

CSR REPORT 2020



SPORTS  ONNECTION

SKECHERS

This report contains information on activities, objectives and relevant data of Jørgensen Holding ApS, Sports Connection Holding ApS including all subsidiaries (SC Group).

The report constitutes our non-financial report on CSR and sustainability, addressing the requirements outlined by The Danish Financial Statements Act §99a, with regards to reporting of Corporate Social Responsibility (CSR).

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COMPANY PRESENTATION

SC Group is a family-owned company, established in 1994 by Peter and Marianne Jørgensen, who are still the main shareholders and own the company with their business partner Hans De Groot from the Netherlands.

SC Group initially distributed various footwear brands and licensed products, and in 2005 SC Group became exclusive distributor of the American footwear brand Skechers, in the Nordic countries. In 2014, SC Group converted their product range to 100% Skechers.

Skechers in the Nordics is distributed through several sales channels. We have a strong wholesale footprint, selling Skechers in multi-brand shoe stores, department stores and athletic and specialty stores. In addition, our products reach the consumers through franchise concept stores, own concept- and outlet stores and online stores. SC Group employs 225 employees in 5 countries and the company headquarters is in Esbjerg, Denmark.

The SC Group business model is built on the philosophy of **“putting people first, offering comfort and care to our employees and customers, treating and supporting everyone with dignity and respect”**.



MISSION

Our mission statement is “to be the first choice among consumers for lifestyle and performance footwear, by providing an exceptional and exciting customer experience for the entire family”.

Our business is built on a foundation of comfortable, stylish, innovative, quality footwear at a reasonable price. We consider ourselves to be a complete lifestyle and performance brand.

We want to help men, women, and kids everywhere to look and feel good.

SPORTS CONNECTION AT A GLANCE

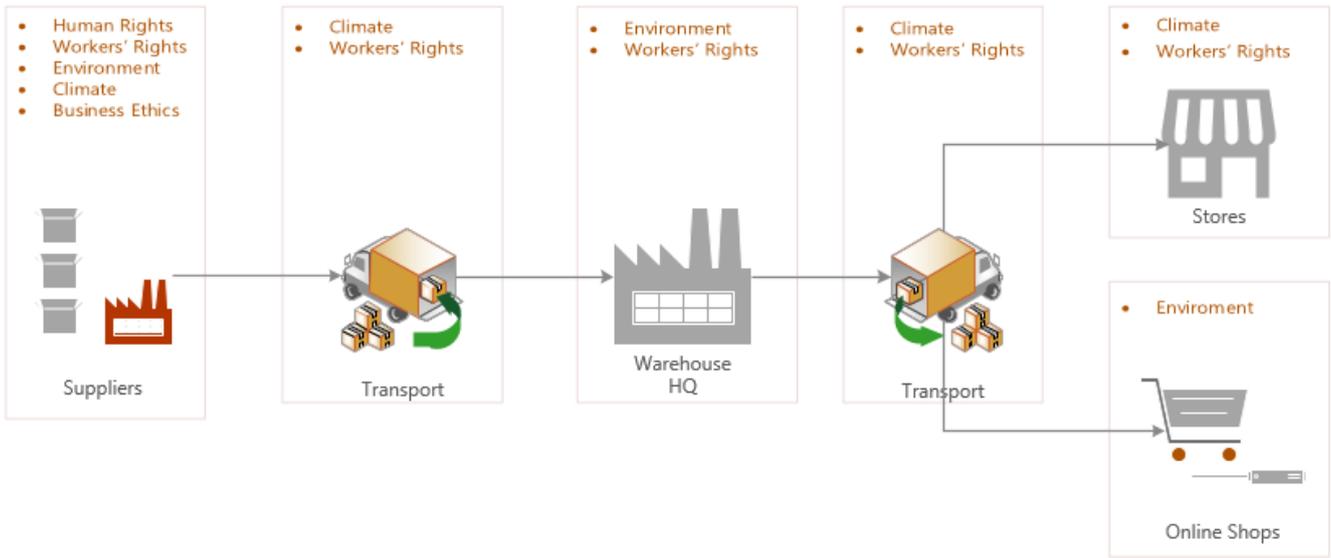
(By 2020)



VALUE CHAIN & RISKS

Upon analyzing the business, SC Group has identified key areas within the value chain that are important to the company itself, as well as the environment and the world around us.

The illustration below is a simple outline of our business model and the CSR related factors that are significant in relation to our value chain:



Risk management is a fundamental part of our business. In the below table, we have identified the most significant CSR related risks within our value chain. These identified risks are our key focus with regards to CSR.

