



Haglöfs Sustainability

Action is needed now more than ever

It's been said before, but as an outdoor brand we are acutely aware of the impact that the industry has on the environment that provides us, and the people who use our gear, with so much enjoyment. We are also aware of the responsibility we have to the thousands of people involved in bringing our products to the market.

Looking back at 2018, one thing we can say about our sustainability work is that it's difficult to describe in a simple way. This is because sustainability has been a central part of our business for such a long time - more than a decade, in fact. And so, instead of being a couple of isolated projects, it is a complicated network of initiatives that runs through just about everything we do.

Within the pages of this report, you'll see how this work affected the ways in which we did things in 2018. You can read about the partnerships we invested in, like our association with the Fair Wear Foundation, which led to us being named as a Leader brand in the organisation - a really proud moment for us. Other highlights you can learn more about include:

- Reducing our CO₂ emission from logistics by 47%
- Celebrating Green Friday rather than Black Friday by giving away our profits on Sustainable Choice products to Protect Our Winters
- 25 more staff, including the whole executive management team and myself, passing the Sustainability Fundamentals course by the Sustainable Fashion Academy
- Reaching almost 80% bluesign® products in our Fall/Winter 2018 clothing range
- Developing a Leftover range of limited-edition unique products made from materials that would otherwise have been destined for landfill

Looking around us, it feels like action is needed now more than ever before. It's easy to get the impression that the only news out there is bad news. However, it is heartening to note that people and organizations are becoming ever more aware of the various problems, and businesses are understanding their role in bringing about change. We see businesses innovating, sharing their expertise, working together and thinking of new ways to combat the problems, and we are proud to be part of this transition.

Finally, despite the ongoing challenges of balancing business targets with sustainability outcomes it is encouraging to see initiatives making an impact and changing things for the better. The positives start to stack up, and in that there's hope. And there's no better incentive to keep going than that.

Carsten Unbehaun, CEO
April 2019

Sustainability at Haglöfs

Sustainability forms a key part of our business strategy; a strategy that recognises the benefit to our business of investing in practices that reduce our environmental impact and improve the welfare of the people we work with. In the following pages, you can read about how we have been going about this over the last year across our four focus areas of Product, Production, People and Planet.

About the sustainability report

In this annual sustainability report we present updated information on the work that Haglöfs undertakes to move towards a more sustainable future. Here you can read about our recent efforts to promote responsible consumption and production, contribute to decent working conditions and take climate action, as well as the challenges we've faced. The sustainability report is part of the Haglöfs annual report and relates to the fiscal year of 2018.

Any questions relating to the sustainability work carried out by Haglöfs can be directed to info@haglofs.se

About Haglöfs.

More than a century ago, Wiktor Haglöf designed a backpack for local workers in the small Swedish town of Torsång. The durable, practical backpack was the first iconic item from a company that would go on to become one of the world's largest manufacturers of outdoor clothing, footwear and hardware. The Haglöfs brand is currently marketed to the Nordic region, Europe and Asia, and has been owned by the ASICS Corporation since 2010. For more information about the Haglöfs business model, please refer to the Haglöfs 2018 Annual Report.

17 goals to transform our world: the UN Sustainable Development Goals

The Sustainable Development Goals are a call for action by all countries — rich and poor — to promote prosperity while protecting the planet. The goals, set by the United Nations General Assembly in 2015 for the year 2030, recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. Businesses such as Haglöfs have a key role to play in achieving these goals through ensuring they are promoting decent working conditions as well as responsible production and consumption practices.

THE GLOBAL GOALS For Sustainable Development



Stakeholders

Along with our employees and owners, our customers, retailers and suppliers are our most important stakeholders. The priorities and concerns of these stakeholder groups inform our strategy.

There are, however, other groups who have an impact on, or are impacted by, our decisions. We need to ensure that their voices are heard, and we need to be aware of the aspects of our business that are most relevant to them. This includes government agencies or regulators, NGOs, industry associations and academic bodies.

Since the priorities of these different stakeholders develop and change over time it is important to maintain an ongoing dialogue. Our engagement includes communication through our website, social media and sustainability reports, and through both formal and informal meetings as well as surveys, trainings and collaborations. This way we can keep our stakeholders informed as well as getting feedback from them on the way we do business.

Collaboration is king

Collaboration is an essential part of our sustainability programme: it lets us pool expertise and resources and challenge each other, and it leads to improvements which have far greater reach than we could have on our own. Haglöfs is involved in several collaborative and research-based projects, which you can read more about throughout this report.

Where to focus?

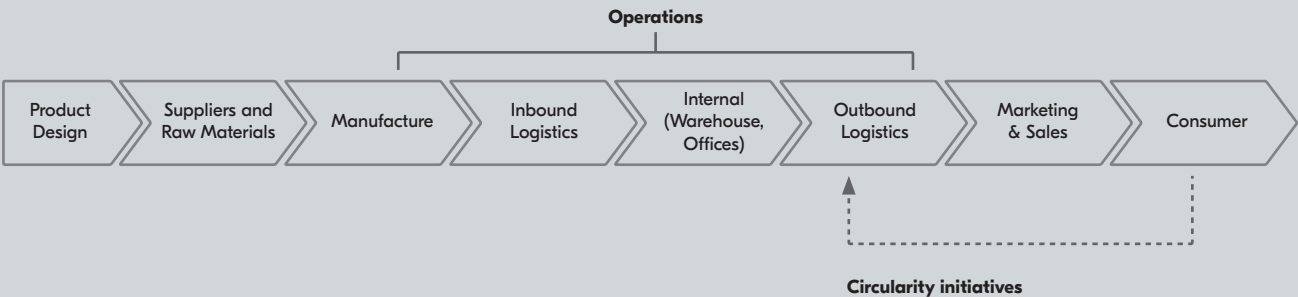
With so many environmental and social challenges ahead of us, it can be difficult to know where to start. One way to define priorities is to identify issues which are important to our stakeholders and of strategic importance to our business.

