

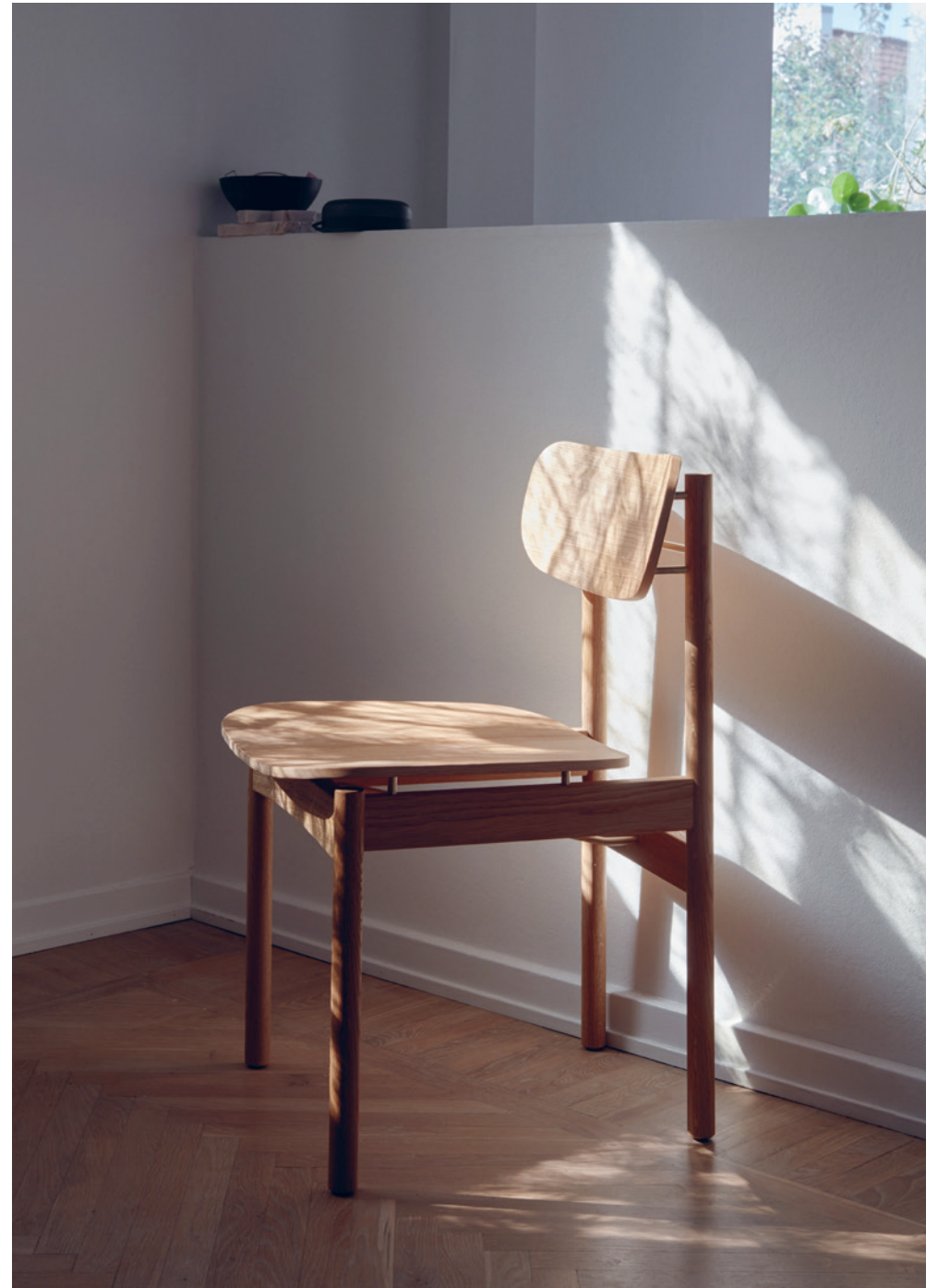
UN GLOBAL COMPACT

Communication on Progress 2020/2021

SKAGERAK

DENMARK

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1. INTRODUCTION

- statement by Jesper Panduro

In September, we started the year by winning Denmark “Green Brand of the Year 2019” at Design Awards held by Bo Bedre. I am proud and humble over the honor, but also aware of that we must continue to be best for the world.

Our new launch of RENT, a rental service that allow you to furnish your outdoor space in a responsible way, as well as Reclassic from last year has already proven their success as a sustainable option for the responsible consumer.

We continue to increase our share of FSC™ certified wood from 71% to now 85%. It has come due to decisions we make based on sustainability, not profit, as we see products costing more. This is a small price for doing it right and becoming 100% certified before 2025.

Our B-Corp re-certification this year confirmed that we reached our goal of minimum 100 points. Our audit score shows 102,2! There is a great satisfaction in knowing that the improvements we make, such as initiatives to track and reduce our energy and water usage, CO2 emissions and waste management really pays off. Through B Corp’s Net Zero 2030, Skagerak has committed ourselves to this goal.

This year we started publishing how we measure our use of electricity, water and heating. As well how much waste we generate and how much we recycle. We aim to continue putting more focus on this topic.

87,5% of our supplier base has been amfori audited. Close to 10% increase since last year. Our goal is of course 100%.

We continue to have 100% of all our supplier to commit to the amfori Code of Conduct. That means they pledge to live up to the highest standards of labor rights and environmental protection agreed upon by more than 2000 European businesses.

