

Sustainability report

Nelly Group AB (publ) "NELLY"

Our future direction

Sustainability as an integral business principle

NELLY's business model is based on offering on-trend, reasonably priced fashion that fits well, and we are convinced that demand for this type of fashion will last. Consequently, our ambition is to develop and source products that meet the needs of our target group, while also systematically reducing our environmental impact and contributing to better working conditions throughout the value chain.

As a company in the fashion industry, acting responsibly with a clear focus on issues where we can make a difference are fundamental to NELLY's operations. Our sustainability efforts are therefore rooted in the two issues with the highest impact: how we create the conditions for garments to be reused again and again over time and how we reduce our negative impact on people and the environment in production. There are many frameworks and requirements to comply with in this work, in particular the legislation that is continuously being developed at EU level. However, at root it is these two issues that shape most of our sustainability efforts as an integral part of our business model.

Garments that are loved are used again and again

When a garment is loved and cared for, it is more probable that it will be used again and again over time. Consequently, we take an active approach to giving customers the basis on which to make conscious purchasing decisions, avoid unnecessary returns and look after their products to maximise their useful lives. This involves reducing the proportion of discount-driven sales in favour of full-price sales – which indicates that a customer is buying something she really wants – and reducing the return rate and providing clearer product information. In addition to each customer's purchasing decision and use of each garment, it is also important for us to generally produce quantities that meet demand, to reduce overproduction and the risk of garments not being used. High sell-through rates each season are therefore an important indicator for us in terms of both customer satisfaction and sustainability.

To enable us to assess how successful these efforts are, NELLY continuously monitors key ratios linked to sell-through rates, full-price sales and the return rate. These key ratios help us carefully monitor developments over time and drive improvements. Going forward, we also intend to explore how often NELLY's garments are used on average and how this can be measured to enable us eventually to evaluate whether the initiatives we take affect this key ratio.

Lower impact in production

In addition to creating the conditions for more conscious consumption by customers, we can make the biggest difference by systematically reducing our environmental impact in production. The vast majority of NELLY's greenhouse gas emissions are from products, and the target going forward is therefore to reduce emissions per sold product by an average of 5 percent per annum up to 2030. To achieve this, the proportion of recycled and certified materials purchased needs to increase, while we continue to work closely with suppliers to promote the transition to more sustainable energy sources for both them and their suppliers.

We made progress in 2025, but also faced new challenges in terms of material choices and greenhouse gas emissions. This is described in further detail later in this sustainability report. The main focus in 2026 will be on continuously monitoring the total effect of the material mix, exploring innovation in new materials and taking a broader approach to indirect emissions to embrace Tier 2 suppliers to a greater extent.

Finally, it is worth noting that, for this sustainability report, we performed a double materiality assessment in accordance with EU guidelines and updated the structure of the report to enhance transparency and reflect the key priorities more clearly. The reporting will continue to be developed step by step, and the materiality assessment will be updated as understanding and measurability in the various sustainability areas increase.

Helena Karlinder-Östlundh, CEO of Nelly Group



GENERAL DISCLOSURES

Basis of preparation

Nelly Group AB (publ) ('NELLY'), with its wholly owned subsidiary Nelly NLY AB, has prepared the statutory annual sustainability report for 2025 in accordance with Chapter 6 and 7 of the Swedish Annual Accounts Act as per the criteria in its previous version before 1 July 2024. The sustainability report is inspired by the European Sustainability Reporting Standards (ESRS).

The sustainability report is not part of the 2025 directors' report as it is based on ESRS standards, but is not yet entirely aligned with them. The company took several steps during the year to align with ESRS and intends to continue gradual alignment in the year to come. The sustainability report contains non-financial information, including work relating to environmental issues, human rights and anti-corruption.

Consolidation

The disclosures are consolidated according to the principles for the financial statements, which means that they cover the parent company and its subsidiaries. The sustainability report covers all the company's operations unless stated otherwise. This method of consolidating information is the same for all disclosures and material matters.

Accounting policies

Sustainability data is collected and verified systematically. To reduce the risks of manual data processing, a quality assurance process is applied in which at least two people review and verify the data for material items before they are approved in the climate reporting system. We use well-established methods and frameworks such as the Greenhouse Gas Protocol (GHG protocol) to calculate our greenhouse gas emissions, and work with sustainability consultants who perform our climate calculations and quality-assure emission data and other quantitative data.

When the climate targets were updated in 2025, the base year was adjusted from 2018 (Scopes 1–2) and 2020 (Scope 3) to 2024 for all scopes. The choice of a new base year was carefully considered, and 2024 was deemed the most robust as the data quality has improved significantly compared with previous years. Methods were changed in 2025, primarily in terms of how the weight of purchased materials was treated, which was also applied in 2024. Historical emissions were recalculated to enable comparability.

Changes in reporting and previous reporting errors

The reporting of NELLY's sustainability disclosures started to be aligned to ESRS requirements in 2025. Key changes in the work on the new reporting requirements include a renewed materiality assessment, a restructured sustainability report and a first step towards reporting under ESRS topical standards. All datapoints included in the sustainability sections were deemed material in accordance with NELLY's double materiality assessment.

No material errors in previous reports were found, but certain corrections were made to climate data, which affects historical data and leads to revised figures in the report for the year. Reclassifications and corrections are described in the respective disclosure requirements.

Sustainability governance

Roles and responsibilities of the Board of Directors and management

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. A sustainability controller was added to the finance team in 2025 to further enhance our work on measurement, monitoring and reporting of sustainability matters. The management team has the ultimate responsibility for the sustainability work.

NELLY's management team consists of the Chief Executive Officer, Chief Financial Officer, Chief Sales & Marketing 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.

“As a company in the fashion industry, acting responsibly with a clear focus on issues where we can make a difference are fundamental to NELLY's operations.”

Helena Karlinder-Östlundh, CEO

Strategy, business model and value chain

NELLY sells clothes and accessories, primarily via e-commerce and to the target group of young women, with the Nordic region as its main 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 carefully selected range of products from external brands. NELLY’s own-design products are purchased from manufacturers in China, Turkey, India, Bangladesh and Cambodia. The products are transported to NELLY’s logistics centre in Borås, marketed mainly digitally and sold mostly at Nelly.com and NLYMan.com. A physical store was opened in central Stockholm in autumn 2023, and the company opened another store in central Copenhagen in October 2025.

NELLY’s principal impact areas

NELLY’s business model comprises design, production, transport and warehousing, which entails impact on both people and the environment throughout the value chain. This means that a systematic, responsible approach is required to prevent and reduce negative impact as far as possible and contribute to more sustainable development. Sustainability work in the textile industry is complex and subject to a range of regulations. NELLY therefore has the ambition to gradually and continuously enhance the measurability and transparency of its reporting. The company’s approach to sustainability focuses on a safe, responsible supply chain, and production is in gradual transition to more climate-conscious alternatives. NELLY also focuses on its customers’ total purchasing experience, in which expectations and multiple reuse of garments are given top priority. The initiatives are structured in two general impact areas:

