

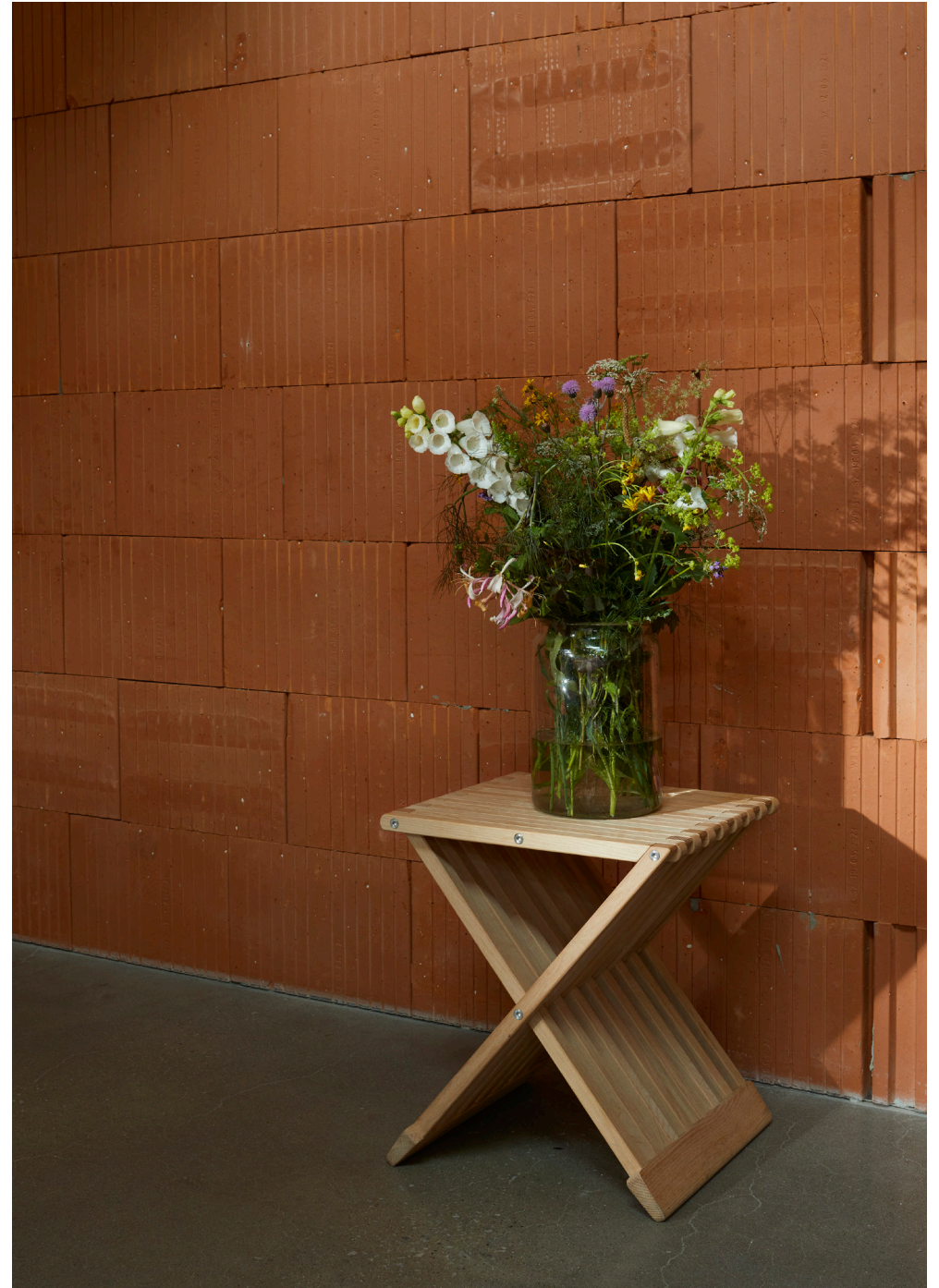
UN GLOBAL COMPACT

Communication on Progress 2022

SKAGERAK

DENMARK

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1. CEO STATEMENT OF CONTINUED SUPPORT

- by Josef Kaiser

A year of turbulence has passed; the pandemic continued to impact our daily lives and our business, war in Europe, an escalating climate crisis and economic turbulence have all contributed to increased uncertainty. But it has also been a year with increased focus on sustainability and impact across sectors and businesses. We continue to believe that our sustainability efforts make our company more responsive and resilient, and as we look back on the past year, we recognize the progress we have made.