I’ve continued to take part of in discussion, interviews and workshops on sustainable design and circular economy in Denmark. This year it has been affected by the meeting restrictions, but Webinar’s has made up for some of this.

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

1.1 HIGHLIGHTS

Skagerak has launched two sustainable concepts that help clients consume and act responsibly.

RECLASSIC

Reclassic is a concept that re-sells vintage Skagerak furniture. Skagerak handles the buy and repair of the aged furniture in Denmark and re-sells the furniture online. Reclassic prolongs the lifespan of the furniture that becomes 'Reclassics' and finds new homes and new families.

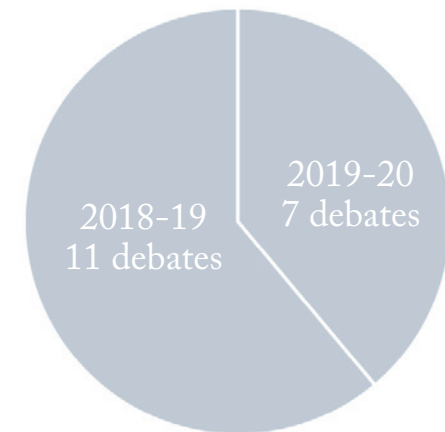
RENT

RENT is an online platform, where customers can rent outdoor furniture for the season instead of buying, storing and repairing them. The advantage of RENT is the possibility to try out more furniture while minimizing the immediate costs. RENT is about Skagerak maintaining the furniture and handling storage and the overall responsibility, making it easy for the consumer to act and consume responsibly.

Both Reclassic and RENT are circular concepts as the furniture re-enters the orbit of use and re-use – making them last longer.

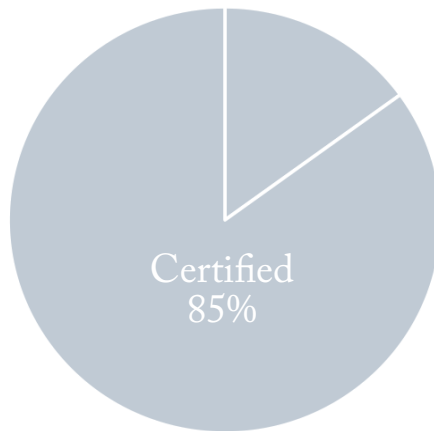
AN ACTIVE VOICE FOR SUSTAINABLE DESIGN

Being part of the B Corp movement and a firm supporter of the FSC scheme, Skagerak actively seeks to voice its vision and opinions about sustainable design on various platforms.

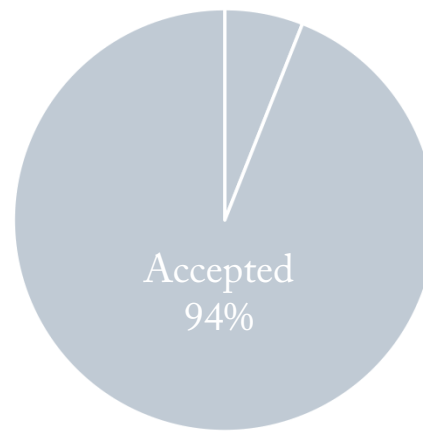


1.1 HIGHLIGHTS 2019/2020

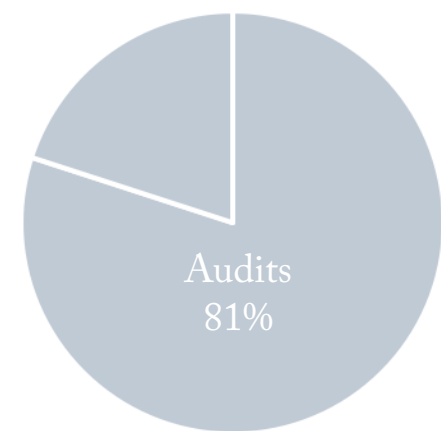
FSC-certified



Suppliers accepted CoC



Supplier Amfori audited



2. FOUR DECADES OF DESIGN

- four decades of sustainable thinking

Skagerak is a family-owned furniture maker from Denmark with a long tradition for good craftsmanship and design-thinking. Since 2005, the company has been owned and managed by Jesper and Vibeke Panduro. Together with their two children and little dog, they live in the harbour city of Aalborg. This is where Skagerak was founded back in 1976, when the first dreams of making long-lasting design took form.

From the very beginning, Skagerak was founded on a strong belief that quality should be measured in three different aspects. Quality in its design, quality in its production, and quality in its relation to the people and environment that surround it.

- 1) **Quality in design**, because we need products that people want to use and care for, for generations.
- 2) **Quality in production**, because we need long lasting products that are easy to repair and maintain for generations.
- 3) **Quality in the relation to people and planet**, because we need to sustain a healthy environment - socially as well as naturally - where we can continue doing business for generations to come.

Those beliefs are still at core in Skagerak's DNA and culture.



2.1 FOR THINGS TO REMAIN THE SAME, EVERYTHING MUST CHANGE

The name “Skagerak” comes from the historically important strait that connects the three Scandinavian countries; Denmark, Norway and Sweden. To Skagerak, the strait represents the ability to remain the same while constantly moving forward and bringing about change. Something both Jesper and Vibeke wish for Skagerak to comply with.

Today, the company finds itself in highly globalised market where its products are both manufactured and traded across regions and continents. While this globalisation of the economy has pushed through development and helped building a strong, global middle-class - it has not been without sacrifices.

For ever since the first wave of industrialisation came around, consumption and growth have been equal to rising emissions of CO₂, overexploitation of natural resources and staggering amounts of waste. Now, more than ever, we are feeling the consequences of this.

