

UN GLOBAL COMPACT
Communication on Progress 2016/2017

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STATEMENT OF CONTINUED SUPPORT

In Skagerak, we believe doing good for others is the best thing you can do for yourself. We see responsibility, sustainability and economic growth as each other's prerequisites – not opposites – and it has long been our vision to give more back than we take. That is why we have become a certified B Corporation in 2017, joining a global movement of corporations that seeks to revolutionize business economy and redefine the notion of success.

B Corporations are companies certified by the nonprofit-organization B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. Being part of the B-Corp community, we strive to prove that it pays off to make an effort and take a proper responsibility. Thus, rather than competing to be the best in the world, we should help each other becoming the best FOR the world. Using business as a force of good to solve some of the social and environmental challenges we are facing. In this matter, we see it crucial to continuously support the work and the ambitions of the UN Global Compact.

Yours sincerely // Jesper Panduro,
Owner and CEO in Skagerak



OUR CODE OF CONDUCT

Contributing to Skagerak's goal of upholding a sustainable business is its Code of Conduct (CoC), which aims to ensure efficient and responsible production throughout the whole supply chain. The CoC is an agreement between Skagerak and its suppliers, consisting of a multitude of requirements to be met by the suppliers, their employees and sub-suppliers. Different from last period of reporting, Skagerak has now become a member of the Business Social Compliance Initiative (BSCI) – a supply chain management system helping companies to tackle environmental and labour related challenges through one common Code of Conduct approved by the Foreign Trade Association (FTA). Moving from an individual to a common Code of Conduct – shared by more than 2000 European companies – Skagerak is adhering to a single implementation system that allows members to address challenges and improve them collectively. BSCI's Code of Conduct was renewed in 2014 and contains 11 principles – all based on international standards and conventions formed by the UN, ILO and OECD amongst others.



THE 11 COC PRINCIPLES

THE 11 PRINCIPLES – ALL HANDLED WITH ZERO TOLERANCE – ARE AS FOLLOWS:

- 1) The Rights of Freedom of Association and Collective Bargaining
- 2) Fair Remuneration
- 3) Occupational Health and Safety
- 4) Special Protection for Young Workers
- 5) No Bonded Labour
- 6) Ethical Business Behaviour
- 7) No Discrimination
- 8) Decent Working Hours
- 9) No Child Labour
- 10) No Precarious Employment
- 11) Protection of the Environment

To make sure that suppliers meet the requirements of the CoC, they are being audited at regular intervals and are furthermore required to perform self-assessments. Audit procedures are performed by independent, local auditors recommended by BSCI and assessed by Skagerak itself or a third-party organization with experience in the industry and geographical area.

Skagerak estimates that the transition to BSCI's CoC will take up to a year to fully implement.

A ZERO TOLERANCE POLICY

Violations of principles and legislations should always be taken seriously – never tolerated. But the response to a violation might not always be the same. In most cases, if Skagerak finds that a supplier is violating the principles, collaboration will be terminated immediately. However, the aim with the CoC is partly to help suppliers improve social and environmental standards. Therefore, some cases of non-compliance are approached by creating an individual development plan in cooperation with the supplier in order to bring things up to standard and achieve full compliance with the violated principle(s).

UN SUSTAINABLE DEVELOPMENT GOALS

Out of the 17 SDG's formulated in 2015 as part of the 2030 Agenda for Sustainable Development, Skagerak works actively with the following goals:

- Goal 01: No Poverty
- Goal 08: Decent Work and Economic Growth
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 15: Life on Land

In the coming chapters on Human Rights, Labour, Environment and Anti-corruption, this COP will seek to highlight how exactly Skagerak has implemented these goals in its business strategy and everyday activities.



HUMAN RIGHTS

AIM

In an era of rapid globalization, the relation between businesses and human rights has become increasingly evident – for good and for worse. As an internationally operating design company, Skagerak recognizes its responsibility to not just actively prevent complicity in human rights violations – but also to promote the Universal Declaration of Human Rights and encourage a change in the communities it operates in.

Over the last decade, the regime of Business and Human Rights has matured significantly. Skagerak endorses this development and wish to proliferate the awareness of the UN Guiding Principles of Business and Human Rights from 2011.

ACTION

Since Skagerak's operations are bound by both Danish and International legislation, Human Rights are respected at all times and at all levels. To make sure this is also the case throughout the entire supply chain, Human Rights are included in the company's Code of Conduct.

