





#### **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 first 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 2020 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.



About this sustainability report	2
About Kid ASA	4
Highlights in 2020	4
Duvets made with recycled materials	
Kid Group and sustainable cotton	
Transformation to 100% Responsible Down Standa	
Ban on Xinjiang cotton	
Kid ASA facts	6
Introduction	8
The big picture	10
Climate Change	10
Digitalisation and transparency	10
New buying behaviours	11
Increasing consumer demands	11
Sustainability is a hygiene factor	
Recycling and circularity	
Collaboration for sustainable development	
Regulations	
Pandemics	
Global goals	12
UN Sustainable Development Goals	12
The Kid Group approach to risk and risk assessment	13
Stakeholder dialogue	13
Customers	13
- Suppliers	
Employees and potential employees	
Owners and the financial market	
Local communities	14
Industry associations, academia & science,	4.1
government agencies and other stakeholders	14
Materiality assessment	14
GOVERNANCE OF SUSTAINABILITY	16
Collaboration and memberships (SDG 17	
Partnership for the goals	16
Risk based approach	
Ethics	17
Personal privacy	17

	Act with the heart	18 18
Clima	te emissions	21
	STICA (Swedish Textile Initiative for Climate Action)	
Kid Gr	oup value chain summary	23
PROD	UCT DEVELOPMENT AND CHOICE OF MATERIALS	24
	Responsible material choices  More sustainable cotton	24 25
	Down and Feather	26 26 27 28
MANU	IFACTURING & PRODUCTION	29
	Collaboration with suppliers  Terms and requirements  Transparency	29
Produ	ct Safety	29
	Quality Assurance	30 30
Respo	nsible Chemical Management	31
	Standard 100 by Oekotex as risk mitigation tool	
Cocial	lly sustainable production	
Sucia	Code of Conduct breaches	
	Freedom of Association  Methods of combating child labour and forced labour  Bangladesh Accord  Xinjiang cotton  Kid Group sourcing markets in 2020	33 34 34

Boknari - a social enterprise	5
TRANSPORTATION	0
From the factory to the store	0
STORES & SALES	1
Reduced energy consumption	1
More sustainable consumption	1
ACT WITH THE HEART	
PRODUCT USAGE	4
RECYCLING AND CIRCULARITY 44  - Long-lasting home textiles 44  - Collecting of used textiles 44  - Reduced use of plastic 45	4
Our employees	6
Our values	6 7 8 8
Calculation methods	0
<b>GRI Index</b>	2

### **ABOUT KID**

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 147 stores, and under the Hemtex brand in Sweden, Finland and Estonia with 131 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 2020 the Kid Group had 2,045 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 2020

#### **DUVETS MADE WITH RECYCLED MATERIALS**

In 2020 Petra duvet and pillow, as well as Ocean fibre duvet were launched in Kid Group.

Both product ranges are based on Global Recycled Standard certified polyester and replaced products with virgin materials in the assortment.

The Ocean fiber duvet was launched during the 2020 telethon on NRK in Norway, raising 600,000 NOK for the WWF work against plastic in the ocean.

#### KID GROUP AND SUSTAINABLE COTTON

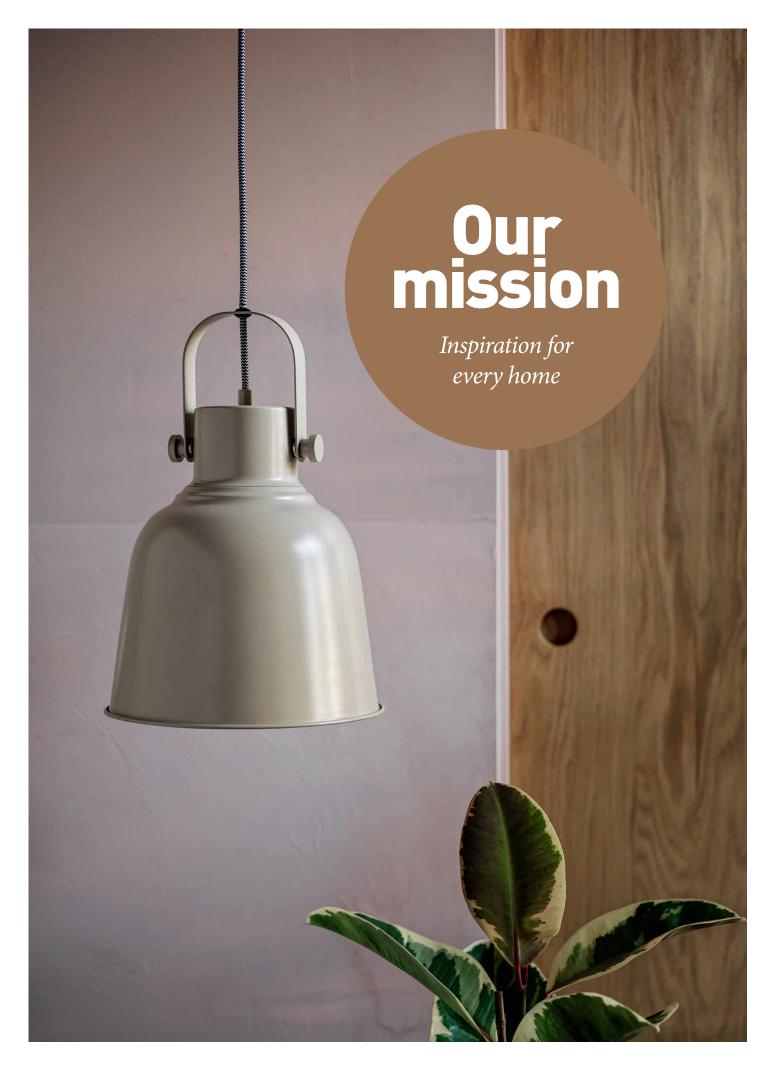
We are proud that more than 93% of the cotton used in the Kid Group assortment in 2020 came from more sustainable sources. We will continue our dialogue with the relevant suppliers to make sure we will be able to deliver on our target of 100%.

# TRANSFORMATION TO 100% RESPONSIBLE DOWN STANDARD

91% of all down was traceable through the Responsible Down Standard in 2020. The remaining 9% was split between 8% Downpass standard and 1% recycled down through the Global Recycled Standard.

#### **BAN ON XINJIANG COTTON**

Kid Group has been following the situation in Xinjiang, and banned all use of cotton from the region in Q4 2020.





### INTRODUCTION

2020 is a year which shows just how quickly things can change. We started off just another year and then we were hit by a global pandemic.

If 2020 has shown us anything it is how agile we are as a company, how dedicated our employees are and how fast we can adapt when confronted with challenges.

In parallel, we are experiencing another challenge. Global warming. The change might not feel as immediate, but as a company we are transitioning to a new normal and delivering on international agreements to reduce our climate emissions. We are also stretching towards the United Nations Sustainable Development Goals and continue our journey focusing on gender equality, clean water, decent work for all and economic growth as well as responsible consumption and production.

This is the first year we as a group publish a common sustainability report. We have spent the last year harmonising our work and I am proud to present this year's report.

Cotton is our main raw material. Over the last 5 years we have set a goal to reach 100% more sustainable cotton and we are almost there, having reached 90% in total across the group. Through our continuous focus and our sourcing of Better Cotton, last year BCI was able to reach more than 6 500 farmers, saving an estimated 2.1 billion litres of water and generating an estimated 1 million euros of additional profitability\* for farmers. This shows we are delivering on our targeted Sustainable Development Goals.

In 2020 we have also increased our focus on using recycled materials, we have launched several duvet and pillows made with recycled polyester, and we continue to focus on using recycled down. Through our partnership with UFF and Myrorna we also facilitate the collection of used textiles, focusing on re-use and creating a starting point for a circular economy.

We continue to report on our climate impact using the Greenhouse Gas Protocol. This year we have included all of our production from raw materials to final product. This will enable us to set Science Based Targets to ensure we will deliver on our climate goals. 99% all our emissions are in scope 3, and we will throughout 2021 work on understanding how to best adress this. The group continues to climate compensate for its own emissions in scope 1 and 2 as well as all transportation in the Nordics from Scope 3.