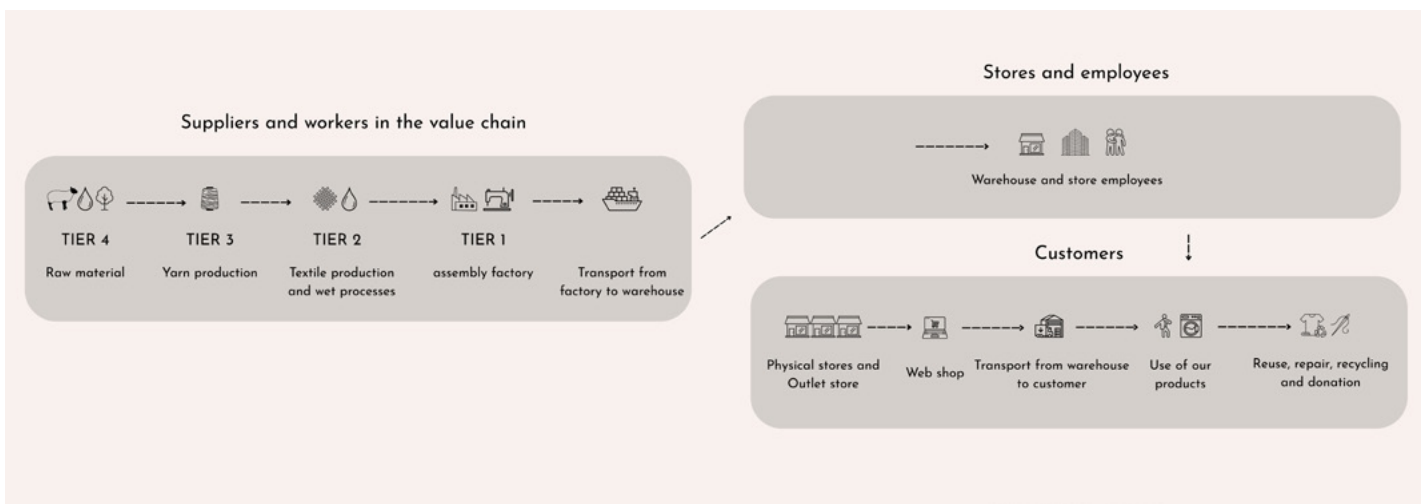
Environmental initiatives

The company’s environmental initiatives comprise measures to reduce the environmental and climate impact of products, transport and returns, to gradually increase the proportion of recycled and certified materials and cotton via Better Cotton, and to offer a more curated assortment that matches customer demand. By promoting conscious consumption and reducing dependence on discount-driven sales, NELLY is working towards a more resource-efficient product offer. The company also strives to inspire its customers to use their garments for longer and thus increase the product lifetime.

Social responsibility

This area includes NELLY’s impact on and treatment of people throughout the value chain, including social conditions in the supply chain, respect for human rights and efforts to boost inclusion and equal treatment. A key part of this is ensuring safe, responsible production conditions by means of third-party inspections and contributing to positive social effects for the people affected by operations. Continuous supplier monitoring is used to promote responsible decisions, structured risk taking and long-term sustainable business development, while the work is continuously evaluated and developed in line with changes in requirements and conditions.

The company also aims to inspire its customers to make more conscious purchasing decisions and to take greater care of the garments they purchase. By means of guidance, clear product information and care advice, NELLY aims to boost customer satisfaction and achieve a more sustainable pattern of consumption.



Material sustainability matters

A double materiality assessment was performed in 2024 to validate that the company addresses the most relevant matters and considers the most important areas and risks. The double materiality assessment formed the basis of NELLY’s updated sustainability targets, sustainability initiatives and reporting for 2025.

The double materiality assessment is based on the material matters in the textile industry, where NELLY has an impact in a range of areas. The most material matters have been selected for the sustainability work in the next few years, and reporting of additional material matters will be evaluated at a later time.

The double materiality assessment was performed in accordance with the guidelines in ESRS 1 (2023), EFRAG IG 1 Materiality Assessment (2024) and EFRAG IG 2 Value Chain (2024). The aim of the assessment is to identify and prioritise the sustainability matters that are most relevant for NELLY from both a financial perspective and an impact perspective – NELLY’s impact on people and the environment throughout the value chain. This method ensures that NELLY focuses on the matters that are of greatest significance for both the company’s long-term value creation and its impact on people, the environment and society.

Process and sustainability context

NELLY assessed the material sustainability matters in partnership with external consultants with expertise in double materiality assessment. The assessment was performed in four sub-processes: mapping of sustainability context, identification of impacts, risks and opportunities in the value chain, assessment of impact and prioritisation of material matters.

The mapping of the sustainability context helped NELLY understand how external factors such as geographical locations and political aspects affect operations from a sustainability perspective. An interdisciplinary group consisting of NELLY’s management team and key individuals from all relevant departments jointly mapped external factors that affect the company. The group included representatives of all key perspectives in the company and its sustainability work, which provided good opportunities for comprehensive, well-founded understanding of external factors.

The next step focused on identifying impacts, risks and opportunities related to the company’s operations. A detailed assessment of the value chain mapped dependencies and potential impact in each stage, from raw materials to finished products that ultimately reach stores or e-commerce, and what happens at the end of a product’s life cycle. The same interdisciplinary group that participated in step 1, to ensure a broad, well-informed assessment, identified both actual and potential impacts on people, the environment and, where appropriate, the economy, and the dependencies and connections that may affect operations financially. There was a particular focus on critical environmental aspects and human rights.

The preliminary list of potentially material matters was analysed to work through anything that might be unclear. Dialogue with external stakeholders, dialogue with NELLY employees and a review of scientific reports, news articles and other relevant sources were used to assess materiality. The assessment resulted in a number of potentially material areas that are described in depth based on background, possible impact in the value chain, possible financial impact, severity and financial impact. The material matters reported on below were then selected from these.

Result of the double materiality assessment

Material matters for NELLY are matters that entail a significant impact on the environment, society and governance (ESG), plus risks and opportunities that shape stakeholders’ perception of the company’s performance and affect its ability to create and retain value over time. The double materiality assessment includes both an inside-out perspective, i.e. how operations affect the value chain, and an outside-in perspective that describes how the material matters may affect NELLY’s financial position and long-term resilience. By analysing how changes, dependencies and risks in the value chain develop, we can gain a better understanding of the financial consequences that may ensue and how they may, in turn, affect the business model.

The material matters are described below, along with impacts, risks and opportunities (IROs) and their relation to ESRS topical standards and mapping to NELLY’s focus areas. The material matters fall within the following ESRS standards: E1 Climate change, E2 Pollution, E4 Biodiversity and ecosystems, E5 Resource use and circular economy, S1 Own workforce, S2 Workers in the value chain, S4 Consumers and end-users, and G1 Business conduct. The following material matters, E3 Water and marine resources, and S3 Affected communities, are therefore not included in the reporting for the year as full, reliable quantitative data is not available for these categories. However, these areas will be evaluated for inclusion going forward as understanding of them increases.



ESG	Sub-topic/ ESRS standard	IRO description	Material impacts/ risks/opportunities	Actions	Sustainability matters
E	Climate change mitigation/E1	Textile production and the fashion industry are responsible for a material proportion of global greenhouse gas emissions. Emissions in the complex value chain are from fossil fuels used for synthetic fibres, energy and transport of all types of fibre and textile.	Negative impact	Reduce emissions per product by means of active material choices and partnerships with suppliers on energy matters. By focusing on smaller product breadth in favour of greater depth per order, NELLY can optimise transport and logistics, resulting in fewer deliveries and lower greenhouse gas emissions.	Greenhouse gas emissions Transport
E	Climate change mitigation/E1	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.	Negative impact	Greater focus on a low return rate results in fewer transport journeys and less packaging and thus lower emissions of greenhouse gases.	Transport Returns
E	Climate change adaptation/E1	Climate change may cause extreme weather such as flooding and drought. Disruption can lead to longer delivery times and higher costs.	Risk	NELLY's production is spread across several countries and continents to reduce the company's vulnerability to unforeseen production disruption or stoppages. A supplier and risk analysis is performed every year based on geographical, political and climate-related risks.	Transport
E	Energi/E1	Use of energy from fossil fuels leads to greenhouse gas emissions.	Negative impact	Partnerships with suppliers, primarily in Tier 1* and Tier 2**, for transition to renewable energy and energy optimisation. *Direct suppliers that supply goods or services directly to the company. **Subsuppliers to Tier 1	Greenhouse gas emissions
E	Pollution/E2	Chemical requirements are constantly becoming stricter, and there is a risk that they are not complied with by all suppliers. This may mean a need for greater efforts and resources to meet future requirements.	Negative impact	Suppliers to NELLY make a contractual undertaking to comply with EU chemicals legislation, REACH, and to ensure that products supplied to NELLY comply with existing laws and regulations. Random sample tests are also carried out for NELLY's own brand products to promote compliance.	

