

DANIEL WELLINGTON

Daniel Wellington

Sustainability Report 2018

DANIEL WELLINGTON

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1. THIS IS DANIEL WELLINGTON

Daniel Wellington is a young company at the beginning of our sustainability journey. This is our second sustainability report and in it you can read about our new sustainability strategy and ambitions going forward, as well as the past years' most important actions.

Our overall commitment towards running a long-term sustainable business is clear. Sustainability is now a core part of our business strategy and we have started the process to understand our impacts and the consequences for our business. Conducting a materiality assessment was one important first step. Launching a new sustainability strategy is also essential in order to ensure the organization is aligned and knows what needs to be done. There is a lot of work to do and the questions to answer are numerous, including 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, making sure the way forward is 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 energy and passion, our ambition is to make a real difference in 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. The elegant minimalist design, in combination with stylish straps, make the watches timeless. All the straps are interchangeable giving consumers the flexibility to adjust their style to every occasion.

The Daniel Wellington group has from an operational standpoint been divided into five regional Strongholds; Americas, APAC excluding China, China, Europe and IMEA. This recent new structure is expected to create opportunities for greater efficiency in our quest for full vertical integration, enabling markets to easier adapt to local conditions while keeping global alignment.

The company was founded in 2011 in Sweden and has its headquarters in Stockholm. In the past five years more than 20 subsidiaries have been established world-wide, mainly in the APAC, IMEA and Europe region. The current strategy is to continue opening subsidiaries in key sales markets.

The brand is marketed primarily through digital channels and social networks. In total we have over 4.6 million followers on Instagram and every day a large community of followers actively engage in featuring their Daniel Wellington products.

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

The products are assembled by our 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 the company's high quality-standards are fulfilled.

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KEY FIGURES 2018

- SEK 2.6 Bn turnover
- Largest sales regions include Asia and Europe
- 3.1 Million watches sold
- Products shipped to more than 200 countries
- Approximately 1,900 employees

COMPANY VISION

Together we engage the world

By providing exquisite designs through affordable luxury, we inspire people around the world to become part of our committed and ever-growing global movement. Our community consists of millions of active users who share moments in time with each other. This strong commitment and engagement goes further than beautiful pictures.

We want to keep on growing as a company and community, and we aim to grow responsibly. This is achieved by engaging not only our customers but also our employees, suppliers and other partners. Through our movement, we want to contribute positively to the world – by creating jobs for our employees and in our supply chain. By always looking for better solutions and using our reach to create progress. And by continuing to create connections between people around the world. With our energy and passion, we will challenge the industry and make positive change happen.

This is just the beginning of our story, but together with our community, we will continue to make this journey a successful one. We will push the boundaries of what a community can achieve. Together we engage the world.

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2. HOW WE IMPACT THE WORLD

A materiality analysis completed in 2018 has helped increase our knowledge of how the Daniel Wellington Group affects both people and the planet and what our different stakeholders find important. The outcome of this analysis has been used in the process to shape our sustainability strategy.

THE PROCESS

Identification

The first step of the materiality analysis was to review all our existing knowledge about the company's impacts. This information was collected through interviews with employees, internal workshops and surveys. We then conducted a comprehensive review of media, competitors and different industry organizations to see what topics were raised by them. 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 has 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, making sure that we stay on top of the latest science and information.

