

UN GLOBAL COMPACT

Communication on Progress 2021

SKAGERAK

DENMARK

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1. CEO STATEMENT OF CONTINUED SUPPORT

- by Jesper Panduro

Skagerak has always focused on producing high-quality furniture that can last for generations. Because it matters whether a chair lives for 10, 20 or 30 years, and at Skagerak we want to do our part by encouraging people to prolong the lifetime of everything they use. Simply said: We want to inspire consumers to be users.

In March we launched our online platform for Reclassic, so now customers from near and far can purchase pre-loved Skagerak furniture. We are pleased to see great interest in these pieces as well as our rental option RENT. It encourages us to strive for even more circularity in our products and services.

Later this fall we look forward to the launch of our Care & Repair site with helpful information that will guide our customers on the best care and maintenance of our products.

We continue to increase our share of FSC™ certified wood from 85% to now 90%. Our goal is to use 100% FSC-certified wood before 2025.

At the core of our Skagerak philosophy is our ambition to build long-term relationships with our suppliers based on mutual trust and respect. This commitment has never been more important than in the times of Covid-19. Some of our production markets were hit hard by the pandemic. For the safety of the workers and their families', some of our supplier factories have been partly or fully shut down for a period of time during 2020/2021, and some factories still remain in temporary lockdown. Despite these challenges we have remained deeply committed to our suppliers, continuing to work with and support them through this difficult time. We continue to place orders, so we can help them financially navigate the duration of the pandemic. For us, this is simply what a long-term partnership looks like.

In 2021 we became a member of the Danish Ethical Trading Initiative (DIEH). DIEH facilitates international trade in accordance with human- and labour rights and help companies in their efforts for ethical trade in developing countries.

We look forward to a good collaboration with DIEH on these important topics. This year we also welcomed a full-time Global Impact Manager to our team. With this step, we hope to set even more ambitious goals for ourselves and increase our positive impact as a company.

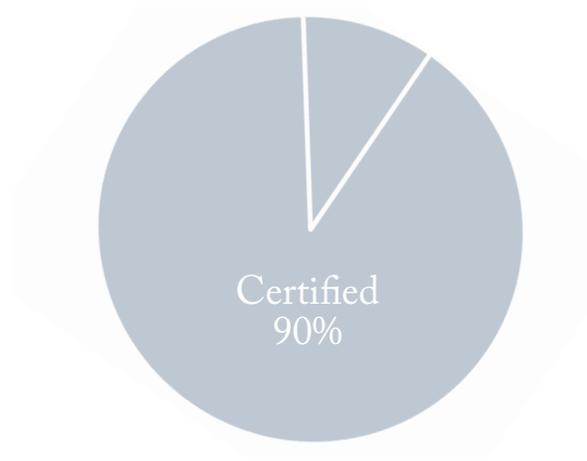
Looking ahead we will continue our efforts to minimize our negative influence and maximize our positive impact as a company. In 2019 we committed to become Net Zero in 2030. Now we are taking our next steps by calculating our CO2e-emissions including scope 1, 2 and 3. These calculations will serve as our baseline for future improvements.

As a certified B Corp we want to use our business as a force for 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 ambitions of the UN Global Compact and we look forward to another year of improvements.

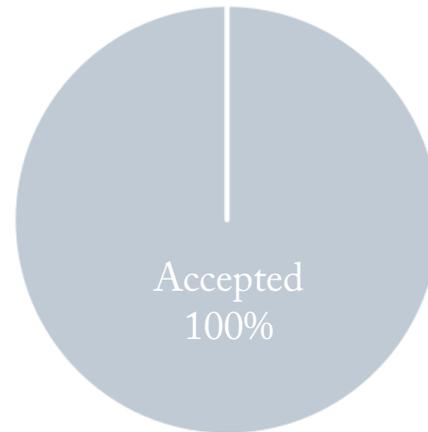
Yours sincerely // Jesper Panduro,
Owner and CEO in Skagerak