In 2021 we presented our first Climate Report with CO₂e-calculations for scope 1, 2 and 3 and this fall we present our second Climate Report with further insights on our emission hotspots as well as concrete actions to reduce our environmental footprint. We also started measuring the CO₂e-footprint on our best-selling products giving us further insights on how we can minimize the environmental footprint of our assortment and make even better design and production decisions in the future.

This year we celebrated our 5-year anniversary as a certified B Corp - a day that we celebrated by closing the office and spending the day together as a team doing voluntary work in our local communities.

We continue to be inspired by the B Corp philosophy and work with a collective mindset of how we can minimize our negative footprint and maximize our positive impact.

We continue to pursue new opportunities to use our business as a force for good, and while we acknowledge the need for more data driven sustainability insights and work diligently to collect and present data in the most transparent manner, we also strongly believe that not all that matters can be measured.

We look forward to another year of looking at our business in a holistic manner and taking into consideration how we impact our surroundings.

In 2022 a new chapter begun in our Skagerak history. We became part of Fritz Hansen – one of Denmark's pioneering design brands and we look forward to continue our impact journey in collaboration with our new colleagues. Fritz Hansen is also a member of UN Global Compact, and this Communication of Progress thereby marks the last individual report from Skagerak. As of 2023 we will continue our efforts and documentation as part of Fritz Hansen.

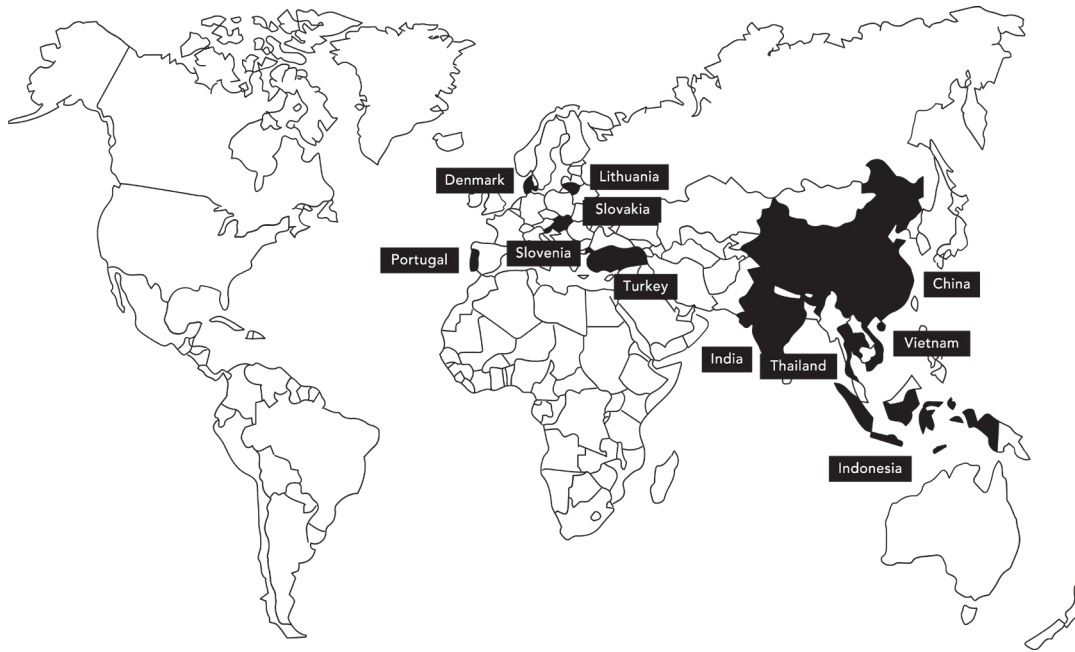
*Sincerely, Josef Kaiser
CEO, Skagerak & Fritz Hansen*

