**KMD BRANDS LIMITED**

20 September 2023

# Full Year Report
# For the period ending 31 July 2023

## Contents

Results Announcement
Media Announcement
Annual Integrated Report including Financial Statements and Auditors' Report

# Results announcement

| Results for announcement to the market | | |
|---|---|---|
| Name of issuer | KMD Brands Limited | |
| Reporting Period | 12 months to 31 July 2023 | |
| Previous Reporting Period | 12 months to 31 July 2022 | |
| Currency | NZD | |
| | **Amount (000s)** | **Percentage change** |
| Revenue from continuing operations | $1,102,994 | 12.6% |
| Total Revenue | $1,102,994 | 12.6% |
| Net profit/(loss) from continuing operations | $36,614 | -0.6% |
| Total net profit/(loss) | $36,614 | -0.6% |
| **Interim Dividend** | | |
| Amount per Quoted Equity Security | $0.03000000 | |
| Imputed amount per Quoted Equity Security | Nil | |
| Record Date | 05 October 2023 | |
| Dividend Payment Date | 20 October 2023 | |
| | **Current period** | **Prior comparable period** |
| Net tangible assets per Quoted Equity Security | $0.17 | $0.17 |
| A brief explanation of any of the figures above necessary to enable the figures to be understood | The year end results are based on accounts which have been subject to audit. Refer to accompanying audited financial statements and media release for further information. | |
| **Authority for this announcement** | | |
| Name of person authorised to make this announcement | Frances Blundell | |
| Contact person for this announcement | Frances Blundell | |
| Contact phone number | +64 3 968 6110 | |
| Contact email address | companysecretary@kmdbrands.com | |
| Date of release through MAP | Wednesday, 20 September 2023 | |

Audited financial statements accompany this announcement.

**20 September 2023**
*(All amounts in NZ$ unless otherwise stated)*

# KMD Brands delivers record $1.1 billion sales in FY23

KMD Brands Limited (**ASX/NZX: KMD**, **"KMD"** or the **"Group"**) is pleased to announce its results for the twelve months ended 31 July 2023 ("FY23").

**FY23 key highlights (vs FY22):**

- Group sales record, up 12.6% to $1.1 billion
    - All brands grew sales, with Rip Curl and Oboz achieving record sales
- Gross margin improvement 20 basis points to 59.1%
- Underlying EBITDA[1] of $105.9 million, up 15.1% YOY despite softening consumer sentiment in the fourth quarter
- Statutory NPAT of $36.6 million; Underlying NPAT[1] up 8.6% YOY to $43.3 million
- Strong balance sheet position
- Final dividend of 3 cents per share (not franked and not imputed); total FY23 dividend of 6 cents per share

**Group CEO & Managing Director Michael Daly said:**

"KMD Brands has achieved record sales of over $1.1 billion dollars in our first year of uninterrupted trade post-pandemic, a significant milestone for the Group. Strong sales growth was delivered across all key geographies, with Rip Curl and Oboz achieving record sales. Kathmandu sales grew strongly over the first three quarters of the year. The fourth quarter for Kathmandu was more challenging with increased cost-of-living pressures softening consumer sentiment, and the warmest winter on record in Australia, which cycled the best-ever winter trade season last year."

"FY23 Group results were underpinned by strong omni-channel sales growth from all brands. Customers returned to shopping in stores, with retail store sales increasing +17.5%. This had an impact on online sales, a trend noted across the industry as customers returned to pre-pandemic shopping behaviours. Online sales remain significantly above pre-pandemic levels. Despite a challenging wholesale market, Group wholesale sales grew by +11%."

"Our balance sheet is healthy with low net debt and improving inventory levels. We are well positioned as we begin FY24."

"The Group achieved its goal of global B Corp certification, becoming one of just 45 publicly traded companies in the world to do so, further delivering on our goal to Lead in ESG."

[1] Excluding the impact of IFRS 16, restructuring, and the notional amortisation of Rip Curl and Oboz customer relationships

## Group financial performance

| | Statutory | Underlying[2] | | |
|---|---|---|---|---|
| **NZ$ million[3]** | **FY23** | **FY23** | **FY22** | **Var %** |
| Sales | 1,103.0 | 1,103.0 | 979.8 | 12.6% |
| Gross Profit | 651.9 | 651.9 | 576.7 | 13.0% |
| Gross margin | 59.1% | 59.1% | 58.9% | |
| Operating Expenses | (451.9) | (546.1) | (484.7) | 12.7% |
| EBITDA | 200.1 | 105.9 | 92.0 | 15.1% |
| EBIT | 76.4 | 74.2 | 62.3 | 19.2% |
| NPAT | 36.6 | 43.3 | 39.8 | 8.6% |

Gross margin remained resilient, increasing +20 bps (0.2% of sales) to 59.1%. Improved channel mix, wholesale pricing and international freight costs offset currency headwinds.

Operating expenses[2] were maintained year-on-year at 49.5% of sales, despite softened sales performance in the fourth quarter.

## Rip Curl: sales growth +8.3%

| Rip Curl | Underlying[2] | | |
|---|---|---|---|
| **NZ$ million** | **FY23** | **FY22** | **Var%** |
| Sales | 581.5 | 536.8 | 8.3% |
| EBITDA | 55.6 | 59.1 | (6.0%) |
| EBIT | 44.0 | 48.5 | (9.2%) |

Rip Curl achieved a record sales result, with total sales up +8.3% to $581.5 million. The results were underpinned by strong direct-to-consumer results particularly in Australasia following lockdowns last year, plus the return of international travel to Hawaii and Thailand.

Consumers took advantage of the brand's strong omni-channel offering - an attractive and premium brand experience in strategically placed stores. Online sales normalised at $34.9 million, significantly above pre-pandemic levels, as customers returned to shopping in stores. Online sales represented 10.6% of direct-to-consumer sales.

The recently launched Club Rip Curl customer loyalty platform has over 220,000 members to-date, driving more than $30 million in member-based sales – a fantastic achievement given it launched just this year.

Wholesale sales showed resilience despite softening wetsuit demand from record highs.

Gross margin increased +60 bps (0.6% of sales), reflecting channel mix, improved wholesale pricing, and the easing of elevated international freight costs.

[2] Excluding the impact of IFRS 16, restructuring, and the notional amortisation of Rip Curl and Oboz customer relationships
[3] FY23 NZD/AUD conversion rate 0.917 (FY22: 0.935), FY23 NZD/USD conversion rate 0.617 (FY22 0.674)

## Kathmandu: sales growth +10.6%

| Kathmandu | Underlying[2] | | |
|---|---|---|---|
| **NZ$ million** | **FY23** | **FY22** | **Var %** |
| Sales | 422.2 | 381.6 | 10.6% |
| EBITDA | 52.5 | 36.4 | 44.4% |
| EBIT | 33.3 | 18.0 | 85.4% |

Kathmandu total sales increased +10.6% to $422.2 million in FY23, with strong growth in the first three quarters as customers returned to shopping in stores. Cost of living pressures softened consumer sentiment in the fourth quarter, which impacted the key winter trade season. Kathmandu faced the warmest winter on record in Australia and cycled its best-ever winter season performance last year. In FY23, Australia sales grew +7.0%, and New Zealand +13.1%.

Online sales normalised at $58.8 million, comfortably above pre-pandemic levels. Online sales represented 14.0% of direct-to-consumer sales.

Gross margin increased +100 bps (1.0% of sales) with the deliberate strategy to continue to moderate the historic “high-low” pricing model.

The sales result was supported by a strong loyalty base - a strategic focus of the brand with a relaunch of the Kathmandu loyalty program in early FY24.

Kathmandu significantly reduced its inventory levels, and is now well positioned, with inventory c. $37 million below July 22. The brand continues to cycle through its second phase of recovery, with travel presenting an opportunity for growth as it steadies and returns to pre-pandemic frequency, especially for customers traveling overseas.

The international soft launch of the brand delivered initial sales of $2.6 million including first deliveries to select new wholesale customers in Europe and Canada. With the brand only just starting to diversify and leverage wholesale as a channel, the new Kathmandu CEO will be well placed to capitalise on this in the coming years, given her depth of global experience in this space.

## Oboz: sales growth +61.8%

| Oboz | Underlying[2] | | |
|---|---|---|---|
| **NZ$ million** | **FY23** | **FY22** | **Var %** |
| Sales | 99.3 | 61.3 | 61.8% |
| EBITDA | 7.9 | 3.3 | 137.0% |
| EBIT | 7.1 | 2.7 | 166.0% |

Oboz sales recovered strongly, increasing +61.8% to a record of almost $100 million. The wholesale channel recovered strongly following last year’s significant supply constraints.

The brand also benefited from a commitment to diversified sales channels, delivering strong online sales growth, increasing the mix of direct-to-consumer sales with high gross margins.

Gross margin increased +270 bps (+2.7% of sales) with improved channel mix, adjusted wholesale pricing, new product introductions, and the easing of elevated international freight costs.

Oboz continued its investment to optimise the brand for growth and accelerate international expansion.

Brand momentum remains strong, with 'Fast Trail' category expansion success and online performance continuing to indicate a significant growth opportunity.

## Strong balance sheet

At 31 July 2023, the Group had a net debt position of $55.7 million with funding headroom of over $200 million.

Net working capital as a percentage of sales improved to be less than 20%, with significant reduction in Kathmandu inventory. Rip Curl and Oboz continue to focus on reducing working capital, as we transition away from inventory builds in wetsuits and footwear.

Positive operating cash flow for FY23 reflects the first year of uninterrupted trade post-pandemic.

The Group's strong balance sheet led Directors to declare a final dividend of 3.0 cents per share (not franked and not imputed). The record date for this dividend is 5 October 2023, and the payment date is 20 October 2023.

## Leading in ESG

Commenting on the Group's sustainability initiatives, Mr Daly said: "Today, the Group released its FY23 Annual Integrated Report, our second integrated report and a continuation of our efforts to consider financial and ESG performance as intertwined for long-term growth."

"Leading in ESG is a core component of our strategy, and I'm pleased to say we achieved a lot this year. A highlight for me, and the Group at large, was certifying as a B Corp. All of the Group, brands and employees the world over, united to make this happen. It was a very proud moment."

In FY23, KMD Brands had several ESG highlights, including:

- **B Corporation (B Corp):** we proudly came together as one Group across continents to certify as a B Corp. Rip Curl and Oboz certified for the first time, while Kathmandu recertified.
- **Sustainability Linked Loan (SLL):** balancing profit with our impact on the planet, we successfully refinanced and expanded the application of our Sustainability Linked Loan (SLL), including our first Sustainability Linked Guarantee. Unlike traditional loans where the interest rate is based on financial metrics, a SLL is connected to our achievement of specific sustainability objectives.
- **The Science Based Targets initiative (SBTi):** our climate targets were validated by the Science Based Targets initiative, committing us formally to science-based climate action and transitioning to a low-carbon future.

- **Modern Slavery Statement:** following in the footsteps of previous brand statements, we released our first Statement as a Group in early 2023. In conjunction with our 2023 results, we release our second Modern Slavery Statement as a Group.
- **Industry recognition:** we were recognised at the Australasian Reporting Awards for our 2022 Annual Integrated Report and received multiple awards and nominations for excellence in integrated reporting. We were also the winner of the Deloitte Top 200 The Aotearoa Circle Sustainable Business Leadership Award, which recognises businesses working towards the creation of long-term environmental, social and economic value.

Mr Daly continued, "In addition to what we achieved at a Group level; our iconic brands also delivered true leadership in this space. Rip Curl launched its first Reconciliation Action Plan (RAP) in partnership with Reconciliation Australia; Oboz's long running 'One More Tree' initiative to plant trees on behalf of customers reached a milestone of over 5 million trees planted since it began in 2007; and Kathmandu launched a pilot circularity project 'Kathman-REDU', supported by a grant from the Victorian Government, which aims to commercialise a complex non-linear new business model, the first of its kind in ANZ."

## Focused strategy underpins outlook

Group sales for August 2023 were -6.4% below last year. The trend in Kathmandu sales continued from the fourth quarter of FY23 into August, but consistent with pre-pandemic sales levels at this time of year. Rip Curl and Oboz have seen good momentum in direct-to-consumer sales.

**Commenting on the outlook for the Group, Mr Daly said:**

"The long-term fundamentals of our diversified group of outdoor brands remain intact. Despite the challenging consumer sentiment, we expect tailwinds with the continued return to travel, positive impact from the launch of innovative products and the outdoor lifestyle trend post-pandemic."

"Our strategic growth pillars remain unchanged, and with new executive appointments in place (Kathmandu CEO, Chief Information Officer, Chief Digital Officer) we expect to accelerate our strategy execution."

"We are extremely motivated by the opportunities that lie ahead for our strong and innovative team. In a relatively short time, we've evolved from a single brand ANZ retailer to a global house of brands, diversified by channels, products, and geographies. We've achieved a number of significant milestones in FY23, in our first year of uninterrupted trade post-pandemic."

**Investor briefing being held today @ 8:30am AEST / 10:30am NZST**

Michael Daly (Group CEO & Managing Director) and Chris Kinraid (Group CFO) will be holding a briefing session for investors and analysts at 8:30am AEST / 10:30am NZST today (Wednesday 20 September). To pre-register and avoid a queue when calling, please follow this link:https://event.webcasts.com/starthere.jsp?ei=1629002&tp_key=75a773ce89

If you are unable to pre-register, at the time of the call please dial one of the numbers below and provide the Participant Code 827672 to the operator.

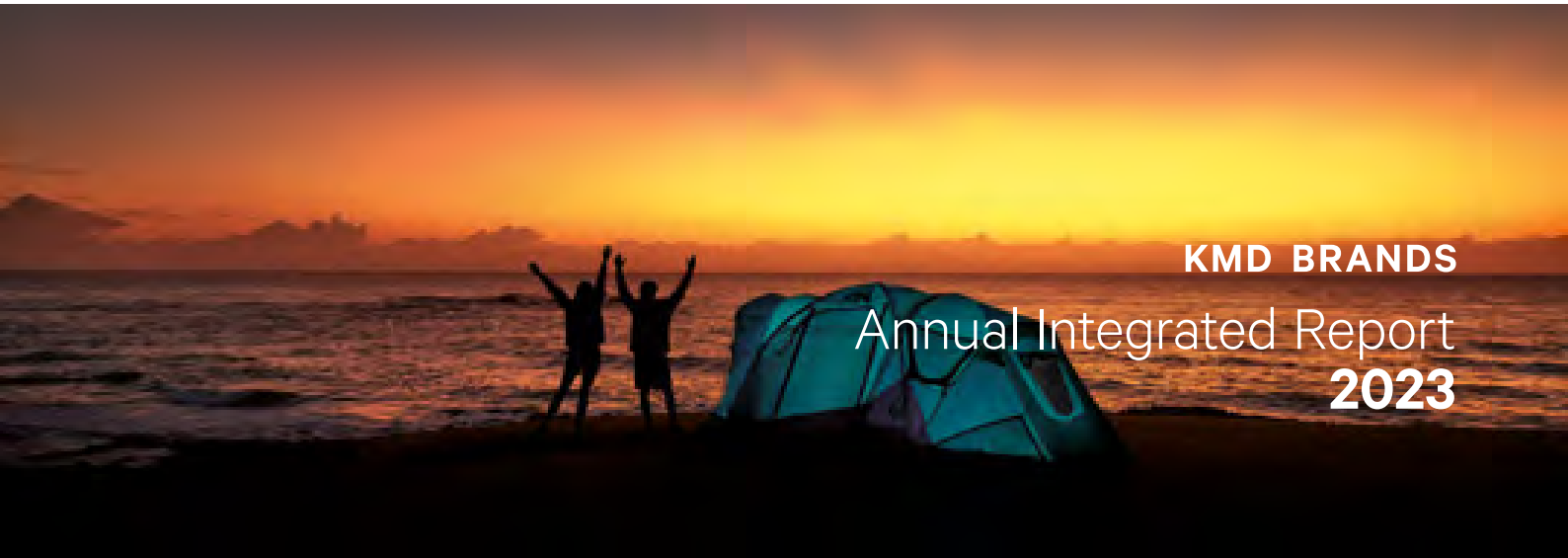
| | |
|---|---|
| Australia Toll Free: | 1 800 590 693 |
| Australia Local: | +61 (0) 2 7250 5438 |
| New Zealand Toll Free: | 0800 423 972 |
| New Zealand Local: | +64 (0)9 9133 624 |
| United States Local: | +1 323-794-2095 |
| United Kingdom Local: | +44 (0) 330 165 3646 |
| France Local: | +33 (0) 1 76 77 22 73 |

The webcast will be available on the KMD Brands investor website following the call.

*This announcement has been authorised for release to NZX / ASX by the Board of Directors of KMD Brands Limited.*

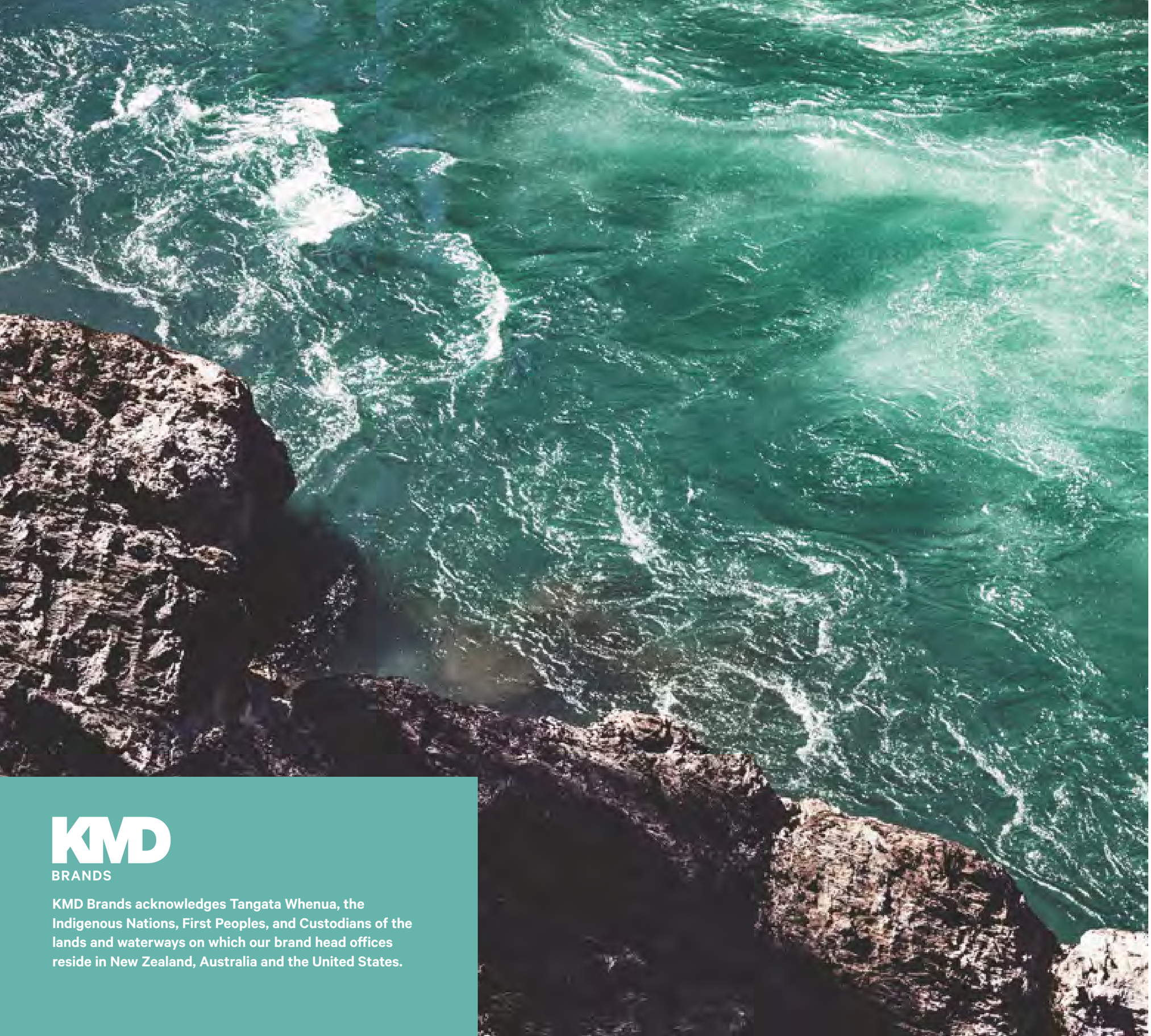
- ENDS -

**For further information, whether an investor or media enquiry, please contact:**
**enquiries@kmdbrands.com**



# KMD BRANDS

# Annual Integrated Report 2023



KMD BRANDS

**KMD Brands acknowledges Tangata Whenua, the Indigenous Nations, First Peoples, and Custodians of the lands and waterways on which our brand head offices reside in New Zealand, Australia and the United States.**

# CONTENTS


**2 OUR JOURNEY**
2 Reporting approach
3 Our purpose and vision
4 Our brands
6 Highlights and lowlights for FY23
8 Our world

**10 LEADERSHIP & GOVERNANCE**
10 Report from the Chair
12 Group CEO report
14 Governance at KMD Brands
16 Our board
17 Our management team

**18 WHAT MATTERS MOST**
18 Materiality approach
20 Our material issues

**22 STRATEGY**
22 How we create value
24 Our strategic pillars

**26 BUILDING GLOBAL BRANDS**

**39 ELEVATING DIGITAL**

**48 OPERATIONAL EXCELLENCE**

**58 LEAD IN ESG**
60 Communities
84 Climate
96 Circularity

**118 FINANCING OUR IMPACT**
119 Group CFO report
122 Financial statements
168 Auditors report

**172 ADDITIONAL DISCLOSURES**
172 Corporate Governance Statement
184 Statutory information
189 Directory
190 GRI index
198 SASB index
202 Our partners

# OUR JOURNEY
# Reporting approach

KMD BRANDS

## ABOUT THIS REPORT

This integrated report is a review of our financial, economic, social and environmental performance for the year ending 31 July 2023. This is our second year of integrated reporting.

We have prepared this report using the International <IR> Framework, which aims to communicate the full range of factors that affect an organisation's ability to create value over time. It requires a high level of transparency and a commitment to robust disclosure around Environmental, Social and Governance (ESG) commitments.

KPMG has audited the financial statements in this report. Financial information has been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS). Non-financial information is reported with reference to the Global Reporting Initiative (GRI) Universal Standards.

This year, we have built on our climate disclosures, referring to the structure of the Aotearoa New Zealand Climate Standards (NZ CS) as we build towards our first disclosure under the NZ CS for FY24. We will continue to improve and increase our reporting of our climate-related risks and opportunities and how they are reflected in our business strategy as we prepare for the reporting requirements under the NZ CS.

This report also includes our Group carbon emissions data, with assurance provided by Toitū Envirocare, a New Zealand-based company helping businesses reduce their carbon footprint. Apart from our carbon emissions data, external assurance on non-financial data or information has not been obtained.

This report constitutes KMD Brands' 2023 Annual Report to shareholders and covers the requirements of the NZX Corporate Governance Code (version 1 April 2023).

# Our purpose and vision

Kathmandu

Oboz FOOTWEAR

RIP CURL

## OUR BUSINESS

KMD Brands is a global outdoor lifestyle and sports company and certified B Corporation. The Group consists of three iconic brands: Kathmandu, Oboz and Rip Curl.

Kathmandu was founded in 1987 in New Zealand to equip people for travel and adventure. Outdoor footwear brand Oboz joined the group in 2018 and is based in Bozeman, Montana USA, the gateway to Yellowstone National Park. Rip Curl, acquired in 2019, is a leading global surf brand born in Bells Beach, Victoria, Australia, in 1969.

KMD Brands Limited is publicly listed on the NZX and ASX, initially listing in 2009 as Kathmandu Holdings Limited. The name changed to KMD Brands Limited in 2022 to reflect the multi-brand nature of the company and its future strategy, while still acknowledging our history.

KMD Brands is a family of outdoor brands that designs products for purpose, is driven by innovation and is best for people and planet. All products in the KMD Brands family are made specifically for the outdoors and are tested by experts in the elements.

As the parent company, KMD Brands brings vision and strategic guidance that make Kathmandu, Oboz and Rip Curl much more than the sum of their parts. By sharing expertise in technology, research and development and by leveraging operational excellence in sourcing, supply chain and systems, we are able to deliver the best customer experience across our brands.

## WHAT DRIVES US

Our purpose and vision are motivated by our love of the outdoors and a commitment to protecting our natural environment and the people touched by our brands.

We are proud to be part of an accelerating global cultural shift to redefine success, build a more inclusive and sustainable economy and use business as a force for good.

By pushing for responsible practices across all three of our brands, we protect the experience and exhilaration offered by the outdoors that means so much to us and our customers.

### 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.

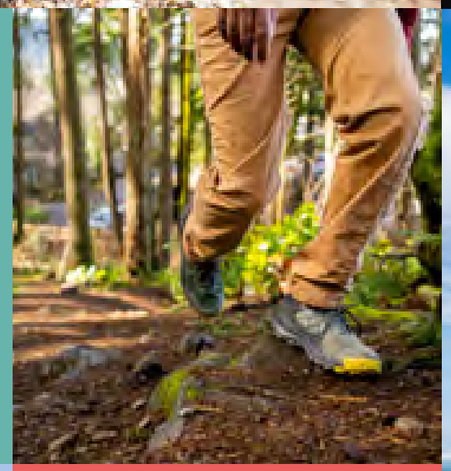
GRI 2-1

# Our brands

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. Getting outside makes us more happy, open, free and fun. Kathmandu's vision is to be the world's most loved outdoor brand.

Born in the legendary Greater Yellowstone Ecosystem right outside our front door, the mountains just outside Bozeman beckon us. It's in this 10-million-acre laboratory where we test our designs and find inspiration for our ideas. It's where we just soak it all in. It even inspired our name "Oboz" (Outside + Bozeman = Oboz).

Rip Curl, the ultimate surfing company, was founded in 1969 in Bells Beach, Australia. For more than 50 years, Rip Curl has been a market leader in surfing and synonymous within surf culture. 'The Search' is the driving force that led to the creation of Rip Curl and it lives in the spirit of everything we do. Our vision is to be the ultimate surfing company in all that we do.



# Highlights and lowlights for FY23

## HIGHS

### FINANCIAL

**$1,103m**
Group sales

**59.1%**
Gross margin

**$105.9m**
Underlying EBITDA[1]

**$43.3m**
Underlying NPAT[1]

**$55.7m**
Net debt balance

**$42.7m**
FY23 dividends declared to shareholders

### FY23 vs FY22

**12.6%** increase

**20** basis points (0.2% of sales) increase

**15.1%** increase

**8.6%** increase

## LOWS

Softening consumer sentiment in Q4

Elevated levels of inventory

1. Statutory results include the impact of IFRS 16 leases. For comparability, the impacts of IFRS 16, restructuring, and the notional amortisation of Rip Curl and Oboz customer relationships are excluded from Underlying results. Refer to Appendix 1 of the FY23 Results Presentation for a reconciliation of Statutory to Underlying results.

## HIGHS

### BUILDING GLOBAL BRANDS

Kathmandu — International launches in Europe and Canada

Oboz Footwear — Launch of high-growth fast trail category

Rip Curl — Release of the innovative FlashBomb Fusion wetsuit

### ELEVATING DIGITAL

Kathmandu — Launch of French, German and Canadian websites

Oboz Footwear — Oboz direct-to-consumer website sales increased >350% year-on-year

Rip Curl — Launch of Club Rip Curl in Australasia

### OPERATIONAL EXCELLENCE

Working capital management **19.9%** of sales — Improved from **21.1%** of sales in FY22

Gross margin **59.1%** of sales — Improved from **58.9%** of sales in FY22

Global transactional banking consolidation

### LEAD IN ESG

Certified B Corporation — Group B Corp Certification

Science-based targets approved by SBTi

2nd anniversary of Sustainability Linked Loan – all targets met

KMD Brands wins Deloitte New Zealand Top 200 Sustainable Business Leadership award

Winner, Best First Time Entry Australasian Reporting Awards

## LOWS

Rising cost of living impacts on consumer spending

North American and European outdoor, footwear, and surf industries all impacted by industry over-stocking

Online penetration normalised following pandemic highs to 13.2% of direct-to-consumer sales

Significant resource invested in mitigating the impact and risk of scam websites for Kathmandu and Oboz

Impact on working capital from elevated levels of inventory

Increase in customer aggression in store towards our retail employees

Increase in Scope 1 and 2 emissions year-on-year due to return of travel and full store network operation

Complexities of scaling circularity programs within a linear business model

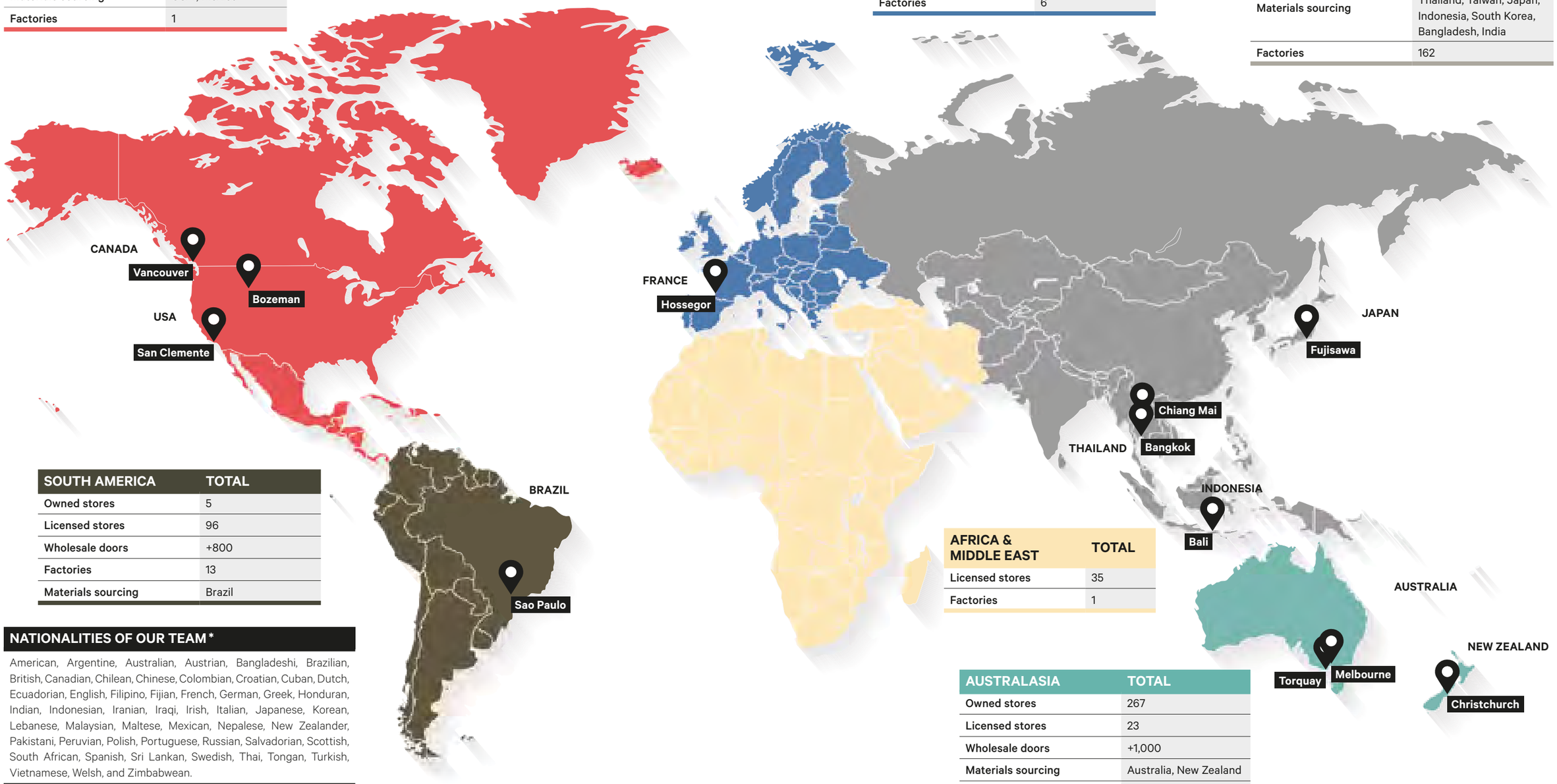
# Our world

| NORTH AMERICA | TOTAL |
|---|---|
| Owned stores | 31 |
| Licensed stores | 20 |
| Wholesale doors | +4,200 |
| Materials sourcing | USA , Mexico |
| Factories | 1 |

Global Office Locations

| EUROPE | TOTAL |
|---|---|
| Owned stores | 24 |
| Licensed stores | 14 |
| Wholesale doors | +2,000 |
| Materials sourcing | Italy, France |
| Factories | 6 |

| ASIA | TOTAL |
|---|---|
| Licensed and JV stores | 75 |
| Wholesale doors | +600 |
| Materials sourcing | Vietnam, China, Thailand, Taiwan, Japan, Indonesia, South Korea, Bangladesh, India |
| Factories | 162 |




| SOUTH AMERICA | TOTAL |
|---|---|
| Owned stores | 5 |
| Licensed stores | 96 |
| Wholesale doors | +800 |
| Factories | 13 |
| Materials sourcing | Brazil |

| AFRICA & MIDDLE EAST | TOTAL |
|---|---|
| Licensed stores | 35 |
| Factories | 1 |

| AUSTRALASIA | TOTAL |
|---|---|
| Owned stores | 267 |
| Licensed stores | 23 |
| Wholesale doors | +1,000 |
| Materials sourcing | Australia, New Zealand |
| Factories | 6 |

## NATIONALITIES OF OUR TEAM *

American, Argentine, Australian, Austrian, Bangladeshi, Brazilian, British, Canadian, Chilean, Chinese, Colombian, Croatian, Cuban, Dutch, Ecuadorian, English, Filipino, Fijian, French, German, Greek, Honduran, Indian, Indonesian, Iranian, Iraqi, Irish, Italian, Japanese, Korean, Lebanese, Malaysian, Maltese, Mexican, Nepalese, New Zealander, Pakistani, Peruvian, Polish, Portuguese, Russian, Salvadorian, Scottish, South African, Spanish, Sri Lankan, Swedish, Thai, Tongan, Turkish, Vietnamese, Welsh, and Zimbabwean.

* Sourced from Gallup Q12 Engagement survey conducted during FY23 and is based on responses received from respondents

GRI 2-1

# LEADERSHIP & GOVERNANCE
# Report from the Chair

**David Kirk**

Chairman

**I am pleased to present the Financial Year '23 Annual Integrated Report for KMD Brands. FY23 was a year of consolidation and setting of solid foundations that will position the Group and brands for growth in the next fiscal year and beyond.**

In this report, you will find a holistic overview of our business, including how we create value for all our stakeholders, the material issues that we have encountered this year, and how we are addressing these. We have again organised this report around our strategic pillars which are unchanged.

We manage reporting and track our metrics at a Group, rather than at an individual brand level. This year we have built on the foundation created in our FY22 report by providing more depth in our reporting on important topics. We will continue to develop our reporting content under the <IR> framework in subsequent reporting periods.

In FY23 we have continued our progress from a single ANZ retailer to a global group of iconic brands. This evolution brings with it increased complexity in our operational footprints. The Board and I are pleased by the progress the company has made in FY23.

## STRATEGY, PURPOSE AND VISION

In FY22 we focused on bringing the brands together as a Group with a new vision and purpose. In FY23 we continued that momentum and further consolidated Group-wide operating initiatives in support of our strategic pillars. We remain relentlessly focused on our four strategic pillars: Building Global Brands, Elevating Digital, Operational Excellence and Lead in ESG.

We are guided by our vision – to be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet. This vision requires us to balance profit with purpose and accordingly our strategic pillar to Lead In ESG.

This year, as reported by the media in ANZ and abroad, KMD Brands proudly certified as a B Corporation (B Corp). B Corp Certification is a significant achievement for the Group. The Group has been independently verified to meet globally recognised high standards of social and environmental performance, public transparency and accountability.

The entire Group and its many functions, both globally and locally, came together to achieve this goal. The Kathmandu brand recertified and Rip Curl and Oboz certified for the first time after several years of preparation. KMD Brands is one of only 45 publicly traded companies globally that are certified B Corps – a significant achievement for a listed company of our size, complexity, and scale.

## PEOPLE

FY23 was Michael Daly's second year as Group CEO. For much of the year, Michael was also Acting CEO for Kathmandu, as we embarked on a global search for a new leader. We were delighted to appoint Megan Welch as CEO of Kathmandu from FY24. Her brand-building expertise and experience in retail, wholesale and digital sales channels in multiple international markets including the US, Europe and Asia, is perfectly suited for Kathmandu at this time.

Last December, we farewelled John Harvey after more than 12 years of excellent service to KMD Brands and Zion Armstrong was appointed as a new non-executive director. Zion has had a very successful 30 year career in the global branded sportswear industry. Zion spent 24 years with adidas, stepping down as President – North America in early 2022 to return to New Zealand.

## FINANCIAL

The first full financial year of uninterrupted trade since the pandemic was focused on managing our cost base in a period of higher interest rates and inflation and dampened consumer sentiment. We have adjusted cost bases, focused distribution channels, continued to invest in our brands and worked hard on distinctive, fit-for-purpose products. We achieved record sales of $1.1 billion for the first time, with an underlying EBITDA of $105.9m.

All our iconic brands grew sales year-on-year. Rip Curl achieved record sales, growing sales year-on-year in all major geographies. Kathmandu achieved strong sales and profit growth year-on-year, benefiting from 12 months of uninterrupted trade. Oboz sales improved sharply, recovering from significant supply constraints in the prior year.

In the second half of FY23 we performed solidly despite a significant deterioration in global market conditions for consumer-facing businesses. Our balance sheet is strong, our strategy is clear and our businesses are leaner as we move into FY24. We have good reason to feel confident in our capacity to deliver improved performance in the year ahead.

## DIVIDEND

We have maintained the previous year's record dividend payout, declaring $42.7 million dividends in FY23. The directors have declared a final dividend of 3 cents per share. Combined with the 3 cents per share interim dividend, this delivers a total payout for the 2023 financial year of 6 cents per share. The final dividend will not be franked for Australian shareholders, and not imputed for New Zealand shareholders.

## INVESTOR RELATIONS

KMD Brands has been recognised for its excellent engagement with investors in FY23. The Group was recognised at the Australasian Reporting Awards (ARA) for our 2022 Annual Integrated Report (AIR). The Group won a Gold Award for overall excellence in annual reporting and a Silver Award for achievement in sustainability reporting. The Group also won the award for 'Best First Time Entry' and was an overall runner-up in the Integrated Reporting category, a significant achievement for our first AIR. The Australian Investor Relations Association also acknowledged KMD Brands with a nomination for Best Investor Relations by a New Zealand company.

## THANK YOU

I would like to record the Board's sincere thanks to Group CEO and Managing Director, Michael Daly, for his commitment this year. Michael led the Kathmandu brand very capably at the same time as leading the Group. I would also like to thank Chris Kinraid, Group CFO, for his nine years of tenure at both KMD Brands and Kathmandu. Chris leaves to take up a chief executive officer role at the end of this calendar year.

I also thank my fellow Board members for all their hard and insightful work in a challenging year, the management teams at Group and in the brands and each of the almost 5,000 KMD Brands employees. We are well positioned for continued growth in profitability and value thanks to your hard work and dedication.

Finally I would also like to thank our shareholders for their continued support in these more challenging times for consumer spending.

# Group CEO report

**Michael Daly**

Managing Director and Chief Executive Officer

**As Managing Director and Chief Executive Officer of KMD Brands, it is with great pride that I present to you our second annual integrated report, and our first as a group with B Corporation (B Corp) Certification.**

FY23 was a year of significant achievement for the Group. We delivered a record NZD $1.1 billion in sales for the first time. All of our iconic brands grew sales, with Rip Curl and Oboz delivering record results.

In our first year of uninterrupted trade post-pandemic, we also achieved:

- **Gross margin improvement of 20 basis points for the Group and all brands**
- **Underlying EBITDA $105.9m representing a margin improvement for the Group**
- **Net working capital as a percentage of sales improved to under 20% (19.9%), with significant reduction in inventory at Kathmandu.**

Despite our strong overall performance, there is work to be done to continue to build momentum in our brands.

Kathmandu continued to cycle through its second phase of recovery, with increased incoming and outgoing travel presenting an opportunity for growth back to pre-pandemic levels.

Rip Curl and Oboz continue to drive growth in sales and need to balance that with increased EBITDA margins. Reduced working capital for these brands is also a focus, as we transition away from strategic inventory builds in wetsuits and footwear through the pandemic.

The Group remains committed to improving our EBITDA margin across all brands towards our target of 15% of sales.

Ultimately, FY23 was a year of great achievements for KMD Brands and we're encouraged by the gains made across the Group.

## STRATEGY

Our strategy and plan remained unchanged and kept us on a steady path in FY23. Our commitment to Building Global Brands allowed us to achieve key strategic priorities, including the soft launch of Kathmandu in Europe and Canada, the global release of Rip Curl's breakthrough wetsuit innovation the FlashBomb Fusion, and the extension of Oboz both into new markets and categories.

Elevating Digital saw the Group collaborate with brands to launch Rip Curl's unique new customer loyalty platform Club Rip Curl, develop and deploy several new regionally focused Kathmandu websites and elevate the Oboz e-commerce experience, delivering triple-digit growth.

We continue to leverage Operational Excellence across the Group by bringing the power of our brands together. This year we saw strong benefits derived from leveraging our purchasing power across brands with service providers. We will continue to leverage the power of the Group across systems, and supply chain in particular, in the coming years to deliver further benefits and enable us to achieve our desired financial targets.

Lead in ESG was an area that united our Group – certifying as a B Corp; Kathmandu piloting industry leading circularity business models that drove commercial outcomes; launching Rip Curl's first Reconciliation Action Plan; and Oboz reaching a milestone of five million trees planted on behalf of customers. ESG remains at the heart of the business, and I feel personally honoured to have been a part of these achievements for this year.

Each section of our FY23 Annual Integrated Report will dive into how we activated these strategic pillars, including case studies that give greater detail, so please continue to read more on this.

## CUSTOMER

Our products are made by passionate people, who live and breathe the lifestyle of their customers. We foster and encourage this, ensuring that our team can surf when the surf's up, or head home early to spend the weekend camping or hitting the trail. We are our customers, and like our customers, we've grown up loving our brands. This gives us a unique understanding of our core target, both the adventures they seek and the gear and apparel they need to enable that.

> *"Our team can surf when the surf's up, or head home early to spend the weekend camping or hitting the trail. We are our customers, and like our customers, we've grown up loving our brands."*

Our customers rely on us for their journeys, so it's important we live in their shoes. This shared enthusiasm for the outdoors, whether that be surfing, hiking or simply getting out there, drives us to continuously innovate for our customers.

To strengthen these bonds and expand our influence, we're actively growing our loyalty programs. Club Rip Curl unites customers, encouraging them to share their experiences of 'The Search' and fully engage with our brand. Additionally, the reimagined Kathmandu 'Out there rewards', set to launch in early FY24, aims to deepen bonds with our customers by incentivising them to experience what they're passionate about – outdoor adventures. As Oboz makes gains on building community, we're already seeing the benefits of connecting with their core hiker base through the Oboz Trail Experience.

## PEOPLE

This year in my role as Acting CEO of Kathmandu, I worked closely with the leadership team to refine the strategic direction of the brand, aligning with Group focuses. It was important for me to get to know the business in greater detail, to make sure it was well positioned for its next stage of leadership and growth.

With greater understanding of what was required our CEO search focused on appointing a leader with hands-on brand and product experience, from an internationally successful business. In Megan Welch, we identified these important skills, which ensure we are well positioned to fulfil our international expansion aspirations for Kathmandu.

In addition to this, we continued to broaden the depth of our executive bench and prioritised our Elevating Digital and Operational Excellence strategic pillars. This included a revised and expanded Group Chief Information Officer role, and the newly created Chief Digital Officer role, which will focus on digital innovation and transformation across the Group and brands. Both roles are in the process of being filled, as is the search for a new Chief Financial Officer to replace Chris Kinraid. We aim to ensure all candidates start in H1 FY24.

## OUTLOOK

This year has been one of many milestones. Our focus was to consolidate and position the Group and our brands for the next stage of growth, and we have achieved this. Though we ended the year in a challenging trading environment, it's important to note our record performance, and the strong position we find ourselves in for FY24. With a strategic focus and commitment, we finish FY23 with a strong balance sheet, record sales, and improved margin. FY24 will see us continue the momentum and deliver sustainable long-term growth to our shareholders.

## THANK YOU

I'm proud of the collective efforts of the entire team that sit under KMD Brands and each of our iconic brands. I want to take this opportunity to thank you all. Firstly, thank you to our retail teams who continue to go into stores each day and passionately serve our customers. To longer tenured team members, thank you for trusting us with your careers and combining your lifelong passion with your work. We benefit enormously from your commitment.

A special thanks goes to everyone across the entire business – both locally and globally – who was involved in the B Corp Certification of the Group and brands; and the recertification of Kathmandu. This was a huge task, and we are the better for it. I appreciate all the hard work and passion that went into this fantastic achievement.

A final thanks to Chris Kinraid, Chief Financial Officer, for his partnership and dedication over the years. I wish him well in his next role as a chief executive officer.

# Governance at KMD Brands

KMD BRANDS

Certified B Corporation

**At KMD Brands, our purpose is to inspire people to explore and love the outdoors. It is this purpose that drives our vision to be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet.**

KMD Brands is led by a talented group of non-executive directors supporting an experienced management team. The Group, through the leadership of the Board, has a clear purpose, vision and defined corporate strategy. We have well-established strategies, policies and goals supporting sustainable development, underpinned by our commitment to the B Corp movement.

Kathmandu first became a certified B Corporation in 2019 and recertified in 2023. Both Rip Curl and Oboz achieved B Corp Certification for the first time in 2023.

A B Corp is a different way of doing business. It is a governance structure underpinned by a "benefit mindset" that considers all stakeholders to balance purpose and profit. This means that, as a business, we consider the impact of our decisions on our employees, our customers, the wider community, the environment, our shareholders, and the workers in our global supply chain. We empower and direct our employees to make decisions with the same principles of wider stakeholder consideration.

B Corps are a rapidly growing community driving a global movement of people working towards a more inclusive, equitable and regenerative economic system.

B Corp Certification - and recertification every three years – guides KMD Brands' Environmental, Social and Governance (ESG) impact strategy and provides a framework for continuous improvement.

The process to become B Corp certified is different to other ESG reporting frameworks, as it provides a vehicle for transparent reporting and disclosure, and also evaluates and validates a company's performance. This enhances accountability and transparency and gives us a pathway to continually shape our business practices to reduce our negative impacts and create new value for people and planet.

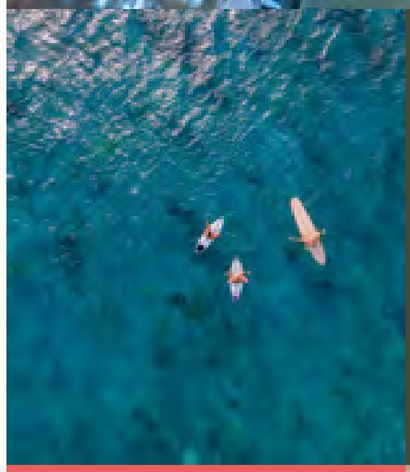
Our Group Code of Ethics embeds the benefit mindset into our expectations of all employees. We have taken this further by adding ESG responsibilities to the job descriptions of all employees and included ESG-related objectives as part of our employee goal-setting and performance review processes.

We are also looking for ways to incorporate these expectations when assessing our broader relationships with manufacturers, licensee partners, third-party branded suppliers, and other vendors. The benefit mindset is also reflected in the Group's policy commitment to responsible business conduct.

At KMD Brands, we are committed to leading the way by considering our impact on people and planet in how we do business and our governance practices. This is because, by doing so, we are protecting the business for the long term, making it more valuable, supporting the future financial success of the Group and preparing for future regulatory requirements to come.

And these principles align with our fundamental purpose and vision. Getting people outside and enjoying the outdoors is what all our brands are about. We are in business for profit, but we want to be a good and robust business for the long term, and B Corp Certification positions us for this.

**At our Annual Shareholders Meeting in November 2023, the Board will propose a special resolution to amend the constitution of KMD Brands to embed our purpose provision, and to add a requirement for the Board to consider relevant stakeholder interests when making decisions, including the interests of shareholders, consequences for the business in the long term, the interests of employees, customers, suppliers, impacts on the community and the environment. These clauses reflect the approach we already take to governance and decision making across our organisation. Incorporating this provision is a requirement to maintain B Corp Certification for our Group beyond 2023. KMD Brands is committed to seeking an overall positive impact on society and the environment, while delivering returns to our shareholders, and proposing this change has the full support of our Board.**



GRI 2-12, 2-22, 2-23, 2-24

# Our board

**The Board provides overall strategic oversight of KMD Brands, including adherence to best-practice governance principles, maintenance of the highest ethical standards and protection of core values so that the Group is managed effectively and responsibly.** A brief biography of each Board member can be found in the "Board and Management" section of the company's investor website. Our full Corporate Governance statement, including Director skills matrix, is included in the "Additional Disclosures" section of this report.

**David Kirk**

**Chairman**
Appointed 21 November 2013

**Brent Scrimshaw**

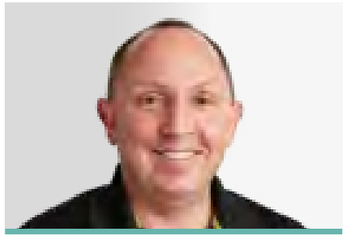
**Non-Executive Director**
Appointed 2 October 2017

**Philip Bowman**

**Non-Executive Director**
Appointed 2 October 2017

**Andrea Martens**

**Non-Executive Director**
Appointed 1 August 2019



**Michael Daly**

**Managing Director and Chief Executive Officer**
Appointed 19 May 2021

**Abby Foote**

**Non-Executive Director**
Appointed 15 October 2021

**Zion Armstrong**

**Non-Executive Director**
Appointed 1 December 2022

**John Harvey**

Retired 1 December 2022

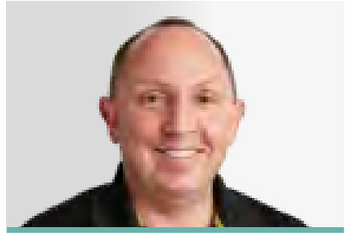




# Our management team

**The management team takes care of the day-to-day management and operation of KMD Brands, regularly reporting to the Board on all aspects of group performance.**

A brief biography of each member of the management team can be found in the "Board and Management" section of the company's investor website.



