

Sustainability
REPORT
KID ASA



2021

Kid

Contents

ABOUT THIS SUSTAINABILITY REPORT

The sustainability report is one of the tools that Kid ASA uses to communicate with the outside world about how its sustainability work is carried out and developed. Hemtex has since 2010 published its own sustainability report, and Kid Interior has had its own report since 2015. This is the second annual environmental and sustainability report that Kid ASA has published based on the Global Reporting Initiative and include both Kid and Hemtex. The report covers Kid ASA and its subsidiaries in the financial year 2021 from 1 January to 31 December.

This report has been prepared in accordance with the GRI Standards: Core option. The report is not audited by external auditors.

Kid

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ABOUT KID ASA

Kid ASA (“Kid” or “Kid Group”) is listed on the Oslo Stock Exchange under the ticker symbol Kid and operates as a home textile retailer through Kid Interior in Norway with 153 stores, and under the Hemtex brand in Sweden, Finland and Estonia with 133 stores.

The Kid Group offers a full range of home and interior products, including textiles, curtains, bed linens, smaller furniture, accessories and other interior products. We design, source, market and sell these products through our stores as well as through our online sales platforms. At the end of 2021 the Kid Group had 2.121 employees.

Kid and Hemtex is the leading pure-play specialist within home textile and interior market in Norway and Sweden, respectively. Both brands are benefiting from unbeatable

brand recognition and top-of-mind awareness. Hemtex is also present in Finland and Estonia.

Kid is headquartered in Lier, Norway where the group head office and central warehouse for the Norwegian market is located, while Hemtex’ offices and warehouse facilities are located in Borås, Sweden. Our mission is to inspire and make every home beautiful, and through our sustainability concept we want to make responsible choices for tomorrow.

Highlights in 2021

52% OF OUR ASSORTMENT IS LABELLED WITH ACT WITH THE HEART AND CONTRIBUTES TO A POSITIVE IMPACT ON PEOPLE AND PLANET.

RE-SIGNED THE INTERNATIONAL ACCORD IN NOVEMBER 2021 TO CONTINUE OUR SUPPORT FOR BETTER FACTORIES IN BAGLADESH

WE HAVE REDUCED OUR CO2 EMISSIONS IN SCOPE 1 & 2 WITH 19%. OUR CHANGE TO RENEWABLE HYDROPOWER IS A LARGE CONTRIBUTOR.

76% OF OUR DECORATIVE PILLOWS ARE NOW CERTIFIED ACCORDING TO STANDARD 100 BY OEKOTEX, UP FROM 36% IN 2020.



For Kid, “Act with the heart” means making choices that are better for the environment, the value chain and our customers. It is our conscious choices that have a positive impact – responsible choices for tomorrow.

KID ASA FACTS



OUR MISSION
Inspiration for every home



NUMBER
OF STORES

286

+ 4 ONLINE
STORES

TURNOVER
MNOK

3,097

(Kid, MNOK 1,883 /
Hemtex, MNOK 1,214)

2.6

MILLION CUSTOMER
CLUB MEMBERS

(Kid: 1.1 million /
Hemtex: 1.5 million)

*Financial
Information*

For full financial details please see the annual report which is found at investor.kid.no/reports-and-presentations/ under Annual Reports.

CEO LETTER

I am proud to present our second Sustainability Report and welcome you to read about how we through our concept “Act with the heart” create positive change for the environment and the local communities we interact with.

We all thought 2020 was the year which would be the odd one out with a pandemic, but 2021 proved us wrong. The challenges of the pandemic increased throughout the year, and we had a global supply chain crisis which hit us. Despite this I can proudly say we managed the challenges well as a team, without losing focus on sustainable development and our 2025 and 2030 goals.

As time progress we can observed climate change, and the impacts it has on us as people, but also on our business. Uncertainties when it comes to daily tasks like growing cotton, being able to ship goods on time and being sure people can get safely to work even though the weather becomes more extreme with missed rainfall and heatwaves shows us how important it is to deliver on the Paris Agreement, limiting global warming to less than 1,5 degrees. We have started our journey on setting Science Based Target to do our part of the work.

Reducing climate emissions is one of the most, if not the most important challenge in our sustainability work. It impacts us all, and all parts of our supply chain. As a start, to reduce our own carbon footprint, we have changed our own sourced electricity to hydropower from 2021, and we have done a trial with shipping goods using biofuel. We have

*Better Cotton Farmers experience profit increases for a variety of reasons, most commonly due to increased yields and/or optimised use of inputs (such as irrigation water, pesticides or synthetic fertiliser).

reduced our CO2 emissions in scope 1 & 2 with 19% but see a 4% increase in our scope 3 emissions, driven by more granular calculation of our purchased goods and materials. Our open communication regarding our climate impact is an important step in setting climate emission requirements and targets for our supply chain, so that we together can deliver on our goals.

We are also working on changing the materials we use. We continue to increase the volume of more sustainable cotton we use, driven by Better Cotton*. In 2021, work started to implement more recycled polyester, as well as testing out new materials to possibly replace some of our cotton consumption. This is exciting news that we will be able to tell more about next year.

While we focus on climate change, we do not forget the people in our supply chain. From our talented store managers to factory workers in Bangladesh and the cotton farmer in Xinjiang. We renewed our commitment to the Accord on Fire and Building Safety in Bangladesh by signing the new International Accord in November 2020, and we have temporarily banned the use of Xinjiang cotton.

I invite you to read more about our work in this year's sustainability report.

Together we can Act with the Heart.





*Hand made
products with
a story*

THE BIG PICTURE

The Kid Group's operations are impacted by several major global trends and forces. We see climate change, international regulations and consumer expectations as the most important ones for the company.

With a strong focus on fact-based and insight driven development of our business, the Kid Group can exploit the driving forces that create long-term and sustainable value creation.

CLIMATE CHANGE

The 2020s has started out as one of the warmest decades to be recorded and there has never been more greenhouse gasses in the atmosphere, and we can see impacts all over the world. There is change in weather patterns, weather becomes more extreme and sea levels are rising. There is an increase in floods and droughts which impacts both people and resources. The cost of raw materials may increase due to reduced availability due to challenges in growing for instance cotton, coffee and food. People die from high temperatures, and diseases like dengue fever spread more easily. We also see a rise in hunger. Working on delivering on the goals set out in the Paris agreement, limiting global warming to 1.5 degrees Celsius, will drastically reduce the greenhouse gasses, and prevent worst case scenarios for with regards to global warming.

Climate change and climate emissions are identified as one of Kids' most important issue.

Throughout 2021 Kid has experienced an increase in different raw materials and for natural materials one key driver is climate change. Cotton prices jumped to a 10-year high level due to various disruptions in the cotton market such as droughts and heat waves in the USA, insufficient monsoon rains in cotton growing areas in India and the ban on Xinjiang cotton. This has directly impacted our cost calculation.

Inclement weather has also caused delays in production, as well as challenges in the freight market. This, together with the covid19 situation, has increased lead times, and posed a risk for campaign sales, and risk of increased stock of goods. There have also been incidences of power shortage in China due to increased price of coal, as well as the Chinese governments work on reducing its climate emissions, impaction the lead times in the supply chain.

To meet these challenges Kid has started to rethink which raw materials to use to be able to cope with the uncertainty of raw material cost, but also to address our own climate footprint. Our communication with suppliers and forwarders regarding production issues and lead times has also been strengthened. We have during 2021 started our journey to set a Science

Based Target to deliver on the Paris Agreement. By 2022 we will have a roadmap for climate gas reduction to reach our 2030 goal of reducing our climate emissions by at least 50%. This work is being supported by our membership in the Swedish Textile Initiative for Climate Action and 2050 Consulting.

You can read more about how we choose materials on page 17, and our work on climate emissions on page 13.

REGULATIONS

To be able to address global challenges like climate change and human rights we also see a fast-paced work on regulations. Governmental regulations are stimulating increased cross-business collaboration and aim to elevate the importance of sustainable development for all businesses.

European, as well as Norwegian legislation is expected to play an important role in defining the future of sustainable production, a transition to the green economy as well as sustainability communication. Kid is in favour of creating a common and fair playfield, driving innovation and a more sustainable business.

The regulations we are mainly focusing on are the EU Taxonomy, EU Sustainable Product Initiative (read more on page 17) and the Initiative on Substantiating Green Claims (read more on page 35). This is in addition to the Norwegian Transparency Act which comes into law in 2022.

The EU Taxonomy Regulation aim is to promote an environmentally sustainable business, making substantial contribution to the objectives below, whilst not doing significant harm to the same objectives. To learn more about our work related to the objectives, see the page numbers noted for each objective.

- climate change mitigation (see chapter Climate Emission)
- climate change adaptation (see chapter Climate Emission)
- sustainable use and protection of water and marine resources (see chapter Product development and choice of materials)
- transition to a circular economy (see chapter Product usage)
- pollution prevention and control (see chapter Product development and choice of materials)
- protection and restoration of biodiversity and ecosystems (see chapter Product development and choice of materials)

CUSTOMER EXPECTATIONS

Responsibility, environmental impact, business ethics and control, both inside the organisation and throughout the external supply chain, are becoming increasingly important. Environmental, social and economic sustainability have become hygiene factors – that also drive growth. Focus has shifted from ‘why’ companies should work with sustainability to ‘how’. Over and above a genuine desire to promote a more sustainable and responsible world, the majority of retail companies consider sustainability to be a business advantage. Important issues such as working conditions, living wages and health and safety in the manufacturing countries need continued development, and the textile industry needs to take responsibility for driving progress.

COVID-19 IN THE SUPPLY CHAIN

2021 has reaffirmed how globalisation is real, and it affects all of us, every day. From the first news of covid-19 in late 2019 to a full scale global pandemic in march 2020, it is obvious how dependent all parts of the supply chain are on each other. A pandemic affects the full value chain, from farmer to

retail store. We have all seen how retailers had to close their stores, and lay off employees. The Kid group has throughout the pandemic had to adjust staffing as well as continuously evaluate opening and closing of store based on the local government advice due to covid-19 measures.

Producers all over the world had to scale down production to adjust to a new reality where their workforces were at risk of infection. The same trend hit the production of raw materials. Trade stopped and suddenly containers were not at the right place at the right time, exacerbating challenges for production as goods could not be transported from factories, and raw materials needed for production could not reach factories. The systematic challenges are huge and come at a great cost. A knock-on effect is reduced transparency in the supply chain.

The risk of a pandemic, and a pandemic by itself, is a reminder that sustainability work based on long term relationships, trust and good communication is extremely valuable. In challenging times, you need to know you have trustworthy partners.

UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations 17 Sustainable Development Goals are universally agreed goals for people, the planet, prosperity and peace. They are a part of the 2030 Agenda for Sustainable Development and are also referred to as the SDGs, Sustainable Development Goals.

The Kid Group has identified four focus areas where the company has the greatest ability to impact the goals.

The areas of focus are selected based on a risk assessment of our supply chain as well as challenges related to reduction of greenhouse gas emissions, securing a sustainable water supply and natural resources and women’s right to education, health and work in the countries we source from.



ACT WITH THE HEART - OUR SUSTAINABILITY CONCEPT

Through “Act with the Heart” we seek to create and gain trust, taking real responsibility and to deliver on the Sustainable Development Goals, as well as give back to local communities. All through making it easy for customers to make the right choice.

CRITERIA

Products labeled with
“Act with the heart” should have:

1. Less environmental impact + good traceability
 2. More than 50% of the product weight must consist of materials that meet the requirements of criteria 1.
- Alternatively, the profit from the products will be re-invested into the local community.

All sustainability actions are defined as a part of Act with the Heart. The actions have to address a salient issue and have to do good.

KID GROUP GOALS

We have some big challenges ahead of us. We have nine years to deliver on carbon reduction to be in line with the Paris agreement. During 2021 we have been focusing on creating a structure on how to deliver on our 2030 goals.

Our stakeholder dialogue and materiality analysis show us that our most important issues are related to climate action and an ethical supply chain (see page 43).

Climate action is about how to reduce carbon emissions in the supply chain, from raw material to end of life. It is about the further implementation of more sustainable materials and production processes. A continuous dialogue with suppliers and customers will create change and enable us to provide customers with a strong value proposition that help them in making better product choices.

An ethical supply chain is about continuous work towards securing worker rights, safety and equal opportunities. From the farm, through the production line, to our stores.

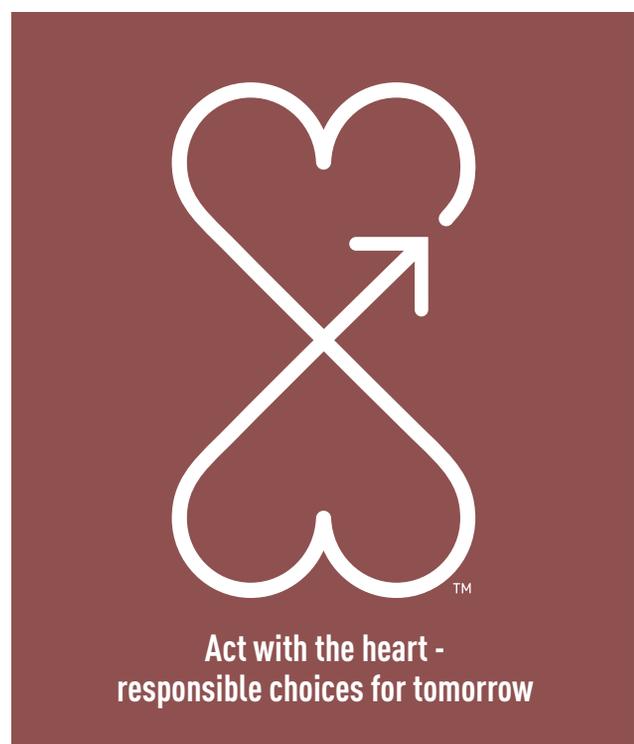
Our goals going ahead are:

Climate action

- Set science-based targets to deliver on the Paris agreement and reduce CO2 emissions by at least 50% by 2030 through collaboration in the supply chain
- 50% of the polyester used in the assortment shall be from recycled sources by 2025
- All wool products to be sourced through the Responsible Wool Standard by 2023
- All wood to be FSC certified (or similar) or recycled by 2025

Ethical value chain

- 80% of suppliers based on sourced volume to be scored on the Sedex platform by 2021, and 100% by 2023. We reached 84% in 2021.
- Securing valid social audits for 80% of tier 1 suppliers based on volume by 2023



CLIMATE EMISSIONS

Climate change affects us all. Through our work on the Sustainable Development Goal 12: Responsible Consumption and Production we impact the Sustainable Development Goal 13: Climate action. Continuous focus on energy efficiency in the supply chain, reduction in the use of materials and chemicals, along with sustainable infrastructure we can reduce our climate impact and deliver on the Paris agreement.