One of our aims with our sustainability work is to not reinvent the wheel all over again. To avoid this we are actively participating in several organisations, such as Ethical Trade Norway, the Swedish Textile Initiative for Climate Action and Textile Exchange. We believe that collaboration and nudging takes us all in the same direction.

Together we can Act with the Heart.





8 KID ASA Sustainability Report 2020
KID ASA Sustainability Report 2020 9

<sup>\*</sup>BCI 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).

### THE BIG PICTURE

The Kid Group's operations are impacted by several major global trends and forces, predominantly climate change, digitalisation, the competitive landscape and changing consumer expectations.

In order to meet future needs and demands, is it therefore critically important to understand the world around us, how it is changing and how this affects the Kid Group. 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.

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.

Working on delivering on the goals set out in the Paris

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

#### **CLIMATE CHANGE**

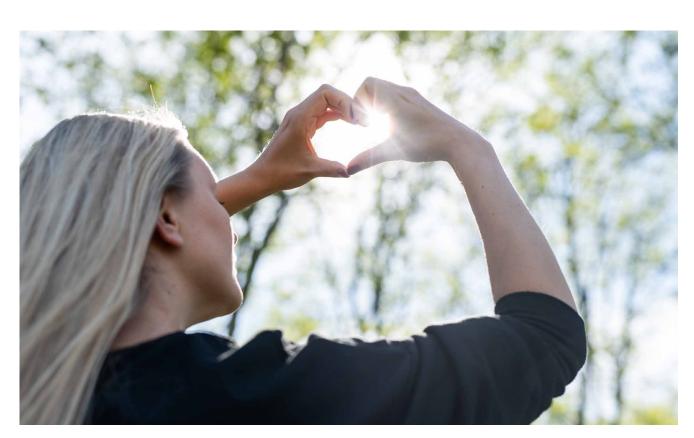
2019 was the second warmest year to be recorded, and the end of the warmest decade (2010-2019) ever recorded according to the UN. There has never been more greenhouse gasses in the atmosphere, and we can see impacts all over the world.

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.

#### DIGITALISATION AND TRANSPARENCY

One of the most significant global forces impacting the Kid Group is the extensive digitalisation and technological development which greatly affects both consumers and companies alike. In retail, all parts of the supply chain are impacted: product development, purchasing, logistics, supply of goods, product offerings, marketing and customer dialogue. Mobile devices, continuous connectivity and faster processes are creating an entirely new environment - opportunities as well as challenges.

Every day, consumers are targeted by enormous amounts of content, which makes it more important for the Kid Group



to create engaging and relevant content that reaches the right customers at just the right time. Personal communication with customers is becoming much more important.

#### **NEW BUYING BEHAVIOURS**

Digitalisation is also contributing to a change in buying behaviours. More and more consumers are choosing to shop online, and they are spending less time in the physical stores. Irrespective of whether customers visit a physical store or search online, they have high expectations that the shopping experience should be personal, effective and simple. It should be easy to find what they are looking for, and delivery and payment must be simple and convenient. Companies must be able to offer assistance at the right time and goods must be quickly available, in store or online. Channel optimisation is all about how physical stores and online shopping can complement each other, driving optimised sales through symbiosis.

#### **INCREASING CONSUMER DEMANDS**

Active sustainability work is essential for the Kid Group to continue being relevant to the customers and employees of tomorrow. Customers are knowledgeable, they demand sustainable products and increasingly expect the retail sector to assume its responsibility. Seven out of ten consumers believe that retailers should work actively with sustainability. Additionally, corporate social responsibility is becoming more important to current and future employees.

#### SUSTAINABILITY IS A HYGIENE FACTOR

Responsibility, environmental impact, business ethics and control, 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.

#### RECYCLING AND CIRCULARITY

The limited resources of the planet and the climate change issue have increased interest in recycling, circular business models and innovative manufacturing techniques. Consumers are demanding more recycled products, and companies are creating new circular business models and looking at ways to integrate circularity into their supply chains.

# COLLABORATION FOR SUSTAINABLE DEVELOPMENT

Pursuing sustainable development in the textile industry, or any other industry, requires increased cooperation between stakeholders. To be able to create a circular economy, reduce climate emissions, create safe and good jobs for workers we all need to pull in the same direction. Innovative and stable supplier relations are a prerequisite for working efficiently.

An increasing number of companies are looking beyond everyday competition and are collaborating to promote sustainable development. Different companies are uniting to find shared solutions to complex issues, such as climate impact, water purification, chemical use, animal welfare issues and sustainable manufacturing.

#### **REGULATIONS**

Governmental regulations are stimulating increased crossbusiness collaboration and aim to elevate the importance of sustainable development for all businesses. The European Green Deal, the proposed Norwegian law on transparency and the EU taxonomy are examples of legislation and actions which encourage businesses to focus on sustainable development.

#### **PANDEMICS**

2020 has clearly showed us one thing – 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. 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.

### **GLOBAL GOALS**

The field of sustainability is constantly changing as the world changes. The Kid Group uses the United Nations Sustainable Development goals, UN Guiding Principles on Business and Human Rights and the OECD Guidance for Responsible Business Conduct to set goals and build a foundation for its sustainability work.

Understanding the world around us, how it is changing and how it affects the Kid Group, is crucial to meeting the needs and demands of the future. Research is progressing, thus increasing knowledge of the finite resources of the planet, and the climate issue is escalating. Environmental, social and economic sustainability are becoming more important and are driving growth.

#### **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 aim of the goals is to end poverty and hunger, realise human rights for all, achieve equality and empower women and girls, as well as to ensure endurable protection for the planet and its natural resources. The global goals are integrated and inseparable as they collectively balance the three dimensions of sustainable development: the economic, the social and the environmental.

These global goals can be achieved through collaboration between all global and local stakeholders, governments, the private sector and civil society. The textile industry has a history of negative climate impact, but is now changing to contribute to sustainable development, primarily by creating jobs, but also through other means such as the industry's support for sustainable agriculture, sustainable fibres and materials, innovative manufacturing methods, standardisation and circular business models.

The to-do list in reaching our sustainable development goals is long, that much we know. This is why the Kid Group believes in an approach that constantly developing and weaves in more and more sustainable threads. The Kid Group supports the UN goals and uses them to govern and inspire its sustainability agenda. We believe that the global goals offer a unique opportunity to adapt current sustainability initiatives to a common framework and catalyse the industry's efforts to deal with the important challenges within the global textile value chain.

The different sustainability goals greatly impact each other, and goals within one area often produce results in others. 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.

# THE KID GROUP APPROACH TO RISK RISK ASSESSMENT

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 risks.

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 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 business processes and sustainability work.

The Risk Management Committee, led by the Group's management teams, has overall responsibility for this work. Through clear guidance and good governance, the Committee 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 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 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 2.4 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.

#### **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.

#### **MATERIALITY ASSESSMENT**

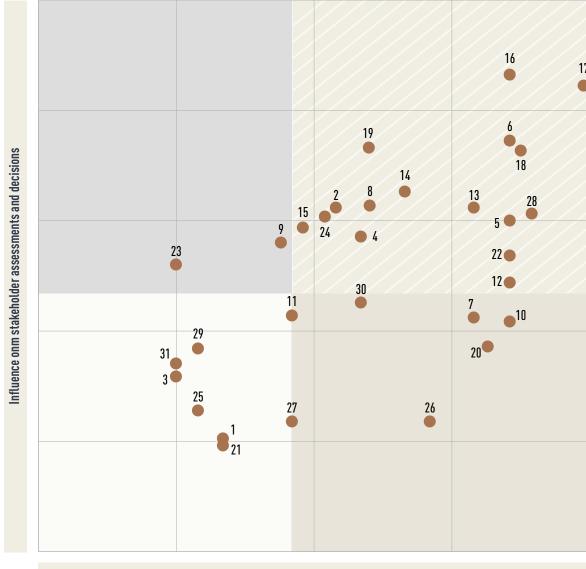
The materiality assessment is based on analysis derived from the guidelines of the GRI Standards in order to define which issues have significant economic, environmental or social impact and which issues have a significant impact on stakeholders.

