

A man and a woman with long, wavy brown hair are standing close together against a light, neutral background. The man is on the left, wearing a dark, possibly velvet, long-sleeved shirt and dark pants. The woman is on the right, wearing a dark, long-sleeved top and dark pants. She has her hand near the man's neck. The lighting is soft and directional, coming from the right, creating subtle shadows.

**THE PROGRESSIVE JOURNEY**  
VAGABOND SUSTAINABILITY REPORT 2017

**VAGABOND**  
SHOEMAKERS



**THE PROGRESSIVE JOURNEY  
VAGABOND SUSTAINABILITY REPORT 2017**

**CONTENTS**

WE ARE VAGABOND	2
A WORD FROM OUR CEO	3
SUSTAINABILITY FOR VAGABOND	4
HIGHLIGHTS 2017	5
ENSURING SUSTAINABLE GROWTH	7
MANAGING THE PLANETARY RESOURCES	10
ENGAGING WITH PEOPLE	18
OUR BUSINESS	29
MATERIALITY AND STAKEHOLDER ENGAGEMENT	31
ABOUT THE REPORT	35
PERFORMANCE AGAINST TARGETS - UNSDG, KPIs AND GRI	36
GRI CONTENT INDEX	38
CONTACT US	39



## THE PROGRESSIVE JOURNEY

### WE ARE VAGABOND

Vagabond is a contemporary success story based on dedication, craft and the undying love for a great looking shoe. The inspiration is drawn from anything from architecture to film, but above all from all the interesting people crossing the roads of Vagabond.

We are a modern shoemaker and each collection is about every day fashion with a lot attention paid to harmony, sustainable quality and the details that count. Our philosophy has always been to make a great product – quality shoes and accessories – based on knowledge and a solid business model. With this comes responsibility, commitment and constant sustainability improvements.

There are many challenges on our journey, but we aim to face them with an open mind and embrace the fantastic opportunities to make a positive difference for the people that engage in our brand and the places where we locate our business. We are dedicated to consciously build our brand and grow our global family. This is our sustainability story for the year 2017. We are happy to share it with you and warmly invite you to follow us on our Progressive Journey.

Vagabond Shoemakers  
Varberg April 2018



## A WORD FROM OUR CEO

### The future is here

2017 has seen a growing focus on the increasing population on earth. It means opportunities to grow our business, but it also means big challenges for the availability of natural resources. We need to act responsibly and in smart ways, applying a circular approach to continue to create great products with less strain on the environment.

### Highlights 2017

As the CEO of Vagabond and a member of our Sustainability group, during 2017 I have seen many sustainable actions, efforts and events taking place, all contributing to Vagabond's sustainable path and progressive journey. I am proud to see our Shoe Bring Back project taking off, starting the journey towards a circular approach. In the long run the general mission is to be guiding customers to a more sustainable consumption. We also see how well this initiative is received by our wholesale customers.

We have increased the share of sustainable materials we use and have made trials with more innovative and recycled materials. We believe that it is this mix of new technical materials and a minimum of leather material waste in construction which will be the most sustainable solution, and we have taken active steps to get there.

We have successfully launched STWI with one of our big suppliers, showing that a more sustainable management of water, energy and chemicals are not only a win for the environment – but also more profitable for the participating production unit. We have also been expanding our Sustainability Department in Vietnam, which is focusing on supporting our suppliers with training on how to work with our Code of Conduct and handling of chemicals.

Last but not least, in 2017 our Shoemaker's Handbook was finally released – a document about where we come from, who we are and where we are heading. The Handbook is also about the core values that will guide us along the way. This book is distributed to all Vagabond staff around the world.

### Looking ahead

In 2018, many more exciting events and initiatives are ahead of us. I look forward to closely following the continuation of the Shoe Bring Back program, the continued work on the leadership handbook, and the training on circular design for our design team. I will also pay close attention to the tracking of sustainable transport, and to the continued increase of sustainable materials in all of our shoes.



A handwritten signature in black ink, which appears to read 'Anders Odén'. The signature is stylized and cursive.

Anders Odén  
Varberg, April  
2018



## SUSTAINABILITY FOR VAGABOND

The natural resources on earth are limited and we need to be smart in managing them. We are committed to strive for the best possible resource management, including both planetary and human assets. For Vagabond, crafting quality shoes that can be worn and loved for a long time has always been our focus and a good basis for our sustainability work. Our Sustainability Vision is our guiding star. By striving for positive impact on the people and communities that are associated with our business, we set our objectives to contribute to restore resources and help to develop people and society.

### Key areas

Considering the valuable opinions of our stakeholders, we map the areas where we can have the largest positive impact. We work with three key areas for which we build our strategy and set our objectives: Ensuring our Sustainable Growth, Managing the Planetary Resources and Engaging with people.

We want to set good examples by sharing both achievements and challenges and be open about the way we work. Understanding that we cannot make this journey on our own, we partner up with other companies and organizations as well as suppliers and customers to realize our targets. We are humble before the great challenges ahead but we believe that by commitment and steady work we will reach beyond expectations.



### VAGABOND SUSTAINABILITY VISION

Vagabond will offer quality fashion products that are made in an economically, socially and environmentally sustainable way.

Our vision is to have a positive impact on the people and communities associated with our activities and help to meet the needs of both present and future generations.

Our brand will be associated with a sustainable fashion consumption behavior that meets the demands of our stakeholders worldwide.

*Varberg, December 2nd, 2015*

## HIGHLIGHTS 2017



### CONSCIOUS END-CONSUMER

#### Choice of materials

- Continuously increase the share of chrome-free tanned leather for our inner materials to minimize risk of allergies. We are aiming for 100% chrome free tanned inner leathers in 2018. *Page 10-11*
- Continuously increase the share of organic, GOTS certified cotton. Significant achievements to contribute to the reduction of chemicals used in the cotton production. *Page 11*
- The continued use of recycled materials, aiming to eliminate the need for new materials of fossil origin. We aim for 100% recycled fossil materials in 2018. *Page 11*
- In 2017 we have continued with our Non-Animal selection as a permanent part of our collections. This is a response to the growing consumer interest in vegan and climate smart alternatives. *Page 12*
- In 2017 we continued to evaluate innovative materials from renewable sources and vegetable waste as possible shoe materials. Aiming to reach a more circular approach in the material life cycle. *Page 10-11*



### PRODUCTION & ENVIRONMENT

#### Water, chemical requirements & control

- Members in the STWI cooperation. Aiming for a better water management in the manufacturing of our materials. In 2017 our focus has primarily been on water consumption. Our hope is to extend this and/or similar projects. *Page 13*
- Continuing our glue project together with the test institute Swerea IVF in Gothenburg. Currently in phase 2, meaning not only the investigation of existing glues, but also new innovate formulas and training. *Page 17*
- Commitment to change to the use of more healthy chemicals.
- Strengthening our chemical requirements and enhanced control of process chemicals. *Page 16*
- Increasing the number of chemical tests. *Page 16*
- Training at our suppliers in the handling of chemicals. *Page 20 & 26*
- High filling ratio in our containers, reducing our carbon footprint. *Page 15*



### PRODUCTION & SOCIAL RESPONSIBILITY

#### Working environment

- Training carried out in 2017 on our Code of Conduct of all managers at suppliers in Vietnam. *Page 20 & 26*
- Valuable improvements in the working environment and conditions in the supplier premises. *Page 25*
- Improving the worker engagement and working environment in our own factory. *Page 23 & 26*
- Hotline available at all suppliers, and thus a number to call to raise any concerns of misconduct. *Page 9*



## THE PROGRESSIVE JOURNEY



### **A circular approach & conscious consumption**

- During 2017 we continued to offer shoe care products including more natural ingredients, and we continued to promote good shoe care to extend the life-time of the shoes. *Page 17*
- Our Shoe Bring Back initiative has continued in our shops and received much appreciation. *Page 17*
- There is a technique available for the recycling of whole shoes and thus opportunities to bring good materials back into the production loop. *Page 8 & 17*
- In 2017 we carried out a stakeholder dialogue with end-consumers that showed that end-consumers are interested in receiving sustainability information when purchasing footwear. *Page 31*
- In 2017 we joined the international network for circularity driven by the Global Fashion Agenda. This network will be a good support for us to increase our knowledge and interact with other companies in our strive for a more circular business model. *Page 33*



- Internal training sessions on Sustainability issues during 2017. *Page 19*
- Training of suppliers on Vagabond's Code of Conduct (how to read it and the advantages of using it) and on handling of chemicals. *Page 20 & 26*
- Volunteering scheme, facilitating community engagement. *Page 21*
- Circulation of our common policies, to managers in all countries along with the task to disseminate it. *Page 8 & 18*
- Production and circulation of our cultural staff handbook, 'A Shoemaker's Handbook', focusing on our values and organization. *Page 18*



- The Shoe Bring Back program continues.
- Continue increasing sustainable materials for the lining and insoles, the close-to-the-skin materials, in all our shoes.
- By 2018, 100% of our lining and insoles will come from more sustainable sources.
- Keeping track of more sustainable ways of handling transport and logistics.
- Continue the work on the leadership handbook.
- Continue hold and develop trainings in CoC and chemicals with our suppliers.
- Training on circular design for our Design team
- Stakeholder dialogue with owners and employees.

## ENSURING SUSTAINABLE GROWTH

We carefully strengthen our brand aiming to stay in the business for a long time to come. Sustainability is one of the corner stones to our continuous success and long-term growth. By working towards a more circular approach together with our suppliers and customers and by engaging in cooperation with other brands and organizations, we set our path for a sustainable economic growth. We do this by focusing on a circular approach, engagement in the supply chain, sustainable innovation, customer awareness and ethical business conduct.

### **A circular approach for sustainable growth**

Predicting the material supplies of the future, we believe that the available material alternatives can look quite different from today. We need to be proactive and innovative to secure a continuous flow of quality materials. We search for more sustainable materials to enable long-term growth. Exploring the materials of the future, we focus on materials from renewable sources or materials derived from waste products and recycled materials.

### **Engagement in the supply chain**

The financial benefits of a skilled and stable work force in the factories is evident. Skilled workers that work under good conditions in a healthy environment will deliver good and reliable quality, and productivity will remain high. To attract and maintain a steady workforce we believe it is crucial that our suppliers have good standards in their factories. We contribute by setting good examples in our own factory in Vietnam and by spreading good practices to our suppliers.

