

KMD BRANDS LIMITED
NZX / ASX

29 November 2024

KMD Brands announces Release of Climate-Related Disclosure

KMD Brands Limited (NZX/ASX: **KMD**, **KMD Brands**) has today published its first Climate-Related Disclosure (**CRD**) prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CS).

The CRD covers the 12-months ended 31 July 2024 and should be read in conjunction with KMD Brands' FY24 Annual Integrated Report, released on 25 September 2024.

A copy of KMD Brands' FY24 CRD is attached and is also available on our investor website at www.kmdbrands.com/reports.

ENDS

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KMD BRANDS

Climate Related Disclosures 2024

KMD

Contents

1	2	3	4	5	6
INTRODUCTION	GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS	APPENDICES
1.1 Chair and CEO message 2	2.1 Board oversight..... 5	3.1 Our business model and strategy 7	4.1 Climate risk identification and assessment..... 15	5.1 Our GHG emissions inventory 16	Appendix 1: Additional GHG emissions sources..... 20
1.2 About KMD Brands..... 3	2.2 Role of the management team 6	3.2 Current climate-related impacts 8	4.2 Management of climate risks..... 15	5.2 Our targets and performance 17	Appendix 2: Glossary 23
1.3 Compliance statement..... 4		3.3 Climate scenario analysis.... 8		5.3 Other metrics 19	Appendix 3: Toitū emissions inventory reports..... 23
1.4 Statement of limitations..... 4		3.4 Climate-related risks and opportunities 10			
		3.5 Transition planning 14			

1. INTRODUCTION

1.1 Chair and CEO message

On behalf of the board of directors, we present the first Climate-Related Disclosure (CRD) statement prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CS 1, 2, and 3) for KMD Brands Limited (KMD Brands or the Group).

KMD Brands is a global outdoor, lifestyle, and sports company, proudly certified as a B Corporation (**B Corp**). B Corps are businesses that meet high standards of positive social and environmental performance, accountability, and transparency. In the years prior to the release of this CRD statement, we've tracked, reported on and set targets to reduce our emissions footprint as part of our wider environmental, social and governance (**ESG**) commitments.

Our first CRD statement is the next step in this journey, as we continue to enhance our understanding of the potential risks and opportunities that climate change presents to our business, and our strategies for adaptation and response.

Though we are proud of the progress we have made towards our emissions reduction targets to date, we do not underestimate the work ahead. We are intent on improving our data quality, access and accuracy; and also providing access across our supply chain for the necessary shift towards renewable energy sources.

Decoupling emissions and economic growth is a significant challenge, and there are many factors which are outside of our direct control. It is essential that we continue to collaborate, share knowledge and experience with our teams, customers, suppliers and other businesses, to collectively work to address the systemic challenges within our industry and across various sectors.

The preparation that went into this first CRD statement has been comprehensive and complex, with contributions from all our brands and global regions, as well as insights from expert external advisors, and internal specialists. This collaborative effort has expanded our knowledge and is an important step towards enhancing KMD Brands' strategy and ongoing resilience.

Overall, we are pleased with the CRD statement we are now able to present, but recognise that there is significant work ahead as well as new challenges we may not yet be aware of.

David Kirk
Chairman

Michael Daly
Managing Director and Chief Executive Officer



1.2 About KMD Brands

The Group consists of three iconic brands: Kathmandu, Rip Curl, and Oboz. KMD Brands operates in multiple geographic regions across the globe, from its corporate office functions, extensive retail footprint, sourcing and manufacturing of product and wholesale customer distribution, as well as online presence.

Key to the purpose and vision of KMD Brands, is a love of the outdoors. Each of our three iconic brands creates high-quality products that are designed for purpose, driven by innovation, best for people and planet, and made specifically with the outdoors in mind. Be it surfing, hiking or spending time in the open air, our goal is to promote and enrich activities that bring our customers the joy of an experience outdoors.

As a B Corp, we are committed to embedding responsible business practices across all our brands, protecting the value of our business for long-term success while seeking to recognise the impact of our business on all stakeholders.

PURPOSE

INSPIRING PEOPLE TO EXPLORE AND LOVE THE OUTDOORS.

VISION

TO BE THE LEADING FAMILY OF GLOBAL OUTDOOR BRANDS – DESIGNED FOR PURPOSE, DRIVEN BY INNOVATION, BEST FOR PEOPLE AND PLANET.



Kathmandu's journey began in Aotearoa New Zealand more than 30 years ago. We're on a mission to improve the wellbeing of the world by getting more people outdoors – because nature has a positive transformative effect on us all. The outdoors makes us happier, more open, free and fun. Our vision at Kathmandu is to be the world's most loved outdoor brand.



Born in the legendary Greater Yellowstone Ecosystem, just outside our front door, the mountains near Bozeman beckon us. This 10-million-acre laboratory is where we test our designs and draw inspiration for new ideas. It's where we immerse ourselves in nature's wonders. It even inspired our name "Oboz" (Outside + Bozeman = Oboz).



Founded in 1969 in Bells Beach, Australia, Rip Curl is the ultimate surfing company. For more than 50 years, we have led the surfing market and become synonymous with surf culture. 'The Search' – the relentless pursuit of the perfect wave – lives in the spirit of everything we do. Our vision is to be regarded as the ultimate surfing company in all that we do.

1.3 Compliance statement

This is KMD Brands’ first Climate-Related Disclosure (CRD) statement as a climate-reporting entity under the Financial Markets Conduct Act 2013, prepared in compliance with the Aotearoa New Zealand Climate Standards (NZ CS 1, 2 and 3).

In preparing this statement, KMD Brands has elected to use the following first-time adoption provisions in NZ CS2:

- Adoption provision 1: Current financial impacts
- Adoption provision 2: Anticipated financial impacts
- Adoption provision 3: Transition planning
- Adoption provision 4: Scope 3 GHG emissions
- Adoption provision 6: Comparatives for metrics
- Adoption provision 7: Analysis of trends

This statement is for the FY24 reporting period (1 August 2023 to 31 July 2024) (**FY24**). These disclosures follow the NZ CS recommendations and are structured around

four key areas: Governance, Strategy, Risk Management, Metrics and Targets. The Greenhouse Gas (**GHG**) emissions and metrics disclosed in this statement should be read with the methodologies, assumptions and uncertainties set out in Appendix 1 (Table 8).

KMD Brands Limited is a New Zealand registered company listed on the NZX (primary listing) and ASX (foreign exempt listing). This CRD statement includes disclosures for KMD Brands and each of its subsidiaries, but excludes certain specific geographic regions of immaterial size as further described in section 3.3.2. References to KMD should be taken to include the Group, as appropriate.



1.4 Statement of limitations

This disclosure sets out our present understanding of KMD’s climate-related risks and opportunities, our strategy to respond to these risks and opportunities and our expectations of the current and anticipated impacts of climate change in relation to the Group, and our approach to scenario analysis.

This reflects KMD’s current understanding as at 19 November 2024.

This report contains forward-looking statements and opinions, including climate-related scenarios, targets, assumptions, estimates, judgments, climate projections, forecasts, statements of KMD Brands’ future strategy, operating environment, that may not evolve as anticipated. Such statements are inherently uncertain and subject to limitations, particularly as inputs, available data and information are subject to change. We base those statements and opinions on reasonable information we know at the date of publication. We do not:

- represent those statements and opinions will not change or will remain correct after publishing this report, or
- promise to revise or update those statements and opinions if events or circumstances change or unanticipated events happen after publishing this report.

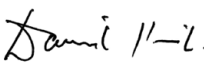
The risks and opportunities described in this report, and our strategies to achieve our targets, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause KMD’s actual results, performance or achievement of climate-related metrics (including targets) to differ materially from that described, including economic and technological viability, climatic, government, consumer, and market factors outside of KMD’s control.

We give no representation, guarantee, warranty or assurance about the future business performance of KMD Brands, or that the outcomes expressed or implied in any forward-looking statement made in this document will eventuate. While we have sought to provide a reasonable basis for any forward-looking statements, we caution reliance on representations that are necessarily subject to material uncertainty, assumptions and data challenges, particularly given the longer-term horizons required for CRD disclosures, and that are necessarily less reliable than other statements KMD may make in its annual reporting.

This disclaimer should be read along with the methodologies, assumptions and uncertainties and limitations on pages 20 to 22.

Nothing in this statement should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance. We disclaim to the fullest extent permitted by law any loss suffered by reliance on this disclosure. We expect that forward-looking statements made in this document will be updated, amended and restated in future iterations of our disclosures as the quality and reliability of data, assumptions and methodology continues to evolve. For detailed information on our financial performance, please refer to our Annual Integrated Report, available at <https://www.kmdbrands.com/reports>.

This disclosure was approved on behalf of KMD Brands Limited on 19 November 2024.



David Kirk
Chairman



Michael Daly
Managing Director and Chief Executive Officer

2. GOVERNANCE

2.1 Board oversight

The Board of KMD Brands is responsible for the overall corporate governance and oversight of risk for the Group, including our response to the risks and opportunities presented by climate related issues.

The Board approves and adopts the appropriate policies and procedures to enable directors, management and employees to fulfil their functions effectively and responsibly. The Board meets regularly, at least eight times each year. During FY24, the Board was informed about matters relating to governance of climate-related risks and opportunities, including consideration of NZ CS requirements, at the Board meetings held in August 2023 and June 2024. The Board also considered climate-related risks and opportunities during its review and approval of the proposed scenario analysis process, scope and boundaries in November 2023 and review of the outputs of the climate risk assessment in June 2024.

The Board is supported in this function by the Audit and Risk Committee (**ARC**), which meets at least five times per year, and assists the Board in discharging its responsibility for strategic risk oversight. KMD Brands has a Risk Management Policy (available on our investor website at kmdbrands.com)

which is reviewed annually. The purpose of the Risk Management Policy is to ensure that appropriate systems and methods are designed and implemented to identify, and to the extent that is reasonably practicable, minimise and control our material risks in line with our organisational risk appetite. The ARC reviews reports on assessment of key material enterprise risks from management, which are provided at least twice per year. The ARC is also responsible for oversight of compliance with Climate-Related Disclosure regulations relevant to KMD Brands. We have yet to fully integrate our identified climate risks and opportunities into our broader enterprise risk management (**ERM**) processes.

During FY24, the KMD Brands Board has been broadening its understanding of climate-related matters through learning sessions and discussions, drawing on the wealth of knowledge available both internally within KMD Brands and from external industry specialists.



In addition, one KMD Brands Director is a member of Chapter Zero, a global network of directors committed to taking action on climate change. The KMD Brands Board Charter mandates that directors keep up-to-date with trends and changes impacting KMD Brands’ business. It also encourages them to participate in professional development courses to maintain their knowledge on relevant issues. For more information on the Board’s skills and competencies, refer to the [KMD Brands Corporate Governance Statement](#). This document includes a director skills matrix, which is reviewed and updated annually, and which includes specific skill categories for ‘Sustainability for communities, climate and product circularity’ as well as ‘Risk management, including non-financial risk’.

One of the four KMD Brand strategic pillars, supporting its growth as a global business and family of outdoor brands, is its focus on ‘Best for People and Planet’. This strategic focus is underpinned by KMD Brands’ commitment as a B Corp which embeds consideration of impacts on all stakeholders and the environment within the governance processes of KMD Brands. As part of this strategic focus area, KMD Brands

has undertaken Group-wide ESG materiality assessments and, informed by these assessments, has developed a KMD Brands ESG strategy that covers the entire Group (the **Group ESG Strategy**). These materiality assessments include consideration of material issues to KMD Brands’ business such as the impacts of climate change and biodiversity loss. As part of implementing this strategy, governance over climate change-related issues is centrally coordinated. The Board was involved in the development process which led to the formation of the Group ESG Strategy, and its foundation in the ‘Best for People and Planet’ strategic pillar. The Board also approved the Strategy’s final focus areas, metrics and targets which include metrics relevant for managing climate-related risks and opportunities. These metrics are reported on to the Board at least twice a year.

Related performance metrics linked to our four Group strategic pillars, including climate-related risks and opportunities, are also incorporated into remuneration policies as described in more detail at paragraph 5.3.3 of this document.

2.2 Role of the management team

The Board delegates responsibility for strategy implementation and management of the ERM framework, which includes assessment and monitoring of, and strategy relating to, climate-related risks and opportunities, to the KMD Brands’ Group Chief Executive Officer (Group CEO) and Managing Director. The Group CEO is supported by an executive leadership team to deliver on these responsibilities.

The Chief Legal and ESG Officer, in conjunction with the Chief Financial Officer, are responsible for overseeing and embedding KMD’s risk management framework within the business, which includes climate-related risk assessment, and both of these officers report directly to the Group CEO.

The KMD Brands’ group executive leadership team (ELT), which includes the Brand CEOs, are responsible for assessment and monitoring of all risks, including climate-related risks and opportunities. The wider management team participate in regular risk assessments, at least twice per year, using the risk management framework and to assess the current level of exposure to, and impact of risks to KMD Brands and to consider whether appropriate risk mitigation strategies and controls are in place. Reporting on material risks during each reporting period is provided twice per year to the ELT and ultimately the Board.

