

DANIEL WELLINGTON

Daniel Wellington
556878-5937

Sustainability Report 2023

DANIEL WELLINGTON

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1. 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. The report covers material sustainability activities for Daniel Wellington AB with subsidiaries from January 1 to December 31, 2023.

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 established in 2011 in Sweden and presently operates its global headquarters in Stockholm, with an additional five local offices strategically located worldwide. The Daniel Wellington group consists of 32 subsidiaries, with only 12 of them actively operating, while the remaining 20 are inactive or not operational. 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 4.5 million followers on Instagram, with a large community of active followers that engage in featuring their Daniel Wellington products.

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.

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 independent distributors. In 2023, we have increased focus on our distributor network and accelerated the transition from owned and operated DW stores to a franchised model in collaboration with key market distributors. These changes will enable us to expand our reach and better meet the needs of our customers, while also streamlining our operations for greater efficiency and profitability.

In the past year, Daniel Wellington underwent a significant shift in its business model, transitioning from sporadic product releases to a structured seasonal approach. We now unveil new collections in spring and autumn, allowing for longer planning cycles. This change enables us to streamline our

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operations, optimize resource use, and reduce waste. By aligning with seasonal trends, we enhance customer engagement and minimize our environmental footprint.

We also transitioned to a "Make to Order" model for our distributor partners, which represents a substantial part of our sales volume. Under this approach, distributors provide forecasts detailing their anticipated demand for our products. We then tailor our production to meet these specific requirements, producing only the quantities requested by our partners. By sharing the inventory management and risk assessment with distributors, we have streamlined our operations and reduced inventory throughout the supply chain.

This proactive approach to production ensures that our resources are allocated more effectively, leading to a reduction in both environmental impact and write-offs. While this transition represents a fundamental change in our business model, it reflects our ongoing commitment to sustainability and responsible business practices.

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KEY FIGURES 2023

- SEK 894 Mn turnover
- Largest sales regions include Asia and Europe
- 1,5 million products sold
- Products shipped to 144 countries
- 220 employees

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COMPANY VISION

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.

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.

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2. SUSTAINABILITY STRATEGY

We launched our sustainability strategy in 2018. Overarching ambitions for 2030 have been established, and now guide our work towards running a long-term sustainable business within our planet's limits. 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 THE 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. We identified three of the goals as the most relevant in terms of our impact: goal 8 (Decent work and economic growth), 12 (Responsible consumption and production), and 13 (Climate action). In addition, our full list of actions also supports targets under the other goals.

Goal 8

See sections: Fair jobs, Thriving talent

Goal 12

See sections: Responsible materials, Outstanding products

Goal 13

See section: Planet positive

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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/ price ratio in the industry	Net positive environmental impact	An empowered & engaged workforce
WHAT WOULD THIS LOOK LIKE				
<ul style="list-style-type: none"> Responsibly sourced materials, full transparency 100% renewable where applicable Move towards circularity – use recycled materials & our products fully recyclable 	<ul style="list-style-type: none"> Be a responsible partner Respecting human rights and promoting change all along the value chain Create positive social impact 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Clean air – be carbon neutral Clean water – sustainable process effluents No waste impact from product end-of-life Efficient use of resources 	<ul style="list-style-type: none"> Value driven organisation with a strong winning culture All employees offered the opportunity to grow & develop Highly engaged employees The best leadership acting as role models

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3. COMMITMENTS AND PROGRESS

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

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RESPONSIBLE MATERIALS

Ambitions 2030

- All our materials should be renewable or circular

What this would 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 2023

- Introduced a collection of vegan leather bags made of water-based polyurethane, lined with recycled microsuede.
- Expanded our eyewear collection with new models crafted from bio-acetate, in line with the quality of our previous eyewear offering.
- Mother of pearl (MOP) sourced from a selection of suppliers with a sustainability focus, some of which are certified by the Marine Stewardship Council (MSC).
- 100% Forest Stewardship Council (FSC) certified paper and board.
- Recycled polyester used in all NATO straps since April 2020.
- 100% of leather from LWG certified tanneries.
- Chrome-free leather in our leather straps.

