

Sustainability report

Nelly Group AB (Nelly) works hard to take even more responsibility for sustainable development from economic, social and environmental perspectives.

THE 2024 SUSTAINABILITY REPORT includes Nelly Group AB (publ) (Nelly) and its wholly owned subsidiary Nelly NLY AB. This is Nelly's eighth 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 and anti-corruption. The auditor's opinion on the statutory sustainability report is on page 110. Nelly reports on its sustainability work in the focus areas Respect the Planet, Fair & Equal and Empower Femininity.

Sustainability work is overseen operationally by the Head of Sustainability & Production 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.

“When we summarise our sustainability work in 2024, we can see both progress and the challenges that lie ahead. During the year, we also focused on preparing ourselves for new ways of reporting, and performed a double materiality assessment to ensure that we address relevant issues and consider the most important areas and risks.”

Helena Karlinder-Östlundh, CEO

Nelly's sustainability initiatives

Nelly sells clothes and accessories, primarily via e-commerce and to a target group comprising young women. The Nordic region is the principal market. Nelly also caters for a male target group via NLY MAN. The business model is based on own-design products from its own brands and a supplementary assortment 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 mainly digitally and sold mostly via Nelly.com and NLYMAN.COM.

NELLY'S THREE FOCUS AREAS

Nelly's business model comprises manufacturing, transport and warehousing, 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 work on sustainability in textiles is complex, and Nelly is awaiting clarity on the approach that will be taken in EU regulation in future. Nonetheless, Nelly's aim is to measure and report its sustainability measures in a clear and transparent manner. The company is working to reduce its environmental impact by offering a more curated assortment and by promoting more conscious consumption that is not primarily discount-driven. The company is working with the entire value chain to implement sustainability measures through three focus areas:

- **Respect the Planet** – to reduce our impact on the environment and climate, and to offer products made from materials that have a smaller carbon footprint and/or production of which involved better working conditions.

- **Fair & Equal** – to act responsibly towards people throughout the value chain.

- **Empower Femininity** – to create a community in which the company's principal target group, young women, feels respected and celebrated.

Nelly's risk and materiality assessment was carried out in 2020 and forms the basis of the company's sustainability work. The aim of the risk and materiality assessment was to identify the most important sustainability matters and define the sustainability-related risks that may affect the company. It is very important to understand stakeholders' requirements and expectations in relation to sustainability work to ensure the correct focus. 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 forums such as board meetings, supplier meetings, collaboration forums and customer contact. The work on the risk and materiality assessment was started by representatives of management and the sustainability team. Risks were identified and the materiality assessment was used to establish Nelly's 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. Thereafter, the most material sustainability matters that should be addressed by the company were determined.

A double materiality assessment was performed in 2024 to validate that the company addresses relevant issues and considers the most important areas and risks. The double materiality assessment is also part of the preparations for the upcoming CSRD reporting. The assessment was initiated by the management team and the sustainability team and performed with the assistance of the external sustainability agency Impact Finder. Dialogue with the company's stakeholders such as shareholders, employees, suppliers and partners contributed to the assessment. As an initial measure, this led to the company clarifying its sustainability goals and reporting for 2024 to further increase transparency. The double materiality assessment will form the basis of Nelly's sustainability work and reporting from 2025.

In 2024, all products from the company's own production have been issued with a QR code on the care label. The code is an inspiring way of providing customers with additional information about where the garment was produced and the materials used. The ambition is to expand the information contained in the QR code ahead of future

legal requirements for a digital product passport.

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 40).

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, that is, products offered under our own brands, will only take place at factories inspected by external inspectors. **2024 Result: 98%** (98% in 2023). Read more on page 35 (Responsible supply chain chapter).

2025 – Achieve net zero in our own operations (Scopes 1&2). Base year 2018. **2024 Result: -64%** (2023: -68%)*

2025 – 50% of all materials purchased by Nelly from suppliers should be produced with lower environmental impact (i.e. recycled fibres, organic cotton, Viscose LENZING™ EcoVero™, TENCEL™ Lyocell, TENCEL™ Modal) and/or be produced using better farming methods (i.e. Better Cotton). **2024 Result: 36%** (2023: 26%)**

2030 – Reduce absolute greenhouse gas emissions by at least 50% by 2030 (Scope 3), in accordance with STICA requirements. Base year 2020. **2024 Result: -34%** (2023 -41%)

**To increase transparency, in 2024 the company changed the methods for Scope 1 and 2 emissions and excluded purchased certificates of origin (electronic certificates that show a certain amount of electricity originates from renewable energy sources such as wind, solar or hydro power). Under the method used previously, Scope 1 and 2 emissions declined by 87% (89% in 2023) compared with the base year 2018.*