Kid Group's responsibility stretches beyond the boundaries of its own operations. However, the company is not able to influence every part of the value chain equally.

By imposing environmental demands on ourselves, as well as our suppliers, and by working together with manufacturers to develop a more sustainable range, some degree of influence can nonetheless be exerted outside Kid Group's own operations.

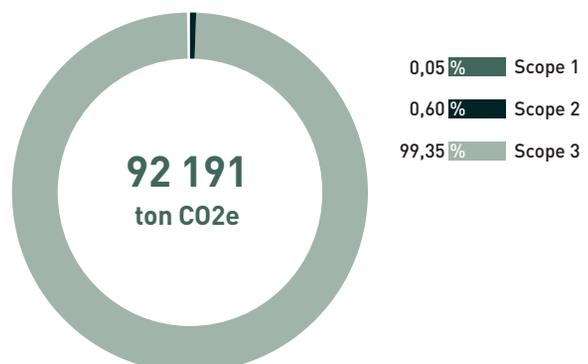
The company reports on its climate emissions using The Greenhouse Gas Protocol Initiative (GHG-protocol). The GHG Protocol is the most widely used method to measure greenhouse gas emissions and was the basis for the ISO 14064-I standard (2006).

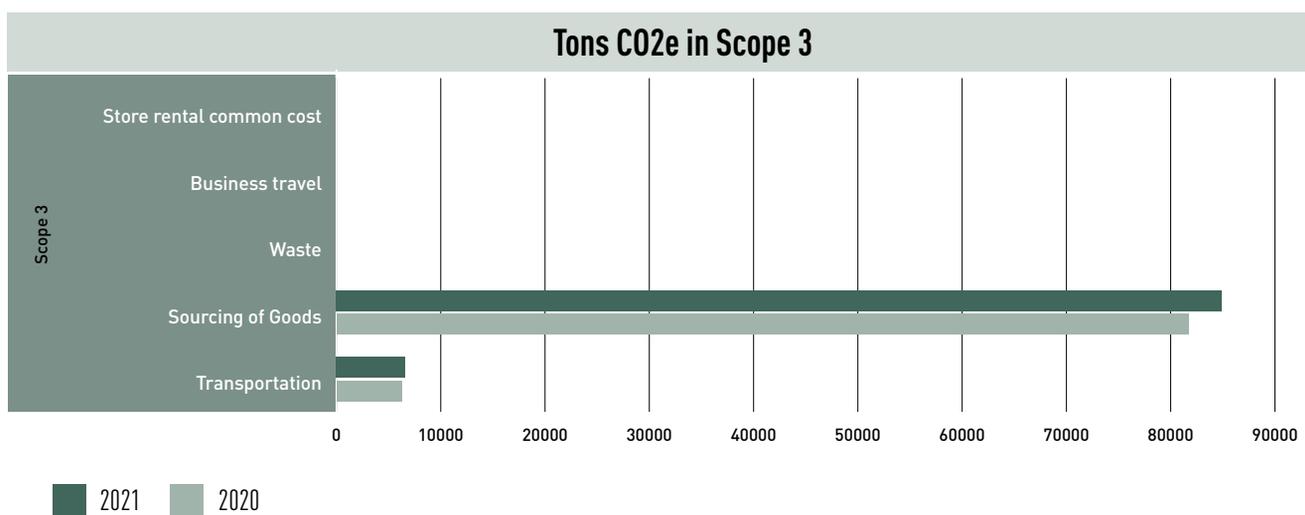
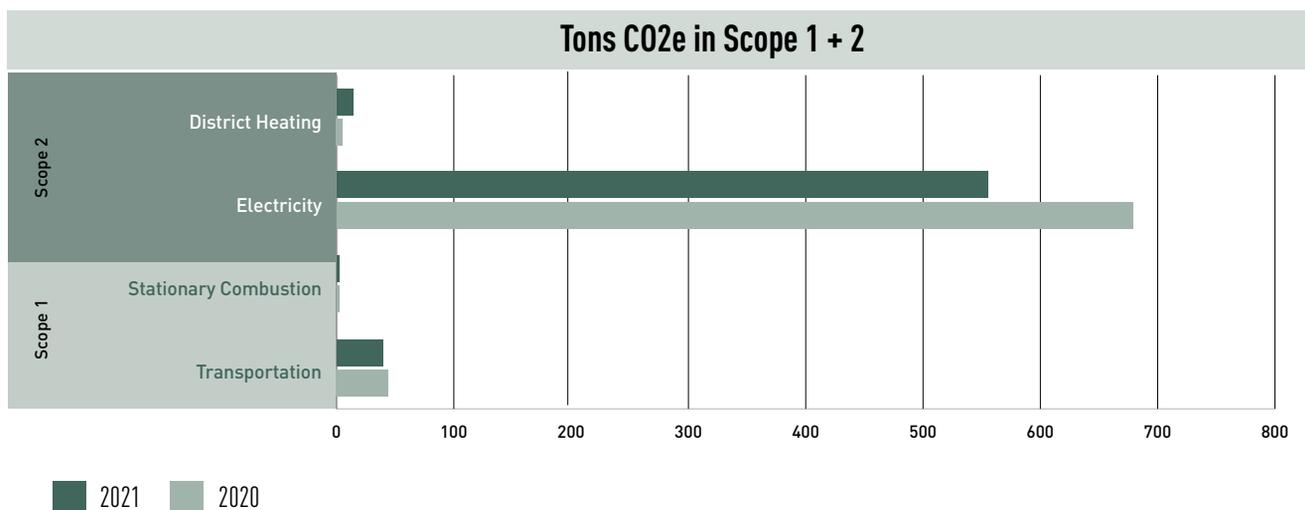
The Kid Group did its first common carbon footprint calculations in 2020 in order to measure, analyse, and set goals and strategies for reduction of carbon emissions. The emissions are calculated in scope 1 through 3.

Scope 1: all direct emission sources where the organisation has operational control. This includes all use of fossil fuels for stationary combustion or transportation in owned, leased or rented assets.

Scope 2: indirect emissions related to purchased energy; electricity or heating/cooling where the organisation has operational control.

Scope 3: Voluntary reporting of indirect emissions from purchased products or services in the value chain. Today it consists of all freight of goods, use of raw materials and production of our goods, waste at our warehouse and headquarters as well as transport to our stores / online sales drop-off points.





Scope 3 represents more than 99% of our emissions, and is related to the entire value chain from raw materials, production, packaging and transportation of goods to our central warehouses in Norway and Sweden.

Our total emissions in scope 1, 2 & 3 in 2021 were 92 191 (88 913) tons of CO₂e, and is further specified in the figures below. This is a 4% increase from last year.

In our scope 1 and 2 we have reduced the total emissions by 19% (135 tons CO₂e) driven by our change to renewable hydropower.

In our scope 3 emissions we see a total increase of 4% (3 500 tons CO₂e). This increase is driven a more granular reporting of our sourced goods, where we have added more materials to the material matrix, now including 100% of our goods (80% in 2020). This represents an increase of 3 209 tons CO₂e.

We also have a total increase in our emissions regarding transportation of 6% due to increase in sourced volume, with 15% more containers shipped in 2021 versus 2020 as well as more detailed information regarding the transportation of goods from our supplier to the warehouse, increasing the total emissions of local track freight.

For our emissions reduction we are in the process to set a Science Based Target in alignment with the Paris agreement. The goal will be achieved through company specific reductions as well as supplier dialogue and partnership to change production processes and implement greener energy, change in the use of raw materials as well as working on using more efficient transportation.

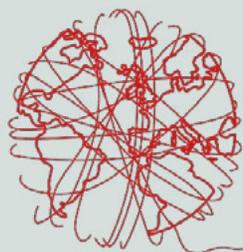
By the end of 2022 we will have a roadmap for our 2030 goal of reducing our emissions by at least 50%.

Swedish Textile Initiative for Climate Action (“STICA”)

The purpose of The Swedish Textiles Initiative for Climate Action (STICA) is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, **reduce greenhouse gases in line with 1.5°C warming pathway**, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. Ultimately STICA's aim is to ensure the Swedish and Nordic textile industry does more than its share well before 2050.

STICA achieves this by:

- Supporting apparel and textile companies operating in both the Nordic and international markets **to set science-informed targets and reduce their greenhouse gases in line with 1.5°C warming pathway**, as outlined by the United Nations Framework on Climate Change and the Paris Agreement.
- Providing a **neutral, non-competitive platform for companies and organizations** to learn best practices for reducing their GHG emissions as well as to track and publicly report on their progress on a regular basis.
- Supporting the development of **joint projects and cross-sector collaborations** in order to reduce the Nordic apparel and textile industry's GHG emissions while stimulating climate solutions that can also be exported outside of the Nordic region, thus increasing the Nordic apparel and textile industry's global competitiveness.
- Working with industry stakeholders to develop a **roadmap and implement an action plan** for how the Swedish and Nordic apparel and textile industries will reduce their GHG emissions well below the **1.5°C warming** target in order to do more than our share, while also becoming a global leader in developing solutions for the global apparel and textiles industry.



The Swedish Textile Initiative
for Climate Action

Textile Exchange Climate+

Textile Exchange is a global nonprofit that leads in the preferred fibre and materials industry. Textile Exchange work on increasing the adoption of preferred fibres and materials, creates integrity through standards and certifications as well as enabling collective collaboration throughout the entire supply chain.

Through our membership in Textile Exchange we implement more sustainable fibres in our products, and work on climate gas emissions in the fibre production. The Climate+ strategy from Textile Exchange is looking at reducing the CO₂ emissions from textile fibre and materials by 45% by 2030.

www.textileexchange.org



KID GROUP VALUE CHAIN SUMMARY

1 Product development and choice of materials

The Kid Group is gradually increasing its share of sustainable products and endeavours to find sustainable and innovative solutions for raw material consumption. Careful choice of materials ensures product quality, safety and durability, as well as the possibility of future recycling.

2 Manufacturing

There are major challenges in the manufacturing chain, ranging from human rights and working conditions to water consumption and the use of chemicals. Through comprehensive agreements, suppliers commit to complying with the Kid Group Code of Conduct, product policy, chemical restrictions and quality requirements. Compliance with these requirements is followed up and evaluations are carried out continuously.

EMPLOYEES

All Kid employees contribute to all parts of the value chain.

3 Transportation

Kid Group aims for maximum efficiency in logistics management to minimise its negative impact on the environment. Environmental impact can be reduced by choosing the right means of transport and constantly striving for maximum fill rates in containers and trucks. Kid's goods are almost exclusively shipped by sea and only a small proportion is air freight.

5 Product usage

All Kid Group products should be able to be used for a long time. To achieve this, we make continuous improvements based on feedback from customers and follow-up of complaints received. Kid Group also collects obsolete products to support increased reuse and recycling, and create more circular business models for textiles.

4

Stores and sales

Kid Group's overarching sales goal is to achieve the maximum customer satisfaction through a combination of responsible marketing, good service and high-quality products. Kid also endeavours to guide customers towards sustainable and ethical choices. Recycling waste from operations and reducing energy consumption lessens the environmental impact of the stores.

PRODUCT DEVELOPMENT AND CHOICE OF MATERIALS

The Kid Group mission is to inspire and make every home a beautiful one. We also aim to contribute to more sustainable consumption and manufacturing by continuously develop the assortment with products made of carefully chosen raw materials, from more sustainable sources. Our material matrix shows us that our most important materials in metric tons are cotton, polyester, down, wool and wood.

RESPONSIBLE MATERIAL CHOICES

When looking at a life cycle assessment of a product, it is clear that the decisions made at the drawing table has a major impact on the environmental footprint throughout the product's lifetime. By carefully selecting more sustainably produced fibers and materials we can ensure product quality, safety and durability, as well as creating the possibilities for long and circular lives of the products. We do this with the aim to reduce the negative environmental impact from the assortment as well as to be prepared to meet upcoming EU Sustainable Product Initiative.

The products are designed at the head-offices with highest priority given to product safety, quality and longevity. Some of the core products have been part of the range for more than 10 years and others for more than 25 years.

In late 2021 a new "Preferred Fiber & Material Matrix" was release by the organization Textile Exchange. The matrix will give guidance in the coming development of the Kid Group's assortment and help us to get a better holistic understanding of the impact from various textile fibers. With a trustworthy source and an increased knowledge, we can advance the work and actively choose fibers and materials that among other things require less energy and water in the manufacturing stages and results in positive benefits in comparison to conventional production. To further enhance the focus on

better designs, materials, and products in the assortment we have introduced 30 minutes of quality and sustainability education in the monthly buying- & design team meetings.

While we are aware of the increasing consumption behavior in the Nordic countries, as well as the negative environmental impact that comes with it, we see indications that the Nordic customers are putting more focus on selecting more sustainably produced goods. This is a trend we believe can be met with higher quality products, increased fashion neutral design and longer product life. Studies of life cycle analysis show that doubling the lifespan of all textile products would almost half the climate impact of the products. We have therefore introduced a new product range in the assortment during 2021, called "Premium Collection". This series of various items will enhance the overall expression of Kid/Hemtex and offer our customers to choose even better products.



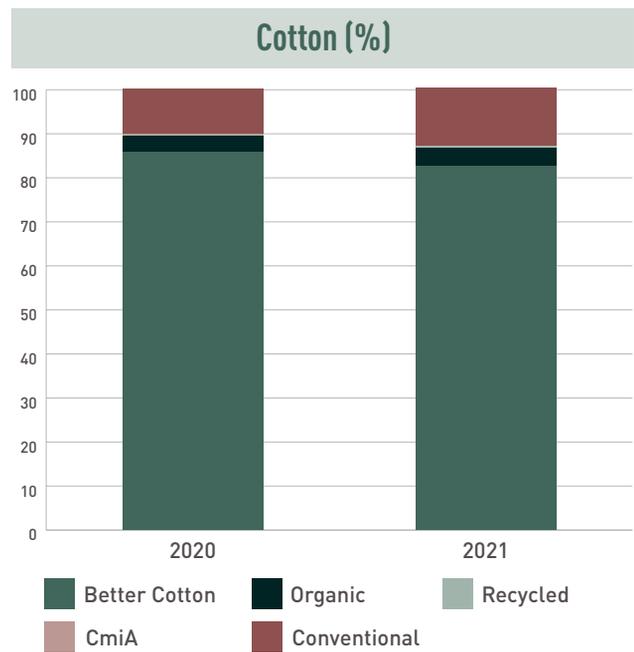
We also know that a more circular and resource-efficient manufacturing of textile fibres is crucial for the future. Recycled fibres and goods save the earth's resources and reduce the quantity of waste. Using recycled materials requires fewer chemicals, less water and less energy compared to production of raw materials.

