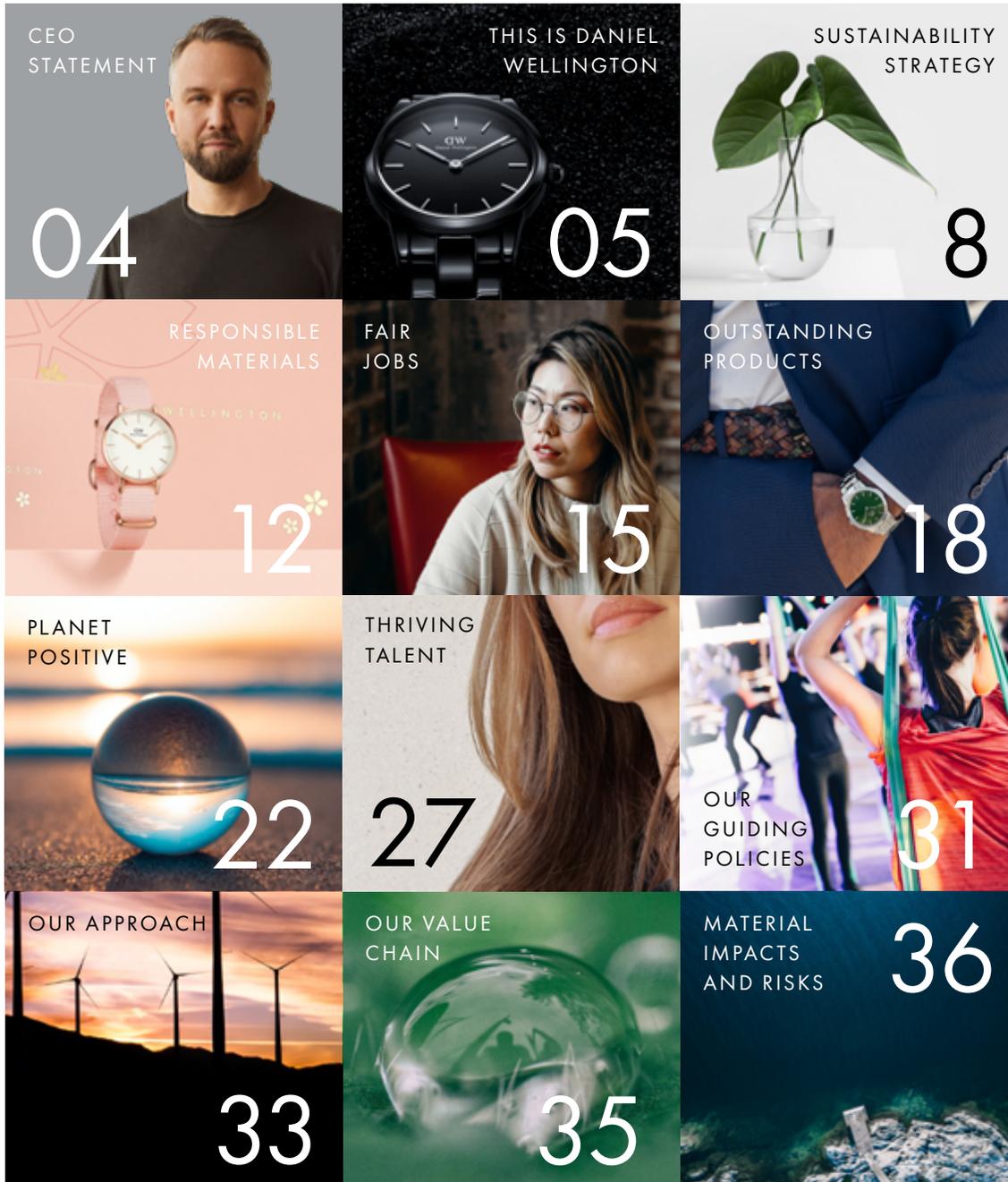


A close-up photograph of a woman's hand gently touching the cheek of a white mannequin head. The woman is wearing a gold watch with a black dial and a gold ring on her ring finger. The background is a soft, out-of-focus light blue.

**DANIEL WELLINGTON**

SUSTAINABILITY REPORT 2020



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# KEY HIGHLIGHTS

 <p>REPAIR SCORE 75% (FROM 69% IN 2019, SHARE OF SALES WHERE WE HAVE A REPAIR SOLUTION IN PLACE)</p>	 <p>74% OF EMPLOYEES ARE WOMEN, 44% OF GLOBAL EXECUTIVES ARE WOMEN</p>	 <p>3,000 WORKERS IN OUR SUPPLY CHAIN TRAINED IN BASIC RIGHTS &amp; RESPONSIBILITIES</p>	 <p>100% RENEWABLE ELECTRICITY USED IN OUR OPERATIONS</p>	 <p>LEATHER FROM ITALIAN LWG CERTIFIED TANNERIES</p>
 <p>MATERIAL SUSTAINABILITY &amp; COMPLIANCE REVIEW COMPLETED FOR ALL NEW PRODUCTS LAUNCHED</p>	 <p>100% FSC-CERTIFIED PAPER &amp; BOARD IN ALL CONSUMER BOXES</p>	 <p>31% CARBON FOOTPRINT REDUCTION VS 2019</p>	 <p>12 FACTORIES HAVE IMPLEMENTED DIGITAL TRAINING PROGRAM QUIZRR</p>	 <p>98% LANDFILL-FREE WASTE FROM OUR WAREHOUSES</p>
 <p>SINCE APRIL 2020, ALL NATO STRAPS ARE PRODUCED USING RECYCLED POLYESTER</p>	<p>100% OF PRODUCT SUPPLIERS IN CHINA HAVE BEEN AUDITED IN 2020</p>	 <p>LAUNCH OF MATERIAL COMMITMENT</p>	 <p>WE SCORED 73.8 ON OUR PRODUCT QUALITY NPS +70 IS CONSIDERED "EXCEPTIONAL"</p>	 <p>VIRTUAL THIRD SUPPLIER SUMMIT GATHERING 90 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. Striving to be leading, you also need to strive towards doing business in a responsible way – respecting people and the environment. 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 past year has been unpredictable and challenging in many ways due to the pandemic, but we are continuing to deliver on our sustainability work. A few of our projects have been delayed due to pandemic circumstances beyond our control, but we are more determined than ever that we are on the right path. If anything, the pandemic highlights the importance of sustainability and shows us that real change is possible.

A lot of focus during 2020 has been on ensuring the health & safety of our employees, our customers, and other partners. New guidance and procedures were developed to manage operations in a safe way, supporting staff to work from home when possible. The situation made us find new ways to interact. I am proud of the way our employees relentlessly have worked towards meeting our goals while staying true to our values.

This year has also been challenging for our suppliers, and we are doing our best to support them. We continue to implement the supplier training program with the aim of educating factory workers about their rights and responsibilities. We joined SEDEX, one of the world's largest ethical trade platforms. Our hope is that this will help us drive further improvements in the supply chain and help reduce duplication of audits for our factories.

Our commitment is to build a company that is sustainable, driving the transition from a linear to a circular business. We are continuing to embed sustainability into our business, making sure it is integrated in our values and strategies and that our approach is long-term. The principles of the UN Global Compact continue to guide our work, as do the UN Sustainable Development Goals.

An important part on this journey is our product philosophy which guides our work, our focus is to provide products with timeless design. We want our customers to use our products for as long as possible and our products are designed to last, both in terms of style and quality. We are continuing to expand our repair services in more markets to make repairs easy and accessible for the customers.

