

UN GLOBAL COMPACT  
Communication on Progress 2017/2018

STATEMENT OF CONTINUED SUPPORT	3
OUR CODE OF CONDUCT	4
UN SUSTAINABLE DEVELOPMENT GOALS	6
HUMAN RIGHTS	7
LABOUR	9
ENVIRONMENT	13
ANTI-CORRUPTION	18





# 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's why we signed up to the UN GLOBAL COMPACT initiative in 2010 – committing to help pursue the UN goals by implementing the universal sustainability principles in our way of doing business.

We still believe in this commitment, and following the principles is the only right thing to do as a global company with an important corporate responsibility to lift. Each year we set out new goals to ensure a more sustainable future – build up around the 10 principles and 4 categories of engagement.

Thus, with this year's Communication on Progress, we wish to illuminate the challenges and opportunities that Skagerak meets through and within its global supply chain, and how we see it possible to continue doing profitable business that brings betterment to both people and our planet.

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





# OUR CODE OF CONDUCT

As a renowned Danish design company, there is nothing more important to us than quality. Yet, the notion of quality should not only be measured by the usage of materials, the look and the functions; true quality is only achieved if a design is crafted under responsible conditions.

To ensure that, our Code of Conduct (CoC) is a vital tool!

The CoC is an agreement between us and our suppliers and it contains a multitude of requirements which they, their employees and sub-suppliers are expected to meet. In 2017, we joined Amfori's Business Social Compliance Initiative (BSCI) – a common CoC shared amongst more than 2.000 European businesses. This gives us an even stronger and more consistent voice in ensuring proper labour rights and environment policies.

BSCI's Code of Conduct is founded on internationally-recognised standards and principles such as the UNGP, OECD and the UN Global Compact as well. 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 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, third-party organizations approved by BSCI – all with experience in the industry and geographical area and partnering with local specialists.

In general, Skagerak has been very satisfied with the new opportunities presented by its membership in Amfori. These opportunities will be elaborated on throughout this COP report under all four themes of the UN Global Compact.

## 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).

Furthermore, the BSCI platform enhances the consequences of a zero-tolerance violation since all members will take a collection action at the same time.

# 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 works actively with these goals in its business strategy and everyday activities.





# HUMAN RIGHTS

## AIM

To respect human rights is a corporate responsibility. Especially in a time where the link between business and human rights has become more evident than ever, as the wave of globalization continues forward and industrialization has moved on to new regions in the world.

Being a globally operating design company with business activities in both Europe and Asia, 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 Amfori's 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.

For Skagerak – a global company with a diverse supply-chain – much of the actual work to ensure a positive relation between business and human rights are found in the engagement in securing labour rights and environmental protection. Thus, when looking at the following actions under these subjects, they are intrinsically connected to overall human rights protection.

## 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. Since joining the shared Code of Conduct through Amfori BSCI, Skagerak has experienced an increased awareness on basic human rights in relation to forest management and production from its suppliers and sub-suppliers. This is in part because of the new audit systems and self-assessments, and the many free courses on the subject provided by Amfori.



#### 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

—

*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 intends to uphold all national and international labour standards within its own operation and throughout its value/supply chain. By ensuring a sustainable, fair and safe working environment in all fields of its business, Skagerak wishes to raise the bar for how we think responsibility. Thus, the goal is to help achieving SDG 1 – No poverty, SDG 8 – Decent work and economic growth, and SDG 12 – Responsible consumption and production.

Since Skagerak is producing its design in many parts of the world, the company is focusing on becoming more open about its supply chain and sourcing of materials – helping its customers and stakeholders to better understand business in a globalized era, and what challenges and opportunities it brings.

Lastly, Skagerak is continuously working towards lowering the number of non-conformance reports – with zero cases of non-compliance being the ultimate goal.

## ACTION AND RESULTS

To best provide an overview of actions and results related to the UN Global Compact theme of “labour” – this report is divided into sub-themes.

## CHARITY WORK

In 2016, Skagerak started offering 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 to spawn engagement and new ideas of purpose. 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.

In the past year, 3 employees have carried out three days of charity work each, equal to 67,5 hours of work. In the future, Skagerak is keen on encouraging its employees and increasing the number of days spent on charity in total with a goal of 2 days per employee per year.

