

HAGLÖFS' SUSTAINABILITY



HAGLÖFS

A LITTLE BETTER ALL OF THE TIME

Sustainability is about doing things a little better all of the time. Our long-term vision is to be a world-leading company in sustainability in our industry. The road there is paved with challenges, and while we have come a long way in our work, we are dependent on stakeholders who have not always managed to develop at the same pace. This means our daily work is not just about becoming better ourselves, but also influencing those around us to do things better. We have regular sustainability-related talks and meetings with our stakeholders, meetings in which we air different issues and try to find constructive solutions to shared problems. There are also many examples of where we have successfully created changes that have brought improvements to our entire industry.

In 2015, we have taken additional steps in our work – and many of these steps will have a major bearing on our offering in the period ahead. One of the most important is that we now have defined the criteria that will apply to our products in order for them to be categorized as Take Care in all of our product areas. We have also adopted a new policy which clearly states that Haglöfs' offering will be completely free of fluorocarbon impregnation by 2020.

For us, it goes without saying that our impact on the environment should be as small as possible. At the same time, it is one of several important sustainability perspectives and we are working in parallel on many fronts. We invite you to learn more about our work on the pages that follow.

Kallhäll, April 2016

Lennart Ekberg, Director of Sustainability



ABOUT HAGLÖFS

Haglöfs develops clothing, footwear and equipment for people who invest in an active outdoor lifestyle. From small-scale backpack manufacturing in 1914, Haglöfs has developed into one of the world's leading suppliers of technical and sustainable outdoor products by means of modern product development and strategic distribution.

The entire range is characterized by functional design, highly technical materials, advanced construction, high usability, good fit, light weight, durability and long life. The Haglöfs brand is primarily marketed to about 25 European and Asian markets. Products are distributed through carefully selected sales channels comprising outdoor specialists and sports retailers. Haglöfs has been owned by ASICS Corporation since 2010.

ABOUT THE REPORT

Haglöfs' sustainability report is published annually and summarizes the work on the issues of environment, ethics, climate, society and economy which are relevant to Haglöfs and its stakeholders. Any questions about Haglöfs' sustainability work and the report should be addressed to Haglöfs' Director of Sustainability, Lennart Ekberg. E-mail: lennart.ekberg@haglofs.se.



RESPONSIBILITY THROUGHOUT THE SUPPLY CHAIN

For Haglöfs, there is a clear and obvious interplay between the environment, ethics and economy. It is the Company's firm belief that working in a sustainable way and conducting responsible operations is conducive to long-term success. This is also natural for Haglöfs, as a thriving natural environment and healthy people are fundamental to an active outdoor life.

Being aware and taking responsibility are expressions that have been important to Haglöfs for a long time. Reducing the Company's environmental impact and establishing good working conditions and human rights have been important issues throughout Haglöfs' modern development. The Company acknowledged at an early stage that, like many other companies, its operations have impacts – both positive and negative – on the environment. In 2008, Haglöfs made a strategic decision to integrate sustainability into the Company's future development. The decision was based on two objectives working in tandem – to ensure long-term profitable growth and at the same time to contribute towards a sustainable society. Since then, Haglöfs' business concept and vision have contained a clear definition of the Company's position on sustainability issues. However, Haglöfs had structured environmental and CSR work at a much earlier stage.

Haglöfs' sustainability is an ongoing process that is fully integrated into day-to-day activities, with the Company's employees constantly looking for opportunities to create improvements. Haglöfs' Director of Sustainability has overall responsibility for this process, although sustainability issues are now such a natural part of the Haglöfs culture that most initiatives are generated by Haglöfs' employees out there in the organization. All Haglöfs subsidiaries around the world also have a sustainability manager to strengthen local work in each market.

SUSTAINABILITY IS NOT MARKETING

Sustainability is much more than just a label on a product or using a particular material. How the product has been manufactured, transported and packaged are issues that are relatively easy to grasp. However, it is much more difficult for a consumer to know whether a product labeled as sustainable and manufactured using eco-friendly materials has involved factory workers in Asia being forced to work unreasonable hours for low wages. This is why Haglöfs work on sustainable initiatives in every part of its supply chain. For a product to be "truly" sustainable, it is important that consumers know the best way to use, care for, wash and keep the product so that it can be used for longer so that it does not affect the environment more than is necessary.



"Part of our mission is to ensure that our children can enjoy nature in the same way as we do today. This is a mission that carries responsibility, but I would venture to say that there is no one today who does it as well as Haglöfs," says Jacopo Bufacchi, Design Manager.