ESG	Sub-topic/ ESRS standard	IRO description	Material impacts/ risks/opportunities	Actions	Sustainability matters
E	Biodiversity and eco-systems/E4	Large-scale raw materials production and extraction and textile production and processing may contribute to loss of biodiversity by means of impact areas such as freshwater use, land use, land destruction, soil erosion, pollution and deforestation.	Negative impact	<p>Gradual increase in the proportion of certified and/or recycled materials and Better Cotton in NELLY's own-produced assortment.</p> <p>NELLY's assortment strategy, in which a reduction of variant breadth and an increase in volumes entail better opportunities in negotiations and the ability to ensure a supply of certified and/or recycled materials, and Better Cotton.</p>	Greenhouse gas emissions Choice of materials
E	Resource use and circular economy/E5	Fabric processing generates waste. Better management can reduce loss of resources. Warehousing and transport use disposable plastic, which is resource-intensive.	Negative impact	Clothing waste is partially recycled. A certain volume is resold via buyers who sort and resell it. A certain volume of non-conformities and samples from production are sent to Human Bridge for reuse and energy recovery.	Packaging End-of-life waste
S	Own workforce/S1	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.	Negative impact	NELLY aims to achieve gender equality and diversity in its Board of Directors and management team as well as among its other employees. The company has clear 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.	Employees/gender equality, diversity and equal treatment
S	Workers in the value chain/S2	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 in relation to statutory pay, child labour and harassment.	Negative impact	<p>NELLY communicates regularly and works closely with its suppliers; it uses Amfori's Code of Conduct in its supplier contracts.</p> <p>To manage risks in the supply chain and promote compliance with human rights requirements, regular reviews of suppliers' operations are performed using third-party partners such as Amfori and Sedex, plus own inspection visits.</p> <p>The reviews are unannounced and take place within a window of one month. Partnerships are ended in the event of serious violations, for example of human rights.</p>	Responsible supply chain
S	Workers in the value chain/S2	Risks associated with violations of human rights may, for example, lead to lower sales and less interest from investors.	Risk	Unannounced third-party audits and close, long-term partnerships with suppliers.	Responsible supply chain
S	Consumers and end-users/S4	High transparency to consumers about the sustainability aspects of products' life cycles may lead to more sustainable consumption. More detailed information about garments' properties may lead to fewer returns.	Opportunities	<p>Greater transparency about manufacturing and material origins via QR codes and preparations for the future introduction of digital product passports under the Ecodesign for Sustainable Products Regulation (ESPR).</p> <p>More information about material properties and garment care.</p>	Sustainability communication and transparency

ESG	Sub-topic/ ESRS standard	IRO description	Material impacts/ risks/opportunities	Actions	Sustainability matters
G	Business conduct/Data security/G1	<p>NELLY carries out digital marketing and sales of clothes and related products, which entails processing of customer data.</p> <p>Personal data breaches, for example loss of customer data or public disclosure of data on individual customers, and intrusion may affect market confidence in the company's security work, have a negative commercial impact and lead to regulatory measures, including pecuniary sanctions and possible damages.</p>	Risk	<p>NELLY works continuously to identify and manage risks linked to data security and secure processing of personal data (GDPR) by applying a risk-based methodology with priorities in terms of probability, potential impact and proportionality.</p> <p>NELLY's aim is to maintain an appropriate level of protection in relation to the nature, scope and risk exposure of operations and to continuously develop working methods and the control environment.</p>	IT security and customer privacy
G	Business conduct/Corruption and bribery/G1	<p>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. NELLY's corporate governance, internal controls and compliance processes are designed to prevent non-compliance with laws and regulations.</p> <p>However, there is always a risk that they are not sufficient to fully prevent unintentional failures to comply with applicable laws and regulations and other standards in all cases, which could lead to fines and damage to NELLY's reputation.</p>	Risk	<p>NELLY's producers of its own products have undertaken, via signed agreements, to follow Amfori BSCI's code of conduct and thus not be involved in any form of corruption. Suppliers are inspected regularly by third parties 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 in the company, NELLY has a code of conduct (ethics policy) with which all employees must be familiar and comply. The code of conduct is signed before employment with the company and is available on the intranet.</p>	Anti-corruption and transparency



The UN Sustainable Development Goals

The UN Sustainable Development Goals are used for guidance in NELLY’s sustainability work. By linking priority initiatives to the goals which the company has the greatest opportunity to help achieve, NELLY strives to create long-term value for people, the environment and society at large.

NELLY’s three general sustainability areas (Environmental initiatives, Social responsibility, Governance & business ethics) mainly concern six of the UN Sustainable Development Goals:



By increasing the share of recycled and certified materials, including cotton sourced through Better Cotton, and advancing the energy transition in its factories, NELLY reduces its environmental impact while contributing to improved social conditions. Environmentally friendly packaging and more efficient transport solutions across the supply chain further strengthen these sustainability efforts.



NELLY is committed to maintaining long-term supplier relationships and fostering economic growth while ensuring decent working conditions. The company actively undertakes both preventive and proactive measures to counteract discrimination in the workplace.



NELLY works in a structured manner with data security and the handling of personal data in accordance with the General Data Protection Regulation (GDPR). Suppliers of NELLY’s own products are contractually committed to complying with the amfori BSCI Code of Conduct, and NELLY’s employees adhere to the company’s own Code of Conduct.



THE GLOBAL GOALS
For Sustainable Development



Selected collaborations and partnerships

The complex sustainability challenges facing the textiles and shoe industry require shared solutions. NELLY operates in a global value chain in which environmental and social risks span several countries and regulatory frameworks. By means of partnerships, membership of industry initiatives and commitment to recognised standards, the company enhances its due diligence work, increases transparency and helps develop shared working methods. Partnerships and shared frameworks are thus a strategic part of NELLY's sustainability work and a condition for pursuing long-term improvements in the global value chain.

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 in 2019 and this membership forms the basis of NELLY's climate work.

Aim:

With other Nordic actors in the Scandinavian Textile Initiative for Climate Action (STICA) to reduce greenhouse gas emissions in line with science-based climate targets and boost the industry's joint climate transition.

Value:

Membership gives NELLY access to shared calculation methods, guidance in setting goals and targets and a structured forum for exchange of experience, all of which raises the quality of the company's climate work and boosts its impact in the supply chain.

www.sustainablefashionacademy.org/STICA

AMFORI BSCI

Amfori BSCI works to improve the working conditions in the global supply chain. Amfori has over 2,400 members and supports companies in their work to create an ethical supply chain through collaboration, knowledge sharing and shared tools. Members are located in over 50 countries. 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.

Aim:

To improve respect for human rights and improve working conditions in the supply chain by means of a shared code of conduct system and independent third-party audits.

Value:

Membership gives NELLY access to a shared audit framework, risk-based monitoring and industry-wide impact, which improves the company's due diligence processes and contributes to long-term improvements in the production countries.

www.amfori.org

HUMAN BRIDGE

Human Bridge is a Swedish aid and secondhand organisation, which collects textiles, clothes and other equipment for recycling, reuse and humanitarian support. It extends the life of products via reuse and secondhand sales. Human Bridge finances and enables aid initiatives, both in Sweden and worldwide.

Aim:

By means of collaboration with Human Bridge to enable reuse and more responsible management of nonconformities and samples, and contribute to aid and secondhand activities.

Value:

The partnership results in less waste, while the products have a longer life and create social benefit. This boosts NELLY's work in recycling and responsible textile management.

www.humanbridge.se

THE BETTER COTTON INITIATIVE

Better Cotton is a global nonprofit organisation, the mission of which is to help and support 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 harmful pesticides and synthetic fertilisers 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.

Aim:

To contribute to improved cotton cultivation methods focusing on reduced environmental impact and better social conditions for growers.

Value:

Membership gives NELLY the opportunity to acquire cotton via an industry-wide improvement system, increase the proportion of more responsibly produced raw materials in its assortment and reduce risks associated with water use, chemicals and land impact in the supply chain.

www.bettercotton.org

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.

Aim:

To participate in an industry-wide initiative and network to promote sustainability, ethics and responsibility in textile imports and supply chains.

Value:

Membership gives NELLY access to exchange of experience, industry-specific knowledge and tools for governing social and environmental responsibility, textile labelling, customs issues and chemicals management. This enhances the company's opportunities to pursue sustainability improvements throughout the value chain.

www.textilimporters.se

Environmental initiatives

NELLY's environmental initiatives are focused primarily on mapping, evaluating and reducing the company's climate impact. These initiatives are continuously developed via data collection processes, changes in our working methods and close cooperation with our partners in the value chain. An important part of these initiatives is our collaboration with other actors in the textile industry via the Scandinavian Textile Initiative for Climate Action (STICA). In 2025, the initiatives were focused in particular on collecting data further down the supply chain, including more data collection from Tier 2 level. In parallel, NELLY adopted a general sustainability agenda for the period up to 2030 to create a long-term direction, enhance transparency and enable monitoring in line with future regulatory requirements.

Strategy and approach

NELLY works continuously to reduce its products' environmental impact via actions that cover the entire life cycle of products. Sourcing strategies have been refined to include:

- Focus on product quality, safety and life, which contributes to lower resource consumption over time.
- Material choices with lower climate and resource footprints and a higher proportion of more sustainable fibres.
- Partnerships with suppliers on energy use and emission reductions in production.
- Efficiency improvements for incoming and outgoing transport, including work on logistics solutions and return flows.
- Development of packaging and waste management to reduce material use and environmental impact.