# LABOUR

## TRANSPARENCY AND A GLOBAL SUPPLY-CHAIN

Skagerak endorses transparency when it comes to production and sourcing of materials in the design industry and encourages everyone to start thinking more about where their products are made, what they are made off and not least under what circumstances. That's why the company has taken the first step towards a more transparent supply-chain with the creation of an interactive world-map on their new website from this year, highlighting all the countries they are producing in, and what materials they mainly process there.

This world map is just the first step, as the final aim would be to provide a comprehensive presentation of all individual suppliers in Skagerak's value chain with publicly available audits from the production line.

## LIVING WAGES

When the legal wage is too low it can have a damaging and repressing effect on local communities and families, leading to a long string of negative side-effects. Even a standardized minimum wage might be too low at times, not covering the costs of basic needs in certain areas or seasons.

As a consequence, Skagerak has decided to initiate a dialogue about living wages with its suppliers from the beginning of 2018. The notion of a 'living wage' is based on a local calculation of the costs of basic needs such as housing, food, transportation and clothes in a specific area.

Living wages are addressed in BSCI's pre-auditing questionnaire for upcoming audits. Thus, as Skagerak is having its suppliers adhere to BSCI's code of conduct and getting audited by the organization – three significant suppliers in three

different countries have already carried out calculations of living wages in their respective regions. More suppliers are in the pipeline, and Skagerak is recommending its suppliers to sign up to free seminars provided by the BSCI. Here, representatives from the supplying (and audited) companies are educated in fair remuneration, basic management systems and how to draft remediation plans. Skagerak's own employees located in South East Asia have likewise participated in BSCI's 3-4-days seminars on topics including living wages and remediation.

From these actions and results, Skagerak is taking its dedication to achieve SGD 1 – ending poverty – seriously.



# LABOUR

## FSC™ AND SOCIAL RESPONSIBILITY

Looking beyond Skagerak's manufacturer supply-chain, the company also supports the empowerment and protection of workers' and Indigenous' rights in the forestry industry. This is only a natural responsibility, as the major material used in Skagerak's collection is wood.

The best for Skagerak to ensure these rights and protection of the workers and their families is by procuring as much wood as possible through FSC™-certified forests.

Through the FSC-certification, 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.

As the next section will account for more thoroughly, Skagerak's share of FSC-certified wood has increased consistently over the last 4-5 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.

## LONG-STANDING PARTNERSHIPS WITH SUPPLIERS

When it comes to the value-chain in South East Asia, Skagerak has had long-standing partnerships for up to 25 years with its significant suppliers. These are based on regular visits to the production sites, honesty, and feasible economic results for both parts. In general, Skagerak experiences a consistency in its suppliers' labour force from year to year – a good sign of healthy working environments. Because of the good relations to its suppliers, Skagerak has experienced a general satisfaction with the transition to BSCI's code of conduct and a genuine interest in lifting the standards of the industry together.





**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

—

*Happy, healthy and safe employees are crucial for our company to thrive. It heightens productivity, secures a stability in quality and opens up new business opportunities. 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 Chief operating officer



# ENVIRONMENT

## AIM

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.

As such, environmentalism and economic growth does not necessarily have to be each other's opposites. To Skagerak, ensuring a sustainable environment is equal to ensuring a stable and profitable business. Also, it seems more and more obvious that resource optimization and circular economy business models can be the key to continue economic growth while decreasing our material usage.

Hence, the company strives to minimize its environmental footprint by optimizing its procurement, handling, transportation and disposal of resources. Furthermore, it is a clear strategy in Skagerak to help its suppliers improving their production processes in order to find new green solutions. This goes in line with Skagerak's clear support for SDG 13 – climate action, and SDG 15 – life on land.

## ACTION AND RESULTS

To reduce its negative footprint on the environment and spawn more green and circular solutions for the design industry, Skagerak are carrying out a wide range of simultaneously coordinated actions. To provide a full understand of these, the chapter on environment in this COP report is divided into sub-categories explaining both actions and results.