2. OUR BUSINESS

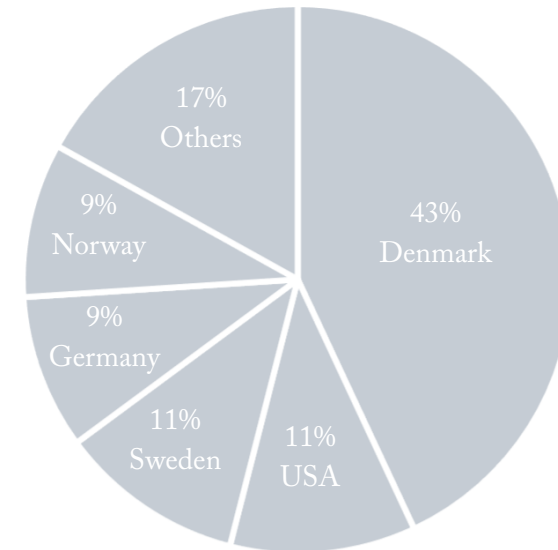
Skagerak is an international design company established in 1976 in Denmark. We design high-quality furniture that ages with grace and lasts for generations. We want to inspire our customers to live well and think long-term.

In 2022 Skagerak joined the Fritz Hansen family, bringing two pioneering Danish furniture design brands together.

Countries where Skagerak products are made



Distribution of net revenue in geographical markets 21/22

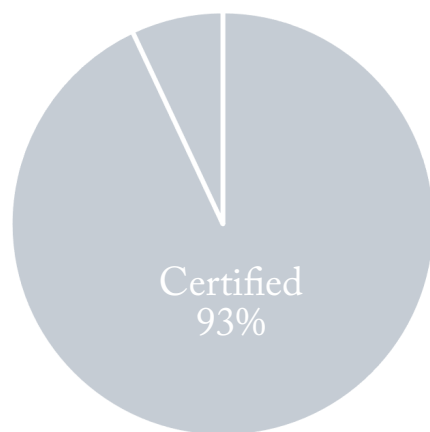


We are proud to be an active member of the following organizations

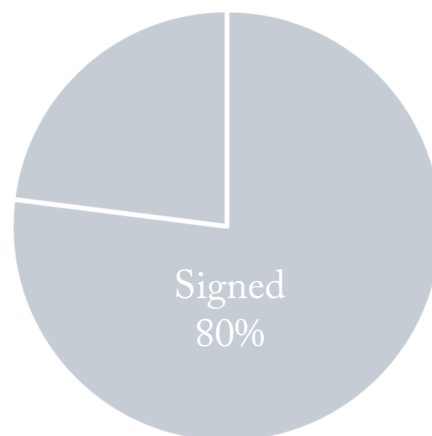


3. IMPACT HIGHLIGHTS 2021/2022

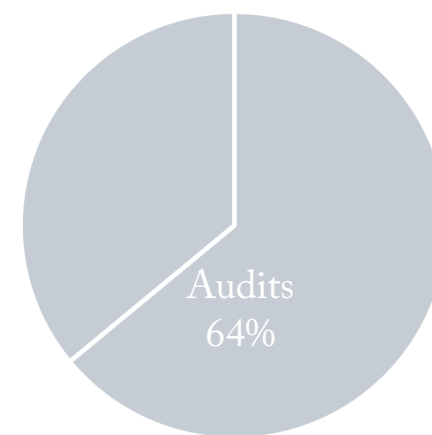
Share of certified wood
(FSC/PEFC)