However, there are still some technical challenges in creating new materials out of recycled textiles, such as cotton and polyester. The Kid Group monitors this field, as well as the development of new technologies, to find solutions to these challenges.

MORE SUSTAINABLE COTTON

After years of hearing that the global cotton production has reached "peak cotton", meaning there is no more room to grow without major negative impact on biodiversity and water supplies, we are still seeing cotton as one of the most important textile fibers both globally and in the Kid group's assortment. According to the 2021 year's Preferred Fiber & Materials Market Report from Textile Exchange the overall cotton production remained relatively stable over the last few years, though in recent years the market share of preferred cotton such as Better Cotton, organic cotton, CMiA, etc increased from 24% in 2018/19 to 30% in 2019/20 and is expected to have grown further in 2021.

When cotton is grown without regard to soil health, water use, toxicity, or other impacts, it can result in devastating, long-term damage to ecologies and livelihoods of the workers and farmers. Cotton is the dominant material in the Kid Group assortment, and we are constantly looking for ways to support its cultivation in a more sustainable way. In 2021, the share of more sustainably grown cotton was 87% (90%) within the Kid Group and will continue to strive for 100%.



Organic Cotton

Organic Cotton is grown without the use of chemical pesticides or fertilisers. Genetically modified (GMO) crops cannot be used, and natural processes must be used to retain healthy soils and promote more regenerative agriculture. Organic cotton drives meaningful change in the textile industry to address the interconnected climate, biodiversity, soil, and water crises we face. In harvesting season 2018/19 approximately 0,93% of the world's cotton market share was organically grown.

Better Cotton

Better Cotton is an industry standard that gives assurance that the cotton production is based on responsible farming. Every step of cotton production, from sowing and growing to picking and harvesting, adheres to seven Better Cotton Principles and Criteria. In 2021 the Better Cotton released a report stating that the average Better Cotton production had a 19% lower emissions intensity per tonne lint than comparison production across China, India, Pakistan, Tajikistan and Turkey. In 2021, an estimated 2,5 million m³ of water were saved and 1632 kilos of pesticides were avoided thanks to the Kid group's sourcing of Better Cotton.

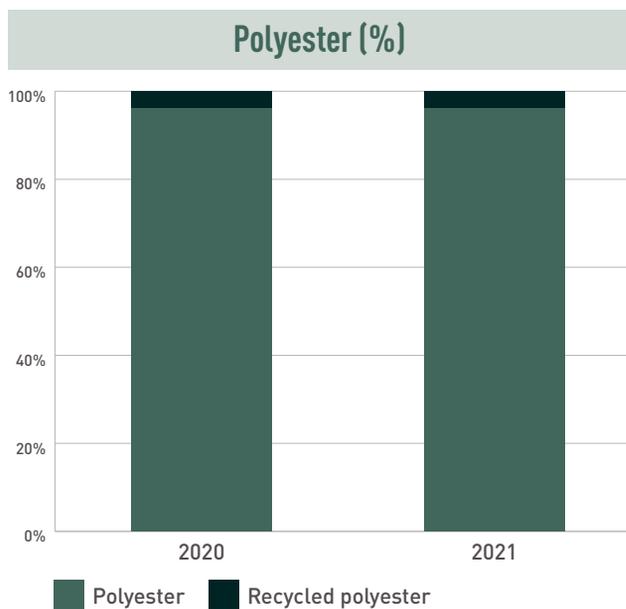


Out of the total cotton consumption in the Kid Group's assortment 83% (86%) is Better Cotton, 4,2% (3,8%) organic and 0,4% (0,2%) recycled.

The reason for the shortfall in achieving our target can be explained by three main reasons. First, we have included more product categories in the calculations that currently consists of conventional cotton. Secondly, two of our valuable cotton production processes, namely Egyptian Cotton and Open-end spun cotton yarns, was not included in the Better Cotton Initiative until the 2020-21 harvesting season. In 2021 we secured that the Egyptian Cotton in the assortment will be sourced as Better Cotton from 2022. Lastly, there have been challenges getting all suppliers to register their Better Cotton transactions. Therefore, this cotton is counted as conventional cotton.

POLYESTER

As polyester is a strategic raw material, the Kid Group have established a goal to increase the proportion of recycled polyester. In 2021 we used 3286 (3370) ton of polyester in Kid Group's products, out of which 147 (122) ton were recycled polyester equivalent to 5% (4%). By 2025 the company aims to increase the percentage of recycled polyester to 50% or to have found better methods for fossil-based fibres. To catalyst this ambition, the Kid Group signed "The 2025 Recycled Polyester Challenge" during 2021. The initiative was launched by Textile Exchange and the United Nations Framework Convention on Climate Change's Fashion Industry Charter for Climate Action to challenge the textile industry to bringing the percentage of recycled polyester up to 45% by 2025.



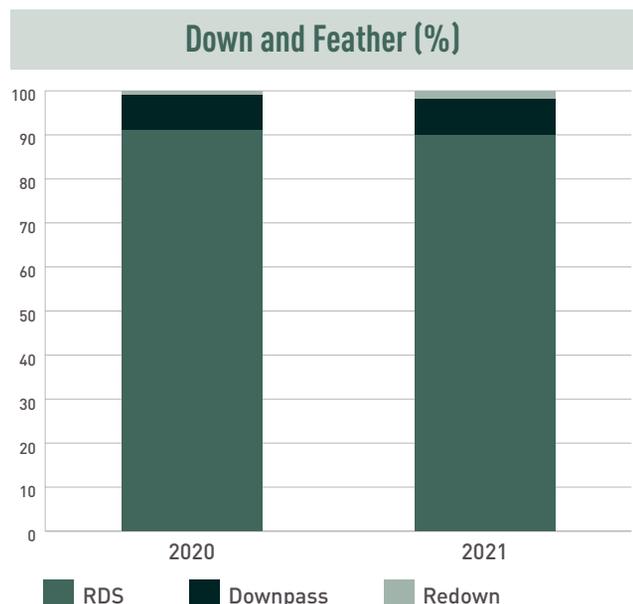
Our aspiration is that the supply of recycled fibres will increase as cooperation progresses with partners and suppliers to find ways to reuse and recycle fibres. Therefore, in 2021 we have signed a letter of intent together with Plast Nordic, a Norwegian company using the Swiss technology named

Gr3n, to chemically recycle PET back to the monomers. From the monomers it will be possible to repolymerize and create new PET and polyester fibers.

DOWN AND FEATHER

As one of the Nordic countries' leading experts in quilts and pillows, our policy is that all down and feathers must be third-party certified by either Downpass or Responsible Down Standard (RDS), but we also accept recycled down. This standard ensures better animal welfare and credible traceability throughout the entire manufacturing chain, from farm to product. As an example, controls are carried out to check that the down has not been plucked from live birds or force-fed birds. Down is resource efficient as it is a byproduct of the meat industry. It is also biodegradable. Purchases of down and feathers are strictly controlled by third parties, and for increased control, Kid Group have chosen to work with a few selected suppliers.

90% (90%) of all down was traceable through the Responsible Down Standard in 2021. The remaining 10% was split between 8% (8%) Downpass standard and 2% (1%) recycled down through the Global Recycled Standard. More about recycled down can be found in the recycled material section.





More about the recycling process and Redown can be seen via the QR code.

The Kid Group was the first Nordic home interior retailer to have recycled down and feather in the assortment. Since 2017 we have worked with Redown to close the loop in the down and feather market.

RESPONSIBLE WOOL AND ANIMAL WELFARE

A small part of the textile assortment includes wool. Wool is a luxurious material used primarily in our blankets. We are working on implementing the Responsible Wool Standard (RWS) into the assortment and the goal was to have RWS implemented in 30% of the volume already by 2020. Since the majority of our wool blankets come from Turkey, we have learned that it was easier said than done. Turkish wool is produced by small farmers and family businesses. RWS have not yet certified a single wool farm in Turkey, and we have started a dialogue with both suppliers and certifiers to see how we can initiate the project. The new goal is to have 100% RWS by 2023. By creating new contacts via the Textile Exchange conference in Dublin in November 2021 we are optimistic to initiate new partnerships to start sourcing RWS wool within 2022.

In addition to using RWS, RDS and Downpass, we have set clear guidelines for animal origin for materials such as down, merino wool, leather and hides. We adhere to, and have implemented, the Swedish Trade Federation's animal welfare policy in our purchase agreement and requirements.

WOOD AND PAPER

Every product made from wood or pulp that the Kid Group imports into the EU requires documentation, in accordance with the EU's timber regulations. The purpose of the documentation and traceability is to prevent wood from illegal logging being imported into the European market. Our ambition is to increase the portion of Forest Stewardship Council ("FSC") certified wood and paper products, and the goal is that 100% of all wood and paper products shall be FSC Certified by 2025. We need to improve data collection for wood and complex products to calculate the volume of each material. The FSC chain of custody certification is a guarantee that the wood is sourced from sustainably managed forests.

MANMADE CELLULOSIC FIBERS

To reduce the dependency on cotton in the assortment we have developed several new products during 2021 made of, or a mix with, the manmade cellulosic fibers modal and lyocell. These types of fibers are made from wood and processed to become soft, durable, and absorbent fibers well suited for home textiles. By strictly choosing manmade cellulosic fibers from FSC-certified wood we can promote more sustainable forestry by ensuring appropriate plantation and forest management, consequently leading to reduced risk of lost biodiversity. Most of the manmade cellulosic fibers in the Kid group's assortment are sourced from Lenzing, one of the leading brands within manmade cellulosic fibers, and the Kid group was granted a marketing license from Lenzing during 2021.

PLASTIC STRATEGIES AND FRAGMENTED FIBERS

There is understandable concern around the potential impacts of fragmented fibers - such as microplastics - on the environment, marine life and human health. Potential risks come from the physical presence of the fibers, as well as chemical additives such as antioxidants, dyes or fire retardants and transferred compounds such as persistent organic pollutants (POPs) and metals sorbed from aquatic environments.

Studies shows that fiber fragmentation can occur during all phases of the product life cycle, including the manufacturing

process of products as well as in the consumer use, care, and disposal phases.

Even though research concludes that there is currently insufficient data to draw any meaningful conclusions about microplastic fibers' toxicity, we chose to act on identifying and reducing the risk of released microplastics from the product range with various strategies. During 2021 we selected 13 items from the assortment to do an evaluation of microfiber and plastic release. The used test method was prEN ISO 4484-1 draft 07-2020. The results showed a surprisingly low release of fibers. Based on the results we have initiated a conversation with Research Institute of Sweden (RISE) to further analyze and study the results during 2022.

An additional example in our plastic strategy to reduce microplastics is Guppyfriend washing bag, which was launched in Kid's stores during 2017 and in Hemtex during 2020. The bag can retain at least 90% of released microfibres larger than 50 µm when properly used for domestic laundry. In addition to retaining microfibres, textiles shed less when washed in Guppyfriend due to a gentler mechanical treatment. The washing bag is raising awareness and at the same time delivering a practical solution for our customers to make an impact on an environmental issue.



MANUFACTURING & PRODUCTION

The Kid Group purchase goods from many parts of the world, which involves a large and complex supply chain. It is important for us to know that both workers and the environment are well taken care of. The Kid Group does not own any factories and are depending on good and reliable partnerships with suppliers.

Collaboration with suppliers

We face both sustainability challenges and opportunities in our cooperation with suppliers in the manufacturing chain and we must always strive to secure and continually improve human rights, lower the environmental impact, and use natural resources in a responsible way. Through comprehensive agreements our suppliers commit to follow our Code of Conduct, chemical restrictions, quality requirements, product policies and work to reduce climate impact. Continuous evaluations are carried out to verify compliance with the requirements.

Terms and requirements

The Kid Group recognizes that we need to work closely with our suppliers in order to monitor and assist them in their own social responsibility initiatives – particularly in relation to working conditions, environmental impact and business conduct. To ensure that our production is undertaken in ethical conditions, all our suppliers are screened before we enter into business with them, and they are obliged to sign and comply with our Purchase Agreement and requirements before the first order is placed. These agreements impose, among other things, sound employee working conditions, that no child- or forced labour is in use, environmental considerations are taken into account when it comes to raw materials and good animal welfare practices.

Transparency

One risk area linked to the complexity of the supply chain is transparency. The Kid Group Purchase Agreement is signed by our direct suppliers, but the agreement also requires our suppliers to monitor their sub-suppliers. The Kid Group does not accept unauthorized sub-suppliers and relationships with suppliers are based on full transparency into where and how products are manufactured.

The Kid Group conduct on-site inspections to control compliance with our Code of Conduct. The first inspection of a supplier is always preannounced, thereafter both preannounced and unannounced inspections are conducted. Quality inspections of the Kid Group products are also carried out, and these controls also ensure that the products are manufactured in the factory that actually holds the contract with the Kid Group.

In a step to further increase transparency in our value chain, the Kid Group opened the supplier list in 2018 to the public and is updated annually since then. We believe this strengthens the relationships with our suppliers and clarifies the importance of the sustainability work being done.

PRODUCT SAFETY

Customers should always feel safe when buying products from the Kid Group. We take responsibility for the products we place on the markets we operate in, and it is of greatest importance that products from the Kid Group do not pose a risk to the customers or consumers. That is why the Kid Group set strict requirements on, and control suppliers and manufacturers regarding quality, chemicals, production, and traceability.

Quality Assurance

All products must comply with legislation for safety, labelling and chemical content. The level of quality and chemical management is governed by the Kid Group Purchase Agreement and Requirements (PAR). The PAR includes extensive detailed product specifications describing the quality level that products need to achieve. It also contains a Restricted Substance List (RSL) which is based on Global-, EU- and country-specific regulations but also stricter self-defined requirements by the Kid group for certain substances. All suppliers take part of the PAR before the first order is placed and the suppliers must sign to comply with the PAR before they can deliver any products to Kid Group. The PAR is updated annually.

To control that requirements are met, selected tests are performed by independent testing institutes. These tests follow standardized methods and are documented in detailed test reports, which are reviewed and approved prior to delivery. Labeling and packaging are also controlled before shipment approval.

Risk Assessments

– For an efficient testing program

Each product group in the assortment is risk assessed to define the most important quality- and chemical risks based on intended usage of the products and material compositions used to make them. Specific products, such as baby and children's items, candles, electronic equipment, personal

protective equipment, and other items considered as high-risk items are subject to additional individual risk assessments and follow-up testing. This is supplemented by continuous monitoring of product returns and customer feedback.