1.1 HIGHLIGHTS 2020/2021

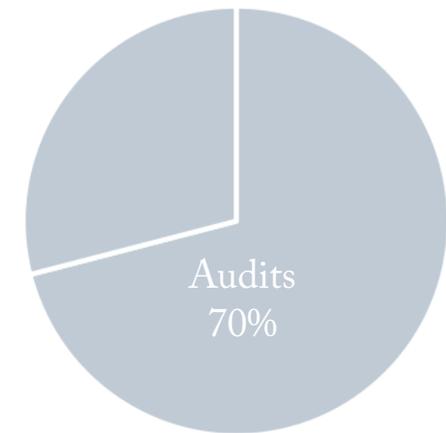
Share of FSC-certified materials



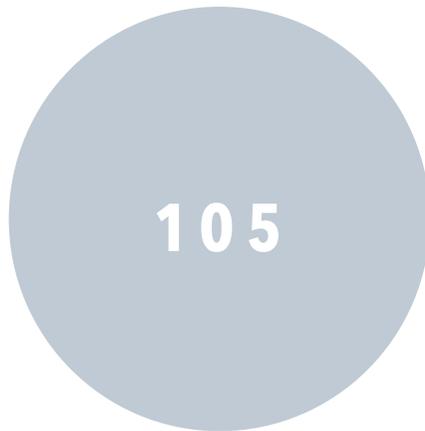
Suppliers accepted CoC



Supplier Amfori audited



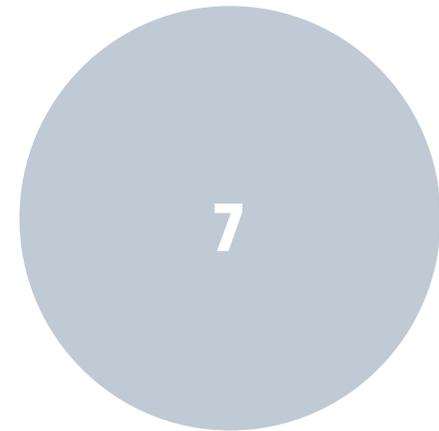
1.2 HIGHLIGHTS 2020/2021



Reclassic products sold since
launch of new website in
March 2021



Volunteer hours pr. employee



Public debates
by CEO Jesper Panduro

2. DESIGN FOR GENERATIONS

Skagerak is a Danish, family-owned furniture brand with a long tradition for good craftsmanship and design thinking.

Our company was founded in 1976 with a strong belief in quality in three dimensions;

- 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 - made under responsible working conditions – that are easy to repair and maintain.
- 3) **Quality in relation to people and planet**, because we have an obligation to sustain a healthy environment – socially as well as naturally – so we can continue to do business for generations to come.

These beliefs are still at the core of Skagerak's DNA and way of working.

Today, our company finds itself in a highly globalized market where our products are manufactured and traded across regions and continents.

While globalization, in general, has contributed to a rising middle-class and better living conditions for many people around the world, it has also brought along new challenges.

With growing consumption, we are facing overexploitation of natural resources and a steep increase in CO2 emissions. 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 goods – if we are to sustain our living standards for a growing, global population without causing further damage to our planet.

At Skagerak, we are aware of our responsibility in relation to these global challenges. With inspiration from circular economy¹, we try to do business in a manner, where we won't be part of the problem but instead can be part of the solution.

3. WE INSPIRE CONSUMERS TO BE USERS

We all know it. Our planet is challenged by growing consumption and it's putting pressure on our natural resources. At Skagerak, we want to encourage people to see themselves as users rather than consumers and prolong the lifetime of everything they use. Because it matters whether a piece of furniture lives for 10, 20, 30 or 40 years. It's not a new idea – just common sense.



We start with great design
We create quality furniture that ages with grace and lasts for generations.



We care that you care
We guide you on how to maintain, repair and make the most of your furniture.



Reclassic
We give pre-loved Skagerak pieces new life by buying them back, restoring and re-selling them.



RENT
We offer a rental service so you can experience the joys of our furniture without owning it. This way pieces can be rented and reused again and again.

4. UN SUSTAINABLE DEVELOPMENT GOALS & OUR CONTRIBUTION

The Sustainable Development Goals, agreed upon in 2015 by all 193 United Nations Member states, remain as relevant as ever. To achieve these ambitious goals before 2030 requires genuine collaboration across governments, civil society and the private sector.

For Skagerak, a global company with an ambition to create a positive impact, we must of course be aware of how we contribute to these goals. To lessen our negative impact and help future-proofing both natural and human resources for generations to come. Out of the 17 SDGs, these are the ones that 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.

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.