On our journey to circularity, design is also key. Our ambition is to always select the best possible materials within our price range. For all new products and materials, we have implemented a thorough sustainability review, making sure we take informed decisions at the design table. One example of this is our first NATO strap with 100% recycled polyester which launched during the year.

Our carbon emissions continued to decrease in 2020, and our newly launched roadmap to climate neutrality 2030 will help guide projects and priorities in the coming years. Another step taken in 2020 was the decision to compensate for our full carbon footprint. The climate crisis is urgent, and we feel that all steps are important. Behind the decision is a genuine commitment to reduce emissions, and we hope that this will help put even more focus on the issue.

Being transparent about that we still have a long way to go on our sustainability journey is important for us – it is the only way to become better and always improve. Our goal is to use our strengths to help push change not only for ourselves but also for our stakeholders and the whole industry. We cannot solve this alone, but together with others, and one step at the time, we are determined on making a difference.

JOHAN JOHANSSON  
GROUP CEO

# THIS IS DANIEL WELLINGTON

This is Daniel Wellington's fourth sustainability report, in which you can read about our sustainability strategy, future ambitions and the most important actions from the past year.

Our overall commitment towards running a long-term sustainable business is clear. Sustainability is a core part of our business strategy and we are continuously working to deepen our understanding of the company's impacts. Conducting a materiality assessment and 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.

During the past year we also focused on communicating our targets and actions internally, making sure the organization is aligned and knows what needs to be done. 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.

From an operational standpoint, the Daniel Wellington group is divided into regional strongholds including the Americas, APAC (excluding China), China, Europe and IMEA. This structure creates opportunities for greater efficiency in our quest for full vertical integration, enabling markets to easily adapt to local conditions while keeping global alignment.

The company was founded in 2011 in Sweden with its headquarters located in Stockholm. In the past five years well over 20 subsidiaries have been established worldwide, mainly in the APAC, IMEA and Europe region. The current focus is on optimizing the Daniel Wellington group and how we target local sales channels in each individual market.

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 own 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 Germany 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 2020



**2.1 BILLION**  
SEK TURNOVER



**2,000**  
EMPLOYEES



PRODUCTS SHIPPED  
TO MORE THAN  
**200**  
COUNTRIES



**2.8 MILLION**  
PRODUCTS SOLD



**450**  
RETAIL STORES IN  
29 MARKETS

LARGEST SALES  
REGIONS INCLUDE  
ASIA AND EUROPE



## COMPANY VISION

Daniel Wellington has a long-term view on business, we are not interested in making compromises for short-term growth. Our aim is for the company 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 be around for centuries. Our entrepreneurial spirit is what 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, which is why 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 in order 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 on 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 make sure 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 the year 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 change needed.

## 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 &amp; 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 &amp; 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 & our products fully recyclable.

## HIGHLIGHTS 2020

100% FSC certified paper & board.

100% of leather from LWG certified tanneries in Italy.

Recycled polyester used in all NATO straps since April 2020.

Launched Material Commitment.

## CURRENT FOCUS & COMMITMENTS

## STATUS

Introducing gold from recycled sources.

A solution has been identified but implementation has been delayed due to unforeseen supply impacts caused by the Covid-19 pandemic.

Initiating a shift to chrome-free leather.

Decision to implement chrome-free leather has been taken and we are working to implement this stepwise, starting with trials in some of our watch straps.

Creating a 100% recyclable gift 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 currently reviewing options.



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.

During the year 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

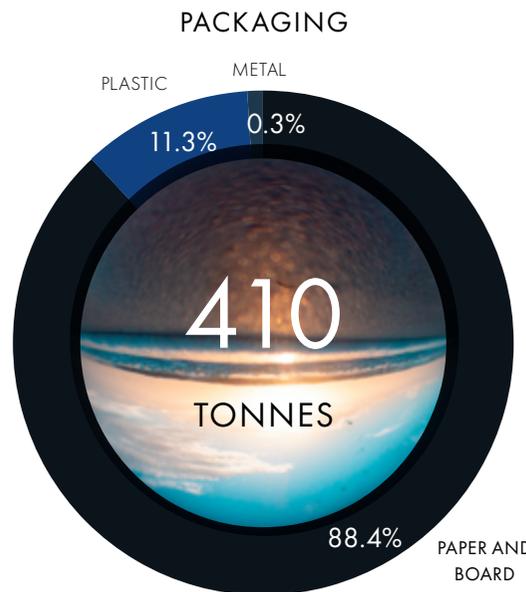
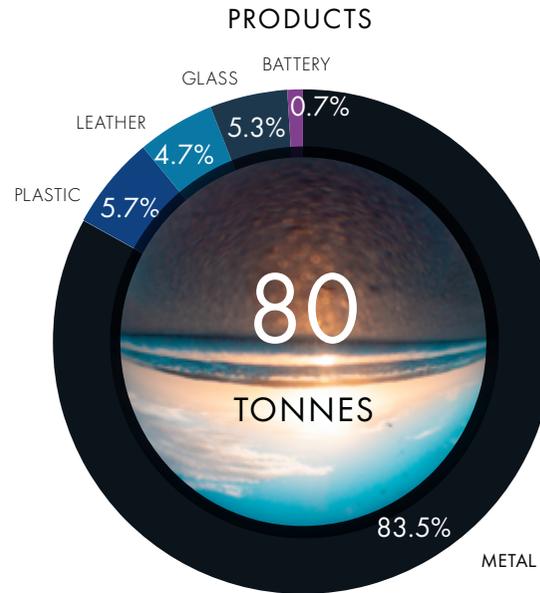
Many of Daniel Wellington's watches and jewelry are plated with gold, and we conduct an annual due diligence to validate that the gold used is conflict-free. In 2020, we again received assurance from our plating factories that the gold used in our products had not been mined in the Democratic Republic of the Congo (DRC) or any adjoining countries. Our research traced the gold back to a conflict-free mine.

Eventually, our ambition is to use gold originating from recycled sources as an alternative with lower environmental impact than virgin gold. We launched a project in 2019 but unfortunately due to disruptions caused by the Covid-19 pandemic we were unable to make progress as planned. Our ambition is to conduct trials as soon as the market is back to normal.

### LEATHER

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

## MATERIAL USE



during 2019. Being certified by the LWG means working to reduce the environmental impact from the tanning process. The tannery therefore uses less energy, less water, better chemicals and takes responsibility for their solid waste and effluents.

We have initiated a project to trial chrome-free leather in our watch straps. Our ambition is to be able to produce our existing straps with chrome-free leather during 2022 latest.

During 2020 we started a project to trace the leather even further back in the supply chain. Our target is to achieve traceability back to the slaughterhouse, however getting information has proved challenging and will take time.

### PAPER AND BOARD

Daniel Wellington does not want to contribute to deforestation. As a result, we have set a target that all our paper and board should 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 raw materials purchased. During 2020, 100% of our paper and board came from FSC certified sources, up from 27% for full year 2019.

A very small share, less than 1%, of special campaign boxes in 2020 used a wooden core that was not FSC certified. We are now working with the supplier to achieve the FSC certification.

### OTHER METALS

The production of metals in general, is relatively energy-intensive. During 2020, we started a project to get a better understanding of the impact from our stainless steel. We attempted to trace all the stainless steel we've used as far back as possible. We have traced all our steel back to the steel mill, half of these mills have provided the mine location where the iron was sourced. For 2021 we will finalize our work and agree on suitable actions to reduce our total impact going forward.