In 2021, approximately 2700 (3000) quality tests were carried out for the Kid Group including Hemtex24h. 97% (98%) of these were passed in the first round and measures were taken for the remaining 3% before manufacturing.

More than 900 (400) chemical tests were performed during the year, divided into a variety of different substance groups. 97% (99%) of the tested items passed the first test, and the remaining 3% were either adjusted and re-tested or rejected before shipment.

Production control and inspections

Quality and production controls are regularly carried out by third parties. This work minimizes the risk of faulty goods reaching stores and allows for any irregularities to be corrected at the right time.

For Hemtex24h products we collaborate with Ica Global Sourcing (IGS) and quality assurance teams in the countries that have the most manufacturing. The local staff members are responsible for ongoing contact with suppliers, quality controls and follow-up for Hemtex24h orders and items.

It is of the highest importance that none of our products can cause harm or danger to our customers and consumers. During the year, the Kid Group did not need to recall any goods due to excessive levels of restricted chemicals. We did however face a challenge regarding product safety for three items.

The most severe case was when the Finnish Safety and Chemicals agency, Tukes, found that a candle was sold without a compatible candle holder in direct connection, and not sufficiently labeled with clear warning instructions - consequently leading to a risk that customers would use the candle without a suitable candle holder and pose a risk of falling over. Tukes original intention was that the Kid group should recall the candle from the market since the candle wasn't considered safe when freestanding and could tip over when exposed to an inclined surface less than 10

degrees. After further investigations and dialogue with the supplier, Tukes and the president of the European Candle Association we agreed that the candle itself did not pose any risk to customers when used correctly. Hence the recall was readjusted to an important safety message to all our customers. This issue originated in Finland, but we have taken measures in our other sales markets as well to make sure that the candle is used in a safe way, by updated labeling and clearer exposure in stores. More about this case can be read in the section "Accurate and extended labelling".

Two toys were withdrawn from the market, just a few days after their first introduction. The decision to withdraw the two toys were made based on internal risk assessments. The items complied with the EU toy safety standards but were too close to the limit to be considered safe in accordance with the Kid group's strict requirements. This proves that safety is a serious matter for us, but also that we can strengthen the final inspection procedures at the factories further, to avoid similar cases in the future.

Continuous improvement of quality and safety

During 2021 we have strengthened the Final Random Inspection procedures to mitigate the risk of non-compliances in regard to safety and quality.

By participating in a reference group called "Safe Products" via the Swedish Trade Federation we receive regular updates about product safety and regulations. The reference group discusses new suggested regulations for various product groups, and the group members have an impact on consultation responses to EU as well as local governments.

In late 2021 the claim reason codes used for customer complaints in Kid Interior was updated to give a better understanding of the product faults and defects. The new codes in Kid Interior now matches the claims codes already used in Hemtex for several years with a good outcome. We can see a decrease in number of claimed products in Kid Interior, resulting in 0,46% in 2021, compared to 0,58% in 2020. For Hemtex, the number of claims increased from 0,32% in 2020 to 0,37% in 2021. For the Kid Group in total for 2021 the claim rate landed on 0,43% (0,45%).

Product Quality 2021

The Kid Group's risk assessments and preventive actions regarding quality work are showing positive results.

- The overall claim percentage of products returned from customers in Kid & Hemtex stores was 0,43% (0,45%).
- No products have been recalled due to excessive levels of restricted chemicals.
- No products were withdrawn due to a lack of legal compliance.
- Two products were withdrawn due to safety risks, based on internal risk assessments.
- One "Important Safety Message" was sent out to our customers to mitigate a safety risk.

RESPONSIBLE CHEMICAL MANAGEMENT

Kid Group works actively to reduce and limit the use of hazardous chemicals, both in the manufacturing process and in products. Chemical and waste disposal are also regulated in the Code of Conduct in order to reduce risks to the health of the factory workers and to prevent chemicals and waste contaminating watercourses or groundwater.

Chemicals are used at several stages of the textile production process, including the creation of color fastness, to soften fibers and to improve certain properties. Most chemicals are safe to use, but some may involve risks for people who handle the chemicals in the production process, for the environment, or for end users of the products. Kid Group has drawn up a detailed list of restricted substances. The restriction list is continually updated and is not only based on legal requirements but also follows the principle of precaution.

NETWORKING FOR INCREASED KNOWLEDGE ON CHEMICALS

The Kid Group is a member of the Chemical Group at RISE, which gives access to expertise in the area of chemical usage, as well as information on new laws and regulations and the latest research. Through this membership we receive information about concerning chemicals well ahead of the regulations and can start the substitution at an early stage. Via the group network we can share and learn about best practices among other members in a dynamic and valuable way.

Standard 100 by Oekotex as risk mitigation tool

Kid Group have set the requirement that all textile articles which come into direct contact with human skin shall be certified according to OEKO-TEX® Standard 100. This includes all bed linen, towels, blankets, duvets- and pillows, and baby- and child articles in our assortment. OEKO-TEX® Standard 100 guarantees that products do not contain substances that are dangerous to health. Everything is controlled by an independent Institute - fabrics, threads, labels, embroidery and print.

In 2021 more than 99% (98%) of the textiles defined as “coming into direct contact with skin” were produced by suppliers having a valid Standard 100 by Oekotex-certificate for the related product groups. A historic exclusion from the group of textiles coming into direct contact with skin has

OEKO-TEX®

The Kid Group have fulfilled the requirements for a combined marketing certificate for Kid and Hemtex, of OEKO-TEX® Standard 100, SE 20-251 via RISE.

The certificate is issued based on our supplier's product certificates and the Kid Group due diligence system and quality control routines. By using Standard 100 by Oekotex we are mitigating the risk of our suppliers misusing harmful chemicals and securing the product safety in the assortment.

been decoration pillows but starting from fall of 2020 this product group has also been considered as textiles that come into direct contact with skin, and the certification process has started. By the end of 2021 76% of decoration pillows were sourced from suppliers with valid Oekotex certificates, up from 36% in 2020.

Substitution of unwanted substances and risk materials in the assortment

During 2021 we have increased the number of chemical tests compared to 2020 to get a better understanding of the risks, and where to find unwanted substances. As an example, by increased screening of heavy metals in hard/homogenous items we have found that the presence of lead in some cases are above the Kid/Hemtex requirement (90 mg/kg), while below the strictest legal limit (500 mg/kg for jewelry and articles that may be placed in the mouth by children). By doing these spot checks we find the risks and request our suppliers to further lower the levels of unwanted chemicals, to be well below the legal requirements.

SOCIALLY SUSTAINABLE PRODUCTION

Kid Group recognises the need to work closely with suppliers to monitor and assist them in their own social responsibility initiatives – particularly in relation to working conditions, environmental impact and business conduct. Our work is founded on the OECD Guidelines for Multinational and is in line with the Transparency Act.

Kid Group's goal is to be a responsible long-term member of the communities in which the company operates and contribute to positive change. Rather than terminating collaboration with suppliers that do not meet requirements, Kid Group endeavours to find solutions.

The company always carries out a risk analysis of new suppliers and factories. To ensure that our production is undertaken in ethical conditions, all our suppliers are screened before we



enter into business with them, and they are obliged to sign and comply with our supplier guidelines, including Code of Conduct and restricted substance requirements for chemical content.

We conduct regular business and factory site audits of our suppliers – most of whom are operating in China, India, Pakistan and Bangladesh – in order to evaluate their sustainability performance. By doing so, the health, safety and environment, wages and working conditions along with business practices are evaluated, so that we can confidently vouch for a fully sustainable supply chain. We mainly used the SMETA 4-pillar protocol, but also accept other standards such as BSCI and SA 8000.

Full audits are undertaken at factories every two-to-five years. If issues are discovered during an audit, a corrective action plan is created with clear timelines. Wherever possible and appropriate, Kid Group will work with the supplier to handle non-compliance issues by changing routines or implementing other positive changes.

Kid Group’s goal is to contribute to change instead of terminating collaboration. An important part of this work is to create a good dialogue and understanding with the factory’s management so that irregularities can be corrected in a systematic and sustainable manner.

Code of Conduct breaches

In the event of any breach of the Code of Conduct, an investigation is carried out into the underlying cause. A corrective action plan is then put into place together with the supplier. Simply carrying out an audit does not lead to improvement. It is the process of monitoring and setting up corrective action plans that will enable the factory to make progress and improve working conditions for those who work there. Follow-up visits and dialogue are therefore of great importance.

The first time a supplier is not approved, they are given a chance to correct the problem. If the supplier does not show any willingness to resolve serious irregularities or if a serious violation is repeated, collaboration is terminated.

In 2021 Kid Group did not terminate collaboration with factories due to breaches on the code of conduct.



The most common breaches of the Code of Conduct principally concern documentation and employment terms and conditions, as well as salaries and working hours. If documentation is incomplete in the factory, for example if proof of employment, time recording, and payroll documentation is lacking, the Kid Group cannot verify compliance with the Code of Conduct, such as controlling wages, overtime regulation or controlling the age of the workers. The Kid Group endeavours to make suppliers aware of the importance of good documentation through communication with factory management and following up on action plans.

KID HEMTEX’S CODE OF CONDUCT REQUIREMENTS

- Laws and regulations must be complied with.
- Workers shall be free to join trade unions and to bargain collectively.
- Prohibition of discrimination must be complied with.
- Wages and compensation must be paid according to applicable rules.
- Overtime must be remunerated and must not exceed applicable rules.
- Health and safety matters must be respected in the workplace.
- Prohibition against child labour must be complied with.
- Prohibition against forced labour must be complied with
- Approved environmental work and proper disposal of waste must be in place.

In accordance with the Kid Group Code of Conduct and local legislation, suppliers must at least pay the country's statutory minimum wage to their employees.

It is difficult to verify that overtime is kept within acceptable limits, especially if the time recording is flawed. There may be many reasons for the existence of overtime. In cases when employees work far from home, they may want to work intensively for periods of time and then return home. Another reason may be low wages.

The Right to Collective Agreements and Freedom of Association

The right to join a union and negotiate collectively is a basic right. Unfortunately, trade unions are weak in many of the manufacturing countries and are even illegal in certain countries.

The Kid Group encourages its suppliers to ensure that this right is not violated. Both factory managers and their employees are informed of their rights, and compliance with requirements is followed up in social audits. All suppliers must allow workers to freely choose their own representatives with whom the company can have a dialogue regarding workplace issues. Internal work committees exist in many factories. These associations allow employees to engage in dialogue on workplace issues and they provide an alternative for facilitating fair negotiation. However, they do not replace functioning unions and it is important to check how the committees operate and that the members are elected by the workers.

Methods of combating child labour and forced labour

The Kid Group's basic rule regarding child labour is that people under the age of 15 cannot work for any of its suppliers. If national legislation imposes more stringent requirements, it is those that apply. In China, for example, the legal working age is 16.

The Kid Group also requires that suppliers pay careful attention to young workers (under the age of 18), for example in relation to the right to limited working hours. If the Kid Group discovers or suspects that a worker is underage, the supplier is contractually obliged to take measures to ensure the best outcome for the individual. The best possible solution is sought together with the supplier, considering the child's age, education and social situation.

Forced labour or compulsory labour is prohibited. It is important that workers receive continuous wages for work performed, that they are entitled to take holiday and terminate their employment with wages for work performed.

No incidents of child labour or forced labour have been discovered or reported during the year. There is an increased risk of forced labor in the Xinjiang province and we are actively communicating with our suppliers on this issue tracing our cotton sourcing.

International Accord

After the Rana Plaza factory outside Dhaka in Bangladesh collapsed, killing more than 1,100 people and 2,500 were injured, the Accord initiative was launched in 2013 on Fire and Building Safety.

In May 2018, the first Accord was replaced by another initiative - Transition Accord on Fire and Building Safety.

On September 1st 2021 the Bangladesh Accord was replaced with the International Accord for Health and Safety in the Garment and Textile Industry, and this was signed by Kid in November 2021. For more information see www.internationalaccord.org.

Xinjiang cotton

During 2020 more details emerged regarding the systematic use of forced child or adult labour in the harvest of cotton in the Xinjiang region, located in Northwest China. In the last quarter of 2020, the Kid Group implemented a ban on cotton from the Xinjiang province and this continued throughout 2021.

According to our internal analysis and investigation, none of the cottonfiber in our assortment are being sourced from the Xinjiang region. Note that the results are mainly based on self-reporting from our suppliers.

We mitigate our risk of use of Xinjiang cottonfiber through the use of Better Cotton or other traceable cotton initiatives which have bans on cotton from the region.

This policy will remain in place until the International Labour Organisation can verify that the forced labour situation has ended and is under control.

KID GROUP SOURCING MARKETS IN 2021

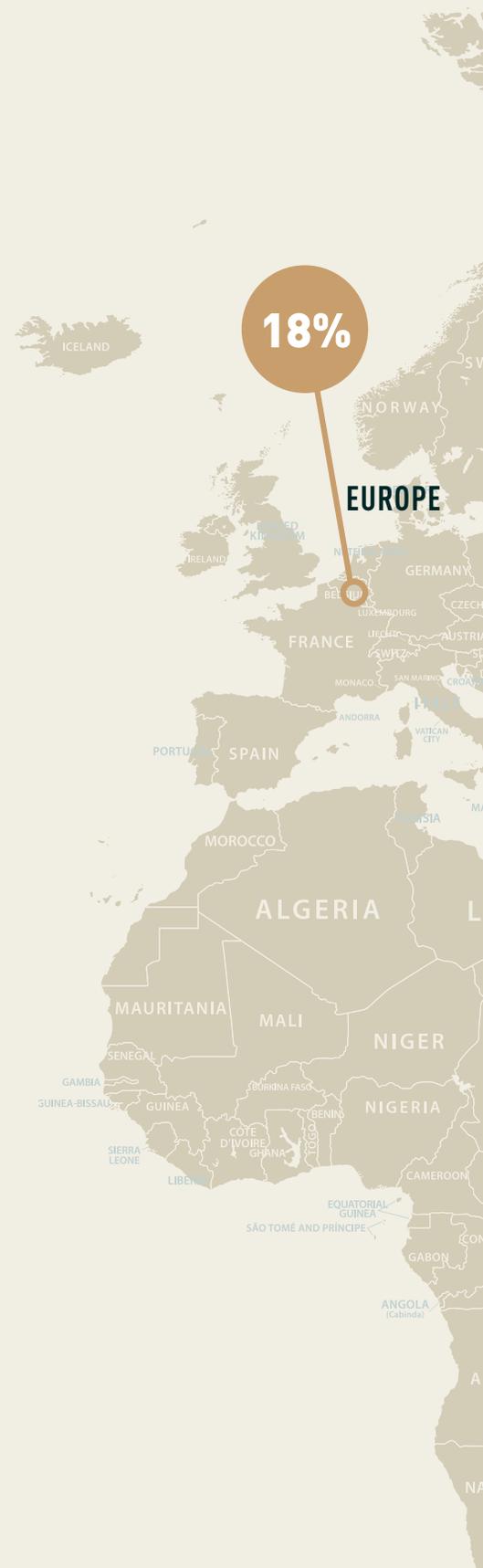
In 2021 the company had 265 suppliers in 22 different countries: Bangladesh (9), Belgium (1), China (121), Denmark (15), Estonia(2), France (1), Germany (3), Hungary (2), India (37), Indonesia (1), Lithuania (1), Nepal (1), Netherlands (2), Norway (17), Pakistan (18), Poland (2), Portugal (2), Russian Federation (1), Sweden (13), Taiwan (4), Turkey (9), Vietnam (3).