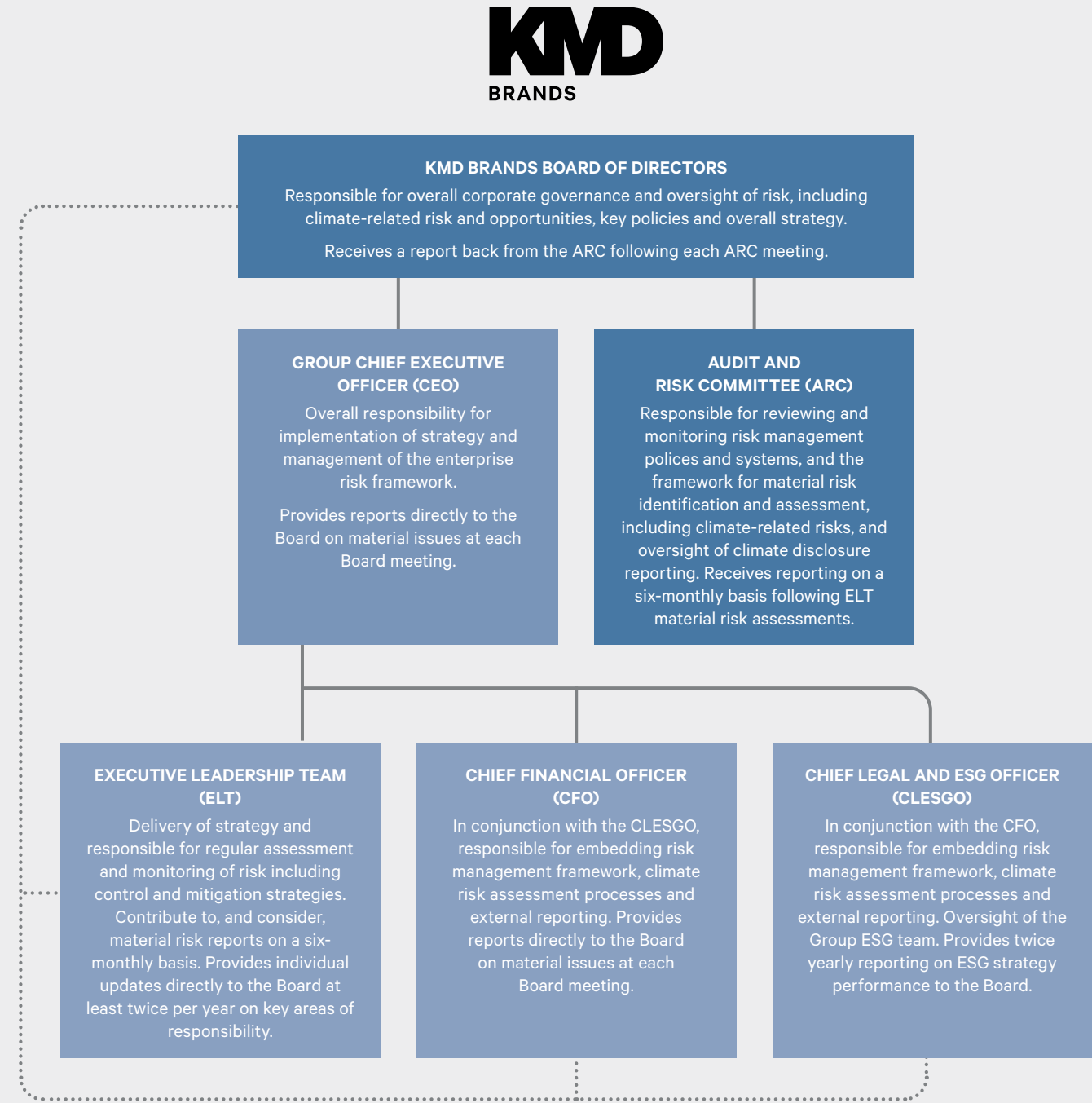


The Group CEO has ultimate oversight over our Group ESG strategy, with regular reporting to the Board on strategic performance. The Chief Legal and ESG Officer is responsible for oversight of the KMD Brands ESG team, who collectively implement the Group ESG Strategy which includes climate reporting, supply chain engagement, and our emissions reduction strategy, driving accountability and reporting on progress internally and externally. The ESG team interacts with stakeholders across the business to raise awareness of climate-related issues, provide education on key policies and initiatives connected to both sustainability and social initiatives, and partner with the business on programmes relating to climate risks and opportunities.

Brand CEOs are ultimately responsible for driving activities within the business units comprising their brands. We have a detailed ESG strategic plan for each Brand with specific actions, targets and accountabilities which ladders up to the Group ESG strategic plan. We also plan for, and are assessed through, a substantial verification process on a three-yearly cycle to maintain B Corp certification across the Group. Our next group certification process is due to take place at the end of calendar year 2025. This process drives continual improvement as we look for new ways to embed responsible business practices, process improvements, and management of climate-related risks and opportunities, across the entire Group in order to maintain certification.

Updates are provided twice a year to the Board on the progress against key metrics tied to the Group ESG Strategy, which include climate-related risks and opportunities. Further information on organisational structure and engagement with the governance body is provided in Figure 1 opposite.

Figure 1: Governance structure



3. STRATEGY

3.1 Our business model and strategy

KMD Brands’ corporate strategy is focused on four key pillars:



BUILDING GLOBAL BRANDS
 Strengthen and expand our global brand presence.



ELEVATING DIGITAL
 Enhance our digital capabilities to improve customer experiences and engagement.



OPERATIONAL EXCELLENCE
 Optimise efficiency and effectiveness in operations.



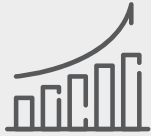
BEST FOR PEOPLE AND PLANET
 Embrace responsible and sustainable business practices to deliver positive social, environmental and financial impact.

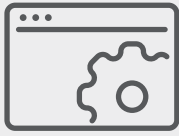
KMD Brands’ global operations are supported by shared services across the Group. This structure centralises knowledge and expertise in specific business areas including Commercial Operations (supply chain management, property), Finance, People, Legal, ESG and IT Systems.

These Group functions work collaboratively with the three brands - Kathmandu, Rip Curl, and Oboz - to ensure alignment with our strategic pillars and drive operational efficiencies. These shared functions leverage synergies across the brands, promoting productivity, and ensuring a consistent approach to achieving our vision and purpose. They also play a crucial role in supporting our commitment to positive social and environmental performance, accountability, and transparency as a certified B Corp.

Our Group functions

Our shared Group support functions provide centres of excellence, implement common platforms and leverage scale across our brands.

COMMERCIAL


SYSTEMS


FINANCE


PEOPLE


LEGAL

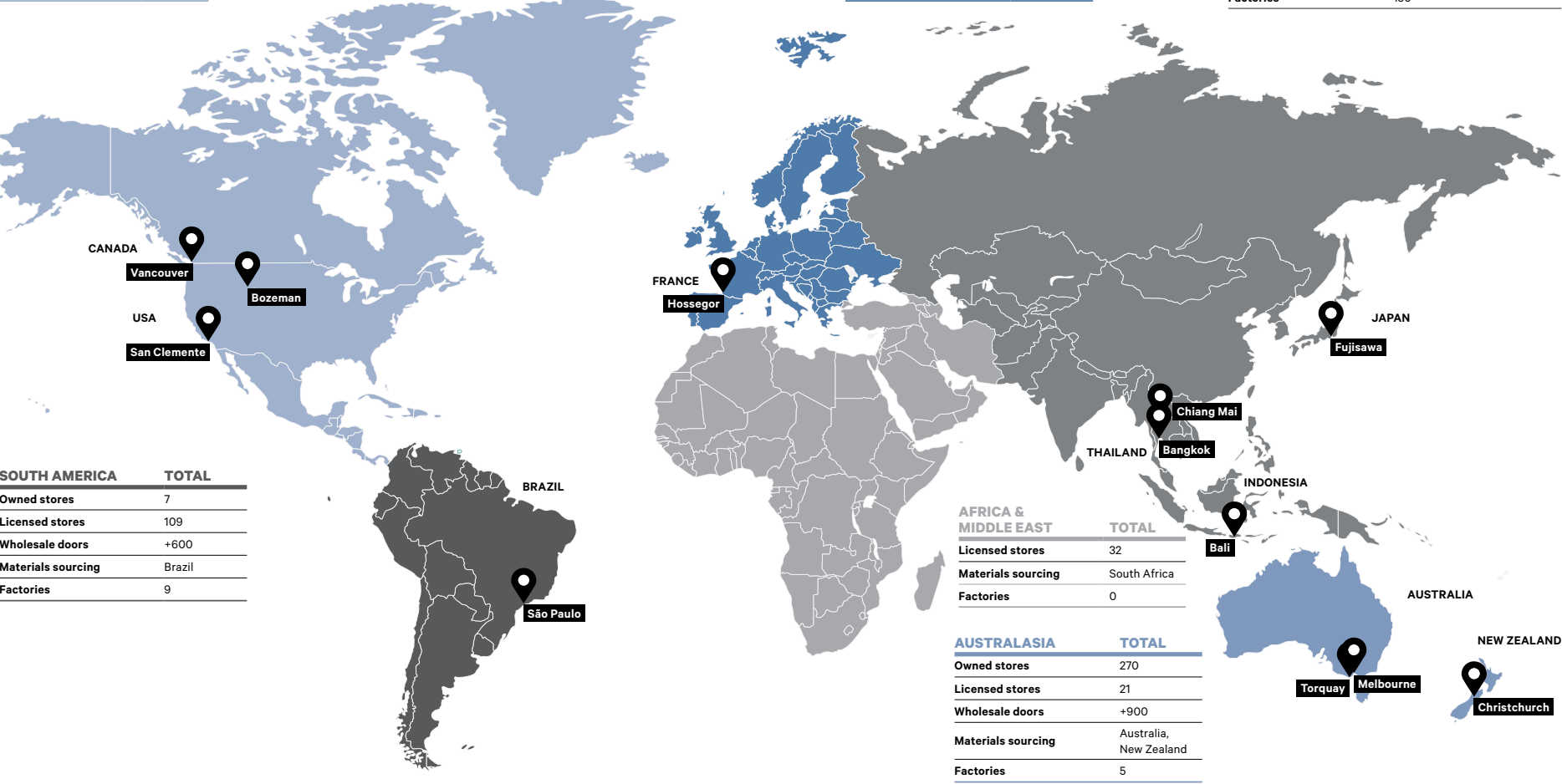

ESG


Global footprint

NORTH AMERICA	TOTAL
Owned stores	30
Licensed stores	24
Wholesale doors	+3,800
Materials sourcing	USA, Mexico
Factories	1

EUROPE	TOTAL
Owned stores	27
Licensed stores	10
Wholesale doors	+2,000
Materials sourcing	Italy, France
Factories	4

ASIA	TOTAL
Licensed and JV stores	83
Wholesale doors	+600
Materials sourcing	Vietnam, China, Thailand, Taiwan, Japan, Indonesia, South Korea, Bangladesh, India, Nepal
Factories	130



3.2 Current climate-related impacts

With its global footprint, KMD Brands has experienced various impacts from physical climate hazards on its business activities during FY24. Climate hazards exist independent of, but can be exacerbated by, the effects of climate change.

The devastating wildfires in Maui in August 2023 led to the total loss of our Rip Curl Lahaina store. Our Rip Curl store in Port Douglas was impacted by Cyclone Jasper in December 2023 causing damage to store fit out and inventory. In January 2024, Cyclone Kirrily disrupted trade at our Cairns, Palm Cove and Townsville stores by forcing closure. In May 2024, the floods in Brazil had a significant impact on our Rip Curl wholesale customers, whom we supported through extended payment terms as well as by providing broader support for response teams through the donation of wetsuits and equipment.

The impacts of warmer winter periods on the sales of our insulation and seasonal products, such as skiwear, has been noticeable in recent key winter trading periods.

In 2023, Australia experienced its warmest winter on record, contributing to challenging trading conditions driven also by increased cost of living pressures.

We are also starting to see emerging transition risks from new regulations, particularly implemented by the EU, aimed at addressing climate change through reducing the impact of the textile and apparel industry. Increasing requirements around disclosure of product information, and product end-of-life-stage requirements, is adding additional cost and complexity for our businesses.

3.3 Climate scenario analysis

3.3.1 Process

During FY24 we completed a KMD Brands entity-level scenario analysis and risk assessment of our climate-related risks and opportunities, assisted by Deloitte.

The aim of conducting a risk assessment based on scenario analysis is not to predict the most likely outcomes of climate change, but instead, is part of a process for systematically exploring the effects of a range of plausible and challenging future events under conditions of uncertainty, to build a better understanding of the potential impacts on our strategy. The scenarios are intended to provide an opportunity for us to develop our internal capacity to better understand and prepare for the uncertain future impacts of climate change. Under each scenario, we identified the climate-related risks and opportunities for KMD and their impacts which can then be considered in relation to the resilience of our business model and strategy.