In other words: issues which pose a risk to the business, issues which the business directly contributes to and issues which the business is in a position to influence. The table below highlights the issues that Haglöfs has identified as material to our business.

Issue	Why	Strategies to address the issue
Product Quality and Safety	It is important to Haglöfs to make sure our products do not pose a risk to our consumers and that they deliver the desired performance	Quality Strategy Product and Material Testing programme Chemical Management Programme Supplier Terms of Agreement
Fair and decent jobs	At Haglöfs we rely on people around the world from Sweden to Vietnam to bring our products to the market. It is particularly important workers based in countries with weak workers protections have access to fair and decent jobs which do not compromise their human rights	Code of Conduct Supplier Terms of Agreement Fair Wear Foundation programme
Occupational health & safety	Everyone should be entitled to a healthy and safe place of work. Poor occupational health and safety can lead to injury, invalidity or a lethal accident, while a healthy workforce is a more productive one	Work Environment Policy (HQ) Fair Wear Foundation programme (Tier 1) bluesign® system (Tier 2)
Climate Change	Emissions of GHGs in our operations and production process are contributing to climate change. Climate change is changing the places we love to explore and poses an increasing risk to our business through the cost of carbon and the exposure of our supply chain to extreme weather events.	Sourcing Strategy Sustainable Choice products Business travel policy Logistics Strategy
Participation in outdoor activities	At Haglöfs we inspire people to get outdoors. Our business relies on equipping people to get out in the mountains, while getting outdoors improves health and wellbeing outcomes	Product and Innovation Strategy Marketing Strategy Outdoor clinics and events Weekly Activity Hour for our own employees
Water consumption and pollution	The textile industry is a major consumer of water and contributes to large scale industrial pollution. Reducing water consumption and pollution is better for the environment and improves the quality of life of the communities near where our products are made.	bluesign® system Leather Working Group Use of solution dyed fabrics Microfibre Research collaborations
Resource depletion	The textile industry uses large quantities of virgin resources while also generating large quantities of waste. This linear model represents an unsustainable business model in the long term	Quality Strategy Repairs service Second Chance programme Recycled fabrics
Corporate Governance and Transparency	At Haglöfs it is important that we are a good corporate citizen. Strong governance and transparency help avoid the risk of corruption and other illegal or unethical practices.	Code of Conduct Staff training Terms of Agreement Public disclosure of supplier information

Production

Sustainable production: from strategy to the supply chain



Haglöfs does not have any factories of its own: instead, all our production takes place at the facilities of external manufacturers. We manufacture at specialized factories which focus on product types such as taped garments, advanced back-packs or waterproof leather footwear. These are complex products that require both skilled technicians and an advanced manufacturing process.

Haglöfs has two main production seasons a year but makes several purchases in each of these seasons. We have developed a ‘never out of stock’ programme with products that can be produced outside peak seasons; leading to a more even production flow and helping to avoid production peaks which are the main cause of excessive overtime seen at some factories.

Reporting to the Product Director, our Head of Development, Head of Sourcing and Quality, and Head of Sustainability work together to develop our sourcing strategy, ensuring that our factory base can meet our requirements in terms of technical ability, quality, production capacity, competitiveness, fair working conditions and good environmental management. The majority of our factories are visited by their teams throughout the year to continually assess performance and resolve potential issues. In 2018 their teams visited factories covering over 80% of our production.

The Fair Wear Foundation (FWF)

In 2012, we became the first Nordic outdoor brand to sign up to the Fair Wear Foundation (FWF) — a non-profit organization working to create a garment industry that is fair for everyone. The FWF works with garment brands, factories, trade unions, NGOs and governments to improve working conditions for garment workers in 11 production countries across Asia, Europe and Africa. Together with over 130 other brand members, Haglöfs is working toward a world where the garment industry supports workers in realizing their rights to safe, dignified, and properly-paid employment.

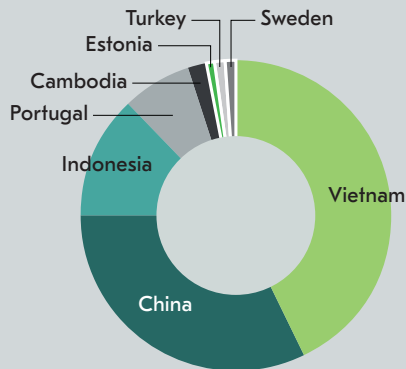
Following an intense period of collaboration and hard work, we are extremely proud to have been named as a Leader brand - the highest accolade available - by the Fair Wear Foundation in 2018.