Working with a step-by-step approach, we encourage improvements and support our suppliers with training and advice. No factory is perfect and we would naturally allow our suppliers to fail and to learn from mistakes if the attitude is right and we see an aim for positive and sustainable development.





## THE PROGRESSIVE JOURNEY

### **Investment in sustainable innovation**

We aim to do our utmost to restore good and valuable resources and contribute to creating a better life for the many people engaged in our business. We make room for investments in innovative and sustainable projects such as the glue project, new material development, projects aiming to reduce the water and energy usage in the supply chain and investment in cooling aggregates in our own factory.

In the glue project we work actively, together with the Swedish Research and Test Institute Swerea IVF, to come up with more sustainable and environmentally friendly alternatives to current glue products. Another area where we have invested in sustainable innovation is the recycling of shoes, which for a long time has been a challenging area. With the help of new innovative recycling techniques it is now possible to recycle shoes, and we are excited to see that used shoes finally can be split into different material fractions for the making of new products with new purposes.

### **Creating customer awareness**

We are committed to enable more customers to make more sustainable choices. Efficient communication is critical to succeed and we continuously strive to develop the way we communicate sustainability.

Social media brings many good opportunities for interaction and is a valuable means for dialogue with our customers and other important stakeholders. Our sales colleagues are an important part of the sustainability communication towards our clients, agents and distributors, whereas our retail colleagues help consumers in our shops to make informed choices.

Since 2016 we have worked actively to encourage more communication on our sustainability initiatives in our own stores. We have received very positive feedback on the subjects we highlighted, such as the chrome-free tanned leathers, the organic GOTS certified cotton, the Non-Animal collection and the new more natural shoe care provided in the shops.

As part of the Shoe Bring Back initiative we have made broad efforts to communication and to encourage customers to bring back their used shoes for reuse and recycling. The response to this initiative from customers has been very positive. We are happy to have started our journey to a more circular resource management, with Shoe Bring Back being our key focus area.

### **Ethics and Anti-corruption**

We always strive to act respectfully towards one another, appreciating our differences and various skills. Internal communication shall be open and honest and we encourage co-workers to raise any concerns and speak with their managers.

It is important that we recognize and do our best to eliminate any ethical obstacles within our business. In 2016 we revised our Ethical policy to improve any unclear wording and to facilitate for our co-workers to act in the Vagabond way in their daily tasks. We have zero tolerance for all kinds of discrimination and harassment, and for alcohol or drug abuse at work.

## THE PROGRESSIVE JOURNEY

To enable a deeper understanding of our Ethical policy, during 2017 we sent this to all country managers along with the task of communicating it. All workers in the administration have signed the policy, as will all new employees. A Shoemaker's Handbook, which we developed in 2017, is also a great help in spreading our values to all co-workers.

The reputation as a trustworthy brand is for any responsible company a top priority for long-term growth. Any corrupt behaviour in our organization would conflict with our objective to contribute positively to the communities where we operate. Such behaviour could also have negative impacts on a sustainable economy in a wider scale, for example in relation to fair market dynamics and competition. By adopting anti-corruption measures and practices we protect both reputations and the interests of our stakeholders.

At Vagabond, we therefore work to counteract all forms of corruption and bribery. No one acting on behalf of Vagabond may accept or offer bribes or engage in any other corrupt practices. As a global actor, we are present in many countries where corruption can be part of the daily business life. An important insight is that with such diversity, the definitions of corruption and unethical behaviour can vary. By clarifying what corruption and unacceptable business behaviour is to Vagabond, we hope to erase any eventual doubts within our organization and with our business partners. For us, being an ethical and non-corrupt company is an integrated part of our business model, core values and the Vagabond DNA. At Vagabond we operate in an ethical manner, complying with national and international laws as well as regulations valid in the countries where we operate.

Currently there is a hotline for all suppliers, and thus a number to call to raise any concerns of misconduct within our own organization, for example related to unethical behaviour and corruption. We are also investigating how we can enable critical concerns to be handled in a correct and objective way. No allegations of corruption have come to our knowledge during 2017.





## MANAGING THE PLANETARY RESOURCES

We are committed to making our environmental footprint as light as possible by managing resources wisely and by reducing waste. We aim to help our suppliers to reduce the amount of water, chemicals and energy required for production, to reduce the carbon footprint of our transportation and to enable more sustainable ways of consumption for our customers. Listening to our customers, we find that more sustainable materials and the possibility to recycle shoes are particularly important topics.

Being a shoemaker with an international home ground, we can inspire many people to make more sustainable fashion choices. We believe that providing more sustainable products without compromising on style or quality is our responsibility as a global brand.

We want to guide and collaborate with our customers, and expand while learning how to improve the circularity of materials in our collections. By conscious and dedicated choices of materials in our design and product development we prepare for a more sustainable production. By 2018 we aim to use only sustainable materials for the linings and in-socks, the close-to-the-skin materials, in all of our shoes\*.

\*Sustainable materials incorporate chrome-free tanned leather to prevent chrome allergies, organic, GOTS certified cotton for environmental care and healthier cotton farming, recycled materials for a more circular approach and other materials from renewable sources.

### **A circular approach to the use of materials**

We embrace a sustainable approach from the very first stage of our design- and product development. We are a unique shoe designer and producer in the sense that we make all decisions regarding materials at our head office in Varberg. This allows us to have full control, to really impact the use of sustainable materials, and thus engage in less waste and a more circular approach.



## THE PROGRESSIVE JOURNEY

Realizing that a shift of mindset towards a more circular approach comes with both effort and time, we focus on a step-by-step approach. This means that we can reach our goal to apply each improvement on the full product range, and to measure and communicate our achievements to motivate our people.

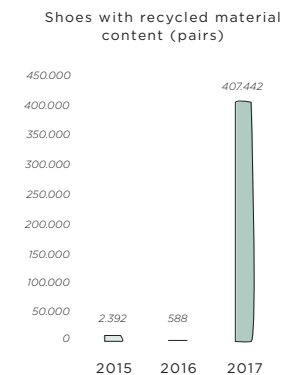
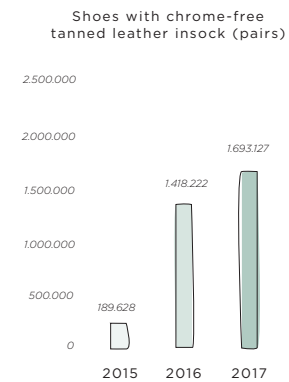
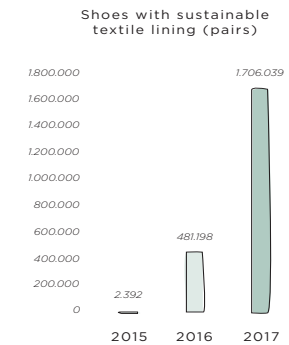
The materials that we use for linings and insoles are demanding when it comes to resources like water, energy, chemicals and fossil sources. We decided some years ago to move away from the most resource-demanding materials as soon as possible. This change comes with many challenges during the product development phase while securing the same high Vagabond quality with materials that are new to us.

We work hard to develop more sustainable selections like organic, GOTS certified cotton, chrome-free tanned leather and recycled polyester. Our target is that by 2018, 100% of our lining and insoles will come from more sustainable sources. In 2017 the number of shoes with sustainable textile lining increased significantly compared to previous years, to 1 706 039 pairs.

The number of shoes with chrome-free tanned leather insole increased to 1 693 127 pairs in 2017. Moreover, the number of shoes with recycled material content also vastly increased in 2017, to 407 442 pairs. We count in pairs, not volume or kilos, because this creates clarity and more possibilities for comparison.

Once we reach our targets for the lining and insole materials, we will move on to setting inspiring targets for the outer materials for the years to come. This will be even more challenging for us as we need a larger variation of outer materials. We will most likely not be able to standardize in the same scale as we are doing for the linings and insoles.

We have already started making trials with more technical and innovative materials from renewable sources. A good example of this is our new wood material that we promoted for some of the men's models in the spring of 2017. In the autumn of 2017, we switched from new to recycled polyester in warm linings.



## Ethical Material Considerations

Ethical business is crucial for Vagabond. Integrated in ethical business is our conscious selection of materials. Care for animal rights is a part of our requirements, included as one section in our Code of Conduct.

We take a stand against unethical materials such as fur or leather from endangered species and from animals bred for the leather only. We are one of the companies in the Fur Free Alliance's Fur Free Retailer Program and we require our leathers to be byproducts of the meat industry, and argue for sustainable use of all parts of the animals.

Due to a globalized leather market and sometimes weak national regulations, there can be difficulties to backtrace the leather from the tannery to the farm. In 2015 we joined a Swedish initiative for materials derived from animal origin, driven by the trade organization Svensk Handel (Swedish Trade Federation). We are still part of the initiative which works to develop common purchasing guidelines for products of animal origin. Our aspiration is to emphasize our requirements on traceability and animal welfare by using common guidelines and cooperating with other companies that face the same difficulties.

In 2016 we continued to explore materials that are alternatives to leather, and have made our Non-animal selection a permanent part of the full collection. The non-animal articles are made with leather-like materials and are specially designed for our customers who prefer materials of non-animal origin.

We want to move away from the polyurethane material sources for the non-animal articles as soon as possible, but struggle to find leather-like materials of high quality that are environmentally friendly in regards to both the origin and production process. Finding more sustainable leather-like materials are currently one of our big challenges, and an area we are working on actively.





### Continuous efforts for water management

Access to clean water is a fundamental human right that we often take for granted. Water is a precious resource and our industry should not be an obstacle for people around the globe to gain access to clean water. Being aware of how significant our impact on water can be, we want to enable a change of mindset by facilitating access to better knowledge and more water efficient production techniques within our supply chain.

The manufacturing of materials causes a significant consumption of water and energy resources. By working close with our suppliers, and encouraging them to map usage and set targets for usage reduction, we strive to reduce our mutual water and energy demand. Our direct suppliers – the shoe factories – have very little or almost no handling of water in their production. Therefore, we concentrate on the sub-suppliers – the material suppliers – where the water impact is more notable. In 2016 we began to collect statistics of the water management from the sub-suppliers of leather and textiles, finding both proactive and positive management but also gaps in knowledge. This continued in 2017, and will endure in years to come.