A product's environmental impact is largely determined by its development and design. This includes everything from choice of materials and manufacturing methods to durability, quality and long life. Haglöfs' offering is based on developing high-quality products with a long lifespan. Designing a product with a long-term perspective in the initial stage makes a big difference. Thinking about how to make a zipper easily replaceable when it wears out or not confusing technically advanced designs by making them complex are examples of questions and choices that occupy Haglöfs' design department. Other examples are discussions in the product development phase about whether a product that initially has a lower environmental impact but wears more and requires more frequent washing really is a better choice than a product that can be used more times between washes and can also withstand far more washes without losing quality and fit. Whatever the choice, it is a fundamental concept that design should allow for the material to be recycled eventually.

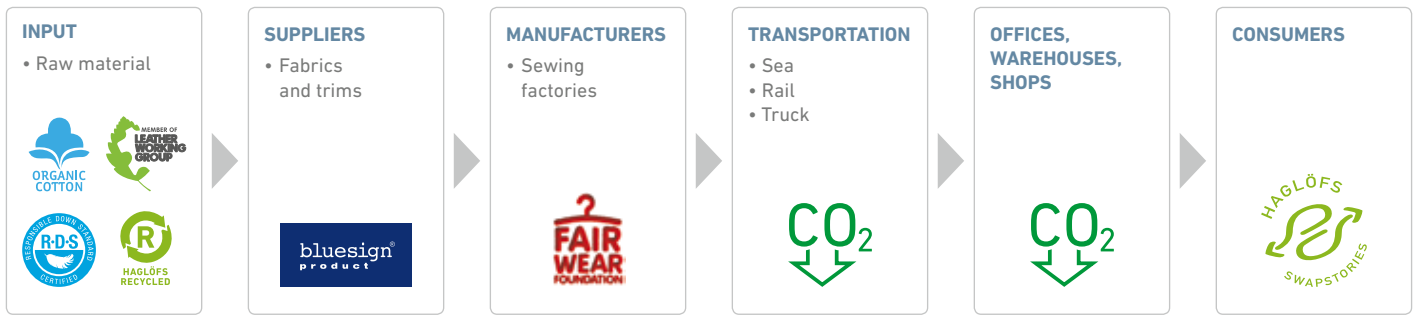
SUSTAINABILITY ENCOMPASSES MORE THAN THE OBVIOUS

There are many examples of complex issues affecting Haglöfs' sustainability work, one of which is currency fluctuations. A large number of the world's producers nominate their prices in dollars (USD), which means increased costs for many brands in regions such as Europe, including Haglöfs, when the dollar rises. The largest proportion of inputs are also priced in dollars, and as an outdoor product's cost is made up mostly of materials, this has a significant effect on the product cost. However, it is not uncommon for brands to press their manufacturers to work faster (which often means more overtime) and to lower their prices at the same time.

Haglöfs has chosen a different path and is looking for deeper relationships, dialogue and partnership with its manufacturers. Working with the manufacturers on site in the factories enables Haglöfs to select the right production solutions and manufacturing methods at an early stage without any detrimental effect on conditions for the workers. This information can then be relayed back to designers and pattern makers so that new products are developed correctly from the start. A deeper partnership and local presence also allows early identification of potential prototype errors, which can then be rectified on the spot, thereby saving time and creating conditions for bringing new sustainable products to market more quickly.

TRAIL ANORAK WOMEN





SUSTAINABLE SUPPLY CHAIN

Haglöfs' sustainability work encompasses the entire supply chain. In the concept phase, the Company focuses on developing each new product so that it meets the Haglöfs Take Care Labeling requirements. Using sustainable materials that meet the requirements of organizations such as bluesign®, Leather Working Group and Responsible Down Standard and aiming to primarily use recycled and recyclable materials ensures that the work is well structured.

In the production phase, the focus is on ensuring that the Company's manufacturers have ethically sustainable operations. Close cooperation with suppliers and Haglöfs' membership of the Fair Wear Foundation are a basis for ensuring that this dimension of sustainability also measures up to the Company's high requirements.

During transport from manufacturers to warehouses and customers, Haglöfs works to minimize greenhouse gas emissions within the framework of the Company's Climate Action Plan. In addition to all transportation, this also includes climate compensation and rules for business travel and environmentally friendly energy solutions in the form of green electricity at offices, warehouses and retail stores.

Ultimately, it is also crucial for a Haglöfs product to have a long life – and be used for long time. The first is a fundamental parameter of Haglöfs' product development. To help at the consumer level, Haglöfs has a recycling program called Swapstories, which allows consumers to sell pre-owned products in selected Haglöfs stores.



“Sustainability can easily become abstract as a subject, but when it’s broken down to our health, our environment, how products are manufactured and so on, it’s then easier for us to explain and for consumers to understand. We have an educational task that is an important part of our overall sustainability work,” says Daniel Cohn, District Manager Stockholm.

HAGLÖFS SUSTAINABLE SHELL BOOT

The BARKEN trekking boot is made of sustainable premium leather from one of Europe's leading tanneries, both in terms of quality and environment, which has been awarded the Leather Working Group's highest accreditation, Gold rated tannery. The boot's midsole also contains recycled materials, and all of these factors mean that it is one of the first products in Haglöfs' Footwear product area to be categorized as a Take Care product.