***Previously, Nelly measured the proportion of more sustainable materials as the proportion of products containing more sustainable materials. To increase transparency, in 2024 Nelly changed method to measure more sustainable materials as a proportion of total weight. According to the method based on quantity previously used by the company, the proportion was 48% (2023: 38%) and the company therefore achieved its original target of 45%.*

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
Empower Femininity		Goals 3 and 5



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 health-care, 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 31 in the Employees chapter. The company also wants to help boost the self-esteem of its target group (see page 40 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 31 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 35 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. This involves designing collections and offering products that communicate joy, warmth and self-esteem to inspire young women to feel good about themselves and dare to be themselves. See page 40 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 35 in the Responsible supply chain chapter.



GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION.

By increasing the proportion of more sustainable materials in its products and offering more environmentally-friendly packaging, the company contributes to more sustainable consumption and production. See page 23 in the More sustainable materials chapter and page 27 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 19 in the Climate impact chapter.



GOAL 17: 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 assessment 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 range and to ensure a sustainable supply chain for the products it produces. The company has also improved the transparency of its sustainability communication with customers and other stakeholders via the company's website and sustainability reporting.
Respect the Planet	Increased demand for more sustainable materials may result in scarcity, with increased costs as a result.	Nelly has reduced variant breadth in favour of deeper purchasing. This entails better opportunities for negotiation and the ability to secure access to 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 actions 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 started to explore a more circular business model by inviting collaboration and relevant partners in this area, e.g. resell sites and charity organisations.
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 violations 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. On average, the factories have a rating of C on a scale from A (best) to E (fail). A C-rating is considered a passing score. 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 with associated action plans to ensure that harassment and bullying do not occur 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.	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 by an independent third party (approved according to Amfori) to ensure compliance with the code, and Nelly communicates continually with its suppliers on the areas contained in the code of conduct. To counteract corruption and promote good business ethics, Nelly has a code of conduct (ethics policy) with which all employees must be familiar. Employees sign the code of conduct before they join the company, and the code is available on the intranet.
Empower Femininity	Empower Femininity as a 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 partnerships

Global improvements are driven by partnerships 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 suppliers for its own production 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 global nonprofit organisation with the mission of helping cotton communities survive and thrive, while protecting and restoring the environment. Better Cotton supports cotton growers worldwide to continue to learn new cultivation methods that are in line with the principles and criteria of their standard. Some of these principles include factors such as reducing the use of harmful pesticides and synthetic fertiliser and understanding how to reduce water use. 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

The 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. These cover e.g. payment of wages, fire safety and building safety. 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

Climate impact

Nelly's environmental work focuses mainly on climate issues and mapping and monitoring the company's total climate impact. A key component of this work is our collaboration with other companies in the textile industry via the Scandinavian Textile Initiative for Climate Action (STICA).

With its STICA partners, Nelly has analysed its climate impact, established long-term targets and taken action to reduce emissions. As a member of STICA, Nelly has undertaken to reduce its greenhouse gas emissions by 50% by 2030, with 2020 as the base year. This undertaking is in line with the UN Sustainable Development Goals to limit global warming to 1.5 degrees.

IN 2024 Nelly completed a climate report in which greenhouse gas emissions in Scopes 1, 2 and 3 were reported according to the Greenhouse Gas Protocol. For the fourth year in a row, the report also included total emissions for products purchased, Tier 1. A new feature for 2024 is that Nelly gathered data from Tier 2 suppliers in Turkey. 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 is to achieve Net Zero by 2025 (base year 2018). This includes Scope 1 (direct emissions from owned sources, e.g. combustion of fuels) and Scope 2 (indirect emissions from purchased energy).

In line with STICA goals, Nelly's Scope 3 goal is to reduce absolute greenhouse gas emissions by 50% by 2030, compared with the base year 2020.

Scope 1	Direct emissions from the company's own operations, e.g. company cars, direct emissions from offices/warehouses.
Scope 2	Indirect emissions from purchased electricity, heating or cooling used in stores, warehouses and offices.
Scope 3	Indirect emissions from the entire value chain, e.g. materials production, transport, business travel, waste.
Tier 1	Direct suppliers – those who supply goods or services directly to the company.
Tier 2–4	Subsuppliers to Tier 1 – further down the value chain.