MATERIAL AREAS

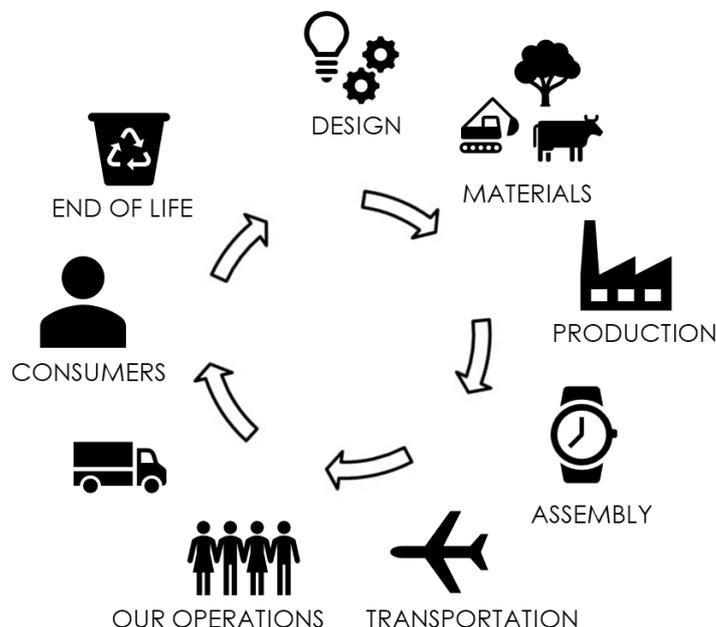
The following materials areas are the outcome of our materiality assessment (in no particular order):

- Raw materials
- Sustainable supply chain
- Product safety
- Animal welfare
- Environmental responsibility and climate change
- Human rights and ethics
- Jobs and value creation
- Customer engagement and satisfaction
- Talent management, development and benefits
- Charity and donations

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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 is a result of decisions taken at the design table. Therefore, it is essential to take sustainability into consideration already at this stage. For example, checking whether there are any issues linked to a specific raw material when deciding what materials to use, knowing where they are sourced from and that the material is recyclable at the product end-of-life. Informed decisions can greatly reduce negative consequences.
Materials	Raw materials, a key topic raised in our materiality assessment and one of our most important areas to address. Our main raw materials include steel, leather, polyester, gold, paperboard and plastic. The past year we have worked on traceability and sourcing requirements of materials such as leather and paperboard, materials linked to high environmental and social impact if not controlled. Traceability of gold is another critical area due to the associated supply chain risks. We will continue deepening our understanding of all materials' impacts throughout the sourcing and production processes so that we create efficient strategies going forward. More information can be found in section <i>Responsible Materials</i> .
Production & Assembly	A sustainable supply chain is another major topic. Today our products are sourced from China mainly, which is considered a high-risk country in terms of labor rights and health and safety issues. Our tanneries are located in Italy and the United States, 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

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	<p>associated with tier 2 factories where the watch-parts are produced or tier 3 factories where raw materials are processed are however considerably higher. Our supplier sustainability program is being implemented at both tier 1 and key tier 2 factories and we are gradually increasing traceability and our understanding of the situation even further back in the supply chain. One of our biggest challenges going forward will lie in trying 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 world-wide in more than 200 countries, so transportation is a significant part of the company's climate change impact. Watches are sensitive to changes in temperature and humidity so watch shipments are today made by air, whereas boxes are shipped by sea. Alternative transportation modes and efficiency measures are being evaluated with the objective 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. As our business is quickly expanding, we need to make sure that we have processes in place for successfully onboarding new employees, at the same time as we are developing and engaging our full workforce. Treating people fairly, and ensuring health and safety standards are met, is fundamental.</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 that they are 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. In some of our markets recycling infrastructure is not yet fully developed so we need to focus on ways to promote and drive the change needed.</p> <p>More information can be found in the section <i>Planet Positive</i>.</p>

STAKEHOLDER INVOLVEMENT

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

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An employee engagement survey pilot was carried out in 2018 and with the further roll out in 2019 we will get regular and structured input from our employees. Both management and employees were engaged in a survey in 2017 where they 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.

Research is showing that corporate responsibility is increasing in importance for consumers all around the world. In 2017 a survey was conducted among a small group of customers in five main markets. The customers highlighted a wide range of areas including the importance of responsible production and the choice of materials used.

The requirements from Daniel Wellington's owner and board are clear, sustainability is a prioritized area. It is not only the right thing to do, it will help the company be better prepared for the future and achieve long-term profitability.

