



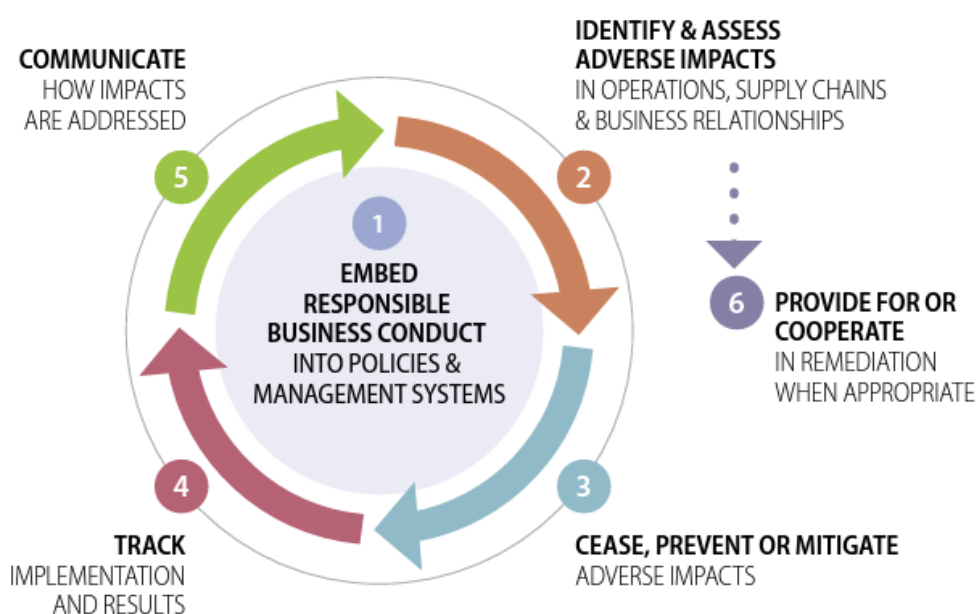
Kid / HEMTEX

Due diligence report
Kid ASA 2022

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



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

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

1 General information

1.1 Company overview

Company name: Kid ASA

Visiting adress: Gilhusveien 1, 3426 Gullaug, Norway

Reporting period: 01.01.2022 – 31.12.2022

Revenue FY 2022: 3,178 MNOK

Emplyees 2022: 2298

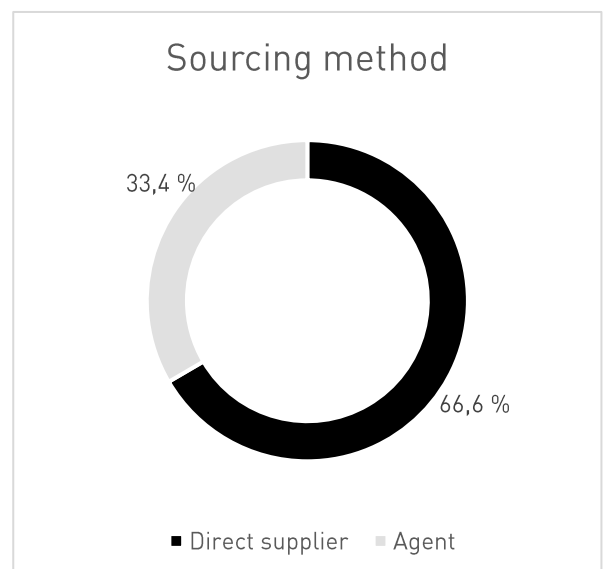
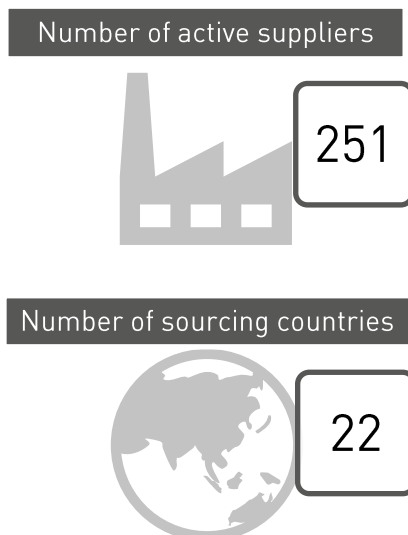
Business structure: The Kid Group offers a full range of home and interior products, including textiles, curtains, bed linens, furniture, accessories, and other interior products. We design, source, market and sell these products through our stores as well as through our online sales platforms. A total of 286 stores are located in Norway(156), Sweden(120), Finland(8) and Estonia(5).

