations, and acting on recurring reasons for returns are a couple of examples of Nelly's continuous strategic work to reduce unnecessary returns.
Respect the Planet	Chemicals requirements are constantly becoming stricter, and there is a risk that they are not complied with by all suppliers. This entails a risk of Nelly not being able to meet the stricter requirements for safe products.	Suppliers to Nelly make a contractual undertaking to comply with EU chemicals legislation and to ensure that products supplied to Nelly comply with existing legislation. Random sample tests are also carried out for Nelly's own brand products to ensure compliance.
Respect the Planet	Nelly's business concept is based on sales of clothes and products made in other countries. There is a risk of production being interrupted on account of unforeseen factors such as pandemics or strikes in the transport sector.	Nelly's production is spread across several countries and continents to reduce the company's vulnerability to unforeseen production disruption or stoppages.
Respect the Planet	Future requirements for reduced clothing production as a result of consumer requirements, statutory requirements or materials shortages may entail risks for the company in its current form.	Nelly has begun to work towards a more circular business model. For example, it has initiated dialogue with relevant partners and regularly studies new initiatives to ensure a long-term sustainable business model.
Fair & Equal	Nelly's value chain includes a large number of brands, suppliers and factories. Nelly owns no factories, and there is a risk of violations of human rights in the supply chain, for example child labour, forced labour and harassment. In addition to the harm caused to those affected, this may entail risks for Nelly linked to the company's reputation and result in reduced sales.	Nelly communicates regularly and works closely with its suppliers and has a comprehensive Code of Conduct to prevent breaches of human rights. To manage risks in the supply chain and ensure that human rights requirements are met, our suppliers' operations are regularly subject to inspections by third parties such as Amfori and Sedex. If Nelly learns of a breach of human rights by a supplier, action is taken immediately. Partnerships are ended in the event of serious violations.

Focus area	Risk	Action
Fair & Equal	If the company is unable to attract the right talent, offer them opportunities to develop and provide a good working environment, it may lose employees and individual employees may suffer from stress-related illness.	Nelly works continuously on well-being factors, welcomes whistle-blowers and regularly consults its employees to create a good working environment and find out what needs to be improved. This is done through both direct dialogue and anonymous recurring digital employee surveys.
Fair & Equal	Lack of gender equality and diversity may lead to less ability to understand the market and customers. There is also a risk of discrimination if initiatives to promote gender equality and non-discrimination fail. This may lead to psychosocial risks for employees.	Nelly aims to achieve gender equality and diversity in its Board of Directors and management team, and among its other employees. The company has clear policies and associated action plans to ensure that harassment and bullying do not exist in the workplace and so that it can take corrective action if any such behaviour is identified.
Fair & Equal	Nelly conducts digital marketing and sales of clothing and other products. Data breaches, loss of customer data or public disclosure of data on individual customers may affect confidence in the company's ability to manage security and adversely affect business.	The company takes a structured approach to data security issues and secure processing of personal data in accordance with the General Data Protection Regulation (GDPR).
Fair & Equal	Nelly operates in an international environment with complex regulations. Among other things, there are a growing global focus on and initiatives concerning supervision in areas related to corruption. Many of Nelly's own products are produced in countries in which the risk of corruption may be deemed higher than in the Nordic region. There is a risk of Nelly's corporate governance, internal controls and compliance processes failing to prevent Nelly from being in breach of laws or regulations. If Nelly fails to comply with laws and regulations and other standards, the consequences may include fines and damage to Nelly's reputation. There is also a risk of individual employees not complying with Nelly's policies and guidelines, which may result in Nelly incurring expenses for non-compliance and Nelly's reputation being adversely affected. Nelly also depends on its suppliers and manufacturers complying with local laws and regulations, health and safety standards, human rights and laws to prevent corruption and discrimination, etc.	<p>Nelly's producers of its own products have undertaken to follow Amfori BSCI's code of conduct and thus not be involved in any form of corruption. Suppliers are inspected regularly to ensure compliance with the code, and Nelly communicates continually with its suppliers on the areas contained in the code of conduct.</p> <p>To counteract corruption and promote good business ethics, Nelly has a code of conduct (ethics policy) with which all employees must be familiar. The code of conduct is signed by employees when they join the company, and it is available on the intranet.</p>
Empower Femininity	Empower Femininity as a new sustainability area must be managed carefully and intelligently to avoid the risk of criticism for so-called "Femwashing".	Nelly strives to be responsible, clear and honest in its communication. The company continually evaluates its initiatives and communication to minimise the risk of Femwashing.

Nelly's collaborations

Global improvements are driven by collaborations between different types of actor in many countries. Initiatives to achieve a more sustainable future have greater impact if they are implemented in collaboration with other actors.

Scandinavian Textile Initiative for Climate Action (STICA)

STICA supports the Nordic textiles industry in its work to reduce climate impact through cooperation, knowledge sharing and shared tools. Nelly has been a member since the start of 2019, and this membership forms the basis of Nelly's climate work. Nelly has undertaken to reduce its climate impact in line with the 1.5 degree target and report emissions in accordance with the GHG Protocol.

Sustainable Fashion Academy

Sustainable Fashion Academy (SFA) is a non-profit organisation under the Scandinavian Textile Initiative for Climate Action (STICA). Its mission is to accelerate progress towards science-based sustainability goals and the UN Sustainable Development Goals (SDG) by harnessing the strength and influence of the clothing and textile industries. A number of environmental regulations and social policies are being developed in the EU that set high standards for brands and manufacturers. SFA helps companies enhance their knowledge of future legislation and policies, and leading practice in the area of sustainability and accelerate the process to reduce climate impact.

Amfori BSCI

Amfori BSCI works to improve the working conditions in the global supply chain. Amfori has 2,000 members and supports companies in their work to create an ethical supply chain through collaboration, knowledge sharing and shared tools. Nelly has been a member since 2018 and requires its suppliers to sign Amfori's code of conduct. Membership gives Nelly the opportunity to influence decision-makers and legislators in the EU on fair trade and human rights.

The Better Cotton Initiative

Better Cotton is a non-profit organisation that aims to improve global cotton production by making it better for the environment and for the people who work in its production. Better Cotton trains cotton growers worldwide in the use of greener cultivation methods. Nelly has been a member since 2019 and undertakes to report its targets and annual purchase volumes to the organisation.

CSR Västsverige

CSR Västsverige is a network for sustainability that offers its members help with processes for strategic and systematic sustainability work. It offers courses, seminars and network meetings to companies and organisations with the focus on exchange of experience.

Human Bridge

Human Bridge is an aid organisation working to help people worldwide in various crisis situations. Human Bridge collects textiles, which are then sorted. The money generated is donated to various aid initiatives. Nelly has been working with Human Bridge since 2018 by donating garments from sample management and/or with production defects.

Swedish Shoe Environmental Initiative

Swedish Shoe Environmental Initiative (SSEI) is a network within the Swedish shoe industry. Its aim is to improve knowledge of environmental issues with a focus on shoe production. It organises seminars and network activities to permit discussion between actors in the industry.

Textilimportörerna

Textilimportörerna is a trade association for all companies trading in textiles, leather goods, clothing and shoes. It provides sector-specific service to member companies and helps them keep up to date with all aspects of trade in these goods, with focus areas in sustainability, textile labelling, customs issues and chemicals management.

