

Kid / HEMTEX

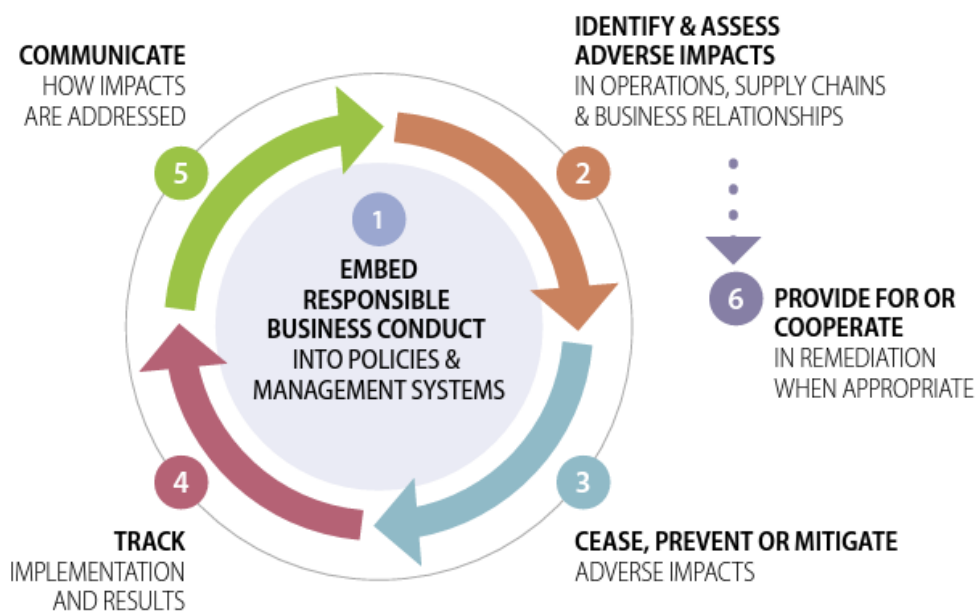


Due diligence report
Kid ASA 2023-2024

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The Kid group shall ensure a safe and transparent supply chain. Through concrete and honest due diligence assessments, the significant risks in the supply chain must be identified, prevented, limited and if needed accounted for and remediated. Through the Transparency Act¹ requirements are set on how we as an actor in the Norwegian market must carry out and report our due diligence assessments, in relation to OECD guidelines for responsible business conduct².



¹ LOV-2021-06-18-99 Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)

² <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

0 General information

0.1 Company overview

Company name: Kid ASA

Visiting adress: Gilhusveien 1, 3426 Gullaug, Norway

Supplier risk reporting period: 01.05.23-30.04.24

Revenue FY 2023: 3,414MNOK

Employees FY 2023: 2201

Business structure: The Kid Group offers a full range of home and interior products, including textiles, curtains, bed linens, 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. A total of 276³ stores are located in Norway(157), Sweden(116), Finland(7) and Estonia(7).

0.2 Supply chain overview

In our upstream supply chain, spread across Europe and Asia, we encounter a wide variety of risks related to human rights and decent working conditions during the production of goods. We have assessed a lower risk of severe human rights breaches in the close relationships (tier 1) and higher risk further upstream (tier 2-4).

The set-up of the supply chain looks different depending on country. Our suppliers in Pakistan and Bangladesh are working vertically, with tier 1-3 integrated in the same company. In China and India, our two largest sourcing countries, the suppliers are usually split up in individual companies for each production process (horizontal production). This leads to a more challenging due diligence work for these countries.

The Kid Group recognizes the importance of collaboration with our suppliers to monitor and support their social responsibility initiatives, particularly in relation to human rights, labor conditions, environmental impact, and business conduct. An important part of its work is to create a good dialogue and understanding with the factory's management so that irregularities can be corrected and mitigated in a systematic and sustainable manner. We are committed to being a responsible member of the communities where our suppliers operate and contributing to positive change. Instead of terminating collaboration with suppliers that do not meet requirements, we aim to find good solutions and work for continuous improvements.

