

Due Diligence for Responsible Business Conduct Report 2023



TOMWOOD

Contents

Introduction	3
About the Company	4
Governance and Commitment to Responsible Business Conduct	5
Supply Chain	7
Risk Classification and Assessment	8
Risk Areas in the Jewellery Industry	9
Measures to Prevent and Mitigate Negative Impacts	10
Ongoing or Planned Initiatives	12
Statement by Executive Management and the Board	13

Introduction

At Tom Wood, we're dedicated to leading in sustainability, which we term responsibility, both within our company and throughout our supply chain. This report complies with the Norwegian Transparency Act, fulfilling legal requirements and meeting stakeholder expectations for transparency and ethical business practices.

About the Company

Founded in 2013, Tom Wood is a Norwegian jewellery brand with international production and distribution. Our headquarters and showroom are located in Grünerløkka, Oslo. We operate two retail stores, one in Oslo and another in Tokyo, and our products are sold in over 300 leading high-end fashion stores worldwide, with Japan being our largest market.

In 2023, Tom Wood employed 51 people across Norway, Spain, and Japan, reflecting our global expansion and diverse team of 10 nationalities. Each department is led by a manager who is part of the management team. Most team managers also participate in our Responsibility Team, which reports on our three-year Responsibility Roadmap, encompassing 88 goals for a more responsible jewellery industry.

Tom Wood is a privately owned, limited company, with Driv Kapital as the majority shareholder as of February 2022. The company is led by founders Morten Isachsen (CEO) and Mona Jensen (Creative Director). Our business model combines in-house employees with external suppliers, sourcing services and products from approximately 200 global suppliers. We exert significant influence within our supply chain, particularly in goods procurement.

In 2019, we set forth a plan to become leaders in responsibility within our industry. Our approach is based on accountability and transparency, exemplified by our comprehensive annual reports that include detailed carbon accounting of both direct and indirect emissions. Since January 1, 2022, we have publicly disclosed all our jewellery manufacturers on our website.

Our dedication and achievements have earned us recognition. In 2023, we were invited to join the industry's leading sustainability initiative, Watch and Jewellery Initiative 2030, founded by Cartier and Kering. Additionally, we became supporters of the UN Global Compact and signatories of the UN Women's Empowerment Principles.

For more information about our commitment to responsibility, visit [our website](#).

Governance and Commitment to Responsible Business Conduct

Responsibility Governance

Since 2020, we've embedded responsibility into our company through a robust system of accountability. Our responsibility strategy is overseen by the Head of Sustainability and the CEO, with overarching support from our Board. Our responsibility goals are integrated into our business strategy, reflecting our commitment from vision to values. "Responsible" is one of the four foundational company values guiding our brand and leadership approach. In 2022, we incorporated responsibility as a formal element in our employee performance assessments. Guided by our Responsibility Roadmap, annual targets are broken down into company, department, and personal goals for the employees where applicable and appropriate, and progress is considered during both team and individual evaluation processes.

We believe that a responsibility strategy will only be as successful as the people it depends on. Therefore, ensuring internal communication and the sharing of knowledge is key to the overall success of the project. This is ensured through our Responsibility Training Program, consisting in part of responsibility onboarding of all new employees, staff training for retail employees, sales training for the wholesale department, and bi-annual strategy presentations attended by the whole company.

Embedding Responsible Practices

Our commitment to responsible business practices is integral to our strategy, framework, and policy documents. We have established a Supplier Code of Conduct that outlines requirements for human rights, labour rights, health and safety, environmental responsibility, responsible procurement, and transparency. This document has been signed by all key suppliers and is available on [our website](#).

Tom Wood conducts due diligence for responsible business conduct, involving risk assessments to identify potential negative impacts on people, society, biodiversity, and the environment. We aim to stop, prevent, and mitigate such impacts, monitoring and evaluating the measures put in place. Identified impacts will be communicated to those affected. If activities cause or contribute to negative impacts, we will cease the activities and seek to provide remedy. If a supplier is responsible for the negative impact, the supplier is accountable for providing remedy.