# NATO ♡ RECYCLED MATERIALS

The original Daniel Wellington watch was developed with a NATO strap made from polyester. In 2019 we conducted a trial where we used recycled polyester instead of virgin fibers to produce the strap. This decreased the environmental footprint as the production of recycled fibers requires less energy than virgin fibers. Although slightly more expensive, using recycled material also helps create demand and hopefully contributes to keeping plastic waste out of landfills.

“WE ARE CONSTANTLY LOOKING INTO HOW ALL OF OUR PRODUCT MATERIALS CAN BE MORE SUSTAINABLE, WITHOUT COMPROMISING ON QUALITY. CHANGING THE MATERIAL IN THE NATO STRAPS FROM REGULAR TO RECYCLED POLYESTER WAS A NO-BRAINER; WE GOT EXACTLY THE SAME HIGH QUALITY AS USUAL BUT WITH ONLY A SMALL PORTION OF ITS ENVIRONMENTAL FOOTPRINT.”

Kristina Hansson Svennerbrandt, Product Compliance Manager, Stockholm.

The final product meets the same strict quality standards, meaning the look and feel of the straps has not changed. The performance of recycled polyester is the same as virgin polyester, high strength and durability remain key benefits of the material.

The trial runs completed in 2019 were successful and during 2020 we shifted all our NATO strap production to 100% recycled material.



# 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 full value chain.

Create positive social impact.

## HIGHLIGHTS 2020

Daniel Wellington became member of SEDEX.

100% of product suppliers in China underwent a SMETA audit.

12 factories working with digital training program Quizrr.

3,000 workers trained in basic rights & responsibilities.

Third supplier summit held virtually, gathering 90 participants from our suppliers (all tier 1, and selected tier 2 and 3).



## CURRENT FOCUS & COMMITMENTS

Audit all suppliers on a regular basis.

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

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

## STATUS

All tier 1 product suppliers in China undergo an annual audit. In 2020 all audits were SMETA audits conducted by a certified third party.

In 2020 more than 3,000 workers were trained. The system has not been able to give us accurate data on the share of employees trained, however it does represent more than 80% of the workforce. We are working to improve this measurement as we believe it represents a meaningful way to follow-up on our progress.

Daniel Wellington's suppliers are asked to share information about their suppliers continuously. Our staff visits key tier 2 and 3 suppliers regularly and during the year we also conducted five third-party audits with lower tier 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 family on a normal worker's wage.

Our work in 2020 was impacted by the Covid-19 pandemic and we have worked to support our suppliers throughout this time. This includes assisting an efficient start-up following closures and re-prioritizing orders to enable deliveries. Fortunately, our new product launches have helped production volumes as many suppliers overall have experienced a decrease in customer orders.

During 2020 we joined SEDEX, one of the world's leading platforms for companies to manage and improve working conditions in the supply chain.

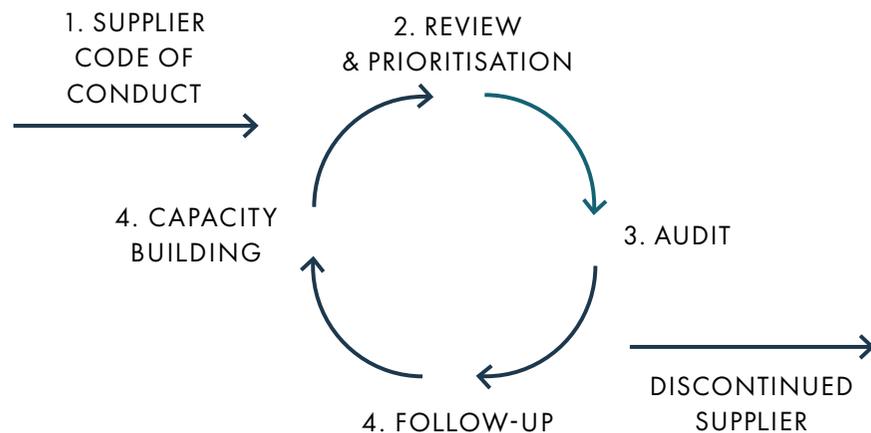
### OUR SUPPLIERS

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.

As a minimum, our suppliers should follow local laws in 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 on 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 previous history with the supplier. During 2020, 100% of our Chinese direct product suppliers were audited, including all watch assembly factories, using 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 social insurance coverage and working hour controls. Following each audit, dedicated Daniel



Wellington staff work together with the suppliers on improving the areas identified. 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 increase our knowledge of tier 2 and 3 suppliers throughout the year. All our suppliers need to report on their tier 2 factories on a regular basis. For some vital components and materials, we are following up on tier 3 factories. We conducted external audits at a selection of key tier 2 and 3 suppliers during the year. In addition to the audits, factory visits are carried out regularly by Daniel Wellington employees.

In 2020, we held our third annual (and first virtual) Supplier Summit, with more than 90 participants in attendance. Assembly, component, and raw material suppliers were invited to a session with the purpose of giving 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 rolled out 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. Eleven of the suppliers continued the implementation in 2020 and one new supplier was introduced. By the end of December 2020, more than 3,000 employees at the factories had participated in at least one training module. In total 12,800 training sessions were held. *See case study "Beyond audit" for more information.*

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

# BEYOND AUDIT

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

“THROUGH THIS TRAINING, EMPLOYEES GET AN UNDERSTANDING THAT THEIR VALUE AND THE COMPANY’S GOALS ARE CLOSELY RELATED. THE RESPECT, TRUST AND CARE BETWEEN THE COMPANY AND ITS EMPLOYEES ARE MUTUALLY REINFORCING.”

*Middle manager, Gold plating factory.*

During 2020 more than 3,000 employees have been trained in over 12,800 sessions. Since launching the initiative in 2019, more than 20,000 training sessions have been completed. Many of the suppliers used their production low season to run the trainings, however, we encourage them to continuously plan and include training throughout the year.

Our survey from 2019 showed very positive feedback regarding the trainings. The vast majority of workers thought that the training helped increase their knowledge (91%) and would also recommend this training to others (93%).

“THE TRAINING HAS TAUGHT ME ABOUT MY RIGHTS AND INTERESTS AS A REGULAR EMPLOYEE.”

*Worker, Product factory.*

## WHY DOES THIS MAKE A DIFFERENCE?

Educating both the workers and management about their rights & responsibilities helps achieve