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 most important issued identified are:

- 2 Indirect CO2 emissions
- 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

The material topics identified are illustrated in the table on the following page.



Significance of Kid Group's economic, environmental and social impacts

#### Environmental

Most important issues

- 1 Direct CO2 emissions
- 2 Indirect CO2 emissions
- 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 workers14 Working hours
- 15 Equal opportunities
- 16 Forced labour
- 17 Child labour18 Supplier screening
- 19 Worker rights
- 20 HSE business21 Physical working environment
- 22 Physical audits
- 23 Worker representation
- 24 Health and safety routines supply chain

#### Governance

- 25 Employee breakdown
- 26 Customer privacy27 Responsible marketing
- and labelling
  28 Environmental and
- social targets
- 29 Internal reporting system
- 30 Anti-corruption
- 31 Transparency

### **GOVERNANCE OF SUSTAINABILITY**

The company's CEO 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.

# 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 (BCI)
- The chemical group at RISE
- Trade Safety Group, Swedish Trade Federation
- Swedish Textile Importers
- Sweden Textile Water Initiative (STWI)
- Swedish Textile Initiative for Climate Action (STICA)
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation
- Tekstilaksionen
- Partnership with Bokhari
- Partnership with SOS Children's Villages
- OEKO-TEX®
- Forest Stewardship Council (FSC)
- UFF (Humana People to People)

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

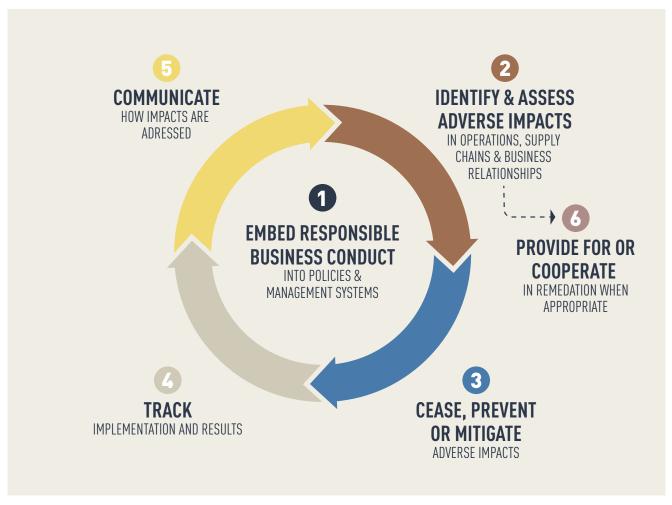
#### **RISK BASED APPROACH**

With all the possible challenges in a global supply chain it is important to prioritise 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 materialised 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.

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.

# ACT WITH THE HEART AS A SUSTAINABILITY CONCEPT

In 2016 our "Act with the heart" (Handle med hjertet) concept was launched in Kid Interior as a sustainability concept. At the same time Hemtex had developed a similar concept named "The sustainable thread". Both concepts are aimed at giving the customer an easy way of identifying better choices in the assortment. After the acquisition of Hemtex in 2019 the Kid group decided to implement "Act with the heart" as a joint concept going forward.

Through "Act with the Heart" we seek to ensure decent working conditions throughout the supply chain, protecting the environment and providing safe, quality products.



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. You can find products certified to the Global Recycled Standard marked with an Act with the Heart symbol, but also actions to reduce climate emissions are communicated through the same 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.

# CONSOLIDATING THE KID AND HEMTEX STRATEGIES

During 2020 there has been a focus on consolidating two sustainability strategies and creating one common strategy. After reviewing Kid Interior and Hemtex sustainability choices, it was noted that the similarities were greater than the differences.

Both companies had set 2020 goals.

#### **2020 qoals**

Kid Interior has since 2016 worked on a set of goals to drive its sustainability work forward. The external goals focused on better materials and social dialogue.

- 100% more sustainable cotton by 2020
- All cotton products for babies made with organic cotton
- All wood and paper products to be sourced as sustainable material by 2020
- All catalogues printed on environmentally certified paper
- All down products to be traceable through Downpass, and shifted to Responsible Down Standard
- All wool products to be sourced through the Responsible Wool Standard by 2023
- At least 10 products to be made with recycled polyester by 2018
- Start social dialogue project through QuizRR

Hemtex has a set of similar goals driven by their previous owner, ICA Group, aimed at driving a socially responsible value chain, clearly communicating more sustainable choices to the consumer as well as implementing 100% more sustainable cotton by 2020.

- Hemtex's operations will be net 0 climate neutral by 2020
- 100% of Hemtex's suppliers of own-brand products in high-risk countries will be socially audited.
- 90% of suppliers of Hemtex own-brand products will be quality certified by the end of 2020.
- Hemtex will guide customers towards more sustainable choices and work to increase the share of sustainable products in its range.
- The cotton in Hemtex own-brand products will come from sustainable sources by 2020, as a way to accelerate an improvement in conventional farming methods.

KID Interiør 2020 goals achievements	
Goal	Achievement
100% more sustainable cotton by 2020	100%
All cotton products for babies made with organic cotton	100%
All wood and paper products to be sourced as sustainable material by 2020	100% of all paper products. Not achieved for wood*
All catalogues printed on environmentally certified paper	100%
All down products to be traceable through Downpass, and shifted to Responsible Down Standard	All tracable (91% RDS, 8% Downpass, 1% recycled)
All wool products to be sourced through the Responsible Wool Standard by 2023	0%
At least 10 products to be made with recycled polyester by 2018	43
Start social dialogue project through QuizRR	6 factories in QuizRR

Hemtex 2020 goals acheivements	
Goal	Achievement
Hemtex's operations will be climate neutral by 2020	Compensated for scope 1 and scope 2, and local transportation
100% of Hemtex's suppliers of own-brand products in high-risk countries will be socially audited.	90% in 2019**
90% of suppliers of Hemtex own-brand products will be quality certified by the end of 2020.	Achived in 2019**
Hemtex will guide customers towards more sustainable choices and work to increase the share of sustainable products in its range.	More than 60% of all textile products marked with Act With the Heart
The cotton in Hemtex own-brand products will come from sustainable sources by 2020, as a way to accelerate an improvement in conventional farming methods.	78% ***

 $<sup>^{*}</sup>$  Need to improve data collection from ERP system for wood and complex products to measure

For further details please see www.kid.no/baerekraft

<sup>\*\*</sup> changes in sourcing after acqusition. New goals set for 2025

<sup>\*\*\*</sup> changed calculation method in 2020

Kid Interior and Hemtex have merged supply chains during 2020 which have resulted in goals set out for this area has not yet been reached.

The two companies had different systems and methodologies to track and calculate their results, and historic numbers are therefore not comparable. To start fresh as one unit with common goals, all numbers are now calculated in the same way for 2020, using the same factors and assumptions, to ensure comparable figures going forward. The Kid Group has also decided upon a new and common set of external goals for 2025.

#### Goals 2021-2030

We have some big challenges ahead of us. We have 10 years to deliver on carbon reduction to be in line with the Paris agreement. The covid-19 pandemic in 2020 also reminded us that social security is not a good for all people around the world, and we need to continue to secure worker rights, safety and equal opportunities in the supply chain.

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

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.

We have summarised the challenges in the goals, below:

#### 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
- 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 responsible consumption and production we impact the Sustainable Development Goal 13: Climate action. Through continuously focusing 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).

Kid Interior completed its first carbon footprint calculations in 2017 in order to measure, analyse, and set goals and strategies for reduction of carbon emissions. Hemtex have done the same since 2015. Due to differences and non-comparability of the figures across the two companies, we have harmonised the calculations and use the following scoping;

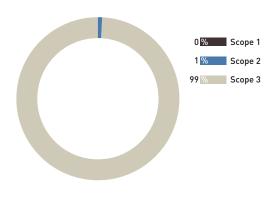
**Scope 1:** all direct emission sources where the organisation has operational control. This includes all use of fossil fuels for stationary combustion or transportation in owned, leased or rented assets.