Through BSCI and the common CoC, Skagerak thus conducts regular due diligences to identify, prevent and address human rights issues detected in the supply chain. Any violations of Human Rights are handled with zero tolerance.

AND RESULTS

Skagerak has never been complicit in any human rights violations and will continue to make an effort in regard to avoiding such violations. Moreover, the company is fully committed to continuously stand up for rights and equal treatment of all human beings – with absolutely no exemptions hereof.

PRINCIPLE 1:

Businesses should support and respect the protection of internationally proclaimed human rights

PRINCIPLE 2:

Make sure that they are not complicit in human rights abuses

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We respect and value all human beings and their rights as such. That's why we stand by the Universal Declaration of Human Rights fully, and we make no difference in treatment regardless of race, gender, religion, age, political orientation or economic status.

/ Jesper Panduro, CEO



LABOUR

AIM

Skagerak respects and endorses all labour rights implemented on national and international levels – in Denmark as well as in all other countries the company is currently doing business in. More than that – in order to realize several of the newly coined UN SDGs – it is Skagerak's clear intention to ensure a sustainable, healthy and safe working environment at all levels of its supply chain. Not just doing what is required at a minimum but trying to raise the bar for how we think responsibility and success. Lastly, Skagerak is continuously working towards lowering the number of non-conformance reports – with zero cases of non-compliance being the ultimate goal.

ACTION

By joining the B-Corp community and now adhering to BSCI's rigorous standards and commonly shared Code of Conduct, Skagerak does not just meet local criteria and industry norms – it leads the way forward towards a more responsible production and better working conditions.

CHARITY WORK

Recently, Skagerak has given its employees the opportunity to carry out three days of volunteer work with full pay each year. The work must be done locally and reported back internally to the rest of the company. If all employees take advantage of this opportunity, Skagerak will be devoting more than 100 days of local charity work a year – taking its responsibility as a middle-sized company seriously.

LABOUR

LET'S TALK ABOUT LIVING WAGES

Skagerak acknowledges its capacity to infuse social change via its supply chain and finds it important to raise awareness on human and labour rights whenever suitable.

From the beginning of 2018, Skagerak thus intends to engage in dialogue on "living wages" with its suppliers. The concept of "living wages" emanates from the realization that a standardized minimum wage may not always cover the basic needs of workers in certain areas or seasons. By moving towards a locally adapted living wage, the ultimate goal is to end poverty – as stated in SDG 1.

FSC™ AND SOCIAL RESPONSIBILITY

Skagerak also supports the empowerment and protection of workers' and Indigenous' rights in the forestry industry by procuring a majority of its wooden materials FSC™-certified¹. This is a clear strategy supporting SDG 8 and 12 concerning decent working conditions and responsible production. Through FSC™, forest owners are obliged to hire local workers and provide them with proper education, equipment and salary. In some cases, they also commit themselves to support local communities – for example through development of schools.

UNREGISTERED MIGRANT WORKERS

In 2017, Skagerak has seen it necessary to act against challenges with unregistered migrant workers in its supply chain. By taking the consequence and determining hitherto important business ties – although it caused a 20% set-back in terms of capacity – Skagerak hopes to set an example and send a clear message; that it does not tolerate the exploitation of undocumented migrant workers anywhere in the world.

¹ Skagerak's FSC™ certification number: NC-COC-012993, license number: FSC™C004462

LABOUR

AND RESULTS

In general, Skagerak experiences a consistency in its suppliers' labour force from year to year which is a sign of a healthy working environment. This tendency enables a more constructive dialogue and working relation with the suppliers, where challenges and opportunities are discussed openly and honestly. The transition to BSCI's Code of Conduct is still at an implementation level, and the company acknowledges that results of this are yet to really manifest themselves.

Amongst Skagerak's employees, four persons have taken the opportunity to make a difference locally. Several of the employees volunteered to help during the National DGI Sport and Culture Festival 2017 which took place in Aalborg, Denmark. As the next section will account for more thoroughly, Skagerak's share of FSC™-certified wood has increased consistently over the last 4 years. The company will continue its advocacy for decent working conditions through this action and in general by keeping it as an important benchmark in its business strategy and vision.