The scenario analysis process involved a series of learning sessions and workshops with KMD Brands subject-matter experts across multiple regions (including Australasia, Southeast Asia, Europe and the Americas). The objectives of the workshops were to:

- establish the scope, boundary and value chain exclusions of the climate risk and opportunities assessment;
- determine the global warming scenarios and the strategic time horizons against which to test exposure to climate hazards; and
- identify and rate the physical and transition climate risks and opportunities that are currently impacting, and which are anticipated to impact, KMD Brands.

KMD Brands appointed a Steering Committee (**Steer Co**) of senior leaders to provide oversight and make decisions throughout the process. The Board approved the scenario analysis process and reviewed the final assessment report produced by Deloitte.

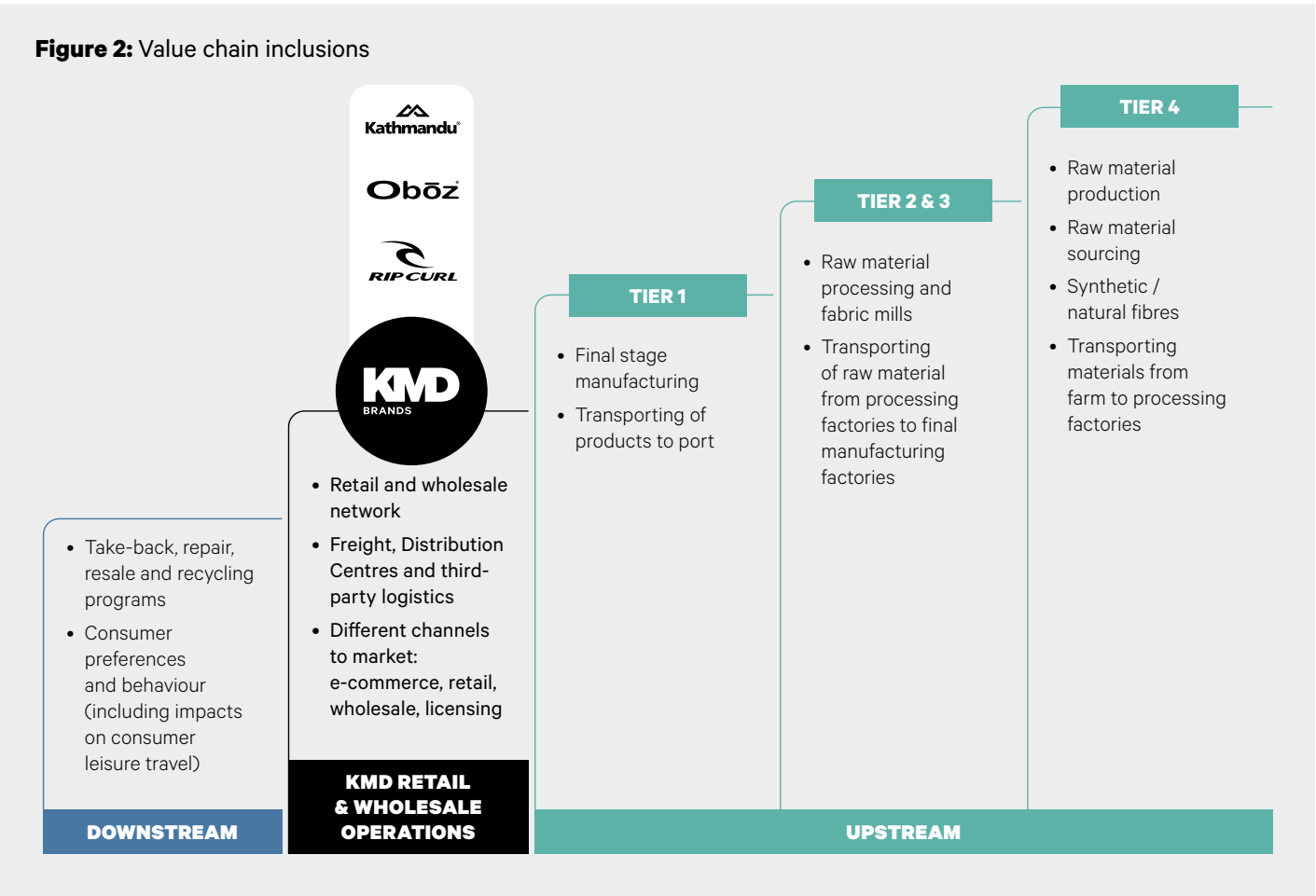
In determining the relevant key catalysts that could influence the level of impact that climate change may have on KMD Brands, the Steer Co considered the driving forces identified in KPMG's "The Futures of Retail" report (**Retail Sector Scenario Analysis**). This report, which KMD Brands participated in forming during FY23, sets out integrated climate change scenarios for New Zealand's retail sector. While many of the driving forces identified in the Retail Sector Scenario Analysis were adopted,

a number were adjusted to reflect the drivers most relevant to KMD Brands. The scenario analysis process completed during FY24 was a standalone exercise.

3.3.2 Scope and boundary

When determining the scope and boundary of scenario analysis and climate risk assessment, the Steer Co considered factors including the licensing component of Rip Curl operations, future consumer demand, changes in travel demand, reliance on primary commodities, fluctuations in foreign exchange rates that could impact cash flow and revenue, geographical location of suppliers and manufacturers, physical location of stores (both owned and operated, and of wholesale partners) with the following scope and boundaries determined:

- **Regions** – South America, Africa and the Middle East were deemed to be out of scope due to the limited size and materiality of the business in those regions.
- **Brands** – all three Brands, Rip Curl, Kathmandu and Oboz, were in scope.
- **Value chain inclusions** – four-tiers upstream were included and one-tier downstream (refer to Figure 2).



We aligned with the time horizons adopted in the Retail Sector Scenario Analysis. These time horizons are consistent with the tenure of our profile of retail store leases, the useful life of key IT systems, and the usual cycle of the KMD Brands purchase cycle.

The time horizons selected were:

- Short-term is defined as Present day to 2030
- Medium-term is defined as 2031 to 2040
- Long-term is defined as 2041 to 2050.

3.3.3 Scenarios and pathways adopted

We chose the three NGFS scenarios detailed in Table 1 to explore the physical and transition-related impacts over each time horizon. Given KMD Brands’ global reach, we took the high-level scenario architecture and learnings, and scenario outputs, from the Retail Sector Scenario Analysis and expanded on the relevant parts to encompass the global footprint of our operations, with more focus on our specific business model (encompassing both retail and wholesale channels) and by making additional or differentiated assumptions where needed. We selected these scenarios as being most relevant and appropriate to assess the resilience of our business model and strategy as they are easily comparable to other retailers, which encouraged us to select pathways aligned with the Retail Sector Scenario Analysis where it made sense to do so, but tailored in places representative of the global, rather than New Zealand specific, focus of our business, and utilising more up to date data.¹

We adopted the shared socioeconomic pathways (**SSP**) provided by the Intergovernmental Panel on Climate Change Sixth Assessment Report (**IPCC AR6**) to assess KMD Brands’ evolving risk profile. The global data sets that informed the KMD Brands scenario analysis included the IPCC AR6 dataset and the Network for Greening the Financial System (**NGFS**) GCAM global data set. The SSPs build upon the Representative Concentration Pathways (**RCPs**) from the IPCC Fifth Assessment Report (**IPCC AR5**).

1. The global warming scenarios selected by KMD Brands differ from those chosen in the Retail Sector Scenario Analysis. This is because at the time of conducting the scenario analysis, there was no available downscaled data for the SSP3 — 7.0 scenario which would impact the ability to use this scenario for the physical risk assessment process. For the physical risk rating exercise, it was agreed to use the SSP 2, RCP 4.5 degree scenario to allow for a better comparison to provide a clearer low, middle and high ground for emissions pathways.

2. Temperature estimate range 1.6°C by 2060, 1.4°C by 2100: IPCC AR6 report – [Summary for Policymakers](#) (ipcc.ch)

3. Carbon removal includes sequestration from forestry and nature based solutions.

We used the RCP scenarios (that are aligned to the SSP scenarios) from IPCC AR5 for climate metrics that have not yet been developed within the IPCC AR6 models.

These scenarios provide a snapshot of the evolving risk profile over time in relation to increasing increments of global warming. These scenarios represent three plausible futures under which the emissions concentration in the Earth’s atmosphere, the corresponding global earth surface temperatures and resulting climate hazard impacts are linked to political, social and economic conditions. We then examined the impact of each potential future across key driving forces material to KMD Brands including access to materials, changing consumer attitudes and societal expectations, logistics and access to markets, macro-economic conditions and the physical impacts of climate hazards.

3.3.4 Climate scenario narratives

The climate scenarios we adopted can be summarised as follows, although it is emphasised that these are subject to uncertainty and material change as better data becomes available and climate modelling further develops:

Scenario 1: Orderly

An orderly scenario assumes early, decisive decarbonisation investment by 2030, backed by a bipartisan climate change response both domestically and internationally. Stable carbon markets and policies provide clear investor signals, enabling global emissions to halve by 2030, achieving net zero by 2050. Consumer demand drives decarbonised products and a focus on product circularity in the textile industry. Investors hold businesses accountable for progress towards emissions targets.

Financial regulation restricts capital allocation to high emission practices, triggering investment into low carbon and climate resilient manufacturing technologies and practices. Consumers demand low carbon transport solutions, impacting the viability of high emitting freight modes and pressuring the ecommerce delivery market to adopt more efficient transport modes.

Under this scenario, medium and long-term physical risks are low; short to medium-term transition risk is high. Weather events intensify, but impacts are gradual and retail locations are not specifically targeted. Shifts in weather patterns minimally affect demand for specialised product types (insulated clothing, rainwear, waterproofing). Insurance costs rise with increasing weather events.

Table 1: Pathway overview and key assumptions

	ORDERLY	DISORDERLY	HOT HOUSE WORLD
NGFS	Net Zero 2050 (1.5°C) ²	Delayed Transition (1.7°C)	Current Policies (3°C+)
IPCC	SSP 1-1.9, 1.4°C	SSP 1-2.6, 1.8°C	SSP 5-8.5, 4.4°C
NIWA	RCP 1.9	RCP 2.6, 4.5	RCP 8.5
Policy ambition	1.4°C	1.6°C	3°C+
Policy reaction to climate change	Immediate and smooth	Delayed	Current policies only
Regional policy variation	Medium variation	High variation	Low variation
Carbon removal ³	Medium-high use	Medium use	Low use
Technology change	Fast change	Slow then fast change	Slow change
Short-term Present day to 2030	Physical impacts: Low Transition impacts: Medium	Physical impacts: Low Transition impacts: Low	Physical impacts: Low Transition impacts: Low
Medium-term 2031 to 2040	Physical impacts: Low Transition impacts: High	Physical impacts: Medium Transition impacts: High	Physical impacts: High Transition impacts: Low
Long-term 2041 to 2050	Physical impacts: Low Transition impacts: Low	Physical impacts: Medium Transition impacts: Low	Physical impacts: High Transition impacts: Low

Scenario 2: Disorderly

A disorderly scenario assumes delayed decarbonisation investment until 2035 due to divided governmental response to climate change. Political volatility and economic instability reduce investor confidence in the short-term, resulting in low decarbonisation technology investment. A sudden shift in domestic and international governments’ response to climate change, catalysed in part by advances in technology, occurs post-2035 driving rapid decarbonisation investment, causing a demand spike and price increase. There is a slight overshoot of the Paris target, but long-term physical risk is limited.

Global leadership indecision and weak policy frameworks create political division over climate action, disrupting global markets and hampering efforts to supply from certain geographies. Delayed carbon border adjustment mechanisms, global inflation and increasing product prices soften ESG requirements in the textile industry, leading to a fragmented approach. Slow adoption of emission-

reducing technologies increases cotton and synthetic product prices, impacting supply. Decarbonisation of goods transport is slow, resulting in higher carbon taxes and a longer transition to a decarbonised economy.

Insurance costs rise with frequent extreme weather events. Geopolitical influences result in changes to import tariffs and duties disrupting traditional trade lanes. Limited access to alternative materials due to volatile pricing lowers low carbon product production. Frequent, intense weather events necessitate retail store relocations. Shifts in weather patterns and global tourism, and a drive towards leisure activities, promote a focus on specialised clothing and apparel that meets increasingly demanding conditions.

Scenario 3: Hot House World

Under a Hot House World scenario, economic growth remains fossil fuel-dependent, with limited decarbonisation investment leading to an overshoot of the Paris 2050 net carbon neutral target. Transition risk is minimal, but physical climate-related risks increase steadily.

Unchanged policies since the 2020s result in missed emissions reduction targets and extreme physical risk impacts. Frequent extreme weather events cause resource scarcity, making the textile market vulnerable to price volatility. Dismantled carbon border adjustment mechanisms allow free goods flow, with powerful economies securing scarce resources needed for manufacturing. Limited regulation results in capital flowing without environmental, social, governance, or emissions reduction oversight.

Resource scarcity raises consumer prices, shifting focus from environmental performance to price and availability. Manufacturers lack incentive for low carbon technology investment, continuing use of cheap fossil fuel derivatives. High prices, poor quality, environmental degradation, and water scarcity trigger public backlash against the

retail sector. Climate change impacts trigger migration making skilled machinists costly to find and retain, causing delays, higher costs and product scarcity.