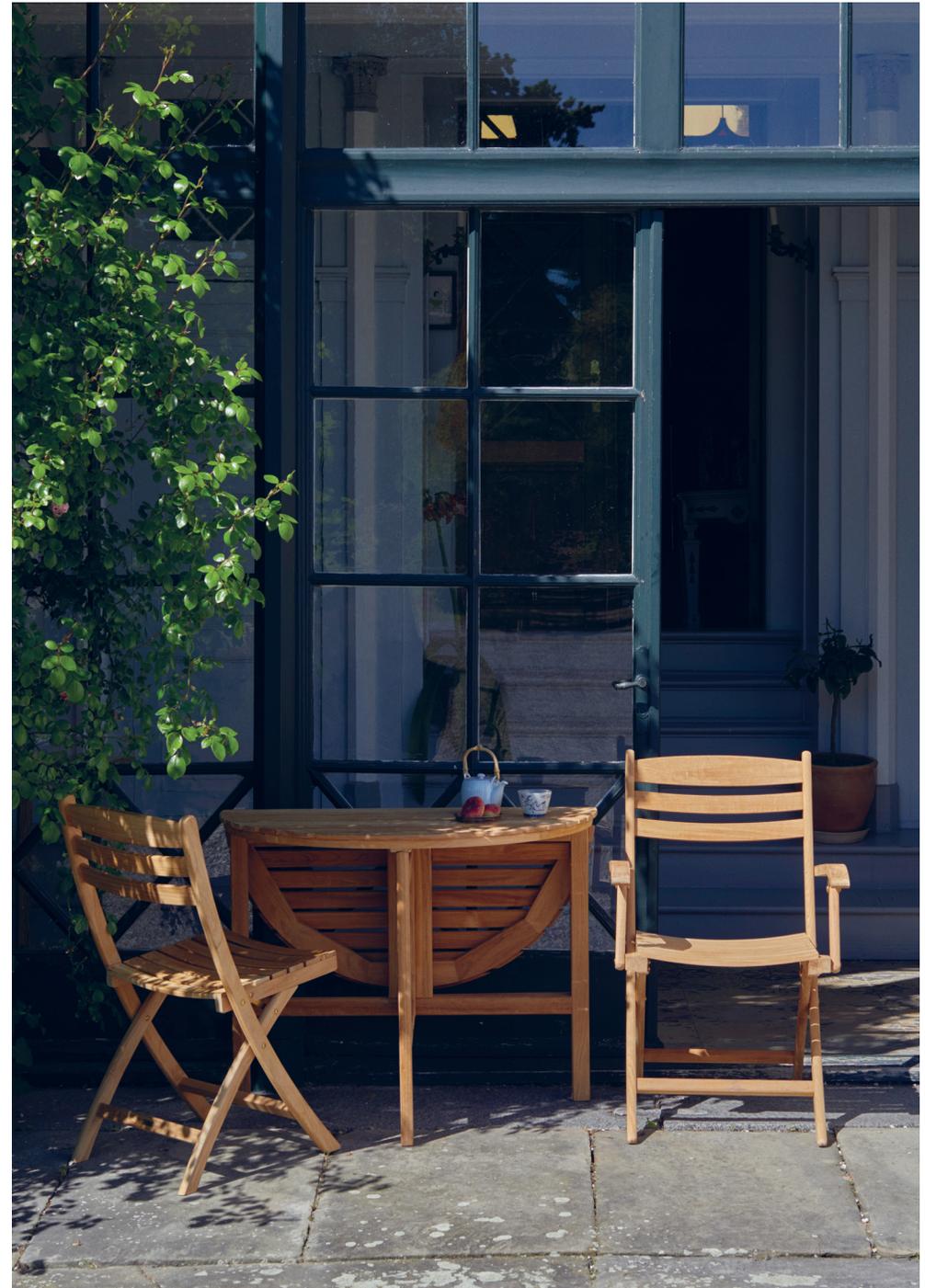
GOAL 15: LIFE ON LAND

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.

4.1 THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

In 2010 Skagerak became a member of the UN Global Compact and thereby we committed ourselves to a set of universal sustainability principles in the areas of human rights, labour, environment and anti-corruption.

In the following sections, we go through our most important actions, initiatives and focus points in Skagerak and how we work with the 10 principles.



HUMAN RIGHTS

PRINCIPLE 1

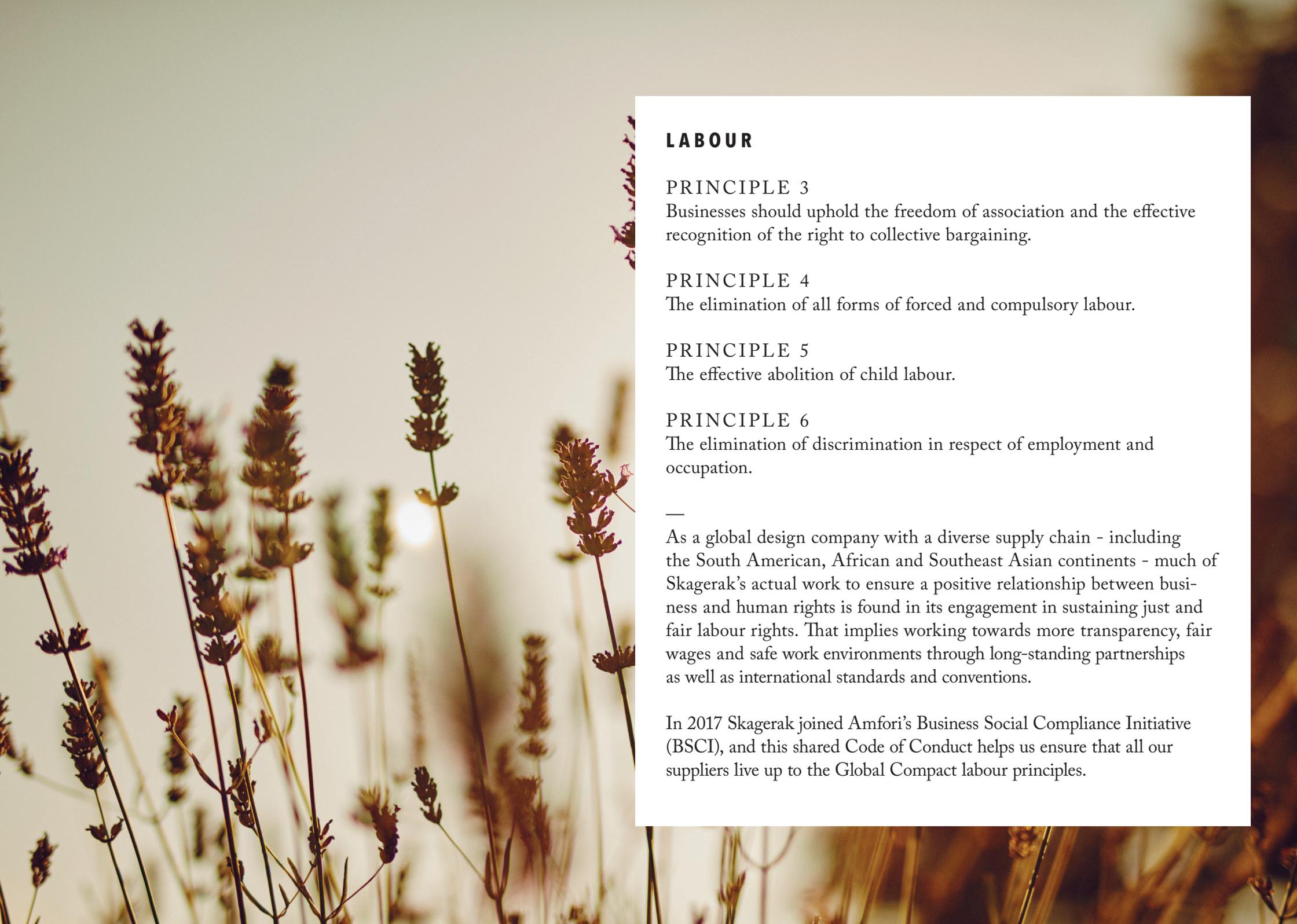
Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE 2