This holistic approach allows NELLY to integrate environmental considerations in decision-making, product development and purchasing with the aim of gradually reducing climate impact and contributing to a more resource-efficient, circular textile value chain in line with ESRs E1.

Actions

NELLY operates in the low-price fashion industry, a sector in which resource use, greenhouse gas emissions and social impact in the value chain are significant. A predominant part of the company's climate impact arises in the supply chain, especially in the production of materials and completion of products, as well as in transport and return flows. This means that the majority of emissions are in Scope 3 (i.e. all indirect emissions that are not from purchased energy), which entails a need for systematic mapping, close partnerships with suppliers and the promotion of long-term transition measures.

In light of this, NELLY focuses its sustainability initiatives on the areas in which the company's actual and potential impacts are deemed highest and in which the business model allows for measurable improvements. Environmental initiatives include:

- More data collection and improved quality of emission calculations throughout the value chain.
- Gradual transition to materials with lower environmental impact.
- Greater focus on product quality and fit to reduce unnecessary return flows and promote the life of products.
- Dialogue and collaboration with suppliers on energy efficiency measures and higher proportions of renewable energy in production.
- Improved tools for reducing overproduction and purchases that exceed demand.
- Optimisation of logistics flows and initiatives to reduce the climate impact of transport and returns.

At the same time, NELLY is aware of the structural challenges affecting the industry; price pressure and the need for short lead times may render the long-term sustainability transition difficult. Consequently, the company's ambition is to continuously and gradually integrate climate and environmental considerations in business decisions, purchasing strategies and product development with the aim of combining accessible, reasonably priced fashion with a responsible, long-term working method.

By combining transparency, data-driven decision-making and industry collaboration, NELLY strives to reduce its climate impact over time and contribute to the transition required to achieve international climate goals.

Priority materials

As recycled and certified materials often have a lower environmental impact than conventional alternatives, NELLY works to gradually increase the proportion of such materials in its products. The ambition for cotton is primarily to use more organic and recycled cotton. The company's second priority is cotton from Better Cotton, which promotes improved cultivation methods by means of more responsible use of water and chemicals and better working conditions for cotton growers.

The company continuously evaluates the market for new and innovative materials and aims to continue to find viable new alternative materials with lower climate impact. At the same time, it embraces the complex challenges facing the global textile industry such as technical limitations, quality assurance requirements and variations in the supply chain. Regenerative and recycled materials from textiles, known as 'textile-to-textile', are an important part of the strategy, but the scale of their use is currently limited by infrastructure and access to high-quality fibres. NELLY's ambition is to increase the proportion of recycled textiles as supply increases.

The materials that NELLY currently prioritises are recycled and certified materials and cotton via Better Cotton:

- Recycled fibres
- Viscose Lenzing™ EcoVero™
- Viscose Livaeco™ by Birla Cellulose
- TENCEL™
- Organic cotton
- Cotton grown according to Better Cotton principles

By increasing the proportion of recycled and certified materials and cotton via Better Cotton in the product assortment, NELLY integrates environmental and social sustainability aspects in its product development and purchasing, which supports the company's goals of responsibility and transparency in the value chain.

In addition, NELLY protects animal welfare and therefore sets 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 real fur.

Product quality and product safety

Quality and safety are key parts of sustainability initiatives for NELLY, with quality defined based on customer expectations, the product's area of application and the company's price level. The products must be free of harmful chemicals and meet NELLY's quality requirements, which protects people, the environment and customers. The company applies a process in which NELLY sets clear requirements in its contracts with suppliers. Random sample tests on products are determined at regular purchasing meetings at which the assortment is reviewed and a product risk assessment performed. Unannounced third-party inspections at the factory are then ordered for the product before delivery.

Chemicals are managed according to current legislation and international standards, including the EU REACH Regulation. The Regulation is extensive EU legislation containing rules about registration, evaluation, authorisation and limits for chemical substances. As a member of Textilimportörerna, NELLY receives regular information on new rules and updates, which means that suppliers are kept updated and required to following the applicable restrictions. An updated chemicals guide is published every year with new products, test methods and industry recommendations. NELLY shares updated chemicals guides with all its suppliers of own products. The chemicals guide is also published in several languages, making it possible for all suppliers to absorb the information.

This systematic approach allows NELLY to develop products that meet not only statutory requirements but also customer expectations. This underpins the company's long-term ambition to combine quality, safety, sustainability and value for money for NELLY's customers.

Transport and returns

Transport and returns are an unavoidable part of e-commerce involving clothing. It is important to take a strategic approach to transport and to minimise the number of unnecessary returns for both financial and environmental reasons. Since 2023, NELLY has been working interdisciplinarily throughout the company on a returns strategy to minimise the number of unnecessary returns, which has enabled significant improvements in the return rate.

In 2025, the company continued its work to optimise the breadth of articles in the assortment and the depth per purchase order, i.e. the quantities that need to be ordered to prevent a product from running out prematurely and also from not significantly exceeding customer demand. NELLY saw strong growth and thus increased volumes of goods purchased, which generated increased transport.

Incoming transport

NELLY's own brand products are primarily shipped to the distribution centre in Borås by road and sea. During the year, NELLY's proportion of sales of own brands increased by 30% on the previous year. The increase in sales on the previous year means that the emissions reported for incoming transport rose in 2025. The total increase in emissions for incoming transport was 89%, i.e. more than the increase that can be explained by increased sales of own brands. The remaining increase is primarily because sea freight travelled via a longer route around Africa in 2025 compared to the calculations used for 2024 and an increase in air transport (see the next paragraph for further explanation of this). The increase here must be seen in light of the fact that, with a higher proportion of own brands, we have greater control over the choice of freight services than for external brands.

Since 2018, the company has transported goods by air primarily in specific situations such as delays and urgent additional purchases. Each shipment by air that is requested is carefully reviewed and an assessment of the scope, alternative routes, etc. is discussed before a decision to ship by air is approved. NELLY will continue to ship goods by air selectively going forward, but also sees this as an important tool to achieve the company's growth ambitions. The craft of ordering the correct quantities of each product continues to be refined but it will never be possible to predict customer demand precisely and transport routes are expected to continue to be affected by geopolitical phenomena, which means that shipment by air will still be used when necessary.

In 2025, flights were used for 15 incoming shipments of goods for resale, on account of major disruption in global logistics chains such as the situation in the Red Sea, where shipments still needed to go around Africa, with extended lead times as a result. In some cases, sales of a product were higher than expected, and to meet customer demand NELLY placed additional orders to restock and decided that air freight was therefore justified. The proportion of emissions from air transport increased to 21% against 14%* of all incoming shipments in 2024.

**The proportion of emissions from incoming air transport was updated from 30% in 2024 to 14% as a result of adjusted emissions for 2024.*

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 33% in 2025 compared with 2024. The reduction was driven primarily by a higher proportion of fossil-free fuels used by our distribution partners. 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

During the year, the company decided to relocate over 95% of returns management to the central warehouse in Borås, which means positive effects in the number of transport kilometres per return and above all even faster feedback, which can improve products further going forward. The focus on returns will continue, to provide additional insight and the opportunity to improve the product offer.

Packaging and waste

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 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 2025, the company only purchased fully recyclable e-commerce bags for dispatch to customers. In 2025, recycled plastic accounted for 100% of total plastic consumption for e-commerce bags. Recycled paper accounted for 80% of total paper consumption for e-commerce boxes. During the year, NELLY took part in a pilot project on recyclable packaging in e-commerce flows. The aim of the project is to collect information and understand consumer willingness to use and return packaging. The total climate impact of packaging, including transport, is also calculated in the project. The outcome of the project will be summarised in 2026 and is part of the work to prepare for the future introduction of the PPWR regulations in the EU, which will include a requirement for a certain proportion of recyclable packaging.

Minimising end-of-life waste

NELLY takes an active approach to minimising waste and maximising the life of its products. Garments that are returned are cleaned and repaired in the returns warehouse and in stores so they can be resold. Products that cannot be resold via the company's ordinary channels are offered for sale via buyers, are donated to charity or sent for recycling. Garments from sample management and products with minor defects that can no longer be sold via ordinary channels were donated to the charity organisation Human Bridge for reuse during the year. A procedure has been established at the stores in Stockholm and Copenhagen whereby nonconformities are also donated to Human Bridge. A total of 1,056 kg of garments were donated in 2025, while 258 kg were sent for incineration on account of mould that developed during transport from the production unit in China. Unfortunately, mould can occur during transport, primarily on ships from China, where garments may be packed in damp weather and then transported over long distances in closed spaces. The company uses silica gel sachets to prevent mould, but unfortunately it does develop sometimes.