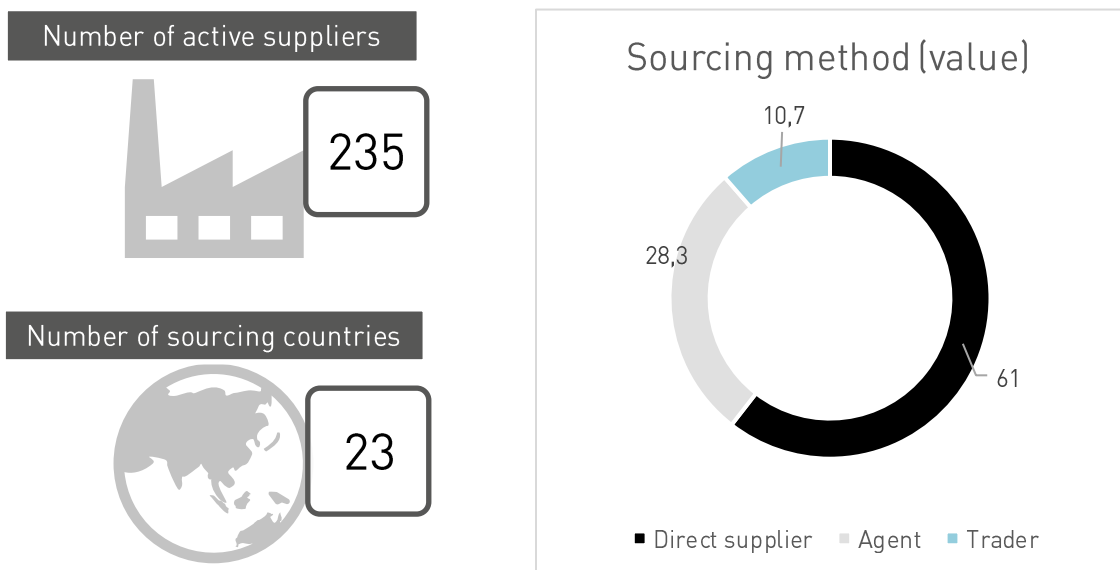
³Year end 2023

0.2.1 Suppliers

Procurement practice: All procurement is made from the Headquarter in Lier, Norway, and consist of ready-made goods. Follow-up of goods purchases and the value chain is done from the headquarter. Kid ASA has no sourcing office.

Suppliers in this report refers to tier 1 and is the company from which the Kid Group buy from. A supplier can have several factories. Suppliers included in this report are providing physical goods which are being sold in our assortment or end up with our customers. In other words, no service providers are included in this assessment. Approximately 11% of the sourcing is done through trading companies⁴ where there remains to do a complete mapping of all manufacturers. The Kid group is continuously working to reduce its supplier base.

Out of 235 active⁵ suppliers in 2023-2024 there are 52 suppliers representing 80% of the sourced value. These 52 suppliers are thoroughly checked every year, and 88% of them had an updated social audit in 2023. Out of all 235 suppliers we screened 95% on the SEDEX platform.



⁴ Trading companies act as a intermediary between us and the factory. Read more about traders in section 2.

⁵ An active supplier has delivered goods in the last 12 months or has undelivered purchase orders.

SOURCING COUNTRY	NUMBER OF SUPPLIERS	SHARE OF SOURCED VOLUME	NUMBER OF SUPPLIERS IN TOP 80%
CHINA	94	38,05 %	22
INDIA	33	18,01 %	7
PAKISTAN	15	14,21 %	6
BANGLADESH	6	6,44 %	2
DENMARK	14	4,88 %	3
TURKEY	9	4,32 %	2
HONG KONG	4	3,04 %	2
SWEDEN	15	1,76 %	0
NORWAY	13	1,60 %	1
ESTONIA	3	1,41 %	1
BELGIUM	1	1,33 %	1
LITHUANIA	6	1,13 %	2
NETHERLANDS	2	0,78 %	1
HUNGARY	2	0,64 %	1
POLAND	3	0,60 %	1
VIET NAM	3	0,48 %	0
TAIWAN, PROVINCE OF CHINA	4	0,40 %	0
PORTUGAL	2	0,37 %	0
NEPAL	1	0,27 %	0
GERMANY	3	0,10 %	0
BULGARIA	1	0,06 %	0
UNITED KINGDOM	1	0,00 %	0
TOTALSUM	235	100,00 %	52

0.2.1.1 Supplier whistleblower mechanisms

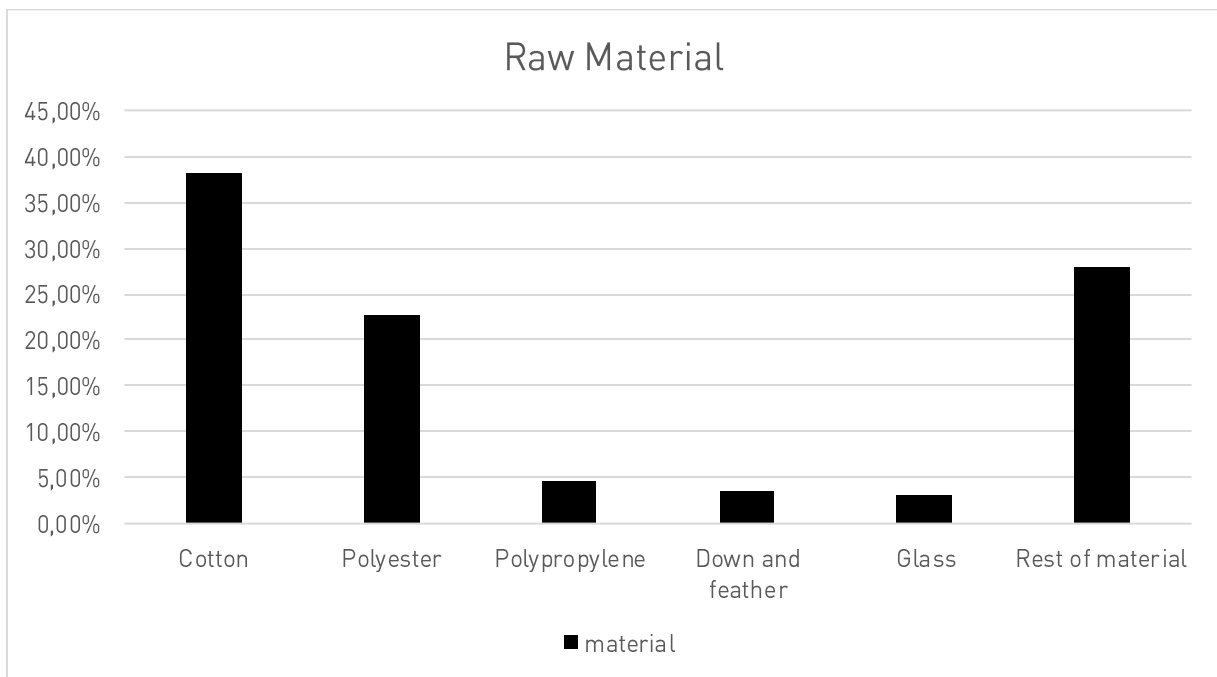
It shall always be safe to notify if an employer in our supply chain experiences unwanted events or any kind of breaches with the Code of Conduct. In case of such event, we will seek remediation for the involved part and assure that a corrective action plan is set into action to mitigate the risk of recurrence. The factory audit protocol includes a check for local whistleblower systems.