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

—
Business and human rights are deeply interconnected. That's why Skagerak firmly believes that promoting the Universal Declaration of Human Rights is 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.



A photograph of a field of lavender flowers in bloom, with the sun setting in the background, creating a warm, golden glow. The flowers are in various stages of bloom, and the background is softly blurred.

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.

—

As a global design company with a diverse supply chain - including the South American, African and Southeast Asian continents - much of Skagerak's actual work to ensure a positive relationship 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.

In 2017 Skagerak joined Amfori's Business Social Compliance Initiative (BSCI), and this shared Code of Conduct helps us ensure that all our suppliers live up to the Global Compact labour principles.

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.

—
The conclusions are clear in the latest IPCC climate report released in August 2021; global warming and increased CO₂ levels in our atmosphere are rising at an alarming rate and these climate changes are to a high extent caused by human activities².

We are overexploiting our natural resources to such an extent that in 2021, we had already spent the entire year's "budget" of natural resources by July 29th. Stabilizing the climate will require a strong, collaborative approach from governments, businesses and civil society.

As a globally operating company, we are fully aware of our responsibility. We strive to minimize our environmental footprint by optimizing our procurement, handling, transportation and disposal of resources and we have committed to be Net Zero by 2030.

This year we've taken another important step on our journey towards becoming Net Zero. We have bought 40 acres of farmland and in spring 2022, we will plant 90.000 trees and convert the area into new forest. It is a longterm project and an important initiative that will contribute positively both to local society but also to our own carbon calculations.

2. <https://www.ipcc.ch/assessment-report/ar6/>





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 long-time 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 to establish a business environment where anti-corruption is the norm, no matter which country is in question.

In 2021 Skagerak became a member of the Danish Ethical Trading Initiative (DIEH). DIEH works to facilitate international trade in accordance with human- and labour rights, and to help companies in their efforts for ethical trade without corruption in developing countries. We look forward to a good collaboration with DIEH on these important topics.

5. 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 +4.000 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 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 needs at least 80 points to achieve a certificate.

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

In 2020 our audit score shows 102,2.



GOVERNANCE - 17,7 POINTS

In the category of governance, Skagerak is rewarded for having KPIs for its social and environmental performance as well as yearly impact reporting through the CoP-report for UN Global Compact.

Skagerak has clear policies of financial controls, financial audits and financial transparency which contributes positively to the score.