NELLY's ambition is to keep garment destruction as low as possible. This is achieved by means of effective collaboration, continuous monitoring and inspections in production, as well as by developing circular solutions such as donation to secondhand outlets, which allows garments to be used for longer and contribute to a more sustainable textile value chain.

Targets and ambitions

The company's overall sustainability targets up to the end of 2030 were updated in 2025, and priority activities were defined. The change means that we now have a more relevant, robust target for reducing our indirect emissions.

NELLY's overall sustainability targets:

New targets to the end of 2030

2030: Annual greenhouse gas emissions must fall on average by 5% per product, resulting in a total reduction of 26% by 2030 (Scope 3) – base year 2024.

2030: 70% of all material NELLY buys must be made of recycled material, certified material or material from Better Cotton.

Annually: NELLY's own-produced goods must only be produced at factories that have been audited by a third party to improve supply chain monitoring and reduce risks associated with working conditions, environmental impact and business ethics.

To enable us to assess how successful our sustainability efforts are, NELLY continuously monitors key ratios linked to sell-through rates, full-price sales and the return rate. These key ratios help us carefully monitor developments over time and drive improvements. Going forward, we also intend to explore how often NELLY's garments are used on average and how this can be measured to enable us eventually to evaluate whether the initiatives we take affect this key ratio.

In relation to the target for Scope 3, various scenarios have been evaluated from the perspectives of reasonableness and risk. Given that emissions in the value chain are affected by a number of factors beyond NELLY's control, such as each country's transition plans for renewable energy, a target has been defined that is deemed reasonable based on the prevailing circumstances. Progress towards the target will be reported every year, and it is hoped that the target can be raised when the effects of the actions are realised.

In addition to the overall sustainability targets, NELLY's ambition is to reduce emissions from its own operations (Scopes 1 & 2) by 42% by 2030 – base year 2024.

Previous targets to the end of 2025

2030 – Reduce absolute greenhouse gas emissions by at least 50% by 2030 (Scope 3), in accordance with STICA requirements. Base year 2020. 2025 result: -24% (2024: -33%*)

Annually – NELLY’s own production, i.e. products offered under our own brands, will only take place at factories inspected by external inspectors. 2025 result: 100% (2024: 98%). Read more on page 30 (under ‘Responsible supply chain’).

2025 – Achieve net zero in our own operations (Scopes 1 & 2). Base year 2018. 2025 result: -97% (2024: -97%*)

**Emissions for 2024 have been updated as a result of reclassifications and corrections. Before adjustment of emissions for 2024, a reduction of 34% was reported in Scope 3 and a reduction of 64% in Scopes 1 and 2. A more detailed account of reclassifications and adjustments is given under ‘Results’.*

Results

Energy

Total energy consumption fell slightly from 2,215 MWh to 2,165 MWh in 2025. The premises comprise the headquarters in Borås, the central warehouse in Borås, the store in Stockholm and, since September 2025, a store in Copenhagen. Power consumption increased by 4% as a consequence of additional premises. However, district heating consumption decreased by 7% related to lower consumption at the warehouse and headquarters in Borås. District heating is used in all premises, and district cooling is used for the warehouse and store in Stockholm. All electricity consumed in NELLY’s own operations is origin-labelled renewable in accordance with the market-based calculation method.

NELLY’s warehouse is environmentally certified and energy-efficient and is designed for efficient logistics. The warehouse is run on renewable energy and district heating certified with the Swedish ecolabel Good Environmental Choice. The company’s logistics facility is located geographically close to the company’s headquarters, which minimises the need for internal transport. There is daily monitoring to make processes more efficient, reduce energy consumption and ensure efficiency.

Greenhouse gas emissions

Greenhouse gas emissions in Scopes 1, 2 and 3 are reported according to the Greenhouse Gas Protocol. For the fourth year in a row, the report also includes total emissions for purchased products, Tier 1. The focus for 2025 was to collect data from Tier 2 in all production countries. Most of NELLY’s climate impact continues to be concentrated in the production stage of the value chain, primarily in material production. This forms the foundation of NELLY’s long-term climate target for Scope 3 and governs the development of measures to reduce climate impact.

Scope 1	Direct emissions from the company’s own operations, e.g. company cars (excluding electric vehicles), refrigerant leaks. NELLY had no emissions in Scope 1 in 2025.
Scope 2	Indirect emissions from purchased electricity, heating or cooling used in stores, warehouses and offices. Company cars (electric vehicles) are also reported in this category. The principal calculation method is market-based.
Scope 3	Indirect emissions from the entire value chain, e.g. materials production, transport, business travel and fuel and energy-related emissions.
Tier 1	Direct suppliers – those who supply goods or services directly to the company.
Tiers 2–4	Subsuppliers to Tier 1 – further down the value chain.

Metrics

The Group’s climate results show that total emissions in 2025 were 17,808 tonnes CO₂e, an increase of 12% (1,925 tonnes) on 2024, and a decrease of 24% compared with the base year 2020.

The majority of emissions are in Scope 3, with the largest category, purchased products and services, accounting for 95% of total emissions for the Group, of which production (Tier 1) consists of 1,710 tonnes CO₂e, materials (Tiers 2–4) 15,033 tonnes CO₂e and packaging materials 212 tonnes CO₂e.

The second highest emissions category, transport and distribution, accounted for 4% of the Group’s total emissions in 2025, a reduction of 74% on the base year 2020. The decrease is on account of the transition to fossil-free transport options. Emissions related to business travel increased by 183% on the base year 2020, which is an expected effect as the base year was heavily affected by the pandemic.

In 2025, the result for Scope 2 (no emissions are reported in Scope 1) was 7 tonnes CO₂e, which means that NELLY reduced its greenhouse gas emissions in its own operations by 97% on the base year 2018.

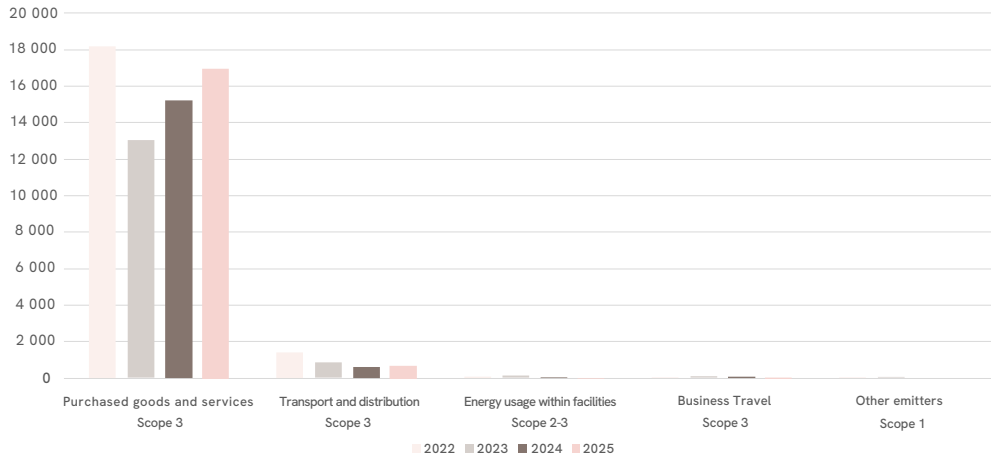
Greenhouse gas emissions

	2025	2024	vs. LY
Scope 1 greenhouse gas emissions			
Greenhouse gas emissions, Scope 1 (tCO ₂ e)	0	0	N/A
Scope 2 greenhouse gas emissions			
Location-based greenhouse gas emissions in Scope 2 (tCO ₂ e)	66	73	-9.4%
Market-based greenhouse gas emissions in Scope 2 (tCO ₂ e)	7	7	-3.5%
Scope 3 greenhouse gas emissions			
Total indirect gross greenhouse gas emissions, Scope 3 (tCO ₂ e)	17,801	15,876	12.1%
1. Purchased goods and services	16,955	15,156	11.9%
3. Fuel and energy-related emissions	10	10	-2.1%
4. Transport and distribution	728	602	21.0%
6. Business travel	108	108	0.0%
Total greenhouse gas emissions (location-based) (tCO₂e)	17,867	15,949	12.0%
Total greenhouse gas emissions (market-based) (tCO₂e)	17,808	15,883	12.1%