Key areas	Status
Introduce gold from recycled sources	Our enduring goal is to incorporate recycled gold into our operations. Despite encountering challenges along the way, we are fully committed to persistently seeking a viable solution and will steadfastly continue with this project.
Vegan leather	We proudly expanded our product line to include a range of vegan leather bags, marking a significant milestone in our commitment to sustainability and ethical production. By embracing vegan leather, we are not only reducing our environmental footprint but also championing compassion and responsibility in our industry.
MOP from sustainable sources	The sustainability of the MOP used in our products is of utmost importance to us. Currently, the MOP comes from a combination of MSC-certified fisheries and non-certified sources. Those from MSC-certified fisheries undergo assessments by third-party, independent auditors against the MSC Fisheries Standard, ensuring compliance with three core

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	<p>principles: fishery stock health, impact on the marine environment, and effective fishery management.</p> <p>Today 50% of our MOP suppliers are MSC certified and we are actively working towards ensuring that all our MOP is harvested and managed sustainably.</p>
Shift to chrome-free leather	<p>Our commitment is to introduce chrome-free leather for all upcoming strap releases. We've already begun this shift, converting our leather options to chrome-free alternatives. Further transitions will occur gradually as we strive for all future orders to consist of chrome-free leather.</p>

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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 is 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 introduced 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.

PRODUCTS - 50 tonnes

Metal	75,0%
Plastic	9,6%
Glass	5,4%
Brass	3,8%
Leather	3,7%
Zinc	0,8%
Rubber	0,7%
Ceramic	0,4%
Battery	0,6%
Others *	0,1%

* Mother of pearl, gold, epoxy and cubic zirconia stones.

PACKAGING - 224 tonnes

Paper and board	89,3%
Plastic	10,0%
Metal	0,7%

Percentages may not total 100 due to rounding

GOLD

Daniel Wellington's product line features various items plated with gold. As part of our annual due diligence, we rigorously ensure that the gold used is responsibly sourced and free from conflict. In 2023, we once again received assurance from our plating factories regarding the sourcing of the gold used in our products, confirming that it did not originate from mines in the Democratic Republic of the Congo (DRC) or its neighboring regions. Furthermore, our diligent research successfully traced the gold back to a conflict-free mine. Throughout 2023, a total of 8 kg of gold was used in Daniel Wellington products.

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LEATHER

The leather supply chain is of paramount importance to us. All the leather utilized for our watch straps is sourced exclusively from tanneries located in northern Italy. It's a prerequisite for all our tanneries to hold certification from the Leather Working Group (LWG), an accomplishment we attained in 2019.

LWG certification signifies a commitment to minimizing the environmental footprint of the tanning process. Consequently, these tanneries prioritize energy efficiency, water conservation, the use of superior chemicals, and the proper management of solid waste and effluents.

A few years ago, we embarked on a journey to minimize the environmental footprint of our watch straps. As a pivotal step in this endeavor, we committed to adopting chrome-free alternatives starting in 2020. We have already effectively replaced some of our leather offerings with chrome-free alternatives. Looking forward, each newly introduced leather strap will be chrome-free, while the remaining leather variations will transition gradually as we place new orders.

VEGAN LEATHER

In 2023, we introduced vegan leather handbags, aligning with our commitment to sustainability and ethical practices. This significant action not only reaffirms our dedication to ethical fashion but also results in a notable reduction in our carbon emissions. By opting for vegan leather, we minimize our reliance on traditional leather production methods, notorious for their environmental impact. Simultaneously, we responsibly offer genuine leather products sourced from suppliers meeting strict environmental and ethical standards, aiming to minimize environmental impact while harmonizing material innovation with our brand's heritage and customer expectations. This balanced approach caters to diverse preferences, blending innovation with tradition. Our goal is to ensure our products align with our values and customers' expectations while prioritizing sustainability and quality.

MOTHER OF PEARL

In our continuous pursuit of sustainability, we are reviewing our approach to sourcing MOP. We place great importance on ensuring that the MOP used in our products is sustainably sourced. One effective measure we employ is partnering with fisheries certified by the Marine Stewardship Council (MSC). MSC certification signifies strict adherence to responsible fishing practices and sustainable seafood sourcing standards, aligning with our values of environmental stewardship and ecosystem preservation.