Consequences so big that we have to rethink the way we do business - the way we produce and consume - if we are to sustain our high living standards for a growing, global population without causing any further damage that cannot be revoked.



2.2 UN SUSTAINABLE DEVELOPMENT GOALS

Part of that realization made the world's leaders come together in 2015 and agree on a set of 17 new goals on sustainable development - the today well-known SDGs. The goals are adopted and shared by all the United Nations Member States - 193 independent nations states. To achieve these ambitious goals before 2030 it requires genuine collaboration across governments, civil society and not least the private sector.

For Skagerak, to keep its strive for quality in design, production and relations to people and planet, it is only natural to implement these goals in its business model. To lessen its negative impact and help future-proofing both natural and human resources for generations to come. Out of the 17 SDGs, these are the ones Skagerak has chosen to focus on.

GOAL 01: NO POVERTY

Because being involved in some of the countries with the highest levels of poverty, Skagerak can influence the way we talk wages, welfare and economic security. This directly through its suppliers, but also indirectly through sourcing its materials legally and with focus on paying respect to small-holders and community foresters.

In 2020 we launch a project to analyze and better understand the gap, if any, between minimum salary and living wage.

GOAL 08: DECENT WORK AND ECONOMIC GROWTH

Because Skagerak can influence working conditions in the regions where its supply chain reaches. Done right, local jobs can be created and sustained while improving labour standards and opportunities for an inclusive economy.

GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

Because Skagerak can help promoting a smarter resource use - both in its way of designing, sourcing and marketing its products.

GOAL 13: CLIMATE ACTION

Because Skagerak can actively support mitigating climate change by endorsing the usage of renewable resources and supporting ecosystems that helps taking out CO2 of the atmosphere and storing it.

GOAL 15: LIFE ON LAND

Because Skagerak's choice of material sourcing will directly affect the efforts of protecting the environment - such as ensuring a healthy biodiversity, conserving and restoring forests and mountain areas, and supporting local communities.

2.3 THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Even before the 17 SDGs were articulated and put into system, Skagerak has been an active supporter of pursuing sustainable development. In 2010, Skagerak signed up to the UN GLOBAL COMPACT initiative - committing to help pursue the then UN agenda by implementing a set of universal sustainability principles in the areas of human rights, labour, environment and anti-corruption.



HUMAN RIGHTS

PRINCIPLE 1

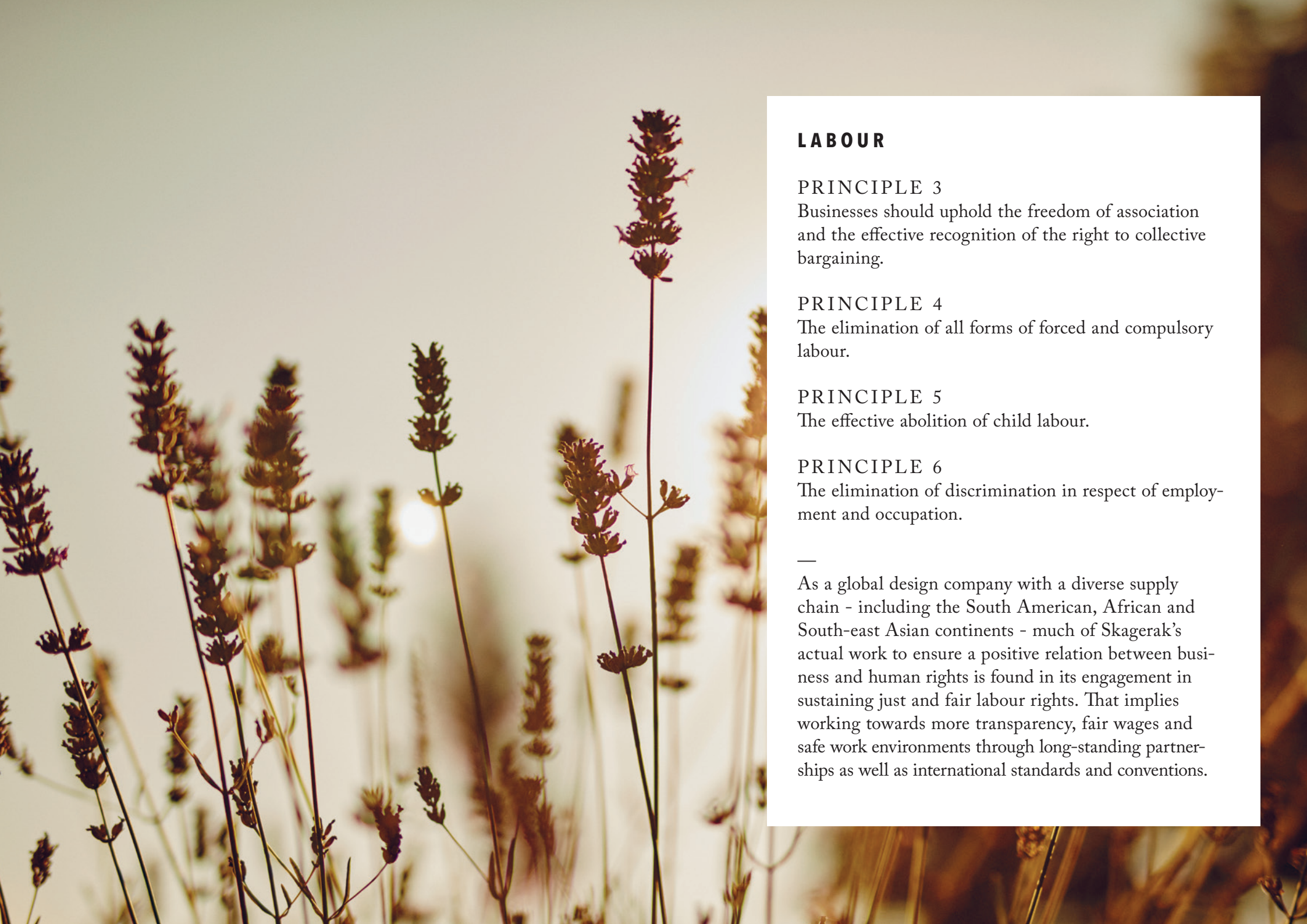
Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE 2