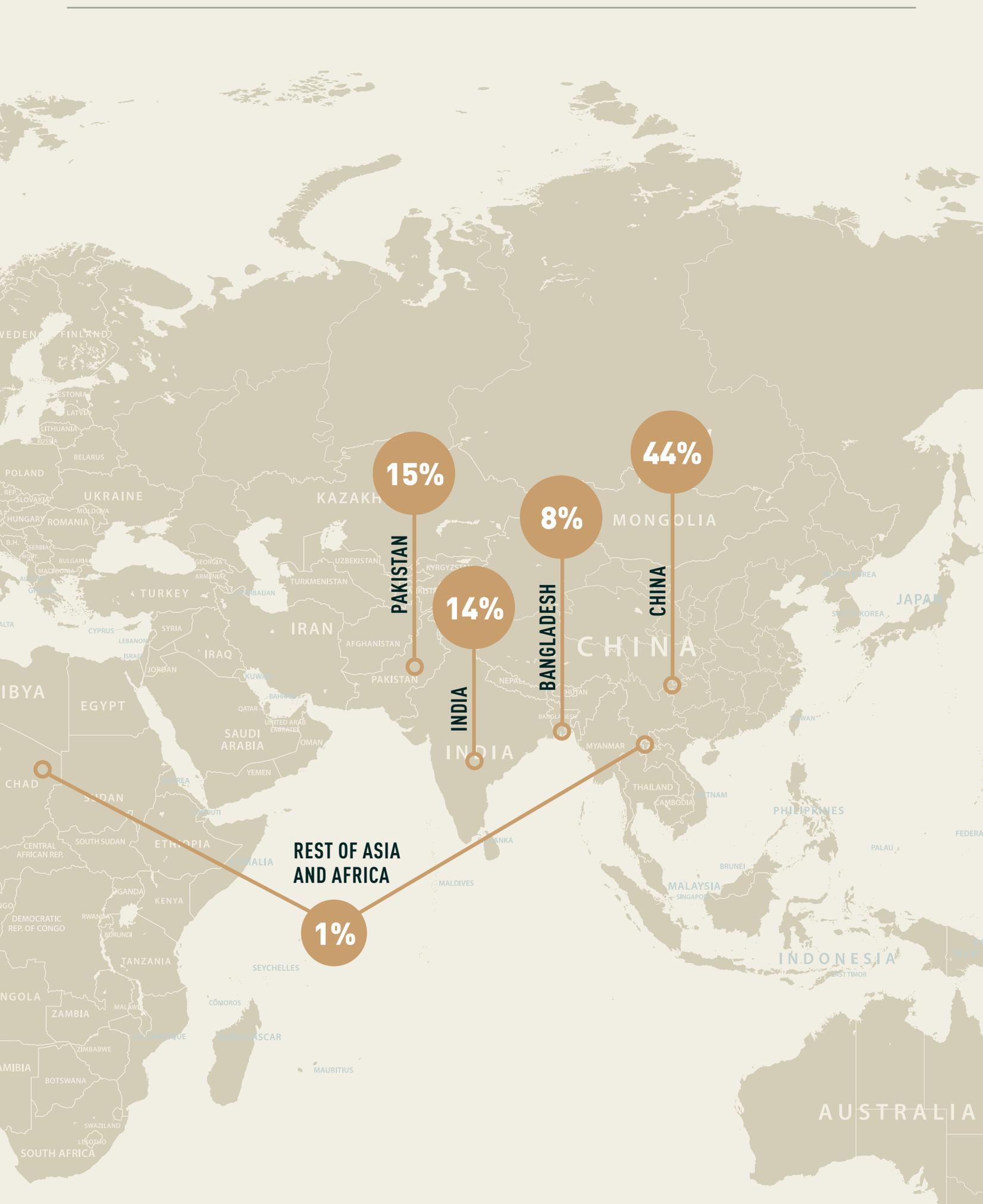
67%

of The Kid Group's total sourcing were directly from the suppliers.

33%

are sourced through agents.





BOOKS AND SOLAR PANELS CONTRIBUTE TO A GREENER, MORE PROSPEROUS AND SUSTAINABLE FUTURE

Kid has since 2014 partnered with Bokhari, a Norwegian-Pakistani social enterprise with manufacturing facilities in Sultan Town, Faisalabad, Pakistan, that contributes to secure decent employment opportunities to hundreds of artisans in Pakistan, mostly women, and quality education to their children.

The partnership with Kid, now in its eight year, has enabled Bokhari to multiply its efforts to improving the livelihoods and future of hundreds of families who are direct and indirect beneficiaries of the social enterprise's more responsible and sustainable approach.



Over the years, these investments have included strengthening environmental and safety standards, improvements in working conditions, building a waste-water treatment plant (which also provides clean drinking water to 5000 people in the local community), and continued investments in the LAMS school adjacent to the factory.

In 2021, in celebration of the LAMS school's 25th anniversary, Kid and Bokhari jointly designed and produced a series of string bags named "One Bag One Book" with proceeds contributing to the purchase of thousands of new textbooks, as well as electronic tablets for the school.



During 2021, solar panels were also installed on the factory and school roofs, providing clean, renewable energy for the production facilities. Surplus energy is provided back into the grid.

By only using more sustainable and certified materials, such as upcycled and recycled cotton, sea grass, palm leaves, wool, jute, banana fibers and other natural materials, Bokhari provides Kid with an exciting and growing portfolio of handmade products including rugs, baskets, potholders, tote bags, aprons, table mats, runners etc. The social enterprise employs more than 400 women and men, and the school annually enrolls more than 700 girls and boys aged 4 to 18 years.

Bokhari is run by social entrepreneur Amar Bokhari along with renowned Norwegian designer Runa Klock. Together, they continue to be inspired by modern Scandinavian





LAMS School. Knowledge is power.

design and traditional artisanship and a strong conviction of making a positive change through their activities. The range of products now available from Bokhari, and the social impact resulting from their activities, is a clear testimony to their passion for sustainable textiles and interior products for a more responsible, conscious way of living.

For Kid, a continued and strengthened partnership with Bokhari underlines our strong commitment to working with suppliers who care and take responsibility – for the environment, for their products and for the people who make them.

Read more at kid.no/bokhari and bokhari.no



TRANSPORTATION

An efficient logistics operation can reduce climate gas emissions and other negative consequences on the environment. Environmental impact is reduced by selecting the right means of transport and constantly striving for maximum fill rates in containers and trucks. Kid Group's goods are almost exclusively shipped by sea. Air freight is used for only a small percentage of goods.

FROM THE FACTORY TO THE STORE

Kid Group's goal is to use ships and trains to the greatest extent possible and avoid air transportation. Transporting goods by ship generates fewer emissions per product than transporting by air or road, and the majority of the Kid Group's imported goods are shipped by sea from the manufacturing countries. In 2021, 94 (97)% of imports were transported by ship, representing 88 (88)% of emissions with regards to transportation of goods to our warehouses.

From the port in Drammen, Oslo and Gothenburg, goods are transported by truck to our central warehouses. From the central warehouse goods are either sent directly to the store or to online customers via truck, train and/or boat.

For e-commerce, about 1/3 of orders are picked up in store, while the remaining part is sent to collection points or as home delivery. Orders that are to be collected from our stores are picked from the store inventory if products are available there.

As a test a part of our shipments were made using biofuel, saving an additional 303 tons of CO2.

EMISSIONS FROM FACTORY TO WAREHOUSE

From 2020 to 2021 our total emissions for freight from factory to warehouse has increased by 13%. This growth is driven by an increase in shipped TEUs from 2020 to 2021 by more than 15%. The average CO2 emission by product received was 193,7 (189,7) grams, up 2,1%. This increase in

emission per product received has been seen in connection to our challenges with getting goods shipped in time in 2021 and that we had to use train as an alternative to sea cargo. An estimated 3% of our volume were sent by train in 2021.

We had less use of airfreight, saving 184 tons of CO2. As a test a part of our shipments were made using biofuel, saving an additional 303 tons of CO2.

Inbound	2020	2021	Change in tons CO2	Volume
Boat	4172,4	4739,9	567,5	14%
Truck	247,8	459,0	211,2	85%
Rail	0,0	35,4	35,4	-
Air	317,1	133,3	-183,8	-58%
Total	4737,3	5367,6	630,3	13%

Inbound	Emissions		Freight volume	
	2020	2021	2020	2021
Boat	88%	88%	97%	94%
Truck	5%	9%	3%	3%
Rail	0%	1%	0%	3%
Air	7%	2%	0%	0%

EMISSIONS FROM WAREHOUSE TO STORE / CUSTOMER

Our emissions for sending goods from our warehouse to our stores and online customers decreased by 18% in 2021 compared to 2020.

We have seen a shift in volumes from road to rail and boat which has a positive impact as well as the general emission factor for truck shipments has improved from 2021.



Outbound	2020	2021	Change in tons CO2	Volume
Boat	1,9	2,4	0,5	26%
Truck	1428,9	1144,6	-284,3	-20%
Rail	76,4	83,1	6,7	9%
Total	1507,2	1230,1	-277,1	-18%

Outbound	Emissions		Freight volume	
	2020	2021	2020	2021
Boat	0%	0%	3%	4%
Truck	95%	93%	54%	44%
Rail	5%	7%	43%	52%

FILL RATE AND EMISSIONS

Higher fill rates reduce CO2 emissions per product, for instance through co-loading in the manufacturing countries.

The fill rate is monitored per shipment and compiled per month and year. In 2021, the fill rate for incoming containers

was 91.2 (90.4)%. Challenges in getting equipment for goods throughout the year has resulted in an increased use of 45 feet and 20 feet containers which has on average a lesser fill rate than 40 feet container at 87.5% versus 93.2%.

2019	2020	2021
92,8%	90,4%	91,2%

EFFECTIVE BUSINESS TRAVEL

Kid Group's ambition is to minimize CO2 emissions from business travel. All business travel is monitored by means of transportation, cost and environmental impact.

The Kid Group also requires that the environmental impact of company cars should be as little as possible, taking into account vehicle type. When cars are changed, a car with lower emissions than the previous one will always be chosen.

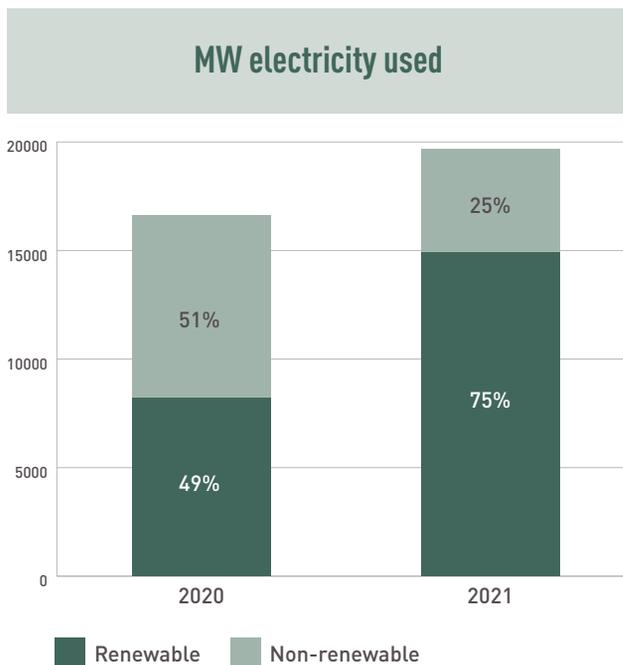
Emissions in 2021 from business travel was 62,6 tons CO2 (100,7). The reduction is due to covid-19 and very limited possibility to travel, both regionally and internationally.

STORES & SALES

Kid Group's overarching goal is to drive growth through a combination of responsible marketing, good customer service and high-quality and inspirational products. We also endeavour to guide customers towards sustainable and ethical choices. Recycling waste from operations and reducing energy consumption reduces the environmental impact of the stores.

REDUCED ENERGY CONSUMPTION

The biggest climate impact Kid Group has in its own operations (defined by scope 1 and 2) is energy usage. Kid Group is constantly working on more efficient use of energy, as well as increasing the use of renewable energy.



Renewable electricity

The office of Hemtex and about half of the stores in Sweden are part of a shared electricity agreement that provides electricity from renewable hydropower. For Kid Interiør the head office, as well as all the stores are covered by a shared agreement with renewable hydropower.

The most important step in reducing emissions from energy consumption is to transition all stores to renewable electricity as well as implementing energy saving initiatives.

Energy-efficient LED light bulbs

The Kid Group has since 2013 installed energy-efficient LED lighting in all new and refurbished stores. In older stores, the

lighting is gradually being transitioned to LED or to light bulbs with lower wattage.

Recycling waste from operations

Kid Group's goal is to recycle as much cardboard, paper and plastic waste as possible from the company's own operations. All stores, as well as our own warehouse and offices recycle paper, cardboard and plastic.

MORE SUSTAINABLE CONSUMPTION

The Kid Group's stores contribute to more sustainable consumption by guiding customers towards sustainable and ethical choices and working actively to reduce the stores' direct environmental impact.

Several tools and measures are needed to facilitate the transition to sustainable patterns of consumption and manufacturing. Training of employees is an important cornerstone. Through training, people can acquire values, knowledge and skills that enable them to contribute to sustainable development. Another cornerstone is information. Clear and easily accessible information in the form of environmental-labelling, consumer information services, product information in stores, web-based information and more, makes it easier for consumers and others to make responsible and sustainable choices when selecting products and services.