PRINCIPLE 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

PRINCIPLE 4:

The elimination of all forms of forced and compulsory labour

PRINCIPLE 5:

The effective abolition of child labour

PRINCIPLE 6:

The elimination of discrimination in respect of employment and occupation

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Happy, healthy and safe employees are crucial our business. That's why we year after year invest time and energy in making sure that we and our suppliers are maintaining a sustainable working environment, treating employees with the respect and dignity they all have the right to enjoy

/ Sanne Rubæk,
Partner and Supply Chain Manager

ENVIRONMENT

AIM

Environmentalism and economic growth are not necessarily each other's opposites, au contraire. To Skagerak, ensuring a sustainable environment is equal to ensuring a stable and profitable business. Hence, the company strives to minimize its environmental footprint by optimizing its procurement, handling, transportation and disposal of resources. This goes in line with Skagerak's clear support for SDG 13 – climate action. Furthermore, it is continuously the Company's goal to only use FSC™-certified wood by the year of 2020 – to secure and expand responsible wood sourcing in the world's forests.

ACTION

Although the global population and middle-class are rapidly growing and our resources are becoming increasingly scarce – we continue to throw out or burn valuable materials which could have been re- or upcycled again and again. Skagerak wants to change this pattern – making sure we get the most out of each and every resource available.

WASTE SORTING & PRODUCT RECYCLING

The company has thus started a thorough process of waste sorting at its warehouse in Denmark and are seeking to implement a similar policy at its headquarter soon. More than that, Skagerak has recently launched a recycling platform at its show-room in Copenhagen, buying and selling used furniture and accessories. The long-term vision is to establish a take-back scheme for all new products, motivating customers to take good care of their items, and motivating Skagerak to continue designing long-lasting and recyclable products from the start. To Skagerak, the shift from a linear to a circular economy is inevitable if we are to succeed with SGD 12 – sustainable consumption and production.

ENVIRONMENT

RESPONSIBLE WOOD SOURCING

Another important step related to at least a handful of the global SDGs is to prevent illegal logging and the preservation of forest areas all over the world. That is why Skagerak supports the Forest Stewardship Council by increasing the total share of FSC™-certified wood in its production. Doing so, the company helps making sure that no more trees are felled than the forest can reproduce – and that local communities, biodiversity and, as earlier mentioned, forest workers are treated with respect. Just to mention one, the SDG 15 – life on land – is hereby supported. Since the FSC™ certification is covering some areas of the world more thoroughly than others, Skagerak has found it helpful to also take in PEFC-certified wooden materials from f Canada and the like.