Make sure that they are not complicit in human rights abuses.

—
Business and human rights are deeply interconnected - for good and for worse. That's why Skagerak firmly believes that promoting the Universal Declaration of Human Rights is nothing but one of the most important corporate responsibilities. This implies not only to avoid being complicit in human rights violations - but also to spread awareness and encourage change in the communities it operates in. Locally as well as globally.





LABOUR

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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As a global design company with a diverse supply chain - including the South American, African and South-east Asian continents - much of Skagerak's actual work to ensure a positive relation between business and human rights is found in its engagement in sustaining just and fair labour rights. That implies working towards more transparency, fair wages and safe work environments through long-standing partnerships as well as international standards and conventions.

ENVIRONMENT

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.

In the entire history of mankind, the levels of CO₂ in our atmosphere has never been higher than right now. Yet, we still overexploit the earth's resources to such an extent that in 2020, we had already spent the entire year's budget of materials by August 22nd. This means we'd need 1,7 planets to keep up our resource use as of today. Now imagine what we'd need by 2050 when our population is no longer 7,5 billion but almost 9,7 billion and much more belong to the strong middle-class? We obviously need to reduce this overexploitation in one way or the other if we want to turn around the risks of climate change and resource scarcity we are already experiencing now. That's why Skagerak strives to minimise its environmental footprint by optimising its procurement, handling, transportation and disposal of resources.





ANTI-CORRUPTION

PRINCIPLE 10

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

Corruption, extortion and embezzlement are often linked to economic underperformance, inequality and violation of human rights. That's why we need to break down the longtime taboo of corruption by engaging in open, constructive dialogue across industries and regions. By at all times speaking against and backing away from any form of corruptive activity, Skagerak wishes to set an example and help establishing a business environment where anti-corruption is the norm, no matter which country is in question.

In the following sections, we go through the most important actions, initiatives and focus points in Skagerak, in working with 10 principles and achieving the UN Sustainable Development Goals.

3. BEING A CERTIFIED B CORP

- when business is more than just profit

In 2017, Skagerak joined the B Corp movement – looking for new ways to use its business as a force of good.

B Corps are certified ‘benefit corporations’ meeting the highest standards for social and environmental performance, accountability and transparency. Together with 3.300 companies across 150 industries and 71 countries, Skagerak works towards 1 common goal - to redefine success in business - realizing that social and environmental achievements are just as important as profit. And that these three elements are not necessarily going against each other, but can actually strengthen one another if done right.

And that’s the philosophy behind becoming a certified B Corp. In order to join to the movement, all companies go through a thorough assessment of more than 150 questions divided into 5 areas:

1. Governance
2. Workers
3. Communities
4. Environment
5. Customers

The assessment is an attempt to conceptualize the idea of a triple-bottom-line; to put a standardised number to a company’s impact on social and environmental aspects. Out of a total score of 200, one need at least 80 points to achieve a certificate.

On its first assessment in 2017, Skagerak scored 87,2 points.

In 2020 our audit score shows 102,2.



GOVERNANCE - 17,7 POINTS

Under the theme of governance, Skagerak is rewarded for having KPIs for its social and environmental performances as well as yearly impact reporting such as the UN global compact CoP (Communication on Progress). This year Skagerak has locked their mission, meaning that a clear sustainable strategy is being decided.

Skagerak has clear policies of financial controls, financial audits and financial transparency, which adds to the score. Furthermore, Skagerak is working after the principles in a whistleblower policy and is about to introduce such.

WORKERS - 29,7 POINTS

Under the category of workers, Skagerak scores high on providing supplementary healthcare insurance for its employees as well as a wide range of health and wellness initiatives such as fitness gear, co-running events and the opportunity for receiving physiotherapeutic treatment. Furthermore, Skagerak ensures that more than

75% of its employees takes part in both professional as well as personal skill training.

Lastly, Skagerak ranks high on its high to low pay-ration which is 1x5 - meaning that the difference between the highest paid and the lowest paid worker in the company is very low.

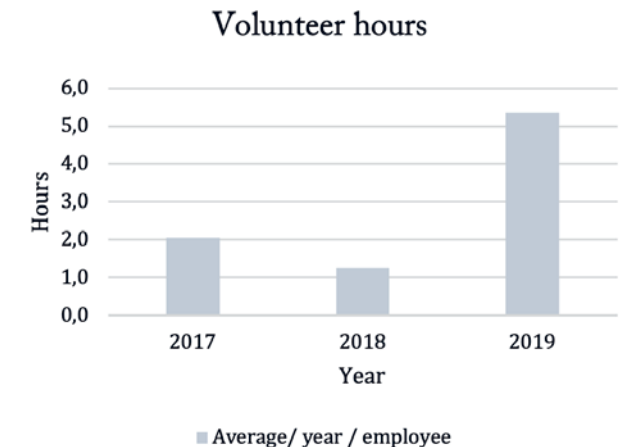
COMMUNITY - 24,1 POINTS

In terms of community, Skagerak gets its score from having a focus on gender equality, supporting the local community and civil society, as well as showing strong bonds and responsibility towards its suppliers. Nearly half of the employees are women, between 25-50 % of the board members are women, and 80 % of all management positions are occupied by woman. The company is likewise ensuring an equal pay for men and women in comparable managing and non-managing positions.