WORKERS - 29,7 POINTS

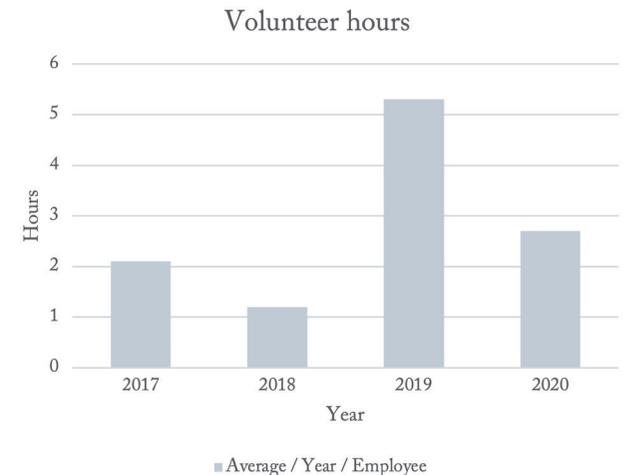
Under the category of workers, Skagerak scores high on providing supplementary healthcare insurance for its employees as well as a wide range of health and wellness initiatives such as fitness gear, co-running events and the opportunity for receiving physiotherapeutic treatment. Furthermore, Skagerak ensures that more than 75% of its employees take part in both professional as well as personal skill training. Lastly, Skagerak ranks high on its high to low pay-ratio 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 women. The company is likewise ensuring 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 decrease in the number of volunteer hours per employee. This can partly be explained by Covid-19 which has limited many opportunities for local volunteering. For the coming year, we will put more focus on our volunteer work to engage more staff.

At last, Skagerak ranks high based on its long-standing partnerships with the most significant suppliers in South East Asia - have 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 the 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.

In 2019 we committed to become Net Zero by 2030 – an ambitious target because we aim to measure and reduce our total CO2e-emissions in both scope 1, 2 and 3.

This year we teamed up with fellow B Corp, Goodwings, which calculates and compensates all our business travels through verified reforestation projects.

Having been part of the B Corp community since 2017 has been a great experience for our company. Being one of the first established businesses in Denmark to achieve the certification has given us plenty of opportunities to communicate the vision behind the movement, and we are happy to see that more and more companies are now joining the community.

We continue to work with the B Corp assessment tool as a guiding principle for how we can further improve our way of doing business.



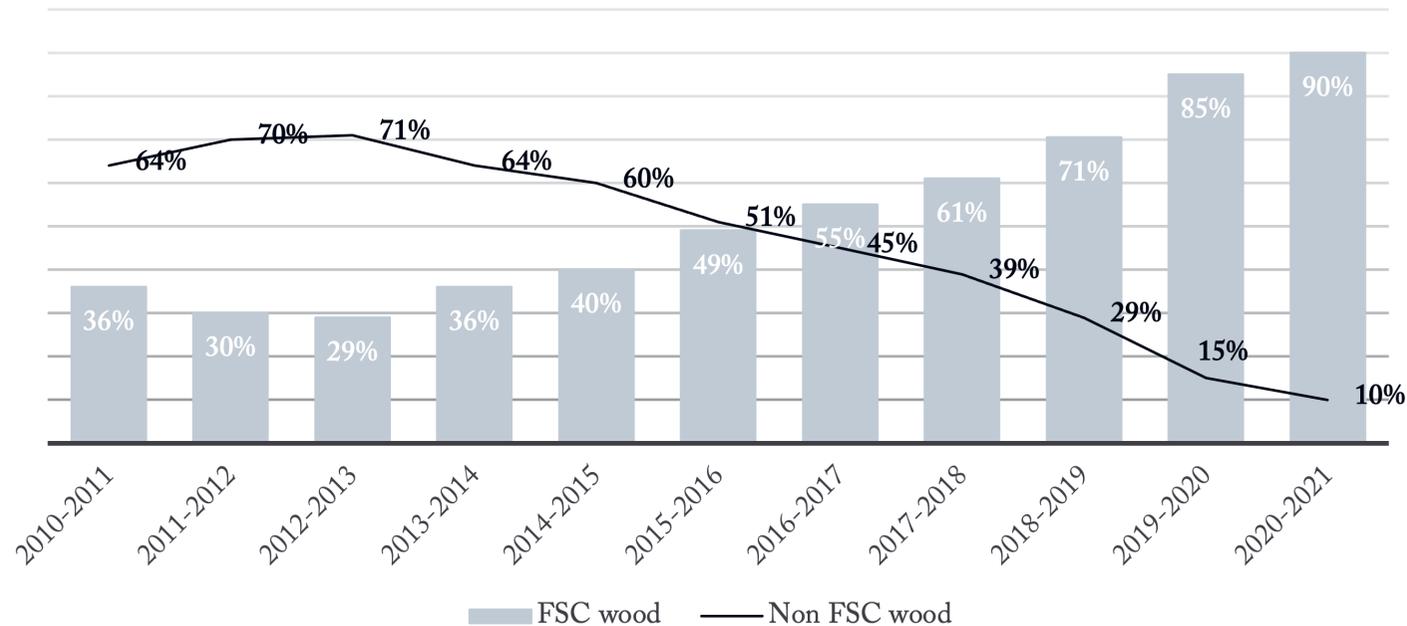
6. FSC™

- 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 85% to 90% over the last year. We are well on track to achieve our goal of 100% FSC-certified wood by 2025.



6.1 BRINGING TOGETHER ENVIRONMENTAL, SOCIAL AND ECONOMIC INTERESTS

By supporting the FSC™ certification, we help to make 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 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.