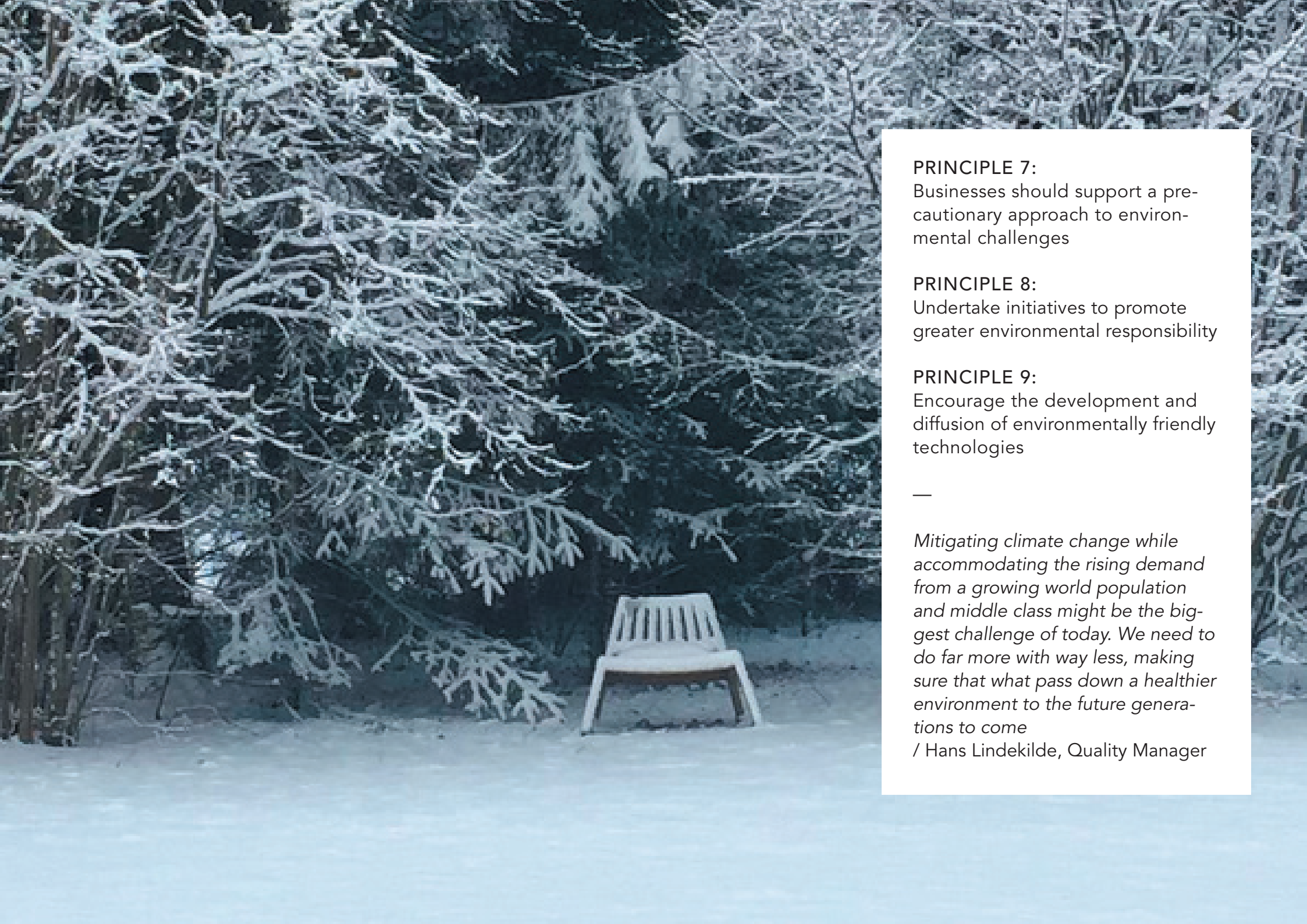
Furthermore, Skagerak adhere to EU's Timber Regulation from 2013. This means that the company performs due diligences on all shipments covered by the EUTR, to ensure that the wood comes from legal sources.

CHALLENGES AND CHANGES

In general, the limited availability of certified wood with a high quality is still posing a challenge to Skagerak in its goal of becoming 100% relying on FSC™-certified materials. Especially, the procurement of certified Oak has proven difficult – both in terms of quantity, quality and price. Therefore, the company is constantly on the look for new suppliers who live up to Skagerak's requirements of quality and certification. Using its leverage in the industry, Skagerak is also trying to influence non-certified suppliers to take the necessary precautionary measures to become FSC™-certified.

AND RESULTS

Since last year's report, Skagerak has taken a great step closer to its goal of using only FSC™-certified wood in its production. Compared to 2012/2013, the share of FSC™-certified wood has almost doubled, moving from 29% of the total wood supply to 55% today. A 6% increase alone from last year is a huge progress and serves as a great motivation for Skagerak to maintain its endeavor for using high quality and certified wood. The development is illustrated in figure 1.



PRINCIPLE 7:

Businesses should support a pre-cautionary approach to environmental challenges

PRINCIPLE 8:

Undertake initiatives to promote greater environmental responsibility

PRINCIPLE 9:

Encourage the development and diffusion of environmentally friendly technologies

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Mitigating climate change while accommodating the rising demand from a growing world population and middle class might be the biggest challenge of today. We need to do far more with way less, making sure that what pass down a healthier environment to the future generations to come

/ Hans Lindekilde, Quality Manager

ANTI-CORRUPTION

AIM

Corruption, extortion and embezzlement are often linked to economic underperformance, inequality and violation of human rights. At all times, Skagerak will back away from and speak against corruption in all its forms. By setting an example, Skagerak wish to urge anybody to do the same in order to establish a business environment where anti-corruption is the norm, no matter which country is in question.