ANNUAL REPORT 2025



Greenhouse gas emissions per category (tCO2e)



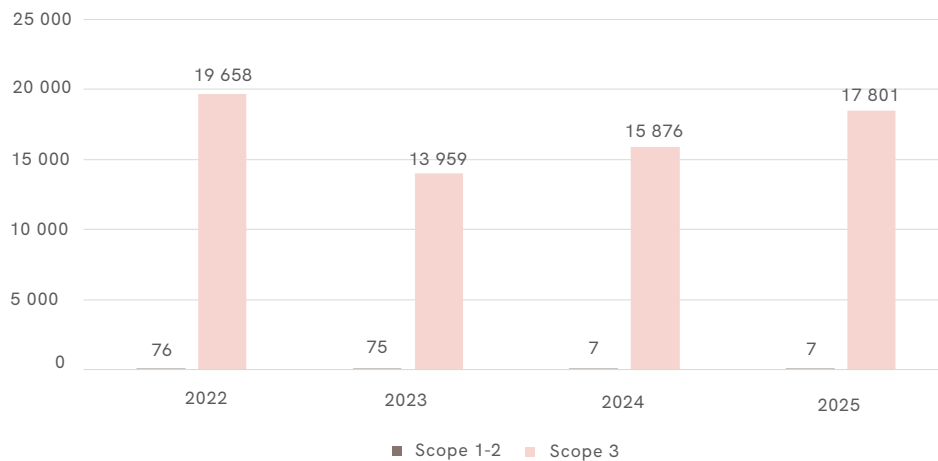
Purchased goods and services – refers to emissions from purchased products related to NELLY’s own brands and external brands, including packaging. Emissions for purchased goods and services have increased since 2023 as a result of higher purchase volumes and a change in the purchasing strategy. The increase in emissions in this category since 2023 is 12%, primarily on account of higher volumes of cotton. This resulted in material weight increasing by 22% since 2024, but total emissions per purchased good only increased by 2% in the same period.

Transport – refers to emissions from incoming and outgoing transport, including returns.

Purchased energy for own operations – refers to electricity, district heating and district cooling for stores, warehouses and headquarters.

Business travel – refers to flights, hotels, taxis, trains and journeys with employees’ own cars. From 2025, expenditure is also included for the first time, in addition to travel booked via travel agencies.

Greenhouse gas emissions per annum (tCO2e)



Accounting policies

Climate data and emission reporting

NELLY's climate calculations have been prepared according to the GHG protocol. Scope 1 comprises direct emissions from own operations; in NELLY's case there were no emissions in Scope 1. Scope 2 includes indirect emissions from electricity, district heating and district cooling 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 NELLY's control, energy-related activities not covered by Scope 2 and third-party activities.

In 2025, the method for processing weights was changed, with the previous standard weights being replaced with actual weights. The change in method helps improve data quality. All goods from both own production and external brands are weighed at the warehouse in Nordskogen. A deduction is made for packaging and shoe boxes, using a standard weight. Against this background, the 2024 data has been adjusted using a corresponding method to make it comparable, and this generated 2% higher emissions compared with the previously reported figures.

Emission factors and method

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 come from AIB European residual mixes, Vattenfall and Swedenergy, and environmental key figures from Stockholm Exergi. Emission factors for energy-related and fuel-related emissions in Scope 3 come from the Swedish Transport Administration, DEFRA, the Swedish Energy Agency and the Swedish Environmental Protection Agency. Emissions related to material and textile production and packaging material were calculated with emission factors from Higg MSI. Emissions related to outsourced warehouse operations were estimated with emission factors from AIB Residual Mixes 2023.

For transport-related emissions, emission factors taken from Network of Transport Measures (NTM) were applied. Emission factors for business travel come from Hertz Sustainability Report 2020, Global Taxi Benchmarking Study 2019, International Association of Public Transport (UITP) and UHM, BEIS/DEFRA for hotel nights.

Primary data was collected from all of NELLY's Tier 1 suppliers in own production for 2025. For external brands, Tier 1 emissions were estimated for both 2025 and 2024 based on NELLY's own supplier data from 2025. Primary data in Tier 2 was collected to cover roughly 33%, in weight, of all purchased materials for own production (approximately 60% of emissions in Tier 2, own production). Emissions for the remaining material weight in Tier 2 was estimated based on the reporting suppliers and assumptions about production countries. For 2024, an average of emissions for total material weight (primary data and estimated) in 2025 was used for Tier 2. For external brands in Tiers 2–4, estimated material quantities account for approximately 1% of emissions. For own production in Tiers 2–4, the use of estimates is very limited, <0.01%, and does not affect the overall figure.

In other emission categories, UPS transport was estimated based on cost. The estimated emissions account for approximately 0.3% of total transport emissions.

Comments on 2024 as the new base year

As there were no refrigerant leaks in 2024 at the warehouse in Nordskogen, this item has been removed. In addition, emissions from employees' own cars have been moved from Scope 1 to business travel in Scope 3. Power consumption for the store in Stockholm has been reclassified in relation to origin-labelled renewable power and the district heating for the headquarters in Knalleland has been reclassified in relation to Swedish ecolabel Good Environmental Choice certification. Adjustment of emissions for purchased products as a result of a new method for processing weight. An adjustment has also been made for the RFI (Radiative Forcing Index) factor linked to incoming air transport. This adjustment has resulted in lower calculated emissions than previously reported.

Priority materials

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 recycled material, certified material and cotton via Better Cotton. The materials strategy contains criteria for sustainable material choices based on carbon footprint such as emission factors and monitoring new materials from textile to textile.

The materials that NELLY defines as recycled materials, certified materials and materials via Better Cotton – recycled fibres, organic cotton, Better Cotton and Viscose LENZING™ EcoVero™, TENCEL™ Lyocell and TENCEL™ Modal – are a key part of the company's measures to manage the risks and negative impact identified in the IRO analysis under ESRS E4 Biodiversity and ecosystems.

Large-scale raw materials production and textile processing may contribute to loss of biodiversity by means of impact on land use, water resources, land destruction, soil erosion, chemicals pollution and deforestation. A gradual increase in the proportion of the materials below is an important component of our environmental work:

- Recycled fibres reduce the need for virgin raw materials extraction and thus the pressure on natural resources and ecosystems.
- Recycled textiles from textiles promote circularity in the value chain, reduce emissions from production of raw materials and reduce water use in the production process.
- Organic cotton and Better Cotton promote improved cultivation methods with a focus on land health, reduced chemicals use and more efficient water use.
- LENZING™ fibres (EcoVero™, TENCEL™ Lyocell and TENCEL™ Modal) contain raw materials from timber from controlled, certified forestry systems, which contributes to a lower risk of deforestation and unsustainable forest management.
- Viscose Livaeco™ by Birla Cellulose is a type of viscose fibre produced by Birla Cellulose and made from cellulose from timber from certified, responsibly managed forests. The material was developed to be more traceable through the supply chain, to use less water and to produce lower emissions than conventional viscose.

The materials strategy thus represents a risk reduction measure in relation to the identified biodiversity impact areas and is integrated in the company's overall sustainability agenda up to 2030.

The proportion of priority materials was 47% in 2025, which was below the target of 50%. The proportion for NELLY’s own brand products was 59%, while the proportion for externally produced products was 19%. The higher proportion of priority materials in own production was primarily due to the fact that the company was able to influence materials purchasing to a great extent. Among other things, NELLY has a high 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, organic cotton and recycled cotton for own brand products was 96%. In 2025, the proportion of recycled polyester in own production was 34%. As a significant proportion of NELLY’s products contain polyester, the transition from conventional polyester to recycled polyester will be given greater priority in the future. Above all, the company will focus on continued material development in this area. The proportion of Viscose LENZING™ EcoVero™ and Viscose Livaeco™ by Birla Cellulose as a replacement for viscose in own production was 82%. NELLY receives certification from suppliers or organisations for all purchase orders for own production containing recycled, organic material, and Viscose LENZING™ EcoVero™, Viscose Livaeco™ by Birla Cellulose and Tencel™.