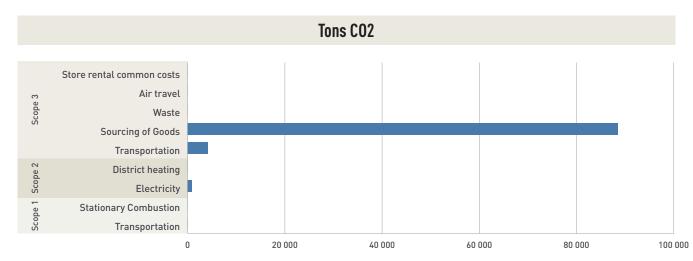
**Scope 2:** indirect emissions related to purchased energy; electricity or heating/cooling where the organisation has operational control.

**Scope 3:** Voluntary reporting of indirect emissions from purchased products or services in the value chain. Today it consists of all freight of goods from port in our sourcing countries to our warehouse, and out to our stores / online sales drop- off.

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

Our total emissions in 2020 were 93,727 tons of CO2, and is further specified in the figures below.





### MAN AND MAN - GHANA

The "Man and Man - Ghana" project supports households and cut charcoal spending in Ghana. The mission is to reduce wood fuel consumption used to cook meals, and reduce deforestation and associated CO2 emissions. A company named Man and Man was founded in 2007 with the aim of producing and distributing efficient cooking stoves to reduce the daily use of charcoal and the associated spending for vulnerable households.

The result is improved stoves that are 40% more energy efficient than traditional stoves, leading to not only reduced CO2 emissions but also cost savings and improved health benefits by allowing less carbon monoxide and toxic fumes inhaledfor those that adopt the stoves.

In 2020 we compensated for 2,172 tons of CO2 through Gold Standard # 1385 supporting families in Ghana getting access to clean ovens, reducing the use of coal and carbon emissions when cooking, and creating a better indoor climate. The compensation equals all emissions from Scope 1, Scope 2 and the transport of goods from our warehouse to the stores (compensation for 2019 emissions) for Kid Interior. We will continue to compensate for the same emissions, but for both companies combined, and for 2020 emissions we have compensated for 2,324 tons of CO2 in 2021.

For our scope 3 emissions, which represents 99% of our total emissions, we will set a Science Based Target in alignment with the Paris agreement. Working on scope 3 emissions is a challenge as we have to make partners change so we can reach our goal. The goal will be achieved through 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.

# SWEDISH TEXTILE INITIATIVE FOR CLIMATE ACTION ("STICA")

STICA is an initiative launched in 2019 for Scandinavian textile companies. The shared goal of the companies is to reduce their climate impact by at least 30% by 2030. STICA is based on the GHG Protocol Scope 1, 2 & 3 as well as Science Based Targets ("SBT") aimed at limiting global warming to 1.5 degrees. STICA has created a network of experts and companies with the aim of creating consensus and reducing the climate impact of the industry.

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Through Gold Standard # 1385 STICA is a collaborative "learning by doing" initiative, through which methodologies and tools will be cocreated via discussions, workshops and work groups. These will then be available for use by large and smaller companies alike.

Decisions will be taken together on the boundaries and on the areas that are important to include in the climate calculations. Various climate calculations may need to be performed in different ways depending on the resources available. However, the calculations must always be made in accordance with a method that is based on the GHG Protocol and on the Science Based Targets initiative.

The overarching commitment of the STICA members is the 1.5-degree target in the Paris Agreement, and collaboration significantly facilitates the accounting of the climate impact.

#### **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.

KID GROUP VALUE CHAIN SUMMARY

## Product development and choice of materials

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

#### Manufacturing

**Transportation** 

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.



#### 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.

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.

#### 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.

#### **RESPONSIBLE MATERIAL CHOICES**

We are aware of the increasing consumption patterns and constant changing fashion trends, and the negative environmental impact that comes with it. 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.

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.

By carefully choosing more sustainably produced materials we ensure product quality, safety and durability, as well as the possibility for future recycling. We will continue to more actively choose fibres and materials that require less energy and water in the manufacturing stages. For example, in the coming year we will look into the possibilities of spin dyed/dope dyed fibres as a more energy-efficient material compared to conventional wet-treatment methods.

In 2016, the company joined Textile Exchange. Textile Exchange is a global non-profit organisation that works to make the textile industry more sustainable. Through our membership, we have gathered valuable knowledge on good ways of using more sustainable materials, such as responsible down, recycled polyester and more sustainable

cotton. Textile Exchange identifies and shares best practices regarding farming, materials and processing which enables us to reduce the impact on the world's water, soil, air and human population.

#### MORE SUSTAINABLE COTTON

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 consistently looking for ways to cultivate it in a more sustainable way. Therefore, both Kid and Hemtex have had separate goals to reach 100% more sustainable cotton in the assortment by the end of 2020. The result is that the total per cent of cotton from more sustainable sources reached more than 90% in Kid Group assortment.

The reason for the 10% shortfall in achieving our target is that two valuable cotton production processes, sourced from the third-party initiatives, namely Egyptian Cotton and Open-end spun cotton yarns, are currently not included in the Better Cotton Initiative.



Kid Group have been collaborating with the Better Cotton Initiative, to accelerate improvements in conventional cultivation methods, and above all to support and invest in cotton farmers. To reach the sustainable cotton goal, we are also working to increase the amount of organically grown or recycled cotton in our range, as well as switching to other more sustainable fibres such as lyocell.

#### Organic cotton in the assortment

The Kid Group baby product range is manufactured from organic cotton, and organic cotton accounts for about 4% of the total amount of cotton used in the entire Kid Group range of products. Organic cotton is a premium raw material and some two per cent of the world's cotton is organic.

For cotton to be classified as organic it must be 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.

Lifecycle analyses show that the global warming potential of organic cotton is almost 50% less than that of conventionally grown cotton, and organic cotton demands only ten per cent of the water used for irrigation compared to conventional cotton.

The Kid Group organic cotton is mainly certified according to GOTS, (Global Organic Textile Standard) but also according to OCS (Organic Content Standard) for products with a cotton content of less than 70%.

GOTS and OCS are world-leading certifications for organic

fibres, the standards are controlled by third parties and provide traceability throughout the entire chain, from cultivation to production. To ensure that the quantity of organic cotton sold aligns with the amount that is actually farmed, traceability is important throughout the entire value chain. Hemtex requires certificates for finished products, with Hemtex stated as the receiver and buyer on the certificate.

GOTS standard encompasses requirements on working conditions for those who work in the production chain, as well as strict demands on chemical usage.

#### BCI

The Better Cotton standard 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. BCI Farmers are also expected to continually improve their production processes. The 2019-20 Better Cotton Season is expected to exceed 6 million metric tons, equivalent to almost 24% of the world cotton production. We are proud to support a growing farming system that strives to transform cotton production from the ground up.

As a result of our sourcing of Better Cotton in 2020, BCI has been able to reach more than 6,500 farmers, saving an estimated 2,1 billion liters of water and generated an estimated 1 million euros of additional farmer profitability. BCI farmers experience profit increases is for a variety of reasons, most commonly due to increased yields and/or optimized use of inputs (such as irrigation water, pesticides or synthetic fertilizer).





#### 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). 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 biproduct 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.

91% of all down was traceable through the Responsible Down Standard in 2020. The remaining 9% was split between 8% Downpass standard and 1% recycled down through the Global Recycled Standard.

#### **RECYCLED MATERIALS**

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. To maintain quality the recycled materials sometime need to be mixed with virgin or other materials. Hemtex monitors this field, as well as the development of new technologies, to solve these challenges.

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.



As polyester is a strategic raw material, the Kid Group have established goals to increase the proportion of recycled polyester. In 2020 we used 3,370 ton of polyester in Kid Group's products, out of which 122 ton were recycled polyester equivalent to 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. As an example, during the year we have developed and launched a quilt containing recycled polyester from plastic bottles originating from ocean waste. The project is a cooperation with Advansa and Plastic Bank. Plastic Bank creates social and environmental impact in areas with high levels of poverty and plastic pollution by turning plastic waste into a valuable and robust resource. The collected waste material is cleaned and turned into a high-quality filling fibres.