In 2023 the Board of Directors approved an update in the Groups policy for responsible business conduct, where a section about whistleblowing for external parties was added. The whistleblower system serves as a mechanism for detecting and reporting instances of non-compliance with the prohibition on discrimination or harassment within the group. This system enables individuals, both internal and external, to raise concerns and contribute to maintaining a respectful and equitable environment. More information can be found here: <https://www.kid.no/barekraft/vare-leverandorer/varsling>

0.2.2 Raw Materials

The Kid Group is never buying unprocessed raw materials but have a large impact in selecting materials in the early design phase. Raw materials are produced in the first step of the supply chain i.e. tier 4. With a global supply chain, it is important that we understand the impact we have by carefully selecting the right materials and reduce the related risks.

The top five materials specified in the table below represent over 72% of the materials in the product we source. The volume is measured in ton finished product. Cotton and polyester are by far the most important raw materials for the Kid Group. Therefore, we have set material related targets for these two materials. The remaining 28% are represented in the column to the right in the table, representing more than 100 unique fibers and materials. Read more about our cotton and polyester materials with the related risks in section 2, *Identify & assess adverse impacts*



The figure below presents the origin of the products containing our most used materials.

Cotton	Polyester	PP-Plastic	Down & Feather	Glass
<ul style="list-style-type: none"> •Bangladesh •China •India •Pakistan 	<ul style="list-style-type: none"> •China 	<ul style="list-style-type: none"> •China 	<ul style="list-style-type: none"> •China •Europe 	<ul style="list-style-type: none"> •China

1 Embedding responsible business conduct

1.1 Due diligence policy

In terms of sustainability governance, the Kid Group has adopted a proactive approach to due diligence which is reflected into a risk management system. The group has implemented a due diligence program that is designed to identify and mitigate potential risks associated with its products and operations. This program includes a variety of measures, such as supplier screenings, risk assessments, and ongoing monitoring of key performance indicators related to sustainability. The group do also regularly engage with stakeholders, including suppliers, customers, and civil society organizations, to gather feedback and identify potential areas for improvement.

The primary objective is to prevent risks and unwanted events that could undermine business confidence, and at the same time secure a sustainable progress. However, 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 most significant risks. Additionally, risk assessments are conducted on an ongoing basis in connection with significant changes to operations, larger projects, and major investments, and are integrated into business processes and sustainability efforts.

1.2 Materiality Assessment

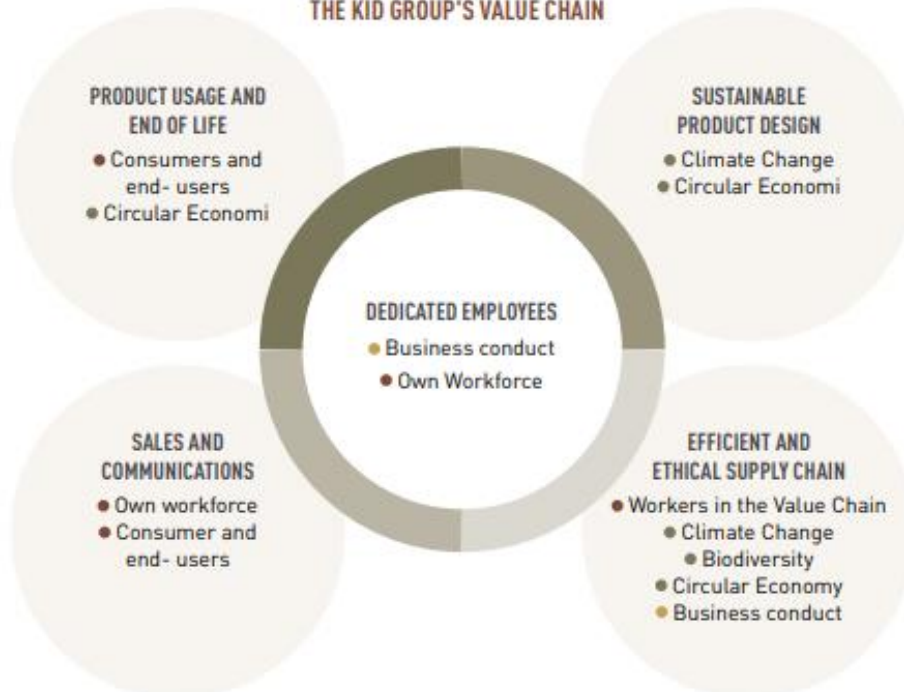
The result of this work is presented in the materiality assessment⁶, where important environmental, social, and financial (ESG) topics are identified and ranked based on their impact and significance. The material topics are divided into our value chain in which we operate within. The materiality assessment is used by the sustainability department to verify that the development is relevant and has a positive impact.

