KMD BRANDS

Annual Integrated Report

KMD Brands acknowledges the Indigenous Nations, First Peoples, Tangata Whenua and Custodians of the lands and waterways on which our brand head offices reside in New Zealand, Australia and the United States. We express our gratitude and appreciation to these Peoples for sharing their culture and traditions and stewarding these lands. We recognise and pay our respects to their elders, past, present and emerging.

KMD BRANDS

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ABOUT THIS REPORT

This integrated report is a review of financial, economic, social and environmental performance for the year ending 31 July 2022. This is our first 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. 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 aligns with the Global Reporting Initiative (GRI) standards Core option. From next year our report will align with the recently released updated GRI Universal Standards.

In the coming years we will look to expand on our Climate-related disclosures. For the first time this year, we are now reporting on Task Force on Climate-related Financial Disclosures (TCFD), building on our annual Climate Disclosure Project (CDP) reporting. We will improve and increase our reporting of our climate-related risks and opportunities and how they are reflected in our business strategy in future years in preparation for reporting requirements under the NZ Climate-related Disclosures standards. We will consider incorporation of Task Force on Nature-related Financial Disclosures (TNFD) disclosures in future reporting periods.

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 and be more sustainable. Apart from our carbon emissions data, external assurance on non-financial data or information has not been obtained.

This report constitutes KMD Brands 2022 Annual Report to shareholders and covers the requirements of the NZX Corporate Governance Code.

Our Purpose and Vision

OUR BUSINESS

KMD Brands is a global outdoor lifestyle and sports company made up of three iconic brands: Kathmandu, Oboz and Rip Curl.

Kathmandu, a certified B Corp, was founded in 1987 in New Zealand to equip people for travel and adventure. Oboz, which joined the Group in 2018, is based in the United States and designs footwear to help people explore the outdoors. Rip Curl, acquired in 2019, is a leading global surf brand born in Bells Beach, 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

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.

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 sustainable practices across all three of our brands, we protect the experience and exhilaration offered by the outdoors that mean so much to us and our customers.

Our Brands

Kathmandu®
We're out there

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. And that's why we're all about creating thoughtfully designed outdoor gear – so people can experience nature's benefits more often. Kathmandu's vision is to be the world's most loved outdoor brand.

FINANCIAL

NZD $381.6m
Total sales

NZD $71.5m
Online sales
Representing 18.7% of direct to consumer sales.

CHANNELS

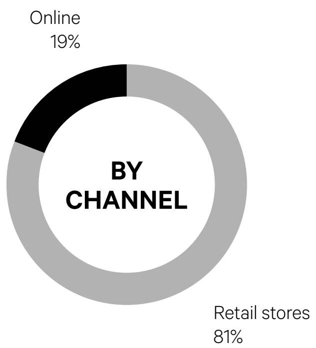
155
Retail stores

Over 50
Wholesale doors

BRAND

2.0m
Active Summit Club members

SALES MIX



Oboz FOOTWEAR

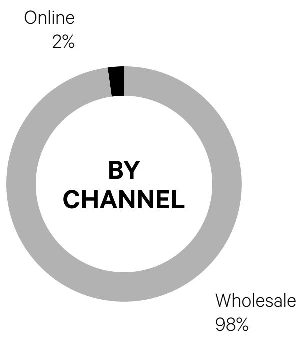
Born in the legendary Greater Yellowstone Ecosystem right outside our front door, the mountains just outside Bozeman beckon us. It's this 18-million-acre laboratory where we test our designs and inspire ideas, and where we just soak it all in. It even inspired the name "Oboz" (Outside+Bozeman=Oboz).

Each day we come to work, we simply do our best to live up to this gift. Here at Oboz, we are hikers, we are walkers, we are runners, we are bikers, we are anglers... we are many things, and yet we're all connected on the trail. It's this lifelong love of the trail that enables our designers to create footwear that's remarkably durable, comfortable, and always worthy of the task at hand. Our philosophy is simple. Design the kind of footwear that we'd want to wear.

FINANCIAL

NZD $61.3m
Total sales

SALES MIX



CHANNELS

Over 2,000
Wholesale doors

Direct-to-consumer website

650,000
pairs of shoes sold




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 with surf culture.

The reason for this is simple – our products, events, athletes, customer service and brand messaging are the best in the industry. 'The Search' is the driving force that led to the creation of Rip Curl and it lives in the spirit of everything we do. All Rip Curl products are made by surfers for surfers. Our vision is to be the ultimate surfing company in all that we do.

FINANCIAL

NZD $536.8m
Total sales

NZD $36.9m
Online sales
Representing 13.0% of direct to consumer sales.

CHANNELS

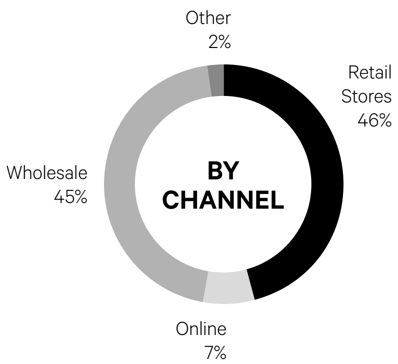
161
Owned stores

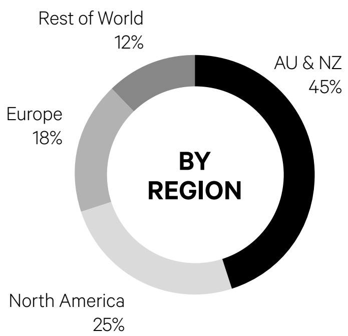
228
Licensed stores

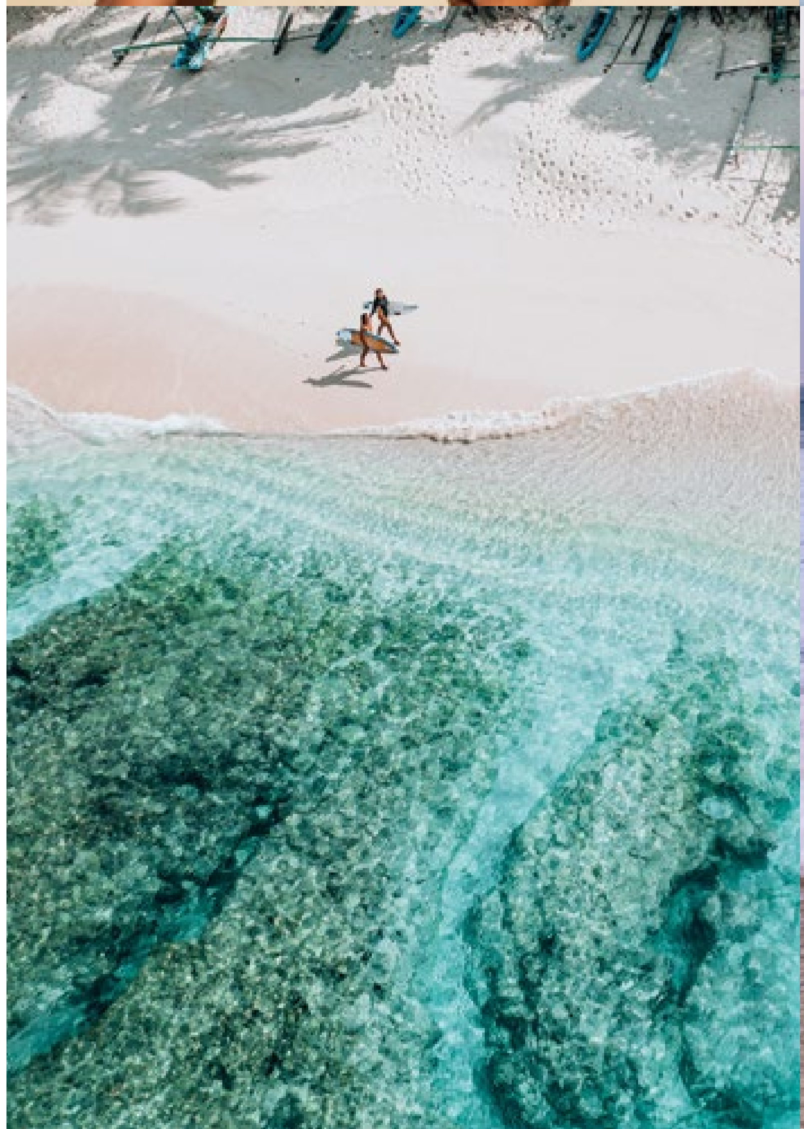
26
JV stores

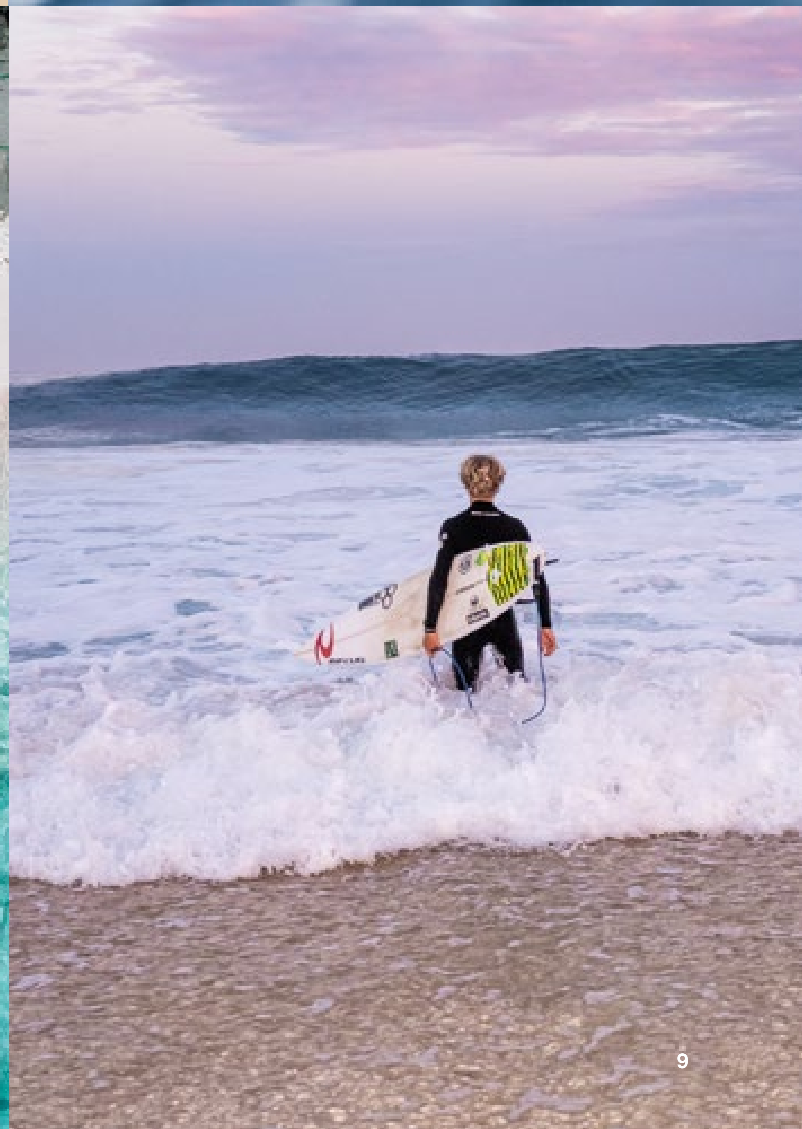
Over 6,000
Wholesale doors

SALES MIX









Highlights and Lowlights for FY22

HIGHS
FINANCIALS

$979.8m
Group Sales

58.9%
Gross margin

$92.0m
Underlying EBITDA[1]

$36.2m
Underlying NPAT[1]

$40.1m
Net debt

$43.0m
FY22 dividends paid to shareholders

1. Statutory results include the impact of IFRS 16 Leases. For comparability, the impact of IFRS is excluded from Underlying results. Refer to Appendix 1 of the FY22 Results Presentation for a reconciliation of Statutory to Underlying results.

LOWS

$35m
Lockdowns in Australasia were more severe than last year, and less government support and rent assistance was received, impacting year-on-year EBITDA by c. $35m

International freight price increases

HIGHS
BUILDING GLOBAL BRANDS

European and Canadian sell-in for Fall/Winter 22

Successful launch of the Sawtooth X range

Sponsorship of 2021 Rip Curl World Surf League Finals

LOWS

Impact of COVID on supply chain, travel restrictions and footfall

1H FY22 demand for wetsuits and footwear exceeds available supply

ELEVATING DIGITAL

19.1%
Online sales growth year on year

Strong Oboz online growth with key enhancements

New loyalty management platforms for AU & NZ

Labour resource constraints

Third party imitation of Kathmandu on social media platforms

OPERATIONAL EXCELLENCE

7%
Same store sales growth year on year

Gross margin maintained despite inflationary impacts

Underlying EBITDA margin 9.4% of sales[1]

40%
Circa 40% FY22 Oboz orders unable to be fulfilled due to impact of COVID on supply chain

LEAD IN ESG

Science Based Targets submitted to SBTi

1st Sustainability Linked Loan certificate delivered

Kathmandu
Deloitte New Zealand Top 200 Sustainable Business Leadership award

Oboz
Transitioned to a fully digital product design and development process

Rip Curl
136 tonnes of neoprene diverted from landfill

48%
of Tier 1 Suppliers audits completed were not fully transparent

Oboz identified restricted chemical compounds in tongue pigskin leather

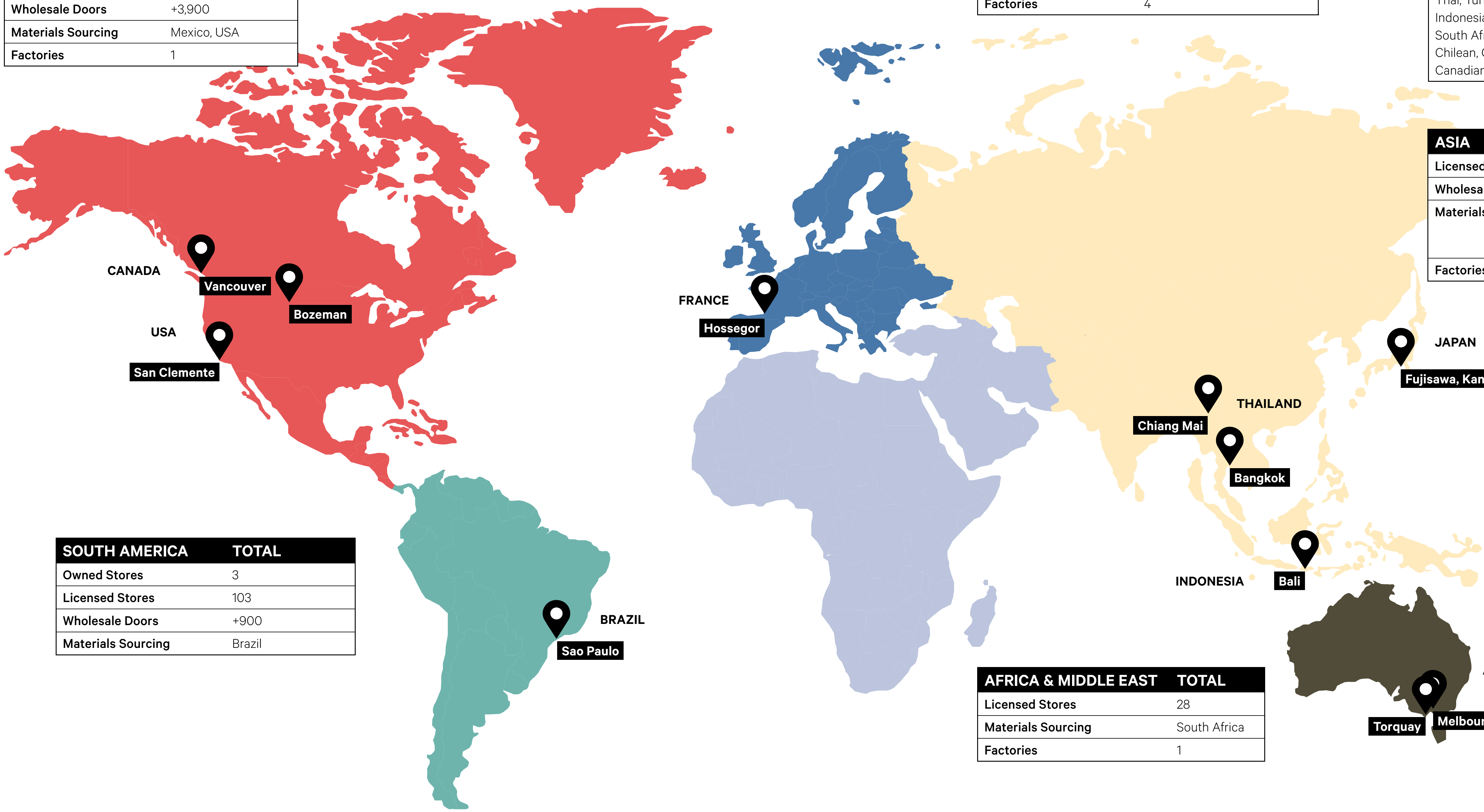
Our World

NORTH AMERICA	TOTAL
Owned Stores	30
Licensed Stores	16
Wholesale Doors	+3,900
Materials Sourcing	Mexico, USA
Factories	1

EUROPE	TOTAL
Owned Stores	22
Licensed Stores	16
Wholesale Doors	+2,200
Materials Sourcing	Italy
Factories	4

NATIONALITIES OF OUR TEAM*
Australian, New Zealander, Fijian, Tongan , Austrian, Croatian, Dutch, English, French, German, Greek, Hungarian, Icelandic, Irish, Italian, Maltese, Norwegian, Polish, Portugese, Russian, Scottish, Spanish, Swedish, Welsh, Malaysian, Nepalese, Pakastani, Filipino, Sri Lankan, Thai, Turkish, Vietnamese, Bangladeshi, Chinese, Indian, Indonesian, Iranian, Iraqi, Japanese, Korean, Lebanese, South African, Zimbabwean, Argentine, Brazilian, Chilean, Colombian, Ecuadorian, Peruvian, American, Canadian, Cuban, Honduran, Salvadorian, Mexican.

ASIA	TOTAL
Licensed and JV Stores	73
Wholesale Doors	+600
Materials Sourcing	China, Taiwan, India, Japan, Thailand, Vietnam, Indonesia, South Korea, Bangladesh
Factories	153



AUSTRALASIA	TOTAL
Owned Stores	261
Licensed Stores	18
Wholesale Doors	+900
Materials Sourcing	Australia, New Zealand
Factories	4

SOUTH AMERICA	TOTAL
Owned Stores	3
Licensed Stores	103
Wholesale Doors	+900
Materials Sourcing	Brazil

AFRICA & MIDDLE EAST	TOTAL
Licensed Stores	28
Materials Sourcing	South Africa
Factories	1

Global Office Locations

*Sourced from Gallup Q 12 Engagement Survey conducted during FY22 and is based upon responses received from respondents.

LEADERSHIP & GOVERNANCE
Report from the Chair

David Kirk
Chairman

Welcome to the first Annual Integrated Report for KMD Brands. As Chair of the Board, I am excited to see the transition taking place within KMD Brands from a single brand ANZ retailer to an owner of leading global outdoor brands.

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 issues and maximising the opportunities through our business strategy. We have organised our report around our strategic pillars to provide insight about the material issues facing our Group, what we have been doing in response, and our strategic focus going forward. We will be managing our reporting, and tracking metrics across our strategic pillars at a Group, rather than individual brand level. This year we will also be publishing our first combined Modern Slavery Statement for Rip Curl and Kathmandu. We will build on the foundation created in this report over subsequent years as we are able to provide more depth in our reporting on our material topics and strategic approach.

STRATEGY, PURPOSE AND VISION

FY22 was another period of transformation for KMD Brands, albeit not through acquisition, but rather an internal transformation through updating the Group strategy and identity. Through rebranding to KMD Brands and shaping the new purpose and vision for the Group, we now have a fresh identity which better reflects the family of global brands that makes up our Group, while still acknowledging the company's heritage. Our purpose is to inspire people to explore and love the outdoors. A love for the outdoors is what all our brands are built on. Our vision is to be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet. Through this new purpose and vision, all our brands are united as a group under KMD Brands.

The strategic pillars for our Group have now been clearly defined, with senior management roles established to lead and support these focus areas to drive success. These strategic pillars enable a prioritisation of initiatives within the business and guide the interactions between Board and Management. These pillars support KMD Brands' growth as a global, multi-channel business and address the most important issues facing our business.

PEOPLE

FY22 was the first full financial year with Michael Daly as Group CEO. Michael brings a relentless focus on brand, product innovation, people and margin. Michael has already delivered a refreshed corporate identity for the Group and a clearly defined corporate strategy which he has implemented across the business during FY22. We are looking forward to seeing what FY23 brings under his leadership.

Last October, we appointed Abby Foote as a non-executive director. Abby has over 12 years governance experience with a range of publicly listed and Crown-owned companies. With qualifications in both law and accounting, Abby brings a strength of knowledge to the board including knowledge and capability in ESG governance. Abby has subsequently taken up the role of Chair of our Audit and Risk Committee from John Harvey.

A strong management team has been established providing leadership across the Group representing a balance of executives originating from each of the Rip Curl, Kathmandu and Oboz brands.

FINANCIAL

The second half of FY22 delivered record Group sales and underlying EBITDA for KMD Brands. Kathmandu had its highest ever sales for Q4 and Rip Curl sales increased 9.5% from the prior year to $536 million. While there was record order demand for it's products, Oboz was unable to meet unprecedented customer demand because of COVID impacts on supplier capacity, which has since been scaled up.

Our full year gross margin was maintained, despite elevated international freight costs and raw material cost pressures. Online sales increased 19%, now comprising more than 16% of direct-to-consumer sales.

Our strong balance sheet position allows us to invest in organic brand growth, which this year included increasing the investment in brand marketing and ESG by $18.6 million year-on-year, as well as strategic investment in inventory to temporarily build stock positions given current supply chain challenges.

DIVIDEND

We have announced a record dividend payout for FY22, returning $43 million to shareholders. The directors have declared a final dividend of 3 cents per share. With the 3 cents per share interim dividend, this will make a total payout for the 2022 financial year of 6 cents per share. The final dividend will be fully franked for Australian shareholders, and not imputed for New Zealand shareholders.

THANK YOU

I would like to thank my fellow Board members, the senior management team and each of the almost 5,000 people employed within the KMD Brands Group for their dedication and enthusiasm in what has continued to be a disruptive period for our business. Over the last two years, despite many challenges, we have built a strong foundation for future growth.

I would also like to acknowledge the continued support of our shareholders.

Group CEO Report

Michael Daly

Group Chief Executive Officer

PERFORMANCE INSIGHTS

We are pleased with the results the Group has achieved this year while navigating the challenging impacts of the COVID pandemic. Sales were the highest in the Group's history, with growth achieved across all retail, online, wholesale, and licensing channels.

The online channel continued to grow beyond the COVID step-change. Group online sales increased 19.1% year-on-year, now comprising 16.5% of direct-to-consumer sales. Wholesale sales grew by 6.9% overall, despite Oboz COVID supply challenges, with Rip Curl wholesale sales growing by 16.5% year-on-year.

Although the Group, like most global consumer companies, experienced elevated international freight costs and raw material cost pressures, gross margin was maintained year-on-year. The Kathmandu brand achieved its highest-ever second half gross margin result with currency benefit and a deliberate strategy to carefully moderate the historic "high-low" pricing model.

Operating expenses were carefully controlled through COVID lockdowns, while continuing to invest for long-term brand growth. The Group upweighted investment in brand marketing and ESG, with an increase of $18.6 million year-on-year.

Ultimately the Group's profit result reflected the impact of COVID in the first half of the year, plus the strategic decision to continue investing for long-term brand growth.

KEY HIGHS AND LOWS

The year began at a low point, with first quarter COVID lockdowns in Australasia resulting in more than 11,000 lost retail trading days for Rip Curl and Kathmandu. The lockdowns were more severe than last year, and less government support and rent assistance was received, impacting year-on-year EBITDA by approximately $35 million.

Oboz saw record order demand for its products, but was was unable to meet unprecedented consumer demand, with the three-month COVID closure of Vietnam factories, compounded by international freight delays impacting approximately 40% of customer orders. Oboz underlying EBITDA was $8.5 million below last year.

However, the Group ended the year on a high. The second half of FY22 delivered record Group sales and underlying EBITDA, with all three brands achieving strong sales growth in the fourth quarter.

Kathmandu ended the year with its best-ever sales performance in its key winter promotion, with fourth quarter sales and gross margin both above pre-COVID levels.

Rip Curl achieved full year sales growth across all channels, with consistently strong sales growth through the final three quarters of the year, following the impact of Australasian COVID lockdowns in the first quarter.

Oboz factories resumed full production in the third quarter of the year, and strong sales growth resumed as inventory levels recovered in the fourth quarter.

PEOPLE

We have put in place a management structure that will allow us to leverage operational excellence and efficiencies across all three of our brands. During the year, Group executives were appointed from within our brands to oversee the Group-wide support functions of Commercial, HR, Legal and ESG.

Leaders were also appointed from within our brands to oversee the growth of all three brands in the key international markets of North America and Europe. By establishing leadership and oversight across all three brands within these markets, we can leverage each brand's existing local infrastructure and customer relationships to grow all brands internationally.

I would like to thank each of our brands and their worldwide teams for their continued resilience, flexibility, dedication and passion over the past year. The teams once again met the significant challenges of COVID, delivering outstanding results given the circumstances. We can start looking forward to a post-pandemic return to normality for our people.

OUTLOOK

The Group is well positioned to deliver continued sales and earnings growth in the year ahead, cycling significant COVID disruption in the first half of last year, and continuing the momentum from the strong final quarter of FY22.

Global macroeconomic conditions will continue to challenge our brands, particularly the impact of inflation on our cost base and consumer demand. However, we begin FY23 with the expectation of uninterrupted trade and the return of international travel. Supply chain conditions are improving, with normalised buying timelines expected to deliver a reduction in working capital and increased cash flow generation in the year ahead.

The Group is well capitalised, with a strong balance sheet and significant funding headroom. We are excited by the opportunity to build a truly unique global business headquartered in Australia and New Zealand. We will continue to invest in the international expansion of our global brands, to deliver sustainable long-term growth for our shareholders.

B Corp at KMD Brands

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.

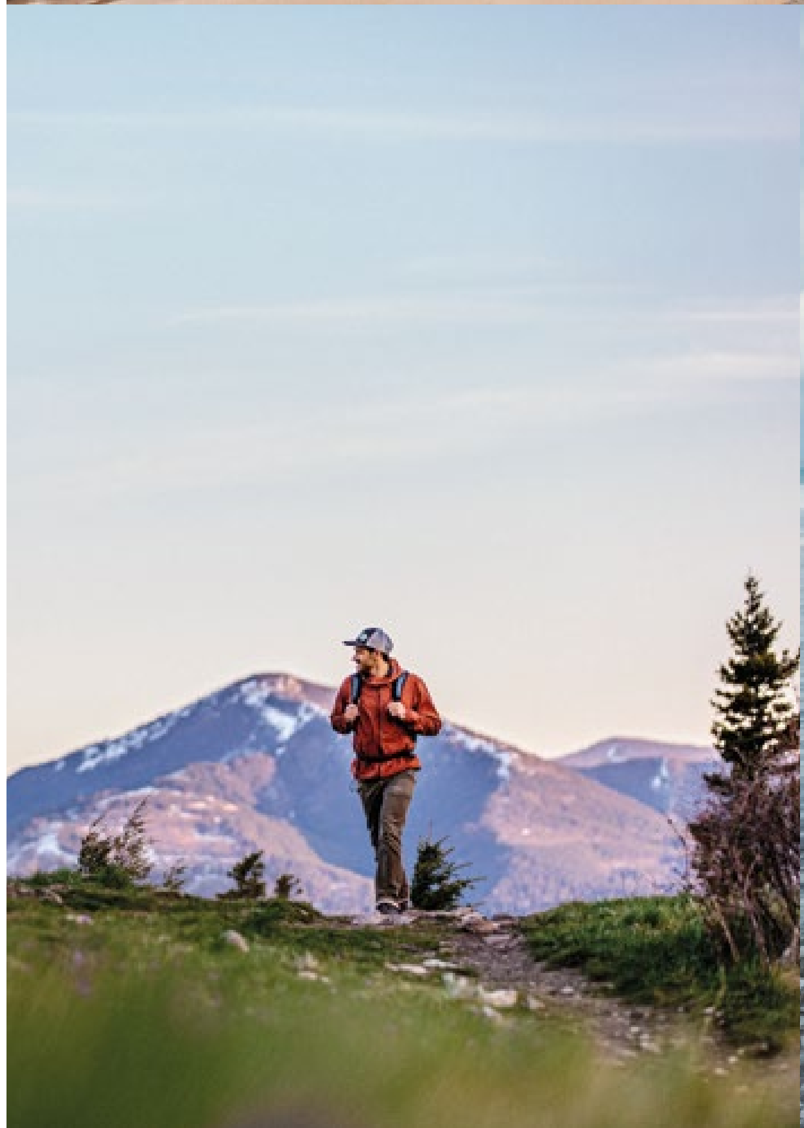
KMD Brands is led by a talented group of non-executive directors supporting an experienced management team. Over the past 18 months, through this leadership team, the Group now has a redefined corporate strategy identifying the clear pillars and focus areas to drive future success for the Group.