The International Accord

The International Accord is an independent, legally binding agreement between brands and trade unions that contains commitments to ensure a safe, healthy textile industry in Bangladesh. The organisation also works to set up worker protection programmes in other countries that produce textiles and garments. The aim is to enable a working environment in which no employee needs fear fire, building collapse or other workplace accidents that can be prevented with adequate health and safety measures.

Respect the Planet

As a company in the fashion industry, Nelly has a great responsibility to reduce its climate and environmental impact. This work is carried out in the Respect the Planet sustainability area, where the focus is on reducing environmental and climate impact and offering more sustainable products. In partnership with other actors, Nelly strives to manage world resources carefully.

THE FASHION INDUSTRY ACCOUNTS FOR A SIGNIFICANT PROPORTION of global emissions and thus a large part of the world's climate impact. Valuable natural resources are used in the production of clothes and risk being wasted on garments that have a useful life that is far too short or are discarded prematurely. Nelly wants to help change this unsustainable behaviour. Collaboration with other actors in the industry is required to achieve success. The work needs to cover the entire process, from the producer to the means of transport to the customer.

In its Respect the Planet sustainability area, Nelly has established time-based targets for reducing its impact on the climate and the environment. This work is based on Nelly's material sustainability issues with clear goals and KPIs that are monitored and improved constantly.

NELLY'S OVERALL SUSTAINABILITY GOALS:

Annually Nelly's own brand products will only be made by externally inspected factories.

2023 Nelly will achieve net zero in its own operations (Scopes 1 and 2). Base year 2018

2025 50% of textile products will be made of more sustainable materials.

2030 Emissions of greenhouse gases in the value chain will have decreased by 50%. Base year 2020

Transparency in the production chain is important to achieve more sustainable development. With ever higher demand for more sustainable materials and greater interest in sustainability among consumers and stakeholders, it is in Nelly's interest to encourage its customers to make more sustainable choices. In 2023, the company improved its sustainability communication on its websites to enhance transparency, clarify information about more sustainable choices of materials and offer customers guidance on how they can help extend the life of products and take a more sustainable approach to fashion. Every year, Nelly publishes a full list of its suppliers and factories on its e-commerce site. In partnership with Amfori, factories are inspected regularly, and the audit results for these factories are analysed. Read more on page 39 (Responsible supply chain chapter).

In the second half of the year, the company worked towards opening its first permanent physical store in Stockholm. In the construction of the store and the choice of interior fittings, the company focused on materials and choices that will be sustainable. The majority of the hangers used in the store are made of Fasal, which is a mixture of 60% wood waste and 40% recycled polypropylene. The wood waste is PEFC-certified and is primarily spruce and pine sawdust from the furniture industry in Germany and Austria. Polypropylene is recycled plastic cups. The material is recycled and can also be recycled. New hangers can be made from the same material up to 10–15 times.

In Nelly's travel policy, employees are encouraged to avoid flying, wherever possible, and to choose greener alternatives for business travel instead. Under the company's vehicle policy, electric vehicles need to be chosen to be approved as company cars.

HIGHLIGHTS OF RESPECT THE PLANET 2023

- Complete climate calculation carried out
- Nelly's total emissions in 2023 fell by 41% on the base year 2020
- Nelly's continued involvement with STICA in training its Turkish suppliers in energy supply issues and supporting the transition to renewable energy was extended to include suppliers in China
- New e-commerce bags made of 100% recycled materials. New dyes and treatments mean the bags are 100% recyclable
- 52% of Nelly's own brand products consist of more sustainable materials

'We are embracing our responsibility for the climate. Our objectives are not just part of our accounting. It is our commitment to actively reduce our impact on the planet and create a better and more sustainable future for everyone.'

Maria Biederbeck, Production,
Sourcing & CSR Manager.

RESPECT THE PLANET

Climate impact

Nelly's environmental work mainly involves climate-related issues and analysis and monitoring of our overall climate impact. A central part of this work is our collaboration with other companies in the textile industry under the Scandinavian Textile Initiative for Climate Action, STICA. With STICA partners, Nelly has mapped and analysed its entire climate impact, evaluated and adopted long-term goals and taken mitigating action to reduce emissions. As a member of STICA, Nelly has undertaken to reduce its greenhouse gas emissions by 50% by 2030, from the base year 2020. This undertaking is in line with the global requirements to achieve the goal of restricting global warming to 1.5 degrees.

IN 2023, Nelly completed a full climate report in which greenhouse gas emissions in Scopes 1, 2 and 3 were reported according to the Greenhouse Gas Protocol. For the third year in a row, the report also included total emissions for products purchased, Tier 1. Most of Nelly's climate impact continues to be in the production stage of the value chain, primarily in material production. This forms the foundation of Nelly's long-term climate goals for Scope 3 and governs the development of measures to reduce climate impact.

NELLY'S CLIMATE GOAL

Nelly's goal for its own operations (Scopes 1 and 2) is to reach net zero by 2023. Base year 2018.

Nelly's Scope 3 goal is to reduce absolute greenhouse gas emissions by 50% by 2030. Base year 2020.

IMPACT REDUCTION MEASURES

Nelly works constantly to identify and implement materials with lower climate impact. In this way, Nelly encourages its suppliers to continue to look for and offer more sustainable alternatives throughout the value chain. Read more about the goals in the strategy in the Sustainable materials and Packaging sections.

In addition to reducing its climate impact in production and distribution, Nelly also focuses on analysing purchasing and order processes in its desire to increase sustainability. In 2023, the company worked on reducing the variety of products in favour of greater depth per order. Reducing product variety reduces not only administrative work and costs of warehousing and production changeovers but also the company's environmental impact. By focusing on a smaller number of products and greater depth per order, Nelly is able to optimise transport and logistics, resulting in fewer deliveries and lower greenhouse gas emissions.

The advantages of reducing variety and increasing the depth per order also extend far beyond the environmental aspects. This may help improve efficiency and productivity by reducing lead times and improving inventory turnover. It may also improve customer satisfaction by ensuring that demand can be met and that products are available when they are needed. With this work towards a more sustainable, more efficient business model, the company aims to reduce its environmental impact and enhance its competitiveness.

As the manufacture of textile materials and products is one of Nelly's major sources of climate impact, it is essential for companies in the supply chain to operate with renewable energy. With Turkey and China, the company's principal markets for own brand products, Nelly has chosen to become actively involved in STICA's working groups on climate goals for Turkey and China. By means of this collaboration, companies are able to actively encourage their suppliers to make the transition to renewable energy.

Joint suppliers in Tier 1, representing production units, were identified in 2021. The opportunities to use certified renewable energy and solar cells were also investigated. The work to identify actors in Tier 2, i.e. material manufacturing units, and to identify their energy sources began in 2023. All of Nelly's Turkish suppliers continued to undergo third-party analysis to identify and improve their energy supply and implemented improvements. Nelly is focusing on suppliers in China in the next step. It is worth noting that several of Nelly's

suppliers installed solar panels in 2023, and more are planned for 2024.

In 2023, the company had the opportunity, via STICA, to work with other companies with similar business models to take a joint look at suppliers of external brands to identify and ensure joint climate goals.