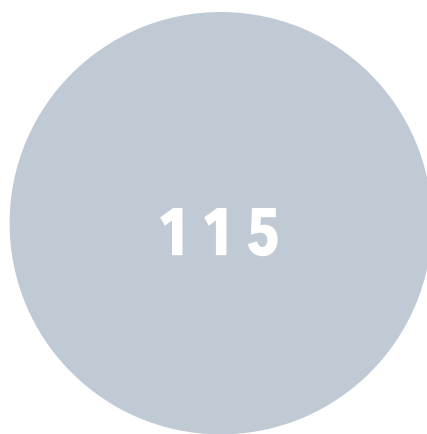
Signed Code of Conduct (share of
total purchase of own products)



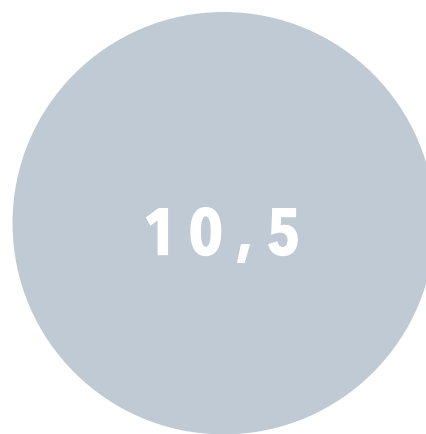
Non-European suppliers
audited by Amfori



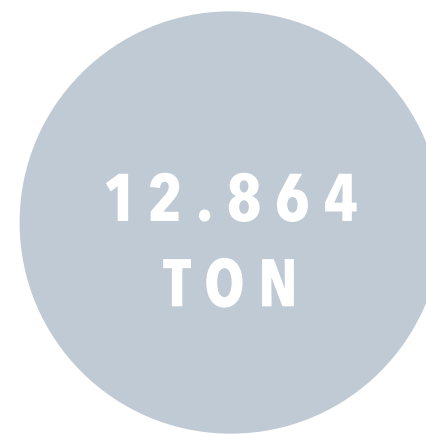
3. IMPACT HIGHLIGHTS 2021/2022



Reclassic products sold



Volunteer hours pr. employee



Carbon footprint (scope
1, 2 & 3)

4. 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 greenhouse gas 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.

1: www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy

WE INSPIRE CONSUMERS TO BE USERS

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.

5. 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 smallholders 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.

6. 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 minimalist interior space with a large, multi-paned window that looks out onto a calm sea under a pale sky. In the foreground, a low, light-colored wooden bench sits on a wide-plank wooden floor. The bench is adorned with a mustard yellow cushion, a light blue cushion, and a folded white cloth. The overall atmosphere is serene and modern.

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.

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The conclusions are clear in the latest IPCC climate report; 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 activities.

2021 proved to be one of the warmest years on record* with a global average temperature of 1,11° above pre-industrial levels and during the summer of 2022 we saw the effects of global warming escalating at an alarming rate with extreme heatwaves and severe draught in many regions.

As a globally operating company we are fully aware of our responsibility. We strive to minimize our environmental footprint by optimizing processes throughout our value chain and have committed to be Net Zero by 2030. But we also recognize that we have a long way to go.

In 2021 we presented our first climate report with CO₂e-calculations for scope 1, 2 and 3 and this fall we will present our newest Climate Report with more accurate calculations. We use these insights to make further improvements on our climate impact (read more on page 17).

* According to World Meteorological Organization





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 Etisk Handel Danmark, which 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.

7. CERTIFIED B CORP SINCE 2017

- when business is more than just profit

In 2017 Skagerak became B Corp certified – looking for new ways to use our business as a force for good.

B Corps are certified ‘benefit corporations’ meeting the highest standards for social and environmental performance, accountability and transparency. Together with +5.000 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.

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. The majority of employees 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 we have increased our volunteer hours significantly leading to an average of 10,5 hours per employee. We have organized several joint activities for all employees including waste collecting for World Cleanup Day as well as voluntary work for the Danish organization Julemærkehjemmene who supports children age 7-14.

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 two decades. This gives a great base for Skagerak in improving its environmental and social impact.