**Michael Daly**

**Managing Director and Chief Executive Officer**
Joined Rip Curl in 2002

**Chris Kinraid**

**Group Chief Financial Officer**
Joined Kathmandu in 2014

**Brooke Farris**

**Rip Curl Chief Executive Officer**
Joined Rip Curl in 2010

**Amy Beck**

**President Oboz / KMD Brands North America**
Joined Oboz in 2019

**Jolann Van Dyk**

**Chief Information Officer**
Joined Kathmandu in 2014

**Frances Blundell**

**Chief Legal & ESG Officer**
Joined Kathmandu in 2017

**Linda Barlow**

**Chief People Officer**
Re-joined Rip Curl in 2019

**Lachlan Farran**

**Chief Commercial Officer**
Re-joined Rip Curl in 2016

**Mathieu Lefin**

**President KMD Brands – Europe**
Joined Rip Curl in 2009

**Megan Welch**

**Kathmandu Chief Executive Officer**
Joined August 2023

# WHAT MATTERS MOST
# Materiality approach

**During FY23, we conducted a materiality assessment refresh. This looked at the relevance and importance of the material issues identified in 2021, and identified emerging issues.**

This process involved extensive stakeholder surveys and confidential interviews. Selected stakeholders completed a comprehensive online survey; this was complemented with simplified surveys of employees, ambassadors and athletes, and polls both in-store and across social media platforms. We integrated specific ESG questions into surveys conducted in eight supplier locations in Vietnam. We also investigated scientific, industry, economic and political sources to understand emerging trends.

## THE MATERIALITY ASSESSMENT PROCESS

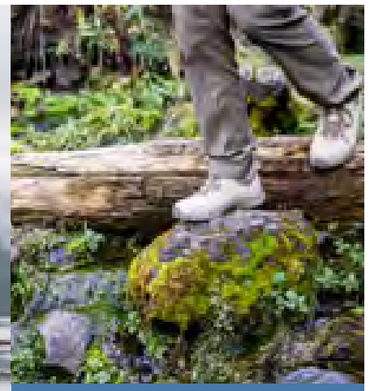
We received input from a large number of stakeholders during this materiality refresh process, including over 30 interviews with individuals.

Respondents were asked to examine the ESG and non-ESG material issues we identified in our FY22 Annual Integrated Report and to provide their perspectives and importance of each issue to:

- KMD Brands' ongoing business success and reputation
- The stakeholders' ongoing relationship with KMD Brands, either as an individual or as a representative of an institution, such as an investment manager.

We asked respondents to rate the relative importance that they think KMD Brands should give to each material issue and whether they think KMD Brands is meeting their expectations on each issue.

We also asked key stakeholders to share their perspectives on:



- Specific ESG sub-issues that KMD Brands is currently focusing on in our ESG Strategy
- Issues that in the opinion of the stakeholder are missing from the current material issues list and that we should give more attention to
- Issues "on the horizon" that in the opinion of the stakeholder have the potential to become more material to KMD Brands over the next 5-10 years.

The materiality assessment refresh demonstrated that, according to our stakeholders, we are on the right track, and the material issues identified in the 2021 materiality assessment are still the right ones for KMD to focus on in 2023. All our stakeholders are unanimous in this regard. Both our investors and our employees observed that we are gaining traction on our key ESG issues. In addition, the majority of stakeholders indicated that KMD Brands' ESG leadership remains important both for ongoing business success and to them as stakeholders. Our stakeholders made some observations around nuanced changes in the market and emerging issues that we need to be aware of and monitor, for future incorporation into our strategy. We have included the topic of biodiversity impact into our material issues for our FY23 report, and separated out the topics of geopolitics and digital transformation.

## OUR KEY STAKEHOLDERS

In reviewing our material topics for FY23, we consulted with the stakeholders that make a substantial impact on our Group, or on whom we have a substantial impact through our business activities:

- Our shareholders
- Our board of directors, executive and functional leaders
- Our employees
- Our consumers and wholesale customers
- Suppliers and workers
- Financiers
- Regulators
- Community groups including our athletes and brand ambassadors.

GRI 2-12, 2-29, 3-1

# Our material issues

**Our material issues are defined as having the most impact on our ability to create value for our stakeholders.**

Under this definition we acknowledge that there are some trade-offs between material issues.

A material issue may require substantial investment, and therefore negatively influence KMD Brands' value creation, but create value for employees or improve customer experience. A number of the material issues facing our business are wholly or partially outside of our control. There are actions we can take to mitigate the risks to our business that these issues create. Our business success can be adversely or positively affected by these issues depending upon the degree to which we anticipate, prepare for, and respond. We discuss the impacts of these material issues throughout our report on the capitals (resources) we rely on to create value, and how our strategic focus areas are informed and prioritised to respond. Our Board has reviewed and approved these material topics for the FY23 reporting period.

## GLOBAL ECONOMY

Managing the impacts of the global rising cost of inflation is a critically important issue for our business as we experience inflationary pressures on multiple fronts. Inflationary pressures and the rising cost of living are also impacting consumer discretionary spending habits. Consumer lifestyles have shifted and spending patterns are changing.

## GEOPOLITICAL LANDSCAPE

The turbulent geopolitical landscape, global conflicts and regional political instability carry the risk of heightened trade tensions, regulatory uncertainties, supply chain disruptions, potential security threats, and potential sanctions for countries. All of these issues could impact our ability to source input materials, lead to market volatility, create increased operational complexities, and reduce access to key markets.

## SUPPLY CHAIN RESILIENCE

Our ability to effectively and efficiently transport products globally and reach our end-customers can be significantly affected by shipping delays, port congestion, and access to regional freight forwarding. These factors can have a substantial impact on the smooth flow of goods, making it challenging for us to navigate the supply chain and deliver products in a timely manner. Addressing issues related to shipping delays, managing port congestion effectively, and ensuring reliable access to regional freight forwarding are crucial to overcoming these obstacles and maintaining seamless global operations.

## CLIMATE CHANGE

The pressing need for urgent transformative change to tackle the impacts of climate change and global warming represents a significant material issue that all businesses are facing, encompassing physical, regulatory, market and social risks, while also presenting opportunities for innovation and growth through mitigation, adaptation, transparency and collaboration. Our commitment and plan to reduce the greenhouse gas emissions connected with our business and our products continues to be a key material issue for all our stakeholders.

## PEOPLE AND WELLBEING

Attracting talent and retaining that talent within our businesses in a competitive labour market is an ongoing challenge. We need skilled resources to drive our business strategies and support the growth potential of our brands.

The wellbeing of people connected with our businesses is a key focus. Our stakeholders want us to focus beyond just health and safety. Wellbeing is about resilience, inclusion and recognising our responsibility to provide a workplace where everyone can show up as their true self.

## DIGITAL TRANSFORMATION

The shift towards the digital world requires us to keep pace with future-fit platforms and tools and to operate with agility. Digital transformation refers to the ability of KMD Brands to harness data to drive decision making and accelerate growth across our direct-to-consumer business to elevate the customer experience, enhance efficiency and support innovation.

## BRAND POWER

The strength of each of our brands is a core material asset and it is fundamental that we protect and grow brand awareness at a manageable pace.

To remain relevant and desirable to our customers, and ahead of our competition, we must deliver products, and provide a brand experience which is relevant and appealing.

## BIODIVERSITY LOSS

Biodiversity loss encompasses depletion of natural resources, including ecosystem disruption, habitat loss, pollution and impacts on water quality and availability, with systemic consequences for human health and planetary stability. We are reliant on natural resources to create our products and need to find ways to minimise our impacts on the natural world.

## CHANGE MANAGEMENT

Bringing together our family of brands to maximise synergies and optimise operational and financial performance can be complex and costly and requires careful change management processes.

To achieve success, we need to focus on effective communication and employee engagement, robust project planning and leadership support.

## CYBER AND DATA SECURITY

The risk and sophistication of cyber threats is ever increasing, requiring investment in infrastructure which is resilient and well protected.

We need to respect and protect the privacy of our customers and the data assets we hold and use that data responsibly and effectively.

## MATERIALITY MATRIX

GRI 2-14, 3-2

# STRATEGY
# How we create value

## THE RESOURCES WE RELY ON

**OUR FUNDING**
Over 10k shareholders
$310m syndicated debt facility

**OUR PRODUCTS AND CHANNELS**
Over 9,000 total doorways (owned, licensed, wholesale)

**OUR CREATIVE POWER**
Product development, design and innovation

**OUR PEOPLE**
4,843 employees

**OUR PARTNERSHIPS**
189 Tier 1 factories making our products

**OUR ENVIRONMENT**
16 countries we source materials from

## OUR VALUE CHAIN

**Our material issues**
(see pages 20-21)

**TIER 4**
Raw material production

**TIER 2 and 3**
Raw material processing and fabric mills

**TIER 1**
Final stage manufacturing

Freight, distribution centres and third party logistics

Retail and wholesale network

KMD BRANDS
INSPIRING PEOPLE TO EXPLORE AND LOVE THE OUTDOORS

Take-back, repair, resale, recycling programs

## FY23 OUTPUTS / OUTCOMES FOR OUR STAKEHOLDERS

| FY23 OUTPUTS | OUTCOMES FOR OUR STAKEHOLDERS |
|---|---|
| **419** Tonnage of waste diverted from landfill<br>**29%** Scope 1 & 2 location-based emissions reduction since FY19 | **FOR THE PLANET** Striving for a positive impact on the environment across the whole life cycle of our products |
| **NZD $1,103m** Total revenue | **FOR CUSTOMERS** Designing innovative, technical outdoor lifestyle and sports products |
| **4.3 YEARS** Average tenure of permanent employees | **FOR EMPLOYEES** Providing a place for all people to realise their full potential |
| **NZD $42.7m** Dividends declared | **FOR INVESTORS** Paying total shareholder returns. Providing a sustainable investment option |
| **NZD $1.14m** Total community investment | **FOR THE COMMUNITY** Creating positive change in the communities we impact |
| **40** Supplier partnerships >10 years | **FOR SUPPLIERS** Providing long-term partnerships, supporting strong worker wellbeing |

**OUR VISION**
To be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet.

Kathmandu
Obōz FOOTWEAR
RIP CURL

BUILDING GLOBAL BRANDS
ELEVATING DIGITAL
OPERATIONAL EXCELLENCE
LEAD IN ESG

GRI 2-6

# Our strategic pillars

**This year, we have continued to build on our Group corporate strategy to support our future as a global, outdoor family of brands that creates high-quality products designed for purpose, driven by innovation, and best for people and planet.**

Our strategy consists of four key pillars: Building Global Brands, Elevating Digital, Leveraging Operational Excellence, and Leadership in ESG. These pillars are designed to support KMD Brands' growth as a global, multi-channel business and address the material issues that we face. As we manage our way through challenging and disruptive global conditions, we are focused on having a flexible balance sheet that allows for capital returns and future acquisitions.

Each pillar is addressed in more detail in the following sections, where we discuss our observations and response to the relevant material issues experienced during the year and how our strategic pillars address the strategic risks to KMD Brands, together with the challenges and opportunities ahead. Through the consideration of our material issues across each of our strategic pillars, we review and disclose the most material impacts we have on value creation, preservation and erosion across each of the resources we rely on to create value for our stakeholders that are essential for our success. The resources described on the previous page are our interpretation of the capitals under the Integrated Reporting Framework.

## SUSTAINABLE DEVELOPMENT GOALS

We acknowledge the impact of our businesses on people and planet and accept our responsibility to advance the United Nations Sustainable Development Goals (SDGs). We consider the SDGs in our strategy and our reporting, which underpins all our business activities. The goals where we have the most impact are shown below:

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Reduce inequality within and among countries

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts

## BUILDING GLOBAL BRANDS

We are actively building our brands to have global appeal, presence and reach through investing in world class brand and customer experiences. We are focused on extending awareness of the Rip Curl brand in North America, growing brand recognition in Europe to a top three position, and being the top surf brand in Australasia. We have launched Kathmandu into Canada and Europe, highlighting its New Zealand origins and will continue to build on the brand's presence in these markets while maintaining its market dominance throughout Australasia. We are leveraging Oboz' position as a leader of hike footwear to grow in the key North American market, to re-launch the brand in ANZ and expand distribution in Europe.

## ELEVATING DIGITAL

Elevating and enhancing our digital execution is a key feature of the KMD Brands' strategy. We are investing in Group digital platforms to deliver a truly world-class experience to consumers, wholesale customers, suppliers, and our employees. Through these platforms we support a unified customer experience, accelerating brand growth, and provide commerce operations for the whole Group.

## OPERATIONAL EXCELLENCE

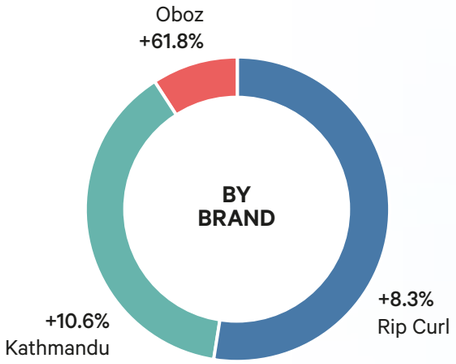
To support the growth of our global brands, we are focusing on collaboration across our businesses. We are investing in programmes that accelerate cross-brand opportunities through supply chain efficiencies and core-system capabilities. We are collaborating on product innovation to enable the products of each brand to continue to lead in their respective categories.

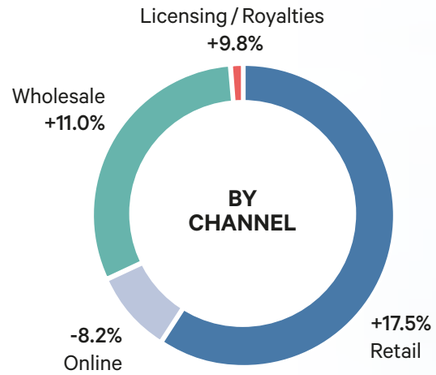
## LEAD IN ESG

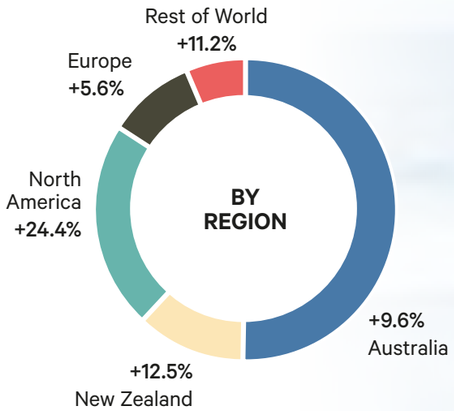
By integrating our ESG pillars of Communities, Climate and Circularity into our business practices, we are aligning the KMD Brands Group with sustainable development goals and demonstrating our leadership in ESG within our sector. Through collaboration, transparency and adherence to B Corp Certification standards, we make a positive social and environmental impact while also achieving long-term business success.

# BUILDING GLOBAL BRANDS
## Metrics that matter

### FY23 SALES GROWTH YEAR ON YEAR %



# How we are building global brands

**MATERIAL ISSUES:** GLOBAL ECONOMY • GEOPOLITICAL LANDSCAPE • DIGITAL TRANSFORMATION
SUPPLY CHAIN RESILIENCE • BRAND POWER

## OUR OBSERVATIONS

Our Group consists of three iconic brands: Kathmandu, Rip Curl and Oboz. Our brands are iconic not only because they represent innovative, high-performance products for the outdoor consumer, but because of the values that underpin them. Strong brand equity is our material asset and it is fundamental that we grow our brands strategically and steadily.

Building global brands requires a purpose-driven approach, a motivated, engaged and talented team, and a deep understanding of our customers' needs. Our brands have strong foundations built around activities in the outdoors and our purposefully designed, innovative products allow our customers to thrive in their adventures. By enhancing customer experiences in store and online through our multi-channel strategy, we can continue to build our brands on a global scale.

To maintain our relevance and appeal to our customers, while staying ahead of our competitors, we must consistently deliver desirable products that are innovative, responsibly sourced and made, and enhance the outdoor experience. Our brands must make the outdoor experience more enjoyable, comfortable and inspiring for our customers.

We remain true to our mission and pricing strategies, despite inflationary pressures, driven by global economic conditions and geopolitical uncertainties, that have continued to increase production costs. The current economic environment remains challenging for many businesses, with many apparel goods retailers carrying excess inventory. We have observed examples of aggressive and deep price discounting from some competitors, adding to the challenge of driving sales growth and maintaining margin without losing our market share. In the last few months of FY23, we started to see a softening in wholesale and consumer demand in some markets. However, each of our brands' positioning remains strong, all showing growth during the year despite the economic headwinds.

## OUR ACTIONS

We are investing in the long-term success of each of our brands through new initiatives, leadership in product innovation, multi-channel offerings and by expanding into new geographies. We continue to bring our brands to life through relevant, targeted, consumer-driven content.

During FY23, we continued to invest in the Rip Curl brand in the US and global surf market through ongoing sponsorship of the Rip Curl World Surf League Finals and by expanding the Hawaii retail footprint. Product development at Rip Curl is relentlessly committed to quality, sustainability, innovation and creativity, focusing on our core product categories of wetsuits, boardshorts and swimwear. The FlashBomb Fusion with seams that don't leak is already making waves, having launched in Australia and New Zealand in March 2023. Rip Curl is enhancing our engagement with female customers by creating more inclusive content and expanding the wholesale presence of our women's range. During FY23, Rip Curl launched the Club Rip Curl loyalty program in Australia. Strong growth in membership was achieved in the program's first year, the program placing runner up at the World Loyalty Awards in the category of Best Customer Experience. Online, Rip Curl pushed into European marketplaces with strong initial success.

Kathmandu commenced building new customer relationships in Europe, the UK and Canada during FY23, highlighting the New Zealand origins of the brand, while leveraging existing Rip Curl relationships, team members and infrastructure. New direct-to-consumer websites were launched in Canada, France and Germany in September 2022. Kathmandu continued to bring to life our new brand purpose and vision through 'We're Out There' campaigns, which were nominated for several global marketing awards. During FY23, Kathmandu focused on refining and understanding our core target customer, and built brand equity through community engagement, strong partnerships and brand ambassadors. Product innovation has always been central to the Kathmandu business and that continued in FY23 with the launch of the Heli R – a reinvention of the flagship Heli jacket – and its digital product ID.

During FY23, Oboz focused on elevating the retail experience of our customers to increase brand awareness. Our integrated marketing campaigns used storytelling, events and experiences to emphasise Oboz' key points of differentiation including the out-of-the-box fit and our B Corp Certification. Oboz is committed to promoting inclusiveness in the outdoors, with several initiatives spanning community outreach and education, and through support for partners including Black Folks Camp Too. Oboz expanded its product offering during the year, launching the much-anticipated Katabatic range, which is already demonstrating success in the important Fast and Light category.

Our certification as a B Corp during FY23 further demonstrates our commitment to build the global reputation of our brands as we sit amongst an esteemed group of only 45 publicly traded companies worldwide to have achieved this. B Corp Certification is not just a brand differentiator. It also reinforces each brand's purpose and values, enhances brand reputation, attracts socially conscious customers and investors, and separates us from our competitors.

## CHALLENGES AND OPPORTUNITIES AHEAD

In the short term, our brands face challenges with geopolitical uncertainty, economic volatility, market competition, supply chain disruptions, and cost-of-living impacts on consumer spending. Our competitors are pricing aggressively to shift high levels of inventory and challenging our market share. However, there are opportunities for each brand to grow. Some competitors will pivot towards strategies that reduce investment in brand development, which presents clear opportunities to establish our brands in key locations and new markets and to expand our points of differentiation.

The shift towards wellness is one we are watching closely. More customers are seeking healthier and more active lifestyles, and are looking for products that align with this trend. By responding to this shift, we can tap into a larger customer base and cater to their needs for balance, active living and wellbeing.

To capitalise, our brands will focus on product development, brand licensing opportunities, marketing and messaging, education and content creation, partnerships and collaborations, as well as customer engagement. By incorporating these strategies, we can position our brands as leaders in the wellness space, offering products that support healthy and active lifestyles.

There is immediate opportunity for growth of the Rip Curl brand through the expansion of Club Rip Curl, including launching in additional regions, with a longer-term target of one million members. Growth will also be supported by digital transformation, including launches on key marketplaces, improvements to the website experience, and expansion of valuable wholesale partnerships. In the medium term, Rip Curl will continue to explore opportunities to open women's-specific stores. We will continue to grow the brand by opening 10 new stores each year while also expanding key flagship stores and identifying key wave pool locations and opportunities to connect the brand with all levels of surfer.

The relaunch of the Kathmandu Summit Club as 'Out there rewards' in early FY24 provides an immediate and exciting growth opportunity that engages customers and creates new value. By resetting core lines to reduce range volume and align product offerings with the current target customer, focusing on "best at" products including insulation, bottoms and packs Kathmandu can strengthen our brand presence in priority markets. This will provide a solid platform for international growth. We will also focus on extending Kathmandu's presence in Europe and Canada, with the initial low-risk soft launch in FY23 expanding to a full scale, multi-channel strategy in the medium term. Kathmandu is refreshing the look and feel of our store fitouts to enhance the presentation of our brand image and ethos across the store network, and to create unique and engaging customer experiences. Additions to the store network in key growth corridors appeal to new customer demographics while retaining our existing, loyal customer base.

> ***"Our certification as a B Corp during FY23 further demonstrates our commitment to build the global reputation of our brands."***
>
> **Michael Daly**
> Managing Director and
> Chief Executive Officer

For Oboz, there is significant opportunity in the global marketplace to grow the brand to the size of key competitors. Oboz has the capacity to take market share by continuing to expand our product categories and by demonstrating product innovation and a clear sustainability roadmap. For FY24, Oboz will focus on new key wholesale accounts and accelerate our marketplace presence and e-commerce experience. Dedicated resources to drive the Oboz brand momentum in Australia and Europe has been established. The longer-term opportunity of an Oboz concept store will be explored to further build brand awareness. A relaunch of the brand in Australia and New Zealand is planned for FY24, with expansion in Europe a longer-term target into FY25.

# Metrics that matter

Kathmandu®

**Improve the wellbeing of the world through the outdoors.**

### FINANCIAL

**NZD $422.2m**
Total sales

**NZD $58.8m**
Online sales
Representing 14.0% of direct-to-consumer sales

### CHANNELS

**158**
Retail stores

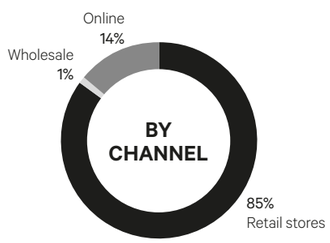
**Almost 100**
Wholesale doors

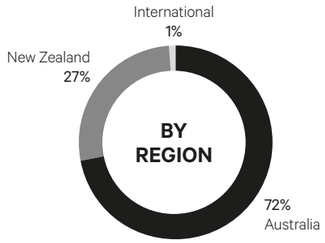
### BRAND

**1.9 million**
Active Summit Club members

**74**
Net Promoter Score

### SALES MIX








CASE STUDY

# A new era of growth and exploration

Kathmandu®

**Kathmandu is embarking on an exciting journey of global growth. That's why we cast our net far and wide to find the next leader for our brand. After a year-long search, we were excited to announce the appointment of Megan Welch as Kathmandu's next CEO.**

Megan takes the reins from Group CEO and Managing Director of KMD Brands, Michael Daly, who had stepped into a caretaker role while the executive search was underway.

Megan brings a wealth of experience and leadership to our team. With an impressive track record in global brand and product management, Megan spent 18 years at Crocs, most recently as Senior Vice President and General Manager of Crocs Asia Pacific. Joining Crocs when it was a three-year-old company, Megan played a pivotal role in the brand's remarkable growth trajectory, holding roles in product development, merchandising, marketing and commercial strategies.

Megan takes on her new role, based in Christchurch, from August 2023. Reporting directly to Michael Daly, Megan will work alongside brand CEOs Brooke Farris from Rip Curl and Amy Beck from Oboz.

As Megan told the Australian Financial Review in May 2023: "With the brand leading in the ANZ market, but new to Europe and North America, I'm looking forward to partnering with Michael and my new team to accelerate the momentum".

**Megan Welch**
**Kathmandu CEO**

With expertise spanning retail, wholesale and digital channels, and international experience across the US, Europe and Asia, Megan is the right leader to take Kathmandu to new heights and inspire new adventurers around the world.

CASE STUDY

# Scaling for success

Kathmandu®

**Paris Fashion Week made the perfect launch pad for Kathmandu's entry into the European, Canadian and United Kingdom markets. On 30 September 2022, more than 75 media influencers and fashion tastemakers joined us at specialty boutique Leclaireur in Paris to debut our Autumn and Winter '22 range.**

President, KMD Brands Europe, Mathieu Lefin told the packed crowd that the new venture was in response to growing demand from global consumers. "Kathmandu is Australia and New Zealand's favourite outdoor brand, and we look forward to seeing local outdoor enthusiasts discover our innovative and sustainable gear."

Among the eco-conscious showstoppers in the Autumn and Winter '22 range, the NXT-Level jacket earned plenty of praise. Condé Nast Traveller applauded the "ultimate winter-weekend jacket for anyone who loves to travel light".

KMD Brands leveraged Rip Curl's long established global operations, including our distribution centres, and expert regional teams, to scale Kathmandu for success.

Almost 100 doorways now stock Kathmandu in Europe, Canada and the United Kingdom. Four websites cater to customers in the UK and Ireland, French and German speakers in Europe, and English and French speakers in Canada. Our presence on Instagram, Facebook and TikTok continues to grow and bring us closer to customers.

Our dedicated teams in each market are now busy hosting seasonal previews and engaging in proactive marketing and media relations to boost the Kathmandu brand. Following the initial soft launch, we are now considering our pathways to accelerating the channel growth in these markets for execution through 2024 and beyond.





# Metrics that matter

Obōz® FOOTWEAR

**Empower the people of the world to blaze their own trail.**

**FINANCIAL**

**NZD $99.3m**
Total sales

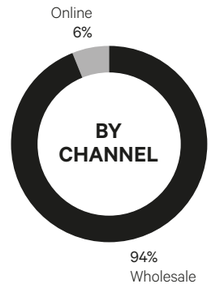
**NZD $5.6m**
Online sales
>350% online sales growth year on year

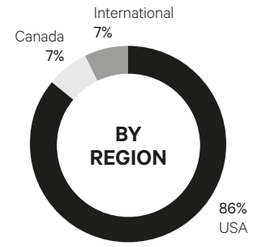
**CHANNELS**

**Over 2,000**
Wholesale doors

**1**
Direct-to-consumer website

**SALES MIX**



CASE STUDY

# A better kind of fast

Oboz FOOTWEAR

**In 2022, we launched our first foray into the global 'fast trail' category with the Oboz Katabatic, a collection of shoes that hits the sweet spot between running and hiking.**

Named after a Katabatic wind that gathers speed as it blows down the slope of a mountain, our footwear helps customers move faster and travel further on their trails.

The Katabatic line signifies a new direction for Oboz – one that taps into a global trend that is a fast-growing and high-growth category in outdoor footwear.

The fast trail line is built on thousands of kilometres of underfoot insight engineered into transformative footwear. The Katabatic adapts to the terrain and the natural biomechanics of the foot, and does so without sacrificing traction, cushioning, support or quality.

The Katabatic collection has attracted rave reviews. Outside magazine, the global authority for the outdoors industry, voted the Oboz Katabatic Low men's shoe the "best day hiking boot". "I'm a very heavy-heeled hiker, and these were like walking with springs in my heels," reported Alabama-based tester, Seth Kromis, after hiking 16-kilometres in them with a day pack.

The fast trail category is a natural brand extension for Oboz and the Katabatic range of products has attracted new customers, grown our market share and delivered better foot health, better adventures and a better kind of fast.

CASE STUDY

# Blazing a B Corp trail

Oboz FOOTWEAR

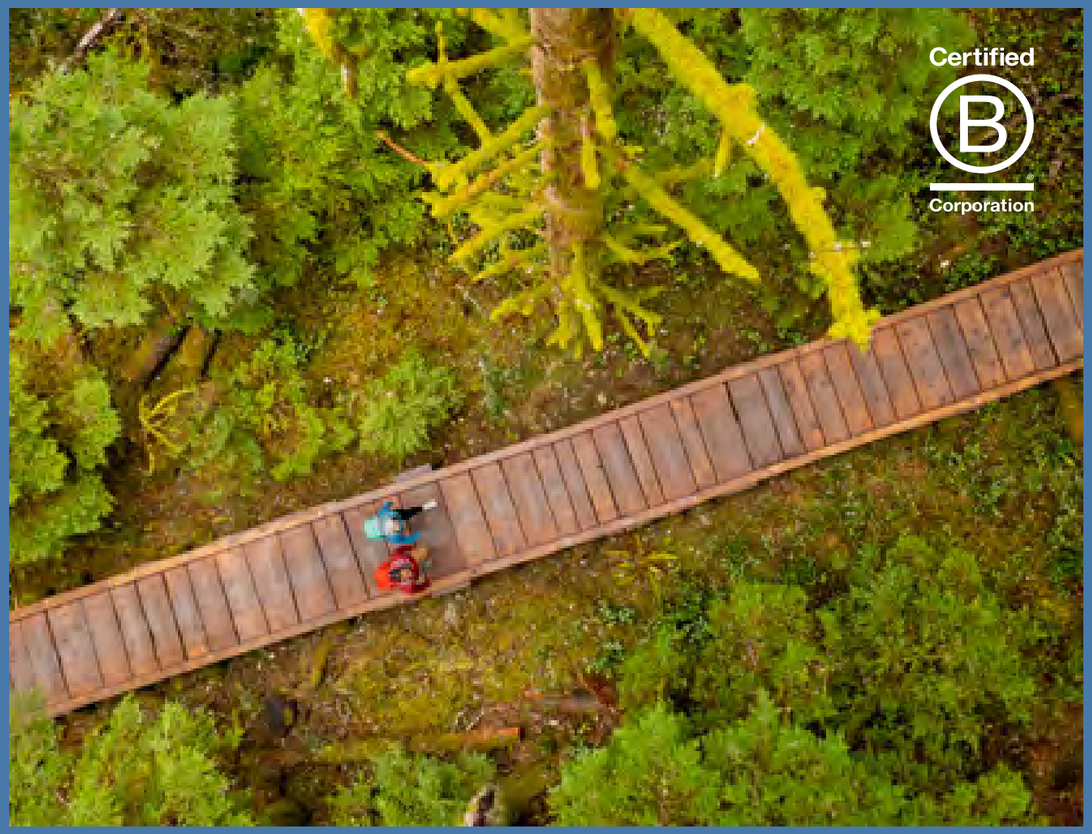
**Since our very first pair of Oboz were sold in 2007, we have planted a tree for every pair sold – that's five million trees and counting. It's because of this passion for the planet and the people on it that we are always looking for better ways to do business.**

In early 2023, Oboz was certified as a B Corporation. Oboz is now counted among a global community of businesses – including Rip Curl and Kathmandu – that are championing an inclusive, equitable and regenerative economy.

Because the outdoors is important to us, Oboz balances profit with our impact on the planet and the people that our brand touches. We have bold environmental, social and governance targets, and our new B Corp Certification means that we meet stringent standards for positive social and environmental impact.

But this is just the beginning. To help us continue to serve the wellbeing of all, we utilise the B Corp movement to strengthen our commitment to our three areas of focus: Communities, Climate and Circularity.

B Corp certification is something few footwear companies obtain, which is significant in the competitive outdoors market. For adventurers and trailblazers out there, this stringent certification confirms we are constantly improving our standards for positive social and environmental impact. B Corp Certification isn't an end goal for Oboz. The steps we have taken to reach this point are the first on a long trail. With B Corp recertification every three years, we will continue to meet high standards of social and environmental performance, transparency and accountability. Now we do so with an international movement behind us.



# Metrics that matter

RIP CURL

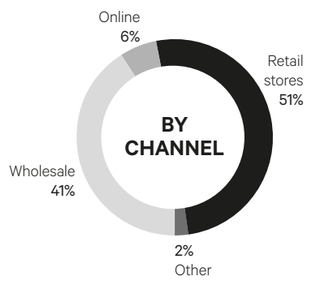
**To be regarded as the ultimate surfing company in all that we do.**

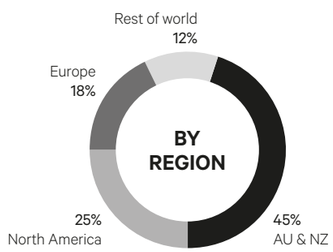
### FINANCIAL

**NZD $581.5m**
Total sales

**NZD $34.9m**
Online sales
Representing 10.6% of direct-to-consumer sales

### SALES MIX FY23




### CHANNELS

**169**
Owned stores

**232**
Licensed stores

**31**
JV stores

**Over 6,000**
Wholesale doors

### BRAND

**Over 220k**
Active Club Rip Curl members

Net Promoter Score
**77**
Across Australasian stores





CASE STUDY

# The swell of success

RIP CURL

**Many surfers pick the Californian surf break of Lower Trestles as the wave they'd most like to surf, and the pristine four-to -six-foot peaks didn't disappoint fans of the 2022 Rip Curl World Surf League Finals.**

Rip Curl is a company built by surfers for surfers. Our determination to be front and centre during the ultimate day in surfing led us to establish a three-year partnership with the World Surf League in 2021.

In 2022, our second year of the partnership, the Rip Curl WSL Finals attracted a global audience. Fans flocked to social channels to watch and celebrate Stephanie Gilmore secure a record-setting eighth world title and assert her position as the greatest women's competitive surfer. Filipe Toledo took home his first and long-sought world title in front of his hometown crowd and millions more fans online.

For the second year in a row, Rip Curl was the most visible brand on WSL channels. We reached the most fans pre-event in WSL history, with 16.7 million pre-event video-on-demand views. The live and video-on-demand coverage of the Rip Curl WSL finals attracted more than 10.5 million views, and the 410 million impressions on social handles was up 5% year-on-year.

The winner-takes-all final attracted the largest single day live audience in the competition's history – a 22% increase on 2021. We amassed 93 million social impressions in just one day – not to mention more than six thousand press articles before and after the event.

Rip Curl first sponsored a professional surfing event in 1973, the Rip Curl Pro at Bells Beach. With our commitment to the Rip Curl WSL Finals, we continue the tradition of supporting and showcasing the best surfing to fans across the globe.

CASE STUDY

# 50 years of innovation in one wetsuit

**In 1969, Rip Curl began to revolutionise the surfing wetsuit to help surfers stay out for longer in the cold southern waters off Australia's Bells Beach. Our team has invested more than 50 years of research, development and innovation into a product that has redefined the possibilities of wetsuits.**

In March 2023 we launched the FlashBomb Fusion – a wetsuit that is warm, flexible, durable and 96% stitch-free. Our Global Product Manager of Wetsuits, Adam Brissenden, hails this as a "new mark in the sand" for surfing equipment.

Most wetsuits are made from neoprene, a synthetic rubber material known for its flexibility, durability, insulation and resistance to water. "As neoprene has become stretchier and stretchier, and because that's where a lot of the movement is, the seams have become the weak point of many suits," Adam explains. "This leads to cold water leaking into the suit, and the surfer becoming cold." Rip Curl's Fusion Dry Seam Technology solves the age-old issue of wetsuits leaking at the seams, without resorting to using stiff liquid tape or stitching that can compromise a suit's performance and integrity.

This breakthrough innovation – our most technically advanced seam construction yet – uses a unique bonding technique that doesn't require stitching (the source of the pinholes that let cold water leak in). Combined with 100% E7 Flash Lining, E7 Flash Lining Tape, a zip-free entry and sealed cuffs, the FlashBomb Fusion is the ultimate in surfing comfort.

The FlashBomb Fusion has been well received by Rip Curl's core surfer target audience, with robust sales across retail, e-commerce and wholesale channels. And there's plenty of growth ahead for this wetsuit that blows all others out of the icy water.





# ELEVATING DIGITAL
## Metrics that matter

**NZD $99.3m**
Total online sales

**13.2%**
Online penetration as a % of direct-to-consumer sales

# How we are elevating digital

**MATERIAL ISSUES:** GLOBAL ECONOMY • DIGITAL TRANSFORMATION • CYBER AND DATA SECURITY CHANGE MANAGEMENT • BRAND POWER • CLIMATE CHANGE

## OUR OBSERVATIONS

Consumer spending patterns have undergone a significant shift in response to economic conditions and the transformative impact of COVID-19. Today's customers are more discerning than ever before, seeking personalised and inspiring shopping experiences. They now expect seamless, omni-channel access to a unified offering. In the last 12 months, consumers have returned to shopping in stores, and our omni-channel offering supports this consumer choice.

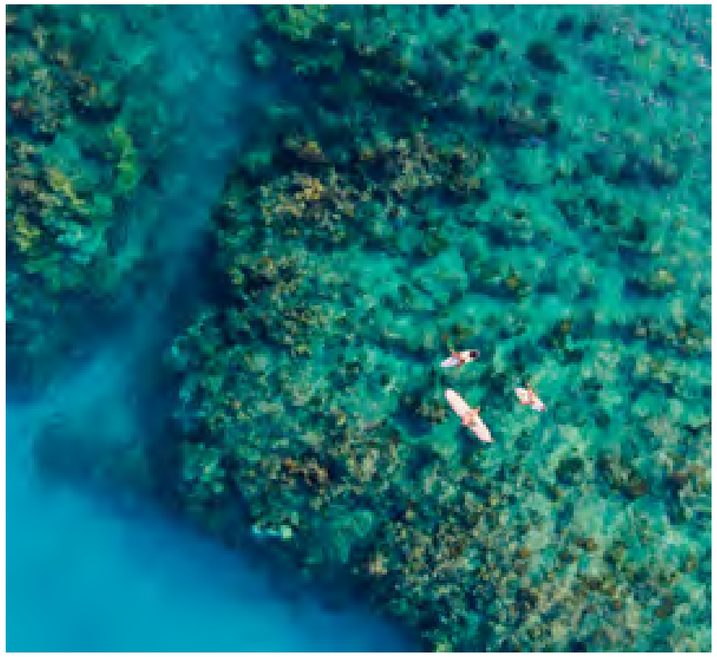
To safeguard our brands' reputations and recognition, we continue to invest in a strong digital presence. Our customers want to engage with our brands through a range of channels, and this is driving an evolution in how we communicate with customers and conduct transactions.

To grow our direct-to-consumer business, we are using data-driven insights to inform decision-making and provide a rich, personalised customer shopping experience.

To remain agile and fit for the future, we must continuously review, adapt and evolve our platforms and tools. To carefully manage change, we engage all relevant stakeholders and then verify the impact of change on interconnected business procedures.

## OUR ACTIONS

For FY23, our priority has been to embed and amplify the systems, tools and processes implemented in prior years. In FY22, we made significant investment in customer-facing, best-in-class digital platforms to support our unified commerce objectives. Our point-of-sale, e-commerce, and insights and personalisation platforms, enable us to present a fully unified commerce capability in our direct-to-consumer offerings. During FY23 we consolidated that functionality to leverage these investments.



By integrating our personalisation engine with our loyalty platforms we can gather data insights, better understand customer preferences and unlock further sales growth potential. During FY23, we implemented several personalisation use cases which drove great results and delivered a return on investment that has exceeded our expectations.

Expanding on user experience and customer centricity during the year, Kathmandu has implemented shoppable user generated content to further increase acquisition. We optimised the speed of the Kathmandu website to enhance its reliability and experience. We also introduced personalised product pages and recommendations for every customer to drive engagement and revenue.

Rip Curl launched a new loyalty program, Club Rip Curl, in early FY23 connecting customers to the Group's loyalty ecosystem for the first time and giving us a single view of each customer to create personalised communications. The program leverages the same technology platform currently used to manage Kathmandu's loyalty club members. Club Rip Curl launched in Australia and New Zealand in September 2022 and has already amassed more than 220,000 members.

Oboz continued to build a direct-to-consumer online trading site during FY23 that delivered consistent growth and exceeded performance expectations. Oboz maintains channels on Amazon, Backcountry and Zappos marketplaces expanding brand recognition and offering greater choice and convenience to customers.

The Group has an established set of security standards that detail the steps taken to secure our systems and information from people, process and technology perspectives. This framework aligns with the CIS (Center of Internet Security) framework for Information Security Management Systems (ISMS) and Risk Management. During the first half of FY23, Rip Curl made a voluntary notification to a limited number of European customers following an incident of unauthorised access to its European website in 2022. This involved basic customer information and Rip Curl notified the relevant European regulatory authorities and impacted customers. No further action was taken by the regulatory bodies. No other Rip Curl systems, networks or entities were affected by the incident.

In early FY23 Kathmandu launched two new European direct-to-consumer websites in Germany and France, and both Kathmandu and Rip Curl launched new sites in Canada, supporting the future growth of the brands in these emerging markets.

## CHALLENGES AND OPPORTUNITIES AHEAD

A key and immediate growth opportunity lies in expansion of the Group's loyalty programs. Rip Curl will launch Club Rip Curl online in the US in early FY24, Kathmandu will relaunch the Summit Club program as 'Out there rewards' in early FY24, engaging with customers in new ways and transforming a discount club into a mechanism that unlocks brand loyalty and awareness.

During FY24, we will continue to improve our digital execution by extending the enterprise resource planning platforms from ANZ into the USA to support a unified customer experience and commerce operations. By accelerating integration of these platforms for the North American market we can support omnichannel delivery and expand our loyalty programs.

The Elastic suite of tools was a key foundational workstream for FY23 rolling out in Australasia in early FY24. This will enhance our business-to-business purchasing capability for our wholesale channel and digitise our wholesale merchandising process. These tools will help our brands to reduce the use of physical samples in favour of digital samples over time, and reduce paper consumption through digital catalogues for wholesale customers.

Expanding on our D365 and e-commerce platforms will enable Rip Curl to introduce click-and-collect in Australia early FY24, followed by more advanced options later in the year. This strategic move will harness the strength of our store network for fulfilling online orders, improving the customer experience, increasing store inventory sell-through and contributing to our sustainability goals by reducing waste and emissions.

Rip Curl is making strides in digital revenue growth by online customer experience and expanding into online marketplaces. By prioritising these enhancements, Rip Curl moves closer to the long term goal of online sales accounting for 25% of direct-to-consumer revenue – a goal that each of our brands is working towards.

> ***"With the changing needs of our customers and technology advancements, we continue to re-imagine the future of Unified Commerce."***
>
> **Jolann Van Dyk**
> Chief Information Officer

The ever-evolving landscape of cyber threats and sophisticated threat actors remains a critical risk. We remain vigilant and invest in top-of-the-line security tools. We continue to embed risk-based processes across our operations in relation to data protection is aligned with global best practices.

With the changing needs of our customers and technology advancements, we continue to reimagine the future of Unified Commerce. This will mean keeping pace with evolving consumer expectations for technology, products and brand experiences. Rip Curl continues to innovate with the evolution of the Search GPS ecosystem. Search GPS connects Rip Curl with our core surfer community in the most authentic way, something we continue to strive for across our group of brands.

GRI 418

CASE STUDY

# Climate action in a click

Kathmandu

**Kathmandu customers in Australia and New Zealand can now offset part of their carbon impact at checkout.**

With the help of CarbonClick, Kathmandu customers can add $2 to their transaction to contribute directly to carbon offsetting projects in Australia and New Zealand – with each $2 offset capturing carbon from the atmosphere and protecting ecosystems.

Launched in May 2023, the offsetting option is the result of Kathmandu's new technology partnership with CarbonClick, an Auckland-based envirotech company with a mission to make carbon offsets simple, trustworthy and cost effective.

Like KMD Brands, Kathmandu, Rip Curl and Oboz, CarbonClick is B Corp certified, which means it meets high standards of social and environmental performance, accountability and transparency.

By harnessing digital technology, this partnership will promote reforestation projects in Australia and New Zealand.

Australian customers can contribute to the Everdale Native Regeneration project in New South Wales, a project registered under the Australian Emissions Reduction Fund that is regenerating more than 5,000 hectares of acacia woodland and eucalypt forest.

In New Zealand's Kaikōura, the Flax Hills Forever Forest project is regenerating 69 hectares of retired grazing land and is recognised by the New Zealand Emissions Trading Scheme.

CarbonClick Chief Executive Officer Dave Rouse says the partnership "sets an example for the sector, and in doing so makes a tangible, positive impact on the planet".

Flax Hills Forever Forest





CASE STUDY

# Kathmandu's digital IDs debut

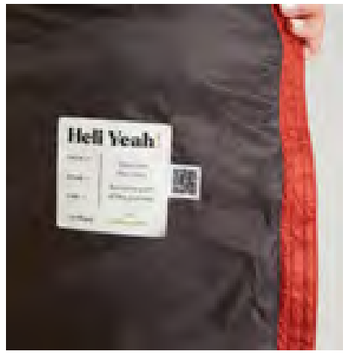
Kathmandu

**In May 2023, Kathmandu proudly launched an innovative new product with a groundbreaking addition – a unique Digital ID.**

Kathmandu's Heli R jacket – which uses 100% recycled materials everywhere possible, including face, liner and zipper fabrics, trims and labels – was the perfect product to start our Digital ID journey.

A Digital ID is sewn into every Kathmandu Heli R product. Customers can use their smartphone to scan their jacket's stitched-in QR code to discover its unique sustainability story. They can learn more about the product's design and manufacturing process, the factory it was made in, the materials used to make it, repair information and, eventually, resale and recycle recommendations.

Kathmandu's launch of Digital IDs is the first in Australia and New Zealand, and follows a region-leading partnership with global technology platform EON.




EON's technology, which is leveraged by some of the apparel industry's largest brands, is helping Kathmandu to bridge the gap between the digital and physical worlds.

Speaking to Ragtrader, Kathmandu's General Manager of Product, Robert Fry, said partnering with EON "is an innovative step towards our circularity ambitions, helping shift customer mindset to think circular".

Our launch of Digital IDs strengthens Kathmandu's digital capabilities as we connect and communicate with our customers in new ways. Our elevated digital offerings will help us to harness data-driven insights that enhance customer expectations, build traceability into every product, drive efficiencies and support even more innovation.

CASE STUDY

# Club Rip Curl launch

**Club Rip Curl is building the world's largest surfing community with a membership program that rewards customers for doing what they love best – being one with the waves.**

Launched in 2022, Club Rip Curl connects and rewards people with a passion for all things surf. Members of the club can earn rewards from purchases and catching a wave.

Customers with a Rip Curl SearchGPS Surf Watch can upload their data to the app on waves caught, top speed and distance to earn points. Points are able to be spent on products, and as the program evolves, can be donated to initiatives that protect the environment through Rip Curl's partnership with SurfAid.

Our world-first pilot program at five stores last year was expanded to 77 stores, including online, in Australia and New Zealand in FY23. The rollout will continue in USA and Canada next year.

Club Rip Curl has attracted more than 220,000 members so far and is responsible for a growing proportion of sales.

Connecting all customer data in one ecosystem elevates our digital offering and creates an end-to-end surfing experience. Club Rip Curl will help us uncover fresh data-driven insights, create new synergies and economies of scale, and, best of all, deliver even better experiences for Rip Curl customers.

CASE STUDY

# Riding the digital wave

**In March 2023 we hosted the world's first digital surf competition. We teamed up with Tourism Fiji to present the Rip Curl Virtual Pro competition from 4 to 14 March. Everyone with a Rip Curl SearchGPS watch that tracked their surfing over the 10-day period was eligible to enter the competition to win the ultimate surfing holiday on Fiji's beautiful Namotu Island.**

The Rip Curl SearchGPS watch, which we launched in 2014, has recorded more than 50,000 surfers across 76 countries, recording 25 million waves at 2,400 beaches.

Every time competitors surfed, we analysed the data from their Rip Curl SearchGPS and scored it in real time. Our unique algorithm assessed the distance paddled, surf time, total waves surfed, top speed, longest waves and number of surfs, and allocated bonus points for surfing in a new location.

The winner? A Copacabana Beach local in New South Wales, Australia, who caught 126 waves in 10 surfs, spent nearly 12 hours in the water and paddled an impressive 37 kilometres.

The data sets created by each contestant formed the foundation for a unique video visualisation that they could download and share – and every surfer found a story behind their data. Take pro Australian surfer Owen Wright, who was at Bells Beach training for the last competitive surfing event of his career. With a wavelength of 166 metres, and a wave speed of 35 kilometres an hour across two locations, Owen gained an impressive 5,183 points and a special story to share with his social followers.

The Rip Curl Virtual Pro competition is "another display of leadership in a rapidly changing surfing landscape," says Rip Curl's Head of Brand and Marketing, James Taylor, and demonstrates our commitment to create digital experiences that are just as exciting as catching the next wave.

CASE STUDY

# E-commerce exceeds expectations

Oboz FOOTWEAR

**Since Oboz officially launched a direct-to-consumer online offering in 2022 it has outperformed our expectations. We are on track to meet our goal of 10% direct-to-consumer sales by 2026.**

Our e-commerce site has been designed to drive conversion and complements the Oboz brand experience on site, where customers can learn more about the products they love.

Our agile e-commerce team has embraced a 'test and learn' approach which allows us to make small adjustments to our online marketing to convert browsers into buyers, and to showcase the range of Oboz products to new customers.

This year we launched the Oboz Shoe Finder to help online shoppers pick the perfect pair of boots, shoes or sandals for their next outdoor adventure. After answering seven questions, customers receive a personalised list of recommended hiking boots and shoes, winter boots and sandals.

The Oboz Shoe Finder helps us maintain our reputation for great 'out of the box fit'. Oboz customers agree – with a return rate of less than 20% positive proof that our digital platform is helping them choose the perfect fit.

CASE STUDY

# Growing forests and online communities

Oboz FOOTWEAR

**Oboz customers don't need encouragement to enjoy the outdoors. But we gave them an extra incentive in May 2023 when we launched the inaugural Fast Trail Challenge.**

For 10 days in May, Oboz challenged hikers, runners and people using mobility devices to take to the trail. Competitors tracked their hikes with the help of GPS technology, and for every hike that was more than a mile long, we planted a tree. For further bragging rights, we planted bonus trees when competitors completed their 11th and 12th hike within the allotted time.