We are proud to report that 50% of our current suppliers hold MSC certification, reflecting our dedication to sustainable sourcing practices. However, we acknowledge the importance of extending this commitment across all our sourcing channels. Our overarching goal is to transition all MOP sourcing to fisheries that guarantee the sustainability of their operations. This proactive step reinforces our commitment to environmental responsibility and ensures the preservation of marine ecosystems for future generations.

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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 our purchased paper and board comes from FSC certified sources.

	2019	2020	2021	2022	2023
Paper & board from FSC certified sources	27%	100%	100%	100%	100%

PLASTIC

Over the years, we've been proactive in reducing our plastic usage in packaging. Our commitment to sustainability drives us to persist in this effort, while simultaneously ensuring that any remaining plastic originates from recycled sources and is recyclable after use. By using recycled plastic that can be recycled again, we're contributing to a circular economy and minimizing waste.

OTHER METALS

The production of metals involves substantial energy consumption. Previously, we have made efforts to trace the origin of our steel, successfully identifying the sources back to the steel mills. Now, we are preparing to embark on a new project with the specific goal of reducing the environmental impact associated with our stainless steel production. As part of this upcoming initiative, we will further investigate the origins of our stainless steel, aiming to trace them back to their respective sources. Additionally, we will explore the possibility of incorporating recycled steel into our production processes.

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FAIR JOBS

Ambitions 2030

- Fair working conditions throughout our full value chain

What this would look like

- Be a responsible partner
- Respect human rights and promote change all along the entire value chain
- Create a positive social impact

Highlights 2023

- Engaged in ongoing collaboration with our suppliers through Sedex SMETA initiatives.

Key areas	Status
Audit all tier 1 suppliers on the social parameters outlined by SMETA (Sedex Members Ethical Trade Audit) on a regular basis.	Our objective is to conduct SMETA audits regularly for all tier 1 suppliers in China in line with our sustainability objectives. We are continuously enhancing our auditing procedures to maintain the integrity of our supply chain and align with our sustainability goals. Looking ahead, we are committed to ensuring that these audits are conducted consistently, aiming to achieve our objectives in the upcoming year.
Audit all suppliers, including those beyond tier 1, on the social parameters outlined by Sedex SMETA, and continue to deepen our knowledge and use our leverage to promote change further down the supply chain.	Consistent updates on subcontractors are essential for Daniels Wellington's suppliers. Additionally, our internal team will continue their routine visits to key tier 2 and 3 suppliers, as they have traditionally done, to ensure heightened supervision and accountability across the supply chain.

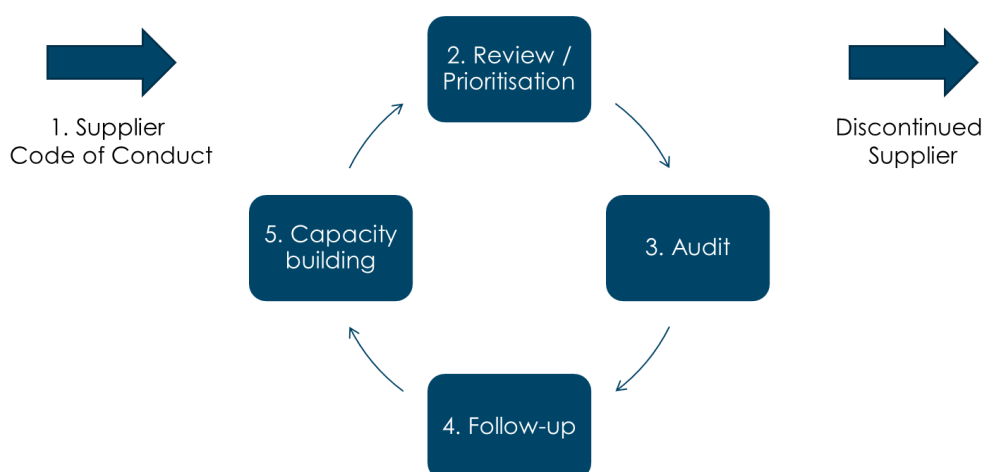
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We have a responsibility towards all the people touched by our operations. Our ambition is that all the jobs created in our supply chain should contribute positively to society. The working environment should be safe, and people need to be able to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

In 2020 we joined SEDEX, one of the world's leading platforms for companies to manage and improve working conditions in the supply chain. 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. All audits were semi-announced conducted by qualified third-party audit firms. The work with improving issues found during audits is ongoing, and we continue 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. Sustainability is an important part of the suppliers' performance reviews.