"Workers in the Value Chain" is identified as a material topic for the Kid Group, and the topic includes the sub-topics "Working Conditions", "Equal treatment and opportunities for all" as well as "Other work-related risks" where for example child labor and forced labor are considered.

⁶ [Kid Annual report 2023](#)

ESG-Section Material ESG Topics 2023, (Refers to point 5 in the process chart)	Material topics identified in 2022	Topics transitioned into ESRS - 2023	Sub- & sub-sub topics selected from ESRS
● ENVIRONMENT	GHG Emissions	Climate Change	- Climate Adaption - Climate Mitigation - Energy
	Energy Use		
	Raw Material Sourcing	Biodiversity	- Water - Land - Pollution
	Supplier Environmental Impacts		
	Sustainable Product Design	Circular Economy	- Use of resources - Waste
	Circularity		
● SOCIAL	Labour Conditions (Own Operations)	Own Workforce	- Working conditions - Equal treatment and opportunities for all
	Diversity		
	Health And Safety	Workers in the Value Chain	- Working conditions - Equal treatment and opportunities for all - Other work related risks
	Human Rights		
	Labor Conditions (Supply Chain)	Consumers and end- users	- Privacy - Health and safety - Protection of children - Responsible marketing practices
	Data Privacy And Security		
● GOVERNANCE	Supply Chain Management	Business conduct	- Corporate Culture - Protection of whistle-blowers - Corruption and bribery
	Ethical business practices		
	ESG Governance		

**MATERIAL TOPICS AND THEIR RELEVANCE IN
THE KID GROUP'S VALUE CHAIN**



1.3 Policy governance

The Group's risk management system, which includes ESG topics, is evaluated by the Groups audit committee on a regular basis. This 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.

The Kid Groups *Policy for responsible business conduct*⁷ are based on UN and ILO conventions and provide minimum, not maximum standards. The policy is signed by the Board of Directors. The principles in the business conduct are embedded in Kid's Purchase Agreement and Requirement⁸. No orders will be placed before this agreement is signed by the supplier.

1.4 Organization and internal communication

The Group's Head of Sustainability and Supply Chain Management has responsibility for managing Kid ASA's sustainability work. Sustainability topics 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 Board of Directors receives an annual update on the material topics.

To further enhance the focus on better designs, materials, and products in the assortment, we introduced 30 minutes of quality and sustainability education in the monthly buying and design team meetings for 2022. In 2023 we did not do this monthly, but the sustainability team shared regular updates on changes in laws or regulation. The employees are encouraged to attend courses regarding supply chain management and due diligence.

1.5 Goals and measures

- 80% of suppliers based on sourced volume to be scored on the Sedex platform by 2021, and 100% by 2023.
 - o We reached 95% in 2023, up from 78% in 2022.
- Securing valid social audits for 80% of tier 1 suppliers based on volume by 2023.
 - o We reached 88% in 2023, up from 84% in 2022.

For a complete overview of our sustainability targets, please see our annual report⁹.

1.6 Plans and Resources

The Kid Group has over many years developed the Due Diligence work. We are better at utilizing the data collected through our membership in Sedex in order to get a more insight and to be able to track progress and development. We have used this tool since 2022 and it makes it easier to track progress and set risks in specific markets or operations. For the reporting period we have also added polyester data, which is the second biggest material in Kid Groups products.

⁷ <https://investor.kid.no/corporate-governance/policy-for-responsible-business-conduct/>

⁸ <https://www.kid.no/supplier>

⁹ [Kid Annual report 2023](#)

The group is also allocating more resources to closer follow up findings from audits, supplier certifications and the corrective action plans. We have been working with suppliers as first point of contact, but from 2023 we are working to add the producer in our systems. This enables us to have better understanding of the risks and opportunities related to each individual producer and can mitigate risks and improve corrective action plans when needed.

2 Identify & assess adverse impacts

2.1 General risk mapping

To ensure that production and manufacturing is undertaken in ethical conditions, the Kid Group carries out due diligence assessments in line with the OECD Guidelines for Multinational Enterprises, which is also the principal of the Norwegian Transparency Act. This is done to identify and assess the potential and actual negative social impact of our supply chain. The results of the due diligence are used as input for our supplier risk assessment.

