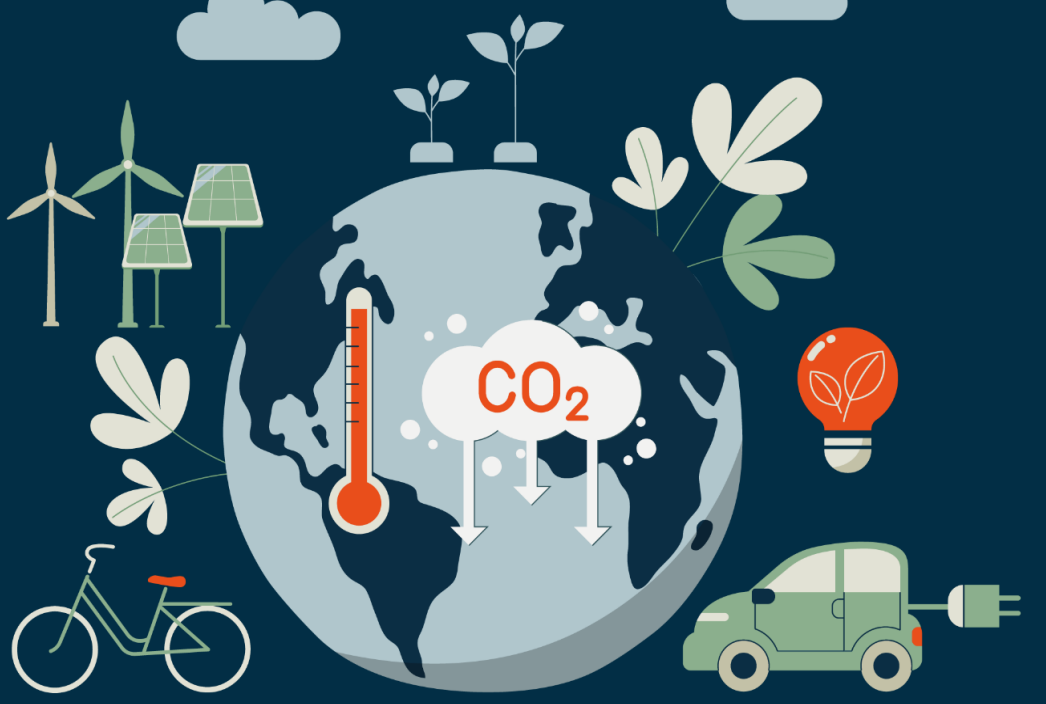
Climate Statement 2023

Kid ASA



2050
Fast Forward to a Greener Future

Introduction

This report is part of Kid ASA 's climate work as a member of the Scandinavian Textile Initiative for Climate Action - STICA.

STICA's aim is to support apparel and textiles organizations as well as the entire apparel and textile industry to reduce their climate impacts and transform the industry. With over 50 members, STICA wants to ensure that Scandinavian countries and the global industry do more than their share – well before 2045.

STICA requires its member report on emissions in Scope 1, Scope 2 and parts of Scope 3. This report covers all required categories for the STICA annual report where business travel is optional.

What does this climate statement entail?

A climate statement, like a financial statement, is a summary of a company's climate impact during a financial year. A climate statement summarises emissions in carbon dioxide equivalents in a standardised way. The purpose of a climate statement is to identify a company's greenhouse gas emissions for all material (i,e.significant) parts of its operations.

What can this climate statement be used for?

A climate statement is often the foundation of a company's climate work, as it can be used as a basis for decision-making in strategy development, investment decisions and target setting, as well as for reporting to voluntary initiatives and legal requirements. Once goals and strategies are defined, the climate statement is an important tool for monitoring the climate work. The information in a climate statement can be used as a basis for:

- Setting and monitoring climate targets for the organisation.
- Applying for Science Based Targets (SBT).
- Reporting according to parts of the European Sustainability Reporting Standard (ESRS) E1 - Climate change, which is part of the Corporate Sustainability Reporting Directive (CSRD).
- Reporting according to parts of the CDP.
- Demonstrating the company's commitment and concrete actions towards key stakeholders.

The climate statement includes an assessment of which steps Kid ASA could benefit from further work. This is described in the section 'Next steps'.