Accurate and extended labelling

All Kid Group's textile products must be properly labelled including accurate fiber composition, care instructions and country of origin on the product.

There are a number of product categories with specific regulations regarding labelling. The Kid Group constantly monitors and follows these up so that the customer receives correct information. The Quality Assurance Manager for the Kid Group is also frequently participating in a reference group for labeling, which is a part of the "labeling guide" from the Swedish Textile Importers. This gives the Kid Group the opportunity to receive early access to information about upcoming labeling requirements and at the same time have the impact to comment and give feedback

to new labeling regulations. It is also a valuable forum to discuss interpretations of existing labeling regulations and requirements, to make continuous improvement and avoid misleading information to customers and consequently avoiding claims.

One non-compliance related to “accurate labeling” was found during 2021. A cylinder candle in the assortment which is defined as a crown top candle according to EU regulation (EN 15493:2019) was labeled and described as a block candle. Crowntop candles shall always be placed in a suitable candle holder to keep the stability, while block candles can be placed directly onto a fireproof surface. This led to an extensive change in how we expose the candles in store and how we mention definitions and warnings on that type of candle. An “important safety message” was sent out to our customers, informing about the importance of using the candle with a suitable candle holder. We also gave the customers the opportunity to return the candles if desired.

Clear labelling for conscious consumption

Kid ASA has a group-wide focus on guiding customers towards making more sustainable choices. Through clear labelling of composition, standards and certifications of the product range, customers receive clear information about the content of the products which promotes more conscious and sustainable consumption. Sustainable products, which now comprise more than 52% (40%) of the total assortment and 61% (62%) of the textile assortment, are made visible in the stores and marked as a more sustainable choice.

To make it easier for the in-house design-, purchase-, and marketing teams to use third-party labels according to the different organizations’ requirements a summarized labeling guide is being used. The guide highlights the most important



labeling requirements for all third-party initiatives and logos included in “Act with the Heart”, as well as general sustainability claims to avoid miss-communications in marketing materials. We are closely monitoring the progress of the European “Initiative on substantiating green claims”, and the related “Product Environmental Footprint” (PEF) methodology that might be mandatory to us when assessing the environmental impact from products. During 2021 we continued to increase the focus on verified claims and do not label any items with the “Act with the heart”-symbol unless a valid third-party certification is in place.

No incidents of non-compliances with “green claims” marketing communications have been reported during the year.

ACT WITH THE HEART

Kid Group endeavors to help customers make sustainable choices under the “Act with the Heart” concept. The concept includes a product label that works as an umbrella brand for a number of approved and relevant standards. For a product to be labelled with the “Act with the Heart” symbol, the majority of its content must be manufactured from more sustainably grown raw materials, recycled materials or other more sustainable fibers such as lyocell. The concept also includes products that have been grown or produced with less environmental impact or especially good social welfare. Good traceability is a pre-requisite for these goods.

Standards and certifications

For high transparency, we always indicate why we have chosen to label a product with “Act with the Heart”, for

example by stating the standard and certificate number on the label or packaging. Act with the Heart encompasses:

- Kid Group's organic cotton that is controlled and certified by GOTS and/or OCS.
- Recycled products controlled and certified by Global Recycled Standard, GRS or Recycled Content Standard, RCS.
- Kid Group's down & feather that is controlled and certified by Downpass and/or Responsible Down Standard, RDS.
- Cotton labelled with Better that illustrates that Kid Group supports the Better Cotton Initiative, a system built on mass balance, which means that the same weight of cotton has been cultivated according to Better Cotton Initiative's cultivation methods.

The concept also includes products that have been grown or produced with less environmental impact than conventional methods and which have been approved by Nordic Swan Ecolabel, Good Environmental Choice, EU Ecolabel, Oekotex Made in Green or FSC certification of wood and paper products. To top up the Act with the Heart concept the especially good social project Bokhari concept has been included.

The standards and certifications we chose to include in the "Act with the Heart" concept are carefully selected based on their credibility, effectiveness, and transparency, as well as their recognizability among our customers and stakeholders. Most of the selected standards are members of the ISEAL alliance to verify credential claims.



PRODUCT USAGE

All Kid Group products should be able to be used for a long time. To achieve this, we make continuous improvements in product design and quality control processes based on feedback from customers and follow-up of complaints received. Kid Group also collects discarded textile products to support increased reuse and recycling and create more circular business models for textiles.

RECYCLING AND CIRCULARITY

Kid Group endeavors to contribute more to business models that are based on circular models for optimal reuse and recycling rather than traditional linear production. Our ambition is to reduce the utilisation of natural resources, use closed-loop manufacturing to prevent waste and develop more products from recycled raw materials.

The world's population is growing, and the middle class is expanding. Unsustainable consumption patterns - we consume as if we had 1.7 earths according to Earth overshoot day - are leading to more natural resources being used than the planet can manage. This is a societal challenge that requires large-scale change and innovation. Companies, government agencies, organisations and users must work together to begin to deal with the issues and create circular models.

The Kid Group is a part of a working group at the Swedish Trade Federation (Svensk Handel) called Textiles for Recycling Initiative (T4RI), focused on finding new solutions for reuse and recycling. The T4RI group aims to find solutions that can simplify collaboration between various groups within textile recycling, such as consumers, producers and municipalities. In 2021 the group continued to act as the Swedish textile industry's reference group in the new development of a producer responsibility for textiles. During 2021 the discussions about an extended producer responsibility has also started in Norway, and we get our input via our membership in Movement for Sustainable Textiles (partnership with Tekstilaksjonen). The new and upcoming extended producer responsibilities will be a fundamental part of shifting to a more circular economy and textile flow. We raise our voice to have similar solutions and build-ups of the extended producer responsibility across EU, and at least the Nordic region.

A circular business model involves resource efficiency in all stages of a product's life cycle. A doubling of the lifespan of all textiles would almost half the products' climate impact. In most cases, recycling is more resource-efficient than producing new products with virgin raw materials, but recycling should be the last step after the product's lifetime has been maximised and the product can no longer be used in its current form. In 2021 the Kid Group signed a

letter of intention together with Plast Nordic to support the development of chemical recycling of PET in Norway.

Long-lasting home textiles

The Kid Group has high quality standards, and the company aims to make long-lasting home textiles which often become more comfortable and unique with use. The Kid Group also aims to increase the proportion of products from sustainable sources and guides customers to more sustainable and conscious choices. Via our participation as a member of the board in the Norwegian initiative Movement for Sustainable Textiles we cooperate with other Norwegian textile brands via Tekstilaksjonen. The purpose is to inform and educate the consumer about how to care for textiles as well as to take internal actions to improve the longevity of textile products. The movement operates by its manifest "The five Rs"; Reduce, Reuse, Repair, Remake & Recycle.

Most of Kid Group's products are made of pure raw materials with the minimum amount of fiber blending possible, and with very few details and accessories. Our hope is that that these relatively clean products will facilitate recycling when the products can no longer be used and are about to be discarded. During 2021 we introduced a new product range in the assortment called "Premium Collection" to further enhance the quality level in the assortment. More information about premium collection is given in the section called "Product development" in this report.

Collecting of used textiles

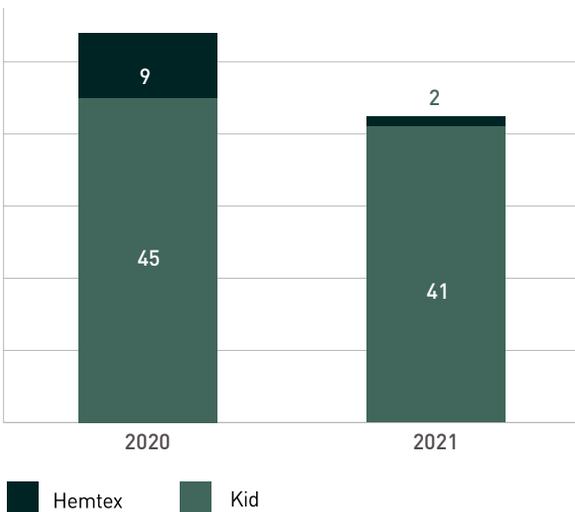
For several years we have had a textile-collection scheme in our stores. This is a great way to visualize the importance of circular flows of textiles to our customers and at the same time help our textile collecting partners to gather textiles in a clean and dry state.

In Kid Interior we cooperation with UFF Norway for the collection, reuse and recycling of used interior textiles. UFF Norway operates a large humanitarian aid network, developed through projects related to the reuse of fabrics and textiles. The organization has developed a robust system for handling fabrics in an ethical and responsible manner. UFF is a member of Fundraising Control in Norway. Kid Interior stores act as reception centers for unwanted interior fabrics



– such as curtains, towels, duvets and bed linen – which are dropped off by the public. Kid then sends on these fabrics for reuse and recycling by UFF.

In 2021, Kid collected more than 41 metric tons of used interior textiles, down 4 metric ton from 2020 which contributed to a reduction of an equivalent of 213 250 tons of CO₂. We aimed for a higher volume of collected textiles in 2021 compared to 2020, but due to many closed stores during early 2021 due to covid-19 restrictions we couldn't offer the collection all year around, which can explain the lower amount of collected textiles. We continue to aim for an increase in the amount of collected textiles for 2022.



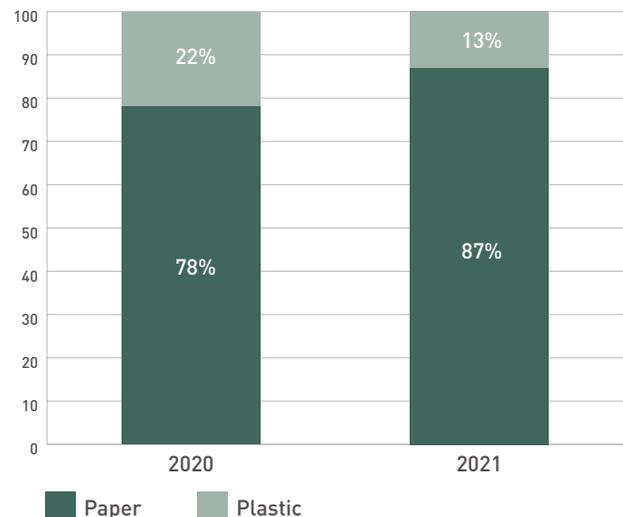
During 2021 we have finally started the collection of used textiles in the Swedish Hemtex again, after a pause for approximately one and a half year due to covid-19. During the down time of collection, we initiated a new partnership together with Myrorna, a part of the Salvation Army. Myrorna's mission is to collect textiles of such a high quality that they can be resold in Sweden. Currently 20% of the collected textiles in Sweden reaches a quality level that can

be sold in Sweden, while 70% are sold abroad for reuse and recycling. The remaining 10% are of such low quality (bad smell, very dirty, wet or similar) that it is used for energy. In total we collected 1,5 metric ton (9) of textiles in Sweden during 2021 and hope to see a big increase in 2022.

Reduced use of plastic bags

To reduce single-use plastics we have focused on replacing shopping bags with paper bag for some years. In 2021 the share of paper bags was 87% of all shopping bags in the Kid Group. The paper bags are recycled, made from post-consumer waste and produced in a Swedish factory driven by 100% renewable energy. In 2020 we introduced a 100% recycled plastic bag in Kid as a supplement to paper bags, for the largest bag size. The bag is made of recycled plastic with at least 10% ocean plastic waste.

To further reduce the need for single-use polybags in the assortment we have developed product packaging made from paper, cardboard and/or textiles (self-fabric bags) to replace the commonly used polybags to protect the products during transport and sales.



OUR EMPLOYEES

Kid Group's ability to attract, recruit, develop and retain the right employees is crucial for the company's progress. Kid Group aim to offer employees development opportunities and a stimulating, safe and healthy workplace environment.



OUR VALUES

The Kid group is founded on a set of values which all employees are expected to follow and which are anchored in our core values - commercial edge, inspiration and dedication.

These values are further detailed with principles in our ethical guidelines for employees. Some key principles are:

- We communicate openly, truthfully and clearly
- We act with respect, consideration and responsibility for each other
- We prevent, identify and act on conflicts of interest
- We do not discriminate based on gender, sexual orientation, ethnicity, religion, disability, gender identity, gender expression, age or other characteristics

INCREASED COMPETENCE

Attracting and maintaining skilled employees is a key competitive advantage for the Kid Group. All employees have access to a variety of training, including product training through the online platforms Hemtex Academy and Kid Kompetanse. The training aims to build confidence and detailed knowledge of the assortment. In 2021, more than 10 000 hours were spent on these online training platforms.

A talent program was implemented in 2020 where store employees can apply for a possibility to become store manager through on-the-job training and seminars. More than 250 hours were used in 2021 for this type of training. Another way to increase employee's skills is the possibility to achieve a retail trade certificate through weekly online training in collaboration with K2 Kompetanse.

To further enhance the focus on better designs, materials, and products in the assortment, we have introduced 30 minutes of quality and sustainability education in the monthly buying and design team meetings.

FOCUS ON HEALTH AND SAFETY

The goal of the Kid Group's workplace environment efforts is ultimately to prevent ill health and absence related to shortcomings in working conditions and the workplace environment.

Kid Group encourages employees to do more physical activity and adopt a balanced lifestyle, for example by offering health and wellness benefits as well as agreements with fitness and wellness providers.

Sick leave at Kid Group is relatively low. In 2021, the total sick leave rate was 7.6% (6.4%) in Kid Interior and 5.3% (5.2%) in Hemtex.

The Kid stores should be a safe and secure place for customers and employees. Therefore, it is essential that all employees have knowledge and understanding of safety issues. This is achieved through continuous training and information.

The Kid Group works proactively and systematically with fire safety and the workplace environment. Risk assessments related to intimidation and violence in the company are conducted continuously at a local and central level. If an incident occurs, we have a crisis management organisation which can directly support staff in need of help.

Every year, workplace environment inspections must be carried out in the offices, warehouse and in every store. Any shortcomings discovered lead to concrete action plans, and if deemed necessary to key initiatives that encompass the entire business.

In 2021, twenty-seven workplace accidents were reported, with no serious injuries as a result. All reported incidents and injuries are compiled and followed up by the HR Manager.

OUR WORK TO ENSURE EQUALITY AND PREVENT DISCRIMINATION

The Kid Group has zero tolerance for any form of discrimination or harassment and has developed guidelines on how to prevent harassment in the Group. These principles are based on our values, guidelines and policies and communicated to all employees, whether they are full-time or part-time, permanent, or temporary hires. Our goal is diversity within all parts of the organization, and the Group targets an inclusive and safe workspace with several initiatives to support this, including recruitment, working conditions, promotion, personal development and work-life balance.