# ENVIRONMENT

## WASTE SORTING

Last year, Skagerak succeeded with initiating a waste sorting system in warehouse in Denmark while also recycling used hard-paper as filling in new shipments of to customers in Denmark and abroad. This year, the headquarters in Aalborg and the flagship store in Copenhagen have both implemented similar waste-sorting systems – distributing hard paper, paper, plastic, bio-waste, metal and glass to different containers.

## PRODUCT RECYCLING AND UPCYCLING WOOD IN NEW DESIGNS

In 2017, Skagerak launched the concept of 'Reclassic' through its flagship store in Copenhagen. Reclassic is a recycling platform of used Skagerak furniture bought back, renovated and sold again to new families.

Most of the first Reclassic collection has now been sold, and the company is actively looking for more used furniture with the potential of being recycled. The long-term vision with Reclassic is still 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.

Furthermore, a new project of upcycling excess wood from a Danish floor-manufacturer through a new outdoor furniture collection has been kick-started. To come through successfully with this project still takes some time as it requires a better understanding of how to construct new design with wood from another industry.

# ENVIRONMENT

## RESPONSIBLE WOOD SOURCING – THE PROSPECT OF USING FSC- CERTIFIED WOOD

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 until reaching the ultimate goal of becoming 100% relying on FSC-certified wood is achieved. 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.

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 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.

In general, the limited availability of certified wood with a high quality is still posing a challenge to Skagerak in its goal of making sure that 100% of its wooden materials are FSC-certified. Yet, this year, Skagerak has made some major improvements.

First, Skagerak is now able to source 99,9% of its Oak-wood from FSC-certified forests.

Second, Skagerak has signed two new collaborations with suppliers of FSC-certified teak. These new partnerships give Skagerak reason to believe that its total share of FSC-certified wood will increase

significantly over the next year or two. Especially teak wood for the company's indoor designs has been a challenge to source hitherto – but this might change now.

In total, Skagerak has experienced an 10.9 percent increase of its total share of FSC-certified wood in its production – going from 55% in 2017 to 61% in 2018. (Fig. 1) This marks the fifth consecutive year with an increase of FSC-certified wood in Skagerak's production.



# ENVIRONMENT

## SAYING GOODBYE TO PLASTIC PRODUCTS

Plastic has long posed a great challenge to the global environment as it seems to be filling up our oceans, beaches, forests and landfills in the form of waste. Proper systems of recycling plastic are still not in place and producing new plastic from petroleum is in itself a great emitter of CO2 and other greenhouse gasses.

From mid-2018, Skagerak has therefore decided to phase out its last furniture made from plastic. It might take a season or two before all products are sold-out, as it obviously would be a waste of resources to throw them out immediately without utilizing its potential first.

## FROM SOLVENT-BASED LACQUER TO WATER-BASED LACQUER

In 2018, Skagerak's largest supplier of painted-wood has chosen to start using a water-based lacquer. This is a huge improvement in terms of minimizing health-risks and strengthening the environmental protection as the conventional solvent-based lacquer a notoriously known containing high levels of volatile organic compounds (VOC's) that are air polluting and causing health issues by inferring hazardous fumes.

Furthermore, a shift to water-based lacquer also equals less wastewater. Skagerak is happy with this development and will continuously be looking for more opportunities to impose green solutions with its suppliers.



**PRINCIPLE 7:**

Businesses should support a precautionary approach to environmental challenges

**PRINCIPLE 8:**

Undertake initiatives to promote greater environmental responsibility

**PRINCIPLE 9:**

Encourage the development and diffusion of environmentally friendly technologies

—

*Climate change might be the biggest threat to mankind of all times. We need to mitigate these changes urgently, but without comprising on the rising needs from the growing world population and global middle-class. That's why it is crucial for the business world to learn how to do more with way less. Only by making economy and the environment go hand-in-hand can we pass down a more sustainable environment to our future generations.*

/ 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. Therefore, corruption is by no means 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.

In practice, Skagerak's adoption of BSCI's code of conduct – shared by more than 2.000 European companies – has made it easier for Skagerak to deal with corrupted behavior if relevant. First of all, BSCI is now carrying out the audits of Skagerak's suppliers where a method of 'triangulation' is taken into use, using several sources and data-sets to confirm the truth of information and the honesty of operations.