A key aspect of governance at KMD Brands is our commitment to the B Corp movement. Kathmandu first became a Certified B Corporation in 2019, and both Rip Curl and Oboz are currently working towards B Corp Certification. We are integrating recognition of our interdependence with people and planet, the "benefit mindset", across our entire business. This means that, as a business, we are required to consider the impact of our decisions on our employees, our customers, the wider community, the environment, our business, 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. Through this approach, we can make decisions to have an overall positive impact on people and planet, while continuing to operate a profitable business delivering returns to our shareholders. This benefit mindset lies at the centre of the Benefit Corporation or "B Corp" movement.

A B Corp is a different way of doing business; it is a business structure that considers all stakeholders and balances purpose and profit. B Corps are a rapidly growing community driving a global movement of people using business as a force for good. B Corps around the world are together working towards a more inclusive, equitable and regenerative economic system. For KMD Brands, the process of working towards B Corp certification guides the priorities of our Environmental Social and Governance (ESG) impact strategy and provides a framework for continuous improvement.

We have amended our Group Code of Ethics for KMD Brands to embed the benefit mindset into our expectations of all employees in the Group. We are taking this further by adding ESG responsibilities to the job descriptions of all employees and including ESG related objectives as part of our employee goal-setting and performance review processes.

In FY23, the Board will consider proposing a shareholders' resolution to amend the constitution of KMD Brands to add a requirement to consider the impact of our decisions on our employees, customers, suppliers, community and the environment in our governing structure at the highest point. Incorporating this provision will become a requirement to maintaining B Corp Certification for our Group from 2023. We will bring further information to shareholders to consider in 2023.



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 KMD Brands 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
Appointed 21 November 2013

John Harvey
Appointed 16 October 2009

Brent Scrimshaw
Appointed 2 October 2017

Philip Bowman
Appointed 2 October 2017

Andrea Martens
Appointed 1 August 2019

Michael Daly
Appointed 19 May 2021

Abby Foote
Appointed 15 October 2021

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.

Reuben Casey (previously Kathmandu Chief Executive Officer) left the Group on 31 July 2022. Michael Daly is currently the acting Kathmandu CEO.

Tony Roberts (previously Group Legal Counsel) left the Group on 31 July 2022 with his functions combined into a new role of Chief Legal and ESG Officer.

Michael Daly
– Group Chief Executive Officer
Joined Rip Curl in 2002

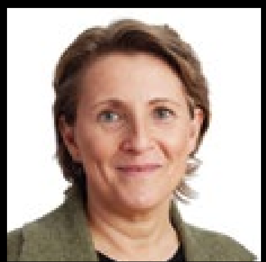
Chris Kinraid
– Group Chief Financial Officer
Joined Kathmandu in 2014

Brooke Farris
– Rip Curl Chief Executive Officer
Joined Rip Curl in 2010

Amy Beck – President Oboz / Kathmandu 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 Human Resources Officer
Re-joined Rip Curl in 2019

Lachlan Farran
– Chief Commercial Officer
Re-joined Rip Curl in 2016

WHAT MATTERS MOST
Materiality Approach

During 2021, we conducted a materiality assessment for KMD Brands for the purpose of identifying the most strategic issues for the Group and its brands to focus on over the next 3-5 years.

This process involved extensive stakeholder input and a thorough review of global trends. We also considered key topics discussed by the Board and used the assessments of our risk register and global trends to identify the most material topics we should be reporting on and addressing.

THE MATERIALITY ASSESSMENT PROCESS

A total of 745 people were surveyed or interviewed.

Respondents were asked to rank a set of ESG issues based on the importance of each issue to:

- KMD's continued business success
- the respondent personally
- the health and well-being of society
- a decision to invest in KMD (i.e., investment community)
- the decision to purchase from one of our Brands
- the respondent organisation's mission along with their viewpoint on how well the Group was performing on a given issue.

OUR KEY STAKEHOLDERS

In determining our material topics we consulted with the groups who have a substantial impact on our Group, or on whom we have a substantial impact through our business activities:

- Our shareholders
- Our employees
- Our customers
- Suppliers and business partners
- Financiers
- Regulators
- Community groups including our athletes and brand ambassadors.

Our Material Issues

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. We discuss the impacts of these material issues throughout our report and how our strategic focus areas are informed and prioritised to respond.

GLOBAL ECONOMIC LANDSCAPE

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.

The turbulent geopolitical landscape, global conflicts and regional political instability carries the risk of potential sanctions for countries, which could impact our ability to source input materials.

Inflationary pressures and the ongoing impacts of COVID are also impacting consumer discretionary spending habits. Consumer lifestyles have shifted and spending patterns are changing.

SUPPLY CHAIN RESILIENCE

The impact of shipping delays, port congestion and access to regional freight forwarding has a significant impact on our ability to move our products around the globe to reach our customers. The ongoing COVID elimination strategy in China creates challenges in sourcing of raw materials due to factory closures.

CLIMATE CHANGE

The need for urgent transformative change to reduce greenhouse gas emissions is a significant material issue facing all businesses. Our commitment and plan to reduce the emissions connected with our business and our products is 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 a challenge. We need skilled resource 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.

BRAND POWER

The strength of each of our brands is our 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.

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.

The shift towards the digital world requires us to keep pace with future-fit platforms and tools and to operate with agility.

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.

STRATEGY
How We Create Value

THE RESOURCES WE RELY ON

OUR FUNDING
We rely on a strong financial base to operate and invest for the future and employ capital from our shareholders and from debt.

OUR PRODUCTS AND CHANNELS
We invest in our inventory and our supply chain infrastructure and sales channels to deliver our products to our customers.

OUR CREATIVE POWER
We rely on our product development, design and innovation, which contribute to the value of our brands.

OUR PEOPLE
Competencies, capabilities and experience of our employees, our key asset.

OUR PARTNERSHIPS
We rely on collaboration with our partners who are essential in making our business succeed.

OUR ENVIRONMENT
We rely on a healthy environment for both creating our products and for our customers to enjoy.

OUR SUPPLY CHAIN

TIER 4
RAW MATERIAL

TIER 3
RAW MATERIALS PROCESSING

TIER 2
MATERIAL PRODUCTION

TIER 1
MANUFACTURING PARTNERS

DISTRIBUTION CENTRES

RETAIL AND WHOLESALE NETWORK

OUR CUSTOMERS

3 ICONIC BRANDS, 1 VISION

KMD Brands form a global outdoor family that creates high-quality products designed for purpose, driven by innovation, and best for people and planet. All products in the KMD Brands family are made specifically for the outdoors and are tested by experts, out in the elements.

Kathmandu We're out there | Oboz FOOTWEAR | RIP CURL

CREATING VALUE FOR OUR STAKEHOLDERS

FOR CUSTOMERS
Designing innovative, technical outdoor lifestyle and sports products.

FOR EMPLOYEES
Providing a place for all people to realise their full potential.

FOR INVESTORS
Paying total shareholder returns. Providing a sustainable investment option.

FOR THE COMMUNITY
Creating positive change in the communities we impact.

FOR THE PLANET
Striving for a positive impact on the environment across the whole life cycle of our products.

FOR SUPPLIERS
Providing long-term partnerships, supporting strong worker wellbeing.

Our Strategic Pillars

This year, we renewed our 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 showcasing leadership in ESG. These pillars are designed to support KMD Brand's 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, together with the challenges and opportunities ahead. Each of the capitals, or resources, we rely on to create value for our stakeholders are essential for our success. These capitals are reflected throughout our discussion on each strategic pillar.

BUILDING GLOBAL BRANDS

We are actively building global brands. This includes extending awareness for the Rip Curl brand in North America, growing brand recognition in Europe to a top 3 position, and being the top surf brand in Australasia. We are launching Kathmandu into North America and Europe during 2022, highlighting its New Zealand heritage 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 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 platforms that support a unified customer experience and commerce operations for the whole Group. This will be supported by the launch of new and improved loyalty programs that allow for personalised communications.

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

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. Through this purpose and vision, we commit to having an overall positive impact on society and the environment, while delivering returns to our shareholders.

We will strengthen our ESG leadership position in our sector through collaboration and transparency, and by holding ourselves accountable to stringent, verified standards of social and environmental responsibility as all our brands work towards becoming B Corp certified.

BUILDING GLOBAL BRANDS

MATERIAL ISSUES: GLOBAL ECONOMIC LANDSCAPE • CLIMATE CHANGE • SUPPLY CHAIN RESILIENCE • BRAND POWER

OUR OBSERVATIONS

Our Group consists of three iconic brands designing innovative, technical products for the outdoor consumer. The strength of each of our brands is our material asset and it is fundamental that we grow brand awareness across the globe strategically and at a controllable pace.

To remain relevant and desirable to our customers, and ahead of our competition, we must deliver products which are relatable and appealing, delivering on innovation, being responsibly made, supporting wellbeing and making the outdoor pursuits of our customers more enjoyable, comfortable and inspiring.

During FY22, global economic conditions driving inflation have resulted in an increase in the cost to produce our products and consequently we have adjusted the prices for the sale of our goods to maintain margins. Inflation has also added pressure to our costs of doing business. In the US market, we saw inconsistent trends in consumer spending sentiment towards the end of FY22. However, the strength of each of our brands is strong, benefiting from the easing of lockdowns and some return to international and domestic travel.

OUR ACTIONS

We are investing in the long-term success of our brands to drive demand and offset any downside from a reduction in consumer spending sentiment. We constantly monitor our pricing and margins, taking steps where possible to simplify our product offering, without decreasing quality, in order to maintain margins and lift pricing on more technical goods that justify a higher price point.

During FY22, we invested in the Rip Curl brand in the US market through sponsorship of the Rip Curl World Surf League Finals where the world champions for the sport of surfing are crowned. Team sponsorship continues to be a focus, beginning with grass roots sponsorship to support the development of talent and strengthen awareness of the Rip Curl brand from the ground up. We have opened new flagship stores in key surf destination locations.

We are leveraging and delivering operational excellence to all brands across shared support functions, utilising existing infrastructure and scale benefits across the Group.

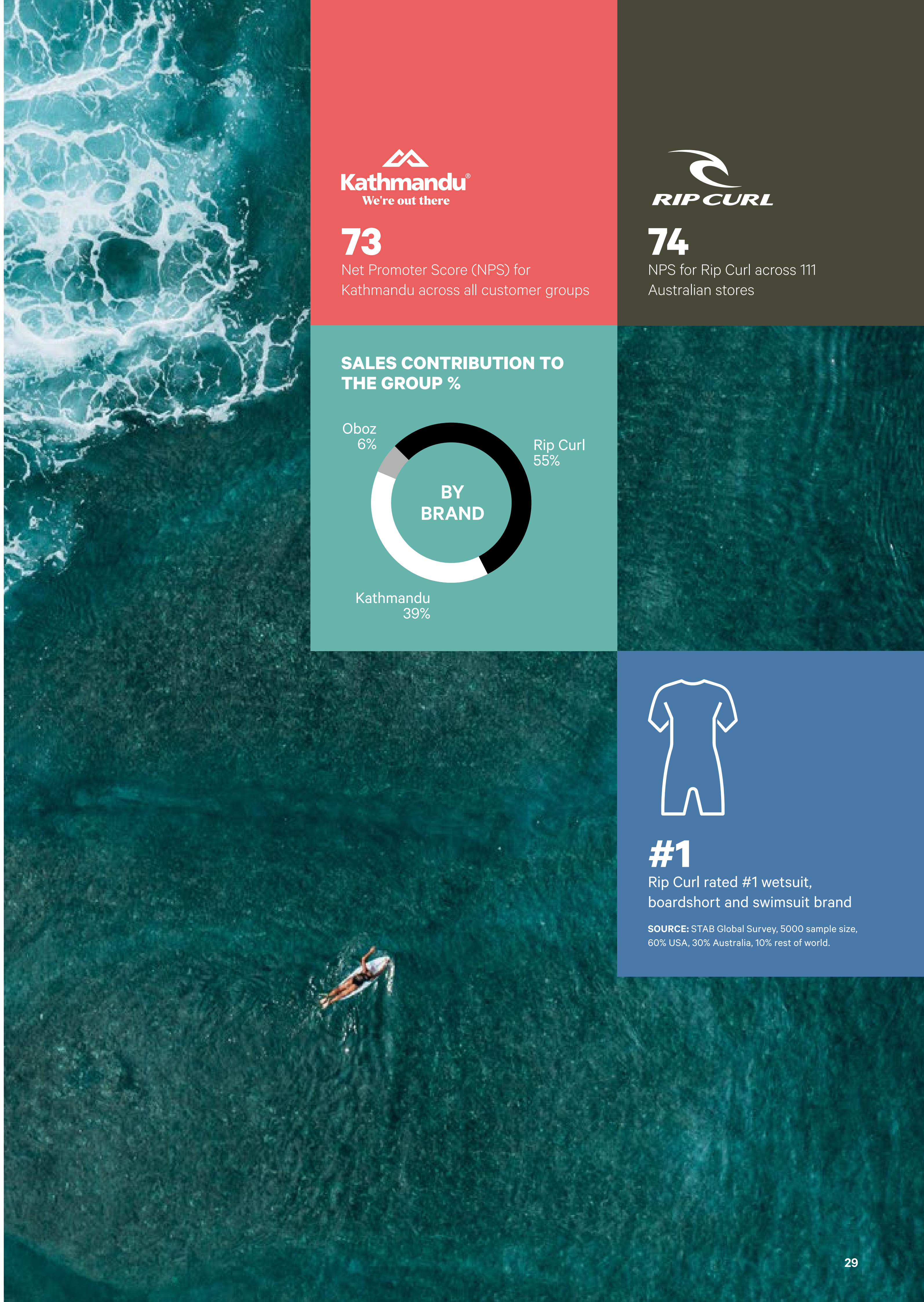
Kathmandu has established new customer relationships in Europe during FY22, highlighting its New Zealand heritage. Showrooms have been established in Europe and Canada to draw on existing Rip Curl infrastructure. New direct to customer websites in Canada, France and Germany are under development for launch in 1H FY23. Kathmandu has invested in seasonal "Out There" campaigns to build awareness of its new brand positioning in the Australian and New Zealand markets. Kathmandu also won international awards at ISPO and Outdoor Retailer for the NXT Level Bio Down jacket.

By harnessing the specialist leadership and values that Oboz is known for in North America we aim to grow the North American and Australasian business and expand into the European market. During FY22 Oboz has established a new logistics infrastructure in Canada to support its growth in the region. We have also invested in brand partnerships and are actively exploring EU market opportunities.

CHALLENGES AND OPPORTUNITIES AHEAD

There is significant opportunity ahead with the launch of new and improved loyalty programs for the Rip Curl and Kathmandu brands. At the close of FY22, we launched a pilot program for Club Rip Curl, with the full program roll out in Australia planned for early FY23. A relaunch of the Kathmandu Summit Club is planned for later in FY23 with exciting new benefits for members. Expansion of the Kathmandu brand into new international territories provides a substantial opportunity for the Group.

Challenging global economic landscape have seen some of our competitors reduce investment in brand development. This provides us with clear opportunities to establish our brands in new markets and to expand our points of differentiation.



Kathmandu We're out there

73

Net Promoter Score (NPS) for Kathmandu across all customer groups

RIP CURL

74

NPS for Rip Curl across 111 Australian stores

SALES CONTRIBUTION TO THE GROUP %

Oboz 6%

Rip Curl 55%

BY BRAND

Kathmandu 39%

#1

Rip Curl rated #1 wetsuit, boardshort and swimsuit brand

SOURCE: STAB Global Survey, 5000 sample size, 60% USA, 30% Australia, 10% rest of world.

CASE STUDY Rip Curl World Surf League Finals

In March 2021, the World Surf League (WSL) and Rip Curl came together to announce a three-year sponsorship deal, the Rip Curl WSL Finals, a new one-day inaugural event to be held in San Clemente, California at Lower Trestles. Often referred to as the most high-performance wave in the world, there is nowhere to hide at Lowers.

A new one-day competition format where, after the regular Championship Tour season, the top five men and top five women surf with a winner-take-all shot for the world title. To win requires a unique combination of technical mastery and explosive innovation. The WSL Finals waiting period ran from September 8 – 17, 2021.

September 14th, 2021 saw all-time, six-to-eight foot southern bombs pour into the Lower Trestles. The line-up displayed perfect conditions from start to finish and became the most watched day in the history of professional surfing.

The Rip Curl WSL finals in the USA drew a record 6.8 million live video views as surfing fans globally witnessed the crowning of the 2021 male and female world surfing champions. Rip Curl team rider Gabriel Medina won his third world title, driving both viewership and Rip Curl's claim on professional surfing in the USA.

"The inaugural edition of the Rip Curl WSL Finals was an incredible success," said Erik Logan, WSL CEO. "To see the WSL Finals go head-to-head in amazing waves and to witness the women's and men's World Titles decided on the same day, in the water, for the first time was special. This new format captivated our audience and drove consumption like never before and was the most-watched day of professional surfing with the largest live digital audience in WSL history. We are excited to return to Lowers this season."

For Medina, this is his third World Title and puts him amongst some very heavy company. He joins surfers such as Tom Curren, Andy Irons, and Mick Fanning. "I feel so happy. It is not everyday you accomplish your dream," Medina said afterward. "It feels so good to dream. Every dream seems to be impossible until it is done ... I had this dream in my mind for a long time."

CASE STUDY Oboz Adventures into New Categories

One of Oboz' strategic initiatives is to create distinguishable product to support the Oboz brand and the consumer journey. Comfortable, durable footwear for the trail is Oboz's persistence, drive and ceaseless commitment.

During FY22, Oboz has expanded its product offering into the emerging "Fast Trail" and "Camp" categories. These categories provide a significant market opportunity as key growth categories for the brand.

The Fast Trail line is built on 1,000s of miles of underfoot insight truths engineered into transformative footwear that breaks away from the pack. The result is better foot health, better adventures and a better kind of Fast + Light experience. The kind that sacrifices nothing, so you can give it your everything. The fast trail category is a natural brand extension for Oboz with a focus on stability, durability and fit, with technology at the core. This range of products provides the opportunity to attract a new, younger, female consumer, to take market share from our competitive set and to have some fun with colour expansion.

The Camp line provides an option for adventures near and far, even for the customer who doesn't need to leave home. The Camp category meets adventurers where they like to spend time during their most favourite moments outside, no matter the season. With a focus on fit and recovery, the Whakata franchise has shown strong growth for Oboz during FY22.

ELEVATING DIGITAL

MATERIAL ISSUES: GLOBAL ECONOMIC LANDSCAPE • CYBER AND DATA SECURITY • CHANGE MANAGEMENT • BRAND POWER

OUR OBSERVATIONS

Consumer spending patterns have changed. The COVID pandemic and global economic conditions created a shift in customer lifestyles. Customers are more discerning. They are looking for personalised, inspiring shopping experiences and expect to have access to a unified, omni-channel, seamless offering.

Strength in our digital capabilities is vitally important to protect the reputation and expand recognition of each of our brands. Our customers want to engage with us in different ways and our modes of communication and methods of making transactions must shift. We need to elevate our digital offering to deliver on all these customer expectations.

It is essential that we harness data driven insights to drive our decision making and accelerate growth across our direct-to-consumer business. We must use the customer data we hold effectively, while keeping the data secure. We embrace digital across our entire organisation to enhance the experience of our employees, to drive efficiency and to support innovation.

We must keep pace with future-fit platforms and tools and to operate with agility. This requires careful change management processes. We need to verify that impacts to interconnected business procedures are considered and that all affected stakeholders are consulted.

The Group recognises that its businesses operate in an increasingly connected world where information and cyber threats continue to evolve and challenge not only information assets, but the Group's ability to interact with customers, suppliers and prospective employees. Through its interactions with different stakeholders the Group is entrusted with various personal details, and the organisation recognises that any compromise of this information while under its care could cause harm and significantly damage the Group's reputation.

OUR ACTIONS

During FY22, we have been improving our digital execution with our continued investment in whole-of-group ERP (enterprise resource planning) platforms that support a unified customer experience and commerce operations. We have enhanced our online platforms by launching a new headless e-commerce platform for Kathmandu which we will roll out across each of our brands in subsequent reporting periods.

We have laid the foundations for providing an omni-channel experience for our customers by upgrading our point-of-sale system in New Zealand and Australia, rolling out click and collect for Kathmandu and maximising fulfilment from store capabilities.

We have focussed on data insights by implementing a customer data platform which will provide us with a single view of our customer interactions across brands and allow personalised communications to support a unified customer experience.

The Group has established a set of security standards that detail the steps taken to secure our systems and information from a people, process, and technology perspective. This Framework aligns to the ISO 27001 series of standards for Information Security Management Systems (ISMS) and Risk Management. During FY22 there were no notifiable data breaches for the Group.

CHALLENGES AND OPPORTUNITIES AHEAD

The next phase of our strategy to elevate digital will see a focus on personalisation, with our new personalisation engine for tailored customer content and offers. This will integrate with our loyalty platform to provide a better experience for our customers and provide greater opportunity to harness data insights about what our customers want and unlock growth potential for online sales.

For Kathmandu, we will also incorporate 'endless aisle' capabilities to provide our in-store customer with the option to order products either not normally sold in a specific store, or where that physical store is out of stock of a particular item. These initiatives provide an opportunity to give customers a seamless shopping experience which contributes to our brand power and consumer engagement. Kathmandu will also launch new direct to customer websites in Canada, France and Germany to support the expansion of the brand into new territories.

For Oboz, we will enhance the business-to-business dealer portal platform to build our educational and technical resources to better facilitate dealer knowledge and expertise in the sale of products.

Cyber threats and increasingly sophisticated threat actors are an ongoing challenge and risk for our business, and all businesses. We must stay vigilant to these threats and continue to invest in industry leading tools to protect our systems and data, embedding risk-based processes across our businesses and keeping across global best practice.

CASE STUDY Using Technology to Build Community

The launch of our new Club Rip Curl members programme promises to radically improve our customer engagement. The goal of Club Rip Curl is to become the largest and most engaged surf and beach community on the planet.

Customers will be able to earn rewards from purchases, referrals and product reviews or even by going for a surf. Points can be spent on products or donated to protecting the environment through our partnership with SurfAid. In the future, members-only experiences will also be available to purchase with points.

The technology behind the system was developed in partnership with Kathmandu. The KMD Group's commitment to elevating digital means the technology is aligned across brands, building synergies and economies of scale.

Connecting customers' surfing stats to our membership programme is a world-first achievement. Using our own SearchGPS Surf watch, we can track waves caught, top speed and distance travelled that, when uploaded to our GPS app, will generate points to use in store or online.

"We have never had a unified customer in our tech stack. It's always been siloed between e-commerce and our bricks and mortar stores, so one main goal is to bring those two environments together from a membership and data perspective," says Sam Hopgood, Membership Manager.

"For the first time, all our customers will be connected to the one ecosystem where we can create a single view of the customer and in turn deliver personalised communications and create a greater customer experience for our brand advocates."

Internally, the programme will help us to better know our consumer, to drive incremental frequency and to build a loyal and connected community.

The programme launched in July with five stores, expanding to Australia and New Zealand in August. The rollout will continue to Europe, USA and Canada in 2023/24.

CASE STUDY Connecting to Customers Through New Digital Experiences

This year, Oboz continued to invest in new digital tools to better connect with customers and improve its digital brand presence.

Following the launch of the direct-to-consumer website in 2021, we emphasised the functionality of our Shoe Finder, which collects customer preferences and delivers footwear recommendations, in addition to Find a Store, which shows site visitors a list of nearby retailers for each product.

This year, we also improved our digital resources for dealers and staff members. We created comprehensive online training and a list of frequently asked questions. We also added marketing assets and technical information to this online resource.

Consumers were also invited this year to partake in the Oboz Trail Experience, a challenge that encourages participants to learn about new trails and rediscover old favourites. Month-long challenges based in different parts of the United States allow trail users to complete as many trail segments as possible.

"The Oboz Trail Experience is a combination of an in-person and virtual event that helps to get community members on trail, whether it is a familiar or newly identified route," says Abigail Cook, Digital Content Manager.

The Oboz Trail Experience took place in seven locations in 2022. Each experience includes more than 100 miles of trails to explore, and more than 1,100 people participated in total. Trail miles are logged via the Strava app, and participants are encouraged to share their images and trail experiences on social media.

OPERATIONAL EXCELLENCE

MATERIAL ISSUES: GLOBAL ECONOMIC LANDSCAPE • SUPPLY CHAIN RESILIENCE • CHANGE MANAGEMENT • CLIMATE CHANGE

OUR OBSERVATIONS

To support the growth of our global brands, we are focussed on leveraging the synergies between our brands through shared knowledge and collaboration. We achieve this through programmes that accelerate cross-brand opportunities that allow us to optimise our supply chain, invest in core-system upgrades and collaborate on product innovation.

Inflationary pressures and supply chain challenges this year have made this increasingly important. We have seen costs increase across all aspects of producing our products – from raw materials, manufacturing costs, freight and internal wage costs and to the cost of our funding. Through operational excellence, we aim to optimise operational and financial performance. It will also help us manage our costs efficiently and maximise productivity.

Factory closures during FY22 impacted our ability to deliver products, particularly closures in Vietnam which impacted delivery for Oboz customers. The risk of port congestion and shipping delays has complicated our supply chain and delivery timeframes, although congestion eased as the year progressed. The compounding supply chain challenges resulted in a higher-than-expected level of inventory in our distribution centres at the end of FY22, a result of a very disruptive period for global supply chain logistics.

The systems and processes in our supply chain impact our carbon footprint and the waste produced through our operations. We recognise the impacts generated by the logistics partners and transportation methods we choose to move products, as well as the waste produced in the manufacture, distribution and sale of our products, and ultimately where our products end up when they have reached the end of their useful life.

OUR ACTIONS

In response to global economic conditions and inflationary impacts on the cost of goods this year, we have sought opportunities to improve and optimise the underlying operational and financial performance of the Group, to manage our costs efficiently and maximise productivity.

In response to the COVID closures disrupting supply and the need for increased capacity to meet order demand, we accelerated plans to add a new supplier to the Oboz factory network to increase diversification of production.

By collaborating across our brands, we have also been able to relieve supply chain pressure points by reallocating storage space and utilising freight forwarding relationships efficiently. Now that supply chain delays, factory closures and port congestion issues are all easing, we continue to refine our planning and buying processes back to traditional timelines.

We have integrated some key operating systems across our brands in the past financial year which can be challenging as our people learn to use and adapt to new systems and processes. The cost and time required to complete these projects is a necessary investment in a resilient system for the future.

CHALLENGES AND OPPORTUNITIES AHEAD

Looking forward, we will focus on optimising supply chain logistics through alignment of factories across our brands and consolidating freight vendors to deliver gross margin benefit. We are a significant retail tenant in Australasia. We will continue to leverage this scale to drive commercial outcomes across our brands. We will utilise existing Rip Curl physical and systems infrastructure in the Northern Hemisphere as we expand the Kathmandu and Oboz brands into these markets. We will explore consolidation production volumes across brands in like categories to common suppliers to leverage our purchasing power.

Climate change is acting as a catalyst for disruption and our business regularly monitors emerging technologies to see how they could affect our business. We must proactively adapt to and adopt the latest technologies in our supply chain and direct operations that will reduce the cost of our operations and increase the resilience of our systems.

CASE STUDY Collaboration Reduces Pain of Unprecedented Supply Chain Crisis

As General Manager, Group Supply Chain, Dianne Fuller has just overseen the most disruptive period of her 40-year career in supply chain logistics.

"I can honestly say, I've never experienced anything like this," she says. "The most significant challenges have been around shipping - and that's been impacted by many things, not just COVID."

Dianne explains that shipping runs in a global circuit, so delays in one part of the world have flow-on effects for the rest. "When a ship blocked the Suez Canal for six days in 2021, it created a massive traffic jam all the way through to Asia and New Zealand, which stopped products being able to reach us on time."

Supply and demand also plays a part. COVID caused huge demand in Europe and the USA, which saw large vessels redirected from Australasia to cope with demand. This lowered the freight supply to Australia and New Zealand, pushing up prices by up to 600%.

Some challenges were solved by collaborating across the Group. When Oboz Vietnam factory closed, Kathmandu used its relationships in Vietnam to find storage for stock. And when Kathmandu needed to get product into a new Canadian market, Rip Curl's freight forwarder was able to make it happen.