Method

To calculate Kid ASA ‘s climate statement the Greenhouse Gas Protocol (GHG Protocol) has been used, which is the most recognised global standard for calculating greenhouse gas emissions from a company’s operations. The calculations have been carried out according to the three associated standards: The Corporate Standard, The Corporate Value Chain (Scope 3) Standard and Technical Guidance for Calculating Scope 3 Emissions.

According to the GHG Protocol, an activity's emissions must be reported in three scopes (see Figure 1 below), where:

- Scope 1 represents direct emissions from the operations.
- Scope 2 includes indirect emissions generated during the production of purchased electricity, district heating, cooling, and process steam.
- Scope 3 comprises other indirect emissions, both upstream and downstream in the value chain, arising from activities such as purchased travel, transportation, production of purchased goods and services, and commuting trips of employees.

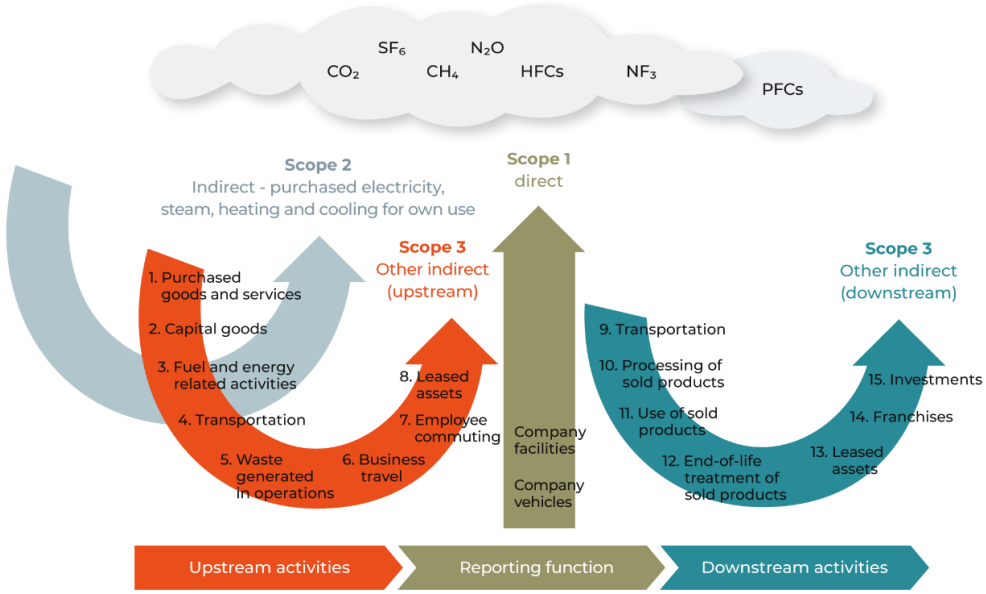


Figure 1. Schematic figure of emissions related to an activity and its value chain, according to the GHG Protocol.

The STICA scope encompasses Scopes 1 and 2 emissions, along with specific components of Scope 3. Adhering to the SBTi guidelines, it addresses two-thirds of Scope 3 emissions, excluding indirect use phase emissions. To meet this requirement, emissions from purchased goods and services are considered, given their substantial impact. Within the STICA scope, emphasis is placed solely on direct materials, excluding items such as hangers and shop fittings. Furthermore, upstream and downstream transport and distribution categories are integrated to account for members' transport-related emissions. Additionally, fuel and energy-related activities' emissions are incorporated into the mandatory STICA scope, aligning with the interconnected nature of these emissions with those reported in Scopes 1 and 2. STICA also outlines an optional scope encompassing emissions from purchased goods and services (indirect materials like hangers and shop fittings), business travel, and product use. The justification of the STICA scope is based on the relevance of the categories in Scope 3, more information about this can be found in STICA's reporting guidelines (see attachments).

If a STICA member has a material impact coming from any of the remaining categories, it is strongly recommended that they measure and report these emissions too. To analyse the relative significance of Scope 3 categories companies can perform a complete Scope 3 screening. To set science-based targets according to the science-based targets initiative (SBTi), it is required to perform a screening of all Scope 3 categories.

Control Approach

Companies have different legal and organisational structures. The GHG Protocol therefore requires a control approach to be determined, either the operational control approach or the financial control approach. The allocation of greenhouse gas emissions in scope 3 is affected by the chosen control approach and is therefore important to report.

- **Financial control approach** – greenhouse gas emissions are classified as direct emissions based on ownership in the legal sense, such as vehicles and properties owned by the organisation.

