

BUILDING A SUSTAINABLE FUTURE

Sustainability Report 2019

Nanushka

A message from Sandra & Peter

Welcome to the Nanushka Sustainability Report.
We're excited to share it with you.

Sustainability is a core value of Nanushka, consistently attuned from Sandra's own views on natural life, the environment and the homage we must provide it. Our growing global success as a brand has enabled us to focus on and invest in sustainability more than ever before; as our company evolves, sustainability evolves with us. While we still have a long way to go to become a sustainable business - and live a more sustainable life - the year 2019 marks a key milestone in our sustainability journey.

We feel it is our duty to be transparent with our customers about our operations, materials and processes. That's part of the reason why we have commissioned this sustainability report. It enables us to share our beliefs, efforts and overall approach to sustainability with you and to hold ourselves accountable going forward.

One of our key achievements in 2019 was the establishment of the internal sustainability team, dedicated to supporting the integration of sustainability across departments and improving transparency and traceability throughout our supply chain. In 2019, the sustainability team worked closely with our designers to ensure that sustainability is now taken into account when deciding on all materials and production methods for each collection - something of which we are extremely proud.

We believe in environmental, social and climate justice. We're striving to create a circular business model, elongating the product and material life cycle to allow for maximum value utilisation and to reduce waste. And we feel strongly connected to the global community and take responsibility for social initiatives, participating in and initiating projects that benefited those most in need in 2019.

A message from Sandra & Peter

We will continue to build upon these beliefs this year and beyond. Though 2020 has been a challenging year for business, we're pleased to say that our sustainability efforts go on uninterrupted; in fact, they go on with increased vigour and determination. We believe that the time really has come to take immediate action, to innovate and to recognize our impact as a company - and as an industry as a whole. We'll work ceaselessly with and for nature in all that we do, doing our part to minimize the risk of doing irreversible damage to our planet.

We have big ambitions, backed wholeheartedly by our financial partner, GB & Partners and EXIM Fund. By 2025 our collections will be 100% sustainable, with full transparency and traceability across each component of our supply chain; by 2030, we aim to have reduced GHG emissions by 50% Scope 1, 2 and 3; and by 2050, we will achieve net-zero emissions.

As part of Vanguard, a portfolio of modern luxury brands, we exchange ideas, share resources and inspire each other to achieve our goals. With this sustainability report, we hope that we can similarly inspire you to join us in building a sustainable future together.



*Sandra Sándor (Founder & Creative Director)
& Péter Baldasztí (CEO)*

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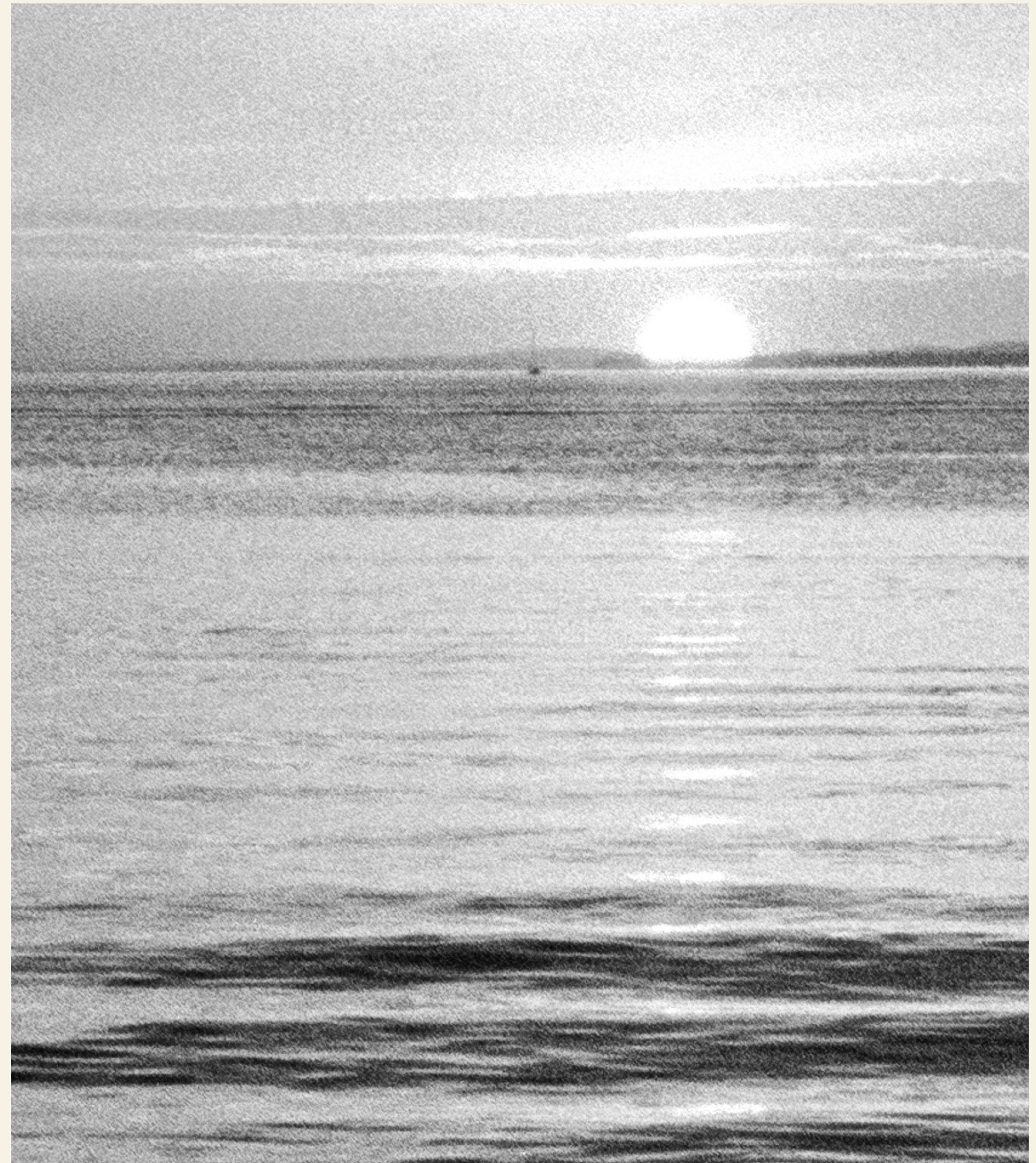
INTRODUCTION

Welcome to our very first sustainability report, aiming to present an accurate and comprehensive account of our initiatives and impact in 2019. Focusing on the accountability, traceability and transparency of all our operations, it solidifies our aspirations and identifies new improvement opportunities. We are just at the beginning of our sustainability journey and this report is ultimately part of our commitment to do better.

Introduction

In June and July 2019, senior management participated in an introductory session about the state of sustainability in the fashion industry. The workshop set a pioneering direction for sustainability at Nanushka, coming together as our mission and values.

We established our own dedicated Sustainability Team to implement a sustainable strategy across our operations that is consistently discussed at monthly Sustainability Committees. In 2019, we started several projects aiming at increasing the transparency and traceability of our supply chain, to allow for more conscious design choices and to increase engagement and accountability from our suppliers, clients and business partners as a whole. As a result, we conducted an impact assessment, the outcome and calculations of which you can find in the report.



As part of our sustainability strategy, we have also set key objectives for 2020 in terms of our environmental and social footprint, as well as transparency and traceability. Our strategy addresses both longer-term organizational changes and the issues we think require immediate action.

The report has been prepared according to the Global Reporting Initiative standard and will be released annually. It is structured around our key pillars: Community; Earth; Animal Welfare; and Circularity.

INTEGRATED SUSTAINABILITY

We're continually seeking ways we can be kinder and more mindful of the world around us to restore the prosperity of the planet and its people.

Integrated Sustainability

Our mission and values

Nanushka is the modern bohemian - curious, spiritual and progressive. We're Budapest based but with a global outlook, cherishing our position as citizens of this earth and exploring everything it has to offer.

We're not only consistently inspired by the world around us but work with and for it. From our design and craftsmanship ethos to our company culture, our mission is to develop holistic products and services that nurture the soul, nature, communities and fulfill their function. We plan on achieving our mission by making decisions that seek to enrich the connection between us and the natural world, people and the planet, now and in the future.

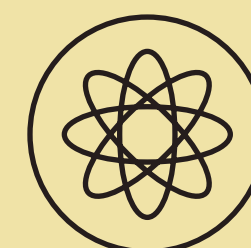


Nanushka has grown from a family business into an increasingly international one, with a team representing more than ten nationalities. We believe that the key to becoming a sustainable brand is taking everyone along with us on our journey. For us, sustainability is about empowering our community to make decisions that pay homage to natural life and the environment.



Craftsmanship

Craftsmanship shows us new ways to use materials and save them from becoming waste. Providing job opportunities, it also harnesses creativity in a way that nurtures and empowers our communities.



Experimentation & Progressivism

We strive to transform the way fashion is made, perceived and consumed by implementing new, innovative business models, technology to considered materials.

Our highlights

January
1972



Sandra's mom founds the first childrenswear business in Hungary, 17 years prior to the fall of the iron curtain

August
2012



The brand focuses on the domestic market and slowly gains some international attention despite Budapest not being a traditional fashion capital

November
2017



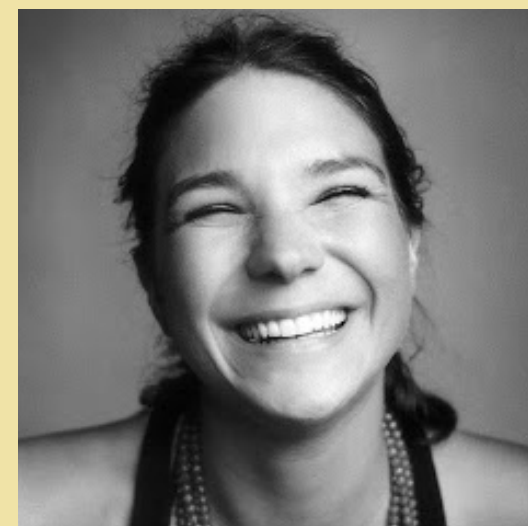
Nanushka debuts with a pop-up corner at Galeries Lafayette, Paris

February
2018



Nanushka opens its Flagship Budapest Store & Café

September
2005



After graduating from London College of Fashion, Sandra creates her namesake label Nanushka on the grounds of the family business in Budapest

November
2016



Peter Baldaszti joins Sandra as a co-owner and CEO alongside with GB Partners, bringing new ambitions, entrepreneurial spirit and an institutional investor to the table

December
2017



Nanushka is available on Net-A-Porter and Browns, and sets to launch in Selfridges in the coming months

Our highlights

February
2018



Nanushka opens its Flagship Budapest Store & Café

April
2018



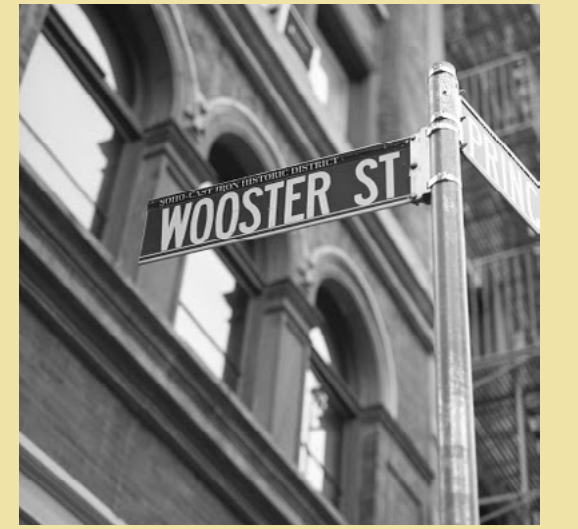
Nanushka opens its pop-up store in Los Angeles

June
2019



Nanushka shows her SS20 MW and RS20 WW collections at Paris Fashion Week

October
2019



Nanushka opens its New York store

February
2018



Nanushka shows her mainline collection at New York Fashion Week

February
2019



Welcoming the Nanushka Man

September
2019



Nanushka shows her SS20 WW collection at Paris Fashion Week

Nanushka operations

Nanushka has its headquarters, Atelier, flagship store and warehouse in Budapest. The 2019 opening of the Nanushka New York Store was the epitome of the growth and increasing internationality of the brand. Being present at markets in over 30 countries, from Austria to Spain, the US to Japan, Nanushka truly speaks to the global citizen.

Nanushka products are first conceived in the Budapest office, as an idea. From the idea, the design team develops the sketches and selects the materials and trims, which are handed over to the Nanushka Atelier,

which is the first time where the collection takes shape. After testing and fittings the first samples are finalized and ready to go into production. The production stage starts with the extraction of raw materials, which are then processed and manufactured into fabrics, trims, and other components and materials. From the manufacturing locations, the fabrics, trims, components and other materials go into the assembly or final manufacturing stage, also referred to as garment or accessories manufacturers. The sewing, cutting, printing, embroidery and other assembly or finishing operations in 2019 took place in Hungary, Serbia, Italy, the United States, Portugal and China.