As a supporter of the UN Sustainable Development Goals, we have identified six goals where we have the greatest opportunity to make a difference:

- **Goal 5:** Gender Equality
- **Goal 7:** Affordable and Clean Energy
- **Goal 8:** Decent Work and Economic Growth
- **Goal 12:** Responsible Consumption and Production
- **Goal 13:** Climate Action
- **Goal 17:** Partnership for the Goals

Due diligence is a dynamic process, continuously evolving and ongoing. In an industry known for its fragmented and complex supply chains, we prioritise transparency and traceability to better understand and address the risks and impacts within our supply chain.

Roles and Responsibilities

The CEO and the Board hold the overall responsibility for approving our business strategy, which includes the sustainability strategy known as the Responsibility Roadmap. The Head of Sustainability is tasked with developing the Responsibility Roadmap, advising executive management on goals and strategies, analysing risks and opportunities, and facilitating the implementation of initiatives.

Additionally, the Head of Sustainability coordinates and facilitates our sustainability strategy internally, and communicates these efforts to both employees and our community of stakeholders. The sustainability strategy is integrated into the company's overall business strategy and is delegated to the respective departments, with each department head represented in the Responsibility Team. This team is further supported by corporate functions such as HR and Finance.

Supply Chain

General Description of the Company's Sourcing model and Supply Chain

Our products are designed and prototyped by Tom Wood's design team at our headquarters. Materials are mainly sourced from our suppliers, based on our requirements for sustainability, durability, certifications, and quality of material. In select cases, we source materials directly from material suppliers.

We develop four collections annually, with orders placed after each sales window. Collections are typically presented to our suppliers 10-12 months before they reach the market. Timelines, deadlines, and production volumes are carefully coordinated to ensure responsible lead times and adequate manufacturing capacity. To enhance predictability, we have implemented demand prediction software for precise forecasting.

Tom Wood produces jewellery in the affordable luxury segment, using only high-quality materials. Our collections are unisex and consist of rings, bracelets, necklaces, earpieces, pendants, and show pieces.

Risk-Based Due Diligence for Suppliers and Business Partners

At Tom Wood, our due diligence process for selecting business partners and suppliers is based on a risk-based approach, in line with OECD guidelines. With a global network of around 200 vendors and suppliers, we prioritise identifying, assessing, and mitigating risks related to human rights, labour rights, environmental impact, and ethical business practices.

Our approach begins with a comprehensive risk assessment of potential partners and suppliers, considering factors such as geographic location, industry sector, and historical performance. 100% of our tier 1 jewellery suppliers are COP (Code of Practice) certified by the industry leading Responsible Jewellery Council, independently audited and have undergone our due diligence procedure for checking social and environmental compliance.

We continuously monitor our supply chain to ensure adherence to our Supplier Code of Conduct, which mandates compliance with international standards for human rights, labour conditions, health and safety, environmental stewardship, and transparency. By prioritising transparency and traceability, we aim to foster responsible and ethical practices throughout our supply chain.

Through this meticulous and ongoing process, we strive to build and maintain a network of partners and suppliers that align with our commitment to sustainability and social responsibility.

Supply Chain Overview

We collaborate with four tier 1 suppliers, all located in Thailand, a global hub for jewellery. Additionally, we have identified 12 sub-suppliers who provide raw materials or components to our tier 1 suppliers. Nine of these sub-suppliers are based in Thailand, with the remaining three located in Germany, Italy, and Hong Kong.

Risk Classification and Assessment

Risk Classification of Suppliers

To effectively classify risks among our suppliers, we assess various factors to identify and rank potential risks. These factors include supplier criticality, dependency, industry-specific risks, and geographical and geopolitical risks. Based on these assessments, suppliers are categorised into different risk levels, ranging from high to low.