We will continue to deepen our engagement with different stakeholder groups going forward to ensure we take their perspectives into account.

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3. SUSTAINABILITY STRATEGY

During 2018 a new sustainability strategy was developed and launched. Overarching ambitions for 2030 have been established and these now guide our work towards running a long-term sustainable business within the limits of our planet. In addition, we are breaking down these goals into clear short- and medium-term commitments to make sure we cover our material impacts and help drive actions. See section 4 for more information.

OUR APPROACH

Our strategies need to be based on science, meaning that our targets must be ambitious enough to fulfill the goals for example set out by the Paris Agreement. In many areas we are at the start of our journey and further investigations are necessary before we know where we are going and how to get there. There will be numerous challenges ahead of us, and we will have to collaborate with others in order to succeed. We will continue to push ourselves and involve new and existing partners in always looking for better, more sustainable solutions, making sure that we continue to take steps in the right direction.

Numerous actions have been initiated to address the areas identified as material 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. Below are the descriptions of strategic areas and actions underway.

SUSTAINABILITY AMBITION

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

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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

ORGANISING FOR SUSTAINABILITY

Sustainability has been identified as one of five focus areas for the 2019 business strategy, essential for the long-term competitiveness of the company. This means that all parts of the business set sustainability related targets and actions for the coming year. We are continuously working to integrate sustainability as part of our normal work.

The board has approved the Sustainability strategy and receives regular updates on progress against our targets. Sustainability is also a regular topic during meetings with the Global Executive team.

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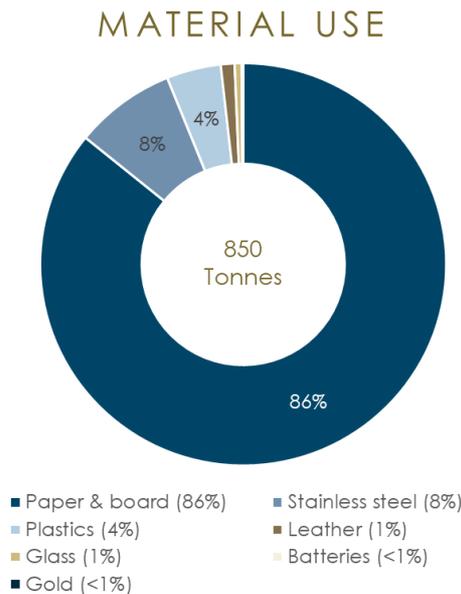
4. COMMITMENTS AND PROGRESS

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

RESPONSIBLE MATERIALS

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 (using already recycled plastics that can be recycled again). To achieve this, we need to take full responsibility for what we buy, including complete transparency of the materials we are using and where they come from. Reducing resource consumption through the design and in connection with production and transportation is also essential.

During 2018 the work continued with both improving our sourcing demands and traceability of a range of materials used, including leather, metals, packaging materials and other components.



GOLD

Many of Daniel Wellington's watches are plated with rose gold, and we are continuously working to validate that the gold used is conflict-free. We have been given assurance that the gold we source has not been mined in the Democratic Republic of the Congo (DRC) or adjoining countries and our research traces the gold back to a conflict-free mine.

Our ambition is to only use gold originating from recycled sources as an alternative with a lower environmental impact than virgin gold. We currently reviewing different options of sourcing recycled gold.

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LEATHER

The leather supply chain is another major impact. All leather used in our watch straps is sourced from Italy and the United States and the tanneries are visited on a regular basis. Our commitment is that all our tanneries should be certified by the Leather Working Group, something that we are now working to achieve. At present around a quarter of all leather we purchase is sourced from tanneries certified against the Leather Working Group standard.