Supply Chain Map from Impact Report

 <p>TIER 4</p> <p>Raw materials Production/Extraction</p>	 <p>TIER 3</p> <p>Raw material processing</p>	 <p>TIER 2</p> <p>Material manufacturing</p>	 <p>TIER 1</p> <p>Assembly</p>	 <p>TIER 0</p> <p>Retail, Warehouse, Headquarters, Atelier</p>
Animal farming	Scouring	Dyeing	Cutting	Selling
Fiber farming	Ginning	Knitting	Sewing	Storage
Forestry	Spinning	Weaving	Printing	Design
Mining	Pulp Mills	Suppliers of trims	Embroidery	Content creation
Extraction	Metal foundries	Suppliers of other materials	Packaging	Sample making

COMMUNITY

From garment makers and farmers who grow the crops for our materials to our team members and our customers, fashion is about the shared spirit of humanity.

It's our duty to improve the lives of people we work with across our business operations. We're building a clear, robust supply chain that provides jobs with a fair wages, nurtures skill and supports those most in need.

Community

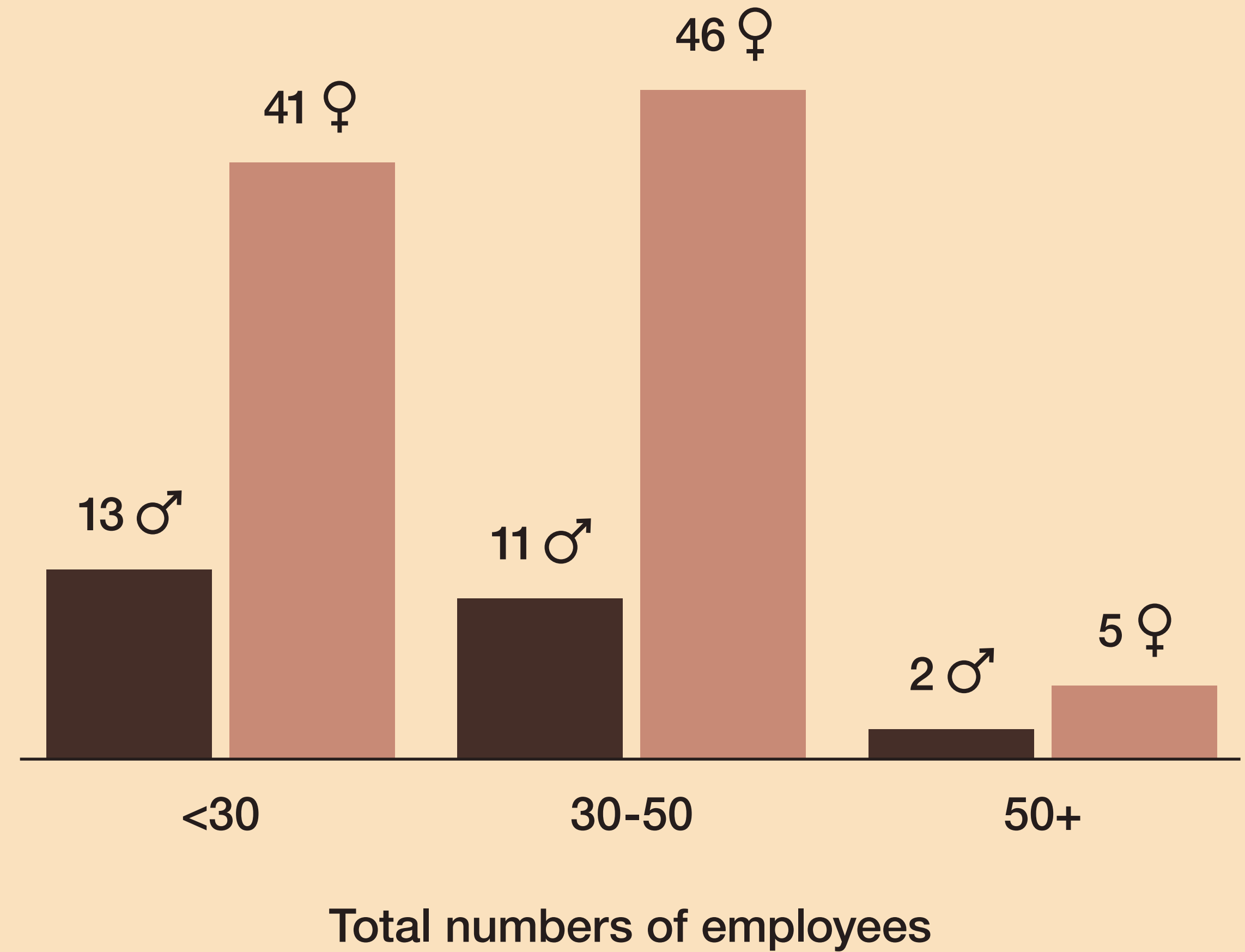
Social sustainability encompasses diversity, inclusivity, equality, non-discrimination, governance, communities and ethical supply chain management.

We approach Nanushka's role in social sustainability from three perspectives: employment; economy; and social initiatives.



Employment

Nanushka employs more than 100 people in Budapest.
As of 31 December 2019, the Nanushka team is made up
as follows:



Community

Our internal structure remains agile as we continue to grow as a business. After changes throughout the year, the company board – the Directors, Vice Presidents and President – consisted of 10 women and 7 men at the end of 2019. The role of the board is to define the business plan and company goals, and to make sure all respective departments are functioning accordingly. Members of senior management are hired locally in the US. In Hungary, 20% of senior management arrived from an international background.

Sustainability is a key topic for the board. We organize specific, issue-based committees to address the topic of social sustainability across the business. These include the Sustainability Committee and the Ethics Committee, created to set and oversee the rules for our conduct as a business.



- The average employee age at Nanushka is below 35
- Our team grew by 18% in 2019. A total of 32 team members left the business while 53 joined.
- 4% of employees are on part-time contracts.

The Sustainability Committee, with a dedicated Sustainability Team, was a major milestone in the company's sustainability journey. In its first year, the Sustainability Team proposed and implemented a comprehensive sustainability program and action plan, improved our Code of Conduct and developed guidebooks, trainings and workshops to enable each department to factor sustainability into its day-to-day work.

We comply with national wage and compensation regulations for employees, contractors and freelancers. Wages and compensation consist of two main parts:

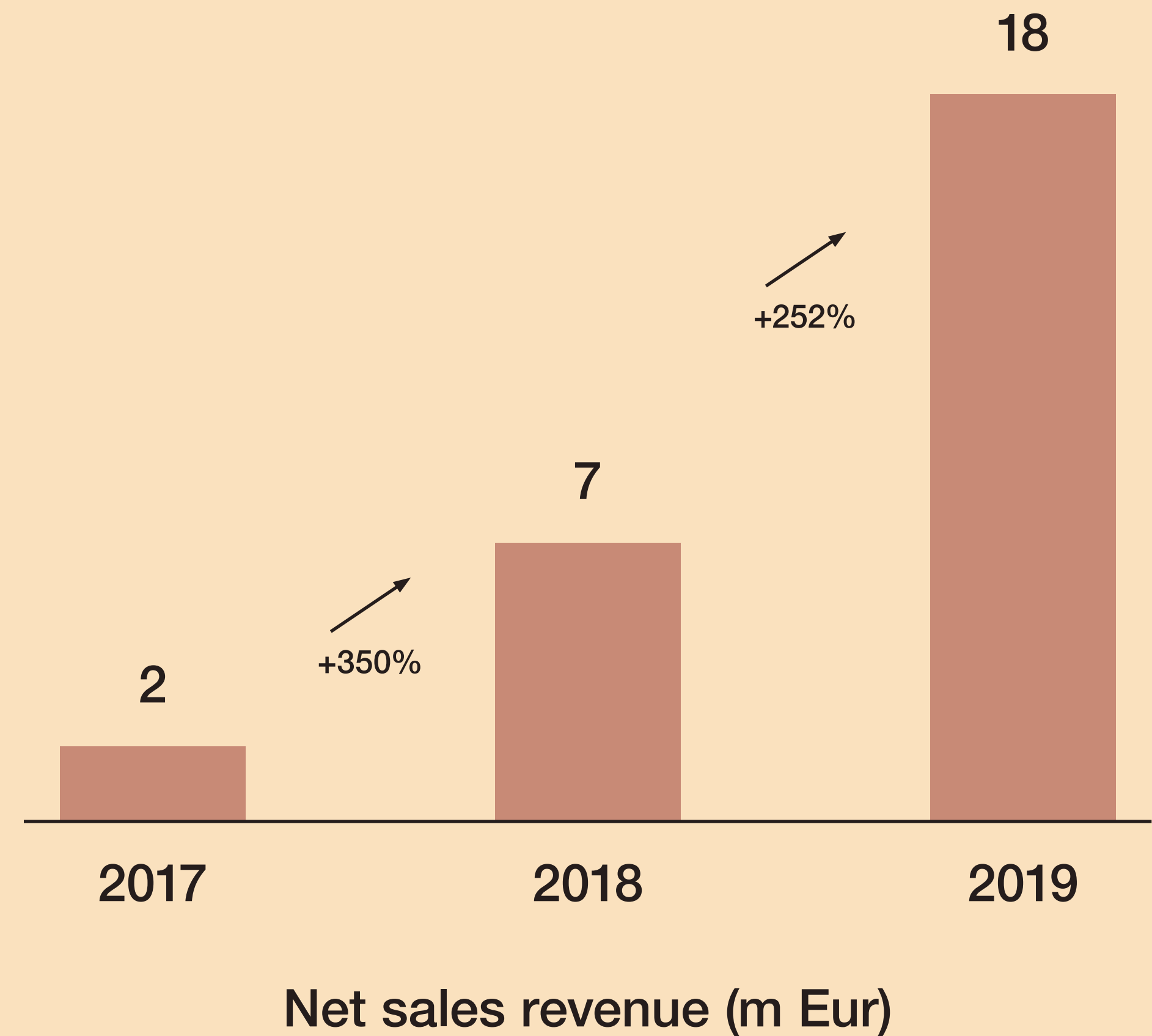
basic salary and benefits. We do not differentiate between our employees' basic salary based on their gender and all employees are eligible for benefits and parental leave. In 2019, one female colleague, previously on maternity leave, returned to work.

The health and well-being of our team members is our utmost priority. Fortunately, there were no recordable work-related injuries at either the Budapest head office, warehouse or flagship store in 2019.

We are a dog-friendly workspace, and many of our employees bring their dogs to work.

Economy

The year 2019 was a period of dynamic growth for the business.



- Sales revenue more than doubled compared to the previous year
- Net sales revenue was over 18 million EUR, compared to 7 million EUR in 2018
- Over 17 million EUR – the majority of our sales – came from export
- The EU accounted for 40% of our sales. The remaining 60% is divided between 40 countries including United States, United Kingdom, Italy, Russia, New Zealand, and Japan
- Over 80,000 EUR was paid to the Hungarian government in tax

In 2019, we banked with Magnet, which donates 10% of the profits gained from working with us to a charity of our choosing. We decided to donate to Felelos Gasztrohos, a non-profit organization dedicated to sustainable gastronomy.

We take responsibility for the economic impact across our supply chain, too. Each of our suppliers must sign our Code of Conduct, which requests compliance with our values of ethical manufacturing and transparency. It addresses some of the most severe issues afflicting the global fashion supply chain – from forced labor and modern slavery to the regulation of working overtime. The Code of Conduct also applies to subcontractors and sub-suppliers.

Community

More than 70% of our supply chain is based in Hungary and more than 35% of our total supplier spend was on Hungarian manufacturers. This not only minimizes the environmental impacts of our manufacturing processes; it equally enables our production managers to make regular visits to ensure our clothes are made in fair and safe conditions, as well as to contribute to local communities.



Community

Noha x Nanushka – Button production in Terény

Craftsmanship is one of our key sustainability values. We work with Noha Studio to create much-needed employment opportunities for women within the small impoverished Hungarian village of Terény. The ceramic details that ran throughout our Spring/Summer 2020 collection were made exclusively by the Terényi women from natural materials, helping us to simultaneously phase out plastic across our garments. We invested in creating the production infrastructure for the initiative, as well as providing training in partnership with Noha.



Together we produced approximately 15,000 ceramic accessories, which created job opportunities for 8 women in the Terényi community. We are proud to have established this long-term, long-lasting collaboration with Noha Studio and hope to accomplish many more sustainable and charitable projects together in the future.

