



DANIEL WELLINGTON

SUSTAINABILITY REPORT 2021

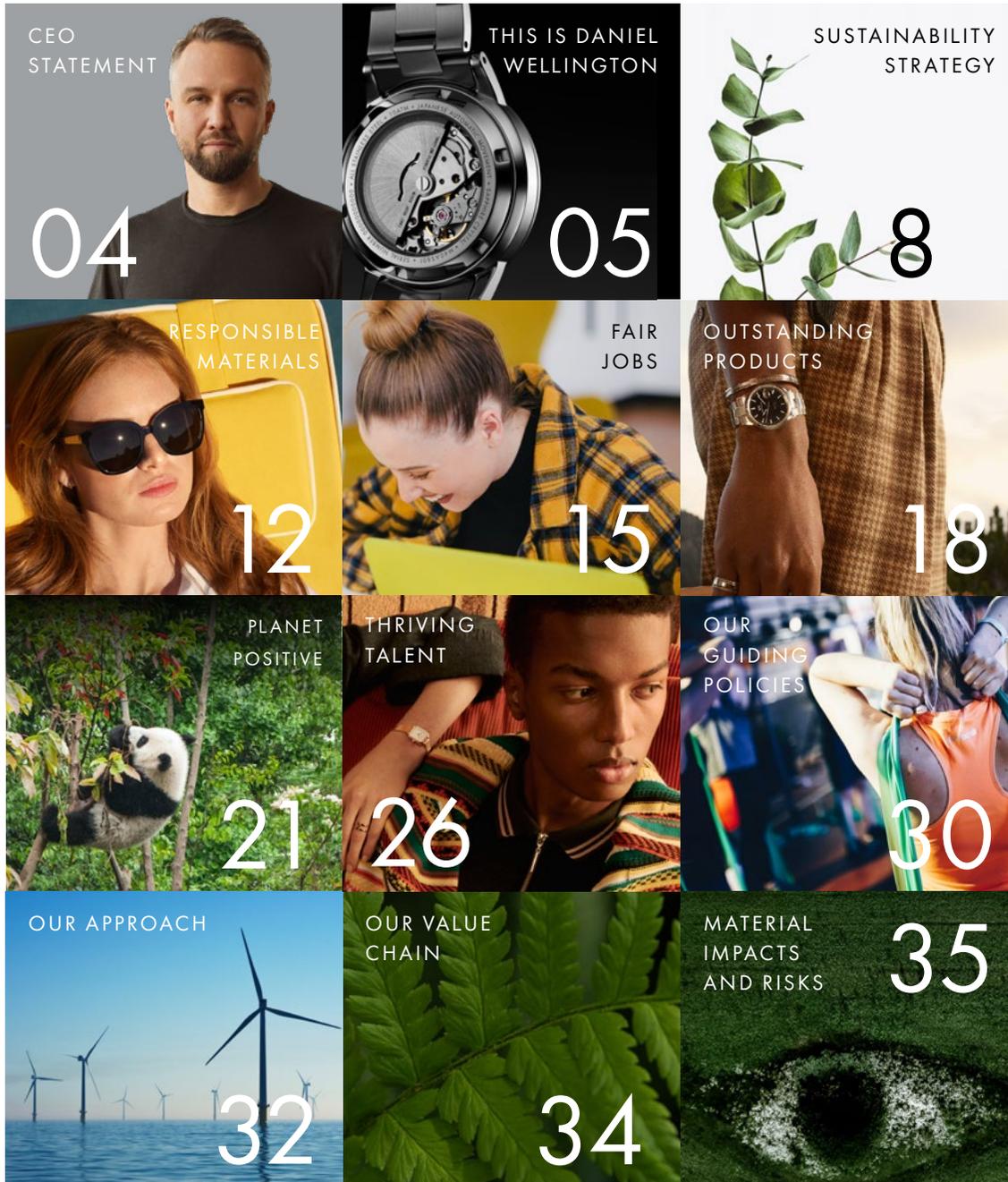
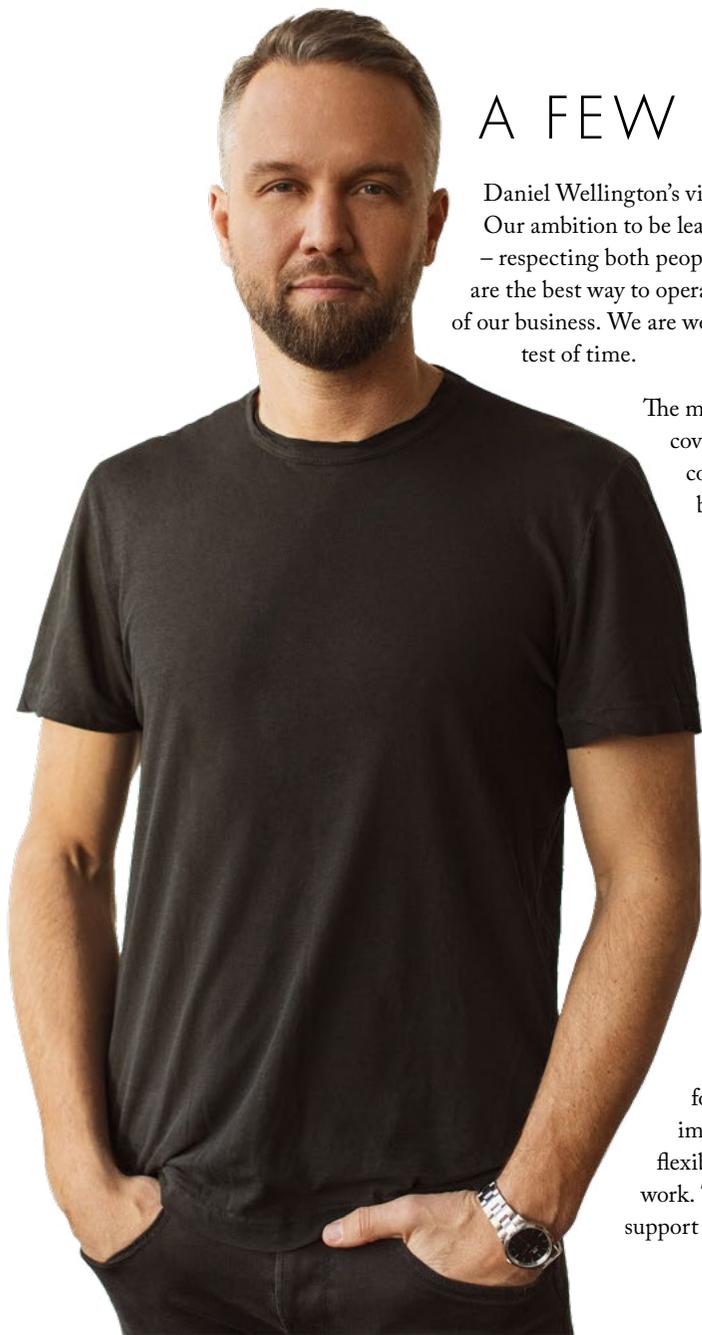


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KEY HIGHLIGHTS

 <p>REPAIR SCORE 75% (FROM 75% IN 2020, SHARE OF SALES WHERE WE HAVE A REPAIR SOLUTION IN PLACE)</p>	 <p>71% OF EMPLOYEES ARE WOMEN, 45% OF GLOBAL EXECUTIVES ARE WOMEN</p>	 <p>2,900 WORKERS IN OUR SUPPLY CHAIN TRAINED IN BASIC RIGHTS & RESPONSIBILITIES</p>	 <p>100% RENEWABLE ELECTRICITY PURCHASED FOR OUR OPERATIONS</p>	 <p>LEATHER FROM ITALIAN LWG CERTIFIED TANNERIES</p>	 <p>AVERAGE EMPLOYEE NPS DURING 2021 WAS 37 WHICH IS IN THE TOP 25% OF THE CONSUMER SEGMENT.</p>
 <p>MATERIAL SUSTAINABILITY & COMPLIANCE REVIEW COMPLETED FOR ALL NEW PRODUCTS LAUNCHED</p>	 <p>100% FSC-CERTIFIED PAPER & BOARD IN ALL CONSUMER BOXES</p>	 <p>51% CARBON FOOTPRINT REDUCTION SINCE OUR BASE-YEAR 2017</p>	 <p>12 FACTORIES CONTINUE THE IMPLEMENTATION OF THE DIGITAL TRAINING PROGRAM QUIZRR</p>	 <p>LANDFILL-FREE WASTE FROM OUR WAREHOUSES</p>	 <p>WE OFFSET OUR FULL CARBON FOOTPRINT BY INVESTING IN TWO GOLD STANDARD CERTIFIED PROJECTS.</p>
 <p>ALL NATO STRAPS ARE PRODUCED USING RECYCLED POLYESTER</p>	<p>100% OF PRODUCT SUPPLIERS IN CHINA HAVE BEEN AUDITED</p>	 <p>BIO-ACETATE SELECTED FOR THE NEW EYEWEAR LAUNCH.</p>	 <p>WE SCORED 66.4 ON OUR PRODUCT QUALITY NPS 30-70 IS CONSIDERED "GREAT"</p>	 <p>ANNUAL SUPPLIER SUMMIT GATHERING 100 PARTICIPANTS FROM OUR SUPPLIERS TIER 1, 2 AND 3</p>	



A FEW WORDS FROM OUR CEO

Daniel Wellington's vision is to build the world's leading accessory brand. Our ambition to be leading includes doing business in a responsible way – respecting both people and the planet. Long-term planning and actions are the best way to operate responsibly and have always been the foundation of our business. We are working towards creating a company that stands the test of time.

The macro-environment remains challenging. The covid-pandemic continues to disrupt the world, consequences of the climate crisis are unfolding before our eyes, and in February 2022, Russia's invasion of Ukraine brought an unacceptable war to Europe. All these factors contribute to high levels of unpredictability, and as a result we also see negative sale impacts in parts of the business.

The outside challenges have required the company to re-structure the cost base and the way we operate, to be able to manage the turbulent unpredictable period we are experiencing. We are in the process of building a more lean but solid platform for creating both short and long-term value, transforming our business model and adjusting to the current situation while keeping our long-term business view.

The health and safety of our employees, our customers and other partners have remained a focus during the past year. Many markets have implemented a hybrid office set-up, enabling flexibility in switching between the office and remote work. The company's digital tools are quickly evolving to support this transition.