We continuously search for partners to help us build knowledge and to cooperate on improving the water management together with our sub-suppliers. In September 2016, we became members of Sweden Textile Water Initiative (STWI), and encouraged one of our important leather suppliers to join a hands-on project with water management together with a local STWI expert team. In 2017, this project has continued focusing primarily on reducing water, energy and chemical consumption. Our hope for coming years is to extend this and/or similar projects.

We look forward to following the process of measuring and improving the water management in the leather factory, but also understanding the positive synergies between good water management, energy and chemical usage. While reducing water usage in the production, this also brings



## THE PROGRESSIVE JOURNEY

### Efficient management of energy sources

Part of our environmental footprint derives from the way we and our suppliers manage energy resources. In a growing world that is dependent on electricity and fuels for the every-day life, we must make sure to manage our energy needs efficiently, to seek the most sustainable sources and find ways to reduce our dependence on fossil energy sources.

In 2016 we started to map the energy management practices of our suppliers, efforts that have continued in 2017, and will continue also in 2018. As most of our suppliers are based in Asian countries where the usage of coal energy can be a daily practice, we pay special attention to their choice of energy sources. The usage of coal gives an unacceptable ecological footprint, and we thus continue to encourage our suppliers to change to renewable energy when it is available. Working together with STWI gives us valuable insights on energy needs and costs that are related to water management, in the textile manufacturing factories and the tanneries.

In 2017, we analyzed and investigated what additional actions we could take to reduce the energy use in our head office in Sweden and our production office in Vietnam. An interesting area has been to investigate possibilities for installing solar panels at our HQ and in Vietnam, and what producing some of our own energy would mean for us with regards to cost and energy savings. We will continue to explore this area, and see the signs of possibilities increasing in Vietnam in order to invest in solar power in the future.

### Optimization of box materials

An important part of our sustainability work is the optimization of packaging and the choice of packaging materials. During many years, we have worked intensely to optimize our box sizes to reduce the transport volumes and thereby decrease our transport needs. We strive to use recycled materials in our shoe- and cardboard boxes as well as in the filling materials. For 2017 our cardboard boxes and filling materials were made of 100% recycled material, while the different parts of our shoe boxes were made of 80-100% recycled material.



## Transports - our impact

### Employee transport

Being a global organization, the transport of our own employees on the job can be quite significant. Our policy is to choose digital meetings as our preferred meeting forum instead of travelling to external meetings. Whenever travelling is needed, our first choice is to go by train.

### Product transport

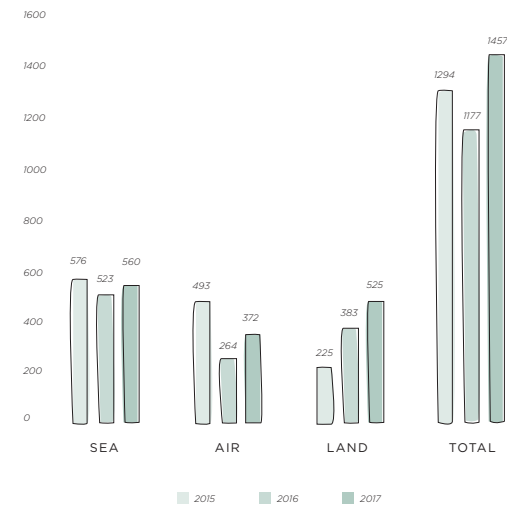
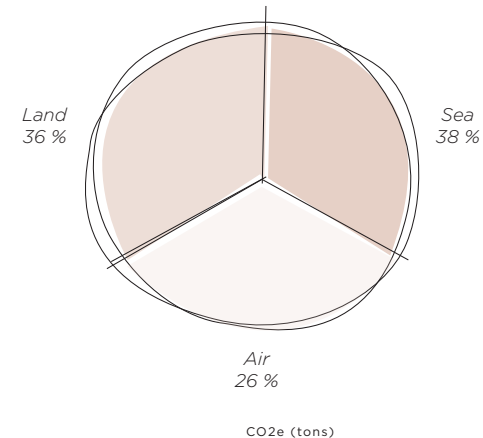
We continuously review the carbon dioxide emissions of our transport and carefully select logistic partners with a responsible and proactive environmental agenda. In 2016 we consolidated our logistics base to be able to measure and compare the environmental efforts of our transport partners. We also work actively with improving our filling ratio for transport by boat. Our filling ratio in containers is 78-80% which is relatively high. Moreover, we generally use more 40 feet high cube containers, which reduces our carbon footprint.

We are interested in further investigating transport by train for some of the transport options on land as a possible future solution for us. We are continuously keeping track of the development in this area, especially train transport from Asia. One challenge for us is that most of our production is in Vietnam, whereas almost all trains depart from China. For the future, we would also like to see more cooperation between companies and brands, for example when it comes to co-packing of goods and co-transport, as a solution to minimize carbon emissions.

### Consumer transport

On our to-do list is the investigation the environmental impact of our consumers' transport to our physical stores, and the impact of the transport and returns to our online store. With regards to online returns, our long-term intention is to make these transport routes shorter, thereby more efficient and eco-friendly. Realizing this will be a difficult task, we want to aim high and are open for cooperation with other companies to make this happen.

SHARE OF TOTAL CO<sup>2</sup>E EMISSIONS  
- SEA, AIR AND LAND 2017



CO2 emissions derived from transport suppliers statistics



## THE PROGRESSIVE JOURNEY

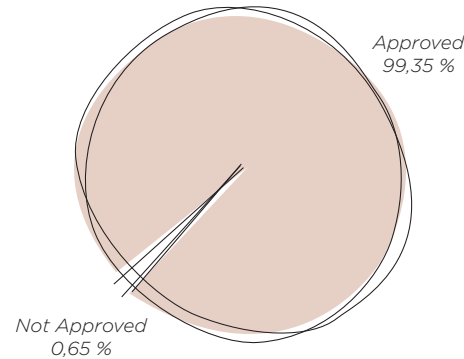
### Reducing our chemical footprint

Chemical pollution is one of the big challenges in the modern shoe industry. The processes at both shoe manufacturers and material producers are relatively chemical intense. We are committed to reducing and replacing chemicals that can cause harm to people and the planet. Recognizing that there are challenges in replacing some process chemicals without negative effect on the product quality properties, we are dedicated to supporting our suppliers in this important work.

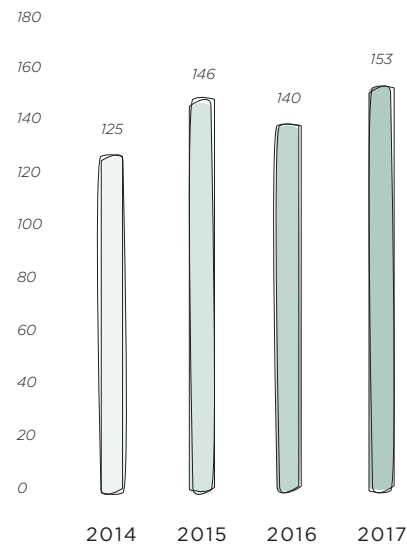
We encourage an efficient and proactive chemical management that reduces our mutual environmental impact. Working closely together with the production units and frequently inspecting the usage of chemicals, enables better overall chemical selection and handling. In this way, we will be able to provide products from production with a continuously reduced chemical footprint. By gradually requiring our suppliers to take more responsibility for chemical proactivity, we also aim to continuously reduce the need for extensive verification testing of materials.

The basis for our chemical management and prevention work is our Restricted Substances List (RSL) which lists our chemical requirements. The RSL is based on the EU REACH legislation (the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals) and additional national requirements of the countries we sell to.

### CHEMICAL TESTING 2017

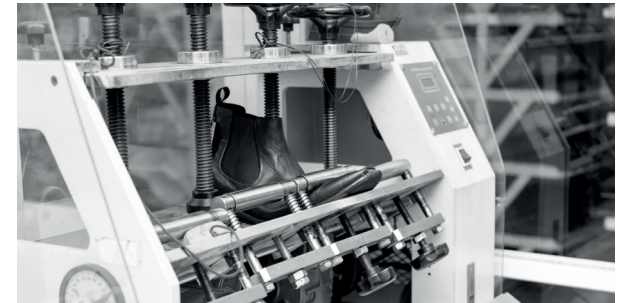


### TOTAL AMOUNT OF CHEMICAL VERIFICATION TESTS



When introducing more sustainable materials we get better chemical control as a bonus factor. By requiring GOTS (Global Organic Textile Standard) certification for our cotton lining and insock materials, we also contribute to less exposure to chemicals in the farming and manufacturing processes.

Furthermore, changes to chrome free tanned leathers reduces the need for heavy metals such as chromium in the tanning process, thus reducing the risk for primarily chrome allergies but also environmental pollution.



## THE PROGRESSIVE JOURNEY

One of the most challenging sustainability tasks in shoe production is the use of many strong glues and additives in the production. We cannot allow compromises on quality that could cause soles to come off or, in the worst case, cause injuries for our consumers. At the same time, we do not approve of the usage of chemicals that require the shoe factory workers to wear uncomfortable protective equipment during all working hours to ensure their personal safety.

There are many good reasons for why we should engage in a substitution of process chemicals in the glue products, not least to improve the working environment in the factories where our shoes are made. We are up for the challenge and one way for us to help tackle the difficulties is through our engagement in a glue project together with the Swedish Research and Test Institute Swerea IVF. The main purpose of the project is to enable substitution of the current glue products to healthier and more environmental friendly alternatives. All this without compromising on the good quality that is one of Vagabond's corner stones.

The glue project with Swerea IVF entails two main phases, which we have worked on in 2017 and continue with in 2018. In the first phase we identified high-prioritized substances, and initiated efforts to get our suppliers to make certain changes. In the second phase, we are looking into what other what companies and industries are doing, and investigate if there are other products and processes that we can use for the bonding of shoes. Simultaneous to this, we work with improvements of ventilation and encourage our suppliers to pay attention to the importance of good ventilation in the chemical areas.