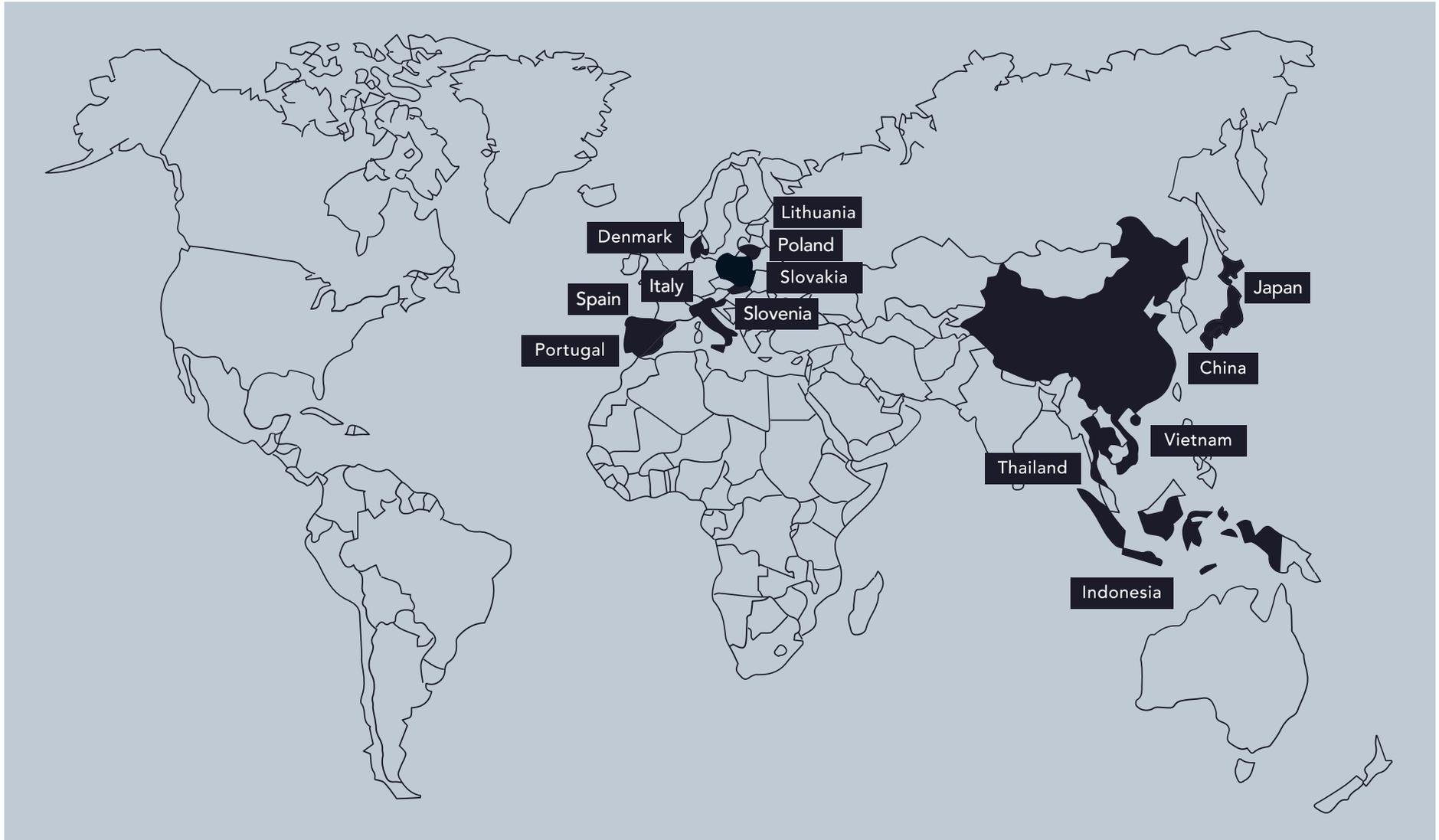
The effects of this are vast and contributes directly to 11 out of the 17 SDGs and 35 direct sub-targets.

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.



OUR GLOBAL SUPPLY CHAIN



7. BSCI AND CODE OF CONDUCT

- 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 environmental 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 for whom they are "responsible". While several BSCI can do business with the same producer, it is only the RSP holder that is expected to have the 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

7.1 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).