Guided by our product philosophy, we are working hard to deliver products that will last, both in terms of timeless style and quality. Our development teams are working to include more durable, exclusive, and sustainable materials in our products to always over-deliver on customers' expectations and provide the best quality in our price segment. An example of our ambition to use better materials was the decision to use bio-acetate in the new eye-wear range. The bio-acetate contains higher levels of renewable materials, making the environmental impact lower than that of conventional acetate. We also want our customers to use our products for as long as possible and we are gradually expanding repair services in more markets to make repairs easy and accessible.

The company's carbon footprint has decreased by 51% since 2017, but the emissions in 2021 were at the same level as in 2020. There were several factors contributing to this: more normal freight volumes compared to 2020, the disruptions in the global freight market and some last-minute changes in sales resulting in the use of more air freight. We are committed to continuing to accelerate our reduction journey going forward, aiming to be carbon neutral by 2030. In the meanwhile, for the second year running, we compensated for our full company footprint (including Scope 3) by investing in two Gold Standard projects in China and India.

Our commitment is firm, building a company that is sustainable and driving the transition from a linear to a circular business. The principles of the UN Global Compact guide our work, as do the UN Sustainable Development Goals. We acknowledge that we have more to do on our Sustainability journey, but we are determined to help push change not only for ourselves but also for our stakeholders and the whole industry. Cooperation is essential, together with others and one step at a time, we are determined to make a difference.

Johan Johansson
Group CEO

THIS IS DANIEL WELLINGTON

In this sustainability report you can read about Daniel Wellington's sustainability strategy, future ambitions and the most important actions from the past year.

Our overall commitment to running a long-term sustainable business remains firm. Sustainability is a core part of our business strategy, and we are continuously working to deepen our understanding of the company's impacts. Launching our new sustainability strategy in 2018 was an important first step. Since then, we have worked hard to implement our strategy and integrate sustainability into everything that we do. We still have a lot of work ahead and numerous questions to resolve, mainly; how to move from a linear set-up to a circular approach and how to adapt our business set-up in order to implement sustainable solutions (supported by science). We do not have all the answers, and we know it will be challenging, but we intend to do our best to get there. With hard work, determination, and passion, our ambition is to make a positive impact on the world.

OUR BUSINESS MODEL

Daniel Wellington is a global watch and accessories brand; our products are sold in almost every country in the world. The brand represents aspirational yet affordable luxury. Our designs are timeless, elegant, and minimalist. Many of our watch straps are interchangeable, giving consumers the flexibility to adjust their style to every occasion.

The company was founded in 2011 in Sweden, with its headquarters located in Stockholm, and over 20 active subsidiaries in the Americas, APAC, China, Europe, and IMEA. From an operational standpoint, the Daniel Wellington group is organized in a channel-led structure. The structure maximizes efficiencies and enables us to leverage core competencies across the group while minimizing overlapping responsibilities and layers.

The brand is marketed primarily through digital channels, and social networks. In total, we have over 4.9 million followers on Instagram, with a large community of active followers that engage in featuring their Daniel Wellington products.

Products are sold through numerous sales channels both online and offline: on our website and other online marketplaces, as well as through Daniel Wellington branded retail shops and other independent distributors.

The products are produced by suppliers in China and the watch movement is produced in Japan. We have a team located in Hong Kong and China working full-time with our suppliers to ensure that our quality standards are being consistently fulfilled.



KEY FIGURES 2021



1.8 BILLION
SEK TURNOVER



1,800
EMPLOYEES



PRODUCTS SHIPPED
TO MORE THAN
200
COUNTRIES



2.6 MILLION
PRODUCTS SOLD



400
RETAIL STORES IN
22 MARKETS

LARGEST SALES
REGIONS INCLUDE
ASIA AND EUROPE

COMPANY VISION

Daniel Wellington has a long-term view of the business, so we are not interested in making compromises for short-term growth. Our aim for the company is to have a sustainable and successful future by respecting people and operating within the planetary boundaries.

The same thinking goes into the products we create. The timeless design allows them to be used and loved for a long time.

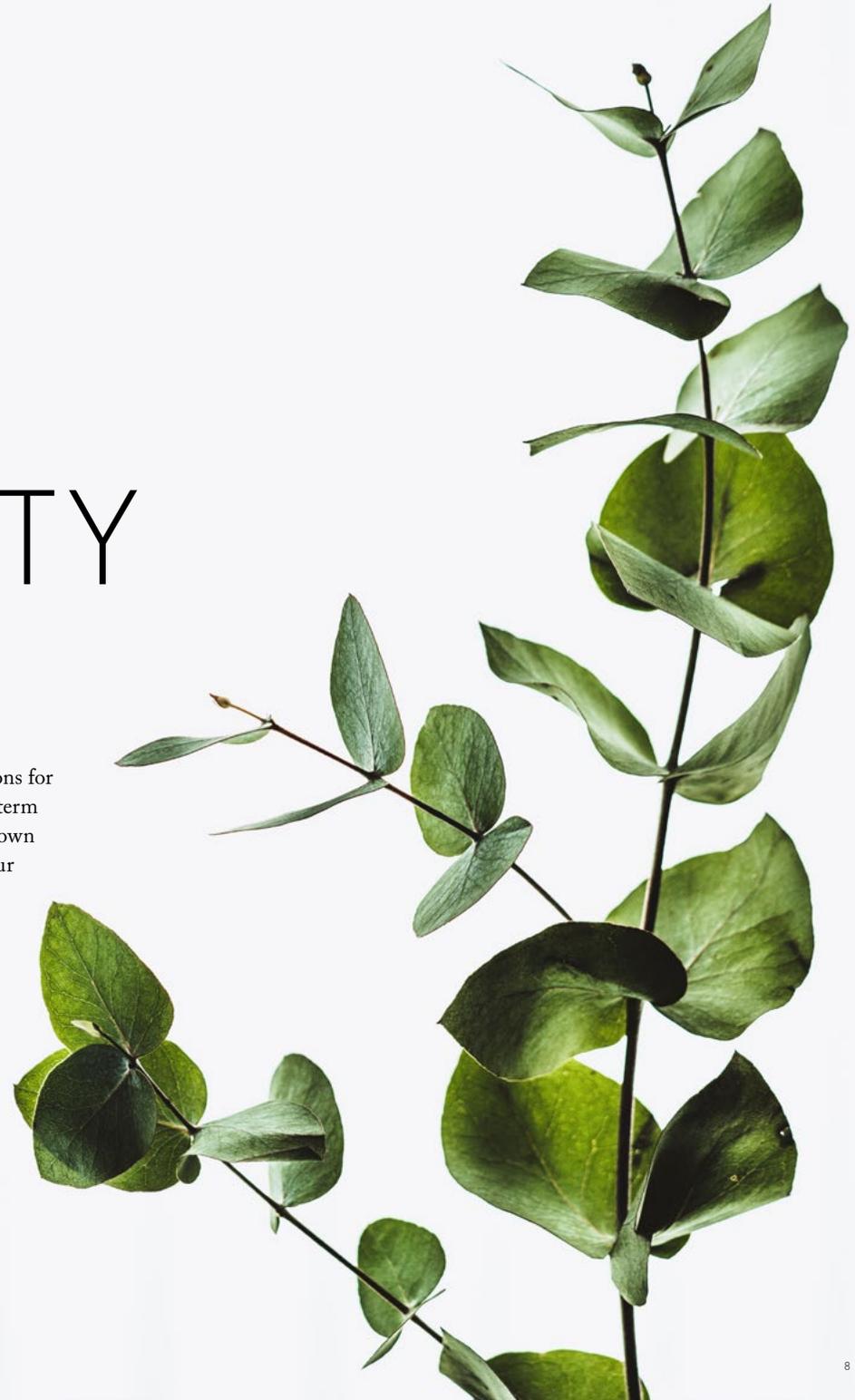
BUILDING THE WORLD'S LEADING ACCESSORY BRAND

Our mission is to build a sustainable company that can stand the test of time and is around for centuries.

Our entrepreneurial spirit fuels our drive to become the world's most recognized and beloved brand in our category. Leading the way through timeless style and affordable luxury, we are creating an accessory brand that inspires people to take an idea and make it a reality.

SUSTAINABILITY STRATEGY

We developed and launched our sustainability strategy in 2018. Overarching ambitions for 2030 have been established and these now guide our work towards running a long-term sustainable business within the limits of our planet. In addition, we are breaking down these goals into short- and medium-term commitments to make sure we cover our material impacts and help drive actions.



IMPACT-BASED APPROACH

Our strategies need to have a scientific base, so we aim for ambitious targets that can fulfill goals set in the Paris Agreement, for example. In many areas, we are at the start of our journey, and further research is necessary to find out what actions are needed to reach our final destination. There will be numerous challenges ahead of us, and we will have to collaborate with others to succeed. We will continue to push ourselves and communicate with new/existing partners as we look for better, more sustainable solutions to ensure we move in the right direction.

Many actions have been initiated to address the areas identified as important to Daniel Wellington. Our approach is impact-based, meaning that our first focus is on areas with the most significant impacts and where we have the biggest opportunity to make a difference.



SUPPORTING SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015. The goals are a call to action for governments, businesses, and civil society to end poverty, fight inequalities and address the urgency of climate change.

When developing our sustainability strategy, we prioritized the UN Sustainable Development Goals to ensure our strategies were in line with their ambitions. Specifically, we identified goals 8 (Decent work and economic growth), 12 (Responsible consumption and production), and 13 (Climate action) as the most relevant in terms of our impact. Our full list of actions also supports targets under the other goals.

For more details see the sections:



GOAL 8

See sections; **Fair jobs, Thriving talent**



GOAL 12

See sections; **Responsible materials, Outstanding products**



GOAL 13

See section; **Planet positive**

SUSTAINABILITY AMBITION

Our sustainability strategy consists of five areas and long-term goals describing where we want to be in 2030. These are our attempts at formulating what a fully sustainable Daniel Wellington could potentially look like. Under each area, we describe in more detail what this would mean for our business. We know that the targets are ambitious, but we believe this is the only way to achieve the needed change.