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

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OUTSTANDING PRODUCTS

Ambitions 2030

- Offer the best quality to price ratio in the industry

What this would look like

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

Highlights 2023

- Made repair services available to our customers in all markets via our repair partners.
- Material sustainability & compliance review completed for all the new launches.

Key areas	Status
Ensure that repair services and battery exchanges are accessible to consumers across all markets.	In response to the diminishing presence of our physical stores and the resulting inability to offer in-store repairs, we have developed a solution to ensure our customers can still access repair services for their products. We now efficiently guide them to our authorized repair partner stores, thus ensuring their convenience and satisfaction are prioritized.
Continuously improving 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 suppliers are connected to the test program from the start.
All new products and materials should undergo complete sustainability and compliance review.	All new products and materials have undergone rigorous examinations, considering both sustainability and compliance factors, affirming our dedication to environmental stewardship and regulatory standards.

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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.

Our watches are designed with replaceable parts, ensuring easy replacement in case of damage. We extend repair services through our trusted network of repair store partners. This commitment not only facilitates product longevity but also enhances customer satisfaction.

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 2023 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.

During 2023 we introduced our new bag collection. Crafted with care, each bag features artificial leather made of water-based polyurethane on the outside and recycled microsuede on the inside. By opting for vegan leather, we embrace cruelty-free alternatives without sacrificing elegance or quality. Moreover, the incorporation of recycled microsuede underscores our commitment to reducing waste and minimizing our ecological footprint. This blend of materials reflects our commitment to sustainability and style, offering customers an eco-conscious option without compromising on luxury.

In addition to our existing eyewear collection crafted from bio-acetate, we've introduced new models made from the same material, ensuring the continuation of the high quality found in our previous offerings. By utilizing bio-acetate, sourced from renewable resources, we are actively reducing our dependence on fossil fuels, and thereby minimizing our environmental impact. With this approach, we're proud to offer stylish eyewear that aligns with our values of quality and environmental responsibility.

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.

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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.

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

At Daniel Wellington, we work actively and proactively with protecting our intellectual property (“IP”) and taking anti-counterfeiting measures. This includes 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 that 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 also collaborating with other brands and organizations with the shared interest of combatting counterfeiting and illicit trade.

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.

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PLANET POSITIVE

Ambitions 2030

- Net positive environmental impact

What this would 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 2023

- Reduced our carbon footprint by 82% since our base-year 2017.
- Adopted seasonal releases, improving efficiency, reducing waste, and minimizing environmental footprint.
- Shifted to a 'Make to Order' model for distributor partners, reducing excess inventory, streamlining operations, and enhancing efficiency.
- Purchased renewable electricity matching 100% of the electricity used in our operations.
- 98% landfill-free waste from our warehouse.

Current focus & commitments	Status
Review and optimize our roadmap to ensure it aligns with our sustainability objectives and adapts to the evolving climate action landscape.	Last year we set the focus to reduce carbon emissions by 82% by 2023 (compared to 2017), which we successfully achieved. This milestone marks considerable advancement, yet underscores the importance of revising our roadmap. In 2024, we will refine our roadmap to align with sustainability goals and anticipate sharing updates in the next sustainability report.
Roll-out no waste to landfill target for all DW operations (warehouses, retail and offices)	Daniel Wellington continues its commitment to minimizing landfill waste. Our dedication to sustainability drives ongoing efforts to optimize waste management and increase recycling. We remain steadfast in our pursuit of a future with zero landfill waste.
Actively pursuing the transition to seasonal product launches as a continuous effort.	During 2023 we transitioned to a structured seasonal approach for product releases, enabling longer planning cycles and streamlining operations while minimizing waste and enhancing sustainability through alignment with seasonal trends. We will continue with this process, ensuring sustained benefits and ongoing improvement in our sustainability efforts

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Initiating the implementation of a 'Make to Order' model for distributor partners, which will be an ongoing focus.