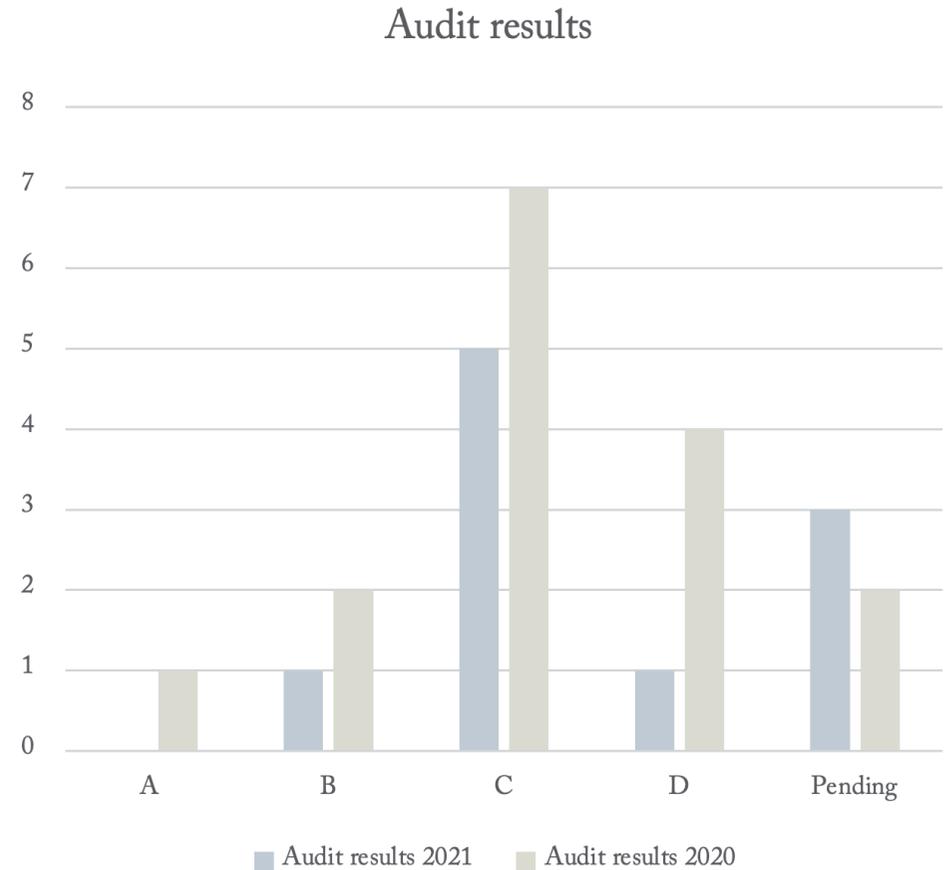
7.2 AUDITING SUPPLIERS AND MAKING PLANS FOR IMPROVEMENT

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.

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 at safety measures, machine handling, usage of PPE, fire safety, toilet facilities, canteen facilities and cleanliness in general.

During the past 12 months our audits have been challenged by temporary lockdowns at several factories due to Covid-19. Three factories are pending, and it is our priority to ensure audits at these factories as soon as possible. We have also registered a higher portion of suppliers at the C and D level. In the coming year we will work constructively with these suppliers on their potential areas of improvement.

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.



7.3 LIVING WAGES

When the legal wage is too low it can have a damaging and depressing 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 a 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 is. The focus are on South East Asia. Together with Skagerak’s local staff and an external consultant, Skagerak hopes to better understand where the actual level of living wage is, to be able to better support this cause.

7.4 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.

8. WE'RE IN BUSINESS TO GIVE MORE THAN WE TAKE

After having been located in the same region of Denmark for more than 40 years, Skagerak has built up strong bonds with many different business partners, areas and local enthusiasts. The company takes 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 cultures and art institutions.

Our Skagerak Forest Initiative (see p.12) is another way we're using our business to give back to our local community. We are transforming 40 hectares of farmland into new forest, which will create a positive impact both in terms of CO2 uptake and improved biodiversity – but our hopes is, that this new forest will also create new recreational opportunities for local citizens who can visit the forest and enjoy the wonders of nature.



8.1 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 showroom as platform for various meetings, events and debates around sustainability and B Corp in Denmark.