Social initiatives

Nanushka is a community, where we are all equal, where we all belong. We are committed to influencing issues around equity by building a sense of community, developing socially conscious initiatives both at an internal and external level.

In 2019, we worked with Bagázs, a non-profit organisation that strives to eliminate socio-cultural disadvantages in the Roma community. Within Dány and Bag, Bagázs focuses on education and the creation of job opportunities. We worked with Bagázs to prepare a day with the Bagázs Sewing Circle, a group of entrepreneurial women using sewing and handcrafts as a means to improve their economic situation. We taught the group how to sew tote bags and they have been making and selling these bags as a source of income ever since. We continued to donate warm clothing to the Dány community over the holiday period.

Community

In support of The Bibi Fund, a non-profit organisation that funds research into the most aggressive childhood brain cancers, our Founder & Creative Director, Szandra Sandor, along with CEO & Co-Owner, Peter Baldaszi, hosted a table at an auction gala dinner for friends of the brand on the 17 January 2019. Familiar names such as Eniko Mihalik, Camille Charriere, Alex Carl and Susie Lau were in attendance at Banqueting House, London, England in honor of Bianca Niedzielski and her family's fight to find a cure for the rarest pediatric cancers. Hosted by Christie's Auction House, the dinner raised over £1 million for The Bibi Fund. We then donated 10% of all our sales from 14-20 February to further this worthwhile cause.



We provided financial support to the Ottó Hermann Primary and Art Education School in Miskolc. The school has 153 art students, the majority of whom live just above the poverty line. We have donated 1 million HUF to cover tuition fees of pupils with financial difficulties. This donation also helps to source art equipment and fund school excursions.

We continued to contribute to youth programs by contributing The Hungarian Jamboree Contingent, a group of scouts, to travel to the World Scout Jamboree in the US. We also donated to Tarisznya Táborok, a non-profit organization that works with children living in impoverished areas of Transylvania and Hungary. The organization's mission is to spark the interest of children aged 10-14 in the sciences.

EARTH

We take responsibility for our impact on the environment, constantly working to understand, monitor and lower our footprint.

We have started to measure the environmental, social and financial impacts across our direct operations, garments and textile manufacturing, and are planning to expand our analysis to raw materials processing, production and/or extraction.



Environmental impact

To support transparency and traceability, we have pledged to assess and monitor the sustainability impact of our entire value chain. In 2020, we prepared our first impact report, looking back at 2019 not just from an environmental perspective, but from economic and social aspects, too. We have assessed five tiers of our supply chain:

Our assessment for 2019 focused on GHG emissions and the Eco Impact composite indicator, representing the environmental impact related to areas such as land use, energy consumption, water use and waste.



Tier 0
Direct operations



Tier 1
Garment assembly



Tier 2
Manufacturing



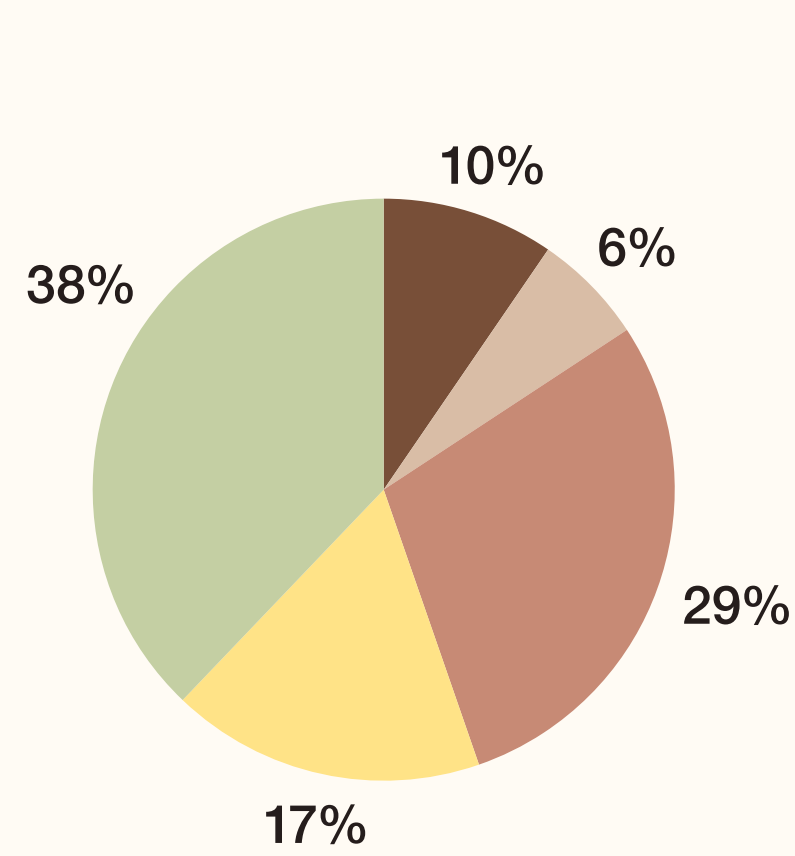
Tier 3
Raw material processing



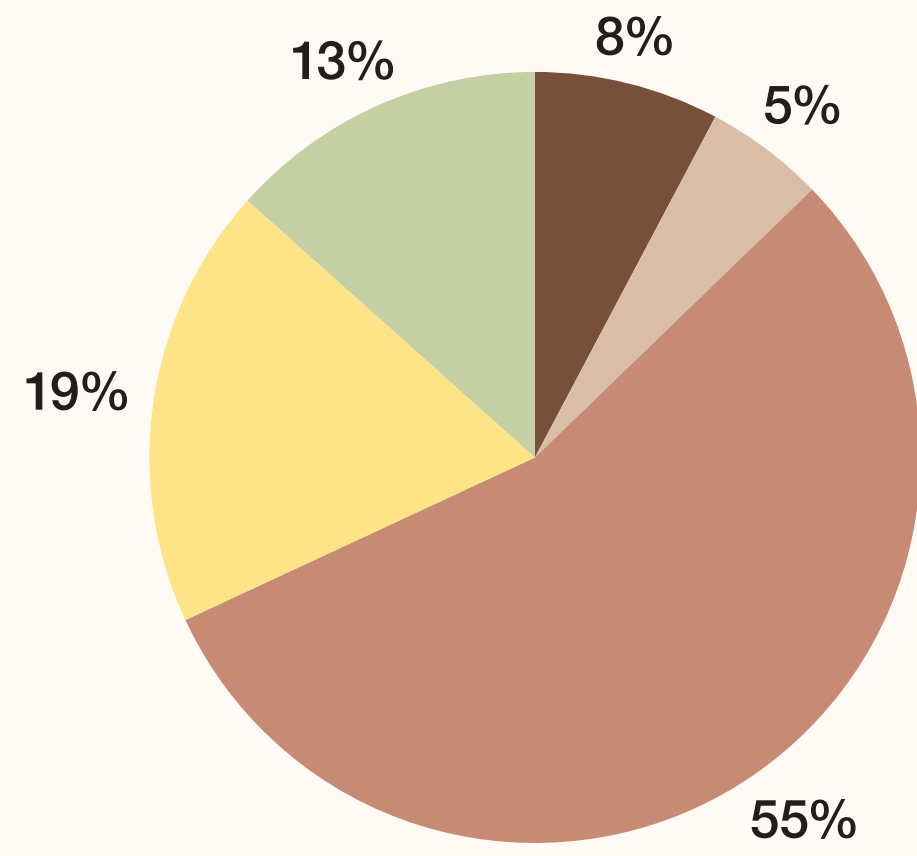
Tier 4
Raw material production and/or extraction

GHG emissions per fabric [kgCO2e]