Chemicals and quality

A total of 162 quality inspections were performed in production in 2025. Of these, 34 were chemicals inspections, which covers 13% of the assortment. This is a strategic increase as NELLY wants to focus on the return rate and ensure good production early in the process. The company’s updated assortment strategy, with a lower number of variants in the collections, still results in an increase in the number of quality inspections as it has been decided to focus on safer production and continue to strive to reduce the risk of defects and nonconformities. In 2026, NELLY will evaluate targets to increase the proportion of quality inspections further in line with the objective to deliver high standards while continuing to focus on the return rate. NELLY has a procedure for performing internal chemicals tests for nickel on all metal parts that may be in our products. 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.

The complaint rate was 0.8% in 2025, which was lower than the company’s target of 1%.

Chemicals management

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

Product quality

KPI: Number of quality control inspections (own brand Nelly): 162, which comprises 13% of the assortment

Transport KPI

KPI: Proportion of CO2e emissions per means of transport for incoming shipments, distribution in %:

Air: 21%, Sea: 48%, Road: 31%

Packaging KPI

1. kg recycled plastic/total plastic consumed, e-commerce bags (%): 100%

2. kg recycled paper/total paper consumed, e-commerce box (%): 80%

End-of-life KPI

KPI: Clothes (in kg) donated to Human Bridge: 1,056 kg

KPI: Products (in kg) sent for destruction: 258 kg*

* Products were destroyed on account of mould having developed during transport



Social responsibility

Employees

NELLY attaches great importance to ensuring that all employees are treated equally, with respect and dignity, and are given equal opportunities for development.

Strategy, policies and approach

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 24). The company also has a policy and action plan to combat bullying and harassment, which is important in preventing social ill health. The company conducts regular digital employee surveys 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.

Actions

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 headquarters 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 store level takes place directly via the central trade union instead.

The company works with Samhall at the warehouse, which contributes to increased inclusion and opportunities for work for people who are further from the labour market.

Recurring leadership days are also held to enhance and develop leadership. These are intended to develop leadership ability, enhance consensus on the company's values and leadership principles and create forums for managers to exchange experience.



Workforce data, 2025

The key ratios below are based on the average number of employees, calculated using the number of actual hours worked, together with paid absence and other short-term absence, compared with the scheduled working time.

Employment category

	Women	Men	Total
Permanent employees	90	55	145
Fixed-term employees	14	3	17
Total	104	58	162

Age distribution of employees

	No. (#) 2025	Proportion (%) 2025	No. (#) 2024	Proportion (%) 2024
Total	162	100%	151	100%
Under 30	58	36%	54	36%
30–50	94	58%	86	57%
Over 50	10	6%	11	7%

No. of employees per market

	Own workforce	Permanent employees	Fixed-term employees
Sweden	156	140	16
Denmark	6	5	1
Total	162	145	17

Gender distribution of employees

	Proportion of women (2025)	Proportion of women (2024)
Total	64%	62%
Under 30	85%	78%
30–50	51%	53%
Over 50	68%	66%

Gender distribution of employees, Board

	Proportion of women (2025)	Proportion of women (2024)
Total	50%	33%
Under 30	0%	0%
30–50	67%	33%
Over 50	33%	33%

Gender distribution of employees in management team

	Proportion of women (2025)	Proportion of women (2024)
Total	50%	50%
Under 30	0%	0%
30–50	60%	60%
Over 50	0%	0%

Gender distribution of employees, managers

	Proportion of women (2025)	Proportion of women (2024)
Total	61%	68%
Under 30	33%	100%
30–50	62%	67%
Over 50	67%	67%

The calculation of the employee turnover rate is based on the number of permanent and probationary employees who left voluntarily or involuntarily during the year, divided by the average number of permanent and probationary employees.

Employee turnover rate

	No. (#) 2025	Proportion (%) 2025	No. (#) 2024	Proportion (%) 2024
Employee turnover rate	25	14.3%	32	19.3%

Responsible supply chain

NELLY strives to build close, strong, effective relations with its suppliers and sets clear standards for working conditions and human rights. The company wants to work with suppliers that share its values and strive to maintain good working conditions. To boost transparency in the supply chain, it is necessary to have an open dialogue and a shared understanding of the importance of insight and responsibility.

Strategy, policies and approach

NELLY operates in the clothing industry and has a value chain comprising several brands, suppliers and factories in several stages. This entails the 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 22 suppliers that, in turn, use 42 production units (Tier 1). Of these 42 production units, 39 were used in 2025. Since the assortment may change from season to season, not all factories are used at the same time. The nature of the assortment and delivery times determine the factories that should be used in each case. NELLY's production units are in China, Turkey, India, Bangladesh and Cambodia. NELLY has continued to optimise variant breadth and increase volume per variant instead, allowing it to work more closely with fewer suppliers. Consequently, the number of suppliers fell slightly during the year, and a few new production units have also been added.

NELLY's ambition is to have long-term relationships with its suppliers to achieve an even level of product 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 unannounced third-party inspections to check working conditions, and it makes clear demands for action if it discovers shortcomings. NELLY publishes an annual list of the production units (Tier 1) used for its own brand products. In 2025, NELLY began to gather contact details and climate data for Tier 2 and Tier 3 (subsuppliers of Tier 1) to start analysing the entire production chain.

Risk analysis and assessment before entering into contracts with new suppliers

A 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. Based on this analysis, any risks are identified and, where 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 NELLY's code of conduct, no partnership begins.

Policy and governance

NELLY's work to ensure respect for human rights in the supply chain is integrated in the company's overall due diligence processes and supplier management. NELLY has been an active member of Amfori BSCI since 2018. This is an industry initiative with the aim of improving working conditions in global supply chains by means of shared standards and monitoring mechanisms.

All suppliers that produce for NELLY's own brands are subject to an agreement to which Amfori BSCI's code of conduct is attached. By signing the agreement, the supplier undertakes to comply with the requirements of the code and ensure that corresponding principles are communicated to relevant sub-suppliers. This is a fundamental precondition of the establishment of new business relations and integrated in the company's supplier evaluation and monitoring.

Normative basis

The code of conduct is based on internationally recognised frameworks and guidelines, including:

- The International Labour Organization's declaration on fundamental principles and rights at work
- The OECD's guidelines for multinational enterprises
- The United Nations guiding principles on business and human rights

These frameworks form the basis of NELLY's expectations of suppliers and serve as a reference point in the company's risk assessment and monitoring.

The code of conduct comprises central labour law and social principles, including:

- Prohibition of child labour and forced labour
- Non-discrimination and respectful treatment
- Prohibition of violence and harassment
- Fair pay and regulated working hours
- Freedom of association and the right to collective bargaining
- Health and safety at work

Compliance is monitored by means of independent third-party audits within the framework of the Amfori BSCI system, supplemented by NELLY's own risk-based monitoring. Identified incidences of non-compliance are managed using action plans and via dialogue with the supplier, with the aim of achieving long-term improvements rather than short-term interrupted partnerships.

Monitoring system and risk-based review

NELLY applies a structured, risk-based monitoring model to review compliance with its requirements for human rights and decent working conditions in the supply chain. Monitoring is by means of independent third-party audits in accordance with Amfori BSCI regulations.

The audit frequency is based on the factory’s rating in the Amfori BSCI classification system. Production units with average rating A or B are audited less frequently, while units with rating C are monitored annually. This enables resource allocation, with monitoring focusing on businesses with higher risk or identified areas for improvement.

The audit reports cover both verification of compliance and identification of non-compliance and areas for improvement. The independent audit firms are accredited in the Amfori system and operate in all production countries where NELLY has production of its own brand products.

Immediate action is taken in the event of serious non-compliance, referred to as zero tolerance cases. Examples of such cases include forced labour, child labour, discrimination, violence or harassment, plus bribery and corruption. The partnership with the supplier may be terminated in such cases unless adequate correction action is taken. No zero tolerance cases were identified in 2025 in the audits performed under the Amfori BSCI system.

For external brands, clear fundamental requirements for human rights are communicated via purchasing agreements to which the code of conduct is attached as a binding appendix. The code includes clauses relating to working conditions, human rights and business ethics. Several of the external brands with which NELLY has partnerships have established sustainability strategies and their own targets related to human rights in the supply chain.

NELLY’s ambition in 2026 will be to prioritise greater transparency and information gathering from external brands in relation to their due diligence processes, risk assessments and monitoring mechanisms in the field of human rights. The aim is to improve the company’s overall risk exposure in the value chain.

By means of systematic monitoring, clear requirements and industry collaboration, NELLY strives to contribute to long-term improvements for workers in the supply chain and to ensure that respect for human rights is a fundamental component of business relations.