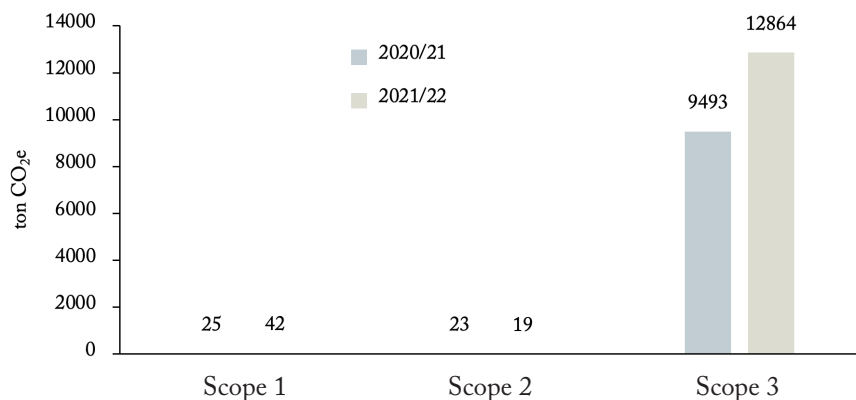


ENVIRONMENT - 27,4 POINTS

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 2021 we presented our first Climate Report with CO₂e-calculations for scope 1, 2 and 3. This year we have collected more accurate data and will present our newest Climate Report later this fall. Initial calculations from our new Climate Report show, that despite our efforts to reduce our total emissions, we have seen an increase in total emissions of 26% compared to last year.

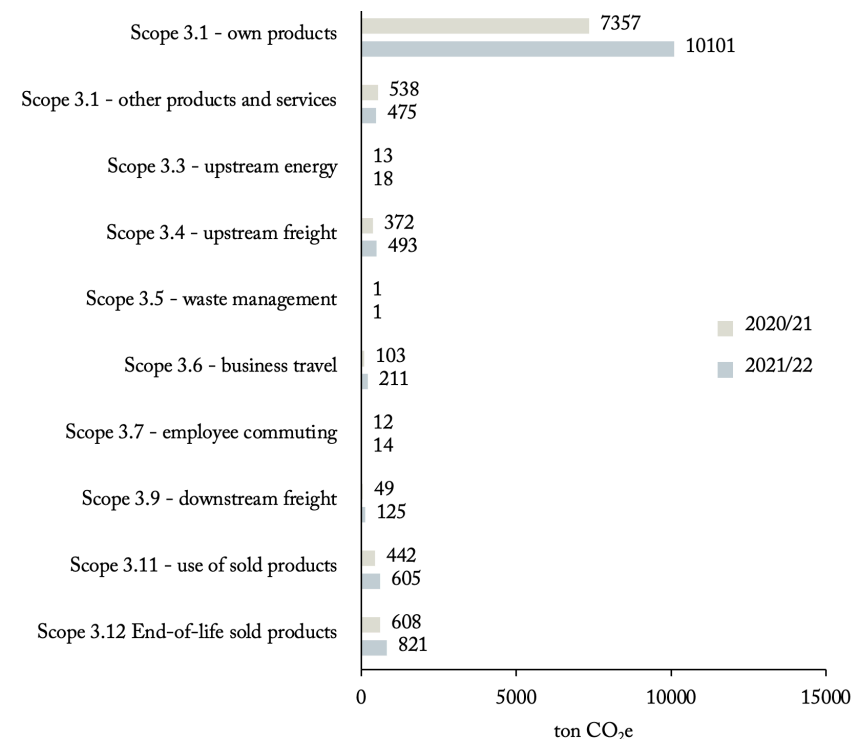
This increase is primarily related to Skagerak purchasing a larger amount of products for stock compared to 2020/2021 which also affects the emissions from upstream and downstream freight.



Skagerak's CO₂e-emissions per scope (using the location-based method) for the base year (2020/2021) and this year (2021/2022).

Similar to last year's results the vast majority of our emissions (>99%) lies in scope 3 which emphasizes the importance of strong collaboration with all our partners.