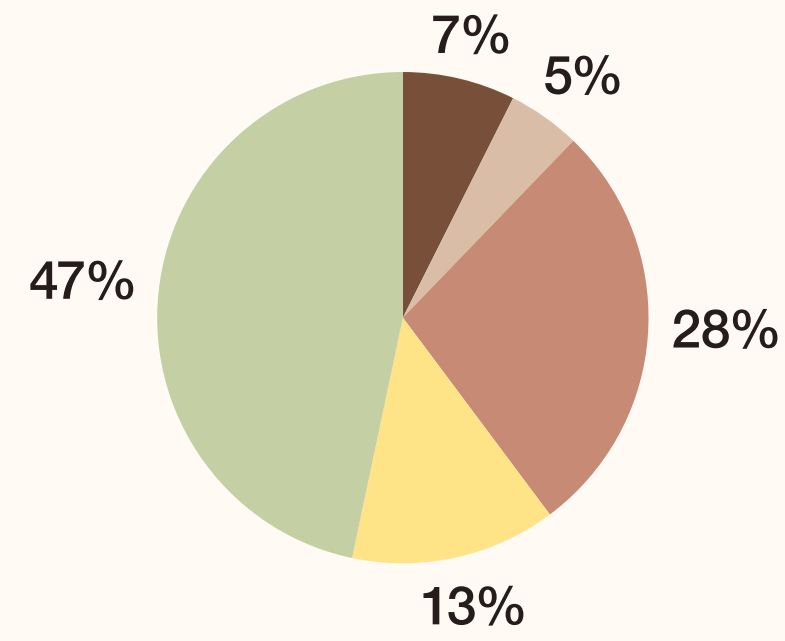
Acrylic GHG



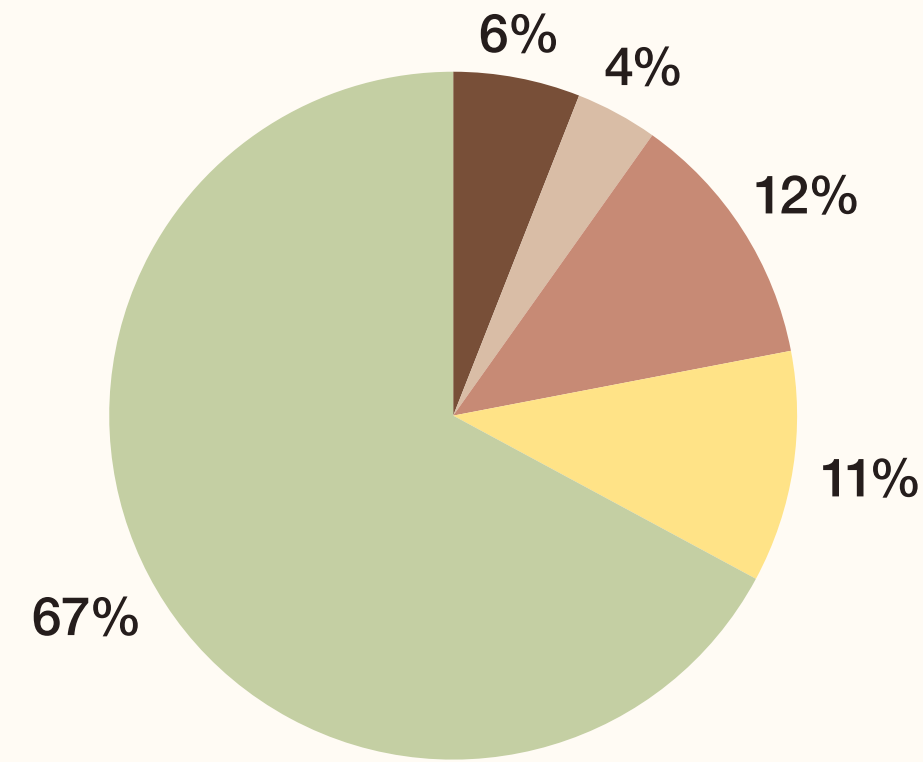
Cotton GHG



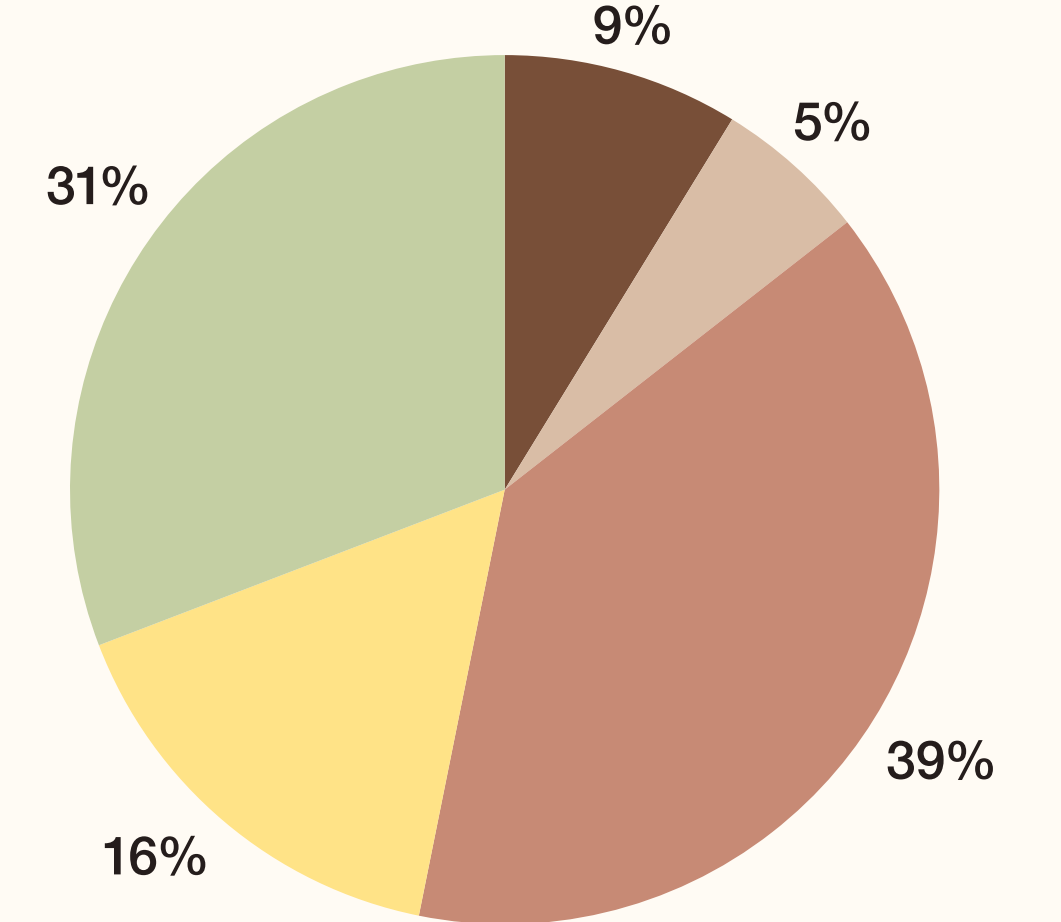
Elastane GHG



Nylon GHG

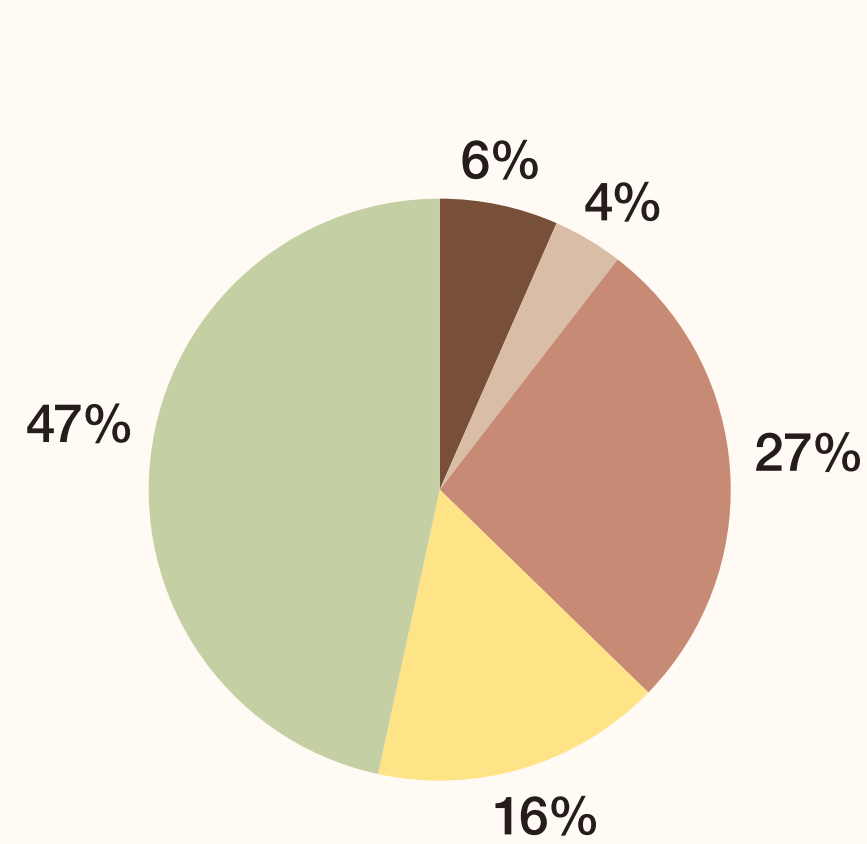


Polyester GHG

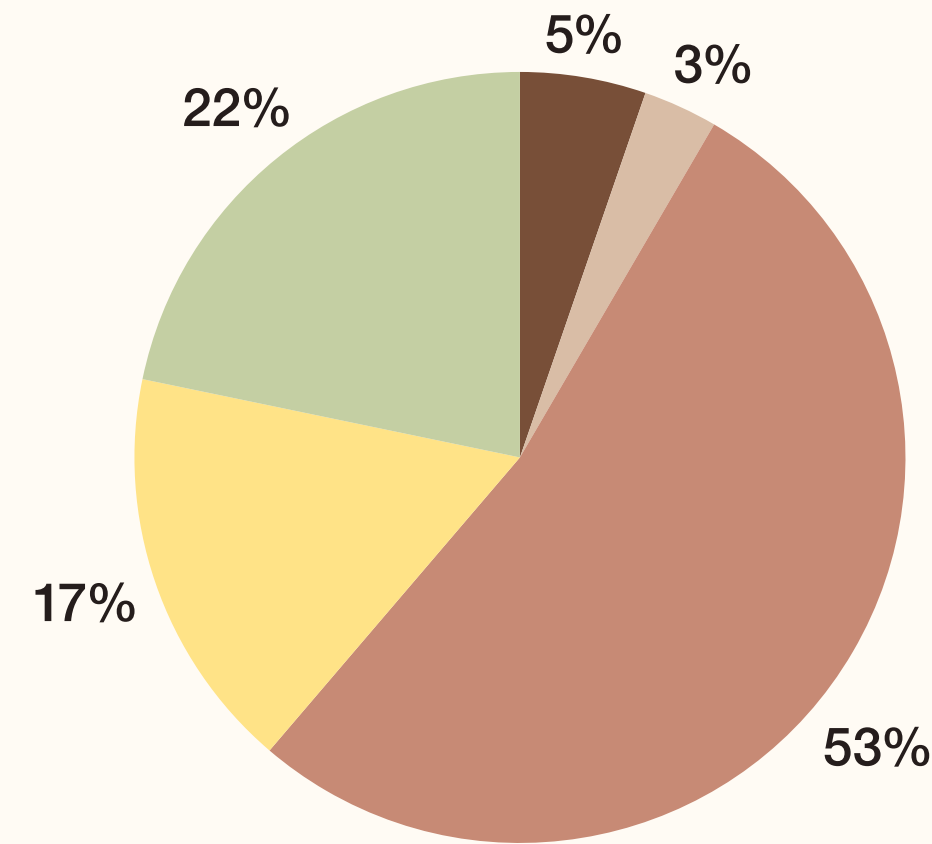


Cumulative energy demand per fabric [MJ]