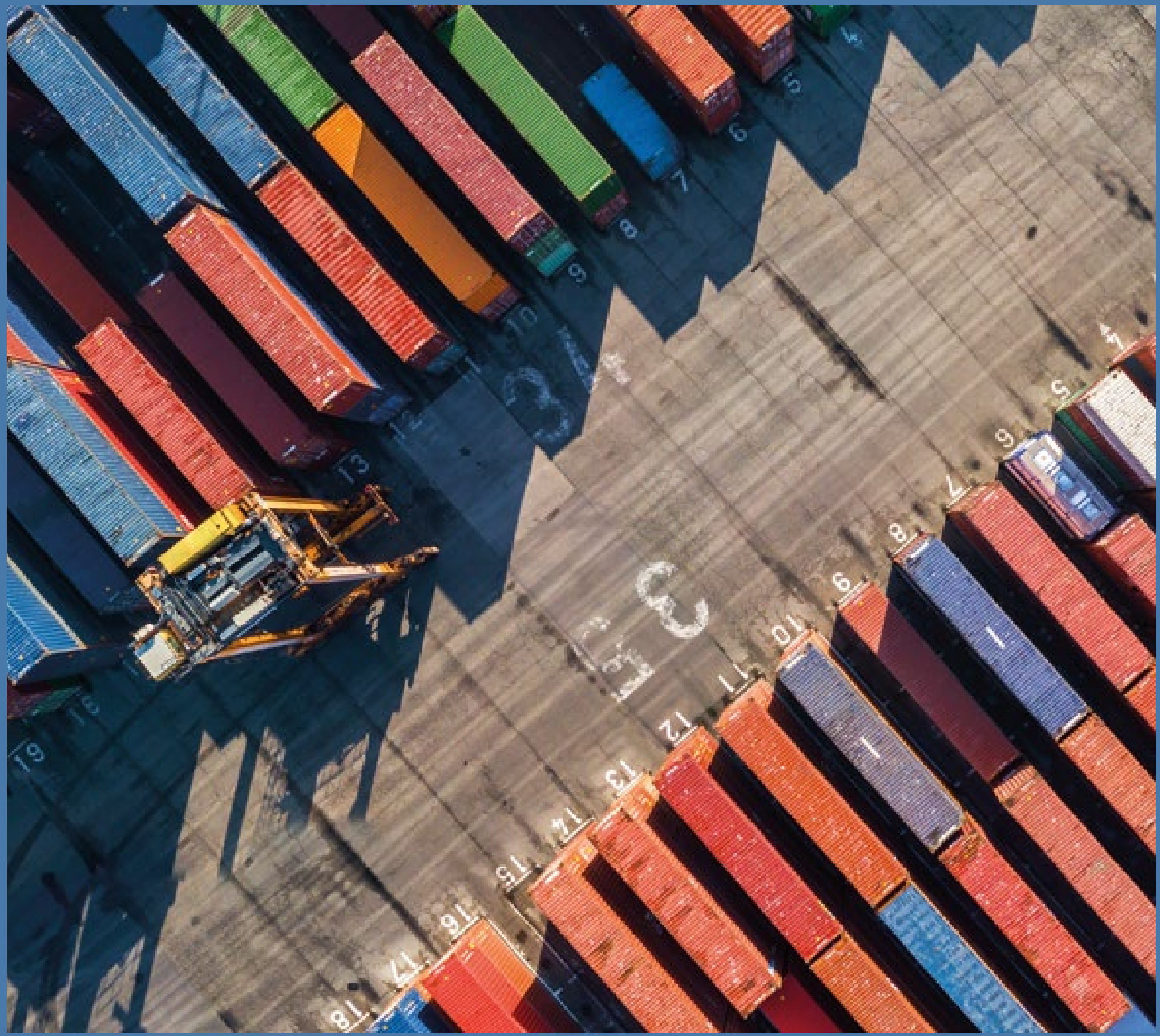
Dianne's role at KMD Brands Group level helps to drive this collaboration and give the Group better visibility across all three brands.

SHIPPING DELAYS AFFECT KATHMANDU DELIVERIES

Shipping delays have flow-on effects for everyone else. Kathmandu distribution centres, which were equipped to process 60-container deliveries, were suddenly scrambling to process 100-container deliveries.

"It was a significant juggling act to get product to store for launching on time," Dianne says.

"It was our amazing people, across planning, merchandising and distribution, that used their problem solving skills and their relationships with suppliers to miraculously deliver 84% of stock on time for Kathmandu stores."



DEMAND INCREASE MEETS SUPPLY SHORTAGES FOR RIP CURL

This year, record numbers of people took to the ocean, fuelling a huge increase in wetsuit sales. This unprecedented increase in demand coincided with global material supply shortages. CR, or Polychloroprene chips that are used in making wetsuits are also used in cars, surgical gloves and many other products.

"What used to take us 30-40 days to source now takes up to 12 months," says Rip Curl General Manager – Product Nichol Wylie.

"We are confident that our OnSmooth Wetsuit factory and our suppliers will be able to improve wetsuit deliveries this coming year," says Nichol.

COVID CLOSURES DISRUPT OBOZ SUPPLY

A nearly three-month closure of Oboz factories in Vietnam meant 300,000 customer orders were delayed.

When orders did begin leaving Vietnam again, there were bottlenecks at nearly every step in the chain.

As a result, Oboz has diversified its supply chain, accelerating plans to bring a new factory onboard.

A new Canadian warehouse also reduces road freight emissions by sending goods direct to Vancouver rather than Los Angeles.

"We're proud of the fact that despite the delays, we were able to make sure we didn't cancel any orders with our already hard-hit suppliers."

Oboz Supply Chain and Demand Planning Manager John Nehring.

LEAD IN ESG

In this section, we report on our overall impact on society and the environment, including the capitals (resources) we rely on to create value, within the context of our strategic objective to Lead in ESG. We have structured this section by reference to the framework of the KMD Brands ESG Strategy; organised around the 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.

SUSTAINABLE DEVELOPMENT GOALS

We acknowledge the impact of our businesses on people and planet and accept our responsibility to advance the Sustainable Development Goals. We have incorporated these goals into our ESG strategy which underpins all our business activities.

8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

KMD Brands ESG Strategy

OUR VISION 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	OUR GOALS
OUR PEOPLE, OUR COMMUNITIES Positively impact the wellbeing of people and places impacted by our brands	• Provide a people-centred culture and workplace that fosters health, safety, wellbeing and inclusiveness • Protect human rights and dignity by addressing modern slavery in our value chain through collaboration and transparency • Engage, inspire and protect the communities where we operate and impact	**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 **Genuine transparency of, and effective worker voice communications with, strategic suppliers for each brand** **Supported local community projects, through donations, fundraising and paid employee time, to create a positive impact for the wellbeing of people and planet**
SCIENCE-BASED CLIMATE ACTION Transition to a low carbon future	• Reduce emissions in line with the Paris Climate Agreement 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)**
CIRCULAR BUSINESS MODELS Eliminate the linear take-make-waste approach to business	• Foster and invest in circular business models across our businesses • Increase responsible material content in our products • Reduce the waste footprint created across our businesses	**Commercialised brand-led circular business models for product take back, renewal, repair, re-commerce or recycling** **Dedicated to our own-brand products being responsibly sourced** **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 by 2030

Our People, Our Communities

PEOPLE

MATERIAL ISSUES: PEOPLE AND WELLBEING • CHANGE MANAGEMENT

OUR OBSERVATIONS

We are focussed 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-centred culture and workplace that fosters health, safety, wellbeing and inclusiveness. We harness the power of our team collectively working together, where all people are embraced and valued for who they are and are encouraged 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 self.

Attracting key talent and retaining that talent within our businesses in a competitive labour market has been a challenge during FY22. We have experienced issues with recruiting skilled people to drive our business strategies, particularly with border restrictions in New Zealand.

While the threat of COVID has reduced during FY22, the impact to our business and our people has remained considerable. Social distancing measures and mask requirements have required our store teams to pivot quickly in response. Maintaining adequate staffing levels despite frequent absences due to illness has created significant challenges, albeit challenges our retail teams have responded to with resilience and determination. The impacts of COVID remain significant, despite the reducing threat, and the need for initiatives to support the wellbeing of our teams is greater than ever.

In the last two years, through the pandemic and recurring periods of lockdown and travel restriction, there has been a significant change in the ways of working for our teams. This has an impact on people's wellbeing and the methods we use to stay connected and keep people engaged. In a dynamic and disruptive landscape, we are focussed on supporting a thriving and engaged team who know who we are and what we stand for.

OUR ACTIONS

During FY22, we completed the first global diversity survey across all of our brands providing us with valuable insights about the backgrounds of our employees so we can support what matters most to them. The Group seeks out the best talent from around the world to join its brands and is proud to have a broad range of nationalities and ethnicities represented within our team, a diverse cross-generational team, and strong female representation across the Group. While we are reporting on our baseline statistics for this year following completion of this survey for the first time at a Group level, going forward we will set more specific targets in this area.

We have continued to conduct engagement and satisfaction surveys across the Group. FY22 was the third year of using the Gallup standardised approach with an emerging maturity in the understanding across management teams of the insights this tool can provide. In FY22 we introduced pulse surveys to capture an assessment of employee engagement in particular focus areas within the business. Language around engagement is becoming a key part of our conversations and is highly supported across our teams. During the year, Kathmandu won the AFR Boss Best Places to Work in the retail, hospitality, tourism and entertainment categories.

We have continued to understand and support the needs of our employees and adjusted our policies and practices in response. We have a range of wellbeing initiatives in place across the Group from providing employees with access to counselling and safe workplace practices, to COVID protocols such as additional sick leave and flu vaccines. An awareness and responsibility to address mental health and wellbeing has been embedded into our business from senior executive through to store manager level.

Our Group efficiencies enable us to put the right initiatives in place to support the needs of our people. By combining the service providers we use for wellbeing programs and services we can make these services more accessible to our employee network across the globe.

CHALLENGES AND OPPORTUNITIES AHEAD

Attracting, developing and retaining employees is crucial to our ongoing business success. In a challenging labour market, we need to foster an employee value proposition that showcases each of our brands as an employer of choice. Our commitment to diversity and inclusion goes beyond championing gender equality. Improving and evolving an inclusive and collaborative workplace culture is a shared passion across all our brands that enhances the Group's competitive advantage.

With the shifting ways of working, we need to find ways to maintain critical culture and team dynamics and to support the development of skills and capabilities needed for the future.

Goals and Performance

OUR PEOPLE, OUR COMMUNITIES

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

MINORITY REPRESENTATION IN OUR TEAM

14%
of our team identify as LGBTQIA+
Kathmandu / Oboz 17%, Rip Curl 12%

12%
of our team are living with a disability
Kathmandu / Oboz 15%, Rip Curl 11%

Sourced from Gallup Q 12 Engagement Survey conducted during FY22 and is based upon responses received from respondents.

GENDER DIVERSITY OF OUR EMPLOYEES

4,887
Total Employees

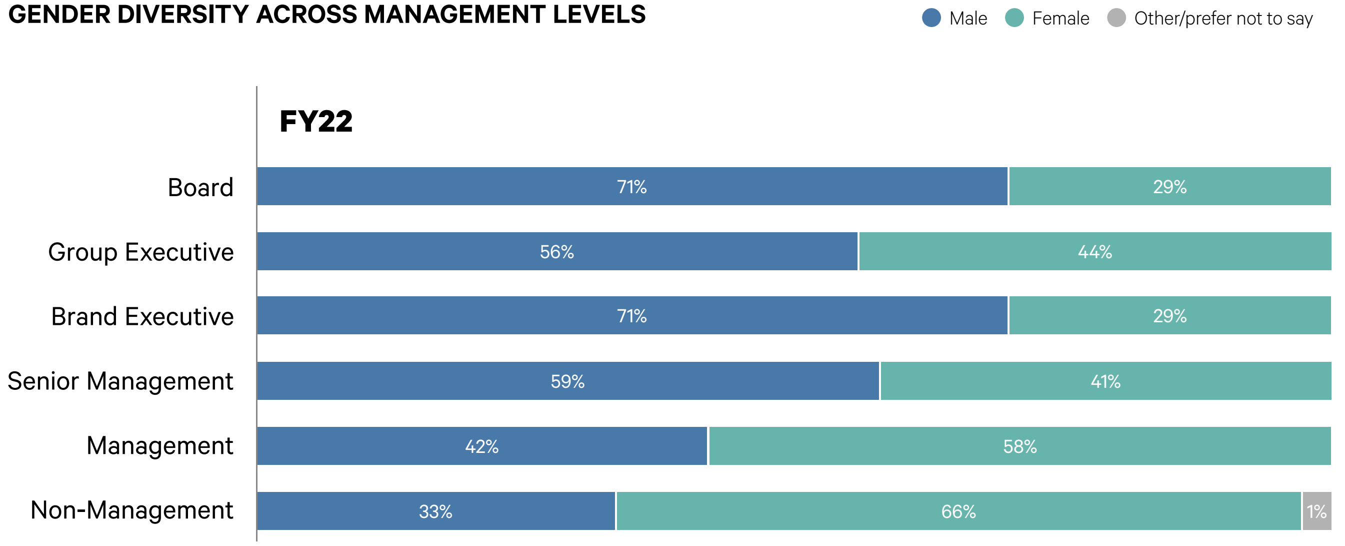
35%
Male

64%
Female

1%
Another Gender or prefer not to say

As at 31 July 2022, sourced from employee payroll data.

GENDER DIVERSITY ACROSS MANAGEMENT LEVELS



CASE STUDY Reflecting on Reconciliation

Rip Curl has begun its cultural journey to develop a Reflect Reconciliation Action Plan (RAP). There are four RAP stages – Reflect, Innovate, Stretch and Elevate – which allow organisations to continuously develop their reconciliation commitments. Rip Curl is at step one, Reflect.

To ensure we had a cultural lens and understanding before creating our RAP, Rip Curl engaged First-Nations cultural consultancy firm, Arranyinha. Co-founder Marsha Uppill ran a series of workshops that took our team through a journey of discovering what reconciliation looks like both individually and as an organisation. We looked at how we can align the values of the organisation and create actions that bring about true reconciliation.

The workshop created a company vision for reconciliation to reflect this:

Rip Curl is committed to the oceans, lands and communities in which we search.

We recognise First Nations peoples, elevating our learnings of their cultures and acknowledging their leadership and traditions.

Rip Curl embraces our responsibility to bring awareness and inspire positive change.

Together we walk towards reconciliation with honesty, integrity and respect.

New flags have also been permanently raised to acknowledge this respect to all Aboriginal and Torres Strait Islander peoples. Our Reflect RAP will be made publicly available on our website and via Reconciliation Australia's. The Reflect RAP will list our considerations and the actions we will take to acknowledge and support indigenous Australians.

"We have a deep desire to learn the history of Wadawurrung country, the people and that of our nation. We can advance reconciliation through discovery, education, creating opportunities and driving change."

Brooke Farris, Rip Curl CEO

CASE STUDY Employing Easwari

Kathmandu Chadstone Store Manager Zoe Platt's best friend has a daughter with down syndrome. Through this connection, she understands first-hand some of the struggles people with down syndrome face.

So when she heard of a down syndrome woman who was having trouble finding work, she didn't hesitate to line up an interview.

"Easwari came in for an interview with her carer. We worked with our human resources team to create a role specifically for her which entails back-of-house work, some greeting and a few sales. We try to keep the routine the same every day," Zoe says.

For more than a year now, Easwari has been working two four-hour shifts a week and the role has become a big part of her week, where she develops social skills and independence.

"She loves it. She's earning her own money and she gets the bus here on her own now."

Zoe says the team has welcomed Easwari. She's proud to show that there are businesses who are willing to be patient and flexible employers.

"For me, it's nice to know I've done a little something to help someone else's journey."

Employing Easwari is a natural fit with Kathmandu's values: courageous, joyful, open.

"Working at Kathmandu makes me feel happy, because everyone helps me and they make me laugh."

Easwari

Our People, Our Communities

COMMUNITIES

MATERIAL ISSUES: PEOPLE AND WELLBEING • CLIMATE CHANGE

OUR OBSERVATIONS

There are many communities impacted by, and impacting, our brands; from the community of workers in our supply chain manufacturing our products to the local environments where our employees and our customers play and explore. We want to engage, inspire and protect all of the communities where we operate and impact.

The root causes of forced labour have been exacerbated as a result of the COVID-19 pandemic exposing vulnerable individuals and families to the risk of modern slavery. Human rights groups have identified cases within the global textiles and apparel industry of business owners profiting from slavery. As a publicly owned company that exists to inspire people to explore and love the outdoors, protecting and promoting the wellbeing of workers in our global supply chain is integral to our identity, values and purpose.

Awareness of the climate crisis is now well understood and on business, political and social agendas. All our stakeholders expect that we take action to address the risks of climate change to our business and reduce the impact of our business on the climate.

OUR ACTIONS

We are prioritising transparency about the challenges faced by our suppliers and the impact these issues have on their workers. Throughout the year, we have continued to concentrate on protecting human rights and dignity by addressing modern slavery in our value chain through collaboration and transparency. We have widened our impact by working with other sectors, government agencies, human rights groups and, in some cases, our direct competitors, to facilitate and encourage a more innovative and collaborative approach to these human rights issues.

Kathmandu has continued its partnership with Deloitte in co-hosting the Collaborative Advantage working group, a collection of New Zealand businesses sharing insights and driving collective action to collaboratively address social and environmental challenges. Membership of the group has grown steadily since its inception in October 2020 to include a wide variety of large and small organisations from different industries.

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 our Group of brands. We support and encourage all our team members to be a part of our effort to make a positive social and environmental impact and to reduce the emissions connected with our businesses and our products.

During FY22 we have strengthened the community partnerships and programmes for each of our brands. These initiatives are aligned to the values of each brand and provide opportunities for our team members to take part.

CHALLENGES AND OPPORTUNITIES AHEAD

We want to go beyond auditing by focussing on how we can collaborate with our suppliers and other stakeholders to positively impact the challenges that can lead to modern slavery. Looking forward, we will track and report on the year on year increase of worker voice survey tools in our Tier 1 factories.

But the challenge does not stop there. We only have partial visibility into Tier 2 (suppliers of our manufacturers) in our supply chain and almost no visibility into the high-risk Tier 3 and Tier 4 raw material suppliers. Improving transparency of our supply chain is an important ongoing challenge for our brands and is a key focus area for us. We will trace and publish the input suppliers (Tier 2) of our strategic Tier 1 suppliers and work to increase the number of Tier 2 suppliers identified and published each year.

In support of our community outreach programmes, each of our brands will further embed community partnerships and programmes to create awareness around the work that our community partners undertake. We will expand the opportunities for our employees to take part in initiatives in their local communities.

"Best practice in ESG is not solely about assessing the risks to our business. It is equally about assessing the risks of our business decisions and practices to both people and the planet."

Gary Shaw, KMD Brands Social Impact Manager

Goals and Performance

OUR PEOPLE, OUR COMMUNITIES

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: 100% accountable
- Tier 2 suppliers: Increase by at least one for each brand per year

Transparency:

- Tier 1 suppliers: % increase year on year where worker voice survey tools are in place
- Tier 2 suppliers: Trace and publish the input suppliers of our strategic Tier 1 suppliers

88
Tier 1 suppliers we partner with

163
Tier 1 factories making our branded product

54
Audits completed by our third party auditor, Elevate Limited

109
Copy audits accepted (audits completed by other brands)

60%
of suppliers, (by spend) reporting on their environmental footprint (HIGG FEM)

100%
New Tier 1 suppliers screened against KMD Brands Code of Conduct

approx 500
Hours KMD Brands staff ESG training during FY22

60%
of head office staff received training in ESG in FY22

91%
of Tier 1 suppliers independently verified by Elevate as accountable to Code of Conduct under Sustainability Linked Loan as at May 2022

64%
of our suppliers are in China where freedom of association is at risk

Our high-risk countries for child and forced labour are China, Vietnam, Indonesia, Bangladesh, Cambodia, India, Mexico and Thailand

WORKING WITH OUR SUPPLIERS

Child labour and forced labour are common in the international apparel industry, especially in Tier 3 and Tier 4 (raw materials). Our focus is to improve the traceability and transparency of our Tier 2 (suppliers of our manufacturers) in our supply chain and gain visibility into the high-risk Tier 3.

Of the 54 Tier 1 audits completed by Elevate, 48% of those audits were not fully transparent. This lack of transparency is the most significant potential negative social impact as it means our business partners are breaking our trust and violating our Code of Conduct, and their disclosed ESG data cannot be relied upon.

The number of copy audits we completed this year was higher than usual because of the impact of COVID. These audits are completed by trusted third parties who know the local language and understand the culture.

Approximately 10% of suppliers improved their transparency this year, which has in turn led to an increase in corrective action plans.

72
Tier 1 and 2 suppliers reporting on environmental performance (Higg FEM)

420
Corrective action plans

11
Tier 1 suppliers exited during FY22

3
Tier 2 suppliers accountable to Code of Conduct

24
Worker sentiment surveys in place

1st
Ethical Voice worker survey completed, assessing the wellbeing of 100% of workers

CASE STUDY Worker Voice Tools and Grievance Mechanisms

Giving workers a voice is an essential part of any authentic social impact program. It is also a critical part of any effort to meaningfully address modern slavery. The challenge is how to do so in a way that is culturally appropriate, scalable, relevant and effective.

An often overlooked component is the mindset of the business relying on such tools. Why do we want to hear from workers in the first place? If it is purely to meet our social compliance obligations and tick the necessary box, then we may as well not bother. However, if our desire to hear from workers in our supply chain is an expression of our brand identity, values and desire to improve our impact and footprint, then such tools are invaluable.

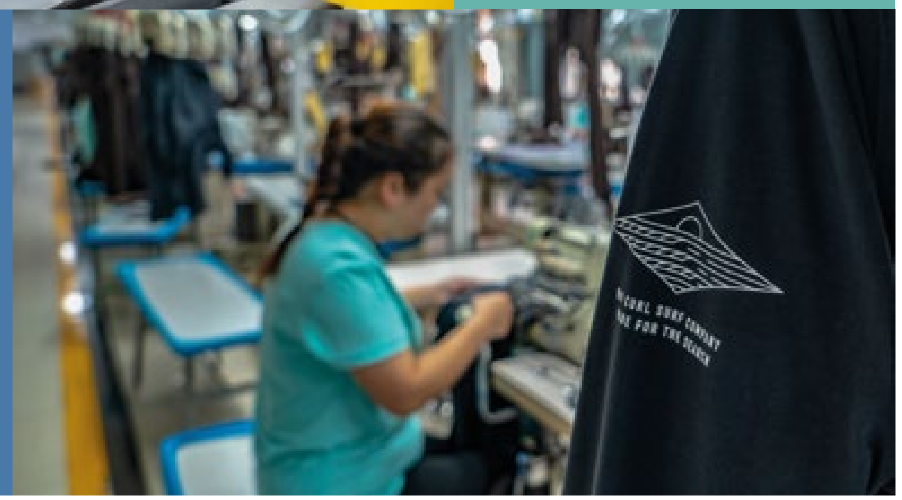
In partnership with our third party provider ELEVATE, KMD Brands began incorporating a worker survey into every full social audit to ensure that we gained both a top-down and bottom-up view of our suppliers. As an example of the power of worker voice tools and surveys, during FY22 we were able to identify one of our suppliers who performed very well on the traditional audit scoring, but simultaneously had a workplace where some of the women reported experiencing sexual harassment or bullying through the worker survey tool.

For a worker to have confidence in a communication tool, it should ideally be something they already use, require little or no training on, and is a communication channel they trust. KMD Brands therefore uses existing social media channels (such as WeChat in China) as one of our grievance mechanisms. Workers simply scan the QR code with their phones and can instantly communicate, in their own language, with the mobile phone sitting on the desk of the Social Impact Manager in New Zealand.

An example of this occurred in June 2022 when a mechanic from one of our Kathmandu suppliers sent a WeChat message to us. He alleged that the factory making our product was in the process of shutting down and reallocating our supply, without our knowledge. He further claimed that even though he had worked there for 15 years, the factory management had not paid him or his colleagues the legally required minimum severance pay. A case had been filed at the local court and was set to proceed as part of a lengthy arbitration process.

Our ESG Specialist based in China contacted the worker and after gaining further details, she then contacted the supplier. They confirmed that indeed they were closing the factory and had neglected to inform us. They also confirmed that the worker in question had been dismissed along with his colleagues and that his severance pay was in dispute. Referencing our company code of conduct as well as our agreed terms of trade, Kathmandu was able to negotiate with the supplier who, in turn, put pressure on the factory management. Ultimately, a mutual agreement was reached to the satisfaction of all involved and the informant withdrew his complaint.

Moving forward, rather than capture just a sample of workers during an audit or worker survey, KMD Brands is currently trialling a worker voice tool that provides 100% of workers with a means to communicate with the brands on an intermittent or ongoing basis. Questions can be tailored to address local challenges unique to that geographical location, cultural group or other demographic. The tool provides immediate insights and allows brands to pinpoint areas where potential exploitation may be occurring and where further work is required.



Goals and Performance

OUR PEOPLE, OUR COMMUNITIES

GOAL

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

NZD $1m

invested with our local community partners

Including over 2,200 volunteer hours[3].

3. Includes company financial donations, product donations, partnership fees, employee donations, and volunteer hours.

Kathmandu®
We're out there

COMMUNITY AT KATHMANDU

Kathmandu works with youth and mental health focussed 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 out there our stress goes down, our empathy goes up and we feel happier. And that's why we're proud to partner with organisations who help people experience all the goodness nature has to offer.

KATHMANDU'S COMMUNITY PARTNERS INCLUDE:

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, supporting those who take on anything from individual fitness challenges to large-scale running, cycling or swimming events. Kathmandu's financial support funds Beyond Blue's Support Service.

www.beyondblue.org.au

OVER
NZD $150k
in partnership support fees in FY22

OVER
NZD $100k
donated by our customers from sales of paper shopping bags in FY22

Graeme Dingle

Graeme Dingle Foundation is a leader in positive child and youth development throughout New Zealand. Through our partnership with the Graeme Dingle Foundation, we support a series of Wilderness Adventures, Adventure Camps and Activity Days that see hundreds of young people become empowered by spending time in New Zealand's stunning wilderness. During FY22 Kathmandu's financial support helped to fund the below programmes:

11
Project K Programmes nationally

02
Nga Ara Whetu Programmes in the Far North Region

15
Stars Programmes nationally

www.dinglefoundation.org.nz

COMMUNITY AT RIP CURL

Community and the Environment is 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.

RIP CURL'S COMMUNITY PARTNERS INCLUDE:

SurfAid

SurfAid's mission is to improve the lives of families in isolated corners of the globe connected through surfing. SurfAid has been selected for a two-year partnership to support our Club Rip Curl loyalty programme due to alignment with Rip Curl values.

www.surfaid.org

NZD $11,230

invested in FY22

Thread Together

Major floods affected thousands of Australians in New South Wales and Queensland and meant some lost everything. Rip Curl partnered with Thread Together, a charity organisation that sources brand new clothes and distribute them to those in need around the country.

www.threadtogether.org/about

NZD $20,000RRP

in product donated in FY22

Rip Curl Community Cup

Each year Rip Curl hosts and contributes largely to a community golf day at the RACV in Torquay where funds raised are donated to a local family in need. This year funds raised were donated to the Thompson family who suddenly lost their husband and father of two young girls, while on a morning bike ride in Jan Juc.

https://rc-community-cup.square.site/

over NZD $55k

funds raised

COMMUNITY AT OBOZ

Oboz strives to partner with individuals, organisations and causes – referred to as our Compass Partners, that are closely tied to our purpose of empowering the people of the world to blaze their own trail.

Together with our Compass Partners, we focus on educating the broader community in two key areas: land conservation and equitable access. Types of support include: grants, sponsorships and/or product givebacks, volunteer service and brand advocacy.

OBOZ'S COMMUNITY PARTNERS INCLUDE:

Black Folks Camp Too

BFCT's mission is to increase diversity in the outdoors by making it more accessible, familiar, and fun for black folks to go camping. During FY22, Oboz joined forces with BFCT to produce the O FIT Insole® 'Unity Blaze' with a portion of proceeds supporting Black Folks Camp Too's Digital Education Initiative.

www.blackfolkscamptoo.com

52 Hike Challenge

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

150

women participating

OVER

NZD $25k

invested in FY222

Trees For The Future

We plant a tree for every pair of Oboz sold since our beginning in 2007. This equates to over 4 million trees – and counting. Oboz Footwear specifically supports the Tabora Forest Garden Project in Tanzania.

www.trees.org

OVER

NZD $95k

invested in FY22

CASE STUDY Planet Day Turns 21

Last year, Rip Curl celebrated its 21st annual Planet Day on the Surf Coast, working with local environmental groups near our Torquay head office to clean up, protect and revegetate beach areas.

Keeping our feet in the sand and our heart in the surf keeps us focused on our vision to be regarded as the Ultimate Surfing Company.

"Planet Day shows how connected it is to our company and our values," says CEO Brooke Farris. "It's all about acting locally and thinking globally about how we can contribute to the community we live in and the environment that we live in."