HAGLÖFS' STAKEHOLDERS

In the same way as other companies, Haglöfs has a large number of stakeholders. The ones with which Haglöfs has most contact outside the organization are found in the Company's supply chain. Other stakeholders include the state, municipalities, government agencies and different interest groups. Haglöfs has daily contact with many of its stakeholders and there are few occasions when some form of sustainability does not enter into the dialogue and cooperation. Haglöfs is involved in several research and development projects. Haglöfs' successful sustainability initiatives have made the Company a popular speaker and a sought-after party in different dialogues. Haglöfs has, for instance, on several occasions assisted and taken parts in dialogues at government level regarding environmental related sustainability issues. Below is a list of current major projects and dialogues.

- The Swedish Textile Water Initiative.
- The Chemicals Agency textiles dialogues.
- The Swedish Chemical Group.
- The Sustainable Fashion Academy Steering Group.
- EOCA (The European Outdoor Conservation Association).
- OrganoClick's fluorocarbon project.
- SUPFES.

CHOOSING A SUSTAINABLE PRODUCT

Take Care is Haglöfs' way of highlighting the Company's responsibility and overall efforts in the area of sustainability. By labeling products that are most advanced in terms of sustainability with the Take Care symbol, Haglöfs gives retailers the chance to offer a collection that has a low environmental impact – and offers consumers guidance in making an active sustainable purchasing decision.

Haglöfs has defined Take Care criteria for each product area. In order for a product to carry the Take Care symbol, it must meet at least one of the following criteria:

CLOTHING:

- Be a bluesign®-product.
- Be made of recycled materials.
- Be made of organic cotton.

HARDWARE:

- Be a bluesign®-product.
- Be made of > 90 percent bluesign®-approved materials.
- Be made of recycled materials.

FOOTWEAR:

- Be made of environmentally friendly leather from a Leather Working Group accredited tannery (Gold or Silver rated).
- Be made of at least 70 percent bluesign®-approved or recycled materials.
- The midsole and/or outsole of the footwear must also contain bio-based or recycled materials.

In addition to continuous improvement of the sustainability performance of Haglöfs' products, the Take Care concept also includes Haglöfs' work on reducing energy consumption and greenhouse gas emissions. It also includes guidelines for business travel and company cars, choosing conference and meeting venues where the premises and accommodation have an ecological profile, recycling programs and providing organic fruit and fair trade coffee at all workplaces.

Take
care



"I often hear talk of all the chemicals in footwear, and many perceive that as something bad, but there are also good chemicals – take medicines, for example. Our task is to ensure that the chemicals used in our products have as little adverse impact on the environment as possible. We do this through organizations such as the Leather Working Group, and as 80 percent of our footwear is made of leather. I would venture to say that we are very advanced in this area," says Masahi 'Masa' Abe, Footwear Development & Sourcing Manager.

HAGLÖFS' SUSTAINABILITY STATUS

Percentage of Take Care products, Clothing	78%
Percentage of bluesign products, Clothing	58%
Percentage of Take Care products, Hardware	12%
Percentage of Take Care products, Footwear	7%

Refers to the number of styles for the 2016 spring/summer and fall/winter seasons.

SUSTAINABLE FASHION ACADEMY

To provide employees with additional tools, Haglöfs arranges for its designers, product developers, buyers, materials managers and other staff to undergo training in sustainability issues. One of the training providers is the Sustainable Fashion Academy (SFA).

SFA is a non-profit association founded by fashion and design representatives, environmental organizations, universities and similar bodies. SFA's founders and partners include companies such as H&M, Lindex and Filippa K and outdoor brands such as Haglöfs, Fjällräven and Peak Performance.

SFA offers a number of training programs. In addition to basic foundation training, there are a number of modules that focus on specific areas of work such as design, supply chain or marketing and communications. Over the years, Haglöfs has trained a large number of employees, both at the basic level and in specific subject areas – and Haglöfs has also participated by delivering lectures on several occasions.



SUSTAINABLE MATERIALS AND LONG LIFE

Outdoor enthusiasts must be able to rely on their products – to have confidence that they deliver 100 percent, based on what they are expected to cope with. Consequently, material quality and function are top priorities for a brand like Haglöfs. Haglöfs endeavors to minimize each product's negative environmental impact, and, apart from choice of materials and manufacturing methods, a long lifespan is what has the biggest impact in terms of a product's life cycle.

A SUSTAINABLE THREAD...

Environmental impacts are a general problem in textile manufacturing, and in many parts of the world this is anything but a sustainable industry. Haglöfs works constantly to find new solutions, particularly in the area of materials, to make its products sustainable. Ever since Haglöfs became a bluesign® system partner in 2008, the Company has worked actively to get its material suppliers to improve their material production so that they are able to supply bluesign®-approved materials to Haglöfs' production.