STRATEGIC AREAS

RESPONSIBLE MATERIALS	FAIR JOBS	OUTSTANDING PRODUCTS	PLANET POSITIVE	THRIVING TALENT
AMBITIONS 2030				
All our materials should be renewable or circular	Fair working conditions throughout our supply chain	Offer the best quality to price ratio in the industry	Net positive environmental impact	An empowered & engaged workforce

WHAT WOULD THIS LOOK LIKE

<p>Responsibly sourced materials, full transparency</p> <p>100% renewable where applicable</p> <p>Move towards circularity – use recycled materials & our products fully recyclable</p>	<p>Be a responsible partner</p> <p>Respecting human rights and promoting change all along the full value chain</p> <p>Create positive social impact</p>	<p>With innovation drive change towards sustainable product solutions</p> <p>Exceed consumer quality expectations</p> <p>Prolong product life by enabling and offering repair services</p> <p>Follow the strictest safety standards</p>	<p>Clean air – be carbon neutral</p> <p>Clean water – sustainable process effluents</p> <p>No waste impact from product end-of-life</p> <p>Efficient use of resources</p>	<p>Value driven organisation with a strong winning culture</p> <p>All employees offered the opportunity to grow & develop</p> <p>Highly engaged employees</p> <p>The best leaders acting as role models</p>
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COMMITMENTS AND PROGRESS

We are making progress and have started setting external commitments under each of the five strategic areas.



RESPONSIBLE MATERIALS

AMBITIONS 2030

All our materials should be renewable or circular.

WHAT WOULD THIS LOOK LIKE

Responsibly sourced materials, full transparency.

100% renewable where applicable.

Move towards circularity – use recycled materials & make sure our products are fully recyclable.

HIGHLIGHTS 2021

We selected bio-acetate for the new eyewear launch.

100% FSC certified paper and board.

Recycled polyester used in all NATO straps since April 2020.

100% of leather from LWG certified tanneries in Italy.

We introduced chrome-free leather in our leather straps (three of our leathers were chrome-free by the end of 2021).

CURRENT FOCUS & COMMITMENTS

STATUS

Introducing gold from recycled sources.

We are still struggling to find a feasible solution. The supply impacts caused by the Covid-19 pandemic remain.

Initiating a shift to chrome-free leather.

All new strap leathers launched starting from 2022 will be chrome-free. In 2021 we started to shift to chrome-free straps in our running products. So far, we have transferred three of our leathers to chrome-free alternatives. The remaining leathers will be shifted when we need to place new orders.

Create a 100% recyclable consumer box.

The materials in the current consumer box need to be sorted before they can be recycled, as there are some plastic parts used in the inserts. We are working to find a solution that uses only cardboard while meeting our needs in terms of flexibility (to fit several sizes), quality, and presentation to the consumer.

In our materiality assessment, we concluded that the choice of materials has a significant impact on our footprint. Our ambition is that all our materials should be either renewable (like paper and board) or part of a circular system (re-using recycled plastics that can be recycled again). To achieve this, we need to take full responsibility for our purchases, including complete transparency on the materials we are using and where they come from. It's important that we reduce our resource consumption by improving our product design, production process and overall transportation methods.

The work to improve our sourcing demands and material traceability is ongoing. We are gradually increasing the scope and our knowledge about our supply chains for leather, metals, packaging materials and, other components.

In 2020 we developed a new material commitment where we clarify our existing requirements on specific materials as well as our ambitions going forward. The commitment covers key raw materials such as leather, gold, plastics, and wood-based products. As we deepen our knowledge, we will continue to add relevant requirements and challenge our ambitions.

GOLD

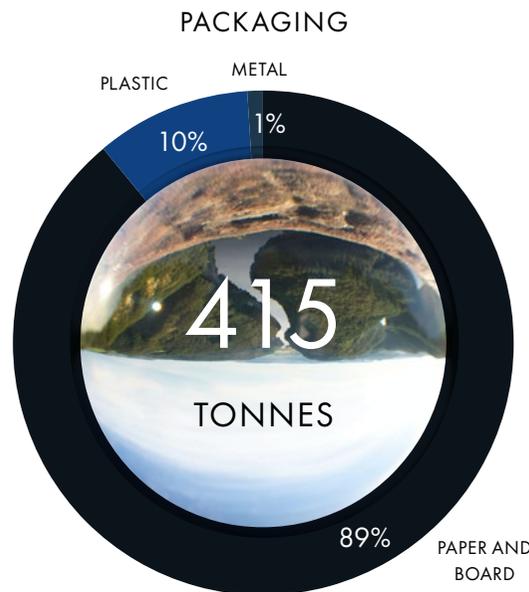
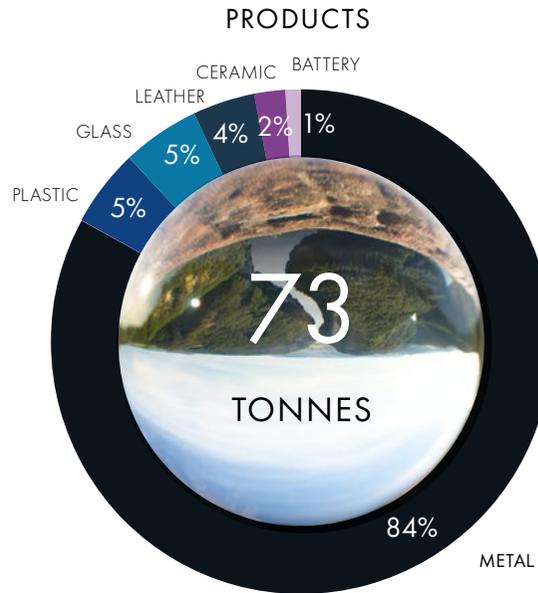
Many of Daniel Wellington's watches and jewelry are plated with gold, and we conduct annual due diligence to validate that the gold used is conflict-free. In 2021, we again received assurance from our plating factories that the gold used in our products had not been mined in the Democratic Republic of the Congo (DRC) or any adjoining countries. In addition, our research traced the gold back to a conflict-free mine.

Our long-term ambition is to use gold from recycled sources as an alternative with a lower environmental impact than virgin gold. Unfortunately, we have not been able to make progress as planned, partly due to disruptions caused by the Covid-19 pandemic. The supply impacts are still limiting our options, but we hope that the market will soon go back to normal so that we can initiate trials.

LEATHER

The leather supply chain is another important area for us. We source all the leather used for watch straps from tanneries in northern Italy. We require that all our tanneries should be certified by the Leather Working Group, something that we achieved in 2019. Being

MATERIAL USE



PERCENTAGES MAY NOT TOTAL 100 DUE TO ROUNDING.

certified by the LWG means working to reduce the environmental impact of the tanning process. As a result, the tannery uses less energy, less water, better chemicals and takes responsibility for their solid waste and effluents.

In 2020 we looked at ways to lower the impact of our straps, and as a result, we decided to shift to chrome-free alternatives. All new strap leathers launched from 2022 on will therefore be chrome-free. We also started to shift to chrome-free straps in our running products. By the end of 2021, we had transferred three of our leathers to chrome-free alternatives. The remaining leathers will be shifted when we need to place new orders.

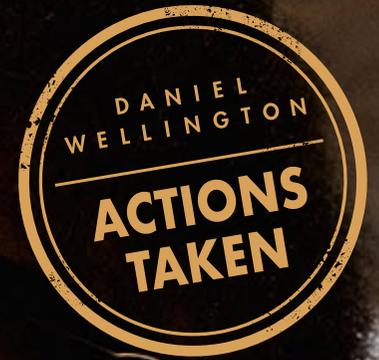
PAPER AND BOARD

Daniel Wellington does not want to contribute to deforestation. As a result, we have set a target for all our paper and board to be sourced from credibly certified or recycled sources. As part of this commitment, we conducted an initial mapping of our consumer box supply chain in 2018. During 2019, we worked closely with our suppliers to achieve FSC certification of their facilities as well as for the purchased raw materials. Since 2020 all of our purchased paper and board comes from FSC certified sources.

	2019	2020	2021
Paper & board from FSC certified sources	27%	100%	100%

OTHER METALS

The production of metals is relatively energy-intensive. We are currently running a project intended to reduce the impact of our stainless steel. As part of this initiative, we attempted to trace all the stainless steel we've used as far back as possible. We traced all our steel back to the steel mill. Half of these mills have provided the mine location where the iron was sourced. We are still in the process of assessing the feasibility of different options.



EYEWEAR BIO-ACETATE

Daniel Wellington launched its first steel eyewear collection in 2021. In 2021 we worked hard to develop an acetate collection for launch in 2022.

We know that a large share of our products' impact is locked-in at the design table, so we always do a thorough sustainability review of all the proposed product materials. For the new acetate collection, the main material acetate was naturally where we put the most focus.

In line with our long-term sustainability ambition to increase the share of materials from renewable origins, we decided to use Italian bio-acetate for the new collection. The bio-acetate is composed of cellulose acetate and uses a plasticizer of vegetable origin, making it a more sustainable choice than regular acetate.

There are many other materials and steps involved in producing eyewear, and we are working on different ways to reduce our impact. Bio-acetate is a great beginning, but we still have work to do.

FAIR JOBS

AMBITIONS 2030

Fair working conditions throughout our full value chain.

WHAT WOULD THIS LOOK LIKE

Be a responsible partner.

Respect human rights and promote change all along the entire value chain.

Create a positive social impact.

HIGHLIGHTS 2021

All tier 1 suppliers in China underwent an annual SMETA audit.

12 factories work with the digital training program Quizrr.

2,900 workers trained in basic rights & responsibilities.

Fourth supplier summit held virtually, gathering 100 participants from our suppliers (all tier 1, and selected tier 2 and 3).



CURRENT FOCUS & COMMITMENTS

STATUS

Audit all suppliers on a regular basis.

All tier 1 product suppliers in China undergo an annual audit. In addition, more than half of key tier 2 suppliers were audited during the year (including suppliers of components like the watch case, dials, hands). We also conducted audits at all the key tier 3 surface treatment suppliers. In 2021 all audits were SMETA audits conducted by an independent third party.

Contribute to educating 80% of factory workers through Quizrr on an ongoing basis.

Our suppliers continued the training program with 2,900 workers trained during the year, representing more than 80% of the suppliers' workforce.

Continue to deepen our knowledge and use our leverage to promote change further down the supply chain.

Daniel Wellington's suppliers are asked to share information about their subcontractors continuously. Our internal team regularly visits key tier 2 and 3 suppliers to support and verify progress. In 2021 we expanded our scope of covered suppliers.

We have a responsibility towards all the people touched by our operations. Our ambition is that all the jobs created in our supply chain should contribute positively to society. The working environment should be safe, and people need to be able to live and support their families on a regular worker's wage.