#### **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. 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 certification is a guarantee that the wood is sourced from sustainably managed forests. During 2020, Kid ASA applied for and was granted a FSC Marketing Licence. It gives us the opportunity to better communicate sustainably sourced wood and paper products in our assortment.

#### PLASTIC STRATEGIES AND FRAGMENTED FIBRES

There is understandable concern around the potential impacts of fragmented fibres - such as microplastics - on the environment, marine life and human health. Potential risks come from the physical presence of the fibres, 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 fibre 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 fibres' toxicity, we chose to act on reducing the risk of released microplastics from the product range with various strategies. An example 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  $\mu m$  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.

Furthermore, as a part of our already implemented product policy, we do not sell any products with intentionally added microplastics nor any disposable single use plastic items. An aim for 2025 is to further identify and reduce the risk of released microplastics from both the production phase and user phase of the products. No quantitative goal is set due to the current uncertainty in test methods. The project has already started and as an example 2020 was the last year we bought bed sets in polyester microfibres for the assortment, with the aim to reduce the number of synthetic products being used and mechanically washed many times during their life cycle.



## **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 recognises 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. We also signed the Bangladesh Accord on Fire and Building Safety in 2018 to help secure safe workplaces in Bangladesh and are still involved in the improvement scheme.

#### **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, Kid Group opened the supplier list in 2018 to the public. 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 Kid Group. We take responsibility for the products we place into the markets we operate in, and it is of great 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 Kid Group 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 Requirement (PAR). This document was fully implemented for both Kid and Hemtex in 2020. 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 for certain substances. All suppliers enters the PAR agreement before the first order is placed and the suppliers must comply with the PAR before they can deliver any products to Kid Group.

To control that requirements are met, selected tests are performed by independent testing institutes. These tests follow standardised 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 highrisk 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 2020, more than 3000 quality tests were carried out. 98% of these were approved and measures were taken for the remaining 2% before manufacturing.

More than 400 chemical tests were performed during the year, divided into a variety of different substance groups. 99% of the tested items passed the first test, and the remaining 1% 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 minimises the risk of faulty goods reaching stores and allows for any irregularities to be corrected at the right time.

For Hemtex 24H products we collaborate with 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 Hemtex 24h orders and items.

#### **Product Quality 2020**

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

- No products were withdrawn due to a lack of legal compliance or safety risks.
- The overall claim percentage of products returned from customers in Kid & Hemtex stores was 0.45%.
- No products have been recalled due to excessive levels of restricted chemicals.

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 or because they posed a mechanical risk to customers.

The overall claim rate for products returned from customer in the Kid Group's stores was 0.45%. Claims are regularly followed up and analysed by the quality, design and purchase departments to make continuous improvements to the products.

A few products were removed from the stores during the year because the delivered quality level did not meet our requirements. The biggest claim was seersucker bed set campaign products in Hemtex during the spring of 2020, leading to most of the bed sets being sold as second assortment due to bad workmanship. The decision to sell the bed sets as second assortment helped lower the number of products being discarded to recycling.

#### **Continuous improvement of safety**

During 2020 we have implemented tougher regulations and safety requirements for certain products, based on updated EU-standards for safer products.

- \* All potholders in the assortment have been CE-certified to comply with the new requirements in the European Personal Protective Equipment (PPE) regulation, where previously requirements only listed oven gloves as a PPE. This means that all our potholders have undergone a thorough testing and inspection program to verify that the products are safe to use when handled correctly.
- All babies and children deserve to have a safe and good night's sleep. Therefore, all our smallest sized duvets have been adjusted to meet the new safety requirements and test methods for children's cot duvets, used in the child's sleeping environment. The main adjustment has been that the filling weight is lower to create cooler duvets and to minimise the risk of overheating the child. An important part of the new standard is also to guide and educate the customer about the correct usage of the products.
- An updated version of the labeling standard for candles has been implemented and the warning pictograms have been updated. The pictogram has been clarified to better describe to the customer how to handle candles in a safe way. 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.

#### **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 colour 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

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 Standard 100 by Oekotex. This includes all bed linen, towels, blankets, duvets- and pillows, and babyand 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.

During 2020 Kid Group have fulfilled the requirements for a combined marketing certificate for Kid and Hemtex, of Standard 100 by Oekotex, 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 increasing the product safety for our products.

In 2020 more than 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 previous exclusion from the group of textiles coming into direct contact with skin has 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 2020 36% of decoration pillows were sourced from suppliers with valid Oekotex certificates.

# Substitution of unwanted substances and risk materials in the assortment

We have identified some specific substances and materials as high-risk, due to their negative environmental- and human health impact and have therefore set a policy to phase out these specific substances and materials from the assortment to the biggest possible extent.

The usage of per- and polyfluoroalkyl substances (PFAS) in coated tablecloths, bibs and shower curtains have during 2020 been substituted with PFAS-free treatments based on less harmful technologies. The change has led to a slightly lower resistance to water and dirt for the items, but considering the negative impact of PFAS, it is well worth the change. To influence policy makers to set a stricter regulation of PFAS we have joined the independent, non-profit, International Chemical Secretariat Organisation – ChemSec's, Corporate PFAS movement.

Polyvinylchloride (PVC) is a well-known and useful plastic due to its versatility. During the manufacturing process of PVC, it is necessary to use the chemical monomer named Vinyl chloride as a material component. The monomer is classified as carcinogenic and can be toxic for the workers and the environment. PVC also requires additives such as phthalates and tin organic compounds to reach its correct state of aggregation, which can be harmful to living organisms. We will minimise the usage of PVC in our assortment to the biggest possible extent. Electronic equipment will be excluded from the PVC-ban due to the difficulties in replacing PVC in cables and isolators, but the chemical content in the materials is controlled by third party testing.

The substitution project for PFAS and PVC was already started by Hemtex and implemented in Kid ASA during 2020.

#### PFAS

All PFAS are extremely persistent in themselves and as degradation products, and therefore accumulate in the environment. PFAS may be released into the environment at any time during their lifecycle: from the manufacture of the substance, to the use of the products that contain PFAS, to the point of disposal as waste. As long as we manufacture and use PFAS, these substances will, in some form or other, accumulate over time in the environment. That is why we have eliminated the use of PFAS and signed the "No to PFAS"-movement with the aim to ban the usage of this harmful group of chemicals.

#### **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.

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. When needed, a follow-up audit is performed.

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.

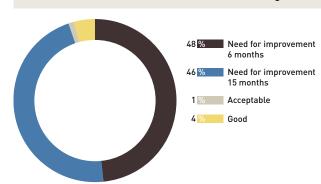
In 2020 Kid Group decided to terminate its collaboration with two factories that did not adequately fulfil the requirements and did not subsequently implement the necessary improvements after the second and third audit.

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

#### KID GROUP'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.

#### Status based on revision results 81% of sourcing volume



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.

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, taking into account 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.

32 KID ASA Sustainability Report 2020 SID ASA SUSTAINABILITY SID ASA SU

#### **Bangladesh 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. Hemtex AB was the first home furnishing group that joined the initiative. Industry colleagues, factories, unions and organizations work together to ensure a safe and secure work environment for those who work in the textile industry in Bangladesh.

In May 2018, the first Accord was replaced by another initiative - Transition Accord on Fire and Building Safety. Kid Interior joined the Accord at this time, and Hemtex has also signed this to continue work for safer factories in Bangladesh. The plan with the new Transition Accord is that the initiative shall be transferred from being operated by foreign buyer companies and trade unions to the Bangladeshi government, Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association. For more information see www.bangladeshaccord.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. All suppliers using cotton were informed, as well as being required to report back on their cotton sourcing. By using more sustainable cotton, and a mix of traceable and mass balance systems for sourcing sustainable cotton, we believe the initial effort will mitigate the risk of forced labour. We continue to follow the situation and are keeping an open dialogue with our suppliers.