Nelly's warehouse facility is environmentally certified and energy-efficient and is designed for efficient logistics. The warehouse is run on renewable energy and district heating certified with Bra Miljöval (Good Environmental Choice). The company's logistics facility is located near the company's head office, and internal transport has been virtually eliminated as transport is no longer necessary between Falkenberg and Borås. There is daily monitoring to make processes more efficient, reduce energy consumption and ensure efficiency in fork-lift usage, time use and capacity utilisation of trucks. In 2023, Nelly's third-party warehouse for returns management installed solar panels, and 13% of the third-party warehouse's power consumption during the year was generated by these panels.

Global challenges such as war continued to present some challenges for Nelly's logistics in 2023. Nelly has also been affected by the problems prevailing in the Red Sea at the end of 2023 and start of 2024. Nelly is working to address these challenges in the short and long terms to ensure sustainable shipping methods, where possible. Despite the measures taken, the company has been forced on occasion to find alternatives to shipping by sea, for example shipping by air from Asia. Nelly has production units in several parts of the world for both remote and local markets, which results in fewer shipment-related risks. Shipment options with lower environmental impact are prioritised as the first choice for customer purchases.

Nelly's internal travel policy urges employees to use trains and public transport where possible to reduce climate impact. All company cars are electric cars in accordance with the company's vehicle policy, and charging points for both private and company cars are available outside the head office and warehouse.

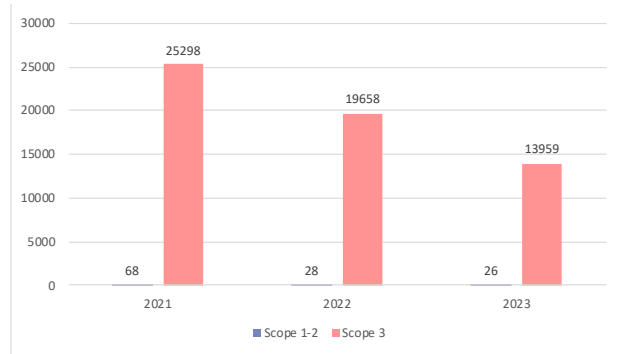
During the pandemic, much of the company's travel was replaced by digital meetings with suppliers and partners, resulting in significant reductions in emissions and opportunities for effective remote communication and collaboration. Despite the increase in travel in 2023 after pandemic restrictions were lifted, the company has learned the importance of combining digital tools with in-person meetings, which has laid the foundation for new strategic decisions on foreign travel. Nelly mainly prioritises visits to new and existing suppliers for factory visits and other significant meetings. This enhances business relations, makes effective communication and collaboration possible, and allows for detailed monitoring and inspection.

CLIMATE RESULTS

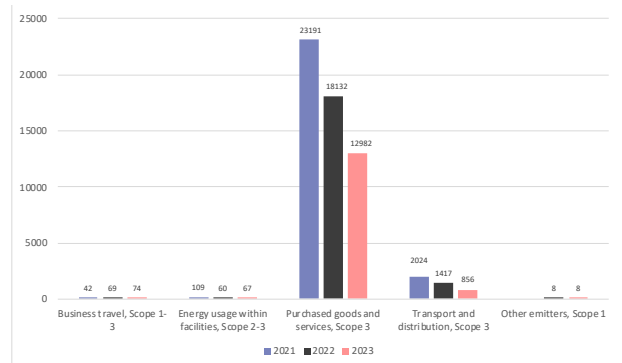
The Group’s climate results show that total emissions in 2023 were 13,985 tonnes CO₂e, a decrease of 5,701 tonnes compared with 2022, and 41% on the base year 2020. The majority of emissions are in Scope 3, in which the biggest category, purchased products, accounts for 93% of total emissions. This category includes Tier 1 product manufacturing, material and textile production and packaging material. In 2023, Tier 1 product manufacturing fell by 39% and packaging material by 62% on the base year. Nelly increased the proportion of more sustainable materials, with the result that emissions related to material and textile production in 2023 fell by 33% on the base year. In total, the category of purchased products fell by 37% on the base year.

The second highest emissions category, Transport and distribution, accounted for 6% of the Group’s total emissions in 2023, a reduction of 70% on the base year. The reduction is due to the transition to fossil-free transport options, where the largest portion involves switching to HVO100 and that Nelly has stopped flying parcels in distribution where replacement alternatives are available. Emissions related to business travel have increased by 95% on the base year, which is partly explained by a new calculation category having been added in 2021, and that the base year is a pandemic year where the number of business trips increased after the pandemic. In 2023, the company also opened a physical store in Stockholm, which means increased business travel. In 2023, the result for Scopes 1 and 2 was 26.3 tonnes of CO₂e, which means that Nelly reduced greenhouse gas emissions in its own operations by 89% on the base year 2018. However, the reduction does not meet Nelly’s goal for its own operations (Scope 1 and 2), which was to reach net zero by 2023. The work to achieve the goal continues in the organisation with the ambition to reach the target by 2025.

Total emissions, tonnes CO₂e



Emissions per category, tonnes CO₂e



GREENHOUSE GAS EMISSIONS

KPI: Direct emissions from sources under the company’s control (Scope 1) in tonnes CO₂e: **10.9**

KPI: Indirect emissions from consumption of power, district heating and district cooling (Scope 2) in tonnes CO₂e: **15.35**

KPI:

1. Other indirect emissions from the value chain (Scope 3) (total) in tonnes of CO₂e: **See chart**

2. Other indirect emissions from the value chain (Scope 3) (Purchased products) in tonnes of CO₂e: **See chart**

3. Other indirect emissions from the value chain (Scope 3) (Transport) in tonnes of CO₂e: **See chart**

Climate calculation method

Nelly’s climate calculations have been performed according to the GHG protocol, in which the company’s greenhouse gas emissions were divided into 3 scopes (1-3). Scope 1 comprises direct emissions from own operations, in Nelly’s case refrigerant leakage and business travel. Scope 2 includes indirect emissions from consumption of power and heating in own operations, in which the climate calculation method is market-based. Scope 3 represents indirect emissions related to production of materials and fuel for purchased products, transport beyond the control of Nelly, power-related activities not covered by Scope 2 and third-party activities.

The climate calculations were primarily based on actual data and supplemented by estimated sources where a need was identified. Emission factors applied for Scopes 1 & 2 and energy-related and fuel-related emissions in Scope 3 come from the Swedish Transport Administration, the Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Emissions related to material and textile production and packaging material were calculated with emission factors from Higg MSI. For transport-related emissions, emission factors taken from Network of transport Measures (NTM) were applied. Emission factors for business travel come from ICAO Carbon Calculator (adjusted for RFI 2.7), the Swedish Transport Administration, Hertz Sustainability report 2019, the report "Branschläget 2018" (Industry Status 2018) by Svenska Taxiförbundet, NTM, and "Travel and climate, Methodology Report. Version 2.0," by Larsson & Kamb (2019). Emissions related to outsourced warehouse operations were estimated with emission factors from AIB Residual Mixes 2018 and 2020, and Värmevärde: SNV 2018.



RESPECT THE PLANET

More sustainable materials

Nelly is working actively to increase the proportion of more sustainable materials in its textile product range. As the manufacture of textile materials has the greatest climate impact, this is a top priority goal. Clear goals have been set for Nelly's materials strategy up to 2025. Deciding which materials are beneficial from a sustainability perspective is relative, and the answer varies within the industry.