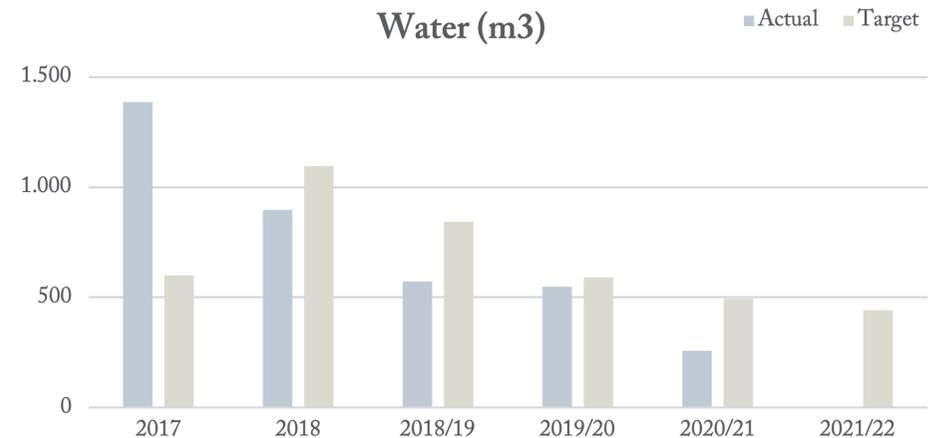
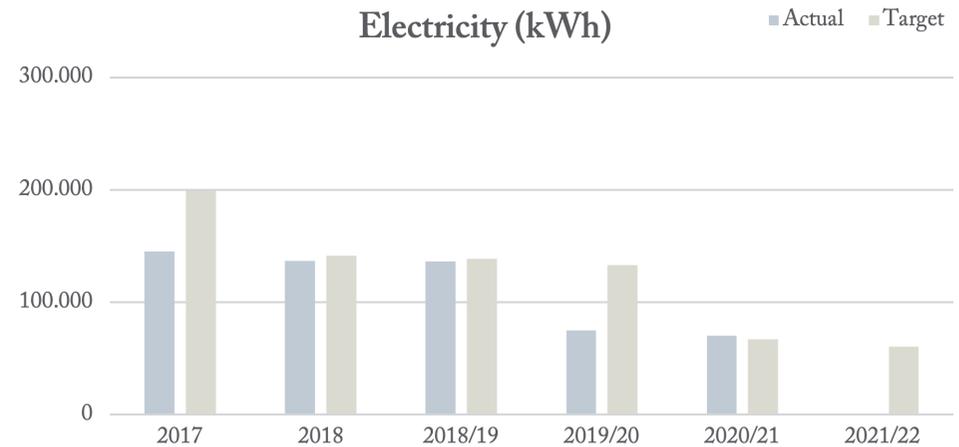


8.2 RESOURCES: TARGETS AND ACHIEVEMENTS

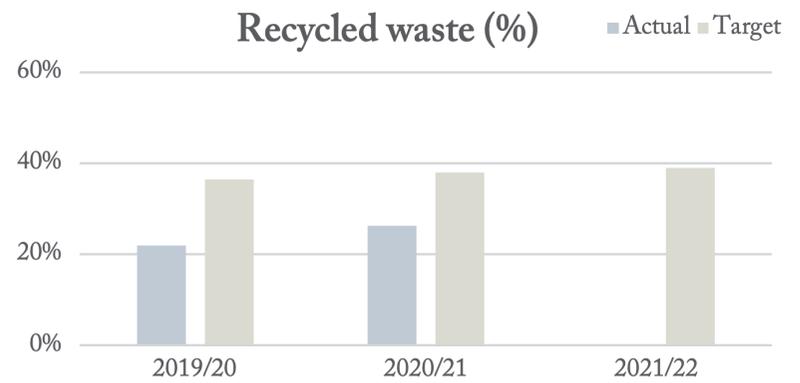
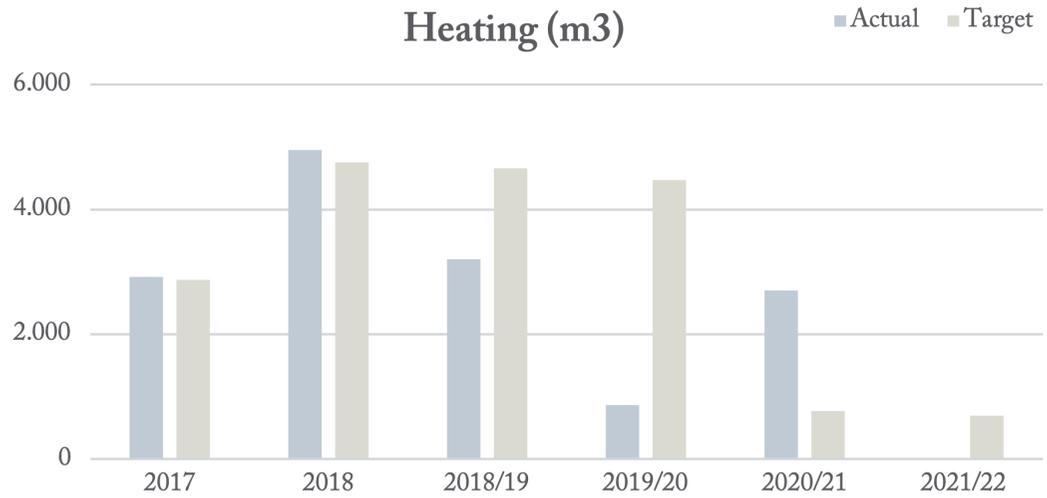
In the past years, Skagerak has internally worked on putting a focus on the resources spent internally in Skagerak's office, store and warehouse. In the beginning, the focus was on reducing the actual use of electricity, water, and heating. And getting the right numbers out of for example office rental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

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

Please note that results for 2020/2021 are not comparable with previous years. We moved our headquarter in Aalborg to a new location in January 2021, but at the new location, we, unfortunately, don't have the same opportunities to measure our resource use. This year we also started measuring our resource use in accordance with our financial reporting period; July 1st – June 30th. For the coming year, we will set up a new system to create a valid baseline for future measurements.



*All resources are measured from July 1st 2020 – June 30th 2021.



*All resources are measured from July 1st 2020 – June 30th 2021.