It has long been virtually a requirement for a company to be a bluesign® system partner in order to be accepted as a new material supplier to Haglöfs. Haglöfs imposes far-reaching conditions for existing suppliers who have not yet taken that step. Those who do not have an explicit sustainability commitment are gradually being phased out.

When Haglöfs develops a new product, it is an automatic part of the process to examine what bluesign® approved new materials or recycled materials are available in order to achieve the desired product properties. In some cases, also a recycled fabric may be a better option from the start. Several of Haglöfs' product lines are already made mainly of recycled polyester, and many of the materials the Company uses are fully recyclable. Haglöfs uses fabrics with recycled fiber from a number of leading suppliers. Some come from waste materials in industrial production, while others are from recycled consumer products, such as PET bottles.

....TO TAKE CARE

During the development of each new product, the question of whether there is scope for using bluesign®-approved or recycled materials is always asked. As Haglöfs works on the basis that all products developed will be sustainable and able to be labeled with the Company's Take Care symbol, the answer must virtually always be yes. For first-generation products that do not qualify for



"In 2015, we adopted a new policy with the objective that no product will have a fluorocarbon-based water-repellent treatment by 2020. However, we have been working on this issue for many years. Back in 2010 we were already testing alternative technologies and this work is the basis for the development we have today," says Eva Mullins, Materials Manager

HAGLÖFS RECYCLED

Haglöfs uses recycled polyester and polyamide. To qualify for the "Haglöfs Recycled" symbol, more than 50 percent of the material must be recycled.

CORKER LARGE



Take Care, the goal is always to look for new solutions, which often includes trying to influence material suppliers, in order to achieve the goal in a future material update.

BREAKTHROUGH IN FOOTWEAR

Haglöfs has recently made radical improvements in the Footwear product area. The footwear industry is historically seen as something even more challenging from a sustainability perspective than the textile industry, and Haglöfs has had this as a focus area for a number of years. About 80 percent of Haglöfs footwear has an upper made of leather and efforts to find environmentally sustainable leather have long been a priority. For the remaining percentage, which is footwear with a synthetic upper, Haglöfs endeavors to primarily use either bluesign® -approved or recycled materials.

In 2015, Haglöfs defined the applicable criteria for a Footwear product to be classified as Take Care and launched the first Take Care products in the form of BARKEN, SMÅGAN and NUSNÄS. In 2015, Haglöfs became a member of the Leather Working Group LWG, (an organization that works for a sustainable leather industry) and has started to make the transition to sourcing leather exclusively from LWG's highest rated tanneries (certified as a Gold or Silver rated tanneries). Timberland, Nike and Adidas are examples of other brands that have also joined LWG.

Haglöfs constantly tests different materials and technologies for its footwear to find sustainable solutions without compromising functionality and performance, and the Company has recently developed a new midsole with Asics' research center (Institute of Sports Science). 30 percent of the new midsole, BioSolyte®, consists of material derived from sugar cane, which is traceable back to the plantation. The path towards increasing the proportion of bio-based materials is one that Haglöfs will continue to tread.

OUT WITH HAZARDOUS CHEMICALS

In many cases, the use of chemicals is a prerequisite for creating functional materials that are waterproof or water repellent and stain resistant and at the same time breathable – qualities which are in demand from end consumers. The textile industry has for a long time chosen to use fluorocarbons to give fabrics water-repellent properties. Some of these fluorocarbons are directly

Since 2013, Haglöfs has been part of SUPFES, which is a major research project to find alternatives to perfluorinated substances and chemicals that pollute the environment. The other participants include Chalmers University of Technology, VU University Amsterdam, Stockholm University, Swerea IVF and companies in the Swedish Chemicals Group at Swerea IVF together with the Käppala wastewater treatment plant.



“We see the climate changing around us and this makes the public aware that sustainability issues are important. For those of us in the outdoor industry, nature is a place for play and recreation and we must do everything we can to avoid destroying it. I feel that many consumers are now prepared to contribute by making conscious choices when purchasing new products,” says Neil Bradley, Country Manager UK.

hazardous – and none of them is particularly good for the environment or human health.

Haglöfs has already discontinued use of the most harmful fluorocarbons, and as a member of bluesign® complies with the textile industry’s most stringent restricted substance list. However, bluesign® still allows some fluorocarbons and Haglöfs has therefore decided on its own initiative to pursue this issue further. For a number of years, Haglöfs has also been a member (the only textile company) of the EU-funded SUPFES research project, which has a mission to develop efficient and environmentally friendly fluorocarbon-free finishes.