Each year, around 170 staff participate in Planet Day. Over 21 years, this equates to more than 3,500 days of work or around 17,500 hours.

There were planet day events cleaning beaches in California and picking up rubbish on a culturally significant mountain near our Thailand wetsuit factory.

"It's one of my favourite days of the year," says Adam Leslie, Global Product Manager, Men's Surfwear. "It's fantastic to be able to give back to the community."

"My favourite part is getting out of the office and connecting with crew that I don't usually work close to," says Shasta O'Loughlin, KMD Brands Head of ESG.

In our home town of Torquay, the Rip Curl crew are responsible for successfully reintroducing more than 100,000 indigenous plants – 80% of those plants survive long term.

"The future of Planet Day is that it's absolutely here to stay," says Brooke. "We love it and we want to see more people involved so we're going to expand it to ensure that all of our Rip Curl regions, suppliers, customers and athletes can be involved. I really look forward to seeing it bigger and better every year."

CASE STUDY Volunteerism for All Employees

This year, Oboz introduced a new volunteering policy with a goal of seeing every employee volunteering for a minimum of eight hours annually. Each staff member receives 16 hours of volunteer time off per year – this includes eight hours volunteering with the Oboz team and eight hours of personal choice.

We created a 2+1 Challenge by organising two company-wide volunteer events encouraging each employee to also volunteer for a cause of their choice. In total, Oboz team members logged 235 volunteer hours in and out of the office this year.

During one of the company-wide volunteer events led by the Roots Crew, staff planted 50 trees in Bozeman with support from Gallatin Watershed Council and City of Bozeman Forestry Division.

"At Oboz, we don't just want people to volunteer for the sake of volunteering," says Kaci Norberg, Human Resources Specialist. "We encourage people to not just give back in ways that align with our company values but also that align with their own. We have company-wide volunteer events to make larger impacts in the areas that we care about as a company, but we also offer time for everyone to go out and volunteer in ways that allow them to stay true to themselves."

Science-Based Climate Action

MATERIAL ISSUES: CLIMATE CHANGE • BRAND POWER

OUR OBSERVATIONS

Our love for the outdoors is what all our brands - Kathmandu, Oboz and Rip Curl - are built on. 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 for the interdependent relationship 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 of our brands and to meet the expectations our customers have of us as outdoor brands.

KMD Brands is focused on transitioning to a low carbon future by reducing greenhouse gas emissions in line with global goals. Without global and rapid reduction in greenhouse emissions in the coming decades, there will be a dramatic negative impact on our beloved outdoors and on global economies.[1]

OUR ACTIONS

During FY22 we have continued our journey to track and reduce our carbon footprint. We have conducted energy audits across significant parts of our office, distribution centres and store network. Through this process we have identified opportunities, and formed a roadmap, for emission reduction through investment in cost-effective onsite solar and energy efficiency projects. While the purchase of carbon offsets for our unavoidable emissions remains a component of our strategy, we are focussed on investing in reduction policies as the priority.

We have recently submitted our proposed carbon reduction targets to Science Based Targets initiative (SBTi) and are awaiting formal approval. Our commitment to climate change initiatives is an opportunity to elevate the distinctiveness of each of our brands and helps build rapport with our customer base through product design and sustainable innovation.

During FY22 we have expanded our investment in solar, including the installation of solar panels at the OnSmooth wetsuit factory in Thailand. We have continued rolling out energy efficient LED lighting upgrades across our store network. We have seen an overall drop in our Scope 1 and Scope 2 emissions. This was due substantially to government enforced closure of parts of our Australasian store network reducing energy requirements and limiting travel required in company owned vehicles. The reduction strategies we are putting in place are important foundational steps to support reduction in a post-COVID climate.

CHALLENGES AND OPPORTUNITIES AHEAD

When it comes to climate action, the challenges ahead could not be greater. We are committed to reporting openly and transparently on our journey to reduce our carbon footprint and the challenges we will face along the way. There is considerable work ahead to collect information about the primary data sources for our scope 3 emissions. We have an opportunity to collaborate through shared knowledge and experience with other businesses as we collectively work to address the 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 impact for the planet.

The increasing levels of ESG regulation confirms that our strategy to showcase our leadership in ESG will set our brands up for future 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 New Zealand Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, which broadens non-financial reporting by requiring and supporting the making of climate-related disclosures, will apply to the Group from the FY23 reporting year. We are reporting to the TCFD framework for the first time this year to prepare for the mandatory disclosures to come.

1. IPCC, 2021: Climate Change 2021: *The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (2021) Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press.Retrieved from https://www.ipcc.ch/report/ar6/wg1/

Goals and Performance

SCIENCE-BASED CLIMATE ACTION

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)

This year we are now reporting our carbon emissions as a Group. Our Group inventory is audited annually by Toitū Envirocare and is aligned with the Greenhouse Gas Protocol for Corporate Accounting and Reporting.

Scope 1 and 2 emission reductions this year are a result of store closures due to COVID, reduced travel required in company owned vehicles and LED lighting upgrades across our store network.

As a Group we track our Scope 3 indirect emissions including our operational waste, corporate travel, inbound freight, DTC transfers, store-to-store transfers via all freight modes, air, sea, and road. Air freight and overseas travel are two key areas of focus due to the large emissions created by the aviation industry. Product life-cycle considerations and supplier environmental impact assessments will continue to expand our data set to support transition to a lower carbon future.

With the submission of our Science-based Targets as a Group we are working to improve primary data sources of our Scope 3 emissions. As we improve our data sources our reported base year will update.

We anticipate that we may see an increase in our total emissions in FY23 as air travel resumes and all stores return to full operational capacity.

TOITŪ ENVIROCARE

TOTAL SCOPE 1 EMISSIONS**

Baseline*	630 Tonnes CO_2e
FY21	540 Tonnes CO_2e
FY22	498 Tonnes CO_2e
% Reduction (from Baseline)	21%

TOTAL SCOPE 2 EMISSIONS**

Baseline*	11,904 Tonnes CO_2e
FY21	10,321 Tonnes CO_2e
FY22	9,246 Tonnes CO_2e
% Reduction (from Baseline)	22%

SOURCES OF SCOPE 3 STOCK TRANSPORT EMISSIONS**

68% 25% 7%

* Estimated based upon verified FY19 Kathmandu inventory, verified FY20 Rip Curl inventory, and verified FY21 Oboz inventory.

** FY22 figures are audited, pre-certified numbers. Previous year's carbon emissions reported were pre-certified estimates and are now updated with final certified numbers, aligned with our annual Toitū carbonreduce and net carbonzero certifications. 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 both upstream and downstream.

CASE STUDY

Our Journey to Science-Based Targets

The Intergovernmental Panel on Climate Change (IPCC) special report shows that even if global economies limit warming to 1.5 degrees above pre-industrial levels, 1 billion people will be exposed to severe heat waves and there will be a 100% increase in flood risk.

If we fail to achieve 1.5 degrees warming but can limit temperature increase by 2 degrees, those numbers increase to 2.7 billion people suffering heat waves and 170% increase in flood risk.[2]

There is a lot at stake if we don't act - and that's why KMD Brands has committed to do our bit to transition to a low-carbon future and reduce our emissions in line with the Paris Climate Agreement Goals. KMD Brands has submitted targets to Science Based Targets Initiative (SBTi) for our entire value chain and are awaiting approval.

SBTi is a global partnership between WWF, CDP, WRI and the UN which aims to support the best practice for emissions target setting.

For our Scope 1 and 2 emissions, which are emissions that come directly from our company's owned or controlled sources, as well as our purchased electricity, we have committed to targets that align with limiting global warming to 1.5 degrees.

We have set a target to reduce emission by at least 47% by 2030, from a 2019 base year.

For our Scope 3 emissions, which includes all the other indirect emissions in our supply chain, where we have less control, we have set targets that align with keeping global warming well below 2 degrees. This translates to a minimum reduction of 28% by 2030, from a 2019 base year.

HOW WE'LL GET THERE

Our baseline emissions show that 76.6% of Scope 1 and 2 emissions come from electricity purchased in Australia. Our reduction plan involves improving our energy efficiency, putting solar panels on our buildings, and buying renewable electricity. A core dependency on our predictions is Australia's grid becoming more renewable.[3]

We acknowledge that the majority of our Scope 3 emissions are from the production of our products and this is where we will need to concentrate a significant amount of our efforts. Our Scope 3 reduction plan focuses on supporting our suppliers to improve their energy efficiency and renewable energy procurement. A core dependency on our predictions is our suppliers' electricity grid becoming more renewable.[4] Our continuous dedication to our own-brand products being responsibly sourced will also contribute towards reducing our overall emissions footprint.

2. Global Warming of 1.5 ºC — (ipcc.ch)
3. https://www.industry.gov.au/sites/default/files/2020-12/australias-emissions-projections-2020.pdf
4. Roadmap to Net Zero: Delivering Science-Based Targets in the Apparel Sector | World Resources Institute (wri.org)

Climate Risk Disclosures

PREPARED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The following disclosure is our first TCFD report and summarises how we align with the TCFD recommendations. TCFD recommendations are structured around four areas: Governance, Risk Management, Strategy, Metrics and Targets. We will expand on the depth of disclosures in subsequent reporting periods.

GOVERNANCE

Disclose the organisation's governance around climate-related risks and opportunities

TCFD recommendations:

- Describe the Board's oversight of climate-related risks and opportunities
- Describe Management's role in assessing and managing climate-related risks and opportunities

The Board is responsible for the overall corporate governance and oversight of risk for KMD Brands, 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 8 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. 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. The purpose of the risk policy is to define the risks relevant to KMD Brand's operations, and to ensure that appropriate systems and methods are designed and implemented to minimise and control our risks.

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's 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 now 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. 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.

STRATEGY

Disclose the actual and potential impact of climate-related risks and opportunities for the organisation's businesses, strategy and financial planning where such information is material

TCFD recommendations:

- Describe the climate-related risks and opportunities identified over the short, medium, and long-term
- Describe the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

KMD Brands has not yet modelled how climate change will impact the organisation across different climate-related scenarios and over different time horizons (short-medium-long term). Therefore, we cannot formally evaluate whether our strategy is aligned to a 2°C scenario until the conclusion of our scenario analysis and until we receive formal feedback from SBTi on the emission reduction targets that we have submitted. We intend to collaborate with other retail industry participants, with guidance from the New Zealand External Reporting Board (XRB), on any relevant sector-specific scenarios that are developed with reference to the NZ Climate-related Financial Disclosures framework.

We have identified a number of climate-related risks and opportunities through our existing risk management processes, as previously reported in our CDP disclosures. 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 will continue to identify risks and opportunities as we develop our climate reporting in preparation for reporting requirements under the NZ Climate-related Disclosures standards.

RISK DESCRIPTION	IMPACT OF RISK / OPPORTUNITY	POTENTIAL FINANCIAL IMPACT
TRANSITION		
Reputation	KMD's sustainability values include a commitment to minimise our environmental footprint. Consumers and investors expect KMD to monitor and address environmental performance, including GHG emissions. Failure to uphold this reputation for responsible environmental management may damage the Company's reputation with consumers and investors. 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.	Change in sales due to loss of customer preference
Policy and Legal - Emerging regulation	The recent change of federal government in Australia is likely to lead to significant change to climate policy in Australia. However, significant uncertainty remains with draft legislation recently presented to parliament yet to be debated and finalised. Equally, in New Zealand, there is considerable uncertainty regarding the suite of policy mechanisms that will be developed to enable the objectives of the 'Climate Change Response (Zero Carbon) Amendment Bill'. Although we do not anticipate any direct liability under relevant policy mechanisms the extent to which our electricity suppliers will be impacted, and the potential for cost-pass through is an area of uncertainty which creates risk for our business. The potential for the introduction of a carbon border tariff for the import of goods into European markets could also impact the margin on our goods.	Increased indirect (operating) costs and impact on margin

RISK DESCRIPTION	IMPACT OF RISK / OPPORTUNITY	POTENTIAL FINANCIAL IMPACT
TRANSITION		
Carbon pricing	The cost to off-set carbon emission 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 emission strategy, we are focussed on investing in reduction policies as the priority.	Impact on cost to meet/ maintain carbon zero/carbon reduce certifications Higher supply chain costs as businesses increase prices to reflect a higher carbon price
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's operational costs. Higher temperatures could reduce seasonal need for insulation products.	Increased capital and operational expenditure Impact on market demand for insulation products
Flooding	Increase in flood risk and severity, increasing risk of damage to owned and operated office, store and warehouse network.	Damage to capital assets, investment needed in natural hazard defences or asset relocation
Sea level rise	Sea level rise impacting access to shipping lines. Impact to coastal areas for access for water-based recreation activities such as swimming and surfing.	Increased operational costs or delayed delivery of goods Impact on market demand for water related products
Resource scarcity	Declining access to raw materials needed to manufacture goods at affordable prices due to scarcity of resources.	Higher cost to produce goods
OPPORTUNITY		
Investor and customer expectations	Opportunity to meet growing investor and customer expectations to demonstrate leadership in climate action, driving long term growth for KMD Brands and an improvement in market value.	Increase share price performance Growth in customer base
Financing	Better access to debt capital through financing linked to achievement of sustainability goals with reduced interest rate for meeting targets.	Lower cost of debt
Technology - Emerging business models	Climate change is acting as a catalyst for disruption and is driving development of new technologies providing opportunities for improving the energy efficiency of our direct operations, improving the resilience of our supply chain and maximising customer engagement through responsible sourcing of materials and sustainable innovation in our product range.	Savings in operational costs
New product development	Development of new products and business models in response to changing climate conditions. Opportunity to gain competitive advantage over other businesses.	Increase in profitability and value of the KMD Brands Group

RISK MANAGEMENT

Disclose how the organisation identifies, assesses and manages climate-related risks

TCFD recommendations:

- Describe the organisation's processes for identifying and assessing climate-related risks
- Describe the organisation's processes for managing climate-related risks
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into overall risk management

Risk management is carried out based on policies approved by the Board of Directors. The Group risk policy provides written principles for overall risk management, as well as policies covering specific areas, such as climate-related risks.

Specifically, KMD Brands has risk documentation and an assessment process in place for the identification, classification, review and control of business risks and opportunities, including climate change-related physical and transition risks and opportunities.

At the company level, KMD Brands maintains a Group Risk register covering all three brands. KMD Brands assesses the potential impact of each identified business risk and the likelihood of occurrence, in line with accepted risk tolerances. This process involves an assessment of the inherent risk, considers the controls currently in place, the residual risk as a result of those controls, and also establishes targets to reduce the severity of risks further to a lower level. Risks are classified by strategic themes in order to assign responsibility for key actions to specific functional managers of the business.

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 a number of 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

Disclose the metrics and targets used to assess climate-related risks and opportunities where such information is material

TCFD recommendations:

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in-line with its strategy and risk management process
- Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

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 submitted our proposed carbon reduction targets to Science Based Targets initiative (SBTi) and are awaiting formal approval. 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 progress on these targets will be closely monitored and we will report on our successes and challenges along our carbon reduction journey.

Our Group emissions inventory is audited annually by Toitū Envirocare and is aligned with the Greenhouse Gas Protocol for Corporate Accounting and Reporting.

Our FY22 gross direct Scope 1 & 2, and gross direct (mandatory) Scope 3, emissions are reported on pages 154 to 155.

Circular Business Models

MATERIAL ISSUES: CLIMATE CHANGE • BRAND POWER

OUR OBSERVATIONS

Part of our strength is our commitment to reduce the negative impact of our business and our products on the natural world. We draw on this strength when developing innovative ways to reduce our environmental footprint and meet our customers' expectations.

Increasingly unusual weather patterns continue to impact demand. This keeps climate action and circular thinking in focus for both the Group and individual brands, to enable us to remain relevant and competitive.

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 look for opportunities wherever possible to eliminate the linear take-make-waste approach to business and keep resources in use.

OUR ACTIONS

Each of our Brands is on a journey to increase the responsible material content in our products. Our teams have been sharing knowledge, expertise and innovations to meet the expectations of our customers, as outdoor brands, to address the impact of our business on climate change.

Through our materiality assessment process, we have identified key material issues that matter to our stakeholders. As a result, we have focussed on embedding circular business models across our business. One of the models implemented is targeted at reducing packaging waste in online deliveries. Online delivery satchels are a prominent form of secondary packaging used by online retailers.

During FY22, Kathmandu shifted its online delivery satchels from 100% virgin plastic to 100% recycled plastic, which can also be recycled via soft-plastic recycling schemes. Rip Curl has also successfully completed trials of testing 100% recycled low-density polyethylene (LDPE) polybags.

CHALLENGES AND OPPORTUNITIES AHEAD

Our focus on responsibly sourced materials, underpinned by our commitment to designing products for purpose and driven by innovation, provides our brands with a significant opportunity for differentiation. We are proud of the market leading innovations our brands have produced and we are committed to the continual search for ways to have a positive impact on the planet.

A key challenge when it comes to our waste reduction goals is gaining primary data from our store waste providers as well as tracking our own primary and secondary packaging accurately. Moving forward we will continue to consolidate our waste providers and perform waste audits across our store network to get a clearer understanding of how much waste we are diverting from landfill. We will also focus on improving our packaging monitoring systems to gain greater transparency over the impact of our product packaging.

Our focus on embedding circular thinking across our businesses and investing in innovation for circular business systems throughout our value chain provides us with a significant opportunity to demonstrate leadership amongst our peers. FY23 will see the expansion of the Rip Curl wetsuit takeback programme with TerraCycle, and the pilot of an apparel renewal programme for Kathmandu.

"Each of our brands have unique product category challenges and opportunities for increasing responsible material content and, ultimately, finding end of life solutions for our products."

Frances Blundell, KMD Brands Chief Legal & ESG Officer

Goals and Performance

CIRCULAR BUSINESS MODELS

GOAL

Dedicated to our own-brand products being responsibly sourced

To us, 'responsibly sourced' means that our products are made, to a significant degree, with environmentally preferred, low climate impact materials, being 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. As a Group of brands, we are focussed on continual progression towards responsibly sourced materials for all our own-brand products.

Each of our brands are working towards their own specific goals relating to increasing responsibly sourced material content in own-brand products. We will look to align the metrics we report on in this area in future reporting periods, with all brands reporting through the Textile Exchange's Material Change Index (MCI) in future years. The MCI is the largest peer-to-peer comparison initiative in the textile industry. This platform allows us to track our progress towards more sustainable material sourcing.

GOALS

100%

responsibly sourced cotton by 2026.

100%

apparel and accessories in preferred fibre materials by 2030.

75%

of our wetsuit range using responsibly sourced materials by 2030.

RECYCLED SYNTHETIC MATERIALS

37%

of our produced quantities are using recycled synthetic materials.

(19% in FY21).

Our priority is for our range to use 50% responsibly sourced materials by 2025. These materials include Bloom, Eucaprene, Lenzing® EcoVero™, Repreve™, Topgreen™, Econyl™, Sustainable Cotton. All trims are now made with FSC paper, recycled polyester or organic cotton.

SUSTAINABLE COTTON

40%

of our produced quantities are using responsibly sourced cotton.

(18% in FY21).

We source a mix of organic, recycled cotton and cotton sourced through the Better Cotton Initiative (BCI) to make up our responsibly sourced cotton mix.

WATER RESTORATION

6,170,532

Litres of water cleaned and restored to the environment through Bloom™ material partnership on Footwear division.

4,506,511

Litres in FY21.

GOALS

Kathmandu
We're out there

100%

Responsible Wool Standard (RWS) by 2025.

All polyester recycled or recyclable by 2030.

Prioritise biochemistry over petrochemistry in innovation and performance development.

PLASTIC BOTTLES RECYCLED

45 million
and counting

45,129,642 plastic bottles* recycled back into products since we started counting in 2015.

8 million
this year*

*500ml Bottles

SUSTAINABLE COTTON

100% Sustainable Cotton

We source a mix of organic, recycled cotton and cotton sourced through Better Cotton to make up our sustainable cotton mix.

RESPONSIBLE DOWN STANDARD

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.

RESPONSIBLE WOOL STANDARD

42%
of current product styles are using RWS certified wool.

31%
increase year on year

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.

TEXTILE EXCHANGE MATERIAL CHANGE INDEX SCORE

MCI Leading 4

(Companies that are pioneering industry transformation)

MCI gives us a way of tracking the industry's progress towards better materials sourcing as well as alignment with global efforts like the Sustainable Development Goals and the transition to a circular economy.

Material	MCI score
Cotton	3
Polyester	4
Polyamide	3
Manmade cellulosics	4
Wool	3
Down	4

GOALS

Oboz FOOTWEAR

100%

Leather Working Group certified leather uppers by 2023.

100%

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

Innovate in use of bio-based materials using a minimum of 22% bio-based certified content in upper materials and midsoles by 2030.

LEATHER WORKING GROUP

>95%
Finished leathers in all our footwear sourced from Leather Working Group certified tanneries.

The Leather Working Group is using industry collaboration to work towards improving the sustainability of the leather value chain.

GLOBAL RECYCLED STANDARD

>50%
GRS-certified synthetic fibres in shoe laces, lining materials.

Global Recycled Standard certification helps us to ensure we can verify the recycled content in our products and responsible social, environmental and chemical practices in their production.

CASE STUDY An Important Step Towards Circularity

After four years of development, the launch of our new NXT-Level Bio Down Jacket marks an important step on our commitment to responsibly sourced content in our products.

"The 'what' and the 'how' of this product are not as important as the 'why'," says Manu Rastogi, Head of Product Innovation and Product Sustainability. "Our industry produces 100 billion units of clothing every year. Less than 1% of all the materials used in those products are recycled back into new textiles, according to the Ellen Macarthur Foundation."

Advanced recycling technology needed to solve this problem is still in its infancy and Manu says, "We cannot afford to wait."

Bio Down is designed to buy time. The product is engineered to last for decades. And if it does eventually find its way to landfill, the nylon material has been treated to biodegrade in anaerobic landfill conditions.

"The way textiles are engineered today, there are so many types of material in each garment," Manu says. "The ability to sort these materials at the end of use is a key bottleneck to recycling."

The NXT-Level Bio Down jacket was originally designed to make recycling easier, but the slow progress of recycling facilities caused the team to switch gears to a biodegradable product. The inner and outer fabric is 100% nylon 66 – as are the zips and thread. The design team innovated to replace trims and pulls that would normally be made from different materials.

These solutions are an important step towards circularity. To get the rest of the way, Manu says we will need to build an ecosystem.

"The key challenge is that we don't have the infrastructure for advanced recycling, so we are working on what we can do in terms of partnerships and policies to create an ecosystem that properly addresses textile waste."

CASE STUDY Strengthening Our Product Sustainability Pillars

The Oboz product sustainability strategy is built on three pillars - durability, materials and process. Durability is part of our promise to customers to be as true to the construction of our footwear as we are to the trail. We rigorously test everything in the lab and in the field. Our range of environmentally-preferred materials continues to grow as we expand the use of recycled, bio-based and biodegradable components in our footwear.

Process includes working to identify harmful chemicals and eliminate them from our processes. A Chemical Policy & Restricted Substance List was created and put into place this year based on the strictest global standards as set forth by Apparel & Footwear International RSL Management Group (AFIRM). All of our factories and more than 90% of the most important material suppliers have already signed onto the new policy. We are continuing to onboard more suppliers with a goal of 100% next year.

Through this implementation, we found the pigskin leather on the tongue of the Bridger boot tested positive for chemical compounds on the restricted substances list. To mitigate this, we sourced vegan (synthetic) materials to replace the pigskin leather. The vegan leather supply is more regulated than traditional pigskin tanneries. This proved to be a tangible example of how the new chemical and restricted substance policy will help us continuously improve our products and make sure they are safe for workers, consumers and the environment.

Process improvements have also been made this year. We have fully transitioned to digital 3D design and development. This cuts waste - removing up to 700 pairs of samples from our process per year. It also helps us make better decisions throughout the development - from factory to sales. Making season colour changes digitally means we can respond to the market and the latest consumer trends with these decisions.

Goals and Performance

CIRCULAR BUSINESS MODELS

GOALS

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

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 by 2030

We are committed to reducing the waste footprint created across our businesses. Through adopting a philosophy of waste elimination by design we refuse unnecessary waste, reduce the waste we produce wherever possible and focus on repurposing and recycling of resources.

One of the ways we are exploring ways to reduce our waste footprint is examing our use of polybags. Polybags are clear plastic bags that protect a garment during transit from manufacturing sites to distribution centers and onwards to retail stores and consumers' homes (through ecommerce). Most polybags are made from low-density polyethylene (LDPE) sourced from petroleum.

Unfortunately, polybags are necessary as the outright removal of polybags would cause more environmental impact through damage to product than the continued production and disposal of polybags. Removal of polybags during product transportation would cause a significant increase in damage and wastage of our products.[5]

Introducing recycled polybags into our supply chain is our first step towards reducing the number of new pure LDPE bags our brands use. In the coming years, we plan to phase out our use of pure LDPE polybags and introduce 100% recycled LDPE polybags.

5. FashionforGood_Polybags_in_the_Fashion_Industry_Whitepaper-1.pdf

KMD BRANDS FY22 OPERATIONAL WASTE BREAKDOWN

WAREHOUSES

58%

STORES

33%

OFFICES

9%

TOTAL OPERATIONAL WASTE DIVERTED FROM LANDFILL DURING FY22

36%

including paper & cardboard, mixed recycling, soft plastics, neoprene offcuts and composting

CASE STUDY How Rip Curl Saved 136 Tonnes of Neoprene from Landfill

Our world-first wetsuit take-back programme has expanded around the globe.

Working with US-based recyclers TerraCycle since 2021, we have recycled more than 2,500 wetsuits – or around 3 tonnes of neoprene – into soft-fall matting for playgrounds and outdoor gyms. On the back of this success, the programme will be expanded to customers in the US, France, Spain and Portugal in September 2022.

"We are doing this as a commitment to establishing and integrating circular models into our brand.," says Shasta O'Loughlin, KMD Brands Head of ESG.

"Providing services to repair damaged suits has always been a priority, and now we are supporting our customers even further."

Wetsuits are hard to recycle, and Shasta explains that this is a problem the company has been trying to solve for many years.

"They either end up in opportunity shops or piled up in a cupboard in people's garages - and eventually in the general waste bin and then landfill," Shasta says.

The programme, currently running at 27 stores across Australia, accepts wetsuits from any brand. At TerraCycle, the zips, elastic and metal tags are removed before the neoprene is sent to a processor for crumbling and then repurposing into soft-fall matting.

Approximately 50% of our neoprene offcuts from our Onsmooth factory in Thailand are also being recycled into carpet underlay by Airstep Australia. In the first year of the program, 133 tonnes of neoprene was diverted from landfill.

"The program has proven successful, so we have locked in an ongoing agreement to ship one container of waste to Airstep each month," says Shasta.

CASE STUDY Starting the Circularity Journey

When it comes to end-of-use for apparel, there are not many good solutions. The average Australian dumps 23kg of clothing in landfill each year.[6]

Brands also accumulate large quantities of returns and excess inventory in their distribution centres. These products have little value under today's model, despite much of it only having minor issues.

Without an effective system to capture the value of the product materials, this product is destined for landfill as 'waste'.

As a first step on our journey toward solving this textile waste issue and building circular business models, Kathmandu completed a deep dive into our unsellable products that have minor issues and might unnecessarily end up in landfill.

We completed a circular mapping project that analysed our current systems to see where our textile waste streams were occurring and what solutions we could find.

We found that Kathmandu's factory defective rate is insignificant at only around 0.001%.

The main source of apparel waste is generated from retail damaged stock or customer returns. This is still a small proportion of our product sold (customer returns are less than 1%) but solutions developed here will help reduce textile waste being sent to landfill.

After analysing a sample of our textile waste we found that 85% of these items could be feasibly cleaned, repaired, and resold as a renewed item.

We have now committed to a pilot programme which will launch in 2023. This will test our customers appetite for purchasing renewed products and will help us grow our repair capabilities.

With the help of AUD $150,000 grant funding from Sustainability Victoria's Circular Economy Business Innovation Centre (CEBIC) we are committed to launching this pilot by June 2023.

6. https://www.dcceew.gov.au/environment/protection/waste/product-stewardship/textile-waste-roundtable

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

CFO Update

Chris Kinraid
Group Chief Financial Officer

KMD Brands ended this year with a strong balance sheet position, following a record Group sales result, with growth across all sales channels. However this was tempered by the continued effects of COVID, particularly in the first half of FY2022 with negative impacts of store closures and international freight cost pressure.

Rip Curl continued its strong performance, growing in all key markets. The brand had particularly strong performance in Australasia and went from strength-to-strength in the US market.

Supply chain challenges within Oboz hampered deliveries in the first half of the year with only half of orders delivered. The supply chain normalised in the second part of the year and a strong forward order book will help with product expansion and growth for the future.

We had ongoing supply chain problems with wetsuits and we had to react by bringing forward buying cycles and acting to secure supply.