1.2 Supply chain overview

1.2.1 Suppliers

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

Suppliers are defined as the first point of contact. In China there are some trading companies where there remains complete mapping of all manufacturers. The Kid group is working to reduce its supplier base after the acquisition of Hemtex.



Sourcing country	Number of suppliers	Share of sourced volume
China	112	45,7 %
India	31	15,8 %
Pakistan	15	13,4 %
Bangladesh	9	10,1 %
Turkey	9	3,6 %
Denmark	16	3,5 %
Norway	18	1,6 %
Sweden	12	1,3 %
Estonia	4	0,8 %
Netherlands	1	0,7 %
Hungary	2	0,7 %
Poland	2	0,7 %
Viet Nam	3	0,5 %
Taiwan, Province Of China	5	0,4 %
Portugal	2	0,4 %
Nepal	1	0,3 %
United Kingdom	1	0,2 %
Belgium	1	0,2 %
Lithuania	2	0,1 %
Russia	1	0,1 %
Germany	3	0,1 %
Indonesia	1	0,02 %

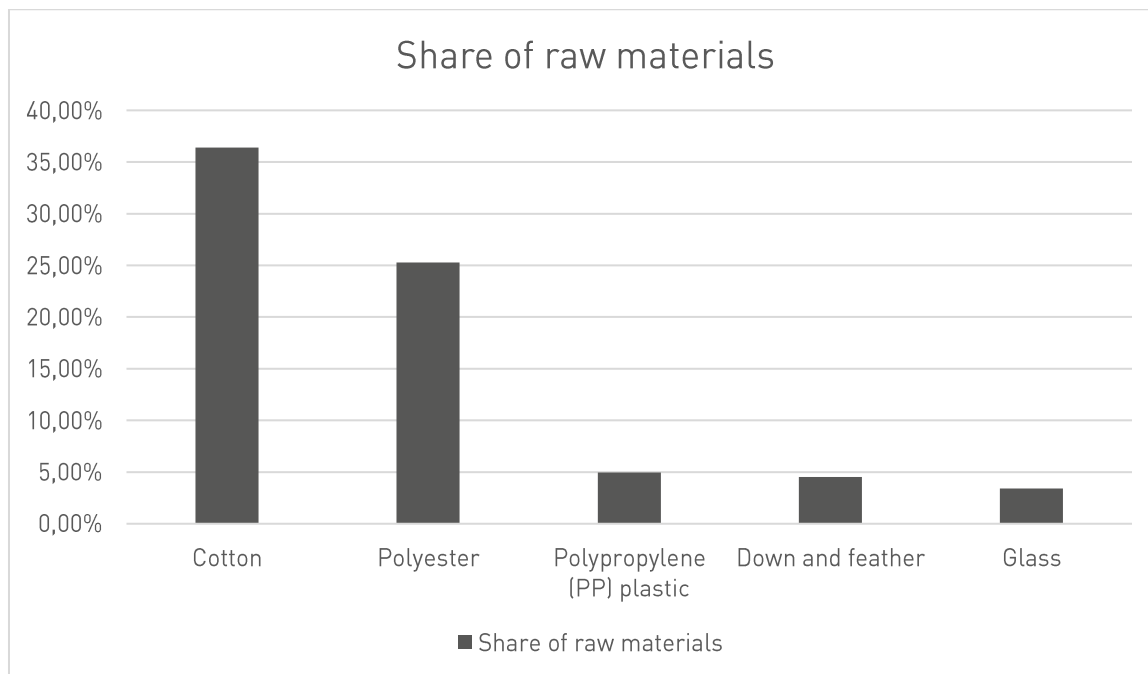
1.2.1.1 Supplier whistleblower mechanisms

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

The factory audit protocol includes a check for local whistleblower systems. We are planning to implement a new whistleblower mechanism through our own website for our suppliers.