Supplier list 2018:

Dong Chong Chong Ming Glove Factory	China
Dongguan Shing Tak Shoes Co. Ltd	China
FV Freewell Vietnam	Vietnam
Gartha International Co. Ltd	Cambodia
Gasportex Confecções LDA	Portugal
Great Takley (Hangzhou) Co. Ltd	China
High Rock Recreation Products Ltd	China
Hoa Binh Garment (Perigamex)	Vietnam
JFC Apparel Ltd	China
Joon Saigon Company	Vietnam
Kanos Panos	Portugal
Kunshan SportField Ltd	China
Leana Tekstil San ve Tic. A.S	Turkey
Nurme Production Ltd,	Estonia
Phu Viet Co. Ltd	Vietnam
Phuong Dong Garment JSC	Vietnam
Poongshin Vina Co. Ltd	Vietnam
Pou Chen Indonesia	Indonesia
PS Vina Co. Ltd	Vietnam
Pungkook Saigon 2 Corporation	Vietnam
Sättila Of Sweden AB	Sweden
SG Balticum AS	Estonia
Shanghai Challenge	China
Shen Gang TungSang Co.Ltd	China
Tex-Giang JSC	Vietnam
Viet Duc Co. Ltd	Vietnam
Viva Saigon Co Ltd	Vietnam
Wai Wah Manufacturing Co. Ltd	China
Wasa Sweden AB	Sweden
Wellfair caps & hats manufacturing co. Ltd	China
YIC Vina Co. Ltd	Vietnam

Production Country Split (by product value)



HIGG INDEX

Haglöfs' parent company is a founding member of the Sustainable Apparel Coalition (SAC): an industry-wide group of more than 400 leading brands, retailers, suppliers and not-for-profit organisations collaborating to increase transparency within our industry and reduce the total environmental and social impacts of its products around the world.

The main focus of the SAC is the development of the Higg Index – a suite of tools which can help a brand assess the sustainability of a product throughout its entire life cycle, from raw materials and design solutions to the end of its life. The tools of the Higg Index will be able to help us track the performance of our own operations as well as that of our suppliers. It will also let us compare the impact of each individual product and the design decisions made in its creation. As these tools develop we will be able to make better, more sustainable material, design and sourcing decisions; and, as a result, the best product with the smallest total footprint.



We understand that long-term supplier relationships are beneficial in the long run, even if short-term margins might be improved by changing factories on a regular basis. We have been working with almost 40% of our suppliers for over five years. Some of our supplier relationships have been going strong for more than 25 years.

Over the last couple of years, we have been consolidating suppliers to be able to work more closely with fewer producers. As a customer with higher leverage, we can have more influence on the factory when it comes to improving workers' conditions for the better. This consolidation work is naturally limited by the technical ability, production capacity and competitiveness of the different production sites.



Making the right choice

A couple of years ago, in order to help people choose a product that has sustainability built into its design and materials, we developed a proprietary label that allows consumers to see which products have a lower environmental impact.

Sustainable CHOICE It's called Sustainable Choice: and it's our way of highlighting the products with which we've come furthest in our sustainability efforts. By labelling the products that are most advanced in terms of sustainability with the Sustainable Choice symbol, we give the retailers a chance to offer a collection that has a lower environmental impact. We can also offer our consumers clear and immediate guidance in making a better purchase decision.

Sustainable choice	SS18	FW18	2020 Target
Clothing	73%	83%	90%
Hardware	39%	55%	70%
Footwear	4%	15%	25%

We have defined Sustainable Choice criteria for each product type. For a product to carry the tag, 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:

- Made with a leather upper from a Gold or Silver rated, Leather Working Group certified tannery, with another main component (outsole, midsole, lining) containing bio-based or recycled materials
- Made from at least >70% bluesign® approved or recycled upper materials and another main component (outsole, midsole, lining) containing bio-based or recycled materials

Junior Collection

Two years ago, we launched our Junior Collection: the whole range consists of bluesign®-approved products, and all the DWR in the collection is free from fluorocarbons.

The fabrics used are functional and durable, and perform as well as the adult versions of the garments. With the Junior Collection, we want to inspire the younger generation to go adventuring and share our love for the great outdoors.

Better Materials

Our consumers need to be able to rely on their products in tough conditions, so we make our products to last. Thankfully, by keeping our products in use for longer we also help reduce the overall impact of the product. We continually seek out materials that can meet our durability criteria, and that also have an added sustainability benefit.



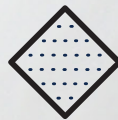
Our recycled fabrics are made by taking waste from one industry to create a brand-new product for outdoor use. This way waste, such as plastic bottles, can be reduced along with the need for virgin materials. During Fall/Winter 2018 almost a third of our clothing range contained recycled fabrics. While most of our recycled fabrics are polyester, we have also started including recycled nylon - and even experimented with recycled wool, in our Whooly range.



100% organic has been a natural choice for all our COTTON from the day we started using the material in our range. The majority of what we use is high quality cotton from Turkey.



In all our DOWN products we use the Responsible Down Standard (RDS) to help ensure that no live-plucking or force-feeding of the fowl has occurred in our supply chain. The RDS is a voluntary initiative run by the non-profit organization Textile Exchange and certified products are third-party audited along every step of the chain from farm to warehouse. The down is hypoallergenic and bluesign® approved, as well as fully traceable via the trackmydown.com system



All LEATHER Haglöfs uses comes from Leather Working Group (LWG) tanneries, which are assessed for their environmental compliance and performance capabilities — leading to improved chemical management, and reduced water use and CO₂ emissions. All of the tanneries we use have a medal rating from the Group.