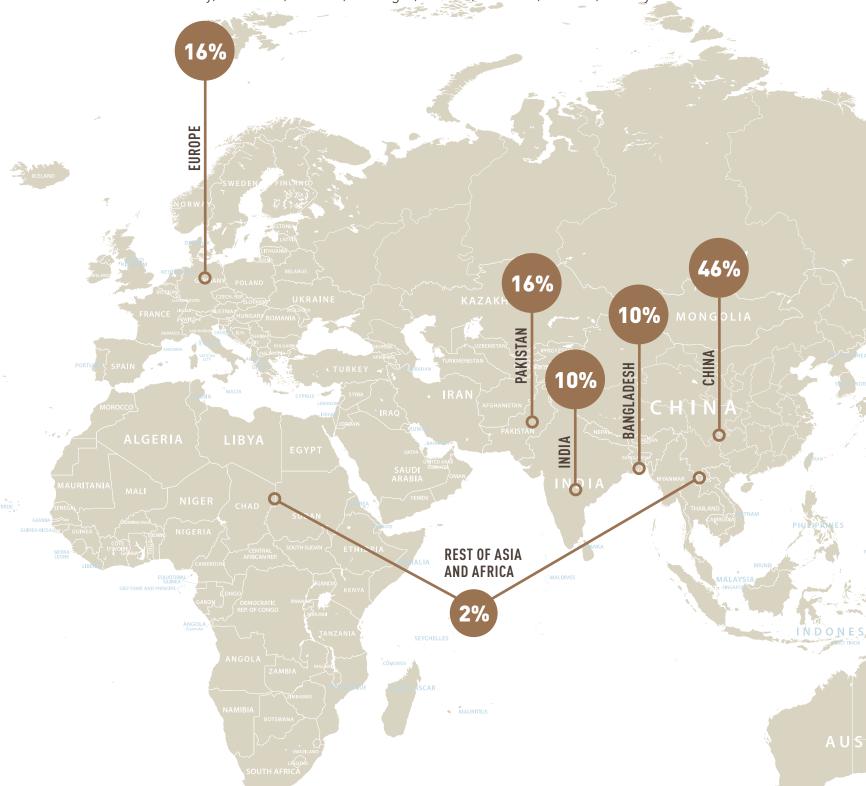
This policy will remain in place until the International Labour Organisation can verify that the forced labour situation has ended and is under control.



Accord - Safety meeting with employees

### **KID GROUP SOURCING MARKETS IN 2020**

In 2020 the company had suppliers in 22 different countries: Bangladesh, Belgium, China, Denmark, Estonia, Ethiopia, Germany, Hungary, India, Indonesia, Moldova, Nepal, Netherlands, Norway, Pakistan, Poland, Portugal, Russia, Sweden, Taiwan, Turkey and Vietnam.



## **BOKHARI - A SOCIAL ENTERPRISE**

At Bokhari, through partnering with Kid Group, a brighter, greener and more sustainable future is created for hundreds of families in Pakistan.

Bokhari is a social enterprise that contributes to secure decent employment opportunities to hundreds of artisans in Pakistan, mostly women, through the production and sale of handmade textile and interior products. In addition, the staff's children are provided free, quality education, and locals have access to clean drinking water.

The story of Bokhari dates back to 1989 when the Pakistaniborn Yawar Bokhari, who was settled in Lillehammer with his Norwegian wife Brit, discovered and was inspired by the ultra-Norwegian rag rug while visiting the historical museum Maihaugen. The rag rug, fillerye, is a traditional rug made from rags and waste materials and woven into practical and cosy rugs. Bokhari decided to bring a sample to Pakistan where he eventually established a weavery in Sultan Town, a quiet suburb of the textile metropole Faisalabad.



LAMS School. Eliminate poverty through education

The business grew and the weavery expanded, requiring more and more employees. Materials were sourced from nearby textile mills, where rags were considered waste material. At the same time, this was an opportunity to help people out of the poverty trap. Particularly women had limited opportunities, with no education and few jobs available to them. The decision to build a school for the children of the staff was a direct response to this, and in 1996 the foundation stone to the school was laid. An eco-system had been created.

Following Yawar Bokhari's unexpected demise in 2012, all activity at the weavery ceased. Two years later, in 2014, Bokhari's son Amar along with renowned Norwegian



Coloring of cotton

designer Runa Klock, joined forces and stepped in to develop a new, forward-looking business model based on the principles of sustainability.

Through partnering with Kid Interiør, a new and exciting portfolio of handmade product was developed. The principle of sustainability in all its dimensions (social, economic and environment) remains central to the business model and all decisions made and new products developed are inspired by this.

Today, Bokhari delivers a full, ever-expanding range of hand made products to Kid Group, including rugs, baskets, potholders, tote bags, aprons, table mats etc – all made



Purified water made available for the village



Harvesting seagrass





LAMS School. Knowledge is power.

from more sustainable sources. The weavery employs an impressive 350 women and men, and the school annually enrols 700 students, mostly girls, and continues to provide quality education to children who otherwise would not have gone to school.

Numerous measures have been implemented to strengthen sustainability standards at Bokhari, and in 2021 the weavery will install solar panels, thus replacing power from the grid predominantly originating from coal. Plans to set up their own recycling unit are also advancing – all efforts by the company to continuously strive to do better in all aspects of sustainability.

During the ongoing pandemic, Bokhari – with the support of Kid Group and other partners – has stepped up and, during the lockdown in 2020, provided lifesaving food supplies to more than 1,500 families, as well as soaps and sanitizers as a preventive measure against the spread of Covid-19.

Bokhari continues to be inspired by modern Nordic design and traditional artisanship. The range of products now available at Kid Interiør and Hemtex stores, and online, throughout the Nordics is a testimony to their passion for sustainable textiles and interior products for a responsible, conscious way of living. The Bokhari weavery is regularly audited and is certified through Sedex SMETA and meets all ISO 9001 and 14001 standards. Recycled products are made in accordance with the Global Recycle Standard (GRS).



Handmade trivet of seagrass

For Kid Group, a continued and strengthened partnership with Bokhari underlines our commitment to working with suppliers who care – about the environment, their products and 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 good are shipped by sea from the manufacturing countries. In 2020, 97% of imports were transported by ship, representing 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.



E-commerce is increasing, but most online orders are still picked up in stores, rather than 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.

	Emissions	Volume
Boat	88%	97%
Truck	9%	3%
Air	3%	0 ,04%

#### **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 2020, the fill rate for incoming containers was 90,4 (92.8)%. The reduction in fill rate is due to challenges with covid-19.

#### **EFFECTIVE BUSINESS TRAVEL**

Kid Group's ambition is to minimise 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. For 2020 vi have comparable figures for business travel in the group.

Emissions in 2020 from business travel was 107 tons CO2 (229). 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.

The most important step in reducing emissions from energy consumption is to transition all stores to renewable electricity. This review is currently in process and will be implemented during 2021 where possible for the Kid Group.

#### **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.

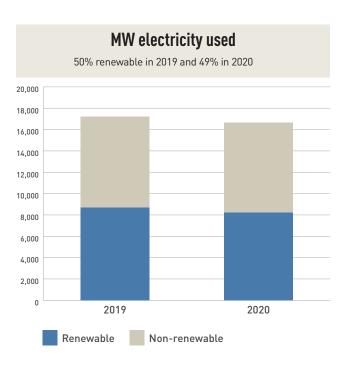
#### **Recycling waste from operations**

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. In 2021 a project will be conducted to map out current challenges which are preventing all stores from recycling all types of waste.

#### 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.

A number of 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 fibre 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.

One internal non-compliance was found in some Kid Interior stores for a Oekotex labelled product. The item was in compliance with the law but not with the Oekotex-RSL and was therefore required to be manually relabeled in the stores before the item could be sold. The supplier immediately

adjusted the chemical content for upcoming deliveries in accordance with the Oektoex requirements. The issue was raised by the Kid Group to the Oekotex certifier via RISE. No fines or warnings were issued against Kid Group.

#### **Clear labelling for conscious consumption**

Kid Group 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 40% of the total assortment and 62% of the textile assortment, are made visible in the stores and marked as sustainable.