During the reporting period, we began mapping our traders and discovered that the supply chain setup is more complex than initially expected. Traders act as intermediaries between the Kid Group and the factories. One trader can work with many factories, which results in a larger factory base for the Kid Group than what is recorded in our ERP system. We have now started collecting detailed information about all individual factories (tier 1) and adding this information to both our ERP system and our due diligence risk assessment in Sedex. We work with traders in cases where local factories do not have export licenses for international markets, and the local presence of traders helps us find attractive products. However, this can pose a risk of operating with factories that lack experience with the EU market and have not implemented social compliance practices in accordance with the Groups Code of Conduct.

2.1.1 Potential negative impact

Before entering business with new suppliers and factories they are screened according to a variety of environmental and social aspect, and different third-party certificates are collected and verified. All suppliers are required to sign and comply with the group's PAR before the first order can be placed. The PAR includes a Code of Conduct with social compliance requirements. In 2022 we strengthened our screening process for new suppliers, and an updated checklist was introduced in the purchasing and buying department to better control the implementation of new suppliers. This screening is kept throughout 2023 as we find it satisfactory. It has also been good dialogue around the screening between the sustainability group and the buying and design team to pull in the same direction.

To identify potential negative impacts and assess salient social risks we use several sources. The most comprehensive source of data we use for our assessment of potential risks are the Radar tool on the Sedex platform. Via our membership in Sedex, we get access to this risk screening tool which can be filtered by country, social risk type, commodity group and much more. This general data is extracted regularly and set into context with the Kid Group's sourcing markets and suppliers, to identify, prioritize and analyze salient risks.

The Kid group attends various industry related forums, where knowledge and experiences are being shared and insights reported. This creates shared value for all participants.

2.1.1.1 Country Specific Risks

We have identified various potential risks depending on sourcing country. Here we list some country specific risks. These four countries represent more than 75% of our sourced value.

2.1.1.1.1 China

Domestic migrant workers, excessive working hours, the lack of right to collective agreements and freedom of association as well as gaps between minimum wages and living wages are common challenges in China. Some of these challenges are explained by cultural work ethics but are also challenged by insufficient and complex political systems. We are constantly discussing these topics with our suppliers to learn more, and to increase awareness among suppliers.

2.1.1.1.2 India

The complexity of the Indian supply chains creates hidden risks among the number of sub-contractors and various tiers. Discrimination against women, minorities and low caste system members are an actual risk which need to be assessed and mitigated.

2.1.1.1.3 Pakistan

Corruption, Child labor and unsafe constructions stands out as risks in Pakistan. For the Kid Group we can manage the risks due to the vertical structure of our suppliers, and we get insight into tier 1-3.

2.1.1.1.4 Bangladesh

Minimum wages are much lower than calculated living wages, which creates challenges in economical growth, even though the textile industry is a large contributor to the country's economic growth. The Kid Group is mainly working with vertically integrated suppliers in Bangladesh, giving us good insight in tier 1-3.

2.1.1.2 Raw Material Specific Risks

Our two largest raw materials stand for approximately 60% (weight) of our total raw material sourcing. We have

2.1.1.2.1 Cotton

We shall have 100% preferred (0% conventional) cotton in the assortment. This goal was initially set in 2016 for 2020 and has been extended for an unlimited time. Better Cotton is the main driver to achieve this target, representing 79% of the cotton in 2023. We have a small share of organic and recycled cotton, but still facing 18% conventional cotton as of 2023. These 18% shall be reduced in 2024 by enhanced reporting mechanisms, closer dialogue with our tier 1 supplier and better data quality in our ERP system.

Better Cotton supports cotton farming communities by promoting fair and safe working conditions for all workers, addressing risks of child and forced labor, workplace harassment, violence, and discrimination through on-site trainings for the farmers. Their efforts include the freedom to organize, negotiate fair employment terms, access to grievance mechanisms, equal pay, opportunities for advancement, and occupational health and safety improvements. By supporting these measures, the Kid Group contributes to enhance the livelihoods and well-being of cotton farming communities.

In the reporting period there were new reports regarding Better Cotton in Brazil. Cotton growers in certain parts of the Cerrado has environmental crime allegations against them. After this was published, the Group made an updated mapping of all its cotton raw material, and the country of origin. We have mapped over 88% of the cotton value so far and will keep push this to get closer to 100%. We have approximately 9% cotton from Brazil, but our suppliers (tier 1) cannot track its cotton sourcing to a specific region or farm (tier 4). The Kid group will not ban cotton from Brazil at this point, but we are strongly advising our suppliers to source cotton from other countries if possible.

Even though the potential risk of negative impact in Brazil's cotton production, we have not assessed this as a salient human rights risk for the Kid group, due to limited volumes, no direct links to the farms and the general assessment that it is better to still use Better Cotton where issues can be identified and handled, instead of conventional cotton where risks like these are unidentified. However, we are starting to look into other systems for traceable cotton. Better Cotton will also introduce Chain of Custody systems for its cotton in 2025-2026 which we plan to implement.