Our WOOL is mulesing-free. We neither use nor accept material from cage-bred or endangered species. Any animal material used is a by-product from the food industry: material that might otherwise have become landfill.

Footwear has been more of a challenge when it comes to finding lower impact materials however we continue to work on a number of improvements. Along with our transition to leather certified by the leather working group, we have continued to increase our use of fluorocarbon-free DWR while also integrating the BioSolyte® midsole — made from 30% bio-based renewable material from sugar cane and traceable back to the plantation.

In 2018 we faced some production challenges which needed to be addressed. A miscommunication with a supplier led to the use of materials that included fluorocarbons in some backpacks and bags that were marketed as fluorocarbon-free, so steps were taken to clarify the product information communication across multiple channels. Also, a quality failure led to the withdrawal of 300 jackets from the market: thankfully, we were able to put them to good use, distributing them to staff as Christmas presents. There is significant time and effort currently being invested in improving our systems and processes, including quality control to minimize these kinds of issues in the future.

BioInnovation

Sweden is covered with forest. In association with the forestry industry, recycling specialists, universities and our peers in the industry, BioInnovation aims to help make Sweden transition to a truly bio-based economy by 2050.

Haglöfs was the very first apparel brand to join the project where we contributed to two modules – 'Textile Recycling – Mechanical and Dissolving,' that focuses on recycling used textiles, and 'Sustainable Swedish Viscose' that deals with how to use Swedish forest to make more sustainable textile fibres.

Microfibres

Over the last couple of years, the scale of the issue of microplastics has started to become clear, with reports of these tiny particles found in lakes, rivers and seas around the world. Studies have also indicated that microplastics have started entering the food chain through plankton and other aquatic animals.

The global textile industry is a major contributor of microfibres – the smallest of the microplastics - and it is our responsibility as an industry to be part of the solution. Haglöfs is currently engaged in two major research projects, designed to better understand how the release of microfibres from our products can be reduced at various stages of the supply chain - from the textile mills, to when clothes are washed in consumers' homes.

Since 2017, we've also stocked the "Guppy Friend" laundry bag in our online and brand stores. This bag helps collect microfibres from garments during the laundry process. Even if this is not a long-term solution, it reduces the release of microfibres immediately, while research continues.

Microfibre research

The Microfibre Consortium (<https://www.microfibreconsortium.com/>) aims to facilitate the development of practical solutions for the textile industry to minimise microfibre release to the environment from textile manufacturing and product life cycle. Haglöfs has been involved with this project since it was first developed within the outdoor industry. The project has now grown to include other textile sectors helping to drive research – so that we can get results, fast.

As well as this, we're collaborating with MinShed: funded by the Swedish government research council and led by Swerea (<https://www.swerea.se/en>), it brings together actors from many industries. This project includes work with appliance manufacturers and a 'living lab' where the ability to study consumer behaviour adds to its uniqueness. The goal of this development project is to provide science-based solutions for the mitigation of microfibres, focused on what the textile industry and white goods industry can do by working together.

Responsible Chemical Use

Chemicals are all around us. For the most part, they are safe and improve our standard of living. There are some chemicals, however, that under certain circumstances can pose a risk to people or the environment.

Haglöfs works with the supply chain to control the chemicals used in the production of our products. All our suppliers sign our Terms of Agreement - which includes a requirement to adhere to our Restricted Substances List (RSL). Based on the bluesign® RSL this list excludes over 900 chemicals from our products.

Working with bluesign®

bluesign® is an international standard developed with the goal of eliminating harmful substances right from the beginning of the manufacturing process thereby reducing the impact on people and on the environment, ensuring responsible use of resources and guaranteeing the highest level of consumer safety.

bluesign®
PRODUCT

Haglöfs became a bluesign® system partner in 2008 and is committed to progressively increasing the use of approved materials. When a product contains more than 90% approved fabrics and 30% approved accessories it is awarded the bluesign® approved product label. In our Fall/Winter 2018 collection almost 80% of our clothing line carries this label, one of the highest proportions of bluesign® products on the market.

Really clean anti-odour treatments

Since 2013, we have chosen to use anti-odour treatments on our clothing that are not anti-bacterial. Our mineral-based anti-odour treatment does not kill any bacteria but works instead by absorbing the odour molecules on the large surface area of the mineral. This way we can prevent nasty smells even after heavy use – and our consumers don't need to wash the garment as often, increasing the garment's life-span as well as reducing water and energy use.

Transitioning to fluorocarbon-free DWR treatments

Over a number of seasons now we have been transitioning to fluorocarbon-free durable water repellent (DWR) treatments. This is because the fluorocarbons typically used in older DWR treatments – known as PFAS – are persistent chemicals which might cause damage to the environment, and bio-accumulate in human tissue. Today the majority of our collection uses DWR treatments that are fluorocarbon free.

Phasing out fluorocarbons hasn't been without its challenges. There are a variety of fluorocarbon free alternatives each with different performance capabilities. Finding the right ones for our fabrics has been a long journey, learning how to handle these new finishes as we went along.

To help build our knowledge and understanding Haglöfs became a member of the POPFREE project. Funded by the Swedish government, it aims to drive a transition across multiple industrial sectors towards non-fluorinated alternatives. The multidisciplinary project involves a consortium of members covering a variety of product categories including textiles, firefighting foam, ski wax, food packaging, cosmetics, footwear and emergency services equipment.