- **Operational control approach** – greenhouse gas emissions are classified as direct emissions when the activity gives rise to emissions during use, for example when leasing vehicles or operating in rented premises.

For the climate calculations in this report, an **operational control approach** has been used.

Method for Scope 2

According to the GHG Protocol guidelines for emissions from purchased energy, emissions from electricity consumption are calculated using either a location-based method or a market-based method.

- **Location-based method** – the emission factor is represented by the average emissions intensity of the grid on which the energy consumption occurs. In this method, no regard to the origin of the energy is taken. The same emission factor is applied to all energy consumed within a specific grid.

- **Market-based method** – the emission factor is represented by the emissions from electricity sources that companies purposefully have chosen. This means that if the company has bought electricity with guarantees of origin, the emission factors reflect that. All other electricity that is delivered without guarantees of origin represents the remaining electricity production, a so-called residual mix.

In this climate accounting report, the **market-based method** has been applied.

Scope and Excluded Factors

Kid ASA ‘s climate statement includes all emissions in scope 1 and 2. Greenhouse gas emissions in Kid ASA ‘s value chain are reported in scope 3 and are categorised according to the GHG Protocol in 15 different categories. Table 1 below shows which scope 3 categories are included and excluded in the climate accounts in line with STICA's reporting regulations.

Within this report and STICA's scope, several emission sources are not taken into account. Firstly, not all categories from Scope 3 greenhouse gas protocol are included. In order to achieve an overview over all of Kid ASA 's emissions and eventually being able to set SBTs, Kid ASA will need to report on all categories across Scope 3.

Additionally, land-related emissions (FLAG emissions) are not included in the calculations. Products in the textile value chain that are based on organic materials can have extensive emissions resulting from raw material extraction and land use change. Thus Kid ASA could benefit from including FLAG emissions according to the Land Sector and Removals Guidance (LSRG).

This report does not comply with the Corporate Social Responsibility Directive (CSRD) regulations. Within the EU directive, companies that fulfill certain criteria (in regards to balance sheet total, net turnover, and numbers of employees) are going to be obliged to report according to the CSRD. All parts that are material to the company are mandatory to report on within governance, social and environmental sustainability.

Table 1. Included and excluded scope 3 categories.

Scope 3 category		Relevant category for Kid ASA
3.1	Purchased goods and services	Included
3.2	Capital goods	Excluded
3.3	Fuel- and energy-related activities	Included
3.4	Upstream transportation and distribution	Included
3.5	Waste generated in operations	Excluded
3.6	Business travel	Included
3.7	Employee commuting	Excluded
3.8	Upstream leased assets	Excluded
3.9	Downstream transportation and distribution	Excluded
3.10	Processing of sold products	Excluded
3.11	Use of sold products	Excluded
3.12	End of life treatment of sold products	Excluded
3.13	Downstream leased assets	Excluded
3.14	Franchises	Excluded
3.15	Investments	Excluded

All calculations are primarily based on actual activity data from Kid ASA 's own operations. The activity data reported from Kid ASA have been matched to emission factors to calculate the climate impact from the operations.

Where data gaps have been identified estimations have been made based on best available knowledge. As presented in the figure below, the division of emissions based on measured data are 95% and estimated data accounts for 3%, and data based on spend account for 2%.

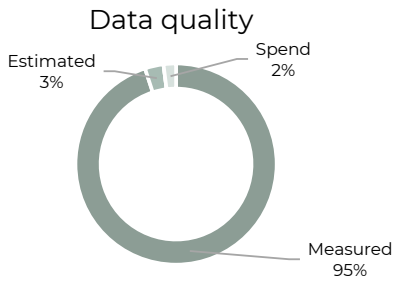


Figure 2. Division of emissions based on estimated vs. actual activity data.

Result and Analysis

Result

For the year 2023, the total amount of greenhouse gas emissions for Kid ASA is 126334 tons of CO2e, of which 65 tons (0,1%) of CO2e are attributed to scope 1, 1512 tons (1,2%) to scope 2, and 124757 tons (99%) to scope 3 (see Figure 3).