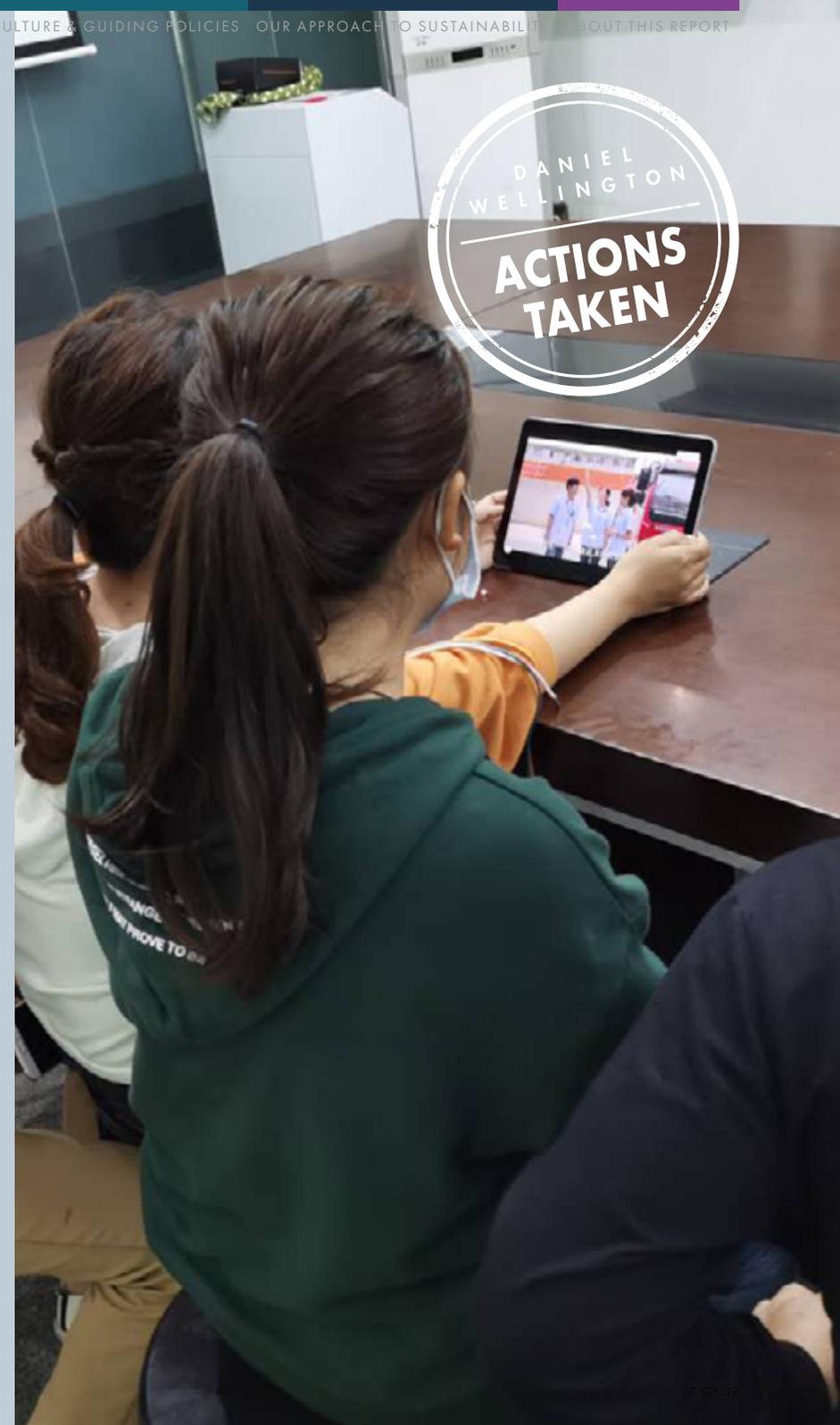
real long-term improvements. It leads to improved communication between workers and managers. As a result, worker engagement increases, which leads to lower turnover and higher productivity/product quality. Creating a good foundation for decent working conditions ultimately empowers workers to improve their lives.

## HOW DOES IT WORK?

Quizrr is a digital training tool based on short films covering real-life situations in the factories. The films are then followed by a number of questions and a quiz, making the training interactive and engaging. The training is taken individually or in smaller groups. The results are collected in a database that both the supplier and Daniel Wellington can access. Improvement actions can then be designed to improve specific knowledge gaps.

“AS THE EMPLOYEE REPRESENTATIVE, I USED TO THINK THAT MY ROLE WAS TO CONVEY THE MANAGEMENT’S AFFAIRS TO THE EMPLOYEES. THROUGH TRAINING I NOW UNDERSTAND THAT IT IS MY RESPONSIBILITY TO ALSO SPEAK ABOUT THE IDEAS AND SUGGESTIONS IN THE MINDS OF THE EMPLOYEES. THE EMPLOYEES ELECT REPRESENTATIVES THAT THEY TRUST, AND IT IS MY DUTY TO PROTECT THEIR RIGHTS AND INTERESTS IN THE FACTORY.”

*Employee representative, Product factory*



# OUTSTANDING PRODUCTS

## AMBITIONS 2030

Offer the best quality to price ratio in the industry.

## WHAT WOULD THIS LOOK LIKE

With innovation drive change towards sustainable product solutions.

Exceed consumer quality expectations.

Prolong product life by enabling and offering repair services.

Follow the strictest safety standards.

## HIGHLIGHTS 2020

We scored 73,8 on our Product Quality NPS (+70 is considered 'exceptional').

By end of 2020, all of Daniel Wellington stores support customers with battery changes.

Increased our repair score from 69% to 75% (share of sales where we have a repair solution in place).

Material sustainability & compliance review completed for all new products launched.

Started to implement an improved testing routine with our suppliers.

## CURRENT FOCUS & COMMITMENTS

## STATUS

Make repair services available to consumers in all markets.

We increased our repair score from 69% to 75% during 2020. This measures the share of sales where we have a complete repair solution in place.

Strengthen our product testing routines in close collaboration with our suppliers.

In the past year we started to implement a new improved testing routine with a selection of our suppliers. The routine will be rolled-out to all suppliers in 2021.

All new products and materials should undergo a complete sustainability and compliance review.

New commitment. Approximately 20 new products were launched in 2020 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 design that we believe will stand the test of time. As part of the development, we study the materials and processes used, making sure we review everything from a quality and sustainability perspective. Our aim is 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 own quality inspections as well as warranty issues from customers, are monitored continuously 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 2020, our repair score was 69% (the share of sales where we have a complete repair solution in place) and by the end of the year we reached 75%. 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 a complete sustainability and compliance review. All products launched in 2020 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 in a responsible way, and with our Material Commitment in mind.

One example of this process was our choice of plating technique for the new sunglasses, Classic Avion, which were launched in China. They are made with IP plating, a more sustainable plating technique compared to traditional water plating. IP plating is less hazardous for the workers and creates less wastewater.

#### 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 be harmful to 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.



During the year, we started to implement an improved test process with our suppliers. The process strengthens the connection between the AFIRM Restricted Substance List (AFIRM RSL) which was launched 2019, and all 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 of 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 feeds a shadow economy controlled by criminal organizations. Counterfeit products are more likely to be manufactured in non-compliance with environmental laws and standards. In order to manage these problems, to 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 within 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 1,000,000 contested e-commerce ads. The preventive and corrective measures, as well as the collaborations with relevant organizations and authorities, has enabled Daniel Wellington to contribute to the process of combating the problems which the counterfeit market gives rise to.



# PROLONGING PRODUCT LIFE

Step by step, we are working towards circularity in all parts 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 or warehouses. During 2020 we made more than 34,000 battery exchanges for our customers. 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 repairs. We have an effort to provide repair services to our customers beyond the product warranty. During the year 2020 we established partnerships in two of our key markets, Japan, and South Korea, to offer repairs to more customers. In total we now cover more than 75% of our sales with repair services that can be utilized beyond the warranty.

Finally, we have initiated a project to remodel products that for some reason are unsellable. This 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 pick 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 otherwise have been discarded.



# 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 2020

Absolute carbon footprint reduction 31% compared to 2019.

100% renewable electricity used in our operations.

98% landfill-free waste from our warehouses.

Climate roadmap developed.



## CURRENT FOCUS & COMMITMENTS

## STATUS

Develop a roadmap for carbon neutrality 2030.

Completed during 2020.

Reduce carbon emissions by 60% by 2023 (compared to 2017, scope 1, 2 and 3) through implementation of the climate roadmap.

New commitment.