When Nelly uses the term 'more sustainable materials', the company means materials produced with less climate and/or social impact than conventional equivalents. The materials that Nelly has currently chosen to classify as more sustainable are recycled fibres, EcoVero®, TENCEL®, organic cotton and cotton grown according to the principles of Better Cotton.

DEVELOPING the textile value chain is the shared aim of many companies in the textile industry, which permits unique collaboration between companies. Nelly therefore collaborates actively with several leading companies in the textile industry to jointly promote the use of more sustainable materials. Nelly is a proud member of Better Cotton, an organisation with the aim of improving cotton production worldwide. In 2021, Better Cotton launched its climate strategy with the target of reducing greenhouse gas emissions from all cotton grown according to its principles by 50% by 2030. This target harmonises with Nelly's climate ambitions, and the company therefore plans to switch to using only cotton grown according to Better Cotton principles for its own brand products by 2025. By marketing more sustainable products, the company helps customers make more sustainable choices. The materials strategy contains criteria for sustainable material choices based on industry standards and international certifications.

Nelly's offer comprises both own brands and external brands. In 2023, own brands accounted for approximately 38% of sales and external brands for approximately 62%. Success in the area of sustainability depends not only on Nelly's work in its own operations, but also on that of the external partners and their development. By communicating its sustainability goals and ambitions, Nelly encourages its external partners to promote their own sustainability initiatives. Nelly is able to exert influence by making requirements for the use of more sustainable materials and reducing purchases from suppliers that fail to meet the requirements. Many of Nelly's bestselling external brands have made great progress in this area.

In 2023, Nelly increased the total percentage of more sustainable materials from 28% in 2022 to 38%, and thus achieved its annual target of 35%. The percentage for Nelly's own brand products increased from 31% to 52%. The percentage of cotton grown according to Better Cotton principles for own brand products was 58%, meaning that the target of 70% for 2023 was not achieved. This is primarily because an increased proportion of recycled polyester was prioritised and the variety was reduced. As a significant proportion of Nelly's own brand products contain polyester, the switch from conventional polyester to recycled polyester was given high priority. Recycled polyester accounted for 43% in 2023, with the result that Nelly achieved its interim target of 40% for the year. The proportion of EcoVero® for own brand products as a replacement for viscose was 40%, exceeding the annual target of 30%, an increase of 18% from 22% in 2022.

Nelly's materials strategy contains the following targets:

2023:

- 35% of all textile products will be made of more sustainable materials (2023 result: 38%)
- 70% of the cotton purchased by Nelly for its own production will be cotton from Better Cotton (2023 result: 58%)
- 40% of all polyester will be replaced with recycled polyester (own brand products) (2023 result: 43%)
- 30% of all viscose will be replaced with EcoVero® (own brand products) (2023 result: 40%)

2024:

- 45% of all textile products will be made of more sustainable materials
- 80% of the cotton purchased by Nelly for its own production will be cotton from Better Cotton
- 60% of all polyester will be replaced with recycled polyester (own brand products)
- 50% of all viscose will be replaced with EcoVero® (own brand products)

2024:

- 50% of textile products will be made of more sustainable materials
- 80% of all polyester will be replaced with recycled polyester (own brand products)
- All cotton purchased for own brand products will be cotton grown according to the principles of Better Cotton

CHOICE OF MATERIALS

KPI: Percentage of more sustainable materials in textile products (clothing, underwear/swimwear, textile accessories): **38%**

KPI: Percentage of more sustainable materials in own brand textile products (clothing, underwear/swimwear, textile accessories): **52%**

KPI: Percentage of cotton from Better Cotton in own brand products (clothing, underwear/swimwear, textile accessories): **58%**

RESPECT THE PLANET

Product quality and product safety

Product quality and safety is extremely important, and Nelly will offer products that are socially and environmentally sustainable. The products must be free of harmful and toxic chemicals with a negative impact on humans, animals and nature. This requires clear guidelines and close partnerships with suppliers. Nelly is responsible for ensuring that its products meet quality and chemicals requirements and sets quality requirements for its suppliers through supplier agreements for business partners.

CHEMICALS ARE USED IN TEXTILE PRODUCTION and it is essential to comply with legislation in this field. As a member of Textilimportörerna, Nelly receives regular information on areas such as chemicals legislation and any amendments to such legislation. By communicating with and updating suppliers, Nelly ensures that the products do not contain any prohibited or environmentally harmful chemicals.

Suppliers undertake, by signing agreements, to comply with relevant chemicals restrictions. The company sends out an updated chemicals guide with news, test methods and statutory requirements twice a year. Nelly focuses on ensuring quality and chemicals contents through chemicals tests and quality control in the production process. For own brand products, compliance with quality and chemicals requirements is checked by means of third-party audits, own factory visits, tests at external laboratories and internal tests. Nelly examines products in terms of risk, decides which products should be tested and inspected and follows up on the results. Random sample checks are also carried out.

A total of 38 quality and chemicals inspections were carried out in production in 2023. The company's updated range strategy with its lower number of variants in the collections also results in fewer inspections. No products needed to be recalled during the year because they contained banned chemicals.

'Product quality and safety are a fundamental part of our sustainability work and a promise to our customers.'

Maria Biederbeck, Production, Sourcing & CSR Manager

Nelly maintains a continuous dialogue with all suppliers to monitor their production processes and achieve constant improvements. Corrective Action Plans (CAPs) are used to ensure the implementation of development and improvements. These action plans are decisive in ensuring that all suppliers act proactively and guarantee compliance with human rights, employee rights, environmental protection and anti-corruption standards. The action plans are established within specified time frames, and the actions are carried out in partnership with the suppliers transparently and with humility. Examples of improvements carried out in 2023 include improved production routines to reduce overtime working, inspection of working conditions and safety, inspection of power supplies and water use to reduce climate impact, and improvements in chemicals management.

The complaint rate was 1 percent in 2023, which is in line with company targets.

Animal ethics

Nelly protects the well-being of animals and therefore makes requirements for products of animal origin by means of its Animal Welfare Policy. The company has endorsed the Swedish animal rights organisation Djurens Rätt's Fur Free Retailer Programme, which means that Nelly does not sell products containing fur. Nelly's Animal Welfare Policy is available at <https://nelly.com/se/hållbarhet/produkter/>

CHEMICALS MANAGEMENT

KPI: Number of products withdrawn because they contained banned chemicals: **0**

PRODUCT QUALITY

KPI: Number of quality control inspections (own brand): **26**

RESPECT THE PLANET

Packaging

E-commerce involves a large number of packaging units, and Nelly works actively to reduce the volume of packaging and improve existing packaging. In many cases, packaging is needed to protect goods and products during transport. Plastic is usually used to provide effective protection against moisture and mould for long-distance transport. However, there is potential to work more sustainably by improving materials choices and packaging methods.

NELLY continued to work actively during the year to minimise the volume of air transported by means of procedures and reviews with staff and optimisation of load carriers. In 2023, the company replaced its e-commerce bags that are sent to consumers and switched to 100% recycled materials and ensured, by means of new dyes and treatments, that the bags are 100% recyclable. All e-commerce boxes used for delivery to customers are made of 100% recyclable materials.

During the year, the company began to explore opportunities to completely eliminate packaging material made of non-renewable materials and found that interesting alternatives to paper are starting to appear that are renewable but above all increase the volume of air transported. Nelly follows developments closely with the hope of finding adequate alternatives to plastic in e-commerce bags.