This year we have also calculated the carbon footprint of our top 25 products using the MÅLBAR tool. These calculations have given us valuable insights on where our product emissions lie. With this knowledge we have initiated several changes, such as moving production of some of our products closer to the raw material source and thereby reducing the carbon footprint of the given product significantly. We expect that changes like these will contribute positively to future emission calculations. For more details on our action plan and climate targets we refer to our Climate Reports.



Skagerak's indirect CO₂e-emissions per scope 3 category. (For electricity, the location-based inventory is used for this graphic).

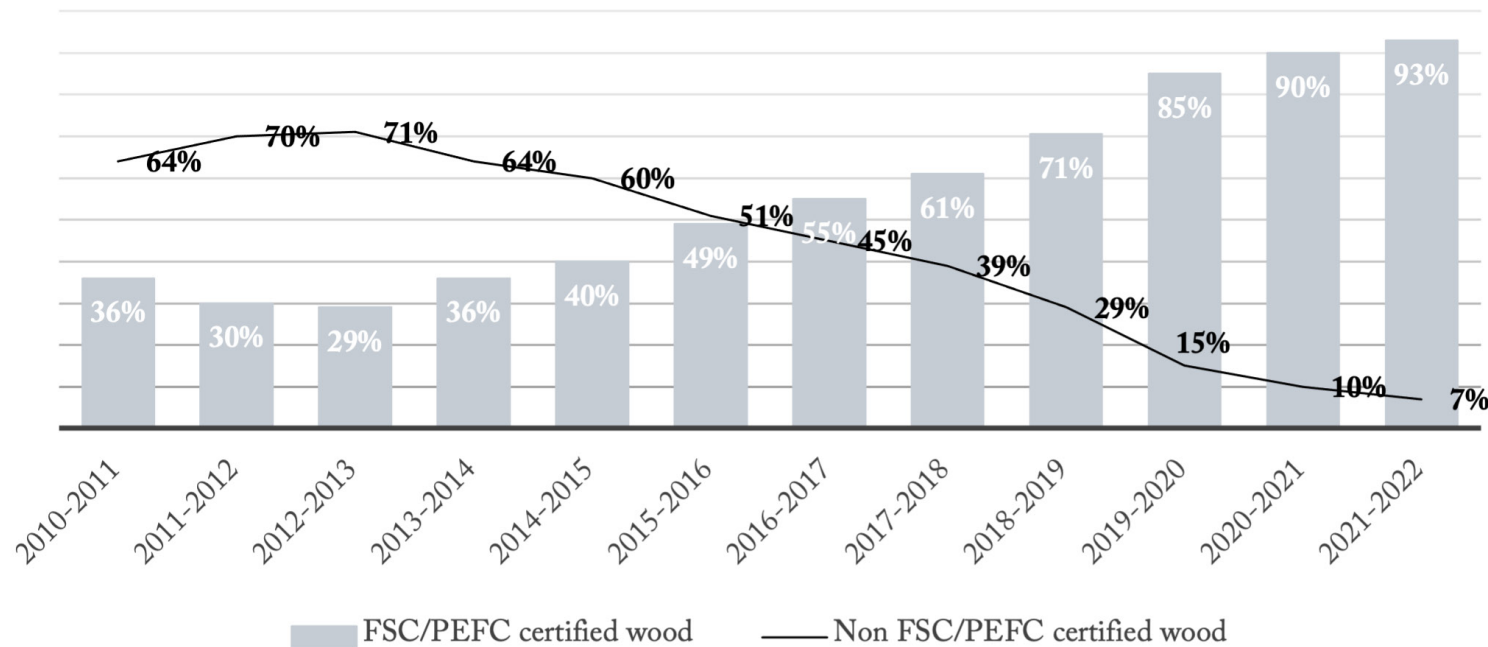
8. CERTIFIED MATERIALS

- 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 using a 100% FSC or PEFC-certified wood in its collection. This year we are one step closer to reach our goal as the share of

FSC/PEFC-certified wood in our collection has increased from 90% to 93%. We are well on track to achieve our goal of 100% certified wood by 2025.



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.