2.1.1.2.2 Polyester

50% of the polyester used in the assortment shall be from recycled sources by 2025, and 95% in 2030. In 2023 we reached a share of 27% recycled polyester, up from 11% in 2022. Recycled polyester comes with other social challenges than virgin polyester. Waste picking is a risk that must be considered for recycled polyester which is not existing for virgin polyester.

New for this reporting period is our Due Diligence mapping for virgin and recycled polyester. For virgin polyester we use both Sedex risk assessment tool and Textile Exchange's Preferred Fiber & Material Matrix to identify risks. From Sedex radar we use the same risk factors as for cotton, which include forced labor, children and young worker, wages, health and safety and so on. We also use country specific filters to our polyester origin. Virgin polyester and cotton are almost identical in risk scores, but polyester is a little lower. Virgin polyesters are not scored in the Textile Exchange's matrix, this is also one of the reasons why we look into recycled polyester and started risk mapping polyester in general.

We want more recycled polyester in our material mix. For 2023 we made great progress and achieved 27% recycled polyester. This progress initiated us to make the specific risk assessment for recycled polyester. When we source recycled polyester, we require certified fibers according to the Global Recycling Standard (GRS), All of our recycled polyester is mechanically processed. GRS certified polyester is scored in the Textile Exchange matrix, but not in the Sedex Radar hence we cannot compare data from the same sources as virgin polyester. The reason we require GRS certified polyester is that the standard sets requirements for legal minimums for wages, prohibits forced labor, no child labor in production, no discrimination on age, gender, religion race, and other work-related topics. GRS certified polyester reduces the risks related to human rights violations and promotes decent working conditions in a systematic way compared to non-certified virgin polyester.

2.1.2 Actual negative impact

Based on potential negative impact risks, as well as sourced volume representatives from the Group is traveling to visit our most important suppliers and producers. The Group have

done multiple factory visits in 2023 and early 2024. From these visits are we seeing more risks related to Tier 2 production than we first anticipated. The Group have experienced that the Tier 1 factories are well prepared for audits while the tier 2 factories are not as prepared, and the magnitude of these tier 2 suppliers are bigger than expected. This could be in correlation with the lack of visits during covid and in general the indirect relationship with the tier 2 supplier and the Kid Group.

2.2 Salient human rights risks

Our risk assessment has resulted in six salient risks (see table below). It is important to mention that this is the most salient human right related risk according to our risk assessment, risks connected to other topics are described in our Annual Report.

Risk issue	Related topic	Country
Forced Labor	Cotton harvesting	China
The Right to Collective Agreements and Freedom of Association	Collective bargaining	China, India, Pakistan, Bangladesh
Health and Safety in Factories	Worker safety	India, Pakistan, Bangladesh
Child labor	Child labor	Pakistan, India, Bangladesh
Wage below living wage	Wage	China, India, Pakistan, Bangladesh

The mitigation of risks in the table above are described in more detail under the next chapter.

3 Cease, prevent or mitigate

3.1 General principles

To identify and assess actual impact and risk, the Kid group primarily uses the SMETA 4-pillar protocol for audits, but also accepts other standards such as Amfori BSCI and SA 8000. Full audits based on the same principals as set in the Code of Conduct are conducted in factories at least every two to five years depending on suppliers' size, production processes and history, and follow-up audits should be done in between. If issues are discovered during an audit, a corrective action plan is set up with clear timelines and agreed by the supplier to implement. If the finding is noted by an auditor during an audit, the corrective action is also checked and verified by the auditor after a set time period. The group works together with the suppliers to handle noncompliance issues and remedy the negative impact by various suitable measures, e.g. updating routines or implementing other positive changes in the factories. 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 continuous progress and improve working conditions for those who work there. Follow-up visits and dialogue are therefore of great importance.

Members from the group's sustainability department conducts regular business trips and attend factory site audits of the suppliers, most of whom operate in China, India, Pakistan, and Bangladesh. In 2023 and early 2024 we were able to visit a total of 24 suppliers from China, India, Pakistan and Bangladesh. The 24 suppliers together delivered 49% of the 2023/2024 order value from all suppliers in top 80% of sourced value to the Kid Group. In 2024 we plan to visit our most important suppliers in China in addition to the visit in Pakistan earlier in the year.

In summary, we are committed to work closely with our suppliers to monitor and support their social responsibility initiatives. The group has a rigorous screening process for new suppliers and conducts regular audits to evaluate their performance in terms of labor conditions, human rights, business ethical- and environmental aspects. The group works with its suppliers to remedy any non-compliance issues and aims to be a responsible long-term member of the communities where its suppliers operate.

3.2 Ceasing, preventing or mitigation of salient risk areas

3.2.1 Forced Labor

Forced labor or compulsory labor 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. There is an increased risk of forced labor in the Xinjiang province, and with migrant workers around China coming from the Xinjiang province. We are actively communicating with our suppliers on this issue tracing our cotton sourcing.