Optimised use of packaging materials is important for cost-effectiveness, profitability and environmental impact. Nelly works constantly to optimise its packing process, for example by tailoring packaging to the size of the product to minimise both packaging materials and empty space. In 2023, recycled plastic accounted for 75% of total plastic consumption for e-commerce bags, and recycled paper accounted for 100% of total paper consumption for e-commerce boxes.

At the end of September 2023, Nelly opened a Flagship Store, the company's first permanent physical store. FSC MIX bags which support responsible forestry are offered in the store. FSC MIX on a product means that the product has been made of a mixture of materials from FSC-certified forests, recycled materials and/or FSC-inspected timber. In addition to paper bags, the store offers gift bags for wrapping products. Like the paper bags, they consist of FSC MIX paper. To help promote sustainable consumption and reuse of bags, the company makes a charge for these paper products.

PACKAGING

KPI:

- 1. kg recycled plastic/total plastic consumed in e-commerce bags (%): **75%**
- 2. kg recycled paper/total paper consumed in e-commerce boxes (%): **100%**



RESPECT THE PLANET

Returns and shipments

Returns and shipments are a natural part of e-commerce with clothing. It is important to take a strategic approach to shipments and to minimise the number of unnecessary returns for both financial and environmental reasons. Nelly works actively to reduce the climate impact on shipments and minimise the number of unnecessary returns.

CLOTHES SALES have a higher return rate than many other products sold online. This is partly because it is difficult to predict sizes and because some customers buy several garments in the same category so they can try on a range of styles. The company continually takes strategic measures to help customers find the right size, which is the main reason for returns. During the year, Nelly continued to implement its return strategy, in which it addresses the problems associated with returns from a 360-degree perspective. This produced good results in most product categories and the areas on which the company focused. A lower return rate will mean less transport, lower purchase quantities and thus lower emissions in the long term. In 2023, the return rate as a proportion of sales for Nelly's e-commerce decreased by 0.2 percentage points to 35.8%, compared with 36% in 2022. The number of products returned in relation to the number of products sold decreased by 1.1 percentage points.

Since 2018, Nelly has been using a digital returns process which provides the company with continuous information about customer returns. In 2023, Nelly signed a contract and began the implementation of a new returns platform to replace its previous proprietary digital returns solution. The new solution was launched in early 2024 and is expected to lead to a better customer journey, lower returns and less use of returns labels as this process will be fully digital. The new platform will enable deeper insight into customer returns behaviour, which Nelly can convert into knowledge to reduce the volume of unnecessary returns. The company continues to analyse returns, and corrections are made based on the analyses both immediately, for example via the sizing information on product pages, and when new collections are being developed and purchases made.

As part of the work to reduce the number of unnecessary returns, the company applied carefully selected criteria to identify customers who were abusing the returns system. In 2023, the company continued to block customers in this category from making purchases to reduce unnecessary returns and unsustainable returns behaviour. 4,178 customers were blocked during the year on account of unsustainable returns behaviour.

In 2023, Nelly opened its first physical store to create a new way of interacting with customers and to display its range. In the store, the company's customers have the opportunity to see, feel and try on the products before they buy them, which leads to a lower return rate. E-commerce continues to be the company's main focus and business.

INCOMING TRANSPORT

Nelly's own brand products are primarily shipped to the distribution centre in Borås by road and sea. Since 2018, the company has not used shipment by air in the planning phase for own-produced goods and only ships goods by air in the event of long delays. In 2023, flights were used for eleven incoming shipments of goods for resale due to major disruption in global logistics chains such as the situation in the Red Sea. In 2023, emissions from incoming shipments of goods were 23% lower than in the year before, which is explained by a reduction in the emissions for sea and road transport. Road transport accounted for the greatest reduction in tonnes of CO₂e as a result of both lower volumes and more efficient transport.

OUTGOING TRANSPORT

Nelly maintains a continuous dialogue with its distribution carriers to increase the proportion of fossil-free transport. Emissions for distribution to and from our customers have been reduced by 40% in 2023 compared with 2022. Fossil-free options include vehicles driven entirely using HVO100. During the year, Nelly decided to stop flying parcels in the distribution to customers where other options are available and deemed acceptable to the consumer.

In 2023, Nelly was live on a number of markets with a new shipping checkout, which will enable simplified, improved communication about the various shipping options' environmental impact. For example, in 2024 Nelly will begin to communicate shipping options bearing the Nordic Ecolabel when customers select a delivery method. The vast majority of deliveries to consumers in Sweden already bear the Nordic Ecolabel.

RETURNS

KPI: Number of e-commerce returns as a percentage of sales (return rate): **35.8%**

KPI: Number of customers blocked as a result of unsustainable returns behaviour: **4,178**

TRANSPORT

KPI: Proportion of CO₂e emissions per means of transport for incoming shipments, distribution in %: **Air 55%, Sea 24%, Road 21%**.

MINIMISE 'END-OF-LIFE' WASTE

Nelly strives to reuse or recycle unsold products to contribute to a more circular economy and minimise wastage of valuable resources. The company works continually to develop the ambition to minimise end-of-life waste.

Garments that are returned are cleaned and repaired in the returns warehouse so they can be resold. Products that cannot be resold via the company's usual channels go primarily to buyers and also to charitable organisations and materials recycling. Garments from sample management and garments with minor defects that are no longer merchantable via the company's channels were donated to the charitable organisation Human Bridge for reuse or recycling. 538 kg of garments were donated in 2023. 16 kg of garments needed to be sent for incineration in 2023 on account of mould during transport. Nelly aims to ensure a low proportion of garments are destroyed by working efficiently with producers, and by means of monitoring and inspection of production units.

END OF LIFE

KPI: Clothes (in kg) donated to Human Bridge: **538 kg**

KPI: Products (in kg) sent for destruction: **16 kg**

Fair & Equal

A central part of Nelly's sustainability work is about how the company treats and has an impact on people throughout the value chain. In its Fair & Equal sustainability area, the company aims to create a safe, healthy environment for employees and partners. Nelly must always follow the principles of good business ethics. Employees and manufacturers should feel proud of helping contribute to a transparent, fair industry.

A FAIRER fashion industry is an important part of Nelly's sustainability work. Nelly works with relevant partners to address the challenges in the fashion industry. The company is convinced that greater transparency in the supply chain is the key to a more sustainable future. Nelly also places great importance on constantly improving conditions for the company's own employees.

By means of a close, continuous dialogue with its suppliers, the company strives to adopt goals and implement improvement measures with them. As a member of Amfori BSCI, Nelly works actively to improve working conditions in the supply chain and bases its requirements for suppliers in terms of human rights and decent working conditions on Amfori BSCI's code of conduct. All suppliers of Nelly's own brand products must sign the code of conduct, which includes requirements for health, safety, fair pay and good working conditions. The code is based on international guidelines such as the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. To ensure compliance with the requirements of the code, suppliers are audited regularly by third-party companies.

Nelly takes a systematic approach to health and safety based on consideration and sound values. The company must be a workplace that promotes diversity and gender equality and is free of discrimination. The company's People organisation has processes for employee appraisals, management by objectives and monitoring of the physical and psychosocial working environment that are implemented by managers in the organisation. Nelly regularly conducts digital employee surveys to continually evaluate employees' well-being and working situation, and to be able to take rapid action if necessary. The entire company is subject to collective agreements.