Our 2023 assessment prioritised resources on areas with the highest risk, ensuring effective risk management through targeted strategies. This risk classification is a dynamic process, with regular reviews and updates of suppliers and their associated risks.

Identifying and Assessing Supply Chain Risks

We have implemented several established procedures to detect deviations within our supply chain. These include third-party certification with independent audits, supplier questionnaires, the ability to conduct unannounced inspections, and a whistleblowing mechanism. Through these control activities, no actual negative consequences have been identified among our suppliers. However, we recognise the high probability of such consequences existing in global supply chains.

Our risk factor assessment, detailed below, is based on a general risk profile. It draws from extensive documentation at the country and industry level, indicating systematic violations of the UN Universal Declaration of Human Rights, the ILO's core conventions (prohibiting child labour, forced labour, discrimination, and upholding the right to collective bargaining), and national labour and HSE laws within the product supply chain.

This is an ongoing effort, and like many other companies, we still have a way to go to achieve complete oversight. Our Supplier Code of Conduct has been signed by all high-risk profile suppliers, and ethical requirements have been incorporated into contract terms where relevant and necessary.

Risk Areas in the Jewellery Industry

- **Labour Conditions and Human Rights:** The jewellery industry faces significant risks related to violations of human rights and poor labour conditions. This includes the prevalence of child labour, forced labour, unsafe working environments, discrimination, and a lack of worker rights and protections.
- **Environmental Impact:** Jewellery production can have significant environmental consequences. The extraction of minerals and gemstones can lead to deforestation, pollution of water sources, destruction of ecosystems, and loss of biodiversity. Additionally, the manufacturing process can contribute to air and water pollution and improper waste disposal.
- **Lack of Transparency and Traceability:** Ensuring the traceability of raw materials is a significant challenge in the fragmented jewellery industry. Many suppliers may lack the ability to provide detailed information about the origins of their materials, complicating the verification of responsible and ethical sourcing. This lack of transparency can undermine efforts to promote responsible procurement.
- **Illegal Trade and Conflict Minerals:** The jewellery industry faces risks related to the illegal trade of conflict minerals and diamonds, involving unethical extraction conditions or financing armed conflicts or human rights abuses.
- **Geopolitical and Regulatory Risks:** The jewellery supply chain is influenced by various geopolitical factors, including political instability, corruption, and varying regulatory environments. Changes in laws and regulations across different countries can impact the sourcing and production processes, creating compliance challenges. As a company operating in an international environment, it is important to both be aware and adjust to the risks that arise from the various countries represented both upstream and downstream in our value chain.
- **Reputational Risk:** Failure to address ethical and sustainability issues can severely damage a brand's reputation. Consumers and stakeholders are increasingly demanding transparency and ethical practices from companies. Negative publicity related to labour or environmental abuses can lead to loss of consumer trust and financial repercussions.
- **Counterfeiting and Piracy:** The jewellery industry is susceptible to counterfeiting and piracy, which can lead to significant economic losses and damage to brand integrity. Counterfeit products often do not adhere to ethical or quality standards, further exacerbating the risks.
- **Health and Safety Risks:** The extraction and processing of raw materials can pose significant health and safety risks to workers. Exposure to hazardous materials, unsafe working conditions, and inadequate protective measures can result in serious health issues and accidents.
- **Supply Chain Disruptions:** The complex and global nature of the jewellery supply chain makes it vulnerable to disruptions caused by natural disasters, economic instability, and political events. These disruptions can lead to delays, increased costs, and difficulties in maintaining consistent supply.