In 2018 and the years to come, we are committed to change to more healthy chemicals and thus reduce the chemical emissions. By close cooperation between our Swedish and Vietnamese offices, we aim for implementation in our own factory first, to be followed by implementation in our suppliers' production.

### **Extending the life-time of the shoe**

We are determined to support our customers to extend the lifetime of their shoes, but also to reduce their environmental impact of shoe maintenance by using more natural and sustainable shoe care products. During 2016 we introduced a more sustainable shoe care line in our own shops and reduced the selection of shoe care articles to a minimum. These efforts have continued during 2017.

### **From waste to new resources**

We are committed to reduce the amount of waste that our production is responsible for. This commitment includes optimized material usage and construction, increased recycling of production spillage, usage of recycled materials in boxes and shop interiors, and looking at the period after the products have left the shelves. Aiming to help find a new purpose for shoes that are ready for reuse and recycling, we began engaging in a recycling pilot project in the end of 2016. In cooperation with the German company I:CO we collect used shoes to avoid them ending up in the household garbage. This project continued during 2017 and is developed in our Shoe Bring Back program. Thus Shoe Bring Back is a way for us to enable a more responsible consumption and means to consume wisely and contribute to reducing waste. The initiative has been very well received by our customers, and will continue during 2018. By 2020 we aim to collect used shoes for reuse and recycling in all Vagabond shops around the globe.



## ENGAGING WITH PEOPLE

### Engagement

Engaging in, and caring for, people has always been important to Vagabond. We have the possibility to make a positive difference for many people, from the 500+ Vagabond co-workers, to the thousands of workers in our supply chain. By committed engagement we can help to create a better every-day life for our own people as well as the people in the supply chain. By sharing our knowledge, we can inspire and guide our customers to choices that are better for people and the planet.

### Policies that guides us

To help us in this work, we have policies, routines and action plans in place. For example, we have policies and documented approaches for issues like alcohol and drugs, business ethics, threat and violence, equality and diversity, harassment, insulting treatment, bullying, rehabilitation and work adjustment. Other central documents include our Code of Conduct, and Child Labor Policy and Action Plan.

In 2016 much work has been done to revise and update our common policies that form the basis for the Vagabond way of doing business. During 2017 we conducted reviews and opened up for guidance in our policies for all employees, adding room for country specific regulations. We translated the policies to the languages of the countries where Vagabond is active, and appointed the managers in each country to spread the information.

### A Shoemaker's Handbook

In 2017 we also developed a cultural staff handbook - 'A Shoemaker's Handbook' - focusing on who we are, what we believe in and stand for, how we work and how we envision the future. The handbook has been spread to all our co-workers and training sessions have been held in several Vagabond offices around the globe.





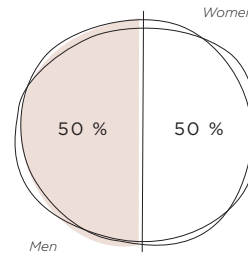
## THE PROGRESSIVE JOURNEY

### Diversity at the core

We see the great potential in different individual skills and backgrounds coming together. Our own global team is multi-cultural, and working together to learn to see the world from different angles is truly enriching us. We believe that everyone deserves the right to prosper, regardless of who you are. As a modern company, we strive for equality, diversity and respect for human rights through the entire value chain. Including the opinions of our stakeholders in our sustainability work, we focus our engagement on topics related to both our own people and people in the supply chain.

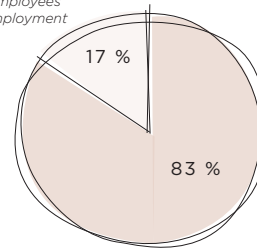
Traditionally, our business attracts more female than male employees. We see this pattern in our global employee statistics. The female majority is also reflected at management level in most of our global units, while the gender distribution of managers at Vagabond Head Office and the composition of the Board are more equal.

BOARD MEMBERS 2017



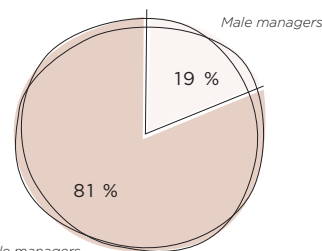
GENDER DISTRIBUTION 2017  
TOTAL ALL UNITS

Number of men employees  
with permanent employment  
contract



Number of female employees  
with permanent employment  
contract

GENDER DISTRIBUTION  
VAGABOND MANAGERS



### EMPOWERING OUR PEOPLE

The people who work for Vagabond, our human resources, are our most important assets. With the engagement and skills of our people, we continue to develop and strengthen our brand.

#### Education and engagement

All units and departments feed into our value chain and therefore become part of the sustainability work in different ways. Knowledge is key and we are committed to providing our co-workers with sufficient knowledge on how to create a sustainable development in the daily tasks and to inspire and empower engagement both in work-, and private life.

For our progress in the sustainability field, it is important that all employees are continuously updated on what is going on in the business, what steps we are taking and how we tackle the challenges that we meet. To reach all our co-workers and enable involvement, we schedule regular information sessions as well as tailored sustainability dialogues for smaller groups of co-workers and departments. In 2017 we held in total 16 training sessions on Sustainability for our co-workers and our sales agents and distributors. Additionally, tailored training sessions were held both in the spring and autumn season with our co-workers in the stores.

## THE PROGRESSIVE JOURNEY

### Supporting our leaders

In 2017, we held training sessions at the head office in Varberg, Sweden. All managers at Vagabond participate in training about the work environment. In 2017 we began working on a leadership handbook and training for managers at Vagabond. This work will continue during 2018.

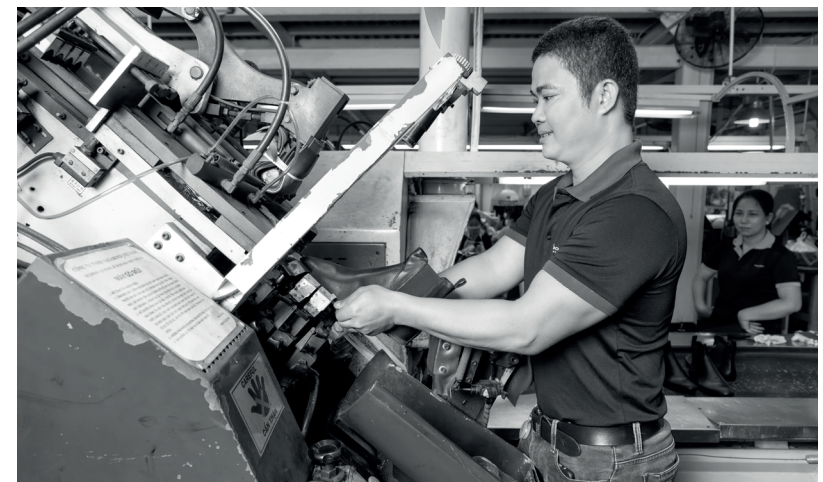
### Training on the Code of Conduct and chemicals

In 2017 we held a number of training sessions for our suppliers, focusing on chemicals and the Code of Conduct. These training sessions were directed to managers at all our suppliers in Vietnam as well as our own factory. The Code of Conduct trainings focused on how to understand the Code and the different advantages it gives suppliers who implement it. The chemical training centered on handling of chemicals and learning how to use chemicals. The training has covered many sustainability aspects and been very well received by the suppliers. In coming years we want to continue to hold and to develop these and similar training programs.

### Health and Safety

Healthy and happy co-workers help make Vagabond a stronger, more successful brand. The wellbeing of our co-workers is a top priority and we are committed to providing a safe and healthy working environment in all our units. In 2017, we had two reported work related injuries in total, both in Vietnam. None of these were serious injuries. Both injuries were hand injuries, both employees were women and have recovered and are back to work. In 2016 we improved the control and extraction of hot air from the production in Vietnam, and in 2017 we implemented further cooling systems to better handle the warm and humid climate in our own production and to make it more comfortable for our co-workers to wear the necessary personal protective equipment.

We provide first aid and fire-fighting training at the head office in Sweden and our own factory in Vietnam. We also measure that light, noise and temperature is within the specific limits for good working conditions. For the producing departments, we moreover ensure that the chemical emission levels are within acceptable limits.



### **Facilitating engagement at the workplace and in the community**

Increased knowledge often goes together with the will to engage in making a positive difference. We want to make sure all our employees worldwide get the same training in sustainability related issues. We also want to enable more opportunities for both workplace and community engagement. We strive to understand and meet our stakeholders' expectations with our sustainability efforts. It is important that our co-workers can be confident that we are doing our very best and are proud to be a part of Vagabond. Our aim is also to provide concrete opportunities to make a positive difference.

### ***Internal Sustainability projects***

We aim to empower and provide our colleagues with opportunities to make a concrete difference in the daily work. During the winter and spring of 2017, we initiated internal department-based projects on sustainability at our Head office. The chosen theme was environment and we worked department-wide to make many good and inspiring achievements. During the spring of 2017, all departments presented their projects and results during a personnel meeting. Examples of good initiatives and results were, to mention a few; reduction of chemical usage in the office, reduction of paper usage, reuse of cardboard boxes as filling material, trials to change the current wooden pallets to reusable less heavy cardboard-based pallets, and education on waste management. The projects have been much appreciated and we aim to enable similar activities in all units during 2018.

### ***Enabling and inspiring a more sustainable way of living***

On our breakfast table at the office in Varberg, Sweden, we provide a range of organic food every working day of the week. We made a stand for the environment and health by introducing the concept of Meat Free Monday in 2015. All our global units are welcome to engage in this initiative and it has been very appreciated among our co-workers.

### ***Participation in a changing world***

As a reaction to the refugee crisis in Europe, in 2016 we began contributing more actively to the integration of refugees in the local society in Varberg, Sweden. This has continued during 2017. By running an internal volunteering program at the head office, we aim to enable more people to engage in the important integration work. For each hour of volunteer work outside of working hours, the co-worker will receive half an hour flex time to encourage more personal engagement. With this initiative, we hope to create occasions together with the local society that will make it easier to participate and to facilitate our employees to combine volunteering with their family lives and obligations.