PAPER AND BOARD

Daniel Wellington does not want to contribute to deforestation. As a result, we have set a target that all our paper and board should be sourced from credibly certified or recycled sources. As part of this commitment we conducted a first mapping of our paper and board supply chain in 2018 and we are now working closely with our suppliers to achieve our target of 100% FSC certified gift boxes.

OTHER METALS

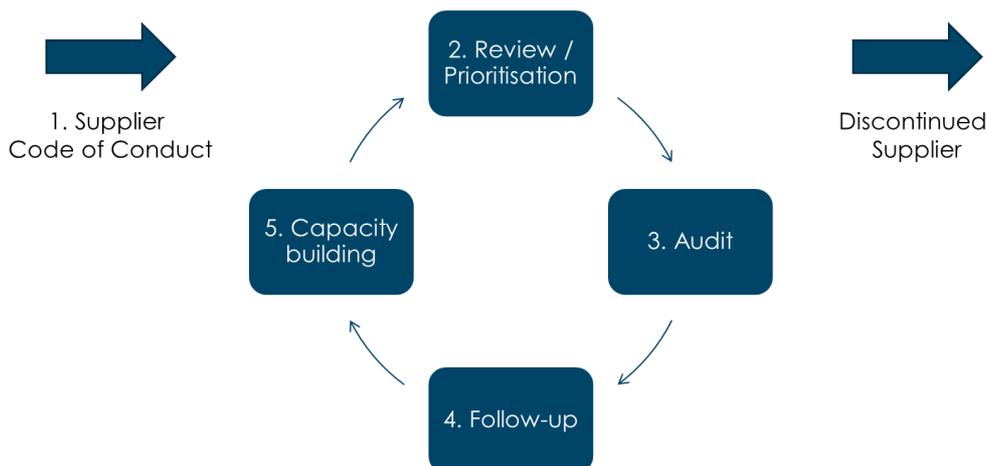
The production of metals is often energy intense. We are initiating a project to trace the stainless steel we use and develop an action plan to reduce our impact going forward.

FAIR JOBS

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

OUR SUPPLIERS

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



As a minimum standard our suppliers should follow local laws in the country where the business is conducted. In addition, our Supplier Code of Conduct sets forth the minimum requirements for how we expect our suppliers to act. All our direct product suppliers have signed the code.

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Once the supplier has signed the Supplier Code of Conduct, they are part of our audit program. We plan and prioritize our work based on input such as the supplier spend, the product type and previous history with the supplier. During 2018, 90% of our direct product suppliers were audited, including all watch assembly factories, using qualified third-party audit firms. The 10% not covered in 2018 had been audited the year before or were being phased out as suppliers. The work with improving issues found during audits continues and we have seen good progress in terms of social insurance coverage and controls of working hours. Following each audit, dedicated Daniel Wellington staff work together with the suppliers on improving the areas identified. We have for example started to follow-up on working hours and social insurance coverage on a monthly basis, enabling us to track and support the suppliers in achieving the agreed improvement targets. Sustainability is an important part of the suppliers' performance reviews.

A mapping of tier 2 factories was completed in 2018, and for some vital components and materials we are also following up on tier 3 factories. Formal audits were completed at a sample of key tier 2 suppliers. In addition to the audits, factory visits are carried out regularly by Daniel Wellington employees.

During the summer of 2018 our first annual Supplier Summit took place in Shenzhen, China. All tier 1 and key tier 2 suppliers participated in a one-day training with the purpose of giving the suppliers the knowledge and tools to live up to Daniel Wellington's minimum standards.

Focus going forward includes strengthening our own processes and controls as well as continuing to support our suppliers on their sustainability journey. One initiative that will be rolled-out in 2019 is the capacity building tool QuizRR. The tool will enable our suppliers to proactively educate the factory workers and management on workers' rights and responsibilities, worker engagement and wage management.

OUTSTANDING PRODUCTS

With innovation as a driving force, we want to push change towards more sustainable product solutions and business models. This includes continuing our work to exceed consumer quality expectations by offering affordable products with the highest possible quality.