1.2.2 Materials

The materials in the table³ below represent over 77 % of the materials in the product we source. The volume is measured in ton finished product.



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



³ Kid Sustainability Report 2022

2 Embedding responsible business conduct

2.1 Due diligence policy

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

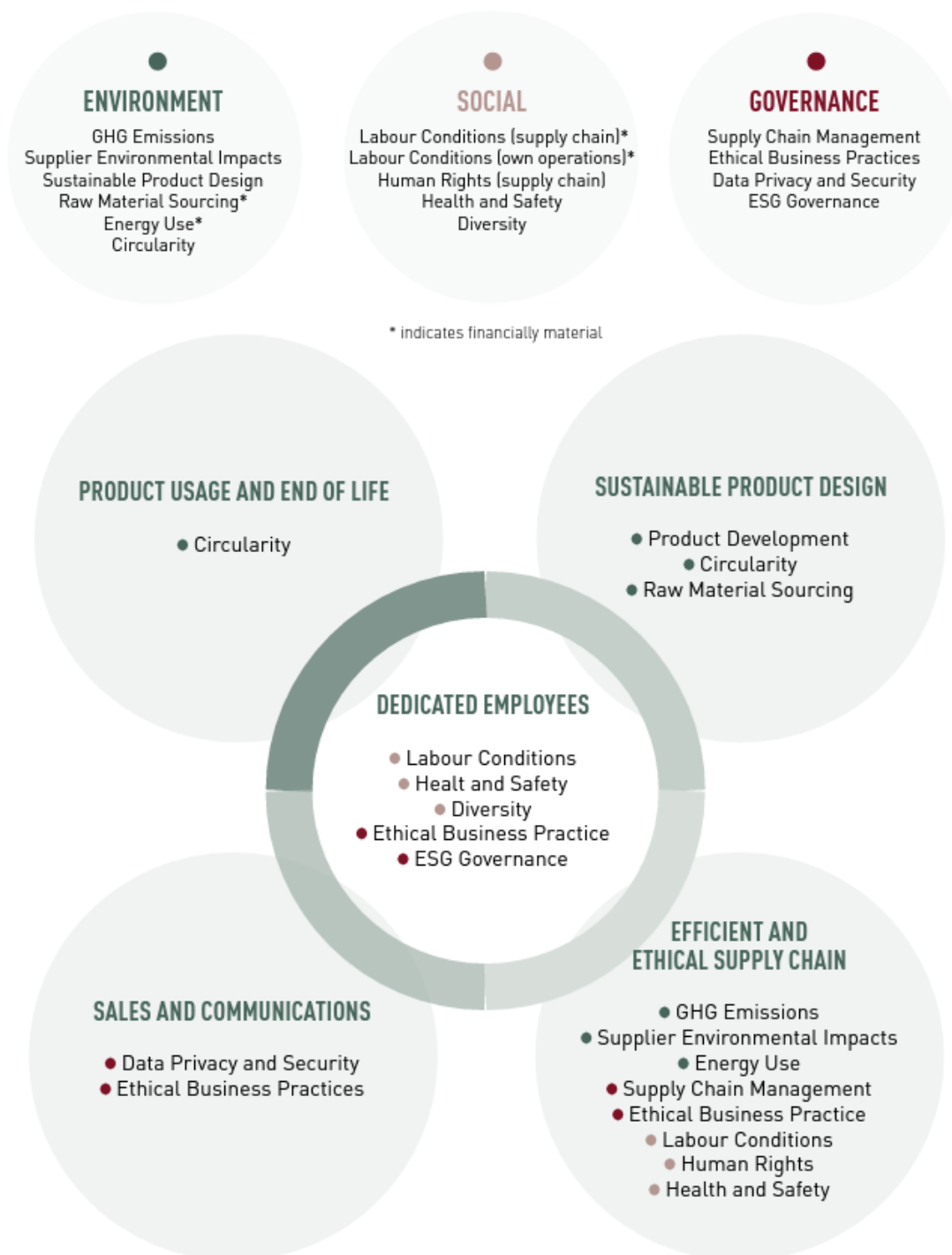
The primary objective is to prevent risks and unwanted events that could undermine business confidence, and at the same time secure a sustainable progress. However, if an unwanted event occurs, despite preventive measures, damage-mitigating action plans should be in place. The risk management process includes a yearly identification, analysis, and follow-up of the company's most significant risks. Additionally, risk assessments are conducted on an ongoing basis in connection with significant changes to operations, larger projects, and major investments, and are integrated into business processes and sustainability efforts.