IMPACT REDUCTION MEASURES

Nelly works constantly to identify and implement materials with lower climate impact. By means of this work, Nelly encourages its suppliers to continue to investigate 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 2024, the company continued to focus on reducing the breadth of products in favour of greater depth per purchase order. Reducing the variants of products reduces not only the 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 purchase order, Nelly can optimise transport and logistics, resulting in fewer deliveries and lower greenhouse gas emissions. This strategy also contributes to reducing the risk of overproduction and wastage, while simultaneously encouraging a more conscious pattern of consumption through a more distinct and more long-term offering. It can also boost customer satisfaction by ensuring that demand can be met and products are available when they are needed. Nelly's aim is that the garments should be loved by our customers and used over and over again, which is much more sustainable than buying new items.

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 be powered by renewable energy. Nelly is actively involved in STICA's working groups on climate goals for Turkey and China, which are the

company's main markets for own brands. Via this collaboration, companies exercise joint influence over their suppliers to make the transition to renewable energy. One of Nelly's largest suppliers in Turkey and two of its factories in China installed solar panels in 2024. In collaboration with STICA, the company is planning measures to increase information and training about energy use in 2025.

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 Good Environmental Choice. The company's logistics facility is located close to its head office, minimising the need for internal transport. 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.

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 the warehouse. Despite travel having been resumed to some extent after the pandemic restrictions, lessons have been learned from the pandemic years about the importance of combining online meetings with in-person meetings.



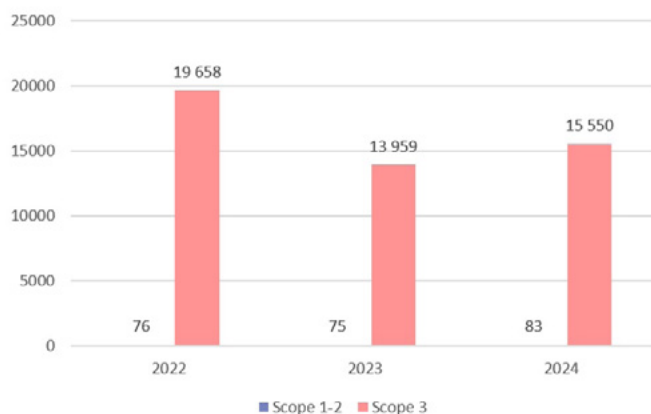
CLIMATE RESULTS

The Group's climate results show that total emissions in 2024 were 15,634 tonnes of CO₂e, an increase of 11% (1,599 tonnes) on 2023, and a decrease of 34% compared with the base year 2020. The majority of emissions are in Scope 3, with the largest category, purchased products, accounting for 94% of total emissions for the group, of which production (Tier 1) consists of 1,224 tonnes CO₂e, materials (Tiers 2–4) 13,294 tonnes CO₂e and packaging materials 187 tonnes CO₂e.

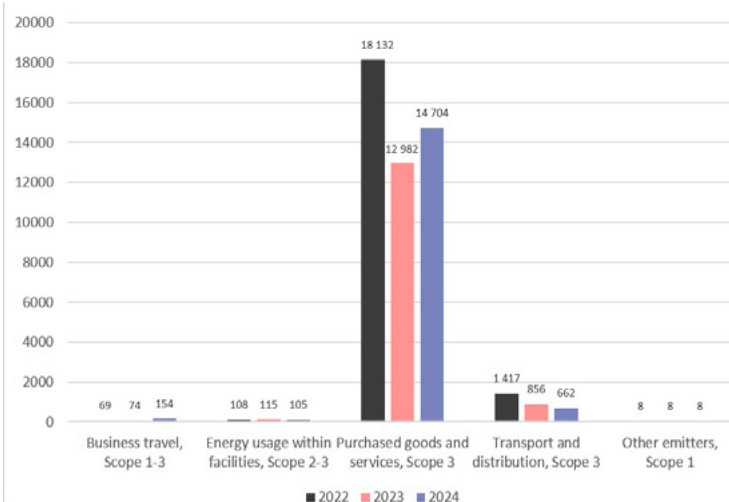
The second highest emissions category, transport and distribution, accounted for 4% of the Group's total emissions in 2024 and fell by 77% on the base year. The decrease is on account of the transition to fossil-free transport options, and also a reduction in the proportion of air freight in favour of transport by sea and road. Emissions related to business travel increased by 306% compared with the base year, which is explained in part by a new calculation category having been added in 2021, and the base year being a pandemic year and there having been more business trips after the pandemic.