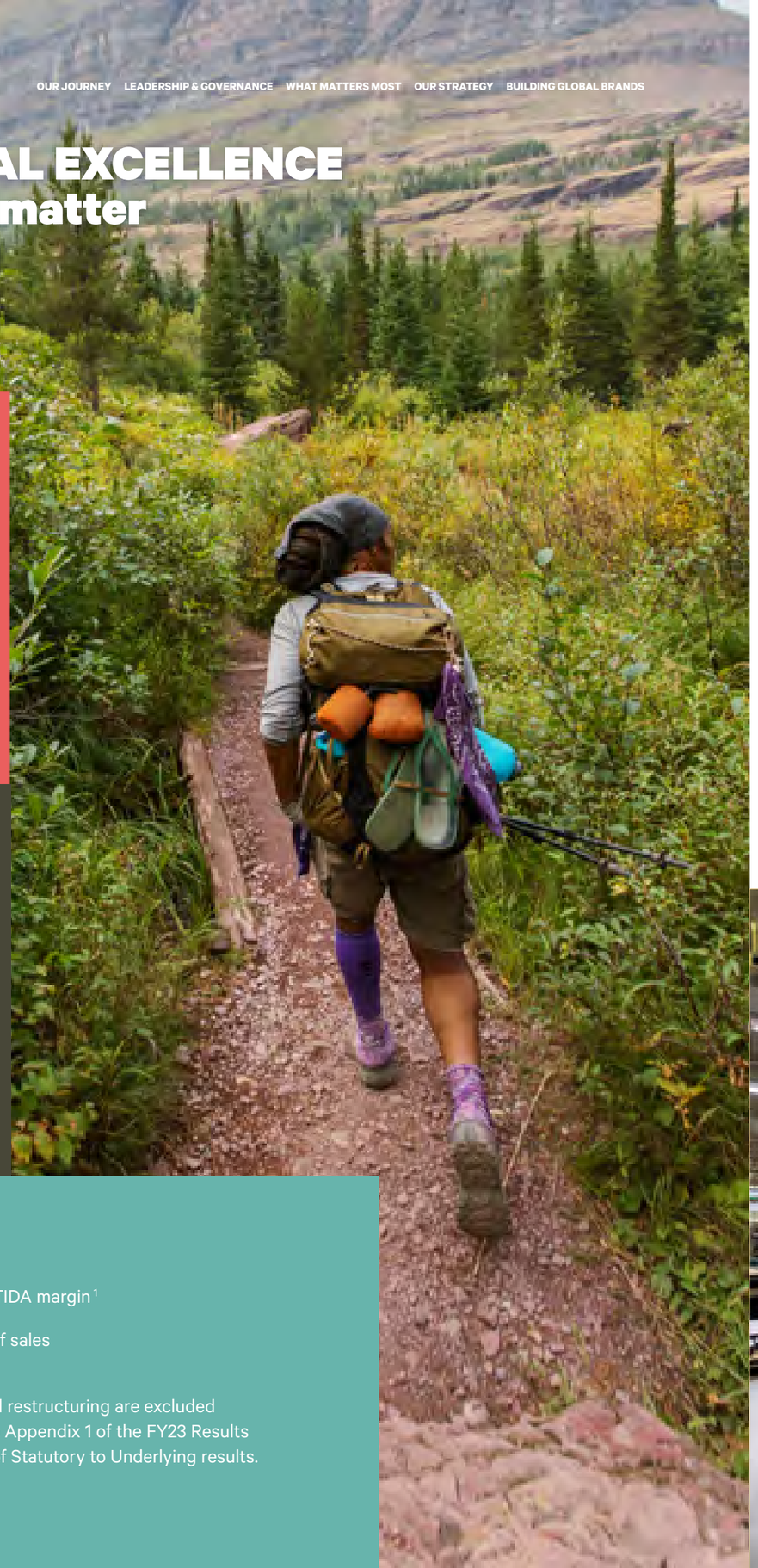
"We have planted more than five million trees and we are on a mission to plant five million more," says Oboz President Amy Beck. "We hope that the Fast Trail Challenge will inspire more people to get out and get moving and help us achieve our goal."

The first Fast Trail Challenge certainly hit the target. The 1,072 hikers who took part hailed from 17 countries around the world, from Mexico to Mongolia, Switzerland to the Solomon Islands. Participants hiked a combined 16,119 miles, or nearly 26,000 kilometres, across 5,019 hikes. Their efforts were rewarded with 5,403 trees planted on their behalf.

The gamified experience created a healthy sense of competition and helped us to engage our community of hikers across new digital platforms. Challenge participants connected through our social media channels, sharing their hiking stories and cheering on their fellow competitors.

Oboz is growing its online community as quickly as its Tanzanian forest gardens. We followed up the Fast Trail Challenge with the Oboz Trail Experience. This year, 10-plus regional events across the United States saw participants take on new or lesser-known local trails to push their limits, log their achievements online and celebrate their successes with a community of people that are True to the Trail.

# OPERATIONAL EXCELLENCE
## Metrics that matter



Short-term working capital
**19.9%** of sales

Gross margin
**59.1%**
Increase of 20 basis points
(0.2% of sales)

Underlying EBTIDA margin[1]
**9.6%** of sales

1. The impacts of IFRS 16 leases and restructuring are excluded from Underlying EBITDA. Refer to Appendix 1 of the FY23 Results Presentation for a reconciliation of Statutory to Underlying results.





# How we leverage operational excellence

**MATERIAL ISSUES:** GLOBAL ECONOMY • GEOPOLITICAL LANDSCAPE • SUPPLY CHAIN RESILIENCE • CHANGE MANAGEMENT • PEOPLE AND WELLBEING • CLIMATE CHANGE • DIGITAL TRANSFORMATION

## OUR OBSERVATIONS

To support the growth of our global brands, we are leveraging the synergies within our Group through shared knowledge and collaboration. We achieve this through programs that accelerate cross-brand opportunities that optimise our supply chain, invest in core system upgrades and collaborate on product innovation. This year, continued inflationary pressures and supply chain challenges have made these efforts even more important.

An emerging industry-wide issue for FY23 is excess finished goods inventory, both within our businesses and those of our competitors. For us, this ties up working capital, leads to escalated storage costs and creates the risk that inventory will become outdated and therefore harder to sell. High levels of excess inventory held by our competitors have encouraged aggressive discount pricing strategies in some key markets.

We have observed an increase in health and safety incident reporting in FY23, reflecting greater awareness and compliance among employees. This positive trend demonstrates employees' increased recognition of potential hazards and incidents, contributing to safer work environments overall. However, the rise in injuries can also be partly attributed to increased inventory and therefore an increase in manual handling risks and consequent injuries. In response, we are strengthening training and ergonomic measures to mitigate risks. Additionally, we have observed an increase in customer aggression in store towards our retail employees. This emphasises the need for comprehensive training programs that foster respect and understanding among both employees and customers. We remain committed to maintaining safe and harmonious workplaces while delivering exceptional service to our valued customers.

The impacts of COVID-19 continue to affect our business, even though the key risks of the pandemic have passed. Post FY22 and COVID-induced factory closures, we have observed our manufacturer suppliers rapidly scaling to return to full operating capacity. This created a new issue, with some new suppliers falling short of our quality assurance standards. This was largely due to process failures around training and upskilling of workers as factories came back

online. This required product re-work and additional inspection times on receiving goods, which impacted the on-time delivery of key stock.

## OUR ACTIONS

In response to the prevailing global economic conditions, our focus in FY23 has been on opportunities that enhance and optimise the underlying operational and financial performance of the Group. With a keen eye on efficiently managing costs and maximising productivity, we embarked on strategic initiatives to drive our EBITDA margin.

One of our key steps was to explore opportunities to consolidate our suppliers and streamline the network to improve efficiency and cost-effectiveness. Additionally, we made a concerted effort to reduce the number of styles and Stock Keeping Units (SKUs) to streamline inventory management and improve margins.

In line with global markets, container freight costs fell substantially.

To preserve and enhance profitability, we strategically considered the depth of discounting, ensuring that we balance the needs of our customers while maintaining healthy margins. In line with this approach, we also moderated our marketing spend, carefully optimising our expenditures to effectively maintain our brand presence and customer outreach.

During FY23, our owned and operated wetsuit manufacturing facility, OnSmooth Thai, became B Corp certified. The facility also achieved International Safety Standard (ISO) 14001:2015 and ISO 45001:2018 certification for Environmental and Occupational Health and Safety Management Systems, which demonstrates high standards of environmental sustainability and workplace safety.

We continue to work towards ISO 45001 for the wider group.

We achieved a step-change in inventory management for Kathmandu during the reporting period with new, enduring processes to streamline inventory levels for the future. Inventory levels for both Rip Curl and Oboz are moderating, following investment in greater holdings in the wetsuit categories and key Oboz product lines. Record demand for these products last year has since softened, leaving us with higher inventory levels than expected. We have a steady path planned for our holdings in these inventory categories, which can be held and sold efficiently.

With the softening of consumer demand, particularly for wetsuits, we have reviewed our workforce structures across some business units, particularly the requirements for wetsuit production in line with forward orders, to ensure we drive operational and labour efficiency. Reducing our workforce is not a decision we make lightly but is a necessary step to rightsize our business in line with future demand planning requirements. In making decisions like these, as a B Corp, we consider the impacts of our decision on all stakeholders, including the long-term profitability and needs of the business and the impacts on employees, both those whose roles are no longer needed and the wider impacts on the people remaining. We support any employees whose positions are no longer required with Employee Assistance Program (EAP) support beyond their final day of employment, additional payments over and above those required by law, such as pay in lieu of notice and 13th month salary and full payout of provident fund (where relevant) to all employees regardless of eligibility. Making these decisions is never easy for any business but it is important we revisit workforce requirements to provide a stable foundation for future growth.

We continue to actively manage our property portfolio growing our portfolio by 11 stores to 327 owned stores. We closely scrutinise underperforming stores, including in some locations rebranding within the portfolio to optimise financial performance. We continue to monitor that any new stores do not cannibalise sales from the existing store network or other channels and drive earnings growth overall.

Leveraging the scale of our store portfolio and infrastructure enables us to efficiently manage fixed costs, including for new market expansion in the medium term. Additionally, by pooling our brand spend we can unlock substantial production savings. Managing leases at a Group level allows us to negotiate more favourable terms, leading to cost savings and improving flexibility. Leveraging our purchasing power, both in terms of inventory and non-inventory items, enables us to achieve better deals and economies of scale.

Our Group legal team has been reshaped during the reporting period to form a solid support function to assist all our brands globally. During the reporting period there were no instances of significant non-compliance with laws or regulations across the Group. There was one fine (compared with none in 2022) with a total monetary value of USD $2,270 (NZD $3,720) for instances of non-compliance with laws relating to an instance of mislabelled pricing under the Weights and Measures requirements of the City of Santa Monica, California. KMD Brands defines a significant instance of non-compliance to be a fine or sanction of $1 million or more.

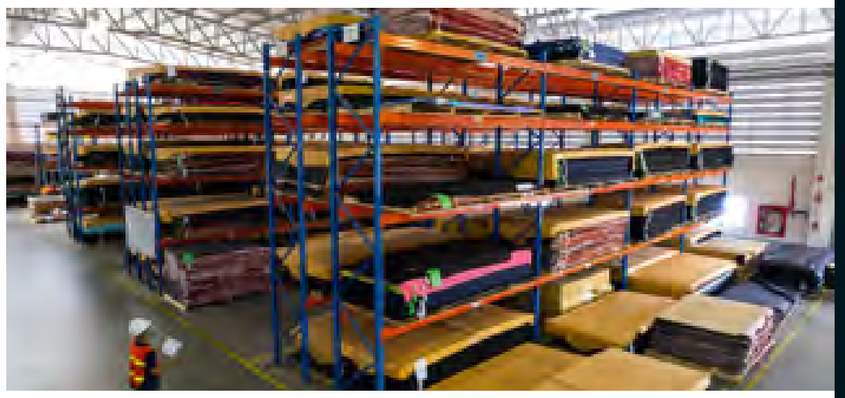
Throughout FY23, these strategic actions were driven by our commitment to strengthen the Group's financial performance and ensure sustainable growth amid challenging economic conditions. We remained agile and forward-thinking, positioning ourselves for success in an ever-evolving landscape.

GRI 2-27, 401, 403, 404

## CHALLENGES AND OPPORTUNITIES AHEAD

Looking ahead, a multitude of short, medium and long-term opportunities can support growth and efficiency across our organisation and improve our working capital. In the short term, our focus is on supply chain efficiency in distribution and sourcing. We will also continue to optimise supply chain logistics by aligning our factories across brands to achieve significant gross margin benefits. We will look at a greater mix of origin third party logistics suppliers in our supply chain.

We will continue geographic diversification of our supplier factories to reduce concentration risk and supply chain disruptions. This approach spreads reliance across different regions, reducing the impact of localised challenges such as natural disasters or geopolitical conflicts.

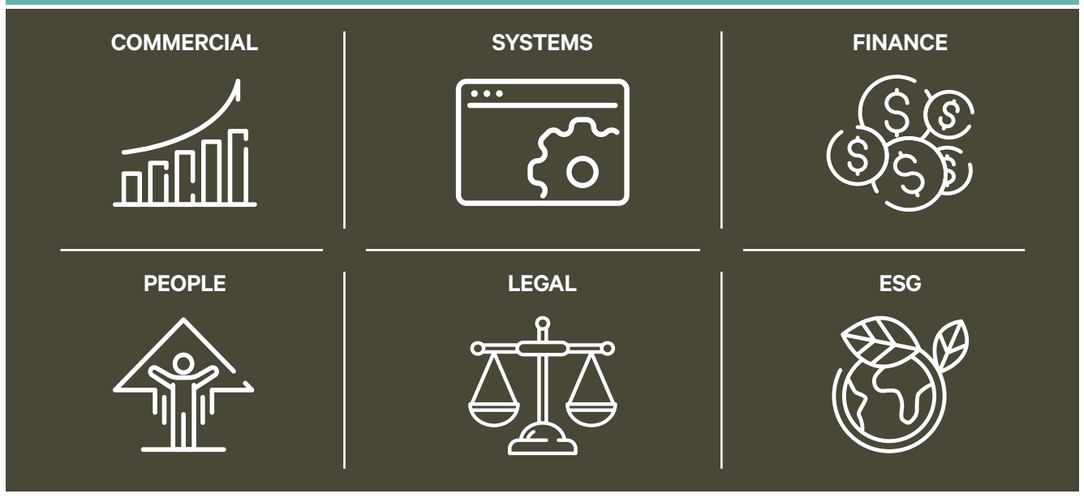


Recognising the significant risk and challenge of climate change, we are committed to working with partners that proactively adopt technologies to reduce the emissions in our supply chain. When considering new suppliers of services for the Group, we will seek information from potential partners about their use of emerging technologies to reduce operational costs, reduce emissions and enhance the resilience of systems.

In FY24 we will revise our buying timelines and enhance our demand planning processes. Our refined buying policies will concentrate on the depth of core styles while offering a tighter breadth of products, ultimately reducing inventory and bolstering trade payments.

### OUR GROUP FUNCTIONS

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








CASE STUDY

# Localising impact, maximising change

**An equitable, inclusive workplace that represents the diversity of our communities and amplifies their professional development... This is KMD Brands' commitment to our people.**

We continue to invest in training and experiences that reinforce our commitments. With teams across multiple time zones and speaking a multitude of languages, we are always looking for creative ways to localise our efforts to maximise our impact.

This year, the KMD Brands People team worked on consolidating best practice training and development that already existed at a brand level. This included consolidating Kathmandu, Rip Curl and Oboz onto the same Learning Management System, RedSeed, globally in May.

Giving all our employees access to a single learning and development platform will ensure ongoing consistency of the employee development experience at KMD Brands. On top of this, Kathmandu and Oboz employees were given access to a full course content library that was previously only accessible to Rip Curl employees.

To complement the courses offered through RedSeed, employees embraced a wide range of training opportunities conducted by external experts with the aim to educate and upskill, from leadership to corporate governance, media and presentation skills to digital marketing, cyber security to environmental and social governance, financial literacy, copyright, safe driving, and much more.

The wellbeing of our people, diversity and inclusion, and ESG are key focus areas of our strategy, so we conducted targeted training in these areas.

We used internal experts to train our people on climate and the Science-Based Targets initiative, greenwashing, employee entitlements, discrimination, bullying, diversity and inclusion, and safety awareness and mental health in the workplace.

In Australia, we complemented internal training on our Reconciliation Action Plan and our journey to reconciliation, with celebrations for NAIDOC Week to honour the history, culture and achievements of Aboriginal and Torres Strait Islander peoples. We were joined by proud Adnyamathanha woman and Aboriginal entrepreneur, Marsha Uppill, who shared stories and reflected on the NAIDOC theme 'For Our Elders'. All ANZ employees were invited, with many of our New Zealand based team joining to gain an understanding of their Australian colleagues' cultural history.

In the United States, Oboz partnered with the Continental Divide Trail Coalition, one of the country's largest conservation efforts, to host half-day training with equity, diversity and inclusion strategist Parker McMullen Bushman. Our people and partners gained powerful insights from Parker as she used her personal experiences to unpack the unequal representation of people of colour in outdoor spaces.

KMD Brands partnered with LGBTQI+ youth charity Minus18 to mark International Day Against Homophobia, Biphobia and Transphobia (IDAHOBIT). Employees across Australia, New Zealand and North America gathered virtually to learn how they

Continued overleaf...

CASE STUDY

# Localising impact, maximising change continued

could be active allies. Oboz also extended this invite to third-party sales representatives of the brand, who were keen to gain a better understanding of gender inclusivity.

Kathmandu recognised Mental Health Awareness Month in October, working with not-for-profit partner Beyond Blue to deliver a presentation to help people recognise if they are experiencing mental health challenges. Rip Curl ran a series of educational sessions with a mental health advocate in September and also recognised R U Okay Day. Mental health advocate Matt Runnalls was our guest speaker at two education sessions, during which he shared his lived experience and encouraged others to manage their wellbeing.

Kathmandu was also recognised by Mental Health First Aid Australia as a 'Skilled' workplace, with accreditation that acknowledges the brand's efforts to train 60-plus employees to act as mental health first-aiders in Australia. As part of this accreditation, Kathmandu implemented eight wellbeing initiatives including a mental health first aid policy.

As the KMD Brands People team continues to consolidate and streamline efforts, we hope to extend our efforts to reach more employees each year.

## PERFORMANCE REVIEWS COMPLETED FOR FY23

| Category | Male | Female | Another gender | Total |
|---|---|---|---|---|
| Group executive | 100% | 100% | N/A | 100% |
| Brand executive | 100% | 100% | N/A | 100% |
| Senior management | 65% | 70% | N/A | 67% |
| Management | 92% | 98% | 100% | 95% |
| Non-management | 82% | 80% | 69% | 81% |
| **TOTAL** | **83%** | **82%** | **69%** | **80%** |

## TRAINING HOURS IN FY23

**Average hours of online training per employee***

| | |
|---|---|
| Male | 4 hours |
| Female | 4.4 hours |
| Another gender | 3.3 hours |

* Based on training modules completed through RedSeed learning platform

**2110**

**additional training hours delivered in person***

* Participant attendance is determined by accepted calendar invitations or attendance record. Total training hours calculated based on average training session length of 1 hour

GRI 404





CASE STUDY

# A proactive, people-centred health and safety culture

**The health and safety of our team is a top priority, which is why our People team spent the year auditing and updating our processes, procedures and policies to enhance our safety culture.**

We introduced new systems to ensure our people and customers stay safe and healthy. When incidents do occur, we have processes in place to learn, reflect and prevent these incidents from happening again.

All new employees complete an induction module and on-site safety walk-through upon commencement.

Rip Curl uses the SafetyCulture app to report hazards, This enables us to capture consistent data and identify areas where we can improve. Kathmandu uses the Noggin platform.

The earlier an employee can return to work, the faster their recovery. Most people who have been injured in our workplaces have returned in a timely manner, thanks to the structured processes that support their return to work. These processes include immediate response, medical attention and incident management; we equip the employee with information about their injury to share with their doctor, and work with them to determine potential work modifications when they return.

Expanding on Kathmandu's well-established process, we have introduced a quarterly group safety governance meeting, during which time a group of employees unpack each incident or injury and look for ways to improve. The Health and Safety team complete monthly meetings with regional managers to ensure timeliness of hazard identification and risk assessments.

We regularly audit our sites for safety, but as we strengthen our processes, we have introduced a formal tracking system. In FY23 we completed 23 audits across Australia, New Zealand, North America and Brazil for health and safety regulatory compliance.

We had 168 cases of recordable work-related injuries during the year, up from 157 cases in the prior fiscal year. The main types of work related injuries are contusions, burns, cuts, sprains, slips, strains, and soft tissue injury. Out of these, four cases (2022: two cases) were high-consequence requiring the employee to take more than six months to recover.

We had two cases (2022: 0 cases) of work-related ill-health, where the employee took more than six months to recover. These cases were related to arthritis and anxiety and identified through incident reports.

The increase in work-related injury reporting is a result of our encouragement of employees to report incidents when they do occur.

We had no incidents of non-compliance with regulations or voluntary codes resulting in a fine, penalty or warning. We had no instances of fatalities from work-related ill-health or injury. We recorded 43 customer injuries, two near misses, and seven medical episodes.

Other health and safety training we provide our workers include:

- Loss prevention training (includes deescalation with customers)
- Manual handling training
- First aid training
- Emergency warden training
- Mental health first aid training
- Manager and supervisor awareness training.

We know mental health is just as important as physical health. This year 32 employees in Australia and New Zealand were trained as mental health first aid officers, and we plan to expand the training globally.

Our brands also delivered targeted training and wellbeing sessions to their people. Oboz hosted stress management classes and hired a wellness coach. Rip Curl Europe used World Mental Health Day as a chance to share information and insights about good mental health. Kathmandu and Rip Curl ANZ took part in a webinar with sport scientists who explored evidence-based tools to help people thrive through life.

We also rolled out a global employee assistance program across our brands. Converge International helps us provide access to legal advice, counselling, personal and work-related issues, nutrition and more. All full-time and part-time employees, and their immediate families, have access to Converge, and can use the app to monitor their health goals and progress.

With a commitment to continuous improvement, proactive systems and a culture of care, we strive for operational excellence that delivers safe and healthy workplaces.

GRI 403, 416





CASE STUDY

# Best in class banking

**Sustainable and streamlined – these are the principles that have uncovered millions in savings for KMD Brands this financial year.**

Our commitment to operational excellence means we are always looking to streamline the way we work. Across the Group globally we had 30 different banking relationships to manage our transactional banking and merchant acquiring. With a view to streamline relationships, drive consistency and obtain better pricing, a treasury project team was formed to assess, review and tender our relationships globally. A global banking tender and change has many complexities, but we quickly realised the size of the prize was significant.

"A global business needs a global bank", says Group CFO, Chris Kinraid. After gauging the market for interest, we reduced the number of banks we partner with from 30 to two: ANZ in Australasia and HSBC globally. This will deliver a cost saving of around NZD$1 million each year, strengthen and simplify our reporting and data analysis, and give us access to best-in-class technology.

Our analysis also found significant cost savings by consolidating our fragmented merchant acquiring relationships across Australia and New Zealand. With one bank appointed in each region now our preference, we are looking to save NZ$1.5 million over three years and offer leading point of sale technology for our customers. This consolidation will also save our team time that we can spend on projects to strengthen our business and deliver better experiences to our customers.

This year, we also successfully closed a NZ$310 million debt refinancing deal tied to sustainability. This builds on KMD Brands' first sustainability linked loan, which we secured in 2021. With the new transactional banking relationships in place the Group can more aggressively pool cash globally and reduce working capital debt.

Tying this loan to our unique environmental, social and governance (ESG) targets acts as an additional financial incentive. If we hit our ESG targets – which include reducing our emissions, maintaining our B Corp Certification and improving supply chain transparency – the interest rate on the loan decreases.

The dollar value of meeting the targets tied to the loan is just one benefit. By making ESG a key pillar of our Group strategy, we reduce our financial and regulatory risks, drive value for our business today and protect people and planet tomorrow.

# LEAD IN ESG

In this section, we report on our overall impact on society and the environment, within the context of our strategic objective to Lead in ESG. This section is structured to align with the KMD Brands ESG Strategy and is organised around our focus areas of Communities, Climate and Circularity. We have described our goals in each focus area, reported on the baseline data where possible, and integrated our reporting to Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) requirements where applicable.

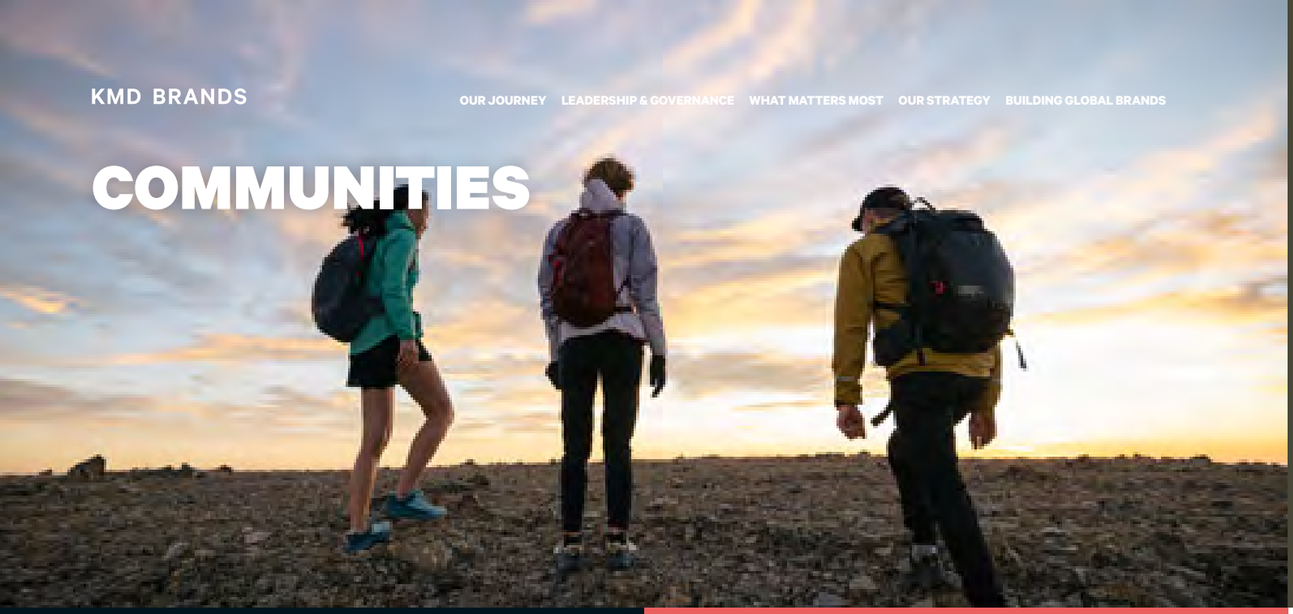
## KMD Brands ESG Strategy

**OUR VISION** is to be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet.

| OUR PILLARS | OUR FOCUS AREAS |
|---|---|
| **COMMUNITIES**<br>Positively impact the wellbeing of people and places touched by our brands | Provide a people-centred culture and workplace that fosters health, safety, wellbeing and inclusiveness.<br>Protect human rights and dignity by addressing modern slavery in our value chain through collaboration and transparency.<br>Engage, inspire and protect the communities where we operate and impact.<br>8 DECENT WORK AND ECONOMIC GROWTH<br>10 REDUCED INEQUALITIES |
| **CLIMATE**<br>Transition to a low carbon future | Reduce emissions in line with the Paris Agreement goals.<br>13 CLIMATE ACTION |
| **CIRCULARITY**<br>Eliminate the linear take-make-waste approach to business | Foster and invest in circular business models across our businesses.<br>Increase responsible material content in our products.<br>Reduce the waste footprint created across our businesses.<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION |

| OUR TARGETS | PROGRESS FOR FY23 |
|---|---|
| **COMMUNITIES** | |
| An equitable, inclusive workplace representative of the diversity within our communities including:<br>- 40:40:20 gender representation in leadership positions (Board, Executive and Management).<br>- Increased representation in employment of local Indigenous Peoples and people from ethnic or racial minorities. | SOME PROGRESS<br>PLANNING STAGE |
| Genuine transparency of, and effective worker voice communications with, strategic suppliers for each brand. | ON TRACK |
| Supported local community projects, through donations, fundraising and paid employee time, to create a positive impact for the wellbeing of people and planet. | ON TRACK |
| **CLIMATE** | |
| Reduced absolute Scope 1 and 2 emissions by a minimum of 47% by 2030, from a FY19 base year (4.2% per annum emissions reduction). | SOME PROGRESS |
| Reduced absolute Scope 3 emissions by a minimum of 28% by 2030, from a FY19 base year (2.5% reduction per annum). | PLANNING STAGE |
| **CIRCULARITY** | |
| Commercialised brand-led circular business models for product take-back, renewal, repair, re-commerce or recycling. | ON TRACK |
| Dedicated to our own-brand products being responsibly sourced. | ON TRACK |
| Reduced operational and packaging waste including:<br>- Diversion of 90% of waste to landfill from our direct operations by 2030.<br>- All primary and secondary packaging and promotional material is recyclable or made using recycled materials by 2030. | SOME PROGRESS<br>SOME PROGRESS |

PLANNING STAGE · SOME PROGRESS · ON TRACK · HIT A ROADBLOCK · NEARLY THERE · DELIVERED



# COMMUNITIES

# OUR PEOPLE
## GOALS AND PERFORMANCE

### GOALS

**An equitable, inclusive workplace representative of the diversity within our communities including:**

- 40:40:20 gender representation in leadership positions (Board, Executive and management).
- Increased representation in employment of local Indigenous Peoples and people from ethnic or racial minorities.

### FY23 PERFORMANCE

**GENDER DIVERSITY OF OUR EMPLOYEES**
*As at 31 July, sourced from employee payroll data*

Total employees:
**4,843**
**2022:** 4,887

**63%**
Female
**2022:** 64%

**36%**
Male
**2022:** 35%

**1%**
Another gender or prefer not to say
**2022:** 1%





### MINORITY REPRESENTATION IN OUR TEAM

**6%**
of our team identify as belonging to an ethnic minority

**10%**
of our team identify as LGBTQIA+
**2022:** 14%

**2%**
of our team Identify as belonging to a local Indigenous group

**8%**
of our team are living with a health condition or disability
**2022:** 12%

*Sourced from Gallup Q12 Engagement survey conducted during FY23 and is based on responses received from respondents

### GENDER DIVERSITY BY CATEGORY

Male · Female · Other/prefer not to say

| | FY23 | | | FY22 | | | % CHANGE FY22 VS FY23 |
|---|---|---|---|---|---|---|---|
| Board | 71% | 29% | 0% | 71% | 29% | 0% | No change |
| Group Executive | 50% | 50% | 0% | 56% | 44% | 0% | **6%** increase in female leadership |
| Brand Executive | 71% | 29% | 0% | 71% | 29% | 0% | No change |
| Senior Management | 56% | 44% | 0% | 59% | 41% | 0% | **3%** increase in female leadership |
| Management | 42% | 58% | 0% | 42% | 58% | 0% | No change |
| Non-Management | 35% | 64% | 1% | 33% | 66% | 1% | **2%** decrease in female representation |

GRI 405

# COMMUNITIES > OUR PEOPLE

**MATERIAL ISSUES:** PEOPLE AND WELLBEING • GLOBAL ECONOMY • CHANGE MANAGEMENT

## OUR OBSERVATIONS

We are focused on positively impacting the wellbeing of people and places touched by our brands. We want to be the best for our people by providing a people-centric culture and workplace that fosters health, safety, wellbeing and inclusiveness.

As we navigated FY23, attracting and retaining top talent was an ongoing challenge in the fiercely competitive labour market. With job seekers having a wide range of options, it was crucial that our brands fortified their employer value proposition (EVP) and elevate our already strong presence in the job market. We use available data from various job boards to understand the current trends and demands of potential candidates and tailor our EVP and recruitment strategies accordingly.

In the pursuit of the best talent, one of our significant advantages is our B Corporation Certification. This demonstrates that we are part of a community of businesses that meet high standards of social and environmental impact, and this resonates with job seekers. The B Corp Certification enhances our reputation as a socially conscious and sustainable employer, making our EVP even more attractive to prospective candidates who align with these values. Emphasising our B Corp status in the employment landscape further sets us apart from competitors, giving us a unique advantage in talent acquisition.

KMD Brands also attracts talented individuals who share a passion for what our brands stand for. Rip Curl is made for surfers, by surfers, so our offices are located next to some of the world's best surf breaks. Our 'crew', as we call them, have the flexibility to take advantage of this and go surfing during business hours. At Kathmandu, employees can work longer hours during the week to access 'Fri-Yay' - a half day to explore the foothills of Christchurch. As well as being based in the Greater Yellowstone Ecosystem, Oboz team members have access to trails right at their doorstep and are encouraged to get out there as much as possible.

The pandemic drove a shift in our team's ways of working, with extended periods of remote work changing the way many think about work-life balance. We recognise the value of in-person interactions in fostering company culture, especially as we tend to be in communities that are so close to the nature that inspires our brands and customers. Because of this, we've encouraged employees in our head office teams to return to our physical offices. Striking a balance, we've adopted a hybrid work model underpinned by flexibility and trust. We have three set days during which all employees are expected to come into the office. Employees can choose to work in the office or remotely for the other days, based on their tasks and preferences. In the current landscape of remote work, maintaining and nurturing organisational culture has become a central challenge, requiring us to think differently about how we preserve our company values, traditions and core principles despite the physical separation of people. The return of travel elevated team engagement,

innovation and osmosis learning as team members reconnected across the Tasman and the globe.

In recent times, we have observed an increase in employees seeking counselling services for mental health through our Employee Assistance Program (EAP). This trend may be partly as a consequence of our successful educational programs to raise awareness about the available resources. However, it also indicates a positive shift in attitudes towards mental health, where employees are more aware and more likely to seek help when they need it. This is an essential step for our brands as we promote a healthy work environment. The demand for initiatives that support the wellbeing of our teams is greater than ever, emphasising the importance of comprehensive mental health support and a workplace culture that prioritises the overall welfare of employees.

## OUR ACTIONS

We harness the collective power of our team by embracing and valuing each team member for who they are. We encourage people to grow with us. We foster inclusivity and diversity across our businesses to inspire all people to explore and love the outdoors and to provide a workplace where everyone can show up as their true selves.

We have set specific gender diversity goals and we are making good progress, with 50% female leadership in our group executive team and 29% in our brand executive teams. Rip Curl and Oboz are led by female CEOs, with the new Kathmandu CEO appointed during FY23 also female. We still have work to do in building the capability and experience of our future female leaders, however we know that seeing three women lead our iconic brands will inspire many to see themselves in these roles. In early FY24, we will launch our paid parental leave policy in Australia and New Zealand which aims to support and encourage primary caregivers to continue with their career paths following the addition of a new family member.

This year, we also revised the wage structure of our factory workers in our Onsmooth wetsuit factory in Thailand. This provided a lift in salaries to align with the Anker living wage methodology resulting in an increased standard of living for employees and their families. The introduction of a living wage in Thailand in August 2022 resulted in widespread positivity and instantly saw staff retention increase. We also recognised some of our longest serving team members, including John 'Sparrow' Pyburne who has been designing wetsuits for Rip Curl for more than 50 years and is integral to the success of the brand.

In FY23, our company has taken significant strides towards fostering a diverse and inclusive workplace. Recognising the immense value that different perspectives bring, we actively champion diversity in all dimensions. We have implemented training focused on educating our teams about the importance of diversity and inclusion. Through these initiatives, we aim to raise awareness about unconscious biases and encourage a more empathetic and respectful workplace culture, where everyone belongs.

As part of our commitment to supporting marginalised communities, we proudly rolled out International Day Against Homophobia, Biphobia and Transphobia (IDAHOBIT) training to promote understanding and acceptance of diverse gender identities and sexual orientations. This was attended by a large cross section of KMD Brands, Rip Curl, Kathmandu and Oboz employees from Australia, New Zealand and beyond.

Kathmandu also re-accredited as a Rainbow Tick business. The Rainbow Tick status tells our customers that we are a progressive, inclusive and dynamic organisation that embraces diverse sexual and gender identities and reflects the communities we serve.

Rip Curl continued its path of reconciliation in Australia by working closely with First Nations communities, with cultural protocols becoming part of events and meeting agendas. Our commitment to engaging with and supporting these communities reflects our dedication to acknowledging their unique histories and challenges.

During FY23, we completed our second global diversity and inclusion survey across all our brands. This gave us valuable insights about the backgrounds of our employees so we can support what matters most to them. Through the results of this survey, we have reported some baseline statistics for the first time this year in relation to Indigenous and ethnic minority representation amongst our employees. This data will inform and shape the specific targets, and direct the activities, we will focus on in FY24 and beyond, to support and increase the representation of these groups within our businesses.

We believe that, by celebrating the uniqueness of each individual, we are building a stronger and more innovative business that welcomes everyone to participate. As we move forward, we will continue to assess and improve our initiatives to create a workplace where all our team members feel valued, respected and empowered to make a meaningful impact.

GRI 401, 405

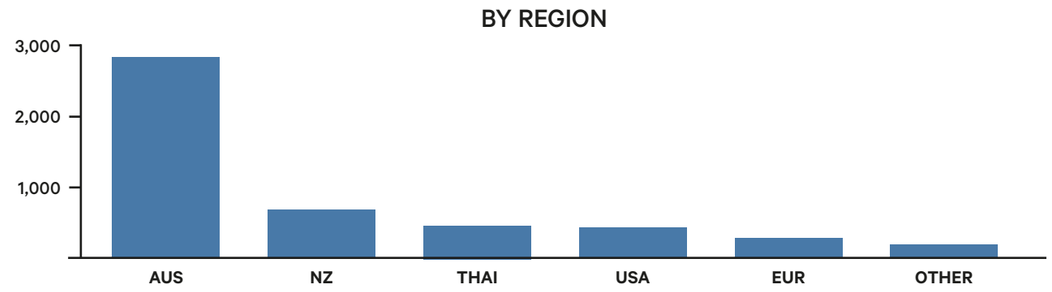
## CHALLENGES AND OPPORTUNITIES AHEAD

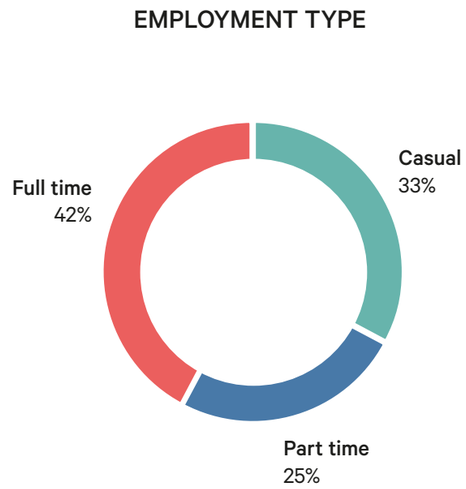
KMD Brands is a great place to work, but driving engagement in the retail sector can be challenging. The nature of the tasks, working hours, workforce dispersion and customer service can lead to higher turnover rates. Attracting, developing and retaining employees is crucial to our ongoing business success. In a tight labour market, we continue to articulate our EVP to showcase each of our brands as an employer of choice.

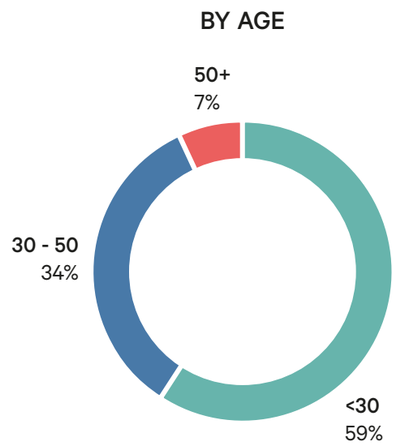
A key talent program is a strategic opportunity to develop our future leaders. This program can create a pipeline of capable leaders who understand the dynamics of our industry, and can offer mentoring, leadership training, and exposure to different aspects of the business. As workforce dynamics evolve, we can support the skills and talent development of our future.

Another opportunity over the medium term is a global mobility policy. This will further support the development of internal leadership, to allow movement between brands and geographies. A well-structured global mobility policy can provide employees with international experience, enhancing their skills in managing diverse teams and understanding different markets which can be a valuable skill for future leaders.

# Our people at a glance





# COMMUNITIES > OUR PEOPLE

CASE STUDY

## Walking the path to reconciliation

**The long stretch of golden sand known today as Djarrak (Bells Beach), has been home to the Wadawurrung people for thousands of years. It is with this knowledge that Rip Curl launched our first Reconciliation Action Plan (RAP) in January 2023.**

The RAP process provides Rip Curl with a framework as we grow and mature on our reconciliation journey. Our first 'Reflect' RAP is focused on recognition, respect and relationships as we expand our understanding and knowledge of Aboriginal and Torres Strait Islander cultures.

"The RAP process has been a big, beautiful learning journey," says Lucy Nakaroti, Rip Curl's Chair of the RAP Working Group.

As a part of the RAP process, Rip Curl has introduced cultural protocols, like an Acknowledgement of Country at the start of meetings. We also celebrate NAIDOC Week and National Reconciliation Week, using both events to educate our crew.

One of the most powerful new initiatives is a Walk on Country, that all new Torquay based crew members undertake as part of their induction program. "We take new crew out to walk on country with local Wadawurrung community members who share stories of connection to Country. It's been great to hear new crew say how much they appreciate the chance to learn about First Nations' culture and Rip Curl's approach to reconciliation," Lucy says.

Dale Hose, Rip Curl's Inbound & Inventory Manager, is also a member of the RAP Working Group. "As a First Nations person, the RAP makes me proud to work for Rip Curl." Dale calls the RAP a "stepping stone" that has sparked new conversations and helped people learn more about First Nations people and culture. With time, Rip Curl's commitment to reconciliation will attract more First Nations employees, Dale says.

Rip Curl has achieved the deliverables set in the Reflect RAP and will soon start work on the next stage – an 'Innovate' RAP – with the goal to engage more Rip Curl people in conversations about reconciliation. In the meantime, we are proud of our progress. As Rip Curl's Team, Event & Partnership Manager Mark Flanagan says: "I walk taller as a Rip Curl employee because we are doing this work."

CASE STUDY

## For the love of the outdoors

**Surfers, hikers or campers... Our people are all different. Some have been with us for decades; others are just starting their careers. But we all have one thing in common: a love of the outdoors and a commitment to brands designed for purpose, driven by innovation, best for people and planet.**

Take John 'Sparrow' Pyburne (pictured), who began his quest for the "ultimate wetsuit" back in the 1970s. Sparrow started designing wetsuits for Rip Curl when we were paying just $10 a week to rent the Old Torquay Bakery in Victoria. The brains behind Rip Curl's durable double lined neoprene suit, Sparrow developed his designs so he could spend more time in the surf. Work and passions were intertwined. "I can surf, develop something, and get direct feedback on it," he once said. It's a philosophy Rip Curl continues today.

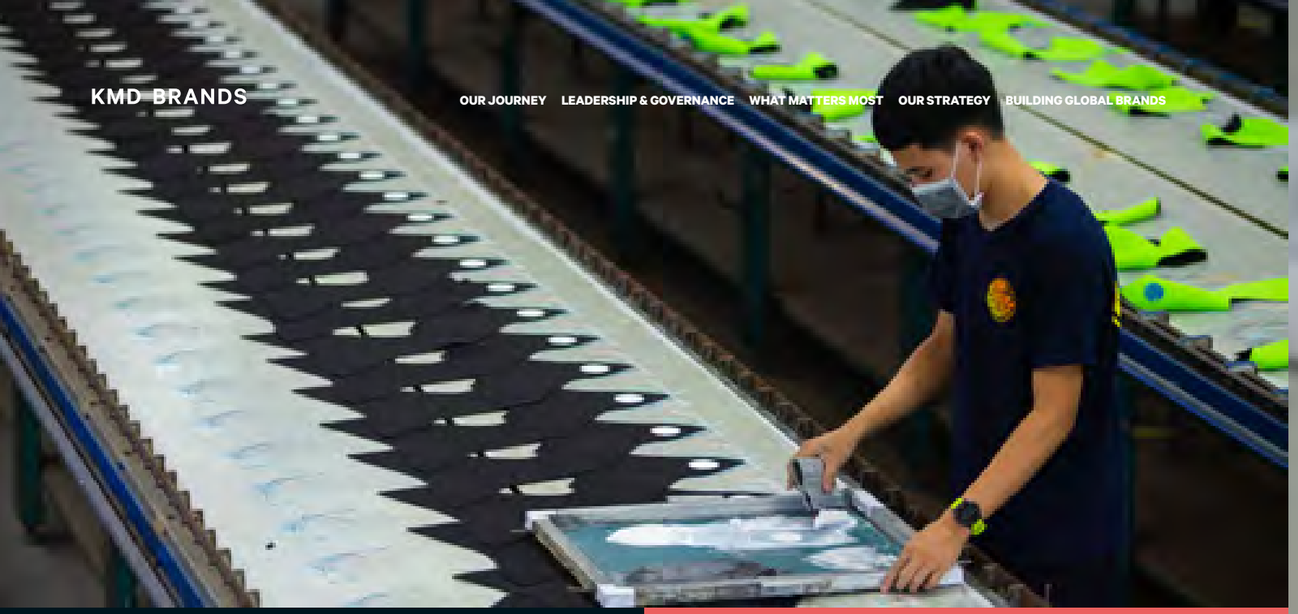
Sparrow has made wetsuits for professional athletes like Nat Young, Tom Curren, Mick Fanning and Tyler Wright, and initially joined Rip Curl so he could spend his time making wetsuits and going surfing in them. Sparrow was awarded the prestigious Surf and Boardshorts Industry Association (SBIA) Service Industry Award in 2017 and in 2023 CEO Brooke Farris presented him with a Rip Curl Gold Card celebrating his ongoing contribution to the brand.

Corey McPherson is part of our Oboz team and loves a backpack. Based in Montana, Corey has achieved the 'Triple Crown' of thru-hiking – the Appalachian, Pacific Crest and Continental Divide trails – across nearly 8,000 miles and 22 states. As a member of the Oboz development team, Corey is helping us to build the best products that solve hikers' biggest problems. "I'm always looking for ways to make time on the trail a little bit easier," he says.

When Fale Maoama isn't hard at work at Kathmandu's Christchurch CBD store, she may be spotted at Godley Head – the spectacular headland known to Māori as Awaroa. In her 25 years with Kathmandu, Fale has held many roles, from fabric sorter to warehouse assistant, distribution supervisor to store manager.

Despite running a busy store, she never misses a chance to chat to customers. "Going above and beyond is normal for me. I love to ensure every customer has everything they need for their next adventure."

Every person who works for KMD Brands has their own unique story. But we have a collective passion for our planet and the people who live on it – and that inspires us to be better, together.



# OUR WORKERS
## GOALS AND PERFORMANCE

### GOALS

**Genuine transparency of, and effective worker voice communications with, strategic suppliers for each brand including:**

**ACCOUNTABILITY TO KMD BRANDS CODE OF CONDUCT**

Tier 1: Suppliers are 100% accountable

Tier 2: Increase by at least one Tier 2 supplier for each brand per year

**TRANSPARENCY**

Tier 1: % Increase year on year where worker voice survey tools are in place

Tier 2: Trace and publish the input suppliers of our strategic Tier 1 suppliers.

### PERFORMANCE: ACCOUNTABILITY

**100%**

Tier 1 suppliers independently verified by Elevate as accountable to KMD Brands Code of Conduct at May 2023 under our Sustainability Linked Loan.
**2022:** 91%

**65**

Tier 2 suppliers accountable to KMD Brands Code of Conduct
**2022:** 3

### PERFORMANCE: TRANSPARENCY

**8**

Ethical Voice worker surveys completed, assessing the wellbeing of

**4,520** workers
**2022:** 1 survey

**7**

Worker sentiment surveys conducted
**2022:** 24

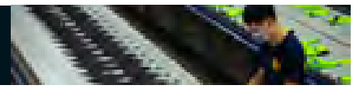
**100%**

Tier 1 suppliers traced and published on **Open Supply Hub**

**65**

Tier 2 input suppliers traced and published on **Open Supply Hub**

# COMMUNITIES > OUR WORKERS



**MATERIAL ISSUES:** PEOPLE AND WELLBEING • CLIMATE CHANGE

## OUR OBSERVATIONS

This year we have sharpened our focus on business action beyond goals and policy statements. We continue to gather data and set ESG targets, but we are also working hard to translate our ambitious targets into meaningful impact. We are seeing demand for greater transparency from consumer-facing indices. Consumers are increasingly concerned with the journey of their product, which we see as an opportunity to highlight the investment we and our suppliers are making in innovation, green technology, preferred fibres and worker wellbeing within our supply chains. We continue to champion transparency and accuracy of disclosures to build and maintain trust.

Against a backdrop of political and regulatory change, all companies must continue to assess and manage the social and environmental impact of their supply chains – and KMD Brands continues to do this. We are carefully considering a raft of issues, from the proposed modern slavery legislation in New Zealand to the Uyghur Forced Labor Prevention Act to the Australian Competition and Consumer Commission's scrutiny of sustainability claims.

## OUR ACTIONS

We care about the people our suppliers employ and want to ensure they are safe, paid fairly and make our gear and clothes in a positive environment. As the world re-opened post-pandemic, we enjoyed reconnecting in person with our partners across the world. This commitment to relationships is valued by suppliers: 93% of supplier respondents to our recent engagement survey described KMD Brands as a preferred partner. We are also starting to bring suppliers together and explore creating communities of practice to enhance social and environmental performance. In FY23 we held our first workshop with factory representatives in Bangladesh to share resources, learn from and challenge one another.

KMD Brands continues to develop our approach to human rights due diligence, including through our focus on accountability to the KMD Brands Code of Conduct in FY23, which includes a prohibition against forced and child labour. We assessed 176 Tier 1 factories in FY23 for social impacts. Assessments were conducted both internally and by third parties. Assessments include contractual elements, third-party audits, site visits, supplier engagement, anonymous worker surveys and grievance mechanisms. We are expanding our understanding of human and environmental risks beyond Tier 1 suppliers and will continue to focus on input and raw material suppliers in FY24.

In FY23, four suppliers were found to have significant actual or potential negative social impacts. Three suppliers were located in China and one in Indonesia. Impacts identified were excessive overtime combined with a lack of willingness to improve, lack of clarity relating to worker compensation and potential underpayment of overtime.

Corrective action plans were agreed upon with 75% of suppliers. Two of these suppliers were supported with additional training relating to management records and expectations. One relationship was terminated due to lack of willingness to address excessive overtime.

Transparency continues to underpin our relationships with suppliers. We disclose all Tier 1 and an increasing number of Tier 2 suppliers on the Open Supply Hub. We actively monitor the social performance of our suppliers, listen to the perspective of suppliers and their workers, and support relevant training for factory human resource managers. According to our recent engagement survey, 83% of supplier respondents agreed that KMD Brands is working consistently to improve working conditions in facilities in its supply chain.