QUALITY AND REPAIRS

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. All the parts of our watches can be replaced if damaged, and in some markets, we are offering repair services directly to our customers helping them to prolong the product life. This is something that we are rolling out in more markets. By exceeding our customer's quality expectations, we hope to build a stronger brand and, in the end, create more loyal customers.

SAFE PRODUCTS

It is essential that all our products are safe to use for our consumers. To ensure that our products do not contain any dangerous chemicals that may be harmful to human health or the environment, we follow relevant regulations and directives, e.g. the RoHS Directive 2011/65/EU and the REACH Regulation (EC) No 1907/2006. Regular tests of our products are conducted by independent testing houses to verify compliance.

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The stainless steel used in our products (316L) including the watch band, case and bracelet, should under normal use not cause any allergic reactions.

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

IP AND BRAND PROTECTION

Daniel Wellington has designated a part of its legal team to focus solely on intellectual property (“IP”) and brand protection. This includes the work to oversee, manage and defend the company’s worldwide intellectual property 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. Thus, new designs are continuously registered world-wide and possible infringers are approached, in order to maintain a comprehensive protection related to the use of the designs and trademarks.

In recent years, it has become apparent that the 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 such counterfeits, not to mention child labor, terrorism and human trafficking – which are only a few of the bigger concerns linked with the business of counterfeits. In order to manage these problems, and to ensure that the company’s rights are duly respected, Daniel Wellington’s IP and brand protection department works actively to counteract counterfeiting. This work comprises both preventive and corrective measures and the department is in close collaboration with e.g. digital marketplaces, customs, police departments, prosecutors and other law enforcement agencies worldwide. Further, the IP and brand protection department is active within several international organizations, including the Swedish Anti-Counterfeiting Group, Alibaba Anti-Counterfeit Alliance and the International Trademark Association, to mention a few.

Over the past four years, Daniel Wellington's anti-counterfeiting measures have led to the seizure of over 150,000 fake products globally and the take-down of more than 500,000 contested e-commerce ads. The preventive and corrective measures, as well as the collaborations with *inter alia* the mentioned organizations and relevant authorities, has enabled Daniel Wellington to contribute to the process of overcoming the global and encompassed problems which the counterfeit market gives rise to.

PLANET POSITIVE

The world is facing a multitude of challenges: climate change, loss of biodiversity and plastic pollution to mention a few. Newspaper headlines are daily stating the urgency of the issues we face. Our ambition is to be a role model by using resources efficiently and working to long-term reduce all our negative impacts.

CLIMATE CHANGE

Climate change and its consequences such as changing weather patterns is a serious threat to the world. We recognize that Daniel Wellington impacts the climate in a multitude of ways throughout the whole product value chain: from the raw materials we choose, at the factories producing our products, and at the product end-of-life.

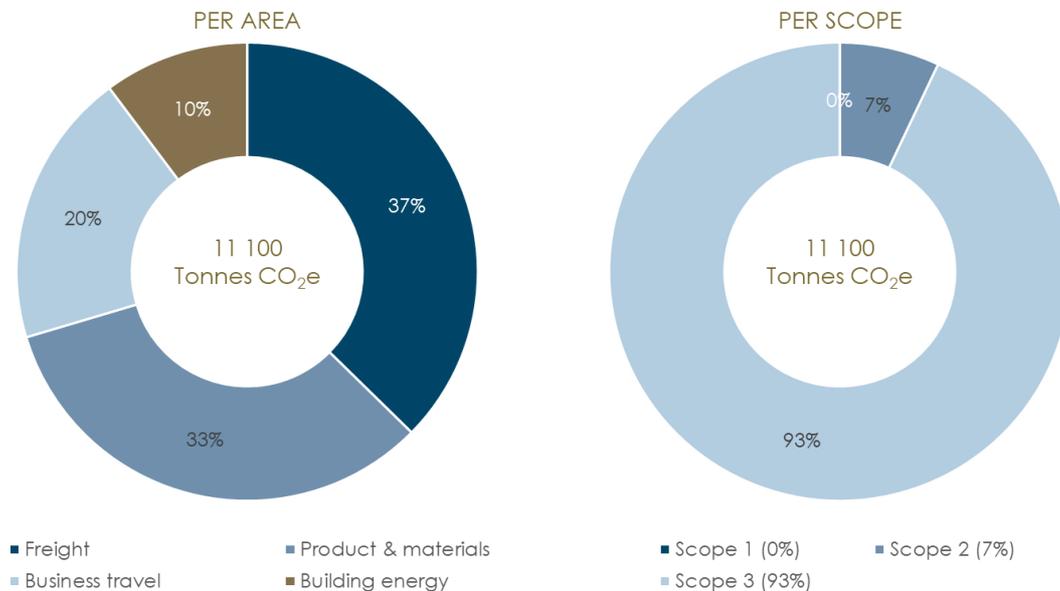
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Our approach to managing our climate change impact is based on three steps;