### ***Charity donations***

Part of our engagement in a changing world is manifested by our donations to charity and helping organizations. We want our co-workers to feel that their hard work has generated profit not only to the company but also as a means for helping people in difficult situations and for restoring the planet. Our charity focus areas are a) health, b) the well-being of young and outcasts, and c) the environment.

In 2017 we reserved part of our profit for charity donations, of which some is reserved for urgent support of crisis situations coming up during the year. As we are a global team, part of the share will be fixed for country specific donations chosen by each country unit. In 2017, we gave our employees the possibility to directly impact parts of our choices for charity donations by a democratic vote.

### ***Welcoming trainees and students***

We are happy to be a part of the first career steps for many young people and strive to provide a good basis for their continuous development. We frequently welcome trainees to work with us in different departments. We also welcome as many students as possible every year, both for project work and for their final thesis.



## THE PEOPLE IN OUR SUPPLY CHAIN

Vagabond act in a diverse, global network with several thousands of people in the supply chain engaged in the making of Vagabond products. Considering both direct suppliers and sub suppliers, there is production for Vagabond in more than 20 countries. We are committed to working together with our suppliers to create decent jobs, support human rights and to have a positive impact on the lives of the many people in the supply chain.

To enable a sustainable development, we need to ensure long-term business relationships where we can build mutual trust and a good understanding of what makes the lives of the people in the production better.

Managing fundamental human rights such as the right to health, education, freedom of assembly and freedom of expression are top priority throughout the value chain. We recognize that our business can give rise to specific human rights challenges as well as opportunities to have a positive impact.

The management of working conditions in the producing units is crucial for Vagabond. We require proactive production planning to avoid excessive overtime and continuous supervision of the health and safety levels in the factories. We work actively to address human rights and decent working conditions and to turn the spotlights on the most critical issues.



## THE PROGRESSIVE JOURNEY

### Freedom of Association

In 2016 we developed the union work at our own factory, Vagabond Vietnam. We introduced a yearly general labour conference, where the factory manager reported to the employees about the financial status of the company and the new regulations regarding compensation, social insurance and working hours. The main tasks for the union at Vagabond Vietnam during 2016 and 2017 have been to consult the employees in matters related to the Vietnamese work legislation, advise the employees regarding any questions about the company regulation but also to support the employees in case of sickness or work related issues.

### Vagabond's Code of Conduct

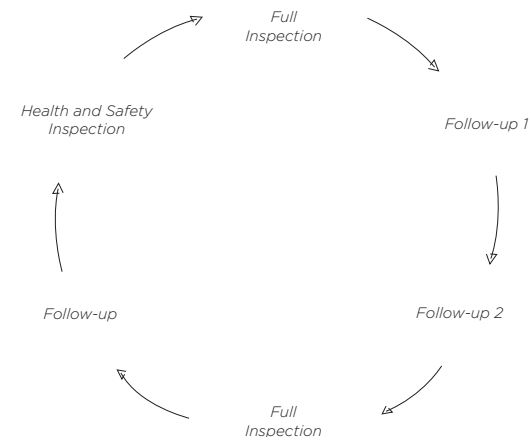
To become a business partner of Vagabond, the supplier needs to be a skilled shoemaker and pass our strict quality requirements. The sustainability criteria is as important as the quality outcome of the supplier. Signing Vagabond's Code of Conduct (CoC) is a precondition for doing business with us. Once the CoC is signed an initial CoC inspection visit takes place in the factory before any production commences. As soon as a supplier is accepted for Vagabond production, the supplier will immediately be included in the inspection scheme.

### Our CoC inspections

We have our own local experienced staff in charge of holding the inspections in Vietnam. For inspections outside Vietnam, we hire consultants that are specialized in social compliance. During the inspections, our own personnel use an internal tool that is based on the international SA8000 framework for working conditions. With the help of this tool, we can measure and compare the factories' capabilities to meet our Code of Conduct requirements and the effect of the improvement activities made.

Each inspection includes production reviews on the factory floors, document reviews including working hours, payment of salaries and social insurance. An important part of the inspections are the interviews with the factory management and the workers that are selected by our inspectors. After the inspections are finished, we make sure to allow time to discuss the findings in detail. This closing discussion is important to make sure that the factory understands and agrees with the findings, the required actions and the time plan.

### PROCESS FLOW OF THE CODE OF CONDUCT INSPECTIONS DURING A CALENDER YEAR



### Factory inspection in Vietnam

ON THE FOLLOWING PAGE: Vagabond's CoC in brief. The complete code can be read on [vagabond.com/aboutus](http://vagabond.com/aboutus). Vagabond's CoC is based on the UN Human Rights Declaration, The UN Declaration on the Rights of the Child and the ILO Conventions on Workers' Rights. The CoC also includes our environmental requirements. Our CoC is currently translated into Vietnamese and Chinese.

## VAGABOND CODE OF CONDUCT\*

### **1. Contract of employment**

There should be a legally binding employment relationship for every worker.

### **2. Minimum age and Regulations for Young Workers**

Vagabond does not accept child labour.

### **3. No Forced labour**

Employment shall be freely chosen.

### **4. No Discrimination**

All employment relationships shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, pregnancy or childbirth, social origin or handicaps.

### **5. Freedom of association and the right to collective bargaining**

The right of all workers to form and join trade unions shall be respected. Workers' right to negotiate collectively must not be prevented in any way.

### **6. Compensation**

Wages and benefits paid for a standard working week must meet at least legal and industry minimum standards. In any case where the minimum standard is not sufficient to cover the workers' basic needs and allow for discretionary income (some savings), the employer is urged to strive for a living wage.

### **7. Working hours**

There must be no excessive working hours.

### **8. Safe and healthy working conditions, no harassment or abuse**

Vagabond requires that suppliers provide safe and healthy workplaces for their employees.

### **9. Environmental care**

Vagabond encourages a progressive environmental work. As a minimum, National Environmental legislation and standards in the country of operation must be followed.

### **10. Animal welfare**

Suppliers must respect animal welfare and work progressively towards adopting healthy and humane practices towards animals.

\* In short, the full text is presented on our webpage



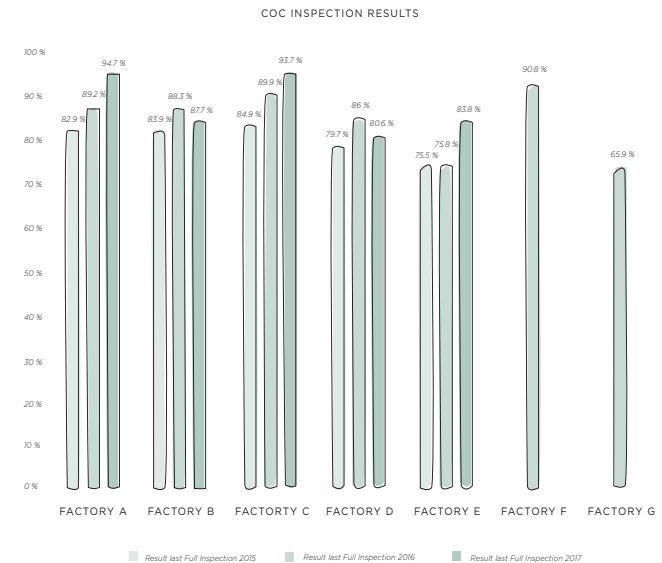
## THE PROGRESSIVE JOURNEY

### General Process flow of the CoC inspections

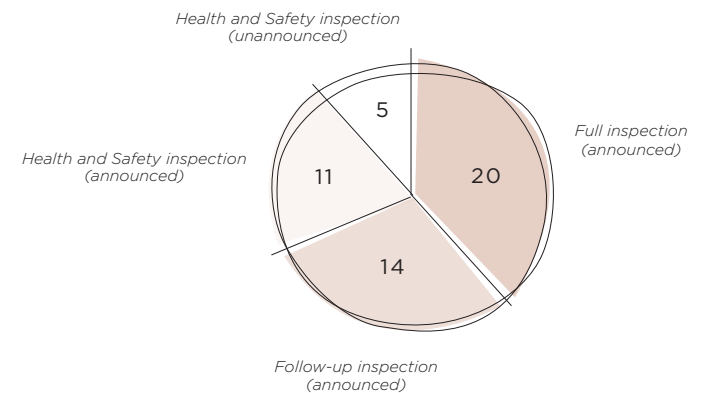
A Full inspection covers the complete CoC, including interviews with managers and workers. At the end of an inspection day, a corrective action plan (CAP) of prioritized findings is agreed with the supplier. We make sure to allow sufficient time to implement lasting improvements.

After a Full Inspection, we would normally do two follow-up visits to verify that the CAP-findings have been closed. During peak season, our inspectors focus on health and safety, reminding the suppliers to pay attention to safety measures also in busy production times.

We follow up on the actions of improvements in place and we evaluate the improvements primarily by interviews with management and workers, and by reviewing documentation. The supplier's good attitude and engagement in the improvement work is crucial for our continuous business relations. We favor the suppliers that engage in the Code of Conduct work. These suppliers will continue to receive stable production orders from Vagabond. Any supplier that does not take action according to the agreed corrective action plan or which has a questionable attitude to Code of Conduct work would be phased out gradually.



### CODE OF CONDUCT INSPECTIONS 2017



## THE PROGRESSIVE JOURNEY

### **Dealing with challenges of implementation**

During the CoC implementation work we have frequently noticed fluctuations in implementation between our inspections. It is complex work, influenced by many different parameters such as peak season in production, unstable incoming order volumes from various customers to the same factory, occasionally high turnovers of workers, different customer requirements, and many other factors.

The parameters that are fluctuating the most are usually working hours, health and safety measures such as usage of protection equipment and chemical handling in production and storage. We can also see that the work with communication channels between workers and management tend to be set aside more often and that workers concerns might not get sufficient management attention during peak seasons.

As we aim for stable and continuous improvements in the production, we are concerned about these fluctuations. One way to tackle the issue is conducting more frequent follow-ups between the inspections. Depending on the nature of the supplier and the length of business relations, we do both announced and unannounced follow-up inspections.

During the follow-up visits we take the opportunity to remind the supplier to address the most urgent actions.

