

DANIEL WELLINGTON

Daniel Wellington
556878-5937

Sustainability Report 2022

DANIEL WELLINGTON

Contents

1. THIS IS DANIEL WELLINGTON	3
OUR BUSINESS MODEL.....	3
KEY FIGURES 2022	4
COMPANY VISION	5
2. SUSTAINABILITY STRATEGY	6
IMPACT-BASED APPROACH.....	6
SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS	6
SUSTAINABILITY AMBITION.....	7
3. COMMITMENTS AND PROGRESS.....	8
RESPONSIBLE MATERIALS	9
FAIR JOBS	12
OUTSTANDING PRODUCTS.....	14
PLANET POSITIVE	17
THRIVING TALENT	21
4. OUR WINNING CULTURE & GUIDING POLICIES.....	23
GUIDING PRINCIPLES.....	23
KEY POLICIES	23
5. OUR APPROACH TO SUSTAINABILITY	26
THE PROCESS.....	26
MATERIAL AREAS	26
OUR VALUE CHAIN	27
STAKEHOLDER INVOLVEMENT	29
ORGANIZING FOR SUSTAINABILITY	30
6. ABOUT THIS REPORT	31

DANIEL WELLINGTON

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, 2022.

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

OUR BUSINESS MODEL

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

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

The brand is marketed primarily through digital channels, and social networks. In total, we have over 4.7 million followers on Instagram, with a large community of active followers that engage in featuring their Daniel Wellington products.

Products are sold through numerous sales channels both online and offline: on our website and other online marketplaces, as well as through Daniel Wellington branded retail shops and independent distributors. In 2022, 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.

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.

DANIEL WELLINGTON

KEY FIGURES 2022

- SEK 1.2 Bn turnover
- Largest sales regions include Asia and Europe
- 1,6 million products sold
- Products shipped to more than 200 countries
- 500 employees
- 160 retail stores in 20 markets

DANIEL WELLINGTON

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.

DANIEL WELLINGTON

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

DANIEL WELLINGTON

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

DANIEL WELLINGTON

3. COMMITMENTS AND PROGRESS

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

DANIEL WELLINGTON

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 2022

- We selected bio-acetate for the new eyewear launch.
- 100% FSC certified paper and board.
- Recycled polyester used in all NATO straps since April 2020.
- 100% of leather from LWG certified tanneries in Italy.
- We introduced chrome-free leather in our leather straps (four of our leathers were chrome-free by the end of 2022).

Key areas	Status
Introduce gold from recycled sources	Our long term goal is to use recycled gold, but we are still struggling to find a feasible solution.
Shift to chrome-free leather	All new strap leathers launched starting from 2022 will be chrome-free. In 2021 we started to shift to chrome-free leather straps. So far, we have transferred four of our leathers to chrome-free alternatives. The remaining leathers will be shifted when we place new orders.
Create a 100% recyclable consumer box	The materials in the current consumer box need to be sorted before they can be recycled, as there are some plastic parts used in the inserts. We are working to find a solution that uses only cardboard while meeting our needs in terms of flexibility (to fit several sizes), quality, and presentation to the consumer.

DANIEL WELLINGTON

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

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

In 2020 we 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 - 45 tonnes

Metal	84.9%
Plastic	3.3%
Glass	4,7%
Leather	3.5%
Rubber	2.0%
Ceramic	0,8%
Battery	0.7%

PACKAGING - 223 tonnes

Paper and board	88.9%
Plastic	10,4%
Metal	0,7%

Percentages may not total 100 due to rounding

GOLD

Many of Daniel Wellington's products are plated with gold, and we conduct annual due diligence to validate that the gold used is conflict-free. In 2022, we again received assurance from our plating factories that the gold used in our products had not been mined in the Democratic Republic of the Congo (DRC) or any adjoining countries. In addition, our research traced the gold back to a conflict-free mine.

LEATHER

The leather supply chain is another important area for us. We source all the leather used for watch straps from tanneries in northern Italy. We require all our tanneries to be certified by the Leather Working Group, something that we achieved in 2019. Being certified by the LWG means working to reduce the environmental impact of the tanning process. As a result, the tannery uses less energy, less water, better chemicals and takes responsibility for their solid waste and effluents.

In 2020 we looked at ways to lower the impact of our straps, and as a result, we decided to shift to chrome-free alternatives. All new leather straps launched from 2022 on will therefore be chrome-free.

DANIEL WELLINGTON

We also started to shift to chrome-free straps in our running products. By the end of 2022, we had transferred four of our leathers to chrome-free alternatives. The remaining leathers will be shifted when we place new orders.