For the coming seasons, Haglöfs has intensified the phasing out of fluorocarbons and adopted a new policy. The new policy, which is being applied immediately to the products being developed, means that Haglöfs will use a fluorocarbon-based water-repellent treatment on products where it is absolutely necessary for product performance, which in practice means certain types of technical shell clothing. Fluorocarbon-free alternatives must be used in all other products. For products that do not need to be waterproof or water-repellent, no treatment is used at all. Haglöfs is also looking for new solutions where material can be made water-repellent by construction or material compositions.

bluesign®

bluesign® is an international standard aimed at reducing and replacing all chemicals that are potentially hazardous to living beings and our environment in every part of the textile value chain – from yarns, dyes and additives to finished fabrics. In order to obtain bluesign® approval, a fabric must meet the following criteria:

- The fabric itself is free from harmful substances, as defined in the most comprehensive RSL (restricted substance list) published.
- Harmful emissions to water, soil and air from the fabric’s production process have been minimized.
- Resource use, in particular water and energy, is monitored and reduced as far as possible.
- Working conditions during the manufacturing process meet far-reaching requirements in the area of health and safety.

As a bluesign® system partner, Haglöfs is committed to progressively and continuously increasing the use of bluesign®-approved fabrics in order to ensure development of products with a minimal environmental impact.



“A product containing 90 percent or more bluesign®-approved materials and at least 30 percent approved trims qualifies for classification as a bluesign® product”.

SABA III LS SHIRT DENIM MEN



SUSTAINABLE CLOTHING REQUIRES FAIR WORKING CONDITIONS

Haglöfs does not have its own factories. All production takes place at the facilities of external manufacturers. Considering the position of production in the supply chain, the direct environmental impact is relatively low. Haglöfs therefore focuses on issues concerning the working environment, human rights and other ethical issues such as prohibition of child labor. It is important for Haglöfs to have manufacturers that take their own responsibility. To produce items for Haglöfs, a company must, for example, have documented aims with regard to labor conditions at its factories.

Haglöfs has been an affiliate member of Fair Wear Foundation (FWF) since May 2012, which means that Haglöfs' manufacturers are bound by FWF's Code of Labour Practices. In general terms, the conditions are good at the factories Haglöfs uses. Haglöfs' products are advanced and require both highly skilled production personnel and a qualified production process. The work on ethics issues within the framework of FWF during 2015 is presented below, in accordance with the requirements of FWF affiliation.



“There is enormous passion for sustainability at Haglöfs and we have come a very long way in many areas. My job is to ensure that we continue to develop – and that we don't forget to proclaim all our progress. We are now clearly at world class level, and it's high time that the world also got to know about it,” says Peter Fabrin, CEO.

FAIR WEAR FOUNDATION – REPORT FOR 2015

In May 2012, Haglöfs became the first Swedish outdoor brand to join Fair Wear Foundation. FWF is an international initiative for independent control, with the aim of improving labor conditions for garment workers worldwide. FWF is organized as a non-profit organization with about 80 member companies that manufacture clothing and other sewn products, and takes responsibility for their supply chain.

As Haglöfs' product philosophy is to make high-quality products with a long lifespan, a close relationship with the Company's manufacturers is essential. Once a good relationship has been established to the satisfaction of both parties, it is not in Haglöfs' interest to break off such cooperation. The cost of production is obviously an important factor, but even so it has a limited effect on the end product's price as most of the cost element lies in materials rather than in labor.

Haglöfs currently has 35 manufacturers. All manufacturers have accepted FWF's *Code of Labour Practices* and 60 percent of them have worked with Haglöfs for longer than five years. A clear majority of Haglöfs manufacturers have had at least one visit by Haglöfs personnel during 2015. Haglöfs has an ambition to concentrate the number of suppliers in the future and to work exclusively with partners who share Haglöfs' approach to quality and sustainability.

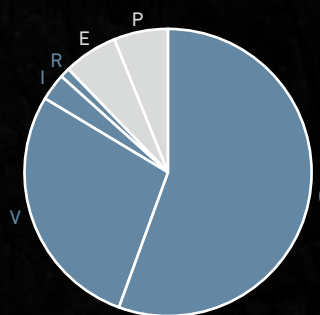
FAIR WEAR FOUNDATION'S CODE OF LABOUR PRACTICES

- Employment is freely chosen
- There is no discrimination in employment
- No exploitation of child labor
- Freedom of association and the right to collective bargaining
- Payment of a minimum living wage
- No excessive working hours
- Safe and healthy working conditions
- Legally-binding employment relationship

For more information, see www.fairwear.org



HAGLÖFS PRODUCTION COUNTRIES 2015
PRODUCTION VOLUME, %



Countries where regular audits are carried out, production volume

China	55%
Vietnam	28%
Indonesia	3%
Romania	1%

Low-risk countries, production volume

Estonia	6%
Portugal	6%
Sweden	<1%

AUDITS

At the end of 2015, 92 percent of the total production volume at production facilities of Haglöfs' manufacturers had been audited under the FWF framework or was produced in a country defined by FWF as low-risk and not requiring audits. Eight factories were audited during 2015 and all of the audits were conducted by FWF.