Reliance on imported materials increases supply chain disruption risk, due to increasing weather related shipping delays. Volatile cotton and synthetic product prices impact supply. Insurance companies retreat as operating risks increase. Resource scarcity and supply volatility undermine profitability. Extreme weather events and sea level rise makes it impractical to have retail stores in historically significant business zones necessitating retail store relocation. Strained global tourism, and challenging pathways to leisure activities due to climate hazards, undermine demand for specialised products.

3.4 Climate-related risks and opportunities

Using the scenarios, we then identified the climate-related risks and opportunities to KMD Brands and assessed each over the short, medium and long-term time horizons.

We set out the material risks and opportunities to KMD Brands in Tables 2, 3 and 4 on the following pages. We have assessed these risks as having the potential to materially impact our business, including our operations, strategy, and financial planning if the risks are not managed appropriately. The climate related opportunities, if accessed through future changes to our business, are believed to have the potential to improve our financial performance, and also reduce our impact on the planet.

Our climate-related risks and opportunities were assessed at an asset level, including our physical resources and products. The climate-related risks and opportunities identified in our scenario analysis process are not yet fully integrated into our internal capital deployment and funding decision-making processes. Some of the climate-related risks and opportunities identified already form part of our broader ESG strategy and targets. We have included further detail in section 5.3.2 (Table 7) on the capital deployed towards solar investment, low-emission

lighting upgrades, and our circular business model programmes during FY24. We have also embedded financial accountability for addressing climate-related risks through our sustainability linked loan commitments, which sits across the entirety of our syndicated debt funding facility.

The application of materiality is grounded in our risk assessment processes, and incorporates both a qualitative and quantitative analysis, utilising the risk scoring methodologies which we set out in the Risk Management section later in this document.

The Steer Co was closely consulted throughout the climate risk assessment process to qualify the risks and opportunities identified, and to assess and sense-check the results of the assessments. The Board approved the scope and boundaries of both the scenario analysis and the climate risk assessment at the outset and was provided updates at key milestones throughout the process, including a final assessment report produced by Deloitte for its review.



Physical risks

KMD Brands’ climate-risk assessment shows that the company is most vulnerable to physical climate risks like extreme weather, wildfires, heatwaves, and floods. These impacts will likely be experienced across the entire value chain, from grower to end-consumer. However, the overall risk exposure is low over the time horizons considered in our assessment, based on current, available data. Under our time horizons to 2050, the impacts under all three scenarios are not widely differentiated, with physical risks in the short and medium-term ranked as low or minor exposure, rising to moderate, moderate/high exposure under the Hot House World scenario by 2050. The difference in the scale and severity of the impacts between the three scenarios is expected to be more diverse in the period 2050 to 2100 which is not covered by this analysis.

Table 2: Physical risks

Risk rating:

Very low

Minor

Moderate

High

Extreme

Time horizons:

Short

Present day to 2030

Medium

2031 to 2040

Long

2041 to 2050

				RISK SCORE AND SCENARIO			
Category	Description	Anticipated impacts	Time horizon	Orderly	Disorderly	Hot House	Geography most impacted
Extreme weather events	Increase in intensity of average wind speed and number of windy days. Increase in intensity and frequency of cyclone events.	- Closure of factories, warehouses and stores impacting production timelines, distribution and sale of product. - Damage to inventory and raw materials resulting in write offs and loss of revenue. - Grid blackouts and communications network outages negatively impacting productivity.	Short-term				Asia
			Medium-term				
			Long-term				
Wildfire	Increase in wildfire events due to increasing temperatures, lower rainfall and drought conditions.	- Inventory loss, store fit out damage, loss of revenue. - Disruption of transport networks causing delay in movement of product. - Delays in wholesale customer payments causing an increase accounts receivable and an increase in bad debts. - Impacts on air quality on employee health and consumer activities post wild-fire event.	Short-term				Australasia, America and South East Asia
			Medium-term				
			Long-term				
Increased temperatures	Increasing annual average temperatures resulting in significantly more hot days per annum causing extended dry periods.	- Negative impacts on raw material production and growing conditions reducing quality of, and accessibility to, key commodities increasing price and procurement cost. This may impact product margin and reduce revenue. - Impacts on working conditions for our own, and contracted supplier, employees, reducing productivity and delaying product timelines.	Short-term				South East Asia
			Medium-term				
			Long-term				
Pluvial and fluvial flooding	Increasing frequency and intensity of pluvial flooding due to increasing extreme, rare rainfall events.	- Damage to warehouse and store inventory causing loss of revenue. - Impacts on manufacturing suppliers in areas where flooding is occurring with greater frequency impacting lead times and capacity for product delivery. - Transport and shipping delays resulting in loss of revenue.	Short-term				South East Asia, Australasia
			Medium-term				
			Long-term				
Changes in rainfall patterns	Changes in seasonal distribution of rainfall resulting in wetter winters and drier summers. Increase in extreme rainfall events. Decline in overall number of rain days.	- Impact on the purchase patterns of consumers resulting in reduced sales in, and over stocking of, rainwear and insulation categories causing increased working capital and lower gross margin to clear product. - Impact on materials supply due to crop damage resulting in increased pricing and reduction in product supply.	Short-term				Australasia, South East Asia, Europe and Americas
			Medium-term				
			Long-term				

Transition risks

Transition risks are the potential challenges that emerge as we shift towards a more sustainable, low-emission global economy. These risks are influenced by a variety of sociopolitical factors, including evolving climate policies, changing investor and consumer attitudes, and the introduction of innovative technologies, all of which are expected features of a future society dedicated to reducing its carbon footprint. Under the “Orderly” or “Delayed Transition” scenarios, these transition risks are anticipated to have the most significant impact because these scenarios involve the implementation of global policies designed to mitigate the effects of climate change. Conversely, in a “Hot House” scenario, substantial policy changes are not expected to take place, therefore transition risks are less likely to be experienced. Transition risks were considered across the time horizons extending out to 2050 and rated based on urgency of required action considering anticipated timing of impact.

Table 3: Transition risks

Risk rating: Time to impact ● 20-30years ● 15-20 years ● 10-15 years ● 5-10 years ● 2-5 years			RISK SCORE AND SCENARIO			Geography most impacted
Category	Description	Anticipated impacts	Orderly	Disorderly	Hot House	
Market	Consumer preference	Failure to meet customer expectations and requirements regarding sustainability practices resulting in diminished brand loyalty and market share loss.	●	●	●	Global
Reputation	Investor sentiment	Failure to meet defined sustainability targets and investor expectations which may result in a reduced share price and availability of finance.	●	●	●	Global
Policy and legal	Emerging regulation and government policy, trade barriers.	- Impacts on production processes and materials required to meet highest standards of global compliance, resulting in margin and market competitiveness reduction. - Outward migration of labour to countries with more favourable policies impacting production capacity resulting in increased production costs and delays. - Government and trade restrictions on geographic location of potential suppliers implemented through carbon, import taxes and border tariffs reducing supplier availability, increasing production costs and reducing profit margins.	●	●	●	Global
Technology	Capital investment required for transition technology	Cost of transitioning to greener technology including fuels for transport, renewable energy sources and electrification of manufacturing processes may become increasingly expensive and scarce, increasing the cost of production and reducing margin.	●	●	●	Asia

Opportunities

Opportunities refer to the potential benefits and positive outcomes that could be realised by KMD Brands as we adapt to and mitigate the impacts of climate change. By identifying and capitalising on these opportunities, we can mitigate climate-related risks and drive sustainable growth for our business. Each opportunity would require investment and a change in strategic focus, which are important considerations in our strategic planning. Transition opportunities were considered across the time horizons extending out to 2050 and rated based on urgency of required action considering anticipated timing of opportunity impact.

Table 4: Opportunities

PHYSICAL							
Opportunity rating: ● Possible ● Moderate ● Strong ● Significant				Time horizons: Short Present day to 2030 Medium 2031 to 2040 Long 2041 to 2050		RISK SCORE AND SCENARIO	
Category	Description	Anticipated impacts	Time horizon	Orderly	Disorderly	Hot House	Geography most impacted
Growth in online sales	Increasing frequency of extreme weather events leading to impaired access to physical retail stores resulting in growth in online sales.	Opportunity to incrementally grow revenue through increased online sales where consumers are restricted from visiting physical storefronts due to extreme weather events.	Short-term	●	●	●	Global
			Medium-term	●	●	●	
			Long-term	●	●	●	
Increased product demand	More pronounced weather patterns and more extreme seasonality of conditions.	Greater consumer demand for products used for specific weather conditions resulting in increased sales in key product categories and support for increased margin.	Short-term	●	●	●	Global
			Medium-term	●	●	●	
			Long-term	●	●	●	

TRANSITION							
Opportunity rating: Time to impact ● 20-30 years ● 10-20 years ● 5-10 years ● 2-5 years				RISK SCORE AND SCENARIO			
Category	Description	Anticipated impacts		Orderly	Disorderly	Hot House	Geography most impacted
Market	Potential for benefit and growth prospects from adaptation to climate-related impacts and reduced competition with more complex barriers to entry.	- Ability to build a strong customer value proposition and expand market presence through demonstration of sustainable business practices resulting in increased sales, greater customer loyalty and market share growth. - Improved ability to attract and retain top employee talent through demonstration of commitment to sustainable business practices. - Increased access to, and more competitive cost of, sustainable finance providing stability to debt funding portfolio.		●	●	●	Global
Technology	Early adoption of renewable energy sources.	•Early investment in solar energy across key operating sites may reduce energy costs in the longer term, improving operating profit and reducing emissions.		●	●	●	Global

3.5 Transition planning

As noted earlier, KMD Brands’ overall risk exposure to physical climate-related risks is considered as relatively low over the time horizons considered in our assessment, based on data currently available.

Our exposure to transition risks under an Orderly and Disorderly scenario are higher, meaning that we need to closely monitor these risks areas to adapt and respond.

These considerations will form part of our transition planning. A transition plan considers how to adapt our business strategy to be more resilient to climate change risks and opportunities as the world transitions to one that has a lower reliance on carbon. While we have elected to use Adoption Provision 3: transition planning (NZ CS 2) in preparing this disclosure, during FY24, we have held internal workshops to discuss key considerations and concepts that will support the development of our detailed transition plan for publication in a future reporting period.

Our transition plan will prioritise agility and adaptability, enabling us to swiftly respond to evolving consumer preferences and navigate the largely uncertain future. It is important to remember that climate scenarios are not forecasts; the future remains unknown. Our focus will remain on staying attuned to consumer needs and market trends, ensuring we remain adaptive and responsive.

4. RISK MANAGEMENT

4.1 Climate risk identification and assessment

Overall risk identification and assessment at KMD Brands is completed according to the Risk Management Policy and Risk Management Framework approved by the Board of Directors, which outlines the process for the identification, classification, review and control of business risks.

The framework incorporates a set of risk appetite statements, approved by the Board, which establish the Group's appetite for risk in each of the key areas of our business strategy. The risk framework sets out the guiding principles, roles and responsibilities of the risk assessment process and reporting requirements. The Board recognises that some element of risk is inherently necessary in order to achieve the strategic aims for the Group's businesses and to deliver value to shareholders.

Where possible, our climate risk assessment process was aligned to the KMD Brands enterprise Risk Management Framework. We have yet to integrate the climate risks identified through the scenario analysis and risk assessment process into our broader enterprise risk assessment processes and underlying risk register. We will continue to progress our capability in relation to how we record, report, monitor and manage these risks over the coming years.

During FY24, through a series of workshops involving KMD Brands subject matter experts (**SMEs**), we established a detailed list of climate risks based on identified key drivers. KMD Brands SMEs discussed and explored the potential risks to KMD Brands from key climate hazards, by risk area. SMEs were asked to identify the asset, service or person (staff/customer) impacted by each risk and provide a risk statement, which described the consequence of the risk on the relevant risk receptor.

SMEs were then asked to rate each identified risk statement over the three time horizons (identified at page 11 for physical risk and page 12 for transition risk) in relation to each of the three warming-scenarios selected using the scoring methodology set out below.

4.1.1 Assessment of Physical Risks

The Physical Risks score was calculated on the basis of the exposure, sensitivity and adaptive capacity, with the latter two scores giving an overall vulnerability score. A score was determined for each risk under each of the three scenarios, informed by our internal risk consequence table and guided by climate hazard data provided for RCP2.6, RCP 4.5⁴ and RCP 8.5 at the future time horizons. Each of these elements was rated on a scale of 1 to 5 / Very low - Extreme. The resulting climate risk score was then used to prioritise the physical risks. Figure 3 sets out the approach to calculating the physical climate risk score.