It is crucial for Nelly that its employees have the right skills and commitment. With diversified, committed staff, Nelly is able to optimise its offering to its customers. Consequently, the company works strategically to attract, recruit, develop and retain its employees.

Good business ethics is essential for a company involved in

e-commerce, where good business relationships are crucial to gaining the trust of customers and partners. Nelly takes a systematic approach to ensuring good business ethics and IT security. To perform its obligations to its customers, Nelly processes personal data. It is essential that this is done responsibly and in compliance with legislation and regulations.

FAIR AND EQUAL HIGHLIGHTS IN 2023

- 98% of the factories used to produce Nelly's own brand products underwent third-party audits within the specified audit cycle
- No zero tolerance cases were reported as per Amfori BSCI inspections
- 62% female workforce
- Good gender balance in the management team
- In 2023, Nelly received no reports of impropriety (whistleblowing).

Nelly considers it important, as a company, to contribute to its business and social environment. In early 2023, the company donated warm clothing to the disaster-hit areas of Turkey and Syria following the destructive earthquakes. In connection with International Women's Day, Nelly created a limited edition top. SEK 100 was donated to the women's rights organisation Kvinna till Kvinna for each garment sold. As a Christmas present for Human Bridge, Nelly donated money to be used for food packages in Ukraine. During the year, Nelly and its staff were involved in Stadsmissionen Göteborg's collection of graduation and prom clothing for young people in difficult financial situations.



FAIR & EQUAL

Employees

Nelly works to foster a productive, healthy workplace. A good working environment is a prerequisite for good health, high employee satisfaction and good performance. Gender equality and equity must characterise everything Nelly does.

NELLY ATTACHES great importance to ensuring that all employees are treated equally with respect and dignity, and are given equal opportunities for development. Nelly works actively on the concept of employee participation to make clear that everyone is responsible for contributing to a safe, attractive working environment in which every employee is treated with respect.

The ability to attract new employees and offer a workplace where people thrive, remain and progress is a success factor. Examples of benefits include flexible working hours for salaried employees, supplementation of parental leave pay, salary switching opportunities, agreements with occupational health service providers, a preventive health care allowance and discounts at several gyms. These benefits contribute in part to reducing social ill-health in the workplace and creating a better work-life balance. Activities to promote job satisfaction and community in the workplace are carried out in part by the Nelly Fun Squad, which consists of representatives of the various departments of the company.

The company has a policy and an action plan for gender equality and diversity that complement the code of conduct (the code of conduct is described in more detail on page 43). Diversity and gender equality are important, both to offer an attractive workplace and to ensure understanding of customer needs. Failure to promote gender equality and non-discrimination may lead to psychosocial problems for employees. The company also has a health and safety policy, and a policy and action plan to combat bullying and harassment. These policies are important in the work to prevent social ill-health and are available on the company's intranet.

All parts of the company are subject to collective agreements. There are local union branches at the warehouse and the head office, and they work well with the company. There are also health and safety committees in both locations with which the company works on its systematic health and safety work. Safety work, including safety reviews, is an important part of introductions for new employees and the ongoing work to reduce the risk of workplace accidents. In 2023, Nelly opened a Flagship Store in Stockholm, in connection with which a new collective agreement was signed. Nelly's workplaces are designed so that they can be adapted ergonomically to the needs of every employee. For example, monitors and workstations can be adjusted to suit an employee's height.

While the pandemic restrictions applied, the number of business trips was minimised, and they were replaced by sustainable digital working methods. These working methods made it possible for Nelly to continue to travel less than before the pandemic and to supplement travel with digital meetings. The company offers employees the flexibility to work at home and at the office, where this is compatible with the work performed.

In 2023, the company implemented a new tool for regular digital employee surveys as a supplement to the regular employee appraisal process. The tool allows Nelly to gauge the mood on and address issues that affect the working envi-

ronment and to be able to take action fast, where necessary. At the end of the year, the company's People department attended all departments' feedback meetings on the results in this tool to support managers and employees.

The company's long-term goal is to enhance its staff by active development of leadership and employee participation. This work includes both individual initiatives and shared development days. The company works constantly to support its managers, for example via executive forums and leadership days, to develop their leadership skills.

The workforce was reduced between 2022 and 2023 by means of a cost-saving programme, including staff cuts. In connection with the staff cuts, the company offered training to new managers to equip them with tools. The first employee appraisal process after the staff cuts was adjusted to clarify new working methods and the focus going forward. In the spring of 2023, the company arranged a launch event for all employees to clarify the new organisational structure, the company's shared vision and focus going forward, and the company's new core values.

GENDER EQUALITY, DIVERSITY AND EQUAL TREATMENT

KPI: Gender distribution, employees: [See table](#)

KPI: Gender distribution, management team: [See table](#)

KPI: Gender distribution, Board of Directors: [See table](#)

KPI: Gender distribution, managers: [See table](#)

'During the year, we worked on our new core values, which were developed and launched in early 2023. The core values describe the company's culture and challenges, and give us guidance as Nelly employees, whatever our role may be. During the year, we continuously nominated and highlighted each other based on the core values. This was greatly appreciated and helped employees disseminate and understand the core values and contributed to their impact.'

Agneta Haglund, Head of People

Gender distribution of employees in Nelly Group¹

	Proportion of women (2023)	Proportion of women (2022)
Total	62%	65%
Under 30	72%	72%
30–50	54%	60%
Over 50	64%	56%

Gender distribution, Board of Directors¹

	Proportion of women (2023)	Proportion of women (2022)
Total	33%	50%
Under 30		
30–50	33%	67%
Over 50	33%	33%

Gender distribution, management team¹

	Proportion of women (2023)	Proportion of women (2022)
Total	60%	50%
Under 30		
30–50	60%	50%
Over 50		

Gender distribution, managers¹

	Proportion of women (2023)	Proportion of women (2022)
Total	73%	60%
Under 30	50%	75%
30–50	73%	59%
Over 50	100%	50%

¹ Calculated on all employees during the year, reduced by the number of people who left during the year. The calculations are first carried out by month, and then an average is extrapolated for the full year of 2023. Both numbers and percentages have been rounded off.



FAIR & EQUAL

Responsible supply chain

Nelly strives to work closely and efficiently with its suppliers and sets standards for working conditions and human rights. Nelly wants to work with suppliers that, like the company itself, defend human rights and promote good working conditions, and wants to work with them to set joint goals for improving their partnership in the supply chain. Constant enhancement of transparency in the supply chain requires all parties to be open in their dialogues and to understand the importance of transparency.

RESPONSIBLE SUPPLY CHAIN

Nelly is a company in the clothing industry and its value chain includes a large number of brands, suppliers and factories. This means that there is a risk of negative impact in terms of social sustainability in the company's value chain. Nelly therefore focuses on risk assessment, setting standards, audits and measures linked to the supply chain.

Nelly's own brand products are made by 25 suppliers that, in turn, use 42 production units (Tier 1 factories). 41 of these are in the risk countries (according to Amfori's classification) China, Turkey, India, Bangladesh and Cambodia, and one is in the UK. In 2023, the company reduced the variety of the range, thus reducing the number of production units used for the year to 33. Nelly's ambition is to have long-term relationships with its suppliers to achieve a level of quality that is regular and high, and to ensure that human rights and decent working conditions are promoted strongly.