Measures to Prevent and Mitigate Negative Impacts

Supplier Onboarding and Company Policies

All new suppliers undergo an onboarding process to ensure they meet Tom Wood's requirements, maintain high quality, and adhere to relevant standards and guidelines. This includes requirements for ethics, sustainability, certifications, and other pertinent standards. All critical and strategic suppliers must accept and sign our Supplier Code of Conduct, which outlines requirements for working conditions, human rights, wages, forced labour, freedom of association, and the procurement of raw materials for our production. Standard contract templates also contain terms for upholding these requirements where appropriate. In 2023, we established a new Code of Conduct for vendors, extending the same requirements for responsible business practices not only to our main suppliers but also to vendors in other parts of our value chain.

Supply Chain Management

In 2022, we introduced a supply chain control platform for risk evaluation and information sharing with our suppliers. Through this platform, our key suppliers have completed in-depth questionnaires designed to assess compliance with the Transparency Act and sustainability practices. Each supplier receives a risk score on a scale of 1-5. Additionally, we conduct annual in-person visits to our manufacturers, as we believe that fostering close relationships with our suppliers is crucial to building a foundation of trust and collaboration.

Third-Party Certifications

Tom Wood is a certified member of the Responsible Jewellery Council (RJC). In 2023, we received a three-year certification verifying that we meet the highest standards for responsible business conduct in the jewellery industry. The RJC's Code of Practices considers the entire value chain, from raw materials to distribution. Through an independent audit with SGS, our methodology for responsible supply chain control was verified, ensuring protection of human rights, environmental protection, and ethical practices. Additionally, we work exclusively with RJC-certified jewellery manufacturers, ensuring the same methodology and requirements are maintained from manufacturing to retail.

Responsible Procurement of Raw Materials

Our risk analysis of our supply chain identified high risks associated with raw material extraction for jewellery production. To mitigate this risk, we revised our Supplier Code of Conduct in 2022 to include specific guidelines for material procurement in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The standard includes specific guidelines for purchasing metals, gemstones, and diamonds.

Additionally, Tom Wood began transitioning to recycled metals in 2021. From 2021 to 2022, the share of recycled metals increased from 18% to 64%. In 2023 we completed this transition ensuring all precious metals are 100% recycled.

Grievance procedure

Tom Wood has established a grievance procedure for all employees and a publicly accessible channel for all other stakeholders. The procedure regulates how to report critical issues, how the reports are handled, and protection for both the whistleblower and the person being reported. Generally, reports should be addressed and resolved at the earliest possible stage, typically by the nearest manager or their superior. Additionally, the company has other channels for employees to report illegal, critical, or unacceptable issues, such as the company's safety representative or HR.

Contingency plan

In 2023, we developed our company's first contingency plan by identifying and assessing the most likely risk scenarios. Based on this analysis, an Emergency Response Team (ERT) has been established. Furthermore, the contingency plan has been communicated to the company's leadership team and is available on the HR portal.

Ongoing or Planned Initiatives

Tom Wood's work on due diligence assessments is continuous and dynamic, expanding and evolving with the company. The following initiatives are either ongoing or planned:

- **Traceability:** Continue our work towards 100% traceability of raw materials by expanding the strategy for responsible procurement in jewellery production.
- **Digital Product Passport:** Evaluate developing Digital Product Passports for improved transparent information sharing, even after the product is sold, enabling the facilitation of reuse and repair.
- **Contingency Planning:** Establish a contingency plan adjusted for our Japanese entity.
- **Grievance Mechanism:** Making the whistleblowing mechanism available in multiple languages.
- **Supporting Global Sustainability Initiatives:** We will encourage our suppliers to join us in supporting both the UN Sustainable Development Goals through membership in UN Global Compact, as well as signing the UN Women's Empowerment Principles.
- **Conduct Risk Assessments on Critical Materials:** Develop detailed risk assessment of all materials used in Tom Wood products.

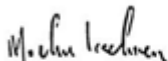
Statement by Executive Management and the Board

Oslo, June 20, 2024

The Board has reviewed and approved Tom Wood AS's Transparency Act report for the fiscal year 2023. The report provides the public with insight into the company's due diligence assessments and measures implemented in accordance with § 5 of the Transparency Act.



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