4.1.2 Assessment of Transition Risks

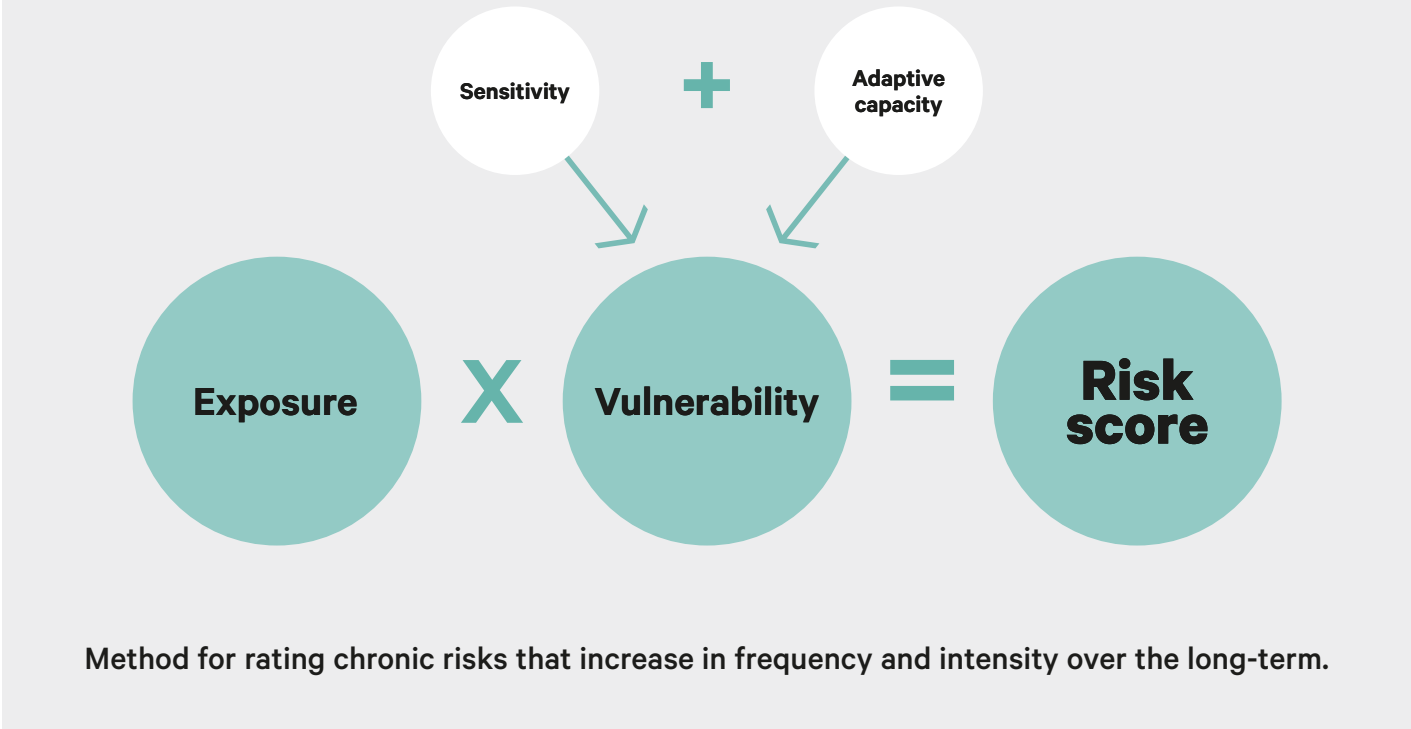
The assumption of the orderly transition is that the global objective of achieving emissions reductions in line with limiting global warming to no more 1.5°C has been achieved by taking early action to decarbonise.

Transition risks were identified against the backdrop of a NGFS Orderly Transition / IPCC AR6 SSP1-1.9 pathway. The rationale for testing against the Orderly scenario is that transition risks are assumed to be highest under this scenario, in terms of regulatory and policy frameworks, consumer preferences and expectations, and access to capital.

We assessed transition risks using a time-to-impact urgency criteria, based on the UK's third climate risk assessment and New Zealand's National Climate Change Risk Assessment methods. We then applied a qualitative impact weighting to gauge materiality, using KMD Brands' risk consequence table and materiality thresholds. These thresholds consider factors like financial impact on EBIT, compliance with legal and regulatory standards, and effects on health, safety, and wellbeing.

The Transition Risk rating was then derived from a combined scoring of the urgency criteria with an impact rating of 1 to 5 / Very Low to Extreme to give an overall score.

Figure 3: Assessment of physical climate risk



4.2 Management of climate risks

The outputs of the climate risk assessment workshops conducted by KMD Brands were analysed by the Steer Co to determine the most significant risks by Climate Hazard, Risk Type, Risk Area, and Risk Receptor.

This analysis allows us to prioritise the climate risks that require close monitoring and treatment over time. Using KMD Brands' risk methodology, we distinguished between risks that are within our tolerance and require monitoring, and those that exceed our tolerance and require treatment.

Both climate and non-climate risks were prioritised in a consistent way under our existing enterprise risk framework and ranked based on residual risk. Climate risks can exacerbate other non-climate risks on our risk register. For instance, our supply chain operations, retail store management, and product development could be impacted by climate-related risks.

Our approach to treatment and monitoring will align with our strategic priorities. The treatment for climate risks may involve avoidance or mitigation if the aim is to reduce the likelihood, or we may treat a risk through adaptation if the aim is to reduce the impact by building resilience to withstand the risk.

The scenario analysis and the climate risk assessment completed during FY24 was a standalone exercise. We plan to revisit the climate risk assessment on at least an annual basis. We have further work to do to determine how best to integrate the key climate risks within our underlying risk register given the different time horizons involved in assessing, monitoring and addressing climate-related risks.

4. For the physical risk rating exercise, SSP 2, RCP 4.5 degree scenario was used to allow for better comparison to provide a clear low, middle and high ground for emissions pathways.

5. METRICS AND TARGETS

5.1 Our GHG emissions inventory

Kathmandu has been measuring and building on the reporting of its GHG emissions for over a decade. Kathmandu first completed certification under the Toitū carbonreduce programme in 2017, with the Group completing this certification on an annual basis since 2021. From 2022, we have measured and reported our GHG emissions at a Group level following the acquisition and integration of the Rip Curl and Oboz brands.

5.1.1 Emissions categories

We measure and monitor our total GHG emissions across Scope 1, 2 and 3 against a 2019 base year. Our Scope 1 emissions include direct emissions from owned and operated sources such as fleet vehicles and gas heating. Scope 2 emissions include indirect emissions from the energy we purchase from electricity grids around the world. We disclose Scope 2 emissions calculated using both the location-based and market-based methods in our emissions reporting.

Like other businesses, the substantial majority of our GHG emissions resides in the Scope 3 categories, representing our supply chain and the raw material processing, manufacture and transportation of our products. For FY24, we are relying on Adoption Provision 4: Scope 3 GHG emissions (NZ CS 2) and have disclosed data relating to our Scope 3 emissions profile at an aggregate level, rather than by Scope 3 category.

5.1.2 Accounting and verification

We measure and report our GHG emissions in tonnes of carbon dioxide equivalent (tCO₂e), the standard unit of measurement to compare and account for various GHGs based on their global warming potential (GWP).⁵

We calculate, report and seek third-party verification of our emissions inventory, annually in line with the KMD Brands financial year (1 August – 31 July) using the operational control consolidation approach, accounting for the direct and indirect GHG emissions of the business activities for which we have operational control. Refer to page 100 of our FY24 Annual Integrated Report for more information.

Toitū Envirocare verify and certify, and have provided an independent audit opinion over, our GHG inventory in accordance with ISO 14064-3:2019 standards and Toitū Envirocare's Programme Technical Requirements respectively through our annual certification under the Toitū Envirocare's carbonreduce programme. Our FY24 assurance was not conducted in alignment with the NZ SAE 1 standard, which was not mandatory for the reporting period. For FY25, we intend that assurance of our emissions inventory will be completed by our external auditor, KPMG. Refer to Appendix 3 for the Toitū carbonreduce programme audit opinions for FY24.

5.1.3 Reporting boundary

Our GHG inventory is prepared in accordance with ISO 14064-1:2018 standards and our reporting boundary includes all direct emissions from activities within the operational boundaries of KMD Brands, including all owned and operated subsidiaries, offices, stores and operated distribution centres and the indirect emissions associated with our organisation's activities.

Our reporting boundary includes all relevant emissions sources categorised by the Greenhouse Gas Protocol's guidance for Corporate and Corporate Value Chain (Scope 2 and 3) Accounting and Reporting.

We measure and report emissions data in our Scope 3 reporting boundary across each of the following GHG Protocol Scope 3 categories:

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 3: Fuel and energy related activities
- Category 4: Upstream transportation and distribution
- Category 5: Waste generated in operations
- Category 6: Business travel
- Category 7: Employee commuting
- Category 9: Downstream transportation and distribution
- Category 11: Use of sold products
- Category 12: End-of-life treatment of sold products
- Category 14: Franchises
- Category 15: Investments

We exclude the following GHG Protocol Scope 3 Categories from our GHG inventory as these activities are not relevant to our organisation's activities:

- Category 8: Upstream leased assets
- Category 10: Processing of sold products
- Category 13: Downstream leased assets

(Scope 3 Reporting Boundary).

For our approved Scope 3 Science Based Target outlined at paragraph 5.2.2, categories 2, 6, 7, 9 and 14 are excluded (Scope 3 SBTi Target Boundary).

See Table 8 in Appendix 1 for a description of key methodologies, assumptions, emissions factors and exclusions applied when calculating our GHG emissions.

5.1.4 Methods and uncertainty

Our GHG inventory is calculated using Toitū Envirocare's emissions calculation and reporting software platform 'emanager'. Emissions factors and GWP rates are sourced by Toitū Envirocare from a range of public and proprietary sources including but not limited to:

- 'Measuring emissions: A guide for organisations.' Ministry for the Environment
- UK Department for Business, Energy & Industrial Strategy
- Australian National Greenhouse Accounts Factors
- UK Department for Environment, Food & Rural Affairs
- Climate Transparency Report 2022

Emissions factors from these sources are selected when calculating our GHG inventory, prioritising relevance and endorsed data sets where available. When using emissions factors, we assume the selected factors are representative of the activity we are measuring based on available information. We apply these factors to relevant activity data, such as litres of fuel consumed, or kWh of electricity consumed. Activity data for Scope 1 is sourced from fuel card and internal financial reports, and activity data for Scope 2, from electricity meters and bills. Where primary data is not available, estimates are used based on similar activities in our own operations or industry average figures. Refer to Table 8 in Appendix 1 for a full description of emission factors and GWP rates, key assumptions, methodology and levels of certainty in the calculations of our GHG emissions.

When calculating Scope 3 emissions there is an inherent level of uncertainty that can be a result of incomplete or estimated activity data, and the limitations of some emissions factors. Our emissions are calculated using actual or estimated data that best represent the direct and indirect activities of our operations and value chain, such as electricity or fuel consumed. This activity data is then multiplied by emissions factors that best represent the emissions impact of the relevant activity in tCO₂e. When using emissions factors, we assume the selected factors are representative of activity we are measuring based on available information.

As science continuously evolves, access to data improves and best practice methodologies emerge, there are limitations when selecting and applying emissions factors that could result in significant differences in our reporting. Best efforts are made to select the most representative emissions factors, prioritising primary data sources, endorsed data sets such as government produced reports and industry average databases wherever these are available.

To accurately track progress towards our GHG reduction targets over time, we will sometimes need to adjust our base year emissions inventory to account for significant changes to our business, methodological changes, the discovery of significant errors, and general improvements in reporting and data. Our recalculation policy is a 5% increase or decrease in total emissions due to changes and improvements in reporting practices. We may also choose to recalculate our baseline for changes less than 5%, particularly if structural changes to the business occur. During the reporting period, our base year data for Scope 2 and Scope 3 Category 3 has been revalidated and restated due to updated emissions factors and the discovery of missing data.

See Table 8 in Appendix 1 for a description of key methodologies, assumptions, emissions factors and exclusions applied when calculating our GHG emissions.

5. Toitū carbon program Organisation Technical Requirements Version 3.1 October 2021

5.2 Our targets and performance

5.2.1 Scope 1 and 2 emissions

In April 2023, we received formal validation from Science Based Targets initiative (**SBTi**) confirming that our carbon reduction targets met SBTi’s internationally recognised criteria. By 2030, KMD Brands commits to reduce absolute Scope 1 and 2 emissions by at least 47% from our FY19 base year. This target has been validated under the SBTi Criteria V5.0 for near-term targets. The SBTi classifies targets against the long-term temperature pathways of well-below 2°C and 1.5°C. The SBTi’s Target Validation Team classified our Scope 1 and 2 target ambition as being in line with a 1.5°C trajectory. Carbon offsets are not relied upon and do not contribute towards meeting this emissions reduction target.

TARGET

Reduced absolute Scope 1 and 2 emissions by a minimum of

47%

by 31 July 2030, from a FY19 base year

FY24 PERFORMANCE

30%

decrease in Scope 1 and 2 emissions compared to FY19 base year and 2% decrease compared to FY23



In FY24, KMD Brands’ total Scope 1 and 2 emissions (location based) were 8,859 tonnes of carbon representing a 30% decrease from our 2019 base year on an absolute basis. Our combined Scope 1 and 2 emissions reduced by 2% in FY24 below our prior year.

Reported Scope 1 emissions decreased in FY24 compared to FY23 primarily due to more accurate reporting of emissions for Rip Curl Brazil. Scope 1 emissions have reduced by 21% compared to our 2019 base year. This change is substantially due to reduced travel since 2020’s COVID-19 restrictions, more fuel-efficient hybrid vehicles in the fleet and improved access to primary data.