We have been working with carbon reduction for many years. The climate roadmap now helps create additional structure and prioritize our projects on a global level. During the year we increased our focus on business travel and freight and launched several new projects to reduce both carbon emissions and cost. Reduction until end of 2020 is approx. 51% compared to 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), an improvement from 94% in 2019. A survey conducted in our retail stores showed that majority of 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. The past year has more than ever highlighted the urgency of the issues we face. Our ambition is to be a role model by using resources efficiently and working to long-term reduce all our negative impacts.

### 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 own 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.

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 (scope 1, 2 and 3). 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 as 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.

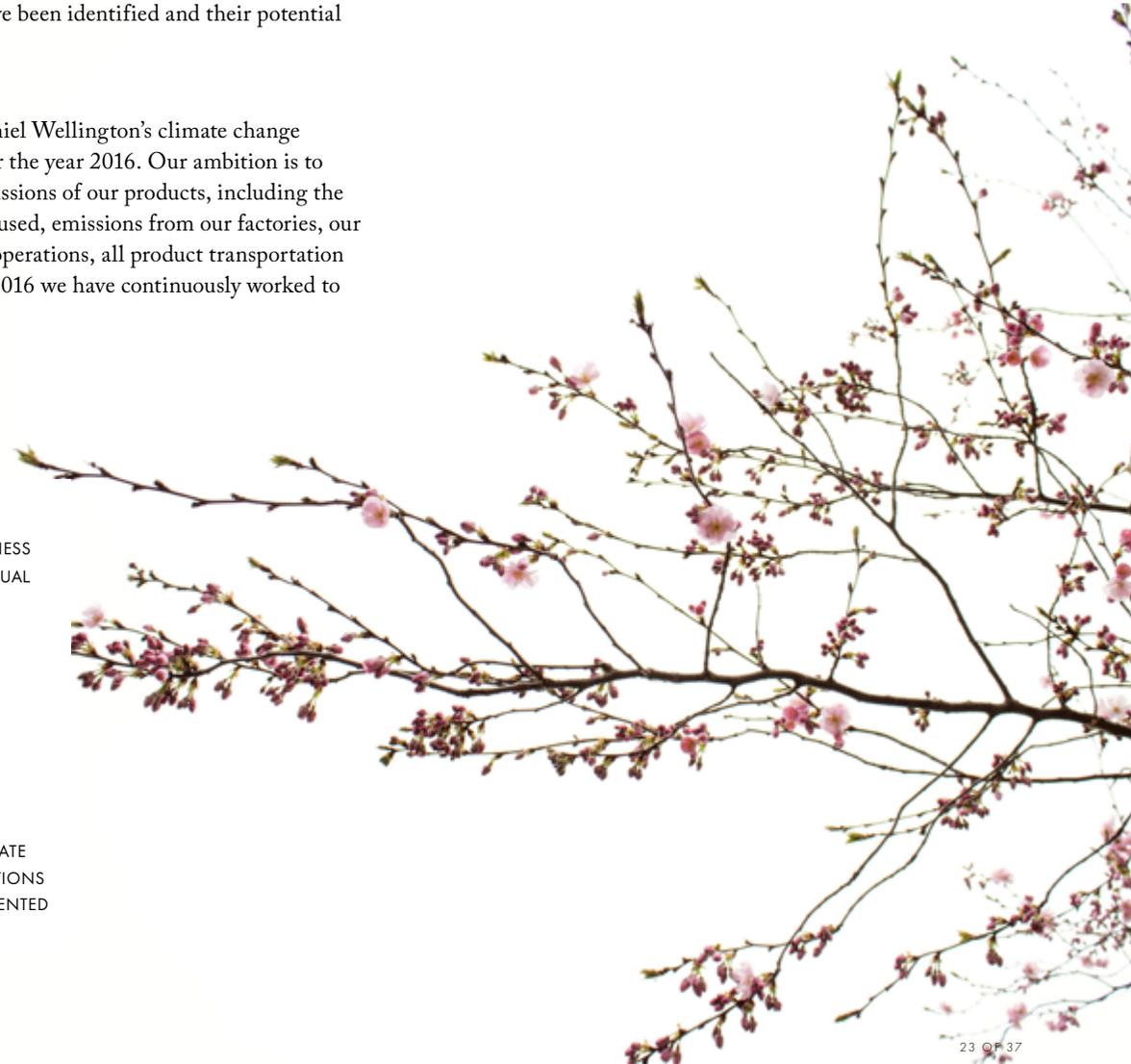
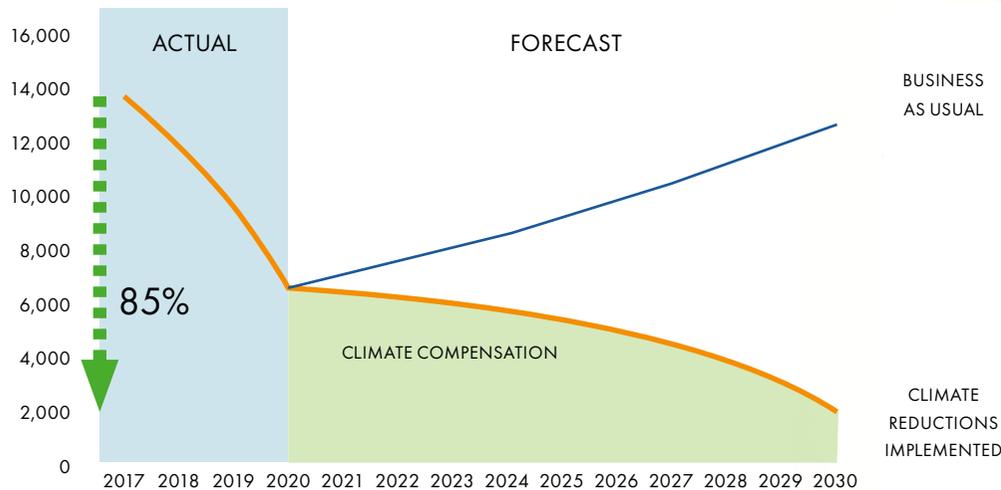
### CLIMATE FOOTPRINT

The first assessment of Daniel Wellington’s climate change footprint was conducted for the year 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. Since 2016 we have continuously worked to

improve data accuracy and to add previously missed data sources. Changes due to this make year-on-year comparisons not fully representative. When earlier assumptions have shown to be inaccurate, we have updated the data also for previous years. In 2020 we added energy consumption for some additional key tier 2 suppliers, this has not been done retroactively for other years. *For a more detailed methodology, please see section About this report.*

### CLIMATE ROADMAP

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



Results from the 2020 carbon inventory show that Daniel Wellington's climate impact including renewables was reduced by 31% compared to 2019. Both our carbon intensity per revenue and per product have been noticeably reduced. While the reductions are positive, we believe a large share of the reduction can be traced to the effects of the Covid-19 pandemic. Daniel Wellington's primary impact comes from producing our products, components and materials ("Products") and from the transportation of products around the world ("Freight" in the graph above).

One important initiative to reduce cost and emissions from freight during the year was moving one of our warehouses in China closer to production. This gave us a considerable reduction in total freight. During the year we closed two smaller local warehouses in other markets, which increased the warehouse to customer freight of the impacted markets. However, the closed warehouses' effect on the total emissions was relatively small, as no larger market for Daniel Wellington was affected. In total, there was a 24% reduction in freight emissions for 2020. Air freight remains the largest contributor, accounting for 78% of the emissions in 2020.