Nelly is convinced that transparency in the supply chain will contribute to a more sustainable future. The company has no factories of its own. However, it is responsible for inspecting working conditions, and it demands action be taken if it discovers shortcomings. With its suppliers, Nelly contributes to improvements via motivation, training and monitoring. Nelly publishes an annual list of the production units (Tier 1 factories) used for its own brand products.

RISK ANALYSIS AND ASSESSMENT BEFORE A CONTRACT IS SIGNED WITH A NEW SUPPLIER

Before new suppliers are contracted for own brand products, they are subject to a risk assessment for human rights that involves obtaining information from them, examining previous audit results and action plans and, if possible, a site visit. Based on this risk analysis, an action plan may be established when a partnership begins. For the supplier to be approved, the action plan must be fully implemented by the deadline set. If a supplier is not willing to follow the UN guiding principles on human rights or to work on constant improvement, no partnership begins.

CONDITIONS AND CODE OF CONDUCT FOR SUPPLIERS

Nelly has been an active member of Amfori BSCI since 2018. Via its membership, the company works with other purchasing companies. The aim of the partnership is to improve the working conditions in the global supply chain. All suppliers of Nelly's own brand products have signed Amfori BSCI's code of conduct and undertaken to comply with the code's guidelines in their operations, and to forward it to their subcontractors when they start working with them. The code is based on the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The code of conduct includes a ban on child labour, forced labour, discrimination, violence and harassment, and governs issues such as reasonable pay and working hours, the right to trade union negotiations and health and safety in the workplace.

MONITORING SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN AND HANDLING OF NON-COMPLIANCE

To ensure compliance with the requirements of the code, suppliers are audited regularly by third-party companies. The audit reports indicate both correct objectives and compliance, and non-compliance and breaches of the code of conduct. If Nelly identifies any breach of human rights and working conditions at a supplier, immediate action is taken by Amfori in partnership with Nelly and the manufacturer, always with the focus on protecting employees and creating an action plan for improvement. A supplier may be excluded in the event of serious breaches of the code, known as Zero Tolerance non-compliance. Examples of Zero Tolerance non-compliance are forced labour, child labour, discrimination, violence, assault or bribery. No Zero Tolerance non-compliance was identified in the audits in 2023.

Nelly welcomes auditing based on the Amfori BSCI code of conduct and Sedex audits. For external brands, compliance with human rights is ensured using purchasing agreements and a code of conduct with clauses on working conditions and human rights. The majority of the brands with which Nelly works have clear sustainability goals and high ambitions for their operations in terms of human rights and decent working conditions in the supply chain.

During 2023, 98% of the factories making Nelly’s own brand products were audited with third-party inspections based on BSCI or Sedex within the specified audit cycle. Nelly prioritised the audit of manufacturing units in risk countries, and all had a valid audit result in 2023. Nelly’s goal for the company’s own brand products only to be produced in factories inspected by external inspectors is an annual goal and an ongoing project.

Amfori BSCI inspections are graded on a scale from A (highest) to E (lowest). All manufacturers are expected to strive to improve constantly, and Nelly promotes a close dialogue to set joint targets for improvements. Following a grade C or lower, an action plan is required from the manufacturer, followed by another inspection to ensure that action has been taken. The purpose of the action plan is to find the root cause of the non-compliance and identify measures or training that may lead to improvement. The 2023 audits mainly identified non-compliance in the areas of Decent working conditions, which may mean excessive working hours or too much overtime, and Health & safety, which may mean a lack of fire safety or use of protective equipment. Nelly prioritises improvement measures in these areas.

In 2023, the majority of factories recovered from the pandemic, enabling a return to the procedures for audits and other activities. Development work, training and workshops were carried out both digitally and in-person as travel to supplier countries outside Europe could be resumed.

COLLABORATION AND PARTNERSHIPS FOR BETTER CONDITIONS IN THE SUPPLY CHAIN

Nelly works with Better Cotton, The International Accord and Amfori to promote human rights. In 2022, Nelly began a partnership with a factory in Bangladesh and signed The International Accord for health and safety in the textile and garment industry. The International Accord is an independent,

legally binding agreement between brands and trade unions containing commitments to ensure a safe, healthy textile industry in Bangladesh. This is an important partnership to ensure good conditions for factory workers. In 2023, Nelly began working with a new factory in Cambodia. A site visit was made in the autumn to ensure good conditions there.

RESPONSIBLE SUPPLY CHAIN

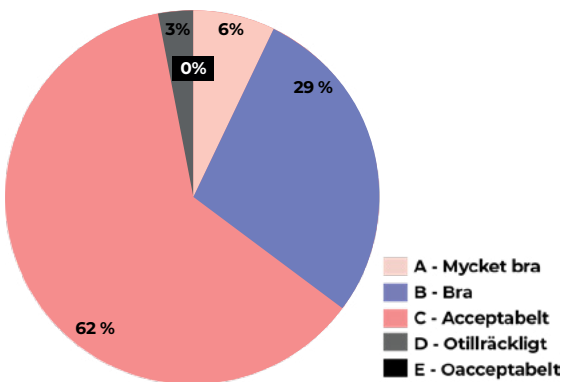
KPI: Percentage of factories with valid social third-party inspections (own brands): **98%**

KPI: Audit results distributed over Amfori BSCI audits conducted (own brands): **See chart**

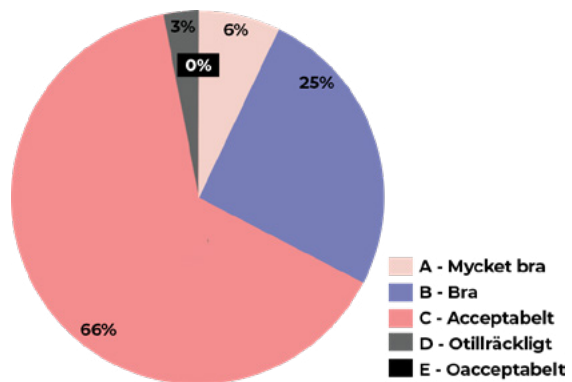
KPI: Number of suppliers (own brands): **25**

KPI: Number of production units used in 2023 (own brands): **33**

Audit results, 2023



Audit results, 2022



FAIR & EQUAL

Business ethics and IT security

Good business ethics and IT security are crucial to Nelly as an e-commerce company. Nelly is able to ensure good results by systematically applying policies in this area.

NELLY WORKS with many suppliers and partners, and good business relationships are crucial. Personal data has to be processed for Nelly to fulfil its obligations to customers such as delivering goods and for billing, and to be able to improve offers and services via customer surveys and marketing. To ensure that personal data is processed responsibly in accordance with the EU General Data Protection Regulation (GDPR), Nelly takes a systematic approach to data protection that is supervised by the data protection officer and supported by the rest of the organisation. By establishing an internal personal data processing policy, which specifies the requirements made at Nelly to ensure that the Group complies with laws and rules linked to the processing of personal data, Nelly has raised awareness of and knowledge about how personal data must be processed.