Scope 2 emissions increased slightly by 1% in FY24 over FY23 primarily due to growth in our store network and better-quality data from our energy monitoring system. However, this increase was moderated by our ongoing programme of solar installations at strategic locations. While overall, our Scope 2 emissions (location based method) represent a 30% decrease from our base year, this is in large part due to the ‘greening’ of electricity grids across Australia. Continued progress in reducing our Scope 2 emissions relies heavily on the Australian energy grid’s ongoing shift towards renewable energy sources. Additionally, we must balance our investments in solar installations with our profitability, which may influence the speed at which we work towards our reduction targets.

Our FY24 gross direct Scope 1 & 2 emissions are set out in Table 5 on page 18 below.

5.2.2 Scope 3 emissions

We measured our full value chain emissions sources as defined by the categories in the GHG Protocol’s Corporate Value Chain (Scope 3) Accounting and Reporting Standard, to set our Scope 3 science-based target, which was approved by SBTi in 2023. KMD Brands commits to reduce absolute Scope 3 emissions by a minimum of 28% by 31 July 2030 from a FY19 base year⁶ (**Scope 3 SBTi Target**). The SBTi’s Target Validation Team classified our Scope 3 target ambition as being in line with a well-below 2°C trajectory. Carbon offsets are not relied upon and do not contribute towards meeting this emissions reduction target.

6. As set out at section 5.1.3 above, our Scope 3 SBTi Target Boundary includes the following GHG Protocol categories: 1 (purchased goods and services), 3 (fuel and energy related activities), 4 (upstream transportation and distribution), 5 (waste generated in operations), 11 (use of sold products), 12 (end of life treatment of sold products), and 15 (investments).

Our Scope 3 SBTi Target includes the following GHG Protocol categories: 1 (purchased goods and services), 3 (fuel and energy related activities), 4 (upstream transportation and distribution), 5 (waste generated in operations), 11 (use of sold products), 12 (end of life treatment of sold products), and 15 (investments). Our Scope 3 SBTi Target includes the substantial indirect emissions in our supply chain where we have less control. Our Scope 3 SBTi Target Boundary represents over 80% of our total Scope 3 emissions reporting boundary in FY19, aligned with SBTi’s criteria for Scope 3 targets. This selection of emissions sources was included in our Scope 3 target due to its materiality and our ability to influence reductions.

The most significant category of our Scope 3 emissions (Category 1: Purchased goods and services) incorporates third-party emissions from the production of goods in our supply chain, including the raw material processing and manufacture of the products that carry our branding. The access to, and quality of, data contributing to our emissions calculations in this category in particular is a difficult area to measure and track. We expect we will need to make further adjustments to our reported emissions profile particularly in this Category as our access to higher quality data improves and new methodologies develop.

Our Scope 3 SBTi Target contains a number of risks, assumptions and dependencies that may impact our ability to reach the Target. In particular, in relation to our Scope 3 Category 1 data, this is calculated using a “spend-based” method, utilising data from the cost of purchasing goods and services, multiplied by an emissions factor based on industry averages. However, the activity data and emissions factor used may not be an accurate representation of the actual emissions footprint of individual product composition. Our focus is on improving our access to quality and better representative data and emission factors to enable us to increase the accuracy of our reporting over time.

Achieving our Scope 3 SBTi Targets is challenging due to our complex global supply chain. While we can influence many aspects of our Scope 3 footprint, we do not have direct control over many of its constituent elements. Progressing towards our Scope 3 SBTi Target requires collaboration with our suppliers across our entire supply chain as we are significantly dependant on, and have a focus on supporting, our suppliers to transition away from the use of coal and to adopt renewable energy sources in the manufacturing process. It is also dependent on the

availability of, and access to, affordable renewable energy sources in the key sourcing countries in our supply chain.

Table 8 in Appendix 1 sets out a full description of key assumptions and levels of certainty in the calculations of our GHG emissions.

For FY24, we are relying on Adoption Provision 4: Scope 3 GHG emissions (NZ CS 2) and have disclosed data at an aggregate level of our Scope 3 emissions profile and performance for FY24 to our Scope 3 SBTi Target.

During the reporting period, we have seen reductions in the Scope 3 indirect emissions of our value chain, such as those relating to freight, business travel and upstream manufacturing and materials sourcing when compared with FY23 and our base year of FY19. These reductions are primarily due to reductions in freight related emissions, supported by a focus on packing efficiencies, prioritising sea freight over air, inventory optimisation, and a sustained reduction in business travel since FY19. However, our emissions reduction from upstream manufacturing in FY24 was primarily attributable to reduced inventory order volume amidst the current trading environment. We anticipate that these emissions may increase again in the short-term as trading conditions improve.

We are focussed on improving our access to Scope 3 data for significant emissions sources, such as Category 1: Purchased Goods & Services. In June 2024, we launched a pilot with Carbonfact, an AI-assisted product life cycle assessment (**LCA**) platform specifically built for apparel and footwear. An LCA is a methodology used to evaluate the environmental impacts associated with all stages of a product’s life cycle, including raw material extraction, production, use and ultimately disposal. This four-month trial will provide deeper insights into the lifecycle impacts of our products and production processes, identifying those with the highest contribution to our Scope 3 emissions.

During FY24, using the Higg Facility Environmental Module, we collected and benchmarked verified impact data from 65 factories in our supply chain. Each factory’s score was compared against similar factories in their own countries, identifying key areas where they can improve their impact. We are now exploring how we can collaborate further with our factory partners, providing them with more detailed insights on their performance and how their initiatives contribute to our emission reduction targets.

5.2.3 Emissions inventory

The table below summarises our operational GHG emissions data for the reporting period 1 August 2023 to 31 July 2024 with comparisons to our prior year and base year data from FY19.

Table 5: KMD Brands GHG emissions inventory

Category	FY19 Base year emissions (tCO ₂ e) ⁷	FY23 emissions (tCO ₂ e) ⁸	FY24 emissions (tCO ₂ e) ⁹	% change from base year	% change FY24 vs FY23
Scope 1	653	830	518	-21%	-38%
Scope 2					
Scope 2 (location based)	11,934	8,252	8,341	-30%	+1%
Scope 2 (market method)	10,474	10,601	10,231	-2%	-3%
SUBTOTAL: Scope 1 and 2 (location based)	12,587	9,082	8,859	-30%	-2%
Scope 3: Reporting Boundary ¹⁰	210,473	205,187	172,591	-18%	-16%
Scope 3: SBTi Target Boundary ¹¹	192,895	188,993	155,304	-19%	-18%
Emissions intensity ratio (tCO ₂ e / \$million of Revenue) ¹²	Not reported	194	185	N/A	-5%

7. Our FY19 base year is partially verified including GHG Protocol Scopes 1, 2 & 3 Categories 3, 4 & 5. The base year is estimated from a Scope 3 screening and inventories for Kathmandu, Rip Curl and Oboz from FY19, FY20 & FY21 respectively. During FY24, base year data for Scope 2 and Scope 3 Category 3 has been revalidated and restated due to updated emissions factors and the discovery of missing data.

8. The FY23 emissions data reported in our FY23 Annual Integrated Report were pre-verified estimates and are now updated with final, verified numbers aligned with our annual greenhouse gas inventory verification statements from Toitū.

9. The FY24 emissions data is final, verified and certified numbers aligned with our annual greenhouse gas inventory verification statement from Toitū.

10. Refer to paragraph 5.1.3 for information on our reporting boundary.

11. Our Scope 3 SBTi Target Boundary includes the following GHG Protocol categories: 1 (purchased goods and services), 3 (fuel and energy related activities), 4 (upstream transportation and distribution), 5 (waste generated in operations), 11 (use of sold products), 12 (end of life treatment of sold products), and 15 (investments).

12. GHG emission intensity has been calculated using Scope 1, Scope 2 (location based) and total measured Scope 3 emissions. Our FY23 emissions intensity ratio has been restated post verification.

5.3
Other metrics

5.3.1 Potential vulnerability to physical and transition risks and alignment to opportunities

We have chosen to report on potential exposure to physical and transition risks as the relevant metric for assessment of vulnerability, as this represents the best available data and analysis for the current reporting period. We have conducted an initial high level Geographic Information System (**GIS**) analysis which considers the impacts by key geographic region of two climate hazards, being hot days and precipitation, on key retail store, warehouse and owned manufacturing locations from our asset registers (**Asset Locations**).

Table 6 shows the percentage of KMD Brands’ business assets that could be potentially exposed to the physical climate risks arising from these climate hazards under the Hot House World scenario at the long-term time horizon considered in our climate risk assessment. Of these Asset Locations, only our wetsuit factory in Thailand is an owned asset; the rest of the Asset Locations are leased. This analysis relates to potential exposure of assets to these climate hazards rather than their vulnerability, which is mitigated by the ability to adapt our leasing portfolio to more climate-resilient locations with the average lease term being less than five years.

Table 6: % of assets potentially exposed to increasing number of hot days and precipitation-related risks under Hot House World scenario at 2050¹³

Climate hazard	Rip Curl	Kathmandu
% of assets potentially exposed to an increasing number of hot days ¹⁴	32%	1%
% of assets potentially exposed to precipitation-related risks ¹⁵	60%	67%

13. SSP3-7.0 scenario at 2050.
 14. Assets and operations located in areas potentially presenting high temperature-related risks, based on the average number of days per annum over a twenty year period (2040 to 2060) in exceedance of 30°C.
 15. Assets and operations potentially exposed to precipitation-related risks (fluvial and pluvial flooding) based on the number of days per annum in exceedance of average regional precipitation over a twenty-year period (2040-2060).

This is our first analysis and we will continue to build on this in future reporting periods including more climate hazard categories as data becomes available and to consider further the vulnerability of these assets in addition to exposure.

We consider our exposure to the transition risks identified through our climate risk assessment process to be immaterial at this stage. We have assessed the highest rated transition risks identified, being changes in consumer preference and investor sentiment due to failure to meet expectations in relation to sustainability practices and goals, against the internal risk consequence table contained in our Risk Management Framework. We are not currently seeing impacts from these transition risks and our assessment is that none of our business activities are presently vulnerable to these risks. We consider that these risks are being actively managed and mitigated through initiatives such as the responsible material targets each of our brands are working towards, and commitments such as our group B Corp certification and our sustainability linked debt finance facility.

Further, we consider that all (100%) of our brands are aligned with the key transition opportunity identified to build a strong customer value proposition and expand market presence through demonstration of sustainable business practices. For each of our brands, this is an area of focus, and part of the underlying business strategy and priorities.

We are also actively taking steps to align our operations with the opportunity identified for early investment in solar energy across key operating sites. In FY24, we added solar systems at four retail store locations, bringing the total of our operating sites with solar systems in place to 21. This includes our head office and distribution centre in Torquay, our distribution centre in Melbourne, our wetsuit manufacturing facility in Thailand and our head office in Bozeman, Montana. With solar installed at 15 of our retail stores in Australia, this constitutes 5% of our operated store network with onsite solar systems in place.

As we progress on our journey towards climate change maturity, our comprehension of how our climate change risks could have a significant effect on our business will continue to evolve. This will enable us to further refine our mitigation strategies and provide more precise reporting on the degree of vulnerability or alignment in future disclosures.

5.3.2 Capital deployment

During FY24, we have deployed capital expenditure or investment towards the following climate-related risks and opportunities:

Table 7: Capital expenditure or investment deployed towards climate-related risks and opportunities during the reporting period

Description	Amount (NZD)	Initiative
Installation, maintenance and repair of solar energy systems	\$98,553 (investment)	New installations, maintenance of existing systems
Investment in circular business models	\$291,327 (expenditure)	Kathmandu REDU, Upparel and ImpacTex recycling programmes, Rip Curl Wetsuit recycling
Lighting upgrades	\$205,770 (investment)	Installation of energy-efficient, LED lighting across retail store network

We do not currently use an internal price on carbon.

5.3.3 Remuneration

All employees have ESG responsibilities included in their job descriptions and have an ESG-related objective as part of annual goal setting and performance evaluation processes.

Executives and certain senior management roles are eligible to participate in a Short-term incentive (**STI**) scheme that delivers rewards by way of cash payment. The amount of any STI paid in a year, after first achieving a minimum Group Earnings Before Interest and Tax threshold, is linked to the individual's overall performance assessment, including achievement against their annual goals or key performance indicators (**KPIs**). STI outcomes for the executive team are aligned with the Group’s strategic objectives, with each member of the executive team, including the Group CEO, having individual KPIs linked to our four Group strategic pillars. These KPIs are specific to each executive’s role and responsibilities, and these include KPIs linked to climate-related risks and opportunities, under our Best for People and Planet strategic pillar. The potential STI incentive for executive management ranges between 30% and 60% of an individual's fixed annual remuneration, with a potential of up to 90% for the Group CEO. Any STI award is allocated in proportion to the KPIs achieved during the financial year, with only part of any STI award representing KPIs linked to climate-related risks and opportunities.



6. APPENDICES

Appendix 1: GHG emissions sources

Table 8: GHG emissions sources, methods, assumptions, exclusions and uncertainty
Please refer to Appendix 2 (Glossary) for the definitions of emissions factor sources.