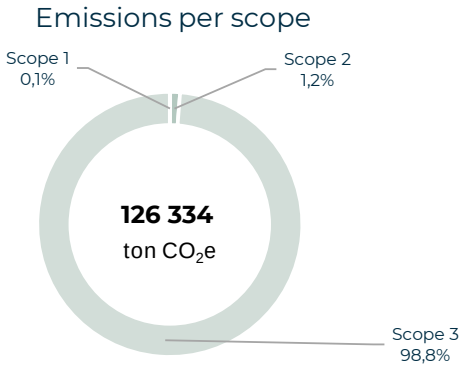


Figure 3. Distribution of all greenhouse gas emissions, divided into scope 1, 2, and 3, along with the number of carbon dioxide equivalents (CO2e).

Emissions per category are presented in the figure below. The largest category of emissions is Purchased goods and services, which stands for 95 % of the total emissions. The category Purchased goods and services consists of tier 1; Manufacturing, tier 2-4; Material and textile production and packaging material. The categories' share is shown in figure 3 below.

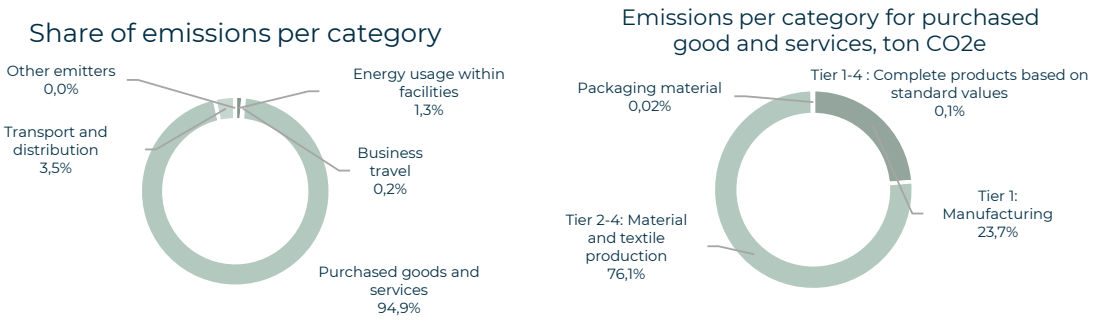


Figure 4 and 5. Emissions per category in scope 1, 2, and 3 and emissions per category for purchased goods and services, ton CO2e.

Detailed results for emissions

The total emissions from the included scopes are 126 334 ton CO2e. Table 2 presents the greenhouse gas emissions (tons of CO2e) distributed across each scope and category.

Table 2. Emissions per category and scope.

Detailed Emissions per Category [ton CO2e]	Scope 1	Scope 2	Scope 3	Total emissions
Energy usage within facilities	**-**	**1 512**	**168**	**1 680**
Electricity	-	798	93	891
Heating	-	714	39	753
District cooling	-	0	-	0
Steam	-	-	-	-
Fuel use for own heat or electricity production	-	-	-	-
Third party warehouses	-	-	36	36
Concessions stores	-	-	-	-
Other facilities	-	-	-	-
Business travel	**49**	**-**	**201**	**250**
Company operated cars	49	-	14	63
Flight travel	-	-	166	166
Train travel	-	-	0	0
Taxi travel	-	-	0	0
Hotels	-	-	21	21
Other	-	-	0	0
Purchased goods and services	**-**	**-**	**119 944**	**119 944**
Tier 1: Manufacturing	-	-	27 909	27 909
Tier 2-4: Material and textile production	-	-	89 616	89 616
Tier 1-4 : Complete products based on standard values	-	-	156	156
Packaging material	-	-	25	25
Other goods and services	-	-	2 238	2 238
Transport and distribution	**-**	**-**	**4 444**	**4 444**
Air freight	-	-	399	399
Ocean freight	-	-	1 753	1 753
Train freight	-	-	42	42
Road freight	-	-	2 251	2 251
Other emitters	**16**	**-**	**-**	**16**
Refrigerant leakage	16	-	-	16
Company operated transports	-	-	-	-
Total	**65**	**1 512**	**124 757**	**126 334**

According to the GHG Protocol, the chosen method for calculating scope 2 emissions should be presented along with the non-chosen method. In the table below, the difference between market-based and location-based methods are presented.

Table 3. Emissions with market-based versus location-based method.