COVID lockdowns also played a role in Australasia. At one stage the entire store network was shut, so it has been good to see return of bricks and mortar stores.

Kathmandu had a challenging first half so it was pleasing to see record profitability in their key winter trading period.

OUR SUSTAINABILITY LINKED LOAN

Last year, KMD Brands secured what was then New Zealand's largest sustainability linked loan. The A$100 million loan is tied to environmental, social and governance (ESG) targets. If the targets are hit, the interest rate on the loan decreases.

In the first year, our emissions reduction target was achieved for Kathmandu and the discount level was triggered. As reported by Toitū Envirocare, Kathmandu's Scope 1 and 2 emissions saw a 38.2% reduction from the 2019 baseline year. This result was significantly impacted by store closures and we don't expect to see the same level of reduction next year.

We set a target to have 100% of our Tier 1 suppliers – and at least one Tier 2 supplier for each brand – accountable to our code of conduct. While we managed to improve on our baseline number, COVID prevented access into 8 factories preventing us from achieving this goal and no discount was triggered. Our supply chain partners, Elevate, reported that as at the loan anniversary date in May 2022, 91% of KMD Brands Tier 1 suppliers were accountable to our code of conduct, which was verified by third party auditing. This is a good outcome considering the challenge of consolidating three global supply chains under a single social compliance program. We met our 100% target for Tier 2 suppliers.

We're on track to achieve two other targets this year. Having approved targets lodged with the Science Based Targets initiative (SBTi) was not expected to be achieved in year one of the loan, but KMD Brands has submitted its targets and is awaiting approval so we expect to achieve this in the coming year.

Likewise, B Corp certification for all three brands was not expected this year, but will kick off initial certification for Rip Curl and Oboz and recertification for Kathmandu soon. We hope to have all three brands certified in FY23.

For my role as Chief Financial Officer, these targets have much wider consideration than the sustainability linked loan. There are both financial risk and regulatory risks for the Group if we do not bring all the brands along and make ESG a key pillar of what we do.

Where we open stores, how our power is supplied, how we deal with workers – all of the ESG issues now permeate throughout our wider organisation.

Of course it's the right thing to do for people and the planet but we also expect these investments to drive value for us.

Directors’ Approval of Consolidated Financial Statements

For the Year Ended 31 July 2022

AUTHORISATION FOR ISSUE

The Board of Directors authorised the issue of these Consolidated Financial Statements on 20 September 2022.

APPROVAL BY DIRECTORS

The Directors are pleased to present the Consolidated Financial Statements of KMD Brands Limited for the year ended 31 July 2022 on pages 85 to 131.

	20 September 2022
David Kirk	*Date*
	20 September 2022
Michael Daly	*Date*

For and on behalf of the Board of Directors

Consolidated Statement of Comprehensive Income

For the Year Ended 31 July 2022

	Section	2022 NZ$'000	2021 NZ$'000 *Restated*
Sales	2.2	979,802	922,792
Cost of sales		(403,069)	(381,170)
Gross profit		576,733	541,622
Other income	2.2	9,857	29,165
Selling expenses		(231,460)	(217,115)
Administration and general expenses	1.4	(175,196)	(149,410)
		(396,799)	(337,360)
Earnings before interest, tax, depreciation, and amortisation		**179,934**	**204,262**
Depreciation and amortisation	1.4, 3.2-3.4	(112,516)	(114,972)
Earnings before interest and tax		**67,418**	**89,290**
Finance income		394	834
Finance expenses		(14,187)	(17,311)
Finance costs (net)	4.1.1	(13,793)	(16,477)
Profit before income tax		**53,625**	**72,813**
Income tax expense	1.4, 2.3	(16,797)	(11,468)
Profit after income tax		**36,828**	**61,345**
Profit for the year attributable to:			
Shareholders of the Company		35,952	60,982
Non-controlling interest		876	363
Other comprehensive income / (expense) that may be recycled through profit or loss:			
Movement in cash flow hedge reserve	4.3.2	12,671	559
Movement in foreign currency translation reserve	4.3.2	36,188	(17,527)
Movement in other reserves	4.3.2	-	14
Other comprehensive income / (expense) for the year, net of tax		**48,859**	**(16,954)**
Total comprehensive income for the year		**85,687**	**44,391**
Total comprehensive income for the year attributable to:			
Shareholders of the Company		84,576	44,111
Non-controlling interest		1,111	280
Basic earnings per share	1.4, 2.4	5.1cps	8.6cps
Diluted earnings per share	1.4, 2.4	5.0cps	8.6cps
Weighted average basic ordinary shares outstanding ('000)	2.4	709,001	709,001
Weighted average diluted ordinary shares outstanding ('000)	2.4	717,266	713,006

Consolidated Statement of Changes in Equity

For the Year Ended 31 July 2022

	Share capital NZ$'000	Cash flow hedge reserve NZ$'000 *Restated*	Foreign currency translation reserve NZ$'000	Share-based payments reserve NZ$'000	Other reserves NZ$'000	Retained earnings NZ$'000 *Restated*	Non-controlling interest NZ$'000	Total equity NZ$'000 *Restated*
Balance as at 31 July 2020	**626,380**	**(5,141)**	**(12,018)**	**608**	**(61)**	**163,603**	**4,007**	**777,378**
Profit after tax	-	-	-	-	-	60,982	363	61,345
Other comprehensive income	-	559	(17,444)	-	14	-	(83)	(16,954)
Dividends paid	-	-	-	-	-	(14,180)	-	(14,180)
Issue of share capital	-	-	-	-	-	-	-	-
Share based payment expense	-	-	-	1,798	-	-	-	1,798
Lapsed share options	-	-	-	(58)	-	58	-	-
Deferred tax on share-based payment transactions	-	-	-	289	-	-	-	289
Amounts transferred to initial carrying amount of hedged items	-	5,923	-	-	-	-	-	5,923
Acquisition of remaining shares in non-controlling interest	-	-	-	-	-	(427)	(217)	(644)
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**

Consolidated Balance Sheet

For the Year Ended 31 July 2022

	Section	2022 NZ$'000	2021 NZ$'000 *Restated*
ASSETS			
Current assets			
Cash and cash equivalents	3.1.2	70,810	142,614
Trade and other receivables	1.4, 3.1.3	105,526	70,062
Inventories	3.1.1	295,522	216,545
Derivative financial instruments	4.2	9,936	5,285
Current tax asset		3,640	3,430
Other current assets	3.1.5	2,434	2,320
Total current assets		**487,868**	**440,256**
Non-current assets			
Trade and other receivables	3.1.3	1,588	1,549
Property, plant and equipment	3.2	79,243	79,284
Intangible assets	1.4, 3.3	719,322	682,009
Deferred tax assets	1.4, 2.3	14,078	15,492
Right-of-use assets	3.4.1	250,372	242,677
Total non-current assets		**1,064,603**	**1,021,011**
Total assets		**1,552,471**	**1,461,267**
LIABILITIES			
Current liabilities			
Trade and other payables	3.1.6	194,034	149,206
Derivative financial instruments	4.2	-	1,079
Current tax liabilities		1,816	10,159
Lease liabilities	3.4.2	75,293	75,572
Total current liabilities		**271,143**	**236,016**
Non-current liabilities			
Trade and other payables	3.1.6	17,246	14,818
Interest bearing liabilities	4.1	110,881	105,597
Deferred tax liabilities	2.3	93,449	86,182
Lease liabilities	3.4.2	209,294	203,699
Total non-current liabilities		**430,870**	**410,296**
Total liabilities		**702,013**	**646,312**
Net assets		**850,458**	**814,955**
EQUITY			
Contributed equity - ordinary shares	4.3.1	626,380	626,380
Reserves	4.3.2	15,827	(25,531)
Retained earnings	1.4	203,525	210,036
Non-controlling interest		4,726	4,070
Total equity		**850,458**	**814,955**

Consolidated Statement of Cash Flows

For the Year Ended 31 July 2022

	Section	2022 NZ$'000	2021 NZ$'000 *Restated*
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		955,968	920,374
Government grants received		3,407	23,892
Interest received		394	834
Income tax received		448	1,050
		960,217	946,150
Cash was applied to:			
Payments to suppliers and employees	1.4	843,605	727,582
Income tax paid		22,181	24,987
Interest paid		12,623	15,435
		878,409	768,004
Net cash inflow from operating activities		**81,808**	**178,146**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		4	2
		4	2
Cash was applied to:			
Purchase of property, plant and equipment	3.2	21,567	15,044
Purchase of intangible assets	1.4, 3.3	11,266	15,583
Acquisition of subsidiaries		-	1,029
		32,833	31,656
Net cash (outflow) from investing activities		**(32,829)**	**(31,654)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings		99,619	-
		99,619	-
Cash was applied to:			
Dividends paid		42,995	14,180
Repayment of borrowings		99,619	128,894
Repayment of lease liabilities		82,265	89,749
		224,879	232,823
Net cash (outflow) from financing activities		**(125,260)**	**(232,823)**
Net (decrease) in cash and cash equivalents held		**(76,281)**	**(86,331)**
Opening cash and cash equivalents		142,614	231,885
Effect of foreign exchange differences		4,477	(2,940)
Closing cash and cash equivalents	3.1.2	**70,810**	**142,614**

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

	Section	2022 NZ$'000	2021 NZ$'000 *Restated*
Profit after taxation		36,828	61,345
Movement in working capital:			
(Increase) / decrease in trade and other receivables		(27,953)	4,472
(Increase) / decrease in inventories		(66,555)	8,190
(Increase) / decrease in other current assets		9	431
Increase / (decrease) in trade and other payables		31,736	3,504
Increase / (decrease) in current tax liability		(8,518)	398
		(71,281)	16,995
Add non-cash items:			
Depreciation of property, plant and equipment	3.2	22,572	20,851
Amortisation of intangibles	3.3	12,339	7,739
Depreciation of right-of-use assets	3.4.1	77,605	86,382
Impairment of assets	3.2, 3.4.1	940	1,910
Paycheck Protection Program (PPP) loan forgiveness	4.1	-	(4,025)
Foreign currency translation of working capital balances		(2,294)	(3,319)
Increase / (decrease) in deferred taxation		3,580	(12,867)
Employee share-based remuneration	6.3	914	1,798
Loss on sale of property, plant and equipment and intangibles	3.2, 3.3	605	1,337
		116,261	99,806
Cash inflow from operating activities		**81,808**	**178,146**

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), formerly known as Kathmandu Holdings Limited, 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, South East 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 2022.

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 and prior period restatements

Details about changes in accounting policies applied during the period are included in the following notes to the financial statements:

	Section
Impact of change in accounting policy	1.4
New standards and interpretations first applied in the period	6.8

Other comprehensive income

Other comprehensive income reported in the consolidated statement of comprehensive income for the year ended 31 July 2021 has been restated to remove the component of cash flow hedge reserve which was transferred to the initial carrying value of the hedged items as separately disclosed in the statement of changes in equity ($5,923,000). The restatement is limited to the statement of changes in equity and other comprehensive income and has no impact on profit, cash flow or the balance sheet of the Group.

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

COVID has continued to have an impact on the Group, with local and global restrictions on movement, travel and gatherings resulting in a sustained reduction in footfall. Stores across Australia and New Zealand were significantly impacted by government mandated lockdowns and closures during the first quarter.

There continues to be uncertainties due to the COVID-19 pandemic that may affect the Group's ability to achieve future forecasts and the consequential impacts on the carrying value of goodwill and other finite life intangible assets (note 3.3).

Despite the continuing impact of COVID, 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 of $40,071,000 (2021: net cash $37,017,000) and undrawn cash facilities of $195,290,000 (2021: $187,115,000) as at 31 July 2022 (note 4.1), the financial statements continue to be prepared on a going concern basis.

1.4 IMPACT OF CHANGE IN ACCOUNTING POLICY

During the year ended 31 July 2022 the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) cloud computing arrangements.

This was in response to the IFRIC agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The IFRIC decision has clarified that because SaaS arrangements are service contracts that provide the Group with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received, unless the criteria for recognising a separate intangible asset that the Group controls are met. If the costs to customise the software are significant and not distinct from the underlying use of the SaaS software, they are expensed over the SaaS contract term.

The Group's previous accounting policy was to record these configuration and customisation costs as part of the cost of an intangible asset and amortise these costs over the useful life of the software assets. The revised accounting policy is included in note 3.3.

As a result of the change in this accounting policy the Group has restated the prior period financial statements. A summary of the impact of the change in accounting policy on the Group's consolidated financial statements is provided below.

	Previously reported NZ$'000	Change in accounting policy NZ$'000	*Restated* NZ$'000
Consolidated Statement of Comprehensive Income Year ended 31 July 2021			
Administration and general expenses	(145,641)	(3,769)	(149,410)
Depreciation and amortisation	(115,847)	875	(114,972)
Profit before income tax	75,707	(2,894)	72,813
Income tax expense	(12,278)	810	(11,468)
Profit after income tax	63,429	(2,084)	61,345
Basic earnings per share	8.9cps	(0.3cps)	8.6cps
Diluted earnings per share	8.8cps	(0.2cps)	8.6cps

	Previously reported NZ$'000	Change in accounting policy NZ$'000	*Restated* NZ$'000
Consolidated Balance Sheet As at 1 August 2020			
Intangible assets	689,935	(2,517)	687,418
Deferred tax assets	5,380	705	6,085
Total assets	1,587,405	(1,812)	1,585,593
Retained earnings	165,415	(1,812)	163,603
Total equity	779,190	(1,812)	777,378
As at 31 July 2021			
Current trade and other receivables	68,931	1,131	70,062
Intangible assets	688,551	(6,542)	682,009
Deferred tax assets	13,977	1,515	15,492
Total assets	1,465,163	(3,896)	1,461,267
Retained earnings	213,932	(3,896)	210,036
Total equity	818,851	(3,896)	814,955
Consolidated Statement of Cash Flows Year ended 31 July 2021			
Payments to suppliers and employees	722,656	4,926	727,582
Net cash inflow from operating activities	183,072	(4,926)	178,146
Purchase of intangibles	20,509	(4,926)	15,583
Net cash (outflow) from investing activities	(36,580)	4,926	(31,654)

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.

These segments have changed from those reported as at 31 July 2021 to reflect changes in the Group's internal organisation and reporting, and to include the Software-as-a-Service restatement described in note 1.4. Comparative information has been restated accordingly.

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.

31 July 2021 – *Restated*	**Rip Curl NZ$'000**	**Kathmandu NZ$'000**	**Oboz NZ$'000**	**Corporate NZ$'000**	**Total NZ$'000**
Total segment sales	490,439	357,363	78,350	-	926,152
Sales to internal customers	-	-	3,360	-	3,360
Sales to external customers	**490,439**	**357,363**	**74,990**	**-**	**922,792**
EBITDA	**103,441**	**94,958**	**11,830**	**(5,967)**	**204,262**
Depreciation and amortisation	(49,895)	(64,497)	(575)	(5)	(114,972)
EBIT	**53,546**	**30,461**	**11,255**	**(5,972)**	**89,290**
Income tax expense	(2,286)	(10,335)	(2,885)	4,038	(11,468)
Total segment assets	**651,938**	**665,724**	**136,158**	**7,447**	**1,461,267**
Total assets include:					
Non-current assets	435,245	480,554	105,195	17	1,021,011
Additions to non-current assets	53,458	51,645	2,357	21	107,481
Total segment liabilities	**261,204**	**262,455**	**18,769**	**103,884**	**646,312**

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**

The default basis of allocating shared costs is percentage of revenue with other bases being used where appropriate.

Sales to external customers by region

	2022 NZ$'000	**2021 NZ$'000**
Australia	508,258	477,054
New Zealand	113,943	120,746
North America	195,713	195,317
Europe	99,747	90,418
Rest of world	62,141	39,257
	979,802	922,792

Non-current assets by region

	2022 NZ$'000	**2021 NZ$'000** *Restated*
Australia	668,544	654,760
New Zealand	180,066	176,634
North America	180,334	162,273
Europe	21,893	15,765
Rest of world	13,766	11,579
	1,064,603	1,021,011

Sales to external customers by channel

	2022 NZ$'000	**2021 NZ$'000**
Retail	555,732	538,610
Online	109,556	92,017
Wholesale	302,101	282,517
Licensing	12,000	9,037
Other	413	611
	979,802	922,792

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.

	2022 NZ$'000	2021 NZ$'000
Sale of goods	969,161	915,570
Royalty revenue	10,047	6,950
Commission revenue	594	272
	979,802	922,792

A breakdown of revenue by operating segment, sales channel and geographical area is provided in note 2.1.

Other income

	2022 NZ$'000	2021 NZ$'000
Government grants	9,060	27,918
Other	797	1,247
	9,857	29,165

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 US Employee Retention Credits, wage and other subsidies received in response to the impact of COVID and Apprenticeship Boost payments.

Government grants of $5,652,000 (2021: nil) relating to the current year are receivable at balance date and have been included in other receivables in note 3.1.3.

In the prior year $4,025,000 of government grants income recognised related to US Paycheck Protection Program loans as disclosed in note 4.1. No further amounts have been recognised as income in the current period in respect of these loans.

Employee entitlements

	2022 NZ$'000	2021 NZ$'000
Wages, salaries, and other short-term benefits	189,864	187,700
Post-employment benefits	10,483	9,692
Employee share-based remuneration	914	1,798
	201,261	199,190

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:

	2022 NZ$'000	2021 NZ$'000
Short-term lease expense	7,987	4,398
Low-value lease expense	546	378
Variable lease expense	754	(431)
Rent concessions and abatements	(3,588)	(7,306)
Lease outgoings	15,423	12,938
Depreciation right-of-use asset (note 3.4.1)	77,605	86,382
Interest expense related to lease liabilities (note 3.4.2)	8,476	8,879
	107,203	105,238

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 0.7% (2021: 0.4%) 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 Group has adopted the practical expedient in paragraph 46A of NZ IFRS 16 and elected not to account for any rent concessions granted as a result of the COVID-19 pandemic as a lease modification. The amounts are recognised in profit or loss due to changes in lease payments arising from such concessions, within the selling, administration, and general expenses in the consolidated statement of comprehensive income.

The total cash outflow for leases amounts to $109,163,000 (2021: $121,291,000).

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:

	2022 NZ$'000	2021 NZ$'000 *Restated*
Current income tax charge	13,354	24,334
Deferred income tax charge / (credit)	3,443	(12,866)
Income tax charge reported in the consolidated statement of comprehensive income	16,797	11,468

To understand how, in the consolidated statement of comprehensive income, a tax charge of $16,797,000 (Restated 2021: $11,468,000) arises on profit before income tax of $53,625,000 (Restated 2021: $72,813,000), the taxation charge that would arise at the standard rate of New Zealand corporate tax is reconciled to the actual tax charge as follows:

	2022 NZ$'000	2021 NZ$'000 *Restated*
Profit before income tax	53,625	72,813
Income tax calculated at 28%	15,015	20,388
Adjustments to taxation:		
Adjustments due to different rate in different jurisdictions	999	1,608
Non-taxable income	(2,025)	(2,537)
Expenses not deductible for tax purposes	2,901	2,973
Utilisation of tax losses by Group companies	43	(1,362)
Tax expense transferred to foreign currency translation reserve	-	(811)
Adjustments in respect of prior years	(136)	787
Historic tax losses and deferred tax assets recognised	-	(9,578)
Income tax charge reported in the consolidated statement of comprehensive income	16,797	11,468

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 previously unrecognised tax losses (2021: $9,578,000).

The tax credit / (charge) relating to components of other comprehensive income is as follows:

	2022 NZ$'000	2021 NZ$'000
Movement in cash flow hedge reserve before tax	13,298	5,685
Tax credit / (charge) relating to cash flow hedge reserve	(627)	(5,126)
Movement in cash flow hedge reserve after tax	12,671	559
Foreign currency translation reserve before tax	36,188	(17,527)
Tax credit / (charge) relating to foreign currency translation reserve	-	
Movement in foreign currency translation reserve after tax	36,188	(17,527)
Other reserves before tax	-	14
Tax credit / (charge) relating to other reserves	-	-
Movement in other reserves after tax	-	14
Total other comprehensive income / (expense) before tax	49,486	(11,828)
Total tax credit / (charge) on other comprehensive income	(627)	(5,126)
Total other comprehensive income / (expense) after tax	48,859	(16,954)
Current tax	-	-
Deferred tax	(627)	(5,126)
Total tax credit / (charge) on other comprehensive income	(627)	(5,126)

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 *Restated*	Reserves NZ$'000	Tax losses NZ$'000	Total NZ$'000 *Restated*
As at 31 July 2020	3,493	(115,887)	11,247	17,924	2,907	-	(80,316)
Recognised in the consolidated statement of comprehensive income	1,243	1,401	1,695	1,449	-	7,078	12,866
Recognised in other comprehensive income	-	-	-	-	(5,126)	-	(5,126)
Recognised directly in equity	289	-	-	-	-	-	289
Foreign exchange	(67)	2,258	(202)	(300)	27	(119)	1,597
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)

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:

	2022 NZ$'000	2021 NZ$'000
Deductible temporary differences	-	-
Tax losses	3,879	5,548
	3,879	5,548

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

	2022 NZ$'000	2021 NZ$'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28%	75	66

The above amounts represent the balance of the imputation account as at 31 July 2022, 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 2022 is A$7,497,000 (2021: A$11,502,000).

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 $35,952,000 (Restated 2021: $60,982,000) by the weighted average number of ordinary shares in issue during the year of 709,001,384 (2021: 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.

	2022 '000	2021 '000
Weighted average number of basic ordinary shares in issue	709,001	709,001
Adjustment for:		
Share options / performance rights	8,265	4,005
	717,266	713,006

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. Cost is determined on a weighted average cost method and 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:

	2022 NZ$'000	202 NZ$'000 1
Raw materials and consumables	4,563	3,297
Work in progress	3,377	1,324
Trading inventory	251,043	189,221
Goods in transit	36,539	22,703
	295,522	216,545

Inventory has been reviewed for obsolescence and a provision of $5,849,000 (2021: $5,393,000) has been made.

3.1.2 Cash and cash equivalents

	2022 NZ$'000	2021 NZ$'000
Cash on hand	446	489
Cash at bank	68,806	140,617
Short term investments convertible to cash	1,558	1,508
	70,810	142,614

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	2022 NZ$'000	2021 NZ$'000
AUD	18,175	82,056
USD	17,810	27,350
EUR	15,746	10,455
THB	5,122	3,241
NZD	4,010	9,626
IDR	3,806	2,852
BRL	2,100	2,112
GBP	1,234	1,897
CAD	1,502	1,476
Other currencies	1,305	1,549
	70,810	142,614

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.

	2022 NZ$'000	2021 NZ$'000 *Restated*
Current		
Trade receivables	87,626	61,084
Allowance for expected credit losses	(5,964)	(5,680)
Prepayments	12,928	8,830
Other receivables	10,936	5,828
	105,526	70,062
Non-current		
Other debtors	1,588	1,549
	1,588	1,549

Other non-current debtors include debtors on extended credit terms and 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:

	2022 NZ$'000	2021 NZ$'000 *Restated*
USD	56,539	30,551
EUR	11,950	11,449
AUD	11,375	12,858
NZD	6,750	3,123
THB	5,977	3,125
BRL	4,950	3,645
CAD	4,882	2,402
GBP	3,045	2,163
IDR	895	1,122
JPY	631	1,173
Other currencies	120	-
	107,114	71,611

Allowance for expected credit losses

	2022 NZ$'000	2021 NZ$'000
Opening balance	(5,680)	(10,329)
Additional allowance recognised in the consolidated statement of comprehensive income	(2,171)	(3,104)
Receivables written-off during the year	484	5,186
Unused provision released to the consolidated statement of comprehensive income during the year	1,751	2,173
Foreign exchange	(348)	394
Closing balance	(5,964)	(5,680)

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 Trade and other receivables Derivative financial instruments	Credit ratings Aging analysis Review of exposure with regular terms of trade	Obtaining customer credit rating information Confirming references 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):

	2022 NZ$'000	2021 NZ$'000
Cash and cash equivalents	70,364	142,125
Trade receivables (net)	81,662	55,404
Other receivables	11,220	7,158
Derivative financial instruments	9,936	4,206
	173,182	208,893

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:

	2022 NZ$'000	2021 NZ$'000
Cash and cash equivalents:		
Standard & Poors - AA-	29,148	104,885
Standard & Poors - A+	14,114	25,919
Standard & Poors - A	599	1,768
Standard & Poors - A-	1,709	197
Standard & Poors - BBB+	14,256	3,359
Standard & Poors - BBB	6,986	
Standard & Poors - BBB-	-	2,912
Standard & Poors - BB	1,456	978
Standard & Poors - BB-	2,096	2,107
	70,364	142,125

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 $28,737,000 (2021: $15,931,000) were past due. A provision of $5,964,000 (2021: $5,680,000) 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:

	2022 NZ$'000	2021 NZ$'000
0 to 30 days	11,637	5,301
30 to 60 days	4,412	2,926
60 to 90 days	4,625	2,311
90 days and over	8,063	5,393
	28,737	15,931

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.

	2022 NZ$'000	2021 NZ$'000
Right of return assets		
Opening balance	2,320	2,799
Additional amounts recognised	10	-
Amounts incurred and charged	(19)	(431)
Foreign exchange	123	(48)
	2,434	2,320

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.

	2022 NZ$'000	2021 NZ$'000
Current		
Trade payables	102,296	72,230
Employee entitlements	25,619	27,642
Sundry creditors and accruals	56,600	42,502
Provisions	8,306	6,832
Revenue received in advance	1,213	-
	194,034	149,206
Non-current		
Employee entitlements	2,946	3,076
Provisions	11,394	11,742
Sundry creditors and accruals	2,906	-
	17,246	14,818

The carrying amount of the Group's trade and other payables are denominated in the following currencies:

	2022 NZ$'000	2021 NZ$'000
USD	81,917	47,776
AUD	71,484	68,465
NZD	25,863	17,239
EUR	15,690	15,254
THB	7,774	4,751
BRL	4,325	6,138
IDR	2,464	2,334
Other currencies	1,763	2,067
	211,280	164,024

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 2021						
Opening balance	1,349	1,675	11,048	6,291	622	20,985
Additional provisions recognised	686	70	1,391	-	-	2,147
Provisions used during the year	(301)	(1,324)	(195)	(135)	(41)	(1,996)
Provisions re-measured during the year	-	-	(723)	(1,359)	-	(2,082)
Foreign exchange	(41)	(61)	(273)	(105)	-	(480)
Closing balance	1,693	360	11,248	4,692	581	18,574
As at 31 July 2021						
Current	1,693	360	-	4,692	87	6,832
Non-current	-	-	11,248	-	494	11,742
	1,693	360	11,248	4,692	581	18,574
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

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. 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%

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 & building NZ$'000 s	Leasehold improvements NZ$'000	Office, plant & equipment NZ$'000	Furniture & fittings NZ$'000	Computer equipment NZ$'000	Total NZ$'000
As at 31 July 2020						
Cost	9,722	95,149	45,612	99,855	20,251	270,589
Accumulated depreciation	(4,095)	(63,383)	(30,516)	(68,072)	(16,065)	(182,131)
Closing net book value	5,627	31,766	15,096	31,783	4,186	88,458
Year ended 31 July 2021						
Opening net book value	5,627	31,766	15,096	31,783	4,186	88,458
Additions	63	3,752	694	7,576	2,959	15,044
Disposals	(1)	(865)	(74)	(374)	(23)	(1,337)
Depreciation	(596)	(8,369)	(1,289)	(8,978)	(1,619)	(20,851)
Impairment	-	-	-	(16)	-	(16)
Transfers between categories	52	1,228	(2,169)	771	118	-
Foreign exchange	(379)	(512)	(307)	(705)	(111)	(2,014)
Closing net book value	4,766	27,000	11,951	30,057	5,510	79,284

	Land & building NZ$'000 s	Leasehold improvements NZ$'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
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

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.

	2022 NZ$'000	2021 NZ$'000
Loss on sale of property, plant and equipment	591	1,337

Capital commitments

Capital commitments contracted for at balance sheet date include property, plant and equipment of $868,000 (2021: $4,110,000).

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 *Restated*	Other intangibles NZ$'000	Total NZ$'000 *Restated*
As at 31 July 2020						
Cost	283,030	357,123	41,495	51,487	4,552	737,687
Accumulated amortisation	(1,271)	-	(4,213)	(43,173)	(1,612)	(50,269)
Closing net book value	281,759	357,123	37,282	8,314	2,940	687,418
Year ended 31 July 2021						
Opening net book value	281,759	357,123	37,282	8,314	2,940	687,418
Additions	-	-	-	15,583	-	15,583
Disposals	-	-	-	-	-	-
Amortisation	-	-	(5,203)	(2,536)	-	(7,739)
Foreign exchange	(5,358)	(6,996)	(695)	(78)	(126)	(13,253)
Closing net book value	276,401	350,127	31,384	21,283	2,814	682,009
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

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.