To ensure good internal control of any risks related to personal data processing, Nelly has established a framework in accordance with the provisions of the General Data Protection Regulation with regular reporting of the situation to management and the Board of Directors, and an action plan for any identified action required. Nelly continues to work actively on the internal control framework to continue to maintain the same high level of data protection. In addition to the internal control activities, Nelly's data protection work in 2023 focused on ensuring good personal data processing based on supplier audits, regular independent audits to ensure compliance with regulations and action to ensure adequate security in internal systems. For an e-commerce company such as Nelly, data security and privacy protection are business-critical, which is why the company works actively to raise internal awareness of data security. Nelly's well-established data security policy ensures that data is used securely by all employees, including external resources. Nelly works constantly to improve its approach to data security as the business environment and market change.

Nelly takes an active approach to managing personal data breaches. Depending on the risk posed to the data subject's privacy, such breaches are initially classified as low, medium or high risk breaches. In 2023, Nelly had a total of 59 personal data breaches, three of which were classified as medium risk, one as high risk and the remaining 55 as low risk. The high risk breach was reported to the Swedish Authority for Privacy Protection. The case was closed by the authority with no further action. The most common breaches are when packages are mistakenly sent to the wrong recipient, with the result that data relating to customer purchases is revealed to third parties such as another customer. Nelly constantly learns from the breaches that occur and uses the information to improve its work.

Nelly aims to practise a high level of business ethics and has zero tolerance for bribery and corruption. The company is aware of the risk of corruption and works to prevent corruption both in its own operations and in the company's international value chain. Nelly's producers of its own brand products have undertaken to follow Amfori BSCI's code of conduct and thus not be involved in any form of corruption. Suppliers are inspected regularly to ensure compliance with the code, and Nelly communicates continually with its suppliers on the areas contained in the code of conduct.

Nelly's code of conduct (ethics policy) for employees and its whistleblower policy are fundamental to the work to prevent corruption. The code of conduct for employees lays the foundation for good business relationships, describes the values employees must embody and discusses issues such as bribery, corruption, stock exchange rules, conflicts of interest, health and safety, and human rights. The code of conduct is sent out for signing with the contract of employment before an employee joins Nelly and is available on the intranet. Employees are expected to adhere to the code in their work and make sure that business partners know these principles.

To ensure a good internal environment in which employees and business partners feel confident about reporting suspicions of impropriety, Nelly has a whistle-blower policy that describes the entire whistle-blower process. An updated whistle-blower policy was adopted in the company in 2023. Suspicions can be reported anonymously, and the information will be investigated. Whistle-blowing is expected of employees when necessary. In 2023, Nelly received no reports of impropriety.

ANTI-CORRUPTION AND TRANSPARENCY

KPI: Number of confirmed whistleblower reports: **0**

IT SECURITY & CUSTOMER PRIVACY

KPI: Number of identified data leaks

1. Number of breaches reported to the Swedish Authority for Privacy Protection (formerly the Swedish Data Protection Authority): **1**

2. Number of personal data breaches per risk classification:
High: 1, medium: 3, low: 55

Empower Femininity

Nelly's principal target group is young women, and the company works within the framework of Empower Femininity to create a community in which young women feel respected and celebrated.

EMPOWER FEMININITY has been a specific sustainability area in Nelly's sustainability strategy since the end of 2021, but the company previously also focused on empowering young adults. With Empower Femininity as part of its sustainability strategy, the company wants to take specific, even greater responsibility for its customers. With its position as a fashion destination for young women, Nelly is able to make a difference and help boost the self-esteem of this target group. The inside is just as important as the outside.

NELLY WILL WORK ON THE BASIS OF THE FOLLOWING PRINCIPLES IN THE AREA EMPOWER FEMININITY:

- Adapt the expression and tonality of communication with the target group to communicate joy, warmth and self-esteem to inspire young women to feel good about themselves, dare to be themselves and express themselves as they want
- Help boost and celebrate diversity
- Take a stand on relevant issues concerning the target group, where appropriate
- Support and/or promote initiatives, activities and projects that support the message and are in line with Nelly's values

Nelly does not retouch its models' natural, beautiful features and marks such as stretch marks, scars, birth marks and cellulite. The company wants to contribute to healthy standards for bodies in which such features and marks are normal.

The company promotes diversity in how its products are presented to ensure that more young women recognise themselves. Nelly uses a large proportion of User Generated Content, UGC, in its online stores. UGC is customers' own photos wearing the company's products. This contributes to diversity and offers customers an opportunity to see the products in reality, not only on models in a photographic studio.

In 2022 and 2023, Nelly focused on changing its visual expression in social media and e-commerce to communicate joy and self-assurance more clearly in line with Nelly's identity and the Empower Femininity sustainability area.

In the autumn of 2023, Nelly opened its first permanent physical store, a Flagship Store. The store offers Nelly an entirely new way of meeting and interacting with its customer group in person, and the service and atmosphere in the store must be warm and inviting. The store is intended to be a meeting place for the target group and other fashion enthusiasts, where they can not only find a selection of Nelly's range, but also feel welcome and taken care of by the staff. The ambition is to provide a place where customers feel comfortable experimenting with looks and outfits they might not normally try. The store is also intended to be used to hold various events for the company's customers. For example, in the spring of 2024, customers will have the opportunity to attend events ahead of graduation and proms for personal advice and inspiration to find clothes for these important celebrations.

The company has a strong position in graduation and prom clothing. In 2023, Nelly made a donation to Göteborg Stadsmission's temporary free store for young people in difficult financial situations who graduated in 2023. Nelly's donation came from both the company and its employees, who had the opportunity to contribute to the donation with intact, clean

and appropriate clothing. Young people who live in difficult financial situations are sometimes forced to avoid activities and experiences that others in their proximity take part in. Without appropriate clothing, it may feel meaningless or difficult to attend graduation celebrations on the same terms as other students. Offering them prom and graduation clothing is one way of contributing to both joy and inclusion.

In connection with International Women's Day, the company produced a limited edition top, with SEK 100 per top sold being donated in full to the women's rights organisation Kvinna till Kvinna. Just like the company, Nelly's target group engages with issues relating to social sustainability. Consequently, Nelly wanted to highlight and contribute to the promotion of women's rights and equal value with its customers.

Empower Femininity is aimed at the company's principal target group and customer group, young women in the Nordic region.

Promotion of human rights, decent working conditions and gender equality, and prevention of discrimination and harassment on the basis of gender identity among employees in the supply chain are of great importance to the company and are addressed in the Fair & Equal focus area. See pages 35 (in the Employees chapter) and 39 (Responsible supply chain chapter). The company communicates actively with its partners based on its sustainability strategy with the aim of inspiring suppliers to pursue their own sustainability work.

HIGHLIGHTS OF EMPOWER FEMININITY IN 2023

- Work on UGC on product pages
- Changed visual expression in the company's channels
- Opened Nelly Flagship Store to meet and inspire customers in person
- Donation to Göteborgs Stadsmission's store for graduation and prom clothing
- To contribute to the defence of women's rights, the company produced a limited edition top for International Women's Day, with SEK 100 per top sold being donated in full to the women's rights organisation Kvinna till Kvinna.

"Nelly is one of the best-loved fashion destinations for young women in the Nordic region, which makes us feel proud and humble. We go to work every day for the sake of our customer, and have her at the centre of every decision. For us, it is a matter of course to do what we can to use the strong relations and platform we have built up with our customers as a positive force!"

Helena Karlinder-Östlundh, CEO