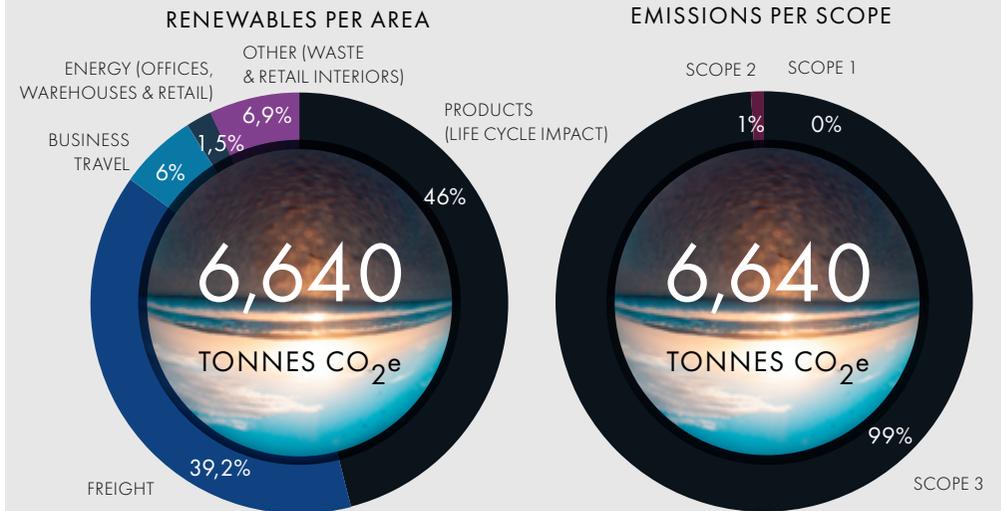
Business travel is another driver of both emissions and costs. 2020 was our first full year with a built-out video conferencing system as well as a global (excluding China) travel agency. These were implemented to control, reduce and follow-up both travel emissions and cost. There was a significant drop of 79% in business travel emissions in 2020, however, most of the impact is a result of the reduced travel caused by the Covid-19 pandemic.

Traceable renewable electricity is purchased to match the consumption for all our offices, warehouses and retail stores. When possible, energy purchases are done from the same market that the energy was consumed. However, if energy from the same market is not available, increases in purchases from other markets were done to compensate. Guarantees of Origin (GOs) were used for Europe and International Renewable Electricity Certificates (RECs) for other parts of the world.

For 2020, we have purchased EKOenergy labelled renewable energy when available, accounting for 82% of the purchase. Solar or wind power was sourced when possible, making up 88% of the certificates while the remaining 12% consisted of hydropower or geothermal energy. With a market-based approach, energy consumption is responsible for 2% of Daniel Wellington's emissions in 2020. With a location-based approach, energy consumption is responsible for 22% of Daniel Wellington's emissions and was reduced by 7% in 2020 from 2019.

We have decided to offset our full carbon emissions (rounding up to 7,000 tons CO<sub>2</sub>e for 2020) in Gold Standard certified projects in India and China. This does not in any way replace our focus on reducing our own emissions. Instead, we believe this helps us create even more engagement around the importance of climate action and taking responsibility in everything that we do. P 25 ►

## CARBON EMISSION



### EMISSIONS

	2017	2018	2019	2020	Unit
Total emissions including renewables (market-based)	13,650	11,780	9,680	6,640	ton CO <sub>2</sub> e
Emissions per revenue (market-based)	5.2	4.6	3.7	3.1	ton CO <sub>2</sub> e / M SEK
Emissions per product (market-based)	3.7	3.1	3.1	2.4	kg CO <sub>2</sub> e / product
Total emissions (location-based)	13,650	12,900	11,900	8,360	ton CO <sub>2</sub> e

Emissions have been categorized into three scopes as defined by the Greenhouse Gas Protocol. Emissions are shown according to market-based approach, including purchases of renewable energy. With a location-based approach, Scope 1 accounts for 0%, Scope 2 for 17% and Scope 3 for 83% of emissions.

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.

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

## WASTE

As a first step towards a circular business, we have set a target that our own operations should be 100% landfill-free. During 2020 we continued to implement this target in warehouses and offices around the world.

The results show that 98% of waste from our own and third-party warehouses is now landfill-free, up from 94% in 2019. In addition, we conducted a survey of our retail stores and their waste treatment, and the results showed that most of the waste is recycled today although it is very dependent on the location of the store. Our plan for 2021 is to increase knowledge and the share of recycling.

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 when it comes to educating our consumers and supporting them to recycle. Customers are today encouraged to recycle the watch components, including the batteries.



# REDUCING EMISSIONS FROM FREIGHT

A key sustainability target for our local team in China is to reduce carbon emissions and cost from China-internal freight. Several initiatives were implemented in 2020 to help meet this target.

In China, short delivery times are a challenge since distances are large. As a result, air freight is used for long distance shipments. During the summer low season of 2020 we trialed a shift for our consumer deliveries - using road shipments instead of air where possible (reducing air shipments by 70%, while increasing delivery times by one to two days and ensuring continued high service by using a first ranked courier service provider).

Another initiative during the year was to relocate one of our warehouses from Shanghai to Shenzhen. This contributed to reducing emissions thanks to shorter total distances and lead-times of internal transports to support our retail stores.

In total emissions per turnover were reduced by close to 20% between 2019 and 2020.



# 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 2020

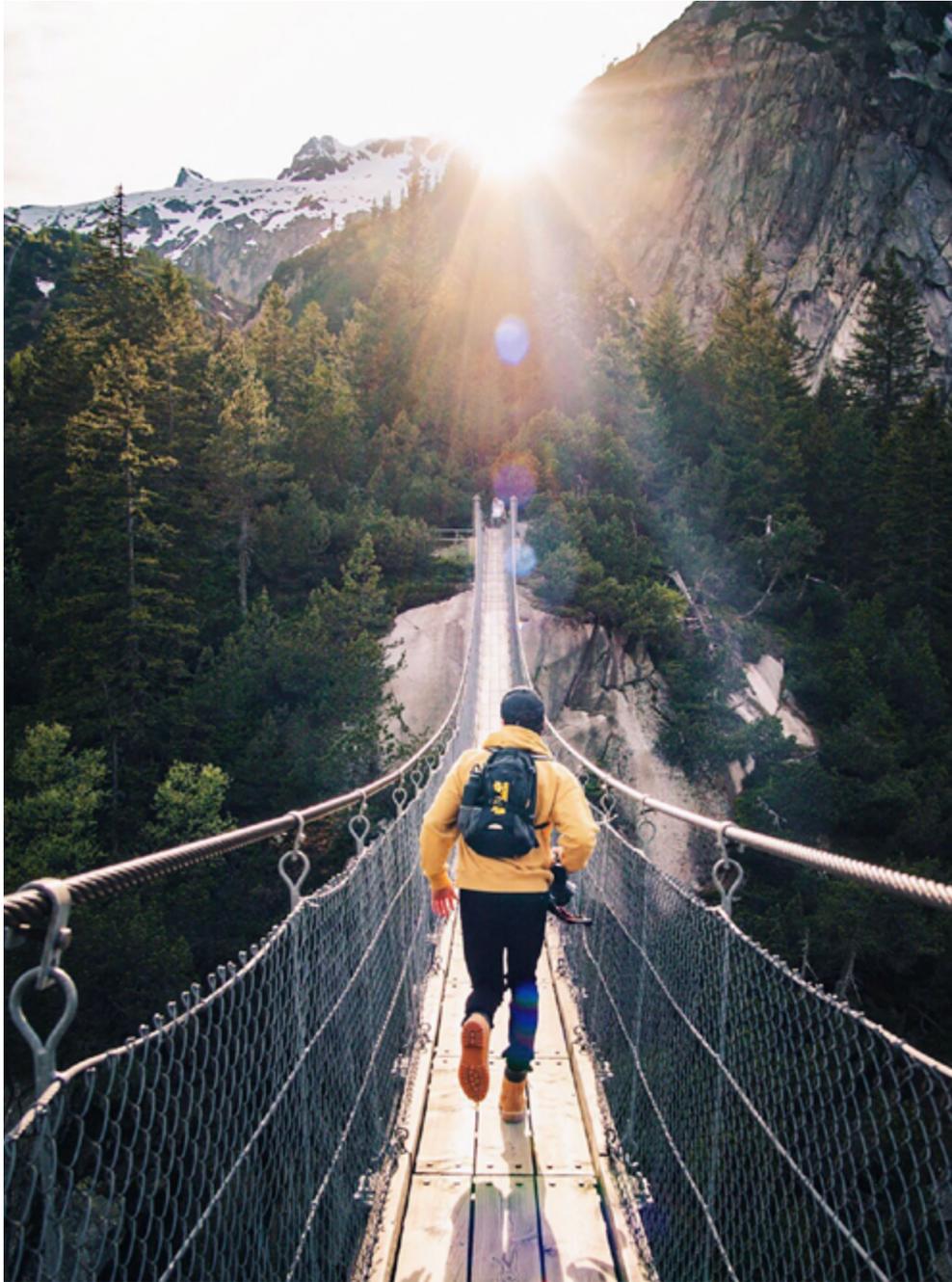
- Launched digital global pre-boarding & onboarding
- Launched internal communication platform - DWHome
- Supported work environment and engagement for employees working remotely
- 74% of employees are women, 44% of Global executives are women