	2022 NZ$'000	2021 NZ$'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	
	2022 NZ$'000	2021 NZ$'000	2022 NZ$'000	2021 NZ$'000
Kathmandu	122,936	121,383	153,336	148,151
Oboz	72,572	65,315	39,859	35,873
Rip Curl	94,493	89,703	174,972	166,103
	290,001	276,401	368,167	350,127

For the purposes of goodwill and brand impairment testing, the Group operates as three cash generating units, Kathmandu, Rip Curl and Oboz, which are now aligned to the Group's operating segments as outlined in note 2.1.

Previously impairment testing for Kathmandu was reported separately for Australia and New Zealand.

Impairment testing continues to be conducted at this level and no indicators of impairment exist.

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.

The key assumption used:

- The FVLCOD model assumes the COVID-19 trading disruption experienced during the prior and current years will continue for a portion of FY23 and then return to more normalised trading in FY24 and beyond. The Group believes the assumptions used in cash flows reflect a combination of the Groups experience and uncertainty associated with COVID-19.
- While temporary store and market closures may impact short term results, these are not expected to impact the long-term performance of each CGU. Several scenarios have been assessed where trading conditions do not normalise until FY24, and in each scenario the fair value for the CGU exceeds the carrying value.

Other assumptions used:

	2022			2021		
	Kathmandu	Rip Curl	Oboz	Kathmandu	Rip Curl	Oboz
Pre-tax WACC rate	12.9%	12.8%	14.5%	11.3%	11.3%	11.3%
Post-tax WACC rate	9.1%	9.0%	10.5%	7.9%	7.9%	8.2%
Terminal growth rate	2.4%	2.5%	2.2%	2.0%	2.0%	2.0%

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 calculations confirmed that there was no impairment of goodwill and brand during the year (2021: nil). The Directors believe that any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

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 $2,962,000 (2021: $7,271,000).

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.

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 (2021: 8 years). The average lease term for vehicle leases is 3 years (2021: 3 years).

3.4.1 Right-of-use assets

The movements in right of use assets were as follows:

	2022 NZ$'000	2021 NZ$'000
Opening net book value	242,677	258,699
Additions and modifications to right-of-use asset	75,311	76,853
Depreciation for the period	(77,605)	(86,382)
Impairment for the period	(928)	(1,894)
Foreign exchange	10,917	(4,599)
Closing net book value	250,372	242,677
Cost	439,852	391,327
Accumulated amortisation & impairment	(189,480)	(148,650)
Closing net book value	250,372	242,677

3.4.2 Lease liabilities

The movements in lease liabilities were as follows:

	2022 NZ$'000	2021 NZ$'000
Opening lease liabilities	279,271	298,622
Additions and modifications to lease liability	75,816	75,601
Interest expense on lease liabilities	8,476	8,879
Repayment of lease liabilities (including interest)	(91,247)	(98,694)
Foreign exchange	12,271	(5,137)
Closing lease liabilities	284,587	279,271

Lease liability maturity analysis

	Gross lease payments NZ$'000	Interest NZ$'000	Carrying amount NZ$'000
As at 31 July 2021			
Within one year	82,639	(7,067)	75,572
One to five years	180,207	(12,559)	167,648
Beyond five years	38,433	(2,382)	36,051
	301,279	(22,008)	279,271
Current			75,572
Non-current			203,699
			279,271
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

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:

	2022 NZ$'000	2021 NZ$'000
Current portion	-	-
Non-current portion	110,881	105,597
	110,881	105,597

Group Facility Agreement

The Group has a multi-option syndicated facility agreement, with a sustainability linked loan of A$100 million, a revolving cash advance facility of A$115 million and NZ$24 million, trade finance sub-facilities of A$30 million and NZ$10 million, and instruments sub-facilities of A$20 million and NZ$4 million. All facilities are repayable in full on 26 May 2024.

Interest is payable based on the BKBM rate (NZD borrowings), the BBSY rate (AUD borrowings), or the applicable short-term rate for interest periods less than 30 days, plus a margin of up to 1.25%. The debt is secured by the assets of the guaranteeing group in accordance with the Security Trust Deed dated 25 October 2019 as amended 26 May 2021. The guaranteeing group comprises entities operating in New Zealand, Australia, North America and the United Kingdom. The carrying value of the assets pledged as security is $1,408,254,000 (2021: $1,451,186,000).

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 26 May 2021. 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 0.99% - 3.20% (2021: 0.95% - 1.05%).

Reconciliation of movement in borrowings

	2022 NZ$'000	2021 NZ$'000
Opening balance	105,597	241,270
Net cash flow movement	-	(128,894)
Loans forgiven	-	(4,025)
Capitalised borrowing costs	(340)	-
Foreign exchange movement	5,624	(2,754)
Closing balance	110,881	105,597

Paycheck Protection Program (PPP) loans

As part of the US government response to COVID-19 the Group's US resident companies applied for Paycheck Protection Program (PPP) loans of US$2,814,000 in the year ended 31 July 2020.

Included within the Group's interest bearing liabilities as at 31 July 2020 was US$2,814,000 relating to the PPP loans that were recognised as other income in the year ended 31 July 2021 on the basis that the Group had either received forgiveness or believed it had met the conditions for forgiveness. During the year the Group obtained formal forgiveness for all outstanding PPP loans. The forgiveness during the year has had no impact on the Group's balance sheet, statement of comprehensive income or cash flows for the year ended 31 July 2022.

Borrowings maturity analysis

	2022 NZ$'000	2021 NZ$'000
Principal of interest-bearing liabilities:		
Payable within 1 year	-	-
Payable 1 to 2 years	110,881	-
Payable 2 to 3 years	-	105,597
Payable 3 to 4 years	-	-
	110,881	105,597

4.1.1 Finance costs

	2022 NZ$'000	2021 NZ$'000
Interest income	(394)	(834)
Interest expense on interest bearing liabilities	1,809	2,370
Interest on lease liabilities	8,476	8,879
Other finance costs	3,057	5,358
Net exchange loss / (gain) on foreign currency	845	704
	13,793	16,477

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):

	2022 NZ$'000	2021 NZ$'000
Total secured borrowings	110,881	105,597
Less Principal covered by interest rate swaps	-	-
Net principal subject to floating interest rates	110,881	105,597

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 (2021: 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% (2021: 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 2021					
Financial assets					
Cash and cash equivalents	142,614	(1,027)	-	1,027	-
Financial liabilities					
Interest bearing liabilities	(105,597)	760	-	(760)	-
Net increase / (decrease)		**(267)**	**-**	**267**	**-**

		-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 Interest bearing liabilities	Cash flow forecasting	Active working capital management Flexibility in funding arrangements

The Group has borrowing facilities of $332,772,000 (2021: $317,831,000) and operates well within this facility. This includes short term bank overdraft requirements, and at balance sheet date no bank accounts were in overdraft.

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 2021				
Trade payables and accrued expenses	106,583	-	-	-
Interest bearing liabilities	1,045	1,045	106,456	-
	107,628	1,045	106,456	-
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	-

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 2021				
Forward foreign exchange contracts				
Inflow	169,991	-	-	-
Outflow	(165,785)	-	-	-
Net inflow / (outflow)	4,206	-	-	-
As at 31 July 2022				
Forward foreign exchange contracts				
Inflow	180,362	-	-	-
Outflow	(170,426)	-	-	-
Net inflow / (outflow)	9,936	-	-	-

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

	2022 NZ$'000	2021 NZ$'000
Foreign exchange contracts		
Current asset	9,936	5,285
Current liability	-	(1,079)
Net foreign exchange contracts - cash flow hedge (asset / (liability))	9,936	4,206
Interest rate swaps		
Current liability	-	-
Non-current liability	-	-
Net interest rate swaps - cash flow hedge (asset / (liability))	-	-
Total derivative financial instruments	**9,936**	**4,206**

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 (2021: nil). The fixed interest rate is nil (2021: 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$106,730,000 / NZ$159,303,000 (2021: US$117,650,000 / NZ$164,706,000).

No material hedge ineffectiveness for interest rate swaps or foreign exchange contracts exists as at balance sheet date (2021: 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 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 dollars or Australian dollars and is paid for out of surplus operating cashflows generated in New Zealand or Australia.

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% (2021: -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% (2021: -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 2021					
Financial assets					
Cash and cash equivalents	142,614	10,639	-	(8,705)	-
Trade and other receivables	62,562	4,967	-	(4,064)	-
Foreign exchange contracts – cash flow hedge	5,285	-	(14,026)	-	11,476
Financial liabilities					
Trade and other payables	(164,024)	(11,743)	-	9,608	-
Interest bearing liabilities	(105,597)	(8,448)	-	6,912	-
Foreign exchange contracts – cash flow hedge	(1,079)	-	(4,729)	-	3,870
Net increase / (decrease)		**(4,585)**	**(18,755)**	**3,751**	**15,346**

		-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 2022 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

	2022 NZ$'000	2021 NZ$'000
Ordinary shares fully paid	626,380	626,380
Opening balance	626,380	626,380
Shares issued under Executive and Senior Management Long-Term Incentive Plan	-	-
Shares issued under share entitlement offers and share placement	-	-
Closing balance	626,380	626,380

Number of issued shares

	2022 NZ$'000	2021 NZ$'000
Opening balance	709,001	709,001
Shares issued under Executive and Senior Management Long-Term Incentive Plan	-	-
Shares issued under share entitlement offers and share placement	-	-
Closing balance	709,001	709,001

As at 31 July 2022 there were 709,001,384 (2021: 709,001,384) ordinary issued shares in KMD Brands Limited and these are classified as equity.

No shares (2021: 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.

Reserves

		2022 NZ$'000	2021 NZ$'000
Cash flow hedging reserve			
Opening balance		1,341	(5,141)
Realised (gains) / losses transferred to hedged asset		(7,794)	5,923
Revaluation movement		13,298	5,685
Deferred taxation movement	2.3	(627)	(5,126)
Closing balance		6,218	1,341
Foreign currency translation reserve			
Opening balance		(29,462)	(12,018)
Currency translation differences – gross		35,953	(17,444)
Currency translation differences – taxation	2.3	-	-
Closing balance		6,491	(29,462)
Share-based payments reserve			
Opening balance		2,637	608
Change during the year		914	1,798
Deferred taxation movement	2.3	(309)	289
Transfer to share capital on vesting of shares to employees		-	-
Share options / performance rights lapsed		(77)	(58)
Closing balance		3,165	2,637
Other reserves			
Opening balance		(47)	(61)
Current year expense recognised in other comprehensive income		-	14
Deferred taxation movement	2.3	-	-
Closing balance		(47)	(47)
Total reserves		**15,827**	**(25,531)**

4.3.3 Dividends

	2022 NZ$'000	2021 NZ$'000
Prior year final dividend paid	21,270	-
Current year interim dividend paid	21,270	14,180
Dividends paid	42,540	14,180

Dividends paid represent NZ$0.06 per share (2021: NZ $0.02).

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 2022	Parent % holding 2021
Parent entity: KMD Brands Limited	√	New Zealand		
Subsidiaries: Kathmandu Group Holdings Limited *(formerly Milford 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 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 Investments Pty Ltd		Australia	100%	100%
Blue Surf Pty Ltd		Australia	100%	100%
RC Surf Pty Ltd		Australia	100%	100%
Rip Curl Airport & Tourist Stores Pty Ltd		Australia	100%	100%
JRRC Rundle Mall Pty Ltd		Australia	100%	100%
Rip Curl (Thailand) Ltd		Thailand	50%	50%
RC Airports Pty Ltd		Australia	100%	100%
Ozmosis Pty Ltd	√	Australia	100%	100%
RC Chermside Pty Ltd		Australia	100%	100%
Bondi Rip Pty Ltd		Australia	100%	100%
Rip Curl Japan		Japan	100%	100%
Curl Retail No 1. Pty Ltd		Australia	100%	100%
RC Surf Sydney Pty Ltd		Australia	100%	100%
RC Surf South 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%
Rip Curl Germany GMBH		Germany	100%	100%
Rip Curl Nordic AB		Sweden	100%	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 2022

	2022 NZ$'000	2021 NZ$'000
Sales	530,199	492,039
Expenses	(484,712)	(439,194)
Finance costs – net	1,965	(13,601)
Profit before income tax	**47,452**	**39,244**
Income tax expense	(12,848)	(13,077)
Profit after income tax	**34,604**	**26,167**
Other comprehensive income	14,837	(2,245)
Total comprehensive income for the year	**49,441**	**23,922**
Opening retained earnings	**(48,708)**	**(60,753)**
Profit for the year after income tax	34,604	26,167
Dividends paid	(42,540)	(14,180)
Share options / performance rights lapsed	77	58
Closing retained earnings	**(56,567)**	**(48,708)**

Consolidated Balance Sheet as at 31 July 2022

	2022 NZ$'000	2021 NZ$'000
ASSETS		
Current assets		
Cash and cash equivalents	23,201	100,627
Trade and other receivables	23,453	14,524
Inventories	136,195	115,886
Derivative financial instruments	4,948	4,044
Current tax asset	660	116
Other current assets	770	546
Total current assets	**189,227**	**235,743**
Non-current assets		
Trade and other receivables	87,736	61,711
Investments	354,777	348,611
Property, plant and equipment	40,357	43,230
Intangible assets	477,908	460,819
Right-of-use assets	133,171	133,901
Total non-current assets	**1,093,949**	**1,048,272**
Total assets	**1,283,176**	**1,284,015**
LIABILITIES		
Current liabilities		
Trade and other payables	86,931	73,797
Derivative financial instruments	-	534
Current tax liabilities	-	9,037
Current lease liabilities	50,301	53,388
Total current liabilities	**137,232**	**136,756**
Non-current liabilities		
Non-current trade and other payables	7,542	7,635
Interest bearing liabilities	110,881	105,597
Loans with related parties	267,033	289,129
Deferred tax	76,073	65,874
Non-current lease liabilities	104,125	106,239
Total non-current liabilities	**565,654**	**574,474**
Total liabilities	**702,886**	**711,230**
Net assets	**580,290**	**572,785**
EQUITY		
Contributed equity – ordinary shares	626,380	626,380
Reserves	10,477	(4,887)
Retained earnings	(56,567)	(48,708)
Total equity	**580,290**	**572,785**

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

	2022 NZ$'000	2021 NZ$'000
Salaries	5,189	3,930
Other short-term employee benefits	468	452
Post-employment benefits	201	75
Termination benefits	468	-
Share-based payments expense	308	(196)
	6,634	4,261

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.

Executive Directors and Senior Managers

Performance rights granted to Executive Directors and Senior Managers are summarised below:

	Opening balance	Granted during the year	Vested during the year	Lapsed during the year	Closing balance
Grant date					
20 Dec 2021	-	1,961,064	-	(449,524)	1,511,540
22 Dec 2020	1,351,890	-	-	(525,357)	826,533
9 Jul 2020	321,359	-	-	(161,418)	159,941
20 Dec 2018	56,649	-	-	(56,649)	-
	1,729,898	1,961,064	-	(1,192,948)	2,498,014

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 2021	Tranche 1	50%	50%
22 Dec 2020	Tranche 1	50%	50%
9 Jul 2020	Tranche 1	0%	100%
20 Dec 2018	Tranche 1	50%	50%

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	2022	2021
Tranche 1	36 months to 1 December 2024	36 months to 1 December 2023

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:

	2022	2021
Fair value of TSR rights	$1.03	$0.89
Current price at grant date	$1.47	$1.26
Risk free interest rate	2.02%	0.28%
Expected life (years)	3	3
Expected share volatility	71.5%	73.0%

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 2021 (2021: 31 July 2020). The applicable performance periods are:

Tranche	2022	2021
Tranche 1	FY24 EPS relative to FY21 EPS	FY23 EPS relative to FY20 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 EPS growth targets for financial year ended 31 July 2022 were set before the impact of COVID-19 related lockdowns during the financial year were known. Consideration has been given to adjusting these targets, however currently it has been determined that the EPS growth criteria has not been met and the 2022 achievement is zero.

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.

Other Key Management Personnel and Wider Leadership Management

Performance rights granted to Other Key Management Personnel 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 2021	-	3,322,092	-	-	3,322,092
22 Dec 2020	3,466,688	-	-	(197,014)	3,269,674
	3,466,688	3,322,092	-	(197,014)	6,591,766

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:

	2022	2021
Grant date	20 Dec 2021	22 Dec 2020
Performance period (year ending)	31 July 2022	31 Jul 2021
Vesting date	31 July 2023	31 Jul 2022

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 2022 were not met and accordingly no expense (2021: $1,994,000) was recognised in the consolidated statement of comprehensive income in respect of Short Term Incentive performance rights granted 20 December 2021. The expenses incurred in the current period relate to rights granted 22 December 2020.

Expenses arising from equity settled share-based payments transactions

	2022 NZ$'000	2021 NZ$'000
Executive Director and Senior Managers	308	(196)
Other Key Management Personnel and Wider Leadership Management	606	1,994
	914	1,798

Of the performance rights granted on 22 December 2020 under the Short Term Incentives for Key Management Personnel and Wider Leadership Management plan, 923,339 performance rights have been cash settled after balance date. The expense disclosed above excludes cash settled performance rights, with a cumulative expense of $1,086,000. This expense is included in wages, salaries, and other short-term benefits in note 2.2.

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 $662,000 of contingent liabilities as at 31 July 2022 (2021: $558,000).

6.5 CONTINGENT ASSETS

There are no contingent assets as at 31 July 2022 (2021: nil).

6.6 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On the 20 September 2022 the Board of Directors have announced that they will pay a final dividend of 3.0 cents per share, fully franked 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

	2022 NZ$'000	2021 NZ$'000
Directors' fees	942	790

Directors' fees for the Company were paid to the following:

- David Kirk (Chairman)
- Philip Bowman
- Andrea Martens
- John Harvey
- Brent Scrimshaw
- Abby Foote

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:

	2022 NZ$'000	2021 NZ$'000
Audit services – Group auditor		
Group audit - KPMG New Zealand	386	-
Group audit - KPMG Australia	131	-
Group audit - PwC New Zealand	-	407
Half year review - PwC New Zealand	-	75
France statutory audit - KPMG France	51	-
Thailand statutory audit - KPMG Thailand	33	-
UK statutory audit - KPMG New Zealand	20	-
	621	482
Audit services - other audit firms	106	174
Total fees for audit services	727	656

	2022 NZ$'000	2021 NZ$'000
Non-audit services – Group auditor		
Taxation services - KPMG US	167	-
Taxation services - PwC France & PwC UK	-	46
Employee Retention Credits application - KPMG US	135	-
Revenue certificates - PwC New Zealand	-	6
Banking compliance certificates – PwC New Zealand	-	3
	302	55

On 6 December 2021 the Group appointed KPMG as its external auditor for the year ending 31 July 2022 (2021: PwC).

6.8 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New standards and interpretations first applied in the period

There are no new accounting standards or interpretations first applied in the period.

A change in accounting policy was made in response to the IFRIC agenda decision on Software-as-a-Service (SaaS) cloud computing arrangements as described in note 1.4.

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 85 to 131:

i. present fairly in all material respects the Group's financial position as at 31 July 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated balance sheet as at 31 July 2022;

— 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. 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 $4.1 million determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance that incorporated the impact of one-off events.

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 $290.0 million and $368.2 million respectively. These assets are a result of the historical acquisitions of the Kathmandu, Oboz and Rip Curl businesses. 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. These judgements include: — Determination of cash generating units (CGUs), or group of CGUs, to consider for testing; — Forecast future performance for each CGU, or group of CGUs; and — Assessment of discount and terminal growth rates.	Our audit procedures included: — 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; — Utilising our corporate finance specialists to challenge and assess management's assumptions, including the terminal growth rates and independently developing a discount rate range based on market data to challenge discount rates; — Assessing the integrity and mechanical accuracy of the impairment models; — Challenging the impairment models' results by assessing against EBITDA multiple analysis from publicly available market data; — Challenging the forecast cash flows in light of current market conditions and past performance of the group; and — Considering the sensitivity of key assumptions to changes within a reasonably possible range and associated financial statement disclosures. We did not identify any material misstatements in relation to the impairment assessment of indefinite life intangible assets or associated disclosures.
Software as a Service ('SaaS') cloud computing arrangements (note 1.4)	
As a result of the IFRIC agenda decision that was issued in April 2021, during the year the group has revised their accounting policy in relation to implementation costs on SaaS cloud computing arrangements. This has resulted in the Group restating $6.5 million of expenditure previously recognised as an intangible asset as at 31 July 2021, to operating expenditure or prepayments. This is considered a key audit matter due to the complexity involved in assessing	Our audit procedures included: — Analysing management's assessment of SaaS cloud computing arrangements; — Examining source contracts and other correspondence with IT vendors to understand contractual arrangements and consider the impacts of these arrangements on the group's control of software assets; — Utilising our accounting technical specialists to assess the consistency of management's approach against the requirements of the accounting standards and IFRIC agenda decision; and

The key audit matter	How the matter was addressed in our audit
the software systems, there is a risk that expenditure on computer software is incorrectly recorded as an asset due to the technical complexity of determining whether an asset is created which is controlled by the Group.	— On a sample basis, vouching expenditure back to supporting documentation, such as invoices, to assess whether the expenditures have been appropriately treated. We did not identify any material misstatements in relation to the change in accounting policy or associated disclosures.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information comprises the information in the Annual 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.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Other matter

The consolidated financial statements of the group, for the year ended 31 July 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 21 September 2021.

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;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and 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 consolidated 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 2022

ADDITIONAL DISCLOSURES
Corporate Governance

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 (**NZX Code**).

This corporate governance statement details the Company's key corporate governance arrangements. 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 there have been no departures of the Company's corporate governance practices from the recommendations set out in the NZX Code during the reporting period.

The Company's relevant charters and policies are available in the Governance section of the Company's Investor Website **https://www.kmdbrands.com/corporate-governance.**

The information in this statement is current as at 31 July 2022 (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 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. Accordingly, the Board has a formal code of conduct, to be followed by all Directors and employees, which provides a guide for both behaviour and decision making. Any material breaches of the Code of Ethics are reported to the Board.

The key aspects of the Code of Conduct 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 concerned or aware of conduct that may be a breach of the Code.

The Group maintains a formal whistleblowing policy recognising that the protection of whistle-blowers 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.

Securities trading policy

The Company has a policy for dealing in the Company's securities by Directors and employees, which provides transparency about expectations and requirements. The 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 KMD Brands personnel are not permitted to deal in securities during certain 'black out periods'; being the eight weeks prior to the release of the Company's full and half year financial results.

Directors, senior executives and key management personnel must receive clearance from the Chairperson of the board before any proposed dealing in Company securities in each instance. 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, provided the individual concerned is not in possession of any non-public material information.

The 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;
- 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 delegates the responsibility for day-to-day management and operation of the Group to the Group CEO, who in turn delegates parts of these functions to senior Group executive and management personnel. 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 2022, the Board is comprised of seven Directors, namely David Kirk, John Harvey, Michael Daly, Philip Bowman, Brent Scrimshaw, Andrea Martens and Abby Foote.
The Chairperson of the Board is David Kirk. 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 and the NZX Listing Rules. 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, John Harvey, Philip Bowman, Brent Scrimshaw, Andrea Martens and Abby Foote are considered independent Directors having regard to the factors set out in the NZX Code.

A brief biography of each Board member can be found in the "Board and Management" section of the Company's Investor Website.

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.

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 Company's 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 to identify current and future skills gaps.

NUMBER OF DIRECTORS WITH SUBSTANTIAL OR MEDIUM EXPERIENCE

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 M&A	●●●●●	○
Human capital, talent and culture	●●●●	○○○
International business development	●●●●	○○○
Executive leadership at scale	●●●●●●	

The following chart 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 statement.

Tenure

Directors are appointed and retire by rotation in accordance with the Company's constitution and the NZX Listing Rule requirements. Director tenure is taken into account by the Board when considering the independence of each Director.

The average tenure for non-executive Directors is 5 years with the following tenure mix:

Tenure of Directors

>10 years	1
6 – 10 years	1
3 – 5 years	3
<2 years	2

Measuring Board performance

The Board undertakes an annual evaluation of its performance against the requirements and expectations of the Board Charter. The performance of the Board's committees and each individual Director is also reviewed on an annual basis, alongside the goals and objectives for the Board for the upcoming year. This review also identifies any changes needed to the Board Charter. The Board approves the criteria for assessing annual performance of the Group CEO.

The Board has undertaken a review of its performance in respect of the reporting period by individual interviews of Directors with the Chairperson.

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

The Group embraces and encourages a diverse 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 its diversity policy, the Remuneration Committee sets measurable objectives for achieving diversity across the Group. The 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 can be found in the "People" section of this report.

Gender composition of the Company's Board of Directors and Officers

As at 31 July 2022, the gender composition of the Company's Board and Officers is as follows:

	Directors		Officers	
	FY22	FY21	FY22	FY21
Male	5	5	5	5
Female	2	1	4	1
Total	7	6	9	6

PRINCIPLE 3 – BOARD COMMITTEES

The Board has established and maintains two committees of the Board to assist with discharging the Board's responsibilities: the Audit and Risk Committee and the 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.

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 2022) is set out opposite.

	AUDIT AND RISK COMMITTEE	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; • Monitoring the Group's compliance with laws and regulations and the Company's Code of Conduct; • Encouraging effective relationships with, and communication between, the Board, management and the Company's external auditor; and • 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; • Assisting the Board in relation to matters concerning remuneration of senior executives, and Directors; • Providing effective remuneration policies and programmes to motivate high performance from all employees; and • 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. Current members: • Abby Foote (Chair) • David Kirk • Philip Bowman 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. Current members: • Andrea Martens (Chair) • David Kirk • Brent Scrimshaw Senior executives may be invited to attend 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 2022 and the numbers of meetings attended by each Director were:

	Board		Audit and Risk Committee		Remuneration Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
David Kirk	9	9	5	5	4	4
John Harvey	9	9	5	5	4	4
Andrea Martens	8	9	4	5	3	4
Brent Scrimshaw	8	9	5	5	4	4
Philip Bowman	8	9	4	5	4	4
Michael Daly	9	9	0	0	0	0
Abby Foote	6	6	3	3	3	3

Takeover protocols

The Board has appropriate protocols in place that set out the procedure to be followed if there is a takeover offer for 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 AND DISCLOSURE

The Company is committed to promoting investor confidence by providing all stakeholders with timely, accurate and balanced disclosure of information regarding its 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 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 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 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. The Company has reported against the Global Reporting Initiative (GRI) Standards framework and the Sustainability Accounting Standards Board (SASB) requirements throughout this report. Refer also to the GRI Index and SASB Index for further information.

PRINCIPLE 5 – REMUNERATION

The 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 Director's remuneration.

The 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 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 $1,000,000 in aggregate. This was approved by shareholders at the Annual Meeting on 26 November 2018. In the year ended 31 July 2022, total fees paid to non-executive Directors amounted to NZD $942,000.

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 147 of this Annual 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 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 policy.

The Board, through the 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 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 via participation in the Company's Long Term Incentive plan.

Short Term Incentives (STI)

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 KPI's, subject to a minimum level of performance achieved by the Group relative to the financial performance target (EBIT) for the year.

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 (LTI)

Performance Rights under the Group's Long-Term Incentive Plan have been offered each year since the plan was originally implemented in 2010.

The 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.

Performance rights granted to the Group executive during the reporting period are dependent upon the following:

- 50% of vesting is subject to an Earnings Per Share growth hurdle over a three-year period between 1 August 2021 and 31 July 2024 ("Performance Period"). The Board establishes annual EPS targets at the commencement of each relevant Financial Year. At the conclusion of the Performance Period, the EPS performance in each Financial Year will be pooled so that Earnings Per Share growth is measured from the start to the end of the Performance Period. Vesting is on a sliding scale proportionate to the total Earnings Per Share growth; and
- 50% of vesting is subject to the Company achieving relative TSR targets over the 36 months from 1 December 2021 to 1 December 2024. TSR is measured on a relative basis against a comparator group of 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 total Shareholder Return performance.

Performance measurement is at the end of the applicable Performance Period with no ability to re-test. In respect of rights 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. Performance rights 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 2022 is set out in the table below:

Michael Daly Group CEO Remuneration package for FY2022

	A$
Fixed (Base salary, superannuation)	$1,028,500
STI (60% of fixed)	$617,100 (NZD)
LTI (70% of fixed)	$719,950 (NZD)
Maximum potential remuneration	$2,365,550

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 KPI's) is solely dependent on outcomes of Group financial performance against short and long term targets, and
- All long-term incentive (70% of Fixed Annual Remuneration) will be measured on a single 3-year performance period.

FY22 STI outcomes

For the year ended 31 July 2022 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 Board regularly reviews this 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. 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 of the risk management framework during the reporting period.

Health and Safety

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 from the Brand CEOs.

More information on Health, Safety and Wellbeing in the Group can be found in the GRI Index of this Report (see pages 170 – 172).