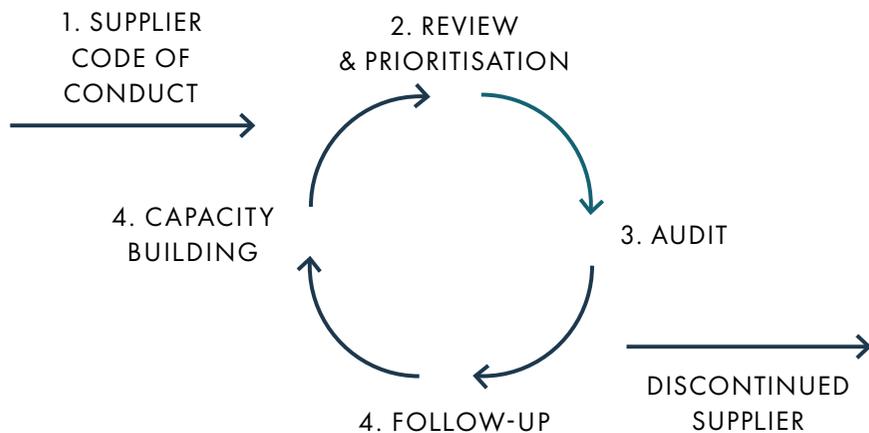
Our work in 2021 continued to be impacted by the Covid-19 pandemic, and we have worked to support our suppliers throughout this time. This includes assistance in managing potential disruption and re-prioritizing orders to enable deliveries.

In 2020 we joined SEDEX, one of the world's leading platforms for companies to manage and improve working conditions in the supply chain. We have now introduced the SEDEX platform and tools to all our direct suppliers and the key tier 2 and 3 suppliers. The platform should support our suppliers in meeting not only Daniel Wellington's requirements, but also those of other brands, reducing the need to duplicate audits.

OUR SUPPLIERS

Daniel Wellington's supplier base is mainly located in China. To manage the sustainability impacts and risks associated with our supply chain, we have set up a five-step process to help us prioritize and focus our actions.

At a minimum, our suppliers should follow the local laws of the country where the business is conducted. In addition, our Supplier Code of Conduct sets the minimum requirements for how we expect our suppliers to act. All our direct product suppliers have signed the code. *See section [Our Guiding Policies] for more details on the Supplier Code of Conduct.*



Once the supplier has signed the Supplier Code of Conduct, they are part of our audit program. We plan and prioritize our work based on input such as the supplier spend, the product type, and the previous history with the supplier. In 2021, all our Chinese direct product suppliers were audited, including all watch assembly, jewelry, eye wear and packaging suppliers, using the SMETA 4-Pillar framework. All audits were semi-announced conducted by qualified third-party audit firms. The work with improving issues found during audits is ongoing, and we are continuing to see progress in terms of e.g. working hour controls. Following each audit, dedicated Daniel Wellington staff work together with the suppliers on improving the identified areas. We follow up on working hours and social insurance coverage monthly, enabling us to track and support the suppliers in achieving the agreed improvement targets. Sustainability is an important part of the suppliers' performance reviews.

We continued to expand our Sustainability requirements further to tier 2 and 3 suppliers. All our suppliers need to report on their tier 2 subcontractors regularly. For some important components, materials and surface treatment processes, we are also following up on tier 3 factories. We conducted external audits at more than half of our key tier 2 suppliers during the year (including component suppliers of, for example the watch case, case back, dials, and hands). Key tier 3 surface treatment suppliers were also audited. In addition to the external audits, factory visits are carried out regularly by Daniel Wellington employees.

In 2021, we held our fourth annual Supplier Summit, with more than 100 participants. Assembly, component, raw material, packaging and key surface treatment suppliers were invited to a session with the purpose to give them the knowledge and tools to live up to Daniel Wellington's quality and sustainability standards. The event also included an update from Daniel Wellington's CEO on the company's strategy. As per tradition, we awarded two key suppliers that had shown great commitment and progress throughout the year.

In 2019 we introduced the e-learning tool Quizrr to all our direct suppliers as part of our commitment to support long-term improvements in our supply chain. The tool enables our suppliers to proactively educate factory workers and management on workers' rights & responsibilities, health & safety, and workplace dialogue. Twelve of our suppliers continued the implementation in 2021, and by the end of December 2021, 2,900 employees at the factories had participated in at least one training module. In total, 15,000 training sessions were held. *See the case study ["Beyond audit"] for more information.*

Going forward, we will continue to support our suppliers and strengthen our processes and controls.

BEYOND AUDIT

Our key suppliers are working with the digital training tool Quizrr for the third year running, as part of our commitment to support long-term improvements in our supply chain. The training complements the annual audits we perform and helps our suppliers proactively educate both workers and management on workers' rights & responsibilities, health & safety, and workplace dialogue.

In 2021, around 2,900 employees in 12 factories have been trained in over 15,000 sessions. Since launching the initiative in 2019, more than 35,000 training sessions have been completed. Some of our suppliers were part of Quizrr's mobile app pilot in early 2021, which allowed employees to use cellphones for the trainings, making sessions more accessible and efficient.

We surveyed over 2,000 participants during the autumn of 2021, and the feedback was overall very positive. The vast majority of workers thought that the training helped increase their knowledge (96%), and they would recommend the training to a friend (96%). Many shared that they had seen positive changes in the factory following the training (95%). Quizrr has been the first digital social responsibility training program for 85% of the respondents.

WHY DOES THIS MAKE A DIFFERENCE?

Educating both the workers and management about their rights & responsibilities helps achieve real long-term improvements. It leads to improved communication between workers and managers. As a result, worker engagement increases, which leads to lower employee turnover and higher productivity/product quality. Creating a good foundation for decent working conditions ultimately empowers workers to improve their lives.

99%

OF SURVEYED MANAGERS
WOULD RECOMMEND THE
TRAINING TO A FRIEND

96%

OF SURVEYED EMPLOYEES
WOULD RECOMMEND THE
TRAINING TO A FRIEND

96%

OF SURVEYED EMPLOYEES
SAY THEY LEARNED NEW
KNOWLEDGE DURING THE
TRAINING



OUTSTANDING PRODUCTS

AMBITIONS 2030

Offer the best quality to price ratio in the industry.

WHAT WOULD THIS LOOK LIKE

- Drive change through innovation for sustainable product solutions.
- Exceed consumer quality expectations.
- Prolong product life by enabling and offering repair services.
- Follow the strictest safety standards.

HIGHLIGHTS 2021

- We scored 66.4 on our Product Quality NPS (a score of 30-70 is considered 'great').
- All Daniel Wellington's stores support customers with battery changes.
- Increased our repair score from 75% to 85% (the share of sales where we have a repair solution in place).
- Material sustainability & compliance review completed for all the new launches.

CURRENT FOCUS & COMMITMENTS

STATUS

Make repair services available to consumers in all markets.	We increased our repair score from 75% to 85% in 2021 (the share of sales where we have a complete repair solution in place). New partnerships were established in five additional markets; Italy, France, Taiwan, Hong Kong, and Vietnam.
Strengthen our product testing routines in close collaboration with our suppliers.	We continued to roll out the new product testing routine to all our suppliers. All new 2021 suppliers were connected to the test program from the start.
All new products and materials should undergo complete sustainability and compliance review.	Approximately 20 new products were launched in 2021, and all products and materials were reviewed from a sustainability & compliance perspective.



Design is at the heart of Daniel Wellington's product philosophy. We always strive for perfection in our products, creating designs that we believe will stand the test of time. As part of the development, we study the materials and processes used, ensuring we review everything from a quality and sustainability perspective. We aim to exceed the consumers' expectations by offering affordable products with the highest possible quality, produced with care for the environment and respect for the people that are touched. By doing this, we hope to build a stronger brand and, in the end, create more loyal customers.

QUALITY AND PROLONGING PRODUCT LIFE

Our goal is to create products that not only have a timeless design but that also function for many years. The quality requirements on our suppliers and materials are high, and we are continuously improving the products. Results from our quality inspections and warranty issues from customers are monitored regularly to make sure that we pick up on potential problems as early as possible.

All parts of our watches can be replaced if damaged, and in many markets, we offer repair services directly to our customers to help prolong the product life. At the start of 2021, our repair score was 75% (the share of sales where we have a complete repair solution in place), and by the end of the year, we reached 85%. Our goal is to roll this out in all our markets.

REVIEW OF NEW PRODUCTS

Sustainability is embedded in Daniel Wellington's product philosophy as well as in our new product development process. This means that all new products and materials undergo complete sustainability and compliance review. All products launched in 2021 were assessed both with a desktop study and following lab tests to ensure that they meet our requirements for being safe for the consumer, produced responsibly, and with our Material Commitment in mind.

One example of this process was our choice of plating technique for the steel eyewear collection. The products are made with IP plating, a more sustainable plating technique than traditional water plating. IP plating is less hazardous for the workers and creates less wastewater.

For the new acetate eyewear collection, the main material acetate was screened carefully. In line with our long-term ambition to increase the share of materials from renewable origins, we decided to use Italian bio-acetate. The bio-acetate is composed of cellulose acetate and uses a plasticizer of vegetable origin, making it a more sustainable choice than regular acetate.

SAFE PRODUCTS

It is essential that all our products are safe to use for our consumers. To ensure that the products do not contain any dangerous chemicals that may harm human health or the environment, we follow the strictest legalization in our markets and apply the precautionary principle. Regular tests of our products are conducted by independent

testing houses to verify compliance.

In 2020 we started implementing an improved test process with our suppliers that was rolled out to all suppliers in 2021. The process strengthens the connection between the AFIRM Restricted Substance List (AFIRM RSL) which was launched in 2019, and all the products in our assortment.

Daniel Wellington is a member of the Swedish Chemicals Group (Kemikaliegruppen at Swerea IVF), a forum for keeping up to date on current chemical legislation and discussions.

The stainless steel used in our products, including the watch case, watch straps, and jewelry, is 316L. The NATO straps are made from recycled polyester, and the leather comes from cattle. To ensure that our leather is high quality, we use a few selected tanneries in northern Italy. None of the materials should under normal use cause any allergic reactions.

IP AND ANTI-COUNTERFEITING

Daniel Wellington has designated a part of its legal team to focus solely on intellectual property ("IP") and anti-counterfeiting. This includes the work to oversee, manage and defend the company's worldwide IP rights and specifically to protect and control the use of the company's trademarks and designs, which are of great value and importance to the company.

In recent years, it has become apparent that Daniel Wellington products are attractive to copy. This implies several problems, e.g. counterfeits being of poor product quality, which may result in potential health and

safety issues for the consumers buying and using counterfeits. In addition, the sale and production of counterfeit products is often linked to other types of crimes such as money laundering, tax evasion, and labor exploitation and feed a shadow economy controlled by criminal organizations. Counterfeit products are more likely to be manufactured in non-compliance with environmental laws and standards. To manage these problems, and ensure the company's rights are respected and consumers are protected, we work actively to combat counterfeiting. This work comprises both preventive and corrective measures and Daniel Wellington collaborates with e.g., digital marketplaces, customs, police departments, prosecutors, and other law enforcement agencies worldwide. Further, we are active in several organizations, including the Swedish Anti-Counterfeiting Group (SACG), the Together Against Counterfeiting Alliance (TAC), and the International Trademark Association (INTA), to mention a few.