In 2023, Daniel Wellington adopted a 'Make to Order' model for distributor partners, representing a substantial part of sales, streamlining operations and reducing waste by producing goods based on firm orders. This proactive approach fosters collaboration, enhances understanding of distributor needs, and optimizes resource allocation. We are committed to maintaining this approach moving forward, ensuring sustained benefits and ongoing improvement in our sustainability efforts.

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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.

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 concretize our commitment to climate neutrality, we established a climate roadmap in 2020, aiming for an 85% reduction in emissions by 2030 compared to our base year of 2017. As we reflect on our progress in 2023, we are pleased to announce that we by 2023 have achieved a significant reduction of 82%. While this marks a commendable milestone, it also indicates the necessity of updating our roadmap for the remaining period until 2030. In 2024, we will dedicate time and resources to revising and refining our future roadmap, ensuring its alignment with our sustainability objectives and the evolving landscape of climate action. We anticipate sharing the updated roadmap in next year's sustainability report, demonstrating our ongoing commitment to driving meaningful change towards a more sustainable future.

While we have made significant progress, we recognize there's more to be done. Challenges lie ahead, and we are committed to finding solutions as we approach 2030. Our aim is to minimize reliance on climate compensation, reserving it for unavoidable emissions only. Our roadmap focuses on four key areas: energy, products, business travel and freight, with identified projects for emissions reduction. Through collaboration and innovation, we are confident in our ability to achieve our sustainability goals.

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. No further updates were made to the data during 2023. For a more detailed methodology, please see the section About this report.

CO₂ emissions incl. renewables per area

Products (life cycle impact)	66,6%
Freight	27,6%
Business travel	5,3%
Energy (Offices, warehouses & retail)	0,0%
Other (Waste & retail interiors)	0,4%

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	2017	2018	2019	2020	2021	2022	2023	Unit
Total emissions, including renewables (market-based)	13,650	11,780	9,680	6,680	6,680	2,890	2,520	ton CO _{2e}
Emissions per revenue (market-based)	5.2	4.6	3.7	3.1	3.6	2.5	2,8	ton CO _{2e} / M SEK
Emissions per product (market-based)	3.7	3.1	3.1	2.4	2.6	1.8	1,6	kg CO _{2e} / product
Total emissions (location-based)	13,650	12,900	11,900	8,360	7,830	3,400	2,850	ton CO _{2e}

Emissions per scope	
Scope 1	0%
Scope 2, including renewables	2%
Scope 3, including renewables	98%

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 2% and Scope 3 for 98% 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, and energy use in third-party warehouses.

Results from the 2023 carbon inventory show that Daniel Wellington's climate impact, including renewables, decreased by 13% compared to 2022. Remarkably, compared to our 2017 baseline, we achieved an 82% reduction. Part of this can be explained by the fact that the number of products sold has decreased by 5% compared to 2022, a decline that directly correlates with lower energy consumption and emissions associated with production and distribution processes. Moreover, the reduction is attributed to strategic initiatives, including purchase of traceable renewable electricity, optimized production processes, collaboration with suppliers, and owning fewer retail stores. Implementing a more efficient freight system and innovations in product design also contributed.

The product life cycle impact in 2023 remains consistent with that of the previous year, 2022, indicating a stable climate footprint. This metric is directly correlated with the volume of products sold, emphasizing the significant environmental impact of our product line.

Freight emissions have decreased significantly by 35% compared to the previous year. This reduction is primarily attributed to two key factors: minimizing air freight usage and optimizing freight planning. By reducing our reliance on air transportation and strategically planning our freight operations to

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consolidate shipments, we have achieved more efficient resource utilization and significantly lowered our carbon footprint.

In 2023, our business travel increased by 59% compared to 2022, yet it decreased by 91% compared to 2017. The surge in travel can be attributed to post-pandemic recovery and the resurgence of face-to-face interactions. However, our reliance on virtual meetings has also increased, driven by efficiency gains and sustainability considerations. This fluctuation reflects the evolving nature of business practices. Recognizing the environmental impact of business travel, we have maintained our reduced travel pattern even as post-pandemic restrictions ease. Rather than reverting to pre-pandemic travel levels, we have embraced innovative collaboration methods. For instance, instead of flying to meetings with partners and suppliers abroad, we utilize technology and digital platforms for effective communication and cooperation. This approach not only optimizes productivity and efficiency but also leads to significant reductions in carbon emissions. By minimizing unnecessary travel, we remain committed to sustainable practices, prioritizing climate-conscious approaches across all aspects of our business operations. Moving forward, we will continue to optimize travel practices, prioritizing sustainability and leveraging technology for remote collaboration.