GHG protocol scope & category	Activity measured	Emissions factor source	Methodology, key assumptions, exclusions and uncertainty (qualitative)
Scope 1 Direct emissions sources	Direct emissions from fleet operated vehicles.	MfE (2024) DCCEEW (2024) USEPA (2023)	Activity data is sourced from internal financial reporting, supplier invoices and fleet management portal. Average-data method: the unit of fuel consumed multiplied by relevant fuel emission factor (petrol, diesel, LPG and natural gas). Excludes sites for which stationary combustion is not yet verified. High certainty in activity data and emissions factor sources.
Scope 2 (location-based method) Purchased electricity	Indirect emissions from purchased electricity for operated sites.	MfE (2024) DCCEEW (2024) USEPA (2023) AIB (2024) TMOE CT (2022) IEA (2023)	Activity data is sourced from supplier invoices and our third-party energy monitoring system. Average-data method: kWh electricity consumed multiplied by local electricity emissions factor. Assumes utility provider reporting is accurate. High certainty in activity data and emissions factor sources.
Scope 2 (market-based method) Purchased electricity	Indirect emissions from purchased electricity for operated sites.	MfE (2024) DCCEEW (2024) USEPA (2023) AIB (2024) TMOE CT (2022) IEA (2023)	Activity data is sourced from supplier invoices and our third-party energy monitoring system. Average-data method: kWh electricity consumed multiplied by market or residual-mix factor. Market and residual-mix factors are unavailable in some territories where we operate; assumes the location-based method is a representative proxy. High certainty in activity data. Medium certainty in emissions factor sources.
Scope 3 Category 1. Purchased goods and services	Indirect emissions from the upstream cradle-to-gate processes for the production and delivery of purchased goods and services to our organisation.	UK ESNZ	Activity data is sourced from internal financial reporting. Spend-based screening method: \$NZD spent on purchased goods and services multiplied by relevant DEFRA emissions factor for GL code. Assumes all upstream raw materials, processing, assembly and transportation between manufacturing stages (cradle-to-gate) is in scope of selected emissions factor. Assumes emissions from the manufacturing of all purchased inventory are equivalent to apparel manufacturing. Low certainty in activity data and emissions factor sources.
Scope 3 Category 2. Capital goods	Indirect emissions from the upstream cradle-to-gate processes for the production and delivery of capital goods to our organisation.	UK ESNZ	Activity data is sourced from internal financial reporting. Spend-based screening method: \$NZD spent on capital goods multiplied by relevant DEFRA emissions factor for GL code. Assumes all upstream raw materials, processing, assembly and transportation between manufacturing stages (cradle-to-gate) is in scope of selected emissions factor. Low certainty in activity data and emissions factor sources.

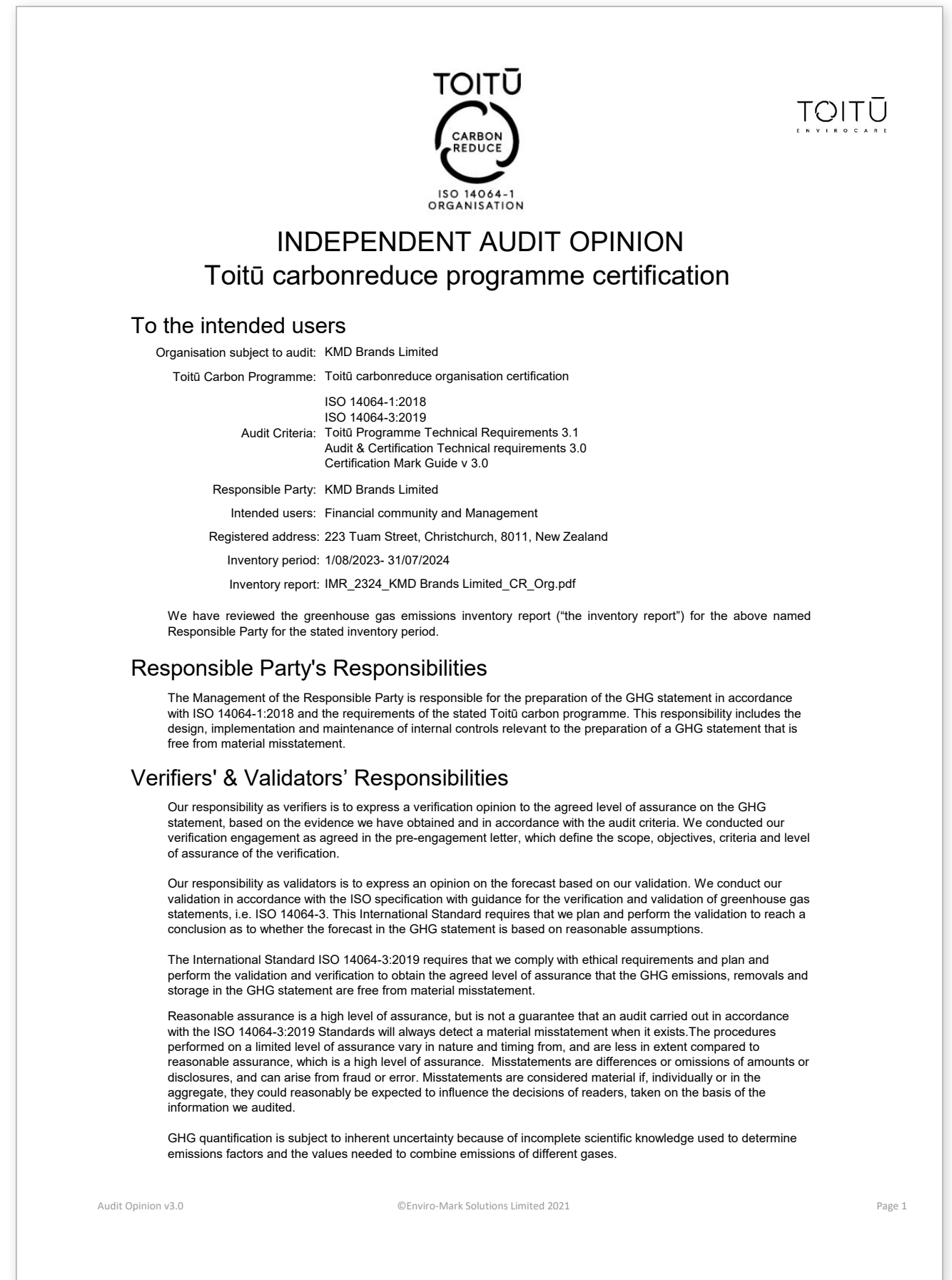
GHG protocol scope & category	Activity measured	Emissions factor source	Methodology, key assumptions, exclusions and uncertainty (qualitative)
Scope 3 Category 3. Fuel and energy related activities	Indirect emissions from the transmission and distribution losses that occur in electricity grids that we purchase electricity from.	MfE (2024) DCCEEW (2024) USEPA (2023) CT (2022) AIB (2024) CT (2022)	Activity data is sourced from supplier invoices and our third-party energy monitoring system. Average-data method: kWh electricity consumed multiplied by relevant electricity emissions factor for transmission and distribution losses in the applicable territory. Assumes utility provider reporting is accurate. Excludes the indirect lifecycle emissions associated with the extraction, production and transport of the fuels used by the company and generation of electricity purchased by the company. High certainty in activity data. Medium certainty in emissions factor sources.
Scope 3 Category 4. Upstream transportation and distribution	Indirect emissions from the transportation and distribution of our purchased inventory from the port of origin to the point of receipt, such as a distribution centre or store. Indirect emissions from the transportation and distribution of goods to customers for online purchases.	MfE (2024) BEIS (2023) DCCEEW (2024)	Activity data is sourced from internal supply-chain reporting, supplier provided impact reporting and estimates of average distances travelled between port of origin and receipt. Average-data method: tonnes per estimated kilometre travelled multiplied by emission factor for relevant mode (air, sea or road). Assumes the cradle-to-gate transportation of materials and components during manufacturing, prior to us taking ownership of finished goods, is accounted for in Scope 3 Category 1 and 2. Assumes New Zealand MfE factors are representative of global freight providers. Medium certainty in activity data. Low certainty in emissions factor sources.
Scope 3 Category 5. Waste generated in operations	Indirect emissions from waste generated at operated sites.	MfE (2024) DCCEEW (2024) USEPA (2023) BEIS (2023)	Activity data is sourced from supplier provided waste management reporting. Average-data method: mass disposed by waste stream (landfill, and recycling including: mixed plastics, paper, cardboard, soft plastics, glass, aluminium, neoprene). Assumes primary data from waste management providers is accurate and can be used as a representative proxy for operational waste where primary data is unavailable. Assumes mixed plastic recycling is a suitable emissions factor for neoprene recycling. Assumes New Zealand MfE factors are representative of global landfills and recycling processes. Low certainty in activity data and emissions factor sources.
Scope 3 Category 6. Business Travel	Indirect emissions from business related air and road travel.	MfE (2024) BEIS (2023) DCCEEW (2024) USEPA (2023)	Activity data is sourced from corporate travel agency and internal financial reporting. Average-data method: distance travelled by class (economy, premium economy, business or first class) or mode (taxi, rental vehicle, Uber or Uber Green) multiplied by relevant emissions factor. Assumes reporting from corporate travel agency is accurate. Assumes New Zealand MfE factors are representative of global airlines and road vehicles. Medium certainty in activity data and emissions factor sources.
Scope 3 Category 7. Employee commuting	Indirect emissions from employee commuting to their place of work.	MfE (2024)	Activity data is sourced from an estimate average commute derived from Statistics New Zealand and applied to the number of full-time employees globally, plus an estimate representing the number of part-time employees globally. Average-data screening method: estimated distance travelled and emissions factor for a medium sized petrol vehicle. Assumes Auckland statistics are representative of global locations and four weeks annual leave is taken. Excludes casual employees and time worked from home. Low certainty in activity data and emissions factor sources.

GHG protocol scope & category	Activity measured	Emissions factor source	Methodology, key assumptions, exclusions and uncertainty (qualitative)
Scope 3 Category 9. Downstream transportation & distribution	Indirect emissions from purchased electricity for third-party operated sites owned and operated by our wholesale customers.	MfE (2024) DCCEEW (2024)	Activity data is sourced from internal financial reporting, supplier invoices and our third-party energy monitoring system. Average-data method: 5% of the average annual kWh consumption at Rip Curl operated stores multiplied by local electricity emissions factor. Assumes the impact of wholesale customers operating a retail store is similar to the impact of our retail operations. This impact is allocated at 5%, based off utilisation rates in our own operations and the estimated space occupied by the goods of other brands that these retailers stock. Low certainty in activity data and emissions factor sources.
Scope 3 Category 11. Use of sold products	Indirect emissions from customer use of sold products that directly consume electricity or contain fuel.	MfE (2024) DCCEEW (2024)	Activity data is sourced from internal financial reporting. Average-data method: estimated lifetime consumption of electricity of sold electrical products multiplied by local electricity emissions factor. Average-data method: combustion of cooking fuel from sold gas products multiplied by relevant fuel emission factor (Propane, Butane and Isobutane). For electrical products, we assume customers follow user instructions and use sold products in the country of purchase for approximately two years. Indirect use phase emissions such as the laundering and care of sold products, are excluded. For gas products we assume customers combust the entire contents of the product. Low certainty in activity data. Medium certainty in emissions factor sources.
Scope 3 Category 12. End-of-life treatment of sold products	Indirect emissions of end-of-life treatment of sold products.	BEIS (2023)	Activity data is sourced from internal financial reporting. Average-data method: average mass of sold products in reporting year multiplied by emissions factor for textiles in landfill. Assumes all product is destined for landfill eventually and has an equal impact to textiles in landfill. Medium certainty in activity data. Low certainty in emissions factor sources.
Scope 3 Category 14. Franchises	Indirect Scope 2 emissions from purchased electricity for third-party operated sites owned and operated by licensees under the Rip Curl name.	MfE (2024) DCCEEW (2024)	Activity data is sourced from internal financial reporting, supplier invoices and our third-party energy monitoring system. Average-data method: average annual kWh consumed at operated Rip Curl stores multiplied by local electricity emissions factor. Assumes utility provider reporting is accurate and licensed stores have a similar impact to our operated stores. Low certainty in activity data and emissions factor sources.
Scope 3 Category 15. Investments	Indirect emissions from our joint-venture Rip Curl Thailand.	BEIS (2023) DCCEEW (2024) Turner et al. (2015)	Activity data is sourced from internal financial reporting. Average-data screening method: \$m revenue from Rip Curl Thailand multiplied by emissions intensity (tco ₂ e/\$m) of Rip Curl Australia operations / 50% ownership. Assumes Rip Curl Thailand has a similar emissions intensity to sites operated by Rip Curl in Australia. Low certainty in activity data and emissions factor sources.