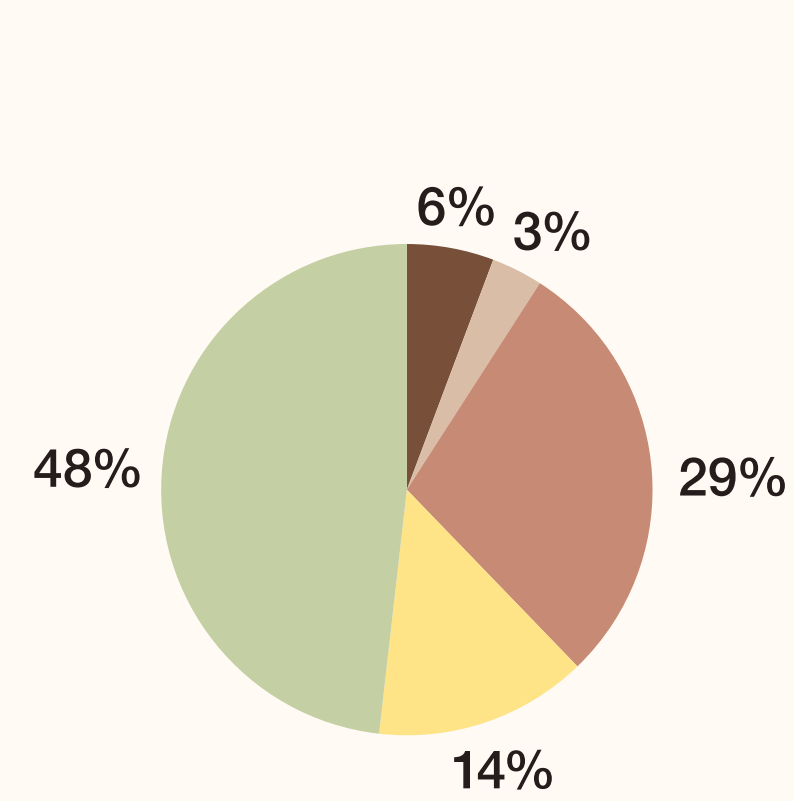
Acrylic energy



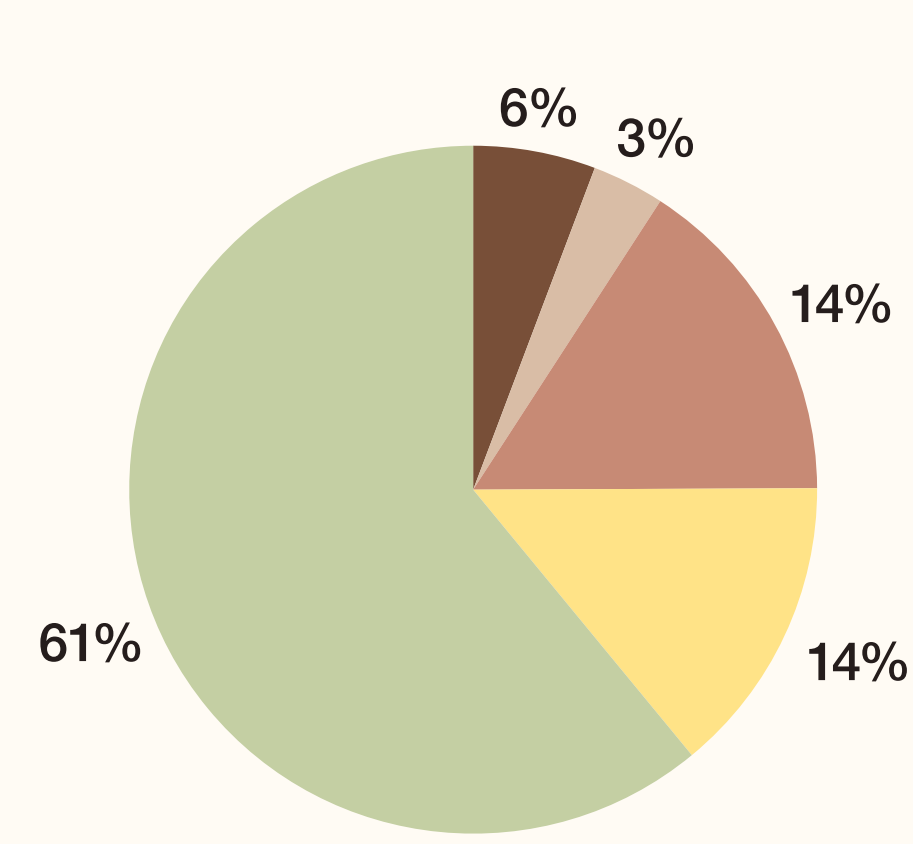
Cotton energy



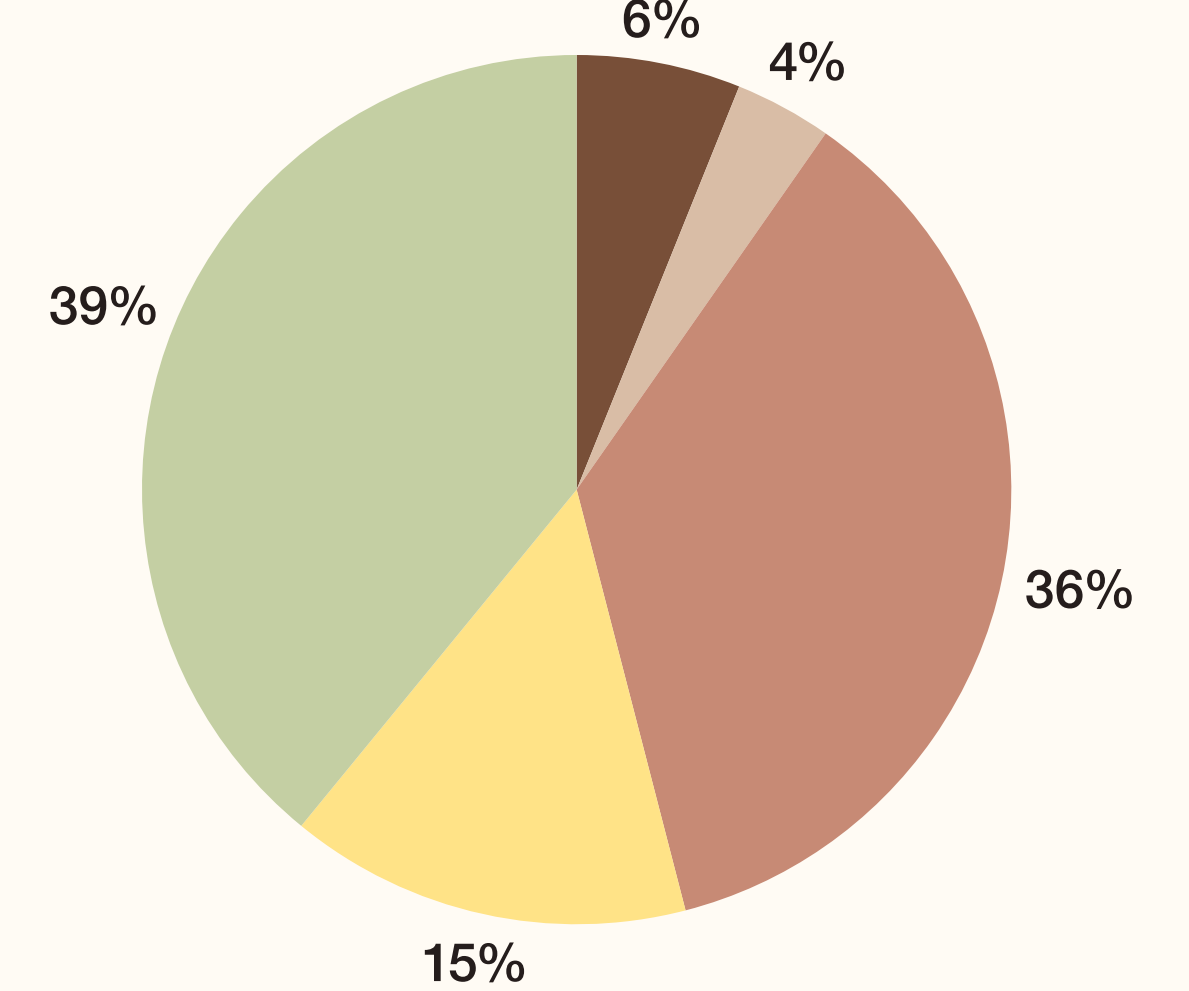
Elastane energy



Nylon energy

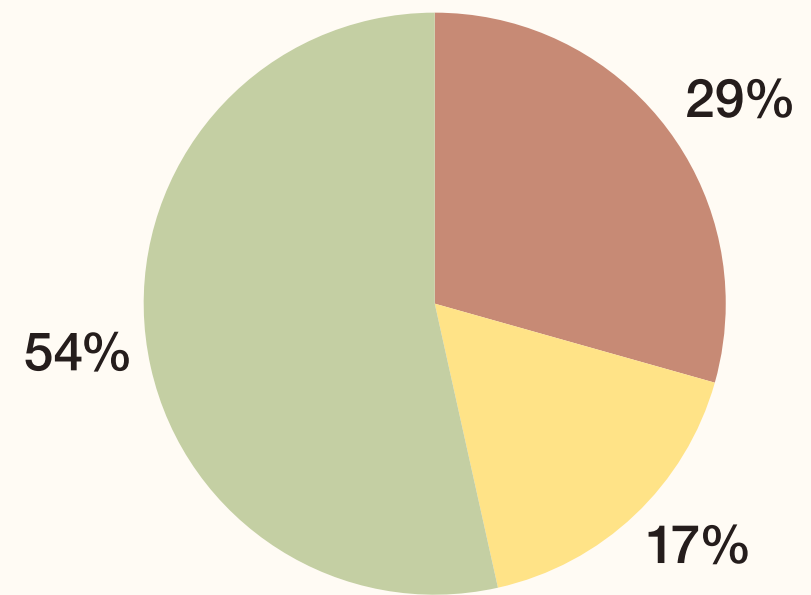


Polyester energy

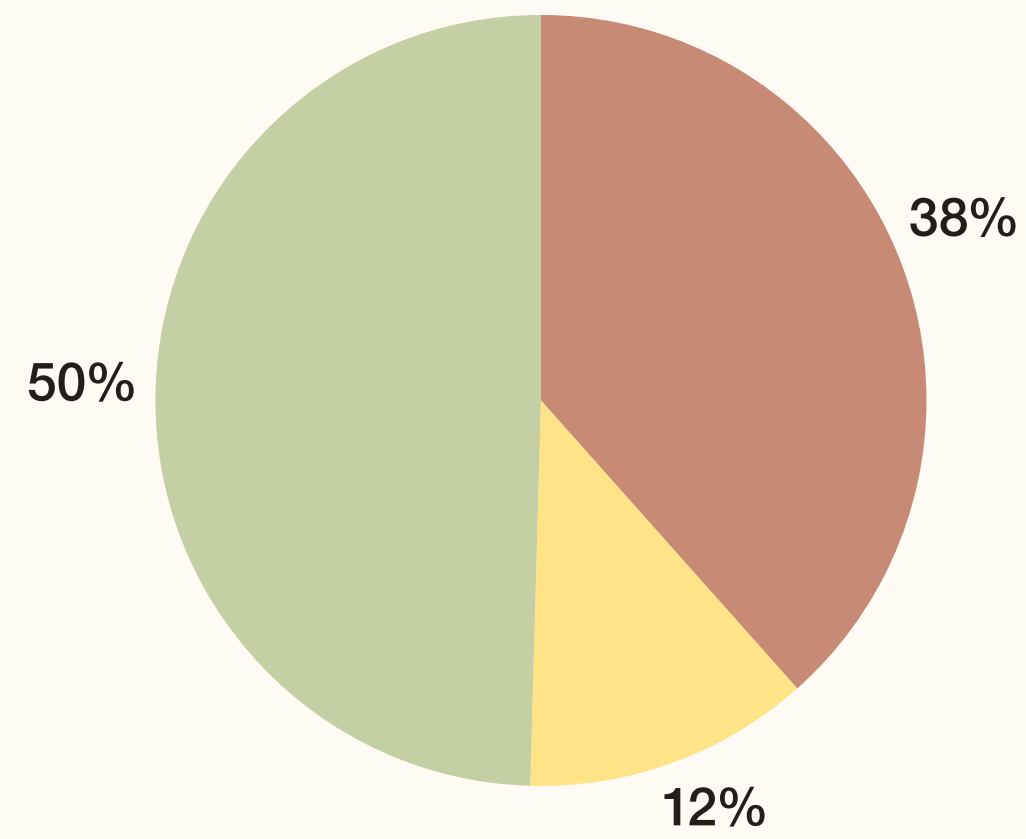


Eco impact per fabric [Points]