Another means to reduce fluctuations between inspections is to provide training on how to work with compliance within the Code of Conduct and clarify what is expected of a supplier of Vagabond. Trainings implies good opportunities for an open dialogue on difficulties with implementation, between us and the suppliers, but also between the suppliers themselves. During 2017 we have held training sessions about our Code of Conduct and about chemical handling for all the managers at our suppliers in Vietnam.

The shoe industry is not as experienced as the textile and apparel industry when it comes to cooperation on the CoC work. It has been difficult to find partners among other customers to the same factories that share our values and who are willing to be transparent about inspection records in order to work together towards improved CoC implementation. However, in 2017 we found and commenced cooperation with other shoe brands, something that we intend to continue in 2018 and years to come.

We inspect the CoC compliance in our own factory in the same way as we do in the suppliers' factories. In 2017 we initiated a third part CoCaudit at our own factory as a verification of our own inspection work.

### **Phasing out suppliers that cannot meet our standards**

There are occasions where our quality or CoC requirements cannot be met. The supplier is always given a clear explanation of our expectations and time to improve and we will frequently follow-up the improvements made. If the supplier still fails to meet our standards, we would choose to phase out the supplier gradually, giving time to allocate production and thus job opportunities to other customer orders. In 2017 no supplier was phased out due to compliance reasons.

## THE PROGRESSIVE JOURNEY

### **Order planning – our responsibility**

Part of Vagabond's purchase strategy is to cover a significant part of the supplier's production volume. This is mainly to ensure a substantial impact on the production planning which reduces the risks for delayed deliveries. We realize that this purchase strategy can create a certain dependency that could affect the workers in the long run. We need to consider that we sometimes play an important role in the number of job opportunities at the factories. We strive to give our suppliers early forecasts and place fixed orders as soon as possible to ensure good production and resource planning. By good order planning we can help our suppliers to avoid excessive overtime due to urgent incoming orders. Good order planning also give the suppliers time to fulfill their production and avoid the risk of losing job opportunities if the forecasted order volumes would not be met for any reason.

### **Grievance mechanisms**

During 2016 we introduced a worker hotline that can be used to inform us of any grievances to the CoC compliance in the supplier factory. The hotline number is included in our CoC that is posted in the factories. During the interviews with the workers, our inspectors explain how the hotline works, that the workers feedback will be kept confidential if required and what type of grievances we could support them with. We also explain that grievances should first be addressed to the factory managers, but if the issues cannot be solved we would like to be informed to support improvements. There were no grievances reported via the hotline during 2017.

### **Other suppliers to Vagabond**

We do not differentiate between suppliers when it comes to compliance to the CoC, but require all Vagabond suppliers to sign our CoC. By doing so we include our transport suppliers, service suppliers, retail suppliers, office suppliers and marketing suppliers in our social compliance work.





## SUPPORTING HUMAN RIGHTS

We work in a global supply chain and an industry that sometimes brings difficult challenges in the respect of human rights. This makes us even more committed to strive for positive impact, seeing not only the difficulties but also the possibilities of acting in the entire value chain. We focus on preventing any negative impact on human rights in the areas where we have the largest direct impact within our supply chain. We pay attention to new and rising human rights risks and update our policies when needed.

### Childrens' Rights

We would never accept exploitation of children. We want to ensure that no children work in the manufacturing of our products. By frequently inspecting the suppliers factories and making sure that our suppliers have sufficient knowledge and skills in the recruitment process, we strive to prevent the employment of underage workers. In the event of coming across child labour at any of our suppliers factories, our inspectors have been given procedures to follow, ensuring that all actions will be taken in the best interest of the child.

We have not come across any confirmed incidents of child labour during 2017, but on a few occasions, we have needed to straighten out the specific work rules for young workers together with the suppliers<sup>1</sup>. As a part of our charity work, we support the building of Childrens' Villages in our production countries. Mainly we have been involved in the family program, with support for children and their families, to enable school for the children instead of work during school age.

<sup>1</sup>A young worker is per the UN definition a person between the age of 15 and 18 years old.

### Migrant workers

Many people travel far to find a job. In our industry, these people are often described as migrant workers. Migrant workers are more vulnerable to exploitation by unethical recruitment agencies. High recruitment fees that put workers in debt and make them dependent on their agents can in the worst case also lead to forced labour and human trafficking. We want to make sure that any migrant worker involved in the manufacturing of our products have the same equal rights and benefits as the local workers; that there is no discrimination in salaries, working hours or benefits and that ID-cards or passports are not withheld by the employer or contractor. During our inspections we bring the issues of transparency and fair recruitment throughout the supply chain up on the agenda.

In many countries, the recruitment processes can be very complex with many external parties involved and very limited transparency. Sometimes the recruitment agencies would not allow sufficient insight into their business which leaves the factories struggling to ensure human rights are met. In these cases, we want to support our suppliers to tackle the issues. We know we cannot do this alone and that we need to cooperate with local specialists and NGOs to reach long lasting change in the global recruitment industry. We are looking at cooperation with NGOs and other customers for the coming years.

Paying special attention to human rights is crucial, not the least in the recruitment of new workers. We communicate the importance of respecting human rights to our co-workers and suppliers through our Ethical policy and by the Vagabond CoC.

## THE PROGRESSIVE JOURNEY

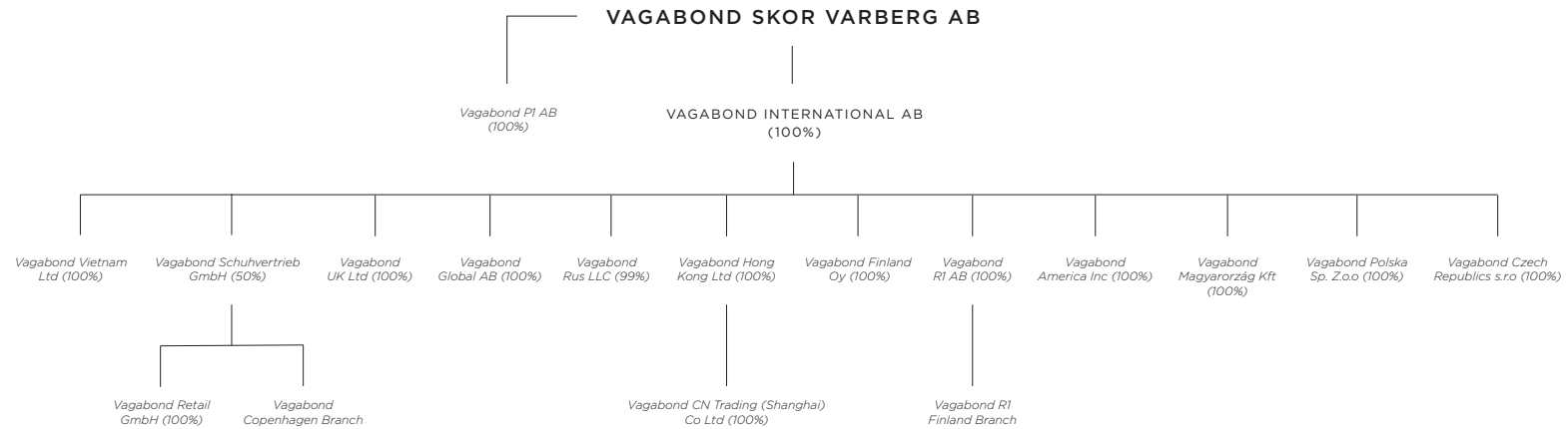
### OUR BUSINESS

#### Vagabond Group

Vagabond International AB is a family owned private company, and Vagabond Shoemakers is one of Europe's leading fashion shoe brands with a production of about 2 million pairs of shoes and accessories annually. Vagabond's design studio, which also includes a full-size prototype production workshop, is located at the global headquarters in Varberg, Sweden.

Vagabond has full ownership of a shoe and accessory factory in Ho Chi Minh City in Vietnam that manufactures approximately 10% of our shoes and 100% of our accessories. The remaining production is sourced to a few of our carefully handpicked external suppliers. The products are sold in more than 40 markets worldwide, including Scandinavia, Germany, UK, USA and Russia. The brand is displayed in concept stores, e-shops and shop-in-shops. We also feature within department stores and in carefully selected multi-brand stores.

Vagabond employs around 500 people, including 90 at the headquarters. Local sales, retail business and manufacturing is handled by 12 subsidiaries, all fully owned by the mother company except for the German branch (50% ownership). The branch offices are staffed locally and report to Vagabond International AB in Sweden. For 2017, the net sales were 819,45 MSEK and the total capitalization was 680,77 MSEK.



## THE PROGRESSIVE JOURNEY

### Sustainability management

As we are a relatively small company in terms of employees, we team-up internally in different ways to reach our sustainability objectives. All co-workers share the responsibility for a sustainable development in their area of work. The focus areas and objectives of the sustainability work are set by the Sustainability Management Group, chaired by the CSR Manager. This management group brings together a cross-functional team of senior executives and the CEO. Progress or concerns are regularly reported to the group by the CSR Manager who is also responsible for coordinating the Sustainability work in the organization.

The Board of Directors of the Parent Company are briefed continuously on the development of sustainability objectives. During 2017 we held briefings covering sustainability strategies and risks, performance, internal operations and challenges within the fields of health and safety, environment and human rights.