AREA	IDENTIFIED RISKS
Human Rights	Violation of human rights within our value chain
Environment	Consumption of packaging materials
Climate	CO ² emissions associated with transportation
Workers' Rights	Work injuries and physical work environment
Business Ethics	Anti-corruption, gifts, hospitality, and favors

Our risk assessment shows that we have the most significant CSR related risks with regards to our suppliers, and throughout our value chain.

It is crucial that our suppliers and sub-suppliers follow all defined rules and regulations and adhere to legislation in their country, including (but not limited to) legislation relating to labor, workplace health and safety, forced and underage labor.

We want our suppliers, as us, to act environmental responsible, reducing emission and waste and minimizing excess consumption whenever possible.

HUMAN RIGHTS

Both SC Group and Skechers USA are family-owned companies, founded on the philosophy of putting people first, treating and supporting everyone with dignity and respect.

Human rights are a core value at the heart of how we conduct our business, at every level of our company – from our suppliers to the rights of our employees.

We expect from our employees that they live up to these values, and act as role models and ambassadors of SC Group wherever they go.

Our priority is to provide a great place to work, with equal opportunities and no discrimination, a workplace free of harassment and forced labor, a workplace with opportunity for personal and career development.

SC Group has a Workplace Committee in place to oversee working conditions and supporting employees in any matter or concerns they may have.

We respect and actively support the UN Universal Declaration of Human Rights, and we demand from our suppliers to do the same.

Policy & Risks

A risk assessment of SC Group's impact on human rights shows that the main risk of violations is with our suppliers and throughout the value chain. Therefore, a key focus is responsible supplier management.

We are committed to working only with suppliers who conduct their business ethically and are socially responsible. We require that every one of our suppliers are following local labor laws, International Labor Organization conventions and maintain high standards on ethics and social responsibility. It is never acceptable for any Skechers products to be produced using forced or child labor.

We aim to ensure that our suppliers comply with local legislation to ensure the health, safety, physical and psychological wellbeing of all their employees.

Actions & Results

SC Group aims to ensure that our suppliers comply with the same high standards as SC Group itself in relation to human rights and may go "above and beyond" compliance with the legislation.

To ensure full clarity on what we expect from our suppliers, we have prepared a "Supplier Code of Conduct" describing the standards our suppliers must comply with.

SC Group's goal is that 98% of our revenue is related to suppliers, who comply with and have signed our Code of Conduct.

By 2020 99,3% of the turnover came from suppliers with a signed Code of Conduct. By 2021 we aim at maintaining a share above 98%.

ENVIRONMENT

SC Group supports a precautionary approach to environmental challenges and undertake initiatives to promote greater environmental responsibility.

We see the protection of the environment as a key obligation and priority and expect the same from our business partners. We are committed to working with suppliers who conduct their business, operating to environmental standards and acting environmentally responsible.

We encourage all our employees to always keep on top of mind what they can do to protect the environment; every little initiative matters.

Policy & Risks

The main risk identified with regards to environment, is primarily in our supplier network. Therefore, a key focus is responsible supplier management.

To ensure minimization of negative environmental impact, and, in our strive to continuously reduce waste, consumption of material and energy, SC Group have outlined the "Supplier Code of Conduct", which we work to get all our suppliers to sign and comply with.

A key focus in 2020 for SC Group, has been sustainability of packaging consumption.

Actions & Results

By 2020 99,3% of our turnover came from suppliers with a signed Supplier Code of Conduct, and we have not identified any breach of this policy in the past year. By 2021 we aim at maintaining a share above 98%

SC Group constantly work to reduce its environmental impact. We have a responsibility and want to be forward-thinking in our packing and shipping. We follow the aggressive strategy implemented by our main supplier (Skechers USA) regarding sustainable improvements in packaging and to reduce plastic used in Skechers footwear.

Significant initiatives have been implemented to achieve this, and across the entire Skechers group worldwide, we utilize environmentally conscious packaging materials for our products. We are proud to share that:

- 100% of factory master cartons are 100% recyclable.
- 96%+ outbound shipping cartons are composed of 96-100% recycled materials.
- 100% of our shipping cartons are recyclable.
- 93% of the shoeboxes are recyclable.
- 100% of all tissue paper and foot forms are recyclable.

- 90% reduction of plastic in footwear packaging.
- 100% of Skechers' packaging materials are printed with soy- or water-based ink.
- 99% of Skechers branded shoeboxes now meet FSC® standards (forest management certification).