Together with academic institutions, NGOs and relevant institutes they perform functional testing of fluorine-free alternatives, gather information about their health and environmental impact, and perform life cycle analysis (LCA) to identify the most promising alternatives. By furthering the development of alternative solutions, this project will facilitate the implementation of new policies and regulations and, if successful, the end consumers will benefit from optimum performance without persistent organic pollution.



Taking care of people: social responsibility

Code of Conduct

At Haglöfs, dedicated passionate people work every day, all around the world, to make products that inspire people to get out there.

It is fundamental that all the people involved are treated fairly in the process. So, Haglöfs' Code of Conduct sets the standard for everyone - from staff in our HQ to manufacturers in our supply chain.

Our Code of Conduct can be found here: <http://bit.ly/HaglofsCoC>. It covers key areas including:

- Legal Compliance
- Human rights
- Equality
- Remuneration and working conditions
- Discrimination
- Harassment
- Conflicts of Interest
- Anti-trust, Competition, Anti-Bribery and Anti-Corruption

All our Tier 1 and Tier 2 suppliers sign up to our Code of Conduct as part of their Terms of Agreement (ToA). In addition, our ToA includes a requirement to abide by the Fair Wear Foundation (FWF) Code of Labour Practices.

The FWF is a non-profit organisation that works with brands, factories, trade unions, NGOs and governments to improve working conditions for garment workers. Our membership of the FWF underpins our social responsibility initiatives and involves regular

audits, factory visits and contact with suppliers. The FWF also requires of the brands a focus on social dialogue in the factories, commitment to collaboration with other membership brands and unparalleled levels of transparency.

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



Monitoring and continuous improvement

The FWF Code of Labour Practices (CoLP) is based on internationally recognised standards and forms the basis of Haglöfs' collaboration with the FWF.

When Haglöfs partners with a new supplier its manufacturing facilities are enrolled in the FWF cycle of audits and continuous improvement, monitoring compliance against the CoLP.

Summary of audit findings 2018

Factory ID	Auditor	Summary
2689	FWF	The audit highlighted several issues which were also reflected in some of the complaints received through the worker helpline. Major issues included unauthorized subcontracting, excessive overtime and incomplete record of working hours. As a result of these findings a significant 'in factory' programme was initiated by the brands sourcing in this factory to develop management's understanding of the issues and set up improved processes to address the systemic issues. A follow up audit is scheduled for the first half of 2019 to confirm if improvements have been maintained.
5724	FWF	The audit highlighted issues of excessive overtime during peak season, the factory has committed to improve production planning when the next peak season comes around and the situation will be monitored. Some additional health and safety issues were also found such as malfunctioning emergency lights which have now been fixed.
5725	FWF	The audit highlighted issues of excessive overtime as well as some health and safety issues related to the use of machinery in the factory. Work is ongoing to confirm a sustainable solution to excessive overtime can be found.
5837	FWF	A number of health and safety issues were highlighted and no staff member with overall responsibility for OH&S could be identified. A qualified worker has now been hired and will work through the issues highlighted by the audit

Factories in low-risk countries, where the legal framework is strong enough to ensure basic human rights, are not required to be part of this auditing cycle - although visits and the distribution of worker information sheets ensure there is still a level of monitoring.

Most of the audits carried out through our cooperation with FWF are joint audits together other member brands, reducing the number of audits needed at each factory. This saves time and resources that the factory can put to better use elsewhere. Audits are carried out in addition to visits made by Haglöfs staff before and during production.

Any issues raised during the audits are followed up with the factory through a process of Correction Action Plans. The results of the audits and level of engagement from factories in implementing improvements are used to inform future sourcing strategy.

As factories start on the audit cycle at different times, the number of factories due an audit varies from year to year. In 2018, four factories were audited, ensuring that over 98% of Haglöfs' volume was being manufactured at factories under the auditing cycle or in low risk countries. In general, it was shown that there is good compliance versus the following elements of the code:

- No exploitation of child labour
- No discrimination in employment
- Employment is freely chosen
- Legally binding employment relationship

The most common issues were found to be excessive working hours particularly at peak periods along with health and safety issues.

Giving the worker a voice

At all Haglöfs' suppliers, FWF Workers Information Sheets are posted in local languages at visible locations in the production sites. These information sheets describe the eight labour standards, while also providing contact details for workers to contact FWF anonymously if they believe any of these labour standards are being violated.

In addition, Haglöfs organizes training at the factories to help workers understand their rights while also ensuring they are aware of the mechanisms available to them if they feel their rights are being violated.

The primary goal is for the factories to have their own functioning systems that allow workers to safely raise concerns with factory management, without retribution. This may include access to unions or worker committees. In the case that workers don't have access to these systems, a complaint can be made anonymously and in local languages to trained FWF complaints handlers. Valid complaints will then be raised with Haglöfs, who in turn will work with the factory management to resolve the issue.

The scheme below shows the complaints remediation routes that are available to factory workers.