### CURRENT FOCUS & COMMITMENTS

### STATUS

Implement a new goal steering strategy for the global organization	The launch of a new goal-setting platform was delayed due to changing priorities caused by the Covid-19 pandemic. A new goal steering strategy will be rolled out in 2021.
Implement new employee engagement platform	The new engagement survey was planned for 2020 but the pandemic delayed implementation. It will instead be rolled out in 2021.
Launch a new leadership concept and training	New commitment.





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.

### TALENT DEVELOPMENT

*"We believe that learning occurs anywhere, anytime, as an everyday journey integrated into people's daily activities"*. Our learning strategy is based around this principle. We want to understand how we can reach all individuals at their choice of method, time and place. Our focus is digital, especially as the landscape is changing and the Covid-19 pandemic has further increased the need for ever swifter adaptation.

Our new communication platform DWHome was launched during the year and is the foundation for everyday learning. It helps us to reach out with digital communication solutions to the business, especially to our retail community, and enables us to share digital presentations and trainings globally.

We launched several other initiatives, including a concept called DW Talks, where different employees share their knowledge and expertise within their area. In addition, we support global, departmental, regional and country-specific learning communities. To optimize the impact of our initiatives, insights on progress and implementation are collected regularly, enabling us to measure development and plan training initiatives going forward.

Throughout 2020, we focused on increasing company and product knowledge among our employees, as well as supporting our leaders in managing the new remote set-up. Another key area was implementing digital onboarding programs for all new employees, from pre-boarding to onboarding with introduction sessions presented digitally from stakeholders within the organization.

Planned initiatives in 2021 include expanding available training for our leaders. To set Daniel Wellington up for long-term success, we want to develop modern leaders and support them to become their best selves. Focus will also be on the Daniel Wellington culture and people philosophy. In addition, we will implement a new goal steering model in the organization, an initiative that was initiated during 2020 but unfortunately delayed due to the pandemic.

### EMPLOYEE SATISFACTION

Satisfied employees are a prerequisite for satisfied customers. Our global employee satisfaction survey in 2019 gave us an overall NPS score of 66 with a participation rate of 82%. We have throughout 2020 continued working with identified improvement areas, e.g. around communication of the company's direction and strategy.

Throughout 2020 we conducted several regional and local pulse surveys to get insights on how employees were coping with the remote work set-up caused by the Covid-19 pandemic. The surveys helped us to identify potential issues and what support was needed.

We were planning to implement a new insight and feedback tool for our employees during 2020, however, due to the pandemic we had to postpone the implementation. The selected employee engagement tool is now planned for a global launch during 2021. The new tool will enable us to make changes based on results at a much faster rate, keeping a close feedback loop to our employees.

### 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.

## DIVERSITY

	MEN	WOMEN
TOTAL EMPLOYEES	26%	74%
RETAIL EMPLOYEES	15%	85%
OFFICE EMPLOYEES	44%	56%
SENIOR MANAGERS	60%	40%
EXECS	56%	44%

The executive team consists of 44% women and 56% men. Looking at the management teams directly below the executive group, four out six teams currently meet our gender balance targets (measured in teams with more than five members).

Through our work, we aim to address both structural and unconscious inequalities. Working proactively to improve diversity is a long journey that we have only just embarked on. In 2019, we implemented a data visualizing software to help us get insights, represent/analyze data in a more structured way. We are continuously following the data in real time.

### OUR EMPLOYEES

Daniel Wellington's success is fueled by a global workforce of 1,969 employees (31 December 2020). Our average turnover rate during 2020 was 46% for corporate employees and 78% for retail employees, an increase compared to 2019 and a result of



organizational restructuring driven by the Covid-19 pandemic. Historically we have also experienced a high turnover partially explained by our young workforce with natural departures due to studies or relocation, and by our employees being highly sought after by other companies. Overall, we are however confident that we are an attractive employer that meets our talents' expectations, and we keep working to improve in order to stay competitive.