Ulrika Simonsson  
*CSR Manager*



Anders Odén  
*CEO*



Anna Fahle Björcke  
*Head of Brand Communications*



Marcus Svensson  
*Purchase & Quality Manager*



Lena Geiser  
*HR-Manager*



Marie Nilsson Peterzén  
*Creative Director | Vice President*



## MATERIALITY AND STAKEHOLDER ENGAGEMENT

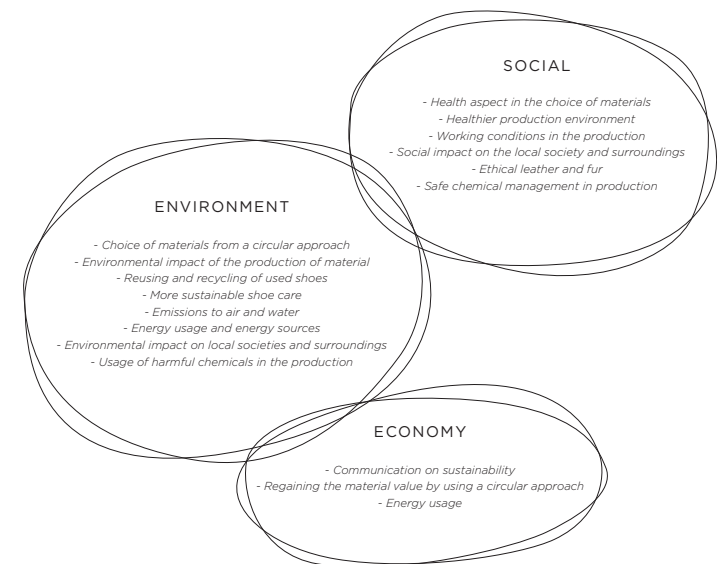
In 2015, we started to take a structured approach to sustainability reporting. Since then a materiality assessment is therefore conducted by Vagabond’s sustainability team every year. In this process, we collected input from end consumers in our shops, by e-mail and through social media. Key topics and concerns raised by the end consumers were requests for chrome-free tanned leathers, good working conditions in production and animal welfare. We also asked clients and distributors for opinions on Vagabond’s sustainability work, which showed that more transparency about our efforts was desired. Based on the stakeholder input and our own assessment of material issues we identified 17 topics that were of essential strategic importance.

### Sustainability risks

Our definition of sustainability risk is an event that has a negative impact on sustainable development. At Vagabond, we conduct continuous assessments of our sustainability risks and how they are managed, and do this in connection to our materiality analysis. We use Vagabond’s value chain as a starting point when identifying our sustainability risks, and look at Vagabond’s possible impact on areas such as the environment, social circumstances of our employees, human rights and anti-corruption. Risks and opportunities can be found in all parts of Vagabond’s value chain – from the raw materials and the production of products, to the consumption and end-use of our products. In the analysis of our sustainability risks, we also map how Vagabond handles the risks and look at what policies, activities, tools and governance we have in relation to the risk areas. In the final analysis phase, we assess the risks according to their materiality, and do this from an external and an internal perspective. Vagabond’s material risks and related risk management are described continuously and as an integral part of this sustainability report.

Since 2015, the materiality analysis has been reviewed on an annual basis by Vagabond’s sustainability team. We have also continuously developed our approach to stakeholder engagement and strive to have an ongoing dialogue with a wide range of stakeholders through various channels.

### An illustration of our material questions/issues:



## THE PROGRESSIVE JOURNEY

The channels for a stakeholder dialogue are mainly through our market places: within the concept stores, our online customer care and other social media platforms. We answer directly, or re-direct the question to the experts at our headquarters. Other tools are clinic training within own stores and key clients, student projects and employee surveys. We also attend round table meetings with non-governmental organizations (NGOs). During 2017 we attended one round-table meeting with the cooperation of Nordic NGOs under the umbrella of the EU funded campaign Change Your Shoes. Topics for discussion were sustainable tanning, transparency and living wages within the supply chain.

There are two main criteria that guide our materiality assessment; stakeholder expectations and our own priorities on how to reduce negative impact and maximize positive impact on sustainable development. When reviewing our materiality assessment for 2017, we paid extra attention to global customer and sustainability trends that affect us as a shoe company. Increasing demands on sustainability information and more sustainable materials are two examples of such relevant trends. We also conducted a dedicated stakeholder dialogue with consumers by inviting them to fill in a survey on how they think of sustainability when making consumption decisions. This was done in our concept store in Gothenburg. Again, the study showed that customers placed most importance on information that can help them make conscious decisions.

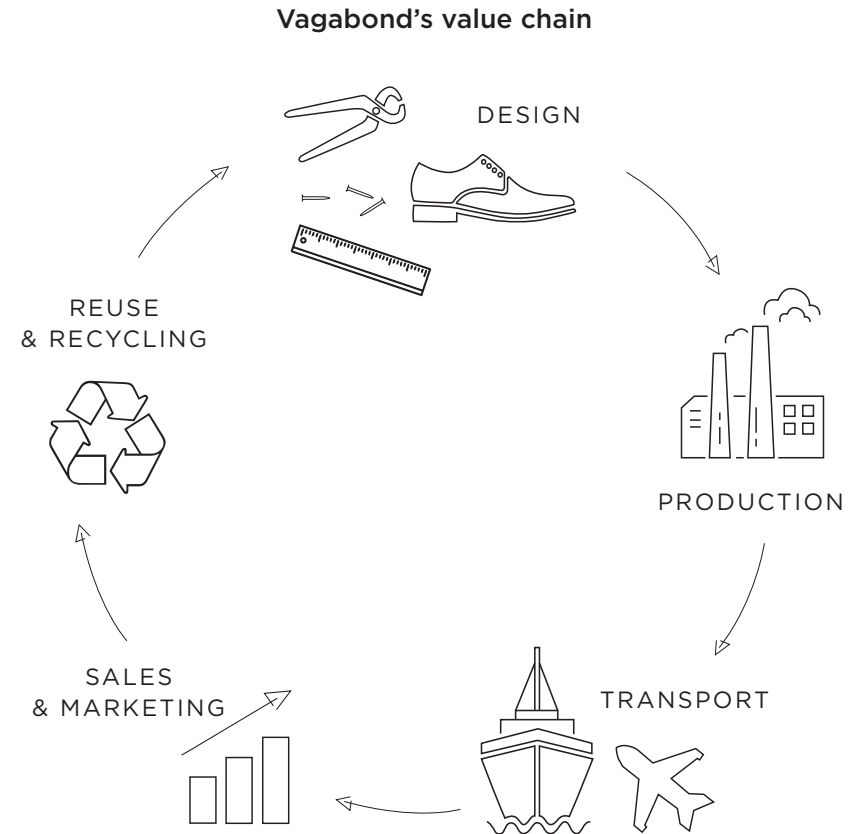
STAKEHOLDER	IMPORTANT ISSUES RAISED
<i>End consumers</i>	- Product information
<i>Owners</i>	- Re-use of products and materials
<i>Co-workers</i> <i>(including production unit in Vietnam)</i>	- Financial stability
<i>Suppliers</i>	- Sustainable growth
	- Waste handling
	- Chemicals in materials
	- Reusing and recycling
	- Chemical management
	- Recording of working hours
	- Correct payments to Social Insurance
	- Waste handling
<i>Non-governmental organizations</i>	- Water & Energy management
	- Transparency of supply chains
	- Chemical handling in the tannery industry
	- Living wages
<i>Wholesale and Distributors</i>	- Chemicals in products
<i>Concept stores, shop-in-shop and online sales</i>	- Working conditions in the supply chain
	- Animal welfare and non-animal products
	- Shoe care, reuse and recycling
	- Chemicals in products
<i>Trade associations</i>	- Working conditions in the supply chain
<i>Students</i>	- Animal welfare
	- Communication of the sustainability work
	- A stakeholder dialogue
<i>Legal authorities</i>	- Recycling, chemical management
<i>Influencers &amp; Fashion press</i>	- REACH compliance
	- Reusing and recycling
	- Choice of more sustainable materials

## THE PROGRESSIVE JOURNEY

The intention for 2017 was to gather stakeholder feedback from even more stakeholder groups, to facilitate further evaluation of valuable opinions, and engage in even more directed efforts when it comes to stakeholder dialogue. Unfortunately, we were not able to implement this as planned. However, our ambition is to continue develop this work and put extra focus on employees and owners during 2018.

### Our value chain - applying a circular approach

At Vagabond we believe that we have to take a value chain perspective in our efforts to drive sustainability. Therefore, we build our sustainability program on a circular approach for the entire value chain. We want to enable our customers to buy great shoes, knowing that the production has generated less waste, has had less strain on the surrounding environment and that we have reduced the amount of process chemicals. We are also committed to extending the life-time of shoes by giving our customers advice on how to best maintain their shoes, by continuing to provide less harmful shoe care products, and finally by collecting used shoes for reuse and recycling. Looking ahead, we believe it will become even more important to be proactive and innovative in the search for more sustainable materials.

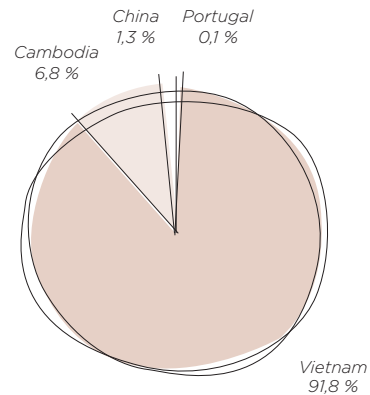




## THE PROGRESSIVE JOURNEY

We are striving to control the entire value chain which is also crucial in allowing us to reach a higher degree of independence. This starts with the design studio at our headquarters, where we make all decisions on design, create our own unique patterns and full-scale prototypes, make product development and strategic choices of materials. By owning our own production facility in Vietnam and working closely with our suppliers, we can work in a hands-on way with sustainability also in the production phase. We aim for a steady base of suppliers and strive to develop good and long-term cooperation. In total we currently have seven suppliers, including our own factory. Five of these are located in Vietnam, one in China and one in Cambodia. The average length of a shoe supplier relationship with Vagabond is 7 years. In addition, we have a number of sub-suppliers that our suppliers deal and communicate directly with.

COUNTRY OF  
MANUFACTURING 2017



### Vagabond's partners and cooperations

We are convinced that we can achieve a much greater and faster impact when interacting with others. We choose to partner with organizations and other companies that can help us to reduce our negative impact on people and the planet. Our partnerships stretch across the value chain, from the design phase to the end of life of our products.

#### AREA

- Chemical Management
- Substitution of hazardous process chemicals
- Water resources management
- Responsible sourcing
- Circular economy & Responsible consumption
- Cross-industry network
- Ethical leather
- Circular approach

#### PARTNER/COOPERATION

- The Chemicals Group
- Swerea IVF
- STWI
- Nordic Shoe network
- I:CO
- CSR in Western Sweden
- Svensk Handel
- Global Fashion Agenda

## ABOUT THE REPORT

This is the third sustainability report made by Vagabond International AB. The report has been prepared in accordance with the GRI Standards: Core option, and aims to update our stakeholders on the progress of our sustainability work.