Although complaints highlight concerning issues, the FWF views them as a positive indication that workers have found a route through which they can make their voices heard. Full reports on the complaints made during 2018 can be found on the FWF website: www.fairwear.org/complaints/

Scheme for complaints remediation routes

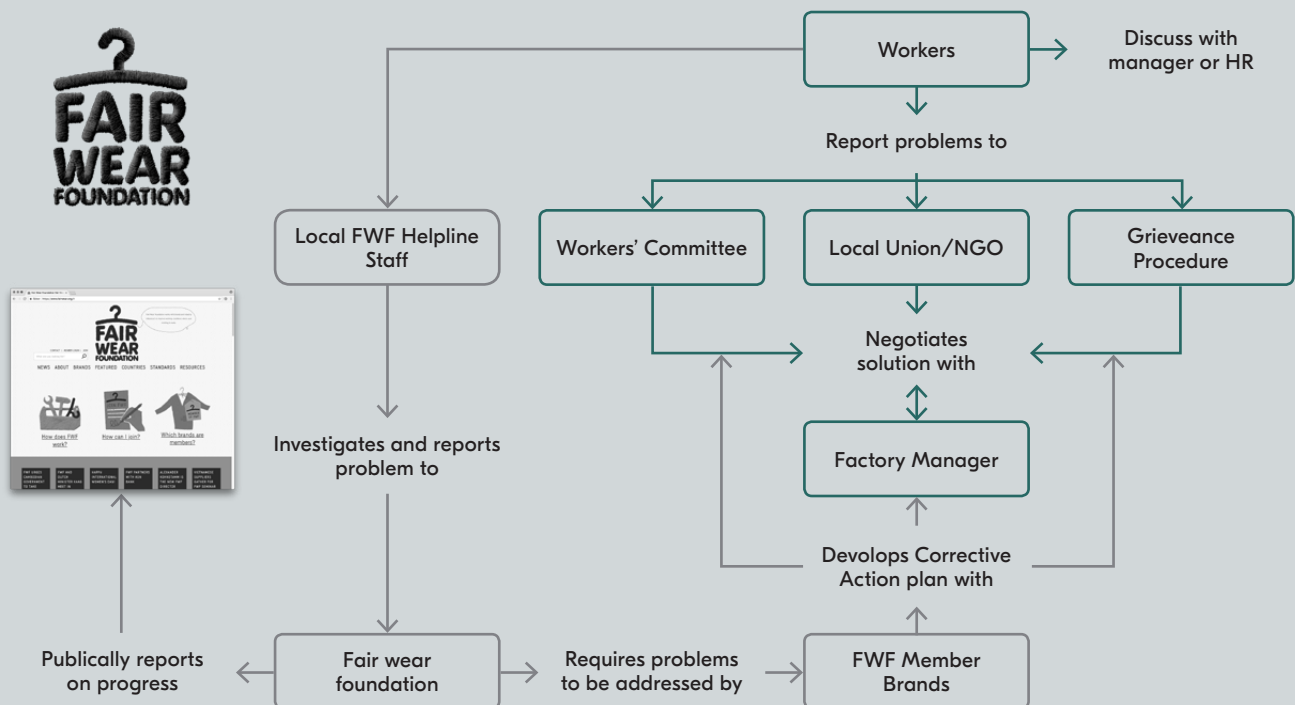


Figure: Scheme for complaints remediation routes, produced by Fair Wear Foundation and used with permission
Green = primary complaints route **Grey** = secondary complaints route

Investigations as a result of complaints at factory #2689 highlighted issues including excessive overtime and regular use of subcontracting. Haglöfs worked together with several other brands that were using the same supplier to improve conditions at the factory – showing that the workers' voices had been heard, and that changes could be made. The creative way in which this complaint was handled led to this work being rewarded with the FWF Inspiration Award in November 2018.

Brand performance check

Each year the FWF comes to our offices and carries out a brand Performance Check: with this, they review Haglöfs' progress in moving towards better working conditions in our supply chain.

The brand performance check for 2018 showed that during 2017 Haglöfs had progressed against a number of performance indicators including increasing its monitoring percentage by almost 15% to 98%. This, in combination with a benchmark score of 79 means Haglöfs was awarded the 'Leader' status - an achievement that we are extremely proud of.

Here are the main conclusions from the FWF's Performance Check for 2018.

Improvements: Improved internal structures related to monitoring and remediation. Haglöfs audited some of its 'tail-end' suppliers and had active corrective action plan (CAP) follow-up; it cooperates with FWF members and non-FWF members in addressing audit results and worker complaints and takes an active role in this. In 2017, Haglöfs also organized workers education programme (WEP) trainings at two production locations.

Shortcomings: Addressing root causes of excessive overtime and the link between the company's prices and wages paid to workers, which is a large challenge. There is also room to improve production planning and to develop clear policies and procedures to address the country-specific risks.

Participation in the Living Wage Project in Vietnam

In early 2017 a living-wage project was started at one of our largest suppliers in the Thai Binh region, Vietnam. The factory consists of two locations employing just under 3000 workers in total.

The project is run by three FWF member brands: Kjus, Schöffel and Haglöfs. It is part of the FWF Living Wage Incubator, where leading brands are experimenting with various methods and cutting-edge approaches to raising wages within their supply chains.

The aim is to analyse the wage structure, develop a strategy leading to the continuous implementation of living wages and to strengthen employees' ability to negotiate.

The project has proven to be a good learning process for Haglöfs, as unexpected challenges continue to arise. Contributing factors to the complexity of the project include the large size of the factory, cultural differences, changing baselines, time constraints at the factory which has its day to day business to attend to, as well as limited leverage at the factory.