AUDIT OF FACTORY P9115

The factory is located in Vietnam and manufactures backpacks and bags. Haglöfs began its collaboration with the factory in 2015. This was Haglöfs' first audit of the factory, and it was conducted together with the German brand Jack Wolfskin. The purpose was to check that improvements had been implemented following previous audits by other stakeholders. The result was very good and the factory has initiated a number of improvements. The general opinion was that this is a well-organized factory with good overall conditions. Wage levels are well above the legal minimum levels for the area, but are not yet at the living wage level. The workers need to be better informed about their rights.

AUDIT OF FACTORY P9076-1

The factory is located in China and manufactures insulated clothing and sleeping bags. Haglöfs began its collaboration with the factory in 2009. The audit was carried out together with the British company OSC (Mountain Equipment). This was a re-audit to check that improvements have been implemented since the first audit in 2013. The result was good and the factory has managed to improve the majority of the issues that were addressed in the previous audit. FWF has held a training seminar (WEP – Workplace Education Programme) on workers' rights under the Code of Labour Practices. They now have a democratically elected workers' committee and an effective dialogue structure. Wage levels are well above the legal minimum levels for the area, but are not yet at the level of living wage for all workers.

AUDIT OF FACTORY P9076-2

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AUDIT OF FACTORY P9064

The factory is located in China and manufactures clothing. Haglöfs began its collaboration with the factory in 2005. This was a follow-up audit to check that the CAP (corrective action plan), drawn up during the October 2013 audit, had been implemented. The result was in certain respects not entirely satisfactory. A number of issues raised during the 2013 audit had been corrected, but not all. There is still no democratically elected trade union or workers' committee. Wage levels have improved but are still below the estimated living wage level. Excessive overtime may still occur.

AUDIT OF FACTORY P9100

The factory is located in China and manufactures clothing. Haglöfs began its collaboration with the factory in 2014. The audit was a follow-up to check on issues addressed by FWF on behalf of other brands. The result was satisfactory. Two factories with the same owner will be merged into one factory at a new site in China. There were no major observations to be made. Because of changes in the factory, there were negotiations between workers and management, mainly regarding wages and social security issues.

AUDIT OF FACTORY P9067

The factory is located in Romania and manufactures hiking boots. Haglöfs began its collaboration with the factory in 2005. This was a follow-up audit to check that the CAP (corrective action plan), drawn up during the October 2013 audit, had been implemented. The audit was conducted together with

the Swiss brand Mammut and the Italian brand Salewa. The result of the audit was very good. The factory had managed to improve the majority of the issues identified in the previous audit. They now have democratically elected employee representatives for each department in the factory. They conduct continuing training for all workers. Wage levels are relatively high compared with other factories in the region. Some minor health and safety issues were noted.

AUDIT OF FACTORY P9100

The factory is located in China and manufactures clothing. Haglöfs began its collaboration with the factory in 2015. The result of the audit was quite good. The factory has a trade union, but the chairman is appointed and not democratically elected. Workers are generally not aware of their rights. The factory has problems with high levels of overtime and there were some safety-related observations, including a blocked fire extinguisher.

AUDIT OF FACTORY P9099

The factory is located in China and manufactures clothing. Haglöfs began its collaboration with the factory in 2015. The result of the audit was quite good. The factory has a trade union, but the chairman is appointed and not democratically elected. Workers are generally not aware of their rights. The factory has problems with high levels of overtime. Wage levels are well above the legal minimum levels for the area, but are not yet at the level of living wage for all workers. There are some issues related to social security.

EDUCATION AND TRAINING

INITIATIVE AT FACTORIES P3916 AND 3917

FWF held a one-day WEP (Workplace Education Program) training seminar for workers and management at these two sister factories. The seminar covered workers' rights, FWF's Code of Labour Practices and information about FWF's complaints procedure. The seminar was initiated by Haglöfs, Schoeffel and Kjus and was very much appreciated by workers and factory management alike.

OBSERVATIONS

FACTORY P9048 OBSERVATIONS

Haglöfs has informed the factory that the Company does not plan to place any bulk orders for the FW2016 season. The factory in turn has argued that the information came too late for them to be able to replace the production shortfall. The matter is not yet settled.

BRAND PERFORMANCE CHECK

In March 2015, FWF conducted an evaluation of Haglöfs to ensure that the Company's management system leads to better working conditions in the supply chain. Haglöfs met most of FWF's requirements and was given an overall score of 70 points, which means that Haglöfs retains its place in the "good company" category.