PAPER AND BOARD

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

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

OTHER METALS

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

DANIEL WELLINGTON

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 2022

- All tier 1 suppliers in China underwent an annual audit

Key areas	Status
Audit all suppliers on a regular basis.	All tier 1 product suppliers in China undergo an annual audit. In 2022 all audits were SMETA and/or FSC audits conducted by independent third parties.
Continue to deepen our knowledge and use our leverage to promote change further down the supply chain.	Daniel Wellington's suppliers are asked to continuously share information about their subcontractors. Our internal team regularly visits key tier 2 and 3 suppliers to support and verify progress.

DANIEL WELLINGTON

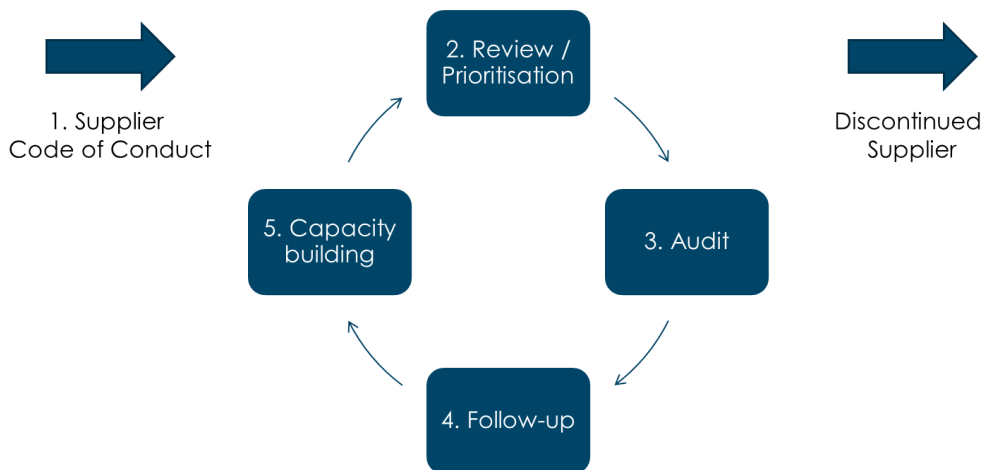
We have a responsibility towards all the people touched by our operations. Our ambition is that all the jobs created in our supply chain should contribute positively to society. The working environment should be safe, and people need to be able to live and support their families on a regular worker's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

Our work in 2022 continued to be impacted by the Covid-19 pandemic, and we have worked to support our suppliers throughout this time. This includes assistance in managing potential disruption and re-prioritizing orders to enable deliveries.

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

DANIEL WELLINGTON

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 2022

- All Daniel Wellington's stores support customers with battery changes.
- Increased our repair score from 85 to 86% (the share of sales where we have a repair solution in place).
- Material sustainability & compliance review completed for all the new launches.

Key areas	Status
Make repair services available to consumers in all markets.	We have reached a repair score from 85% in 2021 to 86% in 2022 (the share of sales where we have a complete repair solution in place).
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 been reviewed from a sustainability & compliance perspective.

DANIEL WELLINGTON

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

QUALITY AND PROLONGING PRODUCT LIFE

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

All parts of our watches can be replaced if damaged, and in many markets, we offer repair services directly to our customers to help prolong the product life. By the of 2022, our repair score was 86% (the share of sales where we have a complete repair solution in place).

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 2022 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.

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

SAFE PRODUCTS

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

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

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.

DANIEL WELLINGTON

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.

DANIEL WELLINGTON

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 2022

- We have reduced our carbon footprint by 79% since our base-year 2017.
- Purchased renewable electricity matching 100% of the electricity used in our operations.
- 98% landfill-free waste from our warehouses.

Current focus & commitments	Status
Reduce carbon emissions by 82% by 2023 (compared to 2017) through the implementation of the climate roadmap	We have been working to achieve carbon reduction for many years. In 2020 we developed a climate roadmap that helps create additional structure and prioritize our projects on a global level. Reduction until end of 2023 approx. 82% compared to the base year 2017.
Roll-out no waste to landfill target for all DW operations (warehouses, retail and offices)	98% of waste sent from our warehouses is landfill-free (both our own and operated by 3 rd party).

DANIEL WELLINGTON

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 make our climate neutrality goal tangible, we created a climate roadmap in 2020 with an 85% decrease in 2030 compared to the base-year 2017. When we summarize 2022 can see that we already reached a 79% decrease, which implies that the roadmap up to 2030 needs to be updated. We will spend time on this future roadmap during 2023 and share an updated version in next year's sustainability report.

However, we are still convinced that there are many improvements to implement and several projects will be challenging. We do not have all the solutions yet. As we get closer to 2030 we expect to find additional ways to reduce our remaining emissions further. We only want to use climate compensation as a solution for unavoidable emissions. In our roadmap, we have divided the scope into four key areas: energy, products, business travel and freight. In each of the areas, plausible projects have been identified and their potential reduction calculated.