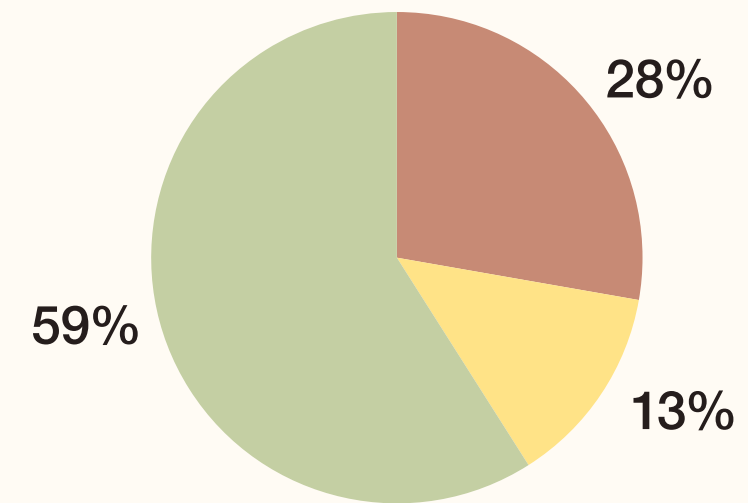
Acrylic eco impact



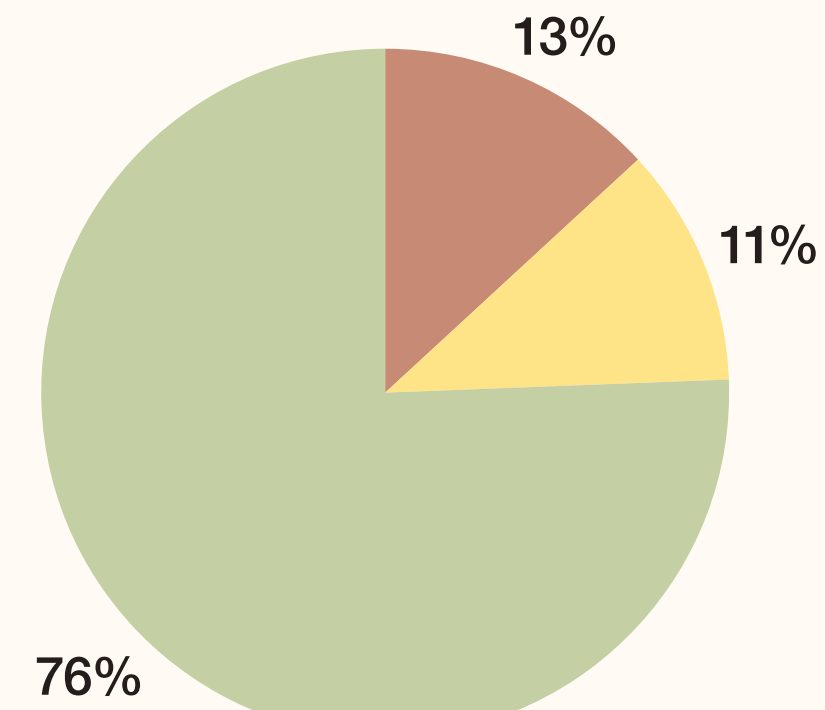
Cotton eco impact



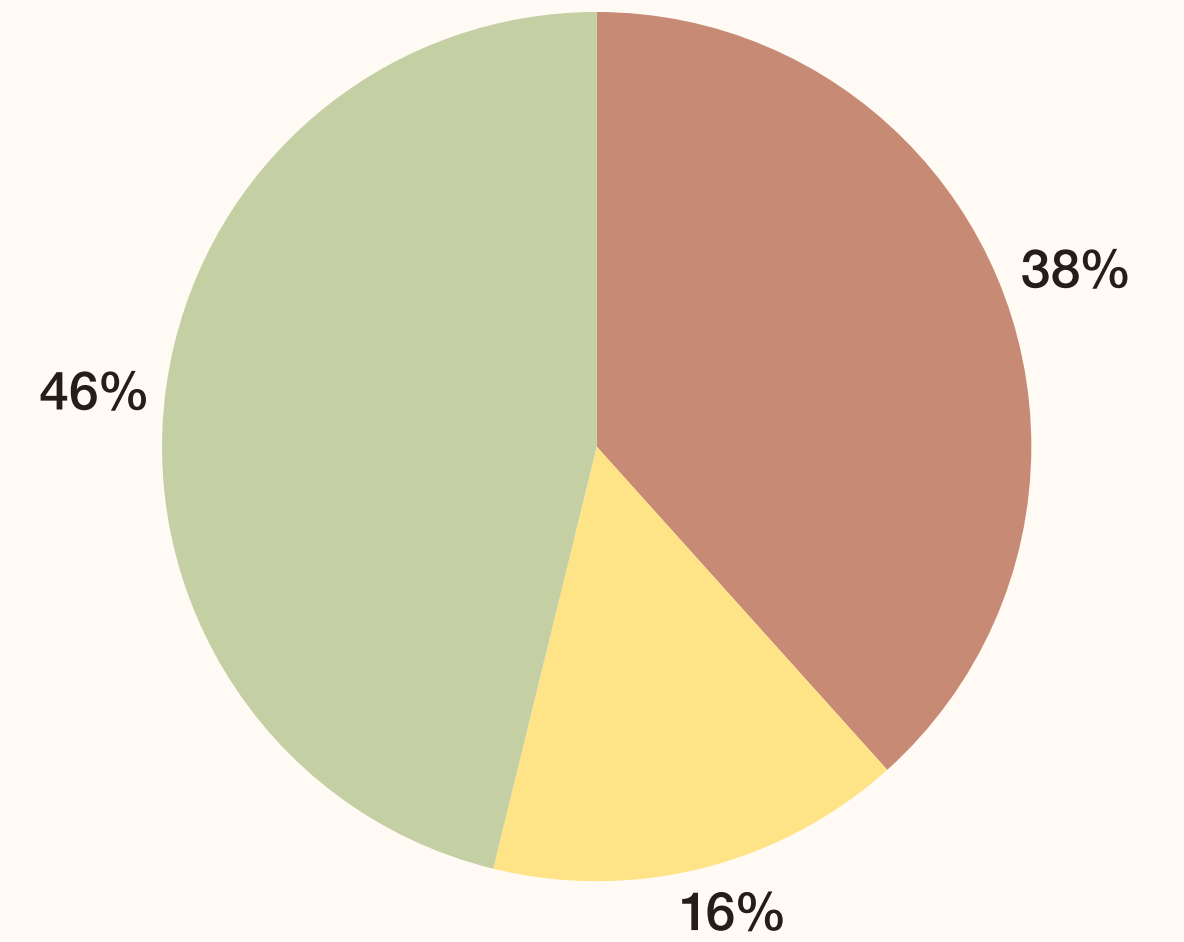
Elastane eco impact



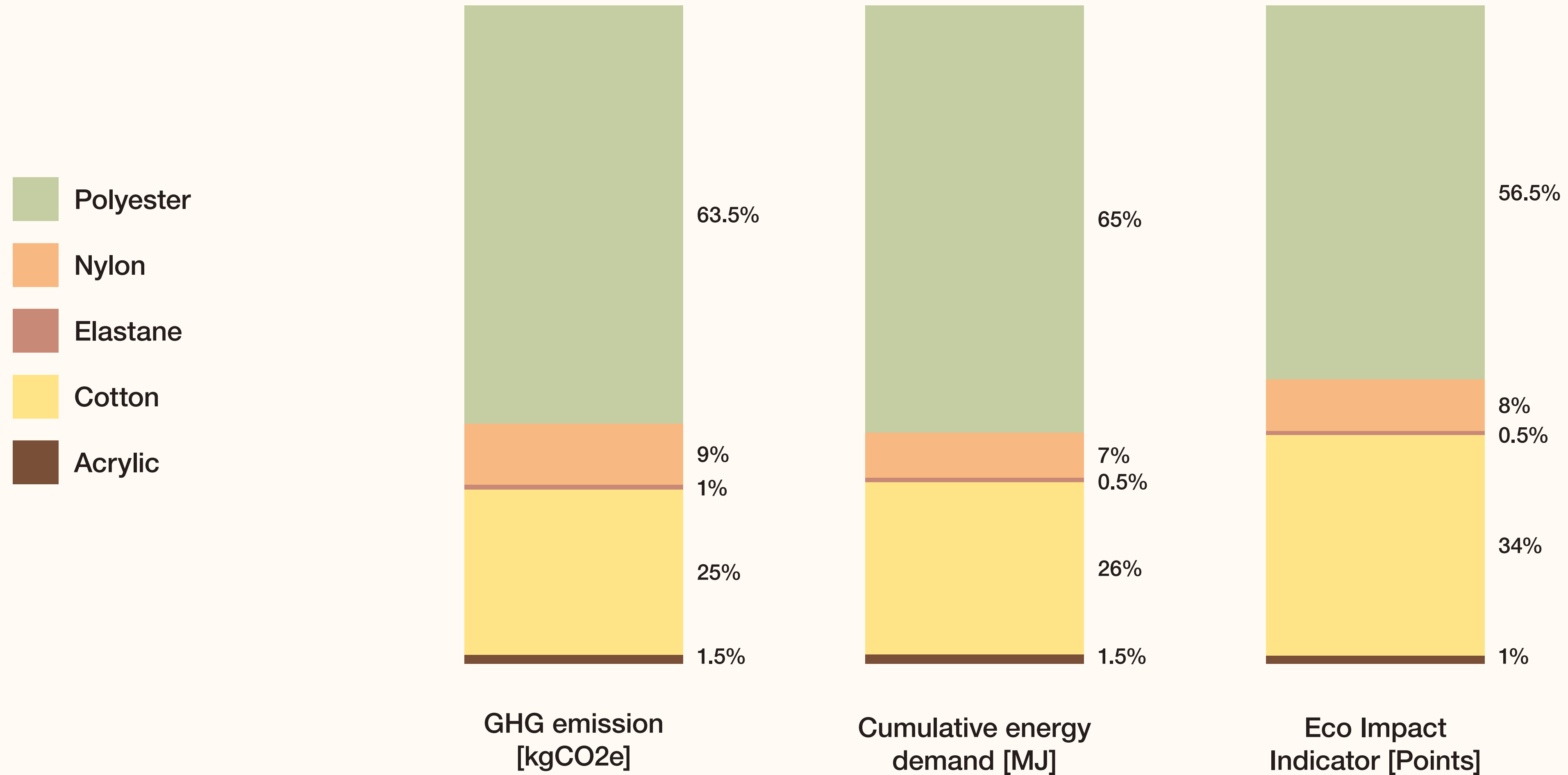
Nylon eco impact



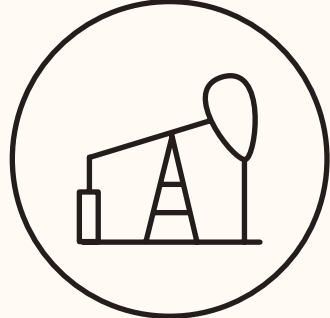
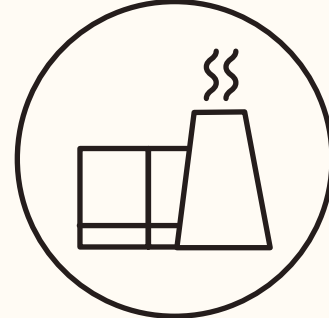

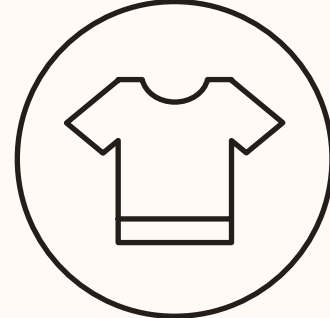

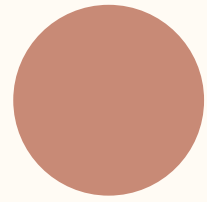

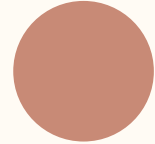

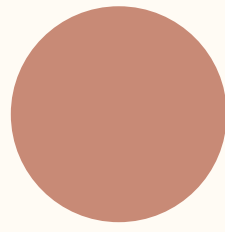



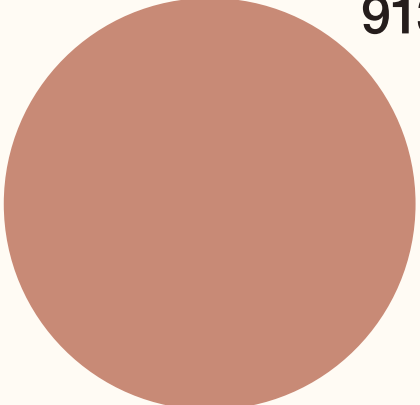

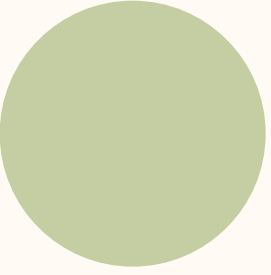

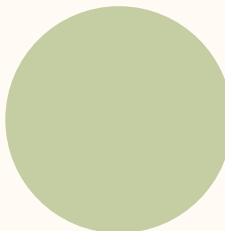
Polyester eco impact



Total impact by fabric in Tiers 0 to 4



2020 marks the start of our journey in measuring our direct and indirect impact on the environment and society. Our goal is to continuously improve data collection across the supply chain to have an accurate picture of our impact, which will then inform our decision making. We will also commit to science-based targets in order to reduce our impact and contribute positively to climate mitigation.

	 TIER 4	 TIER 3	 TIER 2	 TIER 1	 TIER 0
Greenhouse gas	200 tCO ₂ e  	108 tCO ₂ e  	265 tCO ₂ e  	65 tCO ₂ e  	913 tCO ₂ e  
Eco impact	31 882 Points 	8 952 Points 	22 837 Points 	no data	no data

 = GHG emission equivalent of 30 Budapest - New York roundtrip on Economy class of 1 passenger.

Earth

Emissions and waste

Our direct operations take place in the Budapest head office, warehouse, Budapest flagship store and New York Store. The significant environmental impact at these locations stem from travel and transportation-related air emissions and waste.

We monitor the number of flights we take as a business in order to gauge the environmental impact of our travel. In 2019, we traveled over 1 million kms by plane, which accounted for almost 200 tons of carbon dioxide. We decided to offset our emissions by planting approximately 4,800 trees in collaboration with the Duna-Ipoly National Park in 2020.















We similarly keep track of our vehicle use and calculate the related greenhouse-gas (GHG) emissions. We traveled an average of 2,500 kms by taxi. For our flagship store, office and warehouse operations, we traveled 21,000 kms by company-owned vehicles and reimbursed car journeys. The emissions related to our ground transport equates to more than 120 tonnes of CO₂.


There are no significant air emissions related to our direct operations, but there are emission sources with an environmental impact that we monitor through the related GHG emissions. Our other emission sources


derive from heating and electricity use. Our cumulative energy demand in 2019 was 1,675,135 MJ, which resulted in 118 tons of CO₂ in 2019.


Another important environmental impact is waste. Waste monitoring and management has been a focus point of our sustainability approach, particularly in our head office. We introduced a selective waste collection system in the office building and are committed to developing a method to monitor our waste generation at both the office, the store and the warehouse. In 2019, our direct operations generated 15,775 kgs of waste.

	Budapest Headquarters	Budapest Warehouse	Zalaegerszeg Warehouse	Budapest Store	New York Store*
Transportation	 321.3 tCO2e	 0 tCO2e	 0 tCO2e	no data	no data
Shipping	 469.3 tCO2e	 0 tCO2e	 0 tCO2e	no data	no data
Energy demand	 46 tCO2e	 53.1 tCO2e	 1.5 tCO2e	 14.1 tCO2e	 3.3 tCO2e
Waste	 8522.9 kg	 181.4 kg	 2878.4 kg	 3870.3 kg	 321.4 kg

 = GHG emission equivalent of 50 Budapest - New York roundtrip on Economy class of 1 passenger.

 = GHG emission equivalent of driving a petrol car for 384 000 kms, which equals the distance of Earth to Moon.

 = GHG emission equivalent of the annual electricity consumption of 10 people.

 = waste transported by an average garbage truck.

* Estimation for the August-December 2019 period.

Earth

We encourage waste reduction at a personal level and try to empower our team members to make more conscious decisions in their day-to-day lives. We provide each Nanushka team member with a Huskee Cup so that they can avoid the use of disposable cups when they head to the Nanushka Café for their daily caffeine fix. Huskee repurposes coffee husks into sustainable coffee cups, not only helping to recycle hundreds of tonnes of waste material from coffee production, but also helping to reduce the number of disposable cups that end up in landfill – estimated to be 16 billion every year globally.

We also equip our kitchen with reusable take-out boxes to help our team members transport their lunches from the nearby restaurants back to the office and to avoid the production of unnecessary packaging waste.