We have purchased traceable renewable electricity to align with the energy consumption of all our offices, warehouses, and retail stores. We try to purchase energy from the market where the energy was consumed (99% in 2023). However, when not possible, we increase the purchases from other markets to compensate (1% in 2023). Guarantees of Origin (GOs) were used for Europe and International Renewable Electricity Certificates (RECs) for other parts of the world. In 2023, our renewable energy portfolio was predominantly composed of hydropower at 87.6%, with wind power adding 1.3%. Additionally, a combination of hydropower, wind, and solar energy together accounted for 11.1%.

	2018	2019	2020	2021	2022	2023
Renewable electricity purchases of use in own operations	99%	100%	100%	100%	100%	100%

For the fourth year running, we decided to offset our carbon emissions in a Gold Standard certified project. 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. The amount compensated represents our full climate footprint for 2023 (2 520 tons of CO₂e). 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.

We have chosen to offset the carbon emissions for 2023 through a project reconstructing inefficient built-in stoves for cooking and heating in deep mountain communities in China, aiming to safeguard giant panda habitat and enhance the health of the residents.

WWF CLEAN COOKSTOVES

For decades, the deep mountain communities of Shaanxi's Ningshan County in Central China have collected their woodfuel from the nearby Huangguanshan Nature Reserve. This project aims to improve the efficiency of existing stoves used for cooking and heating by reconstructing them, making them 70% more efficient. By improving thermal efficiency, the new cookstoves substantially reduce woodfuel consumption. This reduction in wood collection and burning helps decrease deforestation

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and protect the habitat of the giant panda. Additionally, besides cutting emissions and reducing pressure on forests, the local community benefits from time savings and improved health due to decreased exposure to indoor toxic smoke.

WASTE

In alignment with our steadfast commitment to a circular business model, we persist in our pursuit of achieving 0% landfill waste. During 2023, we continued to implement this target in warehouses and offices worldwide. The majority of waste generated from both our own facilities and third-party warehouses is now diverted from landfills, and we remain committed to further reduce any waste still being directed to landfills.

Beyond our operational waste, we are equally dedicated to ensuring responsible disposal practices for our products and packaging. We recognize our responsibility to educate and empower consumers in recycling efforts. Presently, our customers are encouraged to responsibly recycle watch components, including batteries, as part of our commitment to environmental stewardship.

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THRIVING TALENT

Ambitions 2030

- An empowered & engaged workforce

What this would look like

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

Highlights 2023

- Developed and re-launched Daniel Wellington leadership introduction for new leaders.
- 50% of Global executives are women.
- Continued support for remote employees' work environment and engagement.

Current focus & commitments	Progress
New leadership introduction	We introduced a new leadership program for new leaders, which will be reviewed and further developed throughout 2024.
Engagement Survey	We re-launched a bi-monthly engagement survey to collect data-driven insights, enabling us to make informed decisions and take effective actions to improve our workplace.

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Daniel Wellington's success is fueled by a global workforce of 220 employees (at the end of 2023). 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.