Calculation method, Scope 2	Emissions [ton CO_2e]
Market-based	1512
Location-based	884
Difference	**629**

Key Metrics

In Table 3, relevant key performance indicators from Kid ASA 's climate report are presented. These metrics are utilised to monitor climate efforts. In comparison to the year 2020:

- Total emissions per net revenue [ton CO2e/MSEK] have decreased by 39%.
- Scope 1 and 2 emissions per net revenue [ton CO2e/MSEK] have decreased by 64%.
- Emissions per FTE [ton CO2e/FTE] have decreased by 37%.
- Production emissions per sold product [kg CO2e/sold product] have decreased by 21%.
- Transport emissions per sold product [kg CO2e/sold product] have increased by 38%.
- Energy use per revenue [MWh/MSEK] have decreased by 61%.

Table 4. Key metrics

KPI's	2023	Baseyear 2020	Change 2020-2023
Total emissions per net revenue [ton CO_2e/MSEK]	37	61	-39%
Scope 1 and 2 emissions per net revenue [ton CO2e/MSEK]	0	1	-64%
Emissions per FTE [ton CO_2e/FTE]	126	200	-37%
Production emissions per sold product [kg CO_2e/sold product]	5	6	-21%
Transport emissions per sold product [kg CO_2e/sold product]	0	0	38%
Energy use per revenue [MWh/MSEK]	48	123	-61%

Target progression

Following STICA reporting, Kid ASA have defined a target for emission reduction. Below shows the target progression for Kid ASA and the projected reduction until 2030.

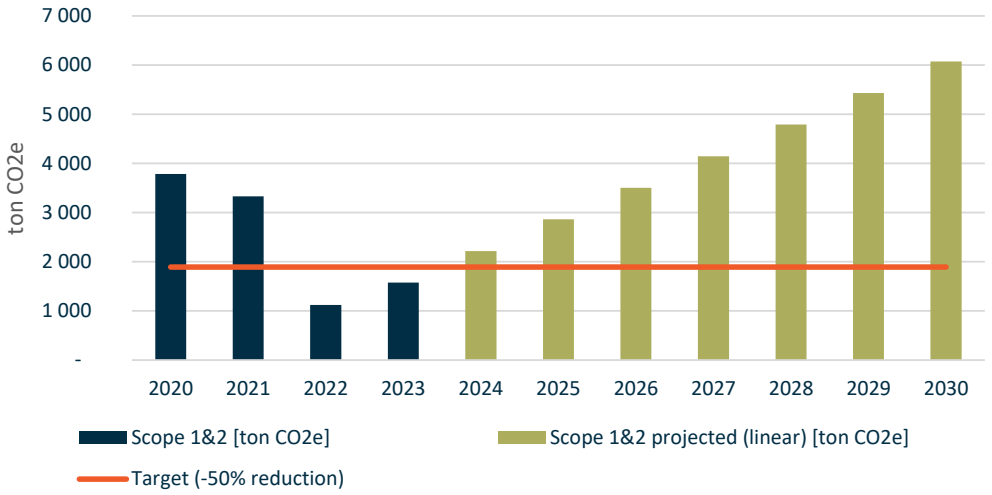


Figure 6. Target progression for scope 1&2.

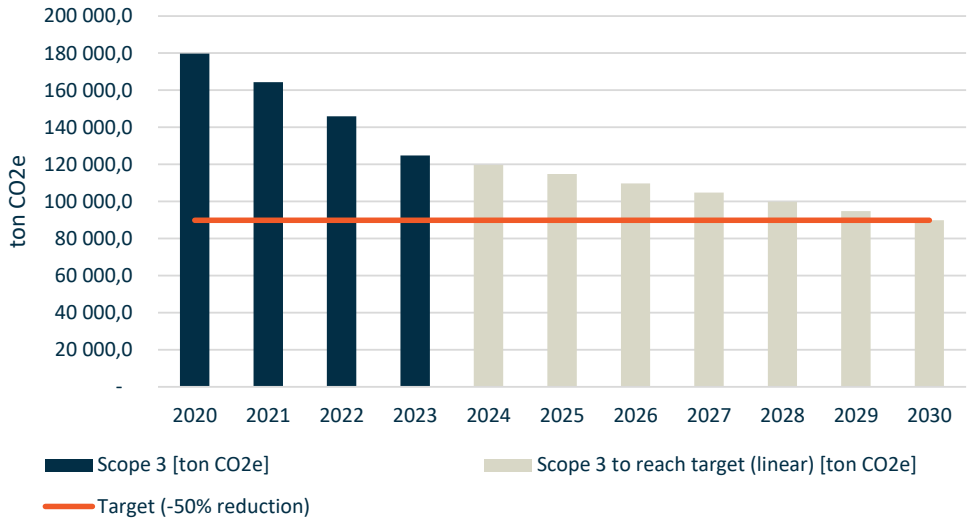


Figure 7. Target progression for scope 3.