ACTIONS AND RESULTS

In Kid and Hemtex an employee survey is implemented each year, including matters relating to discrimination within recruitment, working conditions, promotion, personal development, and work-life balance. We also hold semi-annual one-to-one conversations with each employee. Based on the results, risks are identified and analyzed, and proper measures are initiated and subsequently monitored. The responsibility lies with each department manager in collaboration with HR.

Based on the surveys for 2021 in Kid and Hemtex, we identified “visibility of guidelines” as well as “reporting channel” as risks. Based on these findings, the policy, as well as information on how to report cases of discrimination and harassment, will be made more visible, e.g. by publishing more clearly on the intranet.

Based on the current results from the employee survey for 2021, one case of harassment based on discrimination has been reported within the organization during the year. The employee reporting this incident have also reported that sufficient support and help from the organization have been provided.

The composition of the Kid Group’s employees largely reflects the company’s customer base. Approx. 95% of our employees are women. The company’s Group management team consists of three persons, of which none are women. The board of directors consists of 5 persons, of which 3 (60%) are women.

Kid Group’s policy and goal is equal pay for equal work. As part of the annual salary adjustment, differences in fixed salary between employees within each department are reviewed, assessed and adjusted in order to synchronize any irregularities where necessary.

In 2021 we have analyzed the differences in fixed salary between women and men in the Group. We have grouped our employees into “Group management”, “HQ employees”, “Store employees” and “Warehouse employees”. The total remuneration differences between men and women for each of the employment types in 2021 was:

	Number of men/women per employment type		Womens share of mens remuneration in %
	Women	Men	Fixed salary
Total	2013	108	68%
Group management	0	3	n/a
HQ employees	100	28	79%
Store employees	1881	40	104%
Warehouse employees*	32	37	99%

*Only applicable for the Kid-segment

For store employees, all store managers have a fixed salary subject to annual individual assessments while other store employees follow the same collective agreements based on age and experience. The marginal difference in remuneration is explained by the gender distribution between store managers and other store employees. All warehouse employees follow the same collective agreements.

For HQ employees there are variations related to education, competence, responsibility, working hours as well as the market terms for certain positions within each department and role. The aggregate difference in the HQ salary level is explained by the gender composition and market terms within departments. Our analysis shows that there are no material differences between men and women in same departments with similar roles and responsibilities, in line with our policy.

The main differences between men and women in the Group as a whole are explained by the relatively higher salary allocated to the CEO, CFO and VD in Hemtex as is deemed to be at market terms and according to market practice. The salary level for Group Management represents what is deemed to be market terms for the roles itself with gender having no material effect.

The group’s policy is to employ the best qualified candidate for any position regardless of gender. The difference in remuneration between women and men reflects no deliberate discrimination between genders.

FULL TIME RATE

In 2021, the number of employees was 2 121 (2045) and 1 720 (1267) of these were part-time. This means that 81% (62%) of employees work part-time. For HQ employees, the share of employees working part-time was 5%.

The Kid Group offer part-time employment at our stores and warehouse, providing mutual flexibility both for our employees and company. Kid endeavors to offer part-time employees the opportunity to increase the rate of employment. Kid regularly conducts surveys to assess whether there are part-time employees working involuntarily part-time. A measure to increase the full-time rate of the Groups employees, is to recruit internally for relevant vacant positions. The Group also offer a talent program enabling store employees to become a store manager. The focus on internal recruitment, increased competence, talent program and the possibility to get a trade certificate in retail are all measures to keep our employees, develop internal competence and provide room for growth and increased possibilities for our employees.

The Kid Group has a simple digital staffing system in stores, which gives priority to people who are already employed when there is a need to staff extra shifts. The system is also used by external temporary staff. This has greatly simplified the staffing process for managers and created a better working environment.

Employee turnover

Employee turnover was 16 (11)% in Kid Interior AS and 22 (25)% in Hemtex AB, based on the number of permanent employees who left during the year relative to the average number of employees in the group.

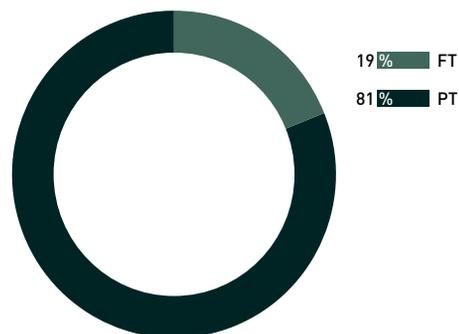
Trade union agreements and dialogue

All Kid Group's employees in Sweden and Finland are covered by collective agreements. In Estonia and Norway, the national guidelines on collective agreements are followed. The Kid Group is a member of employers' organisations operating in the various countries, and the company maintains a continuous dialogue with unions. The Kid Group adheres to the notice periods specified in the collective agreements of the Swedish Trade Federation, the Union of Commercial Employees and Unionen, and to national legislation in the countries where it operates. The Kid Group offers all employees, both part-time and full-time, benefits in accordance with the local laws in all countries where it operates. These include occupational health, insurance for occupational injuries and illness, parental leave and retirement benefits. The store managers report to a regional manager, who in turn reports to the Kid Group store operation manager. The HR department is responsible for personnel issues, central initiatives and activities and for supporting the stores.

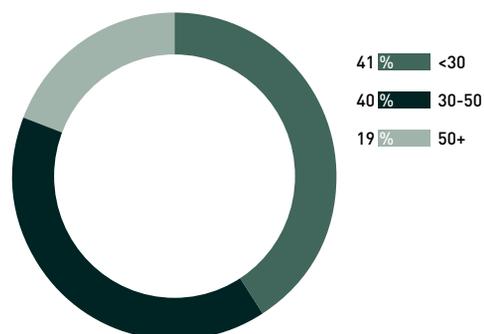
Covid-19

Throughout the pandemic the Kid Group has followed all recommendations from the local governments. All store employees are recommended to wear, and have available, masks to cover their mouth and nose. All stores have hand sanitizers available for customers, as well as a poster which clearly marks the maximum number of customers in each store at any time, as well as posters reminding customers to keep a safe distance. New and more stringent routines for store cleaning have also been implemented. The central offices have been temporarily closed in periods based on regulations and recommendations from local governments as well as periodically reduced capacity with no external meetings. Everyone with the possibility to work from home have been asked to do so.

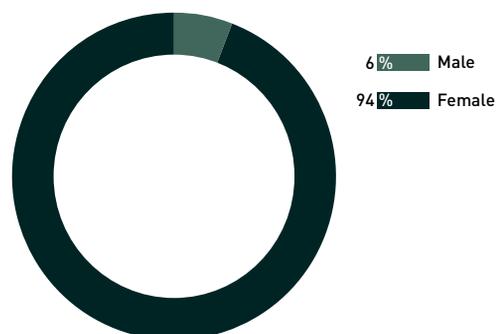
Employment type



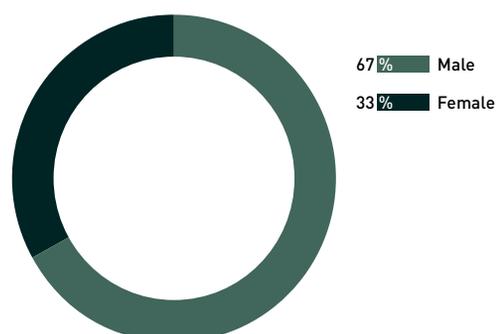
Headcount per age group



Gender distribution



Gender distribution in management group



THE KID GROUP APPROACH TO SUSTAINABILITY GOVERNANCE

To ensure a good overview of the risks to which the business is exposed, the Kid Group works systematically to identify, analyse, evaluate and manage sustainability risks. This process is led by the Sustainability department.

Risks and unwanted events which are deemed to potentially weaken confidence in the business are to be prevented. If an unwanted event occurs, despite preventive measures, damage-mitigating action plans should be in place. The risk management process includes a yearly identification, analysis and follow-up of the company's biggest risks. In addition, risk analyses are carried out on an ongoing basis in connection with larger projects, significant changes in operations and major investments, as well as being an integral part of business processes and sustainability work.

A status on the material topics is given to the board of directors on a yearly basis.

The company's Head of Sustainability has responsibility for Kid ASA's sustainability work, and strategic decisions are taken in the management team. Sustainability issues are an integrated part of the organizations daily work processes, decisions and activities, and the goal is that all employees take responsibility for the impact of their own work.

The risk management system is evaluated by the Groups Risk Management Committee, led by the Group's management teams, and ensures that the Group has an overview of its risks, takes responsibility for reporting any significant changes in the risk profile, and follows up to make sure that risk management work is carried out in a coordinated and efficient manner within each business area. The risk assessment and any related material events are systematically reported to the Board of Directors.

STAKEHOLDER DIALOGUE

The Kid Group works in a manner that is consistent with The Kid Group endeavours to collaborate with different parties and initiatives to jointly influence and address some of the major challenges in the industry. In 2020 the Kid Group initiated a new stakeholder dialogue to update its materiality assessment. The systematic material assessment is done every second year, but we have a continuous dialogue with our suppliers, NGO's, employees and customers through



factory visits, participation at various fora as well as customer feedback. The stakeholders that are deemed to have the greatest impact on, and are most affected by, the company's business are as follows:

Customers

Kid Group's store staff and customer service are the most often-used channels of communication with customers, while other channels, such as Instagram and Facebook are becoming increasingly important. The Kid Group customer club has over 2.6 million members and is important for creating a stronger relationship with customers. Our customers are interested in and concerned about product safety, workers' rights and climate gas emissions and we continuously monitor customer feedback.

Suppliers

The Kid Group pursues long-term and transparent relationships with suppliers. There is a well-developed system in place to monitor social, environmental and quality aspects. The forum for dialogue is mainly through central and local

supplier meetings, supplier visits and regular business contact. Kid Group and its suppliers also participate together in initiatives focused on sustainability issues. Key issues for the suppliers mainly include responsible purchasing and social responsibility.

Employees and potential employees

The Kid Group's ability to attract, recruit, develop and retain the right employees is crucial for the company's progress. The Kid Group wants to offer employees opportunities for development and a motivating, safe and healthy workplace environment. Employee surveys are conducted regularly to capture issues that are important for the employees. These primarily involve the working environment, the physical workplace and the local and companywide leadership.

Owners and the financial market

The Kid Group's overall goal is long-term value creation for its shareholders by focusing on profitability, strategic sustainability work and responsible behaviour in all situations. Information is provided to shareholders primarily via quarterly reports and presentations, the annual report, and the General Assembly.

Local communities

The Kid Group does not own any factories. Instead, it works with suppliers, primarily in Asia, to manufacture the products sold in the stores and online. By placing demands on suppliers the Kid Group ensures that their employees have reasonable salaries and employment terms, which contributes to the development of the local community.

The most important issues are related to the development of the local community, reasonable wages and working conditions, and local jobs.

Industry associations, academia & science, government agencies and other stakeholders

The Kid Group participates continuously in various forums for dialogue with trade associations, government agencies, student associations and other interest organisations. Networking, workshops, lectures and direct dialogue are common ways to communicate with these important stakeholders. The issues that are of greatest interest in these contexts are primarily responsible purchasing, human rights, health and safety and climate impact.

Collaboration and memberships (SDG 17 Partnership for the goals)

- Ethical Trade Initiative
- Sedex, (to manage and improve working conditions in global supply chains.)
- Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)
- Textile Exchange
- Better Cotton Initiative
- The Chemical Group at RISE
- Trade Safety Group, Swedish Trade Federation
- Swedish Textile Importers
- Swedish Textile Initiative for Climate Action (STICA)
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation
- Tekstilaksjonen / Movement for Sustainable Textiles
- Partnership with Bokhari

- Partnership with SOS Children's Villages
- OEKO-TEX®
- Forest Stewardship Council (FSC)
- UFF (Humana People to People)
- Myrorna
- Plast Nordic

In addition to industry organisations in each market, some of Kid Group's key partners in sustainability are:

- Roundtable of Sustainable Palm Oil (RSPO)
- International Down and Feather Testing (IDFL)
- Asthma and Allergy Association
- UL



MATERIALITY ASSESSMENT

The materiality assessment is based on analysis derived from the guidelines of the GRI Standards in order to define which issues have significant economic, environmental or social impact and which issues have a significant impact on stakeholders.

Our stakeholder dialogue has identified a number of important issues. Through the interviews conducted, as well as responses to the form sent out to our stakeholders, we have been able to monitor and prioritise our most salient issues.

The stakeholder dialogue and materiality assessment is the basis for our sustainability work, Act with the Heart.

The material topics identified are illustrated in the table here.