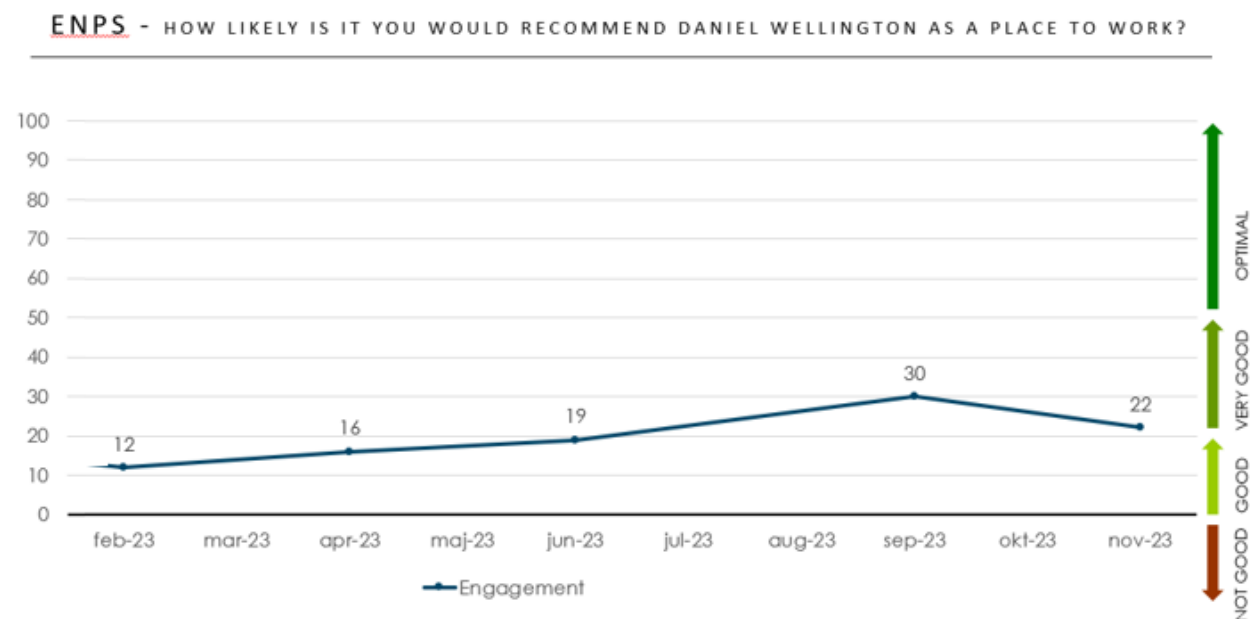
ENGAGEMENT SURVEY

We strive to have highly engaged co-workers in our organization. To be able to reach this ambition and also make sure we are an attractive workplace, we conduct bi-monthly Engagement Surveys.

We follow the results on Departmental, Regional, and Global levels. After each round, the results are analyzed and workshopped between HR and Managers to set relevant actions for each department.

The main KPI that is followed is based on eNPS (employee Net Promoter Score) for the question "How likely is it you would recommend Daniel Wellington as a place to work?". A score above 0 shows that you have more Employees who would recommend you as an Employer, than those who would possibly discourage others from working with you. It can be said that a value between 0-20 is Good, a value between 20 and 50 is Very Good, and anything above 50 is optimal. Values between minus 100 and 0 suggest challenges, often requiring direct action plans.

In our first three Survey rounds the result showed we were in the "Good Segment", while we during the two last rounds were in the "Very good segment".



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TRANSPARENCY

To increase our transparency, we continued to develop our monthly physical (and digital) Townhalls to all employees, where our CEO, in a transparent manner, shares financials and news about what is 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 rooted in this principle, aiming to reach employees through an excellent digital workplace at the right time and place. With the landscape evolving rapidly, especially accelerated by the pandemic in 2021, our focus is primarily digital. Supporting employees in enhancing both hard and soft skills to become better versions of themselves will be crucial for our future.

In 2021 and 2022, we refocused our attention on our managers, revising our previous leadership expectations to better reflect our core beliefs. We introduced a new leadership framework called *'The Heart of Leadership,'* which outlines the qualities we believe are essential for success in the future: *Passion to lead, Trusting your team, Leading with courage, Leading with kindness,* and this leads to *Enable Innovation.* In 2023, we further developed this initiative by conducting training sessions and workshops for both coworkers and managers. These sessions delved into various aspects of The Heart of Leadership, such as *Feedback & Communication* and *Personal Learning & Development.*"

During 2023, we also developed our onboarding for new leaders, both from a personal standpoint with People & Culture resources and by building a new online Toolbox on our intranet DW Home.

FLEXIBLE WORK SET-UP

We don't believe in a 'one size fits all' approach, as we recognize that all employees have different needs. This is why we now have permanented our "Hybrid Office Setup". We believe 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. How often an employee should be on site in the office is decided between the closest manager and employee according to the department's needs.

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) by all our managers. The executive team consists of 50% women and 50% men.