In figures 6 and 7, the yellow line indicates the required emission levels to reach the respective targets for Scopes 1 and 2 and Scope 3. The red bars show the progression so far from the base year, and the green bars illustrate emissions if Kid ASA have a linear reduction of emissions from this year until 2030.

Below is an annual comparison for Kid ASA emissions per category.

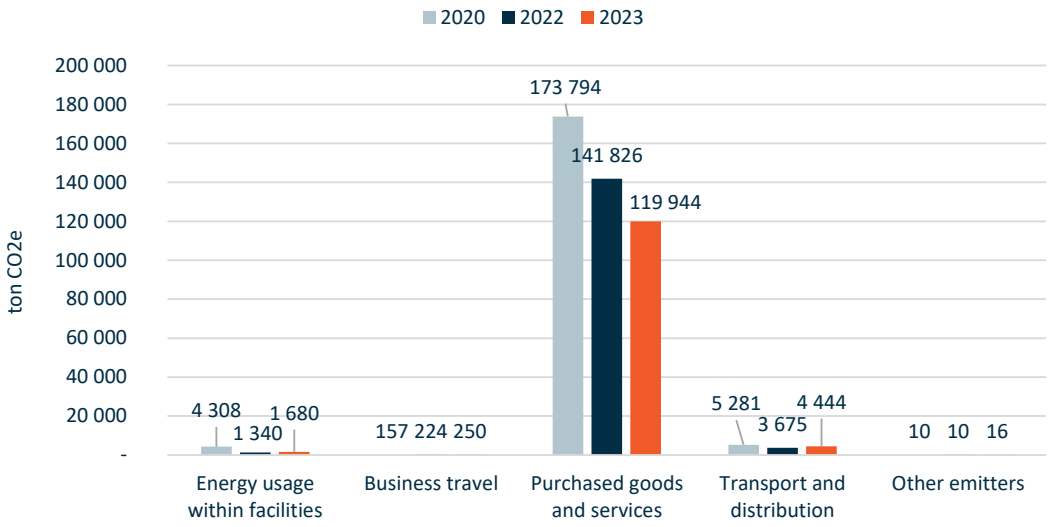


Figure 8. Emissions per category for 2022 and previous years.

Detailed methodology

In this section, detailed methodology and most common assumptions are presented. If specific assumptions or deviations from the detailed methodology section have been done for Kid ASA these are described in the following section: 'Company-Specific Methodology & Assumptions'.

Scope 1&2

Scope 1 and 2 was calculated using, to the greatest extent possible, actual activity data, such as kilowatt-hours or kilometres. The emission factors used in the calculations come from the Swedish Transport Administration (Trafikverket), The Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes.

Assumptions in scope 1 and 2 often include estimates for electricity, heating and refrigerant leakage. Emissions from refrigerant leakage have if actual data is missing, been estimated based on the total facility area in which district cooling is not used. Where no activity data was available for energy consumption, estimates for different facility types from the Swedish Energy Agency (Energimyndigheten) were used.

Purchased goods and services

The category purchased goods and services consists of a data collection representing the emissions from suppliers in tier 1, another separate data collection and calculation for material to cover tier 2-4, as well as a calculation for packaging.

For suppliers in tier 1, data collection includes the total number of products divided between the main categories: Apparel, Glass Products & Candles. For each product category, a general emission factor representing CO2e emissions per kg product has been adopted.

For tier 2-4, calculations were done based on the total weight of materials in Kid ASA 's products. Emission factors for materials are from the Higg MSI database 2023. The emission factors were adapted to account for if the material is for example recycled or organic. If a material was not included in the Higg MSI database, a similar material or an average company-specific material factor was used.

For packaging, calculations were done by using the total weight of materials. Emission factors are from the Higg MSI database 2023, and these were adapted to account for if the material is recycled. All packaging material from tier 1 suppliers to end customer is included.