Over the past years, our anti-counterfeiting measures have led to seizures of over 500,000 fake products globally and the take-down of almost 1,200,000 contested e-commerce ads. The preventive and corrective measures, as well as the collaborations with relevant organizations and authorities, have enabled Daniel Wellington to contribute to the process of combating the problems that the counterfeit market gives rise to.

PROLONGING PRODUCT LIFE

Step by step, we are working towards circularity in all stages of our products' life cycle. One aspect is prolonging the life of our products. We take a three-legged approach where we change batteries, repair, and remodel watches.

Firstly, we help our consumers with battery exchanges. This is done in our retail stores, warehouses, or partner stores. For slow-moving stock in our warehouses, we occasionally change batteries to ensure our customers receive new products with healthy batteries.

The second effort is repairing broken watches. We strive to provide repair services to our customers beyond the product warranty. In 2021, we established partnerships in five additional markets; Italy, France, Taiwan, Hong Kong, and Vietnam to offer repairs to more customers. In total, we now cover 85% of our sales with repair services that can be utilized beyond the warranty period.

Finally, we have initiated a project to remodel products that, for some reason, are unsellable. These might be discolored or otherwise damaged products, either identified in our stock or from returns. These products are taken back to one of our suppliers who picks the products apart. The parts are then individually reviewed and if necessary fixed before the parts can be used to build new watches. With this method, we are aiming to reuse components that would have otherwise been discarded. In 2021, we sent 110,000 watches to remodeling.



PLANET POSITIVE

AMBITIONS 2030

Net positive environmental impact

WHAT WOULD THIS LOOK LIKE

Clean air – be carbon neutral

Clean water – sustainable process effluents

No waste impact from product end-of-life

Efficient use of resources

HIGHLIGHTS 2021

We have reduced our carbon footprint by 51% since our base-year 2017.

Purchased renewable electricity matching 100% of the electricity used in our operations.

98% landfill-free waste from our warehouses.



CURRENT FOCUS & COMMITMENTS

STATUS

Reduce carbon emissions by 60% by 2023 (compared to 2017) through the implementation of the climate roadmap

We have been working to achieve carbon reduction for many years. In 2020 we developed a climate roadmap that helps create additional structure and prioritize our projects on a global level.

During the year, we have focused on building new processes for freight to reduce both carbon emissions and cost. We expect to see the results of this more clearly in 2022.

Reduction until end of 2021 approx. 51% compared to the base year 2017.

Roll-out no waste to landfill target for all DW operations (warehouses, retail and offices)

98% of waste sent from our warehouses is landfill-free (both our own and operated by 3rd party).

A survey conducted in our retail stores showed that most waste is recycled. We are however unable to measure the exact quantities at present.

The world is facing a multitude of challenges: the climate crisis, loss of biodiversity, and plastic pollution, to mention a few. Our ambition is to be a role model by using resources efficiently and working to reduce all our negative impacts long-term.

CLIMATE ROADMAP

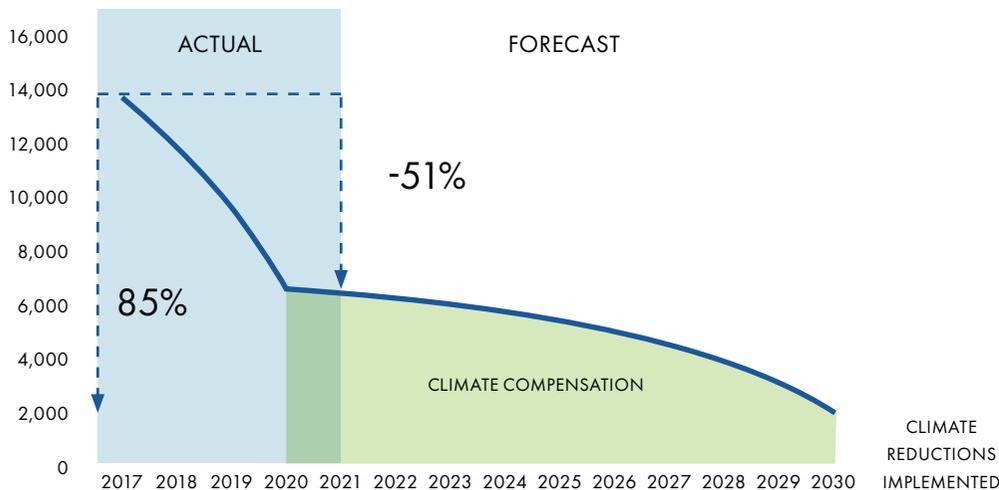
The climate crisis is a serious threat to the world. We recognize that Daniel Wellington impacts the climate in a multitude of ways throughout the product value chain: from the raw materials we choose to the factories producing our products, to our operations/freight and the product end-of-life. With this in mind, we have set a clear target to be climate neutral by 2030.

Our approach to managing our climate change impact is based on three steps;

- 1) Measure our full life cycle impact.
- 2) Reduce emissions with a focus on the largest measured emissions first.
- 3) Compensate for unavoidable emissions.

CLIMATE ROADMAP

For the climate roadmap, emissions are calculated including renewable energy purchases (market-based).



To make our climate neutrality goal tangible, we created a climate roadmap that will show us the way to 2030. At present, we have simulated emission reductions of at least 85% from the base year 2017 to the target year of 2030. Many projects will be challenging, and we do not have all the solutions yet. As we get closer to 2030 we expect to find additional ways to reduce our remaining emissions further. We only want to use climate compensation as a solution for unavoidable emissions. In our roadmap, we have divided the scope into four key areas: energy, products, business travel and freight. In each of the areas, plausible projects have been identified and their potential reduction calculated.

CLIMATE FOOTPRINT

The first assessment of Daniel Wellington’s climate change footprint was conducted for 2016. Our ambition is to cover the full life-cycle emissions of our products, including the impact from raw materials used, emissions from our factories, our warehouses, offices, retail operations, all product transportation,

and business travel. We have continuously worked to improve data accuracy and add previously missed data sources. Changes due to this make year-on-year comparisons not fully representative. When earlier assumptions have been shown to be inaccurate, we have updated the data also for previous years. *For a more detailed methodology, please see section About this report.*

Results from the 2021 carbon inventory show that Daniel Wellington’s climate impact, including renewables, increased by 0.1% compared to 2020. Both our carbon intensity per revenue and per product has increased slightly. While the small increase in 2021 is negative, we still have a reduction of 51% compared to our base-year 2017. In 2021 we saw increased emissions from freight and energy purchases, while business travel and product footprint decreased.

Freight emissions increased by 25% compared to 2020, and we have identified two main factors. One is an increase in freight volume overall, and the other is the increased use of air freight. The freight volume increase is mainly a return to normalcy from a very low freight volume year in 2020. Emissions also went up due to increased air freight, accounting for 86% of our freight emissions, up from 79% in 2020. The main share of air freight happened in Q4 during our peak sales period. Delayed sea shipments not arriving in time for the peak as well as unexpected sales peaks in some markets led us to send air shipments of goods we normally send by sea. We are currently implementing changes to help avoid repeating this situation in 2022.

Business travel was also limited during 2021. The total reduction was 34% compared to 2020 and 82% since the base year 2017. A large share of this reduction is still expected due to the ongoing Covid-19 pandemic which has reduced global travel. However, we have implemented stricter travel guidelines, which have furthered the effect.

Traceable renewable electricity is purchased to match the consumption for all our offices, warehouses, and retail stores. We try to purchase energy from the market where the energy was consumed (85% in 2021). However, when not possible, we increase the purchases from other markets to compensate (15%

in 2021) – such purchases are unaccounted for in the carbon calculations. Guarantees of Origin (GOs) were used for Europe and International Renewable Electricity Certificates (RECs) for other parts of the world. Wind and solar accounted for 90% of our renewable energy purchases in 2021.

For the second year running, we decided to offset our carbon emissions in Gold Standard certified projects in India and China. The amount compensated represents our full climate footprint for 2021. This does not in any way replace our focus on reducing our emissions. Instead, we believe this helps us create even more engagement around the importance of climate action and taking responsibility for everything we do.

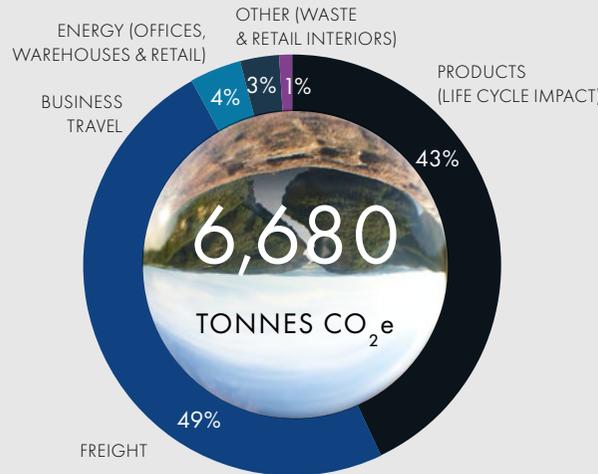
WASTE

As a first step towards a circular business, we have set a target that our operations should be 100% landfill-free. In 2021 we continued to implement this target in warehouses and offices worldwide. The results show that 98% of waste from our own and third-party warehouses is landfill-free; this figure has stayed the same since 2020. We are still working on reducing the last 2%. One such effort is described in our actions taken in Hong Kong, which we believe will show even greater effects on our total landfill-free share in 2022.

At the product end of life, we want our products and packaging to be responsibly disposed of. We believe we have a role to play in educating our consumers and supporting them to recycle. Customers are today encouraged to recycle the watch components, including the batteries.

CARBON EMISSION

EMISSIONS PER AREA



EMISSIONS PER SCOPE



EMISSIONS

	2017	2018	2019	2020	2021	Unit
Total emissions including renewables (market-based)	13,650	11,780	9,680	6,680	6,680	ton CO ₂ e
Emissions per revenue (market-based)	5.2	4.6	3.7	3.1	3.6	ton CO ₂ e / M SEK
Emissions per product (market-based)	3.7	3.1	3.1	2.4	2.6	kg CO ₂ e / product
Total emissions (location-based)	13,650	12,900	11,900	8,360	7,830	ton CO ₂ e

Emissions have been categorized into three scopes as defined by the Greenhouse Gas Protocol. Emissions are shown according to the market-based approach, including purchases of renewable energy. With a location-based approach, Scope 1 accounts for 0%, Scope 2 for 15% and Scope 3 for 85% of emissions.