In addition to the set requirements in the Code of Conduct and conducting regular audits, it is important that we understand where and how the risk of child labor occur. Mitigating the risk of child- and forced labor in the supply chain requires a commitment to transparency, accountability, and continuous improvement.

The cotton production in the Xinjiang region | China is associated with high risk for forced labor. According to our internal analysis and investigation, none of the cotton fiber in our assortment are being sourced from the Xinjiang region, even though it is impossible to be sure since cotton is sourced in mass-balance systems. Note that the results are mainly based on self-reporting from our suppliers. However, we mitigate our risk of use of Xinjiang cotton fiber by sourcing Better Cotton or other traceable cotton initiatives which have bans on cotton from the region.

No incidents of forced labor have been or reported during the reporting period, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.

3.2.2 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.

3.2.3 Health and Safety in Factories

Workers' safety in the factories are of highest importance. Blocked or lack of fire exists, unstable building structure or exposure to hazardous chemicals, sharp object, high power electricity, or hot surfaces are some of the serious breaches of our Code of Conduct. Without sufficient routines, controls, and safety measures the health, and in worst case lives, of the workers are threatened. We set a long list of requirements for health and safety in the Code of Conduct and encourage our suppliers to educate their workers about safe operation of machines, PPE, fire- and building safety, and much more. The control of Health and Safety are always controlled in both second-, and third-party audits.

The Kid Group is a signatory of the International Accord. In 2023 the Group signed the Pakistan Accord, which is a new extension of the International Accord with a new system under development in Pakistan. The Group's supplier list for Bangladesh and Pakistan are regularly updated in the Accord agreement.

The Accord is working in a systematic and holistic manner regarding the building-, boiler-, electrical-, as well as fire safety in factories. Factory "walk-throughs" are arranged by the Accord Safety Training team and acts as a training session for the factories' Safety Committees to learn how to identify risks and safety issues. Corrective Action Plans are created and set out the remediation steps. The factories then have a clear understanding on the required improvements and the Remediation Team can follow up on improvements.

The Bangladesh Accord is on a more advanced level than the Pakistan Accord, thanks to its 10 years existence and experience.

In ten years, from the start in 2013 to September 2023, the covered and inspected factories is at a 92% progress rate. This shows that the commitment to the Accord is effectively improving the safety of factories.

3.2.4 Child labor

The Kid Group's basic rule regarding child labor is that people under the age of 15 cannot work for any of our 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.

No incidents of child labor have been or reported during the reporting period, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.

3.2.5 Wage below living wage

In accordance with the Kid Group's Code of Conduct and local legislation, suppliers must at least pay the country's statutory minimum wage, or industry benchmark standards, whichever is higher to their employees. Wages should always be enough to meet basic needs, including some discretionary income. This principle is based on the Ethical Trade Initiative (ETI) and the ETI code which is also being used in the SMETA protocol. We consistently raise this topic when meeting with suppliers to discuss working conditions and human rights.

Verifying that overtime is kept within acceptable limits is challenging, especially if time recording is flawed. There can be various reasons for overtime, such as employees working far from home and choosing to work intensively for periods before returning home. This issue is problematic, and we continually discuss it with our suppliers. Another reason may be low wages, which necessitate longer working hours. As a customer, it is crucial that we help our suppliers plan orders and shipments and encourage them to find solutions to excessive overtime and understand the problem.

We source some of our products from Bangladesh, a country known for minimum wages well below the living wage. In late 2023, Bangladesh increased the legal minimum wage for garment workers by 56%. Despite this significant increase, there is still a substantial gap between the minimum wage and the living wage. While we have found no instances of wages below the minimum wage, we still see wages below the Global Living Wages Coalition's (GLWC) calculations and recommendations in the region where our suppliers operate. We are monitoring this issue and urging our suppliers to pay closer to a living wage, as the gap remains significant. We maintain a continuous dialogue with the HR and Compliance department at our main supplier in Bangladesh (representing more than 85% of our sourced

value). The supplier's management team has a plan to implement living wages, but as of June 2024, no target date has been confirmed.

4 Track implementation and results

The sustainability department is responsible for monitoring, tracking, and reporting of The Kid Group's Due Diligence. The results of this are being presented in the annual report. This report is being reviewed by the audit committee and signed by the Board of Directors before publishing. The report is available on our commercial website, investor website and social media.

The Kid group strives to get valid, accurate and updated data to measure the effect of our Due Diligence work. The Sedex platform provide a wide selection of data points, both results from Self-Assessment questionnaires as well as findings, from factory revisions and the planned and completed action plans. This in combination with physical self-inspections helps us to verify the findings from Sedex and other partners. Still, we acknowledge the weaknesses of these data sources and that there are potentially both known unknowns, and unknown unknowns. This requires us to collaborate closely with our suppliers to ensure a safe workplace.

We require all of our active suppliers to be registered to Sedex and do the social audits through the platform. We see that our suppliers have conducted more audits through our Sedex platform. This could be because of less restriction after covid, but also from continuous work from the Group. But we are pleased to see a positive trend in SMETA audits, and we will continue to push this to keep monitor and update risks in the value chain.