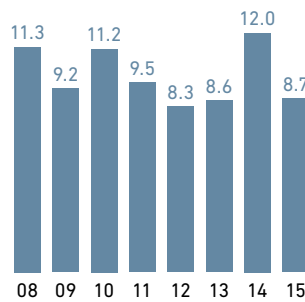
TOWARDS LOWER CO₂ EMISSIONS

Climate-related issues and greenhouse gas emissions are important parts of Haglöfs' sustainability efforts. The most important question is, of course, how negative climate change affects nature, and there is of course an obvious danger that the climate impacts of people and companies may also pose risks to Haglöfs' business.

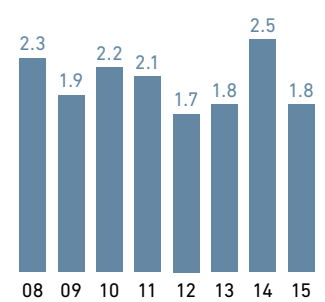
Perhaps the most obvious risk is that a changing climate would have a radical effect on the conditions for the outdoor industry and limit the scope for pursuing an active outdoor life. Haglöfs is working on this critical issue in the context of the Company's Climate Action Plan. As Haglöfs does not have its own production, the Company focuses on limiting greenhouse gas emissions in four priority areas:

- All transportation of goods from manufacturers to warehouses.
- All energy consumption at Haglöfs' offices, warehouses and stores (heating + electricity).
- All business travel by air.
- All use of company cars.

**GREENHOUSE GAS EMISSIONS
TONNE CO₂/EMPLOYEE**



**GREENHOUSE GAS EMISSIONS
TONNE CO₂/SEK MILLION SALES**



Tonne CO ₂	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Energy consumption	132	182	148	61	64	54	56	86	53%
Business travel and company cars	412	375	¹⁾ 31	²⁾ -10	³⁾ 238	⁴⁾ 229	⁵⁾ 259	⁶⁾ 342	32%
Transport	582	538	1,225	1,304	922	1,060	1,725	1,041	-40%
Total	1,127	1,095	1,404	1,355	1,224	1,343	2,040	1,469	-28%

¹⁾ Carbon-offsetting of 2010: 375 tonnes. ²⁾ Carbon-offsetting of 2011: 404 tonnes. ³⁾ Carbon-offsetting of 2012: 342 tonnes. ⁴⁾ Carbon-offsetting of 2013: 395 tonnes.

⁵⁾ Carbon-offsetting of 2014: 353 tonnes. ⁶⁾ Carbon-offsetting of 2015: 274 tonnes.

ENERGY CONSUMPTION

The majority of global greenhouse gas emissions come from energy production and more than half of all electricity is generated from the burning of coal, oil or natural gas. As part of a collaboration with Gävle Energi, Haglöfs has moved to exclusively using Källmärkt® (source-labeled) fossil-free electricity, which means that the total electricity consumption in Haglöfs' offices, warehouses and stores in Sweden is from renewable energy sources such as wind, water and biomass. Haglöfs also works with Gävle Energi to identify measures for further energy savings. In addition, Haglöfs' employees undergo training with a focus on reducing energy consumption.



Greenhouse gas emissions from energy consumption Tonne CO ₂	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Electricity	91	133	77	²⁾ 4	²⁾ 4	²⁾ 4	²⁾ 4	²⁾ 4	-5%
Heating ¹⁾	42	49	71	57	60	50	52	82	57%
Total	132	182	148	61	64	54	56	86	53%

¹⁾ Greenhouse gas emissions from district heating have risen due to changes in the computation model. The actual energy consumption is unchanged.

²⁾ Källmärkt® (source-labeled) fossil-free electricity.

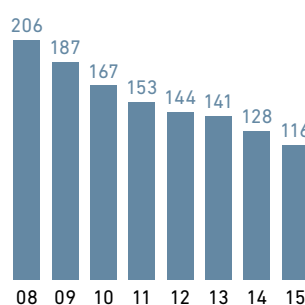
Key figures, premises Tonne CO ₂	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Emissions/employee	1.3	1.5	1.2	0.4	0.4	0.3	0.3	0.5	67%

BUSINESS TRAVEL AND COMPANY CARS

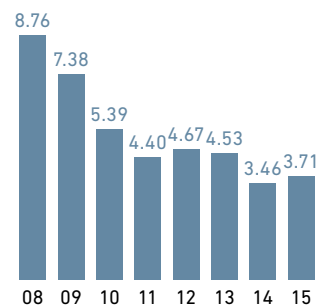
Haglöfs' sustainability policy stipulates that business travel must be undertaken using the method of transport with the lowest environmental impact. In many cases it is not practicable to choose modes of transport other than air or car, in particular because of the Company's global presence. Haglöfs has established a company car policy which involves tougher CO₂ emission requirements for company cars each year. From 2016, emissions from newly ordered company cars must not exceed 112 grams CO₂/km.

Average emissions from company cars during the year were 116 grams, which is an improvement of 9 percent compared with the previous year. Emissions per driver increased by 7 percent, as a result of increased car use.