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 is changed at least every five years. The Committee reviews and assesses the independence of the external auditor on an annual basis.

The Company's changed its external auditor during the reporting period and appointed KPMG as external auditor in December 2021.

The Company has continued to build its internal audit function during the reporting period. This function provides a system for evaluating and continually improving the effectiveness of risk management for the Group and delivers appropriate objective assurance on risk management.

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 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 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.**

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 2022 are as follows:

DAVID KIRK	
NZ Rugby Players Association	Chairman
Forsyth Barr Group Limited and Forsyth Barr Limited	Chairman / Director
Bailador Investment Management Pty Limited	Managing Partner
Bailador Technology Investments Limited (including investee companies)	Chairman
NZ Performance Horses Limited	Director
Kiwi Harvest Limited	Chairman
Sydney Festival	Chairman
Lord Howe Island Board	Director
New Zealand Food Network Limited	Chairman
New Zealand Food Rescue Trust	Director
JOHN HARVEY	
Heartland Bank Limited	Director
Pomare Investments Limited	Director
Napier Port Holdings Limited	Director
Port of Napier Limited	Director
ANDREA MARTENS	
ADMA – Australian Data Driven Marketing Association	CEO
HYG Holdco Pty Limited	Director
PHILIP BOWMAN	
Sky Network Television Limited	Chairman
Majid al Futtaim Properties LLC	Chairman
Tegel Group Holdings Limited	Chairman
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 Holdings 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

DIRECTORS' DETAILS, REMUNERATION AND OTHER BENEFITS

During the year, 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 $262,044.45	None	Chairman, Non-Executive Director
Philip Bowman	NZD $141,624.47	None	Non-Executive Director
John Harvey	NZD $141,624.47	None	Non-Executive Director
Andrea Martens	NZD $141,624.47	None	Non-Executive Director
Brent Scrimshaw	NZD $141,624.47	None	Non-Executive Director
Abigail Foote*	NZD $113,425.42	None	Non-Executive Director
Michael Daly	NZD $1,477,253.47	$29,411.76 (superannuation)	Managing Director and Group Chief Executive Officer

* Appointed 15 October 2021

EMPLOYEE REMUNERATION

During the year ended 31 July 2022 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
$100,000	-	$110,000	52
$110,000	-	$120,000	39
$120,000	-	$130,000	33
$130,000	-	$140,000	18
$140,000	-	$150,000	28
$150,000	-	$160,000	21
$160,000	-	$170,000	13
$170,000	-	$180,000	11
$180,000	-	$190,000	12
$190,000	-	$200,000	3
$200,000	-	$210,000	5
$210,000	-	$220,000	6
$220,000	-	$230,000	6
$230,000	-	$240,000	3
$240,000	-	$250,000	3
$250,000	-	$260,000	9
$260,000	-	$270,000	3
$270,000	-	$280,000	5
$280,000	-	$290,000	3
$290,000	-	$300,000	1
$310,000	-	$320,000	1
$320,000	-	$330,000	1
$330,000	-	$340,000	3

Remuneration (NZD $)			Number of Employees
$340,000	-	$350,000	2
$370,000	-	$380,000	1
$390,000	-	$400,000	2
$400,000	-	$410,000	1
$440,000	-	$450,000	1
$460,000	-	$470,000	1
$480,000	-	$490,000	1
$500,000	-	$510,000	2
$540,000	-	$550,000	1
$550,000	-	$560,000	1
$570,000	-	$580,000	1
$580,000	-	$590,000	2
$600,000	-	$610,000	1
$610,000	-	$620,000	1
$640,000	-	$650,000	2
$680,000	-	$690,000	1
$690,000	-	$700,000	1
$800,000	-	$810,000	1
$1,000,000	-	$1,010,000	1
$1,260,000	-	$1,270,000	1
$1,510,000	-	$1,520,000	1
$1,670,000	-	$1,680,000	1

DONATIONS

During the year, the Group has made total donations of NZD $178k. The Group has invested over NZD $1mil in partnership fees, product donations and volunteer hours during FY22. See pages 54 – 57 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, and particulars of entries in the interests registers made during the year ended 31 July 2022.

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 $100,000 or more during the year ended 31 July 2022, are included in the relevant bandings for remuneration disclosed on page 147.

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 2022, and those who ceased to hold office during the year ended 31 July 2022, are as follows:

Company	Director / Office Holder
KMD Brands Investments Limited KMD Brands Managed Services (NZ) Limited KMD Brands Finance (NZ) Limited	Frances Blundell, Chris Kinraid
KMD Brands Managed Services (AU) Pty Limited	Lachlan Farran, Anthony Roberts
Milford Group Holdings Limited (renamed Kathmandu Group Limited on 16 August 2022) Kathmandu Limited Kathmandu (U.K.) Limited	Reuben Casey*, Chris Kinraid
Kathmandu Pty Ltd Barrel Wave Holdings Pty Ltd	Reuben Casey*, Chris Kinraid, Anthony Roberts
Kathmandu US Holdings LLC	Reuben Casey*, Chris Kinraid
Oboz Footwear LLC	Amy Beck
Rip Curl, Inc Rip Curl International Pty Ltd Rip Curl Proprietary Limited RC Airports Pty Ltd Rip Curl Finance Pty Ltd Rip Curl Group Pty Ltd Rip Curl Investments Pty Ltd Bondi Rip Pty Limited Bluesurf Pty Ltd	Michael Daly and Anthony Roberts
Curl Retail No 1 Pty Ltd JRRC Rundle Mall Pty Ltd Ozmosis Pty Ltd RC Chermside Pty Ltd RC Surf Sydney Pty Ltd RC Surf Pty Ltd RC Surf South Pty Ltd Rip Curl Airport and Tourist Stores Pty Ltd	Anthony Roberts

Company	Director / Office Holder
RC Surf NZ Limited	Anthony Roberts and Chris Kinraid
Rip Curl Brazil LTDA	Carla Trindade
Rip Curl Canada Inc	Anthony Roberts and Nick Russell
Rip Curl Japan	Ietoshi Ueda
Onsmooth Thai Co Ltd	Anthony Roberts, Duncan Stewart, Michael Daly
PT Jarosite	James Hendy, Anthony John Roberts, Jeffry Robert Anderson, Michael Daly
Rip Curl Europe S.A.S	Mathieu Lefin and Isabelle Espil
Rip Curl Spain SA Unipersonal Rip Curl UK Ltd Rip Surf Artigos De Desporto Unipessoal LDA Rip Curl Germany GmbH Rip Curl Italy SRL (voluntary liquidation effective 31 March 2021)	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
Surf Odyssey SARL (shareholding diluted effective 11 September 2020)	Xavier Barjou
50% subsidiary interests:	
Rip Curl (Thailand) Co. Ltd	Sermchai Putamadilok

* retired 19 July 2022

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest shareholders as at 19 August 2022 were:

Name	Ordinary Shares	%
HSBC Custody Nominees (Australia) Limited	61,600,724	8.66
Citicorp Nominees Pty Limited	57,554,668	8.09
New Zealand Superannuation Fund Nominees Limited	49,505,616	6.96
Briscoe Group Limited	48,007,465	6.75
Citibank Nominees (Nz) Ltd	41,592,916	5.85
Accident Compensation Corporation	36,533,957	5.14
J P Morgan Nominees Australia Pty Limited	32,825,606	4.61
Tea Custodians Limited	24,856,081	3.49
Bnp Paribas Nominees NZ Limited Bpss40	23,754,352	3.34
New Zealand Depository Nominee	20,494,348	2.88
FNZ Custodians Limited	19,827,355	2.79
National Nominees Limited	17,282,943	2.43
HSBC Nominees (New Zealand) Limited	16,818,663	2.36
National Nominees New Zealand Limited	15,019,988	2.11
JPMORGAN Chase Bank	14,278,158	2.01
Pt Booster Investments Nominees Limited	13,403,307	1.88
Forsyth Barr Custodians Limited	11,585,210	1.63
HSBC Nominees (New Zealand) Limited	8,534,018	1.2
Custodial Services Limited	6,744,915	0.95
Bnp Paribas Nominees Pty Ltd	6,537,076	0.92

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares of the Company at 31 July 2022:

Director/Senior Manager	Nature of interest	Number held at 31 July 2021	Acquired	Disposed	Total held at 31 July 2022
David Kirk	Beneficially owned	743,336	-	-	743,336
Philip Bowman	Beneficially owned	300,000	450,000	-	750,000
John Harvey	Beneficially owned	160,897	-	-	160,897
Michael Daly	Beneficially owned	406,720	66,666	-	473,386
Abigail Foote	Beneficially owned	0	65,000		65,000

Michael Daly held the following interests in convertible financial products in the Company at 31 July 2022 due to his participation in the KMD Brands Limited Long Term Incentive Plan for Employees in his capacity as Group Chief Executive Officer.

Executive Director – Michael Daly

Nature of interest	Number granted	Grant Date	Vesting Period	Vesting Date	Value of Performance Rights at Grant Date $A
Performance Rights	503,462	22 Dec 21	3 years	1 Dec 24	719,950
Performance 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 2022.

Performance rights granted will, subject to satisfaction of performance conditions, vest on the basis of one ordinary share for each performance right which vests, at the end of each performance period.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

	Number of Holders	%	Number of Ordinary Shares	%
1 to 1,000	3,295	29.34	1,922,914	0.27
1,001 to 5,000	4,063	36.18	10,620,136	1.49
5,001 to 10,000	1,549	13.79	12,015,852	1.69
10,001 to 50,000	1,836	16.35	41,000,788	5.76
50,001 to 100,000	271	2.41	19,353,950	2.72
100,001 and over	217	1.93	626,484,082	88.06
Total	11,231	100%	711,347,722	100%

The details set out above were as at 27 September 2022.

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 2022, were as follows:

	Ordinary Shares	%
Yarra Capital Management Limited	59,277,176	8.36
Briscoe Group Limited	48,007,465	6.77
New Zealand Superannuation Fund Nominees Limited	42,863,705	6.04
Jarden Securities Limited, Harbour Asset Management Limited and Jarden Scientific Trading Limited	42,447,339	5.99
Accident Compensation Corporation	36,788,787	5.19

As at 31 July 2022, the Company had 709,001,384 ordinary shares on issue. The Company issued 2,346,338 shares on 10 August 2022 following the conversion of performance rights under the FY2021 tranche of KMD Brands Limited's performance rights plan.

NZX CLASS WAIVERS RELIED ON

During the year, the Company did not rely on any Class Rulings or Waivers granted by NZX Regulation.

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 shares are listed on the NZX and the ASX.

INCORPORATION

The Company is incorporated in New Zealand.

GRI Index

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
TABLE 1: GRI GENERAL STANDARD DISCLOSURES				
ORGANISATIONAL PROFILE				
102 – 1	Name of the organisation	Purpose and Vision	P. 3	
102 – 2	Activities, brands, products and services	Purpose & Vision, Our Brands	P. 3 – 9	
102 – 3	Location of headquarters	Directory	P. 151	
102 – 4	Location of operations	Our World	P. 12 & 13	
102 – 5	Ownership and legal form	Purpose & Vision	P. 3	
102 – 6	Markets served	Our Brands, Our World How We Create Value	P. 4-9 and P. 12 & 13 P. 24 & 25	
102 – 7	Scale of organisation	Our World Financing our Impact Table 6 - Information on Employees & Other Workers	P. 12 & 13 P. 84 – 89 P. 168 – 169	
102 – 8	Information on employees and other workers	Our People, Our Communities Table 6 - Information on Employees & Other Workers	P. 45 P. 168 – 169	
102 – 9	Supply chain	Our Brands Our World How We Create Value	P. 4 – 9 P. 12 & 13 P. 24 & 25	
102 – 10	Significant changes to the organisation and its supply chain	Operational Excellence Our People, Our Communities	P. 36 P. 50 & 51	
102 – 11	Precautionary principle or approach	B Corp at KMD Brands What Matters Most	P. 18 P. 22 & 23	
102 – 12	External initiatives	Our Partners	P. 176 - 180	
102 – 13	Membership of associations	Our Partners	P. 176 - 180	
STRATEGY				
102 – 14	Statement from senior decision makers	Report from the Chair	P. 14 & 15	
102 – 15	Key impacts, risks and opportunities	Materiality Approach Climate Risk Disclosure	P. 22 & 23 P. 66 & 67	
ETHICS AND INTEGRITY				
102 – 16	Values, principles, standards and norms of behaviour	Our Purpose & Vision B Corp at KMD Brands Corporate Governance	P. 3 P. 18 P. 136	Code of Ethics
102 – 17	Mechanisms for advice and concerns about ethics	Corporate Governance	P. 136	Code of Ethics

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GOVERNANCE				
102 – 18	Governance structure	B Corp at KMD Brands TCFD - Governance Our Board, Our Management Team Corporate Governance	P. 18 & 19 P. 65 P. 20 & 21 P. 136 - 140	
STAKEHOLDER ENGAGEMENT				
102 – 40	List of stakeholder groups	Materiality approach Table 3 - Our Stakeholders	P. 22 P. 165	
102 – 41	Collective bargaining agreement	This appendix		None
102 – 42	Identifying and selecting stakeholders	Materiality approach How We Create Value Table 3 - Our Stakeholders	P. 22 P. 24 & 25 P. 165	
102 – 43	Approach to stakeholder engagement	Materiality approach Table 3 - Our Stakeholders	P. 22 P. 165	
102 – 44	Key topics and concerns raised	Our Material Issues Table 3 - Our Stakeholders	P. 23 P. 165	
REPORTING PRACTICE				
102 – 45	Entities included in the consolidated financial statements	Section 5: Group Structure	P. 125	
102 – 46	Defining report content and topic boundaries	Reporting Approach Lead in ESG	P. 2 P. 40	
102 – 47	List of material topics	Our Material Issues	P. 23	
102 – 48	Restatements of information	This appendix	P. 155	See note GRI 305 - 1,2,3 d.
102 – 49	Changes in reporting	Reporting Approach	P. 2	
102 – 50	Reporting period	This appendix		1 August 2021 to 31 July 2022
102 – 51	Date of most recent report	This appendix		KMD Brands Limited Annual Integrated Report 31 July 2022
102 – 52	Reporting cycle	This appendix		Annual (01/08/2021 - 31/07/2022)
102 – 53	Contact point for questions regarding the report	This appendix		companysecretary@kmdbrands.com
102 – 54	Claims of reporting in accordance with the GRI Standards	This appendix		This report has been prepared in accordance with the GRI Standards Core option.
102 – 55	GRI content index	This appendix		
102 – 56	External assurance	Reporting Approach	P. 2	

TABLE 2 - TOPIC SPECIFIC STANDARDS

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 301: MATERIALS				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues KMD Brands ESG Strategy Circular Business Models	P. 23 P. 40 & 41 P. 70 & 71, 78 & 79	
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
No indicator		Goals and Performance - Circular Business models	P. 72 – 75	We are working to align our reporting metrics as a group as we are not currently reporting in accordance to topic indicator requirements. All our brands are aiming to report through the Textile Exchanges' Material Change Index (MCI) in a future reporting period.
GRI 305: EMISSIONS				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues Lead in ESG Science-based Climate Action	P. 23 P. 40 & 41 P. 60 – 62	Note: *emission figures reported below are pre-certified totals
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
GRI 305 – 1: a,b,c.	Direct (Scope 1) GHG emissions	Science-based Climate Action	P. 62 – 63	Gross direct (Scope 1) GHG emissions for FY22 is 498* tCO2e These include CO2, CH4, N2O, HFCs, PFCs, SF.
GRI 305 – 2: a,b,c.	Gross location-based energy indirect (Scope 2) GHG emissions	Science-based Climate Action	P. 62 – 63	Gross direct (Scope 2) GHG emissions for FY22 is 9,246* tCO2e. These include CO2, CH4, N2O, HFCs, PFCs, SF. Our emissions figures are derived from Scope 2 purchased electricity usage at our global offices, warehouses, stores and manufacturing facility. We have also reported our on-site renewable solar regeneration locations in our certification.
GRI 305 - 3: a,b,c.	Gross location-based energy indirect (Scope 3) GHG emissions	Science-based Climate Action	P. 62 – 63	Gross direct mandatory (Scope 3) GHG emissions for FY22 is 15,066* tCO2e. These include CO2, CH4, N2O, HFCs, PFCs, SF. Our emissions figures are derived from Scope 3 emissions sources, supplier air and sea transportation, regional road transportation, T & D losses and waste across our global operations.

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 305 – 1,2,3 d.	Base year for the calculation	Science-based Climate Action	P. 62 – 65	Kathmandu – FY19 current base year: Scope 1: Nil tCO2e Scope 2: 6,847 tCO2e Scope 3: 5,463 tCO2e Oboz – FY21 current base year: Scope 1: 19.73 tCO2e Scope 2: 10.56 tCO2e Scope 3: 3,814 tCO2e Rip Curl – FY20 current base year: Scope 1: 610 tCO2e Scope 2: 5,047 tCO2e Scope 3: 6,614 tCO2e Note: Base year information has been updated to correct classification to Scope 3 of data previously identified as Scope 1
GRI 305 – 1,2,3 e.	Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source			Our emissions factors are in line with the Greenhouse Gas Protocol. Emissions factors are sourced from government GHG reporting guidance documents published in each jurisdiction that we operate in.
GRI 305 – 1,2,3 f.	Consolidation approach for emissions; whether equity share, financial control, or operational control			Operational control
GRI 305 – 1, 2, 3: g.	Standards, methodologies, assumptions and/or calculation tools used			FY22 Scope 1,2 and mandatory Scope 3 emissions were audited by Toitū Envirocare under the carbon programme.
GRI 305 – 4.	GHG emissions intensity			Our emissions intensity includes scopes 1, 2 and 3 for tracked emissions. Rip Curl – 24.88 Kathmandu & Oboz combined - 28.17
GRI 305 – 5 a,b, d.	Reduction of GHG emissions GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO2 equivalent			Group absolute reduction in CO2 from baseyear: Scope 1: 132 tCO2e Scope 2: 2,658 tCO2e These include. CO2, CH4, N2O, HFCs, PFCs, SF
GRI 305 – 5 c.	Biogenic CO2 emissions in metric tons of CO2 equivalent			Rip Curl's wetsuit manufacturing facility, Onsmooth – water supply 1.651, waste water treatment 5.28. Kathmandu & Oboz do not report on Biogenic CO2 emissions
GRI 305 – 5 e.	Standards, methodologies, assumptions, and/or calculation tools used			Reporting standard has changed from ISO 14064-1 :2006 to ISO 14064-1:2018

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 306: WASTE				
GRI 103: Management Approach	103 - 1: Explanation of the material topic and its boundary	Our Material Issues Lead in ESG Circular Business Models	P. 23 P. 40 & 41 P. 70 & 71, 78 & 79	
	103 - 2: The management approach and its components	Table 4 - Management Approach	P. 166 – 167	
306 – 1	Waste generation and significant waste-related impacts for the organisatio i. The inputs, activities and outputs that lead or could lead to these impacts ii. Whether these impacts relate to waste generated in the organisation's own activities or to waste generated upstream or downstream in its value chain	Circular Business Models	P. 70 & 71 P. 78 & 79	
306 – 2: a.	Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain and to manage significant impacts from waste generated	Circular Business Models	P. 70 & 71 P. 78 – 81	
306 – 2: b.	If the waste generated by the organisation in its own activities is managed by a third party, a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations			Third-party providers of waste services are run under the legislation of the respective countries in which they operate and must meet those standards in the management of the waste collected.
306 – 2: c	The processes used to collect and monitor waste-related data			We collect a combination of monthly and annual reports from our waster service providers. These include a breakdown of what types of waste were collected and the quantities of each waste type collected. These figures are included in our Toitū certification programme.
306 – 3: a.	Total weight of waste generated in metric tons and a breakdown of this total by composition of the waste	Circular Business Models	P. 79	Total waste (estimated) for FY22: 2,050 metric tonnes Paper/cardboard – 684 metric tonnes Plastics - 116 metric tonnes Non-recyclable - 1,251 metric tonnes
306 – 3: b.	Contextual information necessary to understand the data and how the data has been compiled			Some limitations on store data as some are in malls and it is difficult to gather data from these sources.
306 – 4: a.	Total weight of waste diverted from disposal in metric tons and a breakdown of this total by composition of the waste	Circular Business Models	P. 79 & 80	Total diversion (estimated): 746 metric tonnes Paper: 494 metric tonnes Plastic: 116 metric tonnes Neoprene offcuts: 133 metric tonnes Wetsuit recycling: 3 metric tonnes
306 – 4: b.	Total weight of hazardous waste diverted from disposal in metric tons and a breakdown of this total by the following recovery operations: i. Preparation for reuse ii. Recycling iii. Other recovery operations			We currently do not report on hazardous waste.
306 – 4: c.	Total weight of non-hazardous waste diverted from disposal in metric tons and a breakdown of this total by the following recovery operations: i. Preparation for reuse ii. Recycling iii. Other recovery operations	Circular Business Models	P. 79 & 80	Total waste diverted via recycling and repurposing (estimated): 743 metric tonnes Paper: 494 metric tonnes Plastic: 116 metric tonnes Neoprene offcuts: 133 tonnes
306 – 4: d.	For each recovery operation listed in disclosures 306 – 4 b. and 306 – 4 c. a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste diverted from disposal:, i. On site ii. Off site			Not reporting against
306 – 4: e.	Contextual information necessary to understand the data and how the data has been compiled			

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 308 SUPPLIER ENVIRONMENTAL ASSESMENT				
GRI 103: Management Approach	103 - 1: Explanation of the material topic and its boundary	Our Material Issues Lead in ESG Communities	P. 23 P. 40 & 41 P 48 – 49	
	103 - 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
308 – 1	New suppliers that were screened using environmental criteria Percentage of new suppliers that were screened using environmental criteria.	Goals and Performance, Our People, Our Communities	P. 50 & 51	The Higg Index FEM was rolled out as the primary environmental screening tool for suppliers in FY22. The percentage of total suppliers screened using Higg FEM is therefore a more meaningful measure this year. Across the Group, 25% of T1 suppliers and 43% of significant T2 suppliers were screened using the Higg FEM.
308 – 2	Negative environmental impacts in the supply chain and actions taken	Goals and Performance, Our People, Our Communities	P. 50 & 52	33 T1 and 39 T2 suppliers were assessed for environmental impacts across the Group using the Higg Index FEM. One supplier located in Thailand was found to lack sufficient control measures to prevent potential adverse environmental impact of uncontrolled hazardous substance release. Secondary containment measures and associated training have been implemented. Revised supplier onboarding and monitoring to improve identification and address of negative environmental impacts in the supply chain will be implemented across the Group in FY23.
GRI 401: EMPLOYMENT				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues Lead in ESG People	P. 23 P. 40 & 41 P 42 – 44	
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
GRI 401 – 1	New employee hires and employee turn over	Table 7 – Hiring & turnover	P. 169	
GRI 401 – 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Table 5 – Employment Benefits	P. 168 – 169	
GRI 401 – 3	Parental leave	Table 8 – Parental leave	P. 170	

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 403: OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management Approach	103 - 1: Explanation of the material topic and its boundary	Our Material Issues People	P. 23 P. 42 – 43	
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
GRI 403 – 1	Occupational health and safety management system	Table 4 – Management Approach	P. 166 – 167	
GRI 403 – 9	Work related injuries	Table 11 –Work-related injuries	P. 171	
GRI 403 – 10	Work related ill health	Table 10 – Work-related ill health	P. 171	
GRI 404: TRAINING AND EDUCATION				
GRI 103: Management Approach	103 - 1: Explanation of the material topic and its boundary	Our Material Issues People	P. 23 P. 42 – 43	
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
GRI 404 – 1	Average hours of training per year per employee a. Average hours of training that the organisation's employees have undertaken during the reporting period, by:	This appendix		Kathmandu: 14.51 hours Oboz: 32.71 hours Rip Curl: Not reporting against
	i. Gender			Kathmandu: 13.9 (Female) & 16.1 (Male) Oboz: 39.51 (Female) & 26.97 (Male)
	ii. Employee category			Not reporting against
GRI 404 – 2	Programmes for upgrading employee skills and transition assistance programmes	This appendix		
	a. Type and scope of programmes implemented and assistance provided to upgrade employee skills			Retail specific – product training, sales fundamentals Leadership coaching, critical thinking and influence skills
	b. Transition assistance programmes provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment			Not reporting against
GRI 404 – 3	Percentage of employees receiving regular performance and career development reviews	Table 12 – Performance reviews	P. 172	
	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	Table 12 – Performance reviews	P. 172	

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Table 4 – Management Approach	P. 23 P. 42 – 43	
	103 – 2: The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
405 – 1	Diversity of governance bodies and employees	Our People, Our Communities	P.44 & 45	
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues Lead in ESG Communities	P. 23 P. 40 & 41 P. 48 – 51	
	103 – 2: The management approach and its components	Table 4 - Management approach	P. 166 – 167	
407 – 1	Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk	Worker Voice Tools and Grievance Mechanisms.	P. 50 – 53	64% of KMD Brands suppliers are in China. Individual worker rights including freedom of association and collective bargaining are at risk as collective bargaining and independent unions do not exist. COVID has increased the vulnerability of workers across all suppliers. Our response has been to focus on transparency and partnership and less emphasis on policing and compliance, having an on the ground ESG specialist based in Asia, integrating a worker voice component into every full social audit and trialling other worker voice tools.
GRI 408: CHILD LABOUR				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues KMD Brands ESG Strategy Communities	P. 23 P. 40 & 41 P. 48 – 51	
	103 – 2: The management approach and its components	Table 4 - Management Approach	P. 166 – 167	
408 – 1: a.	Operations and suppliers at significant risk for incidents of: i. Child labour ii. Young workers exposed to hazardous work	Our People, Our communities	P. 48 – 51	Child labour is common in the international apparel industry, especially in Tiers 2, 3 and 4 (raw materials). We have partial visibility into Tier 2 of our supply chain and very limited visibility into Tiers 3 and 4. KMD Brands has a mandatory child labour policy and process that all staff and suppliers are required to adhere to.

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
408 – 1: b.	Operations and suppliers considered to have significant risk for incidents of child labour either in terms of: i. Type of operation (such as manufacturing plant) and supplier	Our People, Our communities	P. 48 – 51	Our manufacturing operations and technical suppliers are at very low risk. The raw materials level and material mills have a higher risk level. Countries considered at risk are China, Vietnam, Indonesia, Bangladesh, Cambodia, India, Mexico, Thailand. We partner with local NGOs who work to prevent and respond to cases of forced and child labour in the event that cases are uncovered
408 – 1: c.	Measures taken by the organisation in the reporting period intended to contribute to the effective abolition of child labour ii. Countries or geographic areas with operations and suppliers considered at risk	Our People, Our communities	P. 48 – 51	We participate in numerous third-party accreditations that give us greater confidence in the ethical sourcing of those materials. We participate in multi stakeholder initiatives addressing issues such as child labour that are beyond our ability to fully address alone.
GRI 409: FORCED OR COMPULSORY LABOUR				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues KMD Brands ESG Strategy Communities	P. 23 P. 40 & 41 P. 48 – 51	
	103 – 2: The management approach and its components	Table 4 – Management Approach	166 – 167	
409 – 1: a.	Operations and suppliers considered to have significant risk for incidents of: i. type of operation (such as manufacturing plant) and supplier ii. countries or geographic areas with operations and suppliers considered at risk	Our People, Our communities	P. 50 & 51	Forced labour and forms of modern slavery are common in the international apparel industry. Migrant workers are especially vulnerable to forced labour. Products made in China, Taiwan, Vietnam, India, Mexico and Indonesia are all at risk of forced labour. Rip Curl owns and operates a wetsuit manufacturing factory in Chiang Mai, Thailand. This area is known for risk to worker rights. By owning and operating this facility, we have full control of the procedures that put our workers' safety as our top priority, giving all workers a voice that will be heard.

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
409 – 1: b.	Measures taken by the organisation in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labour	Our People, Our communities	P. 48 – 53	We adopt a benefit mindset, a partnership approach to our suppliers based on transparency and a collaborative response to addressing forced labour and modern slavery. We access worker voices through social media platforms, effective grievance mechanisms and anonymous worker surveys. We conducted modern slavery, forced labour and human trafficking prevention and awareness training. We continue to work with other sectors and on the creation of policies and legislation that meaningfully addresses slavery and exploitation.
GRI 412: HUMAN RIGHTS ASSESSMENT				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues KMD Brands ESG Strategy Communities	P. 23 P. 40 & 41 P. 48 – 51	
	103 – 2 The management approach and its components	Table 4 – Management Approach	P. 166 – 167	
412 – 1: a.	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country	Our People, Our communities	P. 50 & 51	100% of our Tier 1 operations across all countries we manufacture in are subject to human rights assessments. As a result of our partnership with Elevate, human rights risks and trends are now immediately available to us as a company.
412 – 2: a.	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	Our People, Our communities	P. 51	approx 500
412 – 2: b.	Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	Our People, Our communities	P. 51	Percentage of employees trained at head office is approximately 60%.