- 1) Measure our full life cycle impact,
- 2) Reduce emissions for example by working with energy efficiency and renewable energy in our supply chain as well as reductions driven by the specific materials we use,
- 3) Compensate unavoidable emissions.

The first assessment of Daniel Wellington’s climate change footprint was conducted for the year 2016. The ambition has been to cover the full life-cycle emissions of our products, including impact from the raw materials used, emissions from our factories, our warehouses, offices, all product transportation and business travel as well as the resulting impact from our waste. Since 2016 we have worked to improve data accuracy, however, due to some gaps in the data and numerous assumptions, year-on-year comparisons may be difficult. For example, the calculation of materials used in each watch was more detailed in 2017 resulting in a decrease in emissions which in part was balanced by an increase in emissions due to better coverage of our warehouse and supplier network. During 2018 we continued to improve data accuracy.

CARBON EMISSIONS



Emissions have been categorized into three scopes as defined by the Greenhouse Gas Protocol.

Scope 2 emissions are shown according to location-based approach (using grid average emissions factors). If calculated with a market-based approach they are close to 0.

Scope 3 emissions include purchased goods, upstream transportation from our suppliers, waste generated in operations, business travel, operations of outsourced warehouses, downstream transportation and distribution, product end-of-life.

The area “Building energy” contains both scope 2 emission and some scope 3 emissions from outsourced warehouses managing Daniel Wellington products.

	2016	2017	2018	Unit
Total emissions	13,500	13,650	11,100	ton CO ₂ e
Emissions per sales	6,3	5,2	4,3	ton CO ₂ e / M SEK
Emissions per watch	3,9	3,7	3,6	kg CO ₂ e / watch

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Results from the carbon inventory 2018 show that Daniel Wellington's primary impact comes from producing our products, components and materials ("Products & materials" in the graph above) and the transportation of products around the world ("Freight").

We continued to implement initiatives to reduce both carbon emissions and costs. Major activities included increasing the share of markets delivered directly from our Hong Kong hub instead of through the Uppsala hub, and adding selected local warehouses to better service main markets while reducing the need for long-haul shipments. Transportation by air remains the most significant contribution to Freight emissions, and while we are working to avoid unnecessary air shipments and to ship as efficiently as possible, we also realize that this is one of our most challenging areas to address going forward.

During 2017 a new unit box was launched which contributed to a lower footprint in 2018. Plastic parts have been removed and the total weight is lower, contributing to a decrease in the total life cycle emissions of "Products & materials".

Business travel increased in 2018 as the company grew in number of sales markets and employees. We are implementing several measures to better control the travel taking place; a global travel agency will be implemented in 2019 enabling easier follow-up of both costs and emissions. In addition we will invest in a new video conferencing system covering all our strongholds.