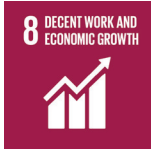


The information in this report is for the Financial year of 2017, starting from January 1st and ending in December 31st, 2017. This report constitutes Vagabond International AB's statutory sustainability reporting. The reported data covers the Vagabond Group as presented in page 29. We aim to measure and report our impact across our value chain, using our own data in most cases and statistics provided from some of our partners. In each case of external data, this will be notified in conjunction to the text. All data is collected by our sustainability team from the relevant functions within our organization and from external parties such as suppliers and partners. The data is based on the best possible systems that are currently available for us. Wherever limitations have been made, this is described within the chapter. In 2017, six Vagabond stores were closed and three new were opened with the addition of a pop-up store which opened for a short period of time in Milano. There have been no changes in the share capital structure or other capital formation, maintenance and alteration operations during the reporting period.



PERFORMANCE AGAINST TARGETS - UNSDG, KPIs AND GRI

UNSDG

We integrate the United Nations' Sustainable Development Goals in our Sustainable strategies and objectives.

UN Sustainable Development Goal						
Eliminate poverty	Ensure healthy lives and promote well-being for all at all ages	Ensure availability and sustainable management of water and sanitation for all	Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all	Ensure sustainable consumption and production patterns	Strengthen the means of implementation and revitalize the global partnership for sustainable development	
<p><b>Vagabond standpoint</b></p> <p>Our vision is to have a positive impact on people. We want to contribute to developing the communities where we locate our business. We want to make sure that anyone engaged in our business will have decent working conditions and the opportunity to make a living during a regular working week.</p>	<p>We want to make sure nobody suffers from health problems due to manufacturing conditions or deriving from the materials used in our products.</p>	<p>We are committed to contributing to better water management and access to clean water in the areas where we locate our business.</p>	<p>We enable thousands of job opportunities throughout our own business and supply chain. We are committed to ensuring that the people engaged in the manufacturing of Vagabond products have decent working conditions.</p>	<p>We are committed to driving our economic growth in a sustainable way. We want to make sure that good materials return to the value flow. We will continue to produce quality long-life products and give our customers access to reusing and recycling opportunities as well as knowledge on how to extend the life-time of the shoes.</p>	<p>We will cooperate and engage in partnerships together with other brands and with our suppliers to enable positive and sustainable changes.</p>	
<p><b>Our actions</b></p> <ul style="list-style-type: none"> <li>- Strive for living wages, inspections of working hours, salaries, overtime compensations and payments of social insurance during our factory inspections, page 23</li> <li>- Work with charity to help improve the lives of children and their families in our production countries, page 21 and 28</li> </ul>	<ul style="list-style-type: none"> <li>- Engage in the glue project, page 17</li> <li>- Test for restricted chemicals, page 16</li> <li>- Change leather linings and insoles to chrome free tanned leather to eliminate the risk of chrome allergies, page 10-11</li> <li>- Strive to reduce and substitute chemicals used in production, page 10, 13 &amp; 16</li> </ul>	<ul style="list-style-type: none"> <li>- Map the water management of our material suppliers and encouraging better water management, page 13</li> <li>- Encourage the leather suppliers to engage in improved water management projects in cooperation with STWI, page 13</li> </ul>	<ul style="list-style-type: none"> <li>- Enabling work opportunities in developing countries throughout our supply chain and inspecting the fulfilment of our Code of Conduct in our suppliers' factories, page 22-28</li> <li>- Enabling improvements of working environment and working conditions in the supply chain, page 20 and 22-28</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to offer quality long-life products that can be worn for many seasons, page 6-7 and 17</li> <li>- Introduce more sustainable materials in our Design phase, page 10-12</li> <li>- Make strict controls on chemicals in production, page 16</li> <li>- Offer more natural shoe care and advise on how to extend the life-time of the shoes, page 17</li> <li>- Offer our customers means for reusing and recycling of their worn-out shoes, page 17</li> </ul>	<ul style="list-style-type: none"> <li>- Cooperate and engage in partnerships for a sustainable development, see page 33</li> </ul>	

Agenda 2030 and the Sustainable Development Goals

We integrate the United Nations' Sustainable Development Goals in our sustainable strategies and objectives.



## THE PROGRESSIVE JOURNEY

### KPIs

#### Summary of our performance against KPIs

In 2016 we started to better consolidate the mapping of important KPIs to enable a uniform handling across our units. By analyzing the statistical differences, we see key figures that vary with natural causes but also parameters for which we need to set strategies and objectives for improvements. Sick leave and employee turnover rates are examples of such variations between units.

ENSURING SUSTAINABLE ECONOMIC GROWTH - TARGETS	2015	2016	2017
Shoe Bring Back program integrated in all Vagabond shops by 2020	Pre-study	10%	82%
Investing in sustainable innovation and find more healthy alternatives to current glue projects in cooperation with Swerea IVF		Phase 1 - identification of high-prioritized substances	Phase 1 and 2 - benchmark and investigation of what other companies and industries do
<b>ENVIRONMENTAL FOOTPRINT AND PLANETARY RESOURCES - TARGETS</b>			
By the end of 2018, all our textile lining will be made of more sustainable materials	0%	42%	96%
By the end of 2018, all our leather insoles will be made from chrome free tanned leather	0%	92%	94%
By 2020, all of our designers will be trained on circular design principles based on industry guidance.			Pre-study
<b>SOCIAL SUSTAINABILITY - ENGAGING IN PEOPLE - TARGETS</b>			
We work continuously with making sure that all our suppliers fulfill Vagabond's Code of Conduct, for example by inspections of direct suppliers and sub-suppliers	71% of direct suppliers inspected 33% of the sub-suppliers inspected	All direct suppliers inspected. 53% of the sub-suppliers inspected	All direct suppliers inspected 57% of the sub-suppliers inspected
We will conduct 2 yearly training sessions on Code of Conduct and Chemical handling with our suppliers	No training session planned	Training occasions planned but postponed to 2017	Trainings conducted with our direct suppliers in Vietnam

## GRI Content Index

GRI 102: General Disclosures 2016 (core)			
Number of disclosure	Disclosure	Comment	Page number
Organizational profile			
102-1	Name of the organization		Front page
102-2	Activities, brands, products, and services		29
102-3	Location of headquarters		29
102-4	Location of operations		22, 29
102-5	Ownership and legal form		29
102-6	Markets served		29
102-7	Scale of the organization	603 employees.	29
102-8	Information on employees and other workers	See GRI-index appendix.	18, 29
102-9	Supply chain		22, 34
102-10	Significant changes to the organization and its supply	No significant changes.	35
102-11	Precautionary principle or approach		31
102-12	External initiatives		10, 12, 13, 17, 18, 21, 34, 36
102-13	Membership of associations		12, 13, 34
Strategy			
102-14	Statement from senior decision-maker		3
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior		2, 4, 8, 9, 15, 18, 24
Governance			
102-18	Governance structure		29
Stakeholder engagement			
102-40	List of stakeholder groups		32
102-41	Collective bargaining agreements		23
102-42	Identifying and selecting stakeholders		31
102-43	Approach to stakeholder engagement		31
102-44	Key topics and concerns raised		32
Reporting practice			
102-45	Entities included in the consolidated financial		29
102-46	Defining report content and topic Boundaries		31, 32
102-47	List of material topics		31
102-48	Restatements of information	No restatements of information from previous reports have been made in this report.	
102-49	Changes in reporting	No significant changes have been made.	35
102-50	Reporting period		35
102-51	Date of most recent report	June 2017	
102-52	Reporting cycle		35
102-53	Contact point for questions regarding the report		39
102-54	Claims of reporting in accordance with the GRI		35
102-55	GRI content index		38
102-56	External assurance	The report has not been externally assured. Vagabond has worked closely with external experts to ensure the report's compliance with the GRI	

Material topics				
Number of disclosure	Disclosure	Comment	Page number	Omission
Environmental standards				
GRI 301: Materials				
103-1-103-3	Management approach		5, 10-12, 14, 17	
301-2	Use of recycled material		11, 14	
GRI 305: Emission to air				
103-1-103-3	Management approach		14, 15	
305-3	Other indirect emissions of CO2	Vagabond only reports carbon emissions derived from logistics/ transports.	15	
GRI 308: Supplier assessment environment				
103-1-103-3	Management approach		13-16, 23-26	
308-1	Amount of new suppliers that have been evaluated according to environment criteria	100%		
Social standards				
GRI 403: Occupational health and safety				
103-1-103-3	Management approach		18, 20	
GRI 405: Diversity and equal opportunity				
103-1-103-3	Management approach		18-19	
GRI 414: Supplier assessment social				
103-1-103-3	Management approach		22-28	
414-1	Amount of new suppliers that have been evaluated according to social criteria	100%		

GRI-index appendix												
102-8 Information on employees and other workers												
		VB International	Czech Republic	UK	Finland HQ	Finland stores	Hungary	Poland	Russia	R1 Sweden	Vietnam	Total
GRI 102-8	Number of female employees with permanent employment contract	68	12	7	3	11	14	5	48	34	203	405
GRI 102-8	Number of men employees with permanent employment contract	36	1	0	2	0	1	0	5	0	38	83
GRI 102-8	Number of female employees with temporary employment contract	32	8	1	0	6	1	23	0	17	0	88
GRI 102-8	Number of male employees with temporary employment contract	24	0	0	0	0	0	1	0	4	0	29
GRI 102-8	Whether a significant portion of Vagabond's activities are performed by workers that are not employees, e.g. consultants (Yes/No)	No	No	No	No	N/A	No	No	No	No	No	No
GRI 102-8	Does Vagabond have significant variations in the numbers reported above during the year, e.g. due to seasonal variations? (Yes/No)	No	No	No	No	N/A	No	No	No	No	No	No
GRI 102-8	Number of female employees working full-time	66	11	3	2	2	11	10	47	7	190	349
GRI 102-8	Number of female employees working part-time	29	9	5	1	9	4	18	1	44	0	120
GRI 102-8	Number of male employees working full-time	48	0	0	2	0	1	0	5	0	38	94
GRI 102-8	Number of male employees working part-time	19	1	0	0	0	0	1	0	4	0	25

## CONTACT US

For more information please contact us at:  
[www.vagabond.com/contact](http://www.vagabond.com/contact)