2.2 Materiality Assessment

The result of this work is presented in the materiality assessment⁴, where important environmental, social, and financial (ESG) topics are identified and ranked based on their impact and significance. The material topics are divided into our value chain in which we operate within. The materiality assessment is used by the sustainability department to verify that the development is relevant and has a positive impact.

⁴ Kid Sustainability report 2022

MATERIAL TOPICS



2.3 Policy governance

The Group’s risk management system, which includes ESG topics, is evaluated by the Groups audit committee on a quarterly basis. This ensures that the Group has an overview of its risks, takes responsibility for reporting any significant changes in the risk profile, and follows up to make sure that risk management work is carried out in a coordinated and efficient

manner within each business area. The risk assessment and any related material events are systematically reported to the Board of Directors.

The Kid Groups *Policy for responsible business conduct*⁵ are based on UN and ILO conventions and provide minimum, not maximum standards. The policy is signed by the Board of Directors. The principles in the business conduct are embedded in Kid's Purchase Agreement and Requirement⁶. No orders will be shipped before this agreement is signed by the supplier.

2.4 Organization and internal communication

The Group's Head of Sustainability has responsibility for managing Kid ASA's sustainability work. Sustainability topics are an integrated part of the organizations daily work processes, decisions and activities, and the goal is that all employees take responsibility for the impact of their own work. The Board of Directors receives an annual update on the material topics.

To further enhance the focus on better designs, materials, and products in the assortment, we have introduced 30 minutes of quality and sustainability education in the monthly buying and design team meetings. Employees are encouraged to attend courses regarding supply chain management and due diligence.

2.5 Goals and measures

- 80% of suppliers based on sourced volume to be scored on the Sedex platform by 2021, and 100% by 2023.
 - o We reached 93% in 2022, up from 84% in 2021.
- Securing valid social audits for 80% of tier 1 suppliers based on volume by 2023.
 - o We reached 84% in 2022.

For a complete overview of our sustainability targets, please see our Sustainability Report.

2.6 Plans and Resources

The Kid Group have over many years developed the Due Diligence work. Going forward we are planning to better utilize the data collected through our membership in Sedex in order to get a more insight and to be able to track progress and development. This will hopefully create a better foundation to identify the most salient risk areas and further cooperation with our suppliers.

The group is also relocating more resources to closer follow up findings from audits, supplier certifications and the corrective action plans.

⁵ <https://investor.kid.no/corporate-governance/policy-for-responsible-business-conduct/>

⁶ <https://www.kid.no/supplier>

3 Identify & assess adverse impacts

3.1 General risk mapping

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

Before entering business with new suppliers and factories they are screened according to a variety of environmental and social aspect, and different third-party certificates are collected and verified. All suppliers are required to sign and comply with the group's PAR before the first order can be placed. The PAR includes a Code of Conduct with social compliance requirements. In 2022 we have strengthened our screening process for new suppliers, and an updated checklist was introduced in the purchasing and buying department to better control the implementation of new suppliers.

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

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

3.2 Salient human rights risks

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

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

4 Cease, prevent or mitigate

4.1 General principles

To identify and assess actual impact and risk, the Kid group primarily uses the SMETA 4-pillar protocol for audits, but also accepts other standards such as Amfori BSCI and SA 8000. Full audits based on the same principals as set in the Code of Conduct are conducted in factories at least every two to five years depending on suppliers' size, production processes and history, and follow-up audits should be done in between. If issues are discovered during an audit, a corrective action plan is set up with clear timelines and agreed by the supplier to implement. If the finding is noted by an auditor during an audit, the corrective action is also checked and verified by the auditor after a set time period. The group works together with the suppliers to handle noncompliance issues and remedy the negative impact by various suitable measures, e.g. updating routines or implementing other positive changes in the factories. Simply carrying out an audit does not lead to improvement. It is the process of monitoring and setting up corrective action plans that will enable the factory to make continuous progress and improve working conditions for those who work there. Follow-up visits and dialogue are therefore of great importance.