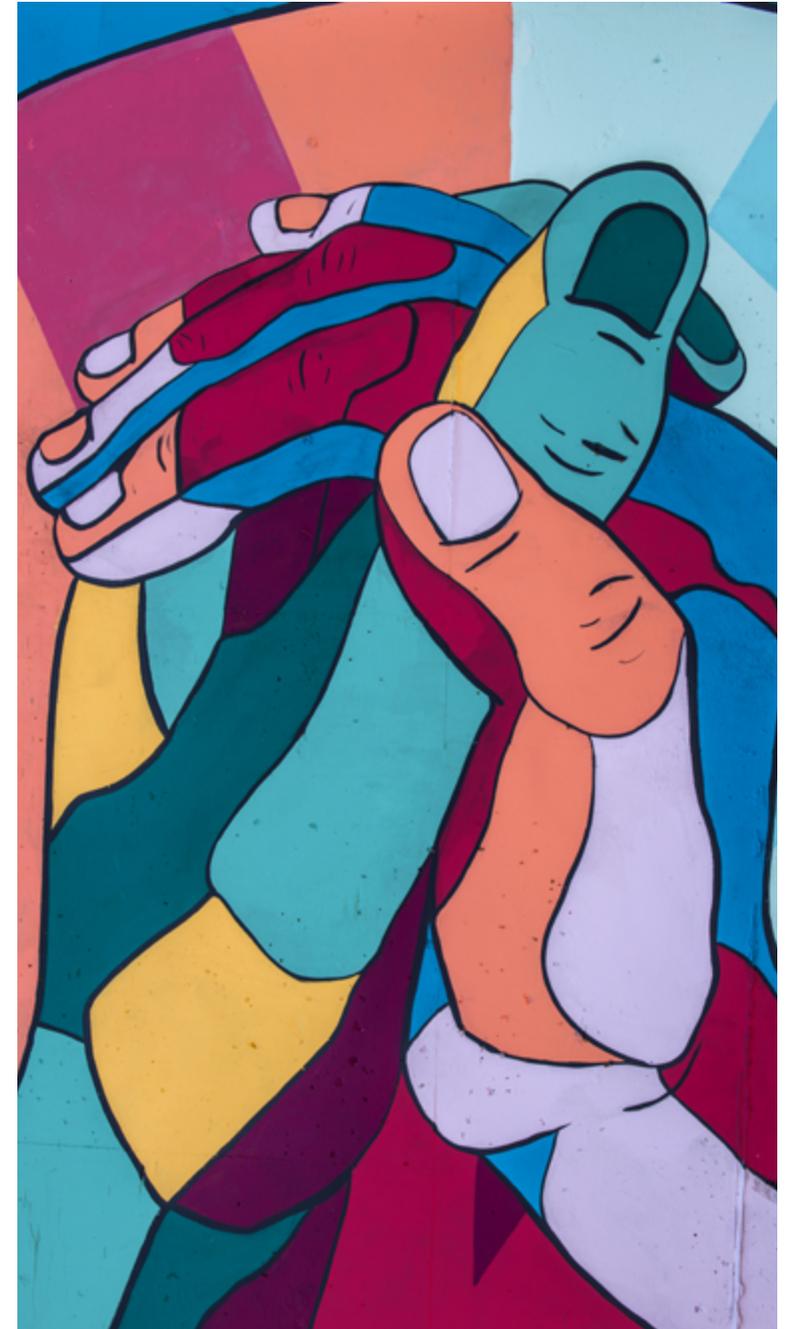
### A HEALTHY AND SAFE WORKPLACE

Health and Safety guidelines are promoted at every level and we raise awareness through different channels, including training programs found on our communication platform. Our global guidelines and compliance procedures aim to proactively prevent accidents and health-related incidents. Depending on local legislations, additional and more detailed occupational health and safety guidelines are determined and implemented at a local level.

In many of our locations, we operate a Safety, Health and Environment committee comprised of both management and employee representatives. The committee meets twice annually to discuss emerging topics and current/coming health and safety activities. If any issues arise, the committee informs the senior management with proposed actions. Employees can raise any related issues, risks or suggestions through the defined channels.

We believe our proactive activities and high employee satisfaction rates, in combination with an overall young workforce, contribute to low numbers of sick leaves and accidents.

In 2020 we have worked on creating the best conditions for employees working remotely. This includes offering a variety of engagement programs, both from a physical and psychosocial perspective. We have also followed up on employees' work environment and run specific training and information sessions.



# LIFE AT DANIEL WELLINGTON

Every journey begins with a first step, and Therése Löfgren first made acquaintance with Daniel Wellington in 2015, when she was writing her bachelor thesis on social media marketing at Stockholm University. By interviewing key employees, she quickly came to understand the importance of influencers and social media as a core foundation of Daniel Wellington’s successful business strategy.

With a background in journalism and PR, she soon thereafter joined Daniel Wellington as Editorial Content Creator at the marketing department. She worked closely with the social media team in Los Angeles in trying to integrate the social media into Daniel Wellington’s e-commerce.

**“IN THESE PAST 5 YEARS, MY ENTIRE LIFE HAS CHANGED AND TRANSFORMED IN WAYS I COULD NEVER HAVE IMAGINED. IT HAS BEEN AN UNREAL JOURNEY. TOO THRILLING, CHALLENGING AND FASCINATING FOR EVEN AN OLD COPYWRITER TO DESCRIBE WITH WORDS. AND IT STILL IS.”**

*Therése Löfgren, Global PR Manager*

After but six months in the role, a new position opened up as Global Copywriter and Therése who has always been very change-oriented happily accepted the challenge. Here, she got to work closely with the Creative Director and a team of Art Directors and Graphic Designers on building out global campaigns. She quickly

became involved in several aspects of campaign management and production, and soon had a double title as Global Copywriter and Project Manager at the marketing department.

In 2018, after a tough selection process, Therése landed a role as Marketing Manager in the newly opened Sydney office. She packed her belongings and moved across the world with the mission to establish and grow the Daniel Wellington brand in Australia & New Zealand. After two educational years being a part of the APAC region and working closely with the GM in Sydney, she felt her mission in Australia was completed and longed to go home to her true north. Today, she is back in Stockholm and has taken on a new challenge as Global PR Manager in the Global Communications team.

## #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 as well as 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 across the globe, in order to push boundaries and inspire people to become a part of our ever-growing 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 as well as environmental principles. The Code of Conduct furthermore explains how to report potential violations. All employees must sign off that they have taken part of the content. 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 areas of the business.

Our management plays a vital role in managing diversity and inclusion. We want to achieve a common accountability where all employees work for maintaining these values. Our Global Diversity and Gender Equality Policy outlines our approach, and 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 work in close cooperation 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

A new whistleblowing procedure was launched in early 2020 which 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

A materiality analysis has helped increase our knowledge of how the Daniel Wellington Group affects both people and the planet and what our different stakeholders find important. The results from the analysis conducted in 2018 have been 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 external standards, competitors, NGOs, media 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

The following material areas are the outcome of our materiality assessment (in no particular order):

- Raw materials
- Sustainable supply chain
- Product safety
- Animal welfare
- Environmental responsibility and climate change
- Human rights and ethics
- Jobs and value creation
- Customer engagement and satisfaction
- Talent management, development and benefits
- Charity 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 is a result of 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, 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. 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. Traceability of gold is another critical area due to the associated supply chain risks. We will continue deepening our understanding of all materials' impacts throughout the sourcing and production processes so that we 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 trying 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 their sensitivity to fluctuations in temperature and humidity. Alternative transportation modes and efficiency measures are being evaluated with the objective 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 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 that they are 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 change needed. *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 the choices we make. Important stakeholder groups include customers, influencers, employees and management, suppliers, NGOs, our owner, and society.

Employee engagement surveys have been conducted in the past years, making sure we get regular input from our employees. We are now in the process of updating the tool used for employee engagement to enable more frequent updates of where we are. As part of the development of the sustainability strategy 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 all around the world. 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. 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.

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

## ORGANIZING FOR SUSTAINABILITY

For the second year running, sustainability was identified as one of five focus areas for the company business strategy during 2020. This means that all parts of the business set sustainability-related targets and actions.

Going forward, sustainability will permanently be visible in the strategy as a key area where we monitor progress on a quarterly basis.

We are continuously working to integrate sustainability as part of our every-day work. A dedicated sustainability team, based in Sweden and China, is responsible for driving the sustainability vision and strategy and supporting 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 likewise a regular topic during meetings with the Global Executive team.

# ABOUT THIS REPORT

This is Daniel Wellington's fourth sustainability report, and it covers material sustainability activities for Daniel Wellington AB with subsidiaries for the period January 1 to December 31, 2020. For full details about included subsidiaries please refer to Daniel Wellington's Annual Report for 2020.

## 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 used<sup>1</sup>. 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, grid average 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 purchases<sup>2</sup>. Freight has been calculated with DEFRA when the freight provider has not had their own emission calculation. 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.

<sup>1</sup> IEA (2019), Emission Factors

<sup>2</sup> Defra (2019). UK Government GHG Conversion Factors for Company Reporting

# THANK YOU!

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

Alice Devine  
[alice.devine@danielwellington.com](mailto:alice.devine@danielwellington.com)

We appreciate your feedback.