In 2024, the result for Scopes 1 and 2 was 83.1 tonnes of CO₂e, which means that Nelly increased greenhouse gas emissions in its own operations compared with the previous year, but reduced them by 64% compared with the base year 2018. To increase transparency in accordance with new guidelines and directives (in preparation for the transition to the EU's new Corporate Sustainability Reporting Directive, CSRD), in 2024 the company changed the methods for Scope 1 and 2 emissions and excluded purchased certificates of origin (electronic certificates that show a certain amount of electricity originates from renewable energy sources such as wind, solar or hydro power). Under the method used previously, Scope 1 and 2 emissions declined by 87% (89% in 2023) compared with the base year 2018. The increase compared with 2023 is mainly because Nelly opened a physical store in Stockholm in the autumn of 2023, adding to the number of premises that need electricity and heating.

Total emissions, tonnes of CO₂e



Emissions per category, tonnes of CO₂e



GREENHOUSE GAS EMISSIONS

KPI: Direct emissions from sources under the company's control (Scope 1), in tonnes of CO₂e: **10.2**

KPI: Indirect emissions from consumption of power, district heating and district cooling (Scope 2) in tonnes of CO₂e: **72.9**

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.

Estimated sources were used for the calculation of Scope 3 where the need for this was identified – this could be due to a lack of information from suppliers about e.g. energy and electricity consumption. Estimates were used for small suppliers (4) supplying fewer than 10,000 products, where data was not deemed to be relevant. A market average was used for these suppliers. Estimates were used for Tier 1 (of which 16% are estimated sources), external production Tier 2–4 (of which 14% are estimated sources) and own production Tier 2–4 (of which 13% are estimated sources).



RESPECT THE PLANET

More sustainable materials

Nelly is working actively to increase the proportion of more sustainable materials in its textile product range. Clear objectives have been set for Nelly's materials strategy up to 2026. 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.

SUCCESSFULLY developing the textile value chain is the shared ambition of many actors involved in the textile industry, which permits close collaboration between companies. Nelly collaborates actively with several leading actors in the textile industry to jointly promote the use of more sustainable materials. The materials strategy contains criteria for sustainable material choices based on industry standards and international certifications.

Nelly's offer comprises both its own and external brands. In 2024, own brands accounted for around 44% of sales. Success in the area of sustainability depends not only on Nelly's work in its own operations, but also on that of external partners and their development. By communicating its sustainability goals and ambitions, Nelly encourages its external partners to promote their own sustainability initiatives. Nelly can exert influence by requiring the use of more sustainable materials and purchase less from those that do not meet the requirements.

Nelly classifies recycled fibres, organic cotton, Viscose LENZING™ EcoVero™, TENCEL™ Lyocell, TENCEL™ Modal and Better Cotton as more sustainable materials. By using recycled fibres, the company is using resources that have already been produced. Organic cotton and Better Cotton focus on better farming methods – read more about Better Cotton under Nelly's collaborations on page 17. Viscose LENZING™, EcoVero™, TENCEL™ Lyocell and TENCEL™ Modal consist of natural and renewable wood-based raw materials, and these fibres are certified according to the EU's official Ecolabel.

In 2024, Nelly changed its method* for calculating the proportion of more sustainable materials in the purchased product range and instead of measuring in terms of quantity, the company now measures the proportion in terms of weight. This resulted in a proportion of more sustainable materials of 36% in 2024, which was below the target of 45%. The proportion for Nelly's own brand products was 48%, while the proportion for externally produced products was 19%. The higher proportion of more sustainable materials in own production was primarily due to the fact that the company was to a greater extent able to influence materials purchasing. Among other things, Nelly increased the proportion of denim products made from Better Cotton and increased the production of viscose products made from Viscose LENZING™ EcoVero™ for own brand products. The percentage of cotton grown according to Better Cotton principles for own brand products was 86%, meaning Nelly achieved its target of 80%. Supplier purchases of Better Cotton are verified by Nelly via transactions on the organisation's platform.

In 2024, the proportion of recycled polyester in own production was 32%. This means that the target of 60% was not met. As a significant proportion of Nelly's products contain polyester, the transition from conventional polyester to recycled polyester will be given greater priority in future and, above all, the company will make use of the continued materials development in this area. The annual target of 50% Viscose LENZING™ EcoVero™ as a replacement for viscose in own production was exceeded with a percentage amounting to 59%. Nelly receives certification from suppliers or organisations for all purchase orders for own production containing recycled polyester and Viscose LENZING™ EcoVero™. Certification is also received for other materials classed as more sustainable, such as organic cotton and TENCEL™.