For the local community around Skagerak, the company pays donations to a wide range of cultural institutions and NGOs such as Utzon, Kunsten and Skagen Museum. On top of that,

all employees are allowed to carry out three days of paid volunteer work. This year Skagerak has seen a high increase in the number of hours used per employee. A new approach based on much more openness about what and how to be a volunteer has helped spike this number.

At last, Skagerak ranks high based on its long-standing partnerships with the most significant suppliers in South East Asia - having worked together with some for more than 2 decades. This gives a great base for Skagerak in improving its environmental and social impact.



ENVIRONMENT - 27,4 POINTS

When it comes to environment in the B Corp assessment, Skagerak is scoring high on having installed programs on recycling programmes, incentives to decrease its emissions by travelling and monitoring of both water and energy use. The same goes for its suppliers, where +75% are likewise monitoring water and energy, and 50% monitoring waste output.

Skagerak is about to fill out its next assessment required to receive a new certification from 2020 and 3 years ahead. Having been part of the B Corp movement for almost 3 years now has been a great experience for the company. Being one of the first established businesses in Denmark to receive the certificate has given plenty of opportunity to communicate the messages and visions behind the movement - and we are now seeing more and more companies ready to join forces.

For the next assessment, Skagerak aims at scoring above 100 points. This seems realistic as the company has been working strategically on improving its local involvement in community building at home and abroad, its tracking of CO₂-emissions and plans to reduce these, as well as sourcing of certified materials and phasing out of non-renewable resources.

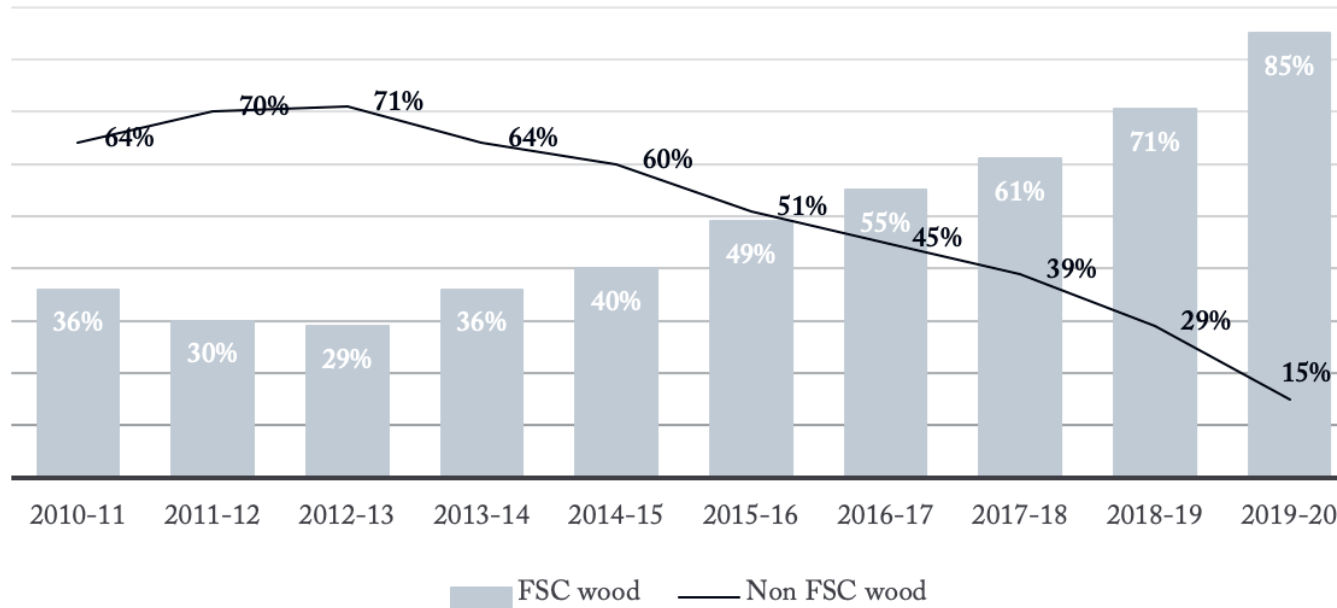


4. FSC™

- making a difference through sustainable wood sourcing

One important step towards a more sustainable design industry is to support responsible wood sourcing and forest management. That is why Skagerak endorses the Forest Stewardship Council™, and have long been working towards the goal of only using wood with a 100% FSC™-certification in its collection.

This year, the company is one step closer to achieve this goal as the share of FSC™-certified wood in its collection has risen from 71% to 85% over the last year. Skagerak has been able to source 100% of its oak from FSC™-certified forests.



4.1 SUCCEEDING THROUGH NEW COLLABORATIONS

The reason for the increase this year is to be found in Skagerak's determination on finding new suppliers of FSC™-certified teak for its production in Indonesia. The change involves the production of some of the company's larger outdoor collections which is why it has triggered a 14% increase in the total share of certified wood.