**COMPANY CARS, AVERAGE
CO₂ EMISSION/KM (GRAMS)**



**COMPANY CARS, AVERAGE
CO₂ EMISSION/DRIVER (TONNES)**



Business travel	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Tonne CO ₂									
Air	108	99	84	91	94	86	75	76	1%
Company cars	304	276	323	304	486	538	537	539	0%
Total	412	375	¹⁾ 31	²⁾ -10	³⁾ 238	⁴⁾ 229	⁵⁾ 259	⁶⁾ 342	32%

¹⁾ Carbon-offsetting of 2010: 375 tonnes. ²⁾ Carbon-offsetting of 2011: 404 tonnes. ³⁾ Carbon-offsetting of 2012: 342 tonnes. ⁴⁾ Carbon-offsetting of 2013: 395 tonnes.

⁵⁾ Carbon-offsetting of 2014: 353 tonnes. ⁶⁾ Carbon-offsetting of 2015: 274 tonnes.

Haglöfs conducts carbon offsetting of its business travel through a partnership with Tricorona Climate Partner. The carbon offsetting helps to fund the Jilin Zhenlai Mali Wind Power Project in the Jilin Province in Northeast China. China has the highest energy consumption in the world and its electricity production is mainly coal-based. Jilin Mali consists of 33 wind turbines and is located in an area dominated by power plants that generate coal-based electricity. The project means not only a cleaner source of electricity with fewer CO₂ emissions and less local air pollution, but also a more stable electricity supply. The wind farm is expected to deliver 101,696 MWh to the electricity grid in the area on an annual basis. Jilin Mali is approved and certified under both the Kyoto Protocol's CDM and Gold Standard.



Haglöfs carbon offsets its use of company cars and air travel. The carbon offsetting is based on the previous year's emissions, which amounted to 274 tonnes of CO₂.

TRANSPORT

It is estimated that almost 30 percent of global greenhouse gas emissions come from the transport sector. Most of Haglöfs' shipments from Asia to its main warehouse in Avesta are in containers, which are transported to Gothenburg by sea. From Gothenburg they go by rail to Örebro or Fagersta for reloading onto trucks for final delivery to Avesta. Although this is not the fastest method of transport, it is the most effective way of minimizing greenhouse gas emissions from transport as far as possible.

For environmental reasons, Haglöfs endeavors to keep the proportion of air transportation to an absolute minimum. This is also a crucial parameter

in achieving greenhouse gas emission targets. After a year of unusually high air freight levels, volumes were back at more normal levels in 2015, showing a decline of 46 percent compared with the previous year. Air freight remains an area under regular evaluation, as it generates 68 percent of total CO₂ emissions and accounts for only 4 percent of Haglöfs' total freight volume. Haglöfs' deliveries of products to customers are by truck, as this is the only suitable mode of transport in most cases. In this area, Haglöfs works exclusively with responsible logistics partners.

Journey	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Tonne-km									
Sea	11,067,279	10,971,964	11,643,083	15,608,416	11,049,265	15,865,899	16,833,940	14,286,981	-15%
Air	275,051	246,301	697,282	728,418	510,279	537,856	1,076,911	576,763	-46%
Road	667,932	657,517	783,014	981,329	729,711	910,914	827,951	665,006	-20%
Rail	164,360	164,920	172,680	252,620	168,140	235,220	248,860	218,680	-12%
Total	12,174,622	12,040,702	13,296,059	17,570,783	12,457,395	17,549,889	18,987,662	15,747,429	-17%

Journey	2008	2009	2010	2011	2012	2013	2014	2015	Change 2014-2015
Tonne CO ₂									
Sea	122	121	128	230	163	234	248	210	-15%
Air	408	366	1,035	900	631	665	1,331	713	-46%
Road	52	51	61	174	129	161	147	118	-20%
Rail	0	0	0	0.02	0.015	0.021	0.022	0.019	-12%
Total	582	538	1,225	1,304	922	1,060	1,725	1,041	-40%

HOW MUCH CO₂ IS GENERATED DURING TRANSPORTATION OF ONE TONNE OF FREIGHT?

It is a common misconception that production in Asia has a more adverse effect on the environment than production in Europe. In many cases, trucks

are the only practical mode of transport available for deliveries in Europe. The example below compares Haglöfs' production in Portugal with production in China. In the example, greenhouse gas emissions are actually lower in shipments from China than from Portugal, as a result of a better transport mix.

Journey	Distance (km)	Transport mode	CO ₂ /tonne-km (gr)	CO ₂ Total (kg)
Lousada-Avesta	3,400	Road	77.8	264.5
Total				264.5
Shanghai-Gothenburg	20,302	Sea	11.0	223.3
Gothenburg-Örebro	280	Rail	* 0.0	* 0.0
Örebro-Avesta	141	Road	77.8	11.0
Total				234.3

* Carbon-neutral transport by rail in Sweden.



HAGLÖFS