**Previously, Nelly measured the proportion of more sustainable materials as the proportion of products in its range containing more sustainable materials. To increase transparency, in 2024 Nelly changed method to measure more sustainable materials as a proportion of total weight. According to the method based on quantity previously used by the company, the proportion was 48% and the company therefore reached its original target of 45%.*

Nelly's materials strategy contains the following targets:

2024:

At least 45% of all materials purchased by Nelly from suppliers should be produced with lower environmental impact (i.e. recycled fibres, organic cotton, Viscose LENZING™ EcoVero™, TENCEL™ Lyocell, TENCEL™ Modal) and/or be produced using better farming methods (i.e. Better Cotton). 2024 Result: 36%, 369,157 kg)

At least 60% of the total weight of polyester used in own brand products should comprise recycled polyester. (2024 Result: 32%, 92,275 kg)

At least 50% of the total weight of viscose used in own brand products should comprise EcoVero™. (2024 Result: 59%, 62,415 kg)

At least 80% of the total weight of cotton used in own brand products should comprise Better Cotton. (2024 Result: 86%, 132,012 kg)

2025:

At least 50% of all materials purchased by Nelly from suppliers should be produced with lower environmental impact (i.e. recycled fibres, organic cotton, Viscose LENZING™ EcoVero™, TENCEL™ Lyocell, TENCEL™ Modal) and/or be produced using better farming methods (i.e. Better Cotton).

At least 80% of the total weight of polyester used in own brand products should comprise recycled polyester.

At least 80% of the total weight of viscose used in own brand products should comprise EcoVero™.

At least 100% of the total weight of cotton used in own brand products should comprise Better Cotton.

2026:

At least 55% of all materials purchased by Nelly from suppliers should be produced with lower environmental impact (i.e. recycled fibres, organic cotton, Viscose LENZING™ EcoVero™, TENCEL™ Lyocell, TENCEL™ Modal) and/or be produced using better farming methods (i.e. Better Cotton).

At least 80% of the total weight of polyester used in own brand products should comprise recycled polyester.

At least 80% of the total weight of viscose used in own brand products should comprise EcoVero™.

At least 100% of the total weight of cotton used in own brand products should comprise Better Cotton.

CHOICE OF MATERIALS

KPI: Percentage of more sustainable materials in the purchased assortment (clothing, underwear/swimwear, textile accessories):
36%, 369,157 kg)

KPI: Percentage of more sustainable materials in own brand products (clothing, underwear/swimwear, textile accessories from Nelly's own brands purchased in 2024): **48%, 288,663 kg)**

KPI: Percentage of cotton from Better Cotton in own brand products (clothing, underwear/swimwear, textile accessories from Nelly's own brands purchased in 2024): **86%, 132,012 kg)**

RESPECT THE PLANET

Product quality and product safety

The company strives to offer products that meet social and environmental standards. Nelly carries out random sampling to ensure that products are free of harmful and toxic chemicals to protect humans, animals and nature. Close cooperation with suppliers is a key component of this work. Nelly carries out a number of measures to ensure that all products meet quality and chemicals requirements and further consolidates this by means of supplier agreements, random sampling of chemicals and third-party inspections of factories and products prior to delivery. Work promoting quality and safety is a top priority at all stages of the process, from product development to delivery.

Chemicals and quality

Chemicals are used in textile production, and it is essential that current legislation in the area is complied with. As a member of Textilimportörerna, Nelly is continually informed about chemicals legislation and any changes. To ensure that products are free of prohibited or environmentally hazardous chemicals, suppliers are kept updated and informed.

Suppliers undertake, by signing agreements, to comply with relevant chemicals restrictions, and Nelly sends out an updated chemicals guide annually with news, test methods and statutory requirements. Nelly receives the chemicals guide via Textilimportörerna and it follows REACH, the EU regulation that entered into force in 2007. Chemicals tests and quality controls are performed in the production process to guarantee both quality and safety. For own products, this is done via third-party audits, factory visits, tests in external laboratories and internal analysis.

Nelly evaluates products based on their risk level and chooses which are to be tested and scrutinised, while also monitoring results carefully. Regular spot checks are also performed to make absolutely sure that products meet the expected high standards.

In 2024, a total of 31 quality controls were carried out. The company's updated range strategy with its lower number of variants in the collections will also result in fewer inspections as the number of product variants produced will be lower. In 2025, Nelly will evaluate goals to increase the proportion of quality controls. Nelly has also performed several chemicals tests in production. Chemical testing of nickel is performed internally for all orders involving metal products, while other chemicals in production are tested by third parties in accordance with REACH Chemical Guidance. No products needed to be recalled during the year because they contained banned chemicals.

Nelly conducts a continuous dialogue with all suppliers to review production processes with the aim of making improvements. Amfori's Corrective Action Plans (CAPs) are used to ensure that improvements and developments are implemented. These action plans are crucial in ensuring that all suppliers are proactive and guarantee human rights, employee rights, environmental protection and compliance with anti-corruption standards. The action plans are established for specific time frames and action is taken in partnership with suppliers in an open, respectful manner. Examples of improvements implemented in 2024 include better production procedures to reduce overtime through open dialogues about e.g. production planning and delivery times. Nelly has also carried out visits to factories to check working conditions and safety equipment. STICA climate forms have been used to obtain information on electricity supply and water usage.