On the short run, the manufacturing costs might increase a bit but that's a compromise Skagerak is willing to adjust to. If going as planned, the share should increase further in 2020 until reaching 100% share of FSC™-certified wood in 2025.



4.2 BRINGING TOGETHER ENVIRONMENTAL, SOCIAL AND ECONOMIC INTERESTS

By supporting the FSC™ certification, we help making sure that no more trees are felled than the forest can reproduce – and that local communities, biodiversity and forest workers are treated with respect. In fact, FSC™ is now the one of the world's leading systems for promoting sustainable forest management - a strong and recognizable brand that helps mobilising consumers through its chain of custody and labelling schemes.

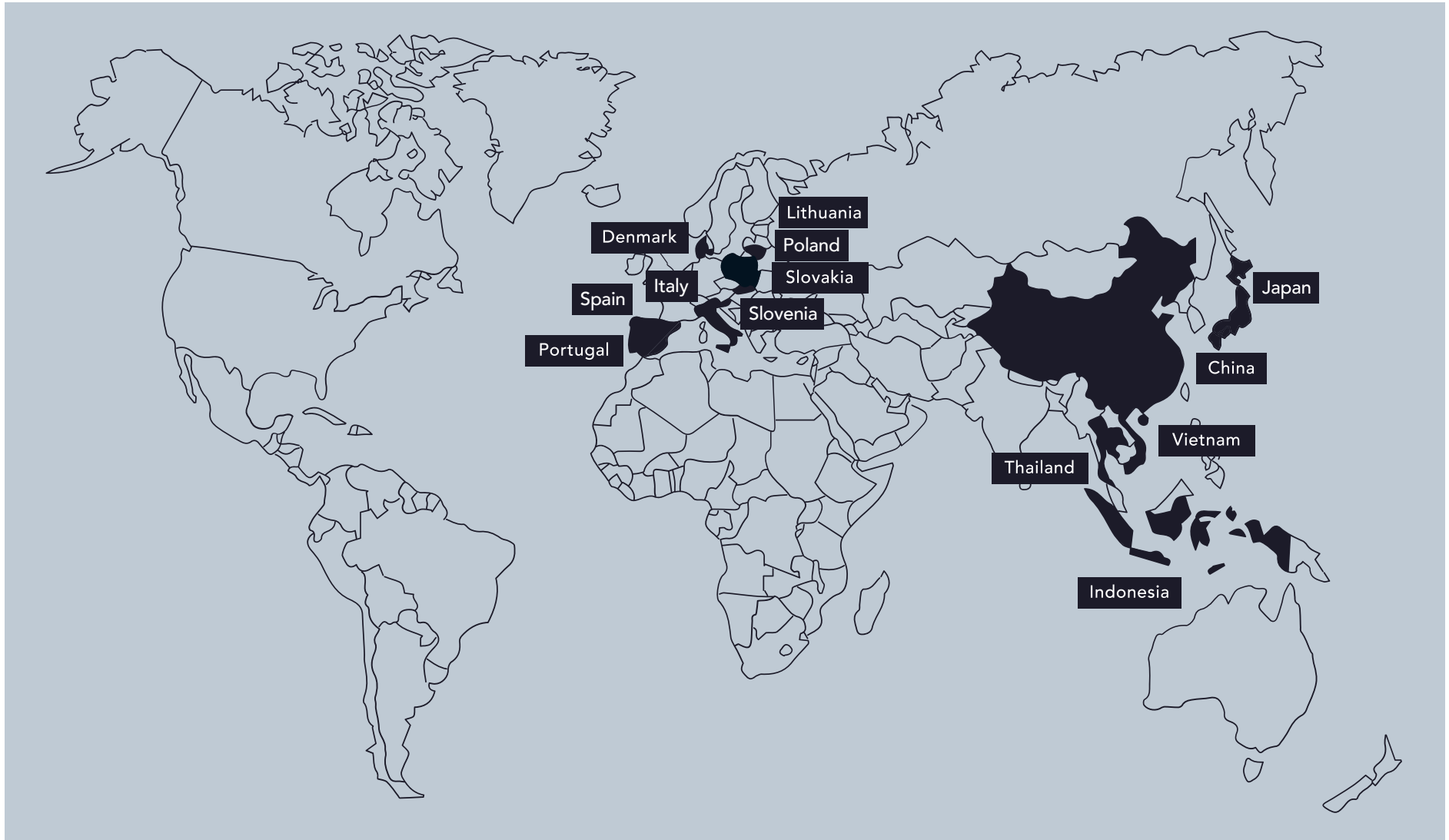
The effects of this are vast and contributes directly to 11 out of the 17 SDGs and 35 direct sub-targets.

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. This is greatly contributing to the empowerment and protection of workers' and Indigenous' rights in the forestry industry.

At the same time, the certification scheme works towards ending illegal logging and sustained the growth of forest areas all over the world. This includes slowing down the deforestation by restoring degraded forests and increasing the establishment of new forestlands.



GLOBAL SUPPLY-CHAIN



5. BSCI AND CODE OF CONDUCTS

- responsible production in a global supply chain

As a global design brand with a wide variety of different types of collections, Skagerak's business model involves a supply-chain with production in more than 10 countries. To ensure that Skagerak's values are understood and practiced throughout the chain, a Code of Conduct (CoC) is a vital tool!