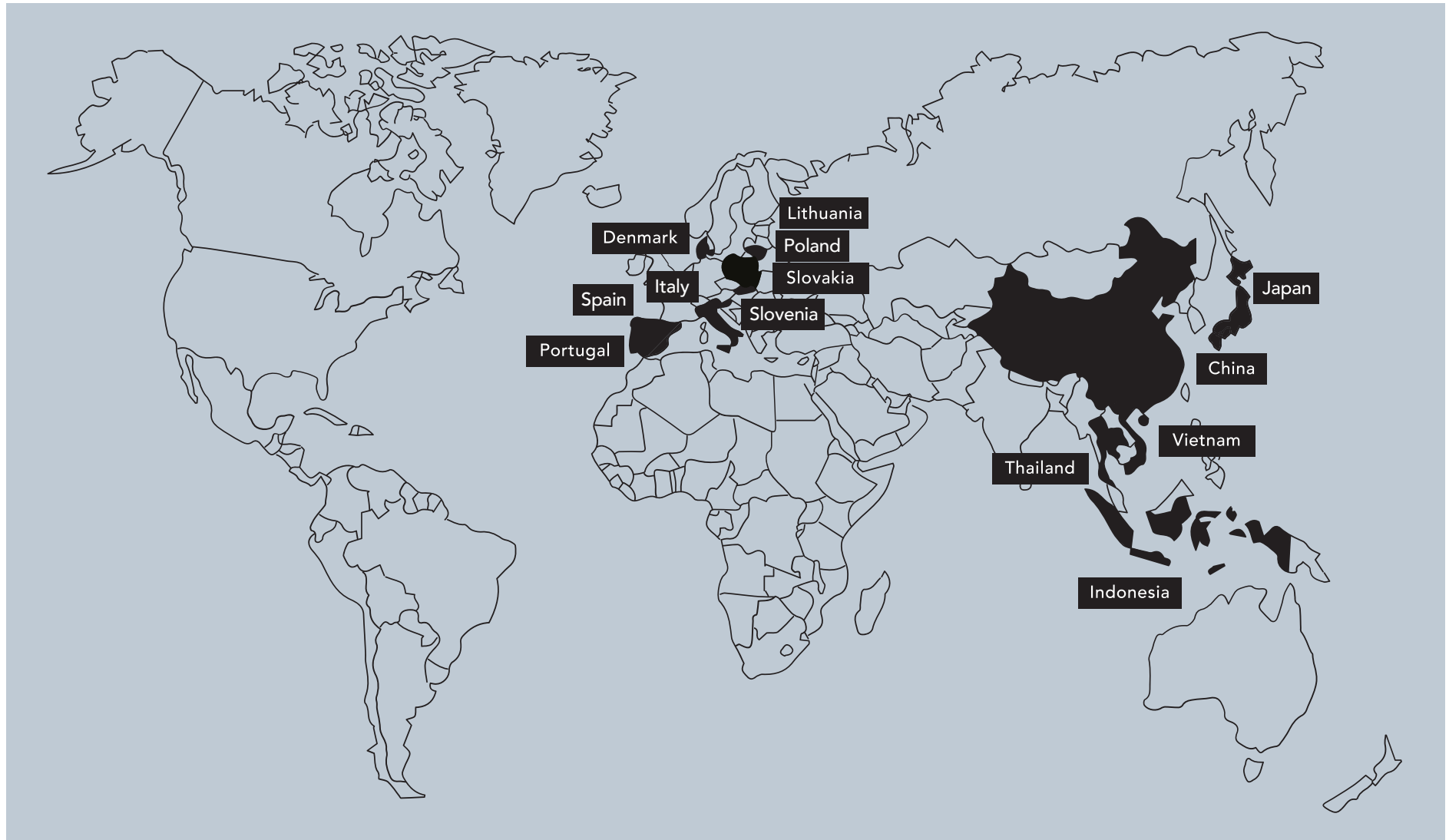
The effects of this are vast and contributes directly to 11 out of the 17 SDGs and 35 direct sub-targets.

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



9. 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 companies 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

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).