To make it easier for the in-house design, purchase, and marketing team to use third-party labels according to the different organisations' requirements a summarised labeling guide has been introduced. 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. No incidents of non-compliances with 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 fibres 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 credibility, 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 that is controlled and certified by Downpass and/or Responsible Down Standard, RDS.
- Cotton labelled with BCI 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



### **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 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 1.6 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 2020 the group acted as the Swedish textile industry's reference group in the new development of a producer responsibility for textiles. This new producer responsibility will be a fundamental part of shifting to a more circular economy and textile flow.

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.

#### Long-lasting home textiles

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 fibre 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.

#### **Collecting of used textiles**

For several years we have had a textile-collection scheme in our stores. This is a great way to visualise 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 the cooperation is 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 organisation 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 centres 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 2020, Kid collected more than 45 metric tons of used interior textiles, down 1 metric ton from 2019 which contributed to a reduction of an equivalent of 213 tons of CO2. The aim for 2020 was to collect 60 metric tons of used interior textiles but due to the Covid-19 pandemic we have had significantly less customer traffic to our physical stores, which can explain the lower amount of collected textiles. We continue to aim for an increase in the amount of collected textiles for 2021.



Plastic bag made with ocean waste

Hemtex had a similar cooperation with I:Collect (I:Co) for several years. Due to the Covid-19 pandemic and restrictions in the Swedish stores, it was decided to pause the textile collection in all stores in March. Still, during the first quarter of 2020, approximately 9 metric tons of textiles was collected in Hemtex stores in Sweden, down from 40 metric tons for the full year 2019. From 2021 we hope to see an increased amount of collected textiles in Hemtex again.

#### Reduced use of plastic bags

During 2020 the paper bags were introduced in Hemtex, leading to 78% of all shopping bags in the Kid Group stores being made from recycled paper. The paper bags are 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.



### **OUR EMPLOYEES**

Kid Group's ability to attract, recruit, develop and retain the right employees is crucial for the company's progress. Kid Group wants to offer employees opportunities for development 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.

These values are summarized in our ethical guideline for employees. Some of these values are:

- We communicate openly, truthfully and clearly
- We act with respect and consideration and with responsibility for each other
- We prevent, identify and handle 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**

Having skilled employees is one of the Kid Group's most important competitive advantages. All employees have access to a variety of training, including product training through Hemtex Academy and Kid Kompetanse. The training is meant to build confidence and high knowledge of the assortment. In 2020 more than 3,000 hours were spend on the online training platforms.

A talent program was also implemented in 2020 where employees can apply to get the possibility to become a store manager through on the job training and central workshops. More than 450 hours were used in 2020 for this training.

As another means to increase employees skills, there is the possibility to get a trade certificate in retail. This is done as weekly online training in collaboration with K2 Kompetanse.



#### **FOCUS ON HEALTH AND SAFETY**

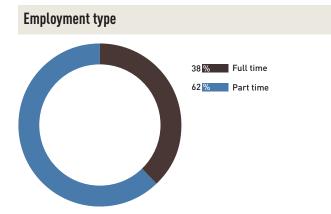
The goal of the Kid Group's workplace environment efforts is ultimately to prevent ill health and absence related to shortcomings in working conditions and the workplace environment.

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

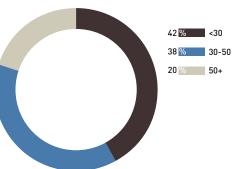
Sick leave at Kid Group is relatively low. In 2020, the total sick-leave rate was 6.4 (5.6)% in Kid Interior and 5.2 (3,7)% in Hemtex.

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

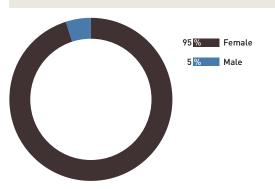
The Kid Group works preventively and systematically with fire safety and the workplace environment. Risk assessments related to intimidation and violence in the company are conducted continuously at a local and central level. If an incident occurs, we have a crisis management organisation which can directly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



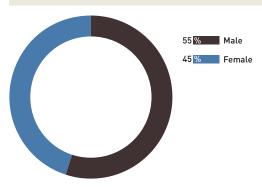




#### Gender distribution



#### Gender distribution in management group



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

In 2020, nine workplace accidents were reported, but with no resulting serious injuries. All reported incidents and injuries are compiled and followed up by the HR Manager.

The Kid Group has zero tolerance for any form of discrimination or harassment and has developed guidelines for how work to prevent harassment will be addressed in the company. No cases of harassment have been reported within the organisation during the year.

The composition of the Kid Group's employees largely reflects the company's customer base. The majority of employees, about 95%, are women. The company's management team consists of 11 persons, of which 5 (45%) are women. The board of directors consists of 5 persons, of which 3 (60%) are women.

#### **INCREASED FULL TIME RATE**

In 2020, the number of employees was 2,045 and 1,267 of these were part-time. This means that 62% of employees work part-time.

The Kid Group endeavours to offer part-time employees as high a rate of employment as possible. This is beneficial to both the individual and the company and leads to a lower employee turnover. The Kid Group has a simple digital staffing system, 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 for all. The Kid Group has also introduced a new scheduling and time reporting system in the stores, which makes it simpler to adapt staffing in the stores to customer needs.

#### EMPLOYEE TURNOVER

Employee turnover was 11% in Kid Interior AS and 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. The increased turnover in Hemtex AB is due to the acquisition and inclusion in Kid ASA which has led to changes in the organization.

#### 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.

In the Kid Group organisation 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 sanitizer available for all customers, as well as a poster which clearly marks the max number of customers to be in each store at any time and posters reminding customers to keep a safe distance. There has also been implemented new and more stringent routines for store cleaning.

The central offices have been temporarily closed and has reduced capacity with no external meetings. Everybody who can work from home have been asked to stay at home.

During 2020 we have had approximately 40 reported case of covid-19 amongst our employees. A reporting system has been implemented to report number of sick days due to challenges with covid-19 such as home schooling and covid-19 testing.

### **CALCULATION METHODS**

#### **CALCULATION METHODS**

This sustainability report encompass the Kid Grpoup 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 Cemasys platform to calculate greenhouse gas emissions according to the GHC protocol. All freight has been included, as well as air freight.

#### **Business travel**

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

#### **Climate emissions**

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

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 Hemtex 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 1st tier.

#### 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 ownbrand products and includes organic cotton products with GOTS certification, cotton which supports sustainable farming methods, and which has been mass balanced and allocated to Hemtex 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.

Hardware has not been included in the materials calculation as the data isn't precise enough to make meaningful assumptions.

Material usage has been calculated for 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%.

# **GRI INDEX**

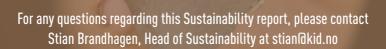
GRI NO	DISCLOSURE	SDG REF- ERENCE	UNGC	COMMENTS	PAGE
GRI 101 FOU GRI 102 GEN	NDATION ERAL DISCLOSURES				
	ORGANIZATIONAL PROFILE				
102-1	Name of the organization				4
102-2	Activities, brands, products and services				4
102-3	Location of headquarters				4
102-4	Location of operations				4
102-5	Ownership and legal form				4
102-6	Markets served				4
102-7	Scale of the organization				4
102-8	Information on employees divided by type of employment, terms, region and gender.	5, 8, 10	3-6		47
102-9	Supply chain				35
102-10	Significant changes to the organization and its supply chain			No significant changes affecting the scope or boundaries of the report	
102-11	Precautionary principle or approach			,	13
102-12	External initiatives	17			16
102-12	Membership of associations	17			16
102 10	STRATEGY	17			10
102-14	Statement from senior decision-maker (CEO) ETHICS AND INTEGRITY				8
102-16	Values, principles, standards and norms of behaviour	16	1, 7, 10		12, 16-17, 24, 29, 30
	GOVERNANCE				32-34,46
102-18	Corporate governance			Kid's Management board consists of 11 people including 6 men and 5 women.	47-49
	STAKEHOLDER ENGAGEMENT				
102-40	List of stakeholder groups				13-14
102-41	Collective bargaining agreements	8	3		48-49
102-42	Identifying and selecting stakeholders				13-14
102-43	Approach to stakeholder engagement				13
102-44	Key topics and concerns raised				13-14
	REPORTING PRACTICE				
102-45	Entities included in the report			Kid ASA and its subsidiaries	
102-46	Defining report content and topic boundaries				13-15
102-47	List of material topics				13-15
102-48	Restatements of information			This is the first report	
102-49	Material changes in reporting			This is the first report	
102-50	Reporting period			Fiscal year 2020	
102-51	Date of most recent report			This is the first report	
102-52	Reporting cycle			Annual	
102-53	Contact person for questions regarding the report			Stian Brandhagen, Head of Sustainability and Supply Chain	
102-54	Statements of reporting in accordance with the CDI Standards			Management , stian@kid.no	2
	Statements of reporting in accordance with the GRI Standards GRI content index				2 52-54
102-55 102-56	External assurance				52-54 2
102-30	LACEI Hat dooul dille				۷
GRI 200 ECO	NOMIC STANDARDS  Economic performace				
	103-1 Explanation of the material topic and its boundaries				10,21-22
	103-2 Management approach and its components				10,21-22
001 1	103-3 Evaluation of the management approach	0.0			10,21-22
201-1	Direct economic value generated and distributed	8,9			7, see an- nual repo for detail:
201-2	Financial implications and other risks and opportunities due to climate change	13			10,21-22