Scope 2 includes energy consumption from Daniel Wellington’s offices, retail stores, and own warehouses.

Scope 3 emissions include cradle-to-grave impacts from the production of purchased material, including both products we sell and retail furnishing, upstream and downstream freight, business travel, energy use in third-party warehouses, and energy use in third-party but fully DW branded stores.

Renewable electricity purchases of use in own operations	2017	2018	2019	2020	2021
	9%	99%	100%	100%	100%

COMPENSATING OUR CARBON FOOTPRINT

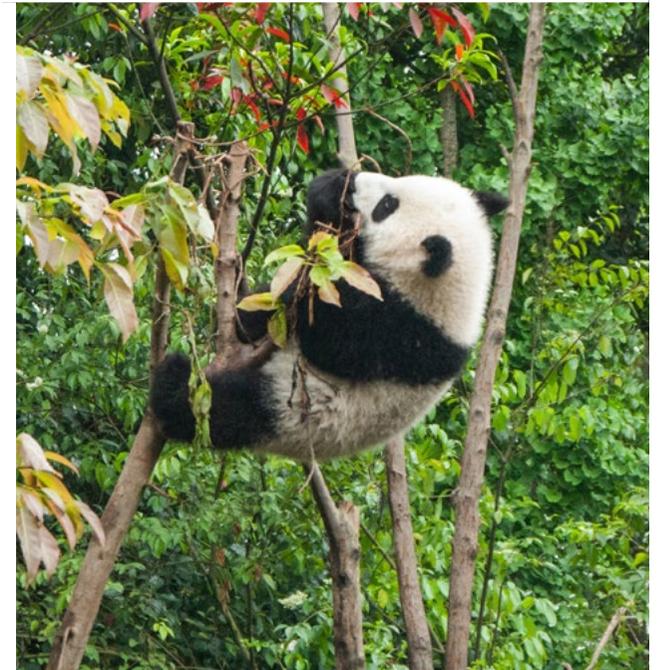
We offset Daniel Wellington's full climate footprint 2021 by investing in two Gold Standard certified projects in India and China. **Gold Standard** was established in 2003 by WWF and other international NGOs as a best practice standard to ensure projects that reduce carbon emissions also feature the highest levels of environmental integrity and contribute to sustainable development.

CLEAN ELECTRICITY FROM SUN IN INDIA

The shift towards producing more renewable energy is crucial on the journey towards a sustainable energy system. India is heavily dependent on fossil fuels where coal is the largest source of energy, standing for 70% of the country's energy. The Greenko Renewable Energy Project in India has the capacity to supply nearly 400,000 people with clean energy every year. The project is installing solar panels in a desert-like environment where sun radiation is high and where the panels do not negatively impact local ecosystems. In addition to the climate benefits, the project also contributes to the local economy through job creation.

EFFICIENT COOKSTOVES IN CENTRAL CHINA

Each year, close to 4 million people globally die from illnesses linked to household air pollution from using polluting stoves. Women and children are typically most affected. The WWF Meigu High Efficient Cook Stove Project in the central China mountains works with reconstructing inefficient stoves for cooking and heating, making the improved stoves up to 70% more efficient. The increased efficiency reduces toxic smoke indoors, making everyday life a little bit safer. As less firewood is needed, the project frees up time from gathering wood and helps ease deforestation pressures protecting a local giant panda habitat.



REDUCING WASTE IN HONG KONG

One of Daniel Wellington's largest logistic hubs is in Hong Kong, and products are shipped worldwide from here. In Hong Kong, 72% of the city's waste goes to landfills. Therefore, a focus of our zero waste to landfill goal has been to implement waste reducing and waste recycling actions for our operations in Hong Kong.

Efforts have been focused on reducing our use of plastic when we ship pallets of goods from our hub. Instead of using plastic wrap when shipping within Hong Kong, we implemented re-usable straps with a takeback system. Our watch suppliers have changed from plastic to cardboard pallets, further reducing plastic use. The cardboard pallets also weigh less, reducing emissions for the occasions when complete pallets are air freighted.

Another effort has been to implement increased recycling for our third-party logistics partner. This was done by having them contract the recycling partner we were already using for waste management in Hong Kong. During the second half of 2021, our recycling rate in Hong Kong reached 92%, well above the national average of 28%. We aim to improve that number further.



THRIVING TALENT

AMBITIONS 2030

An empowered & engaged workforce

WHAT WOULD THIS LOOK LIKE

- Value driven organisation with a strong winning culture
- All employees offered the opportunity to grow & develop
- Highly engaged employees
- The best leaders acting as role models

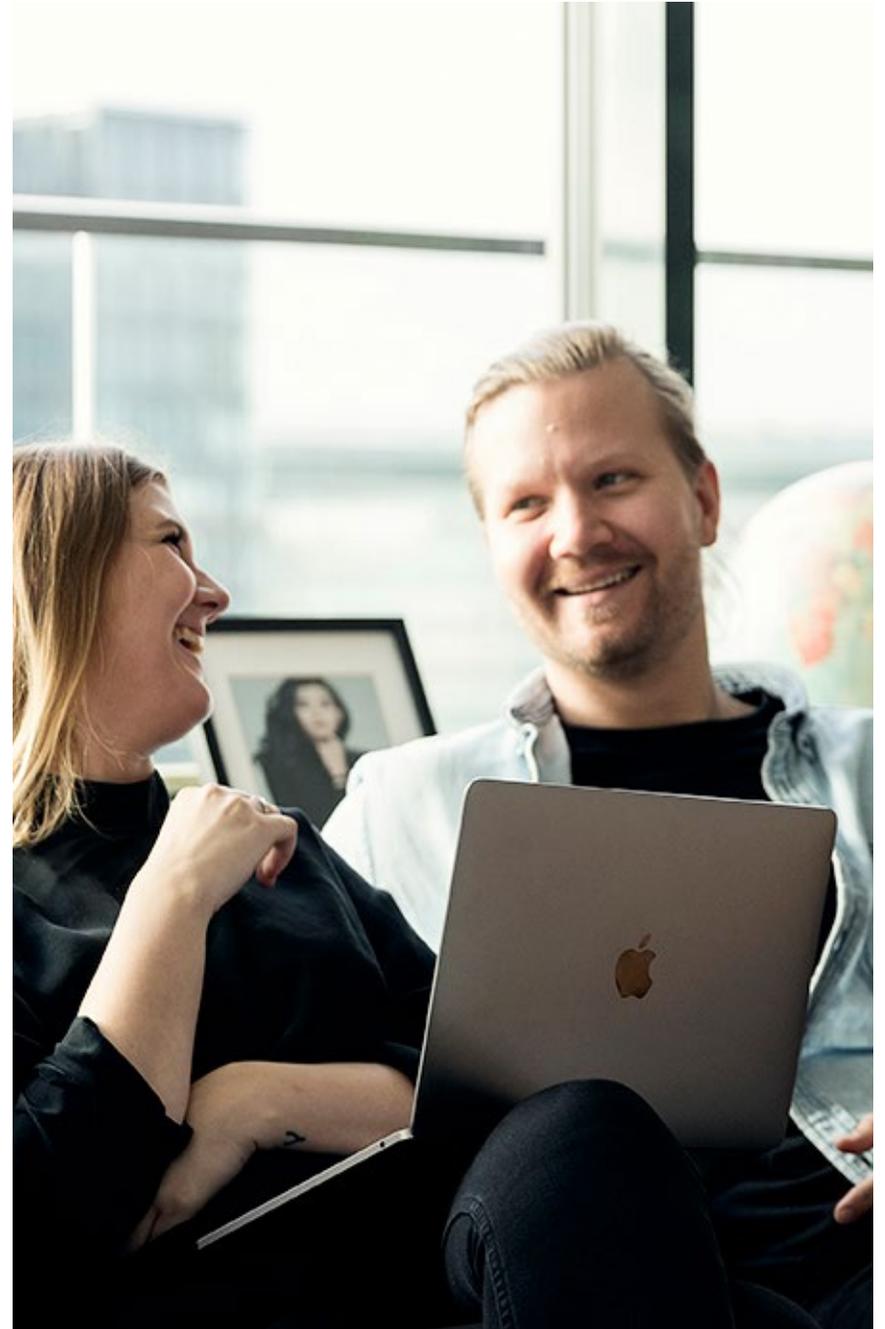
HIGHLIGHTS 2021

- Implemented a new goal steering strategy for the global organization.
- Developed and launched new leadership principles & leadership program.
- 71% of employees are women, 45% of Global executives are women.
- Continued to support work environment and engagement for employees working remotely.
- Launched Peakon, a new employee engagement platform. The average employee NPS during 2021 was 37 which is in the top 25% in the consumer segment.

CURRENT FOCUS & COMMITMENTS

STATUS

Implement a new goal steering strategy for the global organization.	Completed. In 2021 we implemented a new goal steering model. The objective has been to have clear and transparent business targets, making it easy for everyone in the company to understand where we are heading and how we will get there.
Implement new employee engagement platform	Completed. The new engagement platform Peakon was launched to employees globally.
Launch a new leadership concept and training	Completed. We launched a new leadership concept and trainings for all managers. A program for continued roll-out has been set for 2022.
Improve our employee engagement	New commitment. Improve ways of getting the best out of our people in a hybrid working set-up, including the roll-out of physical and mental health initiatives.





Daniel Wellington’s success is fueled by a global workforce of 1,786 employees. Our people are what make us successful. Attracting, developing, and retaining the greatest talents with the right expertise is, quite simply, crucial for our survival.

TRANSPARENT GOALS

In 2021 we introduced a new goal steering model with the main objective to make it more clear for everyone at DW where the business is heading and how we plan to get there. The purpose is to remove silos, have better the alignment between departments, enable more ownership, have outspoken target levels, be able to use root-cause analysis to make data-driven decisions and of course to help us know when to celebrate our successes.

To increase our transparency, we continued to develop our monthly digital Town halls open to all employees, where our CEO, in a transparent manner, shares financials and news about what’s currently going on in our business. The global goal steering is also an important part of the meeting, clearly showing all employees the progress towards the business goals.