As a large player in the Scandinavian footwear business, we have a huge responsibility to constantly think sustainability and recycling in everything we do. We want to be amongst “the best in class” in everything we do, and we are constantly on the lookout for anything we can do better for the environment and world around us.

We believe that any initiative – small or large – can have an important impact. In SC Group's Danish headquarter, we have implemented a series of initiatives to support this belief:

Our overall goal is that all food served in the employee canteen is organic.

We have installed tap water coolers, to hereby reduce consumption of bottled water.

All waste in SC Group's Danish headquarter is sorted in recycled materials, paper, cardboard, plastic, bottles, metal, etc.





CLIMATE

Through our corporate social responsibility policy, SC Group is committed to minimize our environmental impact, and we have initiated measures to live up to this responsibility.

We acknowledge that our largest negative environmental impact is through transportation of our products. In our strive to minimize this impact, we have made a decision that all products are transported from Skechers' European distribution center to our Scandinavian distribution center in Denmark by sea freight, as opposed to air freight or road transportation. The "last mile distribution", from DC to our customers, is handled through road transportation.

Policy & Risks

We are constantly trying to optimize our transportation methods to save CO² emission.

It is our policy only to form partnerships with transport suppliers who are focused on continuously reducing their environmental impact on our behalf, just as we strive to use the most environmentally friendly method of transport under any given circumstances.

Our use of company cars also has a negative impact on our climate. We therefore undertake initiatives to minimize our fossil fuel consumption.

Also, SC Group aim at gradually converting all lighting to more energy efficient LED lighting.

Actions & Results

Our transport suppliers play an essential role in how we as a company act environmentally responsible. We want to work with companies who share this strong belief with us, and we have ensured that our transport suppliers hold high standards for sustainability.

We demand from our suppliers that they take their responsibility seriously, and reduce the climate footprint on our behalf, wherever possible.

SC Group's main transport supplier has great focus on important environmental initiatives, such as alternative green delivery concepts, alternative fuel technologies and efficient route planning in order to reduce pollution. All their vehicles in the fleet are gradually being replaced by more eco-friendly models and they increase their use of electric vehicles, to actively reduce emissions.

From 2020 and onwards, SC Group will gradually replace our fleet of company cars using fossil fuels, with plug-in hybrid or electrical vehicles, to reduce our emissions.

Year	Share of hybrid/electrical vehicles*
2019	0%
2020	6%
2021 (goal)	18%

*Total fleet of company cars divided with company cars that are hybrid/electrical vehicles.

SC Group aim to convert all conventional lighting in our current and future Skechers stores to energy efficient LED lighting. In 2020 we opened 4 new Skechers stores, all with LED lighting and our goal is to set up LED lighting in every new store we open in 2021.



WORKERS' RIGHTS

Both SC Group and Skechers USA are family-owned companies founded on the philosophy of putting people first. We want SC Group to be a good place to work!

We want to provide and maintain a healthy, safe, and stimulating work environment, that offers all our employees a highly satisfying and motivating working life, whilst ensuring a good work/life balance.

Covid-19

Covid-19 has caused several challenges to SC Group. We, however, strongly believe that the team we entered this crisis with, is the team that will take us through this critical period. We have done our utmost to maintain the team as is and minimize layoffs, wherever possible. We have made use of government salary compensation schemes to ensure that we can continue offering employment to our skilled employees during this pandemic.

Physical Work Environment

To ensure employee well-being and to reduce injuries caused by incorrect working positions, all headquarter based employees have height adjustable tables as their primary workstation. In addition, all employees can acquire an ergonomic mouse/keyboard and screen glasses, if desired.

It is a key priority to SC Group that we operate a healthy, safe, and injury-free workplace, and we strive to ensure that all employees act in a safe and responsible manner.

Operating standards are implemented in our distribution center, to ensure that safety standards are met. We ensure that all equipment is safe and do all we can to prevent exposure to unmanaged and uncontrolled hazards. In the rare incident of injuries, we ensure that corrective and preventive measures are taken to avoid repetitive incidents.

Diversity

In SC Group we believe that supporting all people and promoting inclusion across our business and society, makes the world a better place for everyone.

We are committed to creating a diverse and inclusive culture that helps employees know that they are valued, respected, and empowered to bring their best ideas forward. We celebrate diversity because we believe that rich, different perspectives generate the best ideas.

The company's senior management consists entirely of the two owners Peter Jørgensen and Hans De Groot, which is why it is not relevant to discuss the gender balance in the senior management.