We see good progress in Pakistan where the audits are coming back with higher grades than earlier. This is good but it raises some concerns. First of all, it's rare that we see many A and B grade suppliers in a row in specific countries. When a supplier has a A or B grade, the audit it valid for two years, this makes monitoring more difficult as we are not receiving new audits annually. This can indicate a risk of corrupted audit reports in Pakistan. However, during the Sustainability Team's visit in Pakistan in 2024 we could assess that the factories are running in structured and well managed ways, which moderately reduces our concern for corruptions. In addition, the factories we are working with in Pakistan and Bangladesh (countries known for corruption) are large and have many different audit protocols in place. The various third-party auditors are confirming the same practices in the factories, which also helps reducing the risk of corrupted protocols and auditors.

We have been monitoring salient risks from cotton growing and ginning through the Sedex platform since a couple of years. New from early 2024 is that we are doing the same for polyester, as this is the second largest material in the Group's assortment.

See section 1.5 in this report for progress on our social compliance targets and goals.

5 Communicate

5.1 Communication with affected stakeholders

We communicate with our stakeholders regularly, both during systematic check-ups, and ad-hoc analysis. We want a supplier relation based on trust and predictability; therefore, we want to avoid unannounced visits or control unless we have a valid and specific reason. We did not conduct any unannounced visits or audits of our suppliers in the reporting period. But we have seen some unannounced audits ordered by others. These had good results even though unannounced.

An example of a strong stakeholder engagement in the recent year has been around the Pakistan Accord. Stakeholders in our local community has shown a great interest in signing the Pakistan Accord. The suppliers have also been very cooperative in this new program, and we have continuous dialogue regarding the fire, electrical and building safety protocol. So far have we not seen changes in Pakistan, but we are expecting to see improvement in Pakistan health and safety as we did in Bangladesh.

5.2 Communication of own Due Diligence

At The Kid Group, we strive to achieve growth by implementing a balanced approach of responsible marketing, excellent customer service, and offering high-quality and inspiring products. We are committed to educating our customers about sustainable and ethical purchasing practices, in addition to providing guidance towards these choices.

All published material is available in our websites.

5.3 External inquiries regarding the Transparency act

According to the act, stakeholders have the right to receive concrete information about how we handled due diligence assessments in the production line. We direct all inquiries to customer service.

When the stakeholder contacts customer service, we respond within three weeks at the latest with a concrete answer. Customer service forwards the email to the Sustainability department, who will create the response.

6 Provide for or cooperate in remediation when appropriate

6.1 General principles

It is important for the Kid Group that our suppliers follow our Code of Conduct, that creates a fundamental requirement for creating decent work and a safe living.

In the event of any breach of the Code of Conduct, a root cause analysis is carried out to identify the underlying reason. A corrective action plan shall then be put into place in by the supplier and communicated with the Kid group for further cooperation and follow-up.

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.

6.2 Updates from the reporting period

- The Group did end a supplier relation due to corruption. However, the corruption was not in relation to human rights or decent working condition. The supplier's management team extracted money from the factory and shipped faulty goods to its customers. This factory is still open but lost most of its large customers due to the quality and delivery issues. The workers are still working as of spring 2024 but the Kid group is not placing more orders to this supplier. Corruption is against our code of conduct but in this case, we couldn't make a hard cut off with the supplier due to large volumes and the remaining chance of restoring the relationship with the new management.
- No incidents of child labor or forced labor have been or reported during the reporting period, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.
- We visited and audited (third-party SMETA 4-pillar protocol) a tier 2 supplier in China that weaves polyester fabric one of our curtains. This supplier was certified according to the Global Recycled Standard (GRS), which includes requirements for social aspects and decent working conditions. However, the supplier lacked proper management system for working hours, and operated with double time reporting systems. This is unacceptable and we are working on corrective action plans together with the supplier to remediate this, and to improve the working conditions and safety for the workers. In addition, we learned that GRS is not a fully functional social auditing system, and we do not accept GRS as a valid social audit protocol.
- Early 2024 the Earthsight report went live. This report had key findings regarding cotton production in Cerrado, Brazil where some cotton growers was accused of land grabbing, illegal deforestation and human rights violations. After this we did an update of our suppliers that use cotton in their production. This cotton mapping showed that a few suppliers are sourcing their cotton from the region. We are now working to map exactly which cotton growers as they are buying cotton from a mass-balance system. We will advise all suppliers with cotton from the accused areas to

change their cotton sourcing to other growers, but the Group has so far not initiated a ban against Brazilian Better Cotton.

- During our visit in Pakistan, the Kid Group donated 100.000 NOK to the LAMS school in Faisalabad. The money will be used to locally invest in new reading tablets and solar panels. The school is operated by Norpak International and Bokhari, a social entrepreneurship to create education for the local children in the area around the Bokhari weaving unit.



Electronically signed, Lier, 20. June 2024

The board of directors, Kid ASA

Espen Gundersen
Chairperson

Jon Brannsten
Board member

Liv Berstad
Board member

Gyrid Skalleberg Ingerø
Board member

Karin Bing Orgland
Board member

Anders Fjeld
Chief Executive Officer