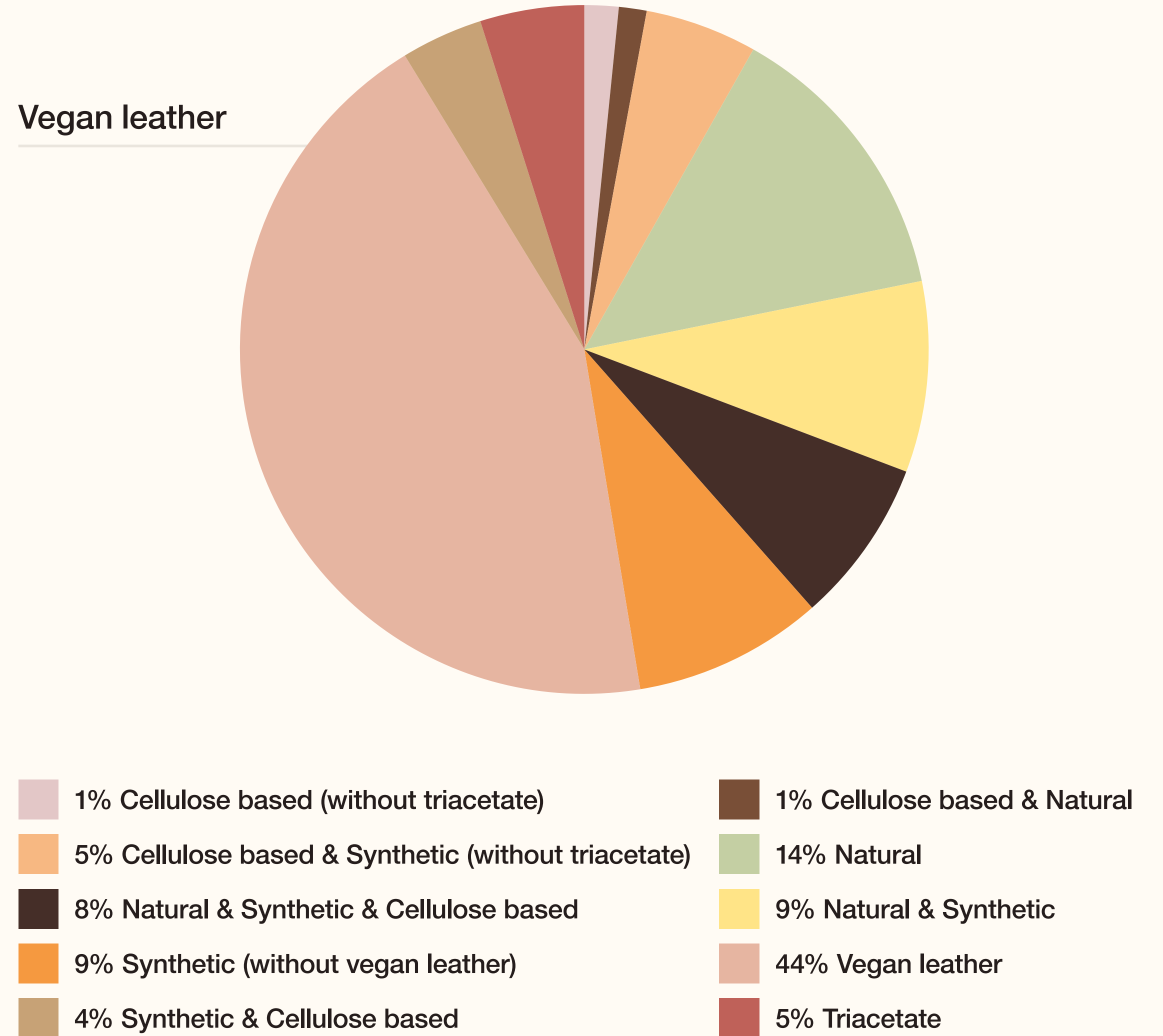
Plastic-free events

We addressed waste management at our events, including our seasonal presentations at Paris Fashion Week. In June 2019, we partnered with Bureau Betak, a fashion events agency with a strict sustainability approach, to showcase our Spring/Summer 2020 collection. We worked together to realize a backstage area that was entirely free from plastic.

Materials

Besides emissions, the fashion industry has a significant impact on biodiversity and planetary ecosystems due to its reliance on natural resources, both renewable and non-renewable, to produce fabrics and materials.

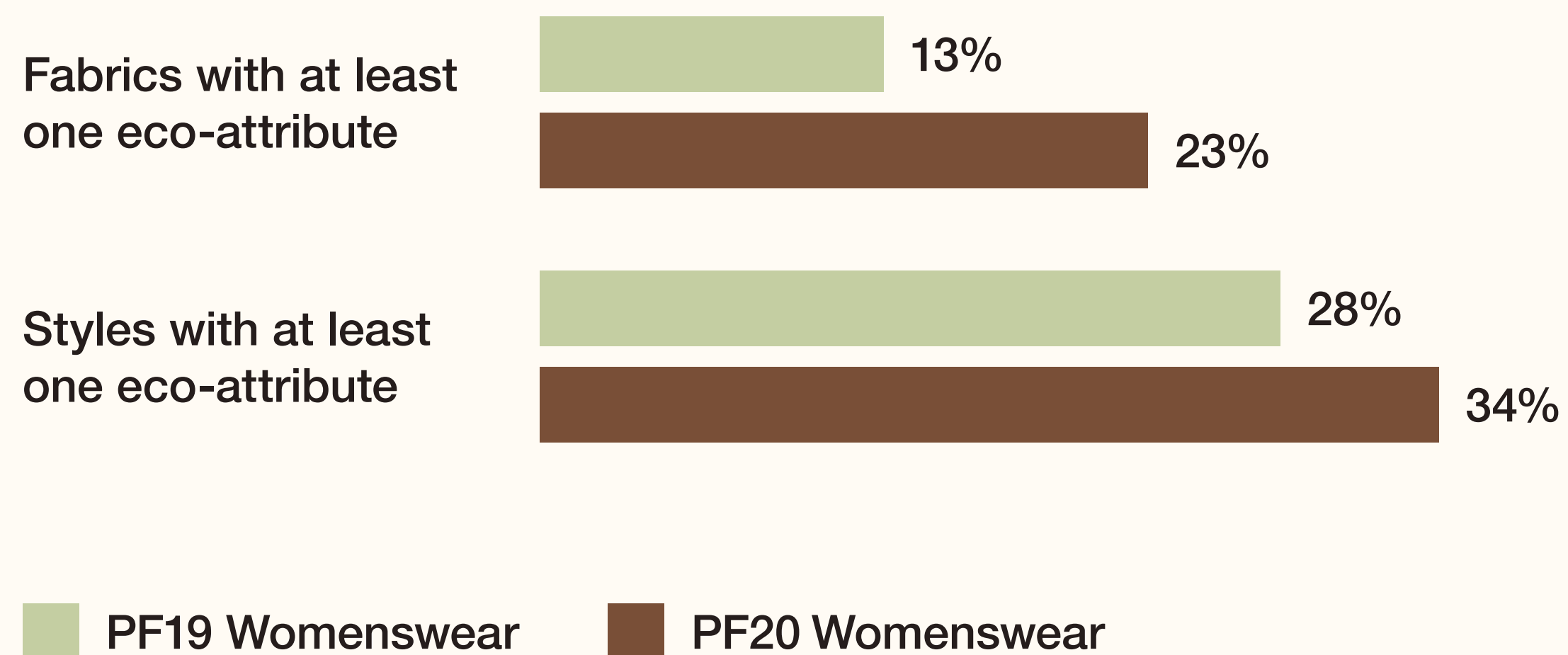
At Nanushka, we use natural materials such as cotton, linen, wool, as well as man-made cellulosic materials like viscose, triacetate and synthetic materials such as polyester and nylon.



In 2019, we took a more strategic approach to materials sourcing. We have started collaborating with suppliers on more sustainable material choices, as well as requesting certificates for each material to gain more transparency and traceability. This exercise enables us to: verify the provenance of our materials; ensure that they meet our required standards; increase the ratio of sustainable materials in every seasonal collection; and shift the mindset of suppliers.

We have reviewed all of our historic materials choices from a sustainability point of view, charting the entire life cycle of each fabric.

PF19-PF20 W sustainability ratio increase



Sustainability Labels and Eco-Docs

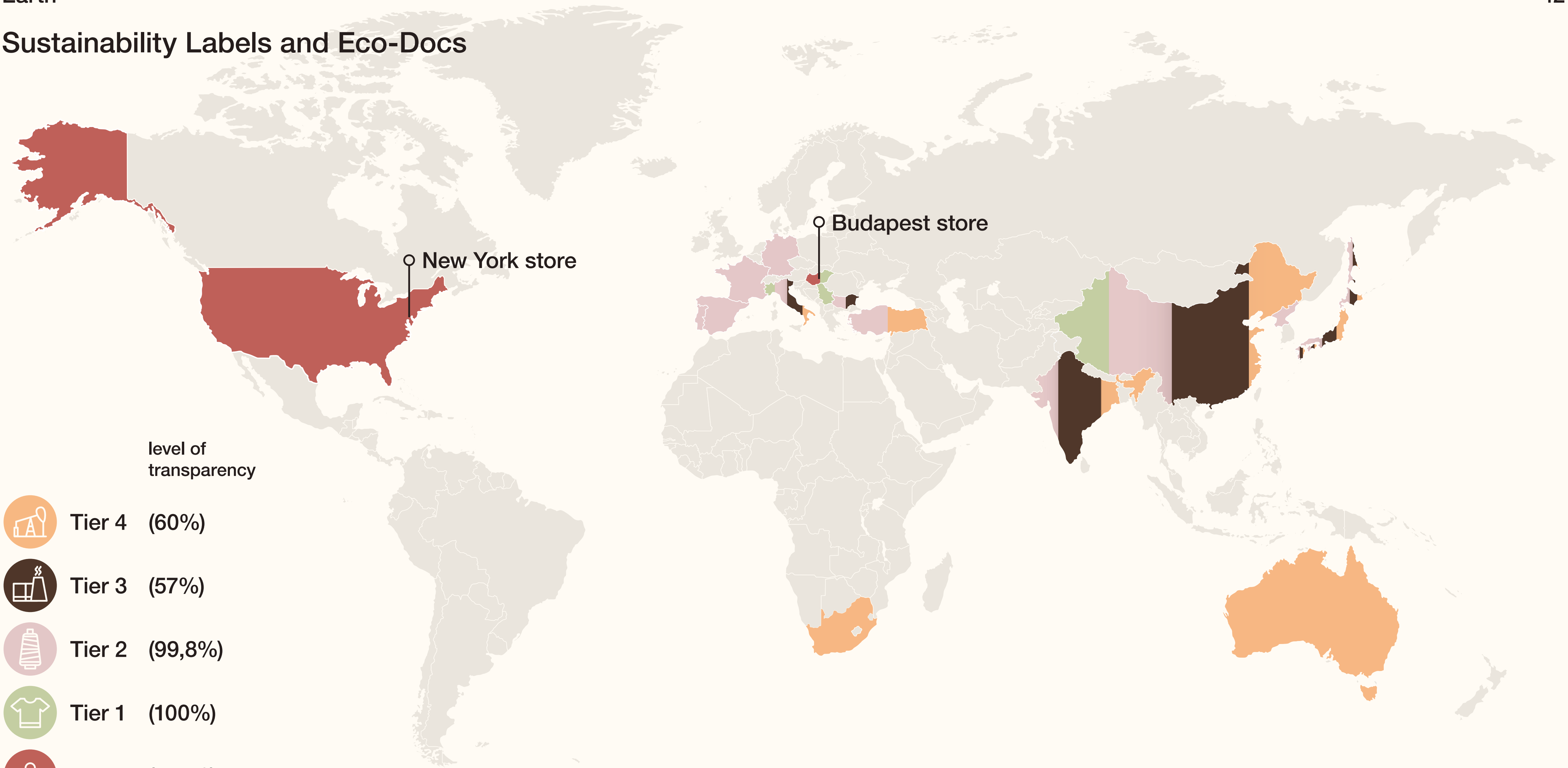
We are committed to increasing the transparency and traceability of all materials and processes throughout our supply chain. We added sustainability labels to provide information on each sustainable item in our collections for our wholesale partners. Based on positive feedback, we created customer-facing sustainability hangtags, reflected on Nanushka.com by the introduction of a sustainability filter in 2020.

Since Pre-Fall 2020, all collections sold on a business-to-business model are accompanied by the Eco-Docs, summarizing the sustainable credentials of relevant items.

Our goal is for all our materials to be 100% sustainable by 2025.

In the next five years, we're working towards all of our materials being certified and traceable to the source. This also helps to ensure that high social sustainability standards are respected for every person employed directly or indirectly in our operations. We're also seeking to implement innovative materials that aim to drastically reduce the impact on the environment and biodiversity, with a particular focus on materials that are circular by design. We'll work with our supply chain partners to implement practices such as renewable energy, water-saving techniques and the reduction of chemical consumption.


Sustainability Labels and Eco-Docs




level of transparency

 Tier 4 (60%)

 Tier 3 (57%)

 Tier 2 (99,8%)

 Tier 1 (100%)

 Tier 0 (100%)

New York store

Budapest store

Earth

Climate Action

We're committed to reversing climate change through responsible material choices, innovative processes, water-saving techniques, renewable energy sources, circular economy principles and regenerative farming practices. We strive to raise awareness about climate change and ecological degradation, participating in the Global Climate Strike that took place in Budapest in September 2019.



Earth

#fridaysforfuture Company Posts

We believe that awareness is key to effectively addressing the complexity of climate change. Our Sustainability Team started an internal education initiative called #fridaysforfuture, sharing informative, issue-based posts with our team members to inspire and motivate them to make more sustainable choices in their everyday lives. Brought to life by our in-house graphic designers, posts covered a wide variety of topics, from recycling and the relationship between sustainability and dietary choices, to innovation in the energy industry.



ANIMAL WELFARE

Protecting the welfare of animals is an inherent part of who we are.

We comply with relevant standards and legislations for animal-based fibers and work closely with our suppliers to ensure we protect not only animals but biodiversity, too.