In the past two years the project has achieved the following:

- Studies to estimate living costs for the Thai Binh region were conducted to define a living wage benchmark via consultation with local staff, experts and selected workers.
Target levels had to be re-evaluated when the minimum wage in the region was raised.
- Consultation on the project with the on-site Vietnam workers' committee, as well as discussions with factory workers and the management team
- A wage structure analysis across the two factories accounting for the different types of benefits and deductions was completed.
The calculation showed that only 6% of the workers were below the living wage benchmark (but above the minimum wage for the region)
- Meetings with the brands included in the project to discuss next steps, are held every 4-6 weeks.

Next steps and remaining challenges to overcome in this project include:

- Evaluation of sourcing processes to clarify how to carry out financing and payments of wage improvements
- Ensuring that any wage increase ultimately paid is safely passed on to the workers who need it

Training and capacity building

By supporting our people with training and capacity building in areas of sustainability, we can continue to make improvements.

Haglöfs Employees

All new staff receive a sustainability induction, which includes a review of the Haglöfs Code of Conduct and our sustainability strategy. What's more, throughout the year staff have the opportunity to learn more about a variety of sustainability topics at company meetings. During 2018, all Haglöfs employees also took part in mandatory on-line training sessions on a number of topics including whistleblowing and anti-trust.

By developing the knowledge of our employees, we help them spot opportunities to integrate sustainability into their day to day roles.

In-depth training is provided to staff more closely involved in specific issues. For example, the following sessions were held in 2018:

- Root Causes of Overtime – attended by development, sourcing and logistics teams
- Managing Corrective Action Plans (CAPs) - attended by development and sourcing teams

Sustainable Fashion Academy (SFA)

One of our external training providers is the Sustainable Fashion Academy (SFA) - a non-profit association consisting of fashion and design representatives, environmental organizations and universities. Its aim is to increase awareness for sustainability issues in our industry, as well as providing tools to help people make better decisions. Designers, product developers, buyers, materials managers, marketing and management team members have all participated in the SFA sessions in the past. In 2018, 25 Haglöfs employees participated in the Sustainability Fundamentals course, including the executive management team.

Manufacturers and workers

Along with fellow FWF member brands, Haglöfs supported eight factories so that they could take part in FWF's Workers Educational Programme (Basic Module) during 2018. A total of 170 managers and 762 workers were trained. During separate sessions workers, supervisors and managers were given a basic introduction to FWF's Code of Labour Practices, as well as the FWF complaints hotline and other grievance mechanisms.

The training sessions were well received with participants confirming they learned more about their rights, and the options available to them to raise concerns. This training also provided workers with an opportunity to discuss issues in a supportive environment, while also providing management with advice on how to improve their internal processes for supporting workers' rights.

The Fair Wear Foundation hosts additional seminars and training sessions throughout the year which suppliers are encouraged to attend.

And training for manufacturers is not just limited to factory-based sessions. For example, Haglöfs co-hosted a supplier microfibre seminar at ISPO Munich in 2018 to help raise awareness of this increasingly high-profile problem.

A close-up photograph of a moss-covered rock. The moss is a vibrant green, with some darker, brownish patches visible. The rock surface is partially covered by the moss, showing a light-colored, textured surface. The background is blurred, showing more of the same mossy environment. The word "Planet" is overlaid in a large, white, sans-serif font in the lower right quadrant of the image.

Planet

Working for the good of our planet

In addition to continuously reducing the impact of our products, we are working on reducing waste, energy consumption and greenhouse gas emissions wherever we can. This happens in a number of ways – from careful logistics planning and production in factories, via guidelines for business travel and company cars, down to our recycling programs and the organic fruit and Fairtrade coffee that we provide in all of our workplaces.

Here are some of the initiatives we've carried out in 2018.

Second Chance

Our Second Chance project explores different ways to minimize waste and keep our products in use for longer.

- **Care and Repair:** Our teams in store can help with minor repairs on the spot while larger repairs are facilitated by our team in Avesta, Sweden. We have also designed products to make them easier for consumers to repair at home. For example, the award-winning ECO Proof Jacket features a zipper that anyone can replace on a domestic sewing machine. Extensive care instructions on our website help consumers prolong the lifespan of their products.
- **Repairwear:** Instead of letting items with small functional or aesthetic defects go to waste they are sent to our Haglöfs repair centre which repairs or refurbishes them to be sold at a discount in our brand stores under the Repairwear label. If products are worn beyond repair useful details such as zips and buckles are rescued to be used in future repairs.
- **Leftover:** We have developed the Leftover range of products using production waste fabric to make new, limited edition, premium products sold in our brand stores and outlets.

Green Friday

Haglöfs refused to take part in the Black Friday sales that took place worldwide on November 23rd 2018. Instead, we repeated the initiative that we started in 2016 and have continued to run ever since. We celebrated Green Friday in collaboration with Protect Our Winters (POW) Sweden – a non-profit organization that educates the public about climate change. Through this initiative we donated 100% of the retail value of all Sustainable Choice-labelled products sold in our brand stores and via e-com that day, to POW – who, in turn, used it for information and education initiatives.

Helping to conserve the great outdoors

Everyone who enjoys the great outdoors, and the vast range of activities that it offers, understands how vitally important it is to safeguard the environment that we want to carry on enjoying.

The European Outdoor Conservation Association (EOCA) is a group of businesses in the European outdoor industry who have come together to raise funds to put directly into conservation projects worldwide. Over the last 12 years, the EOCA has funded 94 projects in 44 different countries to the tune of €2.3 million. As a not-for-profit organisation, 100% of the EOCA membership fees go directly into the conservation projects that are nominated by and voted for by its members.