Actions

In 2025, 100% 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 inspection of Tier 1 production units in all countries in which there is production. 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 rated 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 verify that action is being 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 2025 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 company’s ambition is to continue to deepen its relations with existing suppliers and also to evaluate the opportunities for adding additional suppliers. By enhancing the transparency of production units and the monitoring of social key indicators, NELLY contributes to improved working conditions and a stronger foundation is laid for a long-term sustainable, responsible business model.

Responsible supply chain

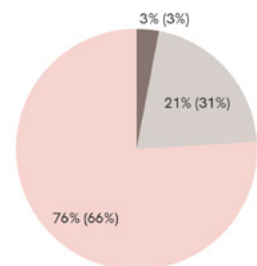
KPI: Proportion of factories with valid social third-party inspections (own brands) 100%

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

KPI: Number of suppliers (own brands): 22

KPI: Number of production units used in 2025 (own brands): 39

Audit result 2025



■ A: Very good 3% ■ B: Good 21% ■ C: Acceptable 76% ■ D: Inadequate ■ E: Unacceptable

Audit results for 2024 in brackets

NELLYs Production Units (Tier 1)



ANNUAL REPORT 2025

“Our transition begins where our impact is highest – in the value chain and production. Everything we do starts with customers and their desire for products that can be used and loved again and again. By means of conscious choice of materials, close partnerships with our suppliers and clear requirements, we drive practical change, including greater use of renewable electricity in the factories. When responsibility, consideration and creativity go hand in hand, we create fashion that is better for both our customers and for the future.”

Maria Biederbeck, Head of Production & Sustainability.

Customer focus

Strategy and approach

Customer focus is an integral part of NELLY’s business strategy and sustainability work. The company operates in a complex global value chain and is aware that its customers’ trust is based on transparency, quality that meets their expectations of the product and responsibility. The ambition is to offer an attractive assortment in which fashion and value for money are combined with clear information and a conscious product range.

NELLY strives to create conditions for safe, well-informed purchasing decisions. This means that customers must be able to obtain relevant, correct information about materials, origins, care and product features before they buy, to ensure that their experience matches their expectations.

At the same time, the company is aware that the textile industry faces complex challenges. Customer focus therefore also entails a responsibility to communicate in a balanced, transparent manner about what is being done, which improvements are underway and which areas still need to be developed.

Risks and opportunities

A lack of product information, unclear communication or a mismatch between expectations and actual quality may have a negative impact on customer trust. Greater transparency, improved product data and a more digital customer journey also offer opportunities to strengthen relationships.

By continuously listening to customers’ needs and analysing feedback, NELLY is able to develop its offer, reduce the risk of customers buying the wrong product, reduce returns and help ensure that customers will want to wear their garments for a long time.

Actions

Customer focus work involves the development of digital product information, quality assurance, improved labelling and ongoing dialogue with customers via various channels.

In 2025, NELLY developed its digital product information by building on the introduction of QR codes on product care labels of own brand products. QR codes give customers access to updated information such as materials, care advice and production country in one place. The solution also serves as a portal to further product-related content on NELLY’s digital platforms. The company also has structured processes for quality assurance and monitoring. This creates the framework for ensuring that products meet customer expectations.

Results

In 2025, NELLY continued to make it easier for customers to make conscious purchasing decisions based on clear, relevant information, which contributes to greater customer satisfaction, less risk of buying the wrong product and a lower return rate. This work is part of the company’s broader strategy to integrate sustainability in the business model and create long-term customer value.

As part of NELLY’s focus on profitable growth, the assortment has been subject to a strategic change process – from an offer designed more for special occasions to a more everyday assortment with a focus on products such as knitted jumpers, tops and jeans. This direction continued in 2025 and entails a greater emphasis on garments with high frequency of use and longer life. The shift from, among other things, party dresses with a high return rate has contributed to a lower complaint rate and lower return volumes. At the same time, the aim is to meet each customer’s expectations in terms of quality, fit and function to a greater extent so that NELLY’s products are loved, cared for and used again and again over time.

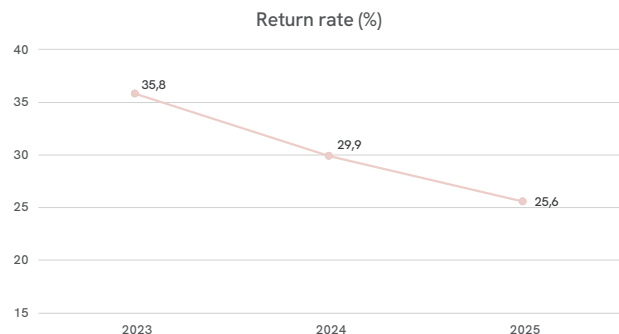
To support this, the company has developed the digital guidance on its web platforms. A new digital tool, a size guide, was launched during the year to help customers choose the right size. The size guide allows customers to enter height, weight and body shape, which was not possible previously. This makes it easier for customers to find the right product and gives them more information about the garment so that what they choose meets their expectations. Design guidelines have been further integrated in the purchase and design process. These guidelines are already used in the development stage to ensure clear product information, a better fit and increased usability over the product’s life cycle.

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 size and fit, which is the main reason for returns. During the year, NELLY continued to implement its returns strategy, addressing the issue from a 360-degree perspective.

The work on the returns strategy in 2025 generated good results and the return rate for 2025 was 25.6% of sales, a reduction of 4.3 percentage points on 2024. A lower number of returns means that the company’s customers are more satisfied with their products and saves on both outgoing and incoming transport. Consequently, a lower return rate has a positive effect on the environmental impact of transport.

RETURNS KPI

KPI: The sales value of returned goods divided by total sales before returns (return rate): 25.6% (29.9%)



Governance & ethics

Business ethics and IT security are crucial to NELLY’s operations as an e-commerce company. Risks are assessed regularly and systematically to allow NELLY to make well-founded decisions on tolerance levels and risk reduction measures. Risks are identified, analysed and prioritised based on likelihood, impact and proportionality, using policies and guidelines for support.

Strategy, policies and approach

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 handling orders and deliveries, as well as offering customer support and to be able to improve offers and services via customer surveys and marketing. To identify, assess and manage risks related to personal data processing, NELLY takes a systematic approach to data protection, applying data protection legislation, which is checked and monitored by the data protection officer in connection with the rest of the organisation.

NELLY’s code of conduct (ethics policy) for employees and its whistleblower policy are fundamental to the work to prevent corruption.

Actions

To ensure good internal control over any risks related to personal data processing, NELLY continued to optimise the organisation that works on matters related to personal data in 2025. The control framework was also developed and further 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. All employees are subject to regular mandatory training in data protection (GDPR) and cybersecurity.

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 2025, NELLY had a total of 129 personal data breaches, all of which were classified as low risk. The most common breach was when a customer entered the wrong mobile number or email address, which may have led to data about their purchases becoming available to a recipient other than the one intended. NELLY constantly learns from the breaches that occur and uses the information to improve its preventive work.

Corruption and bribery

NELLY aims to practise a high level of business ethics and does not accept 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.

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. NELLY intends to supplement this with regular mandatory online training linked to the code of conduct to enhance compliance.

Whistleblower process

To ensure a good internal environment in which employees and business partners feel confident about reporting suspicions of impropriety, 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 2025, NELLY received no reports of impropriety.

Anti-corruption and transparency

KPI: Number of confirmed whistleblower reports: 0 (2024: 0)

IT security & customer privacy

KPI: Number of identified data leaks

1. Number of breaches reported to the Swedish Authority for Privacy Protection (IMY) (formerly the Swedish Data Protection Authority): 0 (2024: 1)

2. Number of personal data breaches: High: 0, medium: 0, low: 129* (2024: high: 0, medium: 1, low: 21)

* The procedures for reporting personal data breaches were changed in 2025, leading to an increase in the number of breaches compared to previous years. All breaches are low risk, and most involved a customer entering the wrong mobile number or email address, which may have led to data about their purchases becoming available to a recipient other than the one intended.

Auditor's report on the statutory sustainability report



To the general meeting of the shareholders in Nelly Group AB (publ), corporate identity number 556035-6940

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2025 on pages 10–36 and that it has been prepared in accordance with the Swedish Annual Accounts Act according to the prior wording that was in effect before 1 July 2024.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Borås, 16 April 2026

Öhrlings PricewaterhouseCoopers AB

Mattias Palmqvist
Authorized Public Accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.