CLIMATE FOOTPRINT

The first assessment of Daniel Wellington's climate change footprint was conducted for 2016. Our ambition is to cover the full life-cycle emissions of our products, including the impact from raw materials used, emissions from our factories, our warehouses, offices, retail operations, all product transportation, and business travel. We have continuously worked to improve data accuracy and add previously missed data sources. Changes due to this make year-on-year comparisons not fully representative. When earlier assumptions have been shown to be inaccurate, we have updated the data also for previous years. For a more detailed methodology, please see the section About this report.

CO₂ emissions incl. renewables per area

Per area	
Products (life cycle impact)	57,3%
Freight	36,9%
Business travel	2,9%
Energy (Offices, warehouses & retail)	2,2%
Other (Waste & retail interiors)	0,7%

DANIEL WELLINGTON

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

Emissions per scope	
Scope 1	0%
Scope 2, including renewables	12%
Scope 3, including renewables	88%

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 12% and Scope 3 for 88% of emissions.

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

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

Results from the 2022 carbon inventory show that Daniel Wellington's climate impact, including renewables, decreased by 57% compared to 2021. Compared to our base-year 2017, we can report a reduction of 79%. Since sales have decreased 2022 compared to 2021, it explains part of the decrease. However, we can also determine that carbon intensity per revenue and per product have decreased by 52% and 51% compared to 2021. This indicates that the sustainable initiatives we've launched – big and small – are helping us to improve.

The area of Products (Life Cycle Impact) has been identified as having the highest climate footprint. This area has a 42% decrease projected for 2022 compared to 2021. This reduction in climate impact is largely attributed to the decrease in the number of products sold.

Freight emissions has decreased by 67% compared to 2021, this can be attributed two primary factors. Firstly, our overall freight volumes have decreased due to lower sales volume, which explains a portion of the decrease. Secondly, we have utilized more carbon-effective transportation modes such as boat and road, resulting in a lower share of air freight.

During 2022, there was a significant decline in business travel, with a reduction of 68% compared to 2021 and a 94% decrease from the base year of 2017. This decrease can be attributed to a combination of factors, including an overall reduction in personnel, remaining COVID -19 travel restrictions and a shift in sales channel strategy resulting in a smaller retail footprint.

DANIEL WELLINGTON

Traceable renewable electricity is purchased to match the consumption for all our offices, warehouses, and retail stores. We try to purchase energy from the market where the energy was consumed (87% in 2022). However, when not possible, we increase the purchases from other markets to compensate (13% in 2022) – such purchases are unaccounted for in the carbon calculations. Guarantees of Origin (GOs) were used for Europe and International Renewable Electricity Certificates (RECs) for other parts of the world. Wind and solar accounted for 84% of our renewable energy purchases in 2022.

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

For the third 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 2022 (2 890 tons of CO₂e). The offset is made by DW's parent company, JFT Holding AB. 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 this year's carbon emission in a wind power project in India.

WIND POWER IN INDIA

Driving the clean-energy transition to decrease emissions and helping to reduce the need for coal-derived energy, the project effectively avoids emissions from being released into the atmosphere, helping to drive the transition towards a low-carbon economy. Thanks to the project, 73 employment opportunities have been created for local workers, both during the construction and operational phases of the wind farm. In addition to this, 92 training sessions have been held for these employees to date, helping to upskill the local workforce and future-proof the local economy.

WASTE

As a first step towards a circular business, we have set a target that our operations should be 100% landfill-free. In 2022 we continued to implement this target in warehouses and offices worldwide. The results show that 98% of waste from our own and third-party warehouses is landfill-free; this figure has stayed the same since 2020. We are still working on reducing the last 2%.

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

DANIEL WELLINGTON

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 2022

- Developed and re-launched new leadership principles & leadership program, including Daniel Wellington leadership introduction for new leaders.
- 56% of employees are women, 44% of Global executives are women.
- Continued to support work environment and engagement for employees working remotely.

Current focus & commitments	Progress
Launch a new leadership concept and training	Completed. We launched a new leadership concept and trainings for all managers. A program for continued roll-out has been set for 2023.
Engagement Survey	We re-launched a bi-monthly engagement survey to in a data-driven way be able to take accurate actions and decisions to be a better place to work.

Daniel Wellington's success is fueled by a global workforce of 500 employees (at the end of 2022). 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.