## 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.

Furthermore, the free seminars offered by BSCI are posing a tangible opportunity for Skagerak's suppliers to learn more about anti-corruption and diffusing the values to the rest of the industry.





#### PRINCIPLE 10:

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

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



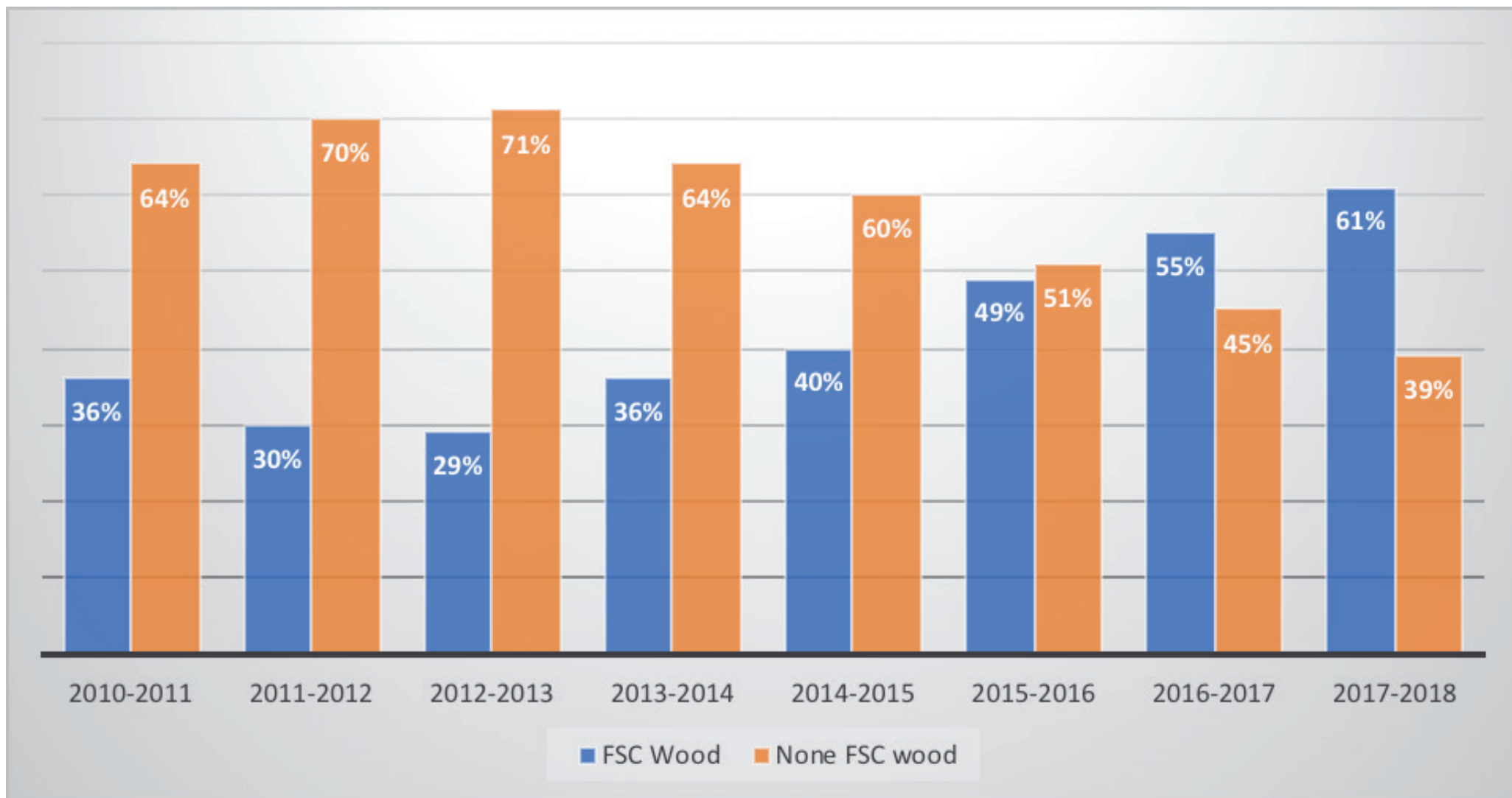


Fig. 1