TALENT DEVELOPMENT

“We believe that learning occurs anywhere, anytime, as an everyday journey integrated into people’s daily activities.” Our learning strategy is based on this principle. We want to reach employees through a great digital workplace and at the right time and place. Our focus is digital, especially as the landscape is changing; the pandemic sped up the transition in 2021. How employees can become a better version of themselves and support them in developing their hard and soft skills will be essential for our future.

In 2021 we refocused on our managers – we reworked our old leadership expectations to better

show what we believe to be the real heart of the matter. We introduced a new way of describing and talking about what kind of leadership we need to be successful in the future. We call it The Heart of Leadership and describes what kind of leadership we believe in – Passion to lead, Trusting your team, Leading with courage, Leading with kindness, and this leads to Enable Innovation. We put this into action globally during 2021, starting with launching and activating The Heart of Leadership and then deep diving into Feedback & Communication. Also, during the year, we developed our onboarding for new leaders, both from a personal standpoint with People & Culture resources and by building new online resources on our intranet DW Home.

Planned initiatives in 2022 include a widened leadership program for all leaders. To set Daniel Wellington up for long-term success, we want to develop modern leaders and support them to become their best selves.

EMPLOYEE SATISFACTION

After a one year delay, we finally launched Peakon in 2021, our new engagement platform and a tool for our people to reflect and make their voices heard. And for us to know what to act on. Each month a pulse-check survey rolls out in a global platform where the focus is employee engagement and wellbeing, and where the feedback is converted to actionable and meaningful insights easily available to all managers. Satisfied employees are a prerequisite for satisfied customers. The average employee NPS during 2021 was 37, which is in the top 25% in the consumer segment.

FLEXIBLE WORK SET-UP

In 2021 we continued to develop our way of working – the pandemic set us in a state where we, depending on the country, had to switch between remote work and office. Our digital setup and work materials have evolved to make it easy for

employees and internal support departments to work seamlessly independently of location.

We moved to a hybrid office set-up in the Stockholm office as an ongoing trial. Our belief is that a higher degree of flexibility will lead to better outcomes, as our employees and teams have more control over how, when, and where they do their work.

One initiative in 2021 was born from the fact that remote work was potentially affecting health negatively as a lot of countries were in lockdown. GO4IT was a health project to encourage a healthier physical and mental lifestyle. For 4 weeks, we ran a global challenge where we focused together on activities that engaged people in becoming happier, healthier, and more energetic in their daily life. Through an app, the participants registered activities and cheered on their teams and colleagues, creating a feeling of togetherness and motivation. The first activity was held for four weeks in spring, and then a second session was held during the autumn.

In 2022 we will focus on mental and physical health and the development of our office spaces and to evaluate and develop our way of working in our new hybrid world. There is no one size fits all solution; we need to have a continued dialogue with our employees to find our optimal solution.

DIVERSITY & EQUALITY

Gender equality is a priority for Daniel Wellington. Our ambition is to have an even gender distribution (at least 40:60 of either gender) in all our management teams.

The executive team consists of 45% women and 55% men. Looking at the management teams directly below the executive group, five out of seven teams currently meet our gender balance targets (measured in teams with more than five members).



DIVERSITY

	MEN	WOMEN
TOTAL EMPLOYEES	29%	71%
RETAIL EMPLOYEES	19%	81%
OFFICE EMPLOYEES	43%	57%
SENIOR MANAGERS	55%	45%
EXECS	55%	45%

LIFE AT DANIEL WELLINGTON

In 2018, Daniel Wellington quickly expanded its network of retail stores across China, with more than 100 store openings in only one year. During this exciting time, Wendy Wen joined the Chinese Logistics & Sourcing team as a Sourcing Specialist.

Wendy's first challenge included setting up and implementing procurement processes and support for materials needed in retail. The scope included not only Daniel Wellington's 100 existing stores but also the 100 new openings. A massive task, but Wendy proved that with the right attitude, everything was possible. As a result of the hard work, Wendy was promoted to Sourcing Team Lead. As the company opened another 100 stores in 2019, Wendy successfully continued to deliver high-quality store material.

The year 2020 provided a new set of challenges as the Covid-19 pandemic hit, and we were forced to adjust to a changing environment for our own operations as well as our supply chain. During these difficult times, Wendy and the Chinese team collaborated with the global organisation to deliver innovative, cost-efficient solutions for our global retail network. Wendy was also given the opportunity to take on a new area, sourcing gifts with purchases for the Chinese market.

Yet again, Wendy rose to the challenge and has recently been given the chance to lead the Chinese Sourcing team as Sourcing Manager. Wendy is one of many examples of how a strong personal drive and ambition combined with our

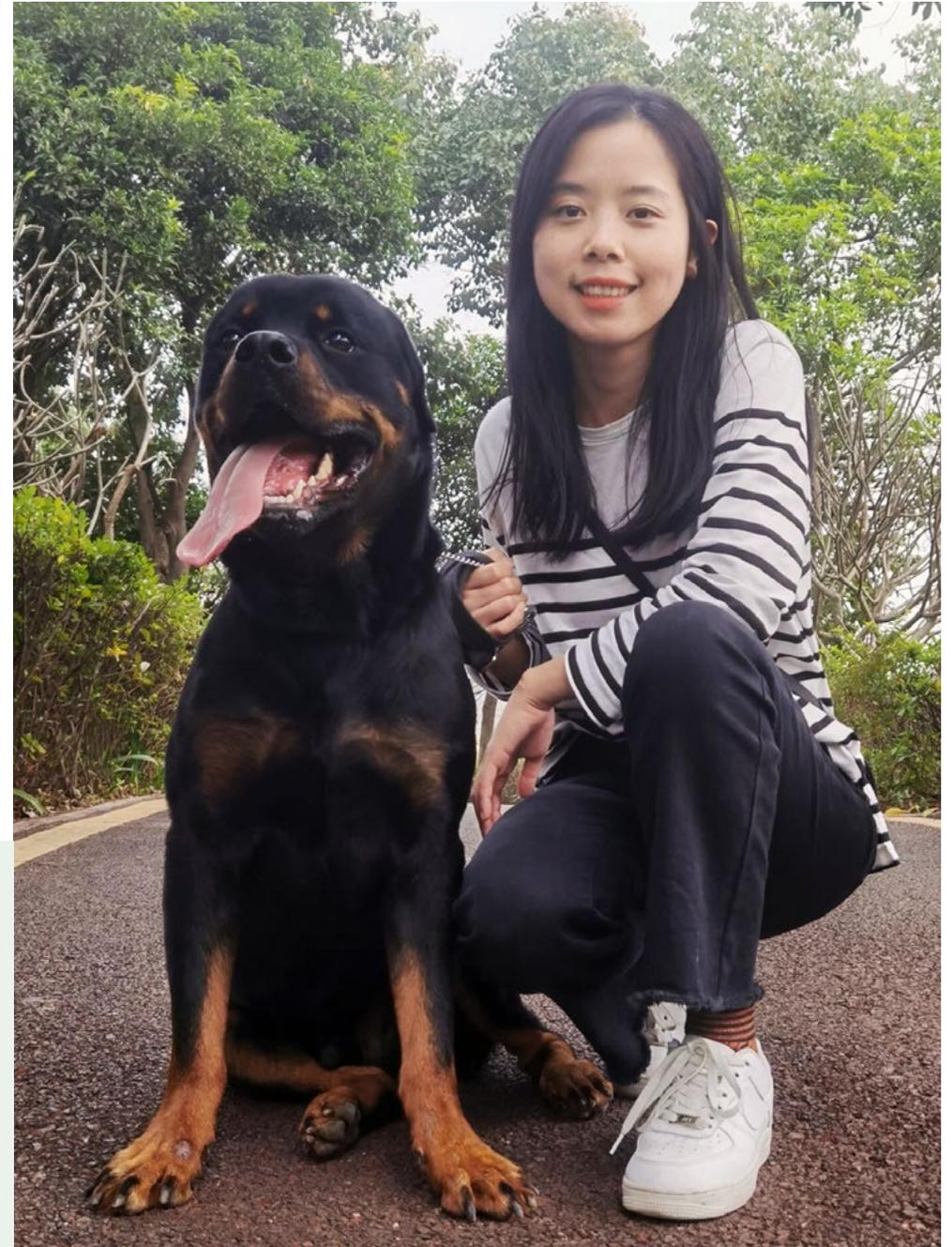
global operations can provide opportunities for a steep learning curve and a great career.

"WHEN I STARTED AT DANIEL WELLINGTON I COULD NOT IMAGINE WHAT MY JOURNEY WITH THE COMPANY WOULD LOOK LIKE. THE PAST FOUR YEARS HAVE REALLY BEEN AMAZING, THROUGH HARD WORK I HAVE BEEN GIVEN OPPORTUNITIES TO LEARN NEW THINGS AND TAKE ON MORE RESPONSIBILITIES, BECOMING BETTER AT WHAT I LOVE DOING."

Wendy, Sourcing Manager China

#LIFEATDW

#lifeatDW is Daniel Wellington's employees own Instagram account where we communicate what it is like working at Daniel Wellington. Showing the Daniel Wellington culture, sharing experiences among employees and at the same time providing a glimpse of employee life for potential future employees.



OUR WINNING CULTURE & GUIDING POLICIES

Together we work towards the company's vision with a winning culture that honors innovation, ownership, individual abilities, growth, and meaningful opportunities to contribute to the company's success.

At the core of our business strategy is a focus on how to attract, retain, and develop talented people from around the globe, in order to push boundaries and inspire them to become part of our global movement.



GUIDING PRINCIPLES

Our guiding principles are the foundation of our culture. They help define the actions needed to execute our vision and business strategy, in order to build a long-term successful company. The guiding principles define why people should choose and commit the best of themselves to the organization, what the employee ‘deal’ consists of, and provide a common point of direction for employee management.

THREE PRINCIPLES GUIDING OUR EMPLOYEES’ BEHAVIORS:

CHALLENGE IT

Learning and growth

OWN IT

Execution and accountability

WIN IT

Collaboration and emotional intelligence.

Anti-Corruption. These principles form the basis of our approach to conducting business responsibly and we have integrated them into relevant internal and external policies and processes. We also want to ensure that our work supports the UN Sustainable Development Goals (SDGs).

Policies are published on our Intranet and are available to all employees. Our Code of Conduct contains guiding policies around employee-related matters such as gender equality, harassment, anti-corruption, bribery, and environmental principles. The Code of Conduct furthermore explains how to report potential violations. All employees must sign off that they have taken part in the training. During the onboarding of new employees, training on culture and policies are included.