TRANSPARENCY

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

TALENT DEVELOPMENT

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

DANIEL WELLINGTON

In 2021 and 2022 we refocused on our managers – we reworked our old leadership expectations to better show what we believe to be the real heart of the matter. We introduced a new way of describing and talking about what kind of leadership we need to be successful in the future. We call it *The Heart of Leadership* and describes what kind of leadership we believe in – *Passion to lead, Trusting your team, Leading with courage, Leading with kindness*, and this leads to *Enable Innovation*. We put this into action globally during 2021, starting with launching and activating *The Heart of Leadership* and then deep diving into *Feedback & Communication*. Also, during the year, we developed our onboarding for new leaders, both from a personal standpoint with People & Culture resources and by building new online resources on our intranet DW Home. During 2022 we also launched a Network platform for all Managers in DW to have one point of platform to receive important information and for knowledge sharing.

FLEXIBLE WORK SET-UP

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

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

In 2022, the flexible remote set-up has continued. We don't believe that "one size fits all", meaning that all employees have different needs. 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. As a consequence of the reorganization, we've downsized our office from three levels to one level, which has been received in a positive way according to our internal engagement survey.

DIVERSITY & EQUALITY

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

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

REORGANIZATION

During summer 2022, a larger reorganization was done in Daniel Wellington, where we went from being 1786 coworkers in the beginning of 2022, to being 500 coworkers at the end of 2022. Some people initiative was paused during the period when the transformation was made. We have restarted some initiatives at the end of 2022, as example our engagement survey. Other initiatives are planned to restart during 2023, for example, trainings in our Code of Conduct and DW leadership trainings.

DANIEL WELLINGTON

Total employees	
Women	56%
Men	44%
Retail	
Women	51%
Men	49%
Office	
Women	59%
Men	41%
SR Managers	
Women	47%
Men	53%
Execs	
Women	44%
Men	56%

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

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.

During 2022, we initiated an update of our Code of Conduct. The updated version will be re-launched 2023, and all employees will take part in a specific Code of Conduct training.

DIVERSITY AND INCLUSION

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

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

ENVIRONMENT

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

SUPPLIER CODE OF CONDUCT

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

DANIEL WELLINGTON

corruption. For more information about our Supplier sustainability program, please see the section *Fair Jobs*.

REPORTING CONCERNS

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

DANIEL WELLINGTON

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

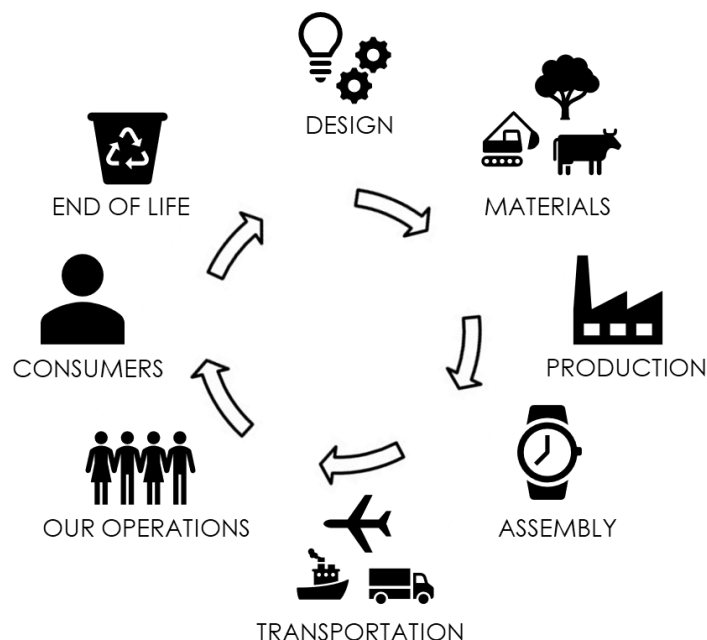
As part of our ongoing review, we have updated our material areas. The following material areas are the outcome of our assessment (in no particular order):

- 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

DANIEL WELLINGTON

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

DANIEL WELLINGTON

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

DANIEL WELLINGTON

STAKEHOLDER INVOLVEMENT

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

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

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

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

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.

DANIEL WELLINGTON

ORGANIZING FOR SUSTAINABILITY

Sustainability is an important part of the company strategy, and the Global Executive team monitors progress monthly. 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.

DANIEL WELLINGTON

6. ABOUT THIS REPORT

This is Daniel Wellington's sixth sustainability report, and it covers material sustainability activities for Daniel Wellington AB with subsidiaries from January 1 to December 31, 2022. For full details about included subsidiaries please refer to Daniel Wellington's Annual Report for 2022 (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

DANIEL WELLINGTON

Thank you!

If you have any questions or comments about the report, please contact our COO:

Kristina Johansson

Kristina.johansson@danielwellington.com

We appreciate your feedback.