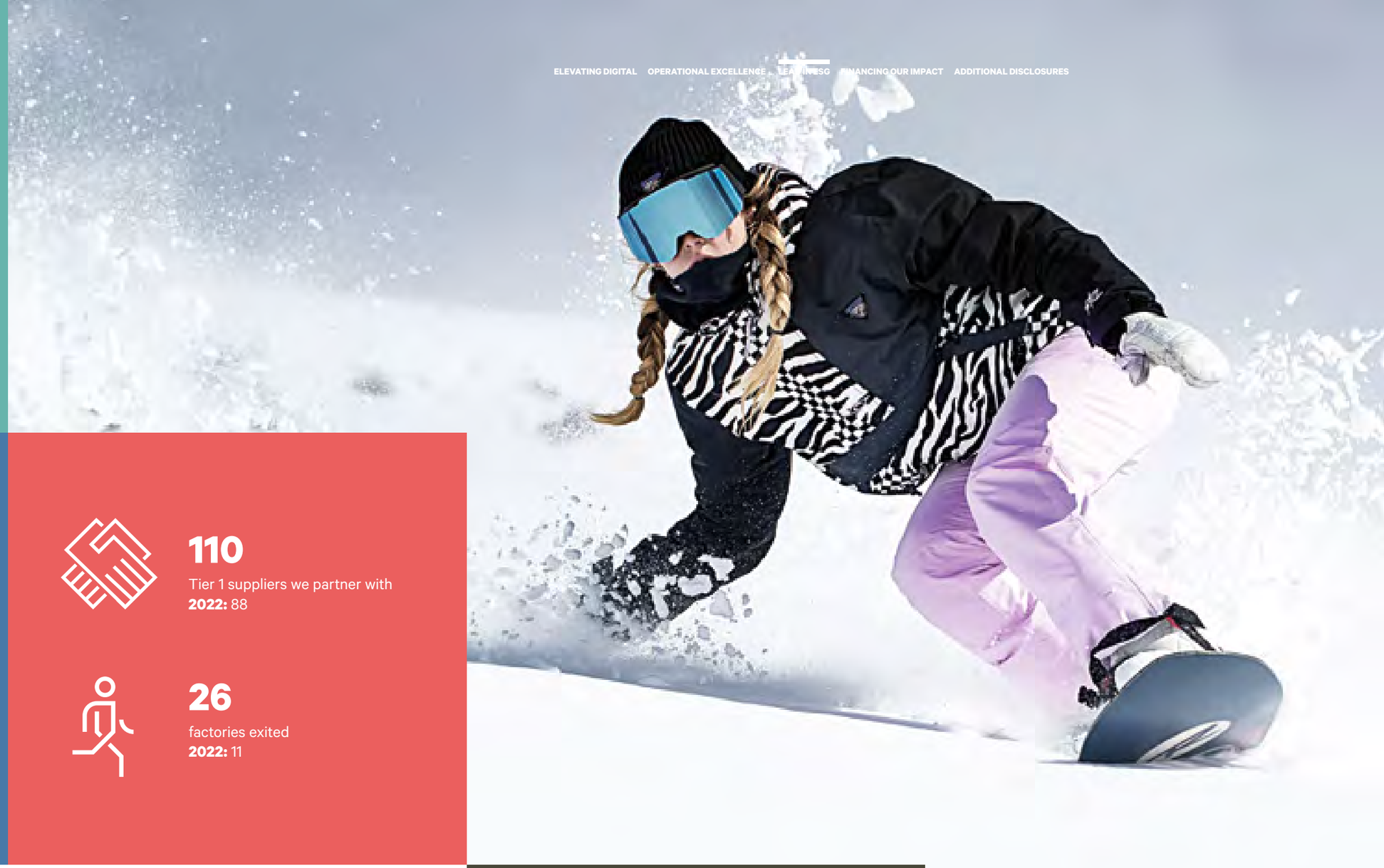
Collective action has continued to be a key focus. In FY23, KMD Brands became a signatory to the International Accord to support health and safety programs within the apparel industry in Bangladesh. We maintained our Fair Labor Association accreditation, participated in the Collaborative Advantage and joined the B Corp movement of brands seeking to use business as a force for good. We also contributed to multi-stakeholder initiatives including Be Slavery Free and the Mekong Sustainable Manufacturing Alliance.

KMD Brands has taken a broad approach to addressing modern slavery risks. In FY23, we actively advocated for legislation that encourages transparency, so that businesses can work together to address systematic causes of modern slavery. Our Tier 1 manufacturing operations are at low risk due to social screening and monitoring. Tiers 2 and beyond present a higher risk, due to less established relationships and monitoring systems. Known instances of child labour have been reported by the US Department of Labor in the following countries within our supply chain: Nepal, Vietnam, Thailand, India, China and Bangladesh. We consider each of these regions, plus Cambodia, Indonesia, Taiwan and the United States, to present risk beyond Tier 1. For more information on our approach to addressing modern slavery, please refer to our Modern Slavery Statement here.

KMD Brands recognises risks to freedom of association and collective bargaining in some of the countries in which our suppliers are located. Just over half of KMD Brands suppliers are located in China. We recognise the risks that limitation on independent unions presents in this region. We also consider Bangladesh, Indonesia, India, Thailand, Cambodia, the United States and Vietnam to present increased risk beyond Tier 1. To support rights to exercise freedom of association and collective bargaining, KMD Brands focuses on supplier relationships and emphasises a zero tolerance approach to violation of the right to exercise freedom of association. In FY23, we have prioritised worker voices through 4,500-plus anonymous worker surveys, providing a grievance mechanism to the majority of workers in our Tier 1 factories and supporting the International Accord in Bangladesh.

## CHALLENGES AND OPPORTUNITIES AHEAD

We set a goal in FY23 to increase the use of worker voice survey tools in our Tier 1 factories. It would be tempting to meet these by surveying the workforce of our long-term, low-risk suppliers with whom we have strong relationships. However, in FY24 we are committed to deploying these tools based on human rights due diligence, to allow greater visibility into higher risk



**11**
Assessments completed by our nominated third-party auditor
**2022:** 54

**4**
Factories identified as having significant actual or potential negative social impacts

**100%**
New Tier 1 suppliers' social performance screened against KMD Brands Code of Conduct

**110**
Tier 1 suppliers we partner with
**2022:** 88

**189**
Tier 1 factories making our branded product
**2022:** 163

**26**
factories exited
**2022:** 11

areas of our supply chain. We also want to harness the opportunity for worker surveys to be a value-add for factory management, rather than another compliance mechanism.

Minimum wages do not always allow for a decent standard of living. Addressing low wages of apparel supply chain workers is a challenge, but not an excuse for inaction. In FY24, KMD Brands will promote a living wage as an essential aspect of decent work. This will include collecting data to assess any gaps between current basic pay and living wages, providing internal training on responsible purchasing practices and continuing to consult with stakeholders, including workers' representative groups.

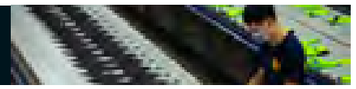
In some countries within our supply chain, the experience of women includes discrimination, violence and harassment. We recognise that the prevailing model of low-cost production within apparel supply chains exacerbates the vulnerability experienced by many female workers. One of our focus areas for FY24 is working with suppliers to promote gender equality. This will build upon the family-friendly workplace training funded in FY23. We will also support our teams to apply a gender lens within procurement and supply chain practices.

GRI 2-24, 2-25, 407, 408, 409, 414

**1,326**
employees completed the B Corp Mindset & Human Rights Awareness Training

**65**
Copy audits accepted
**2022:** 109

# COMMUNITIES > OUR WORKERS



CASE STUDY

## Empowering many voices

**KMD Brands is committed to worker wellbeing – and that's why we are listening to what workers tell us.**

We have engaged New Zealand company AskYourTeam to help us maintain our commitment to the people touched by our brands.

In May, we piloted AskYourTeam's real-time, transparent survey system, Ethical Voice, in eight factories in our Kathmandu and Oboz supply chains. More than 4,500 office and production workers completed the survey, most of them on their own smartphones.

We asked for feedback on a range of topics, from human rights to workplace health and safety, remuneration to worker aspirations. The 70% response rate was higher than expected and all suppliers demonstrated their commitment to deploy the survey at scale. More than 700 optional extra text comments told us that workers want to share their views.

Online conversations with factory management complemented the survey data, and we gained valuable insights to help us create safer, fairer work environments.

When we asked what KMD Brands could do to make the world a better place, the feedback was clear: use recycled and durable materials; reduce waste; elevate our attention on workers' compensation and benefits; support humanitarian projects; and focus on high-quality products and order stability.

Factory partners told us they appreciated the results, with one manager in particular noting: "The survey tool is valuable to our business, and we would use it independently."

The next survey is set to be deployed in China in FY24. In the meantime, we will continue to refine our survey process and work with our partners to enhance the value of the data.

As AskYourTeam's Head of Product Craig Whitcombe notes: "AskYourTeam and KMD Brands are aligned about making a real difference for workers in supply chains. We acknowledge that existing audits have their place while recognising their limitations. We are working together to define a new approach to building transparency in the supply chain, by giving workers a voice in expressing how they experience their workplace while creating products for KMD Brands. We want to provide a solution that not only provides value to KMD Brands but to the suppliers and, ultimately, the workers as well."

GRI 2-25





CASE STUDY

## Engaging with the people who make our products

**KMD Brands seeks not to be the best in the world, but the best for the world. It's with this attitude that we continue to look for ways to improve the transparency of our supply chains and support the workers who make our products.**

This year we held our first ESG Conference with suppliers in Bangladesh to better understand how we can work together to enhance our social and environmental impact. We explored ideas on measurement and monitoring, worker engagement, traceability, fair compensation and gender equality.

We visited workers on the factory floor and held our first worker committee consultation to listen to the views of people who understand how one of our largest factories in Bangladesh operates.

We funded training for Rip Curl and Kathmandu suppliers in China to help them improve their environmental management and develop family-friendly workplaces.

We also deployed a comprehensive survey across our Tier 1 suppliers – in countries from India to Indonesia, Nepal to New Zealand – for all three of our brands. The multi-language survey asked suppliers to share their views on purchasing and commercial practices, and to consider how KMD Brands could better support them to improve their social and environmental impact. We now have clear priorities for FY24 as we strive to be the best for people and planet.

# OUR COMMUNITIES
## GOALS AND PERFORMANCE

### GOAL

**Supported local community projects through donations, fundraising and paid employee time to create a positive impact for the wellbeing of people and planet.**

### PERFORMANCE

**NZD $1.14m***
invested with our local community partners in FY23 including over

**3,405**
volunteer hours

*includes company financial donations, product donations, partnership fees, employee donations and volunteer hours. Volunteer hours calculated using average hourly rate of $28 per hour.

**MATERIAL ISSUES:** PEOPLE AND WELLBEING • BRAND POWER • GLOBAL ECONOMY • BIODIVERSITY IMPACT

## OUR OBSERVATIONS

There are many communities impacted by, and impacting, our brands; but an important impact for us is the local environments and communities where our employees and our customers play and explore. We want to engage, inspire and protect those communities where we operate and where we have an impact. It is part of what makes each of our brands authentic, relevant and appealing.

Each of our brands has a strong foundation in the communities from which they have grown. Rip Curl was founded, and remains headquartered, in Torquay, Victoria, the Australian home of surfing. As the largest employer in a town that has grown around it, Rip Curl has an enduring connection to its community. And because of that, we have a responsibility to support that local community, and to preserve the environment in which our team and our customers use our products – the ocean.

Oboz was founded in Montana's Yellowstone country; the name literally means Outside + Bozeman, and community is at the heart of the brand. Oboz has a deep connection to the mountains where its products have been developed, tested and refined, and invests significant time giving back to the community from which it was inspired.

Surrounded by mountains and hill trails, Kathmandu was founded in Christchurch, New Zealand, an area that is perfect for adventure, and which has served as the ultimate backdrop for designing and testing outdoor gear and apparel.

Our employees and our customers expect our brands to take responsibility to support the communities which have served as their foundation.

## OUR ACTIONS

Each of our brands support community partnerships and projects that are meaningful to their individual purpose and values. Our team members' love for the outdoors is what draws them to Kathmandu, Rip Curl and Oboz. We support and encourage all our team members to be a part of our effort to make a positive social and environmental impact. When considering which initiatives to support, we look for opportunities that are aligned to the values of our respective brands and provide opportunities for our team members to take part in.

During FY23, we have continued to build on the community partnerships and programs for each of our brands. We have expanded our 'Planet Day' activities across the Group, with the inaugural Kathmandu event taking place in Christchurch and with overwhelming

support from our head office and distribution centre team members.

Oboz' Trees for the Future program has now planted more than five million trees, supporting regenerative agriculture in Tanzania. And it doesn't stop there. As well as an ongoing commitment to plant one tree for every pair of footwear sold during FY23, Oboz launched the Fast Trail Challenge which plants a tree each time a customer undertakes a hike that is over a mile long.

Our brands have also responded when disaster strikes. Kathmandu supported the Red Cross relief appeal following Cyclone Gabrielle in New Zealand in January 2023, collecting and matching customer donations from across its store network, and sending much-needed product to impacted communities. For the second year running, Rip Curl also sponsored a hole at the Mick Fanning Charity Golf Day, helping to raise funds for the communities hit by the Northern River floods in New South Wales and Queensland.

This year, despite a challenging economic climate, we have maintained our level of monetary donations year-on-year. Our number of paid, voluntary hours also increased substantially due to the growth of our Planet Day program. The Rip Curl Torquay Community Golf Day was rescheduled to be a Spring event, to take advantage of better weather, which impacted our overall community contributions.

## CHALLENGES AND OPPORTUNITIES AHEAD

Each of our brands will further embed community partnerships and programs to create awareness, connect with our customers and deliver real impact. Meaningful community work provides an important opportunity to connect with new and existing customers and is a key reason why our people are proud to work for our brands.

We are presented with a wide range of causes, initiatives and programs to support and it is challenging to make choices which align with our values and provide the necessary transparency. We will continue to work with partners and support programs to amplify meaningful impact in the communities where we operate and play. We are also looking at how we involve team members from our wider retail store teams and target support for regional communities, given our extensive store network.





# Partnerships

Kathmandu

**Kathmandu works with youth and mental health focused organisations that align with our purpose to improve the wellbeing of the world through the outdoors. We know that being outdoors is transformative. Science has shown that it changes our brains for the better. When we spend time in nature our stress levels decrease, our empathy increases and we feel happier. And that's why we're proud to partner with organisations that help people experience all that nature has to offer.**

Beyond Blue

Beyond Blue provides information and support for anxiety, depression and suicide prevention in Australia. Kathmandu is the official partner of #teambeyondblue challenge events.

**www.beyondblue.org.au**

OVER
## NZD $402k

Invested in FY23 through partnership fees ($218k), customers donations ($155k) from sales of paper shopping bags and employee giving matched by Kathmandu ($29k).

NEW ZEALAND RED CROSS

Kathmandu supported the Red Cross relief appeal following Cyclone Gabrielle in New Zealand in January 2023, collecting and matching customer donations from across its store network.

**www.www.redcross.org.nz**

TOTAL
## NZD $66k

invested through product donations (RRP $40k) and customer giving matched by Kathmandu ($26k).

GRAEME DINGLE FOUNDATION

Graeme Dingle Foundation is a leader in positive child and youth development throughout New Zealand. Through our partnership, we support a series of wilderness adventures, adventure camps, activity days and career navigators that empower thousands of young people.

**www.dinglefoundation.org.nz**

## NZD $205k

Invested in FY23 through partnership fees ($101k), customers donations ($85k) from sales of paper shopping bags and employee giving matched by Kathmandu ($19k).

During FY23 Kathmandu's funding supported
**6,857**
young people across Aotearoa New Zealand.

### COMMUNITY VOLUNTEER HOURS

Planet Day, Christchurch

Working with the Avon-Heathcote Estuary Ihutai Trust

TOTAL
**385**
volunteer hours for FY23

## RIP CURL

**Community and care for the environment are embedded into the Rip Curl company policy, crew behaviour and daily operations. This means giving back to communities in which we operate as well as protecting the environment around those communities.**

### SURFAID

SurfAid's mission is to improve the lives of families in isolated corners of the globe connected through surfing. SurfAid was selected as Club Rip Curl loyalty program charity partner due to its alignment with Rip Curl values.

**www.surfaid.org**

**NZD $38k**

invested in FY23

The 2023 Mick Fanning Charity Golf Day raised AUD$580,000 for flood relief victims still struggling in parts of Queensland and New South Wales. Rip Curl's hole sponsorship supported the success of the day.

**NZD $16k**

invested in FY23

### ONDAS

The Ondas Project is a Civil Society Organisation of the two-time Brazilian surfing champion Jojó de Olivença, whose mission is to contribute to the integral development of children and adolescents in situations of socioeconomic vulnerability and their families, awakening citizen awareness through surfing.

The Project was selected due to its alignment with Rip Curl company values.

**www.projetoondas.org.br/**

**NZD $3k**

invested through product donations and cash contribution.

**COMMUNITY VOLUNTEER HOURS**

Planet Day activities included rubbish removal, tree planting, weeding and mulching

TOTAL
**2,690**
volunteer hours for FY23

## Oboz FOOTWEAR

**Oboz partners with individuals, organisations and causes which are aligned to our purpose of empowering the people of the world to blaze their own trail. We call these our Compass Partners, and together we focus on educating the broader community in two key areas: land conservation and equitable access. We support in a variety of ways, including grants, sponsorships, product givebacks, volunteer service and brand advocacy.**

### Black Folks – CAMP TOO –

Black Folks Camp Too's (BFCT's) mission is to increase diversity in the outdoors by making it more accessible, familiar and fun for Black folks to go camping. Oboz will advise BFCT on the footwear segments of its digital education initiative, while BFCT will assist and advise Oboz with its justice, equity, diversity and inclusion work. Oboz continues to sell through the O FIT Insole® 'Unity Blaze' with a portion of the proceeds supporting BFCT's digital education Initiative.

**www.blackfolkscamptoo.com**

**NZD $32k**

invested in FY23

### TREES FOR THE FUTURE

Since 2007, we have planted a tree for every pair of Oboz sold. This equates to more than five million trees – and counting. Oboz Footwear specifically supports the Tabora Forest Garden Project in Tanzania.

**www.trees.org**

**NZD $145k**

invested in FY23

Together with outdoor brands Osprey and Outdoor Research, Oboz launch the 52 Hike Challenge. This is a group of women over 50 who commit to hiking 52 times a year. The group meets monthly to share experiences, encouragement and product feedback.

**www.52hikechallenge.com**

MORE THAN
**NZD $7k**

invested in FY23

**150**

women participating

**COMMUNITY VOLUNTEER HOURS**

**Gallatin Valley Land Trust**
Trail cleanups

**Bozeman Forestry Division**
Trail maintenance Continental Divide Trail Coalition | Trail maintenance and stewardship

**Gallatin Watershed Council**
Community tree planting

TOTAL
**330**
volunteer hours for FY23

# COMMUNITIES > OUR COMMUNITIES

CASE STUDY

## Changing the world one campfire at a time

**Inclusion is at the heart of being True to the Trail – and Oboz has teamed up with Black Folks Camp Too (BFCT) to invite more people to experience the joys of the outdoors.**

BFCT was founded in 2019 by Earl B. Hunter with a mission to remove fear, enhance knowledge and raise awareness of the reasons why more Black folks don't participate in outdoor activities.

Most new campers and hikers feel a mix of fear, excitement and nerves. But many Black people have intergenerational fears of camping as the woods were unsafe places for hundreds of years.

As Earl says, many Black folks will continue to avoid outdoor activities until they feel invited and welcomed around the campfire.

Last year, Oboz and BFCT released our first collaborative product, the BFCT + OBOZ O FIT Insole Plus. This insole features the Unity Blaze – BFCT's symbol of inclusion – in each heel cup. The phrase "Put a little soul in your step" is featured in the left forefoot.

This year, we launched Outside 101, a series of videos that answer questions and address concerns that people may have about any outdoor activity, whether that's hiking, camping or even enjoying a family picnic.

Unity Blaze Oboz Trail Experiences also echo BFCT's inclusion strategy by encouraging people who join to "bring someone who doesn't look like you".

As Earl says: "The BFCT + Oboz Footwear partnership is a prime example of two companies starting at the toenail of the elephant. Together, we discussed and developed a plan, we methodically and expeditiously moved forward, now we are trusting our work as we continue to improve our process to educate folks about footwear and trails. We are changing the world... one campfire at a time folks!"

CASE STUDY

## Planet Day goes global

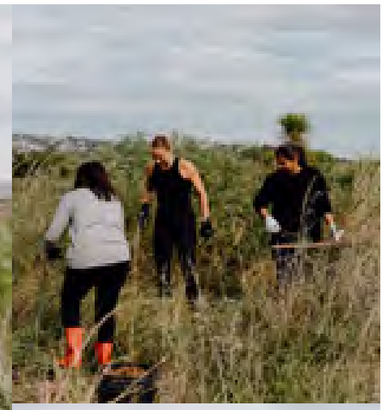
**Rip Curl's team has always kept our feet in the sand and our hearts in the surf – which is why we started Planet Day in 2000. Over the last 23 years, Rip Curl's people have spent more than 3,500 days of work – or around 17,500 hours – on Planet Day activities that celebrate our company values of 'community and environment'.**

From planting trees and eradicating weeds to removing rubbish that threatens local ecosystems, Rip Curl's Planet Day efforts support the sustainability of our coastal ecosystems on Australia's Surf Coast. But this year, Planet Day went global as our teams from Kathmandu and Oboz rolled up their sleeves to partner with local charities on projects in their own backyards.

More than 110 staff from Kathmandu's head office and distribution centre in New Zealand spent a morning working hand-in-glove with the Avon-Heathcote Estuary Ihutai Trust. After weeding, mulching and planting native species to restore biodiversity, we hope to attract more birdlife to Canterbury's beautiful estuaries.

In Bozeman, Montana, members of the Oboz crew spent a day restoring a 6.5-kilometre stretch of the Continental Divide Trail that we adopted in 2022. Working with our partner, the Gallatin Valley Land Trust, we cleared brush from water bars and drainage dips, carefully retreading and restoring parts of the trail to ensure more people can enjoy the great outdoors.

"Each year Planet Day gets bigger and bigger, as more regions, suppliers, customers and partners join us to contribute to our local communities and environments," says Rip Curl CEO Brooke Farris. "Planet Day is a powerful illustration of what it means to think globally and act locally."



# CLIMATE

## GOALS AND PERFORMANCE

### GOALS

Reduced absolute Scope 1 and 2 emissions by a minimum of 47% by 2030, from a FY19 base year (4.2% per annum emissions reduction).

Reduced absolute Scope 3 emissions by a minimum of 28% by 2030 from a FY19 base year (2.5% reduction per annum).

**44**

Tier 1 and 35 Tier 2 suppliers reporting on environmental performance
**2022:** 72

**0**

suppliers identified as having significant actual and potential negative environmental impacts
**2022:** 1

Organisation GHG intensity

**192 tCO2e**

(per $m sales NZD)





TOITŪ ENVIROCARE

## PERFORMANCE

### SCOPE 1 EMISSIONS

Tonnes $CO_2e$

**Our direct emissions**

| | |
|---|---|
| FY19 baseline[1]: | 662 |
| FY22 Emissions: | 497 |
| FY23 Emissions[3]: | 825 |

**+25%** increase to baseline
**+66%** increase to FY22

### SCOPE 2 EMISSIONS

Tonnes $CO_2e$

| | |
|---|---|
| FY19 Location-based method baseline[1]: | 11,904 |
| FY19 Market-based method baseline[1]: | 10,474 |
| FY22 Location-based method: | 9,246 |
| FY23 Location-based method[2]: | 8,149 |
| FY23 Market-based method[3]: | 10,508 |

**+0.3%** increase to baseline (Market-based method)
**-12%** reduction to FY22 (Location-based method)

### SCOPE 3 EMISSIONS

Tonnes $CO_2e$

| | |
|---|---|
| FY19 Reporting boundary baseline[1]: | 206,253 |
| FY19 Target boundary baseline[2]: | 192,803 |
| FY23 Reporting boundary emissions[3]: | 202,939 |
| FY23 Target boundary emissions[3]: | 186,590 |

**-1.6%** reduction from reporting baseline
**-3.2%** reduction from target baseline

1. Estimated based upon verified FY19 Kathmandu inventory, verified FY20 Rip Curl inventory, and verified FY21 Oboz inventory and a Scope 3 screening including all relevant emissions sources for all brands. Our Scope 1 FY19 baseline has been restated from prior year reporting following the approval and validation process with SBTi.
2. Our Scope 3 target baseline boundary represents 70.9% of our Scope 3 reporting baseline boundary. It includes the following GHG Protocol categories: purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, use of sold products, end of life treatment of sold products, and investments.
3. FY23 figures are audited, pre-verified numbers. Previous year's carbon emissions reported were pre-verified estimates and are now updated with final verified numbers, aligned with our annual greenhouse gas inventory assurance statements. Scope 1 emissions are our direct emissions. Scope 2 emissions are our indirect purchased electricity emissions. Scope 3 are our indirect value chain emissions including all relevant upstream and downstream emissions sources, noting that only a subset of these are included within our Science-Based Target boundary. The audit requirements of ISO 14064-1:2018 was used to assess conformance. We obtained reasonable assurance over Scope 1 and 2 emissions and limited assurance over Scope 3 emissions.
4. Emissions from biogenic sources amounted to 50.49 $tCO_2e$.
5. Nitrogen oxide emissions from $N_2O$ amounted to 9.5 $tCO_2e$.

GRI 2-4, 2-5, 305, 308

# CLIMATE

**MATERIAL ISSUES:** CLIMATE CHANGE • BRAND POWER • BIODIVERSITY IMPACT

## OUR OBSERVATIONS

Our brands Kathmandu, Oboz and Rip Curl are built on a love for the outdoors. All our brands are dedicated to supporting, enhancing and encouraging activities which get people into the outdoors, whether its hiking on a trail, catching a wave or simply enjoying the open air. We seek to inspire our customers to share in our connection with the outdoors and to respect, protect and live in recognition of the interdependent relationships we have with nature. Demonstrating that we take responsibility for the climate impact created by our businesses is essential to protect the reputation of each brand and to meet the expectations of our customers.

The world is already 1.1°C warmer than it was in the 1800s and the time we have left to limit warming to 1.5°C is rapidly running out.[1] The Intergovernmental Panel on Climate Change's (IPCC's) final issue of the of the Sixth Assessment Report (AR6), published in March 2023, continues to emphasise the potentially catastrophic consequences of rising greenhouse gas emissions, and cites the damaging impacts of climate change the world is already experiencing.[1]

The impacts of climate change disproportionately affect the world's most vulnerable communities, including those that are essential to the apparel sector.[2] For example, climate scientists suggest that climate change likely played a role in the unprecedented flooding in Pakistan in 2022 which resulted in more than 1,500 deaths, displaced more than 30 million people and destroyed or damaged around 40% of the nation's cotton crop.[3]

The climate impact of the global fashion industry was an estimated 897 million tonnes of carbon dioxide equivalent (CO2e) in 2021 — roughly 1.8% of global GHG emissions.[2] As part of this industry, KMD Brands is focused on the transition to a low-carbon world by reducing greenhouse gas emissions in line with global goals.

## OUR ACTIONS

In April 2023 we received our formal validation from the Science Based Targets initiative (SBTi), confirming that our carbon reduction targets met its stringent and internationally-recognised criteria. By 2030, KMD Brands commits to reduce absolute Scope 1 and 2 emissions - the emissions that come directly from our company's owned or controlled sources and from our purchased electricity – by at least 47% from our FY19 baseline. This is in line with limiting global warming to 1.5°C.

We also commit to reduce absolute Scope 3 greenhouse gas emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, use of sold products, end of life treatment of sold products, and investments by a minimum of 28% within the same timeframe.

For our Scope 3 emissions, which includes all the other indirect emissions in our supply chain where we have less control, our target aligns with keeping global warming well below 2°C. Our Scope 3 target boundary represents 70% of our Scope 3 emissions reporting boundary, 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. Emissions sources excluded from our Scope 3 emissions reduction target, but still forming part of our reporting are: capital goods, business travel, employee commuting, downstream transportation and distribution (retail storage) and licensed stores.

To set this target, we calculated every relevant source of emissions for our business under the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We now have the most complete picture of our emissions impact ever and have committed to reduce these emissions outside our direct control by at least 28% by 2030, from our FY19 baseline.

The approval of these targets is a significant achievement in itself, requiring input from across our business and value chain. They set out our high-level decarbonisation requirements, but the real challenges lay ahead of us. Progressing towards these targets will require collaboration across the business, but also with those we do business with as part of the outdoor apparel industry.

FY23 saw us continue our journey to understand, track and reduce our unique carbon impact. We have continued rolling out energy efficient LED lighting upgrades across our store network. All but a handful of stores have been upgraded, and LED lighting is now part of the design brief for all new sites. The solar array at the Onsmooth wetsuit factory in Thailand was also energised in April 2023, and early indications show a 5% displacement in electricity sourced from the local grid and a payback period of less than three years. Despite this progress, one of our largest solar arrays located at our Truganina distribution centre was inoperable for the full financial year, and at time of reporting is being replaced under warranty.

Following energy audits across significant parts of our business, we are prioritising cost-effective onsite solar and energy efficiency projects, with significant investment planned for FY24.

In FY23, 100% of new Tier 1 suppliers (19) were screened using environmental criteria, including site visits and internal qualitative assessment of indicators such as investment in green technology, preferred fibre use, product and facility certifications. The screening of 16% of new suppliers included an assessment of performance using the Higg Index Facility Environmental Module (FEM). No critical issues were identified during environmental monitoring. This financial year we extended the coverage of our environmental monitoring by supporting more suppliers to report via the Higg Index FEM, including the provision of FEM training. We also gathered additional information on environmental risks through third-party assessments including the Elevate responsible sourcing assessment tool and SMETA (Sedex Members Ethical Trade Auditing) 4-pillar assessments.

While the purchase of carbon offsets for some unavoidable emissions will remain a component of our strategy, we are focused on investing in reduction policies as the priority. Our commitment to science-based climate action is an opportunity to elevate the distinctiveness of each of our brands and build rapport with our customer base through product design and sustainable innovation.

## CHALLENGES AND OPPORTUNITIES AHEAD

We know what must be done. Decoupling emissions and economic growth is no small task, and the challenges, consequences and impacts ahead of us are daunting. Although the path ahead may not be entirely clear, we are committed to face into the issues we encounter openly; sharing our successes, learnings and challenges along the way. We can and must continue to collaborate, share knowledge and experience with our teams, customers, other businesses and our suppliers, to collectively work to address the systemic challenges in our industry.

Our commitment to climate action is important to stakeholders throughout our business – from employees to shareholders and, ultimately, our customers who want responsibly made products, created with a focus on positive planetary impact. Based on feedback gathered during our most recent materiality assessment, there is a role for KMD Brands to provide more education for our stakeholders on what climate change means to our business.

To better share this information, we're building on our climate related disclosures each year to address the impact of climate change on our business, how we are investing in climate action, and how these actions will benefit our company while meeting growing consumer interest and demand.

In addition to our near-term reduction targets, to support our transition to a low-carbon future, we are developing a Climate Transition Plan to ensure our long-term strategy reflects what will be required to achieve global goals and decarbonise our business. We aim to publish our initial Climate Transition Plan next calendar year.

Increasing ESG regulation reinforces our strategy to showcase leadership in ESG, which we believe will set our brands up for continued success. Recently announced regulations that will likely impact our brands in the future include the revised Waste Framework Directive which obliges EU member states to separately collect textile waste from 2025. The Aotearoa New Zealand Climate Standards (NZ CS), which broadens non-financial reporting by requiring and supporting the making of climate-related disclosures, will apply to the Group from the FY24 reporting year.

GRI 305, 308

1. IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 1-34, doi: 10.59327/IPCC/AR6-9789291691647.001
2. Apparel Impact Institute: "Taking Stock of Progress Against the Roadmap to Net Zero", 2 June 2023
3. NPR: "Climate change likely helped cause deadly Pakistan floods, scientists find", 19 September 2022

# Climate related disclosures

## PREPARED WITH REFERENCE TO AOTEAROA NEW ZEALAND CLIMATE STANDARDS (NZ CS)

Following our initial disclosure in our 2022 Annual Integrated Report under the Taskforce on Climate-related Financial Disclosure framework (TCFD), this year we have evolved our reporting to refer to the Aotearoa New Zealand Climate Standards (NZ CS) as we work towards disclosing under the regime for FY24. The following disclosures summarise our current approach to the NZ CS recommendations and are structured around four areas: Governance, Strategy, Risk Management, Metrics and Targets. We will continue to expand on the depth of our disclosures in subsequent reporting periods.

## GOVERNANCE

**Objective:** To enable primary users to understand both the role an entity's governance body plays in overseeing climate-related risks and climate-related opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.

The Board of KMD Brands is responsible for the overall corporate governance and oversight of risk for the Group, including the company's 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, and is updated on the management and strategic risks of climate-related issues on a periodic basis during meetings.

The Board is supported in this function by the Audit and Risk Committee, which meets 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 and updated regularly and a Risk Management Framework which outlines the assessment process for the identification, classification, review and control of business risks and opportunities. The Audit and Risk Committee reviews risk reports from management and ensures risks are managed in accordance with the Risk Management policy and Risk Framework.

KMD Brands' Group Chief Executive Officer & Managing Director, Michael Daly, has oversight of climate-related issues for the Group. The Chief Legal & ESG officer, in conjunction with the Chief Financial Officer, are responsible for overseeing KMD Brands' risk management framework which includes climate-related issues and both officers report directly to the Group CEO. Brand CEOs are ultimately responsible for driving activities within the business units comprising their brands. KMD Brands' Executive team are responsible for regular assessment and monitoring of all risks, including climate-related risks and opportunities. The wider management team conduct regular risk assessments using the risk management framework and implement appropriate risk mitigation strategies and controls.

KMD Brands has undertaken a Group-wide materiality assessment and, informed by this assessment, has developed a KMD Brands ESG Strategy that covers the entire Group. As part of implementing this Group-wide ESG Strategy, governance over climate change-related issues is centrally coordinated. The Board was involved in the development process which led to the formation of this Group ESG Strategy and approved the final focus areas, metrics and targets which include the metrics for managing climate-related risks and opportunities.

Our Group CEO has ultimate oversight over our Group ESG Strategy, with regular reporting to the Board on strategic performance. The Chief Legal & ESG Officer is responsible for implementation of the strategic plan including climate reporting, science-based target setting, supply chain engagement, and our emissions reduction strategy with support from the KMD Brands ESG team, including our Climate Impact Specialist, appointed during FY23. Updates are provided at least twice a year to the Board on the progress against key metrics tied to the Group ESG Strategy, including climate-related risks and opportunities.

## STRATEGY

**Objective:** To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the scenario analysis an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated impacts and financial impacts of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.

During FY23, we have collaborated with other retail industry participants to develop relevant sector-level climate-related scenarios with reference to the requirements of the Aotearoa New Zealand Climate Standards and other guidance that the New Zealand External Reporting Board (XRB) has issued. Scenarios are not predictions, but instead are 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.

As a starting point for our own process and to enable us to meet the climate-related disclosure requirements, the sector group chose the following three NGFS scenarios as the basis for the sector-level scenarios.

| Category | Net Zero 2050 (Orderly Category) | Delayed Transition (Disorderly Category) | Current Policies (Hot House World Category) |
|---|---|---|---|
| **Summary** | An ambitious and coordinated transition to a low-emissions, climate-resilient future. Stringent climate policies, innovation, ambitious investment, and medium-to-high deployment of carbon removal solutions limit global warming to 1.6°C in 2050 and 1.4°C by 2100. | Ambitious action is delayed to 2030, followed by sudden and uncoordinated economic transformation. Extensive, stringent and punitive but late government intervention, in combination with some deployment of carbon removal solutions limit global warming to 1.7°C in 2050 and 1.6°C by 2100. | Current emissions reduction policies are implemented. Current socio-economic trends continue, resulting in 2°C global warming by 2050 and more than 3°C by 2100. |
| **Severity of physical impacts** | Lowest | Low to moderate | Highest |
| **Severity of transition-related impacts** | Moderate (greatest in short term) | Highest (greatest in medium term) | Lowest (steadily increasing, but also giving businesses more time to adapt) |
| **Financial impact of supply chain disruptions** | Lowest | Low to moderate | Highest |
| **Policy reaction to climate change** | Immediate and smooth | Delayed | Current policies only |

We formed a retail sector narrative for each scenario identifying the critical interactions and key outcomes and indicators. We considered three different time horizons for each scenario: short (2023-2030), medium (2031-2040) and long (2041-2050) and explored the political, environmental, societal, technological, legal and economic impacts across each potential pathway.

During FY24, we will take these base assumptions and learnings and update them to reflect the specifics of the KMD Brands business. This will include expanding the sector scenarios to cover 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. These Group-specific scenarios will then be used to complete our individual scenario analysis and model how climate change may impact the Group.

We have identified a number of climate-related risks and opportunities through our existing risk management processes, as previously reported in our Carbon Disclosure Project (CDP) disclosures, and our materiality assessment. We have assessed these risks to have the potential to materially impact our business, including on our operations, strategy, and financial planning if they are not managed appropriately. The climate-related opportunities, when taken, have the potential to improve our financial performance, and also reduce our impact on the planet. We understand there is a lot of uncertainty around the timing and severity of these risks and opportunities depending on how the future unfolds. We will leverage the scenario analysis work to build a transition plan that will support the adaptation of our business strategy for the resilient business model required as the world transitions to a low-carbon future.

| DESCRIPTION | IMPACT OF RISK/OPPORTUNITY | POTENTIAL IMPACT |
|---|---|---|
| **Transition** | | |
| **Consumer preference** | KMD Brands' sustainability values include a commitment to minimise our environmental footprint. Consumers expect us to address our environmental impact, including GHG emissions. Failure to uphold this reputation for responsible environmental management may damage the company's reputation and lead to a loss of consumer confidence. This risk is especially relevant to our business given our brands' connection to the natural environment as a supplier of outdoor apparel and equipment, and our customers' generally high level of awareness of environmental sustainability issues. | Reduction in sales due to loss of customer preference<br>Impairment of the carrying value of intangible assets (goodwill, brand and customer relationships) |
| **Investor sentiment** | Our commitment to Lead in ESG is embedded in our corporate strategy and is part of what our investors expect us to deliver. Many investors consider sustainable business processes in determining whether to invest in KMD Brands. Those investors expect us to address and take responsibility for our environmental impacts, including GHG emissions. Failure to uphold this reputation for responsible environmental management may damage our reputation with the investor community. | Reduction in investor confidence and potential reduction in share price |
| **Emerging regulation** | To achieve the Paris Agreement, governments will need to set more ambitious Nationally Determined Contribution targets. This may introduce domestic and international policies (e.g. carbon taxes, product stewardship legislation) which will impact our operations. Regulation for reporting and disclosure of climate related impacts also brings a compliance cost and risk if we do not keep pace with the reporting requirements.<br>Government plans to reach net zero emissions could also impact our electricity suppliers, and the potential for cost-pass through is an area of uncertainty which creates risk for our business. | Increased indirect (operating) costs and impact on margin<br>Cost of corporate compliance and increasing complexity requiring allocation of time and resources |
| **Litigation/claims** | Climate change legislation is increasing globally and as a global business we need to keep pace with the legislation that we are required to comply with in our business operations, or we could be exposed to punitive punishments. Public activists have used the courts to bring claims against businesses that are not taking effective action on climate change. | Cost of potential fine, sanction or claim<br>Damage to brand reputation<br>Increase in cost of Directors & Officers Liability insurance |
| **Carbon pricing** | The cost to offset carbon emissions is increasing with greater demand for carbon credits as the number of businesses committing to net zero targets grows. While the purchase of carbon offsets for our unavoidable emissions remains a component of our strategy where it makes sense, we are focused on investing in reduction policies as the priority. | Impact on cost to meet or maintain carbon reduce certifications<br>Higher supply chain costs as businesses increase prices to reflect a higher carbon price |
| **Access to renewable energy** | Price and availability of renewable energy as a commodity, and renewable energy technology infrastructure as a capital investment, could become a challenge as more businesses want to access these energy sources as part of commitments to emissions reduction. | Increased capital and operational expenditure |
| **Physical** | | |
| **Rising temperatures** | Increases in heatwaves may lead to increased energy consumption through operation of air conditioning across our premises during peak electricity demand periods. This could increase KMD Brands' operational costs and emissions. Higher temperatures could reduce seasonal need for insulation products. | Increased capital and operational expenditure<br>Impact on market demand for insulation product |

| DESCRIPTION | IMPACT OF RISK/OPPORTUNITY | POTENTIAL IMPACT |
|---|---|---|
| **Physical** | | |
| **Changing rainfall patterns / flooding** | Unpredictable and extreme rainfall<br>Increases flood risk and severity, risk of damage to KMD Brands' owned and operated office, store and warehouse network. | Damage to capital assets, investment needed in natural hazard defences or asset relocation<br>Increased cost to obtain adequate insurance cover<br>Impact on supply chains |
| **Sea level rise** | Sea level rise may impact access to shipping lines, coastal areas for access for water-based recreation activities. This may require KMD Brands to reconsider the location of stores and whether to execute rights of renewals available in our lease agreements. | Increased operational costs<br>Supply chain disruptions resulting in longer lead times, increased inventory and potential waste for excess inventory<br>Impact on market demand for water-related products<br>Increased exposure to impairment losses on right of use assets |
| **Resource scarcity** | Scarcity of resources could lead to declining access to raw materials needed to manufacture goods at affordable prices as habitat loss and soil degradation reduces yield. | Higher cost to produce goods<br>Disruption to manufacturing processes and longer/ uncertain lead times |
| **Wildfires** | Increase in incidence of uncontrollable wildfires raises risk of damage to owned and operated office, store and warehouse network. | Impact on capital assets - increased investment needed in natural hazard defences or asset relocation<br>Loss of jobs for our employees and damage to communities where we operate<br>Increased insurance costs |
| **Climate-linked migration** | Migration, either within country, or internationally, driven by physical Impacts of climate change, such as sea level rise, severe flooding or wildfire, could impact employee availability/mobility, population growth corridors and ultimately store locations. | Loss of sales due to reduced workforce availability or sub-optimal store network locations |
| **Opportunity** | | |
| **Investor, customer and employee attitudes and expectations** | Meeting growing investor and customer expectations to demonstrate leadership in climate action could drive long term growth for KMD Brands and an improve market value. | Increase share price performance<br>Growth in customer base<br>Attraction and retention of key employee talent |
| **Political factors – emerging policy** | In Australia, Product Stewardship Regulation poses a significant opportunity for our brands to demonstrate we are taking steps to reduce our negative impact and embrace more circular business models. | Increased brand awareness and consumer loyalty |

| DESCRIPTION | IMPACT OF RISK/OPPORTUNITY | POTENTIAL IMPACT |
|---|---|---|
| **Opportunity** | | |
| **Financing** | Better access to, and more competitive cost of debt capital, through financing linked to achievement of sustainability goals positions KMD Brands to benefit from reduced interest rates. | Lower cost of debt through sustainability linked loans |
| **Technology – emerging business models** | Climate change is a disruptive catalyst driving the development of new technologies that can enhance the energy efficiency of our direct operations, improve the resilience of our supply chain and maximise customer engagement through responsible sourcing of materials, sustainable innovation in our product range, and circular business models. | Savings in operational costs<br>Increased brand awareness and consumer loyalty |
| **New product development** | KMD Brands can develop new products and business models in response to changing climate conditions, presenting opportunities to secure competitive advantage. | New revenue streams<br>Increase in profitability and value of the KMD Brands Group |

## RISK MANAGEMENT

**Objective:** To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.

KMD Brands maintains a Group Risk register covering all three brands. Assigned risk owners are required to regularly assess, at least twice per year, the potential impact of each identified business risk and the likelihood of occurrence, in line with accepted risk tolerances and the organisation risk appetite statements. This process involves an assessment of the inherent risk, considers the controls currently in place, the residual risk after application of those controls, and establishes targets to reduce the severity of risks further to a lower level. Risks are classified by strategic themes to assign responsibility for key actions to specific functional managers of the business. Risk reporting is prepared for the Board six-monthly detailing any risks which are outside the acceptable tolerance levels, or where treatment options require Executive and/or Board approval and the details of any escalating risks, and emerging risk issues considered during the reporting period.

Risk management encompasses all areas of the company's activities. Once a business risk is identified, the risk management processes and systems implemented by the company are aimed at providing the necessary framework to enable the business risk to be managed. In the application of the controls processes, opportunities for the business are often also identified through pro-active risk management.

Climate change affects various aspects of our business and as such identification of climate change-related risks and opportunities is fully integrated into our Group risk management approach. Kathmandu, Rip Curl and Oboz maintain several risk themes within the Group risk register relating to product safety, service quality, supply chain and technology that directly influence our approach to supply chain operation, retail store management and product development, all of which impact the climate change-related impacts to our businesses. The physical and transitional risks of climate change, as well as the identification of opportunities, are assessed at an asset level including our physical resources and products, which informs not only our asset management strategy, but also our broader business strategy.

## METRICS AND TARGETS

**Objective:** To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which primary users can compare entities within a sector or industry.

As we carry out climate scenario analysis we will gain a deeper understanding of the risks and opportunities for our business. This understanding will drive further consideration of the metrics we will use to both measure and monitor climate-related risks across our businesses. We have recently received validation of our carbon reduction targets from Science Based Targets initiative (SBTi). Our climate emissions targets are:

**Reduced absolute Scope 1 and 2 emissions by a minimum of 47% by 2030, from a FY19 base year (4.2% per annum emissions reduction)**

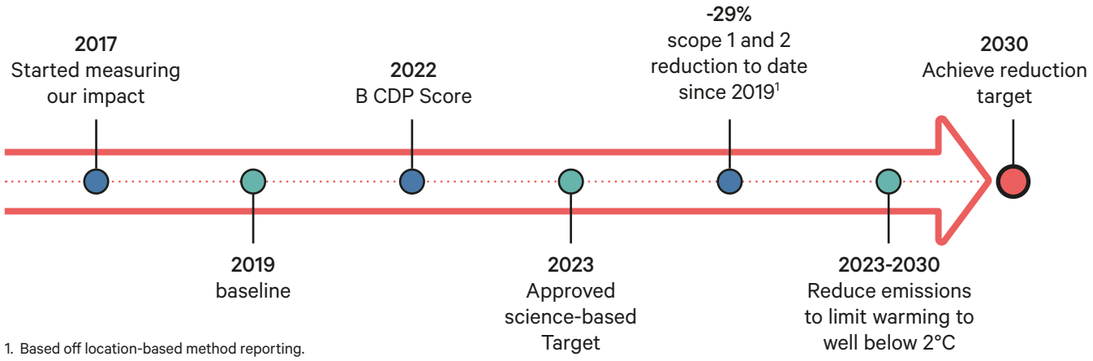
**Reduced absolute Scope 3 emissions by a minimum of 28% by 2030 from a FY19 base year (2.5% reduction per annum)***

*Our Scope 3 target includes the following GHG Protocol categories: purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, use of sold products, end of life treatment of sold products, and investments.

Our progress on these targets will be closely monitored and we will report on our successes and challenges along our carbon reduction journey. Our FY23 gross direct Scope 1 and 2, and gross indirect Scope 3 emissions are reported on page 85.

This year, for the first time, we are reporting all relevant sources of carbon emissions across the Group. This expanded reporting boundary includes all relevant emissions sources categorised by the GHG Protocol Corporate Standards and supports tracking progress against our science-based target. We use an operational consolidation approach, and our Group emissions inventory is audited annually by Toitū Envirocare and is aligned with the Greenhouse Gas Protocol's standards for Corporate and Corporate Value Chain (Scope 3) Accounting and Reporting.

## OUR JOURNEY TO 2030




1. Based off location-based method reporting.

The large increase in Scope 1 emissions this year is due to a return to normal trading conditions off the back of unsustainable reductions from COVID-19 related store closures.

We have also improved our processes for capturing and reporting on our emissions data across all Scopes, contributing to an overall increase in reported emissions. These increases were moderated by continued LED lighting upgrades across our store network group as well as the activation of the solar array at our wetsuit factory, Onsmooth Thailand, contributing to an overall reduction in Scope 2 location-based emissions.

Our Scope 3 emissions have reduced overall since setting our 2019 baseline, however, our most significant source of Scope 3, our Purchased Goods & Services, has increased 13%. Until we can uncouple the growth of our business and emissions, a challenge faced by many companies and economies globally, we can expect these emissions to continue to increase overall in the short term. This won't deter us; we have seen reductions since FY19 in our freight emissions due to packing efficiencies and preferencing sea-freight over air-freight. To continue to drive reductions we have identified hotspots and areas for focus within Scope 3 and set short-term reduction goals:

**Category 3:** Transmission and distribution losses

**Category 4:** Upstream freight

**Category 5:** Waste generated in operations.

Equally, we have identified focus areas to improve our access to Scope 3 data for significant emissions sources, such as our Category 1: Purchased Goods & Services. We're collecting data from factories via the Higg Index Facility Environmental Module, but until we can integrate this data there are likely emissions reduction activities, such as our work on responsible materials, that are not yet reflected in our emissions reporting.

As we collect more representative and primary data for our Scope 3 emissions, we will update calculation methodologies, reporting boundaries and baselines as required. Where we do update our methods, we will update our baseline to ensure accurate comparison and tracking of progress over time.

GRI 2-5, 305

# CIRCULARITY

## FY23 REPAIR STATS

**10,314**
Rip Curl global wetsuit repairs

**30,096**
Rip Curl global watch repairs

**1,627**
Kathmandu Australia customer repairs

**546**
Kathmandu NZ customer repairs

# CIRCULAR BUSINESS MODELS

## GOALS AND PERFORMANCE

### GOALS

Commercialised brand-led circular business models for product take back, renewal, repair, re-commerce or recycling.

### RIP CURL RECYCLE YOUR WETSUIT

**24,436**
Kilograms diverted from landfill since program launch

Locations involved in program
**75**
stores across 5 countries

**20,363**
Number of wetsuits recycled to date*

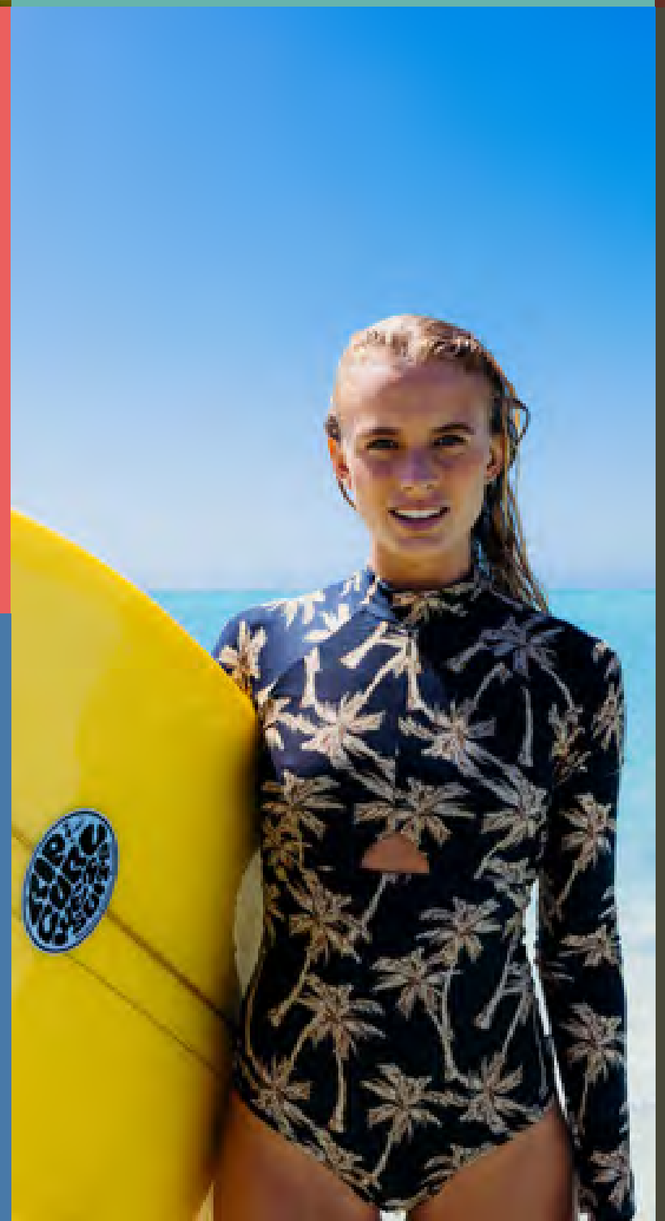
**6,507**
Australia

**5,544**
USA

**8,857**
France, Spain and Portugal

TERRACYCLE

* based off average 1.2 kilograms per wetsuit



### KATHMAN-REDU STATS

**5**
Months in market for FY23 (March-July 2023)

**2**
Stores selling Kathman-REDU

**2,931**
Units renewed to date

**47**
Units deemed as unrepairable

**91 hours**
Number of quality control hours

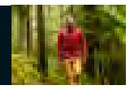
**1,480**
Units sold

**NZD $113k**
Sales

**Engagement**:
**320**
customers donated their old gear and received an AUD$10 REDU voucher

GRI 301

# CIRCULARITY > CIRCULAR BUSINESS MODELS



**MATERIAL ISSUES:** CLIMATE CHANGE • BRAND POWER • BIODIVERSITY IMPACT

## OUR OBSERVATIONS

Global growth of sales in clothing and textiles has been driven by factors such as fast fashion, the introduction of online shopping, changing consumer preferences and, often, lower prices. But at the same time as this growth has occurred, there has been a steady decline in clothing utilisation. This means we aren't holding on to and using our clothes for as long as we once did. While our brands are not fast fashion – we build durable, technical products over longer lead times – we are part of an industry that is structured around driving consumer appetite to purchase goods. The overconsumption and rapid turnover of clothing increases waste, depletes resources that ultimately end up in landfill, and generates carbon emissions. This linear take-make-waste approach is detrimental to the environment and contributes to the fashion industry's negative ecological footprint.