	ANTI-CORRUPTION				
	103-1 Explanation of the material topic and its boundaries	16	10		17
	103-2 Management approach and its components	16	10		17
	103-3 Evaluation of the management approach	16	10		17
205-1	Operations assessed for risks related to corruption	16	10		17
205-2	Communication and training about anti-corruption policies and procedures	16	10		17
205-3	Confirmed incidents of corruption and actions taken	16	10		17
GRI 300 EN	NVIRONMENTAL STANDARDS				
	MATERIALS				
	103-1 Explanation of the material topic and its boundaries	12	7-9		24-28
	103-2 Management approach and its components	12	7-9		24-28
	103-3 Evaluation of the management approach	12	7-9		24-28
301-1	Materials used by weight or volume	8,12	7-9	4 389 tons cotton, 3 370 tons polyester, 533 tons down , 209 tons wool	
301-2	Recycled input materials used	8,12	7-9		26-27
	EMISSIONS				
	103-1 Explanation of the material topic and its boundaries	12, 13	7-9		21
	103-2 Management approach and its components	12, 13	7-9		21
	103-3 Evaluation of the management approach	12, 13	7-9		21
305-1	Direct (Scope 1) GHG emissions	12, 13	7-9		21-22
305-2	Energy indirect (Scope 2) GHG emissions	12, 13	7-9		21-22
305-3	Other indirect (Scope 3) GHG emissions	12, 13	7-9		21-22
	Supplier environmental assessment	,			
	103-1 Explanation of the material topic and its boundaries	12	7-9		32
	103-2 Management approach and its components	12	7-9		32
	103-3 Evaluation of the management approach	12	7-9		32
308-1	New suppliers that were screened using environmental criteria	12	7-9		32
GRI 400 SO	OCIAL STANDARDS				
	EMPLOYMENT				
	103-1 Explanation of the material topic and its boundaries	8	3-6		46
	103-2 Management approach and its components	8	3-6		46
	103-3 Evaluation of the management approach	8	3-6		46
401-1	New employee hires and employee turnover	8	3-6		47-48
401-1	Benefits provided to full-time employees that are not provided to	8	3-6		47-48
401-2	temporary or part-time employees	0	3-0		47-40
	LABOUR/ MANAGEMENT RELATIONS	0	2 /		10.10
	103-1 Explanation of the material topic and its boundaries	8	3-6		48-49
	103-2 Management approach and its components	8	3-6		48-49
100.4	103-3 Evaluation of the management approach	8	3-6		48-49
402-1	Minimum notice period in conjunction with operational changes	8	3-6		48-49
	Training and education				
	103-1 Explanation of the material topic and its boundaries	5, 8	6		46
	103-2 Management approach and its components	5, 8	6		46
	103-3 Evaluation of the management approach	5, 8	6		46
	Average hours of training per year per employee	5, 8	6		46
					46
	Programs for upgrading employee skills and transition  DIVERSITY AND EQUAL OPPORTUNITY				
		5, 8	6		46
	DIVERSITY AND EQUAL OPPORTUNITY	5, 8 5, 8	6		46 46
	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries				
404-2	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries  103-2 Management approach and its components  103-3 Evaluation of the management approach	5, 8 5, 8	6 6	Reported by gender and age	46
404-2	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries  103-2 Management approach and its components	5, 8	6 6	Reported by gender and age	46 46
404-2	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries 103-2 Management approach and its components 103-3 Evaluation of the management approach Diversity of governance bodies and employees	5, 8 5, 8	6 6	Reported by gender and age	46 46
404-2	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries 103-2 Management approach and its components 103-3 Evaluation of the management approach Diversity of governance bodies and employees Non-discrimination	5, 8 5, 8 5, 8	6 6 6	Reported by gender and age	46 46 47
404-1 404-2 405-1	DIVERSITY AND EQUAL OPPORTUNITY  103-1 Explanation of the material topic and its boundaries 103-2 Management approach and its components 103-3 Evaluation of the management approach Diversity of governance bodies and employees  Non-discrimination  103-1 Explanation of the material topic and its boundaries	5, 8 5, 8 5, 8	6 6	Reported by gender and age	46 46 47 33.46

	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
	103-1 Explanation of the material topic and its boundaries	8	3		33, 48-49
	103-2 Management approach and its components	8	3		33, 48-49
	103-3 Evaluation of the management approach	8	3		33, 48-49
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	8	3		33, 48-49
	CHILD LABOUR				
	103-1 Explanation of the material topic and its boundaries	4, 8	5		32-33
	103-2 Management approach and its components	4, 8	5		32-33
	103-3 Evaluation of the management approach	4, 8	5		32-33
408-1	Operations and suppliers at significant risk for incidents of child labour	4, 8	5		32-33
	FORCED OR COMPULSORY LABOUR				
	103-1 Explanation of the material topic and its boundaries	8	4		32-33
	103-2 Management approach and its components	8	4		32-33
	103-3 Evaluation of the management approach	8	4		32-33
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	8	4		32-34
	HUMAN RIGHTS ASSESSMENT				
	103-1 Explanation of the material topic and its boundaries	8, 12	1-2		32
	103-2 Management approach and its components	8, 12	1-2		32
	103-3 Evaluation of the management approach	8, 12	1-2		32
412-1	Operations that have been subject to human rights reviews or impact assessments	8, 12	1-2		32
412-2	Employee training on human rights policies or procedures	8, 12	1-2	All product developers have received training	46
412-3	Significant investments and investment contracts that include human rights clauses or that underwent human rights screening	8, 12	1-2		32-33
	SUPPLIER SOCIAL ASSESSMENT				
	103-1 Explanation of the material topic and its boundaries	8, 12	1-2		32
	103-2 Management approach and its components	8, 12	1-2		32
	103-3 Evaluation of the management approach	8, 12	1-2		32
414-1	New suppliers that were audited using social impact criteria	8, 12	1-2		32
414-2	Negative social impacts in the supply chain and actions taken	8, 12	1-2		32-34
	CUSTOMER HEALTH AND SAFETY				
	103-1 Explanation of the material topic and its boundaries	12			29-31
	103-2 Management approach and its components	12			29-31
	103-3 Evaluation of the management approach	12			29-31
416-1	Assessment of the health and safety impacts of product and service categories	12			30
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	12			30
	MARKETING AND LABELING				
	103-1 Explanation of the material topic and its boundaries	12			41-42
	103-2 Management approach and its components	12			41-42
	103-3 Evaluation of the management approach	12			41-42
417-1	Requirements for product and service information and labelling	12			41-42
417-2	Incidents of non-compliance concerning product and service information and labeling	12			41-42
417-3	Incidents of non-compliance concerning marketing	12			42

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





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