REORGANIZATION

During the summer 2022, a larger reorganization begun in Daniel Wellington, where we went from being 1786 coworkers at the beginning of 2022, to being 500 coworkers at the end of 2022. During 2023, we have continued with our downsizing and closed stores and exited different countries around the world. This has led to a decrease in employees from 500 coworkers at the beginning of 2023 to 220 coworkers at the end of 2023.

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Total employees	
Women	62%
Men	38%
Retail	
Women	73%
Men	27%
Office	
Women	61%
Men	39%
SR Managers	
Women	46%
Men	54%
Execs	
Women	50%
Men	50%

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4. 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, 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, 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 guide our employees' behaviors:

CHALLENGE IT - Learning and growth

OWN IT - Execution and accountability

WIN IT - Collaboration and emotional intelligence.

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 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.

CODE OF CONDUCT

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

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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, both verbal and written. 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.

During 2023, no concerns or potential breaches were received in our whistleblowing system.

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5. 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

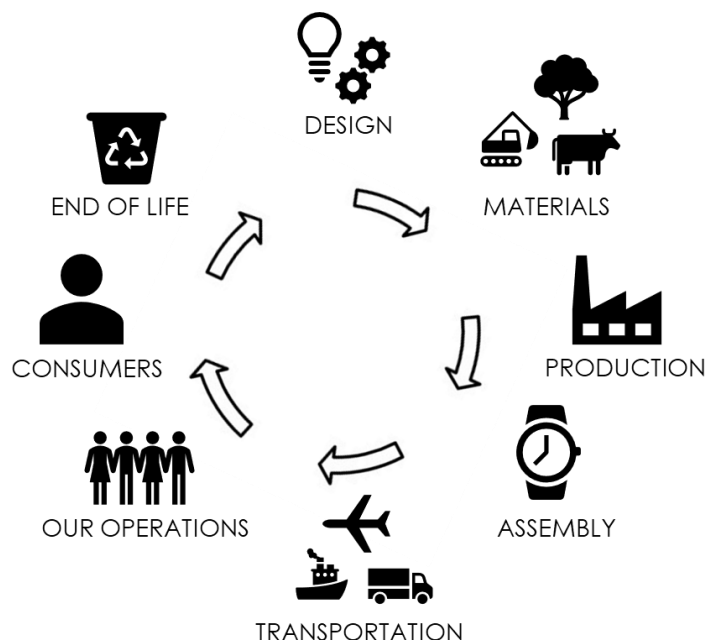
As part of our ongoing review, we have updated our material areas. The following material areas are the outcome of our assessment (in no particular order):

- 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

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OUR VALUE CHAIN

The main risks identified throughout our value chain are described in the table below.



Area	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, rubber, 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 <i>Responsible Materials</i> .
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

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	<p>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.</p> <p>More information can be found in the section <i>Fair Jobs</i>.</p>
Transportation	<p>Our products are sold worldwide in 144 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.</p> <p>More information can be found in the section <i>Planet Positive</i>.</p>
Our operations	<p>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.</p> <p>The environmental impact from our operations includes business travel, electricity use and recycling in our warehouses, offices and stores.</p> <p>More information can be found in the sections <i>Thriving Talent</i> and <i>Planet Positive</i>.</p>
Consumers	<p>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.</p> <p>More information can be found in the section <i>Outstanding Products</i>.</p>
End of life / Recycling	<p>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.</p> <p>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.</p> <p>More information can be found in the section <i>Planet Positive</i>.</p>

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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 includes 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.

We are also looking into the upcoming EU legislation of Corporate Sustainability Reporting Directive (CSRD) and how we will meet the new reporting requirements.

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 regular basis. All parts of the business set sustainability-related targets and actions. We are continuously working to integrate sustainability into our everyday work. 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.

6. ABOUT THIS REPORT

This is Daniel Wellington's seventh sustainability report, and it covers material sustainability activities for Daniel Wellington AB with subsidiaries from January 1 to December 31, 2023. For full details about included subsidiaries please refer to Daniel Wellington's Annual Report for 2023 (Company registration number 556875-5937).

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.

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

²IEA (2019), Emission Factors

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Thank you!

If you have any questions or comments about the report, please contact our Sustainability & Product compliance manager:

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Katarina.beckman@danielwellington.com

We appreciate your feedback.