As awareness of the apparel and footwear industry's environmental impact grows, consumers are becoming more mindful of their purchasing choices. Many individuals are now considering factors like sustainability, ethical production and durability when buying clothing and prioritising quality over quantity. This shift in consumer behaviour is driving demand for more responsibly produced and longer-lasting garments.

Our responsibility lies not only in minimising our waste as a business, but by creating new ways of moving toward circularity in how we operate our business and, ultimately, the products we make and sell – from clothing and footwear design right through the chain to end-of-life solutions for our products. Circularity is about keeping resources in use for as long as possible and this starts with making quality, durable and innovative products that last. Circularity requires collaboration among various stakeholders, including designers, manufacturers, wholesale customers, retailers, industry, regulators and our consumers.

We are focused on embedding circular thinking across our businesses and we are committed to fostering and investing in innovation for circular business systems throughout our value chain. We actively seek opportunities wherever possible to eliminate the linear take-make-waste approach to business and extend the lifespan of resources for as long as possible.

Our goal is to increase our commercialised brand-led circular business model offering to our customers. This means we are actively pursuing innovation and exploring opportunities within circularity. Kathmandu and Rip Curl have offered repair services for more than two decades, with textile and wetsuit take-back recycling programs launched more recently. Testing, exploration and commercialisation of programs will remain part of our ongoing strategy as emerging technology advances and as consumer appetites increase. We will continue to review our circular business models and feed our learnings into a continual loop.

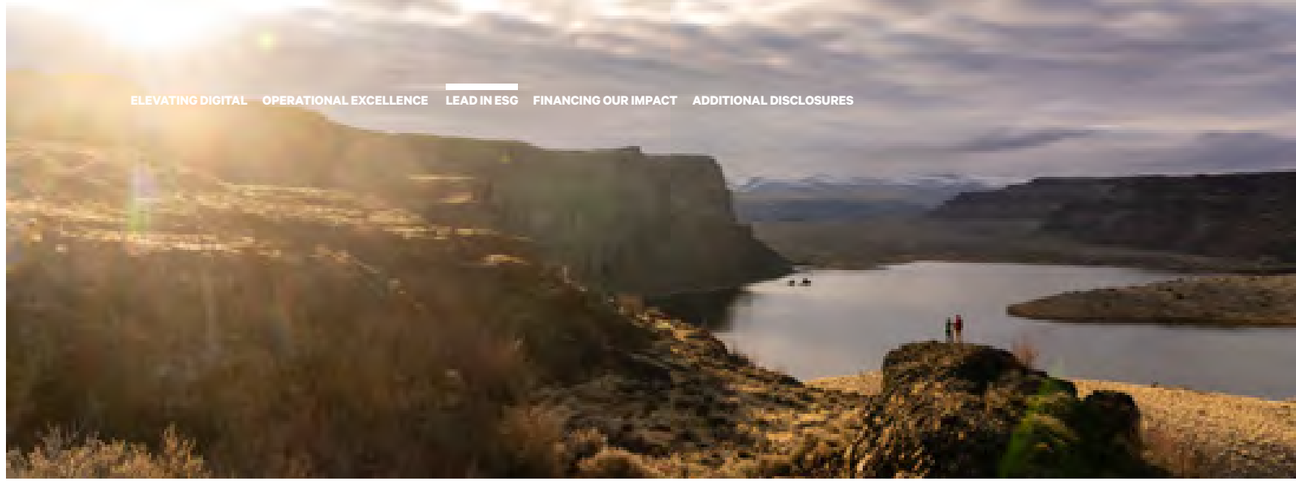
## OUR ACTIONS

During FY23, we have invested significant time into establishing circular models within our business. We have expanded our Australian wetsuit recycling program in partnership with TerraCycle to include the United States, France, Spain and Portugal. The program allows anyone to go into a Rip Curl store and hand in a wetsuit of any brand to be recycled. The uptake of this program – more than 20,000 wetsuits have been handed in for recycling since it began – demonstrates to us that customers buying our wetsuits want to make a responsible choice when a wetsuit reaches its end of life.

However, we acknowledge that recycling is the last step in a circular model and in FY23 we continued to invest in repair services for our customers. Rip Curl has offered repairs for wetsuits and watches for more than 35 years. Customers can go into any brand-owned store around the world and have their wetsuit or watch repaired. We also have a Rip Curl owned and operated wetsuit and watch service centres in Torquay, California, Hossegor and Bali. This year, we repaired 30,096 watches and prolonged the use of 10,314 of our customers' favourite wetsuits. Kathmandu ANZ also offers repairs via an external partner and this year repaired 1,627 items in Australia and another 546 in New Zealand. Over the years our repair services have challenged us commercially, however we know it is the right thing to do to support the expected lifespan of our products.







Beyond these programs, FY23 saw our brands begin looking at opportunities – beyond our existing repair services – for refurbishment and resale that would keep our products in use for longer.

A significant project that demonstrated this commitment in FY23 was the launch of Kathman-REDU, an apparel refurbishment and repair program in Victoria, Australia. This experimental initiative, which was backed by an innovation grant from Sustainability Victoria, arose from a circular mapping project which analysed our current systems to identify our textile waste streams and potential solutions. This pilot program has allowed us to test our customers' appetite for purchasing renewed products and will further help us grow our repair capabilities and systems.

In June 2023, Rip Curl became a founding member of 'Seamless' alongside David Jones, Lorna Jane, R.M. Williams, BIG W and THE ICONIC. Seamless is the National Clothing Product Stewardship Scheme, led by the Australian Fashion Council, with funding from the Australian Government. The scheme aims to make Australian fashion and clothing truly circular, and to drive the industry towards a common solution. Each founding member committed AUD$100,000 to fund a 12-month transition phase to establish the scheme. By becoming a founding member, Rip Curl aims to set a benchmark that other like-minded brands can follow.

## CHALLENGES AND OPPORTUNITIES AHEAD

As we embed circular thinking across our businesses and invest in innovation for circular business systems throughout our value chain, we find significant opportunities to demonstrate leadership within our industry and beyond. Through our investment in resources – both time and financial – we've shown that we are committed to these goals.

As we move into FY24, we will commence a circularity model discovery project for Oboz, to consider what a circular business model could look like in footwear. Through this project we will explore priorities and purpose of the model, as well as expectations for its performance. We will also look to expand repair capabilities for Oboz customers in FY24.

In the medium term, there are opportunities for us to look at ways to expand our care and repair programs, broadening the services we currently offer, and looking for other innovative ways we can help customers to keep their products in use for as long as possible. Another area of potential opportunity in the longer term, depending on customer demand and scalability, is expanding our rental models for key product categories.

Establishing circular business models that deliver a commercial return is a significant challenge. The cost to run repair and recycling programs at scale alongside other cost pressures is even more challenging, as is a lack of infrastructure in Australia and New Zealand where a substantial part of our operations are located. Our focus is to commercialise our current initiatives as revenue drivers rather than cost centres for our business.

If we do not adopt circular practices within our business models, the negative impacts on resources, the environment and people could become a significant risk to the future profitability of our industry and our business. We also need to keep pace with the offerings of our competitors, or we risk being left behind.

Implementing circular practices on a large scale requires changes across our entire value chain. We must consider design and material selection for efficient use of resources and ease of repair, production processes to fully utilise resources, infrastructure and systems to support the modes of sale, consumer appetite and education, and more. This is a multi-faceted challenge and one that needs to be addressed at an industry-wide level with a collaborative approach to achieve meaningful change.

GRI 301

# CIRCULARITY > CIRCULAR BUSINESS MODELS

CASE STUDY

## A new lease on life

**Kathmandu's garments are built for a lifetime of adventure, and we know a bit of wear and tear shouldn't mean the end of a perfectly good product. But even the smallest issue with a garment – a broken zip, missing button or tiny hole – can mean it ends up in landfill.**

We are building a circular business, which means keeping clothing in circulation for as long as possible. To do this, we create quality products that are made to last. We repurpose excess stock through clearance, charity donations and staff sales. But we are always looking for new ways to give our garments a second life.

In March 2023 we launched a new circularity pilot program called Kathman-REDU. Backed by a grant from Sustainability Victoria, and with the help of circularity specialists Aleasha McCallion and Kirri-Mae Sampson, we are tackling a global challenge one stitch at a time.

Used and unwanted garments are collected and sent to the skilful artisans at the Remote Repairs workshop. Meticulously cleaned, repaired, restored and relabelled Kathman-REDU, garments are then ready for a new lease of life.

After launching the pilot at our Richmond store in Melbourne, Victoria, we expanded to our Melbourne Galleria store in the city and started a social media and public relations campaign to spread the word.

In tandem, we established a partnership with Upparel at 24 Kathmandu stores in Victoria, Australia, and 11 in New Zealand. Customers can drop their used, unwanted or faulty Kathmandu gear in designated Upparel bins to be reused, recycled or repurposed. Some of these items are donated to Upparel's community and charity partners, some are recycled, and others returned to retail as a part of Kathman-REDU. A massive two tonnes of textiles have been diverted from landfill since the program's launch.

What's next? Our analysis of the pilot project's outcomes will guide future planning to ensure the lasting success of Kathman-REDU.

CASE STUDY

## Closing loops by thinking in circles

**Thinking in circles – rather than in linear take-make-waste models – often starts small. And that's what we've done with our approach to wetsuit recycling. We launched an innovative wetsuit recycling scheme in 2018 in Torquay, Victoria, then expanded across Australia in 2021 through a partnership with TerraCycle. In FY23 we expanded our efforts internationally across five countries.**

Most wetsuits are made from neoprene – a strong and stretchy material that is resistant to abrasion and wear. But neoprene's superpower in the water can be a challenge on dry land.

Rip Curl's wetsuits are made to last. But when their best surfing days are behind them, most wetsuits find their way to thrift stores and opportunity shops, are piled up in cupboards or shoved in the back of sheds. Eventually they are tossed in the general waste bin and sent to landfill.

Rip Curl's repair centre is keeping as many wetsuits in circulation for as long as possible.

And our world-first wetsuit take-back program has found a second useful life for wetsuits – with more than 20,000 transformed into soft fall matting at children's playgrounds.

After launching 'Recycle Your Wetsuit' with US-based TerraCycle in 2021, Rip Curl expanded the program in FY23. We now have 75 stores involved in five countries – Australia, the United States, France, Spain and Portugal – and accept every brand of wetsuit.

Customers can drop off their dry wetsuits to a Rip Curl store or mail them back to us. TerraCycle then removes the zips, elastic and metal tags before the neoprene is sent to a processor for crumbling and repurposing into soft-fall matting.

The 20,363 wetsuits we've recycled so far including 6,507 in Australia, 5,544 in the US, and 8,857 in France, Spain and Portugal. Taken together, we've diverted more than 24,436 kilograms of neoprene from landfill since the program launched. By repurposing wetsuits, we're moving closer to a circular economy and creating playgrounds of possibility.

## MATERIAL CHANGE INDEX

MCI Leading **4**

*(Companies that are pioneering industry transformation)*

MCI tracks the industry's progress towards better materials sourcing and alignment with global efforts like the United Nations' Sustainable Development Goals and the transition to a circular economy.

| Cotton | Polyester | Polyamide |
|---|---|---|
| MCI score 3 | MCI score 4 | MCI score 3 |

| Manmade cellulosics | Wool | Down |
|---|---|---|
| MCI score 3 | MCI score 4 | MCI score 4 |

# RESPONSIBLE MATERIALS

## GOALS AND PERFORMANCE

### GOAL

Dedicated to our own brand products being responsibly sourced.

**100%**

Sustainable Cotton

We source a mix of organic and cotton sourced through the Better Cotton programme to make up our sustainable cotton mix

**100%**

Responsible Down Standard (RDS)

The Responsible Down Standard (RDS) aims to ensure that down and feathers come from animals that have not been subjected to any unnecessary harm

### WATER RESTORATION

**1.4m litres**

FY23 PolyPro process water saving

Water saving from solution dyed fabrics used in our KMDcore Polypro Thermal range

### SUSTAINABLE WOOL

The Responsible Wool Standard (RWS) ensures that wool comes from farms that have a progressive approach to managing their land, practice holistic respect for animal welfare of the sheep, and respect the Five Freedoms of animal welfare

**GOAL**

**100%**

Responsible Wool Standard (RWS) by 2025

We continue to work with our suppliers to trace the origin of wool sources that go into our products as we progress towards our goal of 100% RWS certified product.

### ALL POLYESTER RECYCLED

**GOAL**

All polyester recycled or recyclable by 2030

**FY23 PERFORMANCE**

**58%**

% of overall kgs of polyester used in our apparel fabrics, fills and yarns

Kathmandu®

### PRIORITISE BIOCHEMISTRY

**GOAL**

Prioritise biochemistry over petrochemistry in innovation and performance development

**FY23 PERFORMANCE**

Unlike conventional odour control treatments that use heavy metals and synthetic chemicals, we have used natural peppermint oil to control odour-causing bacteria in our SS23 new SUN-Scout and WELL-DER-NESS collections

## SUSTAINABLE COTTON

GOAL

**100%**

responsibly sourced cotton by 2026

We source a mix of organic, regenerated and cotton sourced through the Better Cotton programme to make up our responsibly sourced cotton mix

FY23 PERFORMANCE

**58%**

**18%** increase this year
**FY22:** 40%

## WETSUITS

GOAL

**75%**

of our wetsuit range using responsibly sourced materials by 2030

FY23 PERFORMANCE

**16%**

of our produced quantities are using responsibly sourced materials

## PREFERRED FIBRE MATERIALS IN APPAREL AND ACCESSORIES

GOAL

**100%**

apparel and accessories in preferred fibre materials by 2030

Our priority is to use materials including:

**Recycled Synthetic:** Top Green®, Econyl®, Repreve®

**Sustainable cotton:** Organic, Better Cotton™, Regenerated

**Sustainable man-made fibres:** Lenzing™, EcoVero®

FY23 PERFORMANCE

**54%**

of our produced quantities are using preferred fibre materials

**24%** increase this year
**FY22:** 30%

Lenzing
Innovative by nature

LENZING EcoVero™

## WATER RESTORATION

BLOOM™

**58,102,099**

litres of water cleaned and restored to the environment through Bloom™ material partnership for footwear and accessories products

**25,800**

kilograms of Bloom materials were purchased in FY23. Rip Curl is now Bloom's second largest partner globally

**841%**

increase this year

**6,170,532**

Litres in FY22

RIP CURL

100% of cord lock trims are made from recycled materials and we are transitioning to 100% recycled thread.

All yardages are digitally printed and 100% of our black wetsuits are dope dyed resulting in less water used in the dyeing process.

Our commitment is to transition to more responsibly sourced bio-based neoprene alternatives

We are also using carbon black, which is made from 100% tyre waste. While this doesn't contribute to our 'responsibility sourced percentage', we are always looking for new ways to innovate.

To date we have prioritised water-based lamination techniques and jerseys made with recycled nylon and polyester.

## LEATHER WORKING GROUP

Leather Working Group (LWG) is a global multi-stakeholder community committed to building a sustainable future with responsible leather. LWG is a not-for-profit that drives best practices and positive social and environmental change for responsible leather production

**GOAL**

**100%**

Leather Working Group gold-rated certified leather uppers by 2023

**FY23 PERFORMANCE**

**100% ACHIEVED**

Finished leathers in all our footwear sourced from gold-rated Leather Working Group certified tanneries





## PFAS/PFC-FREE

**GOAL**

**100%**

PFAS/PFC-free non-wicking treatments and waterproof membranes by 2025

PFAS/PFC are man-made chemicals that are harmful to human health and the environment, known as forever chemicals, that never breakdown

**FY23 PERFORMANCE**

**100%**

We have achieved this goal through a new PFAS-free waterproof membrane system that is now used across all styles

**ACHIEVED TWO YEARS AHEAD OF TARGET**

**GOAL**

Minimum

**20%**

Environmentally Preferred Materials by weight as certified by global responsible sourcing organizations and certifications by 2030

Continual focus on product design, innovation and production methods to support this goal to have a lesser or reduced effect on human health and the environment when compared with other materials that serve the same purpose

**FY23 PERFORMANCE**

WHAKATA COLLECTION

- **20-40%** bio-based EVA midsoles/upper
- **25%** recycled rubber outsole

BOZEMAN LIFESTYLE COLLECTION

- **20%** bio-based Bloom foam insole
- **50-100%** recycled content in lining materials
- **100%** rPET insulated membrane

# CIRCULARITY > RESPONSIBLE MATERIALS

**MATERIAL ISSUES:** CLIMATE CHANGE • BRAND POWER • BIODIVERSITY IMPACT

## OUR OBSERVATIONS

A love of the natural world is intrinsic to our brands, and a key competitive strength is our commitment to reduce the negative impact of our operations, including the footprint of our products, on the environment. This commitment helps us to meet the expectations of our customers and challenges our team to innovate to reduce our impacts.

The apparel and footwear industries are resource-intensive, using vast amounts of water, energy and raw materials like cotton, polyester and leather. Water is especially critical, as cotton cultivation requires substantial irrigation, and water pollution can be generated from dyeing and finishing processes, contributing to water scarcity.

Each of our brands has set challenging goals to increase the responsibly sourced content in our products. To us, 'responsibly sourced' means that our products are made, to a significant degree, with environmentally preferred, low climate impact materials. Our goal is to source materials that are regenerative, recycled or recyclable, bio-based, biodegradable, responsibly farmed or grown. This goal will be progressed at a different pace, and in different ways, for each of our brands, but collectively we are focused on responsibly sourced materials for all our own-brand products.

## OUR ACTIONS

During FY23, each of our brands has made good progress on our ambitious goals to increase responsibly sourced content in our own-brand products. Each step forward requires testing a range of potential materials, many of which don't make it into production. This is because performance is our first priority, particularly for products that must stand up to the elements, and any new material must meet our requirements for durability and longevity. This is the first crucial step in circular design. We maintain a laser focus on new and innovative material options, testing and refining our ideas to find the next opportunity to increase responsibly sourced content.

Oboz and Rip Curl have joined Kathmandu as Textile Exchange members during the reporting period. The Textile Exchange is a global non-profit helping to align the fashion and textile industry's approach to responsibly sourced materials through education and standards. This membership confirms our commitment to collaborative leadership and provides our team with access to leading industry knowledge libraries and data on preferred fibres and materials.

Regenerated cotton from recycled factory floor waste is starting to enter Rip Curl's product range and represents 2% of Rip Curl's 58% responsibly sourced cotton. We have plans to increase this further. Opportunities for responsibly sourced content does not stop at apparel, with the launch of Rip Curl's Eco-Wax – a non-toxic, biodegradable surf wax that is made with natural ingredients – earlier this year in partnership with Surf Organic. All Surf Organic surf wax profits are being donated to the Surf Rider Foundation in Australia, Europe and the USA, demonstrating our commitment to community partnerships in the regions in which we operate.

Oboz has met its goal of 100% PFAS/PFC-free non-wicking treatments in waterproof membranes two years earlier than planned. We are now looking to develop products that conform to the wider Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substance list which restricts chemical usage at the manufacturing stage. Our approach to 'designing out toxicity' shows true leadership and supports Oboz' goal to increase responsibly sourced content in the challenging category of footwear manufacturing.

Kathmandu has evolved its iconic Heli down jacket to lessen its impact on the environment. The new 'Heli

R' is made from 100% recycled polyester in the shell and lining and 100% RDS certified down. We are also exploring the next generation of potential recycled materials, looking beyond recycled plastic bottles.

Across all of our brands, we are working with our suppliers to support use of the Higg Index Facility Environmental Module (FEM), which assesses the environmental impact of product manufacturing at facilities. The Higg Index assesses everything from water intensity and use to waste management, and from chemical use to energy and emissions. By encouraging our suppliers to use FEM and to share the results with us, we are gaining greater visibility of the environmental impacts from the manufacture of our products. We intend to evolve and expand our strategy in future years to incorporate specific biodiversity goals as we build the systems to reliably track data in these areas.

## CHALLENGES AND OPPORTUNITIES AHEAD

Our focus on responsibly sourced materials, underpinned by our commitment to design products for purpose and driven by innovation, is a key competitive differentiator. We are proud of our brands' market leading innovations and we are committed to the continual search for new ways to achieve a positive impact on the planet.

Long term, we are looking into advanced recycling technologies that will get us closer to a circular manufacturing process. We are also exploring several different bio-based and next-generation material solutions that will help us decouple our synthetic materials from petrochemicals.

In FY24, all our brands will report through the Textile Exchange's Material Change Index (MCI), the world's largest peer-to-peer comparison initiative in the textile industry. This platform allows us to track our progress towards more sustainable material sourcing using the same standardised approach.

GRI 301

# CIRCULARITY > RESPONSIBLE MATERIALS

CASE STUDY

## Advancing action on responsible materials

**In 2021, Oboz set a series of responsible material goals. We're proud to say that not only are we tracking well overall, but we also hit one of these targets two years ahead of schedule.**

Our most challenging goal was to eliminate PFAs from our products. PFAs, or per- and polyfluoroalkyl substances, are a group of human-made chemicals that repel oil, water and stains. PFAs are often applied in durable water repellent (DWR) coatings and used on outdoor clothing and footwear to make them water-resistant.

PFAs provide long-lasting water repellency that can be a lifesaver in the elements. However, PFAs have been labelled "forever chemicals" because they don't break down easily, raising concerns about environmental impacts.

On 1 August 2022, Oboz introduced a new chemical policy to our Tier 1 and Tier 2 suppliers. A cornerstone of this policy is the elimination of PFAs from all DWR finishes.

For instance, we've switched to a new PFAs-free waterproof membrane system across all styles. This is a cost-effective solution that is better for the environment.

We are proud that our suppliers have stepped up. In FY23, we undertook third party whole shoe lab tests with Intertek, an independent third-party lab, which confirmed our products are compliant with Oboz' PFAs-free policy. We randomly tested four shoe styles in FY23 and no traces of PFAs were detected; our plan is to commit more resources to spot checking in FY24.

We've also achieved other goals, like the commitment to 100% Leather Working Group Gold-certified leather uppers by 2023, ahead of schedule. With Oboz' first responsible material goals met, we are now looking to eliminate other classes of chemicals by 2025.

CASE STUDY

## One goal, one standard

Kathmandu is working with global non-profit Textile Exchange to revolutionise the international standard system that certifies the sustainability of raw materials used in our products. In FY23, Rip Curl and Oboz also become members of Textile Exchange.

Textile Exchange believes in materials sourcing that respects our planet, its ecosystems and its communities. And so do we, which is why Kathmandu is proud of our acknowledgement from Textile Exchange as a Level 4 'leading' company that is pioneering industry transformation.

In recognition of this pioneering approach, Textile Exchange selected Kathmandu alongside just five of our peers to participate in an International Working Group that is informing the development of a unified global standard for preferred fibres and raw materials.

With the International Working Group's input, Textile Exchange is bringing together eight standards covering recycled and organic content, responsible sourcing of wool, mohair, down and more. With a unified standard, the textile industry will more efficiently track its progress and reduce its climate impact.

"Harmonising all of Textile Exchange's standards under one system and embedding key climate impact outcomes into it will be a transformational change for the textile industry," says Manu Rastogi, Kathmandu's Head of Product Innovation & Product Sustainability. "Being able to participate and influence this change for the industry is a proud moment for us."

Textile Exchange's ultimate goal – one Kathmandu supports – is to reduce the emissions that come from fibre and raw material production by 45% by 2030.

# WASTE
## GOALS AND PERFORMANCE

### GOALS

**Reduced operational and packaging waste including:**

- Diversion of 90% of waste to landfill from our direct operations by 2030.
- All primary and secondary packaging and promotional material is recyclable or made using recycled materials.

### FY23 PERFORMANCE

Kathmandu

**78%**
of swing tags are made from recycled materials

**100%**
of swing tags are made from responsibly sourced wood paper

Australian Packaging Forum Annual Performance Rating: **LEADING**

RIP CURL

**100%**
of swing tags are made from materials that can be recycled

**92%**
of swing tags are made from responsibly sourced wood paper

Australian Packaging Forum Annual Performance Rating for Rip Curl & Ozmosis: **ADVANCED**



Obōz FOOTWEAR

### FY23 PERFORMANCE

**100%**
of footwear boxes are made from responsibly sourced wood paper

**100%**
swing tags and footwear boxes are recyclable

### OPERATIONAL WASTE GENERATED FOR FY23*

Soft plastic recycled
**21**
metric tonnes

Mixed plastic recycled
**66**
metric tonnes

Paper & cardboard recycled
**175**
metric tonnes

Glass & aluminium recycled
**3** metric tonnes

Neoprene offcuts recycled
**154** metric tonnes

TOTAL OPERATIONAL WASTE DIVERTED FY23
**419** metric tonnes

Stores/Warehouses/Offices/Factory Waste to Landfill
**1035**
metric tonnes

TOTAL OPERATIONAL WASTE GENERATED FY23
**1454**
metric tonnes

*FY23 figures are audited, pre-verified numbers based on available data and estimates.

KMD BRANDS

**29%**
total operational waste diverted from landfill during FY23 including paper and cardboard, mixed recycling, soft plastics, neoprene offcuts and composting

**2022:** 36%

### POST CUSTOMER WASTE RECOVERY FOR FY23

Recycle my rubber program
**21.7**
metric tonnes

Recycled textile through Upparel program
**0.3**
metric tonnes

TOTAL TEXTILE WASTE RECOVERY
**22**
metric tonnes

GRI 301, 306

# CIRCULARITY > WASTE

**MATERIAL ISSUES:** CLIMATE CHANGE • BIODIVERSITY IMPACT

## OUR OBSERVATIONS

Waste is generated across our business, both upstream and downstream in our value chain from material production and manufacturing through to packaging, transportation and warehousing, and from operation of our store network to our head office support functions. Waste contributes to our carbon footprint and is an inefficient use of natural resources. It also has a financial impact through collection and disposal costs.

We are committed to reducing our waste footprint. In the short term, we have focused our goals on the waste generated from our direct operations – our head office locations, retail store network, occupied and controlled distribution centres, and our Onsmooth Thai manufacturing facility.

Looking longer term, we are rethinking product design and production processes, harnessing new materials and technology to eliminate waste from the outset, and then repurposing and recycling to keep resources in a closed loop.

## OUR ACTIONS

In the last year, we have looked for innovative ways to reduce our waste to landfill. One investigation identified pallets of tent poles, flies and tent bags in our New Zealand distribution centre that were all in good condition but no longer needed and taking up valuable storage space. We contacted local community organisations and scouting groups, and repurposed 10 pallets of unwanted products. Some of these were used as replacement and spare parts, others reimagined as plant stakes for gardening. Our approach prevented significant product from ending up in landfill.

We also diverted a large number of old coat hangers from landfill by donating them to Thread Together, an organisation that collects and distributes unsold clothing to people in need. Thread Together is now using the coat hangers in charity pop-up stores.

During FY23, Oboz redesigned its consumer footwear box packaging to reduce packaging waste and allow for easier reuse and recycling. We introduced best practice HowToRecycle consumer information to engage and inform customers. All shoe boxes are made with FSC certified paper.

Following several years of success working in partnership with the Packaging Forum to recycle soft plastics in our Kathmandu stores in New Zealand, we conducted a soft plastic recycling trial with MG Waste Management across 10 Victorian Rip Curl, Ozmosis and Kathmandu stores. A total of 238 kilograms of soft plastic was collected and recycled during the four-week period. We will take the learnings from this trial to drive scale during FY24.

The choices we make as a team influence how much of our waste ends up in landfill. We have worked hard to change established behaviours and habits of our team members through education and awareness, and offer incentives by tying KPIs to our "7 Rs": rethink, refuse, reduce, reuse, repair, regift or recycle.

To track and report on our waste data, we collect a combination of monthly and annual reports from our waste service providers. These include a breakdown of waste types and quantities collected. These figures are included in our climate reporting. Where third party providers manage waste services on our behalf, they operate under the legislation of the respective countries where the services are provided and, in line with our service contract, must meet those standards.

We are exploring ways to reduce the use of low-density polyethylene (LDPE) bags, or polybags, in our supply chain. These clear plastic bags protect garments during transit from manufacturing sites to distribution centres and onwards to retail stores and consumers' homes. Polybags play an important role in preventing damage and wastage during product transportation, so we are looking for alternatives. During FY23, Kathmandu trialled a new type of recyclable polybag for compatibility with our automated sortation systems. We still have further work to do, but plan to phase out Kathmandu's use of pure LDPE polybags and move to 100% recycled LDPE polybags. Rip Curl does not use automated sorting at our distribution centres, enabling a move from a 30% recycled content polybag to 100% recycled content in FY23.

We have policies and process for the disposal of hazardous waste substances through specialist waste contractors to minimise negative environmental impact. We are not currently tracking this and are therefore not able to report on hazardous waste data.

## CHALLENGES AND OPPORTUNITIES AHEAD

Measurement is the first step to better waste management, and one of our key challenges is gaining primary data from our Kathmandu and Rip Curl store waste providers. Our store operations teams are consolidating waste collection providers to give us better access to data and reporting on waste collection and recycling. By performing waste audits across our store network, we will gain a clearer understanding of how much waste we are diverting from landfill.

Waste management is an industry-wide challenge that demands collaboration and innovation. A lack of infrastructure and facilities in many of our primary areas of operation currently limit proper waste management, diversion and recycling systems and technology. Large-scale investment in these facilities will assist us to meet our waste to landfill goals.

GRI 301, 306

# CIRCULARITY > WASTE

CASE STUDY

## Repurposing soft plastics

**Soft plastic may seem like unlikely source materials for park benches, drainpipes and fence posts. But through several partnerships, KMD Brands is transforming tonnes of soft plastic otherwise destined for landfill into new materials and showing how positive change can come from reimagining waste.**

We know soft "scrunchable" plastic is a problem around the world – and addressing this starts by refusing, reducing and reusing before we consider recycling. Few recycling providers are equipped to deal with soft plastics on the scale the world consumes them. But billions of pieces of soft plastic can be transformed into new products with the help of leading-edge recycling techniques.

In partnership with the Packaging Forum in New Zealand, we began collecting Kathmandu's soft plastics several years ago. This year 14 tonnes of soft plastic were recovered from 22 Kiwi stores, which was remade into fenceposts.

Expanding on our work in New Zealand, this year we also undertook an innovative trial across 10 stores in Victoria. KMD Brands picked the peak season over Easter to commence our trial and worked in partnership with local waste provider MG Waste Management.

MG Waste Management collected 238 kilograms of soft plastic from Rip Curl, Kathmandu and Ozmosis stores over a four-week period, auditing and removing any contamination before transporting the material to a recycling plant owned by GT Recycling in Geelong. There, the material was manually separated and baled, based on colour and quality, and processed into pellets. These pellets can then be transformed into new products – like park benches and drainpipes. GT Recycling is also collecting and auditing soft plastic from our two distribution centres in Torquay, Victoria, and our goal is to scale the trial. Our soft plastic trial – across two countries and multiple stores – points to the possibilities when we stop seeing waste and start seeing wasted potential.

CASE STUDY

## From mannequins to mushrooms

**Can offcuts from our store mannequins become food for mushrooms? As we step into the circular economy, this is the sort of outlandish question we are asking ourselves.**

When Kathmandu established a new partnership with visual merchandising supplier Mannequino in FY23, we saw this as an opportunity to look at waste in a completely new light.

Mannequino manufactures super lightweight, compact and recyclable display assets. Designed with 3D printing technology, Mannequino's products are made from durable polypropylene that use up to 50 times less raw material than traditional mannequins. Flat-packed mannequins are easier to ship, which reduces transport emissions. And when they reach the end of their useful life, each mannequin can be recycled down to pellets and remade into new display assets.

This year, Mannequino pushed the boundaries even further with an innovative process that transforms the cardboard offcuts from mannequin packaging into delicious gourmet Oyster mushrooms. The offcuts from Kathmandu mannequins are shredded into mulch, mixed with coffee waste, hardwood and straw, and then transferred to growing chambers alongside Mannequino's Cambridgeshire manufacturing facilities. And voila! Mushrooms are harvested and distributed to local restaurants in the Cambridge area.

One ingenious idea that turns fashion merchandising waste into food embodies KMD Brands' quest for circular innovation.

# FINANCING OUR IMPACT
## Introduction

### IN THIS SECTION

The consolidated financial statements have been presented in a style which attempts to make them less complex and more relevant to shareholders. We have grouped the note disclosures into six sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs', 'Group Structure' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text boxes is to provide commentary on each section or note, in plain English.

### KEEPING IT SIMPLE

Notes to the consolidated financial statements provide information required by accounting standards or NZX Listing Rules to explain a particular feature of the financial statements. The notes that follow will also provide explanations and additional disclosures to assist readers' understanding and interpretation of the annual report and the financial statements.

### CONTENTS

121 Directors' Approval of Consolidated Financial Statements
122 Consolidated Statement of Comprehensive Income
123 Consolidated Statement of Changes in Equity
124 Consolidated Balance Sheet
125 Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements
127 Section 1: Basis of Preparation
130 Section 2: Results for the Year
139 Section 3: Operating Assets and Liabilities
152 Section 4: Capital Structure and Financing Costs
161 Section 5: Group Structure
164 Section 6: Other Notes
168 Auditors' Report





# Group CFO report

**Chris Kinraid**
Group Chief Financial Officer

**KMD Brands is pleased to report that, in our first full year of uninterrupted trade since the pandemic, we achieved record sales of $1.1 billion for the first time, with an underlying EBITDA of $105.9m.**

All our iconic brands grew sales year-on-year, with particularly strong sales growth through the first three quarters. In the fourth quarter, we saw consumer impacts from interest rate rises and the broader economic environment.

Rip Curl achieved record sales since acquisition, growing sales year-on-year across all major geographies.

Kathmandu achieved strong sales and profit growth year-on-year, benefiting from 12 months of uninterrupted trade.

Oboz sales improved significantly, achieving the best top line revenue results in company history, recovering from significant supply constraints last year. Online sales continue to grow strongly and represent an exciting opportunity.

The KMD Brands team continued to drive efficiency through industry-leading systems and best-practice. Key Group functions of Finance, Commercial, People, Legal, ESG, IT and Communications continue to drive benefits across all our brands. In this, we also create opportunity to leverage our scale.

A global business needs a global bank and this reporting year we reduced the number of banks we partner with from 30 to two: ANZ in Australasia and HSBC globally. This will deliver a cost saving of around $1 million each year, strengthen and simplify our reporting and data analysis, and give us access to best-in-class technology.

We're committed to our 15% underlying EBITDA margin goal, with strategic workstreams continuing to drive efficiency across the Group.

Across the industry we saw high levels of inventory throughout the year, which affected Rip Curl and Oboz in particular. Kathmandu inventory has normalised, and we continue to drive ongoing improvement in wetsuit and footwear inventory for our other two brands. We remain well placed with a strong balance sheet, with further working capital improvements expected.

### OUR SUSTAINABILITY LINKED LOAN

We're proud to say we continued our journey of sustainable finance, announcing in May an extension of the sustainability metrics to our entire debt facilities (NZD $310 million). We completed the refinance of our syndicated debt facilities with a three-and-a-half-year facility, consisting of an A$240 million multi-currency revolving facility and an NZ$54 million multicurrency revolving facility.

The refinance increases tenor and provides significant ongoing liquidity to support the Group's growth objectives. The new facility also builds on our previous sustainability linked loan with revised targets that incorporate a pricing mechanism that incentivises ongoing improvement in achieving our key environmental, social and governance (ESG) objectives.

After meeting all four of the original targets we set ourselves in 2021 in the second anniversary of the loan, we have committed to four new sustainability performance targets (SPTs). These goals align with our existing ESG strategy and broader associated goals. Our sustainability performance targets include:

**SPT 1**
**Scope 3 emissions**

Reduction in specified Scope 3 emissions categories of the Group in line with the validated Science-based target trajectory (aligned with a 'well below 2 degrees' scenario), and increasing measurement and reporting of the Group's Scope 3 emissions from purchased goods and services by influencing and supporting the Group's suppliers to disclose emissions data.

**SPT 2**
**Scope 1 and 2 emissions**

Reduction in absolute Scope 1 and Scope 2 emissions of the Group in line with the validated science-based target trajectory.

**SPT 3**
**B Corp Certification**

Amending KMD Brands' constitution as required by B Lab Global (by 31 July 2024) and re-certifying the Group as a B Corp by 31 July 2026.

**SPT 4**
**Supply chain accountability and transparency**

Increasing accountability and facilitating transparent disclosure for Tier 1 and Tier 2 suppliers through encouraging adoption of, and progression towards, verification by Higg Index Facility Social & Labor Module and Facility Environment Module.

Each SPT has an annual defined performance assessment for a discount to the overall interest rate we pay across our debt facilities (except for SPT 3 in Year 3). This threshold is structured to be ambitious in nature and incentivise progressive improvement compared to the respective baselines. Each SPT also has a 'premium' threshold, which if triggered will generate a premium payable on the interest rate overall.

Leaving KMD Brands after almost a decade of adventures is bittersweet as I see great things on the horizon for this Group, which has in a short time become a house of iconic brands with global reach. I'd like to take this opportunity to again thank Michael Daly, the KMD Brands Board and Executive Team, our investors and shareholders for their support throughout my time at KMD, but especially in these last four years as Chief Financial Officer.

# Directors' Approval of Consolidated Financial Statements

For the Year Ended 31 July 2023

## AUTHORISATION FOR ISSUE

The Board of Directors authorised the issue of these Consolidated Financial Statements on 20 September 2023.

## APPROVAL BY DIRECTORS

The Directors are pleased to present the Consolidated Financial Statements of KMD Brands Limited for the year ended 31 July 2023 on pages 122 to 167.

| | |
|---|---|
| | 20 September 2023 |
| *David Kirk* | *Date* |

| | |
|---|---|
| | 20 September 2023 |
| *Michael Daly* | *Date* |

For and on behalf of the Board of Directors

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 July 2023

| | Section | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|---|
| Sales | 2.2 | 1,102,994 | 979,802 |
| Cost of sales | | (451,049) | (403,069) |
| Gross profit | | 651,945 | 576,733 |
| Other income | 2.2 | 1,840 | 9,857 |
| Selling expenses | | (267,743) | (231,460) |
| Administration and general expenses | | (185,973) | (175,196) |
| | | (451,876) | (396,799) |
| **Earnings before interest, tax, depreciation, and amortisation** | | **200,069** | **179,934** |
| Depreciation and amortisation | 3.2-3.4 | (123,713) | (112,516) |
| **Earnings before interest and tax** | | **76,356** | **67,418** |
| Finance income | | 886 | 394 |
| Finance expenses | | (24,940) | (14,187) |
| Finance costs (net) | 4.1.1 | (24,054) | (13,793) |
| **Profit before income tax** | | **52,302** | **53,625** |
| Income tax expense | 2.3 | (15,688) | (16,797) |
| **Profit after income tax** | | **36,614** | **36,828** |
| **Profit for the year attributable to:** | | | |
| Shareholders of the Company | | 35,139 | 35,952 |
| Non-controlling interest | | 1,475 | 876 |
| **Other comprehensive income that may be recycled through profit or loss:** | | | |
| Movement in cash flow hedge reserve | 4.3.2 | 8,499 | 12,671 |
| Movement in foreign currency translation reserve | 4.3.2 | 3,055 | 36,188 |
| Movement in other reserves | 4.3.2 | - | - |
| **Other comprehensive income for the year, net of tax** | | **11,554** | **48,859** |
| **Total comprehensive income for the year** | | **48,168** | **85,687** |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the Company | | 46,838 | 84,576 |
| Non-controlling interest | | 1,330 | 1,111 |
| **Basic earnings per share** | 2.4 | 4.9cps | 5.1cps |
| **Diluted earnings per share** | 2.4 | 4.9cps | 5.0cps |
| **Weighted average basic ordinary shares outstanding ('000)** | 2.4 | 711,283 | 709,001 |
| **Weighted average diluted ordinary shares outstanding ('000)** | 2.4 | 719,546 | 717,266 |



# Consolidated Statement of Changes in Equity

For the Year Ended 31 July 2023

| | Share capital NZ$'000 | Cash flow hedge reserve NZ$'000 | Foreign currency translation reserve NZ$'000 | Share-based payments reserve NZ$'000 | Other reserves NZ$'000 | Retained earnings NZ$'000 | Non-controlling interest NZ$'000 | Total equity NZ$'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 July 2021** | **626,380** | **1,341** | **(29,462)** | **2,637** | **(47)** | **210,036** | **4,070** | **814,955** |
| Profit after tax | - | - | - | - | - | 35,952 | 876 | 36,828 |
| Other comprehensive income | - | 12,671 | 35,953 | - | - | - | 235 | 48,859 |
| Dividends paid | - | - | - | - | - | (42,540) | - | (42,540) |
| Issue of share capital | - | - | - | - | - | - | - | - |
| Share based payment expense | - | - | - | 914 | - | - | - | 914 |
| Lapsed share options | - | - | - | (77) | - | 77 | - | - |
| Deferred tax on share-based payment transactions | - | - | - | (309) | - | - | - | (309) |
| Amounts transferred to initial carrying amount of hedged items | - | (7,794) | - | - | - | - | - | (7,794) |
| Dividends paid to non-controlling interest | - | - | - | - | - | - | (455) | (455) |
| **Balance as at 31 July 2022** | **626,380** | **6,218** | **6,491** | **3,165** | **(47)** | **203,525** | **4,726** | **850,458** |
| Profit after tax | - | - | - | - | - | 35,139 | 1,475 | 36,614 |
| Other comprehensive income | - | 8,499 | 3,200 | - | - | - | (145) | 11,554 |
| Dividends paid | - | - | - | - | - | (42,681) | - | (42,681) |
| Issue of share capital | 2,699 | - | - | (2,699) | - | - | - | - |
| Share based payment expense | - | - | - | 568 | - | - | - | 568 |
| Deferred tax on share-based payment transactions | - | - | - | 252 | - | - | - | 252 |
| Amounts transferred to initial carrying amount of hedged items | - | (14,443) | - | - | - | - | - | (14,443) |
| Dividends paid to non-controlling interest | - | - | - | - | - | - | (685) | (685) |
| **Balance as at 31 July 2023** | **629,079** | **274** | **9,691** | **1,286** | **(47)** | **195,983** | **5,371** | **841,637** |

# Consolidated Balance Sheet

As at 31 July 2023

| | Section | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3.1.2 | 49,488 | 70,810 |
| Trade and other receivables | 3.1.3 | 102,696 | 105,526 |
| Inventories | 3.1.1 | 290,420 | 295,522 |
| Derivative financial instruments | 4.2 | 2,560 | 9,936 |
| Current tax asset | | 12,278 | 3,640 |
| Other current assets | 3.1.5 | 1,860 | 2,434 |
| **Total current assets** | | **459,302** | **487,868** |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 3.1.3 | 1,856 | 1,588 |
| Property, plant and equipment | 3.2 | 82,942 | 79,243 |
| Intangible assets | 3.3 | 704,402 | 719,322 |
| Deferred tax assets | 2.3 | 14,650 | 14,078 |
| Right-of-use assets | 3.4.1 | 270,327 | 250,372 |
| **Total non-current assets** | | **1,074,177** | **1,064,603** |
| **Total assets** | | **1,533,479** | **1,552,471** |
| | | | |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 3.1.6 | 173,392 | 194,034 |
| Derivative financial instruments | 4.2 | 1,160 | - |
| Current tax liabilities | | 718 | 1,816 |
| Lease liabilities | 3.4.2 | 83,232 | 75,293 |
| **Total current liabilities** | | **258,502** | **271,143** |
| | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 3.1.6 | 15,988 | 17,246 |
| Interest bearing liabilities | 4.1 | 105,209 | 110,881 |
| Deferred tax liabilities | 2.3 | 93,275 | 93,449 |
| Lease liabilities | 3.4.2 | 218,868 | 209,294 |
| **Total non-current liabilities** | | **433,340** | **430,870** |
| **Total liabilities** | | **691,842** | **702,013** |
| | | | |
| **Net assets** | | **841,637** | **850,458** |
| | | | |
| EQUITY | | | |
| Contributed equity - ordinary shares | 4.3.1 | 629,079 | 626,380 |
| Reserves | 4.3.2 | 11,204 | 15,827 |
| Retained earnings | | 195,983 | 203,525 |
| Non-controlling interest | | 5,371 | 4,726 |
| **Total equity** | | **841,637** | **850,458** |





# Consolidated Statement of Cash Flows

For the Year Ended 31 July 2023

| | Section | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Cash was provided from:** | | | |
| Receipts from customers | | 1,103,833 | 955,968 |
| Government grants received | | 6,019 | 3,407 |
| Interest received | | 886 | 394 |
| Income tax received | | 1,892 | 448 |
| | | 1,112,630 | 960,217 |
| **Cash was applied to:** | | | |
| Payments to suppliers and employees | | 919,847 | 843,605 |
| Income tax paid | | 22,969 | 22,181 |
| Interest paid | | 22,226 | 12,623 |
| | | 965,042 | 878,409 |
| | | | |
| **Net cash inflow from operating activities** | | **147,588** | **81,808** |
| | | | |
| **Cash flows from investing activities** | | | |
| **Cash was provided from:** | | | |
| Proceeds from sale of property, plant and equipment | | - | 4 |
| | | - | 4 |
| **Cash was applied to:** | | | |
| Purchase of property, plant and equipment | 3.2 | 27,665 | 21,567 |
| Purchase of intangible assets | 3.3 | 8,323 | 11,266 |
| | | 35,988 | 32,833 |
| | | | |
| **Net cash (outflow) from investing activities** | | **(35,988)** | **(32,829)** |
| | | | |
| **Cash flows from financing activities** | | | |
| **Cash was provided from:** | | | |
| Proceeds from borrowings | | 132,955 | 99,619 |
| | | 132,955 | 99,619 |
| **Cash was applied to:** | | | |
| Dividends paid | | 43,366 | 42,995 |
| Repayment of borrowings | | 134,074 | 99,619 |
| Repayment of lease liabilities | | 86,919 | 82,265 |
| | | 264,359 | 224,879 |
| | | | |
| **Net cash (outflow) from financing activities** | | **(131,404)** | **(125,260)** |
| | | | |
| **Net (decrease) in cash and cash equivalents held** | | (19,804) | (76,281) |
| | | | |
| Opening cash and cash equivalents | | 70,810 | 142,614 |
| Effect of foreign exchange differences | | (1,518) | 4,477 |
| **Closing cash and cash equivalents** | 3.1.2 | **49,488** | **70,810** |

## RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

| | Section | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|---|
| Profit after taxation | | 36,614 | 36,828 |
| *Movement in working capital:* | | | |
| (Increase) / decrease in trade and other receivables | | (776) | (27,953) |
| (Increase) / decrease in inventories | | (1,121) | (66,555) |
| (Increase) / decrease in other current assets | | 510 | 9 |
| Increase / (decrease) in trade and other payables | | (17,360) | 31,736 |
| Increase / (decrease) in current tax liability | | (9,002) | (8,518) |
| | | (27,749) | (71,281) |
| *Add non-cash items:* | | | |
| Depreciation of property, plant and equipment | 3.2 | 22,824 | 22,572 |
| Amortisation of intangibles | 3.3 | 14,132 | 12,339 |
| Depreciation of right-of-use assets | 3.4.1 | 86,757 | 77,605 |
| Impairment of assets | 3.2, 3.4.1 | (1,675) | 940 |
| Foreign currency translation of working capital balances | | 11,809 | (2,294) |
| Increase / (decrease) in deferred taxation | | 3,610 | 3,580 |
| Employee share-based remuneration | 6.3 | 568 | 914 |
| Loss on sale of property, plant and equipment and intangibles | 3.2, 3.3 | 698 | 605 |
| | | 138,723 | 116,261 |
| Cash inflow from operating activities | | 147,588 | 81,808 |





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# Section 1: Basis of Preparation

**IN THIS SECTION**

This section sets out the Group's accounting policies that relate to the consolidated financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

## 1.1 GENERAL INFORMATION

KMD Brands Limited (the Company) and its subsidiaries (together the Group) is a designer, marketer, retailer and wholesaler of apparel, footwear and equipment for surfing and the outdoors. It operates in New Zealand, Australia, North America, Europe, Southeast Asia and Brazil.

The Company is a limited liability company incorporated and domiciled in New Zealand. KMD Brands Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is 223 Tuam Street, Central Christchurch, Christchurch.

The Company is listed on the NZX and ASX.

The consolidated financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

These audited consolidated financial statements have been approved for issue by the Board of Directors on 20 September 2023.

## 1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

### *1.2.1 Basis of preparation*

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**Basis of consolidation**

The consolidated financial statements reported are for the consolidated Group, which is the economic entity comprising KMD Brands Limited and its subsidiaries.

The Group is designated as a for-profit entity for financial reporting purposes.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

Non-controlling interests are measured at their proportionate share of the acquiree's identified net assets at the acquisition date. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

In preparing the consolidated financial statements, all material intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

**Historical cost convention**

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in the specific accounting policies provided below.