Another initiative includes purchasing traceable renewable electricity to match the consumption in all Daniel Wellington offices, warehouses and retail stores. Our target is that 100% of electricity consumed should be renewable. For 2018 we matched 99% of electricity consumption with Guarantees of Origin (GOs) in Europe and International Renewable Electricity Certificates (RECs) in other parts of the world. The electricity sourced was a mix of solar and wind power. The net carbon emissions from Daniel Wellington's building energy are therefore close to zero (market-based scope 2 emissions).

WASTE

As a first step towards a circular business we have set a target that our own operations should be 100% landfill free. During the year we worked to introduce recycling in offices also in markets with less developed supporting infrastructure. Going forward we will focus on rolling out recycling in our own retail stores around the world. During 2018 we launched an updated shipping box with a lower total weight and improved recyclability.

At the product end of life, we want our products and packaging to be disposed of responsibly. We believe we have a role to play when it comes to educating our consumers and supporting them to recycle. Customers are today encouraged to recycle the watch components, including the batteries. The new unit box launched in 2017 is easier to recycle compared to the old version.

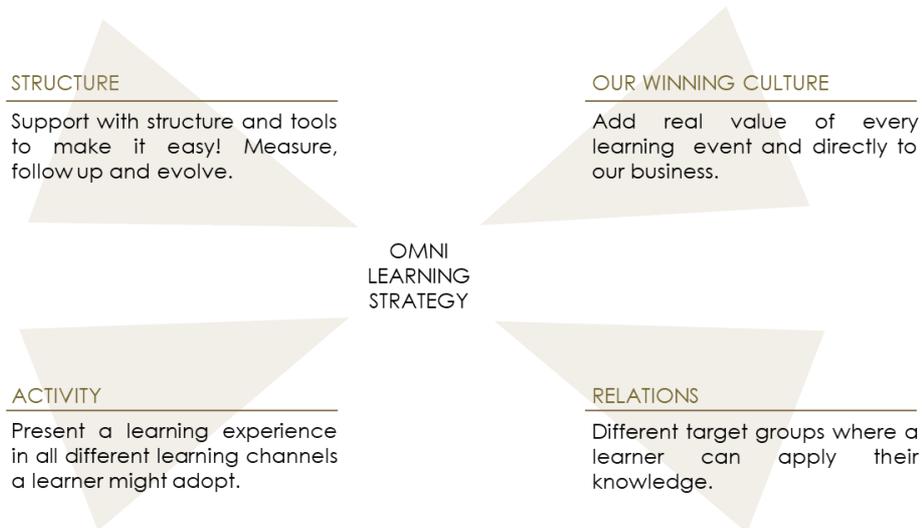
THRIVING TALENT

Our employees are our most valuable asset. Attracting, developing and retaining the greatest talents with the right expertise is, quite simply, crucial for our survival.

TALENT DEVELOPMENT

One of our focus areas for 2018 has been to develop a best-in-class learning strategy. An outcome of our research is that *"we believe that learning occurs anywhere, anytime, as an everyday journey integrated into people's daily activities"*. Our resulting OMNI learning strategy includes four components:

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To support our strategy, we launched an efficient and engaging online learning platform, DW Fuse, in 2018. The platform supports our needs of reaching out with digital communication solutions to our expanding business, especially to our growing retail community. We are currently developing in-house training courses in several areas. Some examples of our initiatives in 2018 included launching a global online onboarding as well as developing regional and country specific communication and learning communities.

Planned initiatives in 2019 include:

- Self-education around our company strategy and principles
- Business knowledge programs
- "Art of Leadership" training program
- Retail training program
- Compliance training programs

As part of our employees' continuous skills development, it is important that they keep updated within their areas of expertise. A great way to achieve this is to learn from each other when working on assignments. Therefore, we will continue to develop opportunities for peer-to-peer development including support from our learning platform.

To optimize the impact of our learning initiatives, we collect insights on progress and implementation. The new platform makes us better equipped to measure development and training initiatives going forward.