Animal welfare is at the heart of Nanushka. A part of our Sourcing Policy and our Code of Conduct, animal welfare is important to us, not only because of our love for animals, but, as a fashion brand, we source fibers and materials that are the products of animal farming.

Our materials and processes

In 2019, we developed our new Sourcing Policy to address the key issues of sustainability in fashion, including animal welfare. The Sourcing Policy requires all of our suppliers to ensure good standards of animal welfare and to respect the following Five Freedoms:

1. Freedom from hunger and thirst by ready access to fresh water and a healthy diet.
2. Freedom from discomfort by providing an appropriate environment that includes shelter and a comfortable resting area.
3. Freedom from pain, injury or disease by providing rapid diagnosis and treatment.
4. Freedom to express normal behaviour by offering sufficient space, proper facilities and company of fellow animals.
5. Freedom from fear and distress by ensuring conditions and treatment that prevent mental suffering.

Animal welfare

We have also banned the following materials that are closely associated with poor animal welfare standards:

- Fur, angora and mohair.
- Skins of animals that are killed solely for their fur or leather.
- Exotic skins and feathers.
- Glues, solvents and adhesives that contain animal derivatives.



We do feature wool, cashmere and alpaca in our collections, but we only source these animal fibers from suppliers that can demonstrate traceability and a great commitment to animal and environmental welfare. We source our wool and cashmere from several countries, including Australia, New Zealand, South America and Mongolia. Many of our wool-derived products are certified with the Responsible Wool Standard, meaning that the entire process, from yarn to garment manufacture, meets strict animal welfare, land management and social sustainability standards criteria.

Some of our wool-derived products are GOTS-certified, which means that responsible and organic practices are implemented at farm level.

Though we have an understanding of the country of origin for our wool fibers, we still have a lot of work to do when it comes to full transparency and traceability of our wool. Our aim is to have a clear and comprehensive picture of our wool chain of custody - from farm to final product - to ensure that our fibers are processed with a shared respect for the environment and animal welfare.

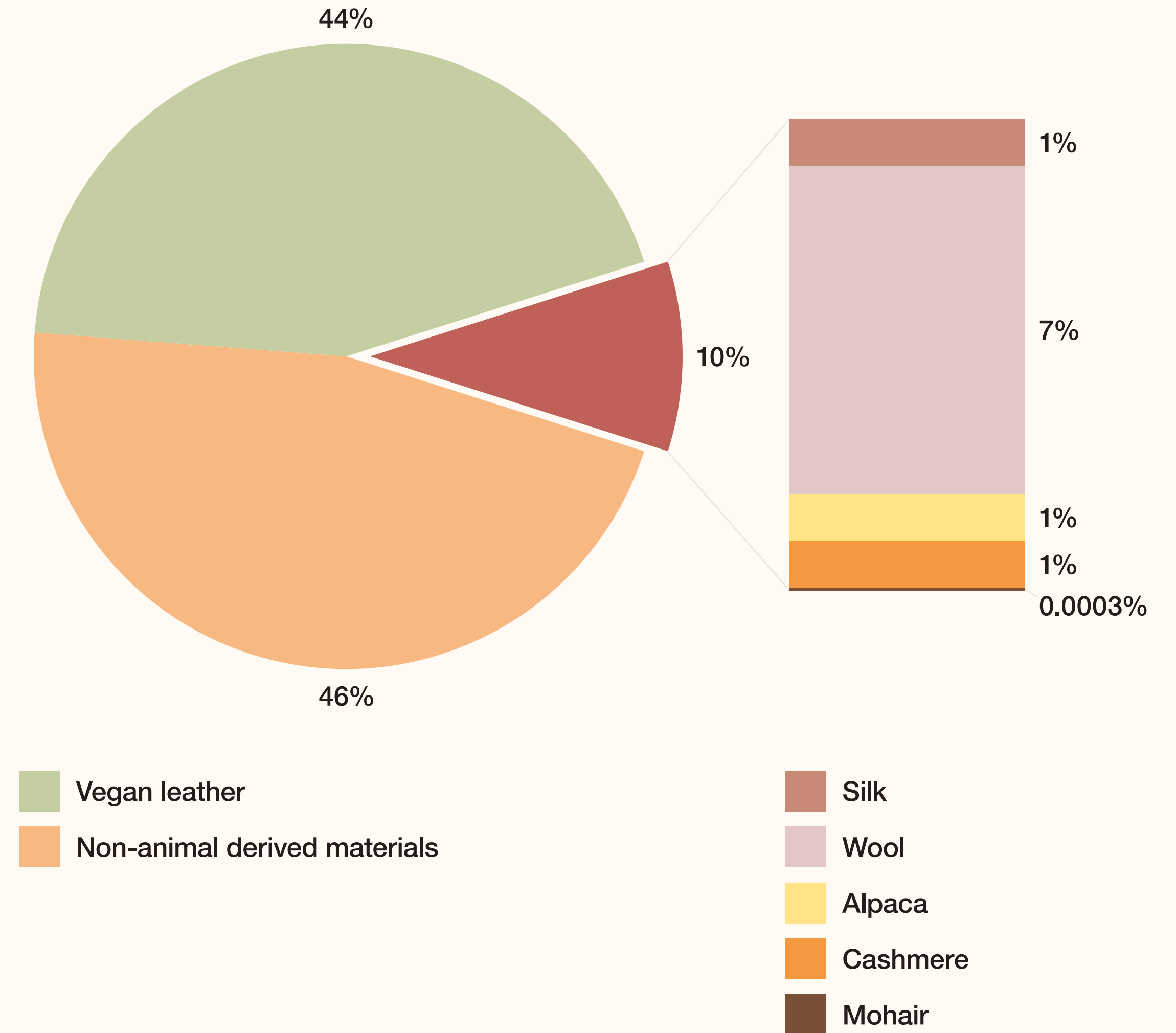
Animal welfare

Vegan leather is a powerful Nanushka fabric code, prized for its supple feel, practicality and cruelty-free credentials. No animal derivatives are used in the manufacturing process of vegan leather. It's an ethical alternative to animal skins, but we acknowledge that it still has some way to go in order to be a completely green alternative. It is made from a knitted polyester base with a polyurethane (PU) coating - both synthetic fibers. We are committed to improving the sustainability credentials of our vegan leather and are working on replacing it with alternatives that have a lower environmental impact.



Leather is a key material in the fashion industry, however our use of leather in 2019 was minimal. The impacts of leather are driven by land use and greenhouse gas emissions associated with animal agriculture, as well as the energy use and water consumption requirements of tanneries. Most of our leather comes from tanneries certified to the Leather Working Group's (LWG) standards. We source our leather from Europe, from farms that do not contribute to deforestation or the conversion of natural habitats. We do not use skins of animals solely killed for their fur or leather. All leather used is a certified by-product of the meat industry.

Animal derived materials used



CIRCULARITY

Circularity is a system that challenges the waste-intensive take-make-dispose model of consumption. It's based on three fundamental principles: to design out waste and pollution; to keep materials and products in use; and to regenerate natural systems. For us, this means rethinking our material choices and our overall business model.

Our Circularity Strategy

Our plans for circularity include repair and tailoring services at all retail locations¹, a rental service², supporting resale at customer level and an outlet to sell previous-season products.

We have been a member of The Ellen MacArthur Foundation since May 2018, participating in bi-annual workshops on the implementation of circular practices in the fashion industry. The Sustainability Team participated in the November 2019 workshop in Milan where the following topics were discussed and processed as whitepaper documents:

- How brands can implement new business models that support lengthening the product lifecycle and reducing waste (eg. rental, resale, repair, upcycling, recycling)
- What are the necessary conditions of creating materials and products that are recyclable based on the currently available technologies
- How to set rules for defining physical and emotional durability
- What are the challenges and how to foster implementing circularity in the creative thinking process

1: Repair service has been provided at all retail locations in 2019, further improvements to the process can be expected in 2020.

2: Nanushka has partnered with Rent The Runway where the Nanushka items are available for rental to US customers.

Circularity

Circular Design

Sustainability is a key aspect in our design. The design team works closely with the sustainability team to approach our garments in a holistic way, asking ourselves at every stage of the process whether a piece will respect the planet and its people.

We value refined comfort, functionality and versatility with the aim that our pieces stand the test of time. For us, timeless design, conscious craftsmanship and long-lasting quality work go hand-in-hand. Beautiful, functional clothing can be made sustainably.



Circularity

Circular Products

Nanushka items are designed with the principle of functionality, versatility and longevity - to provide everyday comfort from day to night. We believe that information and preparedness is a key in achieving garments that will stand the test of time not only from an aesthetics point, but also from the functionality aspect.

All Nanushka garments are developed in-house, then tested and sampled at our atelier. Our retail team is trained about each item in the collection, from material and manufacturing to fit and care instructions. Each garment has a garment care label, along with an extra button in case of repair.



To ensure the longevity of our products, we plan to launch a thorough garment care guide on [Nanushka.com](https://www.nanushka.com) with advice on how to consciously care for our unique fabrics. We also plan to launch a repair and tailoring service at all retail locations with a 6-month warranty period.

Circular Packaging

In 2019, we started to assess and address the environmental impact of our packaging with the aim of switching to packaging alternatives that are recycled and recyclable, reusable or compostable.

We are committed to continually improve our packaging in 2020. Certain projects initiated in 2019 will be realized in 2020, such as switching to 100% recycled and recyclable plastic hangers and offering circular e-commerce packaging to customers through a partnership with RePack.

1. We switched from non-recyclable polystyrene chips to compostable filling chips when shipping fragile products.
2. We use 100% recycled and recyclable paper e-commerce boxes for online shipments.
3. We made the decision to use compostable polybags from 2020.
4. We use 100% regenerated polyester brand and size labels.
5. We use 100% recycled paper for consumables such as hang tags and thank you cards.

Circularity

Circular initiatives

We established projects that address circularity across our operations in unique ways, reducing material waste and ensuring fabrics are put to good use.

Deadstock fabric library

Testing and trialing materials is part of our design process, leading to an accumulation of unsold fabrics. So, we created a deadstock fabric library, an inventory of leftover fabrics that we could put to use from 2020.



Circularity

Collaboration with LaBouche Rouge

Using information from the deadstock fabric library, we were able to collaborate with La Bouche Rouge in the launch of the 'Shiva' lip tint. We used deadstock slip satin fabric to create the limited-edition lipstick pouch, which can then be reused and repurposed in a myriad of ways.

The launch of the collaboration took place at the opening of our flagship New York Store, where Nicolas Gerlier, Founder of La Bouche Rouge and Szandra Sandor participated in a panel discussion about sustainable practices in fashion and beauty.



Fabric donations

We donated 565 meters of fabric to the National Theatre of Miskolc and will continue to donate deadstock Nanushka material to venues that are keen to join the green theatre movement.

SUMMARY

**Sustainability is at the heart of Nanushka.
As a fashion brand, we are acutely aware of the
challenges our industry faces, but we believe that
it is our responsibility to build a sustainable future.**

In 2019, we have worked towards this aim in the following ways:

1. Established our Sustainability Team.
2. Developed our first Sustainability strategy and framework, assigning a budget to sustainability initiatives.
3. Composed our first Sustainability Report and started to measure our impact with the aim of reducing it year-on-year.
4. Reached 150% growth in net sales revenue and grew the team by over 100 members.
5. Established a monthly sustainability committee.
6. Started to gather fabric sustainability and facilities certificates for each and every fabric we source, enabling us to better understand our sourcing practices and implement more responsible ones. This resulted in a collection sustainability increase year-on-year, with 28% in PF19 and 34% in PF20.
7. Started to map our supply chain to gain more transparency and traceability. We also developed a new Code of Conduct, as well as supplier onboarding and auditing plans, to ensure our social sustainability standards are respected.

8. Mapped and selected key areas in packaging to reduce waste and eliminate the use of single-use plastic in both our operations and head office.
9. Created 8 seasonal job opportunities in an economically challenged area of Hungary through the Noha x Nanushka collaboration.
10. Implemented circular practices, such as continuing our collaboration on making fashion circular with the Ellen MacArthur Foundation, started working on offering repair and tailoring services in our stores, made a deadstock fabric library for our design team, and donated deadstock fabrics for theatre productions.
11. Carried out 75% of our manufacturing in Hungary and visited 83% of our manufacturing facilities.
12. Empowered Nanushka employees to lead a sustainable lifestyle through their day-to-day personal and professional choices with projects such as #fridaysforfuture infotainment posts, our team outing with the Roma community of Bagázs and charitable donations.

Although a milestone year, 2019 is just the beginning of our sustainability journey. We will always strive to do better by our planet and its people.

Deloitte.

The sustainability advisor of the preparation of the 2019 Sustainability Report of Nanushka was Deloitte.
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