The complaint rate was 1 percent in 2024, which is in line with company targets.

Animal ethics

Nelly looks after the well-being of animals and therefore imposes 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 any 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 Nelly): **31**

“Work promoting quality and safety is an ambition of our sustainability work and an important message to both our suppliers and our customers. We strive to offer products that are as safe and sustainable as possible and we perform chemicals testing and quality control inspections throughout the process.”

Maria Biederbeck, Head of Production & Sustainability



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 during the year to minimise the volume of air that is transported because this is one way of reducing the climate impact. In 2024 the company only purchased fully recyclable e-commerce bags for dispatch to customers. In 2024, recycled plastic accounted for 90% of total plastic consumption for e-commerce bags because Nelly decided to use up its stocks of previously purchased bags. Recycled paper accounted for 100% of total paper consumption for e-commerce boxes.

PACKAGING

KPI:

- 1. kg recycled plastic/total plastic consumed, e-commerce bags (%) : **90%**
- 2. kg recycled paper/total paper consumed e-commerce box (%) : **100%**



RESPECT THE PLANET

Returns and shipments

Returns and shipments are an unavoidable part of e-commerce involving 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. Since 2023, Nelly has been working throughout the company on a returns strategy to minimise the number of unnecessary returns.

CLOTHES SALES have historically had a higher return rate than many other products sold online. The company continuously takes strategic measures to help customers find the right fit, which is the main reason for returns. The aim is to increase the information available to customers on the website to make it easier to make better choices and thus reduce returns that are due to lack of information. During the year, Nelly continued to implement its returns strategy, addressing the issue from a 360-degree perspective.

Work on the returns strategy yielded good results in 2024. The return rate for 2024 as a whole was 29.9% as a proportion of sales, a decrease of 5.9 percentage points on 2023. A lower number of returns means that the company's customers are more satisfied with their products and reduces both outgoing and return transport. A lower return rate consequently has a positive effect on the environmental impact of transport.

In 2024, the company changed its returns platform, which partly explained the improvement in the return rate. The change also meant that the company transitioned to a fully digital returns process. This resulted in a reduction in the number of return labels of around 70%. The new returns platform also means improved insight into the ongoing returns work and allows the company to constantly improve its product offer.

INCOMING TRANSPORT

Nelly's own brand products are primarily shipped to the distribution centre in Borås by road and sea. Since 2018, the company only transports goods by air in situations such as delays or additional purchases. In 2024, flights were used for 10 incoming shipments of goods for resale on account of major disruption in global logistics chains, for example the situation in the Red Sea, which forced shipping to sail around Africa instead, resulting in extended lead times. In 2024, emissions from incoming shipments of goods were 35% lower than in the year before, despite the 58% increase in the number of own-produced goods purchased, which is explained by a reduction in emissions for air 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 fell by 30% in 2024, compared with 2023. Fossil-free options include vehicles driven entirely using HVO100 (Hydrotreated Vegetable Oil), which is a renewable fuel for diesel engines. Nelly does not ship deliveries by air to consumers in the Nordics.

RETURNS

KPI: The sales value of returned goods divided by total sales before returns (return rate): **29.9%**

TRANSPORT

KPI: Proportion of CO2e emissions per means of transport for incoming shipments, distribution in %: **Air 30%, Sea 41%, Road 29%**

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 trade buyers and also to charitable organisations and materials recycling. Garments from sample management and garments with minor defects that can no longer be sold via the company's channels were donated to the charitable organisation Human Bridge for reuse or recycling. 297 kg of garments were donated in 2024. 30 kg of garments needed to be sent for incineration in 2024 on account of mould during transport from production. 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: **297 kg**

KPI: Products (in kg) sent for destruction: **30 kg**

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.

NELLY ATTACHES great importance to ensuring that all employees should be treated equally, with respect and dignity, and be 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 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 39). 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. Regular digital employee surveys are conducted to gauge the mood on and address issues that affect the working environment throughout the company and to be able to take action fast, where necessary.

All parts of the company are subject to collective agreements and the company takes a positive view of cooperation with trade unions. 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 these locations with which the company works on its systematic health and safety work. The stores do not currently have local shop floor committees – trade union cooperation at shop level takes place directly via the central trade union instead.

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](#)



“We can see that strong, secure leadership contributes to sustainable employee participation. To enhance and develop leadership, we have implemented initiatives including a leadership programme for managers at our warehouse.”