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
412 – 3: a.	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Our People, Our communities	P. 51	Every one of our Tier 1 suppliers has to enter into an agreement with each KMD Brand which includes signing and agreeing to abide by and be assessed against our Code of Conduct. This is also being rolled out to our strategic Tier 2 suppliers who now sign a revised service level agreement, which includes abiding by our company Code of Conduct and human rights standards.
412 – 3: b.	The definition used for 'significant investment agreements'	Our People, Our communities		A 'significant investment' includes any and every supplier because no matter how much we spend with a supplier, our commitment to our stakeholders and shareholders is to invest our resources into our supply chain to protect human rights.
GRI 414: SUPPLIER SOCIAL ASSESSMENT				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues KMD Brands ESG Strategy Communities	P. 23 P. 40 & 41 P. 48 – 51	
	103 – 2 The management approach and its components	Table 4 - Management Approach	P. 166 – 167	
414 – 1: a.	Percentage of new suppliers that were screened using social criteria	Our People, Our communities	P. 50 & 51	
414 – 2: a.	Number of suppliers assessed for social impacts	Our People, Our communities	P. 50 & 51	
414 – 2: b.	Number of suppliers identified as having significant actual and potential negative social impacts	Highlights and Lowlights for FY22 Our People, Our communities	P. 11 P. 50 – 51	
414 – 2: c.	Significant actual and potential negative social impacts identified in the supply chain	Our People, Our communities	P. 50 – 51	
414 – 2: d.	Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	Our People, Our communities	P. 50 & 51	Approximately 10% of suppliers improved in their transparency between the two year audit cycle. Improving wider transparency and a willingness by suppliers to share their imperfections is our focus.
414 – 2: e.	Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why	Our People, Our communities	P. 50 & 51	11 suppliers were exited in FY22, some due to their ongoing unwillingness to make any changes or improvements.

GRI INDICES	DESCRIPTION	REFERENCE	PAGE #	SUPPORTING DETAILS
GRI 416: CUSTOMER HEALTH AND SAFETY				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues Building Global Brands	P. 23 P. 28	
	103 – 2: The management approach and its components	Table 4 - Management Approach	P. 166 – 167	
416 – 2	Incidents of non-compliance concerning the health and safety impacts of products and service			KMD Brands takes customer health and safety seriously. Any health and safety-related incidents are treated as high priority and investigated accordingly with the appropriate corrective action to prevent reoccurrence. We take what we learn to make changes and prevent these incidents from happening again.
416 – 2: a.	i. Incidents of non-compliance with regulations resulting in a fine or penalty;			0 incidents.
	ii. Incidents of non-compliance with regulations resulting in a warning;			0 incidents.
	iii. Incidents of non-compliance with voluntary codes.			0 incidents.
416 – 2: b.	If the organisation has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient			We have not identified any non-compliance with regulations and/or voluntary codes.
GRI 418: CUSTOMER PRIVACY				
GRI 103: Management Approach	103 – 1: Explanation of the material topic and its boundary	Our Material Issues Elevating Digital	P. 23 P. 32	
	103 – 2: The management approach and its components	Table 4 - Management Approach	P. 166 – 167	
418 – 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data Total number of substantiated complaints received concerning breaches of customer privacy categorised by: i. Complaints received from outside parties and substantiated by the organisation ii. Complaints from regulatory bodies	Elevating Digital	P. 32	There were no substantiated complaints identified in FY22

TABLE 3: OUR STAKEHOLDERS

STAKEHOLDER GROUP	ENGAGEMENT MECHANISM	FREQUENCY OF ENGAGEMENT	KEY ISSUES RAISED
Customers	Social media Customer insights In our stores Our website Via our customer service team Loyalty member communications	Ongoing	Animal welfare Waste management Community investment opportunities and sponsorship Climate Change Human rights in our supply chain Product care and repair Plastic packaging Microfibres
Employees	Performance mechanisms Questionnaire and surveys Other engagement opportunities	Ongoing	Health and safety Waste management Training Climate Change Sustainability leadership
Suppliers	Meetings Site visits	Ongoing	Fair and open procurement practices Fair working conditions Environmental impacts Climate change Product quality and safety
Factories	Meetings Site visits Audits	Ongoing	Fair working conditions
Civil society, community organisations, brand athletes and ambassadors	In our stores and offices Company & community events Social media Meetings Website	Ongoing	Our impact on communities Social investment and sponsorship Human rights in our supply chain Environmental impacts Fair working conditions
Government and regulators	Meetings Reports Site visits	Quarterly and as required	Economic performance Environmental impacts Community impacts
Shareholders and Investment community	Our annual report Annual shareholder meeting ASX and NZX announcements Investor website Investor roadshows, briefings, forums	Ongoing	Economic performance All sustainability material issues Sustainability leadership ESG Performance
Industry associations and Business Partners	Meetings Reports Social media Industry working groups Workshops	Ongoing	Environmental impacts Community impacts Product material stewardship Product compliance Human rights in our supply chain

TABLE 4: MANAGEMENT APPROACH

TOPIC	POLICIES AND MANAGEMENT	ACTIVITIES	EVALUATION	ACCOUNTABLE DEPARTMENT
Workers' rights: freedom of association and collective bargaining, child labour, forced or compulsory labour, human rights assessment, supplier social assessment	Supplier code of conduct	Supplier code of conduct (COC) Worker Voice tools External Memberships	Our COC aligns to the Fair Labor Association's (FLA) 10 guiding principles. FLA membership supports us through external factory audits and findings review. Worker voice tools by Elevate FLA and SAC memberships support our policies to support worker rights	Sourcing and ESG
Materials, water	Azo Dyes Policy, Down Feather Policy, Leather Policy, Uzbek Cotton Policy, Nano-Silver Technology Statement of Intent, Perflourinated Chemicals Statement of Intent, Sheep Mulesing Statement of Intent, Man-Made Cellulosics Policy, Restricted Substances List.	Our preferred materials priority list guides our materials sustainability strategy.	Kathmandu participates in the Textile Exchange report rankings and our other brands will do so in future reporting periods. We use the Higg Index as a key driver for better materials. We use existing and emerging technologies to create more sustainable products	Product
Customer health and safety	We research and complete all compliance requirements before entering new products into the market.	Our quality department reviews products before entering the market. Market compliance research.	KMD Brands takes customer health and safety seriously. Any health and safety-related incidents are treated as high priority and investigated accordingly. Appropriate corrective action is taken, where necessary, to prevent reoccurrence. We take what we learn to make changes and prevent incidents from happening again.	Quality and OHS
Customer privacy	We have a stringent policies and processes in place to protect the privacy of our customers' personal information.	Our relevant team members are briefed on the details of the policy to ensure no breaches are made. Communication is highly prioritised with the customer following any incidents.	Reviews are completed on any incidents to achieve continuous improvement.	Information Security, Legal, Customer Services

TOPIC	POLICIES AND MANAGEMENT	ACTIVITIES	EVALUATION	ACCOUNTABLE DEPARTMENT
Waste	Our Group ESG strategy includes the following Circular Business Models goal – To divert of 90% of waste to landfill from our direct operations by 2030.	We engage with all key stakeholders internally and externally in managing our operational waste.	Our new strategy goal has been set at a group level and will be tracked to evaluate how we are managing waste.	Brand, Finance, Retail Operations
Carbon emissions	Our Group ESG strategy includes the following Science-Based Climate Action 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).	We have submitted our targets to SBTi and are awaiting approval. We are working with Toitū Envirocare to track our emissions and purchase carbon offsets where meaningful. Working with manufacturing suppliers to adopt the use of the Higg Index FEM.	We evaluate main sources of energy usage across Scope 1, 2 and 3 areas. We will be looking to expand our Scope 3 tracking in the coming years as our suppliers adopt the HIGG FEM.	Brand, Finance, Retail Operations, Property
Team development: new employee hires and turnover, benefits for full-time employees, parental leave, occupational health and safety, training and education, diversity, equal opportunity	Group ESG Focus area: Our People, Our Communities. As part of our People Plan strategy, we integrate these material topics as part of our continuous improvement management approach.	We engage with all key stakeholders internally and externally in managing our strategy.	We conduct interviews and surveys as a way to inform our strategy approach.	Human Resources

TABLE 5: EMPLOYMENT BENEFITS

BENEFITS THAT ARE STANDARD FOR FULL-TIME EMPLOYEES OF THE ORGANISATION BUT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES	
Life insurance	Kathmandu – NZ head office, DC & Store Managers Rip Curl – USA & Canada OBOZ – $10,000 per employee
Health care/Insurance	Kathmandu – NZ head office, DC & Store Managers Rip Curl – USA, Canada, Indonesia & Brazil employees OBOZ – 100% for medical, dental and vision care for employees & 50% for dependents
Disability and invalidity coverage	Rip Curl – Europe, USA & Indonesia employees OBOZ – Short-term disability cover
Parental leave	As per Government requirements
Retirement provision	Kathmandu & Rip Curl – As per Government requirements OBOZ – Company-sponsored 401(k) Plan offered to eligible employees
Stock ownership	Executive teams and wider leadership team
Others - to eligible employees	Kathmandu - Flu vaccine, EAP, Super salary sacrifice option, product discounts, phone/car allowances Rip Curl – Product allowance & discounts, Flu vaccine, EAP, Super salary sacrifice option, rice allowance, social security, phone/car allowances OBOZ – up to 16 paid time off for volunteer work

TABLE 6: INFORMATION ON EMPLOYEES AND OTHER WORKERS

	AUS	NZ	EUROPE	BRAZIL	JAPAN	INDONESIA	THAILAND	CANADA	USA	TOTAL
BY EMPLOYMENT TYPE										
Full-time	723	307	221	74	7	91	778	3	160	2,364
Part-time	645	293	41	0	1	8	0	1	246	1,235
Casual	1,238	41	0	0	0	0	0	0	9	1,288
Total employees	2,606	641	262	74	8	99	778	4	415	4,887
BY CONTRACT TYPE										
Permanent	1,354	589	198	74	8	81	778	4	406	3,492
Fixed-term full-time	10	8	53	0	0	10	0	0	0	81
Fixed-term part-time	4	3	11	0	0	8	0	0	0	26
Casual	1,238	41	0	0	0	0	0	0	9	1,288
Total workforce	2,606	641	262	74	8	99	778	4	415	4,887
BY GENDER										
Female	1,641	409	141	35	5	44	632	1	215	3,123
Male	939	228	121	39	3	55	146	3	199	1,733
Another Gender	26	4	0	0	0	0	0	0	1	31
BY AGE GROUP										
<30	1,734	322	79	27	1	24	287	0	307	2,781
30-50	720	267	152	45	7	68	459	4	91	1,813
50+	152	52	31	2	0	7	32	0	17	293

	AUS	NZ	EUROPE	BRAZIL	JAPAN	INDONESIA	THAILAND	CANADA	USA	TOTAL
BY CATEGORY										
Executive	15	8	1	0	0	0	0	0	3	27
Senior management	43	37	9	2	1	1	1	1	13	108
Management	434	152	36	4	2	4	43	0	52	727
Non management	2,114	444	216	68	5	94	734	3	347	4,025

TABLE 7: HIRING & TURNOVER

		AUS	NZ	EUROPE	BRAZIL	JAPAN	INDONESIA	THAILAND	CANADA	USA	TOTAL
NEW HIRES											
Permanent	Total	532	257	34	33	2	6	360	3	349	1,576
Indefinite	Total	1,087	42	108	0	0	1	0	0	7	1,245
BY GENDER											
Permanent	Male	198	92	11	16	2	4	46	2	162	533
Permanent	Female	325	161	23	17	-	2	314	1	187	1,030
Permanent	Other	9	4	-	-	-	-	-	-	-	13
Indefinite	Male	385	11	36	-	-	1	-	-	3	436
Indefinite	Female	699	31	72	-	-	-	-	-	4	806
Indefinite	Other	3	-	-	-	-	-	-	-	-	3
BY AGE GROUP											
Permanent	Under 30	368	194	15	20	1	3	205	2	305	1,113
Permanent	30-50	142	58	19	13	1	3	152	1	39	428
Permanent	Over 50	22	5	-	-	-	-	3	-	5	35
Indefinite	Under 30	965	30	77	-	-	1	-	-	7	1,080
Indefinite	30-50	101	11	29	-	-	-	-	-	-	141
Indefinite	Over 50	21	1	2	-	-	-	-	-	-	24
TURNOVER											
Permanent	Total	554	278	22	32	2	0	323	5	331	1,547
Indefinite	Total	825	63	64	0	0	2	0	0	6	960
BY GENDER											
Permanent	Male	216	86	10	16	2	-	53	2	148	533
Permanent	Female	321	190	12	16	-	-	270	3	183	995
Permanent	Other	17	2	-	-	-	-	-	-	-	19
Indefinite	Male	306	20	17	-	-	-	-	-	4	347
Indefinite	Female	514	43	47	-	-	2	-	-	2	608
Indefinite	Other	5	-	-	-	-	-	-	-	-	5
BY AGE GROUP											
Permanent	Under 30	347	171	10	17	-	-	168	4	289	1,006
Permanent	30-50	171	96	11	14	1	-	147	1	36	477
Permanent	Over 50	36	11	1	-	-	-	8	-	6	62
Indefinite	Under 30	740	40	42	-	-	1	-	-	6	829
Indefinite	30-50	75	18	22	-	-	1	-	-	-	116
Indefinite	Over 50	10	5	-	-	-	-	-	-	-	15

TABLE 8: PARENTAL LEAVE

	Male	Female	Another Gender	Prefer not to say
Report the number of employees by gender who were entitled to parental leave.	878	1,444	3	21
Report the number of employees by gender who took parental leave.	2	51	0	1
Report the number of employees who returned to work after parental leave ended, by gender.	2	45	0	0
Report the number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work, by gender.	0	25	0	0
Report the return to work rate of employees who returned to work after parental leave ended, by gender.	100%	88%	N/A	N/A
Report the retention rate of employees who returned to work after parental leave ended, by gender.	0%	56%	N/A	N/A

TABLE 9: OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM	
a. A statement of whether an occupational health and safety management system has been implemented, including whether: i. The system has been implemented because of legal requirements and, if so, a list of the requirements ii. The system has been implemented based on recognised risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines	Health and safety management system is being implemented because of legal requirements: • Consolidation of Labor Laws (Brazilian NR) • Health and Safety at Work Act 2015 (New Zealand) • Model Work Health and Safety Act 2011 (Australia) • Model Work Health and Safety Regulations 2011 (Australia) • Occupational Health and Safety Act 2004 (Victoria) • Occupational Health and Safety Regulations 2017 (Victoria) • Occupational Safety and Health Act (United States) • Occupational Safety, Health, and Environment Act (Thailand) • The Labour Code France (Part IV Health and Safety at Work) • Work Safety Act (Indonesia) • Model Codes of Practice • Health and Safety at Work Act (HSWA) 2015 Rip Curl and Kathmandu will continue to work towards the International Safety Standard ISO 45001 over the next 24 months.
b. A description of the scope of workers, activities and workplaces covered by the occupational health and safety management system and an explanation of whether and, if so, why any workers, activities or workplaces are not covered	Scope of workers – support offices, distribution centres, stores, casual, part-time, full-time, fixed-term. Activities include logistics, administration, customer service and sales, stock management, manual handling, staff management and product management.

TABLE 10: WORK RELATED ILL HEALTH

ALL EMPLOYEES	
The number of fatalities as a result of work-related ill health	0
The number of cases of recordable work-related ill health	1
The main types of work-related ill health	Post traumatic stress disorder
ALL WORKERS WHO ARE NOT EMPLOYEES BUT WHOSE WORK AND/OR WORKPLACE IS CONTROLLED BY THE ORGANISATION	
i. The number of fatalities as a result of work-related ill health	0
ii. The number of cases of recordable work-related ill health	0
iii. The main types of work-related ill health	N/A
WORK-RELATED HAZARDS	
The work-related hazards that pose a risk of ill health	Hazardous chemicals, occupational violence.
How these hazards have been determined	Risk assessments, incident reports.
Which of these hazards have caused or contributed to cases of ill health during the reporting period	Occupational violence.
Actions taken or under way to eliminate these hazards and minimise risks using the hierarchy of controls	Substitute for safer chemicals, Operational requirements on rostering and site layout/security, Policies/procedures and training.
WHETHER AND, IF SO, WHY ANY WORKERS HAVE BEEN EXCLUDED FROM THIS DISCLOSURE INCLUDING THE TYPES OF WORKERS EXCLUDED	
Workers that have been excluded from this disclosure	N/A
Any contextual information necessary to understand how the data has been compiled, such as any standards, methodologies and assumptions used	N/A

TABLE 11: WORK-RELATED INJURIES

ALL EMPLOYEES	
The number and rate of fatalities as a result of work-related injury	0
The number and rate of high-consequence work-related injuries (excluding fatalities)	1
The number and rate of recordable work-related injuries	157
The main types of work-related injury	Contusions, burns, cuts, sprains, strains.
ALL WORKERS WHO ARE NOT EMPLOYEES BUT WHOSE WORK AND/OR WORKPLACE IS CONTROLLED BY THE ORGANISATION	
The number and rate of fatalities as a result of work-related injury	0
The number and rate of high-consequence work-related injuries (excluding fatalities)	0
The number and rate of recordable work-related injuries	5
The main types of work-related injury	Strain, cut.
The number of hours worked	N/A
WORK-RELATED HAZARDS THAT POSE A RISK OF HIGH-CONSEQUENCE INJURY	
How these hazards have been determined	Incident and near miss reporting, risk assessments, safety inspections.
Which of these hazards have caused or contributed to high-consequence injuries during the reporting period	Housekeeping hazard.
Actions taken or under way to eliminate these hazards and minimise risks using the hierarchy of controls	Eliminate high risk tasks where practicable, provision of quality tools and equipment, job rotation, training, safe work procedures.

ANY ACTIONS TAKEN OR UNDERWAY TO ELIMINATE OTHER WORK-RELATED HAZARDS AND MINIMISE RISKS USING THE HEIRARCHY OF CONTROLS	
Any actions taken or under way to eliminate other work-related hazards and minimise risks using the hierarchy of controls	Eliminate task if possible, use of equipment, regular maintenance of equipment, staff rotation, training.
Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked	N/A - no rates calculated.
Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded	N/A
Any contextual information necessary to understand how the data has been compiled, such as any standards, methodologies and assumptions used	N/A

TABLE 12: PERFORMANCE REVIEWS

	Executive	Senior Management	Management	Non Management	Total
Number of employees receiving performance reviews/appraisals	100%	87%	56%	73%	71%
Male	100%	86%	54%	77%	74%
Female	100%	89%	58%	70%	69%
Other	0%	0%	67%	54%	55%

TABLE 13: DIVERSITY

GENDER DIVERSITY

	AUS	NZ	EUROPE	BRAZIL	JAPAN	INDONESIA	THAILAND	CANADA	USA	TOTAL
EXECUTIVE										
Male	10	6	1	-	-	-	-	-	1	18
Female	5	2	-	-	-	-	-	-	2	9
Other	-	-	-	-	-	-	-	-	-	-
SENIOR MANAGEMENT										
Male	23	20	7	1	1	1	1	1	9	64
Female	20	17	2	1	-	-	-	-	4	44
Other	-	-	-	-	-	-	-	-	-	-
MANAGEMENT										
Male	169	62	24	4	1	-	16	-	26	302
Female	263	89	12	-	1	4	27	-	26	422
Other	2	1	-	-	-	-	-	-	-	3
NON-MANAGEMENT										
Male	737	140	89	34	1	54	129	2	163	1,349
Female	1,353	301	127	34	4	40	605	1	183	2,648
Other	24	3	0	0	0	0	0	0	1	28

AGE DIVERSITY

	AUS	NZ	EUROPE	BRAZIL	JAPAN	INDONESIA	THAILAND	CANADA	USA	TOTAL
EXECUTIVE										
<30	-	-	-	-	-	-	-	-	-	-
30-50	10	6	1	-	-	-	-	-	1	18
50+	5	2	-	-	-	-	-	-	2	9
SENIOR MANAGEMENT										
<30	-	-	-	-	-	-	-	-	-	-
30-50	39	29	8	2	1	-	1	1	10	91
50+	4	8	1	-	-	1	-	-	3	17
MANAGEMENT										
<30	165	50	4	1	-	-	10	-	17	247
30-50	230	93	26	3	2	4	30	-	28	416
50+	39	9	6	-	-	-	3	-	7	64
NON-MANAGEMENT										
<30	1,569	272	75	26	1	24	277	0	290	2,534
30-50	441	139	117	40	4	64	428	3	52	1,288
50+	104	33	24	2	0	6	29	0	5	203
Total	**2,606**	**641**	**262**	**74**	**8**	**99**	**778**	**4**	**415**	**4,887**

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. FY22 is our first year of making a disclosure using the SASB framework. We will consider expanding the scope of SASB standards we disclose against in future reporting periods. The index below refers to relevant indicators from SASB Standard – Consumer Goods Sector - Apparel, Accessories & Footwear. 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
Apparel, accessories & footwear					
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	CG-AA-250a.1	Discussion and Analysis	n/a	https://files.kathmandu.co.nz/pdf/reports-policies/kathmandu_restricted_substances_list_v3_for_website.pdf https://www.ripcurl.com/media/productattachments/0/160/Rip_Curl_Restricted_Substances_List-02-09-2022_online.pdf https://obozfootwear.com/en-us/oboz_chemical_policy_2022
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	CG-AA-250a.2	Discussion and Analysis	n/a	We manage chemical usage in our supply chain through our Restricted Substances lists. See also: Strengthening Our Product Sustainability Pillars (page 77) https://files.kathmandu.co.nz/pdf/reports-policies/kathmandu_restricted_substances_list_v3_for_website.pdf https://obozfootwear.com/en-us/oboz_chemical_policy_2022 https://www.ripcurl.com/media/productattachments/0/160/Rip_Curl_Restricted_Substances_List-02-09-2022_online.pdf
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 less than 5% of 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. https://www.kathmandu.co.nz/worker-wellbeing https://obozfootwear.com/en-us/manufacturing-standards https://www.ripcurl.com/au/explore/social-compliance.html
	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 (%)	More than 60% of Tier 1 KMD Brands' suppliers and less then 5% of suppliers beyond Tier 1 (by spend) assess their environmental performance using the Higg FEM tool.
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 facilities and less than 5% of suppliers beyond Tier 1 have been audited to KMD Brands Code of Conduct in the two years ending 31 July 2022. 91% of Tier 1 suppliers have been independently verified by Elevate as accountable to the Code of Conduct under our Sustainability Linked Loan as at May 2022.. Less than 1% of suppliers beyond Tier 1 have been audited by a third-party auditor. See also: Working with our suppliers (page 50)
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits.	CG-AA-430b.2	Quantitative	Rate	In FY22, 6% of KMD Brands supplier factories were exited due to priority non-conformance rate and associated value misalignment with our labour Code of Conduct. See also: Working with our suppliers (page 50)
	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	Lack of transparency from our suppliers is the greatest labour, environmental and health and safety risk in our supply chain as it means our suppliers are violating our Code of Conduct and their disclosed ESG data cannot be relied upon. See also: Our Communities (page 48 - 51) https://modernslaveryregister.gov.au/statements/9729/ https://modernslaveryregister.gov.au/statements/7809/
Raw Material Sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	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. These risks are discussed in a number of sections throughout our Report. See also: Our Communities (pages 48 - 51) Science-based climate action (page 60 - 64) TCFD report (page 67) https://modernslaveryregister.gov.au/statements/9729/ https://modernslaveryregister.gov.au/statements/7809/
	(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		The amount of priority raw materials, by brand, certified to a third-party environmental and/or social standard, is reported in the Circular Business Models section of this Report. See: Circular Business Models (pages 72 to 75)
Activity Metric	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1.	CG-AA-000.A			KMD Brands Group has 88 Tier 1 suppliers at 31 July 2022. We are working to trace and publish the input suppliers of our strategic Tier 1 suppliers in future reporting periods. See also: Our Communities (page 50)

Our Partners

KMD BRANDS

CARBON DISCLOSURE PROJECT

We submit an annual report to the CDP, which supports our carbon measurement and reduction program.

TOITŪ ENVIROCARE

Our membership with Toitū Envirocare helps us to measure, manage and reduce our carbon footprint through our annual carbon certification.

ELEVATE

Elevate is our chosen supply chain partner and an industry leader in sustainability, auditing and improvement services.

REPREVE

High-quality fibres are made from 100% recycled materials, including post-consumer plastic bottles and pre-consumer waste. They are also certified and traceable.

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.

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.

MEKONG SUSTAINABLE MANUFACTURING ALLIANCE

The Alliance, a US$10 million partnership funded by the USAID implemented by the Institute for Sustainable Communities (ISC) in partnership with ELEVATE and the Asian Institute for Technology (AIT), uses a market-driven approach to strengthen sustainable and competitive manufacturing by engaging the private sector, catalyzing market forces, and advancing innovative regional initiatives that will increase the adoption of Environmental, Social and Governance (ESG) standards.

Kathmandu

We're out there

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.

GRAEME DINGLE FOUNDATION

We are partnered with the Graeme Dingle Foundation to establish a connection between mental wellbeing, personal growth and the outdoors, encouraging young people in New Zealand to take positive steps and get outdoors.

BEYOND BLUE

We work with Beyond Blue to establish 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.

PRIDE PLEDGE

We are partnered with Pride Pledge, a public commitment that all LGBTTQ+ people should have the freedom to be safe, healthy and visible. We will use our voice and influence to support visibility, safety, tolerance, love, diversity and inclusion for all LGBTTQ+ people.

BLUESIGN ®

Our bluesign ® system partnership supports our chemicals management program, materials and products so that they are environmentally and socially friendly.

RAINBOW TICK

Kathmandu is Rainbow Tick accredited which demonstrates our commitment to diversity and inclusion in the workplace and creating a supportive work environment for our team members.

CANOPY

We have been partners with Canopy since 2016. We work with them to use our influence in our fabric supply chain to protect the world's remaining ancient and endangered forests and endangered species habitat.

TEXTILE EXCHANGE

Our membership with the Textile Exchange supports our materials strategy, and we also participate in their Preferred Fiber & Benchmarking Programme.

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 well-being, 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 4-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 their 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 their Board of Directors.

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 their Board of Directors.

TREES FOR THE FUTURE

Oboz plants a tree for every pair sold since our beginning in 2007. This equates to over 4 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 their work in Tanzania.

Rip Curl

AIR STEP

Airstep Australia are leaders in the underlay industry, proudly producing carpet underlays for over 40 years, located in Melbourne, Australia. This partnership sees Neoprene offcuts created in the Rip Curl Wetsuit factory repurposed into carpet underlay.

LENZING GROUP

The Lenzing Group is dedicated to producing innovative fibers made from botanic products derived from renewable sources and processed with unique resource conserving technologies. LENZING™ ECOVERO™ Viscose fibers derived from sustainable wood and pulp are seen in this year's products.

ARCH & HOOK

Arch & Hook's mission is to eliminate the use of non sustainable materials within fashion and retail. They use recycled ocean bound and post consumer plastics to create products to help our planet.

MAINETTI

Partnering with Mainetti, a leader in innovating sustainable packaging solutions means we can continually challenge and adjusting our supply chain process to support a more sustainable future.

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.

OCP EMPLOYEE ASSISTANCE PROGRAM

OCP is an international employee assistance program that provides 24/7 access to specialist counseling, advisory, and critical incident response services and support. Employees have access to free and confidential sessions via phone or face to face.

SURFING AUSTRALIA

Rip Curl has partnered with Surfing Australia to deliver the 'SurfGroms' learn-to-surf program since 2017. SurfGroms introduces over 5,000 kids a year to surfing in a safe and supportive environment through their qualified Surf School network right across Australia.

OCEAN GARDENER

Ocean Gardner's mission is to 'Save the Reef' by providing education and restoration around coral reefs throughout Indonesia. Our Rip Curl Bali surf school partnered with them by adopting a reef to support their mission.

RIP CURL continued

SURFAID

SurfAid's mission is to improve the health, wellbeing and resilience of remote communities connected to us through surfing.

TERRACYCLE

Terracycle is a global leader in finding recycling solutions for consumer waste. Partnering with Terracycle on our wetsuit take back program means we were able to find innovative ways to reuse used wetsuits, repurposing them into another life.

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.

WORLD SURF LEAGUE

For years Rip Curl has partnered with WSL to deliver surfing events and is proud to support WSL efforts to divert waste from landfill, offset carbon emissions, and educate fans through WSL 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.

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.

BETTER COTTON

We are proud to be members of Better Cotton. Be part of the Better Cotton Initiative means we will be supporting farmers who care for the environment and respect the rights and wellbeing of workers.

Oboz & Rip Curl

BLOOM

Transforming algae biomass harvested from freshwater sources into performance foams that replace a percentage of polymers in conventional EVA midsoles and insoles.

KMDBrands.com