There is an on-going debate in the industry regarding MSI Higg and its factors. These factors are retrieved from LCAs and databases and are thus not the actual production emissions for Kid ASA 's own factories and fibre production. In some cases these LCAs have been performed on local environments but have a global application, so the representativeness regarding the factors in the MSI Higg varies. Comparing materials in MSI Higg could therefore give a hint on the climate impact but to make decisions on preferred materials 2050 recommends that a more thorough material comparison is made.

When communicating the results from these calculations publicly, make sure you follow MSI Higg's Communication Guidelines (see attachments) regarding what may and may not be communicated.

Transportation and distribution (upstream & downstream)

Emissions from transportation and distribution are primarily based on actual emission data provided by the carrier, secondly by calculations based on provided information about transported weights and distances. Emission factors used for the calculated emissions are gathered from the Network of Transport Measures (NTM).

Fuel and energy related activities

Fuel and energy related activities are calculated using the activity data for electricity and heating in all facilities and fuels used for company-operated vehicles. Emission factors for calculations are from the Swedish Transport Administration (Trafikverket), The Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes.

Business travel

Emissions from business travel are calculated by using the best available activity data and emission factors. The emission factors come from ICAO Carbon Calculator (adjusted for RFI 2,7), Trafikverket, Hertz Sustainability report 2019, the report "Branschläget 2021" by Svenska Taxiförbundet, NTM (2022), and “Travel and climate, Methodology Report. Version 2.0,” by Larsson & Kamb (2019).

The activity data can come from many different sources, thus resulting in highly varying data quality. Data directly from service suppliers, such as Taxi Stockholm or SJ, is seen as high quality, whereas spend data from multiple varying sources requires more estimations in the calculations.

Other facilities

Other facilities are represented by facilities that are utilized but not operated by employees of Kid ASA , for example, third party warehouses and concession stores. The emissions are calculated the same way as for facilities in scope 1 and 2, but all emissions are included in scope 3 in accordance with the GHG protocol. Activity data for electricity, heating and fuels are included.

Emission factors used are from AIB Residual Mixes 2022 and 2023, Energiföretagen 2021, Naturvårdsverket 2021.

Company-Specific Methodology & Assumptions

Several deviations from the common methodology have been made for Kid ASA. The company-specific assumptions for the different categories are presented below.

Kid's emissions are calculated in a software called Emission Twin, the process for calculating emissions and quality assured data has however remained the same.

Purchased Goods and Services
The estimation of Tier 1 emissions is based on purchased product data and various reference values for tier 1 processes, varying by product complexity. For apparel, emissions are determined using average factors from studies conducted by Roos et al. (2015), Cotton Incorporated (2012), and the Institute for Sustainable Resources Queensland University of Technology (2009). Tier 1 for glass production is based on "Klimatberäkningar i glasindustrin (2050)" and tier 1 for candles are based on primary data from similar companies.

Kid have some products where the whole product production emissions are accounted for with one emissions factor, these are: chocolate, battery, olive oil, hygiene products, coffee, tea, spices and pasta. Emission factors remained the same for the products that were included in last year's calculations. Some new products were added this year and for these materials, several assumptions were done. Honey, caramel & marshmallows were assumed to have similar emission characteristics as chocolate. Dip was assumed to have similar emission characteristics as olive oil and ginger beer was assumed to have the same emission factor as tea.

Tier 2-4 emissions were calculated based on actual material weight. Where MSI Higg or EcoInvent could not provide an accurate emission factor for a particular material, it was replaced by a material with similar emission characteristics. The same emission factor was used for all types of stone material. Similar to stone material, all types of tree material was calculated with a general wood emission factor. Banana fiber fabric, straw, hyacinth, sisal and sponge were estimated to have similar emission characteristics as the emission factor for plant-based material.

Tier 2-4 emissions are calculated based on actual material weight. When accurate emission factors are unavailable, similar materials' factors are utilized. For materials without matches in databases, a weighted average emissions per kilogram is computed. This method was used for 1 102 942 kg fabric and corresponds to 1 611 ton CO_2e.

Kid did not have data for packaging material, so this data was hence based on last year's numbers, which in turn is based on data from 2021. The data was scaled down based on the weight of purchased Tier 2-4 material.

Transports
If the freight forwarders did not consider the greenhouse gas effect caused by flights at high altitudes, where evaporation causes additional cloud formation, 2050 adjusted the emissions. The carriers' emissions from air freight was adjusted with a Radiative Forcing Index (RFI) of 2.7, as recommended by STICA.