Agneta Haglund, Head of People

Gender distribution of employees in Nelly Group ¹

	Proportion of women (2024)	Proportion of women (2023)
Total	65%	62%
Under 30	80%	72%
30–50	54%	54%
Over 50	58%	64%

Gender distribution, Board of Directors¹

	Proportion of women (2024)	Proportion of women (2023)
Total	33%	33%
Under 30	-	-
30–50	33%	33%
Over 50	33%	33%

Gender distribution, management team¹

	Proportion of women (2024)	Proportion of women (2023)
Total	50%	60%
Under 30	-	-
30–50	60%	60%
Over 50	0%	-

Gender distribution, managers¹

	Proportion of women (2024)	Proportion of women (2023)
Total	72%	73%
Under 30	100%	50%
30–50	72%	73%
Over 50	67%	100%

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 2024. Both numbers and percentages have been rounded off.



FAIR & EQUAL

Responsible supply chain

Nelly strives to build strong, efficient relationships with its suppliers and sets clear standards for working conditions and human rights. The company wants to work with suppliers that share the same values and work actively to maintain good working conditions. Greater transparency in the supply chain depends on an open dialogue and a shared understanding of the importance of access to information and responsibility.

RESPONSIBLE SUPPLY CHAIN

Nelly operates in the clothing industry and has a value chain comprising several brands, suppliers and factories. This entails a risk of negative impact on social sustainability. Consequently, Nelly actively evaluates risks, sets standards, carries out audits and takes action to monitor that suppliers assume responsibility.

Nelly's own brand products are made by 25 suppliers that, in turn, use 43 production units (Tier 1). These include 42 in risk countries (according to Amfori's classification): China, Turkey, India, Bangladesh and Cambodia, as well as one factory in the UK. Nelly continued to focus on reducing variant breadth and increasing volume per variant instead, allowing it to work more closely with fewer suppliers. Nelly's ambition is to have long-term relationships with its suppliers to achieve an even level of quality and to monitor that human rights and decent working conditions are promoted strongly.

The company has no factories of its own. However, it implements third-party inspections to check working conditions and it demands action be taken if it discovers shortcomings. Nelly publishes an annual list of the production units (Tier 1 factories) used for its own brand products. In 2024, Nelly began to gather contact details for Tier 2 and Tier 3 (subcontractors of Tier 1) to start analysing the entire production chain.

RISK ANALYSIS AND ASSESSMENT BEFORE CONTRACTS ARE SIGNED WITH NEW SUPPLIERS

Risk assessment is carried out before contracts are signed with new suppliers for own brand products. This includes gathering information from the supplier, reviewing previous audits and action plans and, if possible, a site visit. Any risks are identified based on this analysis and, if necessary, an action plan is drawn up at the start of the partnership. If a supplier is either not prepared to follow the UN guiding principles on human rights or otherwise does not meet the requirements of the Code of Conduct, no partnership begins.

REQUIREMENTS FOR RESPECT FOR HUMAN RIGHTS IN CONDITIONS AND CODE OF CONDUCT FOR SUPPLIERS

Nelly has been an active member of Amfori BSCI since 2018 and, via its membership, works with other purchasing companies to improve the working conditions in the global supply chain. All suppliers that produce for Nelly's own brands have signed Nelly's agreement, which includes an annex containing Amfori BSCI's code of conduct. The suppliers undertake to follow the guidelines set out in the code of conduct and to forward it to their subcontractors when they start working with them. This is part of the independent audits carried out at factories on a regular basis.

The code of conduct 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. It includes bans on child labour, forced labour, discrimination, violence and harassment. It also governs issues such as fair pay, working hours, the right to trade union negotiations and health and safety in the workplace.

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

To ensure compliance with the code of conduct, audits are conducted regularly by independent third-party companies. The audits are carried out according to Amfori's regulations, with a longer interval between audits for factories with an average rating of A or B, and annual audits for factories with an average rating of C. The audit reports identify both areas in which requirements are met and any non-compliance or violations. The audit companies have contracts with Amfori and are present in all countries where production takes place. If Nelly identifies a breach of human rights or inadequate working conditions at a supplier, action is taken immediately in partnership with Amfori and the manufacturer. In the event of serious violations, known as zero tolerance non-compliance, the partnership with the supplier may be terminated. 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 2024.

Nelly approves auditing based on the Amfori BSCI code of conduct and Sedex audits. For external brands, compliance with human rights is promoted using purchasing agreements that include an annex containing a code of conduct with clauses on working conditions and human rights. Many 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. In 2024, 98% of the factories making Nelly's own brand products were audited with third-party inspections in accordance with BSCI or Sedex within the specified audit cycle. Nelly prioritised the audit of manufacturing units in risk countries. 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 the work is ongoing.