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EMPLOYEE SATISFACTION

Satisfied employees are a prerequisite for satisfied customers. To improve real-time measurements of employee satisfaction, a new engagement platform will be launched in early 2019 allowing us to make faster assessments on a continuous basis. Faster analysis will enable us to act more quickly on the results.

In 2018 an engagement survey pilot was carried out with the aim to evaluate the proposed platform. This helped us measure the employee satisfaction in the specific pilot groups and gave us guidance of the most relevant engagement drivers.

DIVERSITY & EQUALITY

Gender equality is a priority for Daniel Wellington, and something that we will focus more on going forward. Working proactively, over and above the basic level, to improve diversity is a lengthy journey that we have only just embarked on. An objective in 2018 has been to develop our people insights data in a more structured way. This will support us in adopting a broad approach to diversity and equality in the years to come.

DIVERSITY



EMPLOYEE TURNOVER

Our global average turnover rate is 20% for corporate employees and 63% for retail employees. We are working to reduce the turnover during 2019, both within the corporate employee group and even more so within the retail sector. The turnover is partially explained by a younger workforce with natural departures due to studies or relocation, but also due to our employees being highly sought after by other companies. We are however confident that we are an attractive employer that meets our talents' expectations.

EMPLOYEES



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A HEALTHY AND SAFE WORKPLACE

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

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

To drive a stronger sense of well-being, Daniel Wellington offers a variety of engagement programs for all our employees, both from a physical and psychosocial perspective. In most of our locations we offer internal athletic events to promote physical activity.

Our numbers on sick leaves and accidents are low for all employee groups. We believe our proactive activities and high employee satisfaction rates, in combination with an overall young workforce, contribute to this. In 2019 we will continue working to raise awareness and knowledge around areas like crisis management, self and time management as well as implement a global absence tracking process.

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5. OUR WINNING CULTURE & GUIDING POLICIES

Daniel Wellington's success is fueled by a global workforce of approximately 1,900 employees (31 December 2018), structured within our five regional Strongholds. The Global Executive team consists of representatives from eight functions as well as the Directors of the five Strongholds.

At the core of our business strategy we focus on how to attract, retain and develop talented people from across the globe, in order to push boundaries and inspire people to become a part of our ever-growing global movement.

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

GUIDING PRINCIPLES

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

Three principles guiding our employees' behaviors;

CHALLENGE IT - Learning and growth

OWN IT - Execution and accountability

WIN IT - Collaboration and emotional intelligence.

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 environmental impacts and increase the positive social benefits from our activities throughout the whole value chain.

Our work is guided by the 10 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. A new Code of Conduct has been launched with guiding policies around employee related matters such as gender equality, harassment, anti-corruption, bribery as well as environmental principles. The Code of Conduct furthermore explains how to report potential violations. All employees will have to sign-off that they have taken part of the content and a training video is being developed to support education around the topics. During the onboarding of new employees, training on culture and policies are included.

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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 are 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 ensure diversity in all areas of the business.

Our management plays a vital role in managing diversity and inclusion. We want to achieve a common accountability where all employees work for maintaining these values. Our Global Diversity and Gender Equality Policy outlines our approach and the goal is to ensure equal opportunities and equal pay for all employees 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 in an efficient and responsible way. To do this we need to continuously explore and deepen our knowledge internally, and make sure sustainability considerations are factored into major business decisions. Decisions should be taken with a lifecycle perspective and precautionary approach in mind.

SUPPLIER CODE OF CONDUCT

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

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6. ABOUT THIS REPORT

This is Daniel Wellington's second sustainability report and it covers material sustainability activities for Daniel Wellington AB with subsidiaries during the period January 1 to December 31, 2018. For full details about included subsidiaries please refer to Daniel Wellington AB's Annual Report 2018.

The climate emissions calculations are aligned with the GHG Protocol and the methodology has been reviewed by an external party.