Some transports did not have emissions including well-to-wheel (WTW) only tank-to-wheel (TTW). An estimation of the emissions from the well to the tank was hence estimated based on data from NTM.

Some transports only had data for CO_2 and not CO_2e, the equivalents were estimated by adding 5% to the final emissions.

Electricity and heating
For those facilities where energy consumption was unavailable, an estimate based on the approximate facility area provided by Kid was made based on reference values for energy use per square meter.

Furthermore, Kid estimated some of the data based on the method used previous years.

Special emission factors from CEMAsys were used for district heating in Norway and district cooling in Norway.

Refrigerant leakage
Refrigerant leakage was estimated for all facilities except Norwegian facilities which was assumed to have district cooling instead.

Business travel
Spend data in NOK was not recalculated to SEK as the average exchange rate in 2023 was very similar (1 NOK = 1,005 SEK) according to Riksbanken.

It is not known if business travel by air reported by Egencia included an RFI of 2,7 as recommended by STICA. Since this has not been recalculated in previous years, it was not done for FY2022 either to avoid a methodology change. It is therefore noted that the RFI for these emissions is unknown.

Changes to previous years
An error regarding the number of Tier 1 products in 2022 was identified and updated, this led to a reduction of emissions by roughly 6000 tons of CO2e.

Furthermore, there has been an update to company cars for 2020. When Kid calculated their emissions for SBTi, an additional 9,6 tons of CO2e was added for the company cars.

Energy data was updated for year 2022 as it was previously based on only assumptions, some measured data is now used instead.

Analysis

The total emissions from Kid were 126 334 tons of CO2e, with the majority (99%) of the emissions belonging to scope 3. Emissions have decreased by 14% compared to 2022 and by 31% since the base year 2020. The emission intensity has decreased for all of Kid's KPIs except transport emissions per sold products.

Scope 1 & 2
Kid have increased their emissions in scope 1 by 16% since the base year 2020. Meanwhile, scope 2 emissions have decreased with 60%, most likely due to improvements in data quality.

Since 2022, emissions in scope 2 has however increased with 35%. The increase is a result in increased area which results in increased energy consumption as well as an increased share of residual mix. Furthermore, the emission factor for residual mix is substantially higher in 2023 compared to 2022. For example: Nordic residual mix had an emission of 403 grams CO2e per kWh in 2022 and 500 grams CO2e per kWh in 2023.

Purchased Goods and Services
Across all categories, purchased goods and services, including both production and packaging material, had the largest overall impact (95% of total emissions). Emissions have decreased by 31% since 2020 and 15% since 2022. The decrease compared to year 2022 is largely due to a decrease in the number of purchased products (-18%)

Compared to last year, the emissions are inline with the number of purchased products expected for Tier 1-4 products. These emissions have increased with 13% and this is largely due to an increase in purchased products which are classified as chocolate, which has a high climate impact.

Kid has since last year increased the share of recycled products. In 2022, recycled products corresponded to 2% of the material weight, in 2023 the same number is 7%. Kid should continue to increase the number of recycled materials in order to lower their Tier 2-4 emissions.

However, the most important action to take for Kid is to increase the data quality. There are a lot of estimations from previous years in both packaging material, Tier 1 and Tier 1-4 which may cause errors and give an inaccurate picture of the emissions. It is recommended that Kid start collecting data from their suppliers and at the same time do an overview over previous assumptions and categorisations of data.

Transportation and distribution
The second-largest category is transport and distribution (4% of total emissions). Emissions have increased by 21% since 2022 and decreased by 16% since the base year. The increase since last year is primarily due to increased air freight as well as sea freight. Kid has recently released new product lines which are heavier and could explain to increase in emissions as well as transport work.

Business travel
Emissions from business travel have increased by 12% since last year and 59% since the base year. This is primarily driven by emissions from flight travel that have increased due to the removal of covid restrictions. Emissions from company operated cars have increased by 33% from last year. It should however be mentioned that the data quality for company operated cars have increased from last year as the data in 2023 primarily is in litres and for 2022 kilometres.

Contact to 2050

For questions regarding the climate report, contact:

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Relevant sources

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

GHG Protocol Corporate Accounting and Reporting Standard

GHG Protocol Technical Guidance for Calculating Scope 3 Emissions

MSI Higg's Communication Guidelines

STICA's Reporting Guidelines for Company Members