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 close dialogue to set joint targets for improvements. If the result is D or lower, an action plan is required from the manufacturer, followed by another inspection to ensure that action has been taken. The plan must be documented and have an end date. Should the supplier fail to implement the action plan or otherwise show improvement, the cooperation is terminated. 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 2024 audits identified non-compliance mainly 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. (See chart)

The 2024 audits identified non-compliance mainly 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.

COLLABORATION AND PARTNERSHIPS FOR BETTER CONDITIONS IN THE SUPPLY CHAIN

Nelly has well-established partnerships 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 Garment and Textile Industry. The International Accord is an independent, legally binding agreement between brands and trade unions containing commitments to promote a safe, healthy textile industry in Bangladesh. In 2024, Nelly continued to work with the factory in Cambodia. To promote decent conditions there, Nelly conducts a close dialogue with the supplier responsible.

RESPONSIBLE SUPPLY CHAIN

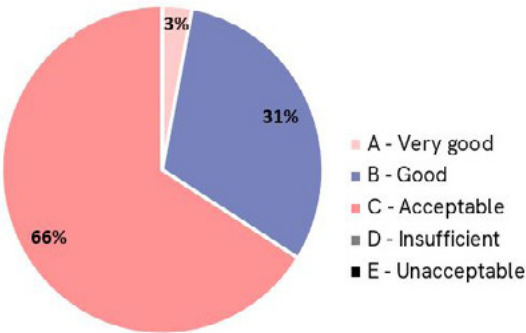
KPI: Percentage of factories with valid social third-party inspections (own brands): **98%**

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

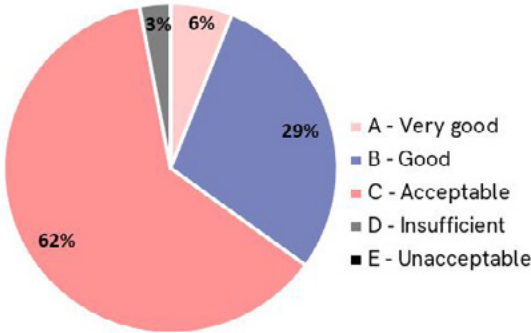
KPI: Number of suppliers (own brands):
25

KPI: Number of production units used in 2024 (own brands):
33

Audit results, 2024



Audit results, 2023



FAIR & EQUAL

Business ethics and IT security

**Business ethics and IT security are crucial to Nelly as an e-commerce company.
Nelly strives to achieve 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 any risks related to personal data processing are identified and managed 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 existing laws and rules linked to the processing of personal data, Nelly has increased the focus on how personal data must be processed.

To ensure good internal control over any risks related to personal data processing, Nelly continued to optimise the organisation working on issues related to personal data in 2024. The control framework was also adapted to Nelly's organisation during the year. The framework is designed 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. For an e-commerce company such as Nelly, data security and privacy protection are business critical, which is why the company works to raise internal awareness of data security. 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 2024, Nelly had a total of 22 personal data breaches, one of which was classified as medium risk and the remaining 21 as low risk. The medium risk breach was due to a ransomware attack at one of Nelly's suppliers and was reported to the Swedish Authority for Privacy Protection. The most common breaches are when order confirmations or 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 practice 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 subject to regular inspections according to Amfori's rules based on average rating 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 with the contract of employment for signing before an employee joins Nelly and is available on the intranet. To ensure a good internal environment in which employees and business partners feel confident about reporting suspicions of improp-

priety, Nelly has a whistleblower policy that describes the entire whistleblower process. Suspicions can be reported anonymously, and the information will be investigated. Whistleblowing is expected of employees when necessary. In 2024, 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: 0, medium: 1, low: 21**

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.

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. By adapting the expression and tonality of communication with the target group, Nelly wants 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 wish.

Nelly uses a large volume of User Generated Content (UGC) and Employee Generated Content (EGC) in its webstores and on social media. UGC is customers' own photos wearing the company's products and EGC is content created by/with the company's employees. This offers customers an opportunity to see the products in reality, not only on models in a photographic studio. In 2024, Nelly worked hard to increase the volume of EGC in its social media channels. According to Nelly's procedures, photos are not retouched to remove its models' natural marks such as stretch marks, scars, birth marks and cellulite.

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 affiliation among employees in the supply chain are of great importance to the company and are addressed in the Fair & Equal focus area. See page 31 in the Employees chapter and page 35 in the 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.