DIVERSITY AND INCLUSION

Being a global organization, we embrace diversity and inclusion; it has been an essential part of our success. All aspects of the employee lifecycle should be carried out without regard to gender, race, color, religion, sexual orientation, or ethnicity. Employment, promotions, training, and compensation should always be based on merit and/or individual abilities. We are working against any form of discrimination or harassment and remain committed to ensuring diversity in all business areas.

Our management plays a vital role in managing diversity and inclusion. We want to achieve common accountability where all employees work to maintain these values. Our Global Diversity and Gender Equality Policy outlines our approach. The goal is to ensure equal opportunities and equal pay for equal work, while promoting inclusion, health, respectful interactions, and suitable working conditions.

ENVIRONMENT

Our environmental commitment outlines our ambition to continuously reduce Daniel Wellington’s impact on the planet’s natural systems, using resources efficiently and responsibly. To do this we need to continuously explore and deepen our knowledge internally and make sure sustainability considerations are factored into major business decisions. Decisions should be taken with a lifecycle perspective and precautionary approach in mind.

SUPPLIER CODE OF CONDUCT

Through the supplier sustainability program, we cooperate closely with our suppliers to reduce risks and impacts in our supply chain. The Supplier Code of Conduct is the first step and specifies the basic requirements and guidelines that we expect all our suppliers to follow. The document covers the respect and support for human rights as covered by the International Bill of Human Rights and the International Labor Organizations Declaration on Fundamental Principles and Rights at work, addressing freedom of association, forced labor, child labor, and non-discrimination. It also specifies zero-tolerance against corruption. For more information about our Supplier sustainability program, please see the section Fair Jobs.

REPORTING CONCERNS

Our whistleblowing procedure offers our employees a possibility to report potential breaches to our policies confidentially. It is an important tool for reducing risks and maintaining trust in our operations by enabling us to detect and act on possible misconduct at an early stage. Whistleblowing can be done openly or anonymously. The purpose of the guidelines is to encourage employees (and possibly external stakeholders) to blow the whistle on suspected misconduct without any risk of retaliation, as well as to ensure an appropriate investigation process.

KEY POLICIES

Daniel Wellington is committed to conducting a long-term sustainable business within the limits of our planet. We continuously work to reduce our negative environmental impact and increase the positive social benefits from our activities throughout the whole value chain.

Our work is guided by the ten principles of the UN Global Compact relating to Human Rights, Labor, Environment and

OUR APPROACH TO SUSTAINABILITY

Our ongoing materiality analysis helps increase our knowledge of how the Daniel Wellington Group affects both people and the planet and what our different stakeholders find important. The results are used in the process to shape our sustainability strategy.



THE PROCESS

IDENTIFICATION

The first step of the materiality analysis was to review all our existing knowledge about the company’s impacts. This information was collected through interviews with employees, internal workshops and surveys. We then conducted a comprehensive review of media, competitors and different industry organizations to see what topics were raised. The outcome was a long list of social, environmental and economic impacts relevant to Daniel Wellington and the watch industry in general.

PRIORITIZATION

Our long list was prioritized based on feedback from important stakeholders, including key employees, management and the company owner. The result is a prioritized list of material areas that have been used as input to our strategy.

REGULAR REVIEW

In addition to this materiality assessment, we are monitoring and evaluating relevant topics on an ongoing basis, to ensure we keep up to date with any new information or developments within science.

MATERIAL AREAS

As part of our ongoing review, we have updated our material areas. The following material areas are the outcome of our assessment (in no particular order):

- Raw materials
- Product quality and safety
- Animal welfare
- Environmental responsibility
- Climate change
- Human and labor rights
- Ethics, transparency and anti-corruption
- Talent attraction, well-being and retention
- Diversity, equality and inclusion
- Jobs and value creation
- Customer engagement and satisfaction
- Communities and donations



OUR VALUE CHAIN

The main risks identified throughout our value chain are described on the next page.



MATERIAL IMPACTS AND RISKS

DESIGN



A significant part of our impact results from decisions taken at the design table. Therefore, it is essential to address sustainability from the very beginning. For example, staying informed on any issues linked to specific raw materials, knowing where they are sourced from, and the recyclability at product end-of-life, are key for greatly reducing negative consequences.

MATERIALS



Raw materials are a key topic raised in our materiality assessment and one of our most important areas to address. Our main raw materials include steel, leather, polyester, gold, paperboard, and plastic. In the past years we have worked on traceability and sourcing requirements of materials such as leather and paperboard, due to their high environmental and social impact if not controlled. The traceability of gold is another critical area due to the associated supply chain risks. We will continue to deepen our understanding of all materials' impacts throughout the sourcing and production processes to create efficient strategies going forward.

More information can be found in section Responsible Materials.

PRODUCTION & ASSEMBLY



A sustainable supply chain is another major topic. Today our products are mainly sourced from China. Supplier management is a priority to us, and we are working to minimize potential risks, for example, related to health & safety and working conditions in the factories. Our tanneries are located in Italy, and the watch movement is produced in Japan.

From a product life-cycle perspective, the environmental impact of the watch assembly factories is relatively low. The sustainability impacts associated with tier 2 factories where the watch-parts are produced or tier 3 factories where raw materials are processed are considerably higher. Our supplier sustainability program is being implemented at both tier 1 and key tier 2 factories and we are gradually increasing traceability, and our understanding of the situation even further back in the supply chain. One of our biggest challenges going forward will be to implement demands on the suppliers furthest away from us.

More information can be found in the section Fair Jobs.

TRANSPORTATION



Our products are sold worldwide in more than 200 countries, so transportation is a large part of the company's climate change impact. The boxes are shipped by sea; however, our watches are shipped by air due to sensitivity to fluctuations in temperature and humidity. Alternative transportation modes and efficiency measures are being evaluated to reduce both environmental impact and costs.

More information can be found in the section Planet Positive.

OUR OPERATIONS



Engaged and healthy employees are crucial for the company's success. We are making sure that we have processes in place for the successful onboarding of new employees, at the same time as we are developing and engaging our full workforce. Our priority is making sure people are treated fairly, and that health and safety standards are being met. The environmental impact from our operations includes business travel, electricity use and recycling in our warehouses, offices and stores.

More information can be found in the sections Thriving Talent and Planet Positive.

CONSUMERS



Our customers' satisfaction is vital. If the consumer has any problems with our products, we want to support them in resolving these. The customer should be sure that the products they purchase are genuine Daniel Wellington items, and safe to use.

More information can be found in the section Outstanding Products.

END OF LIFE/ RECYCLING



We want our products to be disposed of responsibly at the end of the product life. Consumers are encouraged to recycle packaging and the watch components, including the batteries once they are used, so that they do not end up in nature where they can cause harm.

Our operations, as well as activities at our suppliers, produce waste that should be handled properly. Unfortunately, recycling infrastructure in some of our markets has not yet been fully developed. We are currently focusing on ways to promote and drive the needed change.

More information can be found in the section Planet Positive.

STAKEHOLDER INVOLVEMENT

Our ambition is to regularly consult both internal and external stakeholders, enabling us to take their opinions and perspectives into consideration to help guide us in our choices. Important stakeholder groups include customers, influencers, employees and management, suppliers, distributors, NGOs, our owner, and society.

Employee engagement surveys are conducted regularly, ensuring we get regular input from our employees. As part of the strategy development, a more detailed survey was held where management and employees were asked to rank the most relevant sustainability areas for themselves and Daniel Wellington. The results included being a fair employer, focusing on health & wellbeing, working with responsible suppliers, and reducing climate change impacts. We continuously encourage our employees to contribute with their ideas to help us fulfill our sustainability goals.

Research shows that corporate responsibility is increasing in importance for consumers worldwide. More and more consumers see this as something brands are expected to do. We conduct regular market analyses, through surveys and focus groups, to understand what our current and potential customers see as important product and brand attributes. Quality and sustainability are two areas included. The outcome of these surveys shows that design is one of the top areas for choosing our brand. However, high up on the list is also the importance of our products being durable and made with high-quality materials.

We see an increase in requests from our distributors where they want to ensure that we as a brand meet their sustainability requirements. The information requested include details regarding our products and specific materials or quality reports, as well as information about how our products are made, including our supplier sustainability management.

Daniel Wellington's owner and board have stated the ongoing importance of sustainability. It is our responsibility to do the right thing and help the company be better prepared to achieve long-term profitability.

ORGANIZING FOR SUSTAINABILITY

Sustainability is an important part of the company strategy, and the Global Executive team monitors progress on a monthly basis. All parts of the business set sustainability-related targets and actions.

We are continuously working to integrate sustainability into our everyday work. A dedicated sustainability team, based in Sweden and China, is responsible for driving the sustainability vision and strategy and supporting the implementation of actions in relevant parts of the organization.

The board has approved the sustainability strategy and receives regular updates on how we are achieving our targets. Sustainability is also a regular topic during meetings with the Global Executive team.

ABOUT THIS REPORT

This is Daniel Wellington's fifth sustainability report, and it covers material sustainability activities for Daniel Wellington AB (corporate identity number 556875-5937) with subsidiaries from January 1 to December 31, 2021. For full details about included subsidiaries please refer to Daniel Wellington's Annual Report for 2021.

CALCULATION METHOD FOR CLIMATE EMISSIONS

Daniel Wellington's climate emissions are calculated according to Greenhouse Gas Protocol's guidelines, and the methodology has been reviewed by an external party. Below is information about which areas are included in each scope in our climate calculations. DEFRA has been the main source of emission factors used¹. For market-based electricity emissions, renewable energy has been counted as zero emissions. For countries where we have not managed to purchase renewable energy with a local accredited standard, average grid emissions have been used due to no residual factors being available. IEA Emission factors are used for electricity and district heating consumption when not counted as zero due to renewable energy purchases². Freight has been calculated with DEFRA when the freight provider has not calculated yet his own emission. When no relevant emission factor has been available in DEFRA or IEA, other independent factors have been used from LCA or climate footprint studies.

SCOPE 1:

As Daniel Wellington does not own any production facilities, no scope 1 emissions exist.

SCOPE 2:

In scope 2, emissions included is energy use in our own offices, retail stores as well as warehouses.

SCOPE 3:

Cradle-to-grave impacts from the production of purchased material, including both products we sell and retail furnishing. Freight and business travel, using an RFI factor of 1.9 for air freight and travel. Energy use in third-party warehouses and third-party but fully DW branded stores.

¹ Defra (2019), UK Government GHG Conversion Factors for Company Reporting

² IEA (2019), Emission Factors

THANK YOU!

If you have any questions or comments about the report, please contact our Global Head of Sustainability:

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We appreciate your feedback.