ACTION

Skagerak has its roots in Denmark, one of the countries in the world with the lowest level of corruption. Hence corruption is in no way part of the business culture in general nor is it in any way part of how Skagerak chooses to conduct its business operations. Skagerak will never demonstrate any form of corruptive behavior in order to better its own situation nor is it willing to receive any form of bribery or succumb to others' attempts to exert corruption. This standpoint has lately resulted in the destruction of a shipment of samples from Southeast Asia, as the delivery of the goods was distorted. Skagerak would like for its suppliers to include an anti-corruption clause within their respective business policies. Thus, Skagerak is doing whatever possible to encourage such actions towards preventing corruption.

AND RESULTS

Skagerak is in no way involved in any form of corruptive activities and distances itself from such behavior. The company finds it important to acknowledge the prevalence of corruption, as debating the issue may be the best way to start the fight against it. In this way, Skagerak promotes an environment where business can take place under honest, fair and safe conditions for all parts. Skagerak's efforts have resulted in some of the suppliers incorporating an anti-corruption clause in their business policies. This is a vital step in the right direction towards preventing corruption.



PRINCIPLE 10:

Businesses should work against corruption in all its forms, including extortion and bribery

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We need to break down the long-time taboo of corruption by engaging in open, constructive dialogue across industries and regions. Only by discussing the issue and acknowledging its existence we can come up with a solution needed.

/ Hans Lindekilde, Quality Manager

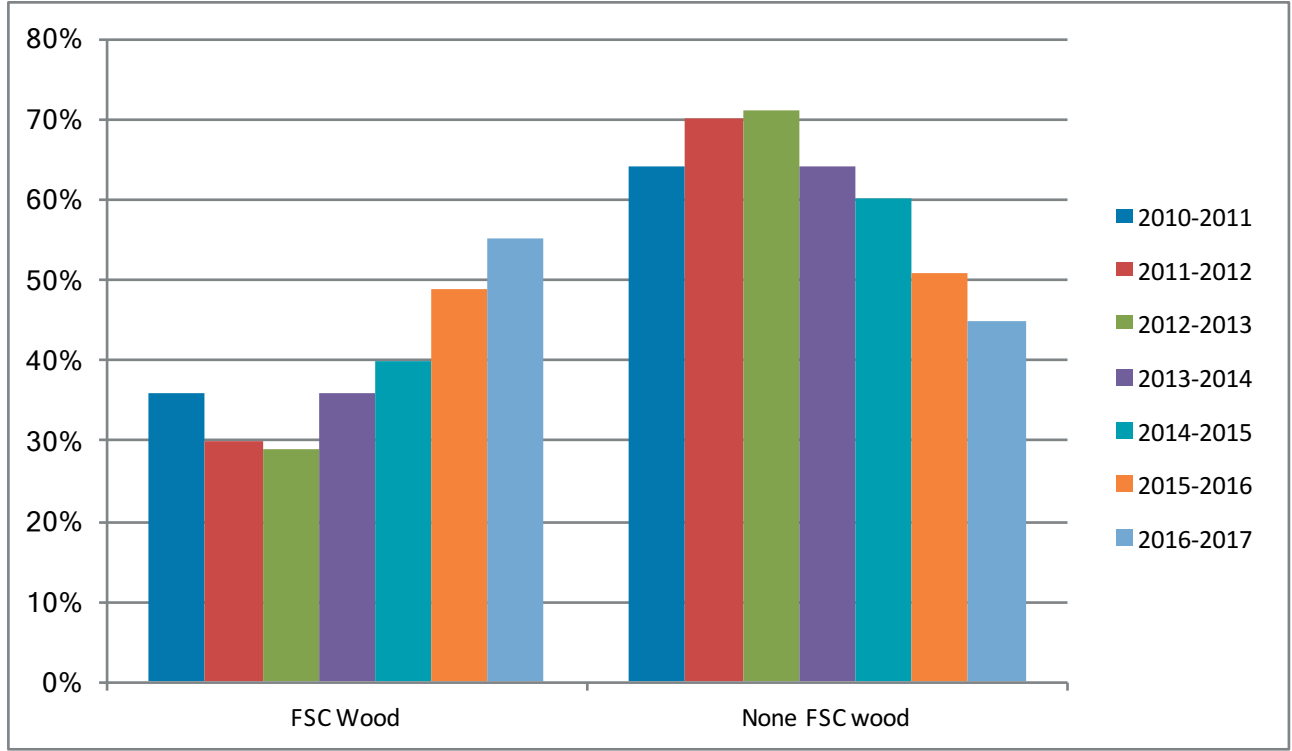


Fig. 1