Appendix 2: Glossary

Term	Definition
AIB (2024)	European Residual Mixes. Association of Issuing Bodies. Brussels, Belgium. IPCC Sixth Assessment Report (AR6)
ARC	Audit and Risk Committee of the Board
Asset Locations	Retail store, warehouse and owned manufacturing locations from KMD Brands asset registers
B Corp	B Corporation or Benefit Corporation
BEIS (2023)	Department for Business, Energy & Industrial Strategy. Government greenhouse gas conversion factors for company reporting. London, United Kingdom. IPCC Fifth Assessment Report (AR5)
CRD	Climate-related disclosure
CT (2022)	Climate Transparency Report 2022. IPCC Fifth Assessment Report (AR5)
DCCEEW (2024)	Australian Department of Climate Change, Energy, the Environment and Water. National Greenhouse Accounts Factors. Canberra, Australia. IPCC Fifth Assessment Report (AR5)
DEFRA	UK Department for Environment, Food and Rural Affairs
ELT	Executive Leadership Team
ERM	Enterprise Risk Management framework
ESG	Environmental, Social and Governance
GHG	Greenhouse gas emissions
GL	General Ledger code, the identifier to categorise financial transactions
GWP	Global warming potential rate
IEA (2023)	International Energy Agency. IEA Emission factors. Paris, France. IPCC Fifth Assessment Report (AR5)
IPCC	Intergovernmental Panel on Climate Change
KMD Brands or the Group	KMD Brands Limited and its subsidiaries
MfE (2024)	New Zealand Ministry for the Environment. MfE Guidance for Voluntary Greenhouse Gas Reporting. Wellington, New Zealand. IPCC Fifth Assessment Report (AR5)
NGFS	Network for Greening the Financial System
NIWA	National Institute of Water and Atmospheric Research
NZ CS	Aotearoa New Zealand Climate Standards 1, 2 and 3
NZ SAE 1	New Zealand Standard on Assurance Engagements 1 – Assurance Engagements over Greenhouse Gas Emissions Disclosures
RCP	Representative Concentration Pathway for Emissions
Retail Sector Scenario Analysis	“Integrated Climate Change Scenarios for New Zealand’s Retail Sector” published by KPMG August 2023
SBTi	Science Based Target initiative
Scope 3 SBTi Target	KMD Brands approved Scope 3 SBTi target
SME	KMD Brands subject matter experts
SSP	Shared socio-economic pathway
STI	Short term incentive plan
tCO ₂ e	Tonne of carbon dioxide equivalent
TMOE	Thailand Ministry of Energy. Energy Statistics, CO2 Statistic. Emissions Dashboard. Energy Policy and Planning Office, Ministry of Energy, Royal Thai Government. IPCC Fourth Assessment Report (AR4)
Turner et al. (2015)	Greenhouse gas emission factors for recycling of source-segregated waste materials. Resources, Conservation and Recycling. 2015, Pages 186-197. IPCC Fourth Assessment Report (AR4)
UK ESNZ	UK and England’s carbon footprint to 2021 - GOV.UK. Department for Environment, Food & Rural Affairs. Conversion factors KvCO2 per £ spent, by SIC Code 2021. IPCC Fifth Assessment Report (AR5)
USEPA (2023)	U.S. Environmental Protection Agency. Emission Factors for Greenhouse Gas Inventories. Washington, DC, USA. IPCC Fourth Assessment Report (AR4)

Appendix 3: Toitū emissions inventory reports





Basis of verification opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Verification

We have undertaken a verification engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'Inventory Report')/Emissions Inventory and Management Report of the organisation listed at the top of this statement and described in the emissions inventory report for the period stated above.

The Inventory Report provides information about the greenhouse gas emissions of the organisation for the defined measurement period and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') and the requirements of the stated Enviro-Mark Solutions Limited (trading as Toitū Envirocare) programme.

Verification strategy

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- activities to inspect the completeness of the inventory;
- examination of electricity reports to confirm accuracy of source data into calculations;
- recalculation of emissions;
- detailed retracing of spend-based purchased goods and services emissions;
- detailed retracing of downstream transportation and distribution emissions.

The data examined during the verification were historical in nature.

Basis for modified verification opinion

The following qualifications have been raised in relation to the verification opinion:

Category 4 emission sources for purchased goods & services and capital goods are heavily assumptions based, using dollar spend data and an industry average to estimate emissions. Any change in assumptions could significantly impact the measurement of these emissions.

Verification level of assurance

ISO CATEGORY	LOCATION BASED tCO ₂ e	MARKET BASED tCO ₂ e	LEVEL OF ASSURANCE
Category 1	66.34	66.34	Reasonable
Category 2	4,740.48	6,107.44	Reasonable
Category 3 (mandatory)	6,286.45	6,286.46	Limited
Category 3 (additional)	1,187.08	1,187.08	Limited
Category 4 (mandatory)	675.23	675.23	Limited
Category 4 (additional)	65,883.80	65,883.80	Limited
Category 5	1,534.57	1,534.57	Limited
TOTAL INVENTORY	80,373.97	81,740.93	



Validation

We have examined the forecast of GHG emissions, removals and storage related to downstream product use for product produced during the measurement period in the Organisation's GHG statement, which comprise the following:

- product use;
- product disposal.

Validation strategy

Our validation assessed the:

- recognition;
- GHG boundary;
- activity estimates;
- calculation methodologies and measurements;
- data management;
- conservativeness;
- calculation outcomes;
- future estimates;
- uncertainty;
- sensitivity of the forecast to the assumptions.

The data examined during the validation were projected in nature.

Validation level of assurance

ISO CATEGORY	LOCATION BASED tCO ₂ e	LEVEL OF ASSURANCE
Category 5	1,810.97	Limited

Responsible party's greenhouse gas assertion (certification claim)

Toitū carbonreduce organisation certified: KMD Brands Limited, including Kathmandu PTY Limited, and Kathmandu (UK) Limited, New Zealand, Australia, and Oboz Footwear LLC; but excluding online sales freight and UK retail stores, contracted Distribution Centres, factories, and the business unit Rip Curl. Toitū carbonreduce certified means measuring emissions to ISO 14064-1:2018 and Toitū requirements; managing and reducing against Toitū requirements.

Verification and Validation Conclusion

EMISSIONS - REASONABLE ASSURANCE
 We have obtained all the information and explanations we have required. In our opinion, the emissions, removals and storage defined in the inventory report, in all material respects:
 • comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
 • provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

EMISSIONS - LIMITED ASSURANCE
 Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the emissions, removals and storage defined in the inventory report:
 • do not comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
 • do not provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

VALIDATION EMISSIONS - LIMITED ASSURANCE
 Based on our examination of the validation evidence, nothing comes to our attention which causes us to believe that reported assumptions do not provide a reasonable basis for forecast emissions. Further, in our conclusion, the forecast is properly prepared on the basis of the assumptions and in accordance with Toitu programme requirements. Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

Other information

The responsible party is responsible for the provision of Other Information to meet Programme requirements. The Other Information may include emissions management and reduction plan and purchase of carbon credits, but does not include the information we verified, and our auditor's opinion thereon.

Our opinion on the information we verified does not cover the Other Information and we do not express any form of audit opinion or assurance conclusion thereon. Our responsibility is to read and review the Other Information and consider it in terms of the programme requirements. In doing so, we consider whether the Other Information is materially inconsistent with the information we verified or our knowledge obtained during the verification.

		
	VERIFIED BY	AUTHORISED BY
Name:	Rhea Selwan	Billy Ziemann
Position:	Verifier, Toitū Envirocare	Certifier, Toitū Envirocare
Signature:		

Date verification audit:	9-10 September 2024	
Date opinion expressed:	14 October 2024	22 October 2024



INDEPENDENT AUDIT OPINION
 Toitū carbonreduce programme certification

TO THE INTENDED USERS

Organisation subject to audit:	Rip Curl Group Pty Limited
Toitū Carbon Programme:	Toitū carbonreduce organisation certification ISO 14064-1:2018 ISO 14064-3:2019
Audit Criteria:	Toitū Programme Technical Requirements 3.1 Audit & Certification Technical requirements 3.0 Certification Mark Guide v 3.0
Responsible Party:	Rip Curl Group Pty Limited
Intended users:	Stakeholders, Potential investors, and Executives
Registered address:	101 Surf Coast Highway, Torquay, 3228, Australia
Inventory period:	1/08/2023 - 31/07/2024
Inventory report:	IMR_2324_Rip Curl Group Pty Limited_CR_Org.pdf

We have reviewed the greenhouse gas emissions inventory report (“the inventory report”) for the above named Responsible Party for the stated inventory period.

RESPONSIBLE PARTY’S RESPONSIBILITIES

The Management of the Responsible Party is responsible for the preparation of the GHG statement in accordance with ISO 14064-1:2018 and the requirements of the stated Toitū carbon programme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of a GHG statement that is free from material misstatement.

VERIFIERS' RESPONSIBILITIES

Our responsibility as verifiers is to express a verification opinion to the agreed level of assurance on the GHG statement, based on the evidence we have obtained and in accordance with the audit criteria. We conducted our verification engagement as agreed in the audit letter, which define the scope, objectives, criteria and level of assurance of the verification.

The International Standard ISO 14064-3:2019 requires that we comply with ethical requirements and plan and perform the verification to obtain the agreed level of assurance that the GHG emissions, removals and storage in the GHG statement are free from material misstatement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the ISO 14064-3:2019 Standards will always detect a material misstatement when it exists. The procedures performed on a limited level of assurance vary in nature and timing from, and are less in extent compared to reasonable assurance, which is a high level of assurance. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

BASIS OF VERIFICATION OPINION

Our responsibility is to express an assurance opinion on the GHG statement based on the evidence we have obtained. We conducted our assurance engagement as agreed in the Contract which defines the scope, objectives, criteria and level of assurance of the verification.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VERIFICATION

We have undertaken a verification engagement relating to the Greenhouse Gas Emissions Inventory Report (the ‘Inventory Report’)/Emissions Inventory and Management Report of the organisation listed at the top of this statement and described in the emissions inventory report for the period stated above.

The Inventory Report provides information about the greenhouse gas emissions of the organisation for the defined measurement period and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals (‘ISO 14064-1:2018’) and the requirements of the stated Enviro-Mark Solutions Limited (trading as Toitū Envirocare) programme.

VERIFICATION STRATEGY

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- activities to inspect the completeness of the inventory;
- interviews of site personnel to confirm operational behaviour and standard operating procedures;
- sampling of RCA and RCU electricity records to confirm accuracy of source data into calculations;
- recalculation of RCU freight emissions;
- reconciliation of purchased good and service and capital good emissions back to group P&L report;
- detailed tracing back to the calculation of staff commuting and franchises.

The data examined during the verification were historical in nature.

QUALIFICATIONS TO VERIFICATION OPINION

The following qualifications have been raised in relation to the verification opinion:

Category 4 emission sources for purchased goods & services and capital goods are heavily assumptions based, using dollar spend data and an industry average emission factor to estimate emissions. Any changes to the assumptions could significantly impact the measurement of these emissions.

VERIFICATION LEVEL OF ASSURANCE

ISO Category	Location based tCO ₂ e	Market Based tCO ₂ e	Level of Assurance
Category 1	451.90	451.90	Reasonable
Category 2	3,600.16	4,123.91	Reasonable
Category 3 (mandatory)	5,745.35	5,745.35	Limited
Category 3 (additional)	936.79	936.79	Limited
Category 4 (mandatory)	1,116.31	1,116.31	Limited
Category 4 (additional)	76,847.40	76,847.40	Limited
Category 5	10,567.42	10,567.42	Limited
Total inventory	99,265.33	99,789.08	

RESPONSIBLE PARTY’S GREENHOUSE GAS ASSERTION (CERTIFICATION CLAIM)

Toitū carbonreduce organisation certified: Rip Curl Group Pty Limited (operational activities of its Rip Curl Australia business as well as including all other business units overseas (Brazil, Canada, Europe, Indonesia, Thailand, Japan, New Zealand, and the USA). Toitū carbonreduce certified means measuring emissions to ISO 14064-1:2018 and Toitū requirements; and managing and reducing against Toitū requirements.

VERIFICATION CONCLUSION

EMISSIONS - REASONABLE ASSURANCE

We have obtained all the information and explanations we have required. In our opinion, the emissions, removals and storage defined in the inventory report, in all material respects:

- comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
- provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

EMISSIONS - LIMITED ASSURANCE

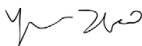
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the emissions, removals and storage defined in the inventory report:

- do not comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
- do not provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

OTHER INFORMATION

The responsible party is responsible for the provision of Other Information to meet Programme requirements. The Other Information may include emissions management and reduction plan and purchase of carbon credits, but does not include the information we verified, and our auditor’s opinion thereon.

Our opinion on the information we verified does not cover the Other Information and we do not express any form of audit opinion or assurance conclusion thereon. Our responsibility is to read and review the Other Information and consider it in terms of the programme requirements. In doing so, we consider whether the Other Information is materially inconsistent with the information we verified or our knowledge obtained during the verification.

Verified by:		Authorised by:	
Name:	Ying Zhao	Name:	Billy Ziemann
Position:	Verifier, Toitū Envirocare	Position:	Certifier, Toitū Envirocare
Signature:		Signature:	
Date verification audit:	9-12 October 2024		
Date opinion expressed:	8 October 2024	Date:	22 October 2024