**Critical accounting estimates**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment

to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Further explanation as to estimates and assumptions made by the Group can be found in the following notes to the consolidated financial statements:

| Area of estimation | Section |
|---|---|
| Goodwill and brand – assumptions underlying recoverable value | 3.3 |

### Foreign currency translation

The results and financial position of all the Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

### Changes in accounting policies

Details about changes in accounting policies applied during the period are included in the following notes to the financial statements:

| | Section |
|---|---|
| New standards and interpretations first applied in the period | 6.8 |

### Use of non-GAAP disclosures

At times non-GAAP disclosures have been used in the consolidated financial statements. These disclosures have been included as they are key measurement criteria on which the Group and operating segments are reviewed by the Group Chief Executive Officer, Group Executive Management team and the Board of Directors. The following non-GAAP measures are relevant to the understanding of the Group's financial performance:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) represents earnings before income taxes excluding interest income, interest expense, depreciation, and amortisation, as reported in the financial statements.
- Earnings before interest and tax (EBIT) represents EBITDA less depreciation and amortisation.
- Net debt represents cash and cash equivalents less interest-bearing liabilities. Net debt does not include lease liabilities.

Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP information within the consolidated financial statements is subject to audit.

## 1.3 IMPACT OF COVID-19

The comparative period was impacted by COVID-19, with local and global restrictions on movement, travel and gatherings resulting in a sustained reduction in footfall. During the comparative period stores across Australia and New Zealand were significantly impacted by government mandated lockdowns and closures.

Although the risk has abated significantly from twelve months ago some uncertainty remains that may affect the Group's ability to achieve future forecasts. Despite this the Directors are satisfied that there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for a period of at least 12 months from the date of approving the consolidated financial statements.

The Group was fully compliant with all banking covenants during the year and, based on the current cash flow forecasts, the Group expects to remain compliant with all covenants for at least 12 months from the date of approving the consolidated financial statements.

Taking into consideration the current trading results, the net debt (excluding lease liabilities) of $55,721,000 (2022: $40,071,000) and undrawn cash facilities of $180,616,000 (2022: $195,290,000) at 31 July 2023 (note 4.1), the financial statements continue to be prepared on a going concern basis.

## 1.4 CLIMATE CHANGE RISK

The Group's operations may be impacted by future climate change. These impacts may be physical (e.g. severe or unusual weather patterns and events) or transitional (e.g. changes to government regulations or customer and supplier needs and demands).

The Group regularly assesses its operating environment with regards to the impact of climate change. Specific consideration has been given in these financial statements to the impact of future climate change on the useful lives of the Group's property, plant, and equipment (note 3.2), impairment of intangible assets (note 3.3), the inclusion of expected renewals in the lease term for Right-of-Use assets (note 3.4) and sustainability linked loans (note 4.1). No significant impacts have been identified.

During the year the Group collaborated with other retail industry participants, with guidance from the New Zealand External Reporting Board (XRB), to develop relevant sector-level climate-related scenarios with reference to the Aotearoa New Zealand Climate Standards (NZ CS). The Group will now model how different scenarios of climate change may impact our global footprint and report a summary of findings in 2024.

# Section 2: Results for the Year

## IN THIS SECTION

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation and earnings per share.

## 2.1 SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities that earns revenue and incurs expenses and where the chief decision maker reviews the operating results on a regular basis and makes decisions on resource allocation.

The Group has three operating segments, representing three brands owned by the Group and a Corporate segment. These segments have been determined based on the reports reviewed by the Group Chief Executive Officer and Group Executive Management team.

**Rip Curl** – designer, manufacturer, wholesaler and retailer of surfing equipment and apparel.

**Kathmandu** – designer, retailer, and wholesaler of apparel, footwear, and equipment for outdoor travel and adventure.

**Oboz** – designer, wholesaler and online retailer of outdoor footwear.

The Corporate segment represents group costs, holding companies and consolidation eliminations and constitutes other business activities that do not fall within the brand segments.

The default basis of allocating shared costs is percentage of revenue with other bases being used where appropriate.

| 31 July 2023 | Rip Curl NZ$'000 | Kathmandu NZ$'000 | Oboz NZ$'000 | Corporate NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|
| Total segment sales | 581,504 | 422,233 | 102,819 | - | 1,106,556 |
| Sales to internal customers | - | - | 3,562 | - | 3,562 |
| **Sales to external customers** | **581,504** | **422,233** | **99,257** | **-** | **1,102,994** |
| **EBITDA** | **97,079** | **105,322** | **8,228** | **(10,560)** | **200,069** |
| Depreciation and amortisation | (54,955) | (67,079) | (1,625) | (54) | (123,713) |
| **EBIT** | **42,124** | **38,243** | **6,603** | **(10,614)** | **76,356** |
| Income tax expense | (9,826) | (9,820) | (1,407) | 5,365 | (15,688) |
| **Total segment assets** | **759,398** | **586,676** | **179,669** | **7,736** | **1,533,479** |
| *Total assets include:* | | | | | |
| Non-current assets | 488,250 | 466,778 | 118,401 | 748 | 1,074,177 |
| Additions to non-current assets | 80,673 | 59,733 | 1,004 | 810 | 142,220 |
| **Total segment liabilities** | **297,041** | **258,258** | **25,596** | **110,947** | **691,842** |

| 31 July 2022 | Rip Curl NZ$'000 | Kathmandu NZ$'000 | Oboz NZ$'000 | Corporate NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|
| Total segment sales | 536,830 | 381,628 | 62,298 | - | 980,756 |
| Sales to internal customers | - | - | 954 | - | 954 |
| **Sales to external customers** | **536,830** | **381,628** | **61,344** | **-** | **979,802** |
| **EBITDA** | **95,462** | **87,642** | **3,641** | **(6,811)** | **179,934** |
| Depreciation and amortisation | (48,700) | (62,555) | (1,255) | (6) | (112,516) |
| **EBIT** | **46,762** | **25,087** | **2,386** | **(6,817)** | **67,418** |
| Income tax expense | (11,839) | (7,017) | (772) | 2,831 | (16,797) |
| **Total segment assets** | **740,778** | **649,205** | **158,793** | **3,695** | **1,552,471** |
| *Total assets include:* | | | | | |
| Non-current assets | 465,152 | 482,873 | 116,578 | - | 1,064,603 |
| Additions to non-current assets | 55,629 | 55,159 | 975 | - | 111,763 |
| **Total segment liabilities** | **293,804** | **270,479** | **26,843** | **110,887** | **702,013** |

### *Sales to external customers by region*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Australia | 557,013 | 508,258 |
| New Zealand | 128,185 | 113,943 |
| North America | 243,398 | 195,713 |
| Europe | 105,325 | 99,747 |
| Rest of world | 69,073 | 62,141 |
| | 1,102,994 | 979,802 |

### *Non-current assets by region*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Australia | 681,420 | 668,544 |
| New Zealand | 160,327 | 180,066 |
| North America | 180,136 | 180,334 |
| Europe | 29,240 | 21,893 |
| Rest of world | 23,054 | 13,766 |
| | 1,074,177 | 1,064,603 |

### *Sales to external customers by channel*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Retail | 653,108 | 555,732 |
| Online | 99,300 | 109,556 |
| Wholesale | 336,952 | 302,101 |
| Licensing | 13,158 | 12,000 |
| Other | 476 | 413 |
| | 1,102,994 | 979,802 |

## 2.2 PROFIT BEFORE TAX

### *Revenue recognition*

The Group recognises revenue from the sale of footwear, clothing and equipment for surfing and the outdoors, and brand licencing arrangements. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and brand licences, excluding goods and services tax and discounts, and after eliminating sales within the Group.

**Retail sales**

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at a retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

**Online sales**

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

**Wholesale sales**

For sales to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

**Sales returns**

Under the Group's standard contract terms, customers have a right of return, typically within 30 days. At the point of sale, a returns liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. Given the consistent level of returns over previous years, it is considered highly unlikely that a significant reversal in the cumulative revenue recognised will occur.

**Royalty revenue**

Royalty revenue from brand license arrangements is related to the provision of a right to access the license. Revenue from sales-based royalties is recognised based on a reliable estimate of subsequent sales made by a licensee.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Sale of goods | 1,091,290 | 969,161 |
| Royalty revenue | 10,819 | 10,047 |
| Commission revenue | 885 | 594 |
| | 1,102,994 | 979,802 |

A breakdown of revenue by operating segment, sales channel and geographical area is provided in note 2.1.

| *Other income* | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Government grants | 366 | 9,060 |
| Other | 1,474 | 797 |
| | 1,840 | 9,857 |

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached to them. Government grants that compensate the Group for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same period in which the expenses are recognised. In the current period Government grants relate to Apprenticeship Boost payments and grants to support sustainability initiatives.

In the prior year government grants income included amounts related to US Employee Retention Credits, wage and other subsidies received in response to the impact of COVID-19. The $5,652,000 recognised as a receivable at the previous balance date has been fully received as cash during the current year. No further amounts have been recognised as income in the current period.

### *Employee entitlements*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Wages, salaries, and other short-term benefits | 218,104 | 189,864 |
| Post-employment benefits | 12,459 | 10,483 |
| Employee share-based remuneration | 568 | 914 |
| | 231,131 | 201,261 |

Employee entitlements in the first quarter of the comparative period were impacted by government mandated lockdowns and closures. During this period employees in some jurisdictions (including Australia) were financially supported directly by the relevant government.

### *Lease expense*

The Group is a lessee. Refer to note 3.4 for further details around the Group's leases and lease accounting policies.

Lease amounts recognised in the consolidated statement of comprehensive income:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Short-term lease expense | 7,924 | 7,987 |
| Low-value lease expense | 1,176 | 546 |
| Variable lease expense | 439 | 754 |
| Rent concessions and abatements | (738) | (3,588) |
| Lease outgoings | 17,667 | 15,423 |
| Depreciation right-of-use asset (note 3.4.1) | 86,757 | 77,605 |
| Interest expense related to lease liabilities (note 3.4.2) | 11,022 | 8,476 |
| | 124,247 | 107,203 |

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost.

Overall, the variable payments constitute up to 0.4% (2022: 0.7%) of the Group's entire lease payments. The variable payments depend on sales and consequently on the overall economic development over the next few years. Considering the development of sales expected over the next 3 years, variable rent expenses are expected to continue to present a similar proportion of store sales in future years.

The total cash outflow for leases amounts to $128,003,000 (2022: $109,163,000).

## 2.3 TAXATION

### KEEPING IT SIMPLE

This section lays out the tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the consolidated statement of comprehensive income), a reconciliation of profit before tax to the tax charge and the movements in deferred tax assets and liabilities. The Group is subject to income taxes in multiple jurisdictions. As a result there is complexity and judgement involved in determining the worldwide provision for income taxes.

### ACCOUNTING POLICIES

#### *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax liability is not recognised if it arises from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### *Goods and Services Tax (GST)*

The consolidated statement of comprehensive income and the consolidated statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated balance sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

#### *Taxation – Consolidated statement of comprehensive income*

The total taxation charge in the consolidated statement of comprehensive income is analysed as follows:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Current income tax charge | 12,078 | 13,354 |
| Deferred income tax charge / (credit) | 3,610 | 3,443 |
| Income tax charge reported in the consolidated statement of comprehensive income | 15,688 | 16,797 |

To understand how, in the consolidated statement of comprehensive income, a tax charge of $15,688,000 (2022: $16,797,000) arises on profit before income tax of $52,302,000 (2022: $53,625,000), the taxation charge that would arise at the standard rate of New Zealand corporate tax is reconciled to the actual tax charge as follows:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Profit before income tax | 52,302 | 53,625 |
| Income tax calculated at 28% | 14,645 | 15,015 |
| | | |
| Adjustments to taxation: | | |
| Adjustments due to different rate in different jurisdictions | 321 | 999 |
| Non-taxable income | (1,799) | (2,025) |
| Expenses not deductible for tax purposes | 2,427 | 2,901 |
| Utilisation of tax losses by group companies | (35) | 43 |
| Adjustments in respect of prior years | (370) | (136) |
| Tax losses not recognised | 499 | - |
| Income tax charge reported in the consolidated statement of comprehensive income | 15,688 | 16,797 |

Adjustments for prior periods primarily arise where an outcome is obtained on certain tax matters which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than the provision, an additional charge to the current year tax will occur.

During the year the Group did not recognise any new previously unrecognised tax losses (2022: nil).

The tax credit / (charge) relating to components of other comprehensive income is as follows:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Movement in cash flow hedge reserve before tax | 6,018 | 13,298 |
| Tax credit / (charge) relating to cash flow hedge reserve | 2,481 | (627) |
| Movement in cash flow hedge reserve after tax | 8,499 | 12,671 |
| Foreign currency translation reserve before tax | 3,055 | 36,188 |
| Tax credit / (charge) relating to foreign currency translation reserve | - | - |
| Movement in foreign currency translation reserve after tax | 3,055 | 36,188 |
| Other reserves before tax | - | - |
| Tax credit / (charge) relating to other reserves | - | - |
| Movement in other reserves after tax | - | - |
| Total other comprehensive income / (expense) before tax | 9,073 | 49,486 |
| Total tax credit / (charge) on other comprehensive income | 2,481 | (627) |
| Total other comprehensive income / (expense) after tax | 11,554 | 48,859 |
| Current tax | - | - |
| Deferred tax | 2,481 | (627) |
| Total tax credit / (charge) on other comprehensive income | 2,481 | (627) |

### *Taxation – Balance sheet*

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior year:

| | Employee obligations NZ$'000 | Intangibles NZ$'000 | Leases NZ$'000 | Other temporary differences NZ$'000 | Reserves NZ$'000 | Tax losses NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|---|---|
| **As at 31 July 2021** | 4,958 | (112,228) | 12,740 | 19,073 | (2,192) | 6,959 | (70,690) |
| Recognised in the consolidated statement of comprehensive income | 570 | 1,682 | (893) | (5,544) | - | 742 | (3,443) |
| Recognised in other comprehensive income | - | - | - | - | (627) | - | (627) |
| Recognised directly in equity | (309) | - | - | - | - | - | (309) |
| Foreign exchange | 187 | (5,753) | 496 | 536 | (111) | 343 | (4,302) |
| **As at 31 July 2022** | 5,406 | (116,299) | 12,343 | 14,065 | (2,930) | 8,044 | (79,371) |
| Recognised in the consolidated statement of comprehensive income | (124) | 1,504 | (665) | (6,564) | - | 2,239 | (3,610) |
| Recognised in other comprehensive income | - | - | - | - | 2,481 | - | 2,481 |
| Recognised directly in equity | 252 | - | - | - | - | - | 252 |
| Foreign exchange | (112) | 2,395 | (282) | (214) | 47 | (211) | 1,623 |
| **As at 31 July 2023** | 5,422 | (112,400) | 11,396 | 7,287 | (402) | 10,072 | (78,625) |

The deferred tax balance relates to:

- Property, plant and equipment temporary differences arising on differences in accounting and tax depreciation rates
- Employee benefit accruals
- Brands and customer relationships
- Unrealised foreign exchange gain / loss on intercompany loans
- Realised gain / loss on foreign exchange contracts not yet charged in the consolidated statement of comprehensive income
- Lease accounting
- Inventory provisioning
- Temporary differences on the unrealised gain / loss in hedge reserve
- Employee share schemes
- Historic tax losses recognised
- Other temporary differences on miscellaneous items

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Deductible temporary differences | - | - |
| Tax losses | 4,735 | 3,879 |
| | 4,735 | 3,879 |

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of overseas subsidiaries where it is not yet probable that future taxable profit will be generated in those territories to utilise these benefits.

### Imputation credits

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Imputation credits available for use in subsequent reporting periods based on a tax rate of 28% | 90 | 75 |

The above amounts represent the balance of the imputation account as at 31 July 2023, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax.
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The balance of Australian franking credits able to be used by the Group in subsequent periods as at 31 July 2023 is A$1,312,000 (2022: A$7,497,000).

## 2.4 EARNINGS PER SHARE

### ✓ KEEPING IT SIMPLE

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated by dividing the profit after tax attributable to equity holders of the Company of $35,139,000 (2022: $35,952,000) by the weighted average number of ordinary shares in issue during the year of 711,283,439 (2022: 709,001,384).

Diluted EPS reflects any commitments the Group has to issue shares in the future that would decrease EPS. In the current year, these are in the form of share options / performance rights. To calculate the impact, it is assumed that all share options are exercised / performance rights taken, and therefore, adjusting the weighted average number of shares.

| | 2023 '000 | 2022 '000 |
|---|---|---|
| Weighted average number of basic ordinary shares in issue | 711,283 | 709,001 |
| *Adjustment for:* | | |
| Share options / performance rights | 8,263 | 8,265 |
| | 719,546 | 717,266 |





# Section 3: Operating Assets and Liabilities

### + IN THIS SECTION

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.3.

### ✓ KEEPING IT SIMPLE

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as inventory, cash, trade and other receivables, other financial assets, other current assets and trade and other payables and other financial liabilities.

## 3.1 WORKING CAPITAL

### *3.1.1 Inventory*

#### Accounting policies

Inventories are stated at the lower of cost and net realisable value. The group uses the weighted average cost, first in first out and standard cost methods to determine cost. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory is considered in transit when the risk and rewards of ownership have transferred to the Group.

The Group assesses the likely residual value of inventory. Inventory provisions are recognised for inventory that is expected to sell for less than cost, and for the value of inventory likely to have been lost to the business through shrinkage between the date of the last applicable stocktake and balance sheet date. In recognising the provision for inventory, judgement has been applied by considering a range of factors including historical results, stock shrinkage trends and product lifecycle.

Inventory is broken down into trading stock and goods in transit below:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Raw materials and consumables | 9,680 | 4,563 |
| Work in progress | 2,144 | 3,377 |
| Trading inventory | 252,399 | 251,043 |
| Goods in transit | 26,197 | 36,539 |
| | 290,420 | 295,522 |

Inventory has been reviewed for obsolescence and a provision of $5,026,000 (2022: $5,849,000) has been made.

### *3.1.2 Cash and cash equivalents*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Cash on hand | 525 | 446 |
| Cash at bank | 46,390 | 68,806 |
| Short term investments convertible to cash | 2,573 | 1,558 |
| | 49,488 | 70,810 |

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| EUR | 14,348 | 15,746 |
| USD | 9,758 | 17,810 |
| AUD | 6,206 | 18,175 |
| THB | 4,571 | 5,122 |
| CAD | 2,996 | 1,502 |
| NZD | 2,899 | 4,010 |
| BRL | 2,868 | 2,100 |
| IDR | 2,151 | 3,806 |
| GBP | 2,093 | 1,234 |
| Other currencies | 1,598 | 1,305 |
| | 49,488 | 70,810 |

### 3.1.3 Trade and other receivables

**Accounting policies**

Trade and other receivables are recognised initially at the value of the invoice sent to the customer (fair value) and subsequently at the amounts considered recoverable (amortised cost). The collectability of trade and other receivables is reviewed on an on-going basis.

An allowance for lifetime expected credit losses is recognised for trade and other receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 79,933 | 87,626 |
| Allowance for expected credit losses | (5,620) | (5,964) |
| Prepayments | 18,156 | 12,928 |
| Other receivables | 10,227 | 10,936 |
| | 102,696 | 105,526 |
| **Non-current** | | |
| Other debtors | 1,856 | 1,588 |
| | 1,856 | 1,588 |

Other non-current debtors include security deposits paid in relation to store leases.

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| USD | 45,583 | 56,539 |
| AUD | 17,397 | 11,375 |
| EUR | 8,637 | 11,950 |
| THB | 8,048 | 5,977 |
| NZD | 7,158 | 6,750 |
| BRL | 5,349 | 4,950 |
| GBP | 4,956 | 3,045 |
| CAD | 4,094 | 4,882 |
| IDR | 1,454 | 895 |
| CHF | 1,100 | 62 |
| JPY | 460 | 631 |
| SEK | 316 | 58 |
| | 104,552 | 107,114 |

**Allowance for expected credit losses**

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Opening balance | (5,964) | (5,680) |
| Additional allowance recognised in the consolidated statement of comprehensive income | (820) | (2,171) |
| Receivables written-off during the year | 256 | 484 |
| Unused provision released to the consolidated statement of comprehensive income during the year | 1,023 | 1,751 |
| Foreign exchange | (115) | (348) |
| Closing balance | (5,620) | (5,964) |

### 3.1.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents | Credit ratings | Obtaining customer credit rating information |
| | Trade and other receivables | Aging analysis | Confirming references |
| | Derivative financial instruments | Review of exposure with regular terms of trade | Setting appropriate credit limits |

**Exposure to credit risk**

The below balances are recorded at their carrying amount after any allowance for expected credit loss on these financial instruments. The maximum exposure to credit risk at reporting date was (carrying amount):

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Cash and cash equivalents | 48,963 | 70,364 |
| Trade receivables (net) | 74,313 | 81,662 |
| Other receivables | 10,922 | 11,220 |
| Derivative financial instruments | 1,400 | 9,936 |
| | 135,598 | 173,182 |

As at balance sheet date the carrying amount is considered to approximate fair value for each of the financial instruments.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings, such as Standard & Poors or Moody's (if available) or to historical information about counterparty default rates:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| *Cash and cash equivalents:* | | |
| Standard & Poors - AA- | 11,605 | 29,148 |
| Standard & Poors - A+ | 7,015 | 14,114 |
| Standard & Poors - A | 588 | 599 |
| Standard & Poors - A- | 8,949 | 1,709 |
| Standard & Poors - BBB+ | 10,757 | 14,256 |
| Standard & Poors - BBB | 3,599 | 6,986 |
| Standard & Poors - BBB- | 2,208 | - |
| Standard & Poors - BB | 1,380 | 1,456 |
| Standard & Poors - BB- | 2,862 | 2,096 |
| | 48,963 | 70,364 |

Trade and other receivables consist of a large number of customers spread across diverse geographical regions, which reduces credit risk.

As at balance sheet date, trade and other receivables of $32,318,000 (2022: $28,737,000) were past due. A provision of $5,620,000 (2022: $5,964,000) is held against these overdue amounts. This provision is based on expected life time credit losses, taking into account historic loss rates, age of the outstanding balances, customer payment history and any arrangements, leverage or security in place with the customer. Interest is charged on overdue debtors in some instances.

The ageing analysis of these past due trade receivables is:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| 0 to 30 days | 8,117 | 11,637 |
| 30 to 60 days | 4,432 | 4,412 |
| 60 to 90 days | 4,251 | 4,625 |
| 90 days and over | 15,518 | 8,063 |
| | 32,318 | 28,737 |

As at balance date the 90 days and over category includes $3,878,000 relating to a specific customer. Subsequent to year end this specific customer has made a payment of $4,371,000 against the total balance outstanding.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations in full, without recourse by the Group. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### *3.1.5 Other assets*

**Accounting policies**

Other assets relate to rights of return assets. Rights of return recognises the estimated returned sales under the Group's returns policies. Management estimates the returned sales based on historical sales return information and any recent trends that may suggest future claims could differ from historical amounts. For sales that are expected to be returned, the Group recognises a returns provision as disclosed in note 3.1.6. The associated inventory value for sales that are expected to be returned is recognised as a right of return asset. The costs to recover the products are not material because the customers usually return them in a saleable condition.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Right of return assets | | |
| Opening balance | 2,434 | 2,320 |
| Additional amounts recognised | 199 | 10 |
| Amounts incurred and charged | (709) | (19) |
| Foreign exchange | (64) | 123 |
| | 1,860 | 2,434 |

### *3.1.6 Trade and other payables*

**Accounting policies**

Trade payables, sundry creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. The carrying value of trade payables is considered to approximate fair value as amounts are unsecured and are usually paid by the 30th of the month following recognition.

Employee entitlements relates to benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 89,909 | 102,296 |
| Employee entitlements | 25,105 | 25,619 |
| Sundry creditors and accruals | 49,904 | 56,600 |
| Provisions | 7,862 | 8,306 |
| Revenue received in advance | 612 | 1,213 |
| | 173,392 | 194,034 |
| **Non-current** | | |
| Employee entitlements | 3,020 | 2,946 |
| Provisions | 11,832 | 11,394 |
| Sundry creditors and accruals | 1,136 | 2,906 |
| | 15,988 | 17,246 |

The carrying amount of the Group's trade and other payables are denominated in the following currencies:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| USD | 72,523 | 81,917 |
| AUD | 61,855 | 71,484 |
| NZD | 24,531 | 25,863 |
| EUR | 14,552 | 15,690 |
| THB | 6,663 | 7,774 |
| BRL | 4,983 | 4,325 |
| IDR | 2,302 | 2,464 |
| Other currencies | 1,971 | 1,763 |
| | 189,380 | 211,280 |

### *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The warranties provision represents the present value of the estimated future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The provision relates to wetsuits, watches and footwear and is based on estimates made from historical warranty data associated with similar products and services.

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly at balance date.

Lease restoration provision represents the present value of the estimated cost to restore leased properties to their original condition upon expiry of the lease.

Where a customer has a right to return a product within a given period, the Group recognises a returns provision for the consideration received that will be required to be refunded to customers on return of the product. The Group also recognises a right to the returned goods as disclosed in note 3.1.5.

Other provisions relate to miscellaneous amounts that meet the definition of a provision and do not relate to the other categories.

| | Warranties NZ$'000 | Restructuring NZ$'000 | Lease restoration NZ$'000 | Sales returns NZ$'000 | Other NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 July 2022** | | | | | | |
| Opening balance | 1,693 | 360 | 11,248 | 4,692 | 581 | 18,574 |
| Additional provisions recognised | 606 | 163 | 457 | 29 | 289 | 1,544 |
| Provisions used during the year | (473) | (45) | - | - | (87) | (605) |
| Provisions re-measured during the year | - | (23) | (826) | 136 | - | (713) |
| Foreign exchange | 126 | (10) | 515 | 258 | 11 | 900 |
| Closing balance | 1,952 | 445 | 11,394 | 5,115 | 794 | 19,700 |
| **As at 31 July 2022** | | | | | | |
| Current | 1,952 | 445 | - | 5,115 | 794 | 8,306 |
| Non-current | - | - | 11,394 | - | - | 11,394 |
| | 1,952 | 445 | 11,394 | 5,115 | 794 | 19,700 |
| **Year ended 31 July 2023** | | | | | | |
| Opening balance | 1,952 | 445 | 11,394 | 5,115 | 794 | 19,700 |
| Additional provisions recognised | 694 | 1,745 | 1,056 | 411 | - | 3,212 |
| Provisions used during the year | (644) | (167) | - | - | - | (167) |
| Provisions re-measured during the year | (405) | (113) | (528) | (1,044) | (789) | (2,829) |
| Foreign exchange | (27) | 37 | (90) | (137) | (5) | (222) |
| Closing balance | 1,570 | 1,947 | 11,832 | 4,345 | - | 19,694 |
| **As at 31 July 2023** | | | | | | |
| Current | 1,570 | 1,947 | - | 4,345 | - | 7,862 |
| Non-current | - | - | 11,832 | - | - | 11,832 |
| | 1,570 | 1,947 | 11,832 | 4,345 | - | 19,694 |

## 3.2 PROPERTY, PLANT AND EQUIPMENT

### KEEPING IT SIMPLE

The following section shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include store and office fit-out, as well as equipment used in sales and support activities.

Assets are recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

### Accounting policies

#### *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Capital work in progress is not depreciated until available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### *Depreciation*

Depreciation of property, plant and equipment is calculated using straight line and diminishing value methods to expense the cost of the assets over their useful lives. Store and office fitouts are typically depreciated over the expected primary lease term. The rates are as follows:

| | |
|---|---|
| Buildings | 5 – 10% |
| Leasehold improvements | 5 – 50% |
| Office, plant and equipment | 5 – 50% |
| Furniture and fittings | 10 – 50% |
| Computer equipment | 10 – 50% |

The useful lives of the Group's property, plant and equipment including store and office fitouts and wetsuit manufacturing facilities are reviewed annually to determine whether there have been any changes due to operational or external factors, including climate change considerations, and updated as appropriate. There have been no such changes identified during the financial year.

#### *Impairment of assets*

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

### Property, plant and equipment

Property, plant and equipment can be analysed as follows:

| | Land & buildings NZ$'000 | Leasehold improvements NZ$'000 | Office, plant & equipment NZ$'000 | Furniture & fittings NZ$'000 | Computer equipment NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|---|
| **As at 31 July 2021** | | | | | | |
| Cost | 8,691 | 92,270 | 30,130 | 101,699 | 21,175 | 253,965 |
| Accumulated depreciation | (3,925) | (65,270) | (18,179) | (71,642) | (15,665) | (174,681) |
| Closing net book value | 4,766 | 27,000 | 11,951 | 30,057 | 5,510 | 79,284 |

| | Land & buildings NZ$'000 | Leasehold improvements NZ$'000 | Office, plant & equipment NZ$'000 | Furniture & fittings NZ$'000 | Computer equipment NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 July 2022** | | | | | | |
| Opening net book value | 4,766 | 27,000 | 11,951 | 30,057 | 5,510 | 79,284 |
| Additions | 342 | 8,210 | 1,335 | 10,227 | 1,453 | 21,567 |
| Disposals | - | (101) | (7) | (475) | (12) | (595) |
| Depreciation | (353) | (9,434) | (1,338) | (9,553) | (1,894) | (22,572) |
| Impairment | - | - | - | (12) | - | (12) |
| Transfers between categories | (15) | (1,426) | (20) | 1,535 | (74) | - |
| Transfers to intangibles | - | - | - | - | (1,507) | (1,507) |
| Foreign exchange | (105) | 1,195 | 559 | 1,300 | 129 | 3,078 |
| Closing net book value | 4,635 | 25,444 | 12,480 | 33,079 | 3,605 | 79,243 |
| **As at 31 July 2022** | | | | | | |
| Cost | 8,832 | 101,681 | 31,253 | 115,582 | 19,293 | 276,641 |
| Accumulated depreciation | (4,197) | (76,237) | (18,773) | (82,503) | (15,688) | (197,398) |
| Closing net book value | 4,635 | 25,444 | 12,480 | 33,079 | 3,605 | 79,243 |
| **Year ended 31 July 2023** | | | | | | |
| Opening net book value | 4,635 | 25,444 | 12,480 | 33,079 | 3,605 | 79,243 |
| Additions | 493 | 12,002 | 3,014 | 11,024 | 1,132 | 27,665 |
| Disposals | - | (95) | (86) | (512) | (7) | (700) |
| Depreciation | (404) | (10,376) | (1,598) | (8,964) | (1,482) | (22,824) |
| Impairment | - | - | - | - | - | - |
| Transfers between categories & to intangibles | 201 | 1,141 | (669) | (1,651) | 276 | (702) |
| Foreign exchange | 463 | (266) | (75) | 91 | 47 | 260 |
| Closing net book value | 5,388 | 27,850 | 13,066 | 33,067 | 3,571 | 82,942 |
| **As at 31 July 2023** | | | | | | |
| Cost | 10,382 | 108,370 | 32,325 | 97,762 | 17,879 | 266,718 |
| Accumulated depreciation | (4,994) | (80,520) | (19,259) | (64,695) | (14,308) | (183,776) |
| Closing net book value | 5,388 | 27,850 | 13,066 | 33,067 | 3,571 | 82,942 |

Depreciation expense is excluded from administration and general expenses in the consolidated statement of comprehensive income.

### Sale of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Loss on sale of property, plant and equipment | 698 | 591 |

### Capital commitments

Capital commitments contracted for at balance sheet date include property, plant and equipment of $1,790,000 (2022: $868,000).

## 3.3 INTANGIBLE ASSETS

### KEEPING IT SIMPLE

The following section shows the non-physical assets used by the Group to operate the business, generating revenues and profits. These assets include brands, customer relationship, software development and goodwill.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

### Accounting policies

#### *Goodwill*

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the assets and liabilities of the acquiree. Separately recognised goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. It is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### *Brand*

Acquired brands are carried at original cost based on independent valuation obtained at the date of acquisition. The brand represents the price paid to acquire the rights to use the Kathmandu, Oboz or Rip Curl brand. The brand is not amortised. Instead, the brand is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

#### *Customer relationships*

Acquired customer relationships are carried at original cost based on independent valuation obtained at the date of acquisition less accumulated amortisation. They are amortised on a straight-line basis over a useful life of five to ten years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

#### *Software costs*

Software costs have a finite useful life. Software costs are capitalised and amortised over the useful economic life.

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the creation or acquisition of an identifiable software asset controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and contractors.

Software is amortised over the estimated useful economic life of the asset ranging from two to ten years.

#### *Software-as-a Service (SaaS) arrangements*

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where implementation costs for SaaS arrangements result in the creation of an identifiable software asset, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis.

Where costs incurred to configure or customise SaaS arrangements do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to access to the SaaS software) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the expected renewable term of the arrangement.

#### *Other intangibles*

Other intangibles relate to lease rights expenditure associated with acquiring existing lease agreements for stores where there is an active market for key money. They are carried at original cost less accumulated impairment losses. Other intangibles have an indefinite useful life and are tested annually for impairment.

#### *Impairment*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows e.g., cash generating units.

### Intangible assets

| | Goodwill NZ$'000 | Brand NZ$'000 | Customer relationship NZ$'000 | Software NZ$'000 | Other intangibles NZ$'000 | Total NZ$'000 |
|---|---|---|---|---|---|---|
| **As at 31 July 2021** | | | | | | |
| Cost | 277,672 | 350,127 | 40,621 | 67,004 | 4,358 | 739,782 |
| Accumulated amortisation | (1,271) | - | (9,237) | (45,721) | (1,544) | (57,773) |
| Closing net book value | 276,401 | 350,127 | 31,384 | 21,283 | 2,814 | 682,009 |
| **Year ended 31 July 2022** | | | | | | |
| Opening net book value | 276,401 | 350,127 | 31,384 | 21,283 | 2,814 | 682,009 |
| Additions | - | - | - | 14,885 | - | 14,885 |
| Disposals | - | - | - | (14) | - | (14) |
| Amortisation | - | - | (5,188) | (7,151) | - | (12,339) |
| Transfers from property, plant and equipment | - | - | - | 1,507 | - | 1,507 |
| Foreign exchange | 13,600 | 18,040 | 1,532 | 228 | (126) | 33,274 |
| Closing net book value | 290,001 | 368,167 | 27,728 | 30,738 | 2,688 | 719,322 |
| **As at 31 July 2022** | | | | | | |
| Cost | 291,272 | 368,167 | 42,892 | 84,471 | 4,162 | 790,964 |
| Accumulated amortisation | (1,271) | - | (15,164) | (53,733) | (1,474) | (71,642) |
| Closing net book value | 290,001 | 368,167 | 27,728 | 30,738 | 2,688 | 719,322 |
| **Year ended 31 July 2023** | | | | | | |
| Opening net book value | 290,001 | 368,167 | 27,728 | 30,738 | 2,688 | 719,322 |
| Additions | - | - | - | 8,323 | - | 8,323 |
| Disposals | - | - | - | - | - | - |
| Amortisation | - | - | (5,303) | (8,822) | (7) | (14,132) |
| Transfers from property, plant and equipment | - | - | - | 702 | - | 702 |
| Foreign exchange | (2,121) | (7,246) | (704) | (13) | 271 | (9,813) |
| Closing net book value | 287,880 | 360,921 | 21,721 | 30,928 | 2,952 | 704,402 |
| **As at 31 July 2023** | | | | | | |
| Cost | 289,151 | 360,921 | 41,739 | 95,109 | 4,582 | 791,502 |
| Accumulated amortisation | (1,271) | - | (20,018) | (64,181) | (1,630) | (87,100) |
| Closing net book value | 287,880 | 360,921 | 21,721 | 30,928 | 2,952 | 704,402 |

**Sale of intangibles**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Loss on sale of intangibles | - | 14 |

**Impairment tests for goodwill and brand**

The aggregate carrying amounts of goodwill and brand allocated to each unit for impairment testing are as follows:

| | Goodwill | | Brand | |
|---|---|---|---|---|
| | 2023 NZ$'000 | 2022 NZ$'000 | 2023 NZ$'000 | 2022 NZ$'000 |
| Kathmandu | 122,041 | 122,936 | 150,352 | 153,336 |
| Oboz | 74,101 | 72,572 | 40,699 | 39,859 |
| Rip Curl | 91,738 | 94,493 | 169,870 | 174,972 |
| | 287,880 | 290,001 | 360,921 | 368,167 |

For the purposes of goodwill and brand impairment testing, the Group operates as three cash generating units, Kathmandu, Rip Curl and Oboz, which are aligned to the Group's operating segments as outlined in note 2.1.

The recoverable amount of each cash generating unit (CGU) has been determined based on the fair value less cost of disposal (FVLCOD). Five-year projected cash flows are used to determine the FVLCOD.

The discounted cash flow valuations were calculated using post tax cash flow projections based on financial budgets prepared by management and approved by the Directors for the year ended 31 July 2023. Cash flows beyond July 2023 are based on three-year business plans presented to the Directors.

Assumptions used:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Kathmandu | Rip Curl | Oboz | Kathmandu | Rip Curl | Oboz |
| Pre-tax WACC rate | 14.6% | 14.4% | 14.8% | 12.9% | 12.8% | 14.5% |
| Post-tax WACC rate | 10.3% | 10.1% | 10.7% | 9.1% | 9.0% | 10.5% |
| Terminal growth rate | 2.9% | 3.0% | 2.5% | 2.4% | 2.5% | 2.2% |

The terminal growth rate assumption is based on a conservative estimate considering the current inflation targets and do not exceed the historical long-term average growth rate for each CGU. Pre-tax discount rates are calculated based on a market participant expected capital structure and cost of debt to derive a weighted average cost of capital.

The FVLCOD calculations confirmed that there was no impairment of goodwill and brand during the year (2022: nil).

The Group has performed sensitivity analysis of the key assumptions provided above and, in each case, a reasonable change in assumption would not result in an impairment. However, it is possible they could occur in a combination. Furthermore, the CGU with the lowest headroom is the Oboz CGU which has NZ$30 million of headroom. Prior to the 2022 financial year the Oboz CGU achieved an average EBITDA margin of approximately 16% each year. Over the last two years the Oboz CGU has achieved an average EBITDA margin of approximately 7%. The Oboz CGU EBITDA margin is forecasted to exceed 15% in the 2026 financial year. If the EBITDA margin does not recover to its historical levels the CGU could be impaired if all other assumptions remain unchanged.

The expected continued promotion and marketing of the Kathmandu, Oboz and Rip Curl brands supports the assumption that the brand has an indefinite life.

The Group has considered the impact of climate change on the key assumptions included in its impairment testing and has concluded that it will not have a material impact on the key assumptions.

***Capital commitments***

Capital commitments contracted for at balance sheet date include intangible assets of $2,062,000 (2022: $2,962,000).

## 3.4 LEASES

**KEEPING IT SIMPLE**

The following section shows the assets leased by the Group to operate the business, generating revenues and profits. These assets include the lease of retail stores.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the carrying value of these assets and the corresponding lease liability.

**Accounting policies**

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

***Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group's incremental borrowing rate has been determined as the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

***Right of use asset***

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the lease term and including expected renewals. The depreciation starts at the commencement date. Changes due to operational or external factors, including

climate change are considered when assessing the inclusion of expected renewals in the lease term.

The Group applies NZ IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

### *Variable rents*

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the selling expenses line in the consolidated statement of comprehensive income.

### *Group as a lessee*

The Group leases several assets including buildings and motor vehicles. Some of the existing lease arrangements have right of renewal options for varying terms. Renewal options are included within the lease if the Group is reasonably certain to take up the option. The average lease term for property leases, including expected rights of renewal, is 9 years (2022: 9 years). The average lease term for vehicle leases is 3 years (2022: 3 years).

### *3.4.1 Right-of-use assets*

The movements in right of use assets were as follows:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| **Opening net book value** | 250,372 | 242,677 |
| Additions and modifications to right-of-use asset | 106,231 | 75,311 |
| Depreciation for the period | (86,757) | (77,605) |
| Impairment for the period | 1,675 | (928) |
| Foreign exchange | (1,194) | 10,917 |
| **Closing net book value** | 270,327 | 250,372 |
| | | |
| Cost | 518,760 | 439,852 |
| Accumulated amortisation & impairment | (248,433) | (189,480) |
| **Closing net book value** | 270,327 | 250,372 |

### *3.4.2 Lease liabilities*

The movements in lease liabilities were as follows:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| **Opening lease liabilities** | 284,587 | 279,271 |
| Additions and modifications to lease liability | 108,025 | 75,816 |
| Interest expense on lease liabilities | 11,022 | 8,476 |
| Repayment of lease liabilities (including interest) | (99,736) | (91,247) |
| Foreign exchange | (1,798) | 12,271 |
| **Closing lease liabilities** | 302,100 | 284,587 |

**Lease liability maturity analysis**

| | Gross lease payments NZ$'000 | Interest NZ$'000 | Carrying amount NZ$'000 |
|---|---|---|---|
| **As at 31 July 2022** | | | |
| Within one year | 82,992 | (7,699) | 75,293 |
| One to five years | 184,404 | (13,683) | 170,721 |
| Beyond five years | 40,849 | (2,276) | 38,573 |
| | 308,245 | (23,658) | 284,587 |
| | | | |
| Current | | | 75,293 |
| Non-current | | | 209,294 |
| | | | 284,587 |
| | | | |
| **As at 31 July 2023** | | | |
| Within one year | 92,839 | (9,607) | 83,232 |
| One to five years | 195,533 | (16,168) | 179,365 |
| Beyond five years | 41,651 | (2,148) | 39,503 |
| | 330,023 | (27,923) | 302,100 |
| | | | |
| Current | | | 83,232 |
| Non-current | | | 218,868 |
| | | | 302,100 |

# Section 4: Capital Structure and Financing Costs

## IN THIS SECTION

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

Capital structure is how an entity finances its overall operations and growth by using different sources of funds. The Directors determine and monitor the appropriate capital structure of the Group, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) to finance the Group's activities both now and in the future.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute strategy and to deliver its business plan.

## 4.1 INTEREST BEARING LIABILITIES

### Accounting policies

Interest bearing liabilities are the Group's borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The table below separates borrowings into current and non-current liabilities:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Current portion | - | - |
| Non-current portion | 105,209 | 110,881 |
| | 105,209 | 110,881 |

### *Group Facility Agreement*

The Group has a multi-option syndicated facility, which consists of an A$240 million multi-currency revolving facility and a NZ$54 million multi-currency revolving facility. Both facilities are sustainability linked with targets such as reducing greenhouse gas emissions, continued B Corp certification, and improving transparency within the Group supply chain, including the wellbeing and labour conditions of workers, and environmental metrics. All facilities are repayable in full on 12 November 2026.

Interest is payable based on the BKBM rate (NZD borrowings), the BBSY rate (AUD borrowings), SOFR rate (US borrowings) or the applicable short-term rate for interest periods less than 30 days, plus a margin of between 1.05% - 1.31%. The debt is secured by the assets of the guaranteeing group in accordance with the Security Trust Deed dated 25 October 2019 as amended 12 May 2023. The guaranteeing group comprises entities operating in New Zealand, Australia, North America and the United Kingdom. The carrying value of the assets held by the guaranteeing group are $1,444,870,000 (2022: $1,408,254,000).

The covenants entered into by the Group require specified calculations of Group earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly, EBITDA must be no less than a specified proportion of total net debt at the end of each six-month interim period. The calculations of these covenants are specified in the bank facility agreement of 25 October 2019 as amended and restated on 12 May 2023. The Group has complied with its banking covenants at all measurement points during the year.

The current interest rates, prior to hedging, on the term loans ranged between 5.31% - 6.65% (2022: 0.99% - 3.20%).

### Reconciliation of movement in borrowings

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Opening balance | 110,881 | 105,597 |
| Net cash flow movement | (1,119) | - |
| Capitalised borrowing costs | (1,419) | (340) |
| Foreign exchange movement | (3,134) | 5,624 |
| Closing balance | 105,209 | 110,881 |

### Borrowings maturity analysis

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| *Principal of interest-bearing liabilities:* | | |
| Payable within 1 year | - | - |
| Payable 1 to 2 years | - | 110,881 |
| Payable 2 to 3 years | - | - |
| Payable 3 to 4 years | 105,209 | - |
| | 105,209 | 110,881 |

### *4.1.1 Finance costs*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Interest income | (886) | (394) |
| Interest expense on interest bearing liabilities | 7,828 | 1,809 |
| Interest on lease liabilities | 11,022 | 8,476 |
| Other finance costs | 3,692 | 3,057 |
| Net exchange loss / (gain) on foreign currency | 2,398 | 845 |
| | 24,054 | 13,793 |

Other finance costs relate to facility fees on banking arrangements and debt underwriting costs.

### *4.1.2 Cash flow and fair value interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance.

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Interest rate risk | Interest bearing liabilities at floating interest rates | Cash flow forecasting Sensitivity analysis | Interest rate swaps |

Refer to note 4.2 for notional principal amounts and valuations of interest rate swaps outstanding at balance sheet date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table below.

At the reporting date the interest rate profile of the Group's banking facilities was (carrying amount):

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Total secured borrowings | 105,209 | 110,881 |
| Less Principal covered by interest rate swaps | - | - |
| Net principal subject to floating interest rates | 105,209 | 110,881 |

Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. The cash flow hedge loss on interest rate swaps at balance sheet date was nil (2022: nil).

### Interest rate sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

A sensitivity of 1% (2022: 1%) has been selected for interest rate risk. The 1% is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceding five-year period.

Amounts are shown net of income tax. All variables other than applicable interest rates are held constant. The impact on equity is presented exclusive of the impact on retained earnings.

| | | -1% | | +1% | |
|---|---|---|---|---|---|
| | Carrying amount NZ$'000 | Profit NZ$'000 | Equity NZ$'000 | Profit NZ$'000 | Equity NZ$'000 |
| **As at 31 July 2023** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 49,488 | (356) | - | 356 | - |
| **Financial liabilities** | | | | | |
| Interest bearing liabilities | 105,209 | 758 | - | (758) | - |
| **Net increase / (decrease)** | | **402** | **-** | **(402)** | **-** |

| | | -1% | | +1% | |
|---|---|---|---|---|---|
| | Carrying amount NZ$'000 | Profit NZ$'000 | Equity NZ$'000 | Profit NZ$'000 | Equity NZ$'000 |
| **As at 31 July 2022** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 70,810 | (510) | - | 510 | - |
| **Financial liabilities** | | | | | |
| Interest bearing liabilities | 110,881 | 798 | - | (798) | - |
| **Net increase / (decrease)** | | **288** | **-** | **(288)** | **-** |

### *4.1.3 Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Liquidity risk | Trade and other payables | Cash flow forecasting | Active working capital management |
| | Interest bearing liabilities | | Flexibility in funding arrangements |

The Group has borrowing facilities of $311,605,000 (2022: $332,772,000) and operates well within this facility. This includes short term bank overdraft requirements, and at balance sheet date no bank accounts were in overdraft. Of this total facility $25,482,000 is available for instruments including letters of credit and bank guarantees.

## ✓ KEEPING IT SIMPLE

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, so will not always reconcile with the amounts disclosed on the balance sheet.

| | Less than 1 year NZ$'000 | Between 1 - 2 years NZ$'000 | Between 2 - 5 years NZ$'000 | Over 5 years NZ$'000 |
|---|---|---|---|---|
| **As at 31 July 2022** | | | | |
| Trade payables and accrued expenses | 152,278 | 1,771 | 1,136 | - |
| Interest bearing liabilities | 2,239 | 112,716 | - | - |
| | 154,517 | 114,487 | 1,136 | - |
| **As at 31 July 2023** | | | | |
| Trade payables and accrued expenses | 133,794 | 1,136 | - | - |
| Interest bearing liabilities | 5,735 | 5,751 | 112,563 | - |
| | 139,529 | 6,887 | 112,563 | - |

The Group enters into forward exchange contracts to manage the risks associated with the purchase of foreign currency denominated products.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect the profit or loss at various dates between balance sheet dates and the following five years.

| | Less than 1 year NZ$'000 | Between 1 - 2 years NZ$'000 | Between 2 - 5 years NZ$'000 | Over 5 years NZ$'000 |
|---|---|---|---|---|
| **As at 31 July 2022** | | | | |
| Forward foreign exchange contracts | | | | |
| Inflow | 180,362 | - | - | - |
| Outflow | (170,426) | - | - | - |
| Net inflow / (outflow) | 9,936 | - | - | - |
| **As at 31 July 2023** | | | | |
| Forward foreign exchange contracts | | | | |
| Inflow | 178,278 | - | - | - |
| Outflow | (176,878) | - | - | - |
| Net inflow / (outflow) | 1,400 | - | - | - |

## 4.2 DERIVATIVE FINANCIAL INSTRUMENTS

### KEEPING IT SIMPLE

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

The Group is exposed to changes in interest rates on its borrowings and to changes in foreign exchange rates on its foreign currency (largely USD) purchases. The Group uses derivatives to hedge these underlying exposures.

Derivative financial instruments are initially included in the balance sheet at their fair value, either as assets or liabilities, and are subsequently re-measured at fair value at each reporting date.

An interest rate swap is an instrument to exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another.

**Accounting policies**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

At inception of the hedging relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Group also documents its risk management objectives and strategy for undertaking its hedge transactions.

***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

***Foreign currency transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income. Translation differences on monetary financial assets and liabilities are reported as part of the foreign exchange gain or loss.

**Derivative financial instruments**

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Foreign exchange contracts | | |
| Current asset | 2,560 | 9,936 |
| Current liability | (1,160) | - |
| Net foreign exchange contracts - cash flow hedge (asset /(liability)) | 1,400 | 9,936 |
| **Interest rate swaps** | | |
| Current liability | - | - |
| Non-current liability | - | - |
| Net interest rate swaps - cash flow hedge (asset / (liability)) | - | - |
| **Total derivative financial instruments** | 1,400 | 9,936 |

The above table shows the Group's financial derivative holdings at year end.

***Interest rate swaps - cash flow hedge***

Interest rate swaps are to exchange a floating rate of interest for a fixed rate of interest. The objective of the transaction is to hedge the core floating rate borrowings of the business to minimise the impact of interest rate volatility within acceptable levels of risk thereby limiting the volatility on the Group's financial results. The notional amount of interest rate swaps at balance sheet date was nil (2022: nil). The fixed interest rate is nil (2022: nil). Refer to note 4.1.3 for timing of contractual cash flows relating to interest rate swaps.

***Foreign exchange contracts - cash flow hedge***

The objective of these contracts is to hedge highly probable anticipated foreign currency purchases against currency fluctuations. These contracts are timed to mature when import purchases are scheduled for payment. The notional amount of foreign exchange contracts amounts to US$109,254,000 / NZ$173,717,000 (2022: US$106,730,000 / NZ$159,303,000).

No material hedge ineffectiveness for interest rate swaps or foreign exchange contracts exists as at balance sheet date (2022: nil).

Refer to note 4.2.1 for a sensitivity analysis of foreign exchange risk associated with derivative financial instruments.

### *4.2.1 Foreign exchange risk*

Foreign exchange risk is the risk that fluctuations in exchange rates will impact the Group's financial performance. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the AUD, USD and EUR.