Members from the group's sustainability department conducts regular business trips and attend factory site audits of the suppliers, most of whom operate in China, India, Pakistan, and Bangladesh. In 2022 we were finally able to visit six suppliers in India after years of travel restrictions due to Covid-19. The six suppliers together delivered 50% of the 2022 order value from India to the Kid Group. In 2023 we plan to visit our most important suppliers in Bangladesh, as well as in either China or Pakistan.

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

4.2 Ceasing, preventing or mitigation of salient risk areas

4.2.1 Forced Labor

Forced labor or compulsory labor is prohibited. It is important that workers receive continuous wages for work performed, that they are entitled to take holiday and terminate their employment with wages for work performed. There is an increased risk of forced labor in the Xinjiang province, and with migrant workers around China coming from the Xinjiang province. We are actively communicating with our suppliers on this issue tracing our cotton sourcing.

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

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

No incidents of forced labor have been or reported during 2022, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.

4.2.2 The Right to Collective Agreements and Freedom of Association

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

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

4.2.3 Health and Safety in Factories

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

4.2.4 Child labor

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

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

No incidents of child labor have been or reported during 2022, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.

4.2.5 Wage below living wage

In accordance with the Kid Group's Code of Conduct and local legislation, suppliers must at least pay the country's statutory minimum wage, or industry benchmark standards, whichever is higher to their employees. Wages should always be enough to meet basic needs, including some discretionary income.

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 that needs to be compensated by longer working hours. It is important that we as a customer to our suppliers help to plan our orders and shipments, as well as encourage the suppliers to find solutions to excessive overtime and to get them to understand the problem.

5 Track implementation and results

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

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

6 Communicate

6.1 Communication with affected stakeholders

We communicate with our stakeholders regularly, both during systematic check-ups, and ad-hoc analysis. We want a supplier relation based on trust and predictability, therefore we want to avoid unannounced visits or control unless we have a valid and specific reason.

6.2 Communication of own Due Diligence

At The Kid Group, we strive to achieve growth by implementing a balanced approach of responsible marketing, excellent customer service, and offering high-quality and inspiring products. We are committed to educating our customers about sustainable and ethical purchasing practices, in addition to providing guidance towards these choices. In this section we talk about how we communicate our sustainability topics with our customers without greenwashing, and how we operate our sales channels.

All published material will be available in our websites.

6.3 External inquiries regarding the Transparency act

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

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

7 Provide for or cooperate in remediation when appropriate

7.1 General principles

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

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

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

7.2 Findings from 2022

- In 2022 Kid Group did not terminate collaboration with factories due to breaches on the code of conduct. However, The Group faced two cases in 2022 leading to the ending of business relation. One case where a large factory went bankrupt, and the workers lost their jobs. We have had contact with the factory management and the workers were compensated for the performed work. According to the supplier's agent, most of the workers have now found new jobs and only a few are still working in the factory for maintenance of the property and machinery. The company owning the factory are still listed on the Dhaka stock exchange, and the plan is that the factory will get new owners and restart the factory.
- The second case was due to the sanction against the Russian Federation after their invasion of Ukraine. After recommendations from Ministry of Foreign Affairs, we accepted the already finalized order from the Russian supplier, and then ended our business collaboration with them.
- No incidents of child labor or forced labor have been or reported during 2022, however we continue to monitor these topics carefully since our due diligence work identifies child labor and forced labor as high risk in certain areas of our supply chain.

Electronically signed, Lier, 24. May 2023

The board of directors, Kid ASA

Petter Schouw-Hansen
Chairperson

Rune Marsdal
Board member

Liv Berstad
Board member

Gyrid Skalleberg Ingerø
Board member

Karin Bing Orgland
Board member

Espen Gundersen
Board member

Anders Fjeld
Chief Executive Officer