Haglöfs is one of 130 members of EOCA showing that the European outdoor industry is committed to giving back to the environment, and that if we work together, a real difference can be made in conserving nature.

Reducing our own carbon footprint

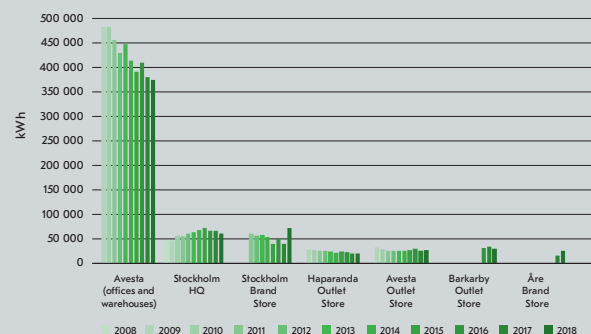
We don't own any factories, so we focus on managing greenhouse gas emissions in four priority areas:

- Energy consumption at Haglöfs' offices, warehouses and stores
- Business travel by air
- Use of company cars
- Transportation of goods from manufacturers to warehouses

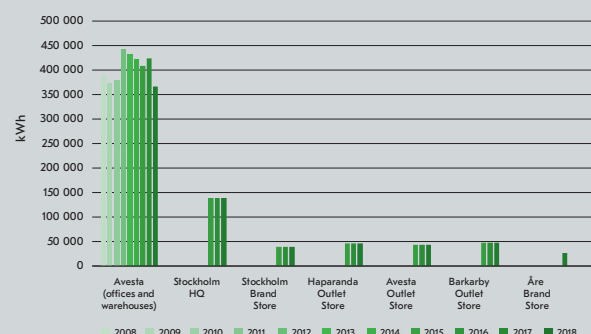
Energy consumption

Haglöfs collaborates with Gävle Energi, Jämtkraft and Göteborg Energi to use renewable electricity for all of our own operations apart from the Barkarby Outlet store, where due to a rental contract we have less control over the energy supply. This all means that the total electricity consumption in our offices, warehouses and stores in Sweden comes almost exclusively from renewable energy sources such as wind, water and biomass. The Stockholm Brand store changed location to bigger premises in the end of 2017 and this is reflected in the larger energy use in 2018.

Annual Electricity Use at Swedish Retail, Office and Warehouses Locations



Annual District Heating Use at Swedish Retail, Office and Warehouses Locations



Business travel

Our travel policy states that the least carbon-intensive mode of transport shall be used unless this extends the travel time excessively. Travel within Sweden, of distances under 500 kilometres, should normally be done by train. If car rental is necessary, an

environmentally-friendly option should be chosen when possible: carpooling is preferred.

All air travel that we arrange through our travel agency partner is automatically climate-compensated via Tricorona. In 2018, we reduced the CO₂ emissions by 0.6 % compared to the previous year. We climate compensated 203 tons of CO₂ for our company air travel.

Company cars

Our internal car policy states that cars shall only be made available to employees who travel as significant part of their work: e.g. sales staff. When choosing cars, consideration must be given to efficient and emissions of the vehicle. Company car travel in 2018 decreased: altogether, the carbon footprint was reduced by 9% from the previous year.

The Haglöfs head office in Kallhäll, outside Stockholm, is situated by lake Mälaren. It is conveniently accessible by public transport, so we always recommend this to our visitors. The commuter train is a common way for our staff to get to our office — and, of course, some employees travel by bike during the summer months.

Carbon compensation of all business air travel

Haglöfs conducts carbon offsetting of its business travel through a partnership between our travel agency and 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 level of electricity consumption in the world, and its electricity production is mainly coal-based. Jilin Mali consists of 33 wind turbines located in an area dominated by power plants that generate coal-based electricity.

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 the Kyoto Protocol's CDM and Gold Standard.

Transport and logistics

In 2018, as in all previous years, Haglöfs' import logistics accounted for the majority of total emissions from our own operations.

Most of the shipments from Asia to Haglöfs' main warehouse in Avesta come in containers, which are transported to the port at Gävle by sea. From there they travel by truck for the final delivery to Avesta. Although this is not the fastest way to move shipments, it is the most effective way of minimizing greenhouse gas emissions from logistics. From EU-based producers our goods are usually freighted on trucks.

In 2018 we did not transport any goods by rail but introduced a new combination of sea and air for some of our goods transported from Asia. This is a combination saves time compared to regular boat freight, but emits less CO₂ compared to regular air freight. The goods are shipped from selected harbours in Asia to Dubai, and from Dubai they are then flown to Sweden.

In 2018, despite increasing our total shipments, a shift toward sea/air transportation has led to a significant reduction of our CO₂ emissions - a 47% reduction compared to 2017, in fact. However, there is still work to do to get back down to the emissions levels we saw in 2015.

Logistics 2018 (tonnes CO₂)

	Change from 2017 to 2018 (%)	2018	2017	2016	2015	2014
Sea	103%	373	184	178	210	248
Air	-70%	667	2205	1714	713	1331
Rail	n/a	0	0.0067	0.0059	0.0019	0.0022
Road	77%	72.7	41	120	118	147
Sea/Air	n/a	186	0	0	0	0
Total	-47%	1298	2430	2012	1041	1726



Haglöfs