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Foreign exchange risk | Foreign currency purchases (over 90% of purchases in USD) | Forecast purchases<br>Reviewing exchange rate movements | USD foreign exchange derivatives |

The Group is exposed to currency risk on any cash remitted between entities in different jurisdictions. The Group does not hedge for such remittances. Interest on borrowings is typically denominated in either New Zealand, Australian or US dollars and is paid for out of surplus operating cashflows generated in New Zealand, Australia and the US.

**Foreign currency sensitivity analysis**

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk.

A sensitivity of -10% / +10% (2022: -10% / +10%) for foreign exchange risk has been selected. While it is unlikely that an equal movement of the New Zealand dollar would be observed against all currencies, an overall sensitivity of -10% / +10% (2022: -10% / +10%) is reasonable given the exchange rate volatility observed on a historic basis for the preceding five-year period and market expectation for potential future movements.

Amounts are shown net of income tax. All variables other than applicable exchange rates are held constant. The impact on equity is presented exclusive of the impact on retained earnings.

| | | -10% | | +10% | |
|---|---|---|---|---|---|
| | Carrying amount NZ$'000 | Profit NZ$'000 | Equity NZ$'000 | Profit NZ$'000 | Equity NZ$'000 |
| **As at 31 July 2023** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 49,488 | 2,625 | - | (2,147) | - |
| Trade and other receivables | 85,234 | 6,560 | - | (5,367) | - |
| Foreign exchange contracts – cash flow hedge | 2,560 | - | (12,251) | - | 10,023 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (189,380) | (13,188) | - | 10,790 | - |
| Interest bearing liabilities | (105,209) | (8,417) | - | 6,886 | - |
| Foreign exchange contracts – cash flow hedge | (1,160) | - | (6,626) | - | 5,422 |
| **Net increase / (decrease)** | | **(12,420)** | **(18,877)** | **10,162** | **15,445** |

| | | -10% | | +10% | |
|---|---|---|---|---|---|
| | Carrying amount NZ$'000 | Profit NZ$'000 | Equity NZ$'000 | Profit NZ$'000 | Equity NZ$'000 |
| **As at 31 July 2022** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 70,810 | 3,806 | - | (3,114) | - |
| Trade and other receivables | 92,882 | 7,303 | - | (5,975) | - |
| Foreign exchange contracts – cash flow hedge | 9,936 | - | (16,764) | - | 13,716 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (211,280) | (14,823) | - | 12,128 | - |
| Interest bearing liabilities | (110,881) | (8,870) | - | 7,258 | - |
| Foreign exchange contracts – cash flow hedge | - | - | (86) | - | 70 |
| **Net increase / (decrease)** | | **(12,584)** | **(16,850)** | **10,297** | **13,786** |





## 4.3 EQUITY

### KEEPING IT SIMPLE

This section explains material movements recorded in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 31 July 2023 are presented in the consolidated statement of changes in equity.

**Accounting policies**

***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

***Dividends***

Dividends are recognised through equity following the approval by the Company's directors.

### *4.3.1 Contributed equity - ordinary shares*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Ordinary shares fully paid | 629,079 | 626,380 |
| Opening balance | 626,380 | 626,380 |
| Shares issued under Executive and Senior Management Long-Term Incentive Plan | 2,699 | - |
| Shares issued under share entitlement offers and share placement | - | - |
| Closing balance | 629,079 | 626,380 |

***Number of issued shares***

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Opening balance | 709,001 | 709,001 |
| Shares issued under Executive and Senior Management Long-Term Incentive Plan | 2,346 | - |
| Shares issued under share entitlement offers and share placement | - | - |
| Closing balance | 711,347 | 709,001 |

As at 31 July 2023 there were 711,347,722 (2022: 709,001,384) ordinary issued shares in KMD Brands Limited and these are classified as equity.

2,346,338 shares (2022: nil) were issued under the 'Executive and Senior Management Long Term Incentive Plan 24 November 2010' during the year.

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares do not have a par value.

Refer to note 6.3 for employee share-based remuneration plans.

### *4.3.2 Reserves and retained earnings*

***Cash flow hedging reserve***

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in the accounting policy in note 4.2. The amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

***Foreign currency translation reserve***

The foreign currency translation reserve is used to record foreign currency translation differences arising on the translation of the Group entities results and financial position. The amounts are accumulated in other comprehensive income and recognised in profit or loss when the foreign operation is partially disposed of or sold.

***Share based payments reserve***

The share-based payments reserve is used to recognise the fair value of share options and performance rights granted but not exercised or lapsed. Amounts are transferred to share capital when vested options are exercised by the employee or performance rights are vested.

| | | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|---|
| *Cash flow hedging reserve* | | | |
| Opening balance | | 6,218 | 1,341 |
| Realised (gains) / losses transferred to hedged asset | | (14,443) | (7,794) |
| Revaluation movement | | 6,018 | 13,298 |
| Deferred taxation movement | 2.3 | 2,481 | (627) |
| Closing balance | | 274 | 6,218 |
| *Foreign currency translation reserve* | | | |
| Opening balance | | 6,491 | (29,462) |
| Currency translation differences – gross | | 3,200 | 35,953 |
| Currency translation differences – taxation | 2.3 | - | - |
| Closing balance | | 9,691 | 6,491 |
| *Share-based payments reserve* | | | |
| Opening balance | | 3,165 | 2,637 |
| Change during the year | | 568 | 914 |
| Deferred taxation movement | 2.3 | 252 | (309) |
| Transfer to share capital on vesting of shares to employees | | (2,699) | - |
| Share options / performance rights lapsed | | - | (77) |
| Closing balance | | 1,286 | 3,165 |
| *Other reserves* | | | |
| Opening balance | | (47) | (47) |
| Current year expense recognised in other comprehensive income | | - | - |
| Deferred taxation movement | 2.3 | - | - |
| Closing balance | | (47) | (47) |
| **Total reserves** | | **11,204** | **15,827** |

### *4.3.3 Dividends*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Prior year final dividend paid | 21,340 | 21,270 |
| Current year interim dividend paid | 21,341 | 21,270 |
| Dividends paid | 42,681 | 42,540 |

Dividends paid represent NZ$0.06 per share (2022: NZ $0.06).

### *4.3.4 Capital risk management*

The Group's capital includes contributed equity, reserves and retained earnings.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or draw down more debt.





# Section 5: Group Structure

**KEEPING IT SIMPLE**

This section provides information about the entities that make up the KMD Brands Limited Group and how they affect the financial performance and position of the Group.

## 5.1 SUBSIDIARY COMPANIES

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group:

- has power over the entity;
- is exposed to, or has rights to, variable returns from its involvement with the entity; and
- can use its power to affect returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All subsidiaries in the Group have a balance date of 31 July.

The following entities comprise the significant trading and holding companies of the Group:

| Companies | Parties to Deed of Cross Guarantee | Country of incorporation | Parent % holding 2023 | Parent % holding 2022 |
|---|---|---|---|---|
| *Parent entity:* | | | | |
| KMD Brands Limited | √ | New Zealand | | |
| *Subsidiaries:* | | | | |
| Kathmandu Group Holdings Limited | √ | New Zealand | 100% | 100% |
| KMD Brands Investments Limited | √ | New Zealand | 100% | 100% |
| KMD Brands Finance (NZ) Limited | | New Zealand | 100% | 100% |
| KMD Brands Finance (AU) Pty Limited | √ | Australia | 100% | - |
| KMD Brands Managed Services (NZ) Limited | √ | New Zealand | 100% | 100% |
| KMD Brands Managed Services (AU) Pty Ltd | √ | Australia | 100% | 100% |
| Kathmandu Limited | | New Zealand | 100% | 100% |
| Kathmandu Pty Ltd | √ | Australia | 100% | 100% |
| Kathmandu (U.K.) Limited | | United Kingdom | 100% | 100% |
| Kathmandu US Holdings LLC | | United States of America | 100% | 100% |
| Oboz Footwear LLC | | United States of America | 100% | 100% |
| Barrel Wave Holdings Pty Ltd | √ | Australia | 100% | 100% |
| Rip Curl Group Pty Ltd | √ | Australia | 100% | 100% |
| Rip Curl International Pty Ltd | √ | Australia | 100% | 100% |
| PT Jarosite | | Indonesia | 100% | 100% |
| Rip Curl Pty Ltd | √ | Australia | 100% | 100% |
| Onsmooth Thai Co Ltd | | Thailand | 100% | 100% |
| Rip Curl (Thailand) Ltd | | Thailand | 50% | 50% |
| Ozmosis Pty Ltd | √ | Australia | 100% | 100% |
| Rip Curl Japan | | Japan | 100% | 100% |
| Curl Retail No 1. Pty Ltd | | Australia | 100% | 100% |
| RC Surf NZ Limited | | New Zealand | 100% | 100% |
| Rip Curl Finance Pty Ltd | √ | Australia | 100% | 100% |
| Rip Curl Europe S.A.S | | France | 100% | 100% |
| Rip Curl Spain S.A.U | | Spain | 100% | 100% |
| Rip Curl Suisse S.A.R.L | | Switzerland | 100% | 100% |
| Rip Surf LDA | | Portugal | 100% | 100% |
| Rip Curl UK Ltd | | United Kingdom | 100% | 100% |
| KMD Brands Germany GMBH | | Germany | 100% | 100% |
| Rip Curl Nordic AB | | Sweden | 100% | 100% |
| KMD Brands Italy SRL | | Italy | 100% | - |
| Rip Curl Inc | | United States of America | 100% | 100% |
| Rip Curl Canada Inc | | Canada | 100% | 100% |
| Rip Curl Brazil LTDA | | Brazil | 100% | 100% |

## 5.2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (wholly owned Companies) Instrument 2016/785, the Australian-incorporated wholly owned subsidiaries listed in note 5.1 as parties to the Deed of Cross Guarantee are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports in Australia.

It is a condition of the ASIC Corporations Instrument that the Company and each of the subsidiaries listed enter a Deed of Cross Guarantee. The effect of the Deed is that each party guarantees to each creditor of each other party payment in full of any debt in the event of winding up of the other party under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the guarantee will only apply if after six months after a resolution or order winding up any creditor has not been paid in full.

A consolidated statement of comprehensive income and balance sheet are prepared for the Company and controlled entities that are parties to the Deed of Cross Guarantee, which eliminate all transactions between parties to the Deed of Cross Guarantee. These financial statements are included as a separate disclosure within the Consolidated Financial Statements in order to meet the Group's Australian statutory reporting obligations.

**Consolidated Statement of Comprehensive Income and Retained Earnings for the year ended 31 July 2023**

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Sales | 578,794 | 530,199 |
| Expenses | (534,747) | (484,712) |
| Finance costs – net | (25,281) | 1,965 |
| **Profit before income tax** | **18,766** | **47,452** |
| Income tax expense | (6,429) | (12,848) |
| **Profit after income tax** | **12,337** | **34,604** |
| Other comprehensive income | 2 | 14,837 |
| **Total comprehensive income for the year** | **12,339** | **49,441** |
| | | |
| **Opening retained earnings** | **(56,567)** | **(48,708)** |
| Profit for the year after income tax | 12,337 | 34,604 |
| Dividends paid | (42,681) | (42,540) |
| Share options / performance rights lapsed | - | 77 |
| **Closing retained earnings** | **(86,911)** | **(56,567)** |

**Consolidated Balance Sheet as at 31 July 2023**

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| ASSETS | | |
| **Current assets** | | |
| Cash and cash equivalents | 7,618 | 23,201 |
| Trade and other receivables | 34,945 | 23,453 |
| Inventories | 111,095 | 136,195 |
| Derivative financial instruments | 2,084 | 4,948 |
| Current tax asset | 7,947 | 660 |
| Other current assets | 752 | 770 |
| **Total current assets** | **164,441** | **189,227** |
| | | |
| **Non-current assets** | | |
| Trade and other receivables | 104,918 | 87,736 |
| Investments | 351,251 | 354,777 |
| Property, plant and equipment | 45,691 | 40,357 |
| Intangible assets | 475,903 | 477,908 |
| Right-of-use assets | 152,099 | 133,171 |
| **Total non-current assets** | **1,129,862** | **1,093,949** |
| **Total assets** | **1,294,303** | **1,283,176** |
| | | |
| LIABILITIES | | |
| **Current liabilities** | | |
| Trade and other payables | 88,967 | 86,931 |
| Derivative financial instruments | 518 | - |
| Current lease liabilities | 56,171 | 50,301 |
| **Total current liabilities** | **145,656** | **137,232** |
| | | |
| **Non-current liabilities** | | |
| Non-current trade and other payables | 8,619 | 7,542 |
| Interest bearing liabilities | 101,049 | 110,881 |
| Loans with related parties | 308,174 | 267,033 |
| Deferred tax | 73,011 | 76,073 |
| Non-current lease liabilities | 116,258 | 104,125 |
| **Total non-current liabilities** | **607,111** | **565,654** |
| **Total liabilities** | **752,767** | **702,886** |
| | | |
| **Net assets** | **541,536** | **580,290** |
| | | |
| EQUITY | | |
| Contributed equity – ordinary shares | 629,079 | 626,380 |
| Reserves | (632) | 10,477 |
| Retained earnings | (86,911) | (56,567) |
| **Total equity** | **541,536** | **580,290** |

# Section 6: Other Notes

## 6.1 RELATED PARTIES

All transactions with related parties were in the normal course of business and provided on commercial terms. No amounts owed to related parties have been written off or forgiven during the period.

### Key management personnel compensation

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Salaries | 5,442 | 5,189 |
| Other short-term employee benefits | 120 | 468 |
| Post-employment benefits | 344 | 201 |
| Termination benefits | - | 468 |
| Share-based payments expense | 568 | 308 |
| | 6,474 | 6,634 |

## 6.2 FAIR VALUES

The following methods and assumptions were used to estimate the fair values for each class of financial instrument:

### Trade debtors, trade creditors and bank balances

The carrying value of these items is equivalent to their fair value.

### Term liabilities

The fair value of the Group's term liabilities is estimated based on current market rates available to the Group for debt of similar maturity. The fair value of term liabilities equates to their current carrying value.

### Foreign exchange contracts and interest rate swaps

The fair value of these instruments is determined using valuation techniques (as they are not traded in an active market). These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include the fair value of interest rate swaps. These are calculated at the present value of the estimated future cash flows, based on observable yield curves and the fair value of forward foreign exchange contracts, as determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

These derivatives have all been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

### Guarantees and overdraft facilities

The fair value of these instruments is estimated on the basis that management do not expect settlement at face value to arise. The carrying value and fair value of these instruments are approximately nil. All guarantees are payable on demand.

## 6.3 EMPLOYEE SHARE-BASED REMUNERATION

*Accounting policy*

### Equity settled long term incentive plan

The Executive and Senior Management Long Term Incentive plan grants Group employee's performance rights subject to performance hurdles being met. The fair value of rights granted is recognised as an employee expense in the consolidated statement of comprehensive income with a corresponding increase in the employee share-based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. The fair value of the rights granted is measured using the KMD Brands Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to each vesting date. At each balance sheet date, the Company revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

### Executive and Senior Management Long Term Incentive Plan

On 20 November 2013, shareholders approved at the Annual General Meeting the continuation of an Employee Long Term Incentive Plan (LTI) (previously established 24 November 2010) to grant performance rights to Executive Directors, Senior Managers, Other Key Management Personnel and Wider Leadership Management.

### Long Term Performance Rights

Performance rights granted to Executive Directors and Senior Managers are summarised below:

| Grant date | Opening balance | Granted during the year | Vested during the year | Lapsed during the year | Closing balance |
|---|---|---|---|---|---|
| 20 Dec 2022 | - | 4,319,302 | - | (614,535) | 3,704,767 |
| 20 Dec 2021 | 1,511,540 | - | - | (197,256) | 1,314,284 |
| 22 Dec 2020 | 826,533 | - | - | - | 826,533 |
| 9 Jul 2020 | 159,941 | - | - | (159,941) | - |
| | 2,498,014 | 4,319,302 | - | (971,732) | 5,845,584 |

Long Term Incentive performance rights vest in equal tranches. In each tranche the rights are subject to a combination of a relative Total Shareholder Return (TSR) hurdle and / or an EPS growth hurdle. The relative weighting and number of tranches for each grant date are shown in the table below:

| Grant date | Tranche | EPS weighting | TSR weighting |
|---|---|---|---|
| 20 Dec 2022 | Tranche 1 | 50% | 50% |
| 20 Dec 2021 | Tranche 1 | 50% | 50% |
| 22 Dec 2020 | Tranche 1 | 50% | 50% |
| 9 Jul 2020 | Tranche 1 | 0% | 100% |

The proportion of rights subject to the relative TSR hurdle is dependent on KMD Brands Limited's TSR performance relative to a defined comparable group of companies in New Zealand and Australia listed on either the ASX or NZX. The percentage of TSR related rights vest according to the following performance criteria:

| KMD Brands Limited relative TSR ranking | % vesting |
|---|---|
| Below 50th percentile | 0% |
| 50th percentile | 50% |
| 51st – 74th percentile | 50% + 2% for each percentile above the 50th |
| 75th percentile or above | 100% |

The TSR performance is calculated for the following performance periods:

| Tranche | 2023 | 2022 |
|---|---|---|
| Tranche 1 | 36 months to 1 December 2025 | 36 months to 1 December 2024 |

The fair value of the TSR rights have been valued under a Monte Carlo simulation approach predicting KMD Brands Limited's TSR relative to the comparable group of companies at the respective vesting dates for each tranche. The fair value of TSR rights, along with the assumptions used to simulate the future share prices using a random-walk process are shown below:

| | 2023 | 2022 |
|---|---|---|
| Fair value of TSR rights | $0.72 | $1.03 |
| Current price at grant date | $1.06 | $1.47 |
| Risk free interest rate | 4.26% | 2.02% |
| Expected life (years) | 3 | 3 |
| Expected share volatility | 70.0% | 71.5% |

The estimated fair value for each tranche of rights issued is amortised over the vesting period from the grant date.

The proportion of rights subject to the EPS growth hurdle is dependent on the compound average annual growth in KMD Brands Limited's EPS relative to the year ending 31 July 2022 (2022: 31 July 2021). The applicable performance periods are:

| Tranche | 2023 | 2022 |
|---|---|---|
| Tranche 1 | FY25 EPS relative to FY22 EPS | FY24 EPS relative to FY21 EPS |

The percentage of the December 2020 EPS growth related rights scales according to the compound average annual EPS growth over three years. Each year's target is set annually, and an average is taken over the three years to determine overall achievement.

The fair values of the EPS rights have been assessed as the KMD Brands Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to each vesting date. The estimated fair value for each tranche of options issued is amortised over the vesting period from the grant date.

Vesting of Long Term Incentive performance rights also require remaining in employment with the Company during the performance period.

**Short Term Performance Rights**

Transitional performance rights granted to Senior Managers and Wider Leadership Management are all Short Term Incentives under the shareholder approved Employee Long Term Incentive Plan, and are summarised below:

| | Opening balance | Granted during the year | Vested during the year | Lapsed during the year | Closing balance |
|---|---|---|---|---|---|
| **Grant date** | | | | | |
| 20 Dec 2022 | - | 2,899,082 | - | - | 2,899,082 |
| 20 Dec 2021 | 3,322,092 | - | - | (3,322,092) | - |
| | 3,322,092 | 2,899,082 | - | (3,322,092) | 2,899,082 |

Short Term Incentive performance rights vest:

- upon the Company achieving non-market performance hurdles; and
- the employee remaining in employment with the Company until the vesting date.

The performance period and vesting dates are summarised below:

| | 2023 | 2022 |
|---|---|---|
| Grant date | 20 Dec 2022 | 20 Dec 2021 |
| Performance period (year ending) | 31 July 2023 | 31 July 2022 |
| Vesting date | 31 July 2024 | 31 July 2023 |

The fair values of the rights were assessed as the KMD Brands Limited share price at the grant date less the present value of the dividends forecast to be paid prior to the vesting date.

The non-market performance hurdles set for the year ending 31 July 2023 were not met and accordingly no expense (2022: nil) was recognised in the consolidated statement of comprehensive income in respect of Short Term Incentive performance rights granted 20 December 2021.

**Expenses arising from equity settled share-based payments transactions**

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Long term performance rights | 616 | 308 |
| Short term performance rights | (48) | 606 |
| | 568 | 914 |

## 6.4 CONTINGENT LIABILITIES

The Group is subject to litigation incidental to its business, none of which is expected to be material. No material provision has been made in the Group's consolidated financial statements in relation to any current litigation and the Directors believe that such litigation will not have a material effect on the Group's consolidated financial position, results of operations or cash flows. There are $677,000 of contingent liabilities as at 31 July 2023 (2021: $662,000).

## 6.5 CONTINGENT ASSETS

There are no contingent assets as at 31 July 2023 (2022: nil).

## 6.6 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On the 20 September 2023 the Board of Directors have announced that they will pay a final dividend of 3.0 cents per share, unfranked for Australian shareholders, and not imputed for New Zealand shareholders. This dividend is not recorded in the consolidated financial statements.

## 6.7 SUPPLEMENTARY INFORMATION

### *Directors' fees*

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| Directors' fees | 1,084 | 942 |

Directors' fees for the Company were paid to the following:

- David Kirk (Chairman)
- Philip Bowman
- Brent Scrimshaw
- Andrea Martens
- Abby Foote
- Zion Armstrong (Appointed 1 December 2022)
- John Harvey (Retired 1 December 2022)

### *Audit fees*

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and other network audit firms:

| | 2023 NZ$'000 | 2022 NZ$'000 |
|---|---|---|
| **Audit services – Group auditor** | | |
| Group audit - KPMG New Zealand | 513 | 386 |
| Group audit - KPMG Australia | - | 131 |
| France statutory audit - KPMG France | 58 | 51 |
| Thailand statutory audit - KPMG Thailand | 38 | 33 |
| UK statutory audit - KPMG New Zealand | - | 20 |
| | 609 | 621 |
| **Audit services - other audit firms** | 114 | 106 |
| **Total fees for audit services** | 723 | 727 |
| **Non-audit services – Group auditor** | | |
| Taxation services - KPMG US | 332 | 167 |
| Employee Retention Credits application - KPMG US | 87 | 135 |
| Revenue certificates - KPMG New Zealand | 1 | - |
| Banking compliance certificates - KPMG New Zealand | 5 | - |
| | 425 | 302 |

## 6.8 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

**New standards and interpretations first applied in the period**

Non-current Liabilities with Covenants (Amendments to NZ IAS 1) has been early adopted during the period. This amendment;

- Changed the existing requirement to classify a liability as current when a Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date by removing the requirement for a right to be unconditional and instead now requiring that a right to defer settlement must exist at the reporting date and have substance.
- Specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- Explains that rights are in existence if covenants are complied with at the end of the reporting period and clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date; and
- Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The impact of early adoption is that the Group's Interest-bearing liabilities under the new facility agreement are classified as non-current.

There are no other new accounting standards or interpretations first applied in the period.

**Standards, interpretations and amendments to published standards that are not yet effective**

There are no standards or amendments published but not yet effective that are expected to have a significant impact on the Group.

# Independent Auditor's Report

To the shareholders of KMD Brands Limited

**Report on the audit of the consolidated financial statements**

## Opinion

In our opinion, the consolidated financial statements of KMD Brands Limited (the 'company') and its subsidiaries (the 'group') on pages 122 to 167 present fairly, in all material respects:

i. the Group's financial position as at 31 July 2023 and its financial performance and cash flows for the year ended on that date;

ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated balance sheet as at 31 July 2023;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the group in relation to tax compliance services, reasonable assurance engagement in relation to bank covenant compliance and agreed upon procedures for store turnover certificates. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $3 million determined with reference to a benchmark of group profit before tax after certain adjustments have been made. We chose the benchmark because, in our view, this is a key measure of the group's performance.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment assessment of indefinite life intangible assets – Goodwill and Brands (note 3.3)** | |
| The group has goodwill and brand assets of $287.9 million and $360.9 million respectively. These assets are a result of the historical acquisitions of the Kathmandu, Oboz and Rip Curl businesses.<br><br>Impairment assessment of Goodwill and Brand assets is considered to be a key audit matter due to the significance of these assets to the group's financial position and the level of management judgement involved in the impairment assessment.<br><br>These judgements include:<br>— Determination of cash generating units (CGUs), or group of CGUs, to consider for testing;<br>— Forecast future performance for each CGU, or group of CGUs; and<br>— Assessment of discount and terminal growth rates. | Our audit procedures included:<br>— Assessing the consistency of management's approach against the requirements of the accounting standards, including assessment of the CGU level at which to test the intangible assets;<br>— Utilising our corporate finance specialists to challenge and assess management's assumptions, including the external expert support for terminal growth rates and discount rates. This involved independently developing a range for terminal growth and discount rates based on market data to challenge the rates determined by the external expert;<br>— Assessing the integrity and mechanical accuracy of the impairment models;<br>— Challenging the forecast cash flows in light of current market conditions and past performance of the group; and<br>— Considering the sensitivity of key assumptions to changes within a reasonably possible range and associated financial statement disclosures.<br><br>We did not identify any material misstatements in relation to the impairment assessment of indefinite life intangible assets or associated disclosures. |
| **Existence and valuation of inventory (note 3.1.1)** | |
| The Group has inventory of $290.4 million. Inventory is a key component of working capital, and is required to be carried at the lower of cost and net realisable value. Existence and valuation of inventory is considered to be a key audit matter due to the significance of these assets to the group's financial position and future performance, the judgement involved in assessing valuation, and the number of locations at which inventory is held.<br><br>The Group performs stocktakes to confirm the existence of inventory, and | Our audit procedures included:<br>— Challenging the methodology applied by management to calculate the inventory provisions. In addition, we checked a sample of inputs in the inventory provision calculations for consistency with the last purchase date, aging, or last sale date;<br>— Comparing products sold with negative margin during the year to the level of product on hand at year end and assessing whether inventory is held at the lower of cost and net realisable value; |

| The key audit matter | How the matter was addressed in our audit |
| --- | --- |
| recognises a reduction for shrinkage between stocktakes and year end.<br><br>In recognising a provision for inventory, management apply judgement by considering a range of factors including historical results, stock shrinkage trends, aging of products relative to purchase and last sale dates and product lifecycle. | — Assessing a sample of inventory items to recent purchase invoices, and assessing the weighted average cost of items; and<br><br>— Attending selected stocktakes and performing test counts or obtaining third party confirmation of inventory on hand.<br><br>We did not identify any variations that would materially affect the carrying value of inventory. |

## Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Integrated Report. Other information comprises the information in the Annual Integrated Report that is not the financial statements or independent auditor's report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor.

For and on behalf of

KPMG

KPMG
Christchurch

20 September 2023

# ADDITIONAL DISCLOSURES
# Corporate Governance Statement

The Board and management of KMD Brands Limited (the "Company") and its related companies ("the Group") are committed to adhering to best practice governance principles and maintaining the highest ethical standards. The Board is responsible for the overall governance of the Group, including adopting the appropriate policies and procedures and guiding Directors, management, and employees of the Group's businesses to fulfil their functions effectively and responsibly.

The Company regularly examines its governance arrangements against national and international standards. The Company has developed its corporate governance policies and practices in line with the principles and recommendations set out in the New Zealand Stock Exchange ("**NZX**)" Corporate Governance Code 1 April 2023 ("**NZX Code**") and Listing Rules ("NZX Listing Rules").

This Corporate Governance Statement details the Company's key corporate governance arrangements. Our disclosures below also include disclosures under the GRI universal standards. For the duration of the reporting period, the Company has followed the recommendations set out in the NZX Code where appropriate, having regard to the size of the Group and the Board, the resources available and the activities of the Group's businesses. After due consideration, the Board considers that the only significant departures of the Company's corporate governance practices from the recommendations set out in the updated NZX Code during the reporting period are in relation to Recommendation 2.5 where the Company must state a specified period for the measurable objects for achieving gender diversity in relation to the composition of the Board. Information about the Company's approach in these areas is separately identified in this corporate governance statement.

The Company's relevant charters and policies are available in the "Governance" section of the Company's Investor Website at https://www.kmdbrands.com/corporate-governance.

The information in this Corporate Governance Statement is provided as at 31 July 2023 (except where otherwise specified). This Corporate Governance Statement has been approved by the Board.

## PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

The Company is committed to fostering a culture of best practice and ethical behaviour and therefore expects the members of its Board and all employees to act in accordance with the Company's values, policies, and legal obligations. All Directors and employees joining the Group are provided with information and training on the Group's values, and the following policies, and updates and refreshers are provided on a regular basis.

### Code of Ethics

The Board recognises the need to observe the highest standards of ethical corporate practice and business conduct. The Board has a formal Code of Ethics, to be followed by all Directors and employees, which provides a guide for both behaviour and decision making, reflecting the values of the Group. Any material breaches of the Code of Ethics are reported to the Board.

The key aspects of the Code of Ethics are to:

- act with openness, fairness, integrity and with the benefit mindset;
- operate with diligence and carry out responsibilities to the highest standard;
- act ethically, responsibly and to comply with the law;
- be accountable for acts and decisions; and
- speak up if aware of conduct that may be a breach of the Code of Ethics.

Training on the Code of Ethics was last provided to all employees in Australia, New Zealand, USA and Canada in October 2022 following a material review and update of the Code of Ethics approved by the Board in August 2022. 30% of the employees that were provided the training completed it during the current reporting period.

The Group maintains a formal Whistleblowing Policy recognising that the protection of whistleblowers is integral to fostering transparency, promoting integrity, and detecting misconduct. The best way to fulfil this commitment is to create an environment in which employees who have genuine concerns about improper conduct, unacceptable behaviour, or wrong-doing feel safe to report it without fear of reprisal. Our whistleblowing policy outlines the mechanisms available to raise concerns about the organisation's business conduct including reporting to the designated Whistleblower Protection Officer or to KMD Brands external and independent Whistleblower hotline.

Any material incidents are required to be communicated to the Board throughout the year. In the current reporting period, there have not been any critical concerns that were required to be communicated to the Board.

### Securities Trading Policy

The Company has a formal Securities Trading Policy for dealing in the Company's securities by Directors and employees, which provides transparency about expectations and requirements. The Securities Trading Policy is not designed to prohibit Directors and employees from investing in the Company's securities but recognises that there are times when Directors or employees cannot, or should not, deal in those securities.

In addition to the overriding restriction that persons may not deal in the Company's securities while they are in possession of non-public material information, all Company personnel are not permitted to deal in securities during certain 'blackout periods'; being the eight weeks prior to the Company's half year and full year balance date until the first trading day after the release of the half and full year results announcements.

Directors and senior executives must always receive clearance from the Chairperson of the Board before any proposed dealing in Company securities. Where a Director or senior executive is subject to exceptional circumstances (such as severe financial hardship), written approval may be granted by the independent Directors for the disposal of Company securities during a blackout period, provided the individual concerned is not in possession of any non-public material information.

The Securities Trading Policy prohibits Directors, senior executives, key management personnel and all other employees from entering into hedging or other arrangements that have the effect of limiting the economic risk in connection with unvested securities issued pursuant to any employee option or share plan.

## PRINCIPLE 2 – BOARD COMPOSITION & PERFORMANCE

### Roles and Responsibilities

The Board is responsible for the overall supervision and governance of the Group. A framework for the effective operation of the Board is set out in the Board Charter, which includes the following responsibilities:

- the long-term growth and profitability of the Company;
- developing the strategic and financial objectives for the Company, including those related to sustainable development;
- monitoring management's implementation of key policies, strategies, and financial objectives;
- directing, monitoring and assessing the Company's performance against strategic business plans;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- identifying the principal risks of the Company's business;
- reviewing and ratifying the Company's systems of internal compliance and control, risk management, legal compliance, corporate governance practices, financial and other reporting;
- appointing and removing the Group Chief Executive Officer ("CEO");
- ratifying the appointment, and where appropriate, the removal of the senior executives of the Group;
- approving the remuneration framework for the Group; and
- monitoring and reviewing Board succession planning.

The Board is ultimately responsible for overseeing the processes to identify and manage the Group's impacts on the economy, environment and people and has appointed the Group CEO to direct the day-to-day management of Group operations and engage with stakeholders to support these processes. Each of the Group Executive team members have been delegated specific areas of responsibility for managing these impacts across the businesses' operations including the Chief Legal & ESG (Environmental, Social and Governance) Officer, who is responsible for execution of the Group ESG strategy, the Chief People Officer who is responsible for policies and initiatives to support a people-centred culture and workplace that fosters health, safety, wellbeing and inclusiveness; the Chief Commercial Officer who is responsible for supply chain impacts and the Chief Financial Officer who oversees financial health and stability for the Group.

Each of the brand CEOs are ultimately responsible for driving activities within their individual brand business units. All Group officers report directly to the Group CEO, with written and in person updates provided on the management of economic, environmental and people impacts at regular board meetings, which occur at least eight times a year. Matters reserved for the Board and the scope and limitations of delegations to the Group CEO, Group executives and management personnel are set out in a Group Delegated Authority Policy approved by the Board on an annual basis.

### Board Composition

At 31 July 2023, the Board is comprised of seven Directors, namely David Kirk, Michael Daly, Philip Bowman, Brent Scrimshaw, Andrea Martens, Zion Armstrong, and Abby Foote. The Chairperson of the Board is David Kirk, an independent Director. Six out of the seven Directors are non-executive Directors. Michael Daly (Managing Director and Group CEO) is the only executive Director on the Board.

The Board assesses the independence of its Directors in accordance with the requirements set out in the Board Charter, the NZX Listing Rules and the NZX Code. Michael Daly, as Managing Director, is employed by the Company in an executive capacity and is not considered to be an independent Director. David Kirk, Philip Bowman, Brent Scrimshaw, Andrea Martens, Zion Armstrong, and Abby Foote are considered independent Directors.

A brief biography of each Board member can be found in the "Board and Management" section of the Company's Investor Website, including the relevant qualifications and experience of each Board member.

### Nomination and Appointment

New Directors are selected through a nomination and appointment procedure administered by the Board, as outlined in the Board Charter.

The Board has systems in place which require that appropriate checks are conducted before appointing any new Director or putting a candidate forward to the Company's shareholders for election as a Director. Ensuring that, as a collective group, the Board members hold the skills, experience, knowledge, and diversity needed to discharge the Board's functions and responsibilities.

The Company enters into written agreements with each newly appointed Director or senior executive establishing the terms of their appointment.

### Skills Matrix

The Board benefits from a combination of the different skills, experiences, and expertise that the Directors bring to the Board and the insights that result from this diversity. The Board is satisfied that the current composition of the Board reflects an appropriate range of the skills, experience, knowledge, and diversity needed to discharge the Board's functions and responsibilities and to achieve the strategic aims of the Group. The Board continues to monitor and review Board composition. The Board has developed a skills matrix which it uses to assist in developing plans for long-term succession planning to identify current and future skills gaps.

## SKILLS OF OUR DIRECTORS

| BUILD GLOBAL BRANDS | SUBSTANTIAL | MEDIUM |
|---|---|---|
| Global brand, consumer goods product development | ●●●●● | ○ |
| Customer omni-channel management | ●●●● | ○○○ |
| Strategy development and commercial acumen | ●●●●●●● | |
| **ELEVATE DIGITAL** | | |
| Customer-centric e-commerce, digital and data | ●●●● | ○○○ |
| **LEAD IN ESG** | | |
| Sustainability for communities, climate and product circularity | ●● | ○○○ |
| Governance experience of listed companies | ●●●● | ○○ |
| Risk mangement including non financial risk | ●●● | ○○○○ |
| **LEVERAGE OPERATIONAL EXCELLENCE** | | |
| Finance, integrated reporting and audit | ●●●● | ○○○ |
| Capital allocation, including mergers and acquisitions | ●●●● | ○○ |
| Human capital, talent and culture | ●●●● | ○○○ |
| International business development | ●●●●● | ○○ |
| Executive leadership at scale | ●●●●●● | |

During the year, the measures taken to advance the collective knowledge, skills, and experience of the Board of on sustainability governance include information on science-based targets, the NZ Climate-Related Disclosure reporting framework and the B Corp framework and purpose.

The Skills of our Directors chart on page 174 summarises the skills, attributes and experience held by the Directors of the Company during the reporting period. Percentages are determined as at the date of this Corporate Governance Statement.

### Tenure

Directors are appointed and retire by rotation in accordance with the Company's constitution and the NZX Listing Rules. Director tenure is taken into account by the Board when considering the independence of each Director in accordance with the NZX Code.

The average tenure for non-executive Directors is five years with the following tenure mix:

| Tenure of Non-Executive Directors | |
|---|---|
| 6 – 10 years | 1 |
| 3 – 5 years | 3 |
| <2 years | 2 |

### Measuring Board Performance

The Board undertakes an annual self-evaluation of its performance against the requirements and expectations of the Board Charter and the Board's role in overseeing the Group, including its impacts on the economy, environment, and people. The performance of the Board's committees is also reviewed on an annual basis, alongside the goals and objectives for the Board for the upcoming year. This performance review also identifies any changes needed to the Board and Committee Charters and is used to assist in developing plans for long term succession planning for Board composition and future training needs. The Board approves the criteria for assessing annual performance of the Group CEO.

The performance review process in respect of the FY23 reporting period is currently underway, involving individual interviews with each director.

The Board makes appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and to keep up to date on changes in areas relevant to their roles.

### Diversity and Inclusion

The Group embraces and encourages a diverse and inclusive workplace culture. This enriches collaborative and creative thinking to provide innovative products and world class customer service to an equally diverse global community.

The Company maintains a written Diversity Policy in accordance with the NZX Code, which affirms the Group's commitment to harnessing differences to encourage an innovative, responsive, and productive workplace, creating value and rewards for customers, the team, shareholders, and the community.

As part of the Diversity Policy, the People and Remuneration Committee sets measurable objectives for achieving diversity across the Group which includes factors beyond gender diversity. The People and Remuneration Committee carries out an annual assessment of its diversity objectives and measures its progress towards achieving these objectives. Following this review, the Board considers that the principles of the Group's Diversity Policy are currently well-reflected in the variety of cultures, unique experiences, perspectives, and beliefs represented by its teams.

More information about the Group's approach to diversity and inclusion, including progress against the measurable objectives set by the People and Remuneration Committee, can be found in the "Our People" section of this report.

### Gender Composition of the Company's Board of Directors and Officers

The Group has set a measurable objective for achieving gender diversity in relation to the composition of its Board and Officers, of not less than 40% who self-identify as male and 40% who self-identify as female.

The Board has not determined a specified period for meeting this measurable objective. In recruitment, the Company seeks candidates with the specific capabilities, including global apparel experience, required to support the Group, selecting from a balanced pool of candidates. Ultimately, the best person for the role is selected, notwithstanding gender identification. The Company is committed to its stated targets and initiatives to improve diversity and will transparently disclose its progress on these objectives.

For the purposes of the table below, "Officer" means the Group executive team, being those roles reporting to Michael Daly in his capacity as Group Chief Executive Officer.

As at 31 July 2023, the gender composition of the Company's Board and Officers is as follows:

| | Directors | | Officers | |
|---|---|---|---|---|
| | FY23 | FY22 | FY23 | FY22 |
| Male | 5 | 5 | 4 | 5 |
| Female | 2 | 2 | 4 | 4 |
| Gender diverse | 0 | 0 | 0 | 0 |
| **Total** | **7** | **7** | **8** | **9** |
| % Male | 71% | 71% | 50% | 56% |
| % Female | 29% | 29% | 50% | 44% |

As at 31 July 2023, the Group had a total of 3,060 female employees, 1,754 male employees, 8 gender diverse and 21 employees with undisclosed gender.

We will work towards reporting gender pay gap information across the various management levels within our Group in a future reporting period.

## PRINCIPLE 3 - BOARD COMMITTEES

The Board has established and maintains two committees to assist with discharging the Board's responsibilities: the Audit and Risk Committee and the People and Remuneration Committee. The Board may establish other committees as and when required based on the needs of the Group.

Each Committee is governed by its own Charter, which has been adopted by the Board, and is reviewed periodically. The Committee charters are available in the "Governance" section of the Company's Investor Website at https://www.kmdbrands.com/corporate-governance.

Membership of each Committee is based on the needs of the Company, relevant legislative and other requirements and the skills and experience, of individual Directors. Meetings of the Committees are scheduled to coincide with the Board meeting timetable. Each Committee makes recommendations to the full Board for consideration and decision-making as and when required.

The Company does not have a nomination committee. Due to the size of the Company's Board, the Board as a whole retains the responsibility for recommending new Director appointments. The Board considers that it is able to deal efficiently and effectively with the processes of appointment and reappointment of Directors to the Board and considerations of Board composition and succession planning. The Board draws on the experience and advice of external recruitment specialists for assistance when required.

The Board will continue to review the needs of the Group in relation to the Director nomination process and whether a change of approach in this area is needed.

A summary of the roles, responsibilities, and membership of these two Committees (as at 31 July 2023) is set out opposite.

| | AUDIT AND RISK COMMITTEE | PEOPLE AND REMUNERATION COMMITTEE |
|---|---|---|
| **Roles and responsibilities** | • Overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management, compliance, and external audit;<br>• Monitoring the Group's compliance with laws and regulations and the Company's Code of Ethics;<br>• Encouraging effective relationships with, and communication between, the Board, management, and the Company's external auditor; and<br>• Evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard the Company's assets. | • Overseeing the development and application of the Group Human Resources strategy, the remuneration framework, and associated policies;<br>• Assisting the Board in relation to matters concerning remuneration of senior executives, and Directors;<br>• Providing effective remuneration policies and programmes to motivate high performance from all employees; and<br>• Confirming that appropriate and effective policies for managing the performance and development of employees at all levels are in place. |
| **Membership** | At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors. At least one member must have an accounting or financial background. The Chair is to be an independent non-executive Director, who is not the Chair of the Board.<br>Current members:<br>• Abby Foote (Chair)<br>• David Kirk<br>• Philip Bowman<br>• Zion Armstrong<br>Senior executives may be invited to attend Audit and Risk Committee meetings by invitation only. | At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors. The Chair is to be an independent, non-executive Director.<br>Current members:<br>• Andrea Martens (Chair)<br>• David Kirk<br>• Brent Scrimshaw<br>Senior executives may be invited to attend People and Remuneration Committee meetings by invitation only. |

**Attendance**

The number of meetings of the Board of Directors and the Board Committees held during the year ended 31 July 2023 and the numbers of meetings attended by each Director were:

| | Board | | Audit and Risk Committee | | People and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| David Kirk | 9 | 9 | 5 | 5 | 5 | 5 |
| John Harvey (retired 1 December 2022) | 2 | 4 | 2 | 3 | - | - |
| Andrea Martens | 9 | 9 | - | - | 4 | 5 |
| Brent Scrimshaw | 8 | 9 | - | - | 4 | 5 |
| Philip Bowman | 9 | 9 | 4 | 5 | - | - |
| Michael Daly | 9 | 9 | - | - | - | - |
| Abby Foote | 9 | 9 | 5 | 5 | - | - |
| Zion Armstrong (appointed 1 December 2022) | 5 | 5 | 2 | 2 | - | - |

**Takeover Protocols**

The Board has appropriate protocols in place that set out the procedure to be followed if there is an offer to take a controlling interest in the Company. A committee of independent Directors would be formed who would have responsibility for managing the takeover process in accordance with the Board protocols and the New Zealand Takeovers Code.

## PRINCIPLE 4 – REPORTING & DISCLOSURE

The Company is committed to promoting investor confidence by providing all stakeholders with timely, accurate and balanced disclosure of information regarding its financial, non-financial and operational matters.

The Company's Code of Ethics, Board and Committee Charters and other key governance policies and documents are available on its Investor Website at https://www.kmdbrands.com/investor-centre/corporate-governance/

**Continuous Disclosure Policy**

The Company's Continuous Disclosure Policy provides that all Directors, executives, and employees are required to be aware of and fulfil their obligations in relation to the timely disclosure of material information. The Continuous Disclosure Policy explains the respective roles and responsibilities, procedures, and processes in place to ensure the Company observes its continuous disclosure obligations under the NZX Listing Rules. The Continuous Disclosure Policy is available and accessible to all Group employees and training on its contents is provided regularly.

**Financial Reporting**

The Audit and Risk Committee oversees the quality of external financial reporting including the veracity, comprehensiveness, and timeliness of financial statements. The Company seeks to provide clear, concise financial statements.

Before the Board approves financial statements for the Group for a financial period, it receives from the Group CEO and Group Chief Financial Officer ("CFO") a declaration that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements comply with the appropriate accounting standards and other applicable laws and regulations;
- the financial statements give a true and fair view of the financial position and performance of the Group; and
- that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Non-Financial Reporting**

The Company is committed to sharing information about its environmental and social impact. Across the Group, the Company is committed to protecting workers' rights, minimising waste, and lowering the environmental impacts of the Group's business operations through understanding its supply chain. Throughout this report, the Company has described the material ESG risks faced by the Group and how the Company plans to manage those risks. The Company uses and reports in reference to the Global Reporting Initiative (GRI) Standards framework and the Sustainability Accounting Standards Board (SASB) requirements, as well as the B Corp framework to identify, monitor and manage those risks. Refer also to the Appendices for further information.

## PRINCIPLE 5 – REMUNERATION

The People and Remuneration Committee is responsible for reviewing remuneration packages for the Group CEO and senior executives and making recommendations to shareholders in relation to non-executive Directors' remuneration.

The People and Remuneration Committee adopts a series of principles in determining remuneration related decisions. The principles used are:

- the remuneration structure should reward those employees who can influence the achievement of the Group's strategic objectives and business plans to enhance shareholder value for successful Group performance outcomes and their contribution to these;
- executive remuneration should be market competitive, and generally account for market practice including consideration of employee place of domicile;
- executives' remuneration packages have a mix of fixed and variable pay and should have:
  - a substantial portion of their total remuneration that is "at risk" and aligned with reward for creating shareholder value,
  - an appropriate balance between short and long-term performance focus and outcomes,
  - a mix of cash and equity-based remuneration;
- due to the Group CEO's leadership role in establishing and delivering achievement of medium and long term Group strategic objectives and business plans, and increasing shareholder value over that period, the Group CEO, relative to other executives, should have:
  - a greater proportion of total remuneration (at least 50%) that is "at risk", i.e. contingent upon the achievement of performance hurdles, and
  - a greater proportion of "at risk" remuneration weighted towards equity-based rewards rather than cash;
- non-executive Directors' remuneration should enable the Company to attract and retain high quality Directors with the relevant experience. In order to maintain independence and impartiality, non-executive Directors should not receive performance-based remuneration; and
- the Board uses discretion when setting remuneration levels, taking into account interests of shareholders, the current market environment and Group performance.

The current approved pool of remuneration available for payment to non-executive Directors is AUD $1,250,000 in aggregate. This was approved by shareholders at the Annual Shareholders' Meeting on 16 November 2022. In the year ended 31 July 2023, total fees paid to non-executive Directors amounted to NZD $1,083,710.

Details of the total remuneration and value of other benefits received by each director from the Company during the reporting period is set out on page 185 of this report.

**Remuneration Policy**

The Company maintains a Remuneration Policy in relation to its Directors, executives and employees which provides for remuneration at fair and reasonable levels throughout the Group. The purpose of the Remuneration Policy is to provide for coherent remuneration practices

which enable the attraction and retention of high calibre individuals who contribute positively to the achievement of the Group's strategy and objectives, and ultimately create value for the Company's shareholders. The remuneration of executive and non-executive Directors is clearly differentiated in the Remuneration Policy.

The Board, through the People and Remuneration Committee, undertakes its governance role in setting Group executive remuneration including, where required, use of external independent remuneration consultants and/or available market information.

The Group executive remuneration structure has three components:

- base salary and benefits (reviewed annually to assess appropriateness to the position and competitiveness within the market);
- Short Term Incentives ("STI") determined on the basis of achievement of specific targets and outcomes relating to annual Group financial performance, and individual value adding performance objectives; and
- Long Term Incentives ("LTI") via participation in the Company's LTI Plan.

**Short Term Incentives**

Group executives and certain senior employees are eligible to participate in an annual STI that delivers rewards by way of cash and/or deferred equity. Group Earnings Before Interest and Tax (EBIT), has been determined as the appropriate financial performance target to trigger payment of STI. The amount of any STI paid in a year is dependent upon:

a) the level of performance achieved against the Group's financial performance target (EBIT) for the year; and

b) the outcome of individual value adding performance, measured by achievement of individual Key Performance Indicators ("KPIs"), subject to a minimum level of performance achieved by the Group relative to the financial performance target (EBIT) for the year.

STI outcomes for the executive team are aligned with the Group's strategic objectives. Each of the Group executive team members, including our CEO, has individual KPIs linked to our four Group strategic pillars, including non-financial performance objectives, specific to each executive's role and responsibility.

For executives and senior employees where a short-term equity incentive is earned, vesting is subject to ongoing employment by the Group for a period of one year following the end of the financial year in which the incentive is earned.

**Long Term Incentive Plan**

Performance Share Rights ("PSRs") under the Group's LTI Plan have been offered each year since the LTI Plan was originally implemented in 2010.

The LTI Plan is intended to focus performance on achievement of key long-term performance metrics. The selected performance measures provide an appropriate balance between relative and absolute Company performance. The Board continues to reassess the plan and its structure to confirm it will best support and facilitate the growth in shareholder value over the long term relative to current business plans and strategies.

PSRs granted to the Group executive during the reporting period are dependent upon the following:

- 50% of vesting is subject to an Earnings Per Share ("EPS") Compound Annual Growth Rate ("CAGR") hurdle over a three-year period between 1 August 2022 and 31 July 2025 ("Performance Period"). At the conclusion of the Performance Period, the EPS performance in each financial year will be averaged to compare against average EPS growth from the start to the end of the Performance Period. Vesting is on a sliding scale proportionate to the total EPS CAGR over the three-year performance period; and
- 50% of vesting is subject to the Company achieving relative Total Shareholder Return ("TSR") targets over a three-year period from 1 August 2022 to 31 July 2025. TSR is measured on a relative basis against a comparator group of Australian Stock Exchange ("ASX") listed companies (other than metal and mining stocks) ranked 101 to 200 in the S&P/ASX200 as at the date of the grant. Vesting is on a sliding scale proportionate to the TSR performance.

Performance measurement is at the end of the applicable Performance Period with no ability to re-test. In respect of PSRs granted during the reporting period, the relevant portion of the award that will vest is determined based on the percentile ranking of the Company against the comparator group at the end of the performance period. PSRs are granted at nil cost.

**Group CEO Remuneration**

Group CEO remuneration comprises a mixture of base salary, STI and LTI.

The Group CEO remuneration for the year ending 31 July 2023 is set out in the table below:

**Michael Daly Group CEO Remuneration package for FY23**

| | A$ |
|---|---|
| Fixed (Base salary, superannuation) | $1,127,500 ($1,100,000 plus super $27,500) |
| STI (60% of fixed) | $676,500 |
| LTI (70% of fixed) | $789,250 |
| Maximum potential remuneration | $2,593,250 |

The annual total compensation ratio for the Group CEO, as the highest paid individual in the Group, to the median annual total compensation of the rest of the Group's employees is NZD $24:1. For the purposes of this calculation, full-time equivalent rates have been used for each part-time employee. The types of compensation included in the calculation are base salary, superannuation contribution, bonuses and deferred equity incentives.