The CoC is an agreement between Skagerak and its suppliers which contains a multitude of requirements which they, their employees and sub-suppliers are expected to meet. Back in 2017, Skagerak joined Amfori's Business Social Compliance Initiative (BSCI) – a common CoC shared amongst more than 2.000 European businesses. The motive was to obtain an even stronger and more consistent voice in securing proper labour rights and environment policies. The Code of Conduct from Amfori is founded on internationally recognised standards and principles such as the UNGP, OECD and the UN Global Compact as well. The CoC was renewed in 2014 and contains 11 principles

today – all based on international standards and conventions formed by the UN, ILO and OECD amongst others.

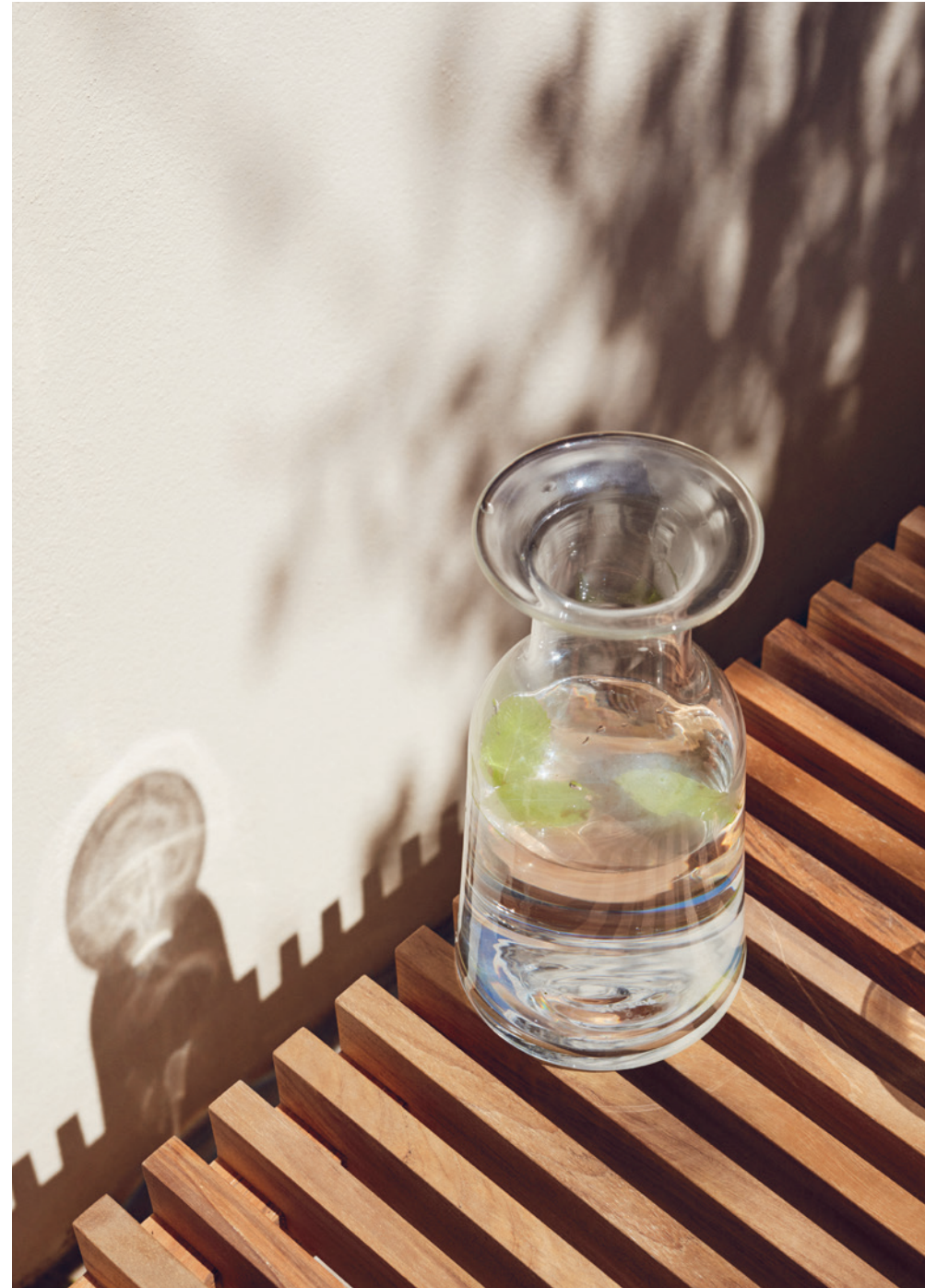
In the BSCI system, Skagerak is only obliged to get acceptance and compliance from those of its suppliers whom they are “responsible” for. While several BSCI can do business with the same producer, it is only the RSP holder that is expected to have leadership of upcoming audits etc.

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

5.1 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).