The most important issued identified are:

- 2 Indirect CO2 emissions
- 4 Plastic
- 5 Raw materials
- 6 Chemicals
- 8 Water
- 12 Fair wages to employees
- 13 Fair wages to workers
- 14 Working hours
- 15 Equal opportunities
- 28 Environmental and social targets
- 16 Forced labour
- 17 Child labour
- 18 Supplier screening
- 19 Worker rights
- 22 Physical audits
- 24 Health and safety routines supply chain

Environmental

- 1 Direct CO2 emissions
- 2 Indirect CO2 emissions
- 3 Energy consumption
- 4 Plastic
- 5 Raw materials
- 6 Chemicals
- 7 Certified products
- 8 Water
- 9 Logistics
- 10 Animal welfare
- 11 Biodiversity

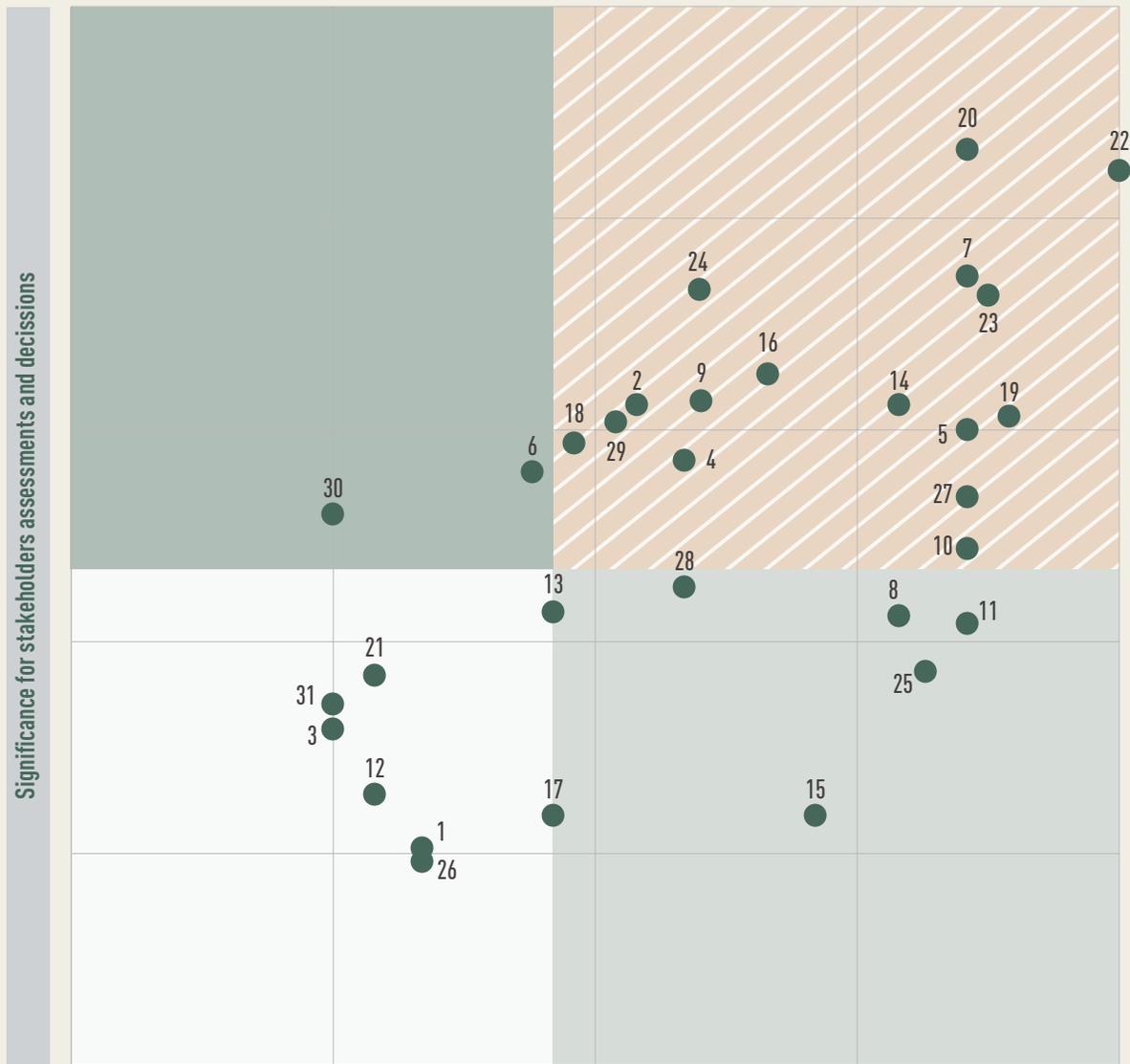
Social

- 12 Fair wages to employees
- 13 Fair wages to workers
- 14 Working hours
- 15 Equal opportunities
- 16 Forced labour
- 17 Child labour
- 18 Supplier screening
- 19 Worker rights
- 20 HSE business
- 21 Physical working environment
- 22 Physical audits
- 23 Worker representation
- 24 Health and safety routines supply chain

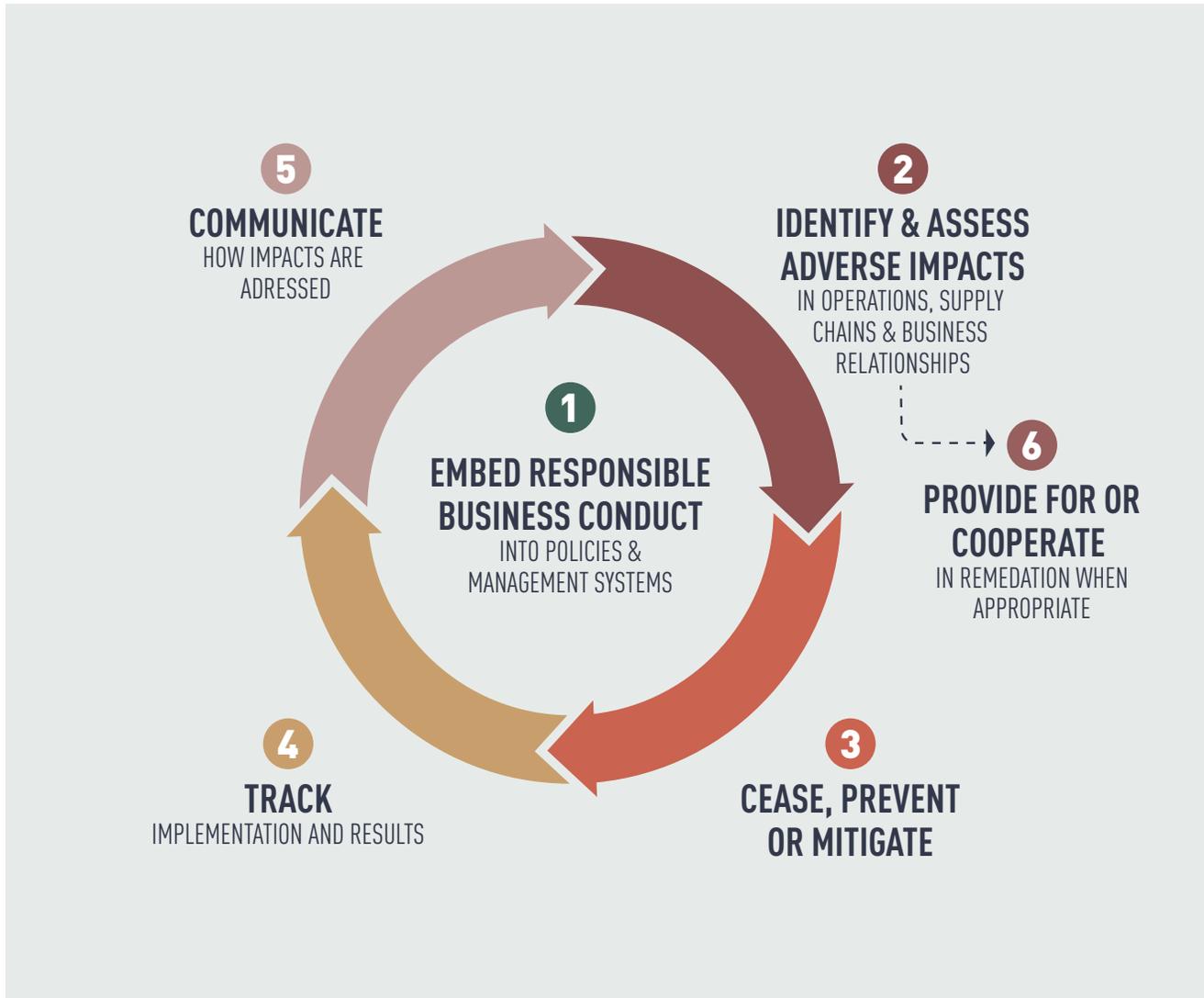
Governance

- 25 Employee breakdown
- 26 Customer privacy
- 27 Responsible marketing and labelling
- 28 Environmental and social targets
- 29 Internal reporting system
- 30 Anti-corruption
- 31 Transparency

 Most important issues



Our significance on economic, environmental and social impacts.



RISK BASED APPROACH

With all the possible challenges in a global supply chain it is important to prioritize and focus on the areas where you have the largest impact. To do this the Kid Group has based its sustainability work on the materiality assessment as well as the due diligence process from “The UN Guiding principles” and the “OECD guidance for responsible business”. This work is also materialized through our membership in Ethical Trade Norway.

The assessment is risk based and seeks to respect, protect and remedy people, society and the environment in the whole value chain.

The risk assessment is dynamic and is strengthened through stakeholder dialogue. The Kid Group is open about its impact areas and priorities.

If an unwanted event occurs, despite preventive measures, damage-mitigating action plans should be in place. The risk management process includes regular identification,

analysis and follow-up of the company’s biggest risks. In addition, risk analyses are carried out on an ongoing basis in connection with larger projects, significant changes in operations and major investments, as well as being an integral part of sustainability work.

The due diligence is not meant as a process to overlook issues in the supply chain, but to work on the most salient issues.

ETHICS

The Kid Group works in a manner that is consistent with international and national laws and regulations of the countries in which it operates. Counteracting corruption and bribery is an ongoing process which requires cooperation, consensus and a joint strategy. We have a zero tolerance policy for corruption.

The Kid Group’s ethics policy provides clear guidance on how parties should react to situations in which gifts, samples, trips, discounts or other benefits are offered.



The Kid Group does not provide grants or donations, directly or indirectly, to politicians, political parties or organisations acting in the political sphere.

To create a shared vision and clear basic rules for business relationships, the Kid Group applies the same policy to its employees as to external contacts. The Kid Group suppliers contractually commit to comply with the company's requirements for responsible business conduct.

There were no reports of any incident or suspicion of bribery or corruption in 2020.

PERSONAL PRIVACY

Since May 2018, Kid Group has been working in accordance with the new European General Data Protection Regulations (GDPR). The Kid Group's processing of personal data includes both technical and organisational measures aimed at securing the personal data of both customers and our own employees. These measures are governed by an internal control system and the Data Protection Officer. Amongst

other activities, internal audits are conducted once per quarter.

During the year, there have been no reported incidents of deficiencies in the protection of customer privacy.

CALCULATION METHODS



This sustainability report encompasses the Kid Group and its content is based on the materiality assessment performed for 2020. The following provides detailed information on measurement and calculation methods for this sustainability report.

ENERGY CONSUMPTION

The offices, as well as just about half of the stores are part of a shared electricity agreement. Electricity meters are connected to a shared system that compiles data on electricity consumption.

For those stores that are not part of Kids' central agreement, energy consumption has been estimated differently for Kid and Hemtex:

For Kid the CityCon energy report is used as a basis for energy mix. An average energy usage per m² is calculated and applied to the stores.

For Hemtex the stores that are not part of the central agreement, energy consumption has been estimated using the average energy consumption per store. There is no data on the type of electricity used for these stores either, so an assumption has been made that it is conventional electricity. For the calculation of energy consumption per square meter in warehouses, stores and offices, the area of the active stores and warehouses at the end of the measurement period are used.

Energy consumption is calculated on offices, warehouse and stores owned and operated by the Kid group.

FREIGHT TRANSPORTATION

All freight carriers report ton kilometers which is calculated on the distance travelled. The data is used as input in the Cemsys platform to calculate greenhouse gas emissions according to the GHG protocol. All freight has been included, as well as air freight.

EMISSIONS FROM FACTORY TO WAREHOUSE

Emissions are based on the data from the climate report. Volumes are based on our main forwarders transported volume by mode as we do not have the same numbers available for all freight forwarders.

EMISSIONS FROM WAREHOUSE TO STORE / CUSTOMER

Emissions are based on the data from the climate report. Kilos are based on our freight partners report for all goods delivered from our warehouse to our stores or to customers through the online sales channels.

BUSINESS TRAVEL

Covers business travel booked through central travel agency and registered car journeys.

CLIMATE EMISSIONS

For the total climate emissions, the Cemsys platform is used. All numbers are entered into the platform. The calculated emissions are according to the GHG protocol.

We restated the 2020 climate emissions with more granular emission factors for air and shipping freight and also for

purchased cotton products. The freight adjustment resulted in an increase in the total GHG emissions while the changes in purchased materials have a positive impact.

Emissions under the GHG Protocol include the following in each scope:

Scope 1: Emissions from business travel using leased company vehicles, district heating for stores and warehouse.

Scope 2: Emissions from energy in own warehouses, stores and offices.

Scope 3: Emissions from business travel, shipment of all goods from sourcing country to warehouse and to the store, shipping of online orders to customers, waste at head office and warehouse and airfreight. We have also included emissions in tier 1 – 4 from production of all goods made with cotton, polyester down, wool, linen, viscose, paper and wood.

SUPPLIER-RELATED DATA

Information on socially audited suppliers refers to active suppliers of Kid groups own-brand products in high-risk countries whose manufacturing units have undergone a social audit based on SMETA, BSCI, ETI or SA8000.

To be approved, the audit result must meet the Kid group's minimum level i.e. that the audit has not identified any of the zero tolerance criteria decided on. Nor must the audit identify that the lowest-rated producers have not improved in the follow-up audit, and that the supplier should commit to implementing any improvement measures.

Supplier refers to tier 1.

NUMBER OF PRODUCTS AND PURCHASES

Purchase value and number of purchased products include all products in Kid's range, unique products found in franchise stores are not included.

The Act with the Heart choices include; organic products with GOTS certification, cotton which supports sustainable farming methods and which has been mass balanced and allocated to Kid with Better Cotton Claim Units, recycled products with GRS or RCS certification, down products with RDS certification, products with Lyocell fibres or products with other environmental labelling, such as Nordic Swan ecolabel, EU Ecolabel, Oekotex Made in Green, Good Environmental Choice, FSC and especially good social project like Bokhari.



Cotton from more sustainable sources comprises Kids own-brand products and includes organic cotton products with GOTS certification, cotton which supports sustainable farming methods, and which has been mass balanced and allocated to Hemptex with Better Cotton Claim Units, recycled cotton products with GRS or RCS certification and Cotton made in Africa.

MATERIALS USED

All calculations on materials used is based on data from the ERP system. When detailed data has not been available the total product weight, adjusted for packaging and filling (if relevant) has been used.

Material usage has been calculated for 100% (80%) of all product sales in sales value.

EMPLOYEES

This report covers Kid's employees (i.e. store staff where the shop is owned by Kid). Data is based on the number of employees at the end of the year. The average number includes permanent employees, employees in their probationary period and temporary employees (more than one month).

Employee turnover is calculated as the number of permanent employees who left during the year in relation to the average number of permanent employees.

Sick leave is calculated as the number of hours of sick leave in relation to scheduled working hours.

Type of employment refers to the total number of employees divided by those who work full time, 100 %, and those who work part-time i.e. less than 100 %.

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102-51	Date of most recent report				
102-52	Reporting cycle			Annual	
102-53	Contact person for questions regarding the report			Stian Brandhagen, Head of Sustainability and Supply Chain Management , stian@kid.no	
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UNGC = United Nations Global Compact. The UN Global Compact is 10 international principles on human rights, labour rights, environment and corruption for businesses.

SDG = Sustainable Development Goals. UN's 17 global goals for sustainable development, also referred to as the 2030 Agenda



For any questions regarding this Sustainability report, please contact
Stian Brandhagen, Head of Sustainability at stian@kid.no

Kid

KID ASA
Gilhusveien 1, N-3426 Gullaug
Box 505, N-3412 Lierstranda
Phone: +47 940 26 000

kundeservice@kid.no
www.kid.no
www.hemtex.se