The key principles of the Company's Remuneration Policy for the Group CEO remuneration package are:

- More than half the total remuneration for the Group CEO is at risk;
- Over 85% of the at-risk remuneration (all except for the STI KPIs) is solely dependent on outcomes of Group financial performance against short- and long-term targets; and
- All LTI (70% of fixed annual remuneration) will be measured on a single 3-year Performance Period.

**FY23 STI Outcome**

For the year ended 31 July 2023 the Group financial performance targets were not met and as a result, no short-term cash incentives were paid to the Group CEO or the Group executive.

## PRINCIPLE 6 – RISK MANAGEMENT

The identification and proper management of the Group's material risks is an important priority of the Board. The Company has a central risk management framework in place to identify, oversee, manage, and control risks. The KMD Brands risk framework supports the identification of risk in order to reduce potential negative impacts and improve the likelihood of beneficial outcomes, while providing a standard to drive consistency and, in turn, confidence that risk is being managed in a consistent manner. Risk identification and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Group's strategies. The KMD risk framework sets out the guiding principles, roles and responsibilities, the risk assessment process and reporting requirements. The KMD risk framework is aligned to ISO 31000:2018 Risk Management Guidelines. The Board regularly reviews the KMD risk framework and the assessments of how the material risks are impacting its business. The Board recognises that some element of risk is inherently necessary in order to achieve the strategic aims for the Group's businesses and deliver value to shareholders.

**Risk Management Policy**

The purpose of the Company's Risk Management Policy is to highlight the risks relevant to the Group's operations, and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Audit and Risk Committee assists the Board in discharging its responsibility for monitoring risk management. The Committee is responsible for establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed, and appropriately addressed in line with the Group's risk appetite and defined tolerances. This Committee oversees the implementation of the risk management framework, monitors its ongoing effectiveness, and regularly reports to the Board. The Audit and Risk Committee undertook a formal review and refresh of the risk management framework, including the Group's risk appetite statements and supporting policy, during the reporting period.

**Health, Safety and Wellbeing**

The Company is dedicated to cultivating a strong safety culture and awareness of health and safety risks, performance, and management within the Group. The Company has adopted an integrated approach to safety and wellbeing across the Group, which recognises that workplace safety, health and

mental health all contribute to an employee's overall wellbeing.

The Board receives and reviews detailed reports on health and safety matters at each Board meeting. As a lag indicator of health and safety risks, performance and management during the reporting period, at the end of FY23, the rolling lost time injury* frequency rate (number of lost time injuries per 1,000,000 hours worked) was 4.62 (target of 5.0).

More information on Health, Safety and Wellbeing in the Group can be found in the Operational Excellence section of this report on pages 55-56.

## PRINCIPLE 7 – AUDITORS

The Audit and Risk Committee is responsible for making recommendations to the Board about the appointment or replacement of, and for monitoring the effectiveness and independence of, the Group's external auditor. The Committee Charter requires that the external auditor or lead audit partner be changed at least every five years. The Committee reviews and assesses the independence of the external auditor on an annual basis.

The Company's external auditor is KPMG, appointed in December 2021. The audit partner responsible has continued from that date. The Company maintains an internal financial audit function. This function provides a system for evaluating and continually improving the effectiveness of financial risk management for the Group and delivers appropriate objective assurance on financial risk. The Group uses a number of processes for evaluating and continually improving its risk management and internal processes outside of financial risk including the verification process required to achieve B Corp Certification and our information and cyber security framework.

The Company's external auditor attends the annual meetings of the Company and is available to answer any questions from investors relevant to the audit.

## PRINCIPLE 8 – SHAREHOLDER RIGHTS & RELATIONS

The Company is committed to keeping its stakeholders and owners effectively and comprehensively informed of all relevant information affecting the Group in accordance with all applicable laws and the Company's communication strategy.

Information is communicated to investors through the lodgement of all relevant financial and other information with NZX and ASX, publishing information on the Company's Investor Website, annual shareholder meetings, annual and interim reporting, analyst and investor briefings and roadshows.

### Investor Website

The Company's Investor Website (www.kmdbrands.com) contains all key communications concerning the Company and information about its brands: Kathmandu, Rip Curl and Oboz. Shareholders can also view profiles of the Company's Board and Group executive management team on the Investor Website, along with its key governance policies, the Charters of the Board Committees, copies of current and past annual reports and transcripts of annual shareholder meetings.

All relevant announcements made to the market are shown on the Company's Investor Website as soon as they have been released to NZX and ASX and can also be accessed through the Company's Investor Website. Investors can subscribe through the Investor Website to receive an email alert when a new announcement is lodged.

### Communication

The Board encourages investors to communicate with the Company electronically. Investors can contact the Company through the Investor Website at https://www.kmdbrands.com/contact. Investors have the option of receiving their communications, which includes the Annual Integrated Report, from the Company electronically.

The Company actively engages with its investors through annual shareholder meetings, its investor briefings and roadshows, and meeting with stakeholders on request.

### Approach to Seeking Additional Equity Capital

The Board acknowledges Recommendation 8.4 of the NZX Code which suggests that where the Company requires additional equity capital, where practical, the Board should favour capital raising methods that provide existing equity security holders with an opportunity to participate in the offer on a pro-rata basis, and on no less favourable terms, before further equity securities are offered to other investors. The Board has taken Recommendation 8.4 of the NZX Code into account, along with a number of other factors when considering options for the capital raisings in previous reporting periods. Ultimately the Board will choose methods to raise equity, when needed, which are necessary and desirable to achieve the best outcomes for the Company in the context of any anticipated transaction or proposal for which additional equity capital may be required.

### Meetings and Voting

Where voting by shareholders on a matter concerning the Company is required, the Board encourages investors to attend the annual shareholders' meeting or to send in a proxy vote. All voting at the Company's annual shareholder meeting is conducted by way of poll on the basis of one share, one vote.

In 2019, the Company began using a virtual meeting platform for its shareholder meetings to allow participation where a shareholder is unable to attend in person. The Company's notice of meeting will be available at least 20 working days prior to the meeting at https://www.kmdbrands.com/announcements.

* A lost time injury is an injury resulting in time lost greater than 1 shift

# Statutory information

## DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with section 140(2) of the Companies Act 1993, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register. General notices given by Directors which remain current as at 31 July 2023 are as follows:

| DAVID KIRK | |
|---|---|
| NZ Rugby Players Association | Chairperson |
| Forsyth Barr Group Limited and Forsyth Barr Limited | Chairperson / Director |
| Bailador Investment Management Pty Limited | Managing Partner |
| Bailador Technology Investments Limited (including investee companies) | Chairperson |
| NZ Performance Horses Limited | Director |
| Kiwi Harvest Limited | Chairperson |
| Sydney Festival | Chairperson |
| New Zealand Food Network Limited | Chairperson |
| New Zealand Food Rescue Trust | Director |
| **ANDREA MARTENS** | |
| ADMA – Australian Data Driven Marketing Association | CEO |
| HYG Holdco Pty Limited | Director |
| **PHILIP BOWMAN** | |
| Sky Network Television Limited | Chairperson |
| Majid al Futtaim Properties LLC | Chairperson |
| Tegel Group Holdings Limited | Chairperson |
| Ferrovial SA | Director |
| Better Capital PCC Limited | Director |
| Vinula Pty Ltd | Director |
| Vinula Superfund Pty Ltd | Director |
| Tom Tom Holdings Inc | Director |
| Majid al Futtaim Capital LLC | Director |
| Majid al Futtaim Holding LLC | Director |
| **BRENT SCRIMSHAW** | |
| Enero Group Limited | CEO |
| Rhinomed Limited | Director |
| **MICHAEL DALY** | |
| Stringydale Pty Ltd | Director |
| **ABIGAIL FOOTE** | |
| Sanford Limited | Director |
| Freightways Limited | Director |
| Christchurch City Holdings Limited (including subsidiary companies)* | Chairperson |
| **ZION ARMSTRONG** | |
| Cosmostar Limited | Director |
| Les Mills International | Strategic operating partner |

*Commenced appointment during the year ended 31 July 2023

## DIRECTORS' DETAILS, REMUNERATION AND OTHER BENEFITS

During the year ended 31 July 2023, the Directors and former Directors of the Company received the following remuneration and other benefits, which were approved by the Board:

| Director | Total Remuneration | Other benefits | Role |
|---|---|---|---|
| David Kirk | NZD $274,741 | None | Chairman, Non-Executive Director |
| Philip Bowman | NZD $148,486 | None | Non-Executive Director |
| John Harvey* | NZD $50,372 | None | Non-Executive Director |
| Andrea Martens | NZD $181,209 | None | Non-Executive Director |
| Brent Scrimshaw | NZD $148,486 | None | Non-Executive Director |
| Abigail Foote | NZD $182,300 | None | Non-Executive Director |
| Zion Armstrong** | NZD $98,115 | None | Non-Executive Director |
| Michael Daly | NZD $1,199,564 | $51,799 | Managing Director and Group Chief Executive Officer |

* Retired 1 December 2022. ** Appointed 1 December 2022

## EMPLOYEE REMUNERATION

During the year ended 31 July 2023, a number of employees or former employees, not being Directors of the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

| Remuneration (NZD $) | Number of Employees | Remuneration (NZD $) | Number of Employees |
|---|---|---|---|
| 100,000 - 110,000 | 58 | 330,000 - 340,000 | 3 |
| 110,000 - 120,000 | 45 | 340,000 - 350,000 | 2 |
| 120,000 - 130,000 | 47 | 350,000 - 360,000 | 1 |
| 130,000 - 140,000 | 27 | 360,000 - 370,000 | 2 |
| 140,000 - 150,000 | 28 | 380,000 - 390,000 | 1 |
| 150,000 - 160,000 | 19 | 390,000 - 400,000 | 1 |
| 160,000 - 170,000 | 21 | 400,000 - 410,000 | 1 |
| 170,000 - 180,000 | 15 | 450,000 - 460,000 | 3 |
| 180,000 - 190,000 | 19 | 460,000 - 470,000 | 1 |
| 190,000 - 200,000 | 8 | 470,000 - 480,000 | 1 |
| 200,000 - 210,000 | 12 | 480,000 - 490,000 | 2 |
| 210,000 - 220,000 | 5 | 500,000 - 510,000 | 1 |
| 220,000 - 230,000 | 6 | 560,000 - 570,000 | 1 |
| 230,000 - 240,000 | 4 | 590,000 - 600,000 | 1 |
| 240,000 - 250,000 | 5 | 600,000 - 610,000 | 1 |
| 250,000 - 260,000 | 2 | 610,000 - 620,000 | 1 |
| 260,000 - 270,000 | 7 | 650,000 - 660,000 | 1 |
| 270,000 - 280,000 | 1 | 700,000 - 710,000 | 3 |
| 280,000 - 290,000 | 5 | 730,000 - 740,000 | 1 |
| 290,000 - 300,000 | 3 | 770,000 - 780,000 | 1 |
| 300,000 - 310,000 | 3 | 810,000 - 820,000 | 1 |
| 310,000 - 320,000 | 2 | 1,250,000 - 1,260,000 | 1 |
| 320,000 - 330,000 | 3 | | |

## DONATIONS

During the year ended 31 July 2023, the Group has made total donations of NZD $ 225,452. The Group invested in partnership fees, product donations and volunteer hours during FY23. See pages 76 to 83 for further information.

## SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors.

No subsidiary has Directors who are not full-time employees of the Group.

The remuneration and other benefits of such employees (received as employees) totalling NZD$100,000 or more during the year ended 31 July 2023, is included in the relevant bandings for remuneration disclosed on page 185.

No employee of the Group appointed as a Director of KMD Brands Limited, or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director.

The persons who held office as Directors (or the legal equivalent in various jurisdictions) of subsidiary companies at 31 July 2023, and those who ceased to hold office during the year ended 31 July 2023, are as follows:

| COMPANY | DIRECTOR / OFFICE HOLDER |
|---|---|
| KMD Brands Investments Limited<br>KMD Brands Managed Services (NZ) Limited<br>KMD Brands Finance (NZ) Limited | Frances Blundell, Chris Kinraid |
| KMD Brands Managed Services (AU) Pty Limited | Chris Kinraid, Lachlan Farran, Anthony Roberts* |
| Kathmandu Group Limited<br>Kathmandu Limited<br>Kathmandu (U.K.) Limited | Chris Kinraid |
| RC Surf NZ Limited | Chris Kinraid, Anthony Roberts* |
| Kathmandu Pty Ltd<br>Barrel Wave Holdings Pty Ltd | Chris Kinraid, Lachlan Farran, Michael Daly, Anthony Roberts* |
| Kathmandu US Holdings LLC | Chris Kinraid, Michael Daly |
| Oboz Footwear LLC | Amy Beck, Chris Kinraid, Michael Daly |
| Rip Curl, Inc | Diem Culley, Michael Daly, Anthony Roberts* |
| Rip Curl Canada Inc | Diem Culley, Nick Russell, Anthony Roberts* |
| Rip Curl International Pty Ltd<br>Rip Curl Proprietary Limited<br>Rip Curl Finance Pty Ltd<br>Rip Curl Group Pty Ltd | Michael Daly, Brooke Farris, Lachlan Farran, Anthony Roberts* |

| COMPANY | DIRECTOR / OFFICE HOLDER |
|---|---|
| Curl Retail No 1 Pty Ltd | Brooke Farris, Lachlan Farran, Anthony Roberts* |
| Ozmosis Pty Ltd | Brooke Farris, Lachlan Farran, Anthony Roberts* |
| Rip Curl Brazil LTDA | Carla Trindade |
| Rip Curl Japan | Mitsui Nishina |
| Onsmooth Thai Co Ltd | Duncan Stewart, Michael Daly |
| PT Jarosite | James Hendy, Lachlan Farran, Michael Daly, Anthony Roberts* |
| Rip Curl Europe S.A.S | Mathieu Lefin and Isabelle Espil |
| Rip Curl Spain SA Unipersonal<br>Rip Curl UK Ltd<br>Rip Surf Artigos De Desporto Unipessoal LDA<br>KMD Brands Germany GmbH (formerly Rip Curl Germany GmbH)<br>KMD Brands Italy SRL | Mathieu Lefin |
| Rip Curl Suisse S.A.R.L | Mathieu Lefin and Julien Haueter |
| Rip Curl Nordic AB | Mathieu Lefin, Alois Bersan, and Isabelle Espil |
| ***50% subsidiary interests:*** | |
| Rip Curl (Thailand) Co. Ltd | Sermchai Putamadilok, Patranist Putmadilok, Brooke Farris, Anthony Roberts* |

* Ceased to hold office during the period ending 31 July 2023

## PRINCIPAL SHAREHOLDERS

The names and holdings of the 20 largest shareholders as at 1 August 2023 were:

| Name | Ordinary Shares | % |
|---|---|---|
| Citicorp Nominees Pty Limited | 64,327,138 | 9.04 |
| New Zealand Superannuation Fund Nominees Limited | 63,448,143 | 8.92 |
| HSBC Custody Nominees (Australia) Limited | 57,642,287 | 8.10 |
| Briscoe Group Limited | 48,007,465 | 6.75 |
| BNP Paribas Nominees NZ Limited Bpss40 | 36,585,523 | 5.14 |
| Accident Compensation Corporation | 35,227,087 | 4.95 |
| Tea Custodians Limited | 25,077,531 | 3.53 |
| Citibank Nominees (NZ) Ltd | 23,683,611 | 3.33 |
| New Zealand Depository Nominee | 22,129,837 | 3.11 |
| J P Morgan Nominees Australia Pty Limited | 21,439,290 | 3.01 |
| National Nominees Limited | 18,028,736 | 2.53 |
| National Nominees New Zealand Limited | 17,072,433 | 2.40 |
| HSBC Nominees (New Zealand) Limited | 15,363,884 | 2.16 |
| Forsyth Barr Custodians Limited | 14,527,843 | 2.04 |
| JPMORGAN Chase Bank | 14,004,164 | 1.97 |
| FNZ Custodians Limited | 13,828,831 | 1.94 |
| BNP Paribas Noms Pty Ltd | 10,479,535 | 1.47 |
| Pt Booster Investments Nominees Limited | 7,945,607 | 1.12 |
| HSBC Nominees (New Zealand) Limited | 7,873,467 | 1.11 |
| Public Trust | 6,785,506 | 0.95 |

## DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares of the Company at 31 July 2023:

| Director/Senior Manager | Nature of interest | Number held at 31 July 2022 | Acquired | Disposed | Total held at 31 July 2023 |
|---|---|---|---|---|---|
| David Kirk | Beneficially owned | 743,336 | 250,000 | - | 993,336 |
| Philip Bowman | Beneficially owned | 750,000 | 250,000 | - | 1,000,000 |
| Michael Daly | Beneficially owned | 473,386 | | - | 473,386 |
| Abigail Foote | Beneficially owned | 65,000 | 65,000 | | 130,000 |

Michael Daly held the following interests in convertible financial products in the Company at 31 July 2023 due to his participation in the Company's LTI Plan in his capacity as Group Chief Executive Officer.

| Executive Director – Michael Daly | | | | | |
|---|---|---|---|---|---|
| **Nature of Interest** | **Number Granted** | **Grant Date** | **Vesting Period** | **Vesting Date** | **Total Fair Value of Performance Rights at Grant Date $AUD** |
| Performance Share Rights | 876,944 | 20 Dec 22 | 3 years | 1 Aug 25 | 789,250 |
| Performance Share Rights | 503,462 | 22 Dec 21 | 3 years | 1 Dec 24 | 719,950 |
| Performance Share Rights | 483,621 | 22 Dec 20 | 3 years | 1 Dec 23 | 561,000 |

No other Directors held interests in convertible financial products of the Company at 31 July 2023.

Performance share rights granted will, subject to satisfaction of performance conditions, vest on the basis of one ordinary share for each performance share right which vests, on the vesting date for each grant.

## DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 31 JULY 2023

| | Number of Holders | % | Number of Ordinary Shares | % |
|---|---|---|---|---|
| 1 to 1,000 | 3,108 | 29.03 | 1,784,406 | 0.25 |
| 1,001 to 5,000 | 3,845 | 35.93 | 10,036,740 | 1.41 |
| 5,001 to 10,000 | 1,463 | 13.64 | 11,383,736 | 1.60 |
| 10,001 to 50,000 | 1,782 | 16.61 | 39,733,365 | 5.59 |
| 50,001 to 100,000 | 291 | 2.67 | 20,714,085 | 2.91 |
| 100,001 and over | 227 | 2.12 | 627,695,390 | 88.24 |
| **Total** | **10,716** | **100%** | **711,347,722** | **100%** |

## SUBSTANTIAL PRODUCT HOLDERS

The substantial product holders of ordinary shares (being the only class of quoted voting products) of the Company and their relevant interests as at 31 July 2023, were as follows:

| | Ordinary Shares | % |
|---|---|---|
| Allan Gray Group | 73,653,753 | 10.35 |
| New Zealand Superannuation Fund Nominees Limited | 50,809,139 | 8.13 |
| Briscoe Group Limited | 48,007,465 | 6.75 |
| Jarden Securities Limited, Harbour Asset Management Limited, and Jarden Scientific Trading Limited | 46,572,319 | 6.55 |
| Yarra Capital Management Limited | 46,115,423 | 6.48 |
| Accident Compensation Corporation | 35,671,470 | 5.01 |

As at 31 July 2023, the Company had 711,347,722 ordinary shares on issue.

## NZX CLASS WAIVERS RELIED ON

During the year, the Company did not rely on any rulings or waivers granted by NZ RegCo.

## DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Group has arranged, as provided for under the Company's Constitution, policies of Directors' and Officers' Liability Insurance which, with a Deed of Indemnity entered into with all Directors, provides that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.





# Directory

The details of the Company's principal administrative and registered office in New Zealand is:

223 Tuam Street
Christchurch Central
PO Box 1234
Christchurch 8011

## SHARE REGISTRY

**In New Zealand:** Link Market Services (LINK)

Physical Address: Level 30, PwC Tower,
15 Customs Street West,
Auckland 1010
New Zealand

Postal Address: PO Box 91976,
Auckland, 1142
New Zealand

Telephone: +64 9 375 5999
Investor enquiries: +64 9 375 5998
Facsimile: +64 9 375 5990
Internet address: www.linkmarketservices.co.nz

**In Australia:** Link Market Services (LINK)

Physical Address: Level 1, 333 Collins Street
Melbourne, VIC 3000
Australia

Postal Address: Locked Bag A14
Sydney, South NSW 1235
Australia

Telephone: +61 2 8280 7111
Investor enquiries: +61 2 8280 7111
Facsimile: +61 2 9287 0303
Internet address: www.linkmarketservices.com.au

## STOCK EXCHANGES

The Company's ordinary shares are quoted on the NZX and the ASX.

## INCORPORATION

The Company is incorporated in New Zealand.

# GRI Index

**Statement of use:** KMD Brands Limited has reported the information cited in this GRI content index for the year ended 1 August 2022 to 31 July 2023 with reference to the GRI Standards.

| GRI INDICES | DESCRIPTION | REFERENCE | PAGE # | SUPPORTING DETAILS |
|---|---|---|---|---|
| **THE ORGANISATION AND ITS REPORTING PRACTICES** | | | | |
| **2-1** | Organisational details | Our purpose and vision<br>Our World<br>Directory | P. 3<br>P. 8-9<br>P. 189 | |
| **2-2** | Entities included in the organisation's sustainability reporting | Financial Statements Section 5: Group Structure | P. 161 | |
| **2-3** | Reporting period, frequency and contact point | Refer to statement of use above | | companysecretary@kmdbrands.com<br>Publication date:<br>20 September 2023 |
| **2-4** | Restatements of information | Lead in ESG - Climate | P. 85 | |
| **2-5** | External assurance | Lead in ESG - Climate<br>Lead in ESG - Climate: Climate Related Disclosures | P. 85<br>P. 95 | |
| **ACTIVITIES AND WORKERS** | | | | |
| **2-6** | Activities, value chain and other business relationships | How We Create Value<br>Financial Statements Section 1.1: General Information | P. 22-23<br>P. 127 | |
| **2-7** | Employees | Tables 1-2 - Employee data | P. 195 | |
| **2-8** | Workers who are not employees | | | Information unavailable/incomplete |
| **GOVERNANCE** | | | | |
| **2-9** | Governance structure and composition | Corporate Governance<br>Disclosure of Interests by Directors | P. 173-177<br>P. 184 | |
| **2-10** | Nomination and selection of the highest governance body | Corporate Governance | P. 174 | |
| **2-11** | Chair of the highest governance body | Corporate Governance | P. 174 | |
| **2-12** | Role of the highest governance body in overseeing the management of impacts | Governance at KMD Brands<br>What Matters Most<br>Corporate Governance | P. 14<br>P. 19<br>P. 173 | |
| **2-13** | Delegation of responsibility for managing impacts | Corporate Governance | P. 173 | |
| **2-14** | Role of the highest governance body in sustainability reporting | Our Material Issues | P. 20-21 | |
| **2-15** | Conflicts of interest | Corporate Governance<br>Disclosure of Interests by Directors | P. 174<br>P. 184 | |
| **2-16** | Communication of critical concerns | Corporate Governance | P. 172 | |
| **2-17** | Collective knowledge of the highest governance body | Corporate Governance | P. 174-175 | |
| **2-18** | Evaluation of the performance of the highest governance body | Corporate Governance | P. 175 | |
| **2-19** | Remuneration policies | Corporate Governance | P. 179-181 | |
| **2-20** | Process to determine remuneration | Corporate Governance | P. 180 | |
| **2-21** | Annual total compensation ratio | Corporate Governance | P. 181 | |

| GRI INDICES | DESCRIPTION | REFERENCE | PAGE # | SUPPORTING DETAILS |
|---|---|---|---|---|
| **STRATEGY, POLICIES AND PRACTICES** | | | | |
| **2-22** | Statement on sustainable development strategy | Governance at KMD Brands | P. 14 | |
| **2-23** | Policy commitments | Governance at KMD Brands | P. 14-15 | KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| **2-24** | Embedding policy commitments | Governance at KMD Brands<br>Lead in ESG - Communities: Our Workers<br>Corporate Governance | P. 14<br>P. 70-73<br>P. 172 | KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| **2-25** | Processes to remediate negative impacts | Lead in ESG - Communities: Our Workers | P. 71 & 74 | KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| **2-26** | Mechanisms for seeking advice and raising concerns | Corporate Governance | P. 172 | KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| **2-27** | Compliance with laws and regulations | Operational Excellence | P. 51 | |
| **2-28** | Membership associations | Our Partners | P. 202-206 | |
| **STAKEHOLDER ENGAGEMENT** | | | | |
| **2-29** | Approach to stakeholder engagement | What Matters Most<br>Corporate Governance | P. 19<br>P. 182 | |
| **2-30** | Collective bargaining agreements | | | Not applicable |
| **MATERIAL TOPICS** | | | | |
| **3-1** | Process to determine material topics | What Matters Most | P. 18-19 | |
| **3-2** | List of material topics | Our material issues | P. 20-21 | |
| **3-3** | Management of material topics | Refer to sections referenced within each material topic index | | |
| **GRI 205: ANTI-CORRUPTION** | | | | |
| **GRI 3** | 3-3: Management of material topics | Corporate Governance | P. 172 | |
| **205-2** | Communication and training about anti-corruption policies and procedures | Corporate Governance | P. 172 | |
| **GRI 301: MATERIALS** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Circularity:<br>- Circular Business Models<br>- Responsible Materials<br>- Waste | <br>P. 98-99<br>P. 108-109<br>P. 114-115 | |
| **301-2** | Recycled input materials used | Lead in ESG - Circularity: Responsible Materials | P. 109 | |
| **301-3** | Reclaimed products and their packaging materials | Lead in ESG - Circularity: Circular Business Models<br>Lead in ESG - Circularity: Waste | P. 96-97<br>P. 112-113 | |

| GRI INDICES | DESCRIPTION | REFERENCE | PAGE # | SUPPORTING DETAILS |
|---|---|---|---|---|
| **GRI 305: EMISSIONS** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Climate<br>Lead in ESG - Climate: Climate related disclosures | P. 84-87<br>P. 88-95 | |
| **305-1** | Direct (Scope 1) GHG emissions | Lead in ESG - Climate | P. 85 | |
| **305-2** | Energy indirect (Scope 2) GHG emissions | Lead in ESG - Climate | P. 85 | |
| **305-3** | Other indirect (Scope 3) GHG emissions | Lead in ESG - Climate | P. 85 | |
| **305-4** | GHG emissions intensity | Lead in ESG - Climate | P. 84 | |
| **305-5** | Reduction of GHG emissions | Lead in ESG - Climate | P. 85 | |
| **305-7** | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | Lead in ESG - Climate | P. 85 | |
| **GRI 306: WASTE** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **306-1** | Waste generation and significant waste-related impacts for the organisation | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **306-2** | Management of significant waste-related impacts | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **306-3** | Waste generated | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **306-4** | Waste diverted from disposal | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **306-5** | Waste directed to disposal | Lead in ESG - Circularity: Waste | P. 113-115 | |
| **GRI 308: SUPPLIER ENVIRONMENTAL ASSESMENT** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Climate | P. 84-87 | |
| **308-1** | New suppliers that were screened using environmental criteria | Lead in ESG - Climate | P. 87 | |
| **308-2** | Negative environmental impacts in the supply chain and actions taken | Lead in ESG - Climate | P. 84 | |

| GRI INDICES | DESCRIPTION | REFERENCE | PAGE # | SUPPORTING DETAILS |
|---|---|---|---|---|
| **GRI 401: EMPLOYMENT** | | | | |
| **GRI 3** | 3-3: Management of material topics | Operational Excellence<br>Lead in ESG - Communities: Our People | P. 49-51<br>P. 62-65 | |
| **401-1** | New employee hires and employee turnover | Tables 1-3 - Employee Data | P. 195-196 | |
| **401-2** | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Table 4 - Employee Benefits | P. 197 | |
| **401-3** | Parental leave | Table 5 - Parental leave | P. 197 | |
| **GRI 403: OCCUPATIONAL HEALTH AND SAFETY** | | | | |
| **GRI 3** | 3-3: Management of material topics | Operational Excellence | P. 49-56 | |
| **403-1** | Occupational health and safety management system | Operational Excellence | P. 50 | |
| **403-2** | Hazard identification, risk assessment, and incident investigation | Operational Excellence | P. 55-56 | |
| **403-4** | Worker participation, consultation, and communication on occupational health and safety | Operational Excellence | P. 55-56 | |
| **403-5** | Worker training on occupational health and safety | Operational Excellence | P. 55-56 | |
| **403-6** | Promotion of worker health | Table 4 - Employee Benefits | P. 197 | |
| **403-9** | Work-related injuries | Operational Excellence | P. 55-56 | |
| **403-10** | Work-related ill health | Operational Excellence | P. 55-56 | |
| **GRI 404: TRAINING AND EDUCATION** | | | | |
| **GRI 3** | 3-3: Management of material topics | Operational Excellence | P. 53-54 | |
| **404-1** | Average hours of training per year per employee | Operational Excellence | P. 54 | |
| **404-2** | Programmes for upgrading employee skills and transition assistance programmes | Operational Excellence | P. 51-54 | |
| **404-3** | Percentage of employees receiving regular performance and career development reviews | Operational Excellence | P. 54 | |
| **GRI 405: DIVERSITY AND EQUAL OPPORTUNITY** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Communities: Our People | P. 62-65 | |
| **405-1** | Diversity of governance bodies and employees | Lead in ESG - Communities: Our People<br>Table 3 - Employee data | P. 61<br>P. 196 | |

| GRI INDICES | DESCRIPTION | REFERENCE | PAGE # | SUPPORTING DETAILS |
|---|---|---|---|---|
| **GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Communities: Our Workers | P. 70-72 | |
| **407-1** | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Lead in ESG - Communities: Our Workers | P. 71 | KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| **GRI 408: CHILD LABOUR** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Communities: Our Workers | P. 70-72 | |
| **408-1** | Operations and suppliers at significant risk for incidents of child labour | Lead in ESG - Communities: Our Workers | P. 71 | |
| **GRI 409: FORCED OR COMPULSORY LABOUR** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Communities: Our Workers | P. 70-72 | |
| **409-1** | Operations and suppliers considered to have significant risk for incidents of forced or compulsory labour | Lead in ESG - Communities: Our Workers | P. 71 | |
| **GRI 414: SUPPLIER SOCIAL ASSESSMENT** | | | | |
| **GRI 3** | 3-3: Management of material topics | Lead in ESG - Communities: Our Workers | P. 70-72 | |
| **414-1** | New suppliers that were screened using social criteria | Lead in ESG - Communities: Our Workers | P. 72 | |
| **414-2** | Negative social impacts in the supply chain and actions taken | Lead in ESG - Communities: Our Workers | P. 70-71 | |
| **GRI 416: CUSTOMER HEALTH AND SAFETY** | | | | |
| **GRI 3** | 3-3: Management of material topics | Operational Excellence | P. 55-56 | |
| **416-2** | Incidents of non-compliance concerning the health and safety impacts of products and service | Operational Excellence | P. 55 | |
| **GRI 418: CUSTOMER PRIVACY** | | | | |
| **GRI 3** | 3-3: Management of material topics | Elevating Digital | P. 40-41 | |
| **418-1** | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Elevating Digital | P. 41 | |

**TABLE 1: EMPLOYEE DATA BY REGION**

| | AUS | NZ | THAI | USA | EUR | OTHER | TOTAL |
|---|---|---|---|---|---|---|---|
| **TOTAL** | **2,837** | **659** | **445** | **431** | **276** | **195** | **4,843** |
| **BY EMPLOYMENT TYPE** | | | | | | | |
| Full-time | 731 | 297 | 445 | 155 | 229 | 194 | **2,051** |
| Part-time | 591 | 317 | 0 | 270 | 45 | 1 | **1,224** |
| Casual | 1,515 | 45 | 0 | 6 | 2 | 0 | **1,568** |
| **BY CONTRACT TYPE** | | | | | | | |
| Permanent | 1,310 | 606 | 445 | 423 | 207 | 194 | **3,185** |
| Temporary | 12 | 8 | 0 | 2 | 67 | 1 | **90** |
| Non-guaranteed hours | 1,515 | 45 | 0 | 6 | 2 | 0 | **1,568** |
| **GENDER** | | | | | | | |
| Female | 1,809 | 430 | 346 | 227 | 153 | 95 | **3,060** |
| Male | 1,003 | 226 | 99 | 203 | 123 | 100 | **1,754** |
| Other | 25 | 3 | 0 | 1 | 0 | 0 | **29** |
| **NEW HIRES** | | | | | | | |
| Number | 1,712 | 360 | 122 | 356 | 138 | 81 | **2,769** |
| Rate | 63% | 55% | 20% | 84% | 51% | 43% | **57%** |
| **TURNOVER** | | | | | | | |
| Number | 1,396 | 363 | 430 | 365 | 113 | 72 | **2,739** |
| Rate | 51% | 56% | 70% | 86% | 42% | 38% | **56%** |

**TABLE 2: EMPLOYEE DATA BY GENDER**

| | FEMALE | MALE | OTHER | UNDISCLOSED | TOTAL |
|---|---|---|---|---|---|
| **TOTAL** | **3,060** | **1,754** | **8** | **21** | **4,843** |
| **BY EMPLOYMENT TYPE** | | | | | |
| Full-time | 1,235 | 809 | 2 | 5 | **2,051** |
| Part-time | 779 | 433 | 4 | 8 | **1,224** |
| Casual | 1,046 | 512 | 2 | 8 | **1,568** |
| **BY CONTRACT TYPE** | | | | | |
| Permanent | 1,945 | 1,221 | 6 | 13 | **3,185** |
| Temporary | 69 | 21 | 0 | 0 | **90** |
| Non-guaranteed hours | 1,046 | 512 | 2 | 8 | **1,568** |
| **NEW HIRES** | | | | | |
| Number | 1,722 | 1,035 | 6 | 6 | **2,769** |
| Rate | 56% | 59% | 40% | 40% | **57%** |
| **TURNOVER** | | | | | |
| Number | 1,725 | 1,002 | 5 | 7 | **2,739** |
| Rate | 56% | 57% | 40% | 40% | **56%** |

**TABLE 3: EMPLOYEE DATA BY AGE**

| | <30 | 30-50 | 50+ | TOTAL |
|---|---|---|---|---|
| **TOTAL** | **2,836** | **1,668** | **339** | **4,843** |
| **BY EMPLOYMENT TYPE** | | | | |
| Full-time | 658 | 1,182 | 211 | 2,051 |
| Part-time | 862 | 288 | 74 | 1,224 |
| Casual | 1,316 | 198 | 54 | 1,568 |
| **BY CONTRACT TYPE** | | | | |
| Permanent | 1,457 | 1,444 | 284 | 3,185 |
| Temporary | 63 | 26 | 1 | 90 |
| Non-guaranteed hours | 1,316 | 198 | 54 | 1,568 |
| **BY LEVEL** | | | | |
| Group Executive | 0% | 75% | 25% | 100% |
| Brand Executive | 0% | 76% | 24% | 100% |
| Senior Management | 1% | 80% | 19% | 100% |
| Management | 32% | 56% | 12% | 100% |
| Non-Management | 64% | 30% | 6% | 100% |
| **NEW HIRES** | | | | |
| Number | 2,200 | 511 | 58 | 2,769 |
| Rate | 78% | 29% | 18% | 57% |
| **TURNOVER** | | | | |
| Number | 1,965 | 705 | 69 | 2,739 |
| Rate | 70% | 41% | 22% | 56% |

**TABLE 4: BENEFITS PROVIDED TO PERMANENT EMPLOYEES BUT NOT PROVIDED TO CASUAL EMPLOYEES**

| | KATHMANDU | RIP CURL | OBOZ |
|---|---|---|---|
| Life and health insurance | Yes[1] | Yes[3] | Yes |
| Disability & invalidity coverage | No | Yes[3] | Yes[4] |
| Retirement provision | Yes[2] | Yes[2] | Yes |
| Flu vaccines[1] | Yes | Yes | No |
| Phone/car allowance[1] | Yes | Yes | Yes |
| EAP[1] | Yes | Yes | Yes |
| Parental leave[2] | Yes | Yes | Yes |
| Additional leave purchase[1] | Yes | Yes | Yes |
| Product allowances & discounts[1] | Yes | Yes | No |

[1] For eligible employees only
[2] As per local Government requirements
[3] Certain countries only
[4] Short-term disability cover

**TABLE 5: PARENTAL LEAVE**

| | FEMALE | MALE | OTHER | UNDISCLOSED | TOTAL |
|---|---|---|---|---|---|
| Number of employees by gender who were entitled to parental leave | 2,355 | 1,248 | 6 | 16 | 3,625 |
| Number of employees by gender who took parental leave | 67 | 5 | 0 | 1 | 73 |
| Number of employees who returned to work after parental leave ended by gender | 79 | 4 | 0 | 0 | 83 |
| Number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work by gender | 69 | 3 | 0 | 0 | 72 |
| Retention rate of employees who returned to work after parental leave ended by gender | 87% | 75% | N/A | N/A | 87% |

# Sustainability Accounting Standards Board (SASB) Index

SASB is an independent standards-setting organisation that promotes disclosure of material sustainability information by companies to their investors. The index below refers to relevant indicators from the following SASB Standards; Consumer Goods Sector - Apparel, Accessories & Footwear [CG-AA], Multiline and Specialty Retailers and Distributors [CG-MR], and E-Commerce [CG-EC]. References and hyperlinks provided are to sections within this Report, or to information available on our websites.

| TOPIC | ACCOUNTING METRIC | SASB CODE | CATEGORY | UNIT OF MEASURE | RESPONSE / REFERENCE |
|---|---|---|---|---|---|
| ***Management of Chemicals in Products*** | Discussion of processes to maintain compliance with restricted substances regulations | CG-AA-250a.1 | Discussion and Analysis | n/a | We maintain compliance and manage risks associated with chemicals in our products through our Restricted Substances lists. Please refer to links below. |
| | Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products | CG-AA-250a.2<br>CG-MR-410a.2 | Discussion and Analysis | n/a | https://files.kathmandu.co.nz/pdf/reports-policies/kathmandu_restricted_substances_list_v3_for_website.pdf<br>https://www.ripcurl.com/media/productattachments/0/160/Rip_Curl_Restricted_Substances_List-02-09-2022_online.pdf<br>https://obozfootwear.com/en-gb/oboz_chemical_policy_2022 |
| ***Environmental Impacts in the Supply Chain*** | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements | CG-AA-430a.1 | Quantitative | Percentage (%) | 100% of KMD Brands Tier 1 suppliers and 100% of our traced suppliers beyond Tier 1 are accountable to our Code of Conduct. This Code of Conduct includes requirements around environmental compliance including wastewater permits or industry standards, and an expectation for suppliers to incorporate environmentally responsible practices.<br>https://www.kathmandu.co.nz/worker-wellbeing<br>https://www.ripcurl.com/au/explore/social-compliance.html<br>https://obozfootwear.com/en-us/manufacturing-standards |
| | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment | CG-AA-430a.2 | Quantitative | Percentage (%) | 23% Tier 1 supplier facilities and 54% of our traced Tier 2 facilities completed the Sustainable Apparel Coalition's Higg FEM during the financial year. These assessments cover a significant percentage of our total spend with suppliers. |
| ***Labour Conditions in the Supply Chain*** | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor | CG-AA-430b.1 | Quantitative | Percentage (%) | 100% of Tier 1 supplier facilities and 17% of our traced Tier 2 supplier facilities have been audited to the KMD Brands Supplier Code of Conduct in FY23. Of the total audits, 94% were conducted by a third-party auditor.<br>See also Lead in ESG - Communities: Our Workers (P. 68-75) |
| | Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits | CG-AA-430b.2 | Quantitative | Rate | In FY23, there was a 2% (2022: 6%) priority non-conformance rate from the audits performed. Corrective action plans were agreed upon with 75% of suppliers and one factory was exited due to failure to remediate.<br>See also Lead in ESG - Communities: Our Workers (P. 68-75) |
| | Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain | CG-AA-430b.3 | Discussion and Analysis | n/a | Please refer to KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |
| ***Raw Material Sourcing*** | (1) List of priority raw materials; for each priority raw material: (2) environmental and/or social factor(s) most likely to threaten sourcing, (3) discussion on business risk and/or opportunities associated with environmental and/or social factors, and (4) management strategy for addressing business risks and opportunities | CG-AA-440a.3 | Discussion and Analysis | n/a | Environmental and social risks, at the raw materials level, are assessed within the existing Code of Conduct only when such suppliers are fully vertical and also manufacture the final product.<br>These risks are discussed in the following sections of the report:<br>Lead in ESG - Communities: Our Workers (P. 68-75)<br>Lead in ESG - Climate (P. 84-87)<br>Lead in ESG - Climate: Climate related disclosures (P. 88-95) |
| | (1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard | CG-AA-440a.4 | Quantitative | Metric tons (t) | Please refer to KMD Brands Modern Slavery Statement at https://www.kmdbrands.com/reports |

| TOPIC | ACCOUNTING METRIC | SASB CODE | CATEGORY | UNIT OF MEASURE | RESPONSE / REFERENCE |
|---|---|---|---|---|---|
| ***Data Privacy & Advertising Standards*** | Number of users whose information is used for secondary purposes | CG-EC-220a.1 | Quantitative | Number | KMD Brands refrains from using consumer personal information without consent for purposes that do not align with our established Privacy Policies/Statements. |
| | Description of policies and practices relating to behavioural advertising and user privacy | CG-EC-220a.2 | Discussion and Analysis | n/a | https://help.kathmandu.co.nz/support/solutions/articles/51000164408<br>https://www.ripcurl.com/au/policies/privacy.html<br>https://obozfootwear.com/en-us/privacy-policy |
| ***Data security*** | Description of approach to identifying and addressing data security risks | CG-MR-230a.1<br>CG-EC-230a.1 | Discussion and Analysis | n/a | Refer to Elevating Digital (P. 40-41). |
| | (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected | CG-MR-230a.2<br>CG-EC-230a.2 | Quantitative | Number, Percentage (%) | Refer to Elevating Digital (P. 40-41). |
| ***Labour practices*** | (1) Voluntary and (2) involuntary turnover rate for in-store employees | CG-MR-310a.2<br>CG-EC-330a.2 | Quantitative | Rate | Our total turnover rate is 56% for FY23.<br>Please refer to Tables 1-3 for more information (P. 195-196). |
| ***Product Packaging & Distribution*** | Discussion of strategies to reduce the environmental impact of product delivery | CG-EC-410a.2 | Discussion and Analysis | n/a | Refer to Lead in ESG - Climate: Climate related disclosures (P. 95). |
| ***Activity Metric*** | Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 | CG-AA-000.A | Quantitative | Number | KMD Brands has 189 Tier 1 suppliers and 65 traced Tier 2 suppliers as at 31 July 2023. We are working to trace and publish the input suppliers of our strategic Tier 1 suppliers in future reporting periods. |
| | Number of: (1) retail locations and (2) distribution centers | CG-MR-000.A | Quantitative | Number | Refer to Our World (P. 8-9) for a map and number of locations by country. |

# Our partners

KMD BRANDS

### B CORP

Certified B Corporations® (B Corps™) are for-profit companies that use the power of business to build a more inclusive and sustainable economy.

### CARBON DISCLOSURE PROJECT

We submit an annual report to CDP, which supports our carbon measurement and reduction program.

### TEXTILE EXCHANGE

Our membership with the Textile Exchange supports our materials strategy, and we also participate in its Preferred Fiber & Benchmarking Programme.

### CONVERGE

Workplaces thrive when their people do. Converge offers our employees an assistance program designed to help resolve personal problems that may be negatively impacting their day-to-day life and workplace performance.

### ELEVATE

Our chosen supply chain partner is an industry leader in sustainability, auditing and improvement services.

### TOITŪ ENVIROCARE

Our membership with Toitū Envirocare helps us to measure, manage and reduce our carbon footprint through our annual carbon audit.

### FAIR LABOR ASSOCIATION

Kathmandu became the first brand in the southern hemisphere to achieve FLA accreditation. This verifies that our social compliance program in our supply chain exceeds the most stringent global standards.

### MEKONG SUSTAINABLE MANUFACTURING ALLIANCE

The Alliance, a US$10 million partnership funded by USAID and implemented by the Institute for Sustainable Communities in partnership with ELEVATE and the Asian Institute for Technology, uses a market-driven approach to strengthen sustainable and competitive manufacturing by engaging the private sector, catalysing market forces, and advancing innovative regional initiatives that will increase the adoption of ESG standards.

### SUSTAINABLE APPAREL COALITION

Membership of the SAC gives us discounted access to the Higg Index modules. We've been using the index since 2014, which supports our sustainability strategy. The index guides us on the environmental and social impacts of our products and how we can improve.

### REPREVE

High-quality fibres are made from 100% recycled materials, including post-consumer plastic bottles and pre-consumer waste, that are also certified and traceable.

Kathmandu We're out there

### BEYOND BLUE

We work with Beyond Blue to communicate the link between good mental health and the outdoors, encouraging people in Australia to take positive steps to look after their mental health and get outdoors.

### BLUESIGN ®

Our bluesign ® system partnership supports our chemicals management program, materials and products so that they are environmentally and socially friendly.

### CANOPY

We have been partners with Canopy since 2016 and use our influence in our fabric supply chain to protect the world's remaining ancient and endangered forests and endangered species habitat.

### GRAEME DINGLE FOUNDATION

We are partnered with the Graeme Dingle Foundation to encourage young people in New Zealand to get outdoors for their mental health, wellbeing and personal growth.

### UPPAREL

We partner with Upparel to provide our customers with a solution to keep their gear in circulation for longer and keep valuable textiles out of landfill.

### CARBON CLICK

CarbonClick is an envirotech company that makes it easy for businesses and customers to take climate action through fully traceable carbon offsetting with high-quality projects. Kathmandu customers have an option to offset part of their climate impact on their purchases via an add-on function at the online checkout.

### PRIDE PLEDGE

We are partnered with Pride Pledge, a public commitment that all LGBTTQIA+ people should have the freedom to be safe, healthy and visible. We use our voice and influence to support visibility, safety, tolerance, love, diversity and inclusion for all LGBTTQIA+ people.

### RAINBOW TICK

Our Rainbow Tick accreditation demonstrates our commitment to diversity and inclusion in the workplace and creating a supportive work environment for our team members.

## Oboz FOOTWEAR

### 52 HIKE CHALLENGE

Together with Osprey and Outdoor Research, we launched the 52 Hike Challenge – where 150 women over 50 gain physical fitness, mental wellbeing, make new friends, explore new places, and connect with family, friends and themselves through nature.

### CONTINENTAL DIVIDE TRAIL COALITION

The CDTC works in partnership with the US Forest Service, National Park Service, and Bureau of Land Management to complete, promote and protect the Continental Divide National Scenic Trail. In 2022, we adopted a four mile section of the trail in Montana.

### BLACK FOLKS CAMP TOO

BFCT's mission is to increase diversity in the outdoors by making it easier, more familiar and more fun for Black folks to go camping. We collaborated on the O FIT Insole® 'Unity Blaze' with a portion of proceeds supporting BFCT's Digital Education Initiative.

### GALLATIN VALLEY LAND TRUST

The GVLT connects people to the landscapes that surround the Gallatin Valley in Bozeman, Montana through the conservation of open spaces and creation of trail systems. Rich Hohne, Marketing Director at Oboz Footwear, serves on its Board of Directors.

### THE CONSERVATION ALLIANCE

The mission of The Conservation Alliance is to harness the collective power of business and outdoor communities to fund and advocate for the protection of North America's wild places. Amy Beck, President at Oboz Footwear, serves on its Board of Directors.

### TREES FOR THE FUTURE

Oboz has planted a tree for every pair of shoes sold since 2007. This equates to more than five million trees - and counting. TREES trains communities on sustainable land use so that they can grow vibrant economies, thriving food systems, and a healthier planet. Oboz supports its work in Tanzania.

## RIP CURL

### AIRSTEP AUSTRALIA

Our partnership with Airstep Australia repurposes neoprene offcuts created in the Rip Curl Wetsuit factory into carpet underlay.

### ARCH & HOOK

With a mission to eliminate the use of non sustainable materials within fashion and retail, Arch & Hook uses recycled ocean bound and post-consumer plastics to create products to help our planet.

### AUSTRALIAN INDUSTRY GROUP

Ai Group provides unlimited calls to the workplace advice line, regular award and compliance updates and access to HR, safety and business improvement resources, webinars, podcasts, networking and knowledge events.

### LENZING GROUP

The Lenzing Group is dedicated to producing innovative fibres made from botanic products derived from renewable sources and processed with unique resource conserving technologies. LENZING™ ECOVERO™ Viscose fibres derived from sustainable wood and pulp are used in our products.

### MAINETTI

Partnering with Mainetti, a leader in innovating sustainable packaging solutions, means we can continually challenge and adjust our supply chain process to support a more sustainable future.

### OCEAN GARDENER

Ocean Gardener's mission is to 'Save the Reef' by providing education and restoration around coral reefs throughout Indonesia. Our Rip Curl Bali surf school adopted a reef to support Ocean Gardener's mission.

### SURFAID

SurfAid's mission is to improve the health, wellbeing and resilience of remote communities connected to us through surfing.

### SURFRIDER

The Surfrider Foundation is dedicated to the protection and enjoyment of the world's ocean, waves and beaches, for all people, through a powerful activist network.

### TERRACYCLE

TerraCycle is a global leader in finding recycling solutions for consumer waste. In partnering with TerraCycle on our wetsuit take back program, we found innovative ways to reuse used wetsuits, repurposing them into another life.

RIP CURL continued

### WORLD SURF LEAGUE

Rip Curl partners with WSL to deliver surfing events and is proud to support WSL's efforts to divert waste from landfill, offset carbon emissions, and educate fans through ocean responsibility campaigns.

# Shared

**Kathmandu & Rip Curl**

### AUSTRALIAN PACKAGING COVENANT ORGANISATION

We submit an annual report and action plan to APCO, which supports our packaging and waste strategies.

### BETTER COTTON

We are proud to be members of Better Cotton which means we will support farmers who care for the environment and respect the rights and wellbeing of workers.

**Oboz & Rip Curl**

### BLOOM

Our partnership with Bloom transforms algae biomass harvested from freshwater sources into performance foams that replace a percentage of polymers in conventional EVA midsoles and insoles.

**Kathmandu & Oboz**

### LEATHER WORKING GROUP

Our work with the LWG helps us to assess the environmental compliance and performance capabilities of our tanneries and to promote sustainable and appropriate environmental business practices within the leather industry.

### PRIMALOFT BIO

The first biodegradable synthetic insulation and fibre developed from 100% recycled materials without compromising industry-leading performance and comfort.

KMD
BRANDS

Kathmandu®

Obōz®
FOOTWEAR

RIP CURL

KMDBrands.com