For the company's broader management group, we pursue a general policy that everyone should have equal opportunities, regardless of gender. Therefore, we also continuously seek to promote positive leadership stories for our underrepresented gender, with the goal of generating greater awareness and interest in the area. In 2020, our management group consisted of 11 people (4 men and 7 women).

It is our goal that all new recruitments in 2021 will be evaluated from a diversity perspective.

Employee Benefits

In our strive to be a great place to work and ensure the well-being of our employees, SC Group offers a series of benefits.

All employees are included in a corporate pension and health care scheme. The health care scheme provides employees with the opportunity to get paid medical treatment at a private hospital, physiotherapist, chiropractor and psychologist treatments, and the like.

SC Group employees are given the opportunity to book appointments with a massage therapist. The sessions take place on-site in SC headquarters and during working hours, all paid for by SC Group.

Employees can join the lunch arrangement, where our inhouse chef prepares and serve a healthy lunch in the canteen each day, for a small monthly fee.

Also, SC Group offers complementary coffee, tea, fruits, and snacks throughout the day.

We want our employees to feel comfortable throughout the day, in Skechers footwear. Therefore, all employees can purchase our products at favorable prices.

Employee Development

We are committed to continuously develop our managers and employees, and we believe that everyone should be given the opportunity to develop and improve their skills. In 2020 we have introduced a new and dynamic development tool helping managers and employees to grow and develop through on-the-job training, formal education, goal setting and management, and experience.

We want to contribute to the development of future potentials, providing the opportunity for education through trainee- and internships with SC Group. It is our goal to employ minimum 2 trainees in 2021, and to facilitate minimum 1 internship each year.

Sick Absences

Our employees are our most important asset, and our unconditional goal is to keep sick absences at an absolute minimum.

We believe that by providing a good physical and physiological work environment, with continuously close follow up and open dialogue between manager and employee, we can proactively approach any issues that may prevent or reduce sick absence.

In case of long-term sick absence, we will remain in close dialogue with the employee on their condition and progress, and together with the employee prepare a plan for their gradually return, when appropriate.

SC Group actively supports individuals who can return to the labor market, but do not have the ability to work full time. Currently we employ 1 person on this "flex job-scheme".

BUSINESS ETHICS

Anti-corruption

We work against corruption in all its forms, including extortion and bribery. It is a key priority for SC Group to conduct our business in an honest, fair, and proper manner, and to comply with the laws and regulations in the countries in which we operate. We expect our business partners and employees to do the same.

With a global supply chain, SC Group employees may be exposed to the risk of corruption. Under no circumstances can SC Group employees accept any monetary incentive or encouragement, nor offer bribes of any kind. We expect our employees to be alert to any irregularities and report to management, in the instance that a business partner does not comply with proper business conduct.

During 2020, management have been informed about our anti-corruption policy, and no examples of corruption or bribery have come to our attention.

Gifts, hospitality, and favors

Smaller gifts should be offered and accepted only as common social or business courtesy and may under no circumstances influence decision making and the objectivity of the involved parties. Any gifts or favors interpreted as an attempt to encourage preferential treatment are not acceptable under any circumstances. Acceptance of high value gifts or invitations must be approved by the management.

Exceptions would include gift to celebrate anniversaries, weddings or birthdays or the like. The limit for a gift is up to a maximum of 100\$.



OUR COMMUNITY

SC Group engages with the local community and enter partnerships with local businesses.

We sponsor local elite athletes and sports clubs and donate to charities and associations, with a sincere desire to contribute to the health and wellbeing of the general public.

Below are examples of our charity donations and local sponsorships during 2020:

- Shoes were donated to nurses in Mälarsjukhuset in Eskilstuna, Sweden. The nurses work under severe pressure for many hours each day, and as they are on their feet during most of their working hours, and they certainly deserve some extra comfort.
- Backpacks were sent to children of “The Superkids Marathon club” in Sweden, a project to inspire children and young adults to an active lifestyle. The project was started to encourage children to exercise more.
- Donation to “Save the Children”.
- Donation Kræftens Bekæmpelse (Cancer research).
- Donating Christmas gifts to local vulnerable children (shoes, backpacks, and socks).
- Donation to “Recovery Bulls”, an organization of vulnerable adults and former criminals. The money donated will be used to arrange sports activities, to help them get back on their feet.
- Donation to Hjerteforeningen (The Danish Heart Foundation).



CONCLUSION

We take our responsibility towards our employees, society, and the environment extremely serious, and will continue our constant efforts in ensuring that we live up to this commitment.

It is a never-ending process, and we will continuously work to improve on the impact and environmental footprint we leave behind.