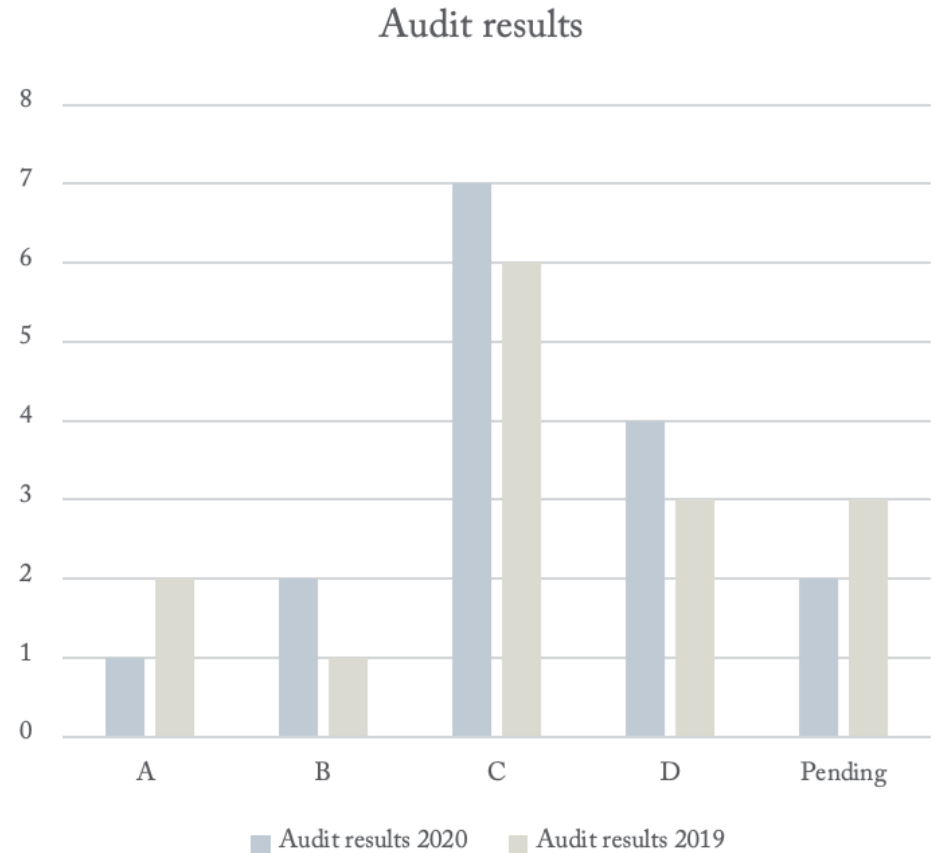
5.2. AUDITING SUPPLIERS AND MAKING PLANS FOR IMPROVEMENT

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.

Audit over the past 12 months has shown a slightly higher audit rate and with a higher portion of suppliers in the ration A-C level. New supplier and suppliers moving location is the main reason for supplier lacking an audit this year. These will be audited within the next 12 months.

In an audit, the suppliers are usually asked to account for wages, pay slips, labour contracts, general conditions and rights at the workplace, as well as the overall level of information and education amongst the staff. On top of that will an audit typically look as safety measures, machine handling, usage of PPE, fire safety, toilet facilities, canteen facilities and cleanliness in general.

It is Skagerak's clear goal to reach a point where it will be able to publish summaries or extracts of these audits directly on its website in terms of enhancing transparency and the dialogue with its customers and stakeholders.



5.3 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.

This challenge can be solved by looking at the concept of “living wages” 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 standard topic of interest in BSCI and are as such addressed in every audit carried out.

That’s why Skagerak has engaged in a large EU project aiming to analyze what the living wage actually are. Focus are on South East Asia. Together with Skagerak’s local staff and an external consultant Skagerak hope to better understand where the actual level of living wage is, to be able to better support this cause.

5.4 ANTI-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. For example, the audits now carried out in collaboration with BSCI and Skagerak’s suppliers are based on a method of ‘triangulation’ where several sources and data-sets are used to confirm the truth of information and the honesty of operations.

6. GIVE BACK MORE THAN WE TAKE - LOCAL ENGAGEMENT

After having been located in the same region of Denmark for more than 40 years, Skagerak has built up strong bonds to many different business partners, areas and local enthusiasts. The company takes a special pride in keeping these relations as an opportunity to give back more over time than they have taken. Skagerak is sponsoring and supporting several culture and art institutions.

For the local community around Skagerak, the company pays donations to a wide range of cultural institutions and NGOs such as Utzon, Kunsten and Skagen Museum. On top of that, all employees are allowed to carry out three days of paid volunteer work.



6.1 AN ACTIVE VOICE FOR SUSTAINABLE DESIGN

Being part of the B Corp movement and a firm supporter of the FSC scheme, Skagerak actively seeks to voice its vision and opinions about sustainable design on various platforms.

During the past year, Skagerak CEO and Owner, Jesper Panduro, has taken part in 7 public debates and given lectures on subjects such as circular economy in the design industry, sustainable wood sourcing, sustainability in family-owned companies and so forth.

A recurring topic in Jesper's talks is how he has changed his view on what "good business" is over the years – moving from profit-driven to purpose-driven, and how that has transformed his way of running the company.

On top of this, Skagerak has opened up for its own flagship-store as platform for various meetings, events and debates around sustainability and B Corp in Denmark.

In September, Skagerak won "Green Brand of the Year 2019" at Design Awards held by Bo Bedre, Denmark. We are proud and humble over the honor, but also aware of that we must continue to be best for the world.



6.2 RESOURCES: TARGETS AND ACHIEVEMENTS

In the past years Skagerak has internally worked on putting focus on the resources spent internally in Skagerak office, store and warehouse. In the beginning focus was on reducing actual use of electricity, water, and heating. And getting the right numbers out of for example office rental contract and alike.

In 2017 the warehouse has got new motion sensor in LED lights, reduced automatic heating with a few degrees over winter and in general more focus on acting responsible by all employees in Skagerak.

In the areas electricity, water and heating, we have made great improvements, as shown on the graphs (p. 27 & 28). This makes us more ambitious and we have therefore revised our goals to match the reality and improve even more.

Since 2019, one of the main focus areas has been to recycle paper, carton, plastic and metal. This has included setting up special sorting stations. The goal in 2019/20 was to reach 38% recycled material, as shown on the next page, so it is still a focus area that needs improvement during the next years.