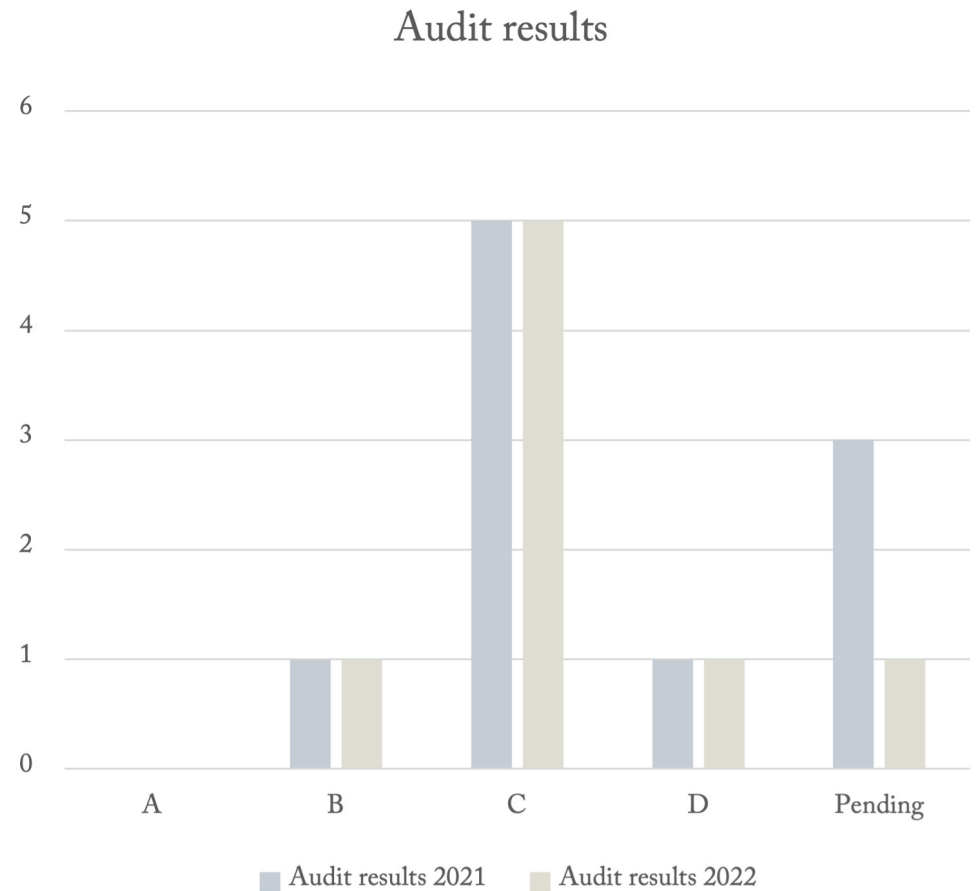
AUDITING SUPPLIERS AND MAKING PLANS FOR IMPROVEMENT

To make sure that suppliers meet the requirements of the CoC, they are required to perform self-assessments and selected suppliers are also audited at regular intervals. Based on a risk assessment we prioritize to audit our non-European suppliers. 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.

For the past year, some of our productions markets continued to be challenged by travelling restrictions due to Covid-19, and this has limited our opportunity to visit supplier factories as often as we prefer. However, all planned audits have been carried out as planned.

In the coming year we will continue to work constructively and proactively with our suppliers on their areas of potential improvement.



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.

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.

10. 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 cultural and art institutions, such as Kunsten Museum of Modern Art, Utzon Center and Art Museums of Skagen.

In 2021/2022 we made monetary donations to organizations who does important work that is close to our hearts. One of these donations were made to Eden Reforestation Projects and resulted in 15,000 mangrove trees planted in Indonesia.

We donated Skagerak products of a total recommended retail price of 4,937,000 DKK to local Danish organizations such as Joannahuset and Julemærkehjemmene.

Last but not least our employees donated 503 hours of volunteer work in their local community equal to approximately 10,5 hours per employee – a